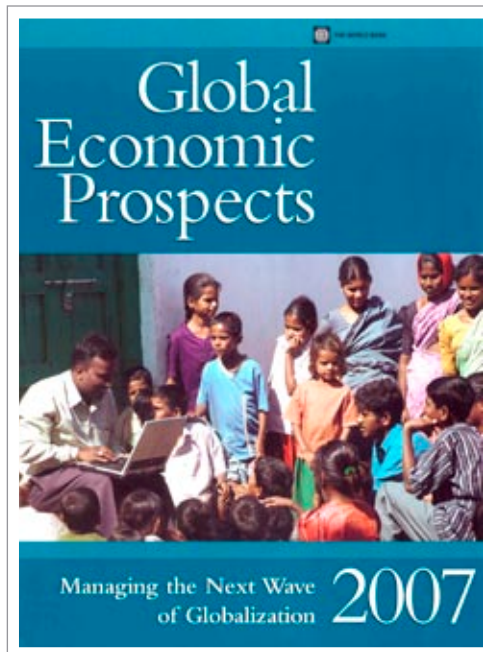


Growth Prospects Are Strong, but Social, Environmental Pressures from Globalization Need More Attention

WASHINGTON, DC, December 13, 2006 – Globalization could spur faster growth in average incomes in the next 25 years than during 1980-2005, with developing countries playing a central role. However, unless managed carefully, it could be accompanied by growing



income inequality and potentially severe environmental pressures, predicts the World Bank.

According to *Global Economic Prospects 2007: Managing the Next Wave of Globalization*, growth in developing countries will reach a near record 7 percent this year. In 2007 and 2008, growth will probably slow, but still likely exceed 6 percent, more than twice the rate in high-income countries, which is expected to be 2.6 percent.

On how globalization will shape the global economy over the next 25 years, the report's 'central scenario' predicts that the global economy could expand from \$35 trillion in 2005 to \$72 trillion in 2030. "While this outcome represent only a slight acceleration of global growth compared to the past 25 years, it is driven more than ever before

Continue on page 2

The report's 'central scenario' predicts that the global economy could expand from \$35 trillion in 2005 to \$72 trillion in 2030.

A Hope for a New Life: Two Years after the Tsunami

Story and photo by Tinnakorn Sareenu

On December 26, 2004, Thailand was hit by one of the worst natural disasters in history. The waves ravaged several villages along the Kingdom's Andaman Coastline, causing unprecedented losses of human lives and damages to properties in six southern provinces.

The fishing village of Ban Nam Khem in Phang-Nga province, 790 kilometers south of Bangkok, was hit the hardest. As many as 850 people, out of the 4,478 population, have been killed or reported missing. In addition, 948 of the villagers' homes and 439 fishing boats have been destroyed, a serious blow to the villagers' lives and livelihoods.

"I lost my four-year-old daughter in the tsunami," said Urai Sirisuk, 47, one of the Ban Nam Khem villagers affected by the tragedy. "Our rented house was also destroyed. We had no choice but to fight for a new life."



Villager Urai Sirisuk showing off her dry-fish products to visitors, with a storage funded by the World Bank-JSDF project in the background

Without a property of their own, the Sirisuk family was considered one of the village's poorest. To cope with the effects of the tsunami, Urai, her husband Chun, and her two children decided to leave everything behind and moved to Ban Pru Tiew, a village located 10 kilometers further inland from Ban

Continue on page 3

by strong performance in developing countries," said **Richard Newfarmer, the report's lead author and Economic Advisor in the Trade Department.** "And while exact numbers will undoubtedly turn out to be different, the underlying trends are relatively impervious to all but the most severe or disruptive shocks."

Broad-based growth in developing countries sustained over the period would significantly affect global poverty. "The number of people living on less than \$1 a day could be cut in half, from 1.1 billion now to 550 million in 2030. However, some regions, notably Africa, are at risk of being left behind. Moreover, income inequality could widen within many countries, compounding current concerns over inequality between countries,"

said **Francois Bourguignon, World Bank Chief Economist and Senior Vice President, Development Economics.**

Global trade in goods and services could rise more than threefold to \$27 trillion in 2030, and trade as a share of the global economy will rise from one quarter today to more than one-third. Roughly half of the increase is likely to come from developing countries. Developing countries that only two decades ago provided 14 percent of manufactured imports of rich countries, today supply 40 percent, and by 2030 are likely to supply over 65 percent. At the same time, import demand from developing countries is emerging as a locomotive of the global economy.

Continuing integration of markets will make jobs around the world more subject to competitive pressures. "As trade expands and technologies rapidly diffuse to developing countries, unskilled workers around the world – as well as some lower-skilled white collar workers – will face increasing competition across borders," explained **Uri Dadush, Director of the World Bank's Development Prospects Group and International Trade Department.** "Rather than trying to preserve existing jobs, governments need to support dislocated workers and provide them with new opportunities. Improving education and labor market flexibility is a key part of the long-run solution."

Globalization is likely to bring benefits to many. By 2030, 1.2 billion people in developing countries – 15 percent of the world population – will belong to the "global middle class," up from 400 million today. This group will have a purchasing power of between \$4,000 and \$17,000 per capita, and will enjoy access

to international travel, purchase automobiles and other advanced consumer durables, attain international levels of education, and play a major role in shaping policies and institutions in their own countries and the world economy.

The next wave of globalization will likely intensify stresses on the "global commons," which could jeopardize long-term progress, the report warns. Nations will have to work together to play a larger role in issues involving global public goods – from mitigating global warming, to containing infectious diseases like avian flu, to preventing the decimation of the world's fisheries.

According to the report, global warming is a serious risk. Rising output means that annual emissions of

greenhouse gases will increase roughly 50 percent by 2030 and probably double by 2050 in the absence of widespread policy changes. To avoid this, policies will have to promote "clean" growth so as to limit emissions to levels that will eventually stabilize atmospheric concentrations. Moreover, poor countries will need development assistance to adapt to coming environmental changes, including support for their participation in the carbon finance market.

The authors conclude that the challenges of rapid globalization put new burdens on both national policymakers and international officials. Nationally, governments need to ensure that the poor are incorporated into the growth process through pro-poor investments in education, infrastructure, and support mechanisms for dislocated workers. They need to support and invest in workers—all the while promoting rather than resisting change.

Internationally, the report calls for stronger institutions for tackling threats to the global commons. It also calls for more and better development assistance. Reducing barriers to trade is vital as well, since it can create new opportunities for poor countries and poor people. "Revitalizing the Doha round of world trade negotiations and concluding an agreement that benefits the poor is urgent," said **Mr. Dadush.**

Interactive prospects for the global economy can be found at: <http://www.worldbank.org/globaloutlook>.

For more information, please contact Dr. Kirida Bhaopichitr, at +66 (0) 2686 8332 or email: kbhaopichitr@worldbank.org.



Video conference interactions during the launch of the report at Chulalongkorn University, December 13, 2006



Richard Newfarmer, an economic advisor at the World Bank and the report's lead author, answering questions during the video conference

Nam Khem. However, the heartbreaking memory and the loss of their youngest proved too difficult to forget – at least for her oldest daughter.

“I was holding my sister’s hand while walking back home,” recalled Urai’s daughter, Ying, 25. “Suddenly, I heard a thunderous sound behind me and saw these huge, strong waves coming at us so quickly and destroying everything. Honestly, I didn’t think we were going to make it. I tried to run for my life but was still holding my little sister’s hand. We got separated later because the waves struck us so hard I couldn’t hold her hand any longer.”

Ying was able to survive by holding on to a floating mattress. Her little sister, however, was not as fortunate. Her body has never been found so she was presumed dead by the family and the Thai authorities. Having been pushed underwater during the tsunami, Ying herself had caught an ear infection resulting in a chronic earache. She still sees her doctor every month now, but her family is finding it more and more difficult to pay the 2,000-baht medical bills for her.

Bua contacted HIV from her husband, a one-legged fisherman who himself is also infected. During the tsunami, her husband lost another leg, making it impossible for him to go fishing.

Two years have gone by; the Sirisuks are still struggling to rebuild their lives, as are other fishing families in the tsunami-hit areas. To support the restoration of the victims’ livelihoods, **the World Bank** has partnered with **World Vision Foundation Thailand** in helping the villagers acquire or replace economic assets lost in the disaster. In Takua Pa district, where Ban Nam Khem



Chun Sirisuk, Urai’s husband and one of the villagers who benefited from the World Bank project in Ban Nam Khem

is located, the bank has initiated a seafood processing project, with almost 350,000 baht (roughly \$10,000) in funding. The fund, part of the \$5 million grant from the Japanese Government for tsunami-affected communities and vulnerable groups in Thailand, was provided through **Japan Social Development Fund (JSDF)** – the Japanese Government’s mechanism for delivering development aid to the poorest and most vulnerable.

Urai Sirisuk was among the 11 people from Ban Nam Khem who benefited from this World Bank-administered project. They used the grants to buy and install new cold storage as well as other equipments for seafood processing, and to buy fresh catches from other fishermen in the area. The catches would then be salted, dried or smoked and sold wholesale to markets, restaurants, and hotels in the province, as well as to tourists and retail shoppers.

Another project under the JSDF funding is designed for the tsunami victims living with HIV/AIDS. Many of the victims in Phang-Nga were from the fishing community, which generally faced a higher risk of HIV infection than other demographic groups. While the tsunami victims without HIV had received assistance to cope or deal with the shock and trauma, social stigma had prevented the HIV-infected tsunami victims from getting similar help, thus complicating and/or delaying their recovery.

To address this issue, the World Bank has used part of the JSDF grants to set up the **Friendships with No Boundary Group**, a civil society organization, to provide counseling to the HIV-infected tsunami victims in Phang-Nga. The ultimate goal is to help them reintegrate into the communities through increased social awareness and acceptance.

This project has enabled HIV-infected Bua, who asked that her true identity be concealed, to make friends with 20 other People Living with HIV / AIDS



Yum! Fried fish

(PLWHA) affected by the tsunami. Bua contacted HIV from her husband, a one-legged fisherman who himself is also infected. During the tsunami, her husband lost another leg, making it impossible for him to go fishing. Her neighbors had shunned her family after discovering that they had HIV. Her eldest son was bullied and ostracized at school. Even her husband's relatives abandoned them for fears that they would also get infected. "I was lonely and hopeless even before the tsunami struck," she said.

But the partnership between the World Bank, World Vision and the JSDF has helped to reignite her hope. Through assistance from Friendships with No Boundary, Bua now has access to anti-retroviral treatment and is healthy enough to work again. The Group also provides transportation to hospital for the victims and regularly organizes counseling for those still suffering from trauma. Skill training was also provided for female tsunami victims living with HIV/AIDS. As a result, Bua is now a proud supporter of her family, earning income from sewing.

Friendships with No Boundary also runs a series of advocacy campaigns aimed at improving HIV/AIDS awareness in three Phang-Nga districts. This has essentially removed or reduced social stigma facing them, said Yodying Chantrachok, a Friendships with No Boundary volunteer.

To Bua and her husband, however, being part of a group that welcomed, accepted and understood what they had gone through – both before and after the tsunami – was the best assistance from this project. "We made so many friends after joining this group; they all are willing to help one another," she said, smiling. "I'm not feeling down and lonely anymore. Now I just wanted to live as long as possible and watch my children grow and be successful."

For more information on the Bank's Tsunami program in Thailand, please contact Khun Kwanchai Niyomthamkit, at +66 (0) 2686 8351 or email: kniyomthamkit@worldbank.org.

Looking Ahead

February 2: "Country Development Partnership in Education (CDP-ED)," a seminar co-organized by the Office of the Basic Education Commission and the World Bank - Siam City Hotel. During the seminar, participants will review information and lessons learned from the works of CDP-ED in three areas: education financing, decentralized school-based management, and teacher development. The CDP-ED is designed to support the Thai Ministry of Education in implementing the country's education reform, which includes teacher development in core academic areas such as mathematics and science, among other initiatives. This event starts at 9:00 am. For more information on the CDP-ED, please contact Khun Achariya Kohtbantau, at +66 (0) 2686 8347, email: akohtbantau@worldbank.org.

February 5: "Country Development Partnership in Health (CDP-H)," a launch ceremony, followed by a joint press conference by the World Bank and the Ministry of Public Health, 9:00 am at the Ministry's Meeting Room 1 (2nd floor). The CDP-H is the World Bank's latest effort to support the development of Thailand's health sector in three main areas: sustaining HIV/AIDS program financing and revitalizing HIV prevention and impact mitigation, strengthening public expenditure management capacity in the health sector, and evaluating and disseminating lessons from the Thai experience in addressing health sector in the Asia Pacific region. To register for this event and for more information on the CDP-H, please contact Khun Achariya Kohtbantau, at +66 (0) 2686 8347, email: akohtbantau@worldbank.org.



For comments or questions about this newsletter,

please contact Mr. Tinnakorn Sareenun

The World Bank Office, Bangkok

Siam Tower, 30th Floor, 989 Rama I Road, Pathumwan, Bangkok 10330 THAILAND

Tel.: +66 (0) 2686 8300

Fax: +66 (0) 2686 8301

Email: tsareenun@worldbank.org

Website: <http://www.worldbank.or.th>