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It's time for the word to end its debt-fueled growth model: BIS

The organization commonly known as the central bank of central banks has called for an end of boom-and-bust cycles that have plagued the global economy, urging lawmakers quickly to adjust current policy."The global economy cannot afford to rely any longer on the debt-fueled growth model that has brought it to the current juncture." the Bank for International Settlements (BIS) warns in a new annual report published on Sunday. Debt levels are too high, productivity growth is too low, and the room for policy maneuver is too narrow, the BIS warned. Adding that the most "conspicuous" sign of this predicament is interest rates that continue to be persistently and exceptionally low.

Central banks around the world have leapt into action following the global financial crisis of 2008 and the sovereign debt crisis in the euro zone. Several institutions have introduced bond-buying programs and cut benchmark rates in an effort to stimulate lending. Some have even pushed rates below zero with a negative rate effectively charging banks who park cash at a central bank.

The European Central Bank (ECB), the Danish National Bank (DNB), the Swedish Riksbank, and the Swiss National Bank (SNB) have all pushed key short-term policy rates into negative territory. This has suppressed bond yields in wider asset markets with BIS estimating that a record of close to $8 trillion in sovereign debt was trading at negative yields at the end of May.

Nonetheless, the Basel-based BIS - which was one of the few organizations to foresee the 2008 crash - says that this monetary policy has been "overburdened for far too long.""Prudential, fiscal and, above all, structural policies must come to the fore," it said in the report Wednesday, adding that it's essential to avoid the temptation to succumb to "quick fixes or shortcuts." "The measures must retain a firm long-run orientation. We need policies that we will not once again regret when the future becomes today," it added.

The BIS calls for the completion of banking rules on capital buffers to help in times of stress, and stresses that "stronger banks lend more." It also calls on governments to adjust their fiscal - or budgetary - rules to make them more countercyclical and reduce implicit guarantees, which may encourage risk-taking. Another policy that deserves consideration, according to BIS, is to use the tax code to restrict or eliminate the bias of debt over equity or reduce the effect of financial cycles The organization is renowned for its analysis of central banking and has regularly warned over the effects of stimuli such as quantitative easing. However, it was moderately upbeat on the global economy with regards to growth."Judged by standard benchmarks, the global economy is not doing as badly as the rhetoric sometimes suggests," it said."Global growth continues to disappoint expectations but is in line with pre-crisis historical averages, and unemployment continues to decline."

UK current account gap remained near record high before EU vote

Britain's current account deficit remained near an all-time high in early 2016, highlighting its reliance on foreign financing and the risk of more pressure on its currency after it voted to leave the European Union. The deficit edged down to 32.6 billion pounds ($43.86 billion) in the first quarter from 34.0 billion pounds in the last three months of 2015. Economists polled by Reuters had forecast the deficit would drop to 27.1 billion pounds."It's an amber warning light," Scotia bank European fixed income strategist Alan Clarke said.

"It still seems to be the investment income balance, but it's not getting any worse ... It's partly because we've been growing faster than our overseas partners," he said.

Bank of England Governor Mark Carney said before the EU vote that leaving the bloc would test the "kindness of strangers" who cover Britain's balance of payments shortfall. Earlier this week sterling fell to its lowest against the dollar since 1985 in response to the referendum result - something that may help narrow the deficit as it makes British exports cheaper and increases the value of foreign currency returns from Britain's overseas investments.

As a percentage of GDP, the first-quarter deficit was 6.9 percent, only just off a record of 7.2 percent set in the fourth quarter, which was the highest since three-monthly records started in 1955 and far more than in other advanced economies. For 2015 as a whole, the deficit was revised up to 5.4 percent of GDP, the highest for a full year since annual records began in 1948.

The data also confirmed Britain's economy relied heavily on spending by households and services, while foreign trade, investment and manufacturing all dragged on growth. A survey published earlier on Thursday gave a first glimpse of

how the shock referendum result has affected households, with confidence falling sharply after the EU vote. The economy grew by 0.4 percent in the first three months of 2016, in line with forecasts, and was 2.0 percent larger than a year earlier, the Office for National Statistics said.

The growth figures were viewed as moot by financial markets after Britain's decision to leave the EU, which has raised fears the country could fall into recession, and there was no reaction on currency or bond markets to the figures."In some sense the GDP data is ancient history ... though the services data points to relatively decent momentum going into Q2, so perhaps the UK fundamentals are holding out," Investec economist Chris Hare said.

Britain's dominant services sector saw output rise in April at its fastest pace in just over a year. However, the effect of the vote to leave the EU will be a far bigger factor, Hare said."We think at least we'll get some picture in the next month or two but it will take some time to get a full idea."

The ONS figures showed business investment in the first three months of 2016 was 0.8 percent down on a year ago, the first fall since Q1 2010. Ratings agency Fitch forecast on Wednesday that investment would fall by 5 percent next year due to uncertainty after the Brexit vote. But there was better news for households, whose combined real disposable income in the three months to March rose at its fastest rate in 15 years, up 5.4 percent on the year. This reflected very low inflation, as well as higher social security payments by employers.

UK will need to raise taxes after EU vote - Osborne

Britain will need to raise taxes and cut spending later this year to stabilise the public finances after last week's shock vote to leave the European Union, Chancellor George Osborne said on Tuesday. Osborne said Britain would be poorer due to the public's decision to leave the EU, which he had campaigned against, and that the country now needed to deal with the economic consequences, as well as to tackle new social divisions. Sterling plunged against the dollar to its lowest since 1985 after the vote, and two ratings agencies downgraded Britain's sovereign credit rating late on Monday.

"We need a plan as a country to get ourselves out of this, whilst respecting the verdict of the British people. That means financial stability, ending economic uncertainty and providing unity in our society," Osborne said in a BBC radio interview. British police say there has been a spike in racist incidents since the June 23 vote.

Hours earlier Osborne had ruled out standing to succeed Prime Minister David Cameron, who said on Friday he would make way for a new leader of the Conservative Party after coming out on the losing side of a referendum he had called. Osborne refused to be drawn on whether he had advised Cameron against the referendum, and said he himself was the wrong person to unify the Conservative Party, though another supporter of EU membership possibly could."I am not backing any candidate at the moment. I was full-throttled in arguing for remaining in the EU and because half my party wanted to leave the EU I don't think I can be the person who can bring the party back together at this moment."

Osborne said the leadership contest would allow the party to decide how close Britain should stay to the EU."The candidate who is able now to articulate, in my view, the clearest, crispest version of what relationship we are seeking, which in my view involves the best possible terms of trade for services and goods, is the candidate I think who can lead the country," Osborne said.

Before the referendum Osborne said Britain would need an emergency budget to impose extra austerity if the country voted to leave the EU, but on Monday he said this would have to wait until Conservative party members elected a new leader. On Tuesday, when asked if new budget measures would involve tax rises and spending cuts, Osborne said "Yes, absolutely.""We are adjusting to life outside the EU and it will not be as economically rosy as life inside the EU," he said.

Theresa May joins contest with pledge to secure best EU exit terms

Theresa May became the first politician to set out a clear and specific plan for post-Brexit Britain as she launched her campaign for prime minister. The longest-serving home secretary in modern British history said she could offer the Conservative party “strong, proven leadership” and a steady hand in uncertain times. Mrs. May played a low-key role in the campaign to keep Britain in the EU but said that she would respect the result of the vote, with “no attempts to rejoin [the EU] through the backdoor and no second referendum”. She promised to negotiate “the best possible terms” for the split but said she would not accept the free movement of people “as it has worked to date”.

G20 trade restrictions reach highest monthly level since the crisis

The WTO's fifteenth trade monitoring report on G20 trade measures, issued on 21 June, shows the application of new trade-restrictive measures by G20 economies increased compared to the previous reporting period, reaching the highest monthly average registered since the WTO began its monitoring exercise in 2009.

In the period under review (mid-October 2015 to mid-May 2016), G20 economies applied 145 new trade-restrictive measures, or an average of almost 21 new measures a month. In the same period, G20 economies implemented 100 measures aimed at facilitating trade, averaging just over 14 per month. Since 2009, a total of 1,583 trade restrictive measures were imposed by G20 countries, and only a

quarter of these measures have been removed. These restrictions cover over 6% of all G20 imports and 5% of global imports.

Commenting on the report, WTO Director-General Roberto Azevêdo said:

"We have long been concerned about the growing stockpile of trade-restrictive measures, and our report suggests that this worrying trend is continuing. A rise in trade restrictions is the last thing the global economy needs today, with GDP growth sluggish and 2016 expected to be the fifth year in a row that trade has expanded by less than 3%.

"These trade-restrictive measures, combined with a notable rise in anti-trade rhetoric, could have a further chilling effect on trade flows, with knock-on effects for economic growth and job creation. If we are serious about addressing slow economic growth then we needs to get trade moving again, not put up barriers between economies. The G20 economies have made a commitment to lead in this endeavour as the world's largest traders. I urge them to act on this commitment."

The main factor behind the rise in trade-restrictive measures was an increase in the number of trade remedy investigations by G20 economies. Anti-dumping actions account for the majority of restrictive measures imposed, with most of the investigations concentrated in sectors such as metals (particularly steel) and chemicals. G20 members also imposed more distortive measures in the form of government support for sectors such as infrastructure, agriculture and export-specific activities.

On a positive note, WTO members are using the forums provided by the organization to address potential trade frictions constructively and transparently, rather than through dispute settlement or resorting to unilateral measures. This underlines the importance of the WTO as a platform for addressing such concerns. The G20 economies are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Republic of Korea, Japan, Mexico, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom and the United States, as well as the European Union.

WTO hosts UN session on helping landlocked developing countries to benefit from trade

Director-General Roberto Azevêdo opened the 5th Meeting of Trade Ministers of Landlocked Developing Countries (LLDCs) at the WTO today (23 June), together with Gyan Chandra Acharya, United Nations Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS). The event was jointly organized by the WTO and UN-OHRLLS to discuss how trade can help landlocked developing countries (LLDCs) to achieve their development goals.

The Director-General said: "LLDCs face very high trade costs due to their geographical characteristics. This can hit their ability to use trade as a tool for growth. International cooperation and dialogue will be key in addressing these issues, and the WTO can keep contributing to these efforts in a number of ways.

"Capacity-building work through the WTO Aid for Trade initiative is important, and the LLDCs are major beneficiaries of this work. Implementing the WTO's Trade Facilitation Agreement will also be crucial. LLDCs had a prominent voice in the negotiations which led to this Agreement, ensuring that it tackles delays in transit which can have a significant effect on these economies. We expect that, when fully implemented, the Agreement could reduce trade costs in LLDCs by over 15 per cent on average."The WTO and UN-OHRLLS are committed to working to ensure that LLDCs can leverage trade to help deliver on their development goals, and I am glad to strengthen that partnership today."

Under-Secretary-General Acharya said: "The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda acknowledge that international trade contributes to the promotion of sustainable development and is vital for inclusive economic growth and poverty reduction.

"It is critical that landlocked developing countries harness these commitments to strengthen productive capacity, build trade-related infrastructure and ensure unhindered and efficient transit facilities for their products in global markets."

WTO members conduct first review of agricultural export subsidies since Nairobi decision

WTO members undertook at the Agriculture Committee meeting on 7 and 8 June their first review of agricultural export policies since the Nairobi ministerial decision to scrap farm export subsidies in all developed countries. Members also exchanged questions and answers about WTO members' farm policies.

The Committee's review of agricultural export policies is part of the monitoring of how the Nairobi decision is being implemented. Members discussed WTO document G/AG/W/125/Rev.4 (and its four addenda), which compiles information provided by members on their export subsidies, export finance support, agriculture state trading enterprises and international food aid. A paper by the Cairns group (G/AG/W/153), which provided an analysis of the information, noted that the use of export subsidies had decreased dramatically over the past two decades.

The decision taken at the WTO's Ministerial Conference in Nairobi in December 2015 was to eliminate agricultural export subsidies — widely seen as an unfair trade practice that distorts trade and undermines food production in vulnerable countries — and to strengthen rules on other

forms of export support. The Nairobi decision defines various timelines for the elimination of export subsidies. As a general rule, developed countries are required to remove these subsidies immediately, while developing countries will benefit from longer timeframes.

Members exchanged views on various issues related to the implementation of the Nairobi decision. Several of the 16 WTO members with schedules of commitments permitting them to subsidize their farm exports confirmed their intention to formally modify their schedules.

China warns on global economy and says G20 must lead

China's commerce minister says the outlook for the global economy remains grim despite it having overcome the impact of the 2008 financial crisis. Gao Hucheng said at a G20 meeting in Shanghai that major economies must lead the way in tackling problems, including slowing trade and sluggish growth. To boost trade the G20 ministers, from the world's major economies, agreed to cut trade costs, increase policy co-ordination and enhance financing.

They also approved a trade growth plan.

"We agree that we need to do more to achieve our common objectives for global growth, stability and prosperity," the G20 ministers said in a statement. Mr Gao said the international community now expected the G20 to show initiative and leadership in solving economic growth problems. China's will host the main G20 summit later this year.

"In the past few years through our shared hard work, the global economy emerged from its previous low and is developing in a good direction," Mr Gao had said at the meeting held over the weekend. He added however that "the deep effects of the global financial crisis can still be felt. The revival and growth of the global economy is still lacking in strength,"

Mr Gao said. "Low levels of global trade and investment have not recovered to their pre-financial crisis levels."Mr Gao did not mention Brexit in his opening remarks at the meeting, but the vote by the UK to leave the EU has added to the global financial uncertainty. In June the World Bank cut its forecast for the global economy in 2016 from 2.9% to 2.4%.And in April the International Monetary Fund had cut its forecast to 3.2% from 3.4%