



# GLOBALIZATION AND REGIONALISM DURING A PANDEMIC

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Recovery in Asia and the Pacific Result in Greater Regionalization of Trade  
and Investment?

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# Key Messages

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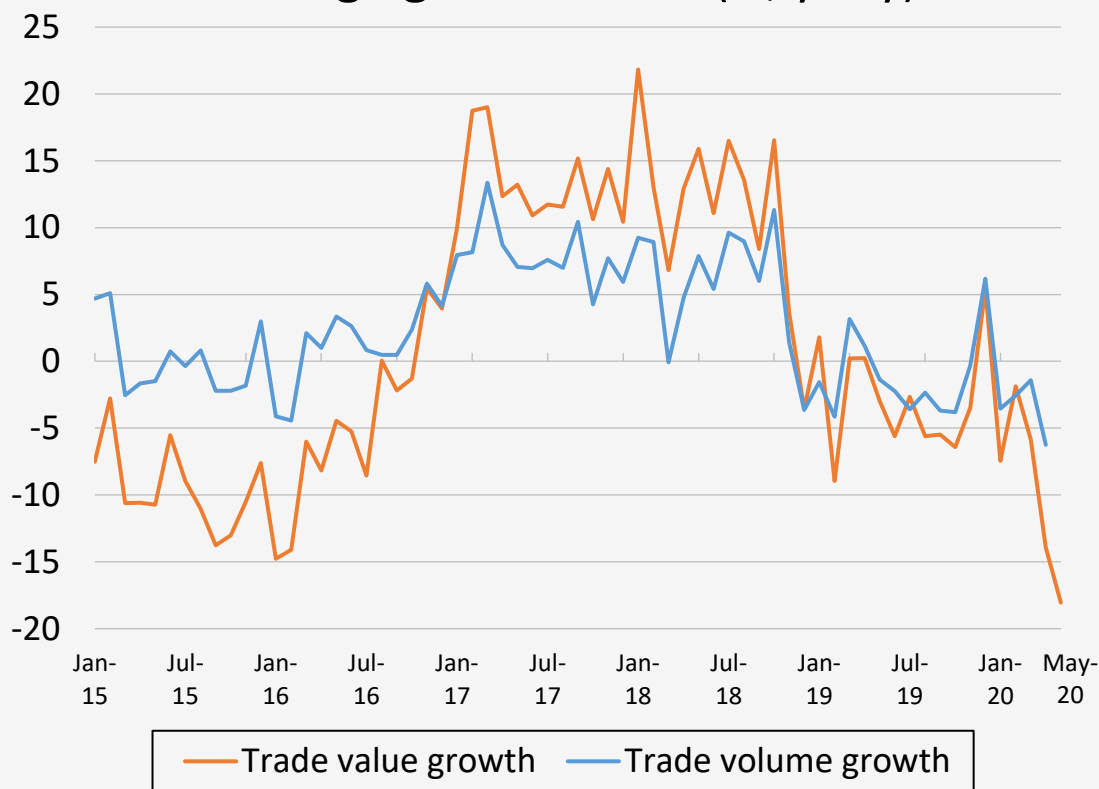
- COVID-19 has disrupted cross-border trade, share prices, and investment flows bringing global and regional prospects down sharply.
- The pandemic also bared risks of the global supply chain and could also scar global growth and globalization.
- Yet, global cooperation are key to address the pandemic and secure economic recovery.
- Strong Asia policy response and solid regional demand could provide a buffer for Asia at this time.
- RCI also critical to: (i) keep supply chain open; (ii) help economies open up; (iii) mobilize resources for “new normal”; and (iv) foster greater dialogue on key structural reforms.

# Impact of COVID-19 on Cross-Border Flows and Economic Growth



# COVID-19 disrupted trade and tourism flows

## Emerging Asia's Trade (% , y-o-y)



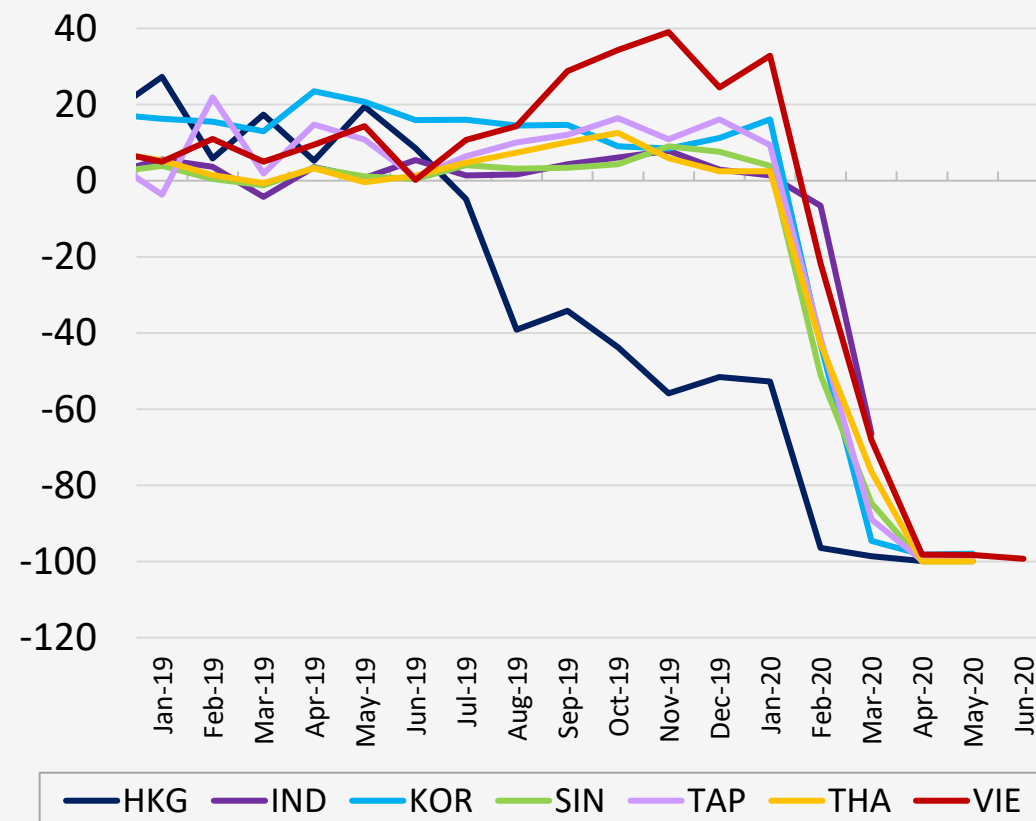
y-o-y = year-on-year.

Notes: Emerging Asia includes Hong Kong, China; India; Indonesia; Malaysia; Pakistan; the People's Republic of China; the Philippines; the Republic of Korea; Singapore; Taipei,China; Thailand; and Viet Nam. Trade volume up to April 2020.

Sources: ADB calculations using data from CEIC; and CPB Netherlands Bureau for Economic Policy Analysis. World Trade Monitor. <https://www.cpb.nl/en/data> (accessed 16 July 2020).



## Tourist Arrivals (% , y-o-y)

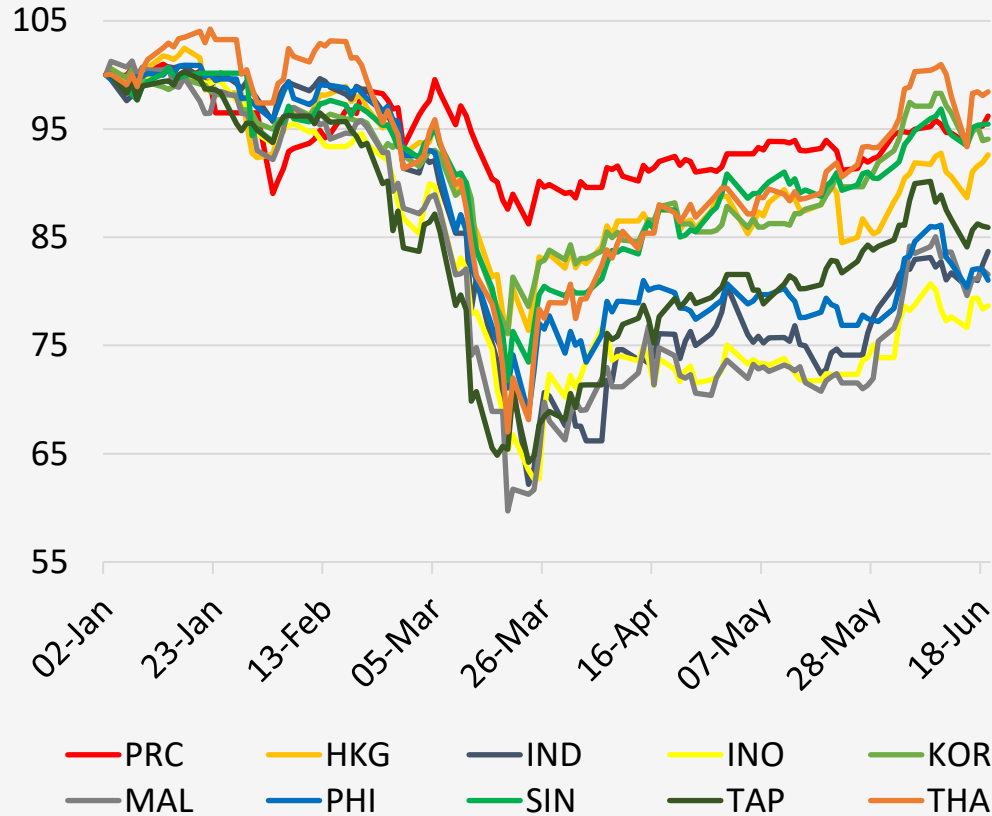


y-o-y = year-on-year growth; HKG = Hong Kong, China; IND = India; KOR = Republic of Korea; SIN = Singapore; TAP = Taipei,China; THA = Thailand; VIE = Viet Nam.

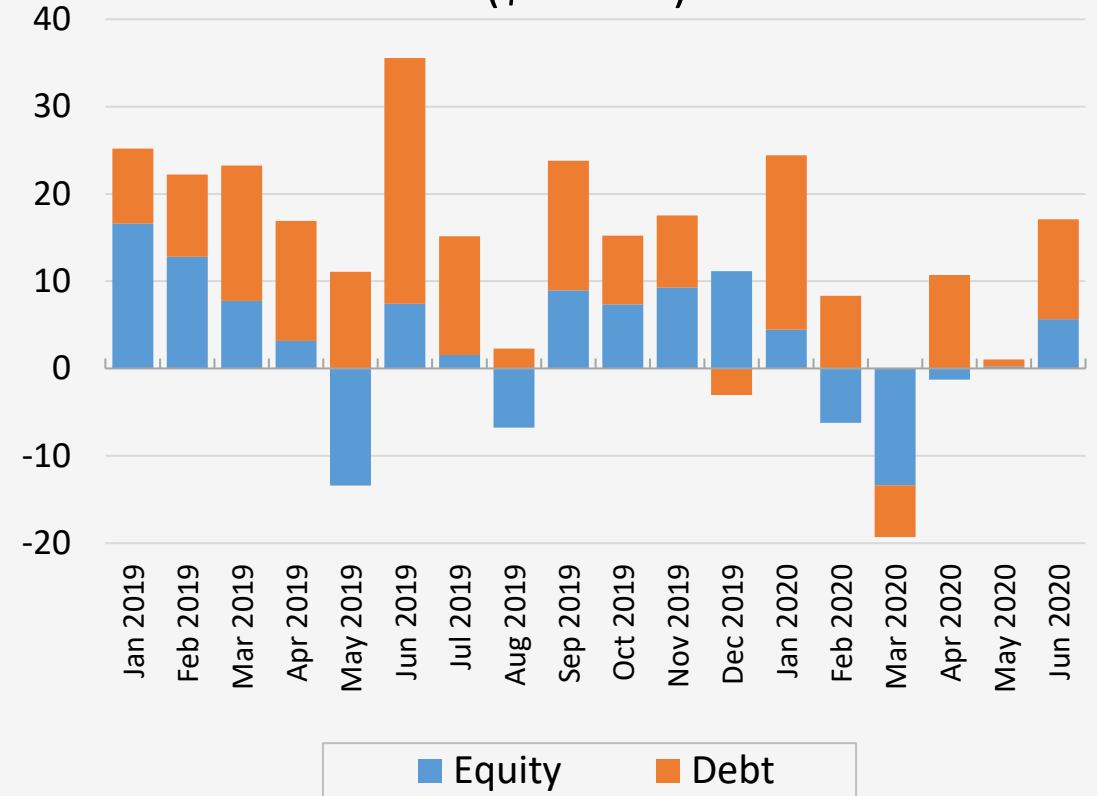
Source: Haver Analytics (accessed 16 July 2020).

# Uncertainty and doubt initially spooked share prices and capital flows

Stock Price Index (2 Jan 2020 =100)



Emerging Asia's Nonresident Portfolio Flows (\$ billion)



Note: Equity price index is either composite or benchmark index. An increase (decrease) indicates that the equity price is higher (lower) than the price level on 2 January 2020.  
Source: CEIC Database.

Note: Emerging Asia includes India; Indonesia; Malaysia; the Philippines; the People's Republic of China; the Republic of Korea; Taipei, China; Thailand; and Viet Nam.  
Source: Institute of International Finance (accessed 6 July 2020).

# Global and regional prospects down sharply

- Deep contraction in G3 economies
- Slowest growth in Developing Asia in 6 decades
- Only East Asia expected to post small positive growth



Sources: *Asian Development Outlook*, Asian Development Bank and *World Economic Outlook*, International Monetary Fund.

# Effects on Globalization



# COVID-19 bared risks of globalization and global supply chains

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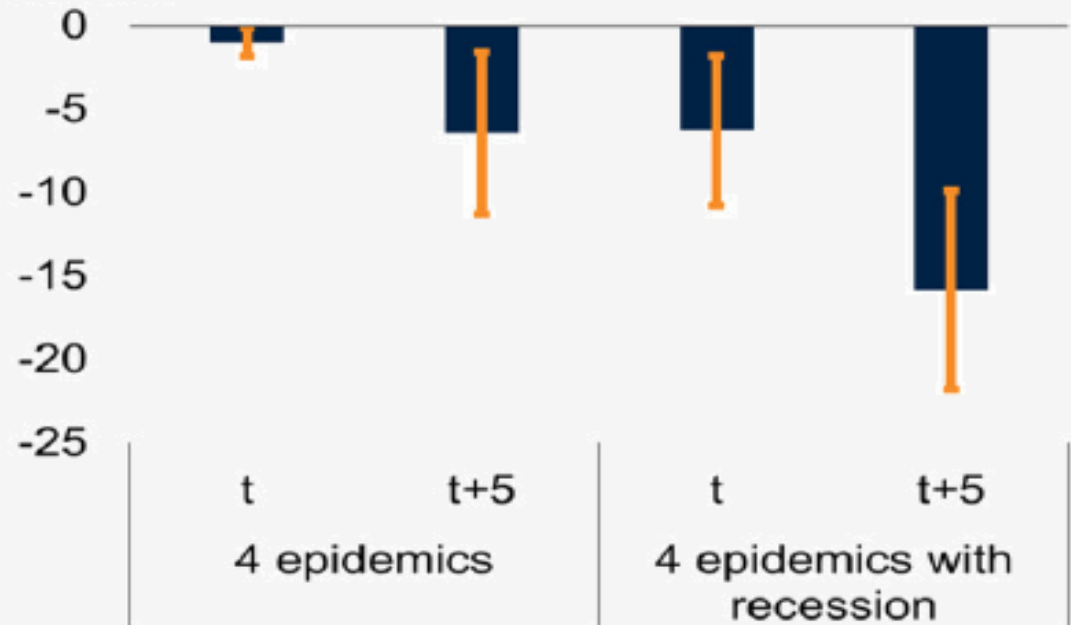
- Spatial imbalance and concentration of production
- "Just-in-time" production
- “Emergency situation” trade barriers disrupted global supply of essential goods (masks, PPEs)



# COVID-19 could scar global growth and globalization

- Labor productivity could fall from disability, lower health, and education outcomes
- Pandemic likely to destroy or shift production capacity downwards
- Changing human behavior/interactions to affect certain industries

**Impact of Severe Epidemics and Recession on Labor Productivity (%)**



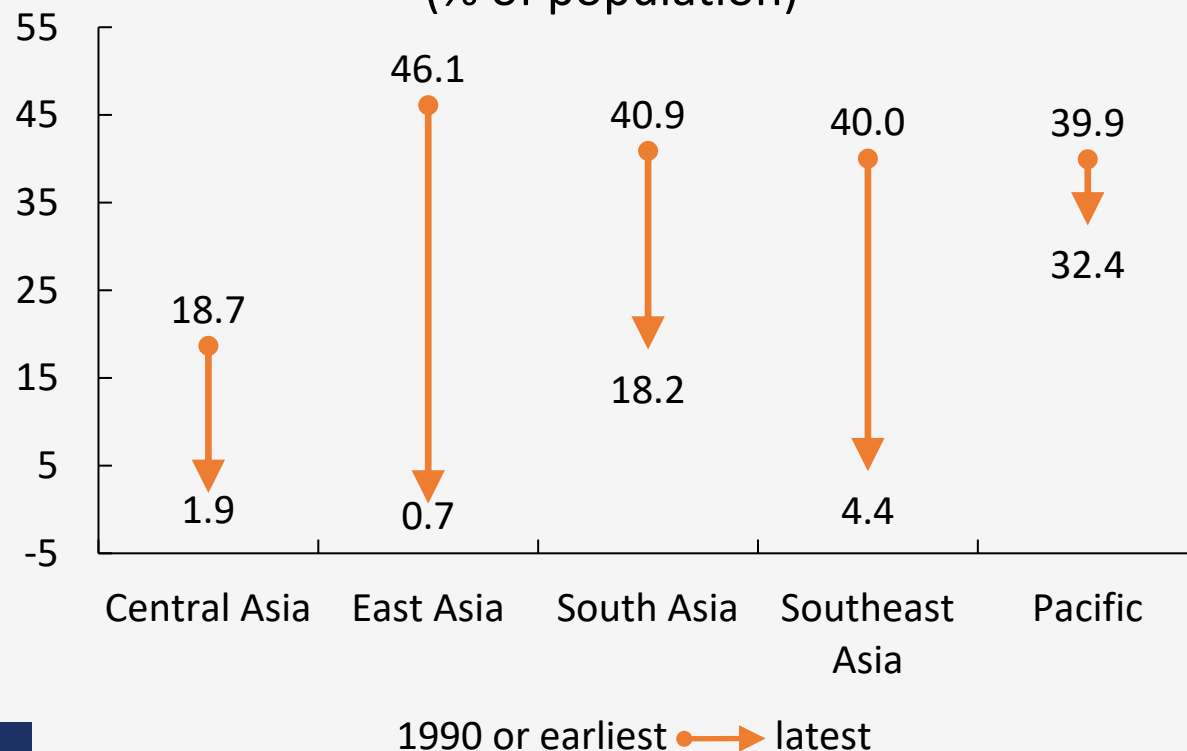
Notes: Bars show the estimated impacts of the four most severe biological disasters since 2000 on labor productivity. Orange lines display the range of the estimates with 90 percentile significance. The four epidemics considered are SARS (2002-03), MERS (2012), Ebola (2014-15), and Zika (2015-16). Swine flu (2009-10), which coincided with the 2008-09 global financial crisis, is excluded to limit possible confounding effects. The sample includes sample of 116 economies: 30 advanced economies, and 86 emerging markets and developing economies.

Source: World Bank. *Global Economic Prospects—Pandemic, Recession: The Global Economy in Crisis*. Washington, DC.

# Global cooperation critical to contain pandemic and secure recovery

## *Developing Asia benefited from globalization.*

Poverty Headcount Ratio at \$1.90 a Day, 2011 PPP  
(% of population)



PPP = purchasing power parity.  
Source: World Bank. World Development Indicators.

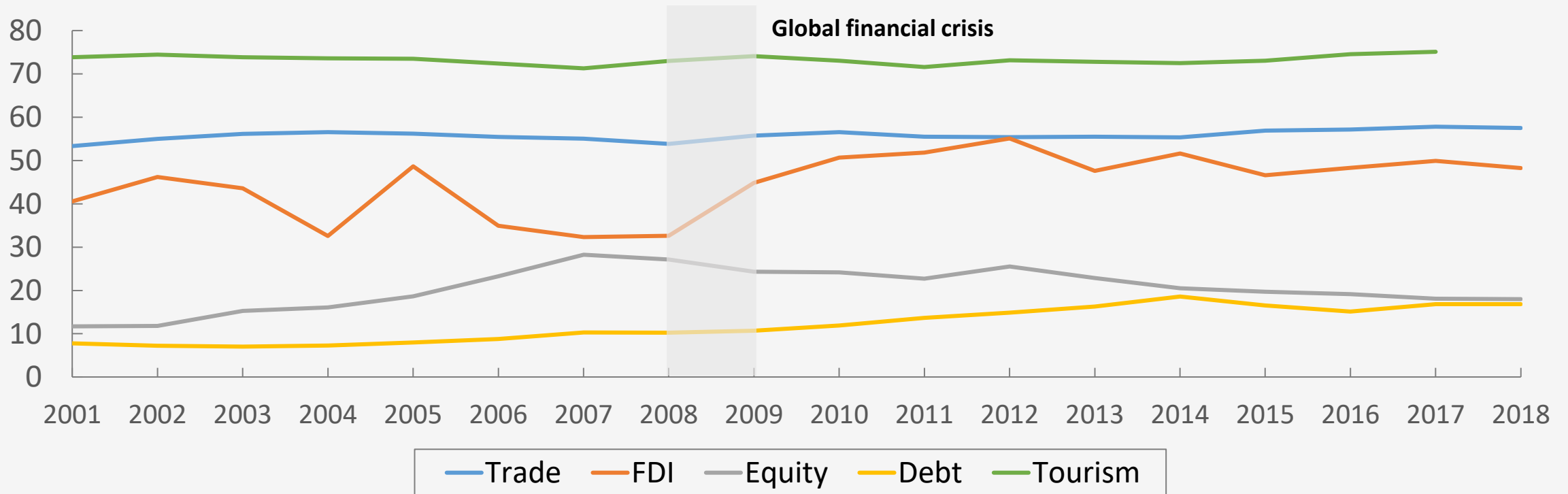
- As globalization slows, global value chain will re-organize to contribute to economic growth and recovery.
- Cooperation a must on research, vaccines, production and dissemination
- Global cooperation needed to mobilize finance for a pandemic-resilient world

# Regionalism in Asia



# Historically, Asia regional integration grows in times of crisis

Regional Integration Indicators—Asia and the Pacific (intraregional share, % of total)



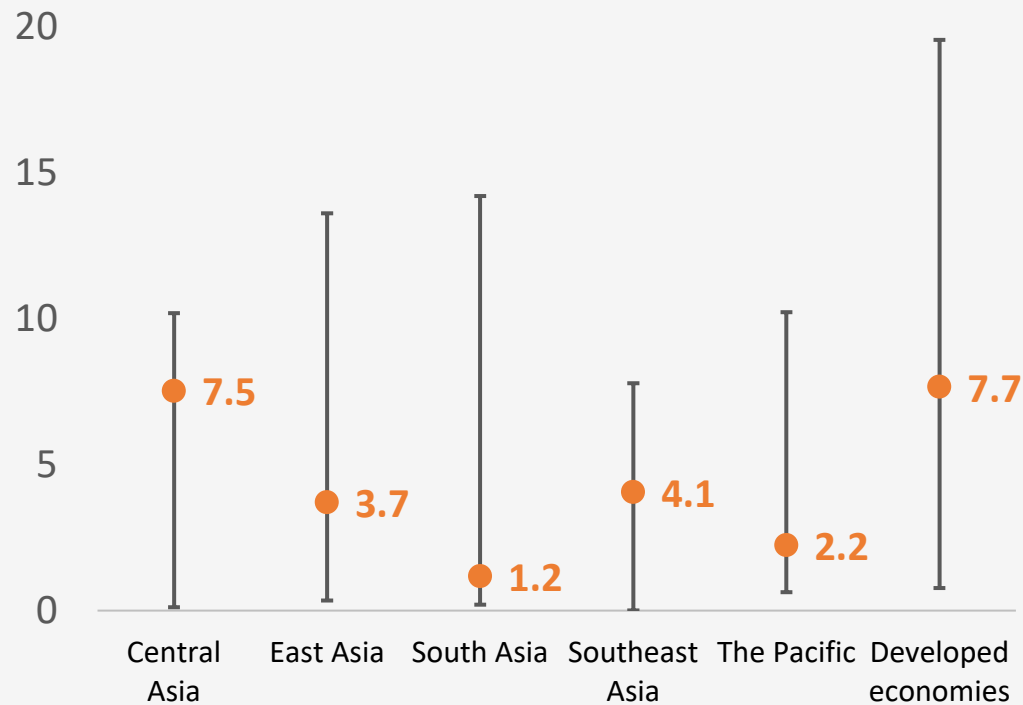
Trade = exports plus imports (flows data); FDI = foreign direct investment (flows data); Equity = equity asset holdings (stock data); Debt = debt asset holdings (stock data); Tourism = tourist arrivals (flows data).

Notes: An increase in intraregional share indicates an increase in the regional integration within Asia and the Pacific.

Source: Based on data from ADB. 2019. *Asian Economic Integration Report 2019/2020*. Manila.

# Strong Asian policy response brings greater confidence to the region

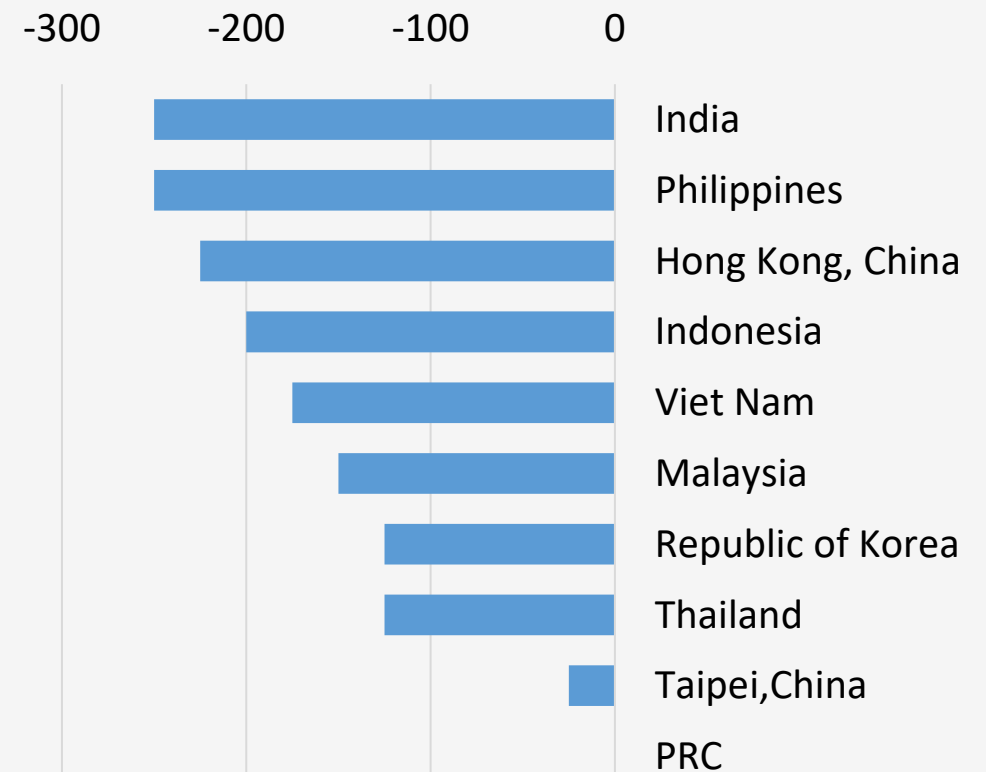
**Direct Support to Income/Revenue in Response to COVID-19—ADB member economies (% of GDP)**



Note: The circular markers refers to the weighted average across economies within a subregion or grouping. The upper (lower) bond refers to the maximum (minimum) value within a subregion or grouping.

Source: Park et al. (2020) based on data from Felipe, Jesus, et. al. 2020. ADB COVID-19 Policy Database (Version 1, 20 April 2020). Manila: Asian Development Bank.

**Policy Rate Change Since 1 Jan 2019 (basis points)**



Source: Bloomberg (accessed 17 July 2020).

# Can RCI help post-COVID 19 recovery in Asia?

- Regional demand a substitute for weak global demand
- Greater production dispersion worldwide to “shorten” supply chain
- Benefit from redirected trade and investment

# RCI can complement global efforts to:



Contain and suppress the pandemic



Keep supply chain open for medical equipment, medicines, and vaccines



Help economies open up and start economic recovery



Mobilize resources to adjust to new “normal”



Boost dialogue and cooperation on post-pandemic economic structural changes

# Key Messages

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- Yet, global cooperation are key to address the pandemic and secure economic recovery.
- Strong Asia policy response and solid regional demand could provide a buffer for Asia at this time.
- RCI also critical to: (i) keep supply chain open; (ii) help economies open up; (iii) mobilize resources for “new normal”; and (iv) foster greater dialogue on key structural reforms.