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Impact of Free Trade on Gross Domestic Product and Property Value in Hong Kong

Countries adopt free trade policies when they agree to exempt each other from import and export duty. Countries operating in a free trade area enjoy competitive prices for their commodities. Moreover, free trade allows participating countries to have a variety of goods from which to choose. Additionally, the concept enables the consumers to purchase goods at competitive prices due to the lack of exercise duties, which would otherwise increase the cost of the products. Hong Kong's engagement in free trade is a fundamental aspect of its growth. However, understanding the role that free trade plays in Hong Kong requires one to evaluate its impact on the nation's Gross Domestic Product (GDP) and its property market.

Impact on the GDP

Free trade in Hong Kong allows consumers to receive goods at reduced prices. Since the countries exporting their goods to Hong Kong do not pay an export duty, they can sell their products at competitive prices. The low price of commodities increases the magnitude of sales, which leads to more consumer spending. As a result, there is a better circulation of money in the economy, a factor that improves the GDP.

Free trade in Hong Kong also allows the it to export more goods to its trade partners. Increased exports not only earn a nation's foreign revenue but also helps to grow the local firms that produce the exported goods. The firms in Hong Kong that manufacture the products that the country exports have a ready foreign market. Removing trade barriers increases market access to

the local market for foreign firms (Deardorff 3). The implication is that a nation can export more of its products to the nation with which it has a free trade agreement.

Free trade encourages countries to specialize in the production of goods in which they have the most skills. Countries have the task of determining the products that they can produce with ease and achieve economies of scale. Hence, the adoption of free trade not only leads to specialization but also the growth of the local companies. Therefore, Hong Kong enjoys economies of scale in producing niche goods that it can export. Free trade helps countries to identify the industries in which to invest and realize the most profits.

Free trade encourages increased trade volumes. The free trade policy in Hong Kong encourages increased trade activities. In turn, the increased volume of trade promotes GDP growth. The adoption of free trade encourages countries to manufacture and export more goods. Therefore, it leads to the establishment of many firms that specialize in the production of specific products for exports. Hong Kong experiences increased economic activities due to its free trade. This factor has a positive impact on its GDP.

The free trade policy of Hong Kong and minimal intervention from the government encourages innovation among the people. Such innovation promotes industry within the economy, a factor that results in the creation of employment and economic growth. Hong Kong has a low unemployment rate because the free trade policy it adopted prompts different sectors of its economies to create employment for the population. The nation's high employment rate contributes to GDP. Also, citizens strive to acquire skills that enhance their employability.

The Property Market

The property market of the region rises when the area experiences increased economic activities. Therefore, factors that influence economic activities also have an impact on the property market.

The free trade policy of Hong Kong has a significant impact on the region's property market. Since free trade encourages economic activities, it indirectly increases the value of the landed property. Therefore, the property market in Hong Kong has a value owing to the economic activities arising from free trade.

Free trade encourages the growth of industrial areas that specialize in the production of export goods. In turn, such areas prompt the development of various infrastructure to facilitate their operations. For instance, it prompts the development of transport systems, communication systems, and other essential factors to facilitate economic activities. The development of such infrastructure increases the value of the property. Properties in Hong Kong have increased in value since the inception of the free trade policy in the region.

The free trade policy of Hong Kong has been instrumental in the region's growth. Hong Kong encourages free trade in which countries pay little to no taxes when they export their goods. The free trade at the port facilitates economic activities that inject revenue into Hong Kong's economy (Lei, 141). Free trade also promotes the local industries in Hong Kong to produce goods for export to other nations. In return, the country earns foreign revenue that contributes to the growth of its gross domestic product. The economic activities that free trade facilitates also improve the region's infrastructure, which contributes to the increase in the value of the property market. Therefore, the free trade policy Hong Kong has had a positive impact on both its property market and the gross domestic product. Free trade has been a crucial aspect of economic growth in Hong Kong.

Works Cited

Deardorff, Alan V. "Sensitive Sectors in Free Trade Agreements." *process*, May 17 (2017).

Lei, Henry Chun Kwok. "The Closer Economic Partnership Arrangement (CEPA) and its impacts on the export efficiency of Hong Kong and Macao." *Journal of Chinese Economic and Business Studies* 15.2 (2017): 141-163.