

# Some Economic Issues concerning the Loss of the Special Status Relationship between the United States and Hong Kong

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## Abstract

The demonstrations in 2019, 2020 and thereabouts for the preservation of certain civil rights in Hong Kong, led to some suppression by the Chinese National central government. As a result, some of the special trade advantages between Hong Kong and the U.S. were lost. The economics and cultural special traits helped Hong Kong thrive. Having a judicial system separate from that of Mainland China, allowed for a more commerce producing judiciary. A key requirement for Hong Kong to be treated differently than Mainland China was for Hong Kong to have some independent autonomy, sufficient for the U.S. to see Hong Kong as a separate area politically from Mainland China. In July 2020, the U.S. made the formal decision to take away Hong Kong's special status, because a sufficiently independent Hong Kong no longer exists. This article examines the history of this phenomena and the results of having that special trade policy changed. Data from recent years show how the economy with Hong Kong and trade with Hong Kong has changed. Unfortunately, some cultural ties and exchanges between the United States and Hong Kong have also been curtailed. These changes regarding cultural ties are beyond the scope of this article. In regard to Chinese support for the United States, Ukraine and NATO, Ukraine in the war between Ukraine and Russia, this should be pointed out. China should support Ukraine, since it is in China's best interest, and it is the right action to take.

**JEL Classification:** F1, F2, F3, F4, F5, F6.

**Keywords:** Hong Kong, Special Trade Status, World Trade Organization (WTO), Hong Kong Democracy Demonstrations, Russian invasion of Ukraine 2022.

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## I. Introduction

To understand how Hong Kong grew into this predicament of losing its special status for trade with the United States, one first has to understand the character of China's present day leader, Xi Jinping. In 1978, Deng Xiaoping became the leader of China. If we examine the leadership of China, starting with Deng Xiaoping, we can see three leaders who took China in a different direction in some ways compared to how Mao ruled China. Deng Xiaoping, Jiang Zemin and Hu Jintao pursued a tact of being somewhat less controlling than what Mao Zedong pursued in some ways. The arrival of Xi Jinping changed China greatly. Sadly, in 2018, Xi Jinping decided to abolish presidential term limits, signaling his plan to stay in power indefinitely. Xi has pursued heavy-handed purges, ousting prominent party officials under the pretense of an anticorruption protests in drive. Furthermore,

Xi has suppressed protests in Hong Kong, arrested many, many human rights lawyers and activists, and “imposed the tightest media censorship of the post-Mao era” (Pei, 2020).

## **II. Xi Jinping’s Recent Policy Steps Concerning Hong Kong**

Xi Jinping wishes to make some changes. Hong Kong has already been part of China. Although Xi Jinping was to take away the one country two systems approach for Hong Kong, in recent years. Hong Kong has very little local rule now and is dominated by the national Chinese government. He already did that with Hong Kong. In the year 2020, China imposed a national security law on the Hong Kong which effectively ended its autonomy under the “one country two systems” governance model. That special model had been put in place in 1997 at the time of Hong Kong’s handoff from London to Beijing. Once the national security law was imposed on Hong Kong, “in a matter of months, Beijing undermined the city’s long standing commitment to basic human rights and the rule of law and transformed Hong Kong into just another mainland Chinese city” (Economy, 2022).

Now Xi wishes to increase his authority over Taiwan. The one country two systems has never been an approach that Taiwan agreed to. So that situation is more complicated. Increasing China’s area of sovereignty over the South China Sea is another significant goal of Xi (Economy, 2022).

David Dollar (2021) is a senior fellow in the John L. Thornton China Center at the Brookings Institution, and he has discussed the Russia invasion of Ukraine. Russia’s invasion of Ukraine started on the 24<sup>th</sup> of February in 2022. The issue of China’s possible support for Russia in this war has been an issue. Economic factors have to come into play. Xi Jin Ping has stated that NATO (North Atlantic Treaty Organization) should not support Ukraine, but he also said Russia should respect Ukrainian sovereignty. Now what about the economic factors? The dollar amounts of commerce that China engages in with both the USA, the West and Japan dwarfs China’s trade with Russia (Dollar, 2021). On the other hand, China has issues concerning geostrategic importance. “China’s relations with the U.S. are the worst they have been in 50 years” (Dollar, 2021). Furthermore, China’s relationship with the EU has also deteriorated (Dollar, 2021). The Biden administration is trying to build a coalition of democracies to counter China” (Dollar, 2021). Many Chinese leaders think that policy makers of the U.S. will never accept China’s rise. Also, Chinese leaders do not like the idea that the U.S. controls the World financial system. So, rhetorically they are opposed to Western sanctions. Chinese leaders blame NATO and the U.S. as the root cause of the Ukraine war. Some Chinese leaders see Putin as a fellow resister to the U.S.-led international order. It is simplistic to “dismiss this group as an ‘axis of authoritarians,’ but that misses the point that there is widespread sympathy in the developing world for China’s viewpoint that the United States is abusing its standing as the dominant economic power. Furthermore, major democracies such as India, Brazil, and Indonesia have not condemned Russia (Dollar, 2021).

China is trying to walk a middle path in the Ukraine – Russia conflict. Of course the U.S. and all of NATO supports Ukraine. The U.S has placed many trade sanctions on Russia had tried to get other countries to have their commerce with Russia lessened at this time (Dollar, 2022). There are many variations of speculations about the future for the relationships between Russia, China and the U.S. (Dollar, 2022). The author of this article chooses not to speculate since doing so cannot be done with any certainty (Dollar, 2022).

The war in Ukraine can cause a major disruption in U.S.-China economic ties” (Dollar, 2022). China receives from trade with Russia “oil, gas, some other minerals, and a small amount of food” (Dollar, 2022). These can be replaced by trade with other countries. Furthermore, the advanced military equipment China receives from trade with Russia probably can be replaced through trade with other nations (Dollar, 2022).

Yet what China gets from the West, on the other hand, is impossible to replace. A large part of that is “technology in different forms: advanced equipment such as aircraft, high-end semiconductors, and software, to name a few” (Dollar, 2022). In regard to this technology, China obtains these items directly and by joint production and information exchange, this is “building up China’s own technical capability to eventually produce them itself” (Dollar, 2022). The phenomenon of convergence or merging with other economies has fueled much of China’s growth over the past four decades has occurred due to China having an open economy compared to how China was before. If China were to cut itself off from the West at this middle stage of development, China will likely

“pay a heavy price in terms of slower productivity growth and hence slower increases in living standards” (Dollar, 2022). China is giving some measure of implicit support for the sanctions against Russia. The reality is that “if China has to choose between doing business with the West or with Russia, economics dictates that it should stick with the West” (Dollar, 2022).

### III. More Background on Hong Kong as an International Trade Center

It cannot be overstated about what an international trade hub that Hong Kong is. The author of this present article experienced what other people. Many people have had foreign and domestic experience in Hong Kong. This experience is seeing so many “international brands on display” (Chiu et al, 2022). In regard to tariffs, Hong Kong is built upon the idea of free trade stressing government should impose little to no restrictions on different trade-related activities. “Metaphorically, ‘free trade’ can be said to be ingrained in Hong Kong’s DNA” (Chiu et al, 2022). Hong Kong serves as one of the World’s largest trading economies. It is also an international financial and commercial center (Chiu et al, 2022). The treaty that handed authority over from the U.K to China, included a the once country, two systems arrangement. This included the provision that the People’s Republic of China government had promised Hong Kong a “high degree of autonomy” for fifty years (1997-2047) (Carroll, 2007). Later in 2021, after Beijing imposed Security Law was adopted, in Hong Kong a national security law has stifled pro-democracy dissent and that could lead to imprisonment of activists (Morgan, 2021) Hong Kong failed to adopt a national security law, in the manner that the Chinese national government wanted. The Hong Kong Legislative Council failed to do that after Hong Kong was handed back from the British to China. For a while between 1997 and the clampdown by Beijing, Hong Kong had a high degree of autonomy in local affairs (Gunia, 2020a, 2020b). Table 1 presents some of the important years in Hong Kong history. The reader can note that during part of the 1800s, the U.K. increased its authority over Hong Kong. Then in 1984, the U.K. and China came to an agreement about details concerning the anticipated handover of Hong Kong back to China. In 1992, the U.S. stated it would continue treating Hong Kong as a unique place, different in many ways from Mainland China. In 1997, the actual handover took place. In 2020, due to the increased role for the Chinese national government in governing Hong Kong, the special status for Hong Kong extended by the United States came to an end.

Table 1. Just some of the key dates in Hong Kong history

Year	Major activity	Sources
1842	Treaty of Nanjing recognized Hong Kong as a British Crown Colony.	Lau (1997)
1860	Convention of Peking granted land the increased size of Hong Kong British Crown Colony	Lau (1997)
1898	Convention for the Extension of Hong Kong Territory or the Second Convention of Peking, increased Hong Kong Crown Colony to include more area, such as New Territories	Lau (1997)
1984	Sino-British Joint Declaration on the Question of Hong Kong	Carroll (2007)
1992	Hong Kong Policy Act states that U.S. would continue laws that were passed prior to 1997	Carroll (1997)
1997	Hong Kong is officially handed over from the UK to China	Carroll (1997)
2019	To recognize the Joint Declaration, the United States enacted the U.S.-Hong Kong Policy Act of 1992, which it later amended in the Hong Kong Human Rights and Democracy Act of 2019.	Gunia (2022a, 2022b) Hart (2021) (Hong Kong Human Rights and Democracy Act, 2021)
2020	Hong Kong loses much of special status in regard to how the U.S. treats Hong Kong.	Commission (2020) ; (Gunia, 2020)

Source: Table created by Paul F. Gentle.

Nina M. Hart is a Legislative Attorney in the Congressional Research Service. Hart (2021) states, “Hong Kong’s Legal Status as a Special Administrative Region From 1842 to 1997, the United Kingdom exercised sovereignty

over Hong Kong” (Hart, 2021). Then in 1984, “the Chinese and British governments negotiated the Sino-British Joint Declaration on the Question of Hong Kong (Joint Declaration), which transferred control of Hong Kong to China in 1997 while articulating certain rights for Hong Kong” (Hart, 2021). The special nature of Hong Kong existed precisely because it was not governed by the typical political nature of China (Carroll., 2007). In Hong Kong there are an estimated 85,000 American citizens living there. Furthermore, about 1,300 U.S. business firms operate in Hong Kong (Gunia, 2020a, 2020b).

An important agreement happened in 1984. The governments of China and the United Kingdom “negotiated the Sino-British Joint Declaration on the Question of Hong Kong (Joint Declaration), which transferred control of Hong Kong to China in 1997 while articulating certain rights for Hong Kong” (Hart, 2021). This “Joint Declaration” said that Hong Kong will have a great extent of autonomy, except in foreign and defense matters of state for fifty years after 1997. Also that declaration stipulated that Hong Kong will retain the status of being a free port. Hong Kong Special Administrative Region is the official name for Hong Kong. Hong Kong is permitted to retain its membership in GATT (General Agreement on Tariffs and Trade), the predecessor of WTO (World Trade Organization) (Hart, 2021).

The issues of a security law for Hong Kong has been examined over the years by both the Hong Kong SAR government and the national government of China in Beijing. In 2003, legislation for such a security law to be enacted by the SARs were blocked due to mass public demonstrations of hundreds of thousands of people on the streets of Hong Kong (Lord et al, 2003). Overtime, it seemed to the Chinese national government that a national security law would not be forthcoming on the part of Hong Kong SAR local government. Therefore, the Chinese national government drew up a national security law, to apply to Hong Kong SAR. The move came after Hong Kong’s Legislative Council failed in its obligations to enact such a law since the former British colony was handed back to China in 1997. Critics say, however, that the Chinese government’s bypassing of the local legislature undermines the “high degree” of autonomy promised to Hong Kong when China resumed sovereignty over the territory of 7.4 million. (Griffiths et al, 2020; Gunia, 2020a, 2020b).

In 2020, a more severe law was not only considered but actually adopted by force upon Hong Kong. The national government in Beijing did the imposing (Wong, 2020). That is National Security Law was passed by the National People’s Congress. This Chinese national government imposed law authorized police search power, without a court warrant. In order for some activity to be deemed a crime of secession neither violence nor threat of violence has to be present. The jurisdiction for applying this law is handled by the Office for Safeguarding National Security and the Supreme People’s Court. (Wong 2020). Many of the characteristics of this law would not be palatable to Americans and people from some other nations.

#### **IV. More on the Hong Kong Security Law**

The background for examining this security law is the U.S.-China Economic and Security Review Commission was established in 2000 (Commission, 2020). This Commission has viewed Hong Kong’s autonomy as a high priority and has followed recent developments closely. (Commission, 2020). On May 27, 2020, U.S. Secretary of State Michael Pompeo issued a statement which read that Pompeo “certified to Congress today that Hong Kong does not continue to warrant treatment under United States laws in the same manner as U.S. laws were applied to Hong Kong before July 1997” (Commission, 2020). This decision was made since “no reasonable person can assert today that Hong Kong maintains a high degree of autonomy from China, given facts on the ground” (Commission, 2020). There have been a variety of areas that relate to Hong Kong with special laws reserved for the Hong Kong SAR that are different from those laws in Mainland China (Commission, 2020). With the transfer of administration of Hong Kong from Great Britain to the People’s Republic of China in 1997, the Basic Law of the Hong Kong Special Administrative Region was adopted by China’s National People’s Congress. The Basic Law committed Beijing to upholding a policy of “one country, two systems.” (Commission, 2020; Hart, 2021). This exact approach was first included in the Sino-British Joint Declaration filed with the United Nations in 1984. The Basic Law promised Hong Kong a “high degree of autonomy” and preserved Hong Kong’s independent and highly regarded court system; legal, political, human rights; and commercial rules, regulations and roles, including its separate membership in the World Trade Organization” (Commission, 2020). Hong Kong’s success as a global



financial and banking center and the protection of both its citizens and the large international community in residence has to do with Hong Kong adhering to the rule of law (Commission, 2020). Consult Commission (2020), for more information on the various legal and cultural areas in Hong Kong affected by bilateral agreements treaties.

Some but certainly not all business people in Hong Kong are glad the protests are over as they think that will improve business. (Guniinia 2020a, 2020b). Importantly, officials in the U.S. have stated that they are not trying to punish Hong Kong citizens, through the policy of dropping the special status of Hong Kong. As stated earlier previously, there are an approximate 85,000 U.S. citizens living in Hong Kong and 1,300 U.S. business firms in Hong Kong. Also, there are also roughly 300 U.S. companies with regional headquarters in Hong Kong. (Gunia, 2020a, 2020b). Not surprisingly, business confidence had been shaken somewhat by the demonstrations by young Hong Kong people and their supporters who demonstrated increased power of Beijing over Hong Kong. Now with the loss of special trade status matters can get worse. Hong Kong is an international business center (Gunia, 2020a, 2020b). The imposing of a national security law on Hong Kong has to be detrimental to some matters in Hong Kong, particularly in dealing with international customers and suppliers and investors.

Hong Kong was a part of China governed under the terms of the Hong Kong Policy Act of 1992. In fields like export controls, customs and immigration, Hong Kong was treated under the 1992 Act, in a different way than how the Mainland was treated. In order for Hong Kong to have had special status continued, Hong Kong would have had to remain distinct from mainland China and now it is not (Gunia, 2020a, 2020b). According to the “one country, two systems,” framework, a political formula that has been in place since the 1997 handover, affords the city plenty of flexibility to run its own affairs, involving an independent judiciary and freedoms of assembly, the press and speech. The Hong Kong SAR has its own currency, Olympics team and seat at the World Trade Organization . (Gunia, 2020a,2020b). Jeopardizing Hong Kong’s special status is fundamental to its “role as an attractive investment destination and international financial hub,” according to the U.S. Chamber of Commerce (Gunia, 2020a,2020b). The Hong Kong Human Rights and Democracy Act, which became U. S. law in November 2019 following months of demonstrations in Hong Kong, “requires the State Department to complete an annual assessment to determine if Hong Kong remains sufficiently different from China”. In order to have retained the USA’s Hong Kong’s unique treatment under U.S. law, favorable assessments would have had to be made. Now Hong Kong no longer meets the test, due to the advent of the Chinese national government imposed Security Law (Gunia,2020a, 2020b). Hong Kong has been affected by adverse actions of the USA and that may be compounded by any retaliation from the Chinese national government (Gunia, 2020a, 2020b). Carroll (2007) states that because Hong Kong is different, and not politically part of China” on local government matters, this has made Hong Kong special. Also Gunia (2020a; 2020b) maintains that the celebrated “rule of law” trait that Hong Kong has had is a key factor in Hong Kong’s success is the rule of law. A fear among many business people, is that the national Chinese government can over ride other areas, besides national security. Some people fear that companies with operations in Hong Kong will probably leave if the situation continues to deteriorate. (Gunia, 2020a, 2020b). If Hong Kong were to lose its “independent judiciary, freedom of the press,” and other important traits, then Hong Kong will no longer be seen “as a safe harbor within China and the region for American companies to base their regional ger headquarters, have most of their capital and large staff, and base their contracts there” (Gunia, 2020a,2020b).

The business environment as a result of the security law can be bee seen in two ways. One way is that the security law may stifle any demonstrations in the future. Another side posits that people and capital may leave Hong Kong at a fast pace (Gunia, 2020a, 2020b). The author of this article believes that only time will tell.

Nina M. Hart is a Legislative Attorney in the Congressional Research Service. Hart (2021) states, “Hong Kong’s Legal Status as a Special Administrative Region From 1842 to 1997, the United Kingdom exercised sovereignty over Hong Kong.” Then in 1984, “the Chinese and British governments negotiated the Sino-British Joint Declaration on the Question of Hong Kong (Joint Declaration), which transferred control of Hong Kong to China in 1997 while articulating certain rights for Hong Kong” (Hart, 2021). Some important points of that Joint Declaration state that “Hong Kong shall be designated a ‘special administrative region’ of China, as permitted by Article 31 of China’s Constitution” (Hart, 2021). For fifty more years after 1997, according to the Joint

Declaration, Hong Kong is to “enjoy a high degree of autonomy, except in foreign and defence (defense) affairs” (Hart, 2021) Furthermore, the Joint Declaration states that Hong Kong “will retain the status of a free port and a separate customs territory” (Hart, 2021). Furthermore, due to the Joint Declaration, Hong Kong is allowed to enter into international agreements and participate in international organizations under the name “Hong Kong, China” (Hart, 2021). The Hong Kong’s Basic Law was passed by the National People’s Congress of China in 1990 (Hart, 2021). Also, the Basic Law states that Hong Kong’s has a separate customs territory. The Hong Kong SAR has its own export quotas, tariff preferences, and other similar arrangements remain valid. This SAR “may issue its own certificates of origin.” According to this arrangement, Hong Kong has remained a WTO member and has negotiated a number of trade agreements. These include one with China (Hart, 2021). To recognize the Joint Declaration, the United States enacted the U.S.-Hong Kong Policy Act of 1992, which it later amended in the Hong Kong Human Rights and Democracy Act of 2019 (Hart,2021). Under this legal framework, Congress stated, among other things, the “United States should continue to fulfill its obligations to Hong Kong under international agreements, so long as Hong Kong reciprocates,” and the “United States should respect Hong Kong’s status as a separate customs territory, and as a WTO member country.” Further, it adds the United States should “grant the products of Hong Kong nondiscriminatory trade treatment by virtue of Hong Kong’s membership in the General Agreement on Tariffs and Trade” (Hart, 2021). Then-President Donald Trump on July 14, 2020, issued an executive order regarding the Hong Kong Special Administrative Region. This order stated that due to Hong Kong no longer is sufficiently autonomous to merit differential treatment from how Mainland China, a.k.a. the People’s Republic of China is treated (Hart, 2021). Trump “suspended certain sections of U.S. Law regarding Hong Kong. These include immigration, export control, and customs provisions. Importantly, on March 31, 2021, “President Joe Biden’s Administration indicated that it intends to maintain the suspension of differential treatment of Hong Kong” (Hart, 2021). There is an interesting controversy regarding goods that used to be labeled with Hong Kong as the country of origin to now being required to be labeled, where China is the country of origin (Hart, 2021). This requirement was made by the United States in regard to how the U. S. Customs authority will treat products form Hong Kong form now on.(Hart, 2021).

## **V. More on the WTO and Hong Kong**

Since this action, Hong Kong has initiated a World Trade Organization (WTO) dispute against the United States, arguing the new marking requirements violate several WTO agreements (Hart, 2021). The United States Customs and Border Protection is often used by the acronym type abbreviation “CBP.”. The CBP is part of the Homeland Security agency and is responsible for securing the border of the United States while simultaneously facilitating the flow of legitimate trade and travel (CBP, 2022). The CBP has a notice starting in 2020, after the special status for Hong Kong was evoked. This notice requires goods produced in Hong Kong to be marked with “China” as the country of origin eliminates part of that special treatment. CBP has stated that the regulatory change relates only to how the country of origin is marked, but not to country-of-origin determinations for purposes of assessing customs duties. Thus, certain additional duties that apply to China, such as the Section 301 tariffs imposed after an investigation into China’s trade-related practices, do not apply to goods produced in Hong Kong (Hart, 2021). In October 2020, Hong Kong instigated a WTO dispute against the United States, calling for consultations and arguing the U.S. actions taken with regard to how products originating from Hong Kong are labeled, as to place country of origin. must be Congressional Research Service 4 marked may violate WTO rules. Hong Kong “retains its own membership in the WTO—separate from China—as the organization permits customs territories in addition to countries to join” (Hart, 2021). On October 30, 2020, Hong Kong requested WTO consultations with the United States with respect to the new marking requirements for goods produced in Hong Kong. The United States came to an agreement to participate. After consultations were unsuccessful in resolving the issue, on January 14, 2021, Hong Kong formally requested that a WTO panel be established to hear the dispute. In the course of the January 25, 2021, meeting of the WTO’s Dispute Settlement Body (DSB), the United States objected to the request, as permitted by Article 6.1 of the WTO’s Dispute Settlement Understanding. The DSB agreed to defer consideration of Hong Kong’s panel appeal, at least in part due to the recent change in presidential administration in the United States. Hong Kong did a second request on February 22, 2021, and the DSB agreed to establish a panel. Hong Kong’s request for a panel asserts that the new marking “requirement may violate provisions of three WTO agreements: the GATT; the Agreement on Rules of Origin; and the Agreement on

Technical Barriers to Trade” (Hart, 2021). A U.S. revocation of Hong Kong’s special status would be viewed by Beijing as interfering with its sovereignty, and China has previously threatened to “take strong countermeasures” (Lowder et al, 2020). A precarious U.S.-China trade truce, already strained by Trump’s anger at China over the coronavirus pandemic and a slow start to Beijing’s purchases under the Phase 1 trade deal between the two countries could collapse into new tariffs and counter-sanctions, he said. (Lowder et al, 2020). The United States also maintains export control offices and academic exchanges in Hong Kong separate from mainland China. How these academic and cultural exchanges are conducted in the future should be interesting.

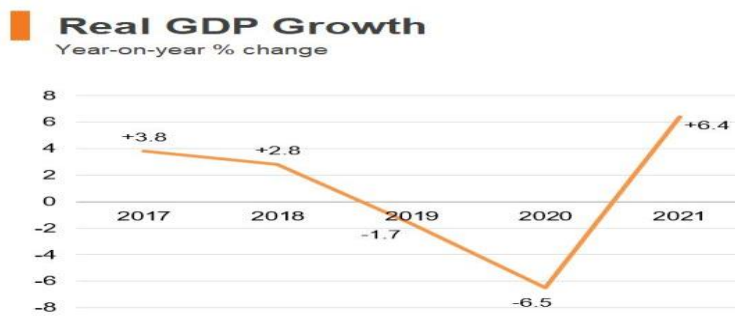
**V. Some Information from HKTCD**

*Economic and Trade Information on Hong Kong* (HKTCD, 2022) is an important periodic publication that comes out and it summarizes important economic data and observations. (The issue used for this article was published on March 30, 2022.) Hong Kong’s economy decreased by 6.5% (year-on year) in 2020; however, in 2021 increased by 6.4%. With government polices, the Hong Kong economy is forecast to increase to real GDP growth between 2% to 3.5%. Consumer prices rose by 1.6% in February 2022 over the same month a year earlier, a size larger than the corresponding increase of 1.2 % in January 2022. For 2022, the government forecasts at 2% inflation rate for 2022. In nominal terms, the value of retail sales, in nominal terms, increased by 4.1% year-on-year in January 2022 over the same month a year earlier. Nevertheless, for December 2021, the value of total retail sales increased by 6.1% compared with the same period in 2020. (HKTCD, 2022). Table 1 provides a good summary of some of the key data<sup>18</sup>.

Table 2. Some key data regarding the Hong Kong SAR

	2020	2021	Latest
Population, Year-end (mn)	7.43	7.40	--
Gross Domestic Product (US\$ bn)	343.0	366.9	--
GDP Per Capita (US\$)	45,843	49,613	--
Real GDP Growth (%)	-6.5	+6.4	--
Inflation (% Change in Composite CPI)	+0.3	+1.6	1.4 <sup>c</sup>
Unemployment Rate (%)	5.8	--	4.5 <sup>d</sup>
Retail Sales Growth (%)	-24.3	8.1	4.1 <sup>b</sup>
Number of Visitors (thousand)	3,600	91	7.1 <sup>a</sup>
Visitor Arrivals Growth (%)	-93.6	-97.4	+61.7 <sup>b</sup>

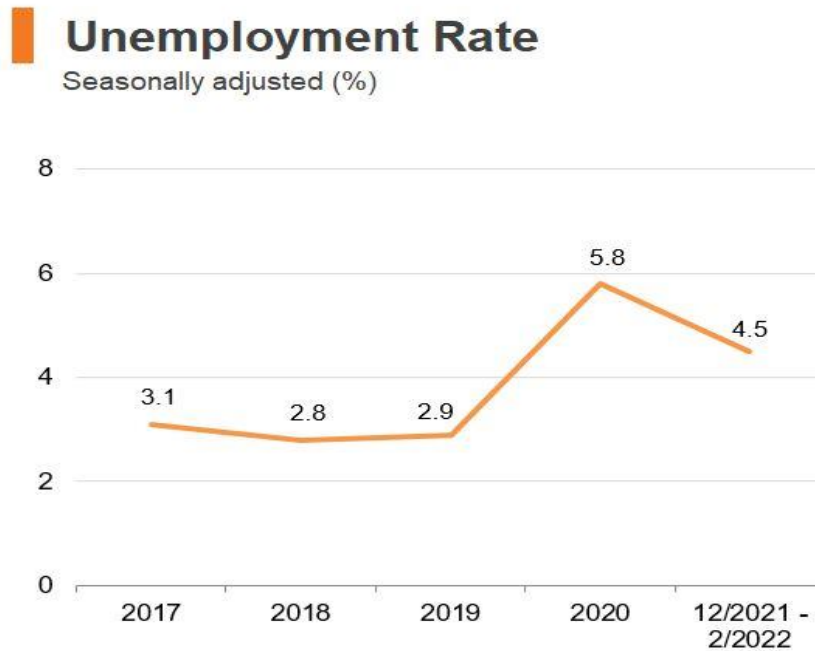
Notes: <sup>a</sup> January 2022; <sup>b</sup> year-on-year change, January 2022; <sup>c</sup> year-on-year change, January - February 2022; <sup>d</sup> seasonally adjusted, December 2021 - February 2022; HKTCD Research (2022).



**Figure 1. This figure examines real GDP growth. One can see the lowest point is for 2020. Then the economy appears to have bounced back in 2021**

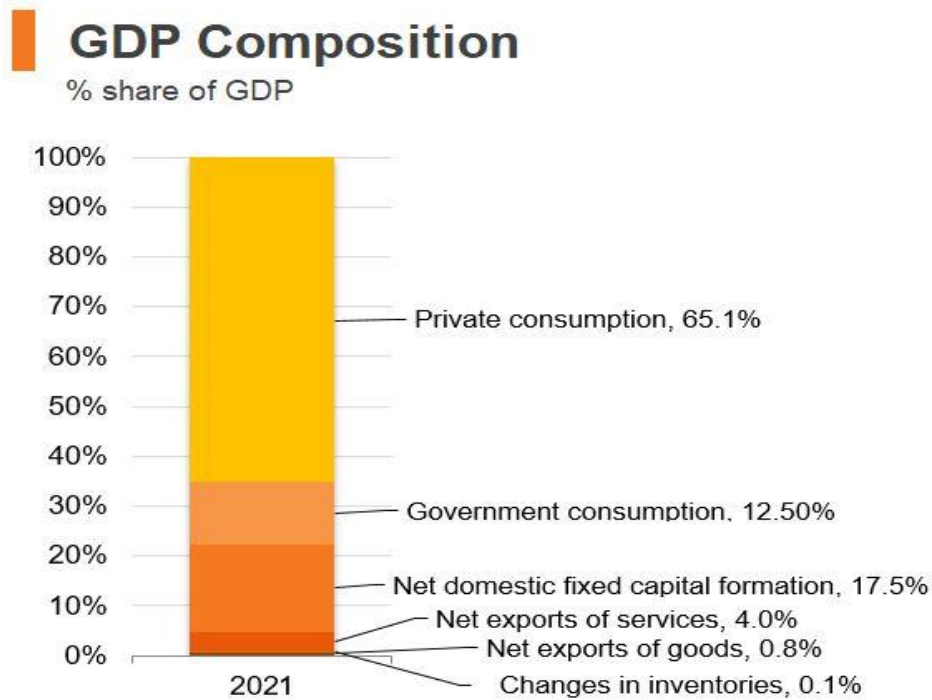
Source: HKTDC Research (2022).

<sup>18</sup> For information specifically on the agriculture sector in Hong Hong and the effect of the loss of special status for Hong Kong trade, see (He et al., 2020).



**Figure 2. This figure examines the unemployment rate . This rate peaks in the year 2020. Then the economy improved and the unemployment rate improved.**

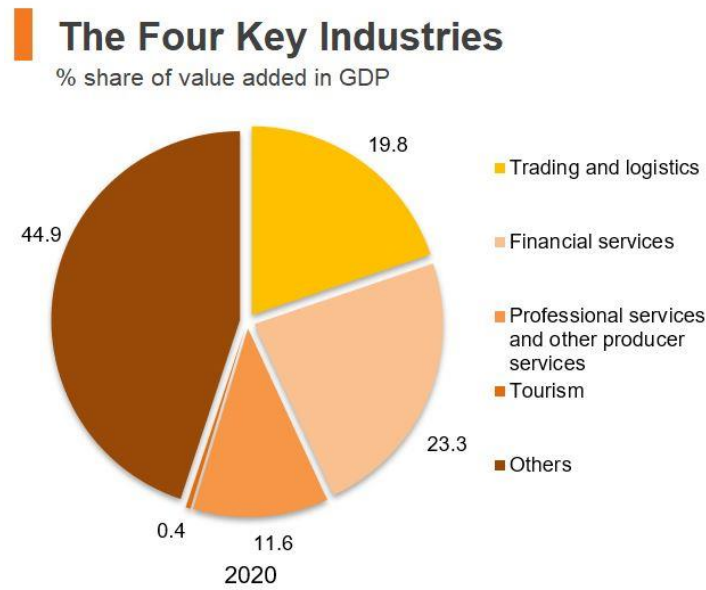
Source: HKTDC Research (2022).



**Figure 3. This figure is of the GDP Composition. The largest part of GDP is private consumption.**

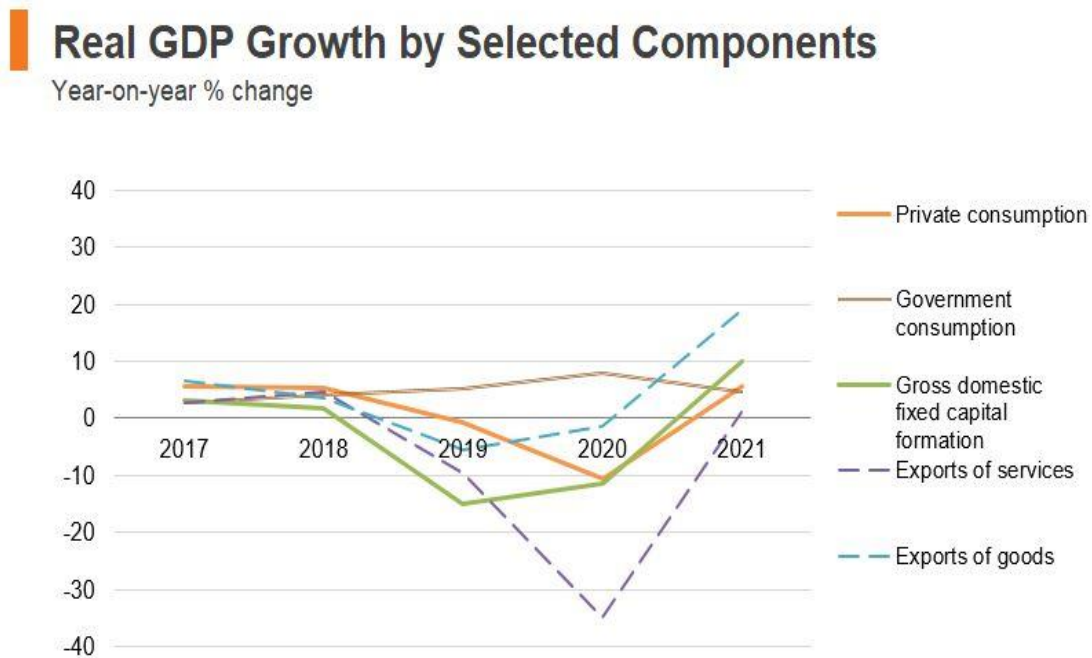
Source: HKTDC Research (2022).





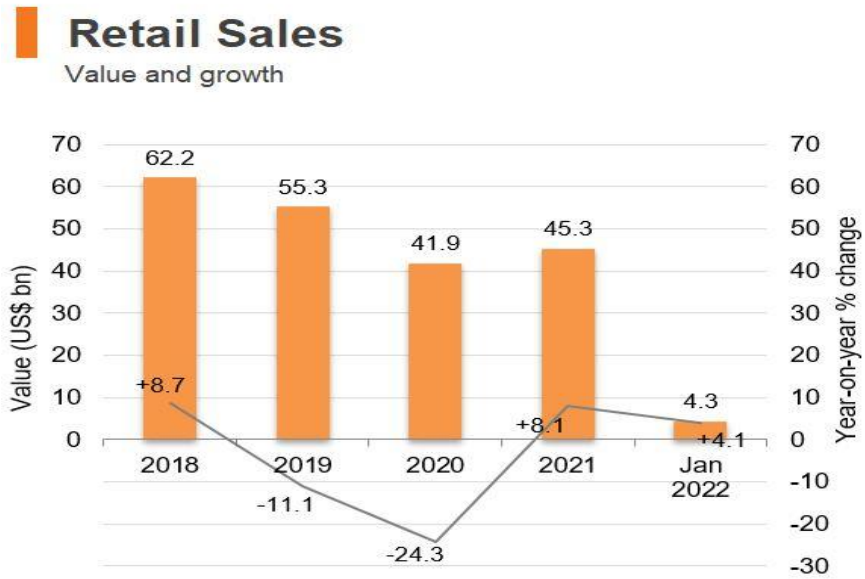
**Figure 4.** This figure displays the percentage share of value added in GDP

Source: HKTDC Research (2022).



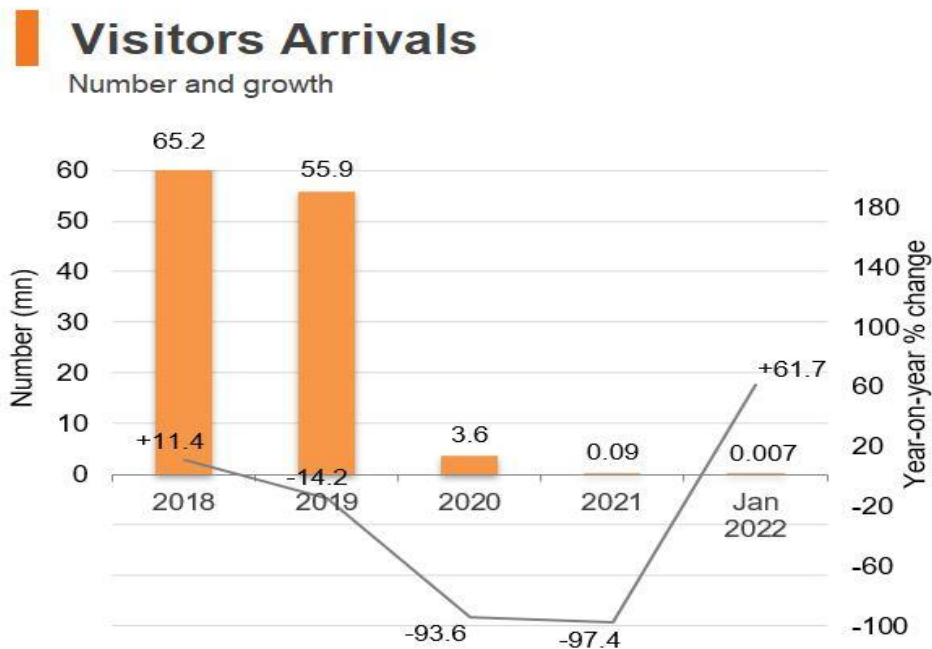
**Figure 5.** This figure portrays the real GDP growth by selected components. As on can see there was a dip in 2020. Then the economy appears to bounce back in 2021.

Source: HKTDC Research (2022).



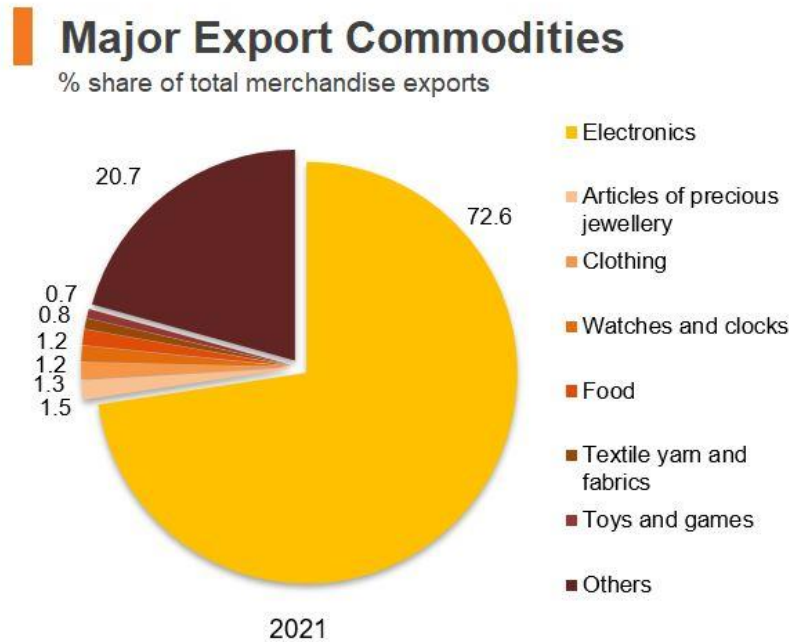
**Figure 6.** This figure examines retail sales. There are two different measurements on this graph. One measure the value of retail sales in billions of U.S. dollars. The other measures the growth of retail sales. One can see that in 2020 there was a decrease and that in 2021 there was a partial increase from 2020.

Source: HKTDC Research (2022).



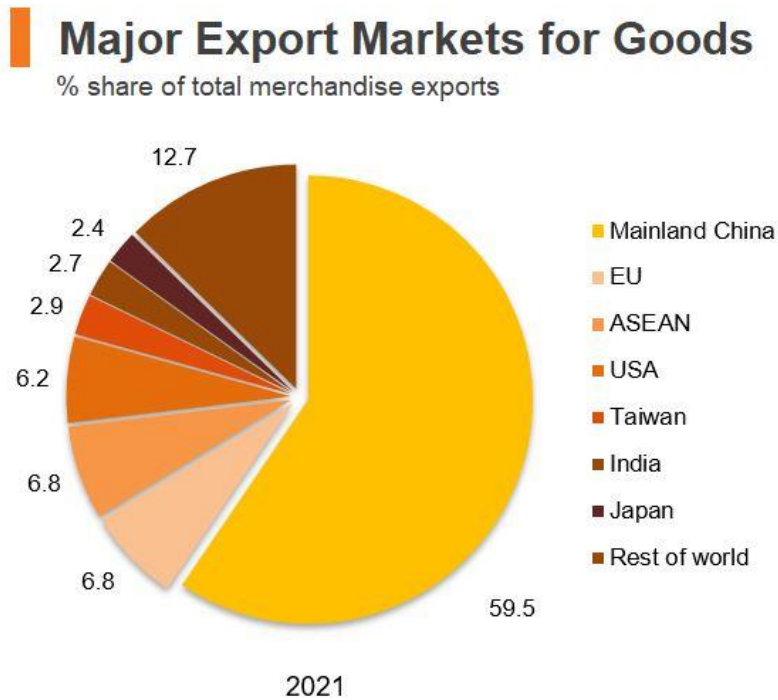
**Figure 7.** This figure examines the visitors arrivals in terms of number and growth. One can see that there was a marked decrease in 2020 and not until 2022, did the amount start growing. However, even with this growth, the amount is not as high as it was in 2018.

Source: HKTDC Research (2022).



**Figure 8. This figure measures major export commodities. One can see that electronics dwarfs any other category.**

Source: HKTDC Research (2022).



**Figure 9. This figure illustrates the major export markets for goods. China is the most important destination.**

Source: HKTDC Research (2022).

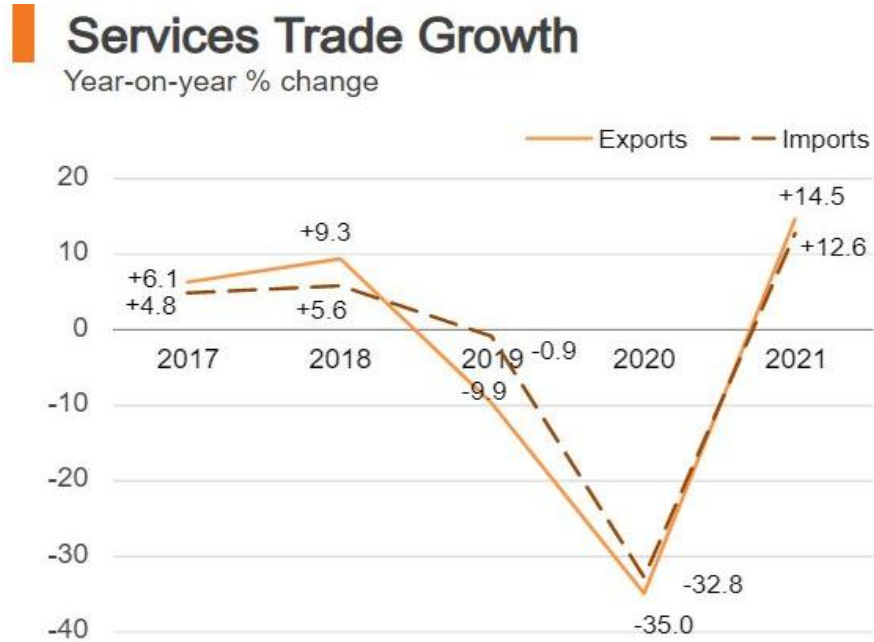


Figure 10. This figure portrays the service trade growth.

Source: HKTDC Research (2022).

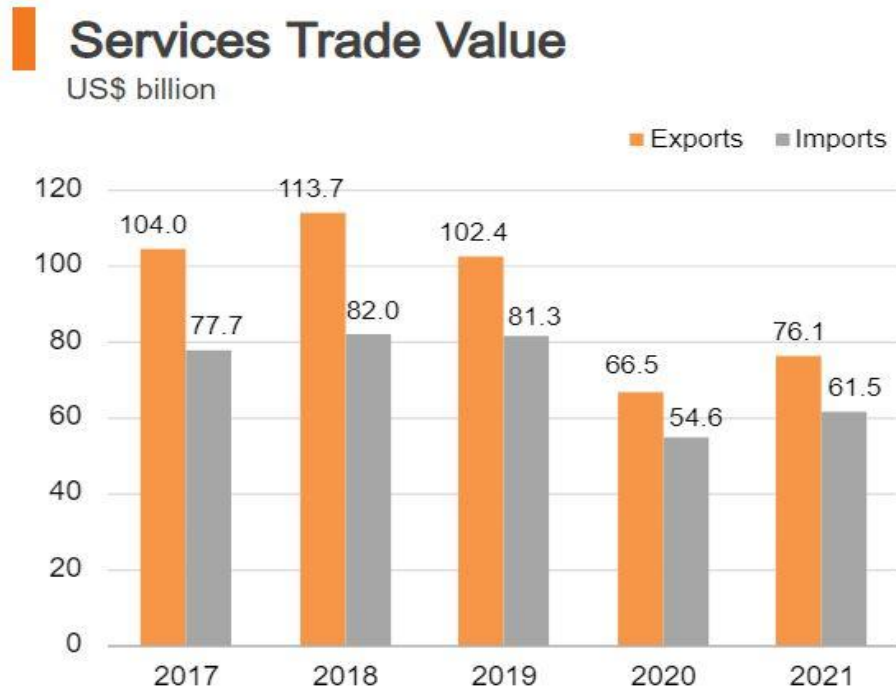


Figure 11. This figure measures services trade value. One can see that the year 2020 was not a good one for this. In 2021 there was a sort of rebound.

Source: HKTDC Research (2022).

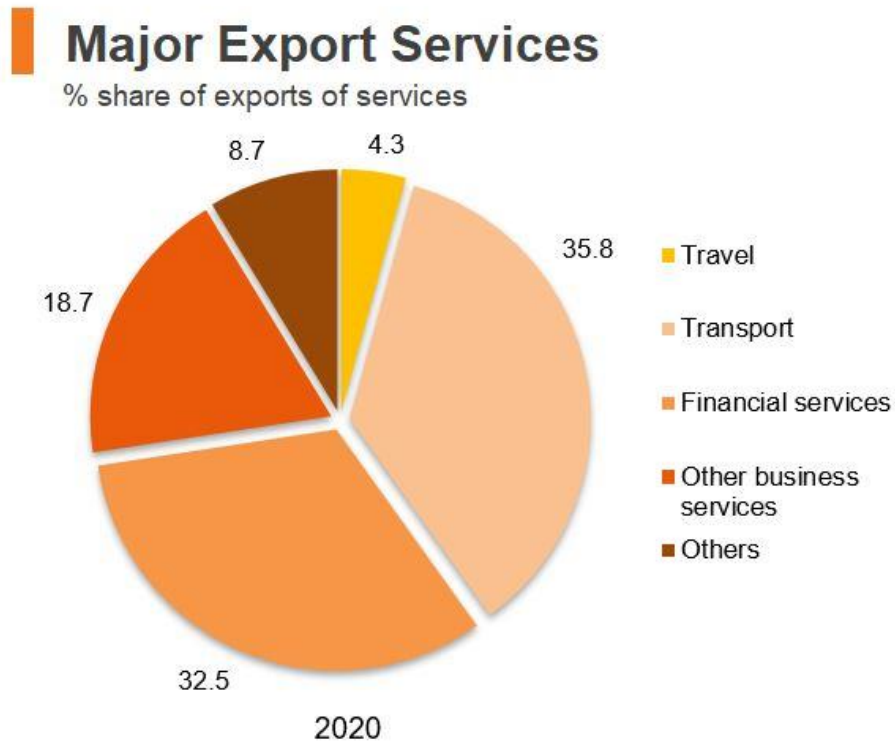


Figure 12. Services trade value is shown in this figure.

Source: HKTDC Research (2022).

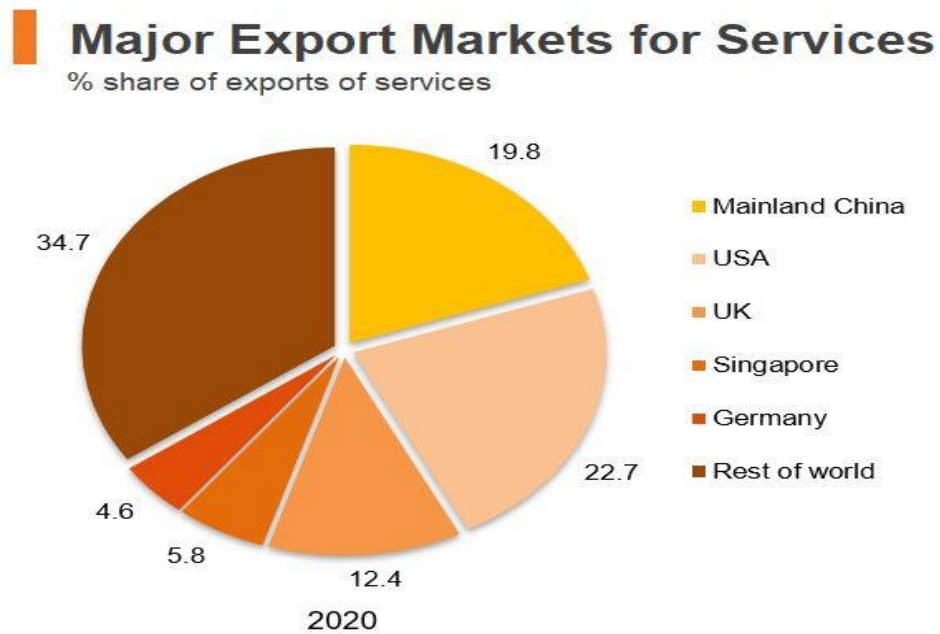


Figure 13. This figure shows major export services destinations.

Source: HKTDC Research (2022).



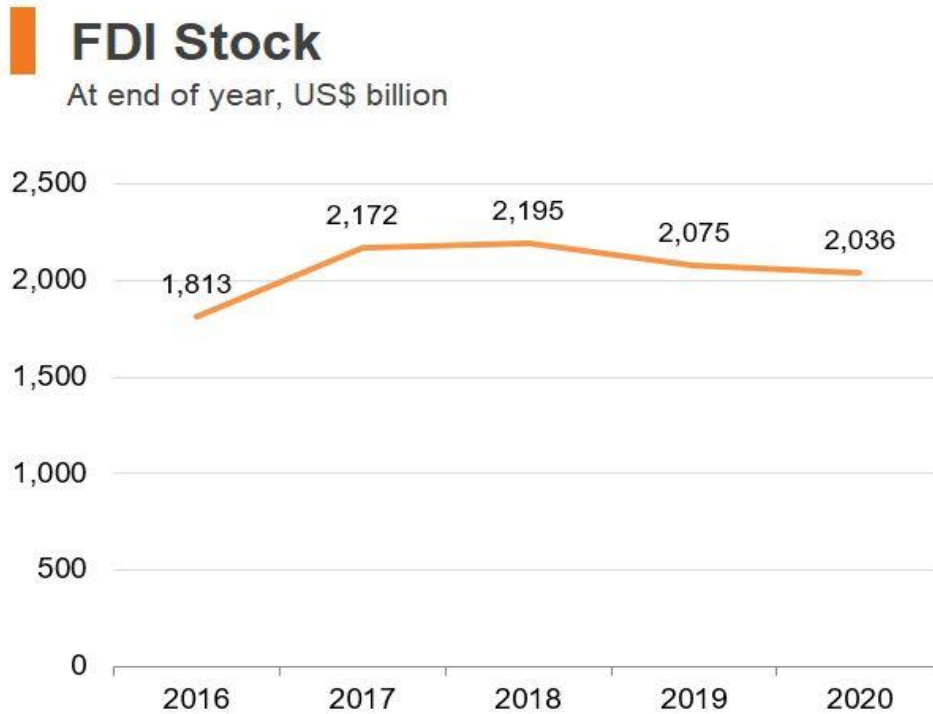


Figure 14. This figure shows FDI stock from 2016 through 2020.

Source: HKTDC Research (2022).

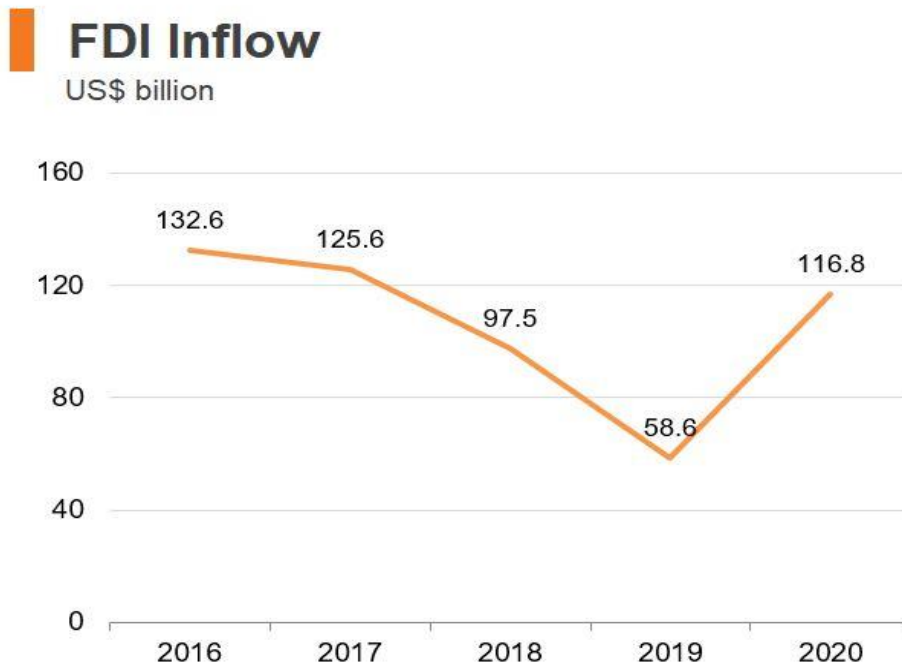
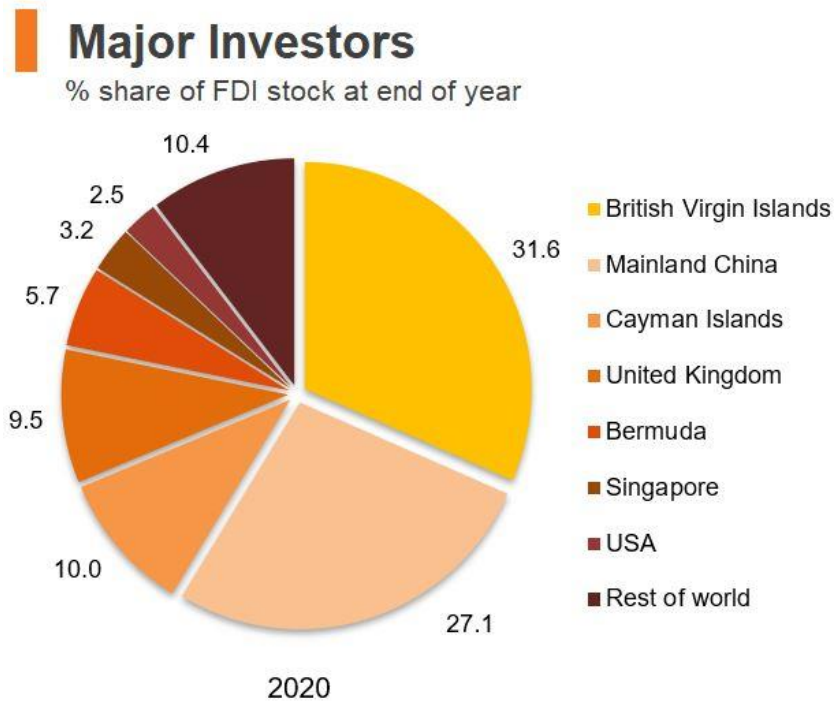


Figure 15. This figure measures foreign direct investment inflow. One can see that there was a decrease between 2016 and 2019. There was followed by a partial recovery in 2020.

Source: HKTDC Research (2022).



**Figure 16. This figure measures the major investors of FDI stock at the end of the year. Mainland China and the British Virgin Islands are the two biggest parts of this.**

Source: HKTDC Research (2022).

### Summary and Conclusion

This article provides some of the important effects of the United States removing Hong Kong’s special status, especially in regard to international trade. The United States removed the special status for Hong Kong due to the Chinese national government imposing of a strong national security law on the Hong Kong SAR. The national security law had as a purpose, the stifling of pro-democracy demonstrations. Basic human rights concerning free speech, free press and other civil rights have been curtailed in the Hong Kong SAR. The economy of Hong Kong was shown to have suffered some in the period of 2019 and 2020 to some degree. However, the economy showed some signs of recovery in 2021 and 2022. The author of this paper spent many years in the Chinese Mainland and Hong Kong. The United States and China will continue international trade between these two countries in some form now and in the future.

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