ICAC Prosecution, Capital Investment, and the Rule of Law in Hong Kong

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Introduction

Hong Kong has long pride itself on a system of the rule of law and a highly independent and efficient judicial system which has underpinned Hong Kong's economic prosperity. Rule of law has been a way of life for Hong Kongers and a central feature of Hong Kong's culture and identity. This largely results from Hong Kong's socio-political experience as a British colony, as a free capitalist sanctuary from the political turmoil in China under the communist regime. As a British colony, it inherited not only a set of judicial institutions but also a deeply imbued concept of the rule of law. Hong Kong's rule of law has its roots in early colonial attempts by the British to establish Hong Kong as an attractive place of commerce and trade for Chinese as well as European merchants. The colonial judiciary was designed to enforce

a due and even-handed administration of English law (Munn, 1995), in order to facilitate commercial transactions and resolve civil disputes.

Hong Kong's rule of law was installed out of the needs for more efficient and effective colonial governance and wasn't intended as a tool for political liberalization from its inception. The 1970s witnessed a frenzy of legislation ushering in substantive legal and social change, particularly in the field of labor relations and employment (Fields, 1994). In place of political accountability, legal accountability was rigorously enforced, with government and its officials becoming more accountable than ever before to the law. While being denied political rights for most of the colonial period, Hong Kongers nevertheless enjoyed a wide range of liberal rights and freedoms achieved through procedural justice. Notably, the executive branch actively engaged in prosecutorial activities through the Independent Commission Against Corruption (ICAC) to combat corruption, cronyism and patronage in order to create a cleaner business environment. The courts did bring government to account, citizens did enjoy a means of redress for their grievances, and government was moderated by a liberal legal system.

Hong Kong's Bill of Rights was passed in 1991 which granted Hong Kongers wide-ranging internationally recognized freedoms and rights. Since the Chinese government's takeover in 1997, however, much of the gains made between 1991 and 1997 in extending franchise and other political liberalization efforts were stalled or even curtailed by Beijing. Under the "one country, two systems" policy, Hong Kong retained most of its political, legislative, and judicial institutions established during the colonial era. Hong Kong's judiciary remains formally independent and checks and balances between different branches of the government are in-

stitutionally guaranteed by the Basic Law, Hong Kong's constitutional document. However, people remain suspicious about whether Hong Kong's political and economic systems have been rigged by powerful business interests and political elites from both Hong Kong and the mainland China. The struggle of the Hong Kong courts to restrain the rulers have also generated doubts about whether law offers sufficient protection against assaults by political powers in Beijing. There is growing vigilance among Hong Kongers that as the mainland's economic and political influence creeps into Hong Kong, the cherished norms of the rule of law in Hong Kong would be undermined, both in practice and in culture. The utmost concern was the fear that "the widespread corruption which flourishes along with increasing prosperity over the border may seep into Hong Kong as our economies become more entwined."[1]

This paper tries to examine whether the rule of law has deteriorated since 1997, and what is affecting judicial independence in Hong Kong. Given the sometimes intertwined and mutually complementary relationship between the judiciary and the colonial government under British rule, how could the executive branch's prosecutorial activities affect people's evaluation of the rule of law and judicial independence in the post-1997 period? Further, what is driving the executive branch's prosecutorial activism given the various challenges facing the Hong Kong Special Administration Region (HKSAR) government?

Using an original dataset compiled from publicly available publications by the Independent Commission Against Corruption (ICAC), I find that public appraisal of Hong Kong's rule of law and judicial independence decreases as the ICAC's prosecution rates increase.

[1]K. Sinclair, 'A vital dialogue that's good for all', *South China Morning Post*, 24 July 1995.

However, this negative relationship exists only when the unemployment rate is low and gradually disappears as the unemployment rate climbs. Also, when capital investment plays an important role in Hong Kong's economy, ICAC would prosecute less enthusiastically, given that the overall level of societal grievance is low. Nevertheless, capital investment would not dampen ICAC's prosecution activity if social discontent is at high levels.

The paper is organized as follows. The first part gives a brief overview of Hong Kong's legal heritage from its colonial period, including institutional arrangements for an independent judiciary and the law enforcement body ICAC. The second part uses data from the Public Opinion Program conducted by The University of Hong Kong to measure Hong Kong's degree of the rule of law and judicial independence as well as their changes after 1997. In the third section, I use an original dataset on the activities of the ICAC to examine the executive influences on the performance of Hong Kong's rule of law. The fourth part looks at the underlying social-economic forces that drive the executive branch's prosecutorial activism. The final part lays out some possible directions of progress for this project.

Hong Kong's Institutional Heritage

Prior to Hong Kong's handover of sovereignty from the Great Britain to China, especially in the immediate aftermath of the Tiananmen Square Incident in 1989, the sense in Hong Kong's society was that through insidious corruption and misgovernment, the mainland would "destroy that which made Hong Kong prosperous and stable."[1] Following a flight of

[1]The Hong Kong Transition Project survey, Baptist University of Hong Kong, April 2002.

capital and people post-Tiananmen, the Hong Kong government attempted to calm nerves and restore confidence in the future by assuring the population that their rights and freedoms would endure beyond 1997. To this end, in 1991 the British administration introduced a Bill of Rights which incorporated many of the elements contained in the International Covenant on Civil and Political Rights, including due process and fair trial [1]. The Bill of Rights was aimed at building a "wall of laws" that would protect Hong Konger's civil and political rights post-1997 (Jones, 2015). Chris Patten, the last governor of Hong Kong, stated his belief in what he termed the "set of institutional arrangements" that comprised "the rule of law, representative government, freedom of speech, independent courts, clean police, and free trade"(Patten, 1999). Lee (1992) also agrees that the rule of law was Hong Kong's most important defense against any attempts by Beijing to erode Hong Kong's way of life. He argues that without the rule of law, Hong Kong will experience a surge in the corruption and guanxi (politics based on personal contacts) endemic in China.

However, Beijing did not keep things the same after 1997. The National People's Congress Standing Committee (NPCSC) attempted to scrap the Bill of Rights; the Public Order Ordinance was ammended to restrict civil liberties; and in 2002, the HKSAR administration introduced national security legislation, as required by Article 23 of the Basic Law (Ho, 1997). These steps, together with NPCSC interventions in the legal system, provoked claims that the rule of law in Hong Kong "was dead", killed by the HKSAR government's tendency "to exert authoritarian regulation over civil society in the name of legality, order, and patriotism"(Ku and Pun, 2011).

[1]Hong Kong: Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, 1 July 1997, available at: `http://www.refworld.org/docid/3ae6b53d0.html` [accessed 21 June 2016].

Faced with Beijing's tenacious attempts to direct the course of Hong Kong's political development, the Court of Final Appeal and the ICAC are the institutions that play important roles in safeguarding Hong Kong's judicial independence and the rule of law.

The Court of Final Appeal

The Court of Final Appeal was established on July 1, 1997 upon the commencement of the Hong Kong Court of Final Appeal Ordinance. It replaced the Judicial Committee of the Privy Council in London as the highest appellate court of Hong Kong after June 30, 1997. According to the Basic Law, the Court exercises judicial power in the region independently and free from any interference[1]. The Basic Law also provides for the maintenance of the laws previously in force in Hong Kong and the common law tradition continues in the jurisdiction. The Court of Final Appeal adjudicates on cases in accordance with the laws of Hong Kong and may refer to precedents of other common law jurisdictions.

The Basic Law authorizes the Court to interpret on its own provisions of the Basic Law falling within the autonomy of Hong Kong. However, Article 158(3) stipulates that, where the interpretation of certain excluded provisions of the Basic Law is involved in an appeal, the Court must first seek an interpretation of that provision from the NPCSC of China before making its final judgment. Moreover, the Hong Kong Court of Final Appeal Ordinance prescribes that the Chief Justice and the permanent judges of the Court will be appointed by the Chief Executive acting in according with the recommendation of the

[1] `http://www.basiclaw.gov.hk/en/basiclawtext/.`

Judicial Officers Recommendation Commission.[1] But in order to appoint or remove judges of the Court, the Chief Executive is required to report the appointment or removal to the National People's Congress of China, after obtaining the endorsement of the Legislature Council (the legislature of Hong Kong).[2] Such institutional designs embedded in the Basic Law would make the central government's interference in Hong Kong's legal affairs more justifiable. Not surprisingly, the NPCSC's judicial interpretation of the Basic Law regarding the election of Hong Kong's Chief Executive has become the focus of contention in recent pro-democracy movements demanding universal suffrage for electing Hong Kong's head of government (Davis, 2016), which has been largely unfulfilled under NPCSC's interpretation of the Basic Law.

The Independent Commission Against Corruption

The ICAC was established by in 1974 during the British rule. Its main aim was to clean up then endemic corruption in the many departments of the Hong Kong Government through law enforcement, prevention and community education. The ICAC is independent of the Hong Kong Civil Service. The Basic Law of Hong Kong stipulates that the ICAC shall function independently and be directly accountable to the Chief Executive of Hong Kong. Previous to the transfer of sovereignty in 1997, ICAC reported directly to the Governor of Hong Kong, and appointments to the ICAC were also made directly by his office. Since

[1]The Commission is a statutory body established under the Judicial Officers Recommendation Commission Ordinance and composed of the Chief Justice, Secretary for Justice (themselves appointed to office by the Chief Executive) and seven others appointed by the Chief Executive of the HKSAR: two judges, one barrister, one solicitor and three other persons unconnected with legal practice. See `http://www.info.gov.hk/cml/eng/cbc/a130.htm`.

[2]Hong Kong Court of Final Appeal Ordinance (The Basic Law of HKSAR Cap.484)

1997, the Commissioner, the head of of the ICAC, has been appointed by the State Council of the People's Republic of China, based on the recommendations of the Chief Executive of Hong Kong[1].

The ICAC is given extensive legal power to investigate and bring the corrupt to book under different ordinances. For example, the Prevention of Bribery Ordinance gives the ICAC powers to search bank accounts, to hold and examine business and private accounts, to require the suspects to provide details of their assets, income and expenditure, and to detain travel documents and restrain disposal of property in order to stop the corrupt from attempting to flee Hong Kong or laundering their ill-gotten gains so as to avoid forfeiture by the courts [2].

The Legislative Council holds the authority of conferring and repealing the powers of the ICAC. The ICAC Commissioner is required to answer to the Legislative Council on policy and funding matters. After completion of investigations, the power to prosecute is vested with the Secretary for Justice, and the separation of powers requires that no case is brought to the courts solely on the judgement of the ICAC. Regarding its relationship with the judiciary, the ICAC is required to seek prior court approval for exercising certain powers, and it usually considers comments from the court and conducts reviews on operational procedures to avoid misuse of power[3].

Now the question is, given that the institutional guarantees which enable the Court of

[1] http://www.icac.org.hk/en/about_icac/bh/index.html

[2] http://www.icac.org.hk/mobile/en/about_icac/le/index.html

[3] http://www.icac.org.hk/en/checks_and_balances/bf/index.html

Final Appeal and the ICAC to uphold Hong Kong's rule of law are impaired by Beijing's exertion of influence, how much confidence do Hong Kongers still have in their legal system? Secondly, under the colonial government the ICAC and the courts often worked in concerted efforts to bring down corrupt officials. Then how would the executive branch's prosecutorial activities through ICAC affect Hong Kong's rule of law and judicial independence when the appointments of both the Chief Justice and the Chief Executive have to be approved by Beijing? This paper proceeds to answer these questions.

Evaluating Hong Kong's Rule of Law

Ginsburg and Moustafa (2008) point out that formalist conceptions of the rule of law are not enough to ensure substantive notions of political liberalism. Ríos-Figueroa and Staton (2014) also do not observe a strong and direct link between the rules that allegedly promote judicial independence and independent behavior. The emphasis on the distinction between measurements of de jure and de facto judicial independence is particularly important in the case of Hong Kong. De jure, Hong Kong people's political and civil rights are recognized and protected by the law and a set of underlying institutions. But Beijing's preferences often weigh heavily in HKSAR government's decision-making and the appointments of important public officials through indirect maneuvers and behind-the-door negotiations with Hong Kong's powerful political and economic elites (Goodstadt, 2005; Carroll and Carroll, 2009; Bowring, 2014; Chen, 2014). Lacking reliable objective measures of Hong Kong's de facto judicial independence, I resort to a subjective evaluation of the city's rule of law and judicial independence using survey data.

The Public Opinion Program (POP) conducted by The University of Hong Kong provides three indicators of the rule of law in China: Appraisal of Degree of Compliance with the Rule of Law, Appraisal of Degree of Fairness of the Judicial System, and Appraisal of Degree of Impartiality of the Courts[1]. I use the last index as the measurement for the degree of judicial independence. The survey question for measuring compliance is: "If you were to use 0-10 to evaluate whether Hong Kong is a society governed by the rule of law, with 10 indicating absolutely yes, 0 indicating absolutely not, and 5 indicating half-half, how would you rate Hong Kong?" The questions for measuring the judiciary's fairness and impartiality are similarly worded. The survey is conducted multiple times each year from 1997 to 2015 among Hong Kong citizens above 18 years old, and is conducted only twice each year since 2006. For the purpose of comparison, I take the average of the two half-yearly averages for each year from 1997 to 2015.

AS shown in Figure 1, the three subjective measures of the rule of law in Hong Kong are highly correlated, which indicates their internal coherence and validity. I also use the World Bank Rule of Law index to further check the reliability of POP's subjective measurement. I don't use the World Bank index because it has a smaller sample size due to missing data for years 1997, 1999, and 2001. Nevertheless, Figure shows that the World Bank measurement of rule of law roughly matches the POP measurement.

[1]For the three indicators, see `https://www.hkupop.hku.hk/english/popexpress/judiciary/index.html`. For details about the survey method, such as sample size and response rate, see `https://www.hkupop.hku.hk/english/popexpress/judiciary/socq44/poll/surveymethod.html` and `https://www.hkupop.hku.hk/english/popexpress/judiciary/socq44/halfyr/contactinfo.html`

Figure 1 Indicators of the Rule of Law

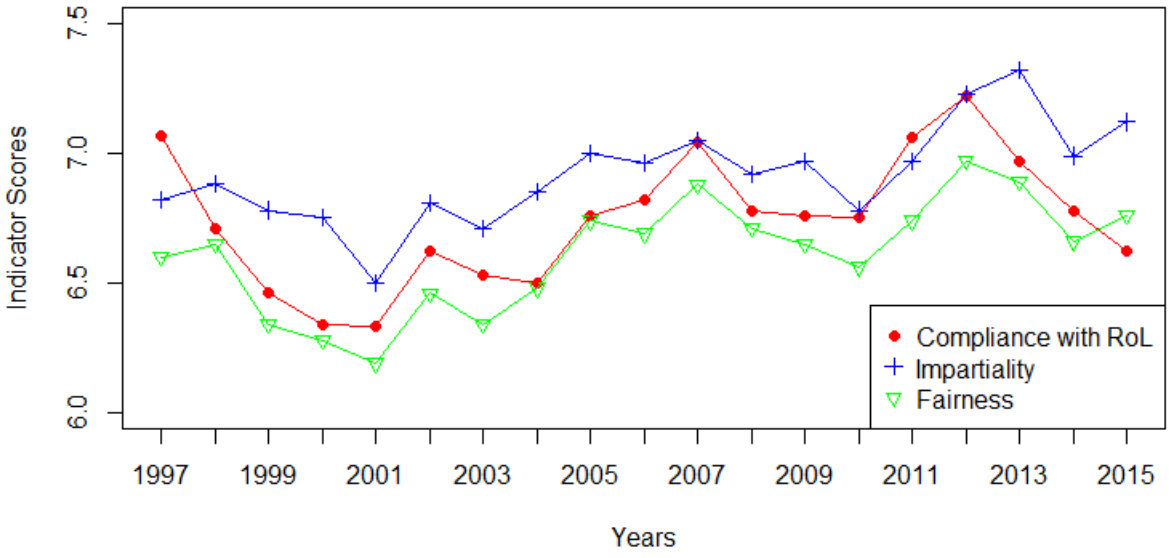
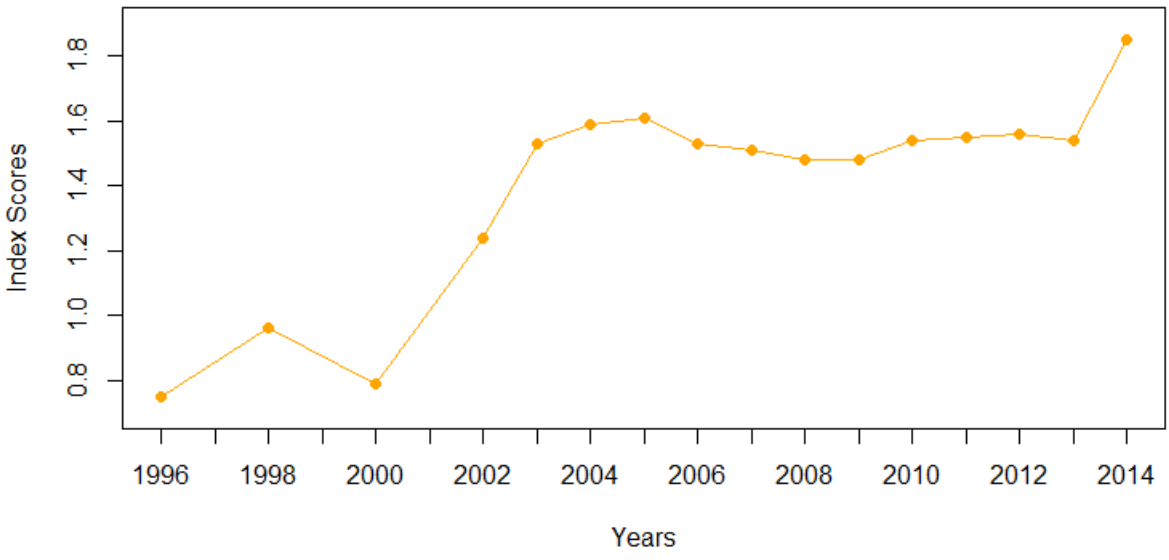


Figure 2 World Bank Rule of Law Index



It's noticeable that both figures indicate that there actually hasn't been a continuous deterioration of Hong Kong's rule of law since 1997. After a short decline of judicial scores

towards the end of the 20th century, the rule of law has in fact somewhat improved during the first decade of the 21st century. Although Hong Kongers' subjective perceptions of the legal system have worsened in recent years, their evaluations haven't changed much compared with the state of the judiciary at the handover in 1997, while the World Bank index even shows significant improvement of the rule of law.

If Hong Kong's rule of law hasn't deteriorated as much as people expect it would under Beijing's increasingly assertive political and legal interference[1], then does it mean Hong Kong's legal system has remained mostly intact after 1997? What other factors might explain the fluctuation of the degree of the rule of law in Hong Kong?

The Rule of Law and the ICAC

As in most democratic societies, there are inherent tensions between a strong law enforcement body and the rule of law (Marx, 2001; Bayley, 2002). As the executive branch's "corruption police" that answers directly to the Chief Executive, the ICAC has the mandate to legally use force, engage in summary punishment, use covert surveillance, and to stop, search and arrest citizens when needed. This power is bound to generate opposition from those who are subject to it and from citizens who feel unsafe by such power since it offers great temptations for abuse. The ICAC's Law enforcement requires a delicate balance between respecting civil liberties and maintaining social order, between upholding the rule of

[1]Recently Chinese authorities were accused of violating the "one country, two systems" rule by kidnapping on Hong Kong territory several Hong Kong booksellers who sold books on sensitive political topics and gossips about Chinese leaders. See `http://time.com/4170605/lee-bo-disappearance-bookseller-china-hong-kong/` and `http://www.scmp.com/news/hong-kong/politics/article/1899660/vanishing-freedoms-disappearance-bookseller-lee-bo-raises`.

law and overriding it, which is even more complicated when other political and economic incentives are at play.

To measure the the scope of law enforcement activities of the ICAC, I manually compiled a dataset using the annual reports of the ICAC published on its website[1]. The dataset includes information on the total number of corruption complaints received each year by the ICAC from 1974 to 2014, the total number of cases investigated by the ICAC, the number of investigations completed, the number of persons prosecuted by the ICAC and the number of persons convicted by the court. From these I can calculate the investigation rate, the completion rate, the prosecution rate, and the conviction rate:

$$\text{Investigation rate } = \frac{\text{Number of cases investigated}}{\text{Total number of corruption complaints}}$$

$$\text{Completion rate} = \frac{\text{Number of cases completed}}{\text{Number of cases investigated}}$$

$$\text{Prosecution rate } = \frac{\text{Number of persons prosecuted}}{\text{Number of cases completed}}$$

$$\text{Conviction rate } = \frac{\text{Number of persons convicted}}{\text{Number of persons prosecuted}}$$

Figure 3 shows the Corruption Perceptions Indices (CPI) of Hong Kong from 1995 to 2015 complied by Transparency International[2]. Figure 5 shows the change in the total number of corruption reports received by the ICAC each year during the same time period.

[1] http://www.icac.org.hk/en/about_icac/p/icacar/index.html

[2] https://www.transparency.org/country/idx99

Figure 3 Transparency International Corruption Perception Index

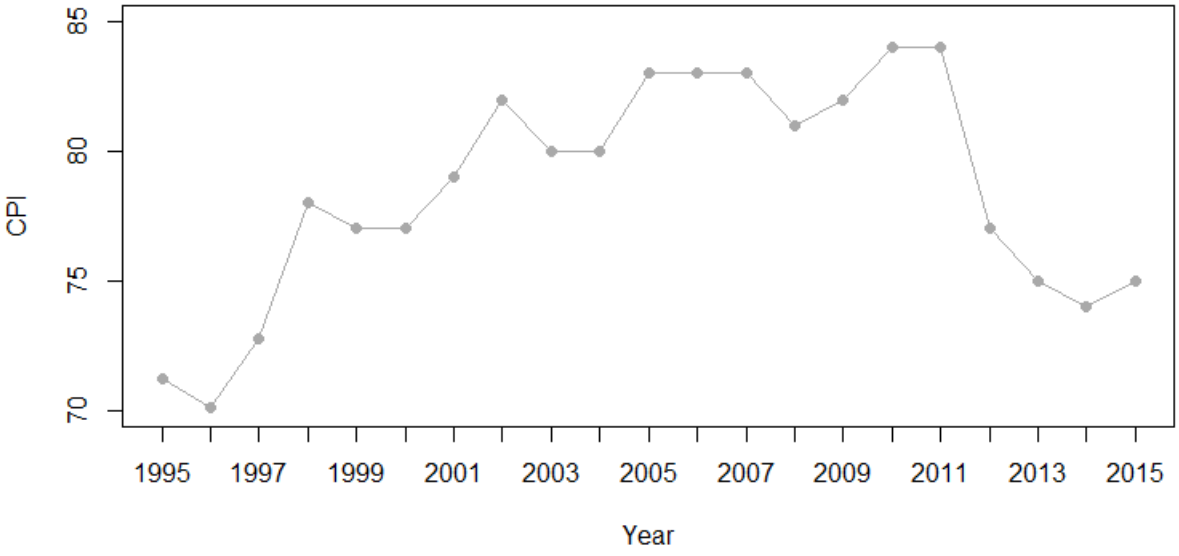
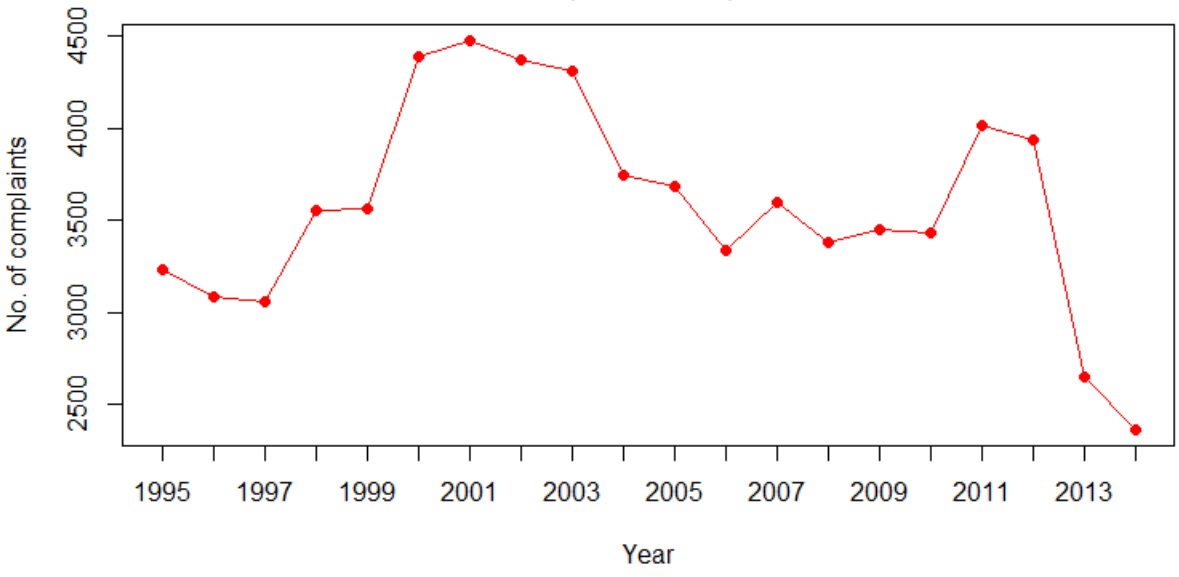


Figure 4 Number of Corrpution Complaints Received by the ICAC (1995-2014)



The two figures seem to indicate that the CPI and the amount of corruption reports are highly correlated (a correlation test of the two variables yields a correlation coefficient

of .460 with a p-value of .041). That is, as Hong Kong people perceive less corruption in the society (thus higher CPI scores), more reports of corruption are filed to the ICAC; and when more extensive corruption is perceived (thus lower CIP scores), fewer cases of corruption are reported. This is a somewhat confusing finding.

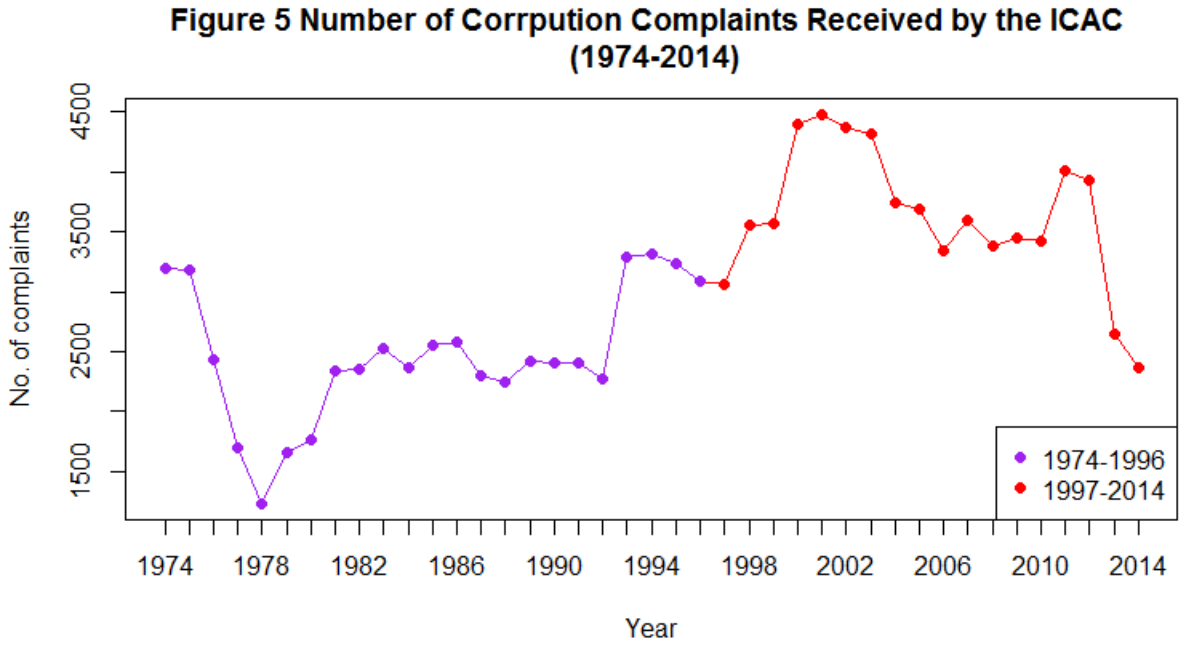


Figure 5 shows that, the number of corruption complaints spiked after 1997, but started a downward trend since around 2002. By 2014, the amount of corruptions reported to the ICAC has reverted back to the average level of the pre-1997 period, although by Transparent International's CPI measure, the extent of corruption in Hong Kong has got worse in recent years.

In addition to looking at the sheer size of reported corruption cases, I also use the investigation rate, completion rate, prosecution rate and conviction rate to evaluate the law enforcement activities of the ICAC.

Figure 6 Law Enforcement Activities of the ICAC

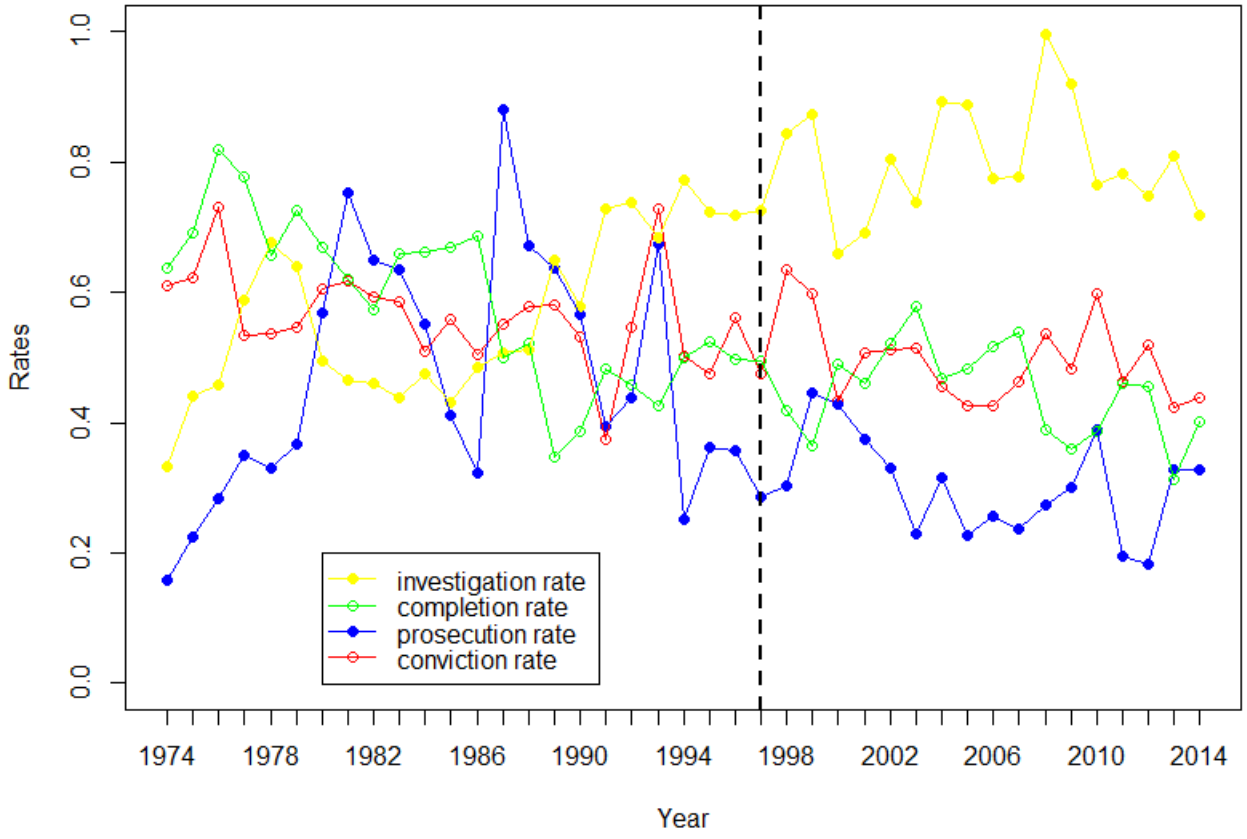


Figure 6 shows that prior to 1997, the four rates of the ICAC's activities are not distinguishable from each other, but after 1997 the investigation rate has soared higher than the other three rates while and the prosecution rate has stayed below the other three. It implies that the ICAC has been more responsive to the public in terms of investigating the corruption reports it receives, but it prosecutes fewer persons for each case whose investigation is complete. The investigation rate and the prosecution rate are negatively correlated with a coefficient of -4.33 at .005 significance level. The completion rates and the conviction rates exhibit normal fluctuations. Then the question is, how might this pattern of the ICAC's law enforcement be associated with Hong Kong's degree of the rule of law post 1997?

To answer this question, I run an Ordinary Least Squares model to examine the factors that could potentially affect the rule of law in Hong Kong. The variables included and the results are shown in Table 1. I use POP's "Appraisal of Degree of Compliance with Rule of Law" as the dependent variable. Because POP's three indicators of the rule of law are highly convergent, using the compliance indicator and the impartiality indicator as the dependent variables generates very similar results. I don't include investigation rate in the model in order to avoid the multicolinearity problem, since investigation rate is highly correlated with prosecution rate. I include conviction rate because conviction by the court is a relatively independent process and might capture some unobservable characteristics of the judiciary.

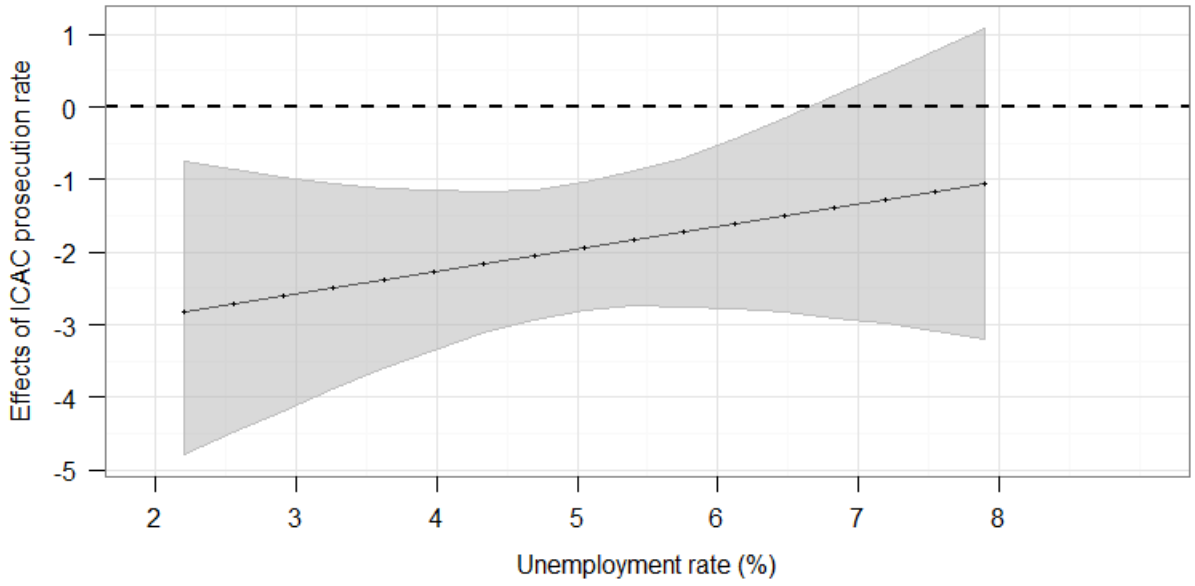
In Model 1, prosecution rate is negatively correlated with compliance with the rule of law at the .01 significance level, after controlling for a range of other factors that are usually deemed to be associated with the rule of law. The result implies that when the ICAC prosecutes more people per case, people's evaluation of the rule of law would be more negative, even holding people's perceptions of corruption at the same level. This might indicate the public's lack of trust in the ICAC's anti-corruption activities post 1997. Aggressive prosecutorial activities by the ICAC might be seen as an executive overeach to achieve certain political purposes, and thus threatening the rule of law (Nelken and Levi, 1996). GDP is also positively associated with the rule of law, but its effects are very small. When the government increases its spending as a percentage of the GDP, the rule of law is negatively affected. This might result from Hong Kongers' long-held beliefs in a limited government and a laissez-faire economy. Surprisingly, conviction rate, CPI and unemployment rate have no observable effects on Hong Kongers' appraisal of the rule of law.

Table 1

	Dependent variable:	
	Compliance with the Rule of Law	
	Model 1	Model 2
Prosecution rate	-1.968^{***}	-3.521^{**}
	(0.403)	(1.503)
Conviction rate	0.339	0.250
	(0.434)	(0.439)
GDP per capita	0.00002^{**}	0.00002^{**}
	(0.00001)	(0.00001)
% of Govt spending in GDP	-0.199^{*}	-0.189^{*}
	(0.090)	(0.090)
CPI	-0.015	-0.015
	(0.011)	(0.011)
Unemployment rate %	0.050	-0.042
	(0.062)	(0.106)
Prosecution rate*Unemployment		0.314
		(0.293)
Constant	9.321^{***}	9.751^{***}
	(1.271)	(1.325)
Observations	18	18
R^2	0.885	0.897
Adjusted R^2	0.823	0.825
Residual Std. Error	0.108 (df = 11)	0.107 (df = 10)
F Statistic	14.162^{***} (df = 6; 11)	12.468^{***} (df = 7; 10)
Note:		*p<0.1; **p<0.05; ***p<0.01

Considering that people's assessment of the rule of law is often tied to the general well-being of the society, such as the employment condition, I add an interaction term between the prosecution rate and the unemployment rate in Model 2. Figure 7 shows that the negative effects of ICAC prosecution on rule of law is more pronounced when the unemployment rate is low; when unemployment reaches 7% or 8%, however, people no longer view ICAC's prosecutorial activism negatively regarding the rule of law. It might be that when unemployment becomes a serious problem, people would be more wary of corruption and want the ICAC to hold those responsible to account.

Figure 7 Effects of ICAC prosecution conditional on unemployment rate



Capital Investment and ICAC Prosecution

Since the ICAC's prosecution rate seems to have a negative and significant effect on rule of law in Hong Kong, next I'm interested in what factors drive the ICAC's prosecutorial

activism. I again run an OLS model on a range of variables that should ex ante predict the scope and intensity of the ICAC's law enforcement activities. In Model 3, the total number of complaints is a measure of the level of societal grievance that might pressure ICAC employees to work harder. The number of cases investigated gauges the workload of the ICAC. When the ICAC devotes more of its resources to investigate pending cases, it will have less resources to prosecute completed cases. I also include a battery of economic performance indicators obtained from the World Bank database.

The results in Table 2 show that the percentage of capital investment in Hong Kong's GDP has a large and negative effect on the prosecution rate. That is, when capital investment plays a more important role in Hong Kong's economy, the ICAC will prosecute less aggressively. The result holds even after controlling for capital investment's effects in creating new jobs, boosting economic growth, increasing inflation, etc. In other words, when capital investment expands its share in Hong Kong's economy, it could discourage the law enforcement's anti-corruption campaigns through channels other than affecting the overall state of the national economy. It might reveal the influence of powerful business interests in Hong Kong's judicial politics, though future evidence is needed. I also ran an interaction model to see if the effects of capital investment would be affected by the severeness of social discontent. Figure 8 shows that when the overall public dissatisfaction is low, capital investment is better at constraining the ICAC's prosecution activities; when social discontent is high, however, the law enforcement body would prosecute more aggressively and are less fettered by capital investment.

I also run another interaction model to see how capital investment's effects on law

enforcement would be conditioned by Hong Kong's trade openness. Figure 9 shows a similar result that, when trade openness is low, capital investment has significantly negative effects on ICAC's prosecution rate. But such dampening effects disappear when trade becomes more open in Hong Kong. It could indicate that more trade openness would result in more opportunities for public scrutiny, therefore making business interests harder to influence the law enforcement body's work. Nevertheless, these are only preliminary evidence for my theory.

Figure 8 The Effects of Capital Investment Conditional on Societal Grievance

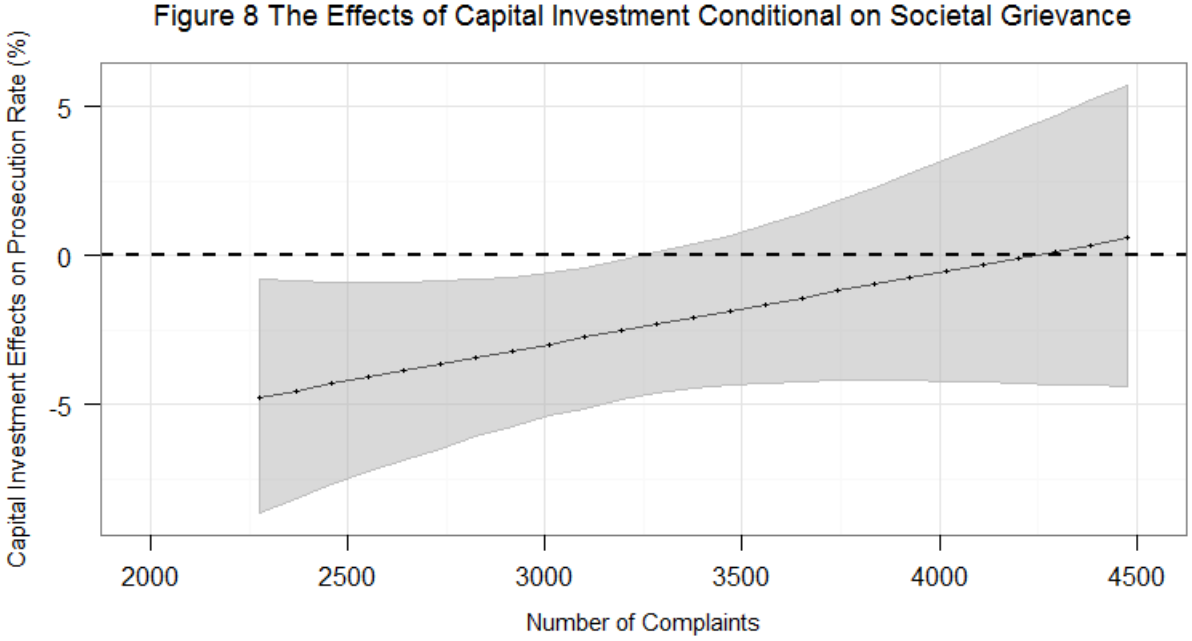
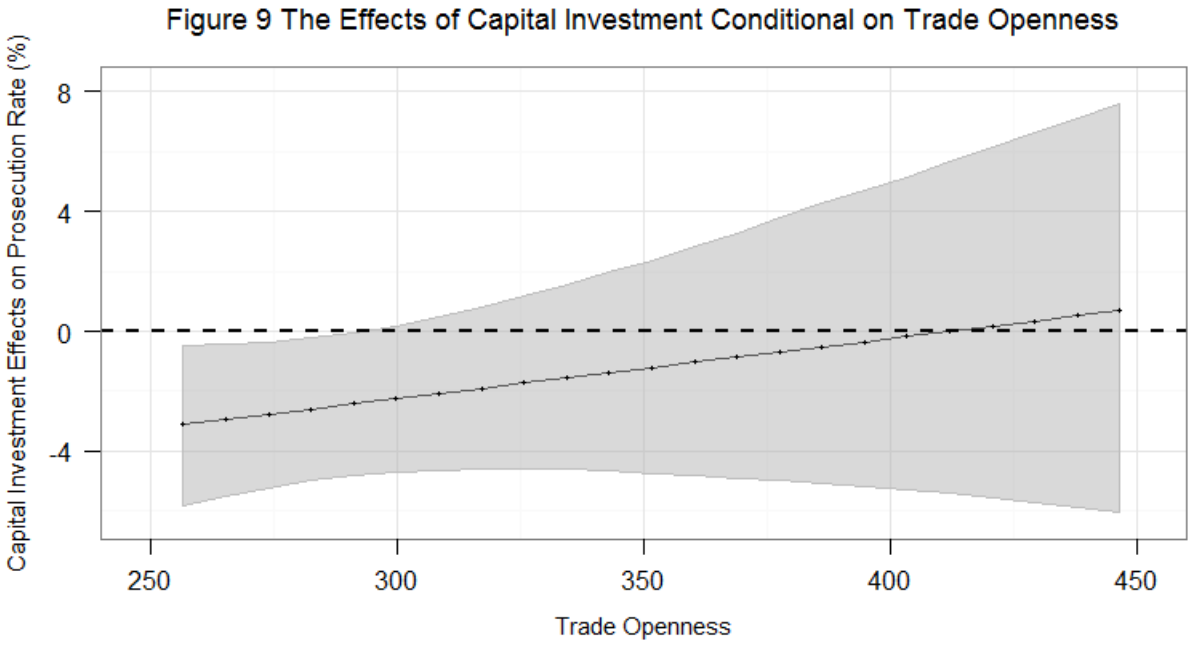


Table 2

	Dependent variable:	
	Prosecution rate (%)	
	Model 3	Model 4
Number of complaints	0.003	−0.060
	(0.006)	(0.042)
Number of cases investigated	−0.015*	−0.014*
	(0.008)	(0.007)
% of Capital Investment in GDP	−2.514**	−10.284*
	(1.122)	(5.322)
Labor participation rate (%)	−14.175	−12.466
	(9.095)	(8.840)
Trade openness	−0.087	−0.027
	(0.166)	(0.165)
Economic growth (%)	0.315	0.239
	(0.746)	(0.720)
Imports in dollars	−0.113	−0.133
	(0.116)	(0.113)
Inflation (%)	1.620	1.407
	(1.214)	(1.179)
# of Complaints*Capital investment %		0.002
		(0.002)
Constant	1,050.016*	1,132.089*
	(580.985)	(562.666)
Observations	25	25
R^2	0.613	0.663
Adjusted R^2	0.420	0.461
Residual Std. Error	8.595 (df = 16)	8.284 (df = 15)
F Statistic	3.175** (df = 8; 16)	3.285** (df = 9; 15)
Note:		*p<0.1; **p<0.05; ***p<0.01



Future Directions

I intend to improve this project in three directions:

1. Other measurements of de jure judicial independence and the rule of law to validate or invalidate my findings using only survey data.

2. To separate capital investment related to Chinese investors from that related to local Hong Kong investors, and see if they have different effects on the ICAC's prosecution.

3. To provide more micro-evidence such case studies to establish a coherent theory about the influence of business interests in the judicial politics of non-democracies. In particular, how is capital investment different from other types of economic activities in terms of affecting public officials and judicial institutions.

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