

ASEAN-Japan Centre  
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Beyond Covid-19: Moving into the New Normal  
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# Moving into the New Normal in ASEAN

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# Healthcare policy first

- Contain pandemics within the capacity of healthcare services.
- Then remove restrictions on the movement of people slowly (domestic, cross-border).
- Healthcare must be prioritized.
  - Sequencing from emergency responses to exit policy is important.
  - A failure would cost much both politically and economically.

# Supply shock or demand shock?

- Started with both a supply shock and a demand shock (Baldwin 2020).
  - Robustness/resiliency in debates due to a supply shock
  - Emergency/essential goods vs. other goods
- However, from now on, Asia-Pacific economies will face a huge demand shock (Kimura 2020).
  - China is ready to restart production and trade; our production system is also almost intact so far, ready to restart.
  - However, the demand will not come back soon (prices going down).
    - IMF-WEO growth projection (June)
      - 2020: world -4.9%, China 1.0%, ASEAN: -2.0%, India -4.5% (worst after WWII)
      - 2021: world 5.4%, China 8.2%, ASEAN: 6.1%, India 6.0% (without second waves)

# Production networks to be reshuffled?

- Our production system is almost intact so far.
  - Production networks are robust against a temporary shock; first, try to make recession shorter.
  - However, longer recession forces production networks reshuffled; need to think of how to keep them.
- Is the introduction of ICT accelerated?
  - Yes. However, we have not observed massive reshoring in Asia yet; international division of labor with politically/economically stable developing economies will continuously be important.
  - Room for cross-border service outsourcing (the third unbundling) will expand.
- China factor?
  - How far “decoupling” will extend the scope is crucial.
    - Asian countries would like to keep good economic relationship with both the US and China, if possible.

# Policy framework for emerging Asia-Pacific

The following is a tentative framework for the exit strategies of AMSs by classifying policies into

- (i) emergency responses
- (ii) exit policies
- (iii) Policies for the new normal

**Table Policy framework for overcoming COVID-19 by ASEAN and East Asia**

	Emergency responses	Exit policies	Policies for the new normal
Health policy	<ul style="list-style-type: none"> <li>• Conduct social distancing</li> <li>• Provide testing</li> <li>• Keep medical treatments within capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Carefully remove social distancing</li> <li>• Set medical services back to normal</li> <li>• <b>Develop international collaboration to exit (medical supply, vaccines, quarantine)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Establish long-term healthcare system</li> <li>• Disseminate health insurance</li> <li>• <b>Develop International cooperation for future pandemic prevention</b></li> </ul>
Macroeconomic policy	<ul style="list-style-type: none"> <li>• Stabilize exchange rates and avoid a collapse of asset markets</li> <li>• Provide mitigation to help businesses and people at risk</li> </ul>	<ul style="list-style-type: none"> <li>• Provide macroeconomic stimulus (monetary, fiscal)</li> <li>• <b>Develop international macro policy coordination</b></li> </ul>	<ul style="list-style-type: none"> <li>• Resume fiscal health and address inclusiveness and sustainability</li> <li>• <b>Develop macro policy coordination framework</b></li> </ul>
Policies for IPNs	<ul style="list-style-type: none"> <li>• Keep IPNs and related industries (logistics, transportation, SMEs, local firms) alive with social distancing</li> </ul>	<ul style="list-style-type: none"> <li>• Keep IPNs and related industries alive with worldwide recession and some restriction on people's movements</li> <li>• <b>Strengthen location advantages and reduce service link costs (connectivity, trade and investment liberalization/facilitation)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Better positioning in IPNs with competitive location advantages (human capital, infrastructure, institutions) and reduced service link costs</li> <li>• <b>Make Asia-Pacific as a competitive region to attract innovative IPNs</b></li> </ul>
Policies for digital economy	<ul style="list-style-type: none"> <li>• Remove bottlenecks for teleworking and other digital connectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Utilise IT and CT to strengthen international competitiveness in IPNs</li> <li>• Apply IT and CT in traditional industries and government services</li> <li>• Encourage digital-related businesses</li> <li>• <b>Establish domestic and international policy discipline for the free flow of data and data-related businesses</b></li> </ul>	<ul style="list-style-type: none"> <li>• Effectively utilize IT and CT for econ/social development</li> <li>• Develop innovation hubs to promote the application of IT and CT</li> <li>• Establish a secure policy environment for free flow of data</li> <li>• <b>Further develop the ASEAN Digital Integration Framework, E-commerce Agreement, and other initiatives</b></li> </ul>
Economic situation	<ul style="list-style-type: none"> <li>• Forced halting of economic activities for social distancing</li> </ul>	<ul style="list-style-type: none"> <li>• Prolonged recession in the world</li> <li>• Slow recovery of the cross-border movement of people</li> </ul>	<ul style="list-style-type: none"> <li>• The new normal</li> <li>• More efficient/thick value-added PNs</li> <li>• More penetration of digital technology</li> </ul>

COVID-19 = coronavirus disease, IPN = international production networks, IT = information technology, CT = communications technology.

Items in red font are international initiatives for Asia-Pacific.

Source: Kimura (2020).

# Role of ASEAN (and East Asia)

- ASEAN can be a model case for the recovery and play a more proactive role in global governance because
  - Contains infection relatively good
  - Believes in freer trade/investment and globalization
  - Has low uncertainty with trustable policy environment
  - Can be a winner in reshuffling IPNs and adopting ICT
- ASEAN's initiative
  - Establish the ASEAN Coordinating Council Working Group on Public Health Emergencies
  - The Ha Noi Plan of Action on Strengthening Economic Cooperation and Ensuring Supply Chain Connectivity (adopted 4 June by AEN, endorsed 19 June by AEC Council)
  - Beyond...
- A crucial test will come with a huge worldwide demand shock.

# References

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