Assessing ASEAN Economic Policy Responses in a Pandemic

Muhamed Zulkhibri
Joy Blessilda Sinay**

As the COVID-19 global pandemic continued to spread, countries around the world are bracing for a deep downturn. In a worst case scenario, the International Monetary Fund (IMF) predicted the pandemic to shrink the global economy by 3%,¹ while the World Trade Organization (WTO) projected the world trade volumes to tumble by 32% this year.² In ASEAN, growth is expected to fall to a measly 1%,³ although this may change as the severity of the pandemic remains uncertain. Already there are costly spillovers. Since the outbreak, and as lockdowns and quarantines were enforced in some ASEAN Member States (AMS), job losses and business closures have mounted. This led to a sharp fall in productive economic activities particularly in hardest hit sectors. Most authorities have taken swift actions to introduce and implement measures to cushion the economic shock. However, as the virus spreads, more economic remedies might be needed.

Overall Impact on Businesses and Consumers in ASEAN

Across the world, the widespread impact of the pandemic has adversely impacted households and businesses, bringing business and consumer confidence at historic lows. The Purchasing Managers Index (PMI)⁴, an indicator of the manufacturing sector’s performance (Figure 1), fell in March as the outbreak accelerated across the US, Europe, and other parts of Asia. The global decline in March was less severe than in February, offset by stabilising output in China after a record slump. The PMI picked up in China as the lockdown was gradually lifted.

⁴ PMI is an indicator of the manufacturing sector’s performance. It is calculated from surveys of purchasing managers and covers aspects such as production, new orders, inventories, and employment. A value above 50 indicates an expansion, while a value below 50 indicates a contraction.
The sense of uncertainty and supply chain disruptions associated with the COVID-19 pandemic have led to businesses' reluctance to spend and postponement of major expansion. A decline in PMI was also observed across AMS, indicating a decline in business confidence that would likely act as a drag on economies in the first quarter, albeit at different levels.

The unprecedented erosion of business confidence is indicative of the unique set of circumstances that has impacted almost every aspect of business activities due to the COVID-19 pandemic.

The pandemic also led to further deterioration of consumer expectations across the region, as economic conditions and prospects waned. One bright spot that stands out is Viet Nam, where consumers remain upbeat (Figure 2). Viet Nam has been deemed effective in containing the virus, and no COVID-19 related death has been reported to date; it has also started to ease restrictions. Meanwhile, Indonesia’s outlook was also positive in the first quarter, but consumer confidence declined in the second quarter. Indonesia has introduced large scale social restrictions (LSSR) in some areas and prohibited the annual exodus from LSSR-applied regions; the efficacy of these measures remains to be seen.

---

1 IMF, World Economic Outlook, April 2020. This is a revised version of an earlier published ASEAN Policy Brief on 28 May 2020.
3 ADB, ASEAN Development Outlook. April 2020
4 A PMI above 50 means an expansion of the manufacturing sector compared to the previous month; below 50 means a contraction; 50 is neutral. See https://tradingeconomics.com/philippines/manufacturing-pmi for more details.
5 For details on business confidence and consumer confidence surveys in the AMS, see https://tradingeconomics.com/country-list/consumer-confidence, and https://tradingeconomics.com/country-list/business-confidence. For more details.
6 Consumer confidence index above 0.
In the aftermath of the pandemic, revenues dried up and many businesses had to close because they were deemed non-essential and disallowed to operate, or simply did not have resources to sustain operations. Beyond businesses and industries, the pandemic directly affected households and individuals as business closures led to massive layoffs, furloughs, and loss of incomes for many of the workforce.

The impact would be worse for the AMS with large informal sector, already high unemployment rates, or less developed social and health protection such as Lao PDR and Myanmar (Table 1). Workers in these countries might be more vulnerable to the pandemic.

**Table 1. Socio-economic indicators, by AMS**

Note: Data presented in the table are from the sources identified, and may not be the most updated nor from the same years. For more detailed information on the indicators, kindly check the data sources, which are all available online. (a) Population coverage; (b) Proportion of population spending more than 10% of household consumption or income on out-of-pocket health care expenditure. * Data in 2016.

Sources: ASEANStats for (1) and (2); ASEAN Statistical Yearbook 2019 for (3); ILOSTAT for (4) and (5); ASEAN e-Health Bulletin December 2019 for (6), (7), and (8); and ILO (2015) *The state of social protection in ASEAN at the dawn of integration* for (9).

---

**Figure 2. Consumer Confidence Index (-100 to 100)**

Note: The scale of the actual data on consumer confidence index for each AMS vary. The indexes were standardized using a scale of -100 to 100, with 0 as neutral, <0 as negative, and >0 as positive.

Source: Trading Economics (www.tradingeconomics.com); Data for Singapore is from The Global Economy (www.theglobaleconomy.com)
Responding to the pandemic: ASEAN policy measures and interventions

Like other countries in the world, AMS immediately rolled out various policy measures as their first defense against the pandemic. Monetary policy was first employed to ensure adequate liquidity and boost confidence in the economy when initial concerns on broken supply chains and travel cancellations emerged. However, as the outbreak spread and economic impacts became more adverse, governments implemented more powerful fiscal stimulus measures to boost the capacity of the health sector and cushion the impact on the broader economy particularly in hard hit sectors such as tourism and micro, small, and medium enterprises (MSMEs).

Targeted fiscal measures for households and businesses

On the fiscal front, the AMS have taken decisive actions through various fiscal packages amounting to a combined USD318.2 billion or equivalent to 10.1% of regional GDP in 2019. Individually, Thailand has the largest total stimulus package, with three installments reaching USD88.8 billion. Indonesia is second with USD81.8 billion, with the recently approved IDR641.17 trillion (USD43.0 billion) economic recovery stimulus package. Table 2 shows a summary of AMS stimulus package. Notably, while responses are geared towards affected industries, a large part of these stimulus measures are additional allocations for the health sector and subsidies to households. The comprehensive responses and hefty provisions show how broadly and deeply this pandemic is affecting economies.

Table 2. Summary of AMS stimulus packages to counter the impact of the pandemic

<table>
<thead>
<tr>
<th>AMS</th>
<th>Stimulus Package</th>
<th>USD billions equivalent</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei Darussalam</td>
<td>BND450 million</td>
<td>0.319</td>
<td>30 March</td>
</tr>
<tr>
<td>Cambodia</td>
<td>KHR 420 billion</td>
<td>0.1</td>
<td>13 April</td>
</tr>
<tr>
<td></td>
<td>KHR 8.1 trillion</td>
<td>2.0</td>
<td>14 April</td>
</tr>
<tr>
<td>Indonesia</td>
<td>IDR10.3 trillion</td>
<td>0.742</td>
<td>25 February</td>
</tr>
<tr>
<td></td>
<td>IDR120 trillion</td>
<td>8.1</td>
<td>13 March</td>
</tr>
<tr>
<td></td>
<td>IDR22.9 trillion</td>
<td>1.5</td>
<td>16 March</td>
</tr>
<tr>
<td></td>
<td>IDR62.3 trillion</td>
<td>3.9</td>
<td>18 March</td>
</tr>
<tr>
<td></td>
<td>IDR405.1 trillion</td>
<td>24.6</td>
<td>31 March</td>
</tr>
<tr>
<td></td>
<td>IDR641.2 trillion</td>
<td>43.0</td>
<td>19 May</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>LAK30 billion</td>
<td>0.005</td>
<td>2 April</td>
</tr>
<tr>
<td>Malaysia</td>
<td>MYR20 billion</td>
<td>4.8</td>
<td>27 February</td>
</tr>
<tr>
<td></td>
<td>MYR230 billion</td>
<td>55.2</td>
<td>27 March</td>
</tr>
<tr>
<td></td>
<td>MYR10 billion</td>
<td>2.4</td>
<td>6 April</td>
</tr>
<tr>
<td>Myanmar</td>
<td>MMK100 billion</td>
<td>0.101</td>
<td>27 April</td>
</tr>
<tr>
<td>Philippines</td>
<td>PHP27.1 billion</td>
<td>0.527</td>
<td>16 March</td>
</tr>
<tr>
<td></td>
<td>PHP200 billion</td>
<td>3.8</td>
<td>31 March</td>
</tr>
<tr>
<td>Singapore</td>
<td>SGD6.4 billion</td>
<td>4.6</td>
<td>18 February</td>
</tr>
<tr>
<td></td>
<td>SGD48 billion</td>
<td>33.7</td>
<td>26 March</td>
</tr>
<tr>
<td></td>
<td>SGD5.1 billion</td>
<td>3.4</td>
<td>6 April</td>
</tr>
<tr>
<td></td>
<td>SGD33 billion</td>
<td>23.3</td>
<td>26 May</td>
</tr>
<tr>
<td>Thailand</td>
<td>THB100 billion</td>
<td>3.2</td>
<td>4 March</td>
</tr>
<tr>
<td></td>
<td>THB117 billion</td>
<td>3.6</td>
<td>24 March</td>
</tr>
<tr>
<td></td>
<td>THB1.9 trillion</td>
<td>82.0</td>
<td>7 April</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>VND250 trillion</td>
<td>10.8</td>
<td>6 March</td>
</tr>
<tr>
<td></td>
<td>VND62.0 trillion</td>
<td>2.6</td>
<td>10 April</td>
</tr>
</tbody>
</table>

Note: Based on information from various sources, including government websites and online news sites.
ASEAN countries’ fiscal interventions fall into three categories. First are household subsidies (including cash allowance, electricity subsidies, and subsidies for social security contributions/pensions) which are crucial for the daily needs of workers and their households, especially those in the low-income and vulnerable categories. Complementing the subsidies and cash allowances, food packages are also provided and to the extent possible delivered straight to homes, or in a way that maintains quarantine and social distancing measures. For example, the Philippines announced the reallocation of PHP200 billion (around USD3.9 billion) for subsidies (in cash and basic needs) to 18 million low-income households over two months. Meanwhile, in Singapore, citizens 21 years old and above will be given SGD900 (USD634.9) each, while self-employed persons will be paid SGD3,000 (USD2,116.2) in three tranches to supplement their incomes. Innovative measures such as the “rice ATMs” in Indonesia and Viet Nam, or pay forward food coupons in Thailand, were also introduced. Beyond the support for basic needs, other forms of subsidies, such as for electricity, fuel, pensions, social security contributions, among others, help lessen the financial burden on households.

While government subsidies and other measures help to cushion the impact on households, the support tends to be lower than their normal levels of income. There are also other factors to consider in terms of their implementation, such as time constraints, limited manpower, misuse of funds, among others. Identifying the beneficiaries, as well as ensuring that the subsidies are received by the target population, are long and tedious processes. The challenge is to undertake them expeditiously while also adhering to principles of good governance such as transparency and accountability.

Governments have also acted to provide tax/fees/charges (including rents) exemptions/moratoriums to affected individuals, households and businesses. Similar to subsidies to households, the moratoriums on taxes, deferment of rents, and exemptions from fees and charges such as for bank transactions, reduce the financial burden on businesses (and also households) that lost their incomes, and help them survive the pandemic to enable them to swiftly resume operations once strict social measures are lifted.

For example, affected businesses in Brunei are given a 50% discount on corporate income taxes. In Lao PDR, microenterprises and low-income households are exempted from taxes for three months, while extension of tax payment deadlines is allowed in Malaysia and Indonesia. Tax rebates for the tourism and aviation sectors are granted in Singapore, while tax exemptions are given to hotels, guesthouses, restaurants and travel agencies in Cambodia.

The final set of fiscal measures are intended to provide financing and moratorium/restructuring of loans for affected businesses including and individuals. MSMEs and their employees have been hit disproportionately harder by the pandemic. MSMEs are more vulnerable to the crisis because of limited capital and resources, which amplify supply and demand shocks and liquidity constraints. Hence, they are more likely to lay off workers or close down earlier.

The impact of this on the economy would be extensive since MSMEs are a major employer in many developing countries including in ASEAN, particularly for people in the lower income brackets and the informal sector (Table 3).
Table 3. Indicators for micro, small, and medium enterprises, by AMS

<table>
<thead>
<tr>
<th></th>
<th>Total MSME (in million)</th>
<th>MSME per 1000 people</th>
<th>Employment (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BN</td>
<td>0.009</td>
<td>23.2</td>
<td>0.04</td>
</tr>
<tr>
<td>KH</td>
<td>0.513</td>
<td>33.6</td>
<td>1.3</td>
</tr>
<tr>
<td>ID</td>
<td>62.9</td>
<td>238.4</td>
<td>116.7</td>
</tr>
<tr>
<td>LA</td>
<td>0.125</td>
<td>19.2</td>
<td>0.5</td>
</tr>
<tr>
<td>MY</td>
<td>0.907</td>
<td>29.5</td>
<td>10.1</td>
</tr>
<tr>
<td>MM</td>
<td>0.126</td>
<td>2.6</td>
<td>0.3</td>
</tr>
<tr>
<td>PH</td>
<td>0.912</td>
<td>8.8</td>
<td>4.9</td>
</tr>
<tr>
<td>SG</td>
<td>0.264</td>
<td>47.0</td>
<td>2.5</td>
</tr>
<tr>
<td>TH</td>
<td>3.0</td>
<td>43.5</td>
<td>11.7</td>
</tr>
<tr>
<td>VN</td>
<td>0.436</td>
<td>4.7</td>
<td>47.1</td>
</tr>
</tbody>
</table>

Note: (a) MSME data is from various years and are not standardised across countries. Sources: SME Finance Forum: MSME Economic Indicators (www.smefinanceforum.org). For employment data, Brunei is from Brunei Labor Force Survey 2017, Myanmar is from OECD SME Policy Index: ASEAN 2018, and Malaysia and Viet Nam calculated using data from ASEAN Statistical Yearbook 2019 data.

Access to quick and cheap credit, including restructuring of loans, provide a lifeline for many businesses in ASEAN to enable them to ride out the crisis. Financing support, in the form of soft loans, loan restructuring, or moratorium, can ease liquidity problems of affected businesses, at reduced costs. At the same time, it can possibly keep people on the payroll thus reducing the impact on employment. Some of these support is specifically for MSMEs. For example, Myanmar established a COVID-19 Fund with an initial capital of MMK100 billion (USD70 million) to provide soft loans to prioritized industries including MSMEs.

While government support is vital for businesses, a major downside is the heightened risk to the financial sector in case of insolvencies, which could lead to defaults and higher non-performing loans. The risk is even greater in cases where support is provided to inefficient businesses which were already struggling and on the brink of closure prior to the pandemic. In addition, of particular concern are those falling outside system such as informal businesses or unregistered micro enterprises, that may not be eligible for such assistance.

Monetary policy and financial measures

Since the start of the health crisis, policy rate cuts (Figure 3)\(^7\), reserve requirement ratio reduction and asset purchases have been employed by central banks across the region to maintain financial stability, ensure liquidity in the system, and lower the cost of credit. These monetary measures\(^8\) are also intended to assure the public that governments are willing to do everything they can to steer the economy out of this crisis and to keep the stability of the banking sector.

---

\(^7\) These were Bank Indonesia (BI), Bank of Lao PDR (BOL), Bank Negara Malaysia (BNM), Central Bank of Myanmar (CBM), Bangko Sentral ng Pilipinas (BSP), Bank of Thailand (BOT), and State Bank of Vietnam (SBV).

\(^8\) Brunei Darussalam and Singapore’s monetary policy frameworks are based on exchange rate management, instead of interest rates, and the Brunei Dollar is pegged to the Singapore Dollar.
In fact, to mitigate the economic impact of the pandemic, most monetary authorities in the region continued to encourage banks to support lending without undermining the soundness of banks. The State Bank of Vietnam urged commercial lenders to reduce minimum settlement fees of 50% through the interbank electronic system, as well as to curb dividends and operating expenses to maintain sufficient supplies of capital.

The Bank of Lao PDR released guidelines for debt management that encourage lenders to restructure financing of affected debtors, provide one-year grace periods for such affected debtors, and lower interest rates as needed, while the National Bank of Cambodia postponed the rollout of the Capital Conservation Buffer to next year.\(^9\)

On the other hand, the Monetary Authority of Singapore has adjusted selected regulatory requirements and supervisory programmes in addressing the financial institutions operational challenges posed by the COVID-19 pandemic.\(^{10}\)

Moreover, measures have been taken by central banks to support stability in financial markets. Bank of Thailand provided bridge financing to high-quality firms via Corporate Bond Stabilization Fund, purchased government bonds to ensure the functioning of the government bond market, and set up a special facility to provide liquidity for mutual funds through banks.\(^{11}\)

Taken together, all these measures were intended to boost liquidity and market confidence and maintain a stable monetary and financial system.

---


\(^{11}\) BOT Press Release No. 20/2020. Additional Measures to Assist SMEs Affected by COVID-19
**Sector-targeted measures and interventions**

ASEAN governments have also extended more targeted interventions to assist sectors hardest hit by the pandemic. Aside from the tourism and retail sectors, the aviation industry has also gone on a standstill because of the pandemic. Travel restrictions have closed down international aviation and deeply affected economies where travel and tourism comprise a substantial portion.

Table 4 shows that in Indonesia and Thailand, passenger demand in both countries dropped by 59.8 million and 55.6 million, respectively, as a result of travel restrictions. This would translate to losses equivalent to USD8,224.7 million in potential revenues and 2.1 million in potential jobs for Indonesia, and USD8,289.0 million in revenues and 2.2 million jobs for Thailand.

Table 4. Passenger demand in aviation: scenario analysis for 2020 vs 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Passenger demand (%) change</th>
<th>Passenger volume (in million)</th>
<th>Revenue impact (USD million)</th>
<th>Potential jobs impact (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BN</td>
<td>-49.8%</td>
<td>-0.6</td>
<td>-113.8</td>
<td>-0.008</td>
</tr>
<tr>
<td>KH</td>
<td>-44.7%</td>
<td>-5.4</td>
<td>-866.1</td>
<td>-0.770</td>
</tr>
<tr>
<td>ID</td>
<td>-49.3%</td>
<td>-59.8</td>
<td>-8,224.7</td>
<td>-2.1</td>
</tr>
<tr>
<td>LA</td>
<td>-50.9%</td>
<td>1.6</td>
<td>-219.6</td>
<td>-0.024</td>
</tr>
<tr>
<td>MY</td>
<td>-51.0%</td>
<td>-33.5</td>
<td>-4,235.6</td>
<td>-0.221</td>
</tr>
<tr>
<td>MM</td>
<td>-47.5%</td>
<td>-4.4</td>
<td>-691.3</td>
<td>-0.245</td>
</tr>
<tr>
<td>PH</td>
<td>-47.0%</td>
<td>-28.9</td>
<td>-4,481.0</td>
<td>-0.548</td>
</tr>
<tr>
<td>SG</td>
<td>-48.4%</td>
<td>-23.9</td>
<td>-6,731.7</td>
<td>-0.169</td>
</tr>
<tr>
<td>TH</td>
<td>-51.7%</td>
<td>-55.6</td>
<td>-8,289.0</td>
<td>-2.2</td>
</tr>
<tr>
<td>VN</td>
<td>-45.3%</td>
<td>-31.9</td>
<td>-4,347.3</td>
<td>-1.0</td>
</tr>
</tbody>
</table>

Source: International Air Transport Association (www.iata.org)

Fiscal measures to support businesses affected by the pandemic, such as discounts on bills and tax moratoriums, were extended to the aviation sector. However, given the scale of the impact on the sector, the resource needs far exceed the available support from the government.

Across the region, many airlines have already downsized and reduced employee salaries. In Singapore, the national carrier Singapore Airlines secured a bailout backed by government entity Temasek Holdings, which is its majority shareholder. The rescue package adds up to SGD13 billion (USD9.2 billion).

Indonesia is also preparing a USD1 billion bailout package for Garuda Indonesia, which includes debt restructuring and for operations loans.

---

On the other hand, Thailand chose rehabilitation instead of a bailout for Thai Airways, also a state-owned enterprise, to spare resources for restarting the economy.\textsuperscript{16} Government bailout raises concerns on moral hazard and also of limited government resources. Nonetheless, given the widespread impact of the pandemic on the sector, the government in some countries can provide assistance without serious long-term economic ramification.\textsuperscript{17}

In terms of support for the health sector, one of the first responses taken by AMS was to redirect substantial portions of their fiscal budgets to the health sector, particularly to reinforce capacity and provide rapid responses to the emergency situation. Part of the response measures also is the procurement of medical supplies such as testing kits, ventilators, face masks, and other personal protective equipment (PPEs). Temporary hospitals and healthcare facilities, e.g. isolation centers, were also put up to augment the stretched capacities of existing facilities.

Some private facilities, such as hotels, have also been converted into temporary housing for healthcare professionals, persons under monitoring (PUMs) or those under quarantine. In Indonesia, an additional IDR75 trillion (USD5.0 billion) has been allocated for healthcare; in Singapore, allocation for the health sector is SGD800 million (USD564.2 million) for the pandemic response. Meanwhile, in Lao PDR, medical supplies and equipment are exempted from customs fees and charges.

Finally, in addition to credit support to the agriculture sector, governments have implemented measures to make sure that supply chains from farms to markets remain open. Malaysia’s support for food security is notable. It allotted MYR1 billion (USD231.6 million) to its Food Security Fund, and provided additional support to farmers and fisher folks for agricultural production.\textsuperscript{18}

Moreover, budget was also allocated for food storage facilities and distribution to safeguard supply\textsuperscript{19}, and MYR64.4 million (USD14.9 million) for agro-food projects. Likewise, Myanmar provided substantial support for its agriculture sector.\textsuperscript{20} Cash or loans were made available to smallholder farmers to support production.

This is complemented by support for access to markets and productivity enhancement, and facilitation of export processes including for rice. Rural cash-for-work programs were also arranged for the economic recovery period.

To be sure, all these measures were intended to ensure food supply chain connectivity at the time of the pandemic.

\textsuperscript{16} From Bangkok Post, “Cabinet gives nod to Thai rehab”, https://www.bangkokpost.com/business/1920900/cabinet-gives-nod-to-thai-rehab#cxrecs_s, 20 May 2020
\textsuperscript{17} See Malay Mail, “Mavcom: Govt financial assistance to airlines should be last resort”, https://www.malaymail.com/news/malaysia/2020/04/05/mavcom-govt-financial-assistance-to-airlines-should-be-last-resort/1853763, 5 April 2020.
\textsuperscript{18} Malaysia, Prihatin Rakyat Economic Stimulus Package 2020, 27 March 2020
\textsuperscript{20} Myanmar, Overcoming as One: COVID-19 Economic Relief Plan, 27 April 2020.
Conclusion

As the severity and outcome of the pandemic remain highly uncertain, it is important for AMS to manage the costs of COVID-19 containment efforts on jobs, businesses, and the economy. The ability to design policies to mitigate the economic impact of COVID-19 requires reference estimates of the effects of the shock. To date, AMS have responded swiftly to mitigate the impact of the COVID-19 pandemic through various measures, including additional infrastructure spending to boost the economy in a pandemic (Box 1).

Countries that have been investing in social protection will be better placed than those that have not. AMS should continue supporting the most vulnerable communities, while preserving the economy's productive capacity.

Similarly, multilateral efforts should also be directed to improving global health care infrastructure and pandemic preparedness as well as complementing national policy efforts.

Box 1. Infrastructure projects as additional stimulus measures

Despite the pandemic and social distancing measures in ASEAN, there is an impetus to continue infrastructure projects.

Typically, governments rely on infrastructure projects to support the economy in times of crises because these provide a strong boost to economic activities and have long-term impact. For example, Malaysia allocated funding for small projects to preserve jobs, and plans to continue the large infrastructure projects for 2020 for economic growth. Thailand earmarked investments in community infrastructures as part of the stimulus measures. In Singapore, construction projects continued amidst the pandemic, and only stopped when the “circuit breaker” was imposed in April, when COVID-19 cases accelerated; although prior to this there were already delays due to restrictions on supply chains and travel. Likewise, Indonesia is expediting labor-intensive projects across the country to provide jobs particularly for low-income groups.

Similar to other industries, the large scale social restrictions have affected construction, because while infrastructure projects are crucial to counter the pandemic’s severe contractionary impact on the economy, due consideration must be given to safe distancing and other precautionary measures. Moreover, budgets for infrastructure might be realigned for stimulus measures, such as in Indonesia where part of the funding for the capital relocation plan has been allocated to the pandemic response.

In the interim, as governments plan for the lifting of lockdowns and reviving the economic engine, large-scale infrastructure projects should be part of the recovery plans to serve as crucial drivers of the economy.

Moving forward, while ASEAN responses to the pandemic have been swift and decisive, countries must be ready to implement more systematic interventions and economic remedies as follows:

First, continue to implement broad-based fiscal stimulus and other targeted socio-economic measures. The COVID-19 pandemic crisis is unique and significantly disrupted economies. There is good reason to worry that the world economy is heading into a deep and protracted recession, and possibly another financial crisis.
Unlike the 2008-09 global financial crisis, the COVID-19 pandemic crisis involves solvency issues for firms and industries well beyond the financial sector and across advanced, emerging, and developing economies.

With broad-based fiscal stimulus and other socio-economic measures in place, the collapse of aggregate demand could be prevented or at least mitigated. Therefore, post-COVID-19 recovery will not only depend on the pandemic’s trajectory but also on whether policymakers’ responses are sufficient to contain the damage and rebuild consumer and business confidence.

Second, ensure firms are able to return to their pre-COVID-19 pandemic production and employment levels. As some AMS are seeing a decrease in COVID-19 cases in recent months, AMS may start planning to ease the countries’ lockdown and gradually reopen the economy.

On the other hand, the longer the economy is in lockdown, the more businesses will be likely to close shop. The focus of national policy agenda should be to ensure firms are able to return to their pre-COVID-19 pandemic production and employment levels as swiftly and also as safely as possible, while setting the economic foundations for longer-term productivity-driven growth, resilience, competitiveness, and sustainability.

Third, formulate a regional socio-economic recovery plan post-COVID-19 to facilitate regional growth. At the regional level, ASEAN should start working on formulating a regional socio-economic recovery plan post-COVID-19 as mandated in the Declaration of the Special ASEAN Summit on COVID-19. A detailed plan for the regional post-COVID-19 recovery would require close coordination across sectors and community pillars, as well as a dialogue with various stakeholders (Box 2).

---

Box 2. Preparing for a post-pandemic recovery

As the situation improves, governments may need to plan for the gradual lifting of social restrictions and restarting the economy while taking extra caution to avoid a second wave. To facilitate the post-pandemic recovery, priority is still on invigorating economic activities. Broad stimulus measures may still be provided as needed, but policy makers should be ready to gradually ease overextended fiscal spending and loose monetary policies, as well as temporary measures being implemented during the pandemic, so as not to undermine fiscal and financial stability.

The recovery period is an opportunity for AMS to examine common challenges they encountered during the COVID-19 pandemic, assess economic implications, and discuss possible solutions to facilitate recovery. They can also review existing practices and develop long-term or crisis management plans for different scenarios including pandemics. For example, in the finance sector, they can (i) consider a broader monetary policy framework which gives importance as well to financial sector stability, not just price stability; (ii) study regional monitoring mechanisms for macroeconomic and financial stability to minimize risks; and (iii) explore policy responses to capital flow reversals or sudden stops, a common occurrence during periods of uncertainties which exert added economic pressure.

---

21 On 26 April 2020, Thailand reported 53 new cases, one new death, Malaysia reported 38 new cases, no new deaths recorded, while Vietnam, Brunei, Myanmar, Cambodia and Lao PDR reported no new COVID-19 cases.

No one will ever know how the COVID-19 pandemic will unfold until a vaccine becomes widely available. The return to normalcy may therefore be a far longer process than anticipated. There will need to be some adaptation to new socio-economic environments and new measures introduced to ensure safe return to work, study, and other social activities, while social distancing norms may need to remain in place to prevent a new outbreak. At the same time, the recovery period should be taken as an opportunity for the region to readjust its growth trajectory to one that is more inclusive, resilience, and sustainable.

In the long-term fight against COVID-19 and the associated social and economic implications, geopolitical strategic shift should not displace global and regional solidarity and cooperation.

It is also important for ASEAN countries to work together to deepen economic cooperation, strengthen regional integration, improve regional coordination and connectivity with others to prepare for future shocks. The COVID-19 pandemic could provide an opportunity for AMS to reinvigorate their collective responses to ensure regional resilience and sustainability post COVID-19.

**Finally, reinvigorate multilateralism to ensure global resilience and sustainability post-COVID-19.** Multilateralism plays a constructive role in international affairs to cope with common global challenges. The COVID-19 crisis has demonstrated how crucial multilateral institutions are to global collective health, prosperity, and security.
References


Ong, C B, and Celine Peyron Bista (2015), The state of social protection in ASEAN at the dawn of integration, International Labour Organization Regional Office for Asia and the Pacific, Bangkok

SME Finance Forum, www.smefinanceforum.org