

Chapter 1

COVID-19 Pandemic: Unprecedented Years

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Chapter 1:

COVID-19 Pandemic: Unprecedented Years

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1.1. Introduction

The COVID-19 pandemic tremendously affected lives and disrupted many global activities. Due to its unprecedented spread – and little initial knowledge about the virus – governments were forced to restrict many economic activities and mobility. The waves of infection often exhausted health care resources; no country was prepared for the scale of the pandemic. Although the numbers of infected people and fatalities have dramatically dropped, new variants have emerged.

To cope with the many disruptions in mobility, many activities have been shifted to online modalities. Working from home, conducting and attending online meetings, and taking part in online seminars have become common; e-commerce transactions have replaced many sales in physical stores; and telemedicine is practised broadly. Although some domestic commerce may have had minimal interruptions as lockdowns typically applied for limited times, disrupted shipping services hampered exports and imports.

Association of Southeast Asian Nations (ASEAN) Member States (AMS) were no exception to the COVID-19 pandemic and its impacts. Both domestic and regional activities were affected, including from the multiplier effects of global disruption. This report examines the impact of the COVID-19 pandemic on the trade, transport, mobility of people, and e-commerce of five AMS – Indonesia, Malaysia, Singapore, Thailand, and Viet Nam – plus Japan.

1.2. Regional Economic Overview

The massive impacts of the COVID-19 pandemic crashed the global economy, including those of the ASEAN-5 (i.e. Indonesia, Malaysia, the Philippines, Singapore, and Thailand). The growth rates of the region sank in 2020, including the Philippines (–9.5%), Thailand (–6.1%), Malaysia (–5.6%), Singapore (–2.1%), and Indonesia (–2.0%). Meanwhile, Vietnam’s gross domestic product (GDP) grew by 2.9%, putting it amongst the few better-performing economies in the world like China. As a region, South-East Asia, however contracted by about –4.0% in 2020.¹

A pandemic recession was unavoidable, yet experts suggested that economic growth would bounce back in 2021. The Asian Development Bank (ADB) predicted that South-East Asia would see 4.4% GDP

¹ World Bank, GDP Growth (Annual %), <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

growth in 2021, with projected 5.1% growth in 2022. However, as of March 2022, ADB revised its 2021 outlook for South-East Asia to lower 3.0% growth (ADB, 2022).

While some economies in the region do appear to be recovering, AMS governments are still prioritising the disbursement of stimulus measures for short-term economic relief. As of April 2021, these governments authorised about \$642 billion or the equivalent of 6.88% of its GDP (Table 1.1). This stimulus amount is nearly double from almost 1 year ago, in July 2020, when lockdowns began to ease.

Table 1.1: COVID-19 Stimulus Packages amongst ASEAN Countries

Country	Details	Value (\$ billion)
Brunei Darussalam	Through two separate announcements of \$139 million and \$174 million on 21 March and 30 March 2020, the Ministry of Finance and Economy released an interim fiscal package to support small and medium-sized enterprises (SMEs) and self-employed groups in the tourism, hospitality, transport, and food and beverage sectors. The government offered temporary deferment of pension contributions, payroll subsidies, discounts on corporate income tax, and temporary exemption of customs and excise duties. It also developed targeted measures at tax, utility, and social security deductions to assist households and firms.	0.31
Cambodia	Cambodia made eight rounds of budgetary announcements between 10 March 2020 and 29 March 2021, detailing stimulus packages worth \$3.1 billion. Measures were aimed at ensuring capital liquidity in the markets, soft loans to SMEs, cash assistance for vulnerable households, tax relief, wage subsidies for garment and tourism workers, aviation and tourism sector tax exemptions, as well as credit guarantees for SMEs in manufacturing and agriculture. Many tax exemptions and cash relief programmes were extended to June 2021. In addition, \$123 million was allocated for skills training for workers in the garment and tourism industries.	3.10
Indonesia	Indonesia rolled out 12 stimulus packages between 25 February and 18 November 2020 comprising fiscal monetary and economic measures worth \$169.744 billion. The national economic recovery programme disbursed support to the health care sector, social assistance schemes, conditional cash transfer schemes, electricity subsidies, unemployment benefits, capital injections to state-owned enterprises (SOEs), and credit guarantees. Most spending in 2020 went towards immediate health care needs, social safety programmes, and micro and SME and SOE support. In March 2020, the government issued regulations to support the new digital economy. It announced two packages on 4 February and 13 April 2021, totalling \$88.623 billion, with some \$86.7 million allocated for electricity subsidies. As of June 2021, Indonesia's total stimulus spending was almost \$260 billion, nearly 22% of its gross domestic product (GDP).	258.37
Lao People's Democratic Republic (Lao PDR)	The Lao PDR first announced a modest \$11 million in measures, including discounted electricity rates, income tax exemptions, micro and SME tax exemptions, salary compensation, and an unemployment allowance in 2020. In 2021, \$3 million was allocated that included new fiscal measures such as income tax exemptions for civil servants and private sector employees earning less than \$500, micro and SME revenue tax exemptions, road tax deferments, and utility tariffs.	0.014
Malaysia	Malaysia approved eight rounds of measures between 27 February and 6 November 2020, totalling \$89.418 billion for health care needs, social security relief, cash transfers, electricity discounts, wage subsidies, grants for micro and SMEs, digitalisation support, and tax relief. Another two budgetary	97.89

Country	Details	Value (\$ billion)
	packages were announced on 18 January and 17 March 2021, totalling \$8.472 billion, earmarked for accelerated social security payments, extended tax relief, wage subsidies, unemployment benefits, vaccinations, fuel subsidies, and firm financing.	
Myanmar	Myanmar announced four budget allocations between March and June 2020, totalling \$613 million. The measures were targeted at providing soft loans to affected businesses in the garment, manufacturing, hotel and tourism, and micro and SMEs sectors; deferred income tax and commercial tax payments; a 2% exemption on advance income tax on exports; waivers on specific goods tax, customs duties, and commercial taxes for critical medical supplies; and cash assistance to 5.4 million households.	0.61
Philippines	The Philippines enacted Bayanihan Acts I and II to cope with the pandemic effects. The Bayanihan Act I allocated \$4.5 billion, and the Bayanihan Act II allotted \$2.9 billion as immediate funds and \$520 million as standby funds. Additionally, through Corporate Recovery and Tax Incentives for Enterprises (CREATE), the government provided about \$20.9 billion worth of tax relief to businesses over the next 10 years.	28.82
Singapore	Singapore announced four stimulus packages, the Unity, Resilience, and Solidarity and Budgets, between February and May 2020. These measures comprised cash pay-outs, grocery vouchers, utility rebates, suspension of loans and mortgages, and wage subsidies and totalled \$65 billion. Separately, a tourism campaign was also launched in July 2021 to assist the sector. This was supplemented with the \$27.135 billion COVID-19 Resilience Package in February 2021 aimed at rolling out a nationwide vaccination programme; jobs support; additional support for the aviation, arts, culture, and sports; and a relief fund for taxi and private hire drivers. The Singapore Green Plan, which was announced in 2021, aims to improve food security, address climate change, and promote clean energy with specific budgets set aside for transformation of the agri-food sector, electric vehicle-related initiatives, and green finance.	92.97
Thailand	Thailand rolled out four announcements between March and December 2020 totalling \$75.433 billion including measures such as soft loans; micro and SME wage subsidies; tax reductions; debt moratoriums; debt restructuring; unemployment compensation for workers covered by social security; cash handouts; skills training; income, excise, and tax deferments; land rental deferments; and health care support. Another package of \$30.974 billion was announced in January 2021 with additional handouts for workers in the informal sector, a budget to boost domestic spending and tourism, soft loans, debt relief, electricity and utility subsidies, and reduced land and building taxes.	106.41
Viet Nam	Viet Nam's stimulus packages were made over 2020 starting in March with deferments on taxes, land rentals, personal income tax payments, excise tax, support for vulnerable households, persons with meritorious revolutionary services, social protection beneficiaries, zero-interest loans up to 50% of regional minimum wage, and cash assistance for household businesses with taxable revenue of less than D100 million.	19.83

Sources: IMF, Policy Responses to COVID-19, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> (accessed 15 June 2021).

Due to the shocks on production, many people lost jobs and/or experienced declining incomes. ADB estimated that the pandemic pushed 4.7 million people in South-East Asia into extreme poverty in 2021, as 9.3 million jobs disappeared (ADB, 2022). Governments have thus been funnelling various types of support to impacted groups, especially the poor, the unemployed, micro and small and

medium-sized enterprises (SMEs), and some corporations. The support aims to stabilise the economy, help vulnerable groups, and protect enterprises from bankruptcy. Forms consist of direct cash transfers, various subsidies, tax allowances/exemptions, capital injections, soft loans, and health and education support (Table 1.2). Most fiscal support is targeted, but health care support – vaccines, medicines, and hospital care – has been universal.

Table 1.2: Fiscal and Monetary Policies in ASEAN Economies in Response to the COVID-19 Pandemic

Country	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Overall Fiscal Measures	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Health System Measures	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Income Support Measures for Individuals & Households, excluding tax & contribution charges		✓	✓		✓	✓	✓	✓	✓	✓
Tax & Contribution Policy Changes	✓	✓	✓	✓	✓		✓		✓	✓
Public Sector Subsidies to Firms	✓	✓			✓		✓	✓	✓	✓
Deferral of Taxes & Contribution & bringing-forward expenditure within current fiscal year	✓		✓	✓	✓	✓	✓	✓	✓	✓
Public sector loans or capital injections to firms	✓	✓		✓	✓	✓	✓	✓	✓	✓
Loan guarantee by the state, benefitting private borrowers					✓		✓			
Monetary policy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Prudential regulation	✓	✓		✓	✓	✓	✓		✓	✓

Lao PDR = Lao People’s Democratic Republic.

Note: Green cells indicate fiscal stimulus packages, and blue cells indicate monetary and financial sector policies.

Source: Authors.

COVID-19-related assistance has been provided by ADB, Asian Infrastructure Investment Bank, International Monetary Fund, and World Bank (Table 1.3). Six AMS – Cambodia, Indonesia, the Lao People’s Democratic Republic (Lao PDR), Myanmar, Philippines, and Thailand – have borrowed a total of \$15.6 billion from these entities.

Table 1.3: Estimated COVID-19 Stimulus Packages amongst ASEAN Countries from Multilateral Banks (\$ billion)

Country	ADB*	World Bank	AIIB	IMF	Total
Cambodia	0.250	0.021	0.125	0	0.396
Lao PDR	0.020	0.058	0	0	0.078
Indonesia	2.653	1.460	2.750	0	6.863
Myanmar	0.280	0.258	0	0.707	1.244
Philippines	2.758	1.600	1.050	0	5.408
Thailand	1.500	0	0	0	1.500
Viet Nam	0	0.084	0.100	0	0.184
Total	7.461	3.481	4.025	0.707	15.674

ADB = Asian Development Bank, IMF = International Monetary Fund, Lao PDR = Lao People's Democratic Republic.

Note: As of 31 May 2021.

Sources: IMF, Policy Responses to COVID-19, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> (accessed 21 June 2021) and ADB (2021).

The majority of this aid was used for immediate, short-term fiscal and monetary measures to accelerate economic recovery by (i) disbursing cash assistance to retrenched workers and vulnerable groups; (ii) supporting micro and SME operations; (iii) providing financial assistance and incentives to critical economic sectors, such as air transport and tourism; and (iv) strengthening emergency health responses, such as COVID-19 testing capacity and vaccine uptake (Martinus and Seah, 2020).

1.3. Progress of Vaccination in ASEAN Member States

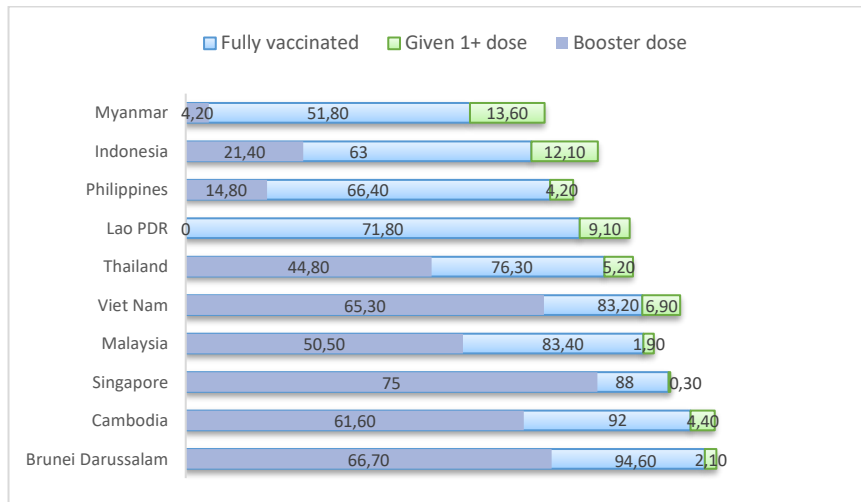
A surge of new COVID-19 cases in mid-2021 again highlighted the need to scale up vaccination programmes in South-East Asia. Many new infections involved the highly contagious Delta variant, and medical experts have warned that without greater vaccine coverage, more virulent strains could emerge, threatening the efficacy of the existing vaccines (ADB, 2021b).

Vaccination progress in Asia and the Pacific varies widely, with China and some smaller countries managing to administer 50 or more doses per 100 people, but around one-half of all economies in the region have administered fewer than 15 doses per 100 people, leaving them exposed to new virus outbreaks (ADB, 2021b). Countries of the European Union (EU), the United Kingdom (UK), and United States (US) – all of which have ample access to vaccines and high coverage rates – have seen a decline in hospitalisations and deaths, allowing them to ease containment measures to help reopen their economies.

The majority of AMS have fully vaccinated 70% of their populations, and five have had more than 50% of their populations boosted (Figure 1.1).

Figure 1.1: People in ASEAN Vaccinated against COVID-19, August 2022

(% of population)



Lao PDR = Lao People’s Democratic Republic.

Source: Bloomberg, Vaccine Tracker, <https://www.bloomberg.com/graphics/covid-vaccine-tracker-global-distribution/> (accessed 22 August 2022).

1.4. Reconnecting ASEAN +

COVID-19 forced many countries to implement lockdown policies, which also closed access to the entry and exit of goods. These actions resulted in a drop in the demand for containers, while the supply side was shocked because of this change. The sharp drop in demand led container carriers to cancel numerous sailings and to create blank sailings (i.e. a sailing that has been cancelled by the carrier) as well.

Moreover, a controlled COVID-19 response in China led to an increase in Chinese exports, resulting in a substantial number of empty containers in places such as Europe and North America. With the sudden additional shortfall incapacity due to the blank sailings, carriers became hard-pressed to repatriate the empty containers in combination with actual export cargo, causing container shortages in some places, especially Asia. Economic recovery also began to occur across the globe, causing an increase in the demand side for containers, which has not been balanced on the supply side due to container shortages. The unpreparedness of ports and carriers is resulting in port congestion and an extreme increase in freight rates.

Table 1.4: South-East Asia’s Micro, Small, and Medium-Sized Enterprises

Country	Latest Available Year	Enterprises (number)	% of Enterprises	Employees (number)	% of Employment	Contribution to GDP (%)
Brunei Darussalam	2019	5,990	97.30	64,517	55.6	27.0
Cambodia	2014	512,870	99.80	1,345,100	71.8	
Indonesia	2019	65,465,497	99.99	119,562,843	96.9	60.5
Lao PDR	2020	133,721	99.80	472,529	82.4	
Malaysia	2020	1,151,339	97.20	7,253	48.0	38.2
Myanmar	2019	75,116	89.90			
Philippines	2020	957,620	99.50	5,380,815	62.7	
Singapore	2020	279,700	99.50	2,360,000	70.4	42.8
Thailand	2020	3,134,442	99.50	12,714,916	71.7	34.2
Viet Nam	2019	651,138	97.40	5,681,518	37.5	

GDP = gross domestic product, Lao PDR = Lao People’s Democratic Republic, SMEs = small and medium-sized enterprises.

Notes:

1. Employment figures for the Lao PDR are for 2018.

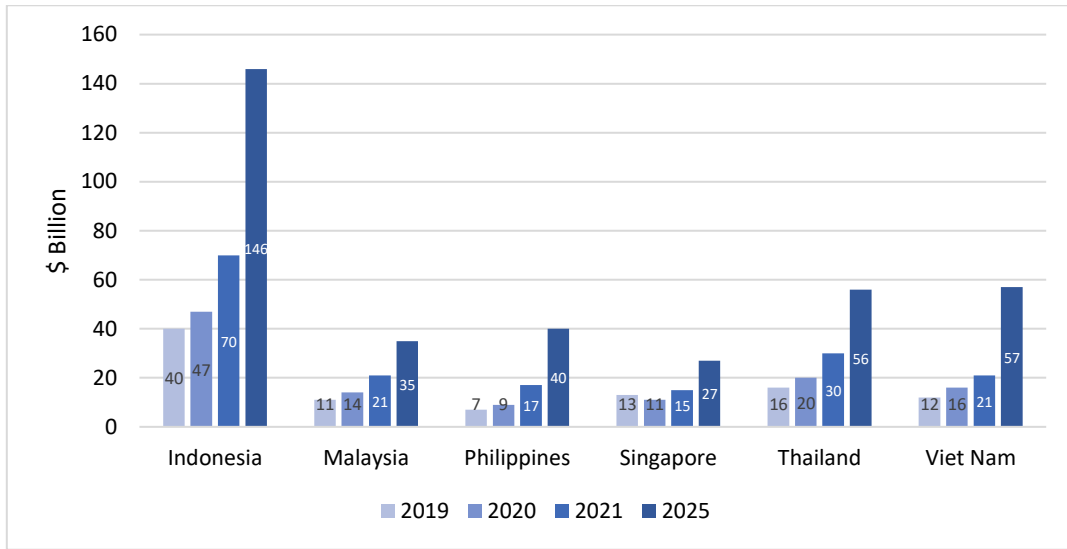
2. Figures for Singapore only cover SMEs, and the contribution to GDP refers to SME contribution to total enterprises nominal value added.

Source: ADB (2022).

Micro and SMEs are crucial economic contributors for AMS, providing the bulk of jobs, especially for low- to middle-income groups (ADB, 2022). About 97% and 82% of employment in Indonesia and the Lao PDR, respectively, are provided by micro and SMEs (Table 1.4). Micro and SMEs are thus too important to be neglected during economic crises, such as that caused by the pandemic, and these are often the last resorts for many new unemployed.

Those who lose jobs or experience declining income try to adjust their consumption behaviours, for example by eliminating the purchase of less-needed goods and services, reducing the quality and quantity of goods and services, and saving for future needs. This changing consumption pattern has multiplier effects. The prices of perceived essential health products, such as masks, hand sanitiser, and certain vitamins, have risen sharply due to a surge in demand. Production capacity could not adjust to this demand during the pandemic, especially when infection rates were high and lockdowns were imposed. With these mobility restrictions came the demand for essential goods and services transacted through online platforms and dispensed by delivery services. Not surprisingly, therefore, e-commerce transactions have been booming, with Indonesia having the highest increasing value market (Figure 1.2).

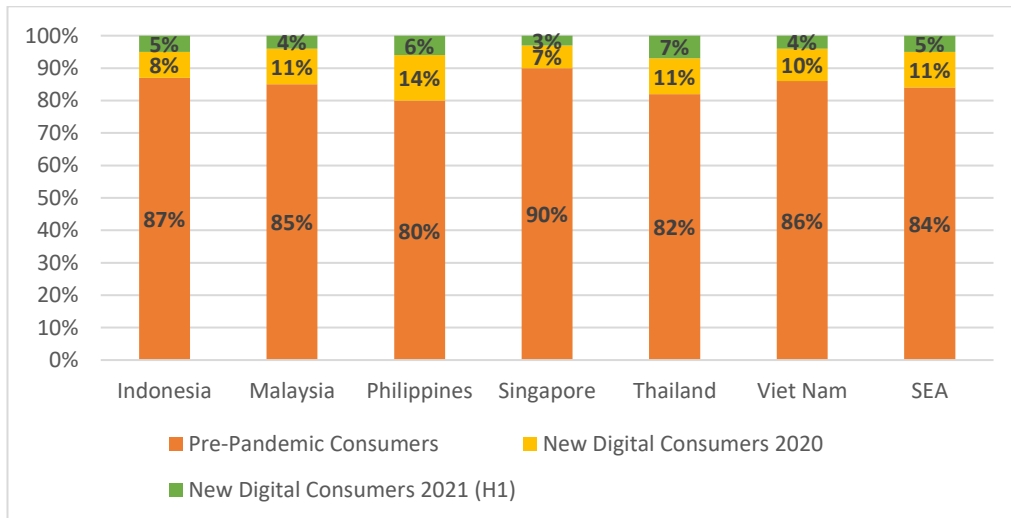
Figure 1.2: South-East Asia Internet Economy Gross Merchandise Value (\$ billion)



Source: Google, Temasek, Bain and Company (2021).

Some 40 million new consumers entered the South-East Asia digital market in 2020, and another 20 million in the first half of 2021, making the total number of South-East Asia digital consumers 350 million. This means that about 80% of total internet users in South-East Asia are digital consumers (Figure 1.3). Given the young demographic and increasing middle class, this number is projected to only increase.

Figure 1.3: Digital Consumers, Pre-Pandemic and Pandemic



SEA = South-East Asia.

Source: Google, Temasek, Bain and Company (2021).

Due to various restrictions, the air transport industry has greatly suffered along with tourism-related businesses such as hotels, restaurants, and entertainment during the pandemic. The number of air passengers has drastically dropped, impacting accommodation occupancy rates and related

businesses. In Asia and the Pacific, employment losses in the travel and tourism sector totalled \$34.82 million in 2020.² The total number of international air passengers in AMS declined to one-sixth of the previous year, from 331,621,000 in 2019 to 54,931,000 in 2020. The value of travel services in AMS declined from \$231.457 million in 2019 to \$58.373 million in 2020.³

1.5. Moving Forwards

The period before the pandemic was characterised by the digitalisation process, including for shopping, financial transactions, working, and communication. The pandemic then created momentum to accelerate this digitalisation process and has added more activities to it. The limitations on movement and physical interactions have pushed experts to create cheap and secure systems for digitalised documents – which has included the accelerated implementation of e-government in many countries. Additionally, telemedicine is now part of medical services in many cities.

Lockdowns also created a surging demand for online shopping, especially to fulfil basic and urgent needs, such as for groceries and health-related goods and services. About 60% of internet users in South-East Asia increased their spending, and 62% increased their shopping frequency for groceries online in 2021 compared to February 2020 (Google, Temasek, Bain and Company, 2021). About 35% of digital merchants believe that they would not have survived the pandemic if not for digital platforms (Google, Temasek, Bain and Company, 2021). Cashless and touchless payment systems have also become solutions to reduce virus spread once lockdowns are eased.

Regarding education and jobs, limited mobility has been countered by online classes and meetings and work-from-home schemes. However, productivity has been mixed due to differences in the characteristics of work/study subjects, support systems (especially hardware infrastructure and affordability), and agility or willingness to move from offline to online modes. The benefits are determined by the access (e.g. sufficient hard infrastructure), usage (e.g. reliable quality and affordable use), and productivity. A digital divide happens because of the differences in these three aspects across groups. It occurs not only between income classes but also between urban and rural areas, gender, and age groups.

The pandemic also emphasised the necessity of having a sufficient and reliable support system for e-commerce. Conducting online transactions still requires support from logistics systems, because most products need to be delivered physically to buyers' doors. A reliable and affordable logistics system – including shipping and local logistics transport – has thus become increasingly important. This is also a part of the support for micro and SMEs as dominant sellers in many developing economies. Challenges come from global and regional shipping disruptions, increasing energy prices, and higher inflation rates that weaken purchasing power.

² Statista, Employment Loss in the Travel and Tourism Sector due to the Coronavirus (COVID-19) Pandemic Worldwide in 2020 and 2021, by Region, <https://www.statista.com/statistics/1104835/coronavirus-travel-tourism-employment-loss/> (accessed 2 August 2022).

³ ASEANStats, Trade in Services, by Reporting Countries and Major Service Categories (in million US\$), <https://data.aseanstats.org/sits-by-reporters-and-services> (accessed 2 August 2022).

To help the tourism sector recover, AMS need to shift towards more sustainable tourism activities and, at the same time, allow COVID-19-safe travel activities. Amongst critical elements are safety regulations, a fast and affordable health-check system, appropriate health care responses, and a smart information system for travellers. Vaccination programmes should be dynamically evaluated and responsive to curb the pandemic situation. ASEAN also needs to strengthen cooperation and coordination in facilitating cross-border movement so that border control does not burden travellers. A transition towards a green transport system can solve many challenges, especially energy prices, climate-change mitigation, inclusiveness, and healthier cities.

As people become more familiar with digitalisation in most economic activities, AMS should move quickly to provide digital infrastructure and connectivity. This requires appropriate hard and soft infrastructure, facilitation and regulation, cybersecurity, sufficient capacity support, connectivity to global platforms, and cross-border e-commerce regional cooperation. Additionally, cooperation with large economies in the region – especially China and Japan – is essential to recovery efforts.

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