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The Shift Towards Increased Autonomy in Special Jurisdictions: Legal and Regulatory Implications for Governance, Sovereignty, and the Innovation Economy

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Abstract:

This paper examines the global shift towards greater autonomy in special jurisdictions and its implications for governance, sovereignty, and economic innovation. It conceptualises autonomy along four interdependent dimensions: legal-regulatory, fiscal, judicial, and economic. The paper argues that their combined configuration, rather than any one element, determines how Special Jurisdictions function and how they interact with the host-state. Drawing on theories of polycentric governance and case studies such as Hong Kong SAR and the Dubai International Financial Centre, the paper shows how carefully bounded autonomy can attract investment and foster regulatory experimentation while the state retains ultimate authority. It concludes that Special Jurisdictions work best as laboratories of evolving bounded autonomy, where meaningful discretion is coupled with clear reference mechanisms back to the sovereign, allowing experimentation to reinforce rather than erode state sovereignty.

Keywords: Autonomy, Sovereignty, Dispute Resolution, Regulation, Law

Resumen:

Este artículo analiza el giro global hacia una mayor autonomía de las jurisdicciones especiales y sus implicaciones para la gobernanza, la soberanía y la innovación económica. La autonomía se entiende a partir de cuatro dimensiones interdependientes – jurídico-regulatoria, fiscal, judicial y económica – y se sostiene que es su configuración conjunta, más que cada elemento por separado, la que determina el funcionamiento de las Special Ju...m risdictions y su relación con el Estado anfitrión. A partir de los marcos de la gobernanza policéntrica y de estudios de caso como Hong Kong SAR y el Dubai International Financial Centre, el artículo muestra cómo una autonomía cuidadosamente acotada puede atraer inversión y promover la experimentación regulatoria sin que el Estado pierda la autoridad última. Se concluye que las 7 funcionan mejor como laboratorios

de “autonomía acotada y evolutiva”, donde la discrecionalidad significativa se combina con mecanismos claros de referencia al soberano, de modo que la experimentación refuerza, en lugar de erosionar, la soberanía estatal.

Palabras Clave: Autonomía, Soberanía, Resolución de disputas, Regulaciones, Derecho

1. Introduction

Over the years, a wide spectrum of special jurisdictions (Special Jurisdictions) has emerged. Some are designed as free trade zones or offshore financial centers to attract global capital. Others function as innovation-driven economic hubs, or even constitutionally entrenched autonomous regions with self-rule. One constant runs through all Special Jurisdictions though: autonomy, even though the degree, nature, and implementation of that autonomy varies significantly.

To look at it systematically, this paper structures the exercise of autonomy along four critical dimensions: legal and regulatory, judicial, economic, and fiscal. The pace of experimentation shaping these dimensions has accelerated markedly in recent decades. Experimentation can occur first in how a Special Jurisdiction is established (through statute, executive order, or other legal means) and then in how it operates to foster innovation (e.g., testing licenses, sandboxes, and pilot programs). As a result, Special Jurisdictions today are no longer just purpose-built enclaves. Instead, they are increasingly seen as laboratories for new technologies and businesses, as well as for novel approaches to governance, regulation, and judicial systems.

While autonomy often acts as a catalyst for efficiency, innovation, and competitiveness, it is not in itself a guarantee of sustainable growth. Autonomy must be balanced against national sovereignty, which anchors legitimacy, territorial integrity, and political checks and balances.

The precarious balance of enabling autonomy while protecting sovereignty is crucial to maintain and depends strongly on the respective context. While autonomy in Special Jurisdictions is argued to increase policy agility, and help attract capital and talent via targeted, and often novel, regulatory approaches (Alexianu, Saab, Teachout, & Khandelwal, 2019), it may also raise coordination costs, fragment standards, and, if poorly specified, even encourage forum shopping, create jurisdictional conflict or revenue leakage. The central challenge, then, is to grant Special Jurisdictions sufficient autonomy to thrive while safeguarding sovereignty against erosion that could compromise broader governance. There is no one-size-fits-all solution to this task; the balance between autonomy and sovereignty is inherently dynamic and deeply context-dependent.

Drawing on a comparative review of selected cases, this paper examines the autonomy-sovereignty dynamic across diverse Special Jurisdictions. It argues that while legal, judicial, fiscal, and economic autonomy are distinct elements, their interplay defines actual impact, and how the autonomy-sovereignty relationship ultimately plays out, sometimes cooperatively, at other times conflictual and potentially destabilizing .

This paper highlights four dimensions of autonomy to approach the topic: (i) legal, regulatory, and constitutional autonomy, (ii) fiscal autonomy, (iii) judicial autonomy, and (iv) economic autonomy. These dimensions have not been chosen arbitrarily; together they capture the core levers through which Special Jurisdictions typically exercise meaningful self-responsibility. Each dimension of autonomy is then examined in relation to its interaction with other dimensions, as well as in relation to national sovereignty. In practice, this means looking not only at the formal allocation of powers, such as the ability to make laws, raise revenues, or adjudicate disputes, but also at how these powers are applied, tested, and adapted over time.

The paper then focuses on two specific Special Jurisdictions: Hong Kong Special Administrative Region (Hong Kong) and the Dubai International Financial Centre (DIFC). It does so to illustrate how different configurations of legal, fiscal, judicial, and economic autonomy are institutionalised in practice within distinct sovereign contexts, and how these configurations shape the balance between experimentation and state authority. It also turns briefly to more recent or in-progress Special Jurisdictions, which have not been in existence long enough to allow for a robust assessment of their performance across the four dimensions. Nonetheless, their institutional frameworks provide valuable insights into the evolving trend of creating Special Jurisdictions with progressively greater degrees of autonomy.

2. Analyzing Sovereignty and Autonomy

Sovereignty denotes the supreme authority of a state (Oxford English Dictionary, n.d.). This is an evolution from the classical notion of the absolute and perpetual power of a commonwealth by Bodin (1576/1967.) In this paper, sovereignty is used as the state's capacity to retain ultimate authority while structuring differentiated governance arrangements through delegated powers. Likewise, autonomy is a practical expression of how sovereignty is exercised. It represents how specific powers and responsibilities are delegated by a sovereign, via constitutional, statutory, and/or contractual instruments, in most cases, with some degree of retained oversight and ultimate responsibility (Bendor et al., 2001).

In the context of Special Jurisdictions, autonomy plays out as the capacity of the Special Jurisdiction, via its governing body, to make decisions and govern itself autonomously. Autonomy is generally granted or devolved by a central authority of the host-state, allowing the autonomous Special Jurisdiction to exercise certain powers under its own responsibility (Wolff, 2017). The degree of autonomy may vary, but at the core, all Special Jurisdictions possess some degrees of autonomy, granted by a host-state, with the host-state retaining some sovereign oversight. We have chosen to divide this autonomy along four dimensions:

2.1. Legal, Regulatory and Constitutional Autonomy

Legal autonomy within Special Jurisdictions is achieved through deliberate carve-outs from the national legal system, and these can take several forms. In some cases, the autonomy is entrenched in the constitution itself, making it deeply embedded in the state's legal foundation and difficult to change without significant consensus. For example, in the case of Hong Kong, autonomy is constitutionally entrenched through the Basic Law of the Hong Kong Special Administrative Region (National People's Congress of the People's Republic of China [NPC], 1990), enacted under the Sino-British Joint Declaration (National People's Congress of the People's Republic of China, 1990; Government of the United Kingdom & Government of the People's Republic of China, 1984).

In others, autonomy is granted by parliamentary statutes where legislatures pass special laws conferring unique privileges and exemptions, such as the establishment of the Qatar Financial Centre (QFC) by law (State of Qatar, 2005, art. 2; Art. 18).

The legal and regulatory backing may also be a hybrid of legislative and executive instruments. For example, in India, the Gujarat International Finance Tec-City (GIFT City) originated as a state-led executive initiative under the Gujarat Town Planning and Urban Development Act and the Special Economic Zones Act, and was later elevated through central government notifications establishing India's first International Financial Services Centre. Its autonomy was subsequently institutionalised with the enactment of the International Financial Services Centres Authority Act (Government of Gujarat, 1976; Government of India, 2005, 2019).

Regardless of their form, all these arrangements allow Special Jurisdictions to emerge either as ringfenced islands of exceptionalism, distinct from their surroundings, or as integrated villages within urban or national landscapes that nonetheless operate under rules tailored to their own purposes.

Legal, regulatory and constitutional autonomy creates a fertile ground for drafting novel legal instruments (including laws and regulations), and creating bespoke institutional frameworks. Freed from the inertia and slow-moving processes of national bureaucracies, Special Jurisdictions become laboratories of regulatory innovation. They are also able to adopt novel practices and frameworks that may be unfeasible at the national level.

In Shenzhen, for instance, China used the Special Economic Zone to trial market-oriented reforms, foreign direct investment policies, and private ownership rules long before they were extended nationwide (Zeng, 2010). Likewise, DIFC, by way of a constitutional amendment and statutory changes, introduced an entirely separate commercial law system based on English common law, allowing global firms to operate under a known framework distinct from the domestic legal order (DIFC, 2004). Estonia's e-Residency program, effectively a digital jurisdiction, pioneered the idea of extending state services and business incorporation to non-residents worldwide through the provision of digital infrastructure (Republic of Estonia, n.d.). Alat Free Economic Zone (AFEZ) in Azerbaijan adopted a distinctive legal framework that stipulates that, with very few exceptions, the AFEZ has the

authority to create and enforce its own laws, effectively disapplying a majority of the national legislations unless explicitly applied. (AFEZ, n.d.). In each case, the Special Jurisdiction has functioned as a controlled environment where radical regulatory or technological reforms could be pioneered, assessed, and, if successful, scaled up.

Sometimes, it is argued that creating Special Jurisdictions with a certain degree of autonomy weakens the sovereignty of host-states (Hathaway, 2008). In fact the opposite is true. Granting a measure of autonomy is a clear and deliberate exercise of sovereignty. These jurisdictions are not established outside or in competition with national sovereignty but operate squarely within the constitutional and sovereign framework of the host-state. When carefully calibrated, these autonomous frameworks can significantly strengthen sovereignty by allowing the state to act as a host for legal and commercial innovation.

By creating controlled environments for experimentation, the host-state retains ultimate oversight, while also signalling flexibility and openness to the world. This dual role allows national governments to capture the benefits of innovation, whether through foreign investment, enhanced reputation, or knowledge transfer. The risks of regulatory fragmentation remain, yet, with proper design, autonomy in Special Jurisdictions can serve as a powerful instrument for actually reinforcing, rather than eroding, the sovereignty of the host-state.

The Metis Institute has collaborated with, and continues to collaborate with, a host of governments and private investor consortia to advance such novel approaches to legal, regulatory and constitutional autonomy. Its work focuses on establishing Special Jurisdictions that operate with a custom-tailored degree autonomy, ensuring that these zones can implement frameworks that meet specific economic and developmental objectives.

2.2. Fiscal Autonomy

Fiscal autonomy within Special Jurisdictions is generally related to the power of the purse, or the authority to raise, allocate, and control money within the Special Jurisdiction. Fiscal autonomy can range from modest privileges to sweeping financial powers.

At the lighter end of the spectrum, Special Jurisdictions may be empowered to grant limited tax exemptions, such as duty-free trade or reduced customs tariffs, designed to attract commerce and investment. For example, Jebel Ali Free Zone in Dubai, attracts international businesses by offering decades-long tax holidays and customs exemptions, effectively creating one of the world's most successful duty-free trade hubs (Jebel Ali Free Zone, 2024). At the other end, fiscal autonomy can evolve into full-fledged financial freedom, where Special Jurisdictions do not collect and retain their own revenues and regulatory fees, and may even issue their own bonds. For example, Abu Dhabi Global Market (ADGM) charges its own registration and licensing fees for businesses operating within its jurisdiction (ADGM, n.d.). The Export Processing Zones Authority in Tanzania sought to engage the private sector to develop the zone through participation of the capital markets by issuing bonds (Construct Africa, 2023). In such cases, the Special Jurisdiction is not merely adjusting the host-state's

fiscal framework but actively constructing one of its own, positioning itself as a parallel financial authority. Hong Kong has long operated on the basis of its own revenue model, relying heavily on land sales and a simplified tax regime that gave it both autonomy and leverage within its relationship with mainland China (National People's Congress of the People's Republic of China, 1990, art. 62(4), art 107-108).

When measured against national sovereignty, the crucial question is the degree to which such fiscal independence strengthens or fragments the state's sovereign power over revenue. On one hand, excessive fiscal autonomy can possibly create insulated silos of revenue streams within a sovereign state. On the other hand, fiscal autonomy can enable Special Jurisdictions to build their own revenue and reinvest it into infrastructure, services, and innovation within the Special Jurisdiction, thereby amplifying their global competitiveness while still contributing indirectly to the host-state (Afonso et al., 2024; Mladenovska & Tashevskaja, 2024).

While, at first glance, fiscal autonomy for the Special Jurisdiction may appear like lost revenue for the host-state, closer analysis tends to reveal the significant GDP and jobs impact of Special Jurisdictions. Consequently, there is also an increased demand for goods and services in adjacent mainland areas, which typically translates into higher host-state fiscal revenues and/or reduced pressure on the host-state's social welfare system (Saab, Teachout, & Khandelwal, 2019).

2.3. Judicial Autonomy

Judicial autonomy within Special Jurisdictions is structured through the establishment of dispute resolution ecosystems designed to deliver adjudicatory outcomes in the Special Jurisdictions that are neutral, efficient, and predictable, in some cases in contrast to the slower or less consistent processes of the host-state's judiciary. In its most autonomous version, judicial autonomy takes the form of wholly separate court systems, operating under their own procedural and substantive rules. They are often modeled on established international legal traditions such as English common law. DIFC Courts, for example, operate separately from the United Arab Emirates judiciary, using a common law system overseen by international judges, thereby attracting global financial institutions that value predictability (DIFC Courts, n.d.). That said, and to avoid misunderstandings, DIFC Courts are still courts of Dubai, and thereby the United Arab Emirates.

At a more limited level, autonomy may manifest in the creation of specialised branches (or even benches within existing courts) that function with tailored rules and procedures to better serve commercial or international disputes. For example, the Singapore International Commercial Court (SICC) is a specialised division of the High Court and part of the Supreme Court of Singapore, set up to handle cross-border commercial disputes - particularly those involving international parties (SICC, n.d.).

Dedicated arbitration centers are also established to promote alternative modes of dispute resolution for commercial disputes in (and sometimes even outside) the SPJ. Using Singapore again as example, the Singapore International Arbitration Centre has built a reputation for efficiency and neutrality, becoming a hub for cross-border commercial dispute resolution across Asia (Chartered Institute of Arbitrators, 2024).

These fora are frequently staffed by judges, arbitrators, and legal experts drawn from outside the host jurisdiction, lending them an international character and bolstering perceptions of impartiality. By creating these fora, Special Jurisdictions send a strong signal of credibility, predictability, and respect for international legal norms, thereby increasing investor confidence and deepening their integration into global networks of commerce and law.

When considered in the context of national sovereignty, judicial autonomy presents both opportunities and challenges. On the one hand, autonomous judicial frameworks can generate positive spillovers for the mainland system by encouraging quick dispute resolution, raising standards of judicial practice, and enhancing the host-state's reputation as a fair and reliable partner in global commerce. They can also serve as testing grounds for innovations in procedure and case management, such as deployment of blockchain in creating a repository of judgements, or AI to aid in judicial decision making. These innovations can then inform judicial reform at a national level. For example, ADGM Courts have pioneered the publication of judgments to the blockchain, enabling enforcing commercial courts to independently and instantly verify the authenticity of judgments (ADGM, 2022). On the other hand, multiple avenues for dispute resolution can encourage forum shopping, undermine the perceived legitimacy of national courts, and possibly even erode confidence in the sovereignty of the host-state's judicial authority. The central challenge, therefore, lies in ensuring that judicial autonomy operates as a complement rather than a competitor, reinforcing rather than fragmenting the legitimacy of the broader legal order.

2.4. Economic Autonomy

Economic autonomy within Special Jurisdictions takes shape through the creation of specialised economies designed to operate under frameworks distinct from the broader national economy. By tailoring regulatory environments, Special Jurisdictions function as incubators for frontier industries (Tabarrok, 2022). The result is not merely the attraction of capital and talent but the cultivation of ecosystems where experimentation is embedded by structure and encouraged by culture.

Economic autonomy within Special Jurisdictions often emerges through the creation of autonomous regulatory regimes, and even autonomous regulators, distinct from the host-state's central institutions. By separating regulatory authority, Special Jurisdictions can build credibility with international investors, offering frameworks that reflect global standards while freeing themselves from domestic bureaucratic constraints. This institutional

independence signals neutrality and efficiency, making these jurisdictions magnets for capital and innovation.

As an example, finance as a sector is typically supported in Special Jurisdictions through the presence of an independent financial regulator. By granting regulatory bodies autonomy from the host-state's central financial institutions, Special Jurisdictions create environments where innovation can flourish under rules tailored to global market expectations. This separation enhances credibility, attracts international investment, and allows jurisdictions to build reputations as hubs of trust and efficiency in sectors where neutrality and predictability are paramount (Morriss & Ku, 2024).

For example, the Astana International Financial Centre (AIFC) in Kazakhstan operates its own independent regulator, the AIFC Financial Services Authority (AFSA), which functions separately from Kazakhstan's national financial regulatory bodies (AFSA, n.d.). This autonomy allows the AIFC to apply international standards and provide investor-friendly regulations tailored to global capital markets.

Special Jurisdictions also offer a great place for sandbox-led innovation testing. In Hong Kong, the Hong Kong Monetary Authority (HKMA) launched the Fintech Supervisory (FSS) in 2016 (HKMA, n.d.), enabling banks and their technology partners to pilot fintech solutions with limited regulatory flexibility. Similarly, the ADGM has fostered innovation through initiatives such as its RegLab accelerator (ADGM, n.d.).

When measured against national sovereignty, the question is whether such enclaves act as engines of reform and reputational strength for the host-state, or whether they risk creating islands of prosperity that fragment national economic coherence. Properly calibrated, independent regulators can serve as catalysts for growth and innovation; if left unchecked, they may weaken the unity of national economic governance (Gilardi & Maggetti, 2011).

3. Interplay of the Dimensions of Autonomy and Relationship with Sovereignty

While the relationship of each dimension of autonomy (legal and regulatory, fiscal, judicial, and economic) with each other and with sovereignty can be analysed individually, in practice all these elements function as interdependent, symbiotic components of a single ecosystem, a relationship. This symbiotic relationship is not unique to Special Jurisdictions and finds antecedents in established institutional theory.

The interaction amongst the dimensions of autonomy and overall sovereignty reflects what institutional theorists describe as polycentric governance, a set up in which multiple centres of authority coexist within a shared institutional order (Ostrom, 2010). In Special Jurisdictions, each dimension of autonomy in a way reflects a centre of authority, such that each centre continually interacts with the others. The interactions are embedded within a shared institutional order, which, in case of Special Jurisdictions, is marked by the overarching sovereign regime, which ensures coherence and legitimacy and thereby lends anchoring as

well as credibility to the Special Jurisdictions. This dynamic relationship amongst the centres of power encourages adaptive governance in Special Jurisdictions, thereby enabling continual innovation and experimentation (based on V. Ostrom, Tiebout, & Warren, 1961; E. Ostrom, 2010).

Now, how does this theoretical framework play out in light of the four dimensions of autonomy discussed earlier in this paper? In Special Jurisdictions, legal and regulatory autonomy establishes the foundational rules that allow Special Jurisdictions to operate under their own framework. This autonomy can only be effectively exercised when supported by fiscal capacity. Without fiscal autonomy, even the most sophisticated legal framework remains constrained by dependence on central funding. Conversely, fiscal autonomy without a clear legal mandate risks generating tensions with sovereign authorities, as financial discretion unmoored from statutory legitimacy can be perceived as encroaching on sovereignty.

Judicial autonomy, in turn, provides the channel through which both legal and fiscal autonomy acquire credibility. Independent courts and dispute-resolution mechanisms ensure that Special Jurisdictions' laws are interpreted and enforced predictably, which is essential for investor confidence and regulatory experimentation. Judicial autonomy also reinforces economic autonomy by ensuring fair adjudication in commercial matters, thus encouraging entrepreneurship and innovation. In this way, the judiciary acts as the stabilizing factor.

Finally, economic autonomy serves as both an outcome and enabler of the other dimensions. Where Special Jurisdictions can regulate sectors independently and generate their own economic activity, they create feedback loops that strengthen fiscal capacity and often, justify further legal differentiation. Economic success reinforces the legitimacy of legal and judicial autonomy, making it politically sustainable to confer the autonomy.

The four dimensions of autonomy, therefore, form an interdependent cobweb, as illustrated in Figure 1 below: legal rules define boundaries of autonomy, fiscal power sustains operational autonomy, economic autonomy encourages diversification and innovation and judicial mechanisms guarantee and reinforce autonomy. Therefore, sustainable autonomy in Special Jurisdictions depends not on the strength of any one dimension, but on combined strength of all four and the coherence of their interaction with each other. Yet, the balance is precarious. Too much autonomy, bereft of sovereign oversight, risks unintended regulatory divergence; too little autonomy, conversely, may stifle innovation and undermine economic objectives.

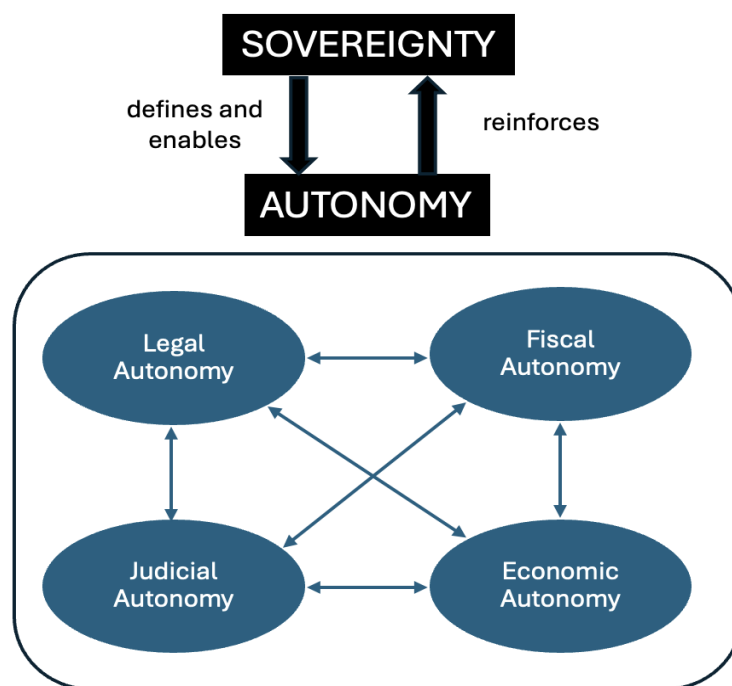


Fig 1: Autonomy Framework for Special Jurisdictions. Source: The Authors

There is no strict formula for the right degree of autonomy within a sovereign framework, or for ascertaining what strength of which autonomy dimension is ideal for building a successful Special Jurisdiction. Generally, effective Special Jurisdictions function within an evolving bounded autonomy model, where the sovereign delegates meaningful discretion across the four dimensions, as necessary, but balances it by retaining control, or at least some degree of oversight, through supervisory or policy mechanisms. This balance is rarely static: it keeps evolving through negotiation, performance, and political trust, reflecting the dynamic equilibrium between experimentation and authority that underpins successful jurisdictional design.

Early experiments with special jurisdictions in Astana, Kazakhstan, such as the Astana New City SEZ established in the early 2000s, faced institutional and operational constraints. Despite economic autonomy, limited legal, judicial, and fiscal autonomy translated into limited economic growth: by 2015, only 6% of the SEZ's total investment came from FDI. Despite USD 700 million investment in infrastructure, the Astana New City SEZ employed only 2,650 people by 2016 (Gout, 2025).

The creation of AIFC in 2015 marked a significantly different approach to Special Jurisdictions by Kazakhstan, characterized by a multidimensional framework of autonomy. Legally, AIFC operates under a distinct common law system; judicially, it has dedicated courts staffed by international judges through; fiscally, autonomy is reinforced by its self-financing

model and regulatory independence, while economically, autonomy is advanced through innovation mechanisms such as the FinTech Lab and Digital Assets Framework. The AIFC hosts over 2,500 registered companies from more than 80 countries and ranks among the top 10 financial centres in Eastern Europe and Central Asia (Wardle & Mainelli, 2025).

4. Case Studies

This section examines a few notable Special Jurisdictions that offer a good balance of varying degrees of legal, fiscal, judicial, and economic autonomy, which in turn enables adaptive governance in these Special Jurisdictions. The case studies that follow, Hong Kong and DIFC, highlight different variations of the sovereignty-autonomy relationship in action. Each represents a distinct model of how carefully structured carve-outs can foster growth, innovation, and global integration, while also raising questions about their impact on sovereignty and governance. This section also analyzes briefly the new models of the sovereignty-autonomy relationship, all different in configuration, but ultimately geared towards attracting investment, experimenting with new regulatory frameworks, and fostering global innovation.

4.1. Hong Kong SAR

Hong Kong is one of the most prominent examples of a Special Jurisdiction with autonomy spanning legal, fiscal, judicial, and economic domains under the “one country, two systems” framework. Anchored in the Sino-British Joint Declaration and entrenched in the Basic Law, this model guarantees a high degree of autonomy for fifty years after the 1997 handover. Yet, it reserves the ultimate interpretive authority of the Basic Law to the National People’s Congress Standing Committee (National People’s Congress of the People’s Republic of China, 1990, art 158; Government of the United Kingdom & Government of the People’s Republic of China, 1984).

This has allowed Hong Kong to preserve its common law tradition, complete with a separate legislative council, an independent bar, and the freedom to enact and enforce commercial and financial regulation (National People’s Congress of the People’s Republic of China, 1990, arts. 35, 66–79, 85, 88, 109–110, 118). A fully independent judiciary often staffed by judges from common law jurisdictions, together with arbitration centres and specialised courts has reinforced its role as a leading venue for arbitration in Asia, as reflected by findings of the International Arbitration Survey (Queen Mary University of London, 2021).

The Basic Law also guarantees an independent budget and financial system. Revenues are locally raised through taxes, land sales, and fees, and expenditures determined without remittance to Beijing (National People’s Congress of the People’s Republic of China, 1990, art. 62(4), art 107-108). Low tax rates, fiscal reserves, and a simple revenue regime underpin Hong Kong’s global competitiveness.

Economic autonomy in Hong Kong has manifested through its ability to maintain a capitalistic economy, free movement of capital, and regulatory authority over financial markets (National People's Congress of the People's Republic of China, 1990, arts. 109–110, 112). The HKMA manages the US dollar peg and oversees one of the world's most sophisticated banking systems. These arrangements positioned Hong Kong as China's primary gateway for foreign investment and capital raising.

Hong Kong's economic autonomy has also had profound spillover effects on the mainland. The proximity of Shenzhen, once a small fishing village, allowed it to benefit from Hong Kong's integration with global markets. Shenzhen's rise as a Special Economic Zone in 1980 was heavily shaped by its position adjacent to Hong Kong, enabling technology transfer, capital inflows, and managerial expertise (Reil & Hooks, 2020). Today, according to news reports, Shenzhen has emerged as a powerhouse of innovation, having surpassed Hong Kong in terms of GDP (He, 2018; Shephard, 2019). It is also home to marquis technology players like Huawei and Tencent.

Overall, these special status rules have enabled Hong Kong to emerge as a global financial centre trusted by international investors who valued the continuity of legal predictability and rule of law. For Hong Kong, ongoing changes to the different dimensions of autonomy present it with the fresh task of ensuring that it remains competitive at a global stage.

4.2. Dubai International Financial Centre (DIFC)

DIFC stands as a prominent example of how carefully circumscribed carve-outs can generate meaningful autonomy in law, judiciary and economy, while leaving national sovereignty and control over matters such as law and order intact. Established under a constitutional amendment in 2004, and given statutory form under an establishment law, the DIFC was created as a ringfenced jurisdiction to be promoted as a hub for financial activity (Government of UAE, 2004, art. 3; Government of Dubai, 2004, art 3).

DIFC operates under its own body of laws, draws on international best practices, and is supervised by an independent financial regulator: the Dubai Financial Services Authority (DFSA) (DIFC, 2004), as well as independent common law courts (DIFC Courts, n.d.). Importantly, this autonomy is limited: political, security, and criminal jurisdiction remain firmly within the federal state, ensuring that sovereignty is reinforced rather than strained. This sustained duality has strengthened Dubai's reputation as a global financial hub while demonstrating that parallel legal orders can coexist under sovereign authority.

DIFC's judicial autonomy stems from its independent courts, which have not displaced national courts but has augmented their reach. DIFC Courts offer a specialised forum for financial and commercial disputes, and are staffed by international judges, thereby boosting overall investor confidence (DIFC, 2004). Fiscally, the DIFC earns its own revenue through licensing fees, regulatory charges, and service revenues (DIFC, n.d.).

Economically, the DIFC has become one of Dubai's key growth engines (Dubai International Financial Centre, 2024). It hosts conventional financial powerhouses, such as banks, funds, asset managers, family offices and insurance companies, while positioning itself as a hub for fintech, digital assets, and innovation. Over the years, through initiatives like the Innovation Testing License and sandboxes for digital assets, the DIFC has embraced the innovation economy, providing a controlled environment where firms can trial new technologies with regulatory oversight (DFSA, n.d.). Today, DIFC has positioned itself as a hub for AI and Web3 innovation through its dedicated Innovation Hub (DIFC, n.d.).

The DIFC's model has proven influential. Its statutory framework, common law courts, and independent regulator have inspired similar projects across the Middle East and beyond. The ADGM was created in 2015 on Al Maryah Island with its own courts and regulator; QFC in Doha and Bahrain Financial Harbour (**BFH**) in Manama have adopted comparable structures to attract international finance and diversify their economies. This trend underscores how the creation of autonomous financial enclaves is reshaping the governance of capital flows, embedding global norms within national jurisdictions, and recalibrating the balance between sovereignty and openness.

From a governance perspective, the DIFC has demonstrated that narrow, well-defined carve-outs can complement state sovereignty. By confining autonomy to financial and business affairs, the UAE has avoided political or security fragmentation, while gaining the benefits of global trust, capital inflows, and reputational prestige. For innovation, the implications are significant: Special Jurisdictions like DIFC provide regulatory testbeds where frontier technologies, such as AI, digital payments, digital assets and tokenization, can be trialed without exposing entire national systems to risk. As a result, DIFC is consistently ranked among the top ten global financial centres, with surveys highlighting its reputation for legal certainty, dispute resolution, and regulatory clarity (Wardle & Mainelli, 2025).

4.3. Other Upcoming Jurisdictions

Beyond the well-established hubs like Hong Kong, DIFC, and a couple of others not mentioned in this article, a new generation of Special Jurisdictions is emerging. Some are emerging as cross-country zones, others as digital jurisdictions. And then, there are some micronations in the making. A perusal of their framework confirms that these models are still young, making it difficult to offer definitive assessments of their long-term performance across the dimensions of autonomy. Nonetheless, they are valuable as early indicators of how states and non-state actors are experimenting with cross-border cooperation, statutory frameworks, digital infrastructures, and even symbolic micro-jurisdictions to expand the frontier of governance innovation.

First, the Johor–Singapore Special Economic Zone (JS-SEZ) offers an ambitious experiment in cross-border jurisdictional design. Announced in 2023, it represents the first joint zone between two sovereign states, linking Singapore's financial and technological base

with Johor's land, labour, and manufacturing capacity. Unlike traditional Special Jurisdictions, which operate within a single state's legal and constitutional framework, the JS-SEZ is premised on regulatory cooperation across national boundaries. Interestingly, it is built on hybrid sovereignty: a jointly managed space where trade, investment, and labour mobility are facilitated without requiring the merger of legal systems (Singapore Economic Development Board, 2023).

Autonomy in the JS-SEZ is therefore more functional than constitutional. There is no new legal system or independent judiciary; rather, both states retain their sovereignty while agreeing to streamline customs, taxation, and regulatory procedures within the zone. The multi-sectoral focus spans logistics, digital trade, manufacturing, and the green economy. Singapore contributes its strengths in finance, digital infrastructure, and regulatory credibility, while Johor offers space, resources, and industrial depth. This creates opportunities for complementarity: Singapore gains access to cost-efficient production bases, and Johor benefits from capital inflows, skills transfer, and closer integration with one of the world's leading financial hubs.

Yet, the very novelty of the model poses challenges. With no single regulator or court system, investors will need clarity on dispute resolution, tax treatment, and cross-border enforcement. Questions remain over whether the zone will develop joint regulatory institutions or rely on mutual recognition between the two systems. The success of the JS-SEZ will depend on the ability of Malaysia and Singapore to maintain stable cooperation, avoid regulatory fragmentation, and ensure that benefits are distributed equitably. If these hurdles are managed, the JS-SEZ could pioneer a new class of Special Jurisdictions: cross-border enclaves that pool sovereignty to capture growth opportunities while setting precedents for regional integration in the innovation economy.

If Johor-Singapore SEZ reflects state-led experiments with cross-border or statutory autonomy, Estonia shows how jurisdiction can be reimaged in purely digital form. Launched in 2014, its e-Residency program offers individuals worldwide the ability to register companies, access digital banking, and use government services remotely—effectively creating a transnational digital jurisdiction. Unlike traditional Special Jurisdictions, e-Residency does not confer citizenship or tax residence, but it enables borderless corporate governance under Estonian law (E-Residency of Estonia, n.d.). This model demonstrates how autonomy can be exercised through digital infrastructure, aligning with global demand for remote business solutions and embedding Estonia within international debates on digital governance.

Finally, at the fringes of jurisdictional experimentation lies Liberland, a self-proclaimed micronation founded on disputed territory between Croatia and Serbia. Liberland represents a libertarian experiment in blockchain-based governance, proposing decentralised digital citizenship, blockchain property registries, and tokenised governance structures (Liberland, n.d.). While its political legitimacy is contested, Liberland highlights how

emerging “micro-jurisdictions” use technology to promote radical ideas about sovereignty and self-rule. It illustrates both the potential and the limits of blockchain as a foundation for new forms of jurisdictional autonomy.

5. Conclusion

Special jurisdictions occupy a unique space in the global governance landscape: they act as laboratories of legal, judicial, fiscal, and economic experimentation. As the case studies of Hong Kong, DIFC, and others illustrate, autonomy can generate powerful advantages, such as streamlined regulation, investor confidence, fiscal innovation, and catalytic economic spillovers.

Yet, each also shows that autonomy is never absolute. It is negotiated within sovereign frameworks, and its legitimacy depends on maintaining the delicate balance between flexibility and oversight.

The durability of the experiments depends on sustainable and adaptive design of Special Jurisdictions. Resilient Special Jurisdictions are those that are adjusted to their local political and legal contexts. In these Special Jurisdictions, autonomy is typically designed as a polycentric system, with clear reference mechanisms to the sovereign, albeit in varying forms.

As highlighted, the sovereignty/autonomy relationship may be different for each Special Jurisdiction, and there is no one size fits all. Yet, it is certain that in some way or the other, legal, judicial, fiscal and economic autonomy operate under and relate to national sovereignty. It is this dynamic and calibrated interplay that allows innovation to flourish and Special Jurisdictions to become hubs of growth.

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