The global crisis and the poor The toxins trickle downward The Economist [Near term landscape]
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“POOR countries are innocent,” says Ngozi Okonjo-Iweala, the Nigerian managing director of the World Bank. They did not contribute one jot to the global credit crunch, and their banks and firms have few links to global capital markets. For a while, it seemed as if the rich world’s mess might even pass them by.

But innocence, it seems, will not protect anyone. A financial crisis that began in New York and London and spread to manufacturing in rich, then industrialising countries, has now hit the “bottom billion”: the poorest people in 60-odd countries who have seen only halting gains from globalisation, but will feel its reverse, perhaps precipitously.

Many live in sub-Saharan Africa, where the IMF has just cut its forecast for growth this year to 3.3% from an original 6.7%. The
figure may fall further. Dominique Strauss-Kahn, the IMF’s managing director, told a conference in Tanzania that millions could be thrown back into poverty by the crisis. Piling on gloom, he saw a “threat of civil unrest, perhaps even of war” as a result.

The global meltdown affects poor countries in three ways. First,capital: as investors in the West rebuild balance sheets, private
capital flows dry up, hurting marginal borrowers like the poor.According to the Institute of International Finance, a think-tank in
Washington, DC, net private capital flows to poor countries will slump from almost $1 trillion in 2007 to $165 billion in 2009.

For the poor, the other kind of external capital is aid. Britain’s Overseas Development Institute reckons that official aid may fall by about a fifth, or $20 billion, this year, after being more or less flat in 2005-07.

Even so, the latest data look dire. American imports from middle-income countries fell 3% in the year to November 2008. But
imports from poor countries fell 6%; those from sub-Saharan Africa,12%. The African Development Bank says African current accounts, in surplus by 3.8% of GDP in 2007, will be 6% in the red this year.
Conclusions
Thats the near term landscape and it looks ugly. In SSA, We need a Marshal Plan and we need to spend it on an Infrastructure catch up and we need to stop thinking small.