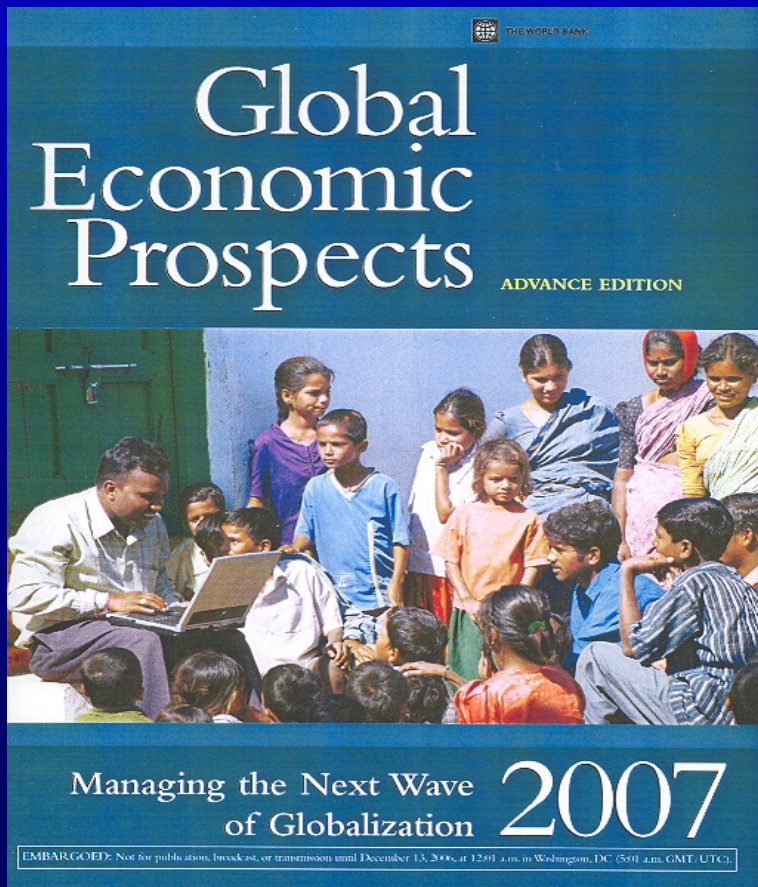


# Global Economic Prospects, 2007

Managing the Next Wave of Globalization



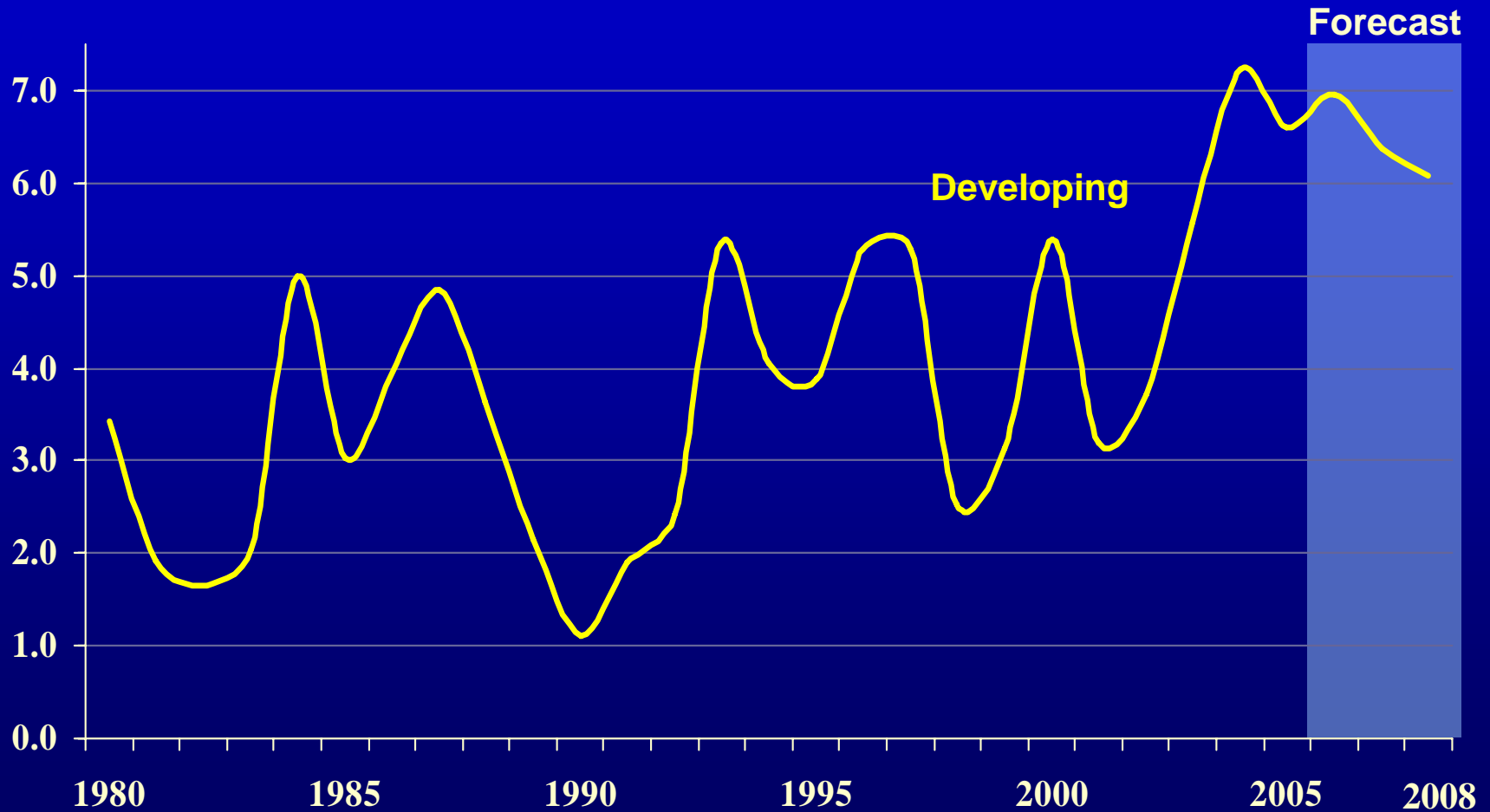
Richard Newfarmer  
and Paul Brenton

World Bank

February, 2007

# Strong growth in developing economies

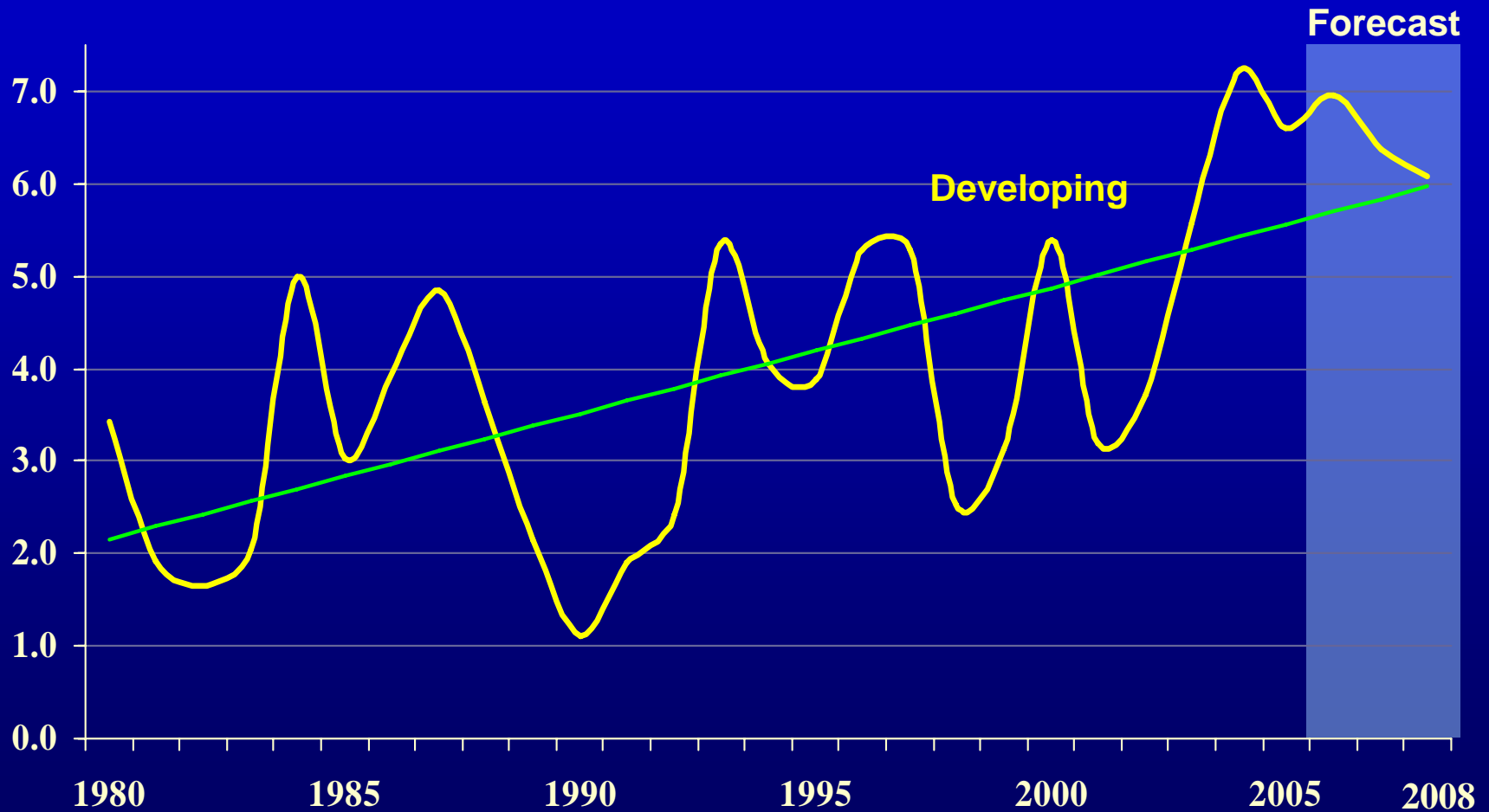
Real GDP annual percent change



Source: World Bank

# Strong growth in developing economies

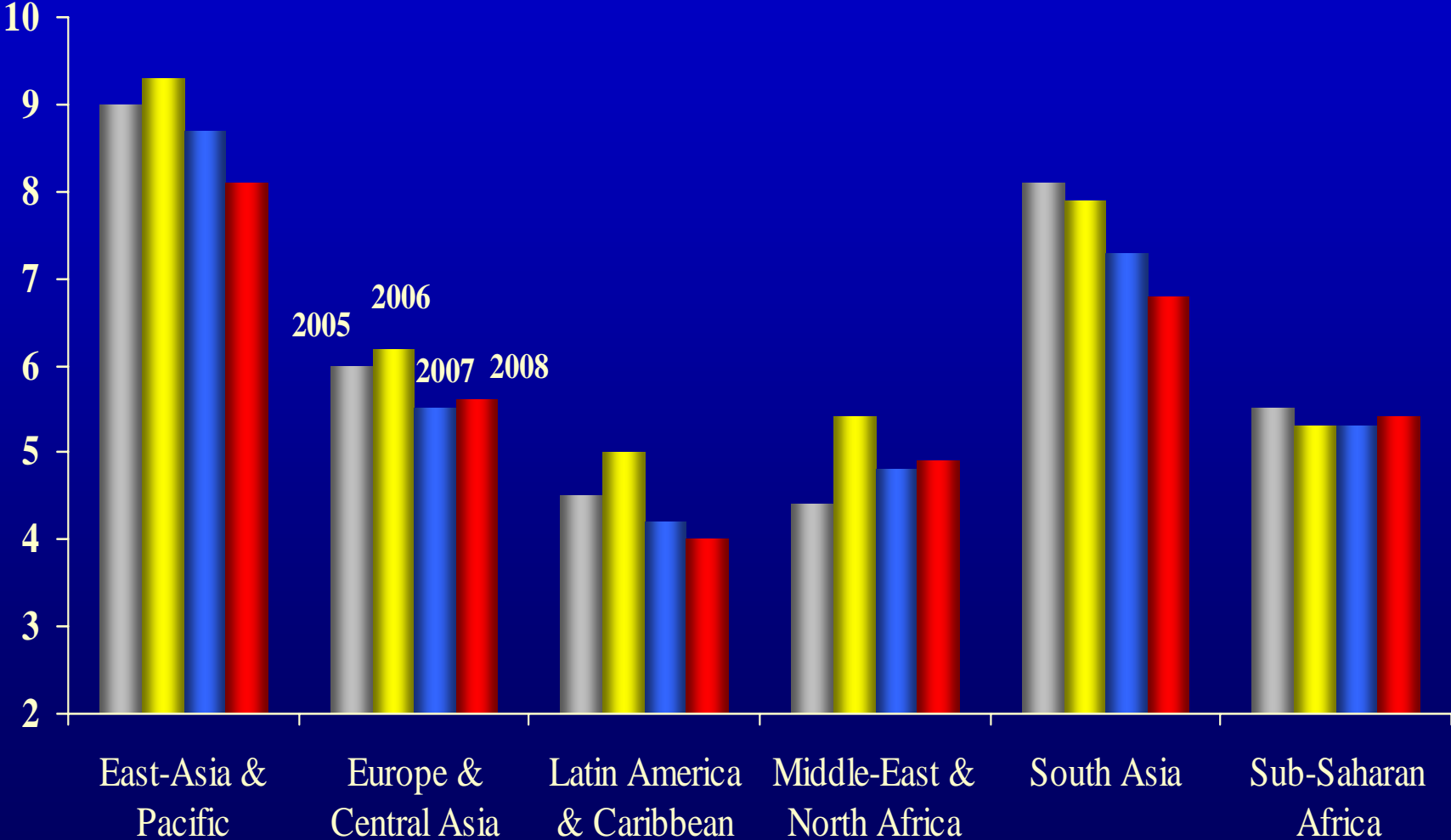
Real GDP annual percent change



Source: World Bank

# Growth, though tapering off, will likely remain solid over the medium term in most regions

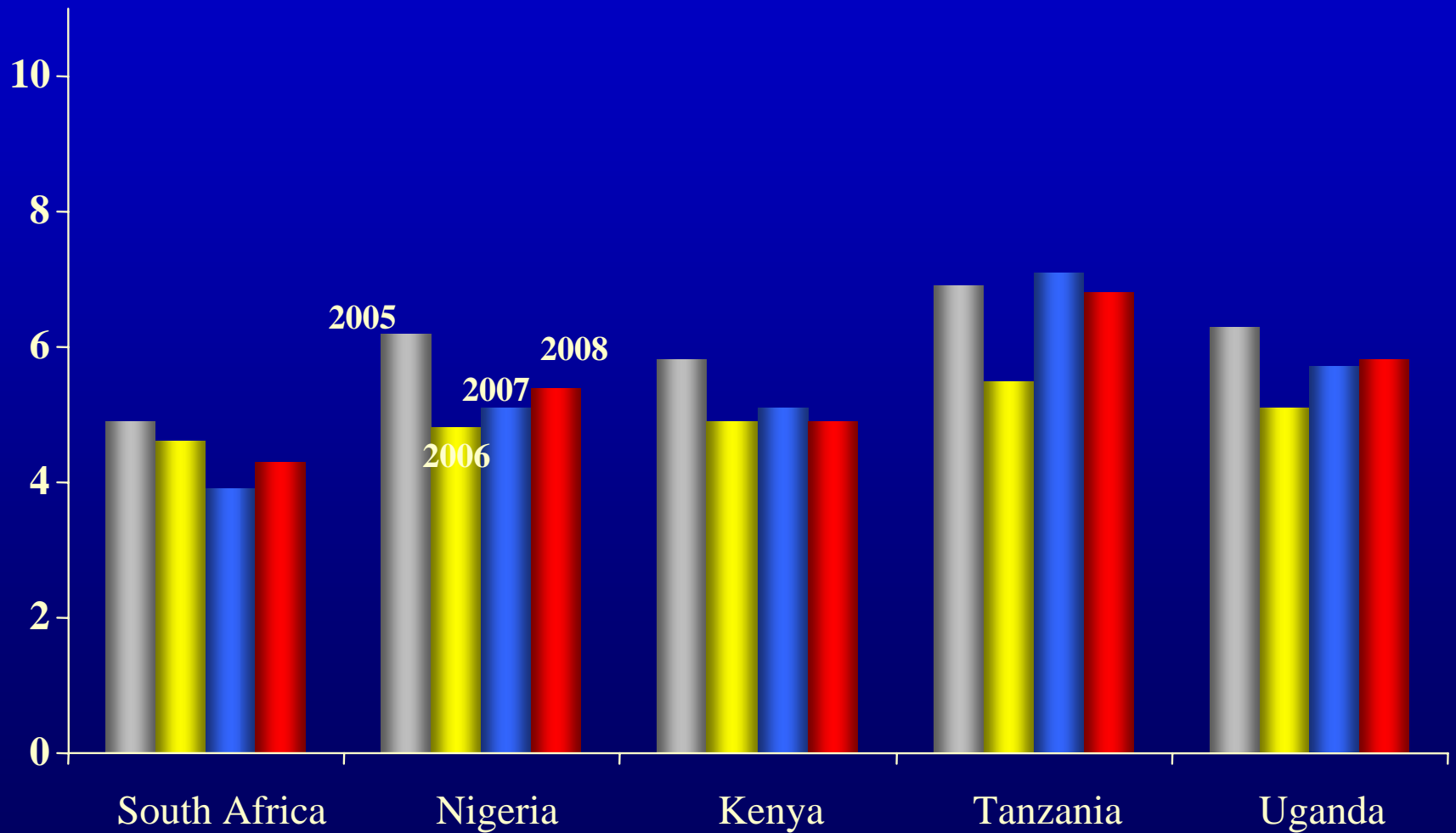
Percent change, GDP



Source: World Bank

# ... and growth in Africa is likely to remain strong

Percent change, GDP



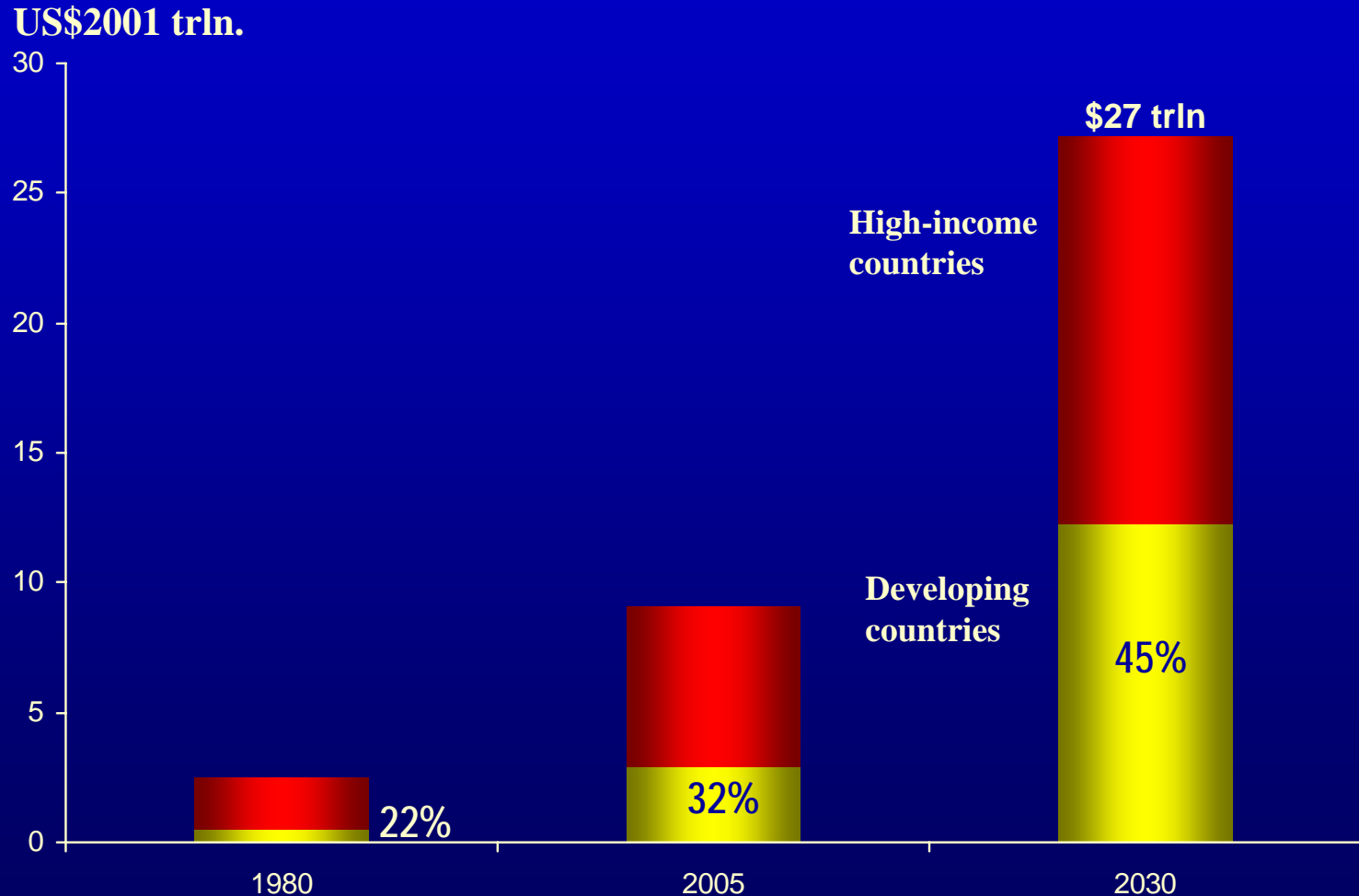
Source: World Bank

# The next wave of globalization..

- ...is likely to spur faster growth
  - through four channels: trade, finance, people and technology
- ...and pose critical challenges
  - Stresses over income distribution and in labor markets could undermine potential growth
  - ...and failure to manage environmental pressures entails serious risks
- Policy responses to these stresses are so far inadequate to the challenges, so new efforts are needed at both the national and multilateral level

# Developing countries share of world trade will rise as global integration intensifies...

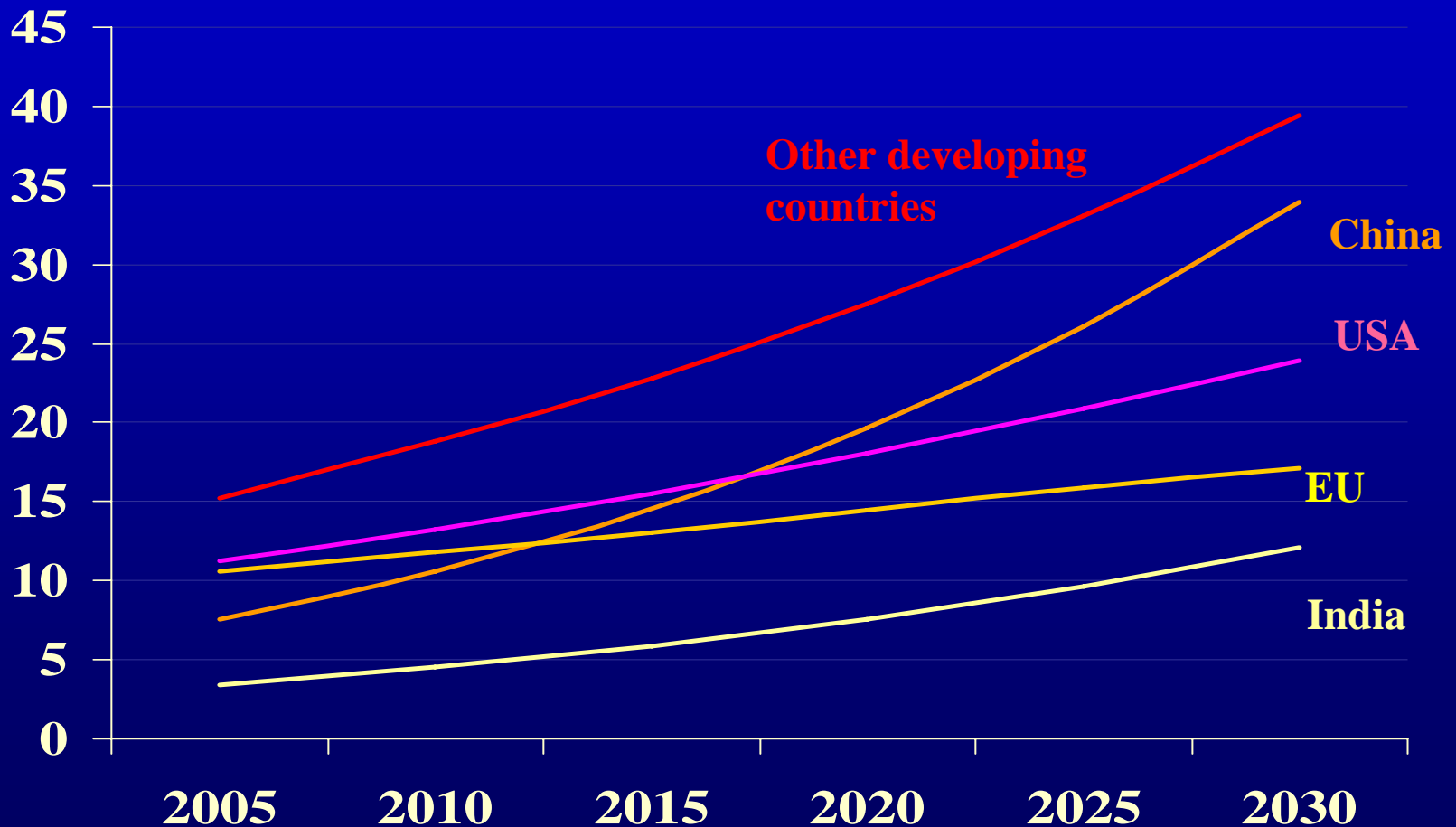
Exports from developing and developed countries, 2005-2030



# China, India, and other developing countries will become centers of global demand over the next quarter century

GDP at PPP exchange rates

\$2001 trillion





# Growth would raise income and reduce absolute poverty

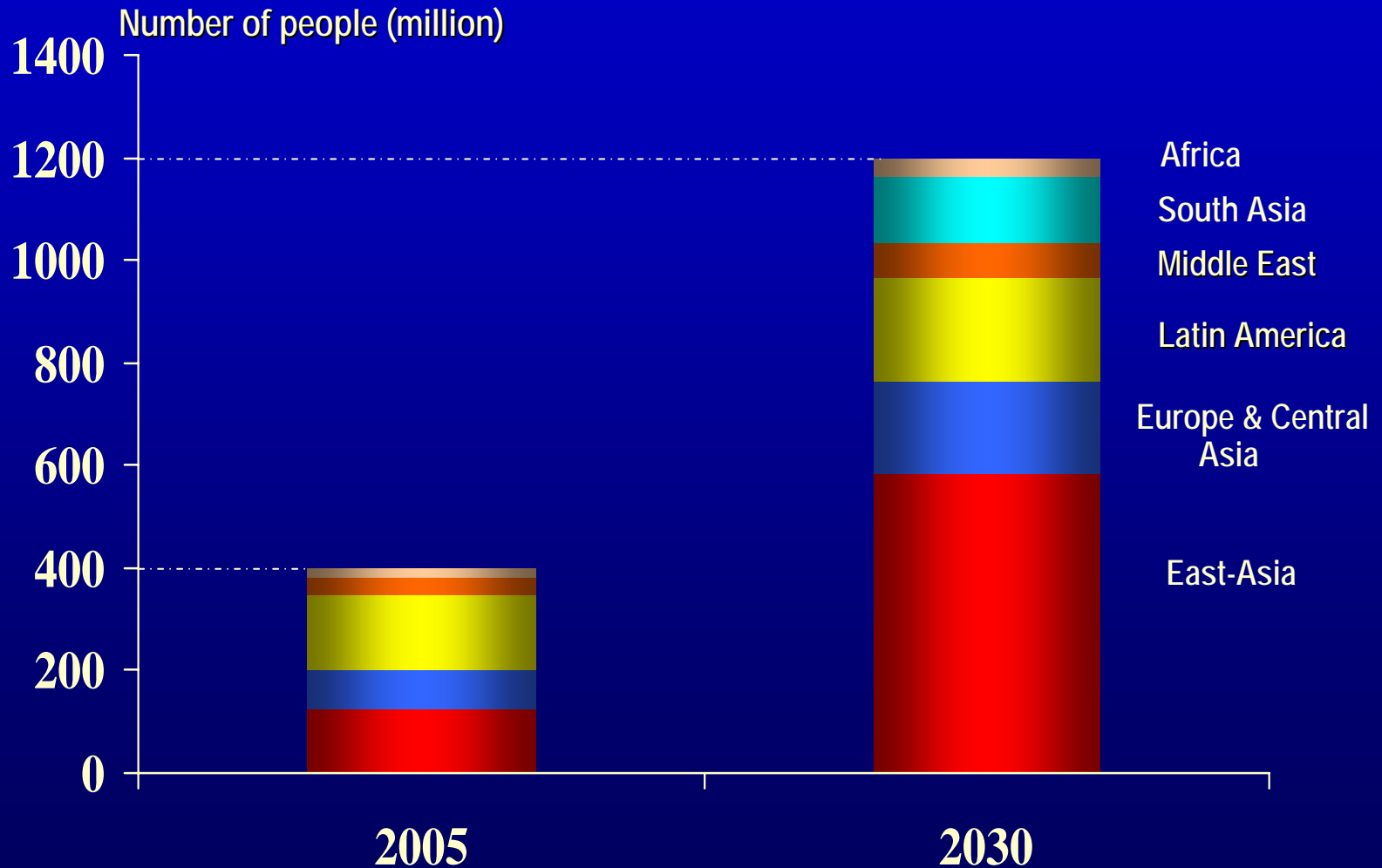
- Average per capita incomes in developing countries are likely to double..

Even so, huge disparities will remain...

- Developing countries average incomes, now 16% of rich countries, will rise to about one-quarter
- African incomes, though growing more rapidly, would still be less than 10% of rich countries

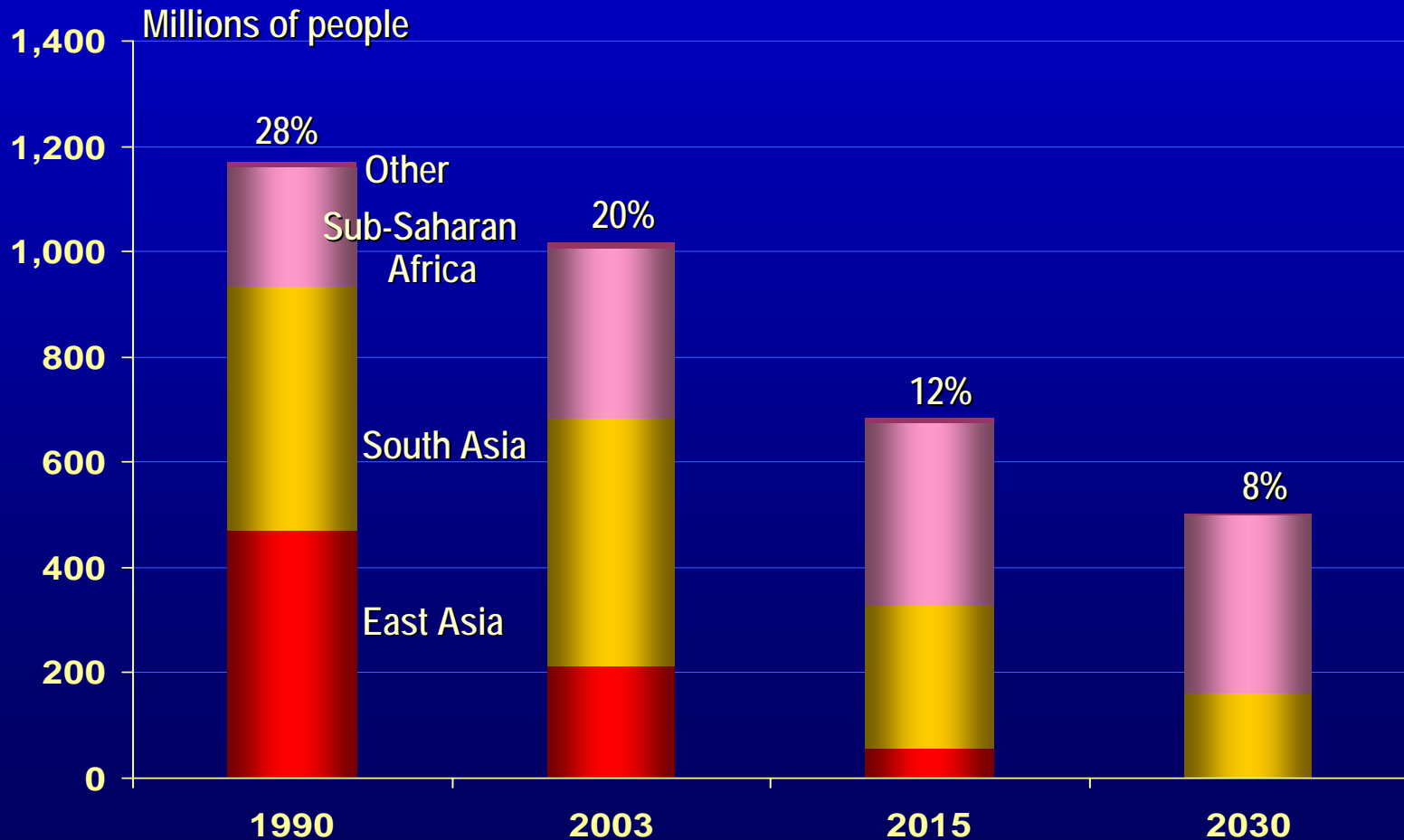
# Growth would raise income and reduce absolute poverty

- Average per capita incomes in developing countries are likely to double..
- ...and more people from developing countries will enter the "global middle class"



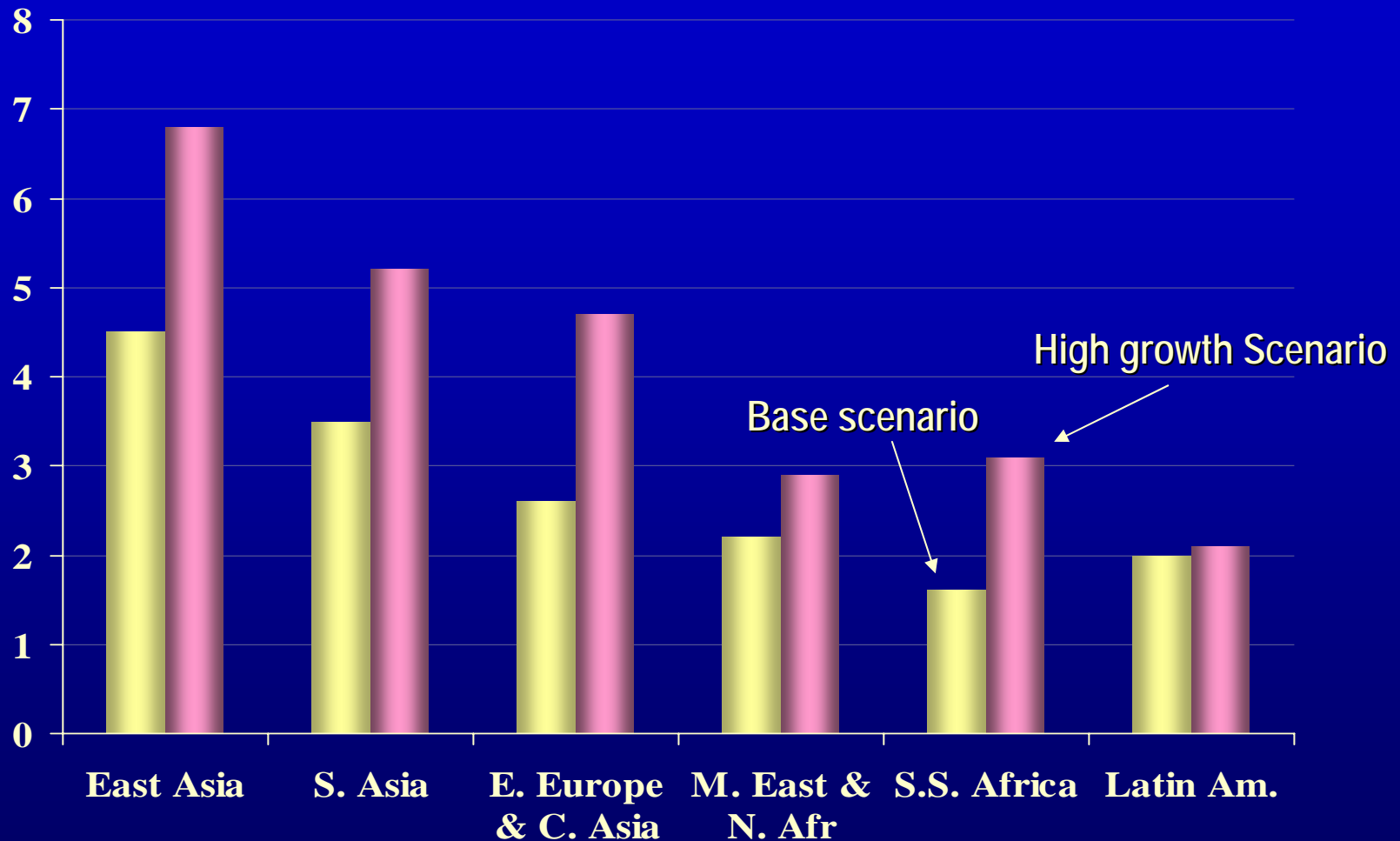
# Growth would raise incomes and reduce absolute poverty

- Average incomes are likely to double
- ...and more people from developing countries will enter the "global middle class"
- ...and sharp reductions in dire absolute poverty



# More acceleration is possible...and Africa could grow even faster than our high growth scenario

Income growth per capita, percent per annum 2010/2030

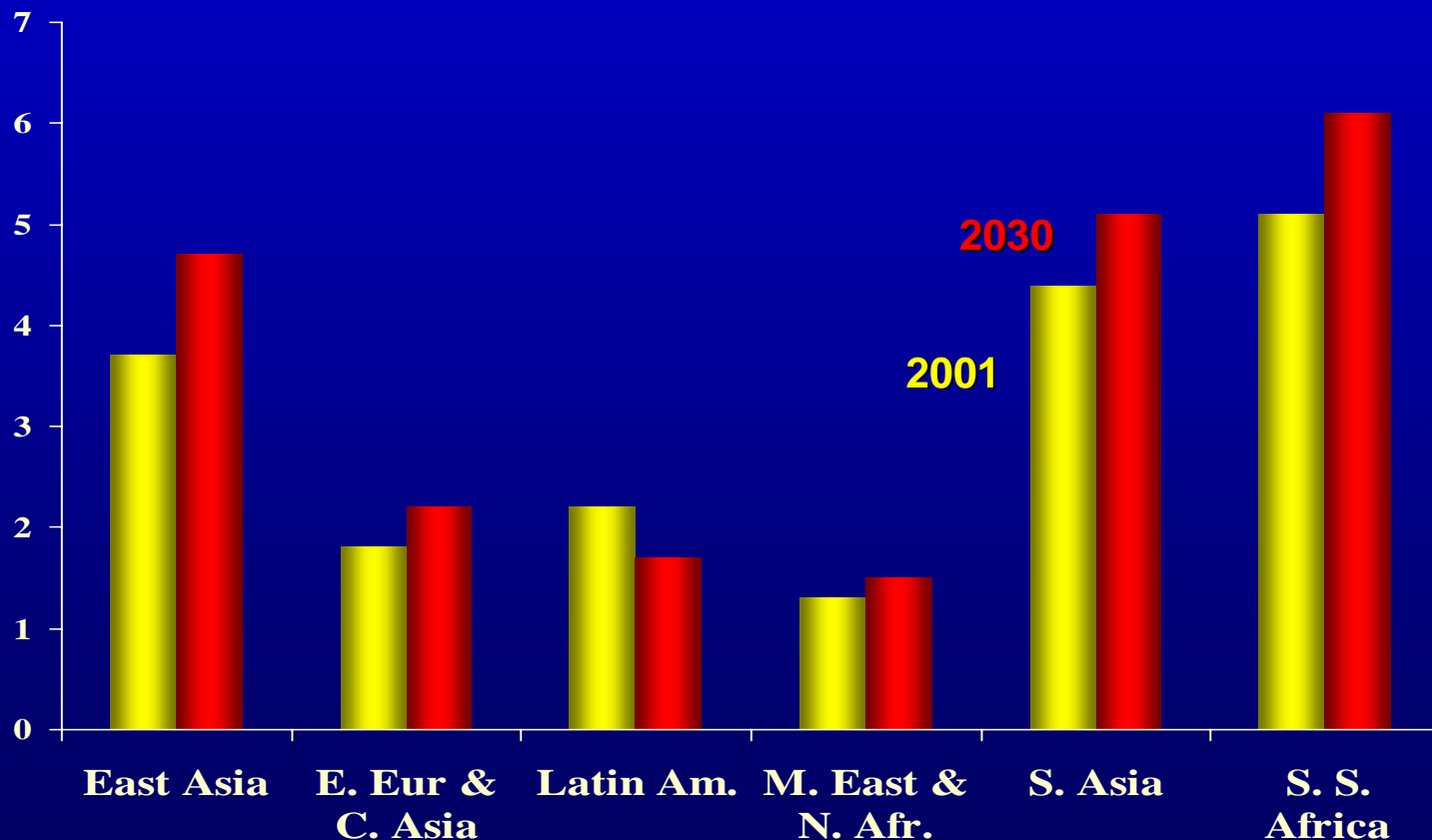


Africa's advantages: demographics, technological leap-froging, labor costs, and natural resources

Managing stresses: uneven benefits

## Returns to skilled workers will likely rise relative to unskilled workers

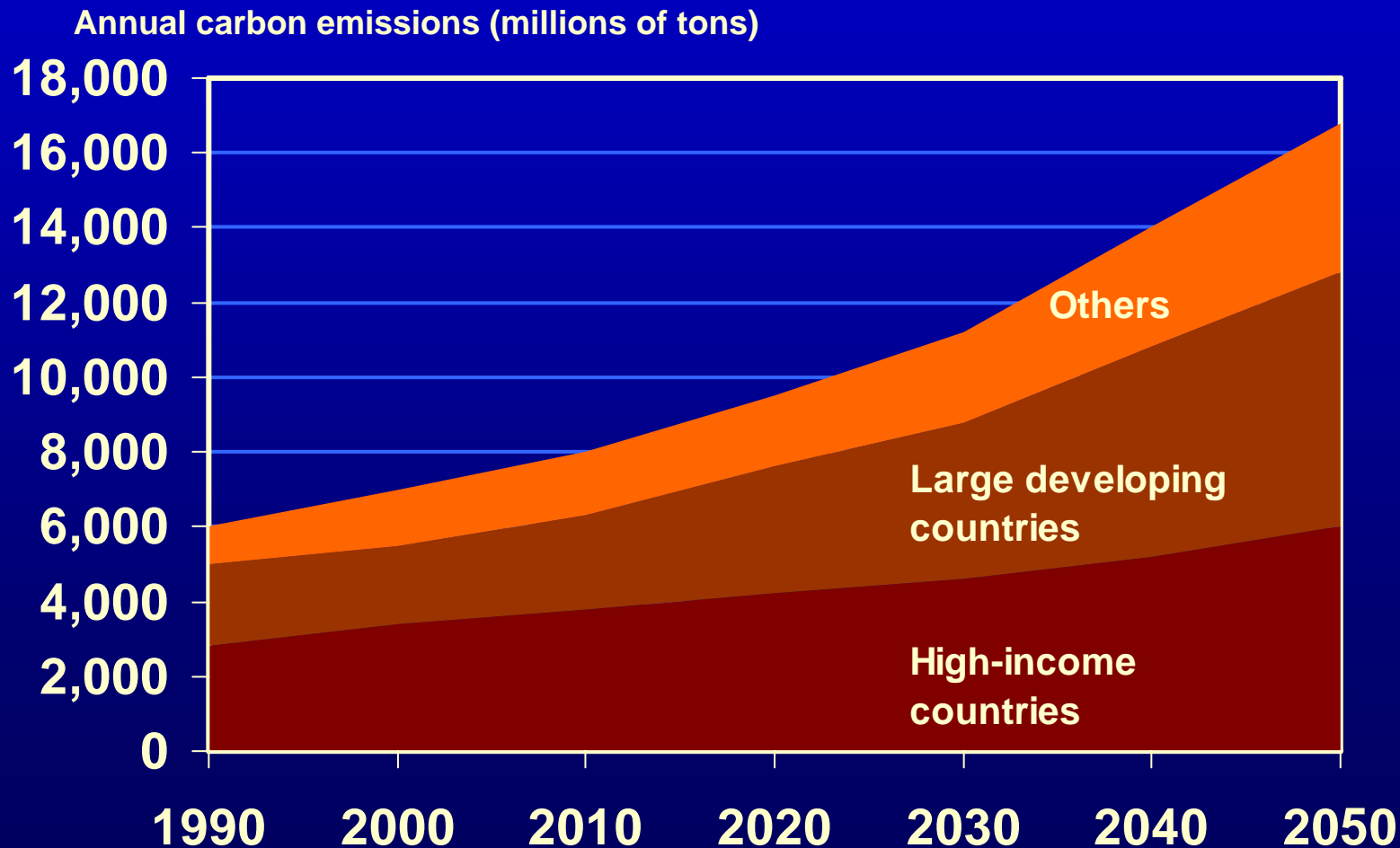
Ratio of skilled wages relative to unskilled wages



Managing stresses: environmental pressures

# Global institutions and policies are still too weak to deal with severe environmental pressures

- Carbon emissions are causing global warming



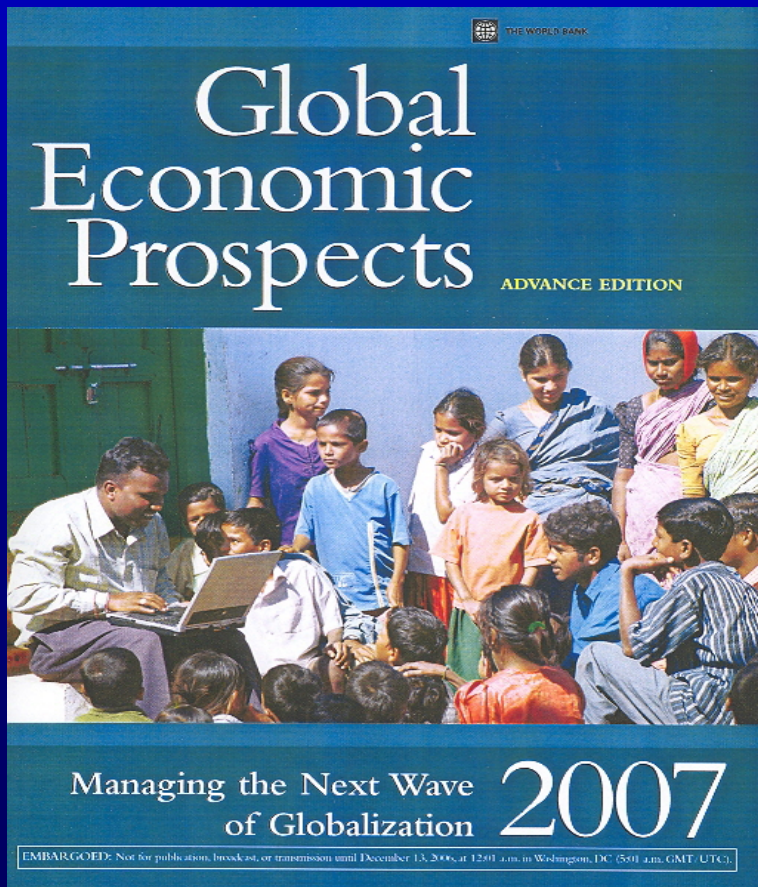
Source: OECD GREEN model simulations

# Realizing the potential of global integration requires an affirmative policy response – domestically and globally

- Domestic policy must enhance competitiveness and ensure that growth is broadly shared
  - Institutional measures to raise productivity and growth
    - Removing barriers to integration
    - Improving investment climate
  - Investing in education
  - Protecting workers – but not jobs
  
- Multilateral collaboration
  - Using development assistance to promote integration of lagging countries
  - Removing barriers to the products that the poor produce
    - Near-term priority: Completing Doha round in the WTO
  - Reinforcing mechanisms to protect the global commons

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