The Impact of Covid-19 on the Economy Sector in Asia Pacific

Risky Novialdi*, Sri Murniyanti, Zahaini, Surya Darni, Muhammad Achdan Tharis

Al Muslim University, Peusangan, Bireuen 24261, Indonesia
*Corresponding author email: hera.aldyra@gmail.com

ABSTRACT. This paper discusses the impact caused by the plague that spread from Wuhan, China to the entire world including the Asia Pacific Region and damages the global economic sector. There are 2 economic sectors that suffered heavy losses, first is trade and second tourism. Interdependence between countries to cooperate in carrying out export import activities is hampered due to the rapid spread of this pandemic, so that other effects of this pandemic are limiting people to travel and in addition to impacting This trade sector also has an impact on a country's tourism sector. This study aims to explain that Pandemic that threaten human health have an interconnection to threaten the world economy as well. This analysis will give an evidence that the pandemic corona can damage all global economic activity causing an economic crisis for the world, especially for tourism and trade sectors that will affect the main sources of the country’s economic growth. But, in regional Problems, the solution must also prioritize policies from regional organization. Therefore, APEC’s role is very important in facing the pandemic and improving back the economy of Asia Pacific Region. This paper draws on literature studies through book discussion, journal, and economic reports during Pandemic Covid-19.

Keywords: Coronavirus, International Political Economy, Asia Pacific, APEC.

1. INTRODUCTION

The world began to be shocked at the end of 2019, when a virus outbreak began to emerge in Wuhan, China, which was then further exacerbated in early 2020 when the virus outbreak began to spread to several countries in the world. Initially, the virus infected tens of thousands of Chinese citizens who then spread to South Korea, Japan and neighboring countries such as Indonesia, Singapore, Malaysia, etc. Even this virus itself has also spread to almost countries on other continents such as the United States, Iran, Italy, etc. Currently the United States is the largest country outside of China infected with the Coronavirus, reaching 104,277 cases. However, for the largest number of deaths outside China, Italy is in first place with a data of 9,137 deaths, this is higher than the number of deaths in China itself with 3,295 cases and Spain is in second place with 5,690 deaths (worldometers.info, 28 March 2020).

Chaos caused by a virus is nothing new in the world. “The world has experienced global public health crises in the last 20 years caused by novel virus infections, such as HIV, Influenza A virus subtype H1N1, Influenza A virus subtype H5N1, SARS-CoV1, MERS-CoV, and Ebola. However, the epidemiological novelty of COVID-19, which caused by a strain of coronavirus (the SARS-CoV2), revealed our lack of preparedness given its sudden and rapid spread that caught many governments around the world unprepared” (Riyanti Djalante, Jonatan Lassa, at al, 2020). Because it came suddenly and shocked the world, the blow was very difficult to be controlled by governments in countries around the world. At the time of writing (April 16, 2020), 213 countries have been affected by the corona virus with 1,918,138 infected patients, and 123,126 fatalities.

Therefore, the World Health Organization (WHO) has declared this crisis a public health emergency to enhance international response, and governments around the world have also stepped up efforts to prevent the spread of this pandemic within their borders, including lockdowns, quarantines, border closings, and intensive medical research. Due to their rapid spread, outbreaks can grow to pandemic levels and impact the global economy. Therefore, this issue is one of the current global issues (Indah Ekawati, 2020).

There have been a lot of researchers studying crises, especially crises that have damaged economic growth. For example, Paul Krugman's writing in his article entitled “Crisis: The Next Generation?”, In his writing, a crisis can be caused by a currency crisis, an open or closed economic style (Paul Krugman, 2003). But how to explain the economic crisis caused by the current viral disaster. Corona virus has disrupted the economic growth of a country, even regionally, to the global level.
The coronavirus pandemic has disrupted the development of the world economy, even the Asia Pacific region which has been one of the regions with quite good economic development, reaching 6.3% in 2018, due to the coronavirus pandemic the Asia Pacific economy has become paralyzed. Large countries such as China, Japan, South Korea have also been affected by Covid-19 on their economies.

Report made by the Economic and Social Commission for Asia and the Pacific Economic and Social Commission For Asia and The Pacific (ESCAP) tentang Economic Outlook For Southeast Asia, China And India 2019, dalam pembahasan Risks and challenges to the outlook, disana disebutkan bahwa “Growth projections in the near and medium term are favourable for Emerging Asia. If countries are to maintain their robust growth momentum, however, appropriate policies are needed to maximise the opportunities and mitigate the risks of financial technology; strengthen export performance amidst rising protectionism; mitigate the risks of natural disasters” (ESCAP, 2018). Preparations for natural disasters have indeed been recommended for every country in Asia, especially for countries prone to natural disasters. However, non-natural disasters such as Coronavirus are very difficult to overcome especially without adequate preparation. So that it will adversely affect the social, political, and also economic of a country affected by the coronavirus.

One of the problems in the global economy, especially the Asia Pacific, is that one of them is because China which is a major supplier for several countries, has been preoccupied with the coronavirus. In United Nation Conference on Trade and Development (UNCTAD) reported that “During the last two decades China has become crucial to the global economy. China’s rising importance in the global economy is not only related to its status as a manufacturer and exporter of consumer products, China has become the main supplier of intermediate inputs for manufacturing companies abroad. As of today, about 20 percent of global trade in manufacturing intermediate products originates in China (up from 4 percent in 2002).” The pandemic coronavirus which paralyzed the Chinese economy would also interfere with economic activity and its interaction with foreign countries in the field of trade. This condition causes the economies of countries in the Asia Pacific to be disrupted.

Based on the facts that have happened, there are so many countries in the Asia Pacific region are experiencing a massive economic decline, which has an impact on the structure of their countries, so we are interested in discussing about the economy developments that happened in the Asia Pacific countries before and after the Corona pandemic spreads around the World and how this pandemic can threaten the global economy, and what the efforts could be made by the countries to change the spread of the corona outbreak. Therefore, this paper will be divided into three parts. First, economic conditions in the Asia Pacific region before the Corona Pandemic. Second, the impact of the spread of the Corona Pandemic on the economic sector in the Asia Pacific region today. Third, solutions that can be offered to maintain economic development in the Asia Pacific. This paper will only focus on the impact of the coronavirus on economies in the Asia Pacific.

2. METHODS
The author uses qualitative research methods with a focus on secondary data through the search for sources of relevant reference to problems that can be found publicly in literature such as scientific journals, books, reports, and actual news on the internet. The theoretical references obtained through the study of literature serve as the basic foundation and main analytical tool in the practice of research in this scientific article. Besides that in this paper also will use some theories such as international trade theory, classical theory and the theory of Absolute Advantage (Absolute Advantage) proposed by Adam Smith. These theories will explain how imports, exports and tourist visits greatly affect economic development.

In the Asia Pacific region, besides that the author also uses this theory in analyzing the impact on the economic sector in the Asia Pacific region due to the spread of the coronavirus pandemic.

3. RESULT AND DISCUSSION
3.1 Economic Development in the Asia Pacific Region before the Corona Virus Pandemic
Asia Pacific is one of the regions that is very influential in the sustainability of the world, especially in the economic field, even in the Asia Pacific region, there is a country with the largest economic growth in the world, namely China. The advantage of the Asia Pacific region is the region has as many as 50 countries, making this region the region with the most countries in the world. Judging from the classical theory put forward by Adam Smith, the economic development of a country depends on its natural resources and the number of...
workers, that mean so that the more manpower and natural resources owned by a country, the greater the economic development that occurs in that country. This also affects economic growth in the Asia Pacific region due to abundant natural resources and the availability of a sufficiently large number of workers.

In addition, economic progress that continues to grow in the Asia Pacific region cannot be separated from its strategic location. Asia Pacific has emerged as the center of the world economic movement that is oriented towards maritime potential. The geostrategic significance of this region is a major element driving world economic activity. Basically, the sustainability of world trade also uses more of the marine potential. Asia Pacific is one of the main destinations for foreign investment, trade, manufacturing and other business operation activities (David Lai, 2019).

Basically, world economic growth is due to trade activities that occur through ocean routes. So do not be surprised if the Asia Pacific is a region with trade values that have increased significantly. This cannot be separated from the trade activity factor based on maritime connectivity. This area has a strategic trade route for the economic needs of countries in the region and outside the region. In addition, Southeast Asia as a sub-region of the Asia Pacific Region also has an important role in world economic development because Southeast Asia has major straits in world trade activities, such as the Malacca Strait which is the busiest trade route, followed by the Makassar Strait, Lombok Strait, and Sunda Strait.

Malacca Strait, which is a part of the Asia Pacific region, has an important role in international trade. The Strait of Malacca has important roles to global economic activity and access to resource flows, such as mineral and oil resources. The Strait of Malacca also connects maritime trade between Europe and the Asia Pacific. The percentage of world trade that passes through the strait reaches 30 percent and 80 percent of oil import activities by Japan, South Korea and Taiwan transit in this strait. (transportgeography.org, 2018).

Countries in the Asia Pacific region form an international forum for the sustainability of their countries (especially in economic growth) with the name Asia-Pacific Economic Cooperation (APEC). Asia-Pacific Economic Cooperation (APEC) is a cooperation forum between 21 economies in the Pacific Ocean that was established in 1989. Currently there are 21 economies that are members of APEC: Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong-China, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, the Philippines, Peru, PNG, Russia, Singapore, Chinese Taipei, Thailand, the United States, and Viet Nam. Cooperation in APEC is a non-political collaboration, marked by membership of Hong Kong-China and Chinese Taipei (Indonesian Ministry of Foreign Affairs, 2018).

The main function of APEC is to promote economic growth and improve prosperity in the Asia Pacific. This goal is achieved by encouraging and facilitating freer and more open trade and investment in the region, as well as increasing cooperation in developing the economic capacity of its members. In addition to APEC, so far the Asia Pacific region has been dominated by 2 big countries, China with the Regional Comprehensive Economic Partnership (RCEP) and the United States with the Trans Pacific Partnership (TPP). The competition between the two superpowers to become the most influential in the Asia Pacific region also encourages the Asia Pacific region to become a very strategic region with good economic growth.

3.2 The Impact of the Coronavirus Pandemic on the Asia Pacific Region

There are many loss factors that will be felt by the world, but in this journal the authors see there are 2 sectors of losses that will be felt by the world due to the current epidemic that is eating away at the world, this impact is felt the most by the Asia Pacific region. World Bank Reported that Regional growth was pulled down by shrinking private consumption and investment, and by contracting manufacturing and services (World bank, 2020). Specially will disrupt several major sectors in the economy, the first is in the international trade sector such as import and export and the second is in tourism.

3.3 International Trade Sector

Learning from the past, in analyzing the possible losses from the corona pandemic, we can refer to the past world losses caused by the SARS virus in 2002. In the early 21st century, the world was shaken by the SARS virus. Spread out of China, the SARS crisis caused the global economy to lose an estimated $ 40 billion in 2003, when China became the world’s fifth largest economy and contributed 4% of global gross domestic product (GDP). Now, China is the second largest economy in the world and its share of global GDP has grown by up to 16% (Indah Ekawati, 2020). Covid-19 will weaken the world economy. The economy of
China, a large country whose economy has always grown above the world average, is expected to grow below 6 percent. World economic growth, which has been weakening since 2019, will become weaker, from 2.9 percent to 2.4 percent (OECD, 2020).

According to the report, in general, countries will experience a decline in growth ranging from -0.1 percent to -1.1 percent (Kiki Verico, 2020). In the moderate scenario, economic losses are estimated at US $ 156 billion and cut global economic growth by 0.2%. The Chinese economy will lose US $ 102 billion, other developing Asian countries US $ 22 billion, and the remaining US $ 31 billion. Meanwhile, in the worst-case scenario, economic losses could reach US $ 347 billion and cut world economic growth by 0.4%. China has the potential to lose US $ 237 billion, other Asian developing countries US $ 42 billion, and others US $ 68 billion (katadata.co.id, 2020). The Japanese economy, which contracted 6.3 percent in the last quarter of 2019, is threatened with a recession, because economic growth may slow even further due to the Corona virus outbreak. Singapore has also revised down its economic growth target to 0.5 percent due to this outbreak (Muhammad Chatib Basri, 2020). From these data we can see that many relations between countries will be hampered, which in the end will have an impact on the losses felt by countries in the world due to the coronavirus.

The coronavirus outbreak has also hurt commodity markets, including those for oil and copper. China, which is the largest oil importer in the world, has now experienced a sharp decline as a result of this Corona Virus. OPEC has also considered reducing oil production. The impact extends to the closure of Chinese factories in other countries such as Hyundai in South Korea which has a shortage of spare parts for the production of goods from China. Besides that, in the textile industry, China is a country in importing garments, fabrics and other textile materials. Due to the spread of the coronavirus, for now China is minimizing and even stopping the activities of importing and exporting goods from within to abroad and vice versa, so that many countries in the world have difficulty getting the raw materials needed for production needs.

Secretary General of the Indonesian Textile Association (API) Rizal Tanzil Rakman believes that this delay in raw materials will affect the exports of countries in the world including Indonesia which in turn can reduce the number of exports of goods abroad, so that in the end this can threaten the foreign exchange earned by the State. through export and import activities. The Secretary General of API also argued that in fact for garment supply, Indonesia could import with other countries such as India, South Korea and Vietnam. However, it has been confirmed that garment prices in these countries are 20 to 30 percent more expensive (tempo.co, 2019). The decline in demand for raw materials from China such as coal and palm oil will disrupt the export sector in Indonesia which can lead to a decline in commodity and mining prices. In addition, the spread of the Corona virus has also resulted in a decrease in production in China, even though China is the center of world production of goods. If China experiences a decline in production, China's global supply will be disrupted and it can disrupt the production process that requires raw materials from China. Indonesia also relies heavily on raw materials from China, especially plastic raw materials, textile raw materials, electronic parts, computers and furniture (Muftiyatul Azizah, 2020). Therefore, many countries that depend on the import of raw materials with China will experience a decline in exports because the quantities produced are unusual.

The decline in production of goods and mining commodities will have an impact on decreasing the income of workers in this sector. Since many workers depend their fortune on jobs in this field, eventually their purchasing power will decrease. The next problem is that the number of entrepreneurs and investors who attract and cancel investment in this industry, the economy will be increasingly paralyzed (Muhammad Chatib Basri, 2020). The Corona virus also clearly has an impact on investment because people will be more careful when buying goods or buying goods. Corona virus also affects market projections. Investors can cancel investments due to unclear supply chain (Muftiyatul Azizah, 2020).

In the field of medicine, which is the main requirement in dealing with the Corona Virus, around 60-62 percent of the raw materials for medicine imported from China. So that this threatens India as a country that is greatly helped in importing drugs from China. The Indian pharmaceutical industry relies on nearly 70 percent of active pharmaceutical ingredients for drug formulations in India, which is the world's leading producer of generic drugs. However, much of India's pharmaceutical production could not be made without these key active pharmaceutical ingredients, and if their Chinese suppliers were to
be discontinued, it would likely lead to a worldwide shortage of generic medicines and a potential increase in drug prices worldwide.

Disturbances in the economy will affect many things, including in the case of unemployment and labor protection. Tsai-Yu Lin said that trade and investment will greatly affect labor protection (Tsai-Yu Lin, 2017). Thus, if there are problems in terms of trade and investment, protection for workers will also be problematic. Trade and investment practices have a very complex role in the economic and social sustainability of people in the Asia Pacific. Prolonged pandemic coronavirus has resulted in many companies firing workers. The International Labor Organization (ILO) even predicted that 195 million workers would lose their jobs due to a pandemic coronavirus.

3.4 Tourism Sector

In addition to harming the State in the field of international trade, a pandemic that is endemic throughout the world, this outbreak has also injured businesses in the tourism industry, including hotels and shipping lanes (Indah Ekawati, 2020). So that with this plague many people will refrain from traveling. Many countries depend on the tourism industry such as Indonesia, Vietnam, Singapore, and so on. The tourism industry is very important by many countries because the tourism industry is a source of taxes and income to the State, so the impact caused by the coronavirus will certainly threaten the tourism business and State income.

Tri Haryanto in his Journal of Developing Economies said that “The UNWTO (2020b) has reported that the COVID-19 pandemic has caused a 22% reduction in international tourist arrivals during the first quarter of 2020 and may decline by 60% - 80% throughout 2020. Recent data from the UNWTO show that tourist arrivals in March fell by 57% after lockdowns began in many countries, and broad travel restrictions, airport closures, and national borders. This means the loss of 67 million international arrivals and around the US $ 80 billion in revenues (exports from tourism). If this decline continues up to 80% compared to 2019, it is estimated that international tourists will decrease by 850 million to 1.1 billion, loss of export revenues of US $ 910 billion to the US $ 1.2 trillion, 100 to 120 million risky jobs” (Tri Haryanto : 2020). Asia Pacific is one of the regions with the most severe impacts, it is almost certain that state revenues in the Asia Pacific region will also decline drastically.

The country that has experienced a huge loss from the tourism sector is Saudi Arabia, which recently after it was reported that the corona virus had infected and spread in Saudi Arabia, the Government of Saudi Arabia imposed a temporary ban on people wishing to perform Umrah in Makkah and Madinah, from 26 February 2020 to 13 March 2020. The ban was stated in a circular sent by Saudi Arabia to all Umrah travel agencies around the world (wartekonomi.co.id, 2020). This will undoubtedly give big losses not only to Saudi Arabia but also countries in the Asia Pacific region such as Indonesia, because Saudi Arabia has suspended 23 countries, including Indonesia, as a step to fight the global pandemic. So that the losses from the tourism sector are also felt by entrepreneurs in the tourism sector in the Asia Pacific region such as Indonesia, which also contributes the largest tourists to Saudi Arabia. It was recorded that around 2,393 Umrah pilgrims canceled due to the suspension of Umrah from Saudi Arabia regarding Corona. Because of this, entrepreneurs in the tourism sector claim to have suffered losses of up to billions of rupiah. General Chairman of the Umrah and Haj Organizing Company (Sapuhi) Syam Resfadi stated, on average, 5,000 to 10,000 pilgrims departed according to their schedule per day. Per person, he estimates that he will have to bear Rp. 20 million as travel expenses. If you add it up, at least IDR 200 billion has the potential to be forfeited. For the next two weeks, said Syam, the total congregation who departed could reach 50 thousand people. In one month, the number can reach 110 thousand congregants (tirto.id, 2020).

Since the outbreak of the coronavirus, many travel and airline companies have suffered losses due to flight stoppages to and from China. Since this implementation, currently the number of Chinese tourist visits to Bali has decreased. In 2019, of the 6.3 million foreign tourists, 1,185,519 tourists or 18.2% came from China. However, in January to mid-February 2020, 22,000 Chinese tourists canceled their trip to Bali (tribunnews.com, February 14, 2020). This has greatly affected the economy of Bali Province, which has been one of the most popular tourist spots in Asia Pacific.

According to tourism observer, Herry Angligan, Bali tourism is at risk because of its dependence on Chinese tourists. Two water attraction companies in Bali were closed because 100% of their guests were Chinese tourists. Non-Chinese tourists have also decreased because many tourists from other countries have discouraged visiting Bali due to China’s proximity to Indonesia. So it can be concluded, in general, the decline in tourists in Bali has reached 50%
(voaindonesia.com, 12 February 2020). Prior to the Covid-19 outbreak, international tourists were expected to grow between 3% to 4%. Asia and the Pacific will be the worst affected regions, with an estimated drop in arrivals of between 9% and 12% (I Dewa Gde Sugihamretha: 2020). The next impact is that Labors who work in the tourism sector will lose their jobs. Then, criminal act will emerge.

3.5 Solutions for Economic Improvement Amid the Coronavirus Pandemic

Seeing the corona pandemic which is increasingly spreading fiercely to all corners of the world, it has become one of the issues that are very often discussed. However, for now, the spread of this pandemic has not yet been stopped, so that is a strategy to prevent the spread of this pandemic so as not to have an economic recession, the government still cannot maximize it, because the solutions offered recently can vary according to current world conditions. However, there are several ways that the government can improve the country's economy in the field of tourism and import-export activities that have previously occurred.

In the tourism sector, the government should be able to make short-term plans to avoid an economic recession in the future, such as providing subsidies in the form of discounted prices for facilities that encourage tourism such as transportation, lodging, restaurants, etc. within a few months, so that there is no shortage the drastic number of tourists visiting. Certainly, this is temporary because it can help the tourism sector to keep going during the repair period.

In import and export activities, the government should be able to think of other plans in supplying raw materials, such as cooperation with several partners abroad or cooperation with several countries other than China which also supply raw materials for production, such as India, South Korea, Vietnam, and so on. Even though the price offered will be fairly expensive, it looks like the government can further negotiate with partners because this will have more impacts than waiting for China as a supplier country to recover from the spread of this pandemic. The price that is considered expensive is far better than the stopping of investors from investing which can stop business trips, increased unemployment when many workers leave when production demand is low and there are no more investors, and the high price of goods which will later affect the price of household consumption.

But far from that, countries and organizations in the Asia Pacific region should work together to tackle this corona pandemic. Because the biggest problem currently experienced is the spread of this pandemic which is too large to penetrate the world economic sector. So that the effort that must be done is to stop the spread by actively campaigning for physical distancing and self-hygienic to all communities, encouraging efforts to exchange information on the handling of the coronavirus between countries and studying its impact on the economy in the Asia Pacific region, so that by knowing the essence of its impact all Countries in the Asia Pacific region can focus more on improving it.

APEC as one of the largest organizations in the Asia Pacific region and has a focus on the Economy, has a very important role to protect the economy in the Asia Pacific. Denis Hew Said that Authorities (APEC and Asia Pacific Countries) must start thinking about the long term to minimize lasting harm to the economy and society alike. During this time of heightened uncertainty, monetary and fiscal authorities could consider maintaining accommodative policies to support economic growth. In the medium to long-term periods, economies could look at structural reforms that ensure immediate action by governments, build stronger healthcare systems, and allocate resources for research and surveillance of infectious diseases (Denis Hew, www.apec.org). In dealing with Corona it will be easier if there is cooperation between the government, non-governmental organizations and the community (Aruminingsih Sadjatma: 2020).

4. CONCLUSIONS

In early 2020, the coronavirus which originated in Wuhan, China, then spread to all around the world, has threatened many countries from various sectors, one of them is the economy. The rapid spread of this pandemic has become the issue of the coronavirus which is one of the most often discussed global issues, even the world health organization (WHO) has made the coronavirus as a global pandemic, which means that the world must start to be aware of the spread of this virus. Therefore, the world began to make country policies such as "lockdown" or refrain from leaving the house or doing activities as usual outside the home.

So that with this policy, many economic activities are hampered in the tourism, financial, and other sectors, such as the suspension of Umrah pilgrims by Saudi Arabia to 32 countries infected with the corona pandemic, the cessation of import activities of production raw materials which will
affect the decline in the country's export figures, to produce enormous losses even many countries are threatened with the economic recession.

With the short-term solutions offered by the government, such as looking for other countries or other partners to import raw materials for production so as not to reduce public demand and stop investing, as well as providing subsidies in the form of discounted prices for facilities that support tourism such as transportation, restaurants, and so on. Also, with cooperation between countries and organizations in the Asia Pacific region, such as encouraging forum efforts to exchange information on the handling of the coronavirus between countries and assessing its impact on the economy in the Asia Pacific region and actively campaigning for Physical Distancing and Self Hygienic, this can minimize the occurrence of an economic recession. Surely this is temporary until things get back to normal again.

REFERENCES
[1] Aruminingsih Sudjatma, Riyanti Djalante, (2020), Review and analysis of current responses to COVID-19 in Indonesia: Period of January to March 2020, Published by Elsevier Ltd. This is an open access article under the CC BY license (http://creativecommons.org/licenses/by/4.0/)
3/virus-corona-paksa-arab-saudi-stop-umrah-sampai-kapan-nih


[22] WORLD BANK, World Bank East Asia And Pacific Economic Update “From Containment To Recovery”, October 2020