



## **Hong Kong's Continuing Free Port Status & China's Retaliatory Tariff and Related Measures in Response to U.S. Tariffs Announced on 2 April 2025**

### **China's Retaliatory Measures in Response to U.S. Tariffs: An Overview**

On 2 April 2025, President Donald Trump announced the imposition of a 34% tariff on Chinese (including Hong Kong) imports to the United States, effective 9 April 2025. In swift response, the People's Republic of China ("PRC" or "China") (excluding Hong Kong) unveiled a series of countermeasures on 4 April 2025, aimed at safeguarding the PRC's economic interests and maintaining the balance of international trade. These measures encompass filing complaints to the World Trade Organisation (WTO), the introduction of reciprocal tariffs, the expansion of export control and unreliable entity lists, suspension of certain animal produce imports from specified U.S. entities, the imposition of export controls on critical rare earth materials and initiating investigations against certain medical CT ball tubes. Further details of these measures are set out below.

### **Hong Kong SAR's Position in Response to the PRC's Retaliatory Tariffs on the U.S.: An Overview**

Notwithstanding the inclusion of Hong Kong in the U.S. announcement, the Hong Kong SAR government has reaffirmed Hong Kong's distinct status, clarifying its position in relation to international trade obligations and its unique constitutional framework under the Basic Law.

### **Details of Hong Kong's Position in Relation to the PRC's Retaliatory Tariff and Related Measures Announced on 4 April 2025**

#### **Hong Kong's Position Under the Basic Law and International Trade Obligations**

Under the Basic Law of the Hong Kong SAR, its constitutional document, the Hong Kong SAR maintains its unique status as a separate customs territory and has autonomous control over its trade and taxation policies until at least 1 July 2047. A cornerstone of Hong Kong's economic framework is its designation as a free port, a status explicitly guaranteed by Article 114 of the Basic Law<sup>1</sup>, which provides that Hong Kong will maintain the status of a free port and not impose any tariff unless otherwise prescribed by law. Article 116 of the Basic Law states that the HKSAR is a separate customs territory and may, using the name "Hong Kong, China", participate in relevant international organisations and international trade agreements, such as WTO agreements.

<sup>1</sup> See Article 114 of the Basic Law at <https://www.basiclaw.gov.hk/en/basiclaw/chapter5.html>

Hong Kong therefore does not apply tariffs generally on imports, nor does it maintain any tariff rate quotas. In 2023, Hong Kong's 7,805 tariff lines all had applied rates of zero; its WTO schedule had about half (47.6%) of these lines bound<sup>2</sup>. This commitment has been integral to Hong Kong's position as a leading international trading hub and one of the most competitive economies globally.

## Implications of U.S. Tariffs for Hong Kong

Despite Hong Kong's distinct trade status under international law and its obligations to maintain a tariff-free environment, the inclusion of Hong Kong by the U.S. government in the imposition of tariffs directed at the PRC poses potential challenges. However, Hong Kong authorities have clearly signalled that Hong Kong will not reciprocate with retaliatory tariffs against the U.S. This stance aligns strictly with both Hong Kong's WTO commitments and the Basic Law's principles.

## Hong Kong's Response and Policy Stance

In official statements issued following the earlier U.S. tariff announcement in 2025, Hong Kong authorities emphasised the SAR's independent trade policy, reaffirming their commitment to maintaining Hong Kong's free-trade status. The Hong Kong SAR government reiterated that, notwithstanding external pressures, it remains bound by international obligations and is committed to preserving its established economic and legal frameworks. The Hong Kong SAR government has maintained a consistent position on Hong Kong's distinct status under the "one country, two systems" framework and its separate membership in the WTO. In February 2025, Chief Secretary Eric Chan announced Hong Kong's intention to file a complaint with the WTO regarding U.S. tariffs imposed on the city. Chan asserted that the U.S. had disregarded Hong Kong's status as a separate customs territory, which he claimed to be inconsistent with WTO rules. He was quoted as saying: "This is absolutely inconsistent with the WTO rules. Of course, they have totally disregarded Hong Kong is a separate customs territory."<sup>3</sup>

Hong Kong's Financial Secretary, Paul Chan, also highlighted in a recent press briefing that Hong Kong's status as an autonomous customs territory under the Basic Law and its independent WTO membership remain critical pillars of the region's global competitiveness. In a recent blog post published on 6 April 2025, the Financial Secretary also opined that the U.S. tariffs undermine international trade and will have an impact on Hong Kong in the short term. However, the Financial Secretary emphasised that Hong Kong will maintain the status of being a free port with free trade policies ensuring the free and smooth flow of goods, capital and information.<sup>4</sup> These references underscore the HKSAR government's reaffirmation of Hong Kong's distinct status and its commitment to upholding Hong Kong's international trade obligations within the constitutional framework established by the Basic Law.

## Analysis of Potential Impact on Hong Kong and Strategic Considerations

The decision by Hong Kong not to impose retaliatory tariffs reflects a strategic choice aimed at preserving its established economic advantages. Hong Kong's commitment to a zero-tariff environment is central to maintaining its attractiveness as an international business hub. However, the inclusion of Hong Kong in U.S. tariff measures against the PRC raises concerns about potential disruptions to trade flows and supply chains involving Hong Kong and U.S. enterprises.

Businesses based in Hong Kong and entities using Hong Kong as a gateway for U.S.-China trade may face new complexities and costs resulting from these tariff measures. Companies are advised to closely assess their supply chains, contractual obligations, and regulatory compliance frameworks. This assessment will help mitigate risks and manage potential disruptions effectively.

Furthermore, Hong Kong's reaffirmation of its autonomous trade stance may serve to bolster its reputation among international partners as a stable and predictable economic environment amidst geopolitical tensions.

## Details of the PRC's Retaliatory Tariff and Related Measures Announced on 4 April 2025

### 1. Implementation of 34% Tariffs on U.S. Imports

The Customs Tariff Commission of the State Council announced that, effective 10 April 2025, an additional 34%

<sup>2</sup> See [https://www.wto.org/english/tratop\\_e/tpr\\_e/s450\\_sum\\_e.pdf](https://www.wto.org/english/tratop_e/tpr_e/s450_sum_e.pdf)

<sup>3</sup> James Promfret, (11 February 2025) Hong Kong will file complaint to WTO on US tariffs, official says, *Reuters* at: <https://www.reuters.com/world/hong-kong-will-file-complaint-wto-us-tariffs-official-says-2025-02-11/>

<sup>4</sup> See the Financial Secretary's blog post at: <https://www.fso.gov.hk/eng/blog/blog20250406.htm>. The unofficial English translation of the blog post can also be accessed [here](#).

tariff will be imposed on all products originating from the United States. This measure mirrors the tariff rate introduced by the U.S. and is positioned as a reciprocal action. The Commission asserts that the U.S. tariff policy contravenes international trade rules and infringes upon China's legitimate rights and interests. Please see the [official announcement](#) for details, the unofficial English translation of the announcement can also be accessed [here](#).

China's imposition of retaliatory tariffs is grounded in the principles of countermeasures under international law, allowing a state to respond proportionally to unlawful acts by another state. The PRC contends that the U.S. tariffs violate WTO agreements, thereby justifying its responsive measures.

## 2. Addition of 16 U.S. Entities to the Export Control List

The Ministry of Commerce (MOFCOM) has added 16 U.S. entities to its export control list, citing the need to safeguard national security and fulfill international obligations such as non-proliferation<sup>5</sup>. Effective 4 April 2025, Chinese entities are prohibited from exporting dual-use items to these listed entities, and any ongoing exports must cease immediately. The entities include:

1. 高点航空技术公司 (High Point Aerotechnologies)
2. 环球世界物流公司 (Universal Logistics Holdings, Inc.)
3. Source Intelligence公司 (Source Intelligence, Inc.)
4. 美国繁荣联盟 (Coalition For A Prosperous America)
5. 内华达山脉公司 (Sierra Nevada Corporation)
6. 边缘自治运营公司 (Edge Autonomy Operations LLC)
7. 赛博勒克斯公司 (Cyberlux Corporation)
8. 哈德森技术公司 (Hudson Technologies Co.)
9. 萨罗尼克科技公司 (Saronic Technologies, Inc.)
10. 国际海洋工程公司 (Oceaneering International, Inc.)
11. 摇杆舵公司 (Stick Rudder Enterprises LLC)
12. 立方公司 (Cubic Corporation)
13. S3航空防务公司 (S3 AeroDefense)
14. 特科姆公司 (TCOM, Limited Partnership)
15. 文本矿公司 (TextOre)
16. ACT1联邦公司 (ACT1 Federal)

For details, please refer to the [official announcement](#), an unofficial English translation is also available [here](#).

### *Legal Basis:*

MOFCOM's authority to implement export controls is derived from the Export Control Law of the PRC, which permits restrictions on the export of items related to national security and international commitments. Entities listed are subject to stringent scrutiny to prevent the proliferation of sensitive technologies and products that may endanger PRC's national interests and security.

## 3. Inclusion of 11 U.S. Entities in the "Unreliable Entities List"

In a further move, MOFCOM has designated 11 U.S. entities to its "Unreliable Entities List" effective 4 April 2025.

<sup>5</sup> See the official press response by MOFCOM at [https://aqygzj.mofcom.gov.cn/zhxx/art/2025/art\\_5cad47e10aac464481aca7bb91f7480c.html](https://aqygzj.mofcom.gov.cn/zhxx/art/2025/art_5cad47e10aac464481aca7bb91f7480c.html). The unofficial English translation of this response can also be accessed [here](#).

These entities are prohibited from engaging in import and export activities related to China and from making additional investments into China. According to MOFCOM, these entities have been engaging in military and technological development activities which, in the view of MOFCOM, impair the PRC's national sovereignty and security<sup>6</sup>.

The entities are:

1. 斯凯迪奥公司 (Skydio Inc.)
2. BRINC无人机公司 (BRINC Drones, Inc.)
3. 红色六方案公司 (Red Six Solutions)
4. 赛尼克斯公司 (SYNEXXUS, Inc.)
5. 火风暴实验室公司 (Firestorm Labs, Inc.)
6. 奎托斯无人机系统公司 (Kratos Unmanned Aerial Systems, Inc.)
7. 浩劫人工智能公司 (HavocAI)
8. 尼罗斯科技公司 (Neros Technologies)
9. 多莫战术通信公司 (Domo Tactical Communications)
10. 急速飞行公司 (Rapid Flight LLC)
11. 英斯图公司 (Insitu, Inc.)

For more information, please see the [official announcement](#). An unofficial English translation is accessible [here](#).

#### *Legal Basis:*

The "Unreliable Entities List" mechanism is established under China's Foreign Trade Law and related regulations, targeting entities that endanger national sovereignty, security, or development interests. Listed entities face restrictions aimed at safeguarding China's economic and security interests.

#### **4. Suspension of Imports from Certain U.S. Firms**

The General Administration of Customs (GAC) has suspended imports of specific products from certain U.S. firms due to quality and health concerns:

- **Sorghum Imports:** Suspended from C&D (USA) Inc. after detecting excessive levels of zearalenone and mould.
- **Poultry Meat and Bone Meal Imports:** Suspended from American Proteins, Inc., Mountaire Farms of Delaware, Inc., and Darling Ingredients Inc. due to detecting the presence of Salmonella.
- **Poultry Products Imports:** Suspended from Mountaire Farms of Delaware, Inc. and Coastal Processing, LLC after detecting Furacillin, a banned substance in the PRC.

According to GAC, these measures aim to protect consumer health and ensure the safety of animal husbandry. For details please see the [official announcement in relation to sorghum, poultry meat and bone meal imports](#) and the relevant [press response](#).<sup>7</sup> Please also see the [official announcement in relation to suspension of poultry product imports from certain entities](#) and the relevant [press response](#) for more information.<sup>8</sup>

#### *Legal Basis:*

The GAC's actions are in accordance with the Food Safety Law and the Import and Export Commodity Inspection Law of the PRC, which empower authorities to suspend imports that fail to meet safety standards.

<sup>6</sup> See the official press response by MOFCOM at [https://aqygzj.mofcom.gov.cn/zhxx/art/2025/art\\_368cedf5d3a84516b01ea8c5f2fcbe2.html](https://aqygzj.mofcom.gov.cn/zhxx/art/2025/art_368cedf5d3a84516b01ea8c5f2fcbe2.html). The unofficial English translation of this response can also be accessed [here](#).

<sup>7</sup> The unofficial English translation of these official sources can also be accessed [here](#).

<sup>8</sup> The unofficial English translation of these official sources can also be accessed [here](#).

## 5. Export Control Measures on Rare Earth-Related Items

MOFCOM and GAC have jointly announced export control measures on seven categories of medium and heavy rare earth-related items. These controls, which will be effective from 4 April 2025, require exporters to obtain a licence under the Export Control Law and the Regulation on Export Control of Dual-Use Items before exporting the listed materials and must make appropriate declarations if the goods contain controlled items. MOFCOM and GAC justified these measures as necessary for safeguarding national security interests and adhering to international non-proliferation obligations.

The seven categories of export controlled rare earth-related items are:

1. 钐: Samarium (Sm)
2. 钆: Gadolinium (Gd)
3. 铽: Terbium (Tb)
4. 镝: Dysprosium (Dy)
5. 镱: Lutetium (Lu)
6. 钪: Scandium (Sc)
7. 钇: Yttrium (Y)

Please see the [official announcement](#) for details, the unofficial English translation of the announcement can also be accessed [here](#).

The updated regulations and export control list amendments reflect China's strategic leverage over rare earth materials, widely recognised for their crucial roles in various advanced technology sectors including electronics, defence, and renewable energy. Controls on dysprosium-related items may have a particular impact in the U.S.

### *Legal Basis:*

China's Export Control Law and associated regulatory framework provide authority for imposing export restrictions on items critical to national security and international non-proliferation obligations. These rare earth elements are essential in advanced technology applications, thus positioning these export controls within the broader context of China's strategic economic policy.

## 6. Anti-dumping Investigation into Certain Medical CT Tubes from the U.S. and India and Industrial Competitiveness Investigation into Imports of Medical CT Tubes

MOFCOM announced that an anti-dumping investigation will be carried out on certain ball bearing medical CT tubes imported from the U.S. and India. This investigation is initiated upon the request of the domestic industry and is targeted at identifying unfair competitive practices. MOFCOM stated that based on the materials submitted by the applicant, as the import volume of related products from the U.S. and India grew by 13% cumulatively from 2022 to 2024 while the import prices continued to decline, this had an effect of suppressing domestic product sales prices and causing operational difficulties for the domestic industry. Depending on the results of the investigation, MOFCOM and relevant authorities may then decide whether to impose further anti-dumping measures. The investigation began on 4 April 2025 and is intended to end before 4 April 2026 subject to further extension under special circumstances. For further details, please see the [announcement on the investigation](#) and the relevant [press response](#).<sup>9</sup>

On the same day, MOFCOM also announced that it has initiated an industrial competitiveness investigation into imports of medical CT ball tubes at the request of the domestic industry. This investigation is not targeted at specific countries or regions and is intended to investigate the effect of the imports on the domestic industry. For further details, please see the [announcement on the investigation](#) and the relevant [press response](#).<sup>10</sup>

<sup>9</sup> The unofficial English translation of these official sources can also be accessed [here](#).

<sup>10</sup> The unofficial English translation of these official sources can also be accessed [here](#).

## Implications and Strategic Analysis:

### PRC

These recent measures highlight a significant escalation in the US-China trade conflict, representing China's robust and systematic response designed to counterbalance the U.S. tariffs announced by President Trump on 2 April 2025. The comprehensive scope of China's retaliatory actions—spanning tariffs, export controls, entity listings, and product-specific import suspensions—demonstrates a deliberate strategy aimed at protecting domestic economic interests and national security.

Businesses involved in U.S.-China trade must now navigate heightened regulatory scrutiny, potential supply chain disruptions, and increased compliance obligations. Entities listed under export control or the unreliable entities list face severe operational constraints within the Chinese market, underscoring the need for vigilant legal compliance and strategic risk management.

From a legal standpoint, affected companies should promptly review contractual obligations, undertake thorough compliance assessments, and consider contingency planning. Furthermore, firms reliant on rare earth imports from China should evaluate alternative supply sources or negotiate procurement strategies to mitigate disruption risks.

### Hong Kong

Hong Kong's position of adhering to its free port status amidst these complex trade dynamics is in line with its commitment to international obligations and domestic constitutional principles.

Charltons is committed to supporting businesses navigate these challenging conditions through informed legal advice, market knowledge and strategic recommendations.



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