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U.N. Says China's Economic Growth Threatens Its Poorest Neighbors

By ANDREW BATSON

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BEIJING – The relentless expansion of China's economy threatens to harm its poorest neighbors, the United Nations said, as low-cost Chinese products swamp the domestic markets of countries such as Bhutan and Bangladesh and leave their exporters with few profitable lines of business.

In a report issued Thursday in Cambodia, the U.N. Development Program highlighted how the world's worst-off nations – the so-called least-developed countries – haven't been able to turn an increasingly open and competitive international trading system to their advantage. Poor countries in Asia have tried – they have liberalized their markets much more than their counterparts elsewhere, the report says – but have failed to match China's success.

"We appreciate the stunning growth performance of China which is a source of inspiration for others," said U.N. Assistant Secretary General Hafiz Pasha in a telephone interview. Nevertheless, he said, the poorest Asian countries "are vulnerable to competition from Chinese imports, while they are also unable to access the Chinese market because they don't have products that China needs, like high-tech and capital goods."


While the growing strength of China's low-cost production of goods such as shoes and furniture has led many U.S. and European producers to complain they are being unfairly priced out of the market, the U.N. report argues the problem is much more severe in poorer countries that depend heavily on lower-end industries.

"China is a low-wage economy and therefore competes more directly with some of these developing countries," said Mr. Pasha, who is also director of the UNDP's regional bureau for Asia and the Pacific.

The biggest export industry for poor countries such as Nepal and Laos is usually textiles and clothing. But after a global system of quotas that had supported such countries expired in 2005, China has taken a larger share of the business at the expense of smaller nations. Underscoring the stress the industry is under, there have been a series of sometimes violent demonstrations by garment workers in Bangladesh since May demanding higher salaries and safer working conditions. A few workers have been killed and some factories burned or damaged.

The UNDP is looking at a two-pronged solution, Mr. Pasha said: aid to affected countries to help find new industries to support their economies, and encouraging wealthier nations to give special

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trade treatment to products of the poorest countries. He said he would like to see action not only from wealthy countries in North America and Europe, but also China itself.

China has extended some preferential measures to products from poor African countries, though Mr. Pasha said those were mainly offered to help the fast-growing nation gain access to oil and other raw materials. The poorest countries in the Asian-Pacific region are geographically isolated and lack natural resources, and so can't offer the same attractions, he said.

"China has always provided assistance to developing countries within our capacity," a spokeswoman for China's Foreign Ministry said.

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