



# THOUGHT LEADERSHIP BRIEF

## Asian Economies Through the Pandemic

David Skilling



Photo by Norbert Braun on Unsplash

### KEY POINTS

- ▶ There is substantial variation in COVID outcomes and policy approaches around the world. In general, Asian economies have performed well in terms of limiting COVID cases and deaths, while also generating relatively strong economic outcomes, on the back of distinctively tough COVID restriction measures. There is also variation across Asia on these outcomes, with some countries doing poorly relative to the more developed Asian economies.
- ▶ There are many reasons for this variation in performance. But a key reason is the quality of political and social institutions across countries, from state capability to social trust and corruption. This can also explain the variation in Asian performance, both compared to countries in other regions as well as across Asia.
- ▶ However, COVID will be with us for a long time. This means that Asia's performance in COVID outcomes relative to other regions may change. Indeed, there have been big shifts in performance across countries over the course of the pandemic – with some countries better during some phases of managing COVID than others. In Asia, countries that have implemented tough restrictions may find these difficult to relax.
- ▶ National strengths and weaknesses around the world have been exposed by COVID. This will not be the last pandemic, and nor will it be the last major external shock that countries face. Investing to strengthen state capability as well as social and political institutions is important for strengthening future performance.



**ISSUE**

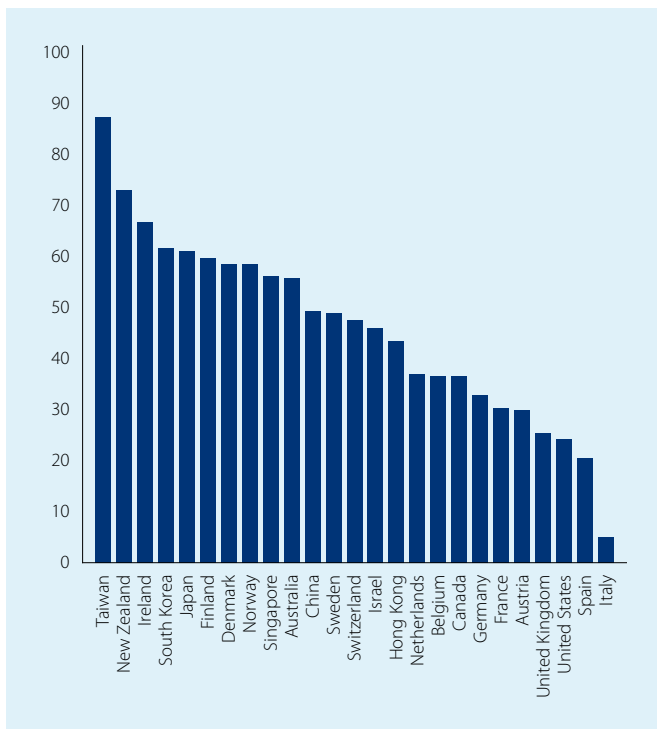
COVID has been a substantial economic, social, and health crisis – leading to deaths, economic recessions, and social restrictions across the world. There has been substantial variation in both COVID outcomes and policy approaches across countries.

COVID is not over. But after two years of the pandemic, it is possible to draw some preliminary conclusions about which countries have performed ‘best’ through the crisis.

To provide a summary measure of this, I construct a ‘COVID performance index’ that combines health outcomes (excess deaths per capita over the full COVID period); economic outcomes (cumulative GDP from Q1 2020 relative to full year GDP in 2019); and a measure of the restrictiveness of COVID measures (the average stringency of restrictions over the full COVID period).

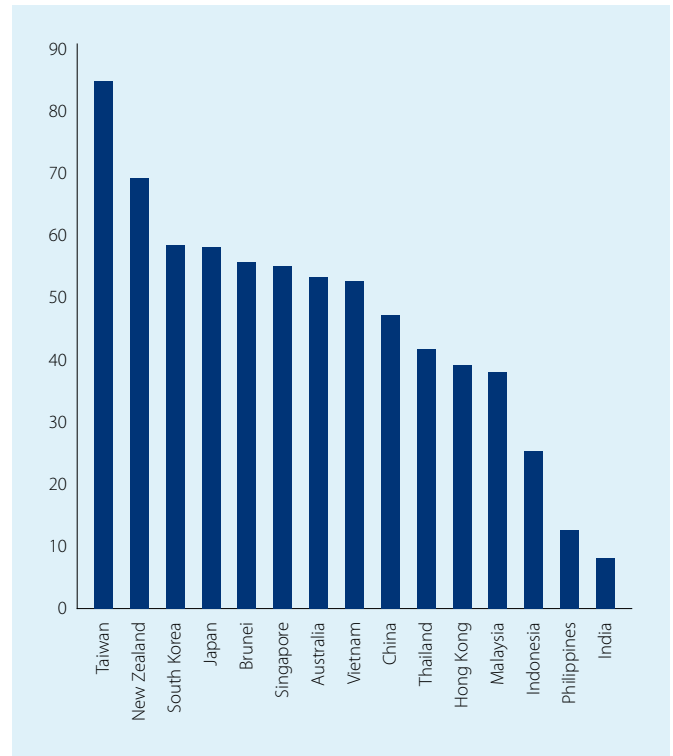
Combining these measures for selected economies produces the rankings presented in Exhibit 1. Several economies from Asia (including Australia and New Zealand) rank strongly, relative to major economies in Europe and the Americas. In particular, economies like Taiwan and South Korea have done particularly well to date.

**Figure 1. Landfall COVID Performance Index, March 2022**



Source: Landfall Strategy Group

**Figure 2. Landfall COVID Performance Index, Selected Asian Economies, March 2022**



Source: Landfall Strategy Group

There has been a distinctively ‘Asian approach’ to controlling COVID, which relies on border closures and tough domestic restrictions, including lockdown measures. Many of these Asian economies moved quickly in early 2020 to impose these measures. In many Asian economies, this led to very low COVID deaths compared to other regions as well as the relatively rapid re-opening of their domestic economies – which supported economic activity.

Several Asian economies, notably China, Taiwan, and South Korea, saw very rapid economic recoveries from mid-2020 – as domestic spending resumed, and their external sectors benefited from very strong external demand. Export growth globally (and in Asia particularly) has been very resilient. As a key location for global manufacturing activity, Asia’s economic recovery process benefited strongly from these dynamics.

However, there is significant variation across Asia as well. Economies such as India and Indonesia have seen COVID weak outcomes in terms of cases and deaths, in line with some of the weaker performers in Europe. And a number of Asian economies have



patchy vaccination records, such as Hong Kong and Indonesia, with consequent high mortality rates and ongoing restrictions. In turn, this is dragging on economic performance.

### REASONS FOR VARIATION IN PERFORMANCE

A range of studies have examined the reasons for the variation in performance across countries. The initial expectation had been that differences in the quality of national health systems would make a difference to pandemic readiness. But this has turned out not to be the case. In addition to risk factors such as the age structure and development levels of different countries, several institutional factors make a significant difference to COVID outcomes.

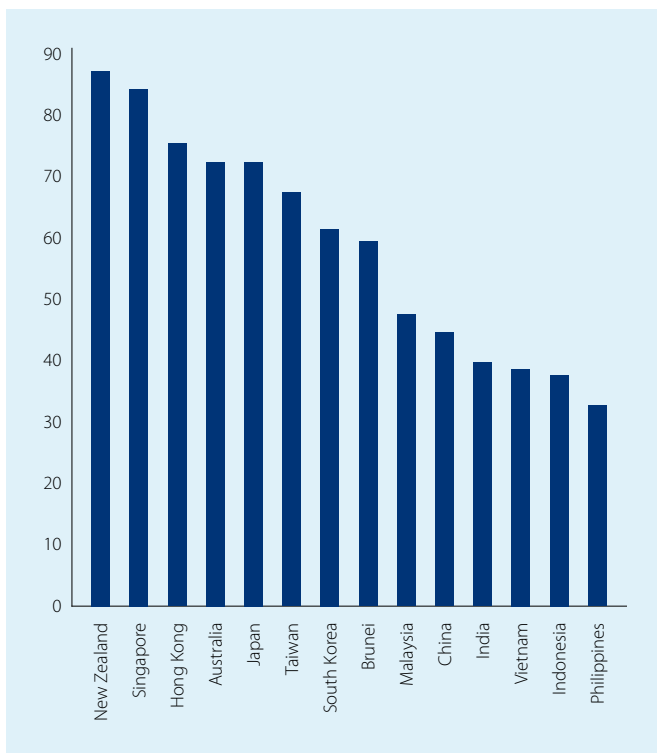
A study published recently in The Lancet found that ‘Measures of trust in the government and interpersonal trust, as well as less government corruption, had larger, statistically significant associations with lower standardised infection rates as well as higher vaccination rates.’<sup>1</sup> Although state capability (as measured

by effectiveness of government) is not statistically significant in this study, government effectiveness correlates well with measures of trust in government and the absence of corruption.

These are measures in which many Asian economies do well, particularly trust in government – they tend to be below average in terms of government corruption. Similarly, variation in these measures across Asian economies maps well against variation in outcomes. China, for example, ranks strongly in trust measures and above average in perceptions of corruption. Some of the ASEAN countries have lower trust measures as well as weaker measures of corruption.

A separate study, also published in The Lancet, found that measures of ‘cultural tightness’ was important in explaining COVID cases and deaths.<sup>2</sup> This captures the strength of social norms, which support compliance with COVID restrictions. Many Asian societies have above average levels of cultural tightness, which has supported their relatively strong COVID performance compared to other regions.

**Figure 3. The Corruption Perceptions Index, 2020, for Selected Asian Economies.**



Source: Transparency International

### LOOKING FORWARD

However, COVID will be with us for some time. Many people around the world are not fully vaccinated, Omicron is still having a material impact, and future COVID variants are likely. And of course, COVID restrictions remain in place in many parts of Asia.

This means that Asia’s performance in COVID outcomes relative to other countries may change. Indeed, there have been big shifts in performance across countries over the course of the pandemic – with some countries better during some phases of managing COVID than others.

There is a pronounced ‘winner’s curse’ in COVID management, where countries that perform well in generating strong COVID outcomes then stumble in subsequent phases. For example, countries such as the US and the UK did very badly in the initial stages of COVID management – but then led the world in the nationwide deployment of vaccines. More generally, the ranking of countries on various scoreboards have changed significantly over the course of the COVID pandemic.

<sup>1</sup> [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(22\)00172-6/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(22)00172-6/fulltext)

<sup>2</sup> [https://www.thelancet.com/journals/lanplh/article/PIIS2542-5196\(20\)30301-6/fulltext](https://www.thelancet.com/journals/lanplh/article/PIIS2542-5196(20)30301-6/fulltext)

Looking forward, it is possible that the strong relative performance of Asian economies will change (even without new variants of COVID emerging). This is partly because the Asian economies that have done well through imposing tough lockdowns and other restrictions are likely to have the hardest time in lifting these measures. In some cases, this is because of the political costs associated with changing approach; in other cases, it is because of higher levels of national risk aversion – countries that have got used to low numbers of cases and deaths are likely to be cautious about opening up.

For example, New Zealand was slow to remove border restrictions. And it is likely that China and Hong Kong will retain border and domestic restrictions for at least the rest of this year.

In addition, the relatively low vaccination rates in some Asian economies may mean that COVID will remain an issue that can disrupt economic and social life for longer than in Europe and North America. There are some significant exposures across Asian economies. Asian economies will need to carefully manage the direct and indirect effects of COVID through the remainder of the pandemic.

National strengths and weaknesses around the world have been exposed by COVID. This will not be the last pandemic, and nor will it be the last major external shock that countries face. Investing to strengthen state capability and social/political institutions is important for strengthening future performance.



**David Skilling** is the Founding Director of Landfall Strategy Group, an economic and policy advisory firm that works with governments, firms and financial institutions in Australasia, Asia, the Middle East, and Europe. David has previously worked in various roles in the New Zealand Government, founded an independent economic think tank in New Zealand, and was with the McKinsey Global Institute and McKinsey & Co in Singapore.

David holds a Ph.D. in Public Policy and a Master in Public Policy degree from Harvard University, as well as a Master of Commerce degree in Economics from the University of Auckland. David was named as a Young Global Leader by the World Economic Forum in 2008.

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