

## East Asian economies register fifth consecutive year of strong growth, Thai GDP to grow 4.5%

East Asian economies are expected to register their fifth consecutive year of strong growth in 2006, backed up by a substantial decline in poverty, according to the World Bank's latest *East Asia Update*, launched on November 14 in conjunction with its *Thailand Economic Monitor*. But on the horizon, growth rates in Transition Economies and Newly Industrialized Economies are expected to slow, reflecting a likely weakening in US growth in 2007 and a consequent drop in exports from East Asia.

### Growth and Poverty Reduction.

The Update showed that growth in the countries of emerging East Asia is likely to reach around 8 percent in 2006, the second strongest pace in the five-year long economic expansion underway in the region. Current estimates also suggest that the number of people in East Asia living on or below \$2 a day will fall to around 550 million (or 29.3 percent of the population) in 2006. This 1.5 percentage point drop in the past year means that around 25 million people in the region have emerged from severe poverty since 2005.

*As a middle-income country, Thailand's growth must come more and more from more rapid productivity growth.*

A growth rate in China of more than 10 percent is underpinning the region's overall GDP growth. Strong export growth has been a common feature sustaining activity throughout the region. Domestic consumption and investment performance have been much more varied, reflecting the impact of higher oil prices and higher domestic interest rates in the first half of 2006, among other factors. Improved public finances and lower public debt also provide the fiscal space for higher public spending, if required,

especially in infrastructure and social services.

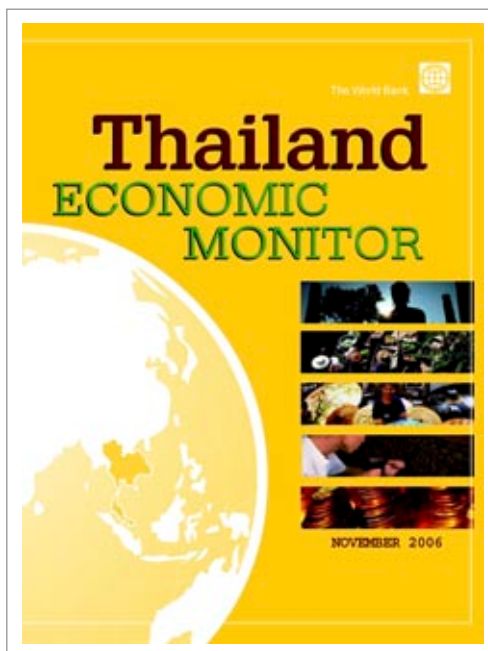
*"We may have seen the peak in oil prices and interest rates in the region,"* said Homi Kharas, World Bank Chief Economist for East Asia and the Pacific. *"So the prospects are good for domestic demand to strengthen and to offset weaker exports."*

**Thailand.** According to the latest *Thailand Economic Monitor*—the findings of which were discussed in Bangkok in conjunction with the *Regional Update*—Thailand's GDP growth will remain at 4.5% in 2006, the same as last year. High export growth has greatly contributed to Thailand's economic growth this year, even as domestic demand has remained depressed as Thailand adjusted to high oil prices, rising inflation and interest rates and policy uncertainties. Growth in 2007 is projected to be 4.6 percent, slightly higher than 2006; though domestic demand is expected to perform better, export growth will be lower on account of lower growth in the global economy and world trade.

*"Average GDP growth has fallen from 6 percent during 2002-2004 to around 4.5 percent during 2005-2007 period, and this is not good for reductions in poverty or inequality,"* noted Kazi Matin,

World Bank Lead Economist for Southeast Asia. *"This is in part because the easy gains from utilization of post-crisis excess capacity are over. Higher growth can now come mainly from efficient adjustment to high oil prices, higher private investment to expand capacity, as well as higher productivity growth."* He added, *"As a middle-income country, Thailand's growth must come more and more from more rapid productivity growth, and for that the firms have to innovate products and processes, the workers have to acquire more skills to compete with labor in China, Vietnam, India and other competitors producing technology-intensive goods, and the Government has to urgently support these initiatives of firms and workers through policies and investments."*

Thailand needs to focus on supply-side reforms to promote private investment and higher productivity growth and several measures can be taken



quickly with good effect. Reducing regulatory burden is one and this could include rationalization of price controls, clarification of foreign ownership rules, speeding up customs processing, and so on. Renegotiating the US Generalized System of Preferences (GSP) deal that is expiring or signing the Thai-Japan Free Trade Agreement (FTA) are two steps that would help to sustain strong export growth. Similarly, supporting improvements in secondary education and vocational training including English-language and IT skills, and promoting greater private participation in education service delivery can relax skill constraints that the firms identified as holding back investment and productivity growth. Also, actions to improve infrastructure services could reduce costs and raise rates of return to private investment.



*Kirida Bhaopichitr, author of the report, gives a television interview about Thailand economy*

Kirida Bhaopichitr, World Bank Country Economist and author of the Thai Economic Monitor, highlighted that *“Thailand’s strengths in terms of sustained macro-stability and increasing openness remains. The fiscal situation remains strong, with the Government running a balanced budget this year and a slight deficit next year. Public debt as a share of GDP is 41 percent, and is projected to remain below 50% over the next five years.”* Furthermore, she highlighted that Thailand’s external vulnerability is low – with the current account in surplus and end-August 2006 foreign reserves at US\$59 billion (three times short-term external debt), total external debt stood at around 28% of GDP, one of the lowest in the region.

Ms. Bhaopichitr also noted, *“Political uncertainty has diminished after the interim government was established in October 2006. While consumer and investor confidence declined in the beginning of the year, it recovered somewhat in September 2006. Nevertheless, both consumers and investors are waiting to see the policy direction of the interim government.”*

For more information, please contact Ms. Kirida Bhaopichitr ([kbhaopichitr@worldbank.org](mailto:kbhaopichitr@worldbank.org)).



*90 disadvantaged children from Chiang Rai and other Northern provinces of Thailand gathered at the “Thailand Street Children Open Space”*

## **Seeking a New Window of Opportunities: Disadvantaged Children Express their Dreams and Hopes at the “Thailand Street Children Open Space” in Chiang Rai**

As more than 90 disadvantaged children from Chiang Rai and other Northern provinces of Thailand gathered at the “Thailand Street Children Open Space” on November 18 and 19 in Chiang Rai, volunteer teachers as well as representatives from local non-governmental organizations (NGOs), government agencies and youth groups heard some of the most compelling stories from street children living in Thailand, who described their daily concerns and the harsh realities they face each day, along with the dreams and goals they hope to achieve.

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*“This type of forum creates an environment in which the children can truly voice their opinion, and thus further enhance development efforts aimed at improving their quality of life and chances of being part of a peaceful society.”*

— *Khun Teunjai Deetes*

Developing the workshop’s overarching theme, *“Challenges and Opportunities: how to create a better future for children in Thailand,”* the street children present broke out into groups and engaged in lively discussions on topics such as how to obtain a better education and achieve their dreams; how to take care of their families and friends; how to become a teacher, doctor, or nurse to help other children and adults in difficult situations; how to ensure that disadvantaged children are given more opportunities

and do not have to endure the same struggles as they do.

*"I want to be a teacher when I grow up," said Yaowaluk, a child assisted by the Mirror Foundation. "I want to share my knowledge with children who lack the opportunity to get an education, such as the hill tribe children. This way, when they grow up, they will be educated and have more career opportunities and eventually escape from the hardships they encounter in their daily lives."*

Open Space workshops are retreat-style events during which the participants themselves are able to set their own agenda and define the topics of discussion. As part of its youth program this year, the World Bank in the East Asia and Pacific region has held a series of Open Space dialogues across the region to provide interested partners with a real opportunity to listen to the concerns and needs of youth and disadvantaged children from diverse backgrounds, and discover what local and international development agencies can do to respond to them. Open Spaces for both youth and disadvantaged children have taken place in Papua New Guinea, Timor Leste, Cambodia, Lao PDR, Singapore and Mongolia over the last three months.

Held at a local school facility in Chiang Rai, the Open Space workshop in Thailand was organized jointly by government agencies such as the Office of Non-Formal Education of Chiang Rai and Chiang Mai which is part of the Ministry of Education; local NGOs such as the Mirror Foundation and the Mae-sai Child life (BanNana in Thai), with support from the World Bank, as well as the Ministry of Social Development and Welfare and universities such as Chulalongkorn and Thammasat. The partner organizations decided to hold the event—the first of three planned for this year—in Chiang Rai because a large portion of Thailand's disadvantaged and migrant children from Myanmar, Cambodia, and Lao PDR live in the Northern part of Thailand. The partner organizations also committed to building stronger and collaborative relationships with the World Bank to find viable long-term solutions to concerns raised by the street children participants.

Khun Tuenjai Deetes, former Senator of Chiang Rai province and currently a member of the National Legislative Assembly working closely with the Minister of Social Development and Human Security, said at the workshop, *"This type of forum creates an environment in which the children can truly voice their opinion, and thus further enhance development efforts aimed at improving their quality of life and chances of being part of a peaceful society."* She urged the children at the workshop to make the most of this opportunity

by truly expressing their needs and concerns, as these could later on guide future policy planning by the Royal Thai Government (RTG).

According to the organizers, the key to this event's success will be to translate the results of the Street Children Open Space into inputs which the World Bank, other partners, and government agencies can take into consideration, to demonstrate that voices of children do matter and can be heard. The recommendations and suggestions from the *"Thailand Street Children Open Space Dialogue"* will be compiled into a report, which will be shared among the partners. As part of its follow-up plan, the World Bank also hopes to weave some of the first-hand accounts heard during the workshop into its analytical work, as well as provide collaborative support to other agencies that work with disadvantaged children in Thailand.

For more information, please contact Ms. Alix Lebec ([alebec@worldbank.org](mailto:alebec@worldbank.org)) or Mr. Tinnakorn Sareenun ([tsareenun@worldbank.org](mailto:tsareenun@worldbank.org)).



*Khun Tuenjai Deetes, former Senator of Chiang Rai province, welcoming participants to the workshop*

## Recent Events



Over 150 participants from government agencies and insurance companies in India, Sri Lanka, China, Korea, the Philippines and Thailand gathered in Bangkok on November 1-December 30 for a workshop on "Extending Pension Coverage to Informal Sector Workers: the Asian Challenge." Organized jointly by the World Bank and Thailand's Government Pension Fund, the workshop was opened by Khun Suparut Kawatkul, Permanent Secretary for Finance, and Mr. Ian Porter, World Bank Country Director for Southeast Asia. The workshop allowed policymakers and industry professionals to share experience in pension development and related issues. For more information, please contact Mr. Luis Benveniste ([lbenveniste@worldbank.org](mailto:lbenveniste@worldbank.org)).



The World Bank team in Bangkok joined UNESCO and other national and international partners to support the longest-ever “Condom Chain of Life” on December 1, World AIDS Day. Bringing together people from all walks of life – young and old, students and workers, husbands and wives, gay people and heterosexual people – the event aimed to set a Guinness World Record with a 2.75-kilometre chain made up of 23,000 condoms tied together. Organizers highlighted the need to overcome sensitivities about discussion of sexual matters and communicate openly and broadly about HIV/AIDS, in order to protect life and allow those with HIV to live full and active lives. *For more information, please contact Mr. Kwanchai Niyomthamkit (kniyomthamkit@worldbank.org).*



A group of 70 students and lecturers from the Department of Finance and Banking, Faculty of Management Science, of Ubon Ratchathani University participated in a lively discussion on Thailand’s development agenda at the World Bank Office in Bangkok on December 4. Moderated by Dr. Kirida Bhaopichitr, World Bank Country Economist for Thailand, the discussion was followed by an introduction to the resources available to researchers at the World Bank’s Public Information Centre in Bangkok. *For more information, please contact Ms. Buntarika Sangarun (bsangarun@worldbank.org).*



At the invitation of the World Bank and the Fiscal Policy Office of the Ministry of Finance, 60 representatives of key ministries and government agencies gathered in Bangkok on December 6 to discuss collaboration between Thailand and the World Bank economic and development cooperation programs in the Greater Mekong Sub-region (GMS). Following opening remarks by Khun Acksiri Buranasiri, Director of Bureau of International and Macroeconomic Policy, and presentations by World Bank Country Director Ian Porter and National Social Development Board Senior Advisor Dr. Poramethee Vimolsiri, participants focused their discussions on five sectors – trade and investment, transport, energy, water resources management, and migration – which the Royal Government of Thailand and the World Bank would aim to share experience and collaborate. *For more information, please contact Ms. Buntarika Sangarun (bsangarun@worldbank.org).*

## Looking Ahead

The Royal Government of Thailand and the World Bank will launch a Country Development Partnership for Infrastructure (CDP-Infrastructure) on January 31, 2007 in Bangkok. *For more information and to attend the launch, please contact Mr. Chanin Manopiniwes (cmanopiniwes@worldbank.org).*



**For comments or questions about this newsletter,**

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