

WASHINGTON, JULY 01 (Net) -- Anti-globalization sentiment will rise due to the COVID-19 pandemic, and intra-regional trade will become very important for Asian countries, said an International Monetary Fund (IMF) official, urging them to further open up their markets to each other.

"I think it's very important for us to emphasize that trade is important for every country's growth and everyone's welfare," Chang Yong Rhee, director of the IMF's Asia and Pacific Department, told Xinhua in a video interview Monday.

TRADE EXPECTED TO CONTRACT

According to IMF projection released Tuesday, Asia will see a 1.6-percent contraction in 2020 amid the mounting COVID-19 fallout, a downgrade to the forecast of zero growth in the April World Economic Outlook (WEO).

Asia is heavily dependent on global supply chains and cannot grow while the whole world is suffering, Rhee said, noting that Asia's trade is expected to contract significantly due to weaker external demand.

The multilateral lender revised down its forecast for the global economy, projecting a 4.9-percent contraction in 2020, 1.9 percentage points below the April forecast, according to an update to April WEO released last week.

Rhee said COVID-19 hit Asia early, and many Asian economies, including China, South Korea and Vietnam, handled it quite effectively, contributing to a better-than-projected economic growth for the Asian region in the first quarter.

Since some Asian countries have contained the virus relatively well, tourism is likely to rebound among neighboring countries, which will be an "important source of growth" for the region, the IMF official said.

For China, which boasts a large domestic market, switching from export-oriented growth model to domestic-demand-driven growth model is possible, but for smaller Asian economies, such transition might not be a solution, Rhee said, adding that intra-regional trade will become very important for Asian countries.

Noting that tariff rate among Asian nations is actually much higher than tariff against Europe and the United States, Rhee said "in some sense, there's more need to open our market to each other."

The IMF official said any bilateral, regional or multilateral trade agreement will be especially important in this environment, while adding that countries "have to consider and improve the weakness we have seen to make the benefit more inclusive."

HARDSHIP WILL COME

Noting that Asia used to grow 5 percent or 6 percent, Rhee told Xinhua that the sheer slowdown of the economy has a lot of negative impacts towards many sectors, especially the hard-hit service sectors, with the burden falling more on the less educated, poor, informal and migrant workers.

The IMF official also noted that compared with advanced economies, Asia's social safety net is weaker, and medical facilities are not adequate.

"Even though relatively speaking in terms of growth numbers, we are doing better than advanced economies, but the real heavy burden is the same to the Asian economy, especially for those who are unfortunate," he said.

In the absence of a second wave of infections and with an unprecedented policy stimulus to

support the recovery, growth in Asia is projected to rebound strongly to 6.6 percent in 2021, according to IMF's latest projection.

"But even with this fast pickup in economic activity, output losses due to COVID-19 are likely to persist," Rhee said.

The multilateral lender projects Asia's economic output in 2022 to be about 5 percent lower compared with the level predicted before the crisis, and this gap "will be much larger" if China is excluded, where economic activities have already started to rebound, he said.

The IMF official noted that projections for 2021 and beyond assume a strong rebound in private demand, though there are "clouds on the horizon," which could undermine Asia's recovery. Such "clouds" include slower growth in trade, longer than expected lockdowns, rising inequality, weak balance sheets and geopolitical tensions.

"So actually what matters for Asia from now on is not 2020, we cannot be complacent," Rhee told Xinhua. "From 2021, I think the hardship will come too, and Asia will face as equally or even more hardship than other countries."

The IMF official said Asian countries are experimenting re-opening, and policies must be geared toward supporting the nascent recovery without exacerbating vulnerabilities. "They must use fiscal stimulus wisely and complement it with economic reforms," he said.

CHINA'S ROLE IN GLOBAL RECOVERY

Rhee said China could greatly help sustain the global growth at this difficult time.

China produces many medical products, which is essential for the global fight against the pandemic, the IMF official said, noting that China could also play an important role in supplying medical products for those in need.

"China's growth is very critical for the maintaining (of) commodity prices for many commodity exporters," he said.

Rhee also noted that China joined the debt relief initiative of the Group of Twenty (G20) for low-income countries, and it can help those countries as a major creditor.

In the midst of anti-globalization sentiment, Rhee said, "I think China can play a very important opinion leader in global economy who make the multilateral system survive and maintain open economy."

Noting that heavily relying on investment and export driven growth can't be sustainable, the IMF official said China's transition toward a consumption-driven economy is good for its own growth. "In that sense, we are emphasizing the building of the social safety net, so people can reduce the precautionary saving and spend more domestically," he said.