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HIGH LEVEL DIALOGUE
ON ASEAN ITALY
ECONOMIC RELATIONS

HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

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PRESENTATION BY BUI NHAT QUANG

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ROLE OF ASEAN REGION IN POST-PANDEMIC MACRO-ECONOMIC SCENARIO

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1. Overview of Impacts of COVID-19 on ASEAN Macro-Economy

- Weak external demand, continued social distancing and weak consumer sentiment → *recovery will be modest*
- Fiscal stimulus to fight the crisis → *higher public debt and increased debt costs*
- Policy rates have been cut across the board, and *more cuts* are expected to come
- ASEAN central banks will experiment with *unconventional monetary policy* (Indonesia's central bank has started)
- Non-performing loan ratios will rise, *hurting banks' profitability*
- ASEAN currencies will *weaken again* substantially (short term)

2. ASEAN's role in post-pandemic economic perspective

2.1. ASEAN has already had its own strengths:

- A young demographic, third-largest labour force globally, the potential consumer market of 650 million, the fifth-largest economy in 2019, with a combined GDP of over US\$3 trillion → consuming goods and services → **expanding production in ASEAN *and* the world market.**

- Intra-ASEAN numbers remain **strong**
 - ✓ *Exports*: Almost a quarter, or 21% of the goods exported in 2019 went to fellow ASEAN nations;
 - ✓ *Imports*: almost 22% were from other ASEAN nations;
 - ✓ *Investment*: In 2018, investment from within ASEAN accounted for 15.2% of the region's FDI, compared with EU at 14.2% of EU, and 13.7% of Japan.
- ➔ ASEAN is expected to continue to be a **growth hub** in Asia - Pacific region and the world, **contributing significantly to the growth rate** of the region and the world.

2.2 The region looks set to emerge from the pandemic better than others and will contribute more to global economy

- ASEAN countries have *already benefited from structural shifts* in international trade and commerce, which have been hastened due to the pandemic
- ASEAN as a group entered into the crisis in relatively *good economic shape*; its banks are mostly *well-capitalised*, with *low levels of non-performing loans* and *adequate levels of foreign exchange reserves*.
- *Supply chain* – diversification, regionalization
- *Investment* – neutral destination
- *Manufacturing* – China Plus One

2.3. In ASEAN, Vietnam has emerged as a big winner in the post- pandemic

- Held the ASEAN Coordinating Council Working Group Public Health Emergencies; Special ASEAN Summit on Coronavirus Disease 2019
 - Created C-19 ASEAN Respond Fund
 - Advancing the cooperation of ASEAN with other countries and other organizations of the worlds.
- ➔ Vietnam has well controlled the Covid-19 and is now ready to become a regional economic hub that can partly replace China in the global supply chain in certain sectors.**

3. The path forward for ASEAN position in regional and global economy

- ✓ Push for greater intra-ASEAN trade and investments
- ✓ Build a competitive ASEAN single market
- ✓ Strive harder to defend the global rules-based trading order (as middle-power open economies)

4. Concluding Remarks

- The Covid-19 brings about **changes** in the ASEAN economy:
 - ✓ contribution to the global economic scenario
 - ✓ approach to development and growth
- **Important policies** (as an investment destination): Connectivity enhancement and trade-and-investment liberalization
- ASEAN needs to **embark on policy actions to mitigate concerns** about reshoring by multi-national enterprises that so far have invested in the region. By:
 - ✓ further opening up investment regimes
 - ✓ encouraging MNEs to balance their investment portfolios
- **ASEAN will be an active player in the post pandemic macroeconomic scenario.**



THANK YOU!!!