
Comments

Seiichi Katayama: Ji Chou, Nai-Fong Kuo, and Su-Ling Peng's paper is an interesting attempt to estimate the effects of the SARS outbreak on Taiwan's economy using a general equilibrium model (GTAP model version 6.2). The impacts of SARS on the output of the service and industrial sectors in Taiwan reflect the output pattern of Taiwan and China, their specialization of production, and the relative competitive advantages of the two regions.

In scenario 3 in table 8, the long-run effects on many Asian countries and other areas worldwide expected to result from a lengthy SARS outbreak (longer than 1 year) are shown as a percentage change in GDP. The impacts on GDP (and on sectoral output, table 9) resulting from a short-term SARS outbreak (1 year or less) are magnified in the case of a long-term outbreak (scenario 3). In my opinion these impacts might be underestimated, judging from the results obtained from a similar analysis performed by Warwick McKibbin and Jong-Wha Lee and presented at this conference of the Asian Economic Panel. Chou, Kuo, and Peng should check their model's assumptions. The data used for the simulation might have led to the underestimation. The following points are somewhat related to this problem.

The SARS outbreak and other recent historical events have forced companies to realize that they are exposed to increasing global risk factors. Examples of such events include the bursting of the information technology bubble, the fragility of the financial structure in Japan and the European Community, and possibly the impact of SARS in Asia. Firms manage their production to minimize perceived risks; thus, companies that rely heavily on intermediate goods from one area or depend on one country for

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most of their imports or exports will likely change their production strategies upon assessing the risks of this approach. (For example, Panasonic, a major multinational company in Japan, is reconsidering its present supply chain, which is skewed toward China.) In the longer run, the spreading of global risk within firms that engage in international trade will affect the flow of foreign direct investment. It would be interesting if this longer-term effect could be estimated using the GTAP model, in addition to Chou, Kuo, and Peng's comparison of transparent and nontransparent reporting of the SARS outbreak by the Chinese authorities (scenarios 3 and 4 in tables 8 and 9).