

Developing economies to find it harder to recover from current crisis: UNDP

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The World Trade Organisation (WTO) said developing economies may struggle to recover from the economic downturn and this will also slow down their return to normal trade flows.

International trade has been hampered by the global economic slowdown as slowing economies seek to protect themselves from overseas competition.

But initial "green shoots" have raised hopes that the recession is bottoming out and sparked new hopes that international trade will resume soon.

International trade is expected to fall by nine per cent this year, the worst in more than 60 years.

Developing economies already grappling with the global recession are expected to be the worst-hit by this.

The WTO said such nations must push for the speedy completion of the Doha Development Agenda (DDA) trade talks in order to restart international trade.

Said El Hachimi, counsellor, Information & External Relation, WTO, said: "The DDA for them is something really key because in most cases they don't have enough fiscal space and they don't have the money to put the stimulus packages.

"So, their own stimulus packages would be the gains they will get from the DDA negotiation and ensure that markets are still open and that we have fair level playing field in the international trade."

The United Nations said government subsidies in developed economies aimed at battling the economic slowdown also make trade unfair for developing nations.

Government subsidies frequently result in price distortions which lead to over-production and subsequently low prices. According to observers, this makes it difficult for developing economies to compete with their developed counterparts.

Speaking on the sidelines of a workshop organised by the **S Rajaratnam School of International Studies** on Friday, the United Nations Development Programme (UNDP) said such protectionist measures arising from the current economic downturn will hinder their recovery.

Kamal Malhotra, resident co-ordinator, UNDP, said: "There must be the pressure kept up for the illumination or the dramatic reduction in these subsidies. On the other hand, I believe that it is appropriate for developing countries to say that if you don't reduce your subsidies, we are not going to reduce our tariffs because they are not rich enough to provide subsidies.

The UNDP said raising returns to investment through domestic spending and export policies remain key for developing economies. It added that selective government intervention is also needed.

Kamal Malhotra added: "It had no basic competitive advantage 30 years ago. It is only because of selective interventions by the government, including directing credit at very subsidised rates to those industries, export promotion and lots of others policies that now these industries are able to be world-class."

Currently, developing economies make up more than two-thirds of the WTO.