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USA Ends Hong Kong's Special Status

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Why in News

Recently, the President of the USA has issued an order to **end Hong Kong's special status** and signed the **Hong Kong Autonomy Act**, a legislation that would **sanction banks doing business with Chinese officials**.

Key Points

- **Reasons Behind the Move:**

- China's imposition of **national security law** in Hong Kong.
- USA's blame on China for **mishandling the Covid-19 pandemic** and not informing the world about its severity.
- China's **military buildup in the South China Sea** and its treatment of **Uighur Muslims**.

- **Ending the Special Status:**

Hong Kong will now be **treated the same as mainland China** without any special privileges, special economic treatment or exports of sensitive technologies.

Under the USA's **Hong Kong Policy Act of 1992**, the USA treats Hong Kong, a semi-autonomous part of China with its own legal and economic system, differently than the Chinese mainland in trade, commerce and other areas.

- **Sanctions on Banks:**

The legislation would **penalize banks doing business with Chinese officials** involved in the national security law which China has imposed on Hong Kong.

- Under the legislation, banks are **granted a kind of year-long grace period** to stop doing business with entities and individuals (primary offenders) undermining Hong Kong's autonomy.
- After that period, a **variety of penalties will be imposed** like seizing their assets, barring top executives from entering the USA and restricting the ability to engage in USA dollar-denominated transactions.

- **Possible Outcomes:**

- The new law will force all but provincial Chinese banks to **choose between assisting Beijing's efforts** in Hong Kong or **being able to conduct transactions in USA dollars** and operate in the world's largest economy.
- It will have a **devastating impact on Hong Kong** as the financial gateway to Western markets.
- Completely ending Hong Kong's special treatment could **prove self-defeating for the USA because it was the source of the largest bilateral US goods trade surplus** last year, at USD 26.1 billion.
- Hong Kong is a **major destination for USA's legal and accounting services**. Around 85,000 USA citizens lived in Hong Kong in 2018 and more than 1,300 USA companies operate there, including nearly every major financial firm.

- **China's Response:**

- China has held that the Hong Kong Autonomy Act "**maliciously slanders**" its legislation in Hong Kong and has vowed to retaliate.
- It will make **necessary responses to protect its legitimate interests and impose sanctions** on relevant USA personnel and entities.