Title *What does the Financial Crisis mean for Developing Countries?*

Description Where does the credit crunch leave developing countries? In this podcast, Ngaire Woods, Christina Ward and Jeni Wharton discuss the impact of the current financial crisis on the developing world and the G20's responsibility towards developing countries

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Interviewer Where does that leave developing countries? If they don't have a seat at the table in the G20, and if they are suffering, and there are all sorts of conditions of the internal constraint, what is it that developing countries can do in this financial crisis?

Respondent Developing countries have found themselves in a really tough position because they have been encouraged for the last 20 years to integrate maximally into the global economy. They have been told that their best chance at growth is to export and to open up to foreign banks, to open up to foreign trade.

This crisis has taught them that the downside of that is that it opens then up to an instant infection; if the United States or Britain gets a cold they will instantly be infected, their economies will seize up through no fault of their own. So this is a crisis that began in the north, that has very quickly had some of its most devastating consequences in the south.

Now what does that mean their choices are because it's not as if they can suddenly close all their doors and windows and say "Okay the global economy is a dangerous place so let's just go back to a completely national boundaried economy." They don't have that option, they are dependent on global trade and the global economy offers them important opportunities.

So what I think that means is that the G20 have a huge responsibility to put in place the institutions and regulatory structures that ensure that decisions taken in Washington DC or in London or in Brussels do not have devastating consequences on developing countries.

So even before we get to debates about the extent to which we should help developing countries or give them development assistance, there should be a very first principle rather like the doctors use of do-no-harm. And that I think would be the very first standard of treatment that I would put to the G20 and say as a test for how far G20 actions are doing what they ought to do. Are they ensuring regulatory structures and institutions that will at least protect developing countries from the potential harm that market failures, that financial crisis in the north can cause them?

Interviewer Obviously the ideal would be to have a global standard - new global regulations - that address all the issues raised. Is there anything that regional regulation can do given that in the EU for example progress will likely be faster at the regional level than it will be at the global level?

Respondent Yes I think there is is the short answer because the financial services sector would tell us no because if Europe regulates then all of Europe's main financial sector firms will rush to base themselves in the United States for example. I think that underestimates the extent to which Europe is now the world's largest market and that there will be some financial services sector firms that definitely want to stay in Europe because of all the opportunities in Europe. I think global agreement is going to be very difficult to reach but it is vital but in the mean time the European Union and the United States are going to have to each take actions their own way and we are going to try to see a converging process towards global regulation.