



WTO

in an age of multilateral and bilateral

Free Trade Agreements:

Is it still relevant to

HONG KONG?

The World Trade Organisation in an age of bilateral and multilateral free trade agreements: Is it still relevant to Hong Kong?



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The Post Second World War International Order

- The United Nations
- The World Bank
- The International Monetary Fund
- The General Agreement on Trade Tariffs [1947 23 Members]
 - 1947 Geneva Round (7 months) 45,000 tariff concessions
 - 1949 Annecy Round (5 months) 5,000 tariff concessions (34 Members)
 - 1950 Torquay Round (34 months) 8700 tariff concessions and reduction of 1948 tariffs by 25%
 - 1956 Geneva Round (5 months) \$2.5 Billion in tariff reductions
 - 1960 Dillon Round (11 months) \$4.9 Billion tariff reductions (45 members)
 - 1964 Kennedy Round (37 months) Anti-dumping rules, \$40 Billion tariff reductions
 - 1973 Tokyo Round (74 months) Tariff reductions of \$300 Billion (102 Members) [1974 Multifiber Agreement]
 - 1986 Uruguay Round (87 months) leading to formation of WTO in 1995.
 - All of these were replaced by the Agreements at or following creation of the WTO

World Trade Organisation

- Established 1995, Final Act signed on 15 April 1994, in Marrakesh (thus called the Marrakesh Agreement) (164 Members, including the EU in its own right, and 25 Observer Governments) (Hong Kong joined GATT in 1987 and became member in 1995, later in 1997, as 'Hong Kong, China', PRC joined in 2001 and Taiwan joined in 2002 as Separate Custom Territory of Taiwan, Penghu, Kinmen and Matsu)
- WTO Agreement. Five principles:
 - Non-discrimination
 - Reciprocity
 - Binding and Enforceable Commitments
 - Transparency
 - Safety. Trade may be restricted for genuine public policy reasons – environmental protection and public health, and unfair competition.

World Trade Organisation

- Multilateral Agreement on Trade in Goods
- General Agreement on Trade in Services
- Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Various Protocols for Trade-Related Aspects of Investment Measures (TRIMS), Trade-Related Aspects of Government Procurement
- Exceptions: for developing countries, regional free trade areas and customs unions, and agricultural subsidies
- Dispute Resolution System with Panels and Appellate Body
- Doha Round (2001) – not yet ended

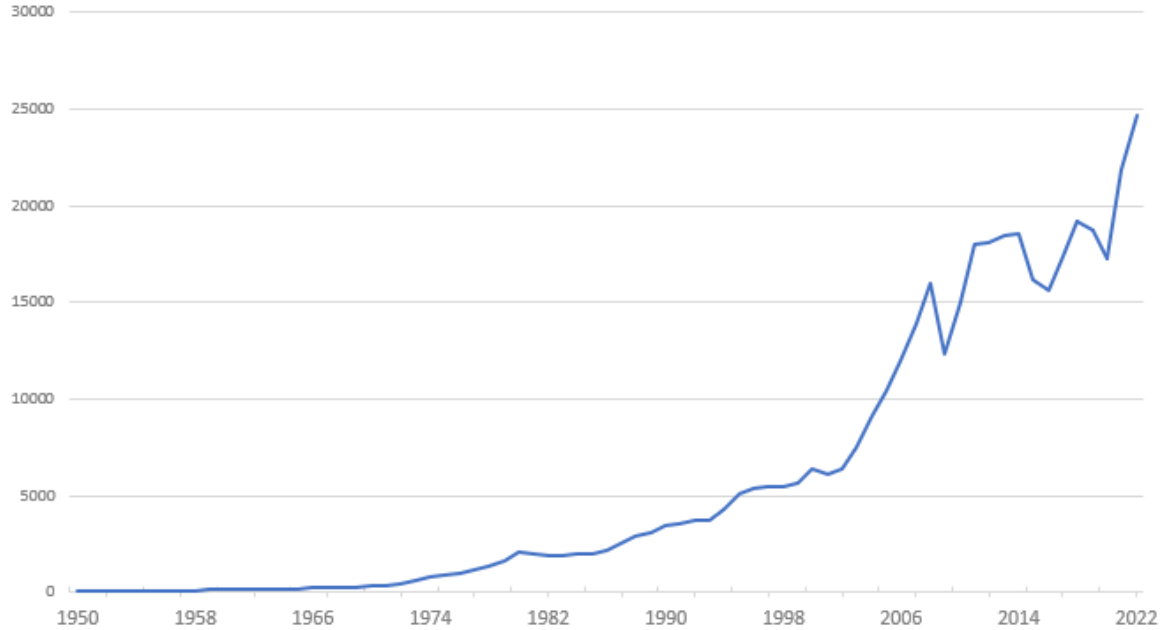


- World trade volume today is roughly 45 times the level recorded in the early days of the GATT (4500% growth from 1950 to 2022).
- World trade values today have ballooned by almost 400 times from 1950 levels.
- Volume and value graphs below show trade picking up steeply since the establishment of the WTO in 1995.
- As of 2022, world trade volume and value have expanded 4% and 6% respectively on average since 1995 when the WTO was first established.
- The world's current MFN applied tariffs stand at an average of 9%.



Average of Value

Evolution of World Trade, 1950-2022 Values, Billion USD



Source: WTO

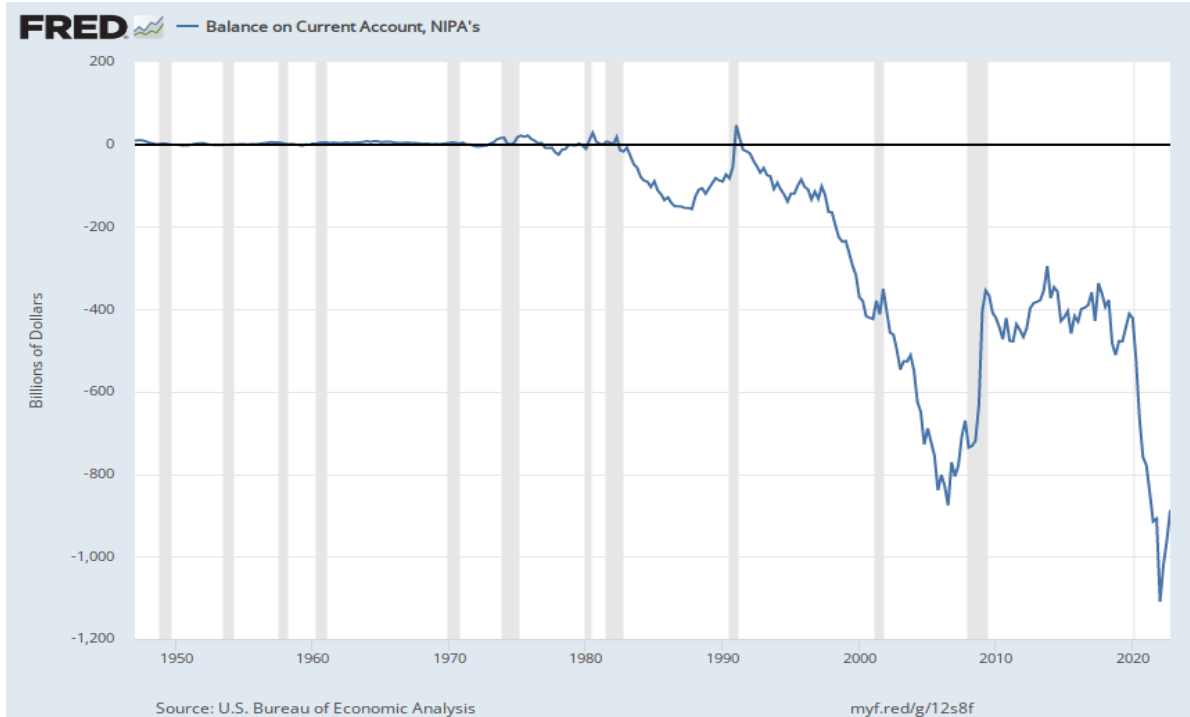
**WTO in an age of multilateral and bilateral Free Trade Agreements:
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Issues:

- Trade and Balance of Payments Deficits (The Triffin Dilemma)
- Currency misalignments (The US Gold Reserve Act 1934 and Exchange Stabilisation Fund of the US Treasury)
- Proliferation of Free Trade Agreements:

<https://klimalog.idos-research.de/trend/index.html>



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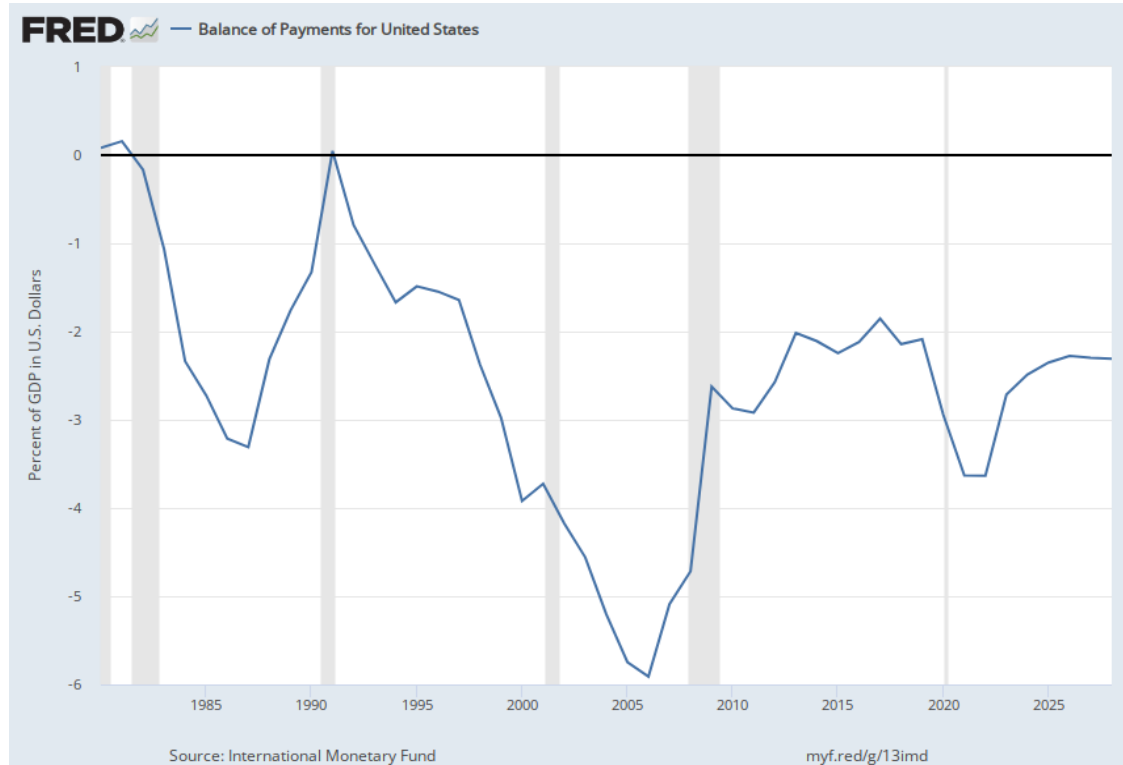
US Current Account Balance



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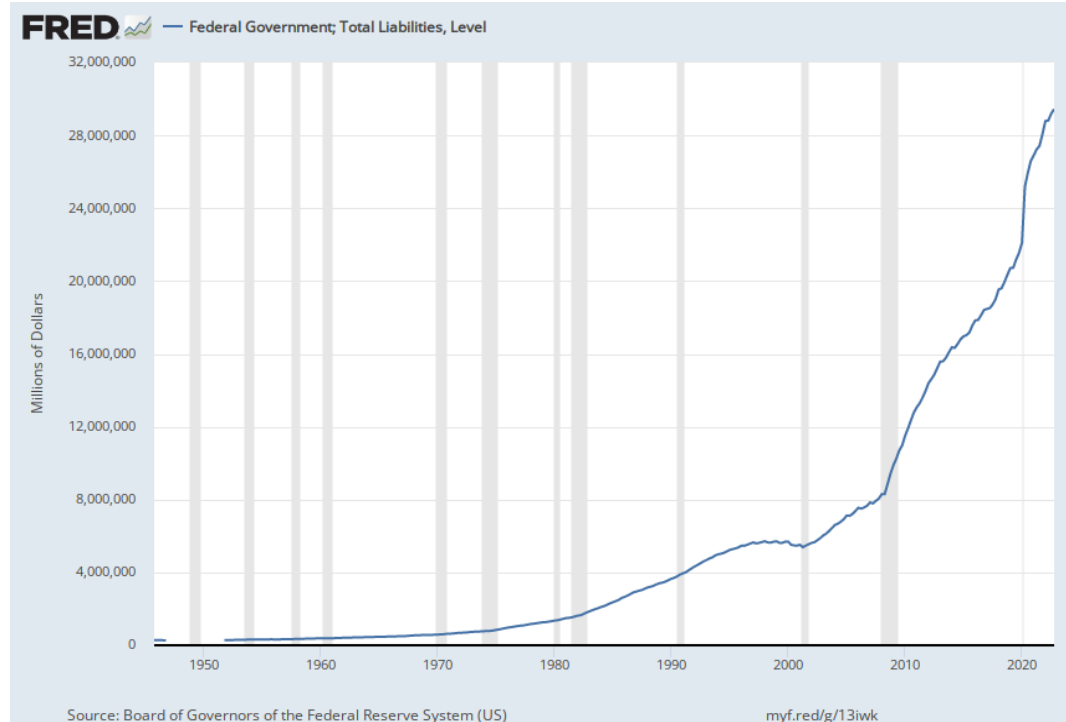
US Balance of Payments



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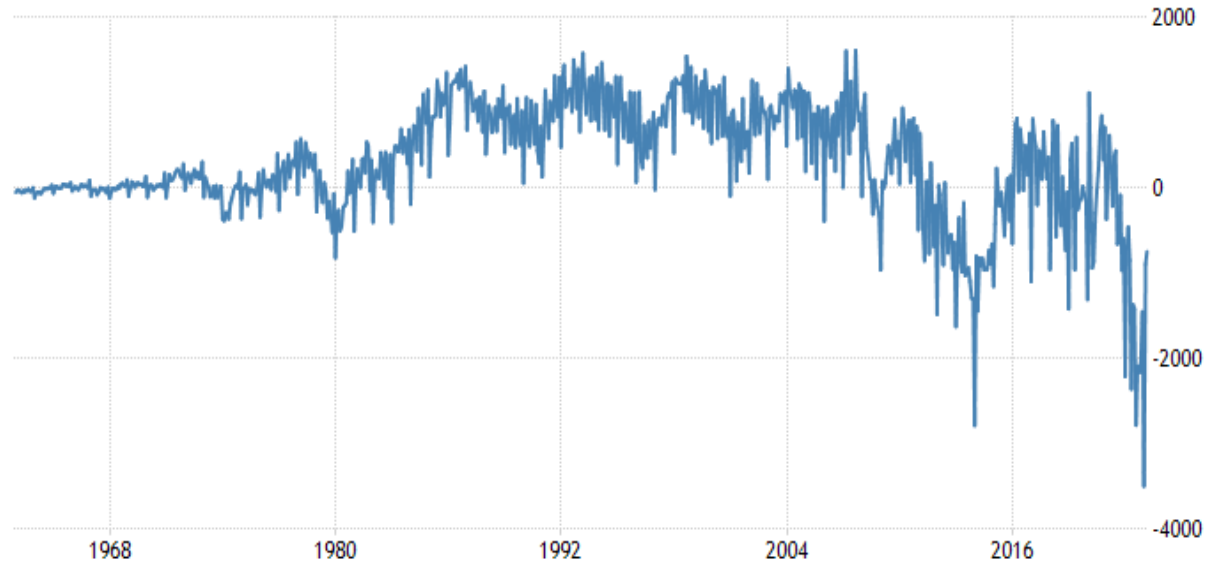


US Federal Government Liabilities Finances Balance of Payment Deficit



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Japan's Trade Balance

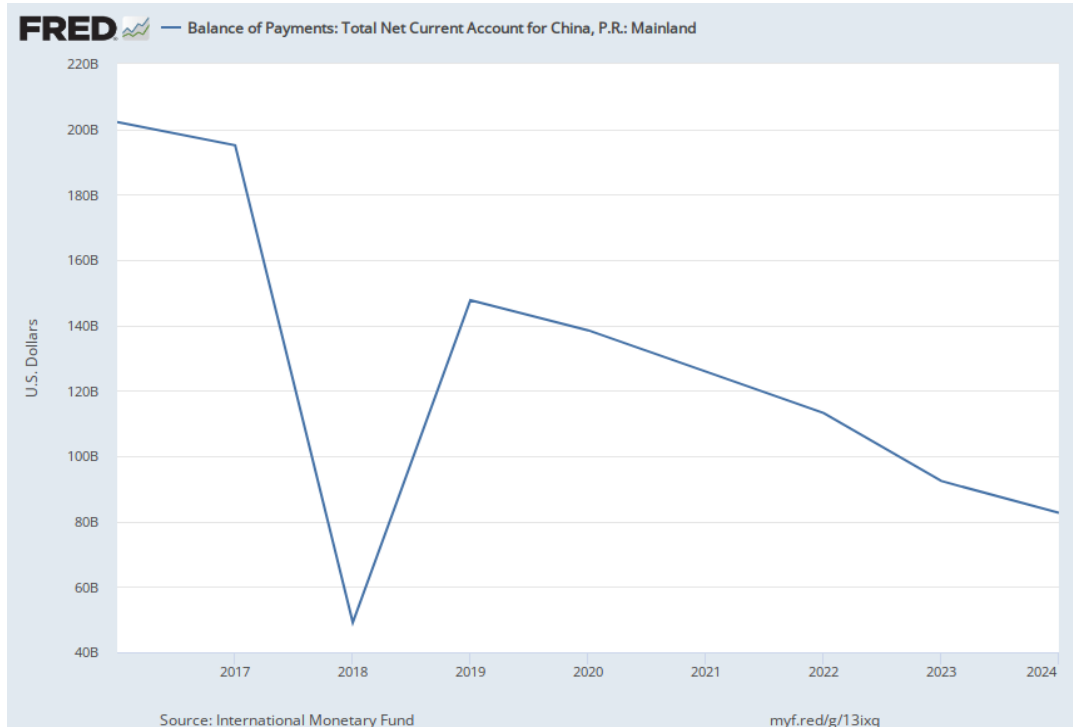


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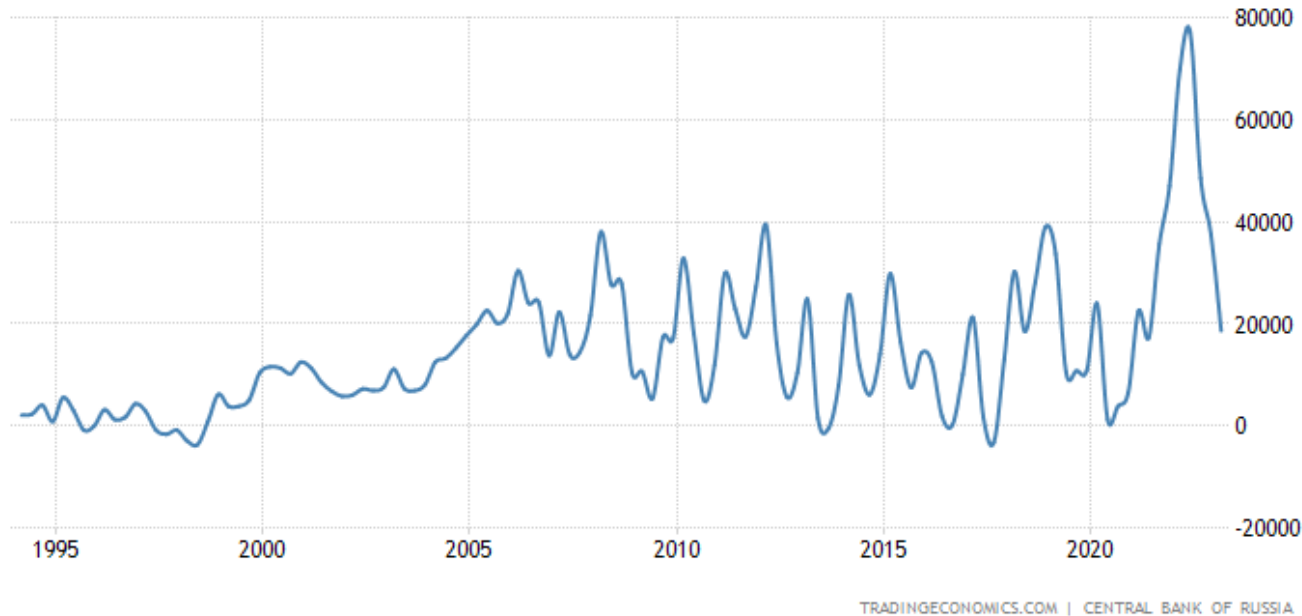
PRC Net Current Account Balances



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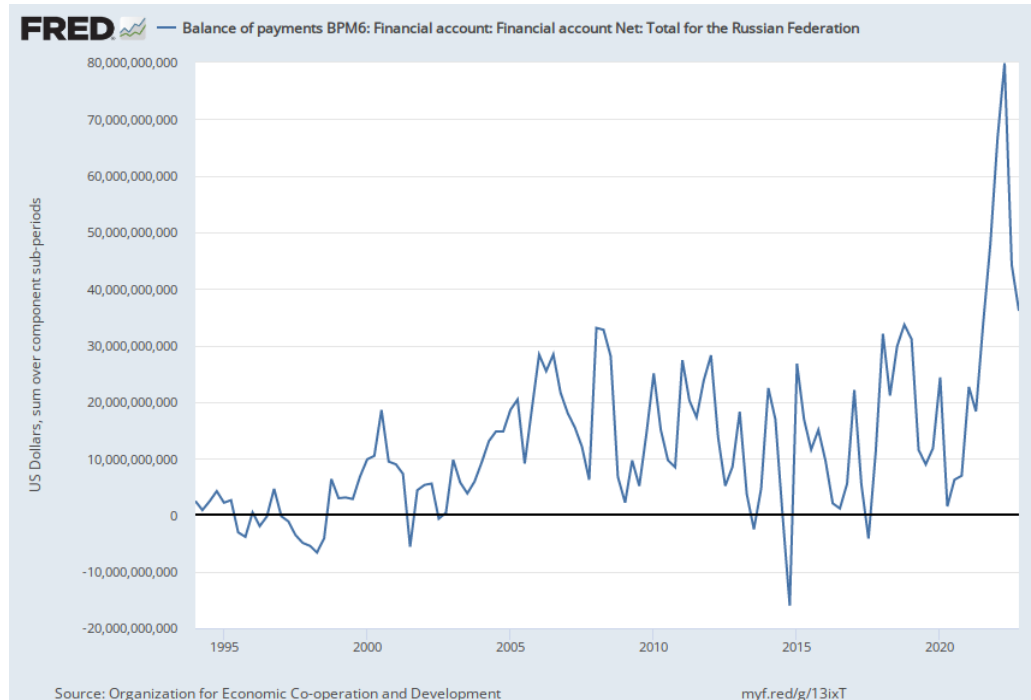


Russian Net Balance of Payments in Current Account



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Russian Federation Net Current Account Balance



WTO in an age of multilateral and bilateral Free Trade Agreements:
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EU Net Current Account Balances



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WTO in an age of multilateral and bilateral Free Trade Agreements:
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World Currency Composition of Official Foreign Exchange Reserves

US Dollars, Millions

	2016Q1	2016Q2	2016Q3
Total Foreign Exchange Reserves	10,931,146.60	10,974,021.34	11,000,591.84
Allocated Reserves	7,763,616.51	8,054,055.93	8,351,620.31
Claims in U.S. dollars	5,082,418.63	5,253,271.06	5,403,875.87
Claims in euro	1,517,958.99	1,563,371.43	1,643,313.31
Claims in Chinese renminbi			
Claims in Japanese yen	284,140.58	328,532.80	349,945.32
Claims in pounds sterling	361,235.55	367,399.78	368,076.19
Claims in Australian dollars	133,669.62	136,983.31	150,195.62
Claims in Canadian dollars	140,377.59	147,673.98	159,851.55
Claims in Swiss francs	14,817.73	14,334.46	14,790.29
Claims in other currencies	228,997.82	242,489.11	261,572.16
Unallocated Reserves	3,167,530.08	2,919,965.42	2,648,971.53
Shares of Allocated Reserves	71.02	73.39	75.92
Shares of U.S. dollars	65.46	65.23	64.70
Shares of euro	19.55	19.41	19.68
Shares of Chinese renminbi			
Shares of Japanese yen	3.66	4.08	4.19
Shares of pounds sterling	4.65	4.56	4.41
Shares of Australian dollars	1.72	1.70	1.80
Shares of Canadian dollars	1.81	1.83	1.91
Shares of Swiss francs	0.19	0.18	0.18
Shares of other currencies	2.95	3.01	3.13
Shares of Unallocated Reserves	28.98	26.61	24.08

Source: Currency Composition of Official Foreign Exchange Reserves (COFER), International Financial Statistics (IFS)

Data extracted from <http://data.imf.org/> on: 5/8/2023 8:07:10 PM

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World Currency Composition of Official Foreign Exchange Reserves

US Dollars, Millions

	2016Q4	2017Q1	2017Q2
Total Foreign Exchange Reserves	10,720,510.90	10,907,538.90	11,127,910.02
Allocated Reserves	8,417,845.24	8,832,030.73	9,255,765.79
Claims in U.S. dollars	5,501,929.91	5,713,409.55	5,909,266.28
Claims in euro	1,611,025.86	1,703,274.39	1,847,337.86
Claims in Chinese renminbi	90,777.37	95,419.83	99,996.46
Claims in Japanese yen	332,757.90	399,661.80	427,596.78
Claims in pounds sterling	365,857.93	377,892.66	409,483.77
Claims in Australian dollars	142,303.39	156,281.51	162,306.04
Claims in Canadian dollars	163,143.75	167,491.77	178,770.32
Claims in Swiss francs	13,694.39	14,452.12	15,600.08
Claims in other currencies	196,354.74	204,147.09	205,408.19
Unallocated Reserves	2,302,665.66	2,075,508.17	1,872,144.23
Shares of Allocated Reserves	78.52	80.97	83.18
Shares of U.S. dollars	65.36	64.69	63.84
Shares of euro	19.14	19.29	19.96
Shares of Chinese renminbi	1.08	1.08	1.08
Shares of Japanese yen	3.95	4.53	4.62
Shares of pounds sterling	4.35	4.28	4.42
Shares of Australian dollars	1.69	1.77	1.75
Shares of Canadian dollars	1.94	1.90	1.93
Shares of Swiss francs	0.16	0.16	0.17
Shares of other currencies	2.33	2.31	2.22
Shares of Unallocated Reserves	21.48	19.03	16.82

Source: Currency Composition of Official Foreign Exchange Reserves (COFER), International Financial Statistics (IFS)

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World Currency Composition of Official Foreign Exchange Reserves

US Dollars, Millions

	2017Q3	2017Q4	2018Q1
Total Foreign Exchange Reserves	11,302,731.89	11,452,317.58	11,612,870.49
Allocated Reserves	9,641,645.78	10,012,690.96	10,399,112.91
Claims in U.S. dollars	6,125,751.71	6,280,659.97	6,530,052.75
Claims in euro	1,934,824.03	2,019,378.26	2,117,757.20
Claims in Chinese renminbi	108,155.41	123,473.47	145,667.74
Claims in Japanese yen	435,332.75	490,307.86	482,040.47
Claims in pounds sterling	433,950.07	454,789.65	480,402.76
Claims in Australian dollars	171,247.58	180,494.36	177,440.04
Claims in Canadian dollars	192,885.60	202,797.90	193,295.14
Claims in Swiss francs	16,045.21	17,603.77	17,455.86
Claims in other currencies	223,453.43	243,185.71	255,000.96
Unallocated Reserves	1,661,086.11	1,439,626.62	1,213,757.57
Shares of Allocated Reserves	85.30	87.43	89.55
Shares of U.S. dollars	63.53	62.73	62.79
Shares of euro	20.07	20.17	20.36
Shares of Chinese renminbi	1.12	1.23	1.40
Shares of Japanese yen	4.52	4.90	4.64
Shares of pounds sterling	4.50	4.54	4.62
Shares of Australian dollars	1.78	1.80	1.71
Shares of Canadian dollars	2.00	2.03	1.86
Shares of Swiss francs	0.17	0.18	0.17
Shares of other currencies	2.32	2.43	2.45
Shares of Unallocated Reserves	14.70	12.57	10.45

Source: Currency Composition of Official Foreign Exchange Reserves (COFER), International Financial Statistics (IFS)

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US Dollars, Millions

	2018Q2	2018Q3	2018Q4
Total Foreign Exchange Reserves	11,475,856.35	11,405,518.34	11,432,600.17
Allocated Reserves	10,509,811.64	10,705,145.30	10,726,222.51
Claims in U.S. dollars	6,558,997.61	6,632,121.65	6,624,672.11
Claims in euro	2,129,515.66	2,192,353.95	2,217,578.02
Claims in Chinese renminbi	192,749.58	192,636.06	203,085.04
Claims in Japanese yen	510,838.56	531,838.52	556,905.59
Claims in pounds sterling	470,517.56	481,437.97	474,875.75
Claims in Australian dollars	179,071.11	181,092.10	174,463.04
Claims in Canadian dollars	200,214.51	208,726.08	197,216.33
Claims in Swiss francs	16,720.20	16,683.45	14,782.39
Claims in other currencies	251,186.85	268,255.52	262,644.24
Unallocated Reserves	966,044.71	700,373.05	706,377.66
Shares of Allocated Reserves	91.58	93.86	93.82
Shares of U.S. dollars	62.41	61.95	61.76
Shares of euro	20.26	20.48	20.67
Shares of Chinese renminbi	1.83	1.80	1.89
Shares of Japanese yen	4.86	4.97	5.19
Shares of pounds sterling	4.48	4.50	4.43
Shares of Australian dollars	1.70	1.69	1.63
Shares of Canadian dollars	1.91	1.95	1.84
Shares of Swiss francs	0.16	0.16	0.14
Shares of other currencies	2.39	2.51	2.45
Shares of Unallocated Reserves	8.42	6.14	6.18

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World Currency Composition of Official Foreign Exchange Reserves

US Dollars, Millions

	2019Q1	2019Q2	2019Q3
Total Foreign Exchange Reserves	11,607,620.38	11,735,852.52	11,654,623.42
Allocated Reserves	10,892,142.65	11,016,803.51	10,922,515.37
Claims in U.S. dollars	6,729,866.24	6,754,399.35	6,729,797.58
Claims in euro	2,209,020.32	2,265,082.71	2,212,927.69
Claims in Chinese renminbi	212,264.36	212,796.80	213,826.61
Claims in Japanese yen	577,992.24	606,520.33	608,714.33
Claims in pounds sterling	495,953.86	497,655.10	492,462.63
Claims in Australian dollars	182,462.03	187,220.84	182,991.51
Claims in Canadian dollars	208,644.79	209,849.28	205,441.89
Claims in Swiss francs	14,755.30	15,018.57	15,686.46
Claims in other currencies	261,183.51	268,260.53	260,666.68
Unallocated Reserves	715,477.73	719,049.01	732,108.05
Shares of Allocated Reserves	93.84	93.87	93.72
Shares of U.S. dollars	61.79	61.31	61.61
Shares of euro	20.28	20.56	20.26
Shares of Chinese renminbi	1.95	1.93	1.96
Shares of Japanese yen	5.31	5.51	5.57
Shares of pounds sterling	4.55	4.52	4.51
Shares of Australian dollars	1.68	1.70	1.68
Shares of Canadian dollars	1.92	1.90	1.88
Shares of Swiss francs	0.14	0.14	0.14
Shares of other currencies	2.40	2.44	2.39
Shares of Unallocated Reserves	6.16	6.13	6.28

Source: Currency Composition of Official Foreign Exchange Reserves (COFER), International Financial Statistics (IFS)

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World Currency Composition of Official Foreign Exchange Reserves

US Dollars, Millions

	2019Q4	2020Q1	2020Q2
Total Foreign Exchange Reserves	11,822,311.60	11,701,087.05	12,012,356.97
Allocated Reserves	11,071,545.13	10,945,545.04	11,257,521.50
Claims in U.S. dollars	6,725,710.82	6,770,171.80	6,901,672.74
Claims in euro	2,279,459.18	2,197,398.35	2,272,432.38
Claims in Chinese renminbi	214,460.85	220,331.71	233,677.92
Claims in Japanese yen	649,762.81	644,366.45	643,699.37
Claims in pounds sterling	513,518.28	486,044.65	504,356.14
Claims in Australian dollars	187,881.65	170,007.41	190,336.27
Claims in Canadian dollars	205,988.88	195,267.82	215,466.73
Claims in Swiss francs	16,564.40	15,589.62	17,219.47
Claims in other currencies	278,198.26	246,367.23	278,660.47
Unallocated Reserves	750,766.48	755,542.01	754,835.47
Shares of Allocated Reserves	93.65	93.54	93.72
Shares of U.S. dollars	60.75	61.85	61.31
Shares of euro	20.59	20.08	20.19
Shares of Chinese renminbi	1.94	2.01	2.08
Shares of Japanese yen	5.87	5.89	5.72
Shares of pounds sterling	4.64	4.44	4.48
Shares of Australian dollars	1.70	1.55	1.69
Shares of Canadian dollars	1.86	1.78	1.91
Shares of Swiss francs	0.15	0.14	0.15
Shares of other currencies	2.51	2.25	2.48
Shares of Unallocated Reserves	6.35	6.46	6.28

Source: Currency Composition of Official Foreign Exchange Reserves (COFER), International Financial Statistics (IFS)

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US Dollars, Millions

	2020Q3	2020Q4	2021Q1
Total Foreign Exchange Reserves	12,247,346.17	12,700,468.18	12,575,887.72
Allocated Reserves	11,459,113.39	11,864,417.27	11,730,648.50
Claims in U.S. dollars	6,927,165.34	6,990,862.75	6,971,797.50
Claims in euro	2,359,609.72	2,526,413.71	2,404,795.36
Claims in Chinese renminbi	247,444.39	271,601.75	293,317.91
Claims in Japanese yen	668,187.22	715,347.56	686,295.31
Claims in pounds sterling	523,642.39	561,388.03	554,281.19
Claims in Australian dollars	199,506.90	216,870.65	214,890.47
Claims in Canadian dollars	231,103.01	246,567.23	250,007.24
Claims in Swiss francs	19,300.43	20,738.35	19,443.62
Claims in other currencies	283,153.99	314,627.24	335,819.91
Unallocated Reserves	788,232.77	836,050.91	845,239.22
Shares of Allocated Reserves	93.56	93.42	93.28
Shares of U.S. dollars	60.45	58.92	59.43
Shares of euro	20.59	21.29	20.50
Shares of Chinese renminbi	2.16	2.29	2.50
Shares of Japanese yen	5.83	6.03	5.85
Shares of pounds sterling	4.57	4.73	4.73
Shares of Australian dollars	1.74	1.83	1.83
Shares of Canadian dollars	2.02	2.08	2.13
Shares of Swiss francs	0.17	0.17	0.17
Shares of other currencies	2.47	2.65	2.86
Shares of Unallocated Reserves	6.44	6.58	6.72

Source: Currency Composition of Official Foreign Exchange Reserves (COFER), International Financial Statistics (IFS)

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World Currency Composition of Official Foreign Exchange Reserves

US Dollars, Millions

	2021Q2	2021Q3	2021Q4
Total Foreign Exchange Reserves	12,804,623.16	12,824,286.56	12,919,378.77
Allocated Reserves	11,946,277.76	11,970,250.78	12,049,603.54
Claims in U.S. dollars	7,070,320.46	7,092,345.41	7,085,012.34
Claims in euro	2,458,888.51	2,456,727.48	2,481,340.13
Claims in Chinese renminbi	314,813.58	321,264.55	337,259.79
Claims in Japanese yen	672,197.71	679,680.78	665,102.97
Claims in pounds sterling	560,903.23	558,599.83	579,381.73
Claims in Australian dollars	218,444.02	214,239.37	221,321.10
Claims in Canadian dollars	270,007.54	264,266.22	286,932.08
Claims in Swiss francs	23,130.55	23,768.05	20,788.75
Claims in other currencies	357,572.17	359,359.08	372,464.65
Unallocated Reserves	858,345.40	854,035.78	869,775.23
Shares of Allocated Reserves	93.30	93.34	93.27
Shares of U.S. dollars	59.18	59.25	58.80
Shares of euro	20.58	20.52	20.59
Shares of Chinese renminbi	2.64	2.68	2.80
Shares of Japanese yen	5.63	5.68	5.52
Shares of pounds sterling	4.70	4.67	4.81
Shares of Australian dollars	1.83	1.79	1.84
Shares of Canadian dollars	2.26	2.21	2.38
Shares of Swiss francs	0.19	0.20	0.17
Shares of other currencies	2.99	3.00	3.09
Shares of Unallocated Reserves	6.70	6.66	6.73

Source: Currency Composition of Official Foreign Exchange Reserves (COFER), International Financial Statistics (IFS)

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US Dollars, Millions

	2022Q1	2022Q2	2022Q3
Total Foreign Exchange Reserves	12,542,508.72	12,032,644.11	11,618,733.97
Allocated Reserves	11,681,920.36	11,171,855.01	10,772,295.67
Claims in U.S. dollars	6,875,000.55	6,652,956.57	6,441,177.45
Claims in euro	2,342,148.93	2,207,594.47	2,117,961.21
Claims in Chinese renminbi	335,709.58	317,501.51	296,029.17
Claims in Japanese yen	630,052.24	577,884.61	566,824.19
Claims in pounds sterling	571,969.73	542,125.46	497,727.66
Claims in Australian dollars	222,332.71	209,754.39	206,050.63
Claims in Canadian dollars	287,318.51	277,630.18	263,965.89
Claims in Swiss francs	29,479.21	27,631.20	24,777.92
Claims in other currencies	387,908.91	358,776.62	357,781.56
Unallocated Reserves	860,588.36	860,789.10	846,438.30
Shares of Allocated Reserves	93.14	92.85	92.71
Shares of U.S. dollars	58.85	59.55	59.79
Shares of euro	20.05	19.76	19.66
Shares of Chinese renminbi	2.87	2.84	2.75
Shares of Japanese yen	5.39	5.17	5.26
Shares of pounds sterling	4.90	4.85	4.62
Shares of Australian dollars	1.90	1.88	1.91
Shares of Canadian dollars	2.46	2.49	2.45
Shares of Swiss francs	0.25	0.25	0.23
Shares of other currencies	3.32	3.21	3.32
Shares of Unallocated Reserves	6.86	7.15	7.29

Source: Currency Composition of Official Foreign Exchange Reserves (COFER), International Financial Statistics (IFS)

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US Dollars, Millions

	2022Q4
Total Foreign Exchange Reserves	11,962,885.38
Allocated Reserves	11,088,964.48
Claims in U.S. dollars	6,471,276.78
Claims in euro	2,270,362.73
Claims in Chinese renminbi	298,435.40
Claims in Japanese yen	610,853.65
Claims in pounds sterling	548,681.23
Claims in Australian dollars	217,517.13
Claims in Canadian dollars	263,682.91
Claims in Swiss francs	25,308.23
Claims in other currencies	382,846.44
Unallocated Reserves	873,920.90
Shares of Allocated Reserves	92.69
Shares of U.S. dollars	58.36
Shares of euro	20.47
Shares of Chinese renminbi	2.69
Shares of Japanese yen	5.51
Shares of pounds sterling	4.95
Shares of Australian dollars	1.96
Shares of Canadian dollars	2.38
Shares of Swiss francs	0.23
Shares of other currencies	3.45
Shares of Unallocated Reserves	7.31

Source: Currency Composition of Official Foreign Exchange Reserves (COFER), International Financial Statistics (IFS)

Data extracted from <http://data.imf.org/on: 5/8/2023 8:07:10 PM>



**WTO in an age of multilateral and bilateral Free Trade Agreements:
Is it still relevant to Hong Kong?**



Is the WTO Still Relevant to Hong Kong?

Yes, because:

1. Still a universal set of rules which benefit HK as a free port
2. Complement FTAs
3. Dispute Resolution System still gives HK moral standing

