

International cooperation is key to reducing economic impact of COVID-19

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The long-term economic shock that COVID-19 will have on developing countries depends on the cooperation efforts of the international community, states Professor Jesus Crespo Cuaresma from Vienna University of Business and Economics.

Professor Crespo Cuaresma says that the COVID-19 pandemic poses difficult challenges to developing countries, particularly Sub-Saharan Africa, as it adds to an already fragile public health system and existing problems as a result of other infections like Malaria, Measles or HIV.

He believes that the severity of the crisis will be further exacerbated by the lack of widespread access to social protection, which will potentially lead to impacts on the determinants of long-term economic growth, such as investment in education.

Furthermore, he warns that developing countries are highly exposed to demand shocks in highly developed economies through trade and tourism. As the demand from rich economies fall, these demand spillovers will have an additional negative effect on the economics of developing countries.

“In the current context of falling oil and commodity prices, the mobilisation of resources to combat the negative economic effects of the pandemic is also particularly difficult in many African and Latin American countries, where natural resources are prominent sources of revenue,” says Professor Crespo Cuaresma.

To combat this, he indicates that the cooperation efforts of the international community will be central to overcoming the most disastrous effects of COVID-19 in the developing world.

“The United Nations Development Programme has launched the COVID-19 rapid response facility, which should provide a first tranche of help to countries in need. In addition, leaders of the G20 have agreed to mobilize development and humanitarian financing to counteract the effects of the pandemic in developing countries, particularly Africa,” says Professor Crespo Cuaresma, with hopes for further future cooperation.

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