

## An Asian strategy for recovery and reconstruction after COVID-19

Shiro Armstrong

Director, Australia-Japan Research Centre; Director, East Asian Bureau of Economic Research; and Associate Professor, Crawford School, The Australian National University (ANU)

### Synopsis

- Asian nations should proactively coordinate financial, trade, public health and food security policies to avoid prolonged economic stagnation and international disruption from the COVID-19 pandemic.
- The weight and potential of Asian economies will be central to global economic recovery from the COVID-19 crisis.
- Cooperation in Asia to effect immediate action and frame ongoing collaboration will help avoid unintended international consequences of nationally driven policy responses and a deeper and prolonged downturn.
- Regional and multilateral frameworks will increase the capacity to contribute constructively to regional and global recovery.

Full paper is Asian Bureau of Economic Research (2020).

As the world contemplates the savage impact of the COVID-19 on the global economy, there's need to seize initiative in global cooperation to escape the slump caused by the health lockdown. International economic cooperation will be vital to managing the crisis and to supporting the recovery through trade, stabilising markets, and faster reopening of business supply chains and international travel. Without it, the world will face a prolonged health crisis and lasting economic stagnation on a scale not seen since the Great Depression.

In this geopolitically fractured world, international cooperation is no easy call. The United States, the world's biggest power, has lost its appetite for multilateral cooperation and is at odds strategically with China, the world's second largest power. Strategic competition between the United States and China ultimately limits both countries' capacity to contribute constructively to global recovery.

A compact for multilateral cooperation between Asian nations can be the starting point. Middle powers will need to play a crucial leadership role.

Because of the weight and potential they have in the world economy, Asian economies are central to recovery from the COVID-19 crisis. Struck first by the virus, they are positioned to restart their economies sooner. Asia can help lead the exit from the crisis and be a vital source of global economic recovery.

Asia, like the rest of the world, has to deal simultaneously with twin challenges: the big international health challenges and the economic policy challenges of exit from the crisis. Failure to navigate judiciously between these two will cause social disruption, more deaths and economic hardship. The task of defining the way forward on both fronts at the same time is urgent.

An Asian experts group convened by the Asian Bureau of Economic Research released its [Asian COVID-19 recovery strategy paper](#), calling for ASEAN+6 nations (ASEAN plus China, Japan, South Korea, India, Australia and New Zealand) to move rapidly to coordinate financial,

trade, public health and food security action to avoid prolonged stagnation and push the United States and Europe to join them.

The foundations for gearing up regional policy actions in Asia were laid at an ASEAN+3 summit last month that included leaders from Southeast Asia, China, Japan and South Korea, and committed to the health and economic policy coordination. Australia, given its record in managing the virus and its economic policy heft, has an important and influential contribution to make in working with its neighbours in ASEAN, Japan, India, South Korea and China in meeting the challenge posed by the virus.

There are six important objectives of this initiative in regional policy cooperation

- To get global central banks and finance ministries to expand bilateral currency swap arrangements and agree on a new issuance of Special Drawing Rights (SDRs) to create a stronger regional financial safety net. This would provide macroeconomic policy space and financial stability simultaneously to combat the public health and economic dimensions of the crisis in developing countries in the region and is a key Indonesian interest.
- Support the development, production and equitable distribution in Asia of diagnostic tests, a vaccine and treatments through collective commitment of funds to the WHO's COVID-19 Tools (ACT) Accelerator and the expansion of the COVID-19 ASEAN Response Fund to include ASEAN+6 nations.
- Keep regional medical and food markets open. It is essential to avoid restrictions on trade in medical equipment and supplies after critical domestic needs have been met. This requires commitment by the region to reducing or eliminating tariffs and non-tariff measures on medical goods and services. Similarly, regional food security will depend on access to international markets and the removal of export restrictions that have been imposed. Current bilateral initiatives to keep food trade open can be consolidated into a regional agreement.
- Speed up the development of protocols for health certification for international travel to fast-track the resumption of international commerce, travel for study, scientific exchange, temporary labour movement, and tourism. Getting experts together to work through the issues is the first step.
- Embrace the digital transformation that the COVID-19 has brought to health management. Asia can initiate a proactive agenda for collective governance of digital infrastructure that includes regulatory coherence, privacy standards and data sharing. This is now essential to new work practices, innovation in production, supply chain management and delivery of goods and services, including government services.
- Conclude the Regional Comprehensive Economic Partnership (RCEP) agreement immediately to ensure regional trade solidarity. The early conclusion of RCEP with 15 members will send a global signal on keeping trade open, ensure food security and keep markets open in East Asia. The RCEP group needs to keep open a path for eventual Indian membership and actively promote economic cooperation with South Asia.

The COVID-19 crisis is now at the center of the maelstrom that is engulfing global economic and political affairs.

Asia can act to implement this agenda through its ASEAN, ASEAN+3 and ASEAN+6 arrangements, engaging the East Asian Summit countries including the United States, and the APEC and G20 forums, while stepping up to lead WTO and IMF reforms. Coordination through regional and multilateral frameworks will increase the capacity of all Asian nations to contribute constructively to regional and global recovery beyond conflictual geopolitics. Mobilising the political energy and will in Asia to deal with the international ramifications of the COVID-19 crisis immediately will be central to dealing with big global problems we face, to securing regional political stability and to restoring the early prospect of prosperity.

**Reference**

Asian Bureau of Economic Research (2020). An Asian strategy for recovery and reconstruction after COVID-19. Crawford School of Public Policy, College of Asia and the Pacific. Canberra: Australian National University. Available at [https://eaber.org/wp-content/uploads/2020/07/post\\_covid19\\_asia\\_strategy\\_1.pdf](https://eaber.org/wp-content/uploads/2020/07/post_covid19_asia_strategy_1.pdf)