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Australia first to eliminate farm export subsidies from its WTO schedule of commitments

Australia has become the first WTO member with export subsidies entitlements to eliminate them from its WTO schedule of commitments, in line with the landmark 2015 commitment by WTO members to eliminate farm export subsidies.

At the 2015 Nairobi Ministerial Conference, WTO members agreed to abolish agricultural export subsidies and set disciplines on export measures with equivalent effect, levelling the playing field for farmers around the world. By eliminating export subsidies, WTO members have made a collective and historic contribution to delivering on a key target of the United Nations' Sustainable Development Goal to end all forms of hunger and malnutrition. Australia is the first WTO member among the 16 members with export subsidy entitlements in their schedules of commitments to take the step of modifying their schedules. Australia's modified schedule is effective as of 22 May 2017, three months after the document outlining the changes was circulated to WTO members.

DG Azevêdo welcomes Japan's leadership to strengthen global trade

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On the occasion of their meeting, Prime Minister Abe and Director-General Azevêdo stressed the importance of global trade to promote economic growth, prosperity and development in Japan and around the world, and discussed how Japan and the WTO could continue to work together to strengthen the multilateral trading system. Following their meeting, PM Abe and DG Azevêdo issued a joint statement, which is available

The Director-General said:

"Japan is a founding member of the WTO – and has always played a very active role in our work in a variety of ways. I am encouraged by Japan's continued leadership to work with the WTO and strengthen the multilateral trading system, so it can deliver more for jobs, growth and development in Japan, and around the globe. I look forward to working with Japan to achieve this and more."

The Director-General also held meetings with Minister for Foreign Affairs Fumio Kishida, Minister of Agriculture, Forestry and Fisheries Yuji Yamamoto and State Minister of Economy, Trade and Industry Yosuke Takagi.

Moody's cuts China's credit rating for first time since 1989

China's credit rating has been cut over fears that growth in the world's second-biggest economy will slow in the coming years. Moody's, one of the world's big three ratings agencies, cut China by one notch to A1 from Aa3. It was the first time the agency has downgraded the country since 1989.

China's finance ministry said Moody's was exaggerating the mainland's economic difficulties and underestimating reform efforts. The downgrade could raise the cost of borrowing for the Chinese government. The ratings agency also changed its outlook for China to stable from negative. Moody's said that the downgrade reflected expectations that China's financial strength would "erode somewhat over the coming years, with the economy-wide debt continuing to rise as potential growth slows".

The other two main credit rating agencies have so far left their evaluations unchanged. Standard & Poor's rating for China currently stands at AA- with a negative outlook, while Fitch's rating is A+ with a stable outlook. The Chinese economy expanded by 6.7% in 2016 compared with 6.9% the previous year, the slowest growth since 1990.

This is the first time that Moody's has cut its investors ratings on Chinese debt in more than a quarter of a century, so it is pretty significant. However, it is not the first time that international institutions have sounded alarm bells about China's rising debt levels. They have been going off for the past few years. What this ratings downgrade on China's debt boils down to is whether you believe the Chinese government has the ability to write off this debt. Does Beijing somehow have an ability to extend infinite credit lines, or at least reduce debt levels? And can it do so while trying to maintain strong economic growth figures?

Moody's has obviously come down on the side of the naysayers. In its statement it points to slowing Chinese growth and rising debt levels to keep the economy expanding. It also says that reforms may take a backseat to growth priorities. This is a critical time for President Xi Jinping, who faces a key political congress towards the end of the year. A strong economy gives him credibility and legitimacy - and China observers tell me that the perception of stable growth is crucial for him at this time. This is why negative assessments from international financial institutions such as Moody's on Chinese debt are unlikely to go down well in Beijing.

China's debt stands at something like 260% to GDP. Higher debt levels usually mean a higher level of risk. But it is worth noting that most of this debt is held by Chinese state-owned enterprises or "quasi-state" like entities - not international investors - so it is less likely to have a spillover effect into other economies. All the same, as the world's second-largest economy, what happens in China matters to the rest of the world.

China is the world's second-biggest importer of both goods and services. It also plays an important role as a buyer of oil and other commodities, and its slowdown has been a factor in the decline in the prices of such goods. Beijing's aim to rebalance the economy towards domestic consumption has led to major challenges for manufacturers, and there have been layoffs - especially in heavily staffed state-run sectors such as the steel industry. The downgrade comes as Beijing tries to clean up its lending practices, which have been viewed as a threat to financial stability

Weak May jobs growth raises doubts about how much Fed can raise interest rates this year

May's weak hiring and sluggish wage growth should not deter the Federal Reserve from raising interest rates in June, but it puts any further hikes this year in doubt.There were 138,00 nonfarm payrolls added in May, and average hourly wages rose just 2.5 percent on an annual basis. The unemployment rate fell to 4.3 percent from 4.4 percent, viewed as a negative since the number of people participating in the workforce also declined.

Stock futures gave back gains after the report but reversed losses after opening lower and rose to new highs. Economists had expected job growth of 185,000, and some had raised their forecasts Thursday after ADP reported 253,000 private sector payrolls were added in May. Bond yields fell to their lows of the year, with the 10-year yield at 2.15 percent. Yields move lower when prices move higher."While the Fed still struggles to go in June, the one big takeaway from this report is that a September rate hike is largely off the table. September was always going to be a struggle because of its proximity to the debt ceiling debate," said Ian Lyngen, head of U.S. rates strategy at BMO Capital Markets.

There were also major revisions to March and April payrolls, with a total of 66,000 fewer jobs reported for those months, taking the three-month average to just 121,000."It is weaker than the rate we had in 2016, and certainly the first three months of this year. There is a notable shift there. The last three months average of 121,000 ... I think they'd have to go back a while to find a trailing three months that weak," said Ron Sanchez, chief investment officer at Fiduciary Trust.

"It begs the question, is this reflection of tightness in the labor market, a natural decline? ... Is this a sign of a slower economy, or tightening labor market?" said Sanchez. He pointed to the steady declines in the unemployment rate, down 0.5 percentage point this year, and the drop to a 2007 low of 8.4 percent in the U6 rate, reflecting the longer-term unemployed. Sanchez said that would argue that the labor market is reflecting signs of tightness, meaning employers are having a hard time finding employees to hire. But the lack of traction in wage growth is a concern."It still remains a mystery about why it's not transferring to wages. The Fed can view this as a maybe tightening labor market but one that is not so tight it creates inflation pressure," he said. That would argue for patience on the part of the Fed, he added.

"The markets haven't changed their view that the Fed is on a near-term path. It's still 90 percent for June in two weeks. The question is longer than that. There's seems questions about whether they move in September. It might be moved out to December, but it's too early," said Sanchez. The Fed has forecast two more rate increases for this year, after its March hike, and it has also spelled out how it may begin to shrink its balance sheet late in the year.

"We're hearing a lot of complaints about the shortages. It's not being matched by wage acceleration," she said, adding that there has been hope the job market would begin to look more like the economy of the 1990s. "The missing aspect is productivity growth. These are not skilled workers. Are firms going to bid for workers? Right now, it looks like they're protecting their margins. We're still waiting. It's not over."The most hiring in May was in the area of professional and business services, with 38,000 new jobs. Health care added 24,000, while mining added 7,000. Part-time positions rose by 133,000.

German business leaders urge Tories to rethink plan to leave single market

German industrialists have warned that British hopes of their support in Brexit negotiations are misplaced and could backfire with dangerous consequences for international trade. Business leaders in Europe's biggest economy are instead calling on Conservatives to rethink their commitment to leaving the single market, even though the party has doubled down on this promise in its election manifesto. David Davis and Boris Johnson have repeatedly cited likely pressure from German exporters, such as carmakers, as a reason for thinking they can persuade European negotiators to maintain free trade access after Britain leaves.

Germany needs a strong EU. Why would it allow Britain an easy Brexit? But the theory is increasingly rejected by those whose support they need most – scepticism relayed most forcefully by Steffen Kampeter, the chief executive of the German employers' federation, on a trip to the UK this week.“The top priority of European business is the integrity of the single market; the second priority is making good business with the UK. We will see if there is a conflict, but the message is: do not harm the single market by cherry-picking deals,” he told a conference of British business leaders in London this week.

“It's not the German carmakers that are directing the negotiations,” added Kampeter, who said he knew of no one who thought a trade deal within 18 months was possible and called for “rhetorical disarmament on all sides”.

An independent panel of economists that advises the German government has also intervened by proposing a plan that would avert such a cliff-edge scenario, whereby Britain would temporarily rejoin Efta – the trading block that consists of Switzerland, Norway, Iceland and Liechtenstein – at the point when its EU membership runs out and therefore preserve its membership of the single market.

Making such a “reverse Efta” a temporary stepping stone would avert irreparable damage to the British and German economy and allow Theresa May to satisfy the tabloid press's demand for a swift exit, argued Albrecht Ritschl, one of the four authors of the letter. May appeared to rule out this option in the manifesto by insisting Britain would leave the single market, but it is possible this could serve as the basis for a transitional deal that some Tories still support. Ritschl said some leading Brexit advocates' hopes of Angela Merkel forcing the EU to agree a free-trade deal before Britain officially dropped out of the EU in 2019 was based on a misunderstanding of the relationship between German politics and industry.

“Of course Germany has a strong export industry, but even in Berlin people have over the last two years come to realise that an enormous export surplus can be a weakness as well as a strength”, he told the Guardian.“Above all, German industry knows that when it comes to dealing with international politics, you sometimes have to go with what the government decides. In any case, if businesses had to choose between maintaining exports to the UK and keeping the European Union together, it's obvious they would go with the latter.”

China's Xi lays out $900bn Silk Road vision amid claims of empire-building

Chinese president Xi Jinping has kicked off a two-day showcase of what some call the most ambitious development project ever by comparing his country to a peace-loving explorer set on transforming the world with treasure-laden galleys not warships, guns or swords. Speaking at the start of a high-profile summit about China's “Belt and Road initiative”, Xi hailed his multi-billion dollar infrastructure crusade as a means of building a modern-day version of the ancient Silk Road and a new “golden age” of globalisation. “The glory of the ancient Silk Road shows that geographical dispersion is not insurmountable,” he told the 29 heads of state who have gathered in Beijing for the event, including Russian president Vladimir Putin, and Turkey's Recep Erdoğan. However, as Xi took to the stage his signature foreign policy initiative faced a backlash with India launching a scathing attack on the $900bn Chinese plan and announcing it would boycott proceedings. According to the the Times of India, New Delhi believed the scheme was “little more than a colonial enterprise [that would leave] debt and broken communities in its wake”.

Xi told a different story on Sunday, painting what he called his “project of the century” as a bold and inclusive attempt to kickstart a new era of globalisation. In a 45-minute address, the Communist party chief vowed to throw his weight behind a global construction spree stretching all the way from Asia, across Europe and Africa, to the Americas.

Ethiopia's prime minister, Hailemariam Desalegn, hailed what he called a unique, historic, extraordinary and momentous project. “Many of us in the developing world – especially we in Africa – continue to view China as a successful economic model and a reliable ally in the fight against poverty and in our quest for prosperity,” he said, describing the Belt and Road as the greatest economic collaboration of the 21st century.

The British chancellor, Philip Hammond, said: “I commend President Xi ... for setting in train such a bold and visionary project. This initiative is truly ground-breaking in the scale of its ambition, spanning more than 65 countries, across four continents, with the potential to raise the living standards of 70% of the global population.”

One of the most resounding endorsements came from Nawaz Sharif, the prime minister of key ally Pakistan, who told the audience he had come to offer his “deepest tributes” to Xi's “seminal initiative”. “We stand at the cusp of a geo-economic revolution. In fact, this is the dawn of a truly new era of synergetic intercontinental cooperation,” Sharif said.

Malaysia's prime Minister, Najib Razak, tweeted his approval from the audience for the “visionary and exciting” initiative while Chile's president, Michelle Bachelet, predicted it would “pave the way for a more inclusive, equal, just, prosperous and peaceful society with development for all”. “Chile is ready to become a bridge country between Asia and Latin America,” Bachelet said.

However, there are also deep-rooted doubts, with some suspecting Beijing is using its “win-win” project as a ploy to lure less powerful nations into its economic orbit and boost its geopolitical power. Privately, western diplomats voice concerns about China's true intentions and how much involvement non-Chinese companies will be allowed to have in Belt and Road projects. Only one G7 leader, the Italian prime minister Paolo Gentiloni, is in Beijing for Xi's summit.

In a statement released on Saturday, India, the plan's most vocal critic, cautioned China against pursuing projects that would create an “unsustainable debt burden for communities”, damage the environment or infringe upon other countries' sovereignty. Such initiatives “must be based on universally recognised international norms, good governance, rule of law, openness, transparency and equality”, it said.

Beijing hit back at critics, with its official news agency attacking the “naysayers” and “fear mongers” it claimed were hovering over Xi's plan like buzzards. The Belt and Road initiative was “not and will never be neocolonialism by stealth”, Xinhua argued in a commentary.

“China harbours no intention to control or threaten any other nation. China needs no puppet states,” it added, describing the summit as a chance not “to assert a new hegemony, but an opportunity to bring an old one to an end”.

Trump withdraws US from Paris climate deal; says deal not tough enough on India, China

President Donald Trump today withdrew the US from the landmark Paris climate accord which he said was not tough on India and China, and alleged that the deal was negotiated "poorly" by the Obama administration and signed out of "desperation".

"In order to fulfil my solemn duty to protect our citizens, the United States will withdraw from the Paris Climate Accord... We are getting out and we will start to renegotiate," Trump said at the Rose Garden of the White House. Trump said he wants a fair deal for the American businesses to stay in the Paris agreement on climate change. Trump said the Paris agreement on climate change agreed upon by more than 190 countries was "negotiated poorly by Obama admin and signed out of desperation".

He said the deal gives advantages to countries like India and China.

"India makes its participation on receiving billions and billions of dollars from developed countries. Paris accord is very unfair at the highest level to the United States. The current India will be allowed to double its coal production and so does China," Trump alleged."This agreement is more about climate and more about others getting advantages. This put the United States of America to a very very big economic disadvantage," he said, adding that as a result of the deal, the US would not be able to compete with other countries in the world.

In addition to the US, only two other countries - Syria and Nicaragua - are not part of the Paris agreement. California Governor Jerry Brown called Trump's decision possibly "tragic" and a step "backwards" for the US. Democratic lawmakers have said this is retreat of American leadership and gives opportunities to countries like India, China and Germany."A sad and weak decision," tweeted Rich Verma, former US Ambassador to India.

The US, however, will not immediately pull out of the Paris Act. He would follow the four-year rule to get out of it. This means that the US will leave the Paris Agreement in 2020.

Former Obama aide David Axelrod said "in backing off of climate pact", Trump "is locking arms with Syria and Nicaragua and matching confidently into the past". Earlier, Vice President Mike Pence said Trump is fighting every day to make America great again. The President is choosing to put American jobs and businesses first, Pence said."The American people & the wider world will see once again our President is choosing to put American jobs and American workers first," Pence said.