

The socioeconomic impact of the Indian Ocean tsunami

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Minimal economic impact on the region

- No impact on financial markets (Asian Development Bank 2005:4)
- No downgrade in credit ratings of affected areas (Standard and Poor's quoted in the Asian Development Bank 2005:4)
- Currencies of affected countries have remained stable (Asian Development Bank 2005:4)
- No major impact on the stock markets of each country (Asian Development Bank 2005:4)

Huge human cost: 295,000 lost
their lives especially women and
children (Asian Development Bank 2005:1)

Assets lost were mainly private (75%) rather than public (25%)

Major impact was on
the poor (World Bank Report 2005:2)

Economic impact was local not
national e.g. Aceh, Indonesia (World
Bank Report 2005:2)

Indonesia's loss

- 242,347 dead (127,000 missing presumed dead) (World Bank Report 2005:1)
- 800,000 displaced persons (BBC News 2005:1)
- Public assets (roads, rail, education, health, energy, waste) US\$990m (World Bank Report 2005:3)
- Private assets (fisheries, housing, personal possessions, vehicles) US\$3,460 m (World Bank Report 2005:3)
- Impact on Indonesian economy between 0.1%-0.2% (from 5.4% to 5.3% or 5.2%) (World Bank Report 2005:3)
- Aceh contributed 2.3% of Indonesia's GDP (World Bank Report 2005:2)
- Damage in Aceh equal to 97% of Aceh's 2004 GDP (World Bank Report 2005:3)

Thailand's loss

- 5,393 dead (including 1,000 foreigners from 36 countries) and 3,071 missing (BBC News 2005:2)
- Damage concentrated in 6 southern provinces (Asian Development Bank 2005:2)
- Region accounts for 3% of Thailand's GDP (Asian Development Bank 2005:3)
- Downturn in tourism in 2005 expected but return to pre-tsunami rates by 2006 (Asian Development Bank 2005:2)

Sri Lanka's loss – one of most adversely affected countries

- 30,957 dead and 5,637 missing (World Bank Report 2005:1)
- 800,000 to 1 million homeless (BBC News 2005:1)
- Public assets lost – US\$300 m (World Bank Report 2005:2)
- Private assets lost – US\$670-700 m (World Bank Report 2005:2)
- Reduction in 2005 GDP from 6% to 5% (World Bank Report 2005:4)

India's loss

- 10,749 dead (8,800 on mainland, esp. Tamil Nadu, 1,800 in Adaman and Nicobar Islands) and 5,640 missing (World Bank Report 2005:1)
- 650,000 homeless (World Bank Report 2005:1)
- Estimated loss US\$1.5 b (World Bank Report 2005:5)

Maldives's loss – major national economic impact

- 82 dead and 26 missing (World Bank Report 2005:1)
- 21,500 homeless (World Bank Report 2005:1)
- Public assets lost – US\$120-260 m (World Bank Report 2005:2)
- Private assets lost – US\$190-250 m (World Bank Report 2005:2)
- Total loss at 50-80% of GDP (World Bank Report 2005:6)
- Of 200 inhabited islands, 13 destroyed, 56 major damage, 121 partial damage (World Bank Report 2005:6)
- Half countries houses affected (World Bank Report 2005:6)

Somalia's loss

- **298 dead** (BBC News 2005:3)
- **30,000 homeless** (BBC News 2005:3)

Other countries affected

- Malaysia, Burma, Tanzania, Bangladesh, Seychelles, and Kenya (BBC News 2005:3)

Disproportionate impact on the poor

- Apart from Sri Lanka and Maldives, the overall economic impact for each country will be slight (Asian Development Bank 2005:1)
- Most affected sectors were fisheries and agriculture which are not significant contributors to the economy (Asian Development Bank 2005:1)

Major socio-economic impact:

- Intensification of local poverty (Asian Development Bank 2005:1)
- Major damage done to private assets of the poor especially fishing boats and housing
- Impact at local and community level is to drag hundreds of thousands of already poor people into deeper poverty (Asian Development Bank 2005:1)
- 2 m people will sink deeper into poverty largely because they have lost their already precarious employment and means of living (Asian Development Bank 2005:8)

An aerial photograph of a vast, deep blue ocean stretching to the horizon. The sky above is a lighter blue with wispy white clouds. The sun is visible on the left side, creating a bright reflection on the water's surface.

Aid delivery

Emotional response felt globally: aid pledged

- Australia US\$764 m
- Germany US\$647 m
- Japan US\$500 m
- US US\$350 m
- Canada US\$343 m
- Norway US\$183 m
- Britain US\$ 96 m
- Italy US\$ 95 m
- China US\$ 83 m
- Sweden US\$ 80 m
- Denmark US\$ 75 m
- South Korea US\$ 50 m
- North Korea US\$150,000
- East Timor US\$ 125,000

(BBC News 2005:1)

Global spread of human loss

European deaths (202) and missing (1,504):

• Austria	13 dead	133 missing
• Belgium	6 dead	8 missing
• Denmark	15 dead	32 missing
• France	22 dead	99 missing
• Germany	60 dead	598 missing
• Ireland	1 dead	20 missing
• Italy	20 dead	260 missing
• Netherlands	12 dead	100 missing
• Poland	5 dead	10 missing
• Sweden	28 dead	524 missing
• Norway	26 dead	58 missing

(Pacific Asia Travel Association 2005:2)

Moratorium on debt repayments for indebted countries

Debt as percentage of GDP:

- Indonesia – 80% of GDP
- India – 21% of GDP
- Thailand – 48% of GDP
- Maldives – 45% of GDP

(BBC News 2005:1)

Concern over delivery of pledged aid

Aid delivered always falls short of pledged aid according to experience:

- Cyclones in Haiti (2004)
- Bam earthquake in Iran (2003)
- Hurricane Mitch in Central America (1998)

Only 30-50% of pledged aid is delivered

Official Development Assistance

- Since 1980, developed countries pledged to contribute 0.7% of their GDP to aid and reaffirmed this pledge at international fora in 1992, 2000, 2002 (Thalif Deen 2005:3)
- Only five countries have met this target: Norway, Denmark, Netherlands, Luxembourg, Sweden (Thalif Deen 2005:3)
- No G7 country has met the target (Australia contributes 0.25% of GDP and US contributes 0.14% of GDP) (Oxfam Report 2005:37)

Factors affecting aid delivery

- Disasters reduce recipient country's capacity to absorb and distribute aid
- Conditional aid packages set by donors – high expenditure on consultants and donor's products and equipment
- 'Donor fatigue' increases with the perceived lack of impact
- Aid redirected at short notice to new crisis
- Aid can be used for political purposes

(Beth Gardiner 2005:1)

Conclusion

- Economic impact mainly on the poor
- Long term outcome will be increased levels of poverty
- Aid can reduce poverty but only if sustained
- Experience of aid recipients is that focus is short term

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