

Globalization and Localization of Disaster Impact: An Empirical Examination

Topic: Crisis and disaster analyses

Author: Yasuhide Okuyama

Albala-Bertrand (2007) claimed that economic impact of a disaster, which causes localized damages and losses on capital and activities, may not affect negatively the macro-economy in both short-term and longer-term. This appears to contradict with some empirical observations, such as the 1999 Chi-Chi Earthquake in Taiwan and other recent disasters. The propagation process of disaster impact in a global sense is examined in this paper using the empirical case of the 2004 Indian Ocean Earthquake and Tsunami. The results reveal that the potential propagation of economic impact in a global scale; however, the impact to the surrounding countries are relatively limited. Meanwhile, from the risk management perspective, the lack of localized countermeasures against disasters may lead to the spread of local risk over the global economy through international aids and donations.