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# ONAL FEATURES

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DAR ES SALAAM

## Merging economies into crisis?

gross domestic product (GDP). In Turkey, it is more than 12%. Like many other emerging economies, Turkey is also heavily dependent on foreign investment.

Worldwide, countries like the Philippines where tourism accounts for 25% of GDP and island where the sector's contribution is around 22%, have been hit hard. Even the huge economies of China and India, which do not depend on tourism as much, have been severely affected by international travel restrictions.

The BRICS stars Former stars among emerging economies such as Brazil and South Africa, which as members of the so-called BRICS countries have been in the financial spotlight for many years, were already suffering economically before the corona crisis. The fact that the COVID-19 pandemic is exacerbating the situation.

So far, the pandemic has claimed fewer lives in the poorer countries of Southeast Asia, Latin America and Africa than in the heavily affected industrialized countries. However, Raghuram Rajan, a former IMF chief economist, says the economic damage will be considerably higher in poorer countries.

Rajan, who now teaches at University of Chicago, is especially worried about the level of debt companies in emerging economies have accumulated. Many of these countries' currencies have lost significant value against the dollar and euro. It means companies that have their debt in euros or dollars must raise more and more money in their local currencies to service their

compensated for, wrote Rajan in an article in the Financial Times in early July.

They hardly have the means to stabilize their economy through billion-dollar stimulus packages for consumers and companies. In addition, in many emerging countries there is hardly anything close to a nationwide health care system that can respond to a major coronavirus outbreak.

"The longer this persists — and rising infections suggest that worse is still to come — the more that even viable, large domestic corporations will have to borrow to stay afloat. If lenders do not write down corporate loans, many of these over-indebted firms will then be unable to finance their recoveries when demand improves. Yet lenders may also lack the capital to absorb accumulating loan losses," according to Rajan.

Slow before the pandemic

The coronavirus crisis is impacting many emerging markets in an already difficult phase. Long before the pandemic, the economists at the London-based think tank Capital Economics were certain "The golden age of the emerging markets is over."

And sooner or later China will have to prepare for growth rates of around 2% a year. For the emerging economies, the period since the turn of the millennium was a period of unusually high growth which can no longer be achieved in the foreseeable future.

"We expect EM [emerging market] GDP growth to ease from an average of 5.5% in the 2000s and 2010s to around 3.5% in 2020-2040. Growth will still be faster than that in the developed world. But incomes will converge more

Mexico, Paraguay, Peru and Panama have managed to place bonds on the international financial markets even after the pandemic broke out in the spring. "Some of the issues achieved relatively good interest rates," explained economist Jose Antonio Ocampo in an analysis for the Washington-based Brookings Institution think tank.

The economist, who is a development consultant to the United Nations and teaches at the Columbia University in New York, expects that hard-hit countries in Latin America will need to defer payments under the supervision of the World Bank or regional development banks in order to better deal with the consequences of the pandemic

But the situation is much more serious for heavily

indebted countries such as Argentina and Ecuador. Even before the crisis they needed more than just deferring payment of their public debt.

According to Raghuram Rajan, international investors will have to waive part of their claims against poor and emerging countries. Simply out of self-interest "the world's more industrialized countries need to avoid begging the rest. What happens elsewhere will not stay there," he warned. The threat of mass unemployment in poorer countries will lead to mass emigration and ultimately, more protectionism in industrialized countries, triggering "endless flotillas and caravans of the desperate," said Rajan. "Sharing growth is in everyone's interest."

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**CITIZENSHIP**

INDPREET KAUR NANRA  
P.O. BOX 130  
MOROGORO

Whose photograph is shown, is applying to the Minister for Home Affairs for Tanzania citizenship. Her nationality at present is an INDIAN and Country of Origin is INDIA. She has been in this Country since 1987. Any person who knows why Citizenship should not be granted to the applicant should send a written and signed statement to the Commissioner General of Immigration, P.O. Box 512 Dar es Salaam.

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