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How ASEAN Can Improve Its Response to the Economic Crisis Generated by the COVID-19 Pandemic: Inputs drawn from a comparative analysis of the ASEAN and EU responses

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Abstract: *This paper conducts a comparative review of the evolution of the economic crisis generated by the coronavirus disease (COVID-19) pandemic and the responses enacted by the Association of Southeast Asian Nations (ASEAN) and the European Union. It highlights differences and common elements in the strategic approaches, the intensity of the interventions, and governance structures. In the final section, it identifies short- and medium-term actions, inspired by the comparative analysis, which could contribute to improve the ASEAN response.*

Keywords: COVID-19, ASEAN; European Union; Regional economic recovery strategies

JEL Classification: I18, 057; 052, 053, P50

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1. Introduction

The coronavirus disease (COVID-19) pandemic has caused an economic crisis of global scale and a magnitude comparable to the Great Depression of the 1930s. So far, the response to the crisis has been mainly organised at the national level. International cooperation and coordination have been rather limited compared with what was observed during the global financial crisis of 2008–2009. The Association of Southeast Asian Nations (ASEAN) and the European Union (EU) have been the only two blocs that have developed a regional response to the crisis, coordinating and complementing actions taken at the national level.

The crisis – with the contraction of economic activity due to the introduction of restrictive measures, the collapse of several sectors that are highly dependent on the mobility of people, and a sudden surge in the demand for healthcare services and social protection schemes – has called for an immediate public response and a reorientation of public policies. Governments in developed as well as developing countries have introduced in short sequence a range of measures to provide income support to the segments of the population most affected by the crisis; and subsidies, loans, and credit guarantees to secure the continuity of productive activities, with a consequent dramatic expansion of public expenditures and fiscal deficits.

In spite of the massive number of public interventions, the crisis is expected to leave long-lasting scars. It is also expected to accelerate structural transformations that were previously under way, driven by digitalisation, the automation of productive processes, the diffusion of new technologies and artificial intelligence applications, the restructuring of global value chains, the move towards more sustainable consumption models, and the shift towards greener sources of energy.

Policymakers had to deal simultaneously with three main economic challenges: (i) managing the short-term impact of the crisis in terms of loss of income and employment and demand for public funding, (ii) setting the basis for engineering a short-term economic recovery, and (iii) designing and implementing a plan to manage the medium-term structural transformations put in motion by the crisis.

This paper aims at conducting a comparative review of the responses to the economic crisis put in place by ASEAN and the EU, with the objective of presenting suggestions on how ASEAN could improve its short- and medium-term responses to the crisis and better shape the economic recovery phase.

The analysis shows that, while ASEAN and its Member States have managed the short-term challenges quite well, they may be moving too slowly in dealing with the medium- and long-term challenges of the recovery phase, due to ASEAN's institutional framework, consensual-based approach, and lack of regional financial instruments to steer and support regional plans.

Section 2 and 3 present a brief overview of the impact of the economic crisis generated by the COVID-19 pandemic at a global level and the global response to the crisis, focusing on the role played by the group of the 20 largest economies (G20), in order to provide the overall context in which regional responses have been developed. Section 4 reconstructs the evolution of the crisis and analyses the responses of the EU and ASEAN during the initial phase of the pandemic, from February to September 2020. This is followed by a review of the actions taken by the two regional blocs to plan and steer the economic recovery phase in section 5. Section 6 compares the ASEAN and EU responses, while section 7 presents suggestions on how ASEAN could improve its medium-term recovery actions.

The crisis is too recent for comprehensive data and information to be available. Therefore, the paper relies mainly on data and information contained in reports produced by international financial institutions monitoring the evolution of the crisis and the official websites of the ASEAN Secretariat and EU institutions.

Mass vaccination against COVID-19 started at the beginning of 2021. The end of the acute phase of the epidemic may be finally in sight, but the challenges involved in steering the economy out of the crisis remain extremely high in the ASEAN region, the EU, and at a global level. The aim of this paper is to contribute to the policy debate towards the design and implementation of innovative and effective policy measures for the recovery phase.

2. How the COVID-19 pandemic has hit the global economy and derailed medium-term economic growth perspectives

As COVID-19 infections spread from China to East and Southeast Asia and progressively to the rest of the world during the first quarter (Q1) of 2020 – growing exponentially and reaching the scale of a global pandemic unseen since the Spanish flu epidemic of more than 100 years ago – global economic activity ground to a halt.

By the middle of Q2 2020, the world economy had entered into a recession phase, deeper and more generalised than that experienced during the global financial crisis (2007–2009). After more than a year from the beginning of the pandemic, expectations in Q3 2020 were that the economic recovery, at a global level, would be ‘a long and difficult ascent’, echoing the title of the International Monetary Fund (IMF) *World Economic Outlook* of October 2020 (IMF, 2020c), with global output likely to return to pre-crisis levels only in 2022.

The impact of the COVID-19 pandemic on the global economic trajectory has been drastic. Only in January 2020, before the spreading of the pandemic, the IMF was forecasting a generalised increase in global economic activity to an annual growth rate of 3.3% in 2020, after the moderate slowdown suffered in 2019 (+ 2.9%) (IMF, 2020b).

One year later (January 2021), the IMF estimated that world output contracted by 3.5% in 2020 (IMF, 2021) compared with 2019, revising earlier more pessimistic projections and reconsidering the impact of the actions taken by governments across the world to contain the pandemic and support national economies.

While the speed of the economic deceleration, in the initial phase of the pandemic up to May 2020, was quite similar across Asia, Europe, and the United States (US), the subsequent economic conditions varied considerably across macro-regions and even across countries within the macro-regions, reflecting the spread and intensity of the pandemic and the different types of health and economic responses adopted by the various governments.

By Q3 2020, Europe and North and South America were experiencing a second epidemic wave of high intensity and South Asia was struggling to contain the first wave, while Africa and the Middle East, with a number of notable exceptions, were experiencing lower infection rates.

The evolution of the pandemic in East and Southeast Asia was significantly different. By the second half of 2020, the COVID-19 epidemic was brought broadly under control across the region. While a number of East Asian countries were able to effectively control the number of cases in the community, others (e.g. Indonesia, Malaysia, Myanmar, and the Philippines) had to deal with diffuse domestic clusters (Worldometer, n.d.), but the number of reported cases remained substantially lower than those recorded in Europe and the US during the same period. There have been no signs or only moderate signs of a second wave in Southeast Asia and China, while Hong Kong and the Republic of Korea (henceforth, Korea) saw a moderate surge in the number of infections starting in November 2020.

This situation has led international organisations to project different economic recovery paths. According to IMF projections (IMF, 2021), the recession is expected to be shorter and less severe and the recovery stronger and more widespread in emerging and developing Asia, with an aggregate gross domestic product (GDP) contraction of 1.1% in 2020, followed by an 8.3% expansion in 2021, led by relatively strong performance of the Chinese economy (+2.3% in 2020 and +8.1% in 2021). According to the same report, the ASEAN 5² economies suffered a contraction of 3.7% in 2020 and they are expected to register 5.2% GDP growth in 2021, followed by a 6.0% expansion in 2022.

The US, Japan, and the EU are instead expected to suffer a longer and deeper recession and a weaker recovery. The launch of a massive COVID-19 vaccination campaign in January 2021 is expected to accelerate the recovery path. While the US is on the way to record a strong recovery in 2021 and 2022, the EU and Japan are not expected to recover their GDP losses due to the crisis before the end of 2022 (IMF, 2021b).

Significant differences in growth performance were also projected within ASEAN, as shown in Table 1.

² Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam.

Table 1: Annual GDP Growth Rates in Southeast Asia

| Country | 2019 | 2020 December 2020 update | 2021 December 2020 update |
|----------------|-------------|--|--|
| Southeast Asia | +4.4 | -4.4 | +5.2 |
| Indonesia | +5.0 | -2.2 | +4.5 |
| Malaysia | +4.3 | -6.0 | +7.0 |
| Philippines | +6.0 | -8.5 | +6.5 |
| Singapore | +0.7 | -6.2 | +5.1 |
| Thailand | +2.4 | -7.8 | +4.0 |
| Viet Nam | +7.0 | +2.3 | +6.1 |

GDP = gross domestic product.

Source: ADB (2020), *Asian Development Outlook, Supplement – December 2020*. Manila: Asian Development Bank. <https://www.adb.org/sites/default/files/publication/658721/ado-supplement-december-2020.pdf> (accessed 14 February 2021).

The COVID-19 pandemic is expected to leave long-lasting scars in the economic structure. At the global level, there has been a major expansion in public expenses, with worldwide direct tax and spending measures announced and implemented being estimated by the IMF (2020c) at \$6.0 trillion, leading to a sharp surge in public debt.

While fiscal expansion has been a crucial element in containing the immediate negative impact of the crisis, over the medium term it may reduce the fiscal room to finance public investment in areas such as education, health, research and development, and the transition to a greener economy. The crisis has also led to major job losses,³ which have had a disproportionately negative impact on women and young entrants to the labour market, and led to an increase in income inequality, particularly in less advanced countries – reversing recent poverty reduction trends.⁴

³ The International Labour Organization, through the analysis of working hours data, estimated that 225 million full-time jobs were lost in Q2 2020 compared with Q4 2019 (ILO, 2021).

⁴ The World Bank projected that an additional 88 million–115 million people would fall into extreme poverty (less than \$1.90 per day) in 2020, bringing the total to 703 million–729 million. World Bank (n.d.), Poverty Overview. <https://www.worldbank.org/en/topic/poverty/overview> (accessed 14 February 2021).

3. Policy response to the COVID-19 economic crisis at the global level

At the onset of the global financial crisis (2008–2009), the G20 assumed a leading role and a largely effective role in coordinating government interventions.

G20-sponsored initiatives contributed to creating the conditions for the resolution of the financial and banking crisis, or stimulating the economic recovery and promoting the international adoption of financial sector reforms. G20 finance ministers and central bankers worked in close communication, with a remarkable level of mutual trust.

By contrast, the G20 has played, so far, a more limited coordinating role in managing the international response to the COVID-19 health and economic crisis. While national fiscal stimulus packages introduced during the COVID-19 crisis have been significantly larger than during the global financial crisis (see Atlantic Council (2021)) – about 20% of the combined GDP of the advanced economies in October 2020 – the willingness to engage in global policy coordination by the leading G20 countries has been subdued. The extent of the consultations and the cooperation amongst the G20 finance ministers and central bankers has also been much more limited.

The leaders' statements issued at the conclusion of the extraordinary online summit in March 2020 and the annual summit in November 2020, conducted under the presidency of Saudi Arabia, contained general calls for greater global cooperation in addressing the health and economic crisis generated by the COVID-19 pandemic, but with few concrete proposals.

The main G20 economic initiative has been the launch of the Debt Service Suspension Initiative, allowing highly indebted low-income countries to postpone debt repayment on loans from G20 governments and international financial institutions until June 2021 and to spread repayments over 6 years (Wheatley, 2020). Amongst the ASEAN Member States (AMS), Cambodia, the Lao People's Democratic Republic (Lao PDR), and Myanmar may be eligible for Debt Service Suspension Initiative support.

The G20 has also supported emergency lending by international financial institutions. The IMF is mandated to cover external financing needs by emerging economies, with about \$100 billion already committed through the doubling of the access to its Rapid Credit Facility and Rapid Financing Instrument. Amongst the AMS, only Myanmar has applied for emergency IMF financing for a total of \$356.5 million (IMF, 2020a).

The World Bank is providing \$160 billion over 3 years for the financing of projects to address the health, economic, and social shocks caused by the COVID-19 pandemic. In 2020, six AMS (Cambodia, Indonesia, the Lao PDR, Myanmar, the Philippines, and Viet Nam) signed projects addressing the COVID-19 emergency for a total of more than \$1.47 billion.⁵ Additional financing has been provided by regional development banks. The Asian Development Bank (ADB) has approved a number of projects and technical assistance programmes supporting local communities and urban centres, and financing vaccination programmes open to all the eligible AMS.

The international community faces three main concurrent global challenges: a health crisis generated by the COVID-19 pandemic, a global economic and financial crisis associated with the epidemic, and an environmental crisis linked to global warming. National measures are a necessary, but insufficient, element for addressing challenges that have a global dimension. Over the last few years, the level of trust and the intensity of cooperation at the international level, and in particular within the G20, has been progressively eroded, due largely to the US–China tensions.

Without decisive actions to rebuild mutual trust and without strong initiatives supported by a large international consensus, the role of the international community in responding to the ongoing crisis will be further limited.

Overall, the global response to the COVID-19 health and economic crisis has been limited and, particularly in the first phase of the epidemic, it has been essentially conducted at the national level, with two notable exceptions: ASEAN and the EU. The approaches pursued by the two entities differ greatly in terms of

⁵ World Bank (n.d.), ‘Responding to COVID-19 in East Asia and the Pacific’, *Brief*. <https://www.worldbank.org/en/programs/multi-donor-trust-fund-for-integrating-externally-financed-health-programs/brief/responding-to-covid-19> (accessed 14 February 2021).

strategic guidelines and financial commitments, reflecting the different intensity of the crisis in the regions and the institutional framework of the two regional entities.

The following sections will review and compare the actions taken by the EU and ASEAN in the context of the COVID-19 crisis, during the acute phase of the epidemic and in planning and supporting the economic recovery phase.

4. Regional economic responses during the initial phase of the pandemic (January–September 2020)

For regional blocs such as ASEAN and the EU, which pursue a strategy of increasing economic integration and place great emphasis on intra-regional connectivity, the COVID-19 pandemic suddenly introduced new threats:

- From its onset, the crisis risked bringing to a halt and even derailing the process of economic integration and the functioning of a common market.
- The process of economic convergence, promoted by higher economic integration, was interrupted – widening income gaps within each bloc. The crisis could also set the conditions for a prolonged phase of economic and financial instability and economic stagnation, linked to the surge in public debt stocks and trade and fiscal imbalances.
- Some of the activities driving the economic integration process and having a significant employment impact – such as productive activities integrated in global value chains, passenger air transport, tourism, hospitality, and exhibition and event organisation – were highly disrupted by the spread of the COVID-19 pandemic. The recovery of those sectors forcibly requires a high level of regional and international cooperation.

While the two blocs faced common threats and challenges, the ASEAN and EU responses to the economic crisis generated by the COVID-19 pandemic differed greatly in terms of approach, instruments, and scale. Those differences were largely determined by the different institutional frameworks, the presence or not of common financial instruments readily available to support the economies of the member states/countries, and the degree of macroeconomic policy coordination and monetary integration reached by each bloc.

4.1. The ASEAN response in the early phase of the crisis

The ASEAN region was one of the first to be reached by the COVID-19 pandemic. The first COVID-19 infection in an AMS was detected in Thailand on 13 January 2020. The epidemic spread quickly through Southeast Asia, with early cases appearing in Singapore and Viet Nam as early as 23 January, well before the World Health Organization categorised the COVID-19 as a global pandemic and called for a global response.

Within 2 months from the early case detections, the entire region was suffering from a surge in COVID-19 cases that led several countries by early March to impose entry bans on travellers from several AMS. After the initial surge, the epidemic was brought under control in most of the AMS and the region has recorded one of the lowest mortality rates per 100,000 inhabitants in the world.

Looking back at the evolution of the pandemic in ASEAN and other regions since the beginning of 2020, it appears that the response to the health challenge put in place by most of the AMS has been vigorous and, mostly, effective. Countries such as Malaysia, Thailand, Singapore, and Viet Nam have been at the forefront of developing case tracing and tracking systems, supported by digital applications, and in breaking COVID-19 transmission chains.

On average, AMS appeared to be better prepared to manage the epidemic emergency than other countries at the same stage of economic and institutional development. The AMS seemed to have learned from the experiences accumulated during recent epidemic episodes (severe acute respiratory syndrome (SARS) and swine flu (H1N1)) that had a major impact on Asian countries. The generally responsible behaviour of AMS citizens, who were ready to adopt measures restricting personal freedom to protect collective health, also contributed to containing the impact of the crisis.

Before the onset of the COVID-19 economic crisis, ASEAN economies experienced a prolonged phase of relatively stable economic growth, with an aggregate ASEAN GDP growth rate of 5.3% in the decade prior to 2019 (OECD, 2019). The COVID-19 crisis hit the ASEAN economies on several fronts. The initial impact came through the disruption of global value chains, particularly

chains that had ramifications in Hubei and other Chinese regions more directly affected by the health crisis.

The next steps in the crisis were due to the collapse in demand for tourism, hospitality, and event services; a sharp decrease in retail sales; a fall in the price of some of the commodities exported by the region; and later, the effects of a generalised decrease in demand in some of the region's main export markets.

Regional economic growth was brought to a halt in the first half of 2020, with several AMS recording a sharp drop in economic activity at the end of Q1 2020 and the first 2 months of Q2 2020.

May 2020 proved a turning point, with most of the AMS experiencing a relatively strong recovery that continued in the second half of the year, led by a surge in manufacturing activity, as indicated by the sharp increase in the Manufacturing Purchasing Managers Index,⁶ while activity in the service sector remained largely depressed.

In line with the global experience, the initial response to the economic crisis in the ASEAN region was mainly conducted at the national level, with ASEAN playing a role as a platform for the exchange of information and experiences, but with no direct operational role.

The AMS have introduced a wide range of measures to control the spread of the virus, with differentiation, also within nations, determined by the intensity of the epidemic, the level of population concentration, and the presence of a large informal sector.

Singapore, Malaysia, Indonesia, and the Philippines applied strict measures, ranging from different forms of lockdowns and limitations to people's movement, to restrictions on access to person-to-person services, while promoting remote work wherever possible.

Brunei, Thailand, and Viet Nam adopted targeted measures to control the epidemic. The three countries managed to avoid the introduction of generalised restrictive measures. Cambodia, the Lao PDR, and Myanmar, with a larger share of

⁶ The Manufacturing Purchasing Managers Index recorded the following changes from Q2 to Q3 2020: Thailand: 36.8 to 49.7; Malaysia: 34.3 to 52.3; Indonesia: 27.5 to 50.8; and Viet Nam: 32.7 to 45.7 (ADB, 2020).

population living in rural areas and having to deal with a large informal sector and thin social safety nets, instead introduced mild restrictive measures.

All the countries faced the difficult dilemma of having to choose between protecting the health of the population and the economy. Countries with more fiscal room and with social protection systems already in place had more options at their disposal.

Less developed AMS have avoided lockdowns and kept the economy running, although at a lower rate of activity. They had more limited fiscal room and they were conscious that restrictive measures would have directly hit the most vulnerable sections of the urban population, cutting a large number of families from sources of economic subsistence and pushing them below the poverty line.

Across the region, barriers have been imposed on the cross-border movement of people – negatively affecting tourist activity, migrant workers, and to a lesser extent, business trips.⁷ The size of the stimulus packages introduced by a number of AMS has been very significant and comparable to those introduced by OECD countries.⁸ However, in a marked difference from the EU, most AMS had a relatively low public debt–GDP ratio at the beginning of the crisis (40%–60%) and faced no substantial issues in financing the additional public debt.

The AMS-supported measures consisted mainly of a mix of direct income subsidies, and tax and rent deferrals. Compared with the mix of support measures adopted in the EU, the recourse to furlough schemes to provide temporary employment protection has been much lower. Prominent economists⁹ have highlighted how furlough schemes, which are highly effective but also highly expensive in the short term, risk impeding the necessary adjustments and reallocation of the workforce across sectors generated by the crisis.

⁷ For more information on the measures introduced in the initial phase of the pandemic at the country level, please consult Djalante et al. (2020).

⁸ As of June 2020, the packages were estimated to total \$48 billion in Indonesia (4.3% of 2019 GDP), \$68.2 billion in Malaysia (19% of GDP), \$30 billion in the Philippines (8.4% of GDP), \$66 billion in Singapore (19.2% of GDP), and \$63.8 billion (12.3% of GDP) in Thailand (Zen and Kimura, 2020).

⁹ See Krugman (2020) and Summers (2020).

In the very initial phase of the crisis, ASEAN played essentially a coordination role and acted as a platform for the exchange of experiences and information amongst the AMS, as indicated in Table 2.

In April 2020, however, ASEAN took a first significant step towards more proactive regional intervention to address the consequences of the COVID-19 crisis with the establishment of the COVID-19 ASEAN Response Fund (ARF).

Table 2: Timeline of Key ASEAN Responses to COVID-19

| | |
|------------------|---|
| 31 December 2019 | First COVID-19 case was announced in Wuhan, China |
| 19 February 2020 | Joint statement by the ASEAN Defence Ministers on Defence Cooperation Against Disease Outbreak, from their meeting in Viet Nam |
| 20 February 2020 | The ASEAN Coordinating Council held a Special Meeting on 20 February 2020 in Vientiane, Lao PDR to discuss follow-up actions to the ASEAN Chairman’s Statement on the ASEAN collective response to the outbreak of COVID-19 |
| 9 March 2020 | ASEAN health sector sustains cooperation in responding to COVID-19 |
| 10 March 2020 | Strengthening ASEAN’s Economic Resilience in Response to The Outbreak of The Coronavirus Disease |
| 13 March 2020 | ASEAN senior health officials enhance regional collective actions against the COVID-19 pandemic |
| 7 April 2020 | Joint statement from a special video conference of the ASEAN Plus Three Health Ministers on enhancing cooperation on the COVID-19 response |
| 9 April 2020 | Joint statement from a special video conference of the ASEAN Health Ministers on enhancing cooperation on the COVID-19 response |
| 10 April 2020 | ASEAN ministers endorse new COVID-19 ASEAN Response Fund |

| | |
|---------------|--|
| | Policy brief on the economic impact of the COVID-19 outbreak on ASEAN released |
| 13 April 2020 | Joint statement from a special video conference of the ASEAN Plus Three Health Ministers on enhancing cooperation on the COVID-19 response |
| 14 April 2020 | Declaration of the special ASEAN Summit on COVID-19 A series of ASEAN and other countries' activities |
| 17 April 2020 | ASEAN and Italian health experts exchange experiences in combating COVID-19 |
| 21 April 2020 | China donates medical supplies to the ASEAN Secretariat for COVID-19 prevention |
| 22 April 2020 | ASEAN and China reaffirm their commitment to forge closer cooperation at the ASEAN–Australia Health Experts' Meeting on COVID-19 |
| 23 April 2020 | ASEAN–Japan Economic Ministers' Joint Statement on Initiatives on Economic Resilience in Response to the COVID-19 Outbreak |
| 24 April 2020 | Co-Chairs' Statement of the Special ASEAN–United States Foreign Ministers' Meeting on COVID-19 |
| 29 July 2020 | ASEAN–Australia Health Experts' Meeting on COVID-19 |

ASEAN = Association of Southeast Asian Nations, COVID-19 = coronavirus disease, Lao PDR = Lao People's Democratic Republic.

Source: Djalante et al. (2020).

4.2. The COVID-19 ASEAN Response Fund

The establishment of the ARF, proposed by Thailand and supported by the Vietnamese chair, was endorsed by the ASEAN Ministers of Foreign Affairs via video conference on 9 April 2020. Subsequently, the initiative was presented to the online ASEAN Summit held on 14 April 2020 and, on the same date, the ASEAN Plus Three Summit including the leaders of China, Japan, and Korea.

The primary objective of the ARF is to 'serve as a pool of financial resources to provide support to ASEAN Member States in the detection, control and prevention of COVID-19 transmission and in protecting the safety of medical

professionals, healthcare workers, frontline workers, and the wider population from ASEAN Member States' (ASEAN, 2020c: 1).

The fund is also expected to:

'be made available to support cooperation in research and development relevant to COVID-19, including research on virology, immunology, and other relevant studies, or research relevant to the development of medical treatments and preventive vaccines; technical support in the planning and implementation of containment and mitigation measures; sharing of best practices; as well as capacity and capability-building of health professionals and other frontline personnel' (ASEAN, 2020c: Objective 4).

The ARF is financed by voluntary contributions from AMS and the ASEAN Dialogue Partners, sectoral dialogue partners, and development partners.¹⁰ The first capital contribution was provided by the ASEAN Development Fund. The total capitalisation of the fund has not been defined. All AMS will have equal access to the fund and the ARF will operate as a trust fund under the management of the ASEAN Secretariat.

4.3. The EU initial response to the economic crisis

The COVID-19 pandemic had an immediate major negative economic impact in the EU, with a contraction in economic activity together with a sudden surge in public expenditures and a drop in tax revenues. This toxic combination posed major threats to macroeconomic stability, particularly of the members of the eurozone.¹¹ Fiscal guidelines adopted in 1999 significantly restricted the ability of European countries to run large public sector deficits. The rules were particularly stringent for the countries with a high stock of public debt, restricting their ability to come

¹⁰ Members of the ASEAN Dialogue Partnership: Australia, Canada, China, the EU, India, Japan, Korea, New Zealand, Russia, and the US. Sectoral dialogue partners: Pakistan, Norway, Switzerland, and Turkey. ASEAN development partners: Germany and Chile.

¹¹ The eurozone comprises 19 EU countries that have adopted the euro as their common currency: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain. The European Central Bank manages the eurozone's monetary policy.

up with a strong response. In addition, a sudden surge in the cost of public debt financing could have destabilised the weaker member countries.

Therefore, the initial economic response of the EU to the COVID-19 crisis had two main priorities: (i) increasing the EU member countries' fiscal room by suspending EU fiscal rules and (ii) preserving regional macroeconomic stability by lowering the cost of public debt financing and providing liquidity to the banking sector.

At the macroeconomic level, the policy adjustment had two major components – a fiscal one and a monetary one.

At the onset of the crisis, the European Commission suspended the Stability and Growth Pact (SGP) in place since January 1999, directed at limiting excessive budget deficits by EU member countries. The temporary suspension, due to last at least until the end of 2022, allows member countries to finance immediate interventions to cushion the economy from the most drastic consequences of the crisis, through the introduction of publicly funded programmes.

Those programmes included a significant increase in public health spending, the financing of furlough and income support schemes, and the introduction of measures for emergency enterprise financing and the extension of public credit guarantees.

As direct emergency support, the European Commission launched a new temporary instrument, the Support to mitigate Unemployment Risks in an Emergency (SURE), with a total allocation of €100 billion (\$121.9 billion) to fund long-term loans to EU member countries for providing unemployment subsidies and supporting social protection schemes during the COVID-19 crisis. At the end of November 2020, €87.9 billion (\$107.1 billion) had been transferred to EU member countries.

Projected national budget deficits quickly surged well beyond the threshold fixed in the SGP,¹² and the aggregate public deficit in the EU 27 member countries reached 11.0% of the EU GDP in Q2 2020 – a dramatic reversal from the near balance recorded in Q4 2019. Correspondently, the stock of outstanding EU public

¹² The thresholds set in the EU SGP are 3% of the national GDP for countries with a stock of public debt below 60% of the country GDP, and lower for other cases.

debt increased by 8 percentage points during the first 6 months of 2020 to 87.8% of the EU GDP (95.1% of the eurozone GDP), reaching critical levels in a number of eurozone countries (Eurostat, 2021),¹³ and thus threatening the eurozone's macro-stability.

From the onset of the crisis, the European Central Bank (ECB) intensified its bond-buying programme (part of its quantitative easing policy) with an additional injection of €120 billion (\$146.2 billion) from March 2020 and the launch in the same month of the Pandemic Emergency Purchase Programme, valued at €1,350 billion (\$1,584.7 billion). At the same time, the ECB revised the pricing and structure of its long-term refinancing operations, with a further cut in the key reference interest rates, well into negative ground (i.e. the ECB deposit facility rate was set at -0.5%) (Lane, 2020).

The combined effects of the two initiatives contributed to (i) avoiding a credit crunch within the eurozone, (ii) creating positive conditions for the purchase of the public debt issue by national EU governments through financial intermediaries, and (iii) reducing interest rates on public debt. This contributed to the smooth functioning of the public bond markets.¹⁴

In addition to the ECB interventions, the EU's development bank – the European Investment Bank – launched the Pan-European Guarantee Fund in April 2020, supported by capital injections from the EU member countries, with capital of €25 billion (\$32.2 billion). The guarantee is expected to mobilise up to €200 billion (\$258.1 billion) in corporate loans, with 65% of the loan portfolio expected to be made through loans to small and medium-sized enterprises (SMEs) (EIB, 2020).

In a move that resembles the aims of the ARF, the European Commission activated an emergency credit facility (the Enhanced Conditions Credit Line (ECCL)) to finance direct and indirect healthcare, cure, and prevention related costs

¹³ For instance, the public debt stock reached 187.4% in Greece and 149.1% in Italy at the end of Q2 2020 (Eurostat, 2021).

¹⁴ The reduction in the difference between the market interest rates on Italian and German 10-year bonds, which dropped from a peak of 242 basis points on 5 May 2020 to 114 basis points on 27 November 2020, is indicative of the impact of the ECB bond purchasing programmes (<https://www.investing.com>, accessed on 28 November 2020).

due to the COVID-19 crisis. The funds have to be spent over a period of 3 years from the allocation.

The facility allows EU member countries to borrow from the European Stability Mechanism (ESM),¹⁵ with the same conditions as the ESM. As the ESM enjoys a strong credit rating (rated AAA/Aa1 by Standard & Poor's), the lending conditions are attractive for eurozone countries with a lower credit rating. At the end of 2020, 10 eurozone countries were in this situation. The ECCL has a total allocation of €240 billion, but no EU country had applied for funding by the end of 2020.

5. Recovery phase measures

As the expectations of a quick recovery faded and the full impact of the economic crisis started to emerge, policymakers in the EU and the ASEAN region realised that national efforts would not be sufficient to restore economic growth and employment, as the crisis impacted all major trading and investment partners simultaneously. In addition, there were indications that the crisis was accelerating structural changes already under way, including a redefinition of the global value chains maps, the diffusion of new digital technologies and artificial intelligence applications, and the transition towards a greener economy.

The crisis hit ASEAN in the central period of the implementation of its Vision 2025, and it has been seen by ASEAN Leaders as a powerful threat to the ASEAN integration process and to the positioning of the region at the criss-cross of global innovation and production networks. The crisis risked undermining the achievement of the objectives set in the ASEAN Economic Community Blueprint 2025 (ASEAN, 2016), which were reaffirmed in the ASEAN Chairman's statement at the 37th ASEAN Summit (ASEAN, 2020a).

Within the EU, there was broad consensus around the view that the crisis could have a dramatic impact on the economic convergence process, which was already undermined by the sovereign debt crisis (2011–2013), and that it could lead

¹⁵ The EU established the ESM in 2012 in the aftermath of the eurozone sovereign debt crisis to support eurozone countries in situations of financial distress.

to social and political tensions to the advantage of sovereigntist movements opposing further EU integration.

One of the crucial effects of the crisis has been to facilitate the formation within the EU Council of a broad consensus on how to speed up and steer the recovery phase, after several years of dissent between a group of northern European countries pushing for fiscal austerity and an opposing group of mainly southern European countries promoting fiscal stimulus and demand-driven policies to reduce high unemployment levels.

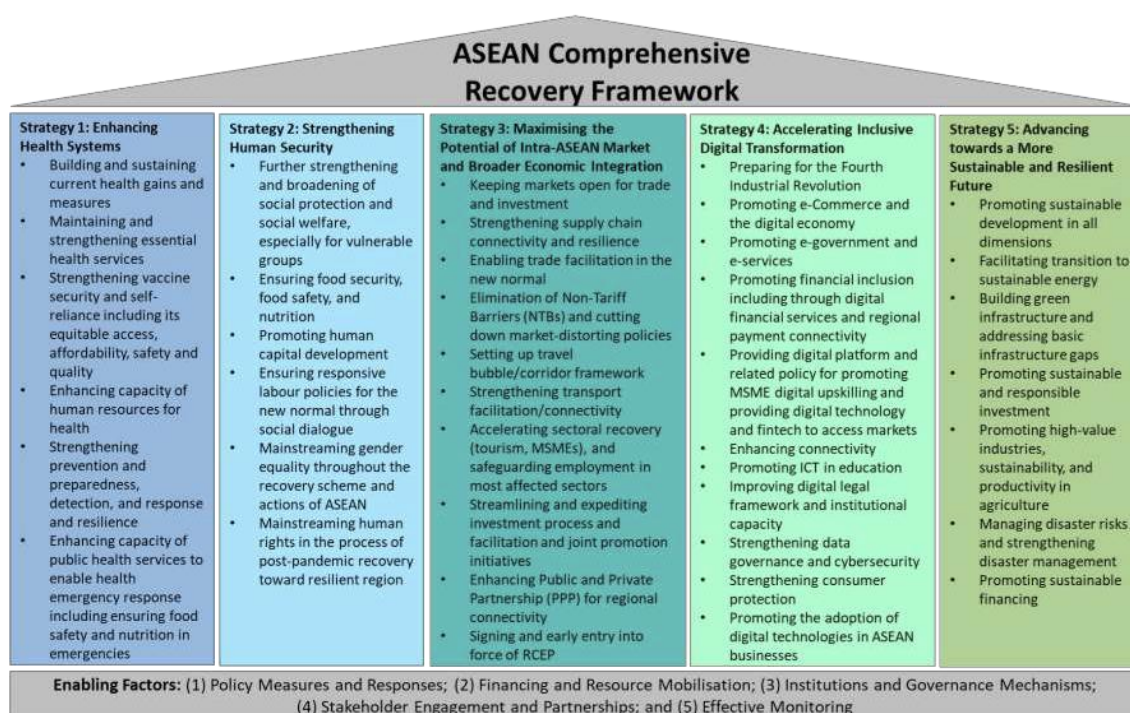
The consensual view called for using the COVID-19 crisis to speed up structural transformation within the EU, in line with the medium-term objectives set by the new leadership of the European Commission (green transformation, digitalisation, technological upgrading, and social inclusiveness), in particular to reverse the negative trend in public investment resulting from nearly a decade of fiscal austerity.

Therefore, from the middle of 2020, while still fully engaged in coping with the multiple short-term impacts of the crisis, political and economic leaders in the two regions have been actively working on the elaboration of medium-term regional economic recovery plans.

5.1. The ASEAN medium-term recovery response

After approving the ARF, ASEAN took a second major step towards a proactive regional approach to overcome the COVID-19 crisis with the elaboration of the ASEAN Comprehensive Recovery Framework (ACRF) and the launch of its implementation plan (ASEAN, 2020c). The ASEAN Leaders adopted the two documents at the ASEAN Summit held (virtually) in Ha Noi on 13 November 2020. The ACRF aims at coordinating the exit strategy from the COVID-19 crisis at the level of the ASEAN Community, articulating the ASEAN response through the different stages of recovery – reopening, recovery, and resilience – with a focus on assisting the segments of the population and sectors most affected by the pandemic. The framework encompasses five broad strategies, as illustrated in Figure 1.

Figure 1: ACRF – Broad Strategies, Key Priorities, and Enabling Factors*



ASEAN = Association of Southeast Asian Nations; ICT = information and communication technology; MSMEs = micro, small, and medium-sized enterprises; RCEP = Regional Comprehensive Economic Partnership.

* Adopted at the 37th ASEAN Summit.

Source: ASEAN (2020b).

The ASEAN Secretariat has highlighted that the financing needs for the implementation of the ACRF will go well beyond the funding capacity of the ARF. Without a significant increase in the capitalisation of the ARF, resources for the implementing of the ACRF will have to come from the reallocation of investment funds already allocated in national investment plans and/or by tapping new multilateral and bilateral financing sources.

The governance of the ACRF is assigned to the sectoral bodies in charge of each strategic area. A major coordinating role is expected to be performed by the ASEAN Coordinating Council Working Group on Public Health Emergencies, established ‘to ensure a coordinated, cross-pillar and cross-sectoral ASEAN response to the COVID-19 crisis’ (ASEAN, 2020b: 44).

The ASEAN strategy is to return the region to a sustainable development path, while managing short-term emergencies and accelerating medium-term structural transformations, without changing the consensual approach that defines

the ASEAN Way. As stated in the ACRF, ‘recovery is not only about overcoming the virus; but also about enabling ASEAN to bounce back better and build a resilient future’ (ASEAN, 2020c: 6).

5.2. The EU recovery response

The EU medium-term response has adopted a more transformational approach. From the operational point of view, the main initiative concerning the recovery phase launched by the EU has been the addition of a new pillar to the range of EU structural funds through the establishment of a new EU instrument – the Next Generation EU (NGEU).

The initiative is remarkable for its size (€750 billion or \$968 billion) and for being a major departure from the long-standing financing approach and from the fiscal policy adopted by the EU. For the first time, resources to capitalise the NGEU will be raised directly by the European Commission through the issue of sovereign European bonds placed in financial markets.

All previous EU financing instruments have been funded through allocations from the EU budget, financed directly by the EU member countries or from the issue of bonds guaranteed by the EU member countries, with few exceptions. The repayment of the new sovereign European bonds will come from a new set of pan-European taxes managed directly by the European Commission, not yet defined.

The European Commission has also called on EU member countries to come up with enhanced public investment plans, to be financed by a combination of resources from the NGEU, other EU financing instruments coming from the ordinary EU budget, and national budgets, reversing a previous policy giving priority to the containment of national budget deficits.

The NGEU is due to function side by side with instruments already operated by the European Commission, such as the Regional Development Fund, the Cohesion Fund, and the European Social Fund Plus. The EU heads of state and government reached a preliminary agreement on the establishment of the NGEU in September 2020, in the framework of the negotiations on the new EU budget, the Multi-Annual Financial Framework (2021–2027). Final approval was accorded at

the EU Council Meeting of 10 December 2020, opening the beginning of the operational phase.

The European Commission has issued a set of guidelines for the utilisation of the NGEU funds. The NGEU resources should be used to:

Address the main challenges they are facing, identified in the European Commission in its annual analysis of the member state economies in the European Semester, in areas such as competitiveness, productivity, education and skills, health, employment, and economic, social and territorial cohesion (European Commission, 2020: 1).

The European Semester is the annual cycle of analysis of the member state economies by the European Commission and its objective is to ensure economic and fiscal coordination between the EC and the member states.

Investment projects and reforms financed by the NGEU should be primarily directed towards ‘the green and digital transitions, to help create jobs and sustainable growth and make the Union more resilient’ (European Commission, 2020: 1).

To access the Recovery and Resilience Facility (RRF) funds, EU member countries were invited to present before 30 April 2021 national plans for the green and digital transition and to elaborate a list of projects to be submitted to the European Commission for review.

The governance structure of the RRF is composed of a Recovery and Resilience Task Force in charge of coordinating the implementation of the facility and reviewing the national funding programmes, in cooperation with the European Commission’s Directorate-General for Economic and Financial Affairs, reporting to an RRF steering committee chaired by the European Commission President, Ursula von der Leyen, in charge of providing policy guidelines to the task force. A similar governance structure is expected to be put in place at the EU member country level.

The programming of the interventions to be financed by the NGEU is left entirely to the member countries. Member countries are in charge of selecting the projects to be presented to the European Commission, conducting the cost–benefit analysis, identifying and developing intra-project synergies, and setting the

implementation benchmarks. Projects will have to be implemented by 2023, while the NGEU fund disbursements are due to start in the second half of 2021. The table below presents NGEU's structure and the allocation of funds amongst the different facilities under the NGEU.

Structure of the NGEU, Fund Allocation Between Grants and Loans

Composition of the NGEU – investing in a green, digital and resilient EU:

- Recovery and Resilience Facility: €672.5 billion
- Horizon Europe: €5.0 billion
- InvestEU: €5.6 billion
- Rural Development: €7.5 billion
- Just Transition Fund: €10.0 billion
- RescEU: €1.9 billion

Total: €750 billion (\$968.2 billion)

Legal commitments to be made by 31 December 2023

Payments to be made by 31 December 2026

Structure of the Recovery and Resilience Facility:

Total amount: €672.5 billion, subdivided in:

Grants: €312.5 billion

Loans: €360.0 billion

Expenditure plan:

2021–2022: €218.75 billion

2023: €93.75 billion

Criteria grant allocation: (i) drop in real GDP over 2020; (ii) overall drop in real GDP 2020; (iii) 2021 inverse GDP per capita; (iv) population share over total EU population; and (v) unemployment 2015–2019.

EU = European Union, GDP = gross domestic product, NGEU = Next Generation EU.

Source: European Council (n.d.), 'Infographic – Next Generation EU – COVID-19 Recovery Package'. <https://www.consilium.europa.eu/en/infographics/ngeu-covid-19-recovery-package/> (accessed 14 February 2021).

The overall COVID-19 financial assistance package put in place by the European Commission, taking into account the Commission's financial framework for 2021–2027 and the NGEU budget, is valued €1.8 trillion (\$2.2 trillion), equal to 12.9% of the EU27 GDP (2019). Even considering that the resources will be spent over the next 6 years, this is the largest stimulus programme ever approved by the EU and it is often compared, in the EU press, to the Marshall Fund that supported European reconstruction after World War II.

6. Comparing the EU and ASEAN responses during the COVID-19 economic crisis

The responses to the COVID-19 economic crisis developed by the two regional entities have differed greatly in terms of the strategic approach, the extent and intensity of the measures introduced at the regional level, and the role played by the regional institutions.

Those differences reflect the diverging characteristics of the two economic and political blocs in terms of institutional design, economic structure, decision-making processes, incidence of intra-regional and global economic trade and investment flows, and the different dynamic of the COVID-19 pandemic in the two regions.

At the same time, there are some common elements in the sequence of the elaboration of the regional responses and the strategic directions adopted by the two regional entities, particularly in planning and steering the recovery phase.

6.1. Comparing ASEAN and EU strategies in the initial phase of the epidemic

In the initial phase of the crisis (February–September 2020), the priority at the regional level, for the two blocs, was to ensure that the respective member states had the resources to cope with the surge in medical expenses and investment in the health sector. This decision led to the launch of the ARF and the ESM ECCL.

Both initiatives proved, for different reasons, ineffective in raising resources over the short term. This was due to the time needed to raise resources through inter-governmental agreements, in the case of the ARF, and the reluctance of the

EU member countries to tap the ESM lending schemes. However, both programmes have still large untapped potential to provide medium-term support.

6.2. Comparing regional macroeconomic strategies during the crisis

The regional entities differed greatly in terms of macroeconomic interventions and the provision of fiscal budget support to the respective member countries. ASEAN does not provide instruments of direct budget support to AMS. This role, when needed, has been performed by international financial institutions and bilateral financial agreements.

Macroeconomic stability and economic convergence are not primary objectives of the ASEAN economic integration process. ASEAN's common economic objectives are strong, sustainable, and inclusive growth; global competitiveness; and trade and investment integration. Macroeconomic and monetary policies remain under the full control of the AMS, and the principle of non-interference excludes any regional intervention on the fiscal policy of each AMS.

Economic convergence is seen as a by-product of the economic growth process led by regional and global economic integration. Since the 1997/98 Asian financial crisis, all AMS have pursued quite successful macroeconomic stabilisation policies, increasing their fiscal room to respond to emergencies.

As mentioned in section 4.2, the EU has introduced major budget support schemes and mobilised all available fiscal and monetary instruments. The rise of a strong second epidemic wave from the beginning of Q4 2020 has forced member countries and EU institutions to continue, and in a number of cases even extend, support schemes and to accept further expansion of budget deficits – moving farther away the resumption of common fiscal rules.

The AMS and EU member countries have also pursued different approaches aimed at mitigating the economic and social impacts of the crisis. AMS have introduced more targeted measures to support the sectors and segments of the population most affected by the crisis, using targeted income support schemes more than furlough schemes. EU member countries, with the support of the European Commission and the European Investment Bank, have made large use of furlough schemes to preserve employment levels and introduced large guarantee schemes to

maintain access to bank credit for all enterprises in a proportion much larger than in Southeast Asia.¹⁶

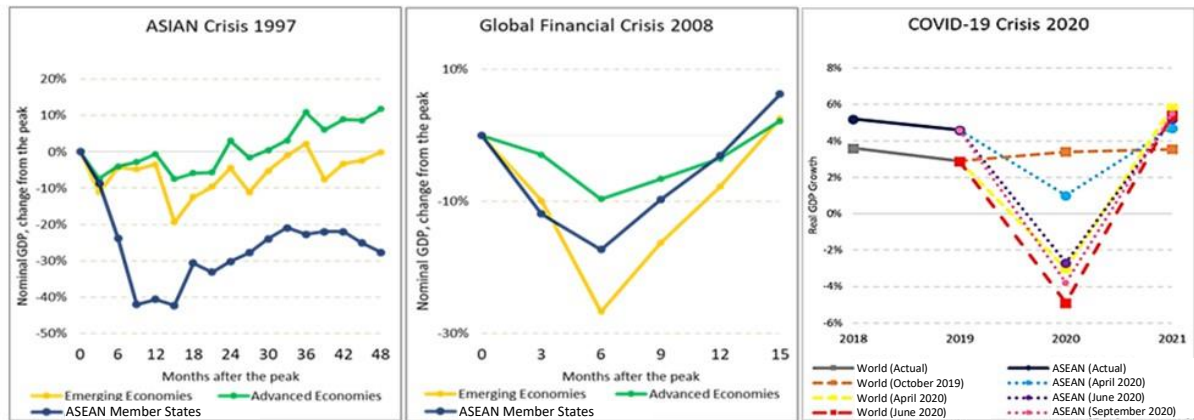
The combination of national and EU programmes has proved so far mostly successful in containing a major surge in labour retrenchments and company bankruptcy. However, there are major concerns that the negative effects on unemployment levels and corporate finances are only being delayed. Most of those schemes were originally scheduled to be withdrawn by the end of Q1 2021. However, due to the severe impact of the third epidemic wave and the possibility of a delay to the second half of 2020 of the beginning of the economic recovery process in the EU, most of those schemes have been extended.

6.3. Regional economic recovery strategies

The ASEAN economic recovery, based on preliminary data, appears to be more solid than in the EU and to be pulled by the relatively strong economic recovery under way in China and, at a lower speed, in other East Asian countries. The risk of a prolonged recession is lower than in Europe. These conditions reduce the need for broad economic macro-stimulus programmes, while income support programmes could continue to be targeted at those sectors that are still excluded from the economic recovery process. In a marked difference with the Asian Financial Crisis of 1997/1998, the expectations in ASEAN are for a V-shaped recovery, as indicated in the ACRF blueprint.

¹⁶ According to the analysis conducted by ADB, direct income support measures accounted for 47.8% of the support packages introduced by AMS by June 2020, while lending to non-financial sectors accounted for 23.1%. In response to the COVID-19 economic crisis, credit support schemes in the EU were extended to reach 84% of the EU GDP (Felipe et al., 2020).

Figure 2: Shape of Recent ASEAN Economic Recoveries Compared with the Expected Exit from the COVID-19 Crisis



ASEAN = Association of Southeast Asian Nations, COVID-19 = coronavirus disease, GDP = gross domestic product.
Source: ASEAN (2020b).

There is no perspective of a V-shaped recovery in the EU. Instead, the projections of the European Commission are for a more prolonged recovery phase, with progressively accelerating economic activity in the second half of 2021, as the vaccination campaign produces the first results and restrictions on the movement of people are lifted.

All efforts in the EU are directed at avoiding a repetition of the situation faced after the global financial crisis (2008–2009), when the early introduction and enforcement of fiscal consolidation measures – and the lack of coordination between monetary and fiscal policy at the EU level – contributed to the development of and difficulties in handling the eurozone sovereign debt crisis (2011–2013).¹⁷ Since the onset the COVID-19 crisis, therefore, there has been a decisive effort to coordinate monetary and fiscal policy at the EU level, with the ECB calling for strong fiscal expansion to limit the immediate impacts of the crisis.

Looking at the planning of the recovery phase, we can see two common elements in the strategic approaches adopted by ASEAN and the EU. Both entities place great emphasis on accelerating the digitalisation process and greening of the

¹⁷ On that occasion, a number of EU member countries (Portugal, Italy, Ireland, Greece, Spain, and Cyprus) experienced a double-dip recession that led to a substantial increase in the level of economic divergence amongst the EU member countries and a fracture between a prosperous northern Europe, which enjoyed nearly full employment, and a weakened southern Europe, which was suffering from a high level of chronic unemployment and underemployment.

economy, as indicated in the NGEU guidelines and included in the ACRF strategies 4 and 5 (Figure 1).

However, there also significant differences in the strategic approaches adopted by the two regional entities.

The ACRF is a restatement, in light of the crisis, of the ASEAN priorities stated in Vision 2025; and it reflects the priorities related to building the ASEAN Economic Community. The objectives of the ACRF strategy 3 (Figure 1) include the strengthening of economic integration at the ASEAN and global levels, the explicit rejection of protectionist measures, a reaffirmation of the commitments to eliminate non-tariff barriers, and pushing ahead with regional connectivity projects.

The NGEU signals a departure from the previous EU strategic approach, which relied heavily on market forces, strict containment of state aid, and enforcement of competition rules across the EU. The new approach continues to place high priority on macroeconomic stability, but assigns a leading role to the European Commission and national governments in fostering structural transformations, calling for mission-oriented proactive policy actions.

The two diverging strategic approaches largely derive from different assessments of the medium- to long-term impact of the economic crisis generated by the COVID-19 pandemic.

ASEAN tends to see the crisis as a serious, but temporary, deviation from the path of economic growth and integration. Dealing with the crisis requires adjustments, but not a review of ASEAN's medium- and long-term objectives, or the launch of new integration programmes and funding facilities.

The prevalent view in the EU is that the crisis will have a long-term impact on the EU economies, with the potential to lower their long-term growth potential. Therefore, a new strategy and massive stimulus programme is needed to fund and steer structural transformations that will restore sustainable long-term growth and economic convergence within the EU.

6.4. Comparing economic crisis management approaches

A final difference in the management of the crisis has emerged between the two regional entities, which reflects the respective positions of the blocs in the global production system and their respective levels of regional economic integration.

AMS believe that the exit from the crisis will be accelerated through the reinforcement of global production networks and in deepening the links of ASEAN in particular with the East Asian production network. Indicative of this strategic approach is the fact that ASEAN has been the driving force behind the recent signing of the Regional Comprehensive Economic Partnership, deepening and rationalising the economic links amongst ASEAN, China, Japan, Korea, Australia, and New Zealand.

The crisis has led the EU, on the other hand, to focus even more on internal issues. The European Council and the European Commission see the resumption of internal economic growth and an intra-EU trade and investment dynamic as the primary driver for the post-COVID-19 recovery and the reinforcement of intra-EU value chains, placing limited weight on the opportunities that may be offered by a coordinated global economic recovery and the full reactivation of the global value chains, while rejecting a protectionist approach. The coincidence of the final stage of the exit of the United Kingdom from the EU (Brexit) with the peak of the COVID-19 crisis reinforced amongst the EU27 the view that the immediate priority is to strengthen the role of EU institutions and the application of EU internal rules, distracting the EU from projecting its role at a global level.

7. Conclusions: How ASEAN could improve the implementation of its economic recovery framework

From the comparative review of the ASEAN and EU responses to the economic crisis generated by the COVID-19 pandemic, it is possible to draw a number of considerations that could contribute to improve the implementation of the ACRF, while steering and speeding up regional economic recovery.

Through the crisis, ASEAN has been able to play significant coordination and planning roles – introducing new initiatives such as the ARF and the ACRF – while pursuing its medium- and long-term regional and global economic integration objectives.

While the overall approach appears to be well structured, ASEAN could introduce a set of targeted actions to respond better to the challenges arising from the crisis and improve the implementation of the ACRF. Those actions could be divided between short- and medium-term initiatives.

Short-term actions

1) Expand the role of the ARF to provide technical assistance to AMS to cope with health and vaccination campaign challenges

The exit from the economic crisis is clearly closely linked to overcoming the health emergency. This, in turn, is determined by the suppression and eventually the extinction of the pandemic through control measures introduced and managed at the national level and through a mass vaccination programme.

The ARF could prove to be an effective tool to finance vaccination programmes conducted by the AMS, providing a combination of grants and concessionary loans, similar to the NGEU financing scheme, to AMS in need of external financing – integrating, particularly for the less developed AMS, the resources of the COVID-19 Vaccines Global Access Facility (COVAX) programme.

While increasing vaccine availability, it is also important to increase the capacity of AMS to distribute the vaccines effectively across the country, particularly for those AMS that face great logistics and organisational obstacles due to their development stage, morphology, and the geographical distribution of the population.

Technical assistance in logistics, monitoring of the vaccination campaign, and training of the vaccination team, financed by the ARF, could be highly effective.

Resources could come from international donors and AMS with larger fiscal space in the form of grants, which are better suited to finance technical assistance projects, and loans to finance the purchase of vaccines. It is in the interest of all AMS to support the ARF within their capabilities, in order to restore normal

movement of people within and out of the region – a prerequisite for the recovery of the most affected sectors, such as tourism, passenger air transport, hospitality, and event organisation.

2) Establish an ASEAN economic observatory to monitor the impact of the crisis and the recovery path

While regional economic recovery may conform to the projected V shape, the economic scars of the crisis may persist for a significant period and may undermine the process of economic integration. It is therefore important that ASEAN has access to timely, reliable, and comparable information on the impact of the crisis on different segments of the productive structure.

Part of the ARF resources could therefore be assigned to the financing of regional surveys covering enterprises, with a focus on SMEs, and the labour force. This would allow for better modulation of the measures decided at the ASEAN level concerning regional economic integration. At the same time, data on state support to affected sectors and companies should be collected at the regional level to avoid the introduction of market-distorting measures.

Enterprise and labour surveys, as well as the data and information collection on a regional scale, could be conducted through a programme involving national statistical agencies and economic research centres, under the coordination of the ASEAN Secretariat and the relevant ASEAN bodies.

Much of the capacity of the European Commission and other EU institutions to steer the debate on the European recovery path and to develop articulated policy proposals is because the European Commission is able to monitor the evolution of the European economy closely and identify critical areas for intervention.

In this task, the European Commission is supported by the EU statistical office (Eurostat), the national statistical offices, and a network of economic research centres. In spite of the relatively advanced level of economic integration, ASEAN has still relatively limited capabilities related to economic monitoring. The COVID-19 crisis highlights the need for this type of function and generates the urgency for immediate intervention at the regional level.

Medium-term actions

3) Establish a trust fund to support the elaboration and implementation of regional and national projects related to priorities listed in the ACRF

The ACRF provides a comprehensive list of the strategic priorities to be pursued by AMS in the recovery phase. To move to the framework implementation phase, those priorities have to be translated into policy measures and investment plans in a relatively short period.

The establishment of a trust fund dedicated to support the ACRF implementation could contribute to channel resources for the elaboration of the regional policy measures and investment projects. The trust fund will finance technical assistance activities related to the identification of good policy practices and the technical studies required for the elaboration of policy measures and the preparation of project feasibility studies, including cost–benefit analysis, in areas related to the priorities listed in the ACRF.

The trust fund could be financed by contributions from the AMS or by bilateral and multilateral donors. The funds for implementing policy reform and project implementation will have to come from other sources, such as national budgets, international financial institutions, and bilateral donors, as indicated in the ACRF blueprint.

The trust fund could be structured as a component of the ARF, associated with the ASEAN Development Fund or established as a technical ASEAN body. Its day-to-day operations could be delegated to a multilateral financial institution, e.g. ADB, which has the technical expertise and the experience related to trust fund operations.

However, AMS and donors, with the support of the ASEAN Secretariat, should retain control over the governance of the trust fund, and approve and monitor the execution of technical activities financed the trust fund. In line with the ASEAN consensual approach, the trust fund will support projects and policy initiatives approved by all AMS.

By establishing the dedicated trust fund, ASEAN would be able to steer and speed up the implementation of the ACRF, and ensure coordination and synergies amongst the various actions conducted under the ACRF for a relatively contained

budget. In this perspective, the role of the ASEAN Secretariat would not be very different from that played by the European Commission in the governance of the NGEU facility, but, with two major distinctions. The ASEAN Secretariat would act purely as a technical body, so it would not intervene in the project approval process and it would not be involved in funding project implementation.

4) Establishment of mission-oriented task forces

Mazzucato (2020) has highlighted how the adoption of a mission-oriented approach tends to be effective in steering public–private innovation projects.

The implementation of the ACRF strategic priorities, e.g. those related to digital transformation and a more sustainable and resilient future, largely depends on the development and application of innovative technologies spanning a wide range of fields, as well as the introduction of a combination of regulations and market-oriented incentives.

The recovery phase offers the opportunity to establish clear and well-defined quantitative and qualitative objectives at the regional and national level, e.g. related to the reduction of the digital divide or the reduction of carbon emissions in industrial processes.

Mission-oriented task forces should be established with the mandate to organise the work towards meeting the predefined objectives and mobilise the required human and financial resources. The task forces, organised at the ASEAN level, should be composed of public sector administrators, researchers, economists, industry representatives, entrepreneurs, and financial sector representatives.

This approach could help to add an innovative component to the ACRF, offer a coherent framework for regional innovation projects, and speed up structural transformations. The ASEAN region has demonstrated great potential for the development of digital applications, particularly those related to the delivery of goods and services to consumers, while it faces major challenges related to climate change. A mission-oriented approach may lead to qualitative change in the development of the region’s research and development capabilities.

As a conclusive remark, it is important to reiterate that the exit from the COVID-19 economic crisis will only be achieved when the virus is defeated globally. It is therefore vital that ASEAN and the EU, while maintaining their

distinct and unique approaches to the management of and the recovery from the crisis, jointly promote more proactive global cooperation in managing and solving the current crisis in all the international forums – from the G20, chaired in 2021 by Italy, to the IMF, the World Bank, and the other international and regional institutions.

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