# LESSONS FROM THE COVID-19 PANDEMIC FOR DEVELOPING A RESILIENT ASEAN

Policy Report

February 2022

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## Abstract

*The vast differences in the level of economic and social development, political governance, and policy responses to the COVID-19 pandemic notwithstanding, nearly all ASEAN member states share a common outlook towards growth strategies. They will all face several common challenges in a post-pandemic world, many of which demand solutions that require a collaborative and multilateral approach. Prior to planning ahead, ASEAN needs to take stock of individual and collective experiences during the crisis caused by COVID-19 that should inform post-pandemic policy development. What lessons can we derive from the collective and national experiences over the past two years?*

Two years after the first cases of COVID-19 were detected in Southeast Asia, it is still far from clear when the pandemic will end (see Table 1). The emergence of the Omicron variant, which is far more infectious than earlier variants, has further extended uncertainty for the weary populations of the region.

Reassuringly, thus far, with a larger percentage of the populations vaccinated, fewer cases requiring hospitalisation, steadily improving therapeutic options, and the availability of oral tablets produced by Merck and Pfizer for treatment of COVID-19 infections, public health authorities across countries are gaining confidence that COVID-19 can be treated as an endemic disease.

Governments are gradually relaxing restrictions on domestic mobility, and in tentative steps, testing cross-border mobility. Of course, these strategies could be upended with the emergence of new infectious and drug-resistant mutations. Conversely, the widespread loss of incomes, lockdown fatigue, and the near impossibility of containing infections in a globalised world with increasingly restive populations, are placing immense pressure on authorities to launch measures allowing for increasing mobility and a gradual return to “normalcy”.

Globally, the scale of the health and economic shocks inflicted by the pandemic is unprecedented. World output fell by more than 3.1% in 2020,[1] the sharpest fall since the years of the Great Depression. By the second week of January 2022, 305 million people had been infected by the virus.[2] Nearly 5.5 million people have lost their lives. When lockdowns across the globe peaked in April 2020, global working hours were 18.7% below pre-pandemic levels,[3] that is, nearly one of five workers across the globe were out of work, with global employment at 139 million jobs below pre-pandemic levels. The pandemic's impact on those at the bottom of the pyramid has been especially harsh. It is estimated that between 119–124 million people have been pushed back into hunger and poverty.[4]

ASEAN experienced the sharpest ever economic contraction, exceeding the losses experienced during earlier crises such as the OPEC price hikes in 1971 and 1979, the Asian Financial Crisis in 1997, or the Global Financial Crisis. The recorded losses in output and employment are understated as the reported data is for the formal sector and does not factor in the large informal sectors across most ASEAN economies (see Table 2). While the situation changes with every passing week, it underscores the immense challenges of balancing between curbs on movements to control infection rates and allowing businesses to reopen. Early attempts at re-introducing mobility, be it through "travel bubbles" between Singapore and Hong Kong, or through localised "sandboxes" (Phuket in Thailand), failed to gain traction.

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1 International Monetary Fund. *World Economic Outlook: Recovery during a Pandemic—Health Concerns, Supply Disruptions, Price Pressures.* Washington, DC, October 2021.

2 Johns Hopkins University. "Center for Systems Science and Engineering." Accessed January 8, 2022. https://systems.jhu.edu/

3 International Labour Organization. *ILO Monitor: COVID-19 and the world of work. Eighth edition.* October 27, 2021. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_824092.pdf

4 United Nations. *The Sustainable Development Goals Report.* 2021. https://unstats.un.org/sdgs/report/2021/The-Sustainable-Development-Goals-Report-2021.pdf

Since the start of the pandemic, ASEAN summits and senior officials' meetings expended considerable effort and energy initiating agreements seeking to mitigate the effects of the crisis. These include the ASEAN Comprehensive Recovery Framework; the ASEAN Response Fund; the Strategic Framework for Public Health Emergencies; and the ASEAN Travel Corridor Arrangement Framework, among others. However, like most regional groupings, member states were in fire-fighting mode through 2020 and much of 2021. The agreements were looking at what could be done to deal with pandemics in the future, and in the absence of meaningful regional ASEAN economic integration, the agreements lacked the financial wherewithal and implementation mechanisms, as each country was compelled to pursue emergency policies. However, the hectic diplomatic activity over the course of the pandemic reinforced the need for a multilateral approach.

The transition to opening up should not and will not lead back to the old normal. Looking ahead, it is essential to take stock of what has transpired across ASEAN since the first infections were reported. As ASEAN plans for a post-pandemic future, three steps are essential. First, to take stock of the conditions present before the onset of the pandemic. Second, be cognisant of the vulnerabilities exposed by the pandemic. Third, to recognise the challenges that ASEAN is likely to face beyond the pandemic. This paper discusses the lessons learnt thus far from the pandemic.

## ***Epidemiological Issues***

After an extremely slow start, as vaccinations picked pace across Southeast Asia by November 2021, infection rates started falling. The one unequivocal lesson from the past year is the importance of vaccination, backed by continued use of masks and avoiding large gatherings.

Vaccination has a massive impact on reducing serious illnesses and lowering the burden on the medical system, especially critical care facilities. The second lesson is to be prepared for the sheer unpredictability of the progression of the virus and boosting the capacity and resilience of public health systems. As vaccination rates increase, the risks of resurgence and new variants are likely to be concentrated among the vaccine resistant. Persuading this cohort continues to be a major challenge for governments across ASEAN.

## ***Vaccination***

Slow progress with vaccination cost ASEAN dearly. Current projections suggest it may not be until late-2022 that ASEAN is able to vaccinate sufficient numbers that allow for herd immunity (see Table 2). This, despite ASEAN's economic strength and the geopolitical focus on ASEAN by the United States and China resulting in substantial vaccine donations and agreements with individual ASEAN member states.

Large parts of the developing world have yet to gain access to any assured supply of vaccines resulting in a steadily widening disconcerting vaccine divide. By early October 2021, 34.5% of the global population was vaccinated, but this number masks severe inequities. About 59.8% of the residents in high income countries were vaccinated, while the corresponding number in low-income countries was 1.6%.[5]

With equitable vaccination across countries, an average of 40% of the global population could have been vaccinated. The Global Vaccine Alliance (GAVI) that seeks to boost vaccination in poor countries through the COVAX programme, has faced serious obstacles procuring vaccines. The vast inequities in vaccination rates may effectively ensure that the pandemic will carry on for far longer than it would have with equitable vaccination. It also elevated the risk of new breakthrough infections and potentially deadly variants emerging.

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[5] International Labour Organization. *ILO Monitor: COVID-19 and the world of work. Eighth edition.* October 27, 2021. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_824092.pdf

## ***Pandemic Triggered Multiple Crises***

The pandemic is first and foremost a health crisis that, through lockdowns and social distancing measures triggered multiple economic and social crises.

Lockdowns led to an abrupt cessation of face-to-face businesses, including hospitality, cross-border travel, mass sports and entertainment gatherings, and suspension of manufacturing, resulted in the sharpest falls in output and employment since the inception of ASEAN in 1967. With millions out of work, incomes collapsed resulting in sharp falls in demand.

Cross-border travel, including tourism which accounts for nearly a fifth of national income in Cambodia, one-eight in Thailand, and well over 5% in Singapore and Malaysia collapsed with the closure of borders and curbs on movement (see Table 2). As economies opened up tentatively, manufacturing, and subsequently, consumption demand picked up, although adjustment on the supply side has been chaotic due to persistent breakdowns in supply chains, affecting the production of commodities from computers to automobiles to bicycles. Businesses in the consumer-facing services sector will take much longer to recover.

Lockdowns and the abrupt stoppage of economic activity in many sectors resulted in large-scale layoffs and cuts in working hours, giving rise to an employment crisis, especially in developing economies where the fiscal stimulus was limited. At the peak of the pandemic, nearly one of every five workers was out of work, with those in the informal sector particularly vulnerable (see Table 2).

Millions of micro and household enterprises across ASEAN and the world collapsed on account of lockdowns, and others face bankruptcy, as they struggle to emerge from the crisis as government support measures are scaled down or withdrawn.

## ***Socio-economic Impact***

Women and children have borne a disproportionate share of the burden arising from the pandemic. The burden borne and the costs imposed on women and young girls, be it in education, in the work place, or in the domestic arena risks setting back efforts at mitigating gender disparities and national development, by years.

The lost opportunities for education, especially among first-generation learners in developing countries, are likely to have devastating consequences for their job prospects in the future (see Table 2). Most students from poor households lack the resources available at mainstream schools to access digital media. These children risk being left behind permanently in learning as well as earning opportunities later in life, further accentuating the trend towards increasing inequality.

The economic contraction evoked extensive interventions by governments through an array of policy levers, ranging from fiscal easing, direct cash transfers, liquidity support, to relaxed repayment norms, wage subsidies, and government guarantees. The differences in resources committed between developed and developing countries is vast and will be reflected in the severity and length of the crisis, and the time taken to recover to pre-pandemic levels.

The crisis follows a sustained slowdown in global growth that dates to the Global Financial Crisis of 2008–09. Trade has been slow to recover, accompanied by a sharp contraction of investments. Experience suggests that it may take regional economies several quarters to recover investment, consumption, and growth prospects. Policies designed to chart a path out of the crisis need to examine the lessons from the past.

## ***Setback to Globalisation***

Against the backdrop of the US-China trade dispute and growing protectionist measures across the world, 2020 was arguably the worst year for globalisation since the 1930s. While trade volumes in ASEAN declined less than expected, the immediate prognosis is not encouraging. Apart from the modestly ambitioned Regional Comprehensive Economic Partnership (RCEP), multilateral negotiations on trade are at a standstill. How ASEAN acts on trade liberalisation and addresses the competition for its attention between the US and China, and carves an autonomous space for itself may well have a bearing on its prospects.

During past crises, parts of the global economy were affected, while other regions continued to grow, helping pull the affected countries out of recessions. Through the decade-long Latin American debt crisis of the early 1980s, and the 1997 Asian Financial Crisis, most advanced economies grew, with demand for exports helping pull developing economies out of difficulties.

Conversely, during the dot.com crisis of 2003, some emerging markets and China were a key source of growth, helping reinvigorate growth in the developed world. However, the COVID-19 pandemic has affected the entire planet with no country or region in a position to pull others out of economic contraction. The collapse was abrupt and steep. In the face of global uncertainty, the early promise that China offered faded as sporadic infections and endemic supply chain bottlenecks slowed economic revival.

## *Challenges from an Uneven Recovery*

Recovery has been uneven, unstable, and asynchronous within as well as across countries.[6] Local and regional economies depending on services, especially on tourism were devastated.[7] Those in the informal sector are likely to confront a precarious future.

Conversely, activities carried out through work from home (WFH) as well as financial and health services remained robust. Property owners benefited through a global real estate boom, stimulated by low interest rates, and the shift from commercial to residential real estate as "WFH" gains traction.

Services, especially those tied to business and consumer mobility are much slower to recover. After some promise in the early stages of recovery, manufacturing has been hampered by persistent breakdowns in supply chains (for example, the shortage of shipping containers is a major problem for exporters of goods particularly Chinese and Southeast Asian countries producing consumer items for the US and European markets). The fiscally resilient OECD countries are expected to recover much faster than poorer fiscally constrained developing economies. This asynchronous recovery will exacerbate inequality across countries, posing a distinct set of challenges for policymakers.

## *Widening Inequalities at the Bottom of the Pyramid*

The effects of the COVID-19 pandemic are likely to be more painful than other crises in recent decades. The crisis wrought by the pandemic opened new faultlines: brick and mortar vs digital businesses, those in consumer-facing services[8] and school-going children from poor families. Unless remedied very soon, the months of lost schooling will result in losses to learning and earning power through an entire generation, that research shows are almost irremediable.

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6 International Monetary Fund. *World Economic Outlook: Recovery during a Pandemic—Health Concerns, Supply Disruptions, Price Pressures.* Washington, DC, October 2021; International Monetary Fund. *World Economic Outlook: Managing Divergent Recoveries.* Washington, DC, April 2021.

7 World Bank. *Long Covid.* Washington, DC, October 2021.

8 International Monetary Fund. *World Economic Outlook: Recovery during a Pandemic—Health Concerns, Supply Disruptions, Price Pressures*. Washington, DC, October 2021.

Losses in the informal sector, which accounts for a bulk of the labour force and well over 90% of enterprises in developing economies, including those of ASEAN, will take years to recover. Many of the financially vulnerable fell through the cracks in government relief programmes, further compounding the divide. COVID-19 has increased inequality, both within and across countries, as well as across generations.[9]

The number of people living in poverty is estimated to rise by more than a 100 million globally, reversing decades of poverty reduction efforts. Millions of small enterprises will shut, possibly, permanently, while identification of firms that are economically viable among those that drew on state support, will be time consuming and a big challenge to policymakers.

## ***State Capacity Stretched***

State capacity was severely tested during the crisis,[10] as policymakers sought to boost vaccination while trying to navigate through a range of conspiracy theories on the origins of the virus and the consequences of vaccination. The unpredictable path of the virus tested the capacity and capabilities of public authorities across the globe. Few governments were able to cope effectively.

The immediate stress was on public health infrastructure and systems. The toll on mental health remains under-reported across Asia. While developed countries had the fiscal reserves and capacity to offer relief to workers and families, fiscally constrained developing economies had to resort to limited targeted measures.

Dealing with issues of flows of essential goods and services, including shortages of personal protective equipment (PPE), food supplies, and other essentials during lockdowns entailed coordination among different government departments in ways that had never been attempted before, often resulting in haphazard decision-making. Panic buying by consumers resulted in self-fulfilling prophecies of shortages. As the crisis progressed, the prioritisation of testing, tracing, and monitoring entailed new challenges. Most countries, including several in the ASEAN region, lack the wherewithal to conduct genome sequencing of positive samples, further delaying the identification of new variants.

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9 Asian Development Bank. *Key Indicators for Asia and the Pacific.* Metro Manila, Philippines, August 2021.

10 International Monetary Fund. *World Economic Outlook: Recovery during a Pandemic—Health Concerns, Supply Disruptions, Price Pressures.* Washington, DC, October 2021; Asian Development Bank. *Key Indicators for Asia and the Pacific.* Metro Manila, Philippines, August 2021.

## ***Digital Growth***

Lockdowns and continuing constraints on mobility resulted in several new trends and behaviours that may well continue beyond the pandemic. The rapid advance in digitalisation is one of the most distinct legacies of the pandemic. Where possible, these range from WFH arrangements to education via digital media, to streaming and online entertainment, and the massive growth of e-commerce. There is no aspect of an individual's life that digital applications do not touch.

Digital technologies are central to government's efforts in monitoring, tracing, and tracking residents to act in the event of infections. Digital technologies have been used extensively by businesses for all functions ranging from backroom to marketing to international negotiations to trade. Most of these trends will consolidate in the future. The challenge before governments including those in ASEAN is to narrow the vast digital divides in the population, that, if unchecked, will perpetuate inequities.

## ***Changing Role of the State***

A central tenet that should inform policymakers planning for the future is that trends and behaviours of the past are not sustainable. State capabilities and capacities across ASEAN will continue to be tested along multiple dimensions in a post-pandemic world. Governments will confront a slew of new challenges, many of which require cross-border cooperation and solutions. These include the need to monitor in real-time the progression of infections and build up regional capacity for vaccine/PPE manufacturing and procurement.

Critical to the effectiveness of these measures is detailed monitoring of programmes, data measurement, collection, collation, and analysis. Without information on the challenges, and consequences of policy initiatives, analysts cannot make reliable assessments of the consequences of policies.

Policymakers need to closely scrutinise the effectiveness of policy initiatives to boost economic recovery with timely interventions. They must administer safety nets fairly, act to alleviate disruptions in supply chains, formulate policies to assist millions disenfranchised by loss of livelihoods, bolster public health infrastructure and systems, and manage their respective budgets efficaciously at a time when the demand for resources is high while revenues contracted sharply. One of the most effective instruments to deal with these challenges is data capabilities that facilitate monitoring and evaluation of programmes. Yet, data flows are being scrutinised in an increasingly xenophobic manner by policymakers in certain countries in the region while many developing economies lack the necessary capabilities and capacity.

## ***The Imperative of Intra-ASEAN Coordination***

ASEAN faces unprecedented economic and political challenges. Policies carried out over the next few years will have a profound bearing on outcomes. The losses caused by the COVID-19 will linger far into the future. Even with an early end to the pandemic, it will be a long transition to a post-pandemic economy, a “new normal”.

The crisis inflicted by COVID-19 pandemic has brought into sharp focus the structural vulnerabilities, as well as the limitations of state capabilities, such as endemic shortages that cannot be addressed immediately, and inadequacies in the response of public health authorities, especially those lacking the infrastructure and software to address the specific challenges posed by the pandemic. Some sectors suffered greatly, while parts of the economy based on digital technologies, as well as finance and insurance and medical services, prospered through the pandemic.

As ASEAN looks ahead, it will have to deal with climate change, the proliferation of technologies of the fourth industrial revolution that may have unpredictable effects on manufacturing-led growth in Southeast Asia, and the economic and geopolitical uncertainty engendered by the tensions between the United States and China. Meeting these challenges requires a cross-border coordinated approach. Multilateralism and a rules-based order remain essential. How ASEAN deals with them will determine its resilience and future, either as a strong and cohesive regional grouping with growing economic clout in the global economy, or as a fractured entity torn apart by narrow temporal national interests.

## *Table 1: Pandemic Indicators*

| | Total cases | Cases / 100,000 | Vaccines / 100 people[1] | % of population fully vaccinated[2] | % of population receiving at least 1 vaccine[3] | Deaths / 100,000 |
|---|---|---|---|---|---|---|
| **Brunei** | 15,244 | 3,518 | 176 | 83 | 93 | 23 |
| **Cambodia** | 120,380 | 730 | 175 | 81 | 86 | 18 |
| **Indonesia** | 4,258,340 | 1574 | 90 | 37 | 53 | 53 |
| **Laos** | 83,291 | 1162 | 81 | 43 | 52 | 3 |
| **Malaysia** | 2,673,019 | 8366 | 170 | 80 | 81 | 96 |
| **Myanmar** | 525,403 | 283 | 52 | 21 | 31 | 35 |
| **Philippines** | 2,835,593 | 2623 | 86 | 36 | 37 | 46 |
| **Singapore** | 271,297 | 4757 | 177 | 88 | 89 | 14 |
| **Thailand** | 2,156,587 | 3097 | 137 | 61 | 71 | 30 |
| **Vietnam** | 1,352,122 | 1402 | 133 | 57 | 76 | 28 |

[1] Vaccinations data from local governments via Our World in Data. Extracted on December 10, 2021. If the entire population was vaccinated, the number of vaccines / 100 people would be 200. With booster shots, the number could grow to 300. Data tabulated on December 10, 2021

[2] Vaccinations data from local governments via Our World in Data.

[3] Vaccinations data from local governments via Our World in Data.

## *Table 2: Economic Indicators*

| | GDP[4] 2020 | GDP[5] 2021 (Est) | Working Hours lost as % of total work hours[6] | Labour force in informal sector (%) ILO[7] | Tourism Revenues (as % of GDP[8]) | Likely completion of mass vaccinations | School Closures Feb 2020 - Sept 2021 (in weeks)[9] |
|---|---|---|---|---|---|---|---|
| **Brunei** | 1.1 | 2.0 | 4.4% | 30.9% | 1.4% | End 2021 | 24; 8 |
| **Cambodia** | -3.1 | 1.9 | 4.8% | 93.6% | 19.7% | End 2021 | 40; 24 |
| **Indonesia** | -2.1 | 3.2 | 8.2% | 80.4% | 1.5% | 2022 | 20; 57 |
| **Laos** | -0.4 | 2.1 | 4.3% | 82.9% | 4.2% | 2023 | 15; 31 |
| **Malaysia** | -5.6 | 3.5 | 11.1% | N.A. | 6.1% | End 2021 | 42; 19 |
| **Myanmar** | 3.2 | -17.9 | 13.4% | 79.9% | 2.2% | 2023 | 59; 10 |
| **Philippines** | -9.6 | 3.2 | 13.6% | 71.5% | 2.8% | Early 2022 | 60; 1 |
| **Singapore** | -5.4 | 6.0 | 7.8% | N.A. | 5.5% | End 2021 | 4; 12 |
| **Thailand** | -6.1 | 1.0 | 4.5% | 64.4% | 12.9% | 2022 | 16; 36 |
| **Vietnam** | 2.9 | 3.8 | 5.2% | 67 | 4.1% | 2022 | 7; 24 |

4 IMF, REO, Asia-Pacific October 2021
5 IMF, REO, 2021 ibid.
6 ILO Pandemic Statistic, 2021 (Accessed June 28, 2021)
7 https://ilostat.ilo.org/topics/informality/#
8 From World Bank, World Development Indicators, 2020
9 UNESCO global monitoring map of school closures https://en.unesco.org/covid19/educationresponse (Numbers indicate Full and Partial weeks of school closures)

## About the Author

**Dipinder S Randhawa** is an Adjunct Senior Fellow at the S. Rajaratnam School of International Studies, Nanyang Technological University. His research interests are in the areas of Development Economics, Finance and Banking, Policy formulation and analysis, technologies of the Fourth Industrial Revolution, and the economic consequences of the pandemic. Earlier Dipinder held research positions at the Institute of South Asian Studies and the Risk Management Institute. He has taught at Syracuse University and the National University of Singapore, and held visiting appointments at Universities in China and Thailand. Dipinder received his PhD from the Whitman School at Syracuse University.

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