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WORKING PAPERS

[Potential Impact of Higher United States Tariffs on Asian Economies](#) (ADB Briefs No. 332, Asian Development Bank)

Using the Global Trade Analysis Project model, the analysis estimates that higher US tariffs could halve the US trade deficit and boost nominal income. However, retaliatory tariffs would reduce US income and harm domestic production capacity and real gross domestic product (GDP), with the negative impact intensifying when tariffs extend to free trade agreement partners and prompt retaliation. Asian economies would be less affected than Canada and Mexico.

[Foreign Direct Investment Location and Trade Dynamics in Viet Nam After the US-PRC Trade Dispute](#) (ADB Economics Working Papers No. 761, Asian Development Bank)

By utilizing detailed firm-level and customs data, the results show that foreign direct investment (FDI) in Viet Nam is geographically concentrated in the northern, central, and southern regions with well-developed road infrastructure. The findings also highlight the important role played by multinational firms from East Asia and the United States in reshaping Viet Nam's trade flows in the aftermath of the trade dispute. The paper sheds light on the interplay between transport infrastructure, FDI, and international trade.

[Jobs and Technology](#) (World Bank East Asia and the Pacific Economic Update, October 2024, World Bank)

East Asia and the Pacific, seen in the context of the world economy, stands out as a paragon of development. Despite the recent ravages of the pandemic and the persistent tensions of geopolitics, the region is growing at stably high rates and the benefits are widely shared. But compared to its own past and potential, the region's economic performance is less impressive. Growth is still below pre-pandemic rates, except in Indonesia, and output has not yet recovered to pre-pandemic levels in several countries, especially in the Pacific.

[Services Unbound: Digital Technologies and Policy Reform in East Asia and Pacific](#) (East Asia and Pacific Development Studies, World Bank)

Services are a new force for innovation, trade, and growth in East Asia and Pacific. The dramatic diffusion of digital technologies and partial policy reforms in services--from finance, communication, and transport to retail, health, and education--is transforming these economies. The result is higher productivity and changing jobs in the services sector, as well as in the manufacturing sectors that use these services.

[Financial Protection Outcomes in Four East Asian Countries During COVID-19: Cambodia, Vietnam, Thailand and Indonesia](#) (Discussion Paper; October 2024, World Bank)

This paper examines the impact of the COVID-19 pandemic on Universal Health Coverage (UHC) and financial protection in four East Asia and Pacific (EAP) countries, focusing on the dynamics of healthcare access and out-of-pocket (OOP) expenditures. From 2000 to 2021, while countries in East Asia have generally seen a convergence in service coverage improvement, those in the Pacific exhibited slower progress. The pandemic has significantly stalled global health service coverage and exacerbated financial vulnerabilities due to increased OOP spending, pushing more people into financial hardship.

[Trade Policy and Jobs in Vietnam: The Unintended Consequences of US-China Trade Tensions](#) (Working Paper No. 2024/263, International Monetary Fund)

We use the US-China tariffs of 2018-19 as an exogenous shock to export opportunities in Vietnam to identify how trade policy affects job creation. Using a difference-in-differences framework, we first show that US tariffs on China increased the range of products exported by Vietnam to the US in the two years after the hikes. We then show using firm level data that this expansion in export opportunities led to job creation. Around 5% extra jobs were created in firms hit with average tariffs above 15%. Results point towards this effect being driven mostly by female employment.

[Industrial Policy and State Ownership: How Do Commercial Banks Allocate Credit in China?](#) (Working Paper No. 2024/262, International Monetary Fund)

Using a novel data set with bank-sector-level annual loan data from 137 commercial banks in China from 2004 to 2021 and a quantified industrial policy data set based on text analysis, this paper explores the effects of industrial policy on bank credit provision. While the paper finds no conclusive evidence that commercial banks allocate, on average, more credit to sectors promoted by the central government, it does find heterogeneous sensitivities of banks to industrial policy.

[Chinese Housing Market Sentiment Index: A Generative AI Approach and An Application to Monetary Policy Transmission](#) (Working Paper No. 2024/264, International Monetary Fund)

We construct a daily Chinese Housing Market Sentiment Index by applying GPT-4o to Chinese news articles. Our method outperforms traditional models in several validation tests, including a test based on a suite of machine learning models. Applying this index to household-level data, we find that after monetary easing, an important group of homebuyers (who have a college degree and are aged between 30 and 50) in cities with more optimistic housing sentiment have lower responses in non-housing consumption, whereas for homebuyers in other age-education groups, such a pattern does not exist.

[Industrialization and the Big Push: Theory and Evidence from South Korea](#) (Working Paper No. 2024/259, International Monetary Fund)

We study how one-time subsidies for adoption of modern technology drove Korea's industrialization in the 1970s. Leveraging unique historical data, we provide causal evidence consistent with coordination failures: adoption improved adopters' performance and generated local spillovers, with firms more likely to adopt when other local firms had already adopted. We incorporate these findings into a quantitative model, where the potential for multiple steady states depends on parameters mapped to the causal estimates.

[Size and Resilience of the Blue Economy in Pacific Island Economies](#) (Working Paper No. 2024/255, International Monetary Fund)

Economic output and livelihoods in Pacific Island economies (PIEs) rely greatly on ocean-related sectors and products, known as the "Blue Economy". Yet, marine ecosystems are under mounting pressure of climate change and human degradation, exposing PIEs to very large risks, while they have only limited technical and financial capacity to mitigate them. This paper aims: first to estimate the size of the Blue Economy in PIEs, based on comprehensive international input-output tables; and second to simulate the impact of selected shocks in PIEs, so as to provide insights on the resilience of the Blue Economy to shocks, including from climate change.

[Growth Convergence and Public Finances of India and its States](#) (Working Paper No. 2024/235, International Monetary Fund)

Lack of convergence in per capita income across Indian states requires greater resources for lower-income states for investment and improved public services. Central and state governments need to raise revenue (both tax and non-tax), dismantle the administered pricing mechanism, reduce subsidies, and reorient expenditure toward national and state-level priorities. This is essential to ensure India remains on a sustainable fiscal path with higher growth, given the high public debt at the center and state level. The observed wide differences in fiscal parameters across states require a tailored policy for each state. The large stock of debt of several states puts at risk the adequate financing of growth-enhancing expenditures.

[Riding Unicorns: Startups and Venture Capital in Japan](#) (Working Paper No. 2024/246, International Monetary Fund)

The startup ecosystem in Japan has seen gradual growth, supported by the government's recent "Startup Development Five-Year Plan" and a significant interest from overseas venture capital. This paper lays out the startup financing ecosystem in Japan, with comparison to international peers, and studies potential drivers of startup financing and their relevance for startups' performance. The results, based on country-level aggregate analysis, underscore the critical role of firm dynamism and entrepreneurship in supporting capital investment and firm valuations.

[China's Path to Sustainable and Balanced Growth](#) (Working Paper No. 2024/238, International Monetary Fund)

After decades of high growth, China's economy faces slowing productivity and a declining workforce, potentially reducing growth to 3.8% (2025-30) and 2.8% (2031-40) without reforms. We propose structural reforms to boost productivity and shift towards consumption-driven, high-quality growth.

[Foreign Exchange Intervention Under the Integrated Policy Framework: The Case of India](#) (Working Paper No. 2024/236, International Monetary Fund)

This paper analyzes the effectiveness of foreign exchange intervention (FXI) in mitigating economic and financial shocks in India by applying the Integrated Policy Framework (IPF). It highlights how FXI can be a complementary tool in mitigating the tradeoff between output and inflation, specifically under large economic shocks amid temporarily shallow FX markets. The paper indicates that while FXI can soften adverse impacts on domestic demand and output during severe risk-off shocks, its benefits under normal conditions with liquid FX markets are limited.

[Intimate Partner Violence and Women's Economic Empowerment: Evidence from Indian States](#) (Working Paper No. 2024/239, International Monetary Fund)

Domestic violence is a global issue. We examine factors influencing a woman's risk of intimate partner violence (IPV) in India, using data from 235,000 female respondents and state-level variations in institutions, law enforcement, and attitudes. Women not in paid, formal employment face higher IPV risk. However, factors like household agency, husband's education, lower social acceptance of IPV, and normalized reporting reduce this risk.

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