

Impact on Imports into the U.S. from Hong Kong

In 1985, the United Kingdom and People's Republic of China signed a UN Treaty outlining the terms under which China would regain and exercise sovereignty over Hong Kong when the UK's 99-year lease concerning the region expired in July 1997.¹ More importantly, regarding trade, this treaty allowed Hong Kong to retain its status as a free port and a separate customs territory.² From that 1985 treaty, the United States then issued the United States-Hong Kong Policy Act of 1992 which states that "the United States should respect Hong Kong's status as a separate customs territory and as a contracting party to the General Agreement on Tariffs and Trade."³

In November of 2019, President Donald Trump signed the Hong Kong Human Rights and Democracy Act of 2019 which required the Secretary of State to make an annual certification as to "whether Hong Kong continues to warrant treatment under United States law in the same manner as United States laws were applied to Hong Kong before July 1, 1997."⁴ On May 27, 2020, Mike Pompeo stated that "Hong Kong no longer warrants such treatment."⁵

This certification threatens Hong Kong's special treatment in regard to trade. Although specific details as to what the changes will be have not been announced yet, the implications seem evident.

First, Hong Kong will likely be subject to the same tariffs that the US has imposed on China. This is a big change because Hong Kong currently has no tariffs when importing or exporting goods due to its free port.⁶ This will likely cause the costs of goods to increase for the American consumer and American businesses that import from Hong Kong.⁷

Another effect from this decision is that imports from Hong Kong may dramatically decrease. Although Hong Kong's status as a separate customs territory with the US is terminated, the World Trade Organization has not terminated Hong Kong's status as a separate customs territory. This means that Hong Kong will still receive special treatment from other nations and may decide to export to other nations instead of the United States.

Hong Kong imported about \$4.7 billion in 2019 to the United States, placing Hong Kong in the Top 50 largest imports. However, from January until April of 2020, Hong Kong imports were at approximately \$3.3 billion⁸. This is more than double the amount of imports from January until April of 2019. This tremendous increase in imports could continue rising throughout the course of the year. Yet, with possible higher tariffs, the US may not see this increase of imports.

¹ U.N. Treaty Series, vol. 1933, page 33, New York (1994)

<https://treaties.un.org/doc/Publication/UNTS/Volume%201399/v1399.pdf>

² Id.

³ United States-Hong Kong Policy Act of 1992, Pub. L. No: 102-383, §1731 (1991-1992)

<https://www.congress.gov/bill/102nd-congress/senate-bill/1731>.

⁴ Supplemental United States-Hong Kong Policy Act of 199, Pub. L. No. 116-76 (amended 2019)

<https://www.congress.gov/116/plaws/publ76/PLAW-116publ76.pdf>

⁵ Secretary of State. "P.R.C. National People's Congress Proposal on Hong Kong National Security Legislation - United States Department of State." *United States Department of State*, 27 May 2020, <https://www.state.gov/prc-national-peoples-congress-proposal-on-hong-kong-national-security-legislation/>.

⁶ Hong Kong's Trade Policy, Government of Hong Kong Special Administrative Region's Trade and Industry Department. https://www.tid.gov.hk/english/trade_relations/trade_policy/trpolicy.html

⁷ Nunis, Vivienne. "What If the US Removes Hong Kong's Special Status? - BBC News." *BBC News*, BBC News, 28 May 2020, <https://www.bbc.com/news/business-52835471>.

⁸ Foreign Trade Data Dissemination Branch. "Foreign Trade - U.S. Trade with Hong Kong." *Census.Gov*, 4 June 2020, <https://www.census.gov/foreign-trade/balance/c5820.html>.

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