GLOBALIZATION AND REGIONALISM DURING A PANDEMIC

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Disclaimer: The views expressed in this presentation are views of the authors and do not necessarily reflect those of the ADB, its Board of Governors, or the governments they represent.
Key Messages

▪ 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.
COVID-19 disrupted trade and tourism flows

**Emerging Asia’s Trade** (%, y-o-y)

![Graph showing Emerging Asia's Trade (%, y-o-y)](image)

**Trade value growth**  
**Trade volume growth**

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

![Graph showing Tourist Arrivals (%, y-o-y)](image)

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.

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.


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

**2020 GDP Growth Forecast (%)**

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<td>World</td>
<td>3.4</td>
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<td>Developing Asia</td>
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Effects on Globalization
COVID-19 bared risks of globalization and global supply chains

- 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 (%)

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)

- 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

PPP = purchasing power parity.
Source: World Bank. World Development Indicators.
Regionalism in Asia
Historically, Asia regional integration grows in times of crisis

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

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

- Central Asia: 7.5%
- East Asia: 3.7%
- South Asia: 1.2%
- Southeast Asia: 4.1%
- The Pacific: 2.2%
- Developed economies: 7.7%

Policy Rate Change Since 1 Jan 2019 (basis points)

- India: 0%
- Philippines: -100 basis points
- Hong Kong, China: -200 basis points
- Indonesia: -300 basis points
- Viet Nam: -100 basis points
- Malaysia: 0 basis points
- Republic of Korea: 100 basis points
- Thailand: 200 basis points
- Taipei, China: 300 basis points
- PRC: 400 basis points

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: 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
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