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British Farm Income may be reduced After BREXIT

The profitability of the average UK farm could fall by as much as half after Brexit, new research suggests.

The report, by the Agriculture & Horticulture Development Board (AHDB), says the "worst-case scenario" would cut average farm profits from £38,000 a year to just £15,000.A government spokesman said the report was based on highly unlikely scenarios. The UK is due to leave the European Union (EU) in March 2019.Some formal negotiations with the EU started in June, but so far, it is completely unclear how trade between the UK and the EU will change if the Brexit timetable is met.

In fact, the specific negotiations over a future trade deal have not even started. But they will be particularly vital to the agricultural and horticultural industries because of the subsidies which are received under the EU's long-standing and highly controversial Common Agricultural Policy (CAP), which was once infamous for creating so-called lakes and mountains of over-produced wine and butter.

The AHDB research looked at three possible outcomes of Brexit:

"Business-as-usual", with trade arrangements staying much the same and subsidies continuing. Average annual incomes might rise to £41,000 but Reduced subsidies and tariff-free access to the UK for foreign producers. Average annual incomes fall to £15,000. A "cliff edge" Brexit with trade based on World Trade Organization (WTO) rules, and tariffs alongside a big cut in subsidies. Average annual incomes fall to £20,000.

"Under the three scenarios outlined in the report, changes in the UK's trade relationships will impact farmers' bottom line when the UK leaves the single market, whether or not a free trade agreement is negotiated with the EU," said the Board.

"Policy decisions also leave sectors where direct support has been a key part of farm revenues, such as beef, lamb and cereals, particularly vulnerable."

'Dramatic immediate impact'

Currently the CAP gives UK farmers £3.1bn a year which, on the face of it, will disappear after Brexit, though the UK government has guaranteed to maintain "overall" farm subsidies or payments at the same level until 2022.AHDB, which is a statutory body funded by a levy on the agricultural industry, said Brexit would inevitably have a "dramatic immediate impact" on farm sectors which rely most on subsidies for their profits. The effects of Brexit will not be uniform, though, and the position will be complex, depending on the sector and scenario being modeled. Dairy and pig farmers may benefit from rising prices, the report says.

On the other hand, significant exporters such as cereal producers and sheep farmers would suffer lower incomes due to the increased cost of exporting products to the EU.

And where businesses rely on migrant workers, higher employment costs due to more stringent immigration restrictions will also push up farmers' costs dramatically, especially in horticulture.

A spokeswoman for the AHDB said there were thought to be between 50,000 and 80,000 people from the EU working in UK agriculture and horticulture, in both permanent and seasonal jobs.

China close to matching US in foreign aid flow

While China could be set to usurp the U.S. as the leading donor of foreign aid throughout much of the developed world, AidData researchers stressed the country's lack of transparency meant its aid activities remained "poorly understood."China could be poised to overtake the U.S. as the world's primary donor of foreign aid to most of the developed world, a multinational group of researchers reported Wednesday."At the very top level, you could say the U.S. and China are now spending rivals when it comes to their financial transfers to other countries," Bradley Parks, executive director at AidData, told AP on Wednesday.

As part of President Donald Trump's so-called "America First" policy, the former New York businessman has called for significant reductions in foreign aid, prompting international concern and intense criticism from former White House officials and business executives.

The report found that, contrary to criticism from international policymakers that China tended to set up aid projects in order to benefit its own domestic aims, "Chinese aid substantially improves (the) economic growth" of its recipients. Critics of Chinese foreign aid have long argued that the nature of its spending could allow some countries to avoid democratic reforms because they can simply ask Beijing for cash, while sidestepping the scrutiny of other Western donors.

AidData said that should the economic benefits of China's foreign aid "vanish or diminish" in the coming years, it could help explain why critics have claimed the country has a track record for funding "white elephant" projects.

Between 2000 and 2014, China committed over $350 billion in official finance to more than 4,300 projects in 140 countries around the world. Meanwhile, U.S. overseas aid during the same period was slightly higher — at $394 billion — with Washington outspending Beijing for 10 out of the 15 years studied by AidData.

Since the turn of the century, the report found a significant amount of China's foreign aid was directed to African countries. In fact, in terms of project volume, it found seven of the top 10 nations receiving aid from Beijing were states in the African continent. However, while African countries captured a large chunk of total aid and loans donated by China, in 2014 – the most recent year analyzed by AidData – Russia was the lead recipient, followed by Pakistan and Nigeria respectively. The top recipients of aid from the U.S. in 2014 were Iraq, Afghanistan and Pakistan.

'Previous studies from AidData found that international political developments often played a pivotal role in whether Washington or Beijing offered cash to developing countries. The research firm had shown that countries supporting China and the U.S. at the United Nations would often benefit by receiving larger amounts of foreign aid. In specific relation to China, AidData researchers said economics was also found to play a big part in how Beijing opted to spend their money. The report said Beijing would often look for ways to promote its exports or market rate loans in order to ensure the loan is then repaid with interest.

Global economic recovery may not last, warns IMF

Christine Lagarde, the IMF managing director. The fund said global output growth would rise to 3.6% this year. The International Monetary Fund has said the global economy's recent recovery may not last, despite a pickup in activity in all western countries except the UK. Marking the 10th anniversary of the onset of the financial crisis, the IMF said in its World Economic Outlook (WEO) there was a risk that governments could be lulled into a false sense of security by booming markets and policymakers needed to guard against complacency. Maurice Obstfeld, the IMF's economic counsellor, cited high asset prices, rapid credit growth in China, political turmoil in Catalonia and a cliff-edge Brexit as risks to an improving global outlook. Obstfeld welcomed the speech made by Theresa May in Florence last month in which she said Britain was seeking an implementation period of about two years after the formal date for leaving the EU in March 2019.

"We very much hope these negotiations can be constructive and minimise the costs to both sides", Obstfeld said. "That is in everybody's interest. A cliff-edge Brexit without any formal arrangements would lead to a lot of uncertainty."The UK's growth forecast has been cut by 0.3 points to 1.7% since April as a result of the consumer-led slowdown in activity in the first half of the year, caused by the pound's depreciation. "The medium-term growth outlook [for the UK] is highly uncertain and will depend in part on the new economic relationship with the EU and the extent of the increase in barriers to trade, migration and cross-border financial activity," it said. Six months ago, the IMF predicted that in 2022 the UK would grow by 1.9% but in the expectation that any form of Brexit will be negative for the economy it has now trimmed that forecast to 1.7%.Overall, the IMF said global output growth would increase from 3.2% in 2016 to 3.6% this year and 3.7% in 2018. It upgraded its growth forecast by 0.1 percentage points for this year and next from the last full WEO in April and the update to its forecasts in July.

"A closer look suggests that the global recovery may not be sustainable. Not all countries are participating, inflation often remains below target, with weak wage growth, and the medium-term outlook still disappoints in many parts of the world.

Canada will be the fastest-growing G7 economy this year, at 3%, according to the WEO. The US (2.2%) and Germany (2%) are expected to be the next strongest performers, followed by the UK, France (1.6%) and Italy and Japan (both 1.5%).

Federal Reserve keeps US rates steady

The US Federal Reserve left interest rates unchanged on Wednesday but signaled it still expects one more increase by the end of the year despite a recent bout of low inflation. The Fed, as expected, also said it would begin in October to reduce its approximately $4.2 trillion in holdings of U.S. Treasury bonds and mortgage-backed securities acquired in the years after the 2008 financial crisis.

New economic projections released after the Fed's two-day policy meeting showed 11 of 16 officials see the "appropriate" level for the federal funds rate, the central bank's benchmark interest rate, to be in a range between 1.25 percent and 1.50 percent by the end of 2017, or 0.25 percentage points above the current level.US bond yields rose, pushing up the U.S. dollar after the Fed's decision, but U.S. benchmark stock indexes were little changed.

US benchmark 10-year Treasury note yields rose as far as 2.29 percent, the highest since August 8, a move which helped push bank stock prices higher also."The Fed took another step on its path of beautiful normalization, announcing that the gradual balance sheet reduction will start next month and limiting revisions to both projections and policy guidance," said Mohamed El-Erian, Chief Economic Adviser At Allianz, in California.

In its policy statement, the Fed cited low unemployment, growth in business investment, and an economic expansion that has been moderate but durable this year as justifying it's decision. It added that the near-term risks to the economic outlook remained "roughly balanced" but said it was "closely" watching inflation.

Fed Chair Janet Yellen said in a press conference after the end of the meeting that the fall in inflation this year remained a mystery, adding that the central bank was ready to change the interest rate outlook if needed."What we need to figure out is whether the factors that have lowered inflation are likely to prove persistent," she said. If they do, "it would require an alteration of monetary policy," Yellen said. While the interest rate outlook for next year remained largely unchanged in the Fed's latest projections, with three rises envisioned in 2018, the U.S. central bank did slow the pace of anticipated monetary tightening expected thereafter. It forecasts only two increases in 2019 and one in 2020. It also lowered again its estimated long-term "neutral" interest rate from 3.0 percent to 2.75 percent, reflecting concerns about overall economic vitality."The US Federal Reserve has firmly signalled that a December rate rise is still on the table," said Luke Bartholomew, of Aberdeen Standard Investments Investment Strategist in London.

"Clearly the Fed still believes that lower unemployment will eventually translate into a pick-up in inflation, but if inflation continues to undershoot it is hard to see the Fed following through on a hike," he said. The U.S. Federal Reserve will resume rate hikes in December and raise borrowing costs three more times in 2018, a Reuters poll found on Wednesday.

Global economy at risk a decade on from financial crisis, says WEF

The 10th anniversary of the worst downturn since the Great Depression finds the global economy at risk of a fresh crisis and ill-prepared for the disruption likely from the robot age, the World Economic Forum has warned. The body that organises the annual gathering of the global elite in Davos each January used its annual league table of competitiveness to stress that the failure to push through growth and productivity-friendly policies since the crash of 2007-08 had jeopardised chances of a sustained recovery.WEF sources said recent Bank of England concerns about a potential consumer debt crisis were timely since there was evidence that the global banking system was less sound than before the financial crisis and that conditions were deteriorating in some parts of the world. Last month, the International Monetary Fund warned of a “dangerous” growth in China’s debt.

Europe is booming again

The WEF said there was also a need to combine labour market flexibility with enhanced rights for workers, with countries that had managed to do so enjoying higher employment and lower levels of inequality. Zero-hours contracts were a “sticking plaster” rather than a long-term solution, it added. According to the 12 criteria used by the WEF, Switzerland retained its place as the world’s most competitive country in this year’s standings. The next four countries in the table were the US, Singapore, the Netherlands and Germany. The UK slipped one place to eighth, although the WEF said the decline was due to a better performance from other countries rather than the impact of the Brexit vote. The UK’s overall competitiveness score was the highest since the WEF started using its current method of calculating competitiveness a decade ago. The 12 categories looked at in the WEF report are institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

Britain’s weakest performance was in the macroeconomic environment where the persistence of a large budget deficit meant it ranked 68th in the world. In the other 11 areas, the UK was in the top 20, ranking fourth in technological readiness – the category highlighted by the WEF as essential if countries were to make the most of the new wave of innovation. “Global competitiveness will be more and more defined by the innovative capacity of a country. Talents will become increasingly more important than capital and therefore the world is moving from the age of capitalism into the age of talentism. Countries preparing for the fourth industrial revolution and simultaneously strengthening their political, economic and social systems will be the winners in the competitive race of the future,” said Klaus Schwab, the founder and executive chairman of the WEF. Further down the league table, there was little evidence that the pick-up in growth in the eurozone had boosted the competitiveness of the bigger economies or narrowed the region’s north-south divide. France dropped one place to 22, and there was little change in the rankings for Spain (34), Italy (43), or Greece (87).

Azevêdo: International community must work together to fulfill the right to health

Speaking at the Social Forum of the Human Rights Council on 2 October, Director-General Roberto Azevêdo highlighted how the WTO’s trade rules and its close cooperation with the World Health Organization and the World Intellectual Property Organization have been essential in improving access to medicines. He also underlined the importance of the WTO’s close cooperation with the wider United Nations family towards meeting the Sustainable Development Goals. This is what he said:

Azevêdo: International community must work together to fulfill the right to health

Historically a lot of attention has been paid to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights – the TRIPS Agreement – and understandably so. The Agreement has been the focus of human rights discussions for many years. But the starting point for any conversation on the TRIPS Agreement should focus on how it can work to achieve its objective. And that objective is to promote both innovation and also the transfer and dissemination of new technologies to the community at large. If this desired balance is achieved, we would have a mutual benefit to both IP right holders and society - it would not be a zero-sum trade-off.

This is a critical concern in the area of medicines and medical technologies. Innovation is vital – we remain in constant need of new treatments as diseases evolve. But innovation without effective and equitable access to medicines is of little use to those in need of treatment. Without proper access to medicines, innovation is pointless.

Therefore the Agreement provides for protection of legitimate new pharmaceutical inventions, while also working to promote access to medicines. It is mandatory, for example, that patent holders fully disclose how to make their inventions work in practice, so that others may immediately implement the patented invention. The Agreement also explicitly provides a number of exceptions and limitations. It recalls that patent rights are not absolute and can be curtailed to safeguard the public interest. And it stresses that all this should be done "in a manner conducive to social and economic welfare, and to a balance of rights and obligations".

So, it is all about striking this delicate balance. On the one hand we must ensure fair access to medicines, while on the other we need to continue supporting the necessary innovation to stimulate new breakthroughs. So of course the TRIPS Agreement is the basis for much of our work here. But actually the WTO has gone much further to improve access to much-needed medicines. The 2001 Doha Declaration on the TRIPS Agreement and Public Health was a major milestone. The trade ministers of the world came together in Doha and recognized the gravity of public health problems afflicting developing countries. They stressed that the TRIPS Agreement had to be part of a wider national and international effort to address those problems. This declaration sent a strong political signal that public health policy is a central concern for intellectual property and trade rules. Since then we have worked with our sister agencies towards greater policy coherence and close collaboration on public health issues. This 'coherence agenda' clearly includes recognition of the profound significance of the human rights dimension.

Under the previous system, the rules restricted how generic medicines that were produced under compulsory licences could be exported. So if you couldn't produce the medicines domestically, the rules made access to medicines under compulsory licensing quite difficult. This meant that the poorest could face the biggest hurdles in accessing essential drugs.

The amendment gave legal certainty that generic medicines can be produced under compulsory licences expressly for export to countries with no pharmaceutical production capacity – or those with limited capacity. And it ensured that those medicines can be imported in satisfactory quantities. In this way, it created a new tool to help some of the most vulnerable people suffering from diseases such as HIV/AIDS, tuberculosis or malaria, along with other public health problems afflicting the developing world.

This amendment was agreed in 2005. But when I became Director-General in 2013 – eight years later – it still hadn't entered into force. And it didn't look like it was going to for a very, very long time. It was the African Group of WTO members who had fought for and won this amendment. And so, with those (and other) members we launched a campaign to put the amendment into force.

And this required acceptance from two thirds of the WTO's 164 members. In 2013 we still had a long way to go to cross the finish line. We worked very hard to raise awareness of this issue and push governments to act. As a result, 43 new acceptances were filed since then. And I'm very happy to say that in January this year, we were successful – we finally crossed the threshold required for entry into force. It was a big moment – and now members may use the amendment as a practical procurement tool. While these issues around intellectual property have been central to the debate, notably in the human rights community, there is a range of other linkages between trade and health; there is a range of ways that we have been working on to ensure that trade in medicines flows as freely and as fairly as possible.

Actions to reduce costs and delays of shipping medicines internationally are particularly important. For some LDCs, the average distance that their imported medicines travel exceeds eight to ten thousand kilometres. World Bank figures tell us that on average it costs Sub-Saharan African countries around 1,000 US dollars to import a container. That's seven times higher than the average for high income countries. Procedural delays take 250 hours on average for Sub-Saharan Africa, rising to almost 1,500 hours in some cases. In contrast, for most high income countries it's in single figures only - so just a few hours. These trade costs and delays translate directly into barriers to access medicines. For this reason, the WTO's recent Trade Facilitation Agreement will play an important role in easing access to medicines.

World Economic Situation and Prospects

Global trade growth rebounds but high policy uncertainty is clouding the outlook

Despite elevated uncertainty in the international policy environment, global trade continued to gain momentum in the second quarter of 2017, expanding at its fastest annual pace in six years). The current rebound in world trade activity is taking place on the back of stronger-than-expected growth in many developed and developing economies, the stabilization in global commodity prices, and a general improvement in business confidence.

Emerging Asia has been leading the recent recovery in global trade. In the first half of 2017, the region contributed close to 70 per cent of growth in world import demand. This was largely attributed to higher import demand from China, as infrastructure investment and construction gained strength. For most Asian economies, trade growth has been driven by electronic components and products, reflecting the region's close integration into global value chains in the electronic industry.

Among the developing economies, Latin America has seen a modest recovery in import demand, as the region gradually emerges from recession. In the first half of 2017, Argentina's and Mexico's imports expanded by 9.5 per cent and 2.5 per cent, respectively (imports in the second half of 2016 expanded by 8.4 per cent and -1.3 per cent, respectively). In contrast, however, import demand from Africa and the Middle East continued to decline, reflecting the persistent weakness in commodity-related revenue, depreciated domestic currencies and subdued investment activity. Notably, investment prospects remain subdued in countries such as Algeria, Saudi Arabia and the United Arab Emirates, amid cuts to oil production and fiscal consolidation efforts. In South Africa, machinery imports recovered from the sharp collapse of -14 per cent seen in 2016 to grow at a modest pace of 3.9 per cent in the first half of 2017. Nevertheless, investment activity in the economy remains affected by political uncertainty, which weighs on investor confidence. Global trade has also been boosted by a moderate pick-up in investment in several developed economies. The improvement in investment activity has important implications for global trade flows given that in many countries, import demand is more sensitive to fixed investment compared to all other expenditure components of GDP. In Japan and the United States of America, imports of capital goods rebounded between January to July 2017, growing by 5.6 per cent and 6.5 per cent, respectively, from a year ago (imports in the second half of 2016 grew by 4.2 per cent and -0.5 per cent, respectively). In the European Union (EU), capital imports grew by 4.6 per cent in the first half of 2017 (capital imports in the second half of 2016 grew by 0.9 per cent). Nevertheless, the aggregate growth figure for the EU region masked significant variation between countries. While capital import demand rose visibly in Italy, the Netherlands and Spain, it contracted in France and Germany.

Contribution to global import volume growth, by regional leading indicators, including the Purchasing Managers' Indices and export orders, are pointing towards continued positive trade growth in the near term. However, the momentum is likely to moderate in the second half of the year, due to a waning base effect. Furthermore, the international trade outlook continues to be clouded by elevated risks in the external environment, particularly the possibility of more restrictive trade policies by the United States. In addition, uncertainty surrounding the United Kingdom's negotiations as it prepares to leave the EU could weigh on business confidence and affect investment prospects in Europe. Should the growth in large emerging economies – including China – moderate more sharply than expected, the rebound in global trade could relapse.