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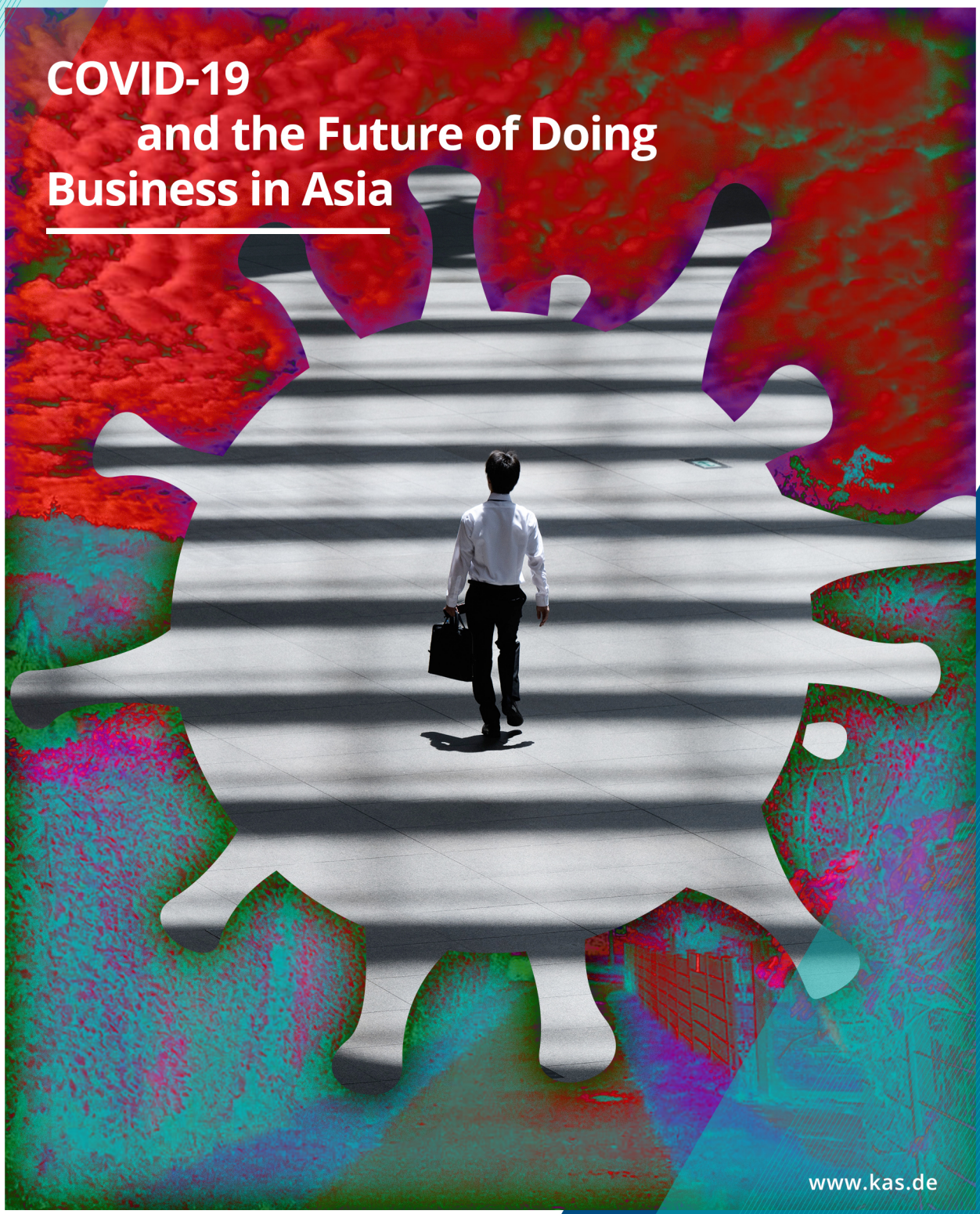
RIZALINO S. NAVARRO POLICY CENTER FOR COMPETITIVENESS

COVID-19 and the Future of Doing Business in Asia



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COVID-19 and the Future of Doing Business in Asia

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Foreword

The COVID-19 pandemic has caused massive disruption and volatility to the global economy. The loss of lives and livelihoods has pushed governments to intervene significantly in response to the crisis while businesses are adapting to the rapidly changing needs of their people, consumers, and suppliers.

As the world contends with the outbreak, countries in Asia have pioneered containment strategies, shaped new protocols, and restarted economic activity. Asia has weathered through previous crises and have emerged stronger in spite of these setbacks.

The **Konrad Adenauer Stiftung**'s regional program on **"Socio-Economic Governance in Asia" (SOPAS)** has conducted this research, **"COVID-19 and the Future of Doing Business in Asia"** jointly with the **Asian Institute of Management Rizalino S. Navarro Policy Center for Competitiveness (AIM RSN PCC)** to outline how the "new normal" will look like. Asia's resilience to the shocks brought about by COVID-19 provides a first sketch of how the structural changes accelerated by the pandemic has reimagined and reformed the roles of the State and businesses. As businesses in the region resume economic activity, Asian governments and enterprises are in a unique position to define and structure the "new normal", providing Germany, Europe and the rest of the world a tentative template of how to respond to these unprecedented challenges.

The research team led by Prof. Jamil Paolo Francisco, AIM RSN PCC's Executive Director, looked at how COVID-19 is reshaping the future of doing business in the region. Data was collected from Japan, South Korea, Philippines, Singapore, and Vietnam to understand how COVID-19 is affecting (1) agility, innovation, and resilience among small and medium-sized enterprises (SMEs), (2) the future of work, (3) the state of globalization, (4) Asian-European relations, and (5) institutions and economic regulations.

The study looks at how business leadership has changed in the current highly uncertain environment and illustrates how SMEs have innovated in response to the crisis. The findings highlight the changes in the relationship between employers and employees, the way the economic and cultural concept of work

is altered as remote work has been adopted more widely, and the burden placed on the "lock down generation" as a result of these developments. The publication examines how perceptions towards globalization has changed as well as the recent trends towards regionalization and reorganization of supply chains to other parts of Asia. It also discusses the current developments altering Asian-European relations. And finally, the research takes a closer look at how the relationship between the State and private sectors have changed and if these ties will persist in the future.

The research's findings are organized around fourteen themes that cover these dimensions, defining the trajectories of economic activity in the region. It is our hope that the research report provides directions and recommendations to policymakers, development partners and businesses to effectively rebuild more resilient businesses and take advantage of the opportunities amidst the economic turmoil and disruption.

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Executive Summary

COVID-19 has changed the way people work, and the way they live their lives. It has changed the way companies run their businesses, and the way they interact with their customers and employees. It has changed the way governments prioritize issues, and the way they address crises. Businesses, especially small firms, have been tremendously affected and are facing the possibility of having to exit the market permanently. Meanwhile, individuals have had to face job losses, retrenchments, and major disruptions in work arrangements on top of having to deal with personal and family health concerns.

Given this backdrop, this report seeks to examine how the COVID-19 pandemic crisis is changing the economic landscape in Asia and is shaping the future of doing business in the region. In particular, this paper first looks at secondary sources to analyze macroeconomic trends affecting business, particularly small and medium enterprises in Japan, South Korea, the Philippines, Singapore, and Vietnam across five dimensions, namely 1) *Agility, Innovation, and Resilience,* 2) *Future of Work*, 3) *Globalization*, 4) *Asia-Europe Relations*, and 5) *Institutions and Economic Regulations*. It then proceeds to contextualize these trends and lend color to emerging themes by presenting on-the-ground insights and examples through interviews with SMEs, government representatives, and experts from the five selected countries.

1. Agility, Innovation, and Resilience among Small and Medium-sized Enterprises

Collectively, small and medium enterprises (SMEs) play an important role in the economy, especially in terms of job creation, employment, and inclusive growth. Individually, however, SMEs tend to be particularly vulnerable to external shocks because of their size, limited access to financing mechanisms, and underdeveloped operational capabilities. Thus, it is important that policymakers put in place efforts and support measures that will not only enable SMEs to adapt in response to the

crisis, sustain their viability, and quickly recover, but also empower them to create more value through innovation.

Theme 1: Business agility has been a critical success factor for small firms in surviving the impact of the pandemic.

- **Increasingly volatile, uncertain, complex, and ambiguous (VUCA) environments require firms to be agile for them to survive and thrive.** To enable agility, a firm depends on a flexible backbone in the form of a dynamic organizational structure to support rapid changes in business direction. SMEs' smallness and relatively flat organizational structure have given them greater flexibility to respond quickly to the constantly changing short-term policy landscape and business environment during the COVID-19 pandemic.

- **Alongside agility, entrepreneurial orientation (EO) is another important factor in a firm's survival during crises.** EO is defined as a firm's innovativeness, proactiveness, and willingness to take risks (Covin & Lumpkin (2011) as cited in Eggers (2020)). Making "entrepreneurial" decisions has been necessary during the pandemic, with firms needing to make fast decisions on how to respond to materials shortages, allocate resources, and modify operations, among others.

- **Furthermore, in the absence of a business continuity plan, SME survival depends on building resilience in three key areas: organizational, financial, and operational.** Organization resilience can be reinforced (1) by clearly identifying or affirming the authority of a final decision maker for each aspect of a business, (2) ensuring that information flowed smoothly along reliable channels of communication across all levels of the organization, and (3) by allowing for informed discussion among key stakeholders as needed. Financial resilience can be built by quickly recognizing changes in income-generating activities and cost-driving business processes as market preferences and public health guidelines change overnight. Finally, operational resilience is maintained (1) by building redundancy for critical assets and processes, and (2) by quickly modifying supply chain and logistics operations in response to new market and policy environments.

Theme 2: Firms have had to innovate products, processes, and business models to thrive in the emerging new normal.

- **Business model innovation is particularly important in times of crisis.** Firm innovation is typically defined as *product* innovation and *process* innovation, but crises typically call for *business model* innovation, or the implementation of changes in how a firm carries out its mission, conducts its business, and supports its financial viability.

- **Small firms face multiple barriers to innovation.** These barriers include lack of technology and infrastructure, lack of capital, lack of management and expert qualifications, and lack of qualified employees with technical know-how. SMEs also have limited cash resources and therefore seek to prioritize allocating funds for operating expenses rather than for innovation (through R&D expenditures). And yet some SMEs have demonstrated their willingness and ability to innovate by leveraging on the benefits of smallness—flexibility, independence, simplicity of operations, and strong personal relationships.

- **Government can help by adopting accommodating policies and regulations for small business.** Helpful interventions include lower interest rates and loan guarantees (less financing constraints), deferral of payments and permit requirements, and adoption of a regulatory sandbox approach in dealing with SMEs in the digital space.

Theme 3: Digital technology and e-commerce has emerged as important enablers of SME resilience and innovation.

- **The use of digital technology is a critical factor in the success of SMEs in introducing innovations and minimizing business disruptions during the pandemic.** Many of the SMEs interviewed turned to telework and e-commerce to ensure continued operations. SMEs also saw a significant rise in the use of online stores, courier services, and digital payment systems, and many SMEs see the potential from engaging in e-commerce.

- **However, issues of internet connectivity and digital skills emerged especially among SMEs**. Unequal access to reliable broadband internet connections has created a digital divide that many

small firms and their employees have had to bridge. Furthermore, SMEs interviewed reported the importance of basic computer skills among employees in minimizing disruption to operations.

- **Governments should ensure that adequate physical, digital, and social infrastructure are in place to support SME digitalization.** Absence of the necessary infrastructure stifles SME innovation and undermines their resilience. Unlike large firms that may have sufficient resources to invest in digitalization, small firms may require direct government support in building their digital capabilities—from internet broadband access to employee training.

2. COVID-19 and the Future of Work

The downturn in economic activity induced by the COVID-19 pandemic and the various mitigating strategies implemented by country governments is likely to have lasting impacts on labor markets across the world, and the pandemic itself is likely to have lasting impacts on the nature of work across industries. Safe distancing restrictions have forced firms to introduce various telework schemes to ensure business continuity, while businesses where teleworking was infeasible have had to adopt safety measures to ensure the health and well-being of workers. Yet, despite various efforts to sustain work and economic activity while observing safety and health protocols, statistics from the first half of 2020 already reflect some negative impacts of the pandemic on both businesses and employment. Furthermore, the youth are expected to carry the economic burden of the pandemic in the long-term.

Theme 4: The COVID-19 pandemic has led to widespread adoption of telework through modern information and communication technologies, but not all work could be performed remotely.

- **The COVID-19 pandemic has accelerated the adoption of technology-enabled alternative arrangements, as most businesses were forced to quickly adapt to the restrictions of the new environment.** Government restrictions across Japan, the Philippines, Singapore, South Korea, and Vietnam necessitated the quick implementation of alternative and flexible work schemes to mitigate the spread of COVID-19. Immediate compliance and successful adoption for some firms was possible due to the marked

increase in broadband internet penetration especially in urban areas during the last two decades, the mass proliferation of connected devices, and the availability and growing use of instant messaging and video conferencing applications prior to the pandemic.

- **However, while some businesses managed to adopt telework and maintain acceptable levels of employee productivity, many businesses realized major challenges.** These challenges include the lack of internet infrastructure, communications software and ICT equipment among employees. Many workers also did not have home environments conducive to long, undisrupted periods of telework. Other barriers to successfully implementing telework was businesses' digital-readiness prior to the pandemic, data security and data privacy concerns, and ensuring worker productivity at home.

- **Policies must be centered on reducing the barriers faced by firms in going digital and making work crisis-proof and future-ready.** Encouraging public and private investments in ICT can help encourage digital transformation by lowering the cost of internet service and improving the speed and reliability of internet connections. Institutions also have a role to play in creating laws and regulations that protect both firms and workers from data security breaches and putting in place laws to protect data privacy, while avoiding unnecessary regulatory burden that stifles innovation especially among small firms. Finally, capital constraints that prevent small firms from going digital must be addressed by accommodative policy.

Theme 5: The pandemic has expanded the role of employers in ensuring worker productivity and wellbeing outside the traditional workplace, with increased emphasis on occupational health and safety.

- **There is a need to ensure the mental and physical safety and wellbeing of workers in the context of alternative work arrangements arising from the COVID-19 pandemic.** Ergonomic equipment and space complying with general occupational safety and health guidelines may not be readily available at home. On top of employee fears concerning their safety and health amidst the ongoing pandemic and their own financial stability, isolation from friends and

colleagues, and disruption from daily routines can cause mental stress and anxiety among workers. Work-life balance also becomes a challenge, especially as the demands from home and from work coexist at the same time and within the same space. Furthermore, working hours tend to extend beyond traditional office hours when employees are working from home.

- **Both governments and the private sector have roles to play in addressing these new challenges**. Governments have the responsibility of ensuring that laws and protocols on occupational health and safety are implemented in alternative work arrangements, such as remote work, telework, and work-from-home. Regulations on working hours should be reviewed in the context of such alternative schemes. Businesses have the responsibility of ensuring compliance with occupational health and safety laws. They must consider evaluating employees' workstation at home, and helping their workers set up their remote workstations. Internal policies on working hours must be created and strengthened to protect employees' mental wellbeing and help them balance work from home life.

Theme 6: Investments must be made in upskilling and reskilling of workers as job functions and customer expectations change.

- **Rapid skills development and retraining have become even more important than before as firms find themselves having to drastically change business models or essential activities.** Digital competencies have become a basic requirement for any firm that seeks to thrive in the new environment where digital solutions such as e-commerce platforms and productivity software have become critical tools for business continuity. Retraining of workers has become crucial for firms to remain agile and responsive to changing business environments and ensuring that employees can perform several functions.

- **There is space for the public sector in supporting upskilling and reskilling of workers.** Alongside private initiatives to retrain their workforce, government programs encouraging or directly supporting technology and digital skills development can create a future-ready and crisis-resilient workforce. Small firms, in particular, need strong government support given that their limited resources tend

to hamper capacity building required for successful digitalization preventing them from taking full advantage of digital solutions and e-commerce.

Theme 7: Widespread adoption of telework arrangements and enhanced safety and health protocols by firms during the pandemic may be less viable in the long run especially for smaller firms and in less developed economies.

- **Small firms have mixed sentiments on the viability of work-from-home arrangements in the long-run.** Younger, more digitally-ready participant firms were more receptive to the idea of adopting work-from-schemes in the long term, than older firms, many of which saw such arrangements as more costly and less productive at least given their current resources and competencies. Most smaller firms anticipate a return to the traditional work-from-office/factory setup.
- **Remote working is also not feasible for all types of occupations and all types of jobs.** Brussevich, et al. (2020) found that teleworkability varies by type of occupation, with occupations requiring workers proximity being the least teleworkable and occupations where tasks can be accomplished through digital technologies being the most teleworkable. The same study also shows that teleworkability also varies by sector. Country statistics show that in all five countries considered, a large chunk of workers are employed in less teleworkable occupations and sectors.
- **These findings have important policy implications for countries where the main drivers of economic activity and employment are sectors where teleworking is least feasible.** Country governments will have to address issues of unemployment as well as possible long-term impacts on the employability of workers who may face long periods of unemployment during and after the pandemic or permanent job loss due to automation. Occupational safety and health must be a priority in restarting economic activity and in defining the new workplace.

Theme 8: Ensuring the safe return to work is crucial for business and economic recovery.

- **Reconfiguring formal workplaces is necessary to protect both jobs and employees as physical workplaces reopen, but they can also be costly for SMEs.** Staggered workforce schemes, frequent rapid testing for COVID-19 infections, physical investments in protective gear and installations, digital solutions and IT infrastructure, regular cleaning and disinfection of common areas, and promotion of good personal hygiene are just some of the measures that firms are expected to adopt in the new normal. For many firms, and especially for small businesses, such increased safety and health measures have significantly increased operating costs, which may undermine business profitability in the long run.

- **Governments are expected to come up with guidelines for a safe return to work and can help private firms in complying with these guidelines**. Many SMEs lack the formal mechanisms in formulating and carrying out safe return to work guidelines. Governments can help by formulating clear and implementable guidelines that can support SMEs in ensuring their workers' safety while a cure and vaccine for COVID-19 is not available. Subsidizing personal protective equipment across the populations can also help ease the economic burden falling on SMEs to comply with health and safety protocols.

Theme 9: The "lockdown generation" will carry the economic burden of the pandemic.

- **The youth are expected to shoulder the negative impacts of the COVID-19 crisis for years to come.** The ILO (2020) sees the COVID-19 pandemic affecting the youth in three dimensions: (1) through disruptions in education, training, and work-based learning; (2) through increased difficulty in finding new jobs and in entering the labor market; and (3) through job and income losses and lower quality employment. This triple threat on today's youth, who may constitute a "lockdown generation," may have long-lasting effects on their future employment prospects and outcomes.

- **Specific labor policies are needed to prevent a "lockdown generation."** Programs such as job search assistance and youth

training and reskilling are important in preventing scarring effects in the youth's future employment outcome.

- **Formal education and training must continue**. While maintaining strict health and safety protocols is absolutely necessary to prevent further spread or new waves of infection, educational institutions must be able to minimize disruptions to their students' learning at all levels of education. Government support and guidance may be necessary to equip and enable schools to quickly adopt alternative learning methodologies including online delivery of instruction. Alternative learning delivery modalities, such as self-learning modules that do not require internet access, must be quickly implemented especially in rural areas. Educational institutions must be ready to take remedial action to ensure the quality of education received by students.

3. Globalization

The COVID-19 pandemic has battered international investment and trade. The disruptions brought about by the pandemic, including various government interventions meant to curb the spread of the virus that had consequently impeded flows across global value chains, put emphasis on the need to establish resilient supply chains, especially for essentials goods and services. Consequently, global value chains (GVCs) will see a transformation in the immediate future in response not only to the disruptions brought forth by the pandemic, but also by the fourth industrial revolution, US-China trade politics, and the sustainability imperative.

Theme 10: The COVID-19 pandemic has compounded the recent slowdown of globalization through diminished trade and investment flows.

- **Trade and investment have been affected by both government lockdown measures and lower consumer and business confidence.** All five economies under study—Japan, Philippines, Singapore, South Korea, and Vietnam—have suffered from dips in both imports and exports at the height of global lockdowns in mid-March to mid-May 2020**.** These recent declining trends in trade data are reflective of the lower global and local demand for merchandise

goods and the overall downturn of the global economy. Declining trends in the diversification of global investments may also be accelerated or intensified by the COVID-19 pandemic, as investors seek to build greater resilience into their supply chains.

- **The global economic downturn will continue to slow down FDI flows, but countries in Southeast Asia can still be attractive destinations for investment especially for regional neighbors looking to diversify and relocate their supply chains**. On top of sound macroeconomic fundamentals and traditional considerations, successful implementation of public health and safety protocols, resilience of local production and distribution networks, and sustainability of operations are important criteria for economies to successfully attract investments.

Theme 11: Global value chains will see transformations in the next decade towards more diversified regional networks with increased localization of production activities that generate greater added value while remaining globally integrated in knowledge-based components.

- **COVID-19 is expected to accelerate the changes in GVC patterns brought about by technology, policy, and economic considerations.** Fourth industrial revolution technologies have further enhanced mechanical automation through robotics, while digitalization has increased supply chain efficiency and reliability. The COVID-19 pandemic may intensify inward-orientation justified by the argument of having to secure the supply of essential goods, the vulnerabilities of which were exposed at the height of worldwide lockdowns. The pandemic has also highlighted the need to build greater resilience in production and distribution networks.

- **The dominant trajectory in Asia, particularly for the five countries considered in this report, is for a higher regional concentration of value-added creation in GVCs, with diversification within the region in response to recent trade frictions and experiences during the pandemic.** Reshoring is seen as a strategy for essential goods, including medical supply, but not so much in high-technology manufacturing, as there still appears to be an opportunity for labor cost arbitrage for countries like Japan, South Korea, and Singapore who outsource to neighboring countries in the region.

- **Good public health policies to contain the spread of COVID-19 and policies that ease regulations and lower bureaucracy on foreign investments can help economies attract foreign investment and GVC activity.** Good public health policies to contain the spread of COVID-19 can help economies restart operations ahead of competitors and lower the operational risks and uncertainties brought about by the pandemic. Policies that ease regulations and lower bureaucracy on foreign investments will continue to attract FDI, especially in light of the recent increase in government restrictions and interventions meant to curb the spread of the virus.

4. Asia-Europe Relations

Asia and Europe have become leading trade and foreign direct investment (FDI) partners in recent years, but the COVID-19 has presented new challenges between the two regions' partnership. When their borders closed during the pandemic, most supply chains were obstructed, affecting trade in manufactured goods between the two regions. The EU has also prioritized supporting European industries, minimizing FDIs outside the Eurozone and into Asia. Just like FDIs, official development assistance flows between the two regions may decrease as donor countries prioritize spending on recovery and stimulus within their borders. However, COVID-19 also presents an opportunity for the two regions to strengthen their relationship and increase cooperation.

Theme 12: Government response to the pandemic has mostly been inward-looking, but the fight against COVID-19 and the push for economic recovery requires international cooperation.

- **There is room for Asian and European governments to increase cooperation.** While some international cooperation in medical research and information sharing has ensued between Europe and Asia, there has been no high-level coordination among European and Asian governments aimed at addressing COVID19-related issues from pandemic control to economic recovery. Increased cooperation between the two regions can be achieved through enhancing information sharing, strengthening multilateralism, increasing support for vulnerable regions and sectors, and strengthening policy coordination between the two regions.

5. Institutions and Economic Regulations

Given the nature of the COVID-19 pandemic as both an unprecedented public health crisis and the largest global economic shock since the Second World War, government response has been a broad combination of fiscal and monetary intervention as well as administrative action to prevent the spread of the virus and emergency measures to cope with the rising number of cases. The various mitigation measures deployed by country governments at national and local levels have introduced a notably larger and more active role of the state in what may traditionally have been considered part of the private domain, including domestic and home affairs.

Theme 13: The experience of the pandemic has created space for bigger government post-COVID.

- **Experience from past crises suggests bigger room for government post-COVID**. Past crises have demonstrated that the gravity of the impacts of the crisis at hand and the urgency of government action in response to the crisis tended to relax the psychological thresholds of what the public considered acceptable levels of fiscal spending and taxation, and what citizens considered acceptable limits of government power. Given the unprecedented and far-reaching implications of the pandemic not only on what is expected from government, but also on what is allowed of government, there is little reason to believe that the new size and role of government adopted during the pandemic will return to its previous level without lasting effects.

- **As countries begin to realize that the new normal may include COVID-19 or similar viruses remaining a constant threat, governments and their citizens will have to embrace proactive coping strategies on top of general preventive strategies aimed at building general resistance to harm from disasters.** Governments may be expected to play a larger role in providing support to enable the private sector to invest in their own proactive strategies to build more resilient organizations and anti-fragile supply chains. They are also expected to invest rapidly and more heavily on improving health care facilities and services and to set-up agencies for disease control. With most countries facing record-high unemployment and poverty

incidence, governments must also identify the most vulnerable sectors of society, and prioritize them in the provision of basic necessities such as food, healthcare, education, and shelter as well as income-generating opportunities for sustainable progress. Lastly, support for SMEs will have to gradually shift from survial and immediate recovery towards enabling firms to adopt proactive strategies to increase the viability and sustainability of their business as well as the resilience of their organizations.

Theme 14: Regional cooperation will play a vital role in the fight against COVID-19.

- **COVID-19 pandemic requires solutions with a global or regional scope that goes beyond provision of national public goods (NPGs).** One interesting lesson from the malaria epidemic is that addressing public health concerns requires two things: efforts by governments within their borders to *control* the disease, and efforts by governments among themselves to *eliminate* the disease. The phenomenon of having "imported cases" of COVID-19 trigger second (or third) waves of infection implies that governments must include the provision of supranational and regional public goods (RPGs) among their priorities in managing the pandemic crisis. A coordinated global response to the pandemic is essential to ensure lasting success in fighting COVID19.

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1

Introduction

1. Introduction

COVID-19 has changed the way people work, and the way they live their lives. It has changed the way companies run their businesses, and the way they interact with their customers and employees. It has changed the way governments prioritize issues, and the way they address crises. Having come at a time when the corporate world was abuzz discussing and preparing for "VUCA"—volatility, uncertainty, complexity, and ambiguity—COVID-19 took businesses and governments by surprise, as leaders all over the world scramble for solutions to unprecedented challenges.

As governments realized the urgency of containing the rapid spread of the virus, various mitigation measures were adopted, including safe distancing protocols, use of personal protective equipment, prohibition of large gatherings, and restrictions to movement of goods and people within countries and across international borders. Many of these measures led to the closure of physical stores and workplaces, the shift to remote work in conjunction with shelter-in-place directives, and the shutdown of business operations that require close physical contact or interaction. These measures on top of the pandemic itself have severely dampened economic activity and have triggered an ongoing economic crisis for many countries. Businesses, especially small firms, have been tremendously affected and are facing the possibility of having to exit the market permanently. Meanwhile, individuals have had to face job losses, retrenchments, and major disruptions in work arrangements on top of having to deal with personal and family health concerns.

Governments, businesses, and consumers have adapted to the rapidly evolving situation with varying outcomes. Their individual and collective success or failure will shape the future of doing business in Asia more than any other event in recent history. As the region gradually resumes economic activity following positive trends in public health outcomes while remaining cautious of possible second or third waves of infections, Asian business and government leaders are in a unique position to craft their "new normal."

This paper seeks to examine how the COVID-19 pandemic crisis is changing the economic landscape in Asia and is shaping the future of doing business in the region.

The specific objectives of the paper are:

1. **To analyze how COVID19 is reshaping the business environment in five key dimensions—(i) agility, resilience, and innovation among firms, particularly small and medium-sized enterprises (ii) the future of work, (iii) the state of globalization, (iv) Asian-European relations, and (v) institutions and economic regulation;**
2. **To investigate the situation in Japan, the Republic of Korea (South Korea), the Philippines, Singapore, and Vietnam in terms of these key dimensions; and**
3. **To provide direction and recommendations to policymakers, development partners, and firms to effectively rebuild more resilient businesses and take advantage of growth opportunities.**

Given that the pandemic crisis is still ongoing, the findings of this report are expected to provide early insight into the topics covered in aid of determining the best course of action to address the issues discussed.

Countries Included in the Report

While countries across Asia have been affected by the pandemic in varying severity and have therefore had varying responses to it, the five countries considered in this report—Japan, Republic of Korea (South Korea), the Philippines, Singapore, and Vietnam—have been selected to provide perspectives from economies in different levels of development and different roles in global value chains (Table 1.1). Japan, South Korea, and Singapore are classified as high-income countries with comparative advantage in high-technology manufacturing and services. These economies typically outsource parts of their production to countries like the Philippines and Vietnam, which are, in turn, lower-middle income economies typically engaged in low-technology manufacturing and services.

Table 1.1. Description of Countries.

Country	World Bank Income Classification	Role in Global Value Chains based on Asian Development Bank GVC Indicators 2019	
		Backward Participation based on Exports Decomposition (FVA + PDC) (in % of exports)	Sectors in which the Country has Revealed Comparative Advantage (RCA≥1)
Japan	High Income	38.32%	Medium- and High-technology Manufacturing
Philippines	Lower-middle Income	9.22%	Business Services Low-technology Manufacturing
Singapore	High Income	35.16%	Business Services; Medium- and High-technology Manufacturing
South Korea	High Income	17.05%	Medium- and High-technology Manufacturing
Vietnam	Lower middle Income	36.51%	Low-technology Manufacturing

Source: *Asian Development Bank. (2019); World Bank. (2020).*

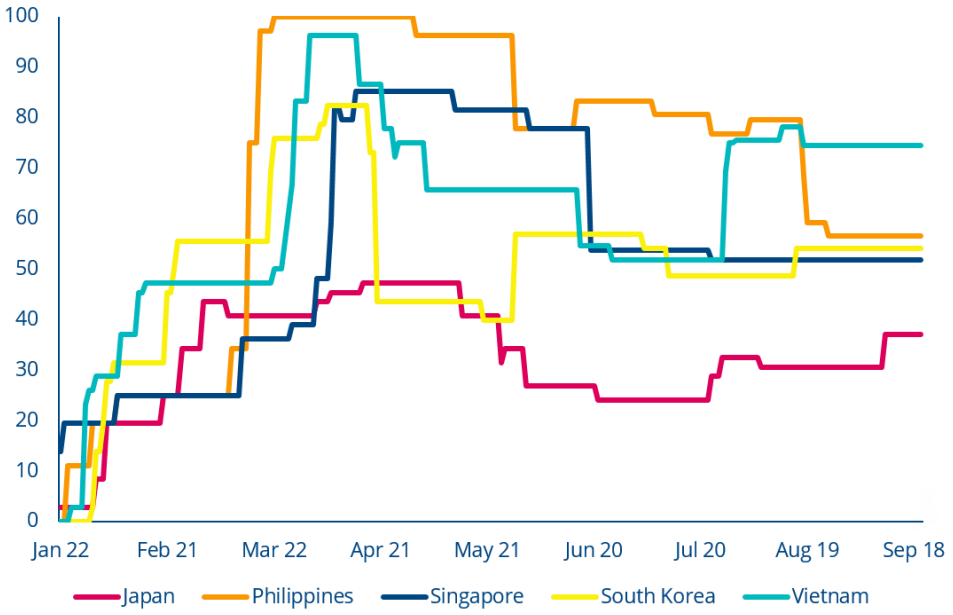
Note: *FVA = foreign value-added; PDC = purely double counted terms; RCA = revealed comparative advantage.*

These countries also represent different approaches to containment and mitigation with varying degrees of stringency as the pandemic unfolded, with the level of stringency typically depending on the health situation within each country during a specific period (Figure 1.1).[1] Among the five countries, Japan

1 *The stringency index is a composite of response indicators on containment and closure policies as well as health system policies. For more information, see* University of Oxford's Coronavirus Government Response Tracker.

imposed to least stringent response measures throughout the pandemic, while the Philippines had the most stringent government response and for the longest continuous period.

Figure 1.1. Government Response Stringency Index.



Source: *Oxford COVID-19 Government Response Tracker*

Notes:

1. *Data updated as of 3 September 2020. Japan cuts off at 30 August, Philippines at 24 August, Singapore at 1 September, South Korea at 2 September, and Vietnam at 28 August.*
2. *See Hale et al. (2020) for a full description of the index and how it is calculated.*

Data and Methodology

This report combines information from primary and secondary data sources to analyze key dimensions of the future of doing business in Asia. Economic data and business environment indicators were obtained from the Asian Development Bank (ADB), International Labour Organization (ILO), and World Bank databases, the national statistical agencies of the countries considered in the report, and reputable independent sources such as the University of

Oxford's COVID-19 Government Response Tracker, and Google's COVID-19 Community Mobility Reports.

To validate and contextualize the analysis based on secondary data sources, primary data was gathered through key informant interviews (KIIs) with business owners/managers, government agency representatives, and domain experts. Most interviews were conducted through video conferencing, with the exception of a few resource persons who insisted on sending their written responses through email instead. Each interview was typically 45 minutes to an hour long.

A total of 15 interviews were conducted (Table 1.2) from all five countries. This included eight business owners/managers of small and medium-sized enterprises (SMEs), who were interviewed to gather information on their experiences and the strategies they had adopted in response to the crisis. SME respondents were selected to cover a wide range of subsectors, including wholesale and retrial trade, accommodation and food services, utilities, construction, transport and logistics, storage, and communications.

Interviews with heads of select government agencies in Japan (Cabinet Office), the Philippines (Bureau of Small and Medium Enterprise Development; Bureau of Labor Employment), and Vietnam (Department of Industrial Forecast and Enterprise Development) were also conducted to obtain insight on challenges faced by policymakers and implementers and their perspectives on future policy direction. Finally, expert interviews with scholars from South Korea and the Philippines were conducted to help identify future trends in doing business in the region. Table 1.2 provides a descriptive summary of the interviews conducted. Detailed information on the profiles of interviewees can be found in Appendix 1.1 and Appendix 1.2.

Table 1.2. Summary of Key Informant Interviews.

Code	Country	Sector Represented
Small and Medium Enterprises		
SME 1	Philippines	Wholesale and Retail Trade; Repair of Motor Vehicle and Motorcycles
SME 2	Philippines	Wholesale and Retail Trade; Repair of Motor Vehicle and Motorcycles
SME 3	Philippines	Accommodation and Food Service Activities
SME 4	Philippines	Utilities, Construction
SME 5	Philippines	Construction, Other services
SME 6	Singapore	Transport; Storage and Communication
SME 7	Philippines	Manufacturing
SME 8	Philippines	Agriculture; Forestry and Fishing; Wholesale and Retail Trade; Repair of Motor Vehicle and Motorcycles
Government Agencies		
GOV 1	Philippines	Department of Trade & Industry
GOV 2	Vietnam	National Center for Socio-Economic Information and Forecast
GOV 3	Japan	Cabinet Office
GOV 4	Philippines	Department of Labor and Employment
Academic Institution/Organization		
ACAD 1	Philippines	Ateneo de Manila University
ACAD 2	South Korea	Seoul National University
ORG 1	Singapore	Asian Trade Center

Insights from government representatives and experts support the information from secondary sources pointing to similar observations on the impact of the pandemic across geographic locations, albeit at varying degrees of severity. The interconnectedness of countries across the world also implies that the impacts of the pandemic are felt globally. Thus, although the SMEs interviewed were limited to the Philippines and Singapore, interviews conducted may serve to corroborate macroeconomic trends and lend insight as to how SMEs across different sectors, regardless of geographic location, have dealt with the pandemic.

Key Dimensions

This report analyzes how the COVID-19 crisis is reshaping the business environment in Asia in terms of five key dimensions. The report is organized into chapters according to these dimensions, under which general themes are identified and presented as stylized facts.

The first chapter begins with a discussion of how firms, particularly SMEs, had fared in past economic shocks and natural disasters, comparing this with how they have responded to the ongoing pandemic crisis that is defined by a number of characteristics unique to itself. The chapter discusses how firms have demonstrated their *Agility, Resilience, and Innovation* in the face of severe circumstances, and how firms will have to further develop such competencies to ensure their survival and long-term success.

The second chapter focuses on the impacts of COVID-19 on work arrangements and workplaces in Asia. This chapter discusses how the *Future of Work* is expected to be defined by the ability and willingness of firms and employees to embrace telework and digital automation. Although advances in information and communication technologies made in the past decade technically enabled implementation of telework years before the pandemic hit, the urgency of the ongoing crisis instantly and exponentially accelerated its adoption overnight. But firms, large and small, have had different experiences and degrees of success in effective implementation. The chapter also discusses the implications on future workers and in the medium to long run.

The third chapter examines the impacts of COVID-19 on *Globalization* vis-à-vis recent trends in global trade and investment flows. The chapter explores implications on foreign direct investment (FDI) flows and global value chains as firms seek to develop more resilient supply chains and governments move to secure strategic resources.

The fourth chapter brings specific focus to *Asian-European Relations* in terms of trade, FDI, and official development assistance (ODA). As the United States retreats from its traditional leadership on global issues in general and the COVID-19 pandemic in particular, the space for greater multilateralism and international cooperation increases.

Finally, the last chapter examines various policy approaches that have been adopted in response to the dual crisis of public health and the economy

presented by the ongoing pandemic. The chapter concludes with a set of policy recommendations on *Institutions and Economic Regulations* in view of the new and expanded roles that governments may be expected to serve post-COVID-19.

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Appendix

Appendix 1.1. SME Key Informant Interviews Profile

Code	KII Classification	City	Country	Do you have other locations in your country?	Sector(s) of operation	Year started operation	Business organization	Business size	Total number of workers before COVID-19 hit (full-time, part-time, and temporary)	Exporting	Importing	Outsourcing
SME 1	SME	Quezon City	Philippines	No	Wholesale and retail trade; repair of motor vehicle and motorcycles	2018	Stock Corporation	Medium	1 to 10	No	Yes	Yes
SME 2	SME	Quezon City	Philippines	No	Wholesale and retail trade; repair of motor vehicle and motorcycles	1984	Private Corporation	Medium	101 to 250	No	Yes	No
SME 3	SME	Quezon City	Philippines	Yes	Accommodation and food service activities	2015	Private Corporation	Small	11 to 100	No	No	No
SME 4	SME	Bulacan	Philippines	Yes	Utilities, Construction	2002	Private Corporation	Medium	101 to 250	No	Yes	No
SME 5	SME	Davao City	Philippines	No	Construction, Other services	2017	Single Proprietorship	Small	11 to 100	No	No	No
SME 6	SME	Singapore	Singapore	No	Transport; storage and communication	2015	Private Corporation	Small	11 to 100	Yes	No	No
SME 7	SME	Manila City	Philippines	No	Manufacturing	1978	Partnership	Medium	101 to 250	Yes	Yes	Yes
SME 8	SME	Davao City	Philippines	No	Agriculture; forestry and fishing; Wholesale and retail trade; repair of motor vehicle and motorcycles	1957	Single Proprietorship	Small	1 to 10	No	Yes	No

wAppendix 1.2. Government, Academe and Organization Key Informant Interviews Profile

Code	Respondent name	Position	Business/Institution/Office Name	KII Classification	City	Country
GOV 1	Dir. Jerry Clavesillas	Director - Bureau of Small & Medium Enterprise Development	Department of Trade & Industry	GOV	Makati City	Philippines
GOV 2	Dr. Tran Toan Thang	Director - Department of Industrial Forecast and Enterprise Development	National Center for Socio-economic Information and Forecast	GOV	Hanoi City	Vietnam
GOV 3	Mr. Shigeki Tanaka	Director - International Economic Affairs	Cabinet Office	GOV	Tokyo City	Japan
GOV 4	Asec. Dominique Rubia-Tutay	Director - Bureau of Local Employment	Department of Labor and Employment	GOV	Manila City	Philippines
ACAD 1	Dr. Alvin Ang	Professor	Ateneo de Manila University	Academic Institution	Quezon City	Philippines
ACAD 2	Dr. Sangin Park	Professor	Seoul National University	Academic Institution	Seoul	South Korea
ORG 1	Mr. Sebastian Cortes-Sanchez	Associate Director	Asian Trade Center	Organization	Singapore	Singapore

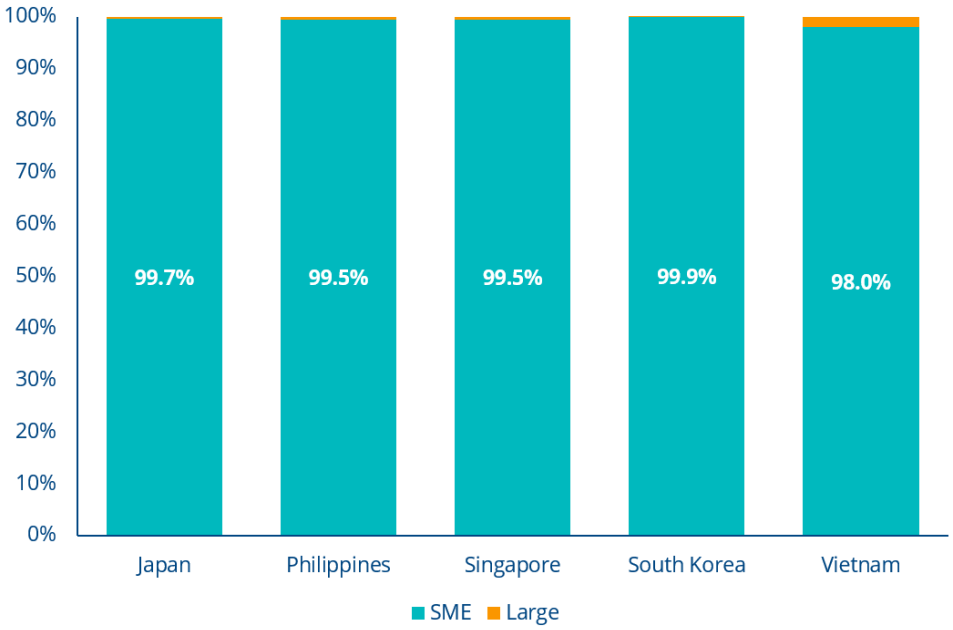
2

Agility, Innovation, and Resilience among Small and Medium-sized Enterprises

2. Agility, Innovation, and Resilience among Small and Medium-sized Enterprises

Small and medium enterprises (SMEs) play an essential role in job creation (Berrios & Pilgrim 2013; Tambunan 2009; UNESCAP n.d.), employment (ADB 2019b; Kafaji 2020; Musara et al. 2020; OECD/ERIA 2018; Pratama 2019; Yoshino & Taghizadeh-Hesary 2018) and inclusive growth (Hai 2020; Koirala 2018). Worldwide, SMEs account for 90% of all businesses, generate more than 50% of employment, and contribute up to 40% of countries' GDPs (World Bank, n.d.). In Asia and the Pacific, SMEs play a large role as they account for more than 96% of businesses and make up about 60% of employment (ADB 2018; Yoshino & Taghizadeh-Hesary 2018). For the countries considered in this report, namely, Japan, Philippines, Singapore, South Korea, and Vietnam, these figures are even higher implying an even more critical role for small and medium enterprises in these places (Figure 2.1 and Figure 2.2).

Figure 2.1. Firm size breakdown by country (as % of total number of firms).

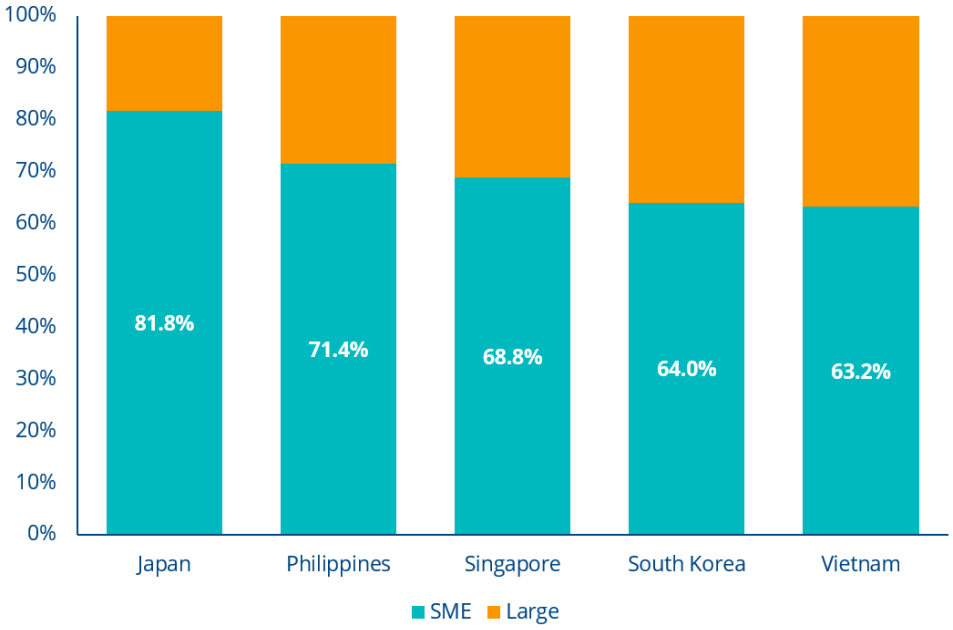


Source: *Korean Statistical Information Service; Ministry of Economy, Trade and Industry (Japan); Singapore Department of Statistics; Department of Trade and Industry (Philippines); Statistical Yearbook of Vietnam 2015 as cited in OECD/ERIA (2018).*

Notes on SME definition: *South Korea – based on firm sales per sector (for sector-specific definitions, see KOSME n.d.). Japan – defined for each sector by the Small and Medium-sized Enterprise Basic Act (Amended in 1999; for more details see SME Support Japan n.d.). Singapore – enterprises with sales not exceeding SGD100mil or employees of not more than 200 (Singapore Department of Statistics). Philippines – MSMEs are those whose asset size are until Php100,000,000 (Magna Carta for MSMEs as cited in Philippine Department of Information and Communications Technology 2016). Vietnam – based on total capital, turnover per year, and sector (for more details see Vietnam Law on Facilitating SME sector Decree No. 04/2017/QH14).*

Notes on data: *Japan as of 2016, South Korea as of 2018, Singapore as of 2019, the Philippines as of 2018, and Vietnam as of 2015.*

Figure 2.2. Employment contribution according to firm size by country (as % of total number of employed).



Source: *Korean Statistical Information Service; Japan Small and Medium Enterprise Agency (2019); Singapore Department of Statistics; Department of Trade and Industry (Philippines); OECD/ERIA (2018).*

Notes on SME definition: *South Korea – based on firm sales per sector (for sector-specific definitions, see KOSME n.d.). Japan – defined for each sector by the Small and Medium-sized Enterprise Basic Act (Amended in 1999; for more details see SME Support Japan n.d.). Singapore – enterprises with sales not exceeding SGD100mil or employees of not more than 200 (Singapore Department of Statistics). Philippines – MSMEs are those whose asset size are until Php100,000,000 (Magna Carta for MSMEs as cited in Philippine Department of Information and Communications Technology 2016). Vietnam – based on total capital, turnover per year, and sector (for more details see Vietnam Law on Facilitating SME sector Decree No. 04/2017/QH14).*

Notes on data: *Japan as of 2016, South Korea as of 2018, Singapore as of 2019, and the Philippines as of 2018.*

When any form of crisis hits, SMEs tend to be particularly vulnerable compared to large firms as they suffer from what Freeman, Carroll, & Hannan (1983) described as the "the liability of smallness," characterized by these firms' limited access to finance, limited access to market information, low investment in research and development, underdeveloped sales and distribution channels, and relative shortcomings in terms of technological, managerial and human capabilities (Bourletidis & Triantafyllopoulos 2014; Yoshino & Taghizadeh-Hesary 2016). Any disruption from an external shock may have large consequences for them affecting their long-term viability. As of July 2020, the following estimates have been established for the percentage of affected SMEs during the pandemic: 0 to 10% for Japan and South Korea, 21-30% for the Philippines, 51-60% for Singapore, and 11-20% for Vietnam (Facebook, OECD, & the World Bank 2020). Furthermore, SMEs, particularly those in Asia, often do not have business continuity plans (BCPs) unlike their larger counterparts (ADRC 2012; GIDRM, n.d.; UNESCAP 2017), making it less manageable for them to react quickly and appropriately in times of crises. A recent survey in the Philippines showed that less than one-third of firms had BCPs in place. Those that did not have BCPs cited various reasons for not having one, including not knowing what a BCP was or how to prepare one, believing that small firms did not need a BCP, and not having the resources or capacity to craft one (UNIDO 2020).

Given the significant role SMEs play in the economy and their inherent vulnerability, it is important that policymakers put in place efforts and support measures that will not only enable SMEs to adapt in response to the crisis, sustain their viability, and quickly recover, but also empower them to create more value through innovation.

In this chapter, we investigate how firms, specifically SMEs, respond to crises in general and the COVID19 pandemic in particular. We look at their responses and what these may imply for the future of doing business in Asia.

SMEs in Times of Crises

Economic and Financial Crises

In times of economic crises, SMEs face two major problems: the severe drop in demand for their products, and the tightening of credit terms (OECD 2009). Decreased demand due to the drop in the purchasing power of consumers and reduced consumer and investor confidence generally

affects all businesses during economic crises, but compared to larger firms, SMEs tend to be disproportionately more affected as they have less financial resources of their own, fewer financing options, and a smaller customer base (Bourletidis & Triantafyllopoulos 2014; de la Torre, Pería, & Schmukler 2010; Nugent & Yhee 2002; Piette & Zachary 2015).[2] Together, these make it more difficult for SMEs to recover quickly after the economic crisis resolves, as it becomes more challenging for them to restart operations and sustain growth.[3] Furthermore, since SMEs have fewer assets and collateral to apply for loans, they tend to be considered a higher risk for banks compared to larger firms (ADB 2019b). This in turn leads to either SMEs facing higher interest rates (borrowing costs) or rejections for their credit applications (Nicholls 2016), worsening their problems in accessing financial resources.

Looking back at the 1997 Asian Financial Crisis (AFC) and the 2008/09 Global Financial Crisis (GFC), GDP growth in Singapore, South Korea, the Philippines, and Japan significantly declined (Figure 2.3). While the unavailability of SME-specific macroeconomic data makes it difficult to determine the aggregate impact on SMEs, many studies have used survey or case study approaches to assess the effects of economic and financial crises on small firms. For example, DiKim, Tesar, & Zhang (2015) found that during the AFC, the performance of South Korean SMEs, especially those that had foreign-currency denominated debt, were negatively affected, and those with short-term foreign debts were more likely to have declared bankruptcy. Disruptions in credit markets had highly pronounced effects on SMEs in South Korea at that time, where movements in interest rates were shown to have had a negative effect on SMEs' industrial production, but not for larger firms (Domac & Ferri 1999).

Nevertheless, many SMEs have been resilient enough to survive the difficulties brought about by macroeconomic shocks; some had even thrived. Given their limited access to finance from formal lenders, 75% of SMEs in Indonesia (one of the countries hit most severely by the crisis) had to rely on their own capital after the AFC. But because SMEs had limited access to formal finance

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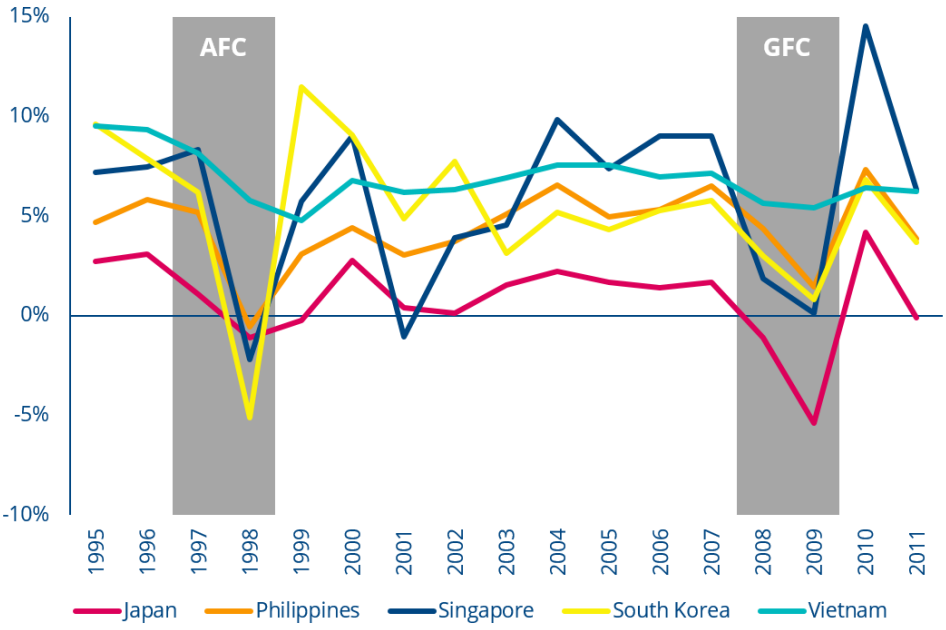
2 *Zubair, Kabir, & Huang (2020) provide a list of SME characteristics that lead to this phenomenon: difficulty in accessing the public capital market, shorter track record, greater information asymmetry, higher failure rate, fewer opportunities available to owners-managers for wealth diversification, and typically lower availability of collateral.*

3 *Restarting operations requires liquidity and capital, while sustaining growth requires a significant number of consumers.*

even before the crisis anyway, they were able to quickly recover, mostly by using cheaper alternative inputs (Musa & Priatna 1998). Interestingly, Wengel & Rodriguez (2006) found that export-oriented Indonesian SMEs were actually able to expand their trade volumes during the AFC while large firms, many of which relied more heavily on imported materials and therefore had high procurement costs, suffered significant losses. The same authors estimated however that SME trade volumes could have increased even further if only they had access to formal finance.

Other factors that contributed to the survival or even success of SMEs during the AFC were the ability to develop a local niche market and to cooperate with other firms in reducing production costs, sharing new technologies, and forming wider sales networks (Shinozaki 2012).

Figure 2.3. Real GDP growth from 1995 to 2011.

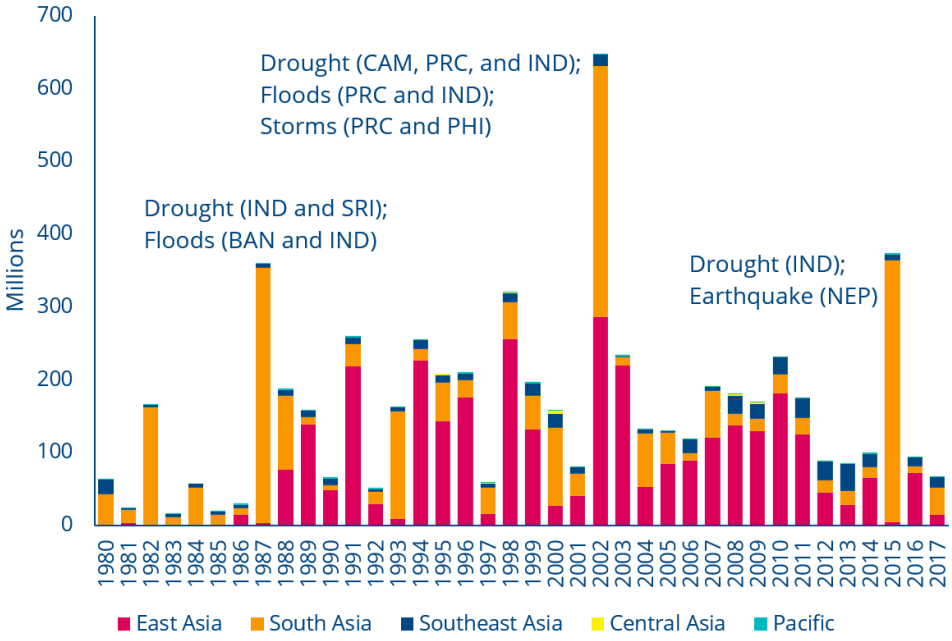


***Source**: World Bank World Development Indicators*

Natural Disasters and Public Health Crises

Natural disasters directly impact businesses and economic activity through damage and destruction of assets including buildings, equipment, infrastructure, crops, livestock, and people's physical and mental health (Botzen et al. 2019). Disasters affect more people in Developing Asia compared to other parts of the world due to the region's relatively higher populations and exposure to natural hazards (Dagli & Ferrarini 2019). In 2017, almost 100 million people were affected, mostly in South Asia where natural disasters are often in the forms of floods, landslides, and mass movements (Figure 2.4 and Figure 2.5). In terms of material losses, an estimated US$30 billion worth of damages were recorded in 2017 for Developing Asia alone (Figure 2.6). In the past decade, the average cost of damages exceeded US$40 billion.

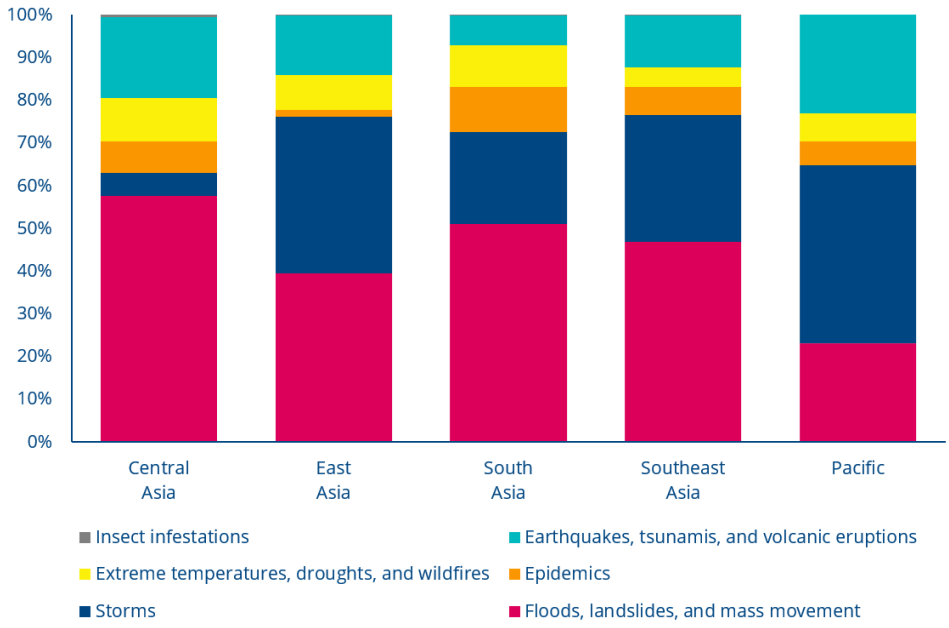
Figure 2.4. Number of people affected by disasters in Developing Asia (in millions of people).



***Source**: Dagli & Ferrarini (2019).*

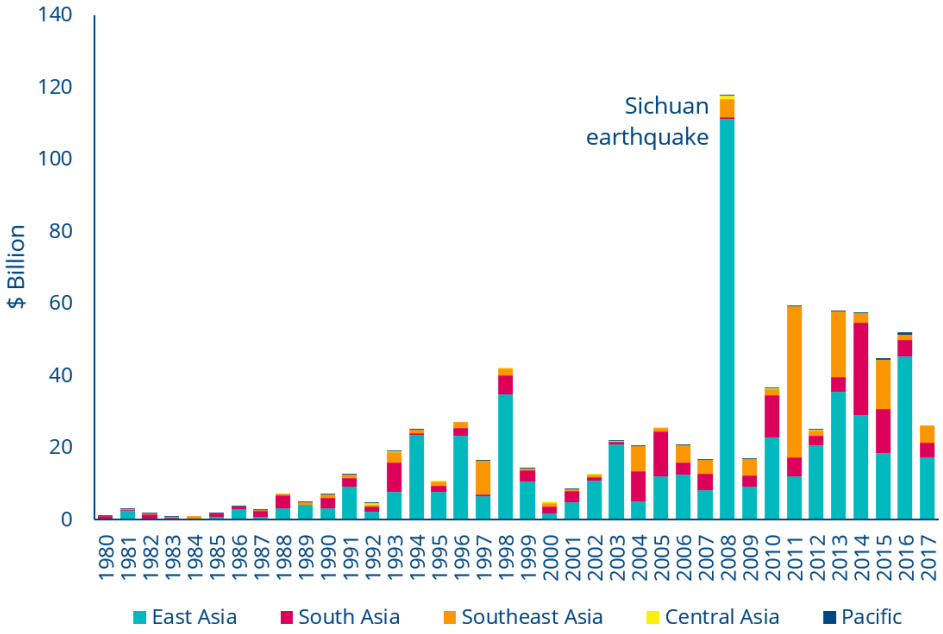
***Note**: BAN = Bangladesh, CAM = Cambodia, IND = India, NEP = Nepal, PHI = Philippines, PRC = People's Republic of China, SRI = Sri Lanka.*

Figure 2.5. Disasters affecting Developing Asia.



***Source**: Dagli & Ferrarini (2019).*

Figure 2.6. Material Cost of Natural Disasters in Developing Asia.



***Source**: Dagli & Ferrarini (2019).*

SMEs are particularly vulnerable to disasters and the negative consequences that follow. While all kinds of firms and in all countries tend to be negatively affected by natural disasters, smaller firms from developing economies face greater impacts due to a lack of risk and crisis management cultures and systems (Asgary, Ozdemir, & Özyürek 2020). Furthermore, most SMEs locate in urban areas, which in Developing Asia, are mostly located in coastal areas and deltas, increasing the exposure of SMEs in developing economies to natural disasters (Auzzir, Haigh, & Amaratunga 2018).

When disaster strikes, an SME's chances of survival heavily depends on whether they are sufficiently insured or not. There is no doubt that reducing the likelihood for risks to materialize is important, but in cases when they do, firms that can reduce or eliminate the financial impacts tend to fare better than those who do not (Chatterjee & Wehrhahn 2017). Insurance can then make SMEs resilient to shocks. However, SMEs, especially in developing countries, often do not insure against environmental and public health risks[4] (Ingirige, Jones, & Proverbs 2008; Ballesteros & Domingo 2015). Small firms often have to operate with limited financial resources and tend to prioritize investments that directly contribute to increasing future productivity and profitability over insurance. Disaster risk management has often been viewed as a *reactive* measure because activities such as risk reduction and hazard mitigation are rarely seen as urgent (Schneider 2002). Not surprisingly, in low-income countries, more than 95% of all losses from weather, climate, and natural hazards remain uninsured (Golnarghi, Surminski, & Schanz 2016).

Disasters also disrupt business operations. Disasters can wreak havoc on production and supply chains, both local and regional/global (Abe & Ye, 2013), with impacts felt beyond the geographical area of the disaster.

While disasters generally have a gross negative impact on businesses, some studies show that macroeconomic growth may follow immediately after disasters hit as a result of reconstruction efforts (Loayza et al. 2012; Noy & Vu 2010). Investment spending on new equipment and capital stock to replace damaged or destroyed assets may be poured into the development or adoption of new and better technologies. This process of *creative destruction*

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4 *Developed OECD economies have government-supported risk financing programs for those highly vulnerable to natural disasters (Freeman et al. 2004). In general, developed economies have public-private partnerships insuring businesses against natural disasters (Linnerooth-Bayer & Mechler 2009).*

may thereby enhance the productivity of firms that do survive (Ono 2015). Hosono et al. (2012) found that firms affected by the 1995 Kobe Earthquake indeed increased their investments in new capital, while Cole et al. (2013) observed that there was a short-run increase in the productivity of affected plants.

However, the discussions regarding the growth impacts of natural disasters still have mixed findings. Crespo Cuaresma, Hlouskova, & Obersteiner (2008) found that positive effects are only observed in developed countries (like Japan), while Loayza et al. (2012) observed that growth is more sensitive to natural disasters in developing countries and that the estimated effects varied across economic sectors.[5] Cases wherein creative destruction did not necessarily occur following a disaster include that of Sri Lanka in 2004 where firms were left with smaller profits and capital stock after the tsunami (De Mel et al. 2011), and that of Japan after the 1995 Kobe Earthquake where Cole et al. (2013) and Tanaka (2015) found that firms generated fewer employment and value-added growth after the disaster.

Other disasters such as domestic and cyber terrorism, industrial accidents, and war also have direct and indirect effects on SMEs. Terrorist attacks for example, despite occurring in small areas, often have spillover effects and large equilibrium impacts (Abadie & Gardeazabal 2008). They discourage foreign investments and capital inflows, as well as increase economic risks driving insurance, transaction, transportation, and security costs upwards for SMEs (Asgary, Ozdemir, & Özyürek 2020).

The COVID19 pandemic has presented itself as a unique form of crisis combining characteristics of both "natural disasters" and macroeconomic crises. Stringent containment and mitigating measures implemented by governments around the world to curb the pandemic have resulted in both a drastic drop in demand similar to economic/financial crises, and also large disruptions in marketing, supply chain, and general business operations similar to disasters. The ongoing experiences of firms in varying contexts across Asia provide insight to the unique impacts of this pandemic, and how some firms have successfully navigated it.

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5 *Using data from developing countries, Loayza et al. (2012) found that droughts have negative impacts on agricultural and industrial growth, whereas storms have negative impacts on agricultural growth but positive impacts on industrial growth. Earthquakes, on the other hand, positively impact industrial growth.*

Firm Agility, Resilience, and Innovation

Theme 1: Business agility has been a critical success factor for small firms in surviving the impact of the pandemic.

While big companies could rely on their access to large resources and wide supply chain networks to weather the crisis, small firms have had to rely mostly on their ability to quickly restructure limited resources and radically modify operations. Agility, defined as a firm's ability to quickly and appropriately respond to an external shock, creates stability for any business. Paradoxically, this agility requires internal stability of key organizational components: structure, governance, and process (McKinsey 2015).

The volatile, uncertain, complex, and ambiguous or VUCA environments (Bennett & Lemoine, 2014) that characterize most crises require firms to be agile for them to survive and thrive. A firm must be "strategically flexible"—able to identify major changes in the external environment, quickly commit resources to new courses of action in response to such changes, and act promptly when it is time to halt or reverse existing commitments (Shimizu & Hitt 2004). In times of crises like the COVID-19 pandemic, a firm's agility may be the deciding factor as to whether it will survive or not. It will differentiate between good companies from the poor-performing ones.[6] Research from the Massachusetts Institute of Technology (MIT) found that revenues of agile firms grew 37% faster and generated 30% higher profits than their non-agile counterparts (Economist Intelligence Unit, 2009). SMEs that had more flexible production processes were also observed to have been less negatively impacted during the Asian Financial Crisis (Berry, Rodriguez, & Sandee 2001).

To enable flexibility, a firm must have a stable backbone to support rapid changes in business direction. As McKinsey (2015) elaborated in their report, one of the key components of this stable backbone is having an organizational structure that is fluid and dynamic while providing a solid anchor for coaching and long-term development. In a 2009 survey of The Economist Intelligence Unit (EIU), most businesses agreed that nimble organizations tend to have

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6 *Bazigos, De Smet, & Gagnon (2015) examined 37 management practices across businesses and found that when combined with speed and stability, better firm outcomes were generated. Four areas in particular benefitted most from this: financial management, financial incentives, capturing external ideas, and involving employees in shaping a company's vision.*

flatter hierarchies, a trait which SMEs can leverage on. While SMEs tend to be vulnerable during crises due to their limited access to important resources, their small size gives them greater flexibility when responding to external shocks and quicker decision-making due their flatter organizational structure (Eggers, Hansen, & Davis 2012).

Most SMEs that were interviewed for this report agreed that having a small organization benefitted them when it came to making important decisions and getting the "buy-in" of important stakeholders. SME 4 noted that in their organization, a core team of less than 15 people directly handled about 75% of the business, making it easy for them to decide on important matters "within minutes". For some SMEs that were family businesses, the decision making process was even faster. A critical element to quick decision making was a high level of trust and open dialogue among members of the management team. SME 2 noted that since "everyone was playing it by ear and had to react quickly", members of the management team had to trust each other's recommendations sometimes in the absence of full information.

Alongside agility, strands of the strategic management and entrepreneurship literature trace firm survival during a crisis to its entrepreneurial orientation (EO). Specifically, Soininen et al. (2012) found that a higher EO was strongly associated with firm crisis survival. EO refers to a firm's innovativeness, proactiveness[7] and willingness to take risks (Covin & Lumpkin 2011 as cited in Eggers 2020). In general, there tends to be greater transparency in decision making and resource allocation as well as performance evaluation within the small and flat management teams of SMEs, company managers are able to make decisions that may be considered too risky by their counterparts in big firms where having a high degree of entrepreneurial orientation may be a liability for promotion or job security.

Making "entrepreneurial" decisions has been necessary during the pandemic. Firms, both large and small, across industries faced a wide variety of challenges (Figure 2.7 and Figure 2.8) that often required extraordinary solutions. Materials shortages, for example, were especially problematic for manufacturing/processing firms. SME 4 engaged in chemical trading, anticipated problems early in the pandemic even before the first cases were

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7 *Which according to Rauch et al. (2009) is "an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of competition and acting in anticipation of the future demand."*

reported in the country, and decided to overstock on material imports that were good for up to two months of normal sales. For a relatively small firm with limited financial resources, this was a big and risky decision to make considering that the short-term demand for their products was also uncertain. Looking back, the company was happy to have made such decision early on as supply chain issues affected many of their competitors in the weeks that followed after the pandemic reached the Philippines.

In addition to important resource allocation decisions, firms have had to decide on pivot strategies that introduce changes to the business model. SME 1 from the skincare industry faced a huge drop in demand due to physical stores being ordered closed during the nationwide lockdown. The firm quickly turned to e-commerce, launching a new product line during the pandemic in order to generate buzz around their newly expanded online presence. While the shift to e-commerce had been part of the company plans for the next fiscal year, the beginning of the pandemic prompted them to fast-track their e-commerce projects to offset expected revenue losses from the closure of physical stores. Funds were reallocated away from traditional marketing and promotion in physical stores (i.e., brand ambassadors/"promodizers") to investments in information and communication technology (ICT) equipment and digital marketing (i.e., social media influencers and digital ads).

SME 1 demonstrated organizational agility not just within the management team as evidenced by their quick pivot strategy, but also among their sales and promotion staff, many of whom had their roles shifted to online customer service as "e-consultants". Everyone had to work from home on their computers or mobile devices to interact with customers. Many of them brought their product inventory to their homes, serving as local distribution hubs, from which customer orders were picked up by courier services for delivery. Although these may appear to have been huge departures from the original activities performed by the sales team prior to the pandemic, the core functions and processes of explaining key attributes of their skincare products to the customer, responding to queries, making product recommendations, and preparing product bundles have in essence remained the same. The shift from brick-and-mortar store operations to e-commerce and online customer interaction was relatively easy for SME 1 and their employees because the competencies and standard processes for these core sales functions had been well developed and clearly established before the crisis hit.

Figure 2.7. Major challenges faced by selected sectors.

	1	2	3	4	5
Advance Industries	Materials shortages	Drop in demand	Worker shortages	Cash-flow issues	Planning issues
Chemicals, metals, and mining, oil and gas	Materials shortages	Drop in demand	Worker shortages	Cash-flow issues	Planning issues
Construction, engineering & infrastructure	Worker shortages	Materials shortages	Planning issues	Cash-flow issues	Drop in demand
Consumer	Drop in demand	Materials shortages	Worker shortages	Cash-flow issues	Planning issues
Transport and logistics	Drop in demand	Planning issues	Materials shortages	Worker shortages	Cash-flow issues

***Source**: McKinsey COVID-19: Global Manufacturing & Supply Chain pulse Survey (2020) as cited in Chenneveau, Mancini, & Shinghal (2020).*

***Note**: Respondents selected multiple options when answering the survey question.*

By leveraging on their inherent agility due to their size and organizational structure, some SMEs have been able to remain resilient, increasing the likelihood of being able to return to their pre-crisis market position and level of business performance. SMEs interviewed credited their success in minimizing disruptions to their business to the way their organizations were structured (i.e., small, relatively flat organizations), as they were able to easily share information, coordinate action plans , and arrive at important decisions quickly.

All of the SMEs interviewed did not consider themselves as being prepared for the crisis and its impact on both supply and demand. Many of the firms did not have formally defined business continuity plans (BCPs), and had to determine the best course of action as critical events were unfolding. From the interviews conducted, three key areas of resilience emerged, covering organizational, financial, and operational aspects of the business.

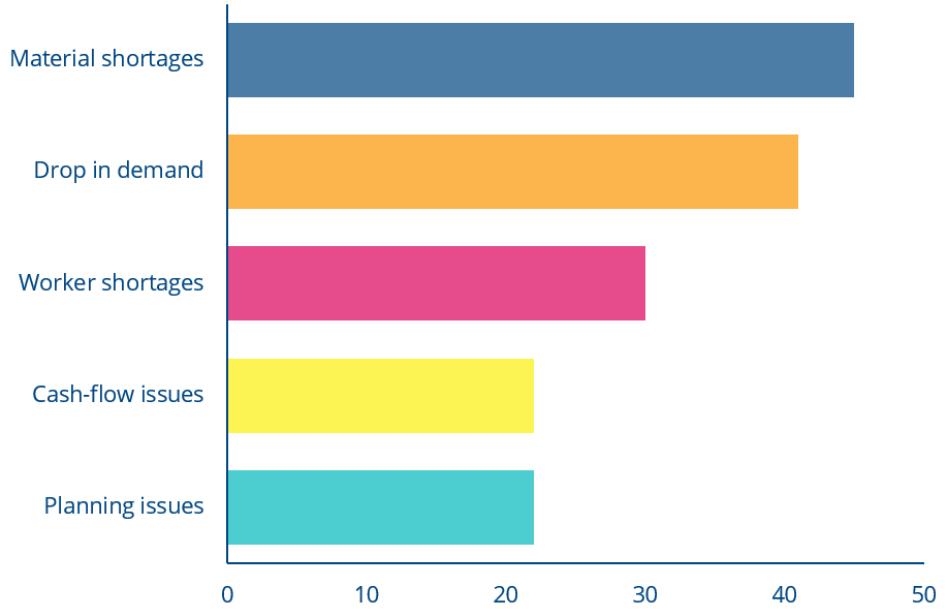
Indeed, the first step in ensuring survival was for SMEs to find ways to reinforce their organizational resilience (1) by clearly identifying or affirming the authority of a final decision maker for each aspect of a business, (2) by ensuring that information flowed smoothly along reliable channels of

communication across all levels of the organization, and (3) by allowing for informed discussion among key stakeholders as needed. This provided a stable backbone providing necessary support amidst fluid environments.

SME also had to build financial resilience amidst extraordinary financial pressure mostly from falling sales by quickly recognizing changes in income-generating activities and cost-driving business processes as market preferences and public health guidelines change overnight. Given their limited resources, financial and otherwise, SMEs had to quickly assess changes in their financial health, especially cash flows, and reallocate resources and associated costs. Many firms sought to delay payments to government and to suppliers, but all of the SMEs interviewed prioritized payroll.

Finally, SMEs had to maintain operational resilience (1) by building redundancy for critical assets and processes, and (2) by quickly modifying supply chain and logistics operations in response to new market and policy environments. SME 3 whose business depended heavily on perishable inputs and therefore could not keep large raw materials inventory made sure to maintain active relationships with multiple alternative suppliers. For firms that shifted to e-commerce or expanded digital operations, many basic processes had to be modified or new processes introduced such as the adoption of electronic payments systems and the use of independent courier services for the delivery of goods direct to customers. Firms that had digitized their processes before the pandemic hit found it easier to sustain operations when during the lockdowns. SME 1 attributed the relative ease they had in shifting all sales operations online to having engaged in e-commerce earlier, albeit to a much smaller degree.

Figure 2.8. Top 5 challenges faced by firms during the COVID-19 pandemic (% of firms that identified these problems).



Source: McKinsey COVID-19: Global Manufacturing & Supply Chain pulse Survey (2020) as cited in Chenneveau, Mancini, & Shinghal (2020).

Note: Respondents selected multiple options when answering the survey question.

Theme 2: Firms have had to innovate products, processes, and business models to thrive in the emerging new normal.

The business and economics literature positively associates innovation with firm growth (Audretsch, Coad, & Segarra 2014; Braunerhjelm, Ding, & Thulin 2016; Spescha & Woerter 2018) as well as economic growth (ECB 2017; Maradana et al. 2017; OECD 2007). Typically, innovation is defined in these studies in terms of *product* innovation—the introduction of a new good i.e., one which consumers are not yet familiar with, or a new quality/attribute of a good—or *process* innovation—the introduction of a new method of production i.e., not yet tested by experience in the branch of manufacture concerned (Simonetti, Archibugi, & Evangelista 1995).[8]

8 *The distinction between product and process innovation is attributed to Joseph Schumpeter in his Theory of Economic Development.*

A third and particularly important form of innovation especially in times of crisis is *business model* innovation, or the implementation of changes in how a firm carries out its mission, conducts its business, and supports its financial viability—the way it creates, delivers, and captures value. While such form of innovation tends to be less common compared to product and process innovation during normalcy, the pandemic has seen many firms, especially smaller and more agile ones introduce changes to important parts of their business model. SME 3, a food service provider was almost entirely dependent prior to the pandemic on physical store sales from outlets in malls, particularly cinemas where movie patrons typically buy their products to snack on during the movie. When malls and cinemas were ordered close during the lockdown, the company quickly shifted to online food delivery platforms. All operations were moved to the company headquarters, and a simple digital ordering system was set up through instant messenger applications and social media. They also temporarily converted some of the homes of members of the management team as local production and distribution hubs. Sales have remained significantly below pre-crisis levels for SME 3, and the company intends to shift back to physical store sales once malls and cinemas re-open and patrons return. On the other hand, SME 1, a skincare distributor/retailer that also relied heavily on physical store sales prior to the pandemic through a consignment agreement with a large personal care product retailer has seen e-commerce sales rapidly grow to near pre-pandemic levels. The company is now seriously considering maintaining its focus on e-commerce over brick-and-mortar retail even after the pandemic.

Business model innovation among SMEs has also come in the form of catering to new customer segments. In Japan, for example, some restaurants have applied for temporary permits to sell liquor products for takeout order, a practice which had not been commonly done before (Nikkei Asian Review 2020). While regular patrons would typically be expected to consumer alcoholic beverages in the restaurant as part of the overall dining experience, selling such beverages for takeout orders seeks to expand the market to include regular patrons who may not be able to dine in at the moment, and also new customers who may have not been interested in dining in at all. M's Dining, a Tokyo-based chain specializing in Japanese wines have seen their sales go up by 20% since they started selling wine for takeout.

Japanese ramen restaurants have also started offering food for takeout (prior to the pandemic, most of these shops did not offer takeout options for customers to preserve the quality of their products that are typically best

consumed immediately). These restaurants introduced product innovations by changing the way they cooked their noodles (some undercooked their noodles so that they are cooked "just right" by the time the customer consumes the product at home) or by preparing their broths differently (Maruyama 2020). Such product innovation is embedded in a larger business model innovation that introduces a new revenue stream and new customer segments as they provide new value propositions to their customers.

In the economics literature, one of the common determinants of innovation is market structure alongside the use of knowledge/R&D networks and firm size (Rogers 2004).[9,10] It has been observed that large firms invest more in R&D compared to small ones (Kleinknecht 1989; Shefer & Frenkel 2005) because barriers to innovation (i.e., lack of technology/infrastructure, lack of capital, lack of management and expert qualifications, and lack of qualified employees with technical know-how) tend to be directly correlated with smallness.

Furthermore, SMEs have limited cash resources and therefore seek to prioritize allocating funds for operating expenses rather than for innovation (through R&D expenditures). In some cases, SMEs turn to external funding for their R&D expenditures. However, the existence of information asymmetries between firms and potential sources of funding prevents outsiders from fully committing to innovative projects.

The pandemic has forced most SMEs to innovate their products, processes, or business models with the limited resources available to them, and often at greater risks to their business than what large firms face. For many firms that have successfully innovated in response to the crisis, innovation has come through increased adoption of technology, particularly ICT technologies and digital platforms, especially e-commerce.

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9 *In empirical studies, market structure is often proxied by concentration ratios, market share ratios and measures of barriers to entry.*

10 *Other determinants of innovation are the use of networks (SMEs rely more on knowledge produced by firms within their networks, rather than invest in their own R&D) and firm size (small businesses are "faster at recognizing opportunities" and are more flexible in adjusting their research plans [Rogers 2004]]. Although the relationship between the role of innovation, firm size, and firm growth is relatively under-researched, a number of studies point to SMEs benefitting greatly from the presence of innovation (Deschryvere 2014; Hervas, Sempere, & Boronat 2014; Triguero, Córcoles, & Cureva 2014).*

Theme 3: Digital technology and e-commerce has emerged as important enablers of SME resilience and innovation.

A critical factor common to the success of SMEs in introducing innovations and in minimizing disruptions to their business during the pandemic is the use of digital technology. Through the use of such technology, firms are able to speed up decision making, facilitate communication and sharing of information, and respond quickly to changing conditions by adjusting organizational boundaries, work schedules, and the nature and pace of work itself (Lu & Ramamurthy 2011; Lucas & Olson 1994). It reinforces organizational resilience by increasing productive capacities and taking advantage of expert collaborations (Scott et al. 2006) as well as capturing, integrating, and using vital information in real time (KPMG 2020). Furthermore, investments in digital technologies enable firms to shape and refine their business strategies, customer relationships, and extended enterprise networks (Sambamurthy, Bharadwaj, & Grover 2003).

As various forms and lengths of community lockdowns forced most businesses to shift to telework, and many to shift to e-commerce, issues of internet connectivity and digital skills emerged especially among SMEs. In particular, unequal access to reliable broadband internet connections has created a digital divide that many small firms and their employees have had to bridge. Furthermore, SMEs interviewed reported the importance of basic computer skills among employees in minimizing disruption to operations.

SMEs saw a significant rise in the use of online stores, courier services, and digital payment systems. SME 1 and SME 3 noted that they are now looking into more ways to expand their digital presence, after seeing a considerable increase in their online sales. SME 1, in fact, will hire a new e-commerce manager since their current one is set to leave the company in order to start his own e-commerce business. Both SMEs recognized they can take advantage of the potential from engaging in e-commerce, especially now that people have become accustomed to it.

Conclusion

Inherent vulnerabilities of SMEs continue to persist despite efforts of governments to put in place support measures that will enable them to adapt in response to crises, sustain their viability, and quickly recover. The COVID-19 pandemic has emphasized that businesses both big and small can be severely affected by shocks in the demand side, the supply side, or both. Increasingly VUCA environments require small businesses to prepare for external shocks by making investments in competencies and assets that increase their agility. This calls for governments to make policies and regulations more relaxed in times of pandemics so that small businesses can have more ways to be flexible. Examples could be lowering the prevailing interest rates so that loans are more affordable (less financing constraints), and eliminating portions of the bureaucracy so that support can be delivered faster.

Small firms have a natural advantage due to their size and relatively flat organizational structure in ensuring the smooth flow of information among key stakeholders, and quick decision-making. However, smallness also presents challenges due to limited resources, increasing the importance of making sound strategic decisions. Small firms will have to prepare themselves for external shocks by building resilience into their organization. The government, on the other hand, should continue to improve its delivery of support services for small firms in times of negative external shocks. They can take lessons from their own experiences during the COVID-19 pandemic so that when similar crises occur in the future, the impacts can be significantly reduced.

The development of organizational, financial, and operational resilience does not happen by chance. Conscious action and deliberate investment in building resilience was a common feature of SMEs interviewed that demonstrated success in minimizing disruptions. Despite the absence of written business continuity plans, these SMEs were able to pivot operations quickly and absorb supply chain shocks with minimum damage.

Finally, business model and marketing innovation proved to be very important to survive during the pandemic. SMEs focused on finding alternative sources of revenue and distribution channels instead of developing new products.

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COVID-19 and the Future of Work

3. COVID-19 and the Future of Work

The COVID-19 pandemic and the various mitigating strategies implemented by country governments had brought economic activity in most parts of the world to a grinding halt. What began as a city-wide quarantine in Wuhan, China on January 23, 2020 rapidly evolved into an almost world-wide lockdown in the span of three months. By April 2020, 88 countries had recommended or imposed restrictions on the movement of people and temporary closures of non-essential businesses. In June 2020, the International Labour Organization (ILO) estimated that 93 percent of the world's workers were living in countries experiencing workplace closures (ILO, 2020a)

The crisis has impacted the production of goods and services, household consumption, and private investment. Supply chain disruptions have resulted in revenue shortfalls and consequent job losses, suppressing both consumer and business confidence. As incomes and profitability decline, consumers have become hesitant to purchase goods and services, while businesses have delayed investments and hiring of workers. Consequently, this downturn in economic activity is likely to have lasting impacts on labor markets across the world, and the pandemic driving it is likely to have lasting impacts on the nature of work across industries.

Second-quarter labor statistics from Japan, Philippines, Singapore, South Korea, and Vietnam reveal the magnitude of the initial labor market fallout. Relative to fourth quarter 2019 statistics, Japan, South Korea, and Vietnam reported 0.6, 1.1, and 0.5 percentage point increases in unemployment respectively (Statistical Bureau (Japan), 2020a; Statistics Korea, 2020; General Statistics Office (Vietnam), 2020). The Philippines in particular has been hit the hardest with the unemployment rate jumping to 17.7% in April 2020 from 5.3% in January. This was the highest recorded unemployment rate in the country, equal to about 7.3 million unemployed workers (Philippine Statistics Authority, 2020a). However, labor statistics for July has since shown a quarter-on-quarter percentage point decrease in unemployment to 10.0% of the labor force (Philippine Statistics Authority, 2020b). Singapore also reported the sharpest quarter-on-quarter contraction in total employment

in the first quarter of 2020, with 25,600 fewer employed workers than in the previous quarter (Ministry of Manpower (Singapore), 2020a). This was equivalent to a 2.4% unemployment rate, up from 2.3% in the previous quarter. Second quarter data shows a worsening situation in Singapore, with the unemployment rate rising to 2.9% (Ministry of Manpower (Singapore), 2020b).

These job losses have occurred in spite of various efforts to sustain work and economic activity while observing safety and health protocols. Nonetheless, the safe distancing restrictions put in place to prevent the transmission of the virus have consequently presented the opportunity for large-scale experiments on flexible work schemes. While remote work, telecommuting, and work-from-home arrangements have been proposed and tested before the pandemic in various forms and for various objectives including improvement of worker welfare and decreased congestion in urban areas, COVID-19 has forced many businesses to adopt alternative work schemes as quickly as possible to sustain their operations. In some countries, other businesses, whose main operations could not be performed outside their traditional workplace and whose products were categorized by the government as "non-essential goods" had to cease operations. Those that were allowed to continue normal operations were required to take special measures to ensure the safety and health of customers and employees. These developments have given rise to challenges and opportunities that have necessitated a shift in the dynamics between employers and employees.

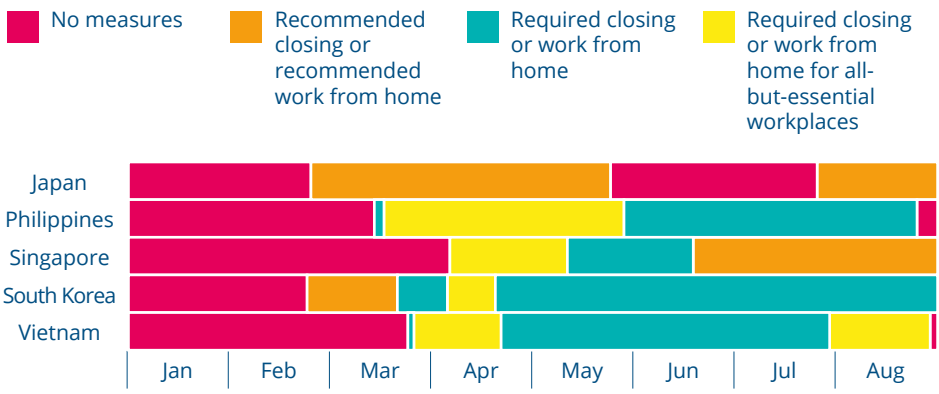
Businesses that have been unable to adjust or that had not been allowed to operate inevitably had to let go of workers or significantly decrease working hours. The closure or downsizing of businesses has also affected worker training and apprenticeship, impacting the youth and their prospects for future employment.

This chapter investigates emerging themes in how COVID-19 has changed where work is done, how it is performed, and who performs it, as well as how this changes the role of employers in ensuring the wellbeing and productivity of their workers. The chapter also discusses how the ongoing pandemic may have lasting impacts on future workers that may prevail long after the crisis has ended.

Theme 4: The COVID-19 pandemic has led to widespread adoption of telework through modern information and communication technologies, but not all work could be performed remotely.

Physical distancing guidelines advocated by health experts had led to restrictions on transportation services and workplaces in varying degrees across countries. Many businesses had to adopt alternative arrangements for their workers to remain operational while protecting the safety employees and customers and to comply with government restrictions. Data from the University of Oxford's Coronavirus Government Response Tracker shows that different levels of workplace closure restrictions had been carried out across Japan, South Korea, the Philippines, Singapore, and Vietnam across varying periods (Figure 3.1) (Hale, et al., 2020). Among the five countries studied, Japan had implemented the least stringent level of workplace closure policies, where workplace closures and work from home were recommended, but not made mandatory. Meanwhile, the Philippines had implemented the most stringent measures, requiring the closure of workplaces and the shift to work from home arrangements for all organizations except those belonging to industries deemed essential. The Philippines has also implemented these stringent measures for the longest period.

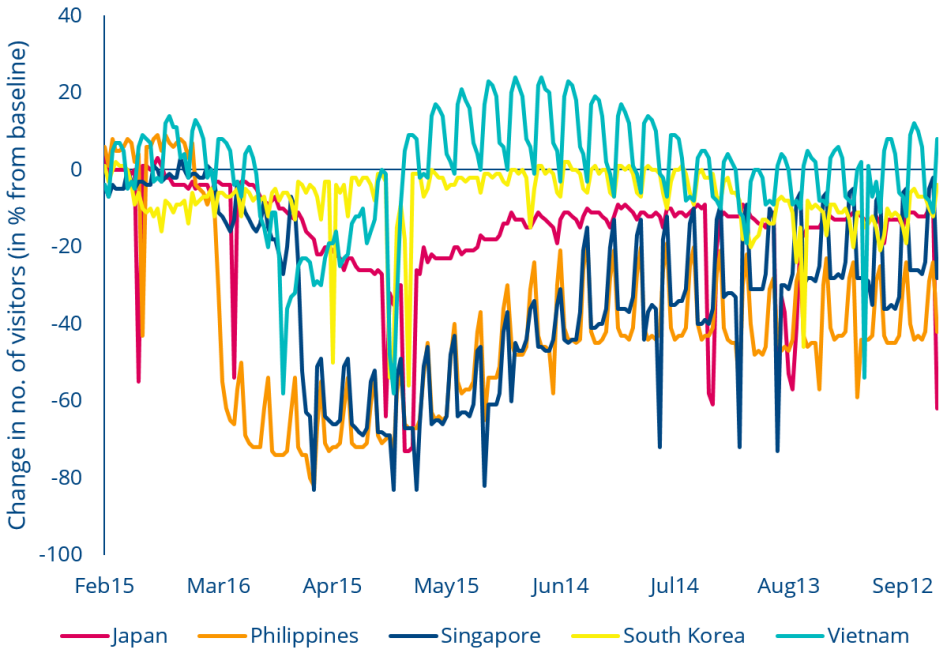
Figure 3.1. Workplace Closures during the COVID-19 Pandemic, January 1 to August 30, 2020.



Source: Oxford COVID-19 Government Response Tracker

Google's COVID-19 Community Mobility Report gives insight on the movement of people during the pandemic (Google, 2020). The report shows significant declines in movement in and around workplaces across all five countries beginning late March to April relative to the baseline reference period of January 3 to February 6, 2020. A slow return to workplaces has been observed from May to July (Figure 3.2).[11] While work situations appear to be going back to pre-pandemic levels in South Korea and Vietnam, the number of people going to work in Japan, the Philippines, and Singapore are still below the baseline reference period.

Figure 3.2. Change in the Number of Visitors in Workplaces.



***Note**: The baseline is the median value for the corresponding day of the week, during the 5-week period 3 January – 6 February 2020.*

***Source**: Google (2020)*

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11 Note that the Google COVID-19 community mobility data on workplace cannot proxy for economic activity and does not compare data year-on-year. Thus, there is potential seasonality in workplace mobility data that cannot be teased out from the data used in this report. For instance, historical data might suggest that less (more) people may really be reporting to work during the chosen reference baseline period. Moreover, no detailed study is done here to account for the relative increase in workplace mobility due to workers who have started reporting to their formal workplaces despite having been on a work-from-home scheme before the pandemic.

During the declared emergency period, the government of Japan recommended employers to have at least 70% of their employees work from home (The Japan Times, 2020a). In South Korea, the results of a local survey conducted in February 2020 reported that 36.8% of small firms, 50.9% of medium firms, and 60.9% of big firms had implemented or planned to implement work from home arrangements (So, 2020). In the Philippines, a total of 26,483 thousand establishments affecting 1,160,677 workers had implemented flexible work arrangements as of July 27, 2020 (Department of Labor and Employment (Philippines), 2020).[12] Meanwhile, in Singapore, the government had urged companies to implement teleworking as part of their "Circuit Breaker" measures to stem the spread of COVID-19. On the flipside, Vietnam was able to control the pandemic in its early stages, minimizing the length of time that governments and companies implemented workplace closures and telework schemes.

Marked increase in broadband internet penetration especially in urban areas during the last two decades and the mass proliferation of connected devices had provided the necessary tools paving the way to cloud computing and the virtual office. The same developments have also made collaboration possible through instant messaging and video conferencing applications. The availability and growing use of these applications and devices prior to the pandemic allowed for their rapid and widespread adaption when the crisis hit.

In some countries, government and private sector efforts encouraging flexible work arrangements were already in place even before the pandemic. The Philippines had adopted legislation in support of telework in 2018 (Congress of the Philippines, 2018), while a series of government programs encouraging remote work was adopted in South Korea beginning in 2010 (Hur & Cho, 2019).[13] Government initiatives were also implemented to promote flexible work and telework in Singapore and Japan in 2017 (Deutsche Welle, 2017; Ministry of Manpower (Singapore), 2017).[14]

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12 Department of Labor and Employment (Philippines), Regular Job Displacement Monitoring Report, 27 July 2020.

13 The Philippines passed the "Teleworking Act" in 2018, while South Korea's "Smart Work" initiatives began in 2010.

14 Japan designated July 24 as "Telework Day", while Singapore also launched its Tripartite Standard on Flexible Work Arrangements.

The COVID-19 pandemic accelerated the adoption of these technology-enabled alternative arrangements, as most businesses were forced to quickly adapt to the restrictions of the new environment. The pandemic has presented itself as a large-scale experiment to test the viability of flexible work arrangements and a massive opportunity to learn how best to implement them.

While some businesses managed to adopt telework and maintain acceptable levels of employee productivity, many businesses realized major challenges, especially for those which involve work that could not be done outside the traditional workplace. Those that were successful in adapting alternative work arrangements identified activities and job functions that could be performed remotely to sustain operations during the lockdown. In general, larger firms and especially those in business and professional services have been able to shift to telework more successfully than smaller firms and those in manufacturing, construction, retail and personal services. With most small and medium-sized enterprises being in the retail/wholesale, tourism, or food service and hospitality industries, most SMEs interviewed were generally less successful in shifting to telework. SME 1 reassigned store clerks and product merchandisers whose original tasks involved promoting their cosmetic products in physical stores as "e-consultants" selling their products on various e-commerce platforms instead. However, for SME 3, a company in the food service industry with outlets located mostly in malls, only managers and administrative staff were able to continue performing work from home during the period of strict lockdown.

Internet infrastructure, communications software and ICT equipment proved essential for success in adopting telework. Some of the SMEs interviewed reported having to rely on web conferencing applications, such as Zoom, to hold meetings and keep employees connected. They also relied heavily on instant messaging applications such as Viber and WhatsApp. A challenge for many SMEs interviewed was that not all of their employees had computers or reliable internet connections at home. Instant messaging through mobile phones was adequate for some internal communications, but many external communications, including client correspondences and e-commerce activities required more sophisticated resources and better connectivity. Many workers also did not have home environments conducive to long, undisrupted periods of telework, especially given that workers often had to share the same home workstations and equipment with other household members who were also working or studying from home. SME 4 and SME 5

reported having many of their employees unable to obtain reliable internet access at home even through their mobile phones due to poor connectivity in their locations. Some SMEs had to provide laptops or subsidize their employees' internet subscriptions for them to upgrade their accounts or find alternative service providers. These circumstances have been commonly faced by SMEs in general.

The pandemic has highlighted and possibly exacerbated the digital divide between those with access to the necessary digital resources to successfully shift to telework and those without such access. Data from the International Telecommunication Union (ITU) show the countries of Japan, Singapore, and South Korea as having very good ICT capabilities at the household level. The share of households with computers in Singapore and South Korea in 2019 was at 88.8% and 71.7% respectively. The share of households with computers in Japan in 2018 was at 75.1%. In comparison, only 23.8% and 25.8% of households in the Philippines and Vietnam, respectively, had access to computers in 2019 (ITU, 2020). Internet access among households through any device including mobile phones was 99.7% in South Korea, 98.4% in Singapore, 95.7% in Japan , but only 46.0% in Vietnam and 17.7% in the Philippines (ITU, 2020).

Businesses that had already digitally transformed their activities before the pandemic generally found it easier to shift to full telework.[15] Those that relied heavily on manual and physical systems experienced greater difficulty adapting during the pandemic. For example, SME 5, an architecture firm, was not able to successfully shift to telework immediately since much of their materials, including architectural blueprints, had not been digitally stored in the cloud therefore requiring access to their physical workplace to resume operations. SME 5 also reported experiencing difficulties in the adoption of a web conferencing application as many of their staff were unaccustomed to using it. They found having to communicate using such application to be significantly disruptive especially during client meetings.

In addition to IT infrastructure and equipment issues, some businesses face challenges in ensuring data security and compliance with data privacy laws. In the Philippines, many firms in the Business Process Outsourcing (BPO) sector had to limit the activities that their employees working from home could perform in order to the minimize cyber security risks of processing

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15 SME 1 and SME 6

confidential information without the protection of company firewalls and security software. SME 5 was particularly concerned about intellectual property issues in providing service to their customer for whom protecting designs and schematics, including design workflows, material technology, design proportion and techniques were important aspects of the business.

While most firms did not have acceptable alternatives to having their employees work from home during the pandemic, many firms have been worried about ensuring worker productivity at home. Some companies have invested in technologies and third-party solutions aimed at monitoring worker productivity and engagement. For some firms, the work-from-home setup continues to be viewed as a temporary, second-best alternative. For example, SME 4, a medium-sized company involved in the chemical industry, reported that it intends to revert to full in-office operations as soon as government allows, citing difficulty in tracking employee attendance during office hours the under work-from-home arrangement. Firms that track performance mainly based on time spent at work have had more difficulty in accepting telework as a viable alternative, especially due to difficulties in employee monitoring. Firms that track performance mainly based on output have been more open to adopting telework as a viable alternative work scheme. For example, SME 1 that has shifted retail operations to e-commerce was not particularly concerned about having to monitor employee attendance during office hours since they measure worker productivity based primarily on sales.

Theme 5: The pandemic has expanded the role of employers in ensuring worker productivity and wellbeing outside the traditional workplace, with increased emphasis on occupational health and safety.

Firms and government regulators have began to realize the need to ensure the mental and physical safety and wellbeing of workers outside the office or factory floor. A representative from the Department of Labor and Employment in the Philippines flagged this as a potential issue in the long-term adoption of telework, as firms may struggle to ensure health and safety protocols in multiple remote locations. For example, ergonomically friendly equipment and space complying with general occupational safety and health guidelines may not be readily available at home. Thus, employers must work with employees to promote awareness and ensure compliance to safety and health guidelines. Employers can provide training on occupational safety and health and evaluate an employee's workstation at home for any improvements that need to be made. They also will have the responsibility of

helping their workers set up their workstations and supporting employees in the expenses related to setting up work areas.

Alongside having to ensure the physical wellbeing of employees working from home, employers will have to address mental health and work-life balance issues faced by employees. On top of employee fears concerning their safety and health amidst the ongoing pandemic and their own financial stability, isolation from friends and colleagues, and disruption from daily routines can cause mental stress and anxiety among workers. Effective and regular communication can help ease feelings of loneliness among workers. One practice observed by SME 1 to help employees feel engaged is to have regular non-work-related Zoom sessions to check on employees, celebrating occasions, like birthdays, together. In their recommendations made through the ILO, Robertson and Mosier (2020) highlight the importance of mimicking the social dynamics that occur in the physical office (e.g. having coffee together) through video conferencing to allow workers to interact with each other more informally.

Work-life balance also becomes a challenge, especially as the demands from home and from work coexist at the same time and within the same space. This is especially true for workers who have dependent care responsibilities, most of whom are women. Cultural and social norms, particularly in Japan and South Korea, have put home-making responsibilities under the woman's care, while economic and financial responsibilities are typically assigned to men (Cooke, 2010). In these societies, women are also regarded as being less committed to their careers (Cooke, 2010). Thus, heavily patriarchal societies put added pressure on women to portray themselves as both model employee and model homemaker.

Aside from these gender stereotypes, larger households tend to have more dependent members who require the care of adult household members who must also maintain their productivity at work to provide income to the household. The smaller households sizes in Japan (2.3) and South Korea (2.5) suggest lighter household chores, while larger household sizes in the Philippines (4.2) and Vietnam (3.8) may imply heavier household chores for workers who also generally have less access to essential resources necessary

for telework such as reliable internet connections and functional workstations (United Nations, 2019).[16]

Working hours tend to extend beyond traditional office hours when employees are working from home. A survey from Cigna Global Health Insurance in Singapore found that 63% of Singaporean respondents felt "more stressed out because of work" in April 2020 compared to 58% in January 2020 (Loh, 2020). Working from home also aggravated the "always on" culture among Singaporeans. The same survey showed that 78% of Singaporean respondents described an "always on" culture in April compared to just 72% in January (Loh, 2020). Employers will eventually have to address these issues for a successful implementation of work-from-home arrangements that are now being implemented for an extended period.

Expectations that employees must always be reachable even beyond official working hours have put added stress on employees as the delineation between work and off-work hours has been eroded (Loh, 2020). To manage working hours and "work-life balance", SME 3 set specific working hours within which employees are expected to be contactable. Beyond these working hours, the company explicitly communicated among employees that they were not required to respond to any email or message received past those set working hours until the next business hours.

Theme 6: Investments must be made in upskilling and reskilling of workers as job functions and customer expectations change.

Rapid skills development and retraining have become even more important than before as firms find themselves having to drastically change business models or essential activities. Training for digital skills has become a basic requirement for any firm that seeks to thrive in the new environment where digital solutions from productivity software to e-commerce platforms have become critical tools for business continuity. The ILO (2020a) recommends investment in online training, peer-to-peer learning, remote coaching, and technical support. Retraining of workers has become crucial for firms to remain agile and responsive to changing business environments and

16 *Data on average household size are from United Nations. (2020). Household Size & Composition, 2019. Retrieved from* https://population.un.org/household/exceldata/population_division_UN_ *Household_Size_and_Composition_2019.xlsx on 3 September 2020.*

ensuring that employees can perform several functions. SME 1 invested in online training courses for employees to learn new skills. During the peak of the pandemic, they encouraged staff to enroll in online courses of their interest as a way of transforming this set back into an opportunity to invest in their people's professional development and as well as a way to give them a constructive destruction from their anxieties caused by the pandemic. They also retrained their store clerks and merchandisers to become more effective online sellers.

Theme 7: Widespread adoption of telework arrangements and enhanced safety and health protocols by firms during the pandemic may be less viable in the long run especially for smaller firms and in less developed economies.

Although work-from-home arrangements have been adopted by many businesses despite its challenges, most of the SMEs interviewed have mixed sentiments on whether working from home can be a long-term practice for them. Younger SME participants tended to be more receptive to the idea of having a permanent work-from-home scheme.[17] Most young SMEs interviewed had already embedded digital communication tools in the ways of doing business to their daily routine, making the transition from a generally office-based set up to a remote setup easier. Among those who felt that they had not yet put the right tools in place, younger SME participants (SME 5) expressed their openness to invest in the necessary technologies to make remote work feasible.[18] Greater resistance to the adoption of telework as a permanent scheme was observed among the older SMEs interviewed. Processes in older SMEs are mostly paper-based, and digitalizing processes that have worked for them through decades was seen as a costly investment. For example, SME 4 engaged in the trade of chemical products for water treatment plants intends to revert back to full office operations once situation improves until such time that the owners decide to invest in ICT equipment and software applications needed for more flexible work schemes to be viable.

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17 SME 1, SME 3, SME 6 were recently established SMEs.

18 SME 5

Even with a planned adoption of work-from-home arrangements in the long-run, SME participants still foresee a mixed set-up in the future. That is, they still see the value of having an office space and having people come to work some days of the week if not on a full-time basis. For some, there are still documents that need to be manually signed as part of their compliance policies. For others, they find alignment and collaboration easier when done face-to-face.

Remote working as a solution to keep businesses going is also not feasible for all types of occupation and all types of jobs. In a recent IMF Working Paper, Brussevich, et al (2020) created an index using data from 35 countries to measure the "teleworkability" of occupations (Figure 3.3) (Brussevich, Dabla-Norris, & Khalid, 2020). They found elementary occupations that usually require physical proximity to the actual work to be the least tele-workable occupations, followed by plant and machinery operations and craft and related trade workers; service, shop, & market occupations such as personal services workers; sales workers; personal care workers; and protective services worker.[19] What is common among these four least teleworkable occupations is that these are typically low wage jobs where individuals are employed informally or contractually especially in developing countries like the Philippines and Vietnam. Moreover, these jobs require physical proximity and face-to-face interaction making them more vulnerable to health risks, specifically those related to COVID-19, where transmission usually happens through close contact. On the other hand, legislators, officials, managers, and professionals were found to be the most teleworkable occupations. These occupations are less reliant on workers' physical proximity and can be accomplished through digital technologies.

The ILO estimates that for developing countries like the Philippines and Vietnam, over two thirds of the workforce are in the four least teleworkable occupations (Table 3.1). In Japan and South Korea, these four occupations also make up a sizeable portion of jobs at 51.9% and 48.9% of employment, respectively. A large share of these jobs fall under the service and sales occupations category in Japan, and under the elementary occupations category

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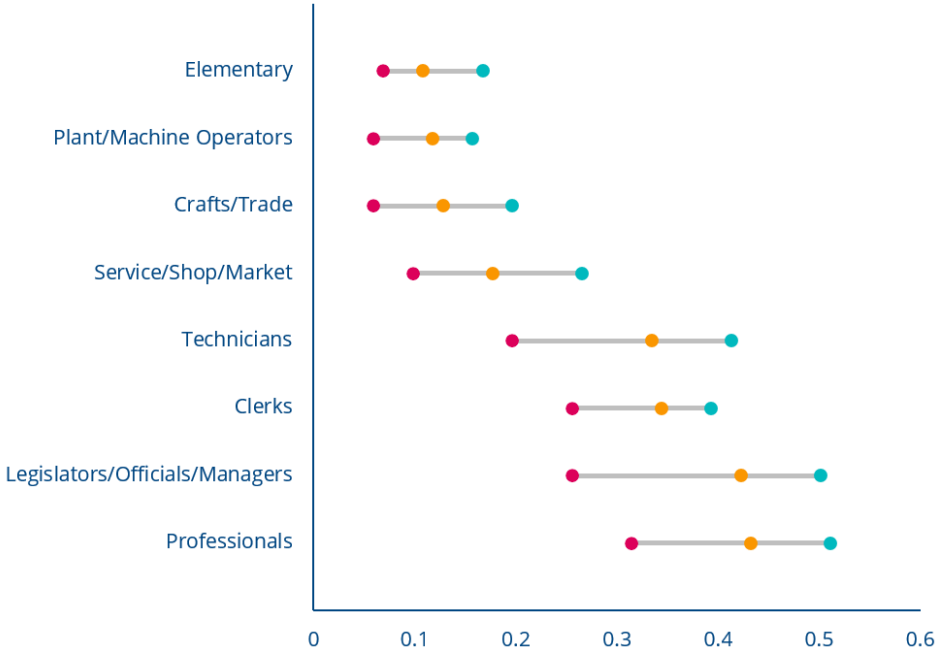
19 *Elementary occupations include cleaners and helpers; agricultural, forestry and fishery laborers; laborers in mining, construction, manufacturing and transport; food preparation assistants; street and related sales and services workers; and refuse workers and other elementary workers (e.g. messengers, package deliverers and luggage porters).*

in South Korea. Employment in the four least teleworkable occupations is lowest in Singapore at 29.4%. Consequently, workplace closures and mandated work from home have had a large impact on economic activity across these five countries.

Figure 3.3. Tele-workability by Occupation.



***Source**: Brussevich et al. (2020)*

Table 3.1. Employment Distribution by Occupation, 2019, in per cent.

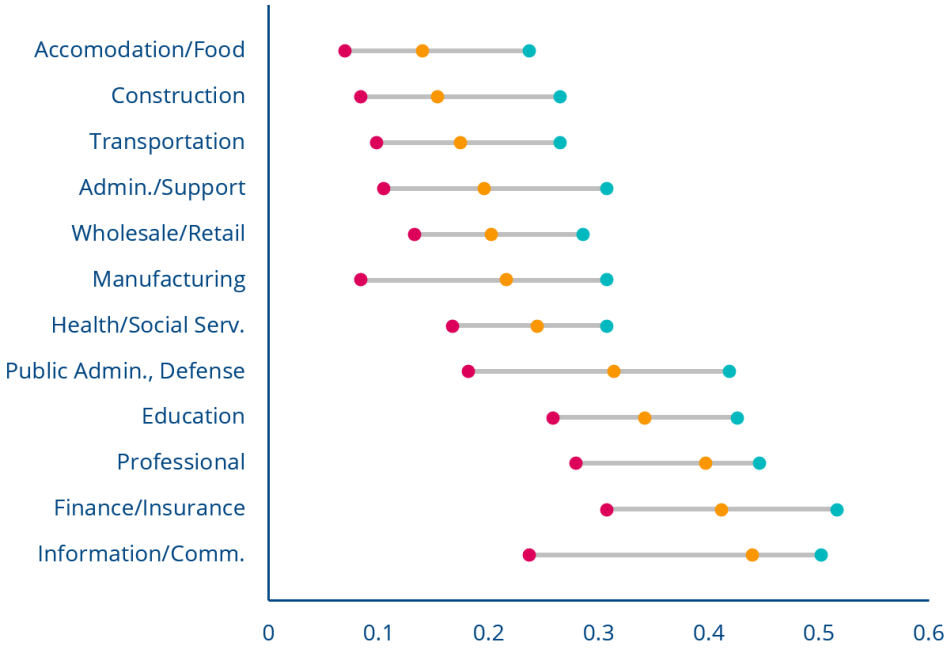
Occupation	Japan	Philip-pines	Singa-pore	South Korea	Viet-nam
Elementary occupations and skilled agricultural, forestry and fishery workers	10.6	37.7	7.6	17.2	44.8
Plant and machine operators and assemblers	9.1	5.9	6.8	11.7	10.1
Craft and related trades workers	10.0	7.3	3.3	8.5	13.7
Service and sales workers	22.2	15.8	11.8	11.4	16.6

Occupation	Japan	Philip-pines	Singa-pore	South Korea	Viet-nam
Technicians and associate professionals	11.0	4.0	21.8	17.6	3.4
Clerical support workers	20.1	6.4	11.4	10.8	2.0
Managers	2.0	17.3	16.1	1.1	1.3
Professionals	15.0	5.6	21.2	21.7	8.0

***Source**: ILOSTAT (2020a)*

Brussevich, et al (2020) also show how teleworkability varies by sector (Figure 3.4). Work in accommodation and food services, construction, transportation, administrative and support services, wholesale and retail trade, and manufacturing are the least teleworkable, while jobs in education, professional services, finance, and ICT are most teleworkable. Common to these sectors where jobs are most teleworkable are the availability of digital technologies that enable remote work and service delivery.

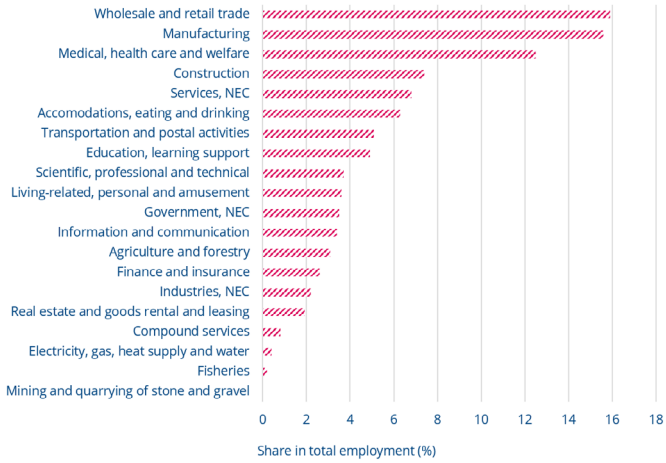
Figure 3.4. Tele-workability by Sector.



***Source**: Brussevich et al. (2020)*

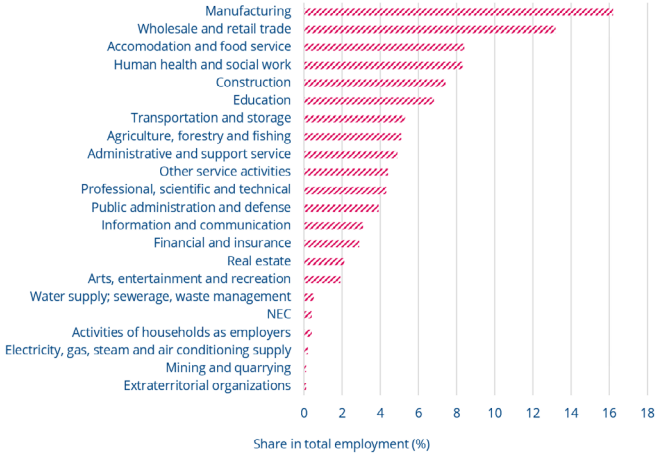
Fourth quarter 2019 estimates from the ILO and national statistics offices show that these sectors make up a large share of workers in all five countries considered in the report (Figure 3.5 to Figure 3.9.). In all five countries, the least teleworkable sectors account for more than half of employment. Many firms, including some of the SME interviewed have had to lay off workers whose occupations were not teleworkable.

Figure 3.5. Employment Distribution by Economic Activity, Japan, 2019Q4.



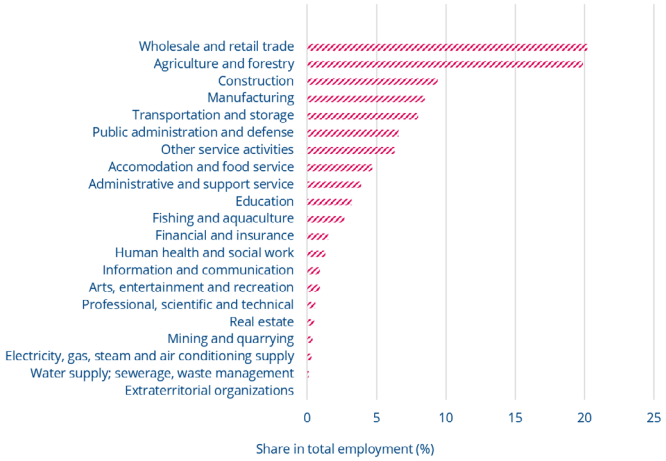
Source: Statistics Bureau (Japan) (2020b); author's calculations.

Figure 3.6. Employment Distribution by Economic Activity, South Korea, 2019Q4.



Source: ILOSTAT (2020b); author's calculations.

Figure 3.7. Employment Distribution by Economic Activity, Philippines, 2019Q4.

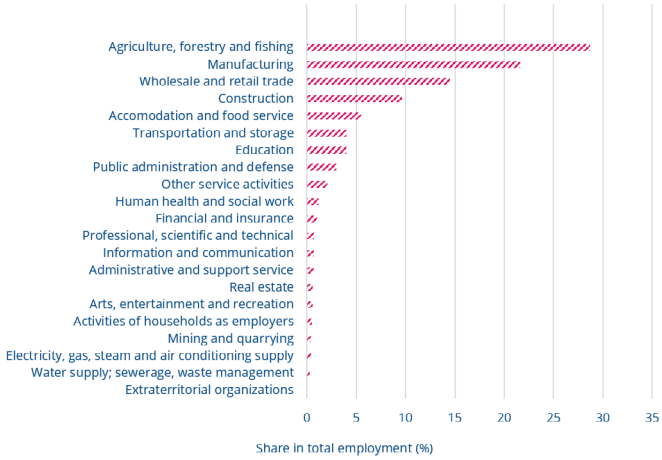


Source: Philippine Statistics Authority (2020c); author's calculations.

Figure 3.8. Employment Distribution by Economic Activity, Singapore, 2019Q4.

Source: Ministry of Manpower (Singapore) (2020d); author's calculations.

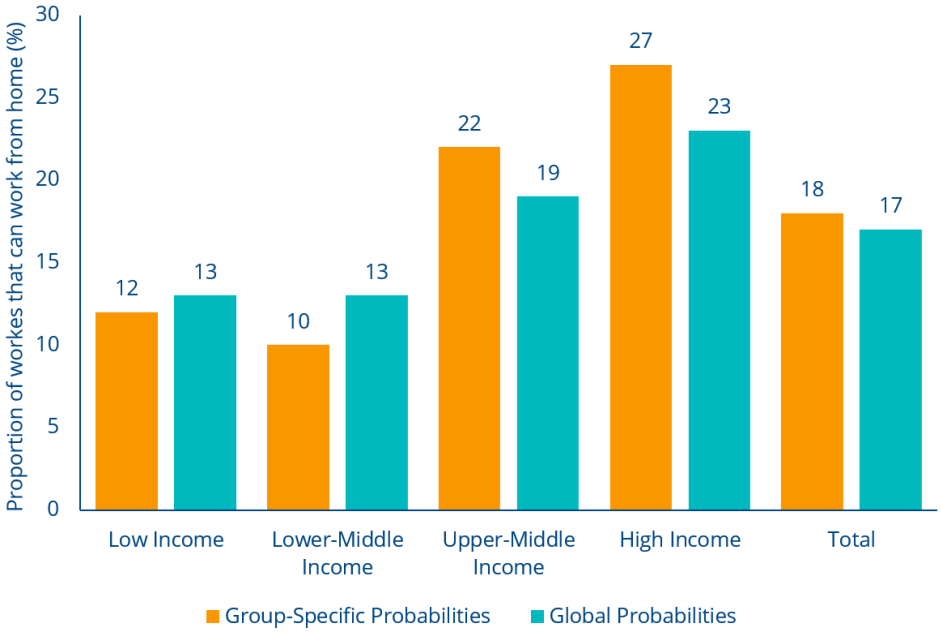
Figure 3.9. Employment Distribution by Economic Activity, Vietnam, 2019Q4.



Source: ILOSTAT (2020b); author's calculations.

While the teleworkability of jobs relative to other jobs in the economy tends to be the same across countries, the same jobs tend to be more teleworkable in developed economies than in developing economies. Furthermore, ILO data shows that a significantly smaller proportion of low income workers have jobs that are teleworkable compared to high income workers. Low income workers in low income and developing economies are particularly at risk of unemployment and loss of income as the pandemic continues.

Figure 3.10. Likelihood of being Able to Work from Home by Income Group.



Source: ILO (2020d).

These findings have important policy implications for countries where the main drivers of economic activity and employment are sectors where teleworking is least feasible. Country governments will have to address issues of unemployment as well as possible long-term impacts on the employability of workers who may face long periods of unemployment or permanent job loss due to automation as the pandemic continues. Occupational safety and health must be a priority in restarting economic activity and in defining the new workplace. Otherwise, operations will continue to be disrupted should future waves of the pandemic occur. This will create further instability for workers, firms, and the economy. In addition, consumers' preferences and expectation for enhanced safety will also affect businesses that are unable to embed health and safety measures such as remote work and safe distancing in their operations.

Theme 8: Ensuring the safe return to work is crucial for business and economic recovery.

Physical workplaces will have to reopen as telework remain impractical or infeasible for some occupations to varying degrees across countries. Reconfiguring formal workplaces is therefore necessary to protect both jobs and employees, especially as the pandemic continues without a readily available cure and vaccine. Country governments are preparing guidelines for the safe return to work, and firms face the additional challenge of implementing safety and health protocols effectively. Staggered workforce schemes, frequent rapid testing for COVID infections, physical investments in protective gear and installations, digital solutions and IT infrastructure, regular cleaning and disinfection of common areas, and promotion of good personal hygiene are just some of the measures that firms are expected to adopt in the new normal.

All interviewed SMEs reported having to incur additional spending on safety and health measures for their workers and customers, such as placing automated or manual thermometers in work premises, putting disinfection mats in entrances to office buildings, and installing hand sanitizer dispensers to encourage good personal hygiene. Some SMEs (SME 2 and SME 7) have spent on regular rapid testing for employees, while others (SME 2, SME 5, and SME 7) have provided safe housing in the workplace to minimize risks of infection during daily commutes. Some companies (SME 3 and 7) have provided transportation for their workers to and from the office and their homes. The use of varying forms of personal protective equipment (PPE) has also been widely adopted by SMEs, ranging from non-medical face masks/ shields to medical grade PPEs (SME 3 and SME 7). For many firms, and especially for small businesses, such increased safety and health measures have significantly increased operating costs. Low demand for their products has prevented most SMEs from raising prices, and the additional costs have resulted in lower margins, which may undermine business profitability in the long run especially for small firms.

As businesses adapt to the emerging “new normal”, more job functions and business will become more compatible with flexible work arrangements and telework. Soon, physical workplaces will have to be redefined and reconfigured, and investments will have to be made in the necessary physical, digital, and human infrastructure. Many large firms have begun to pioneer this shift, but for small firms, many of which have seen their narrow profit

margins squeezed further by rising operating costs and low sales volumes, the challenge of adapting to new norms of work will be a major struggle.

Theme 9: The "lockdown generation" will carry the economic burden of the pandemic.

The impacts of COVID-19 on work is felt differently across different groups.[20] Among those who are most affected are the youth, as they are expected to shoulder the negative impacts of the COVID-19 crisis for years to come. The ILO (2020b) sees the COVID-19 pandemic affecting the youth in three dimensions: (1) through disruptions in education, training, and work-based learning; (2) through increased difficulty in finding new jobs and in entering the labor market; and (3) through job and income losses and lower quality employment.

Pre-COVID19 statistics indicate a large share of young people not in employment, education or training (NEET) particularly in the Philippines (Figure 3.11). This problem is further exacerbated by school closures, leaving the youth unproductive for extended periods of time. While the health and safety objectives of school closures are valid, this has several adverse effects on the youth, including interrupted learning and rise in dropout rates (UNESCO, 2020). To address this, some schools have moved to online learning or distance learning, but this can be a challenge especially for countries like the Philippines and Vietnam where Internet connectivity and technological adoption is not widespread.

A recent ILO-UNESCO-World Bank survey on Technical and Vocational Education and Training (TVET) carried out from April 5 to May 15, 2020 reveals that most respondents have reported a complete or partial closure of TVET centers (ILO, 2020b). Interruptions in training and work-based learning are especially problematic as retraining and upskilling are particularly important as business models and job functions change in response to the ongoing crisis. Missing out on these opportunities may undermine the youth's future employment prospects, placing them in a less competitive position compared to older, more experienced cohorts and imposing future income losses.

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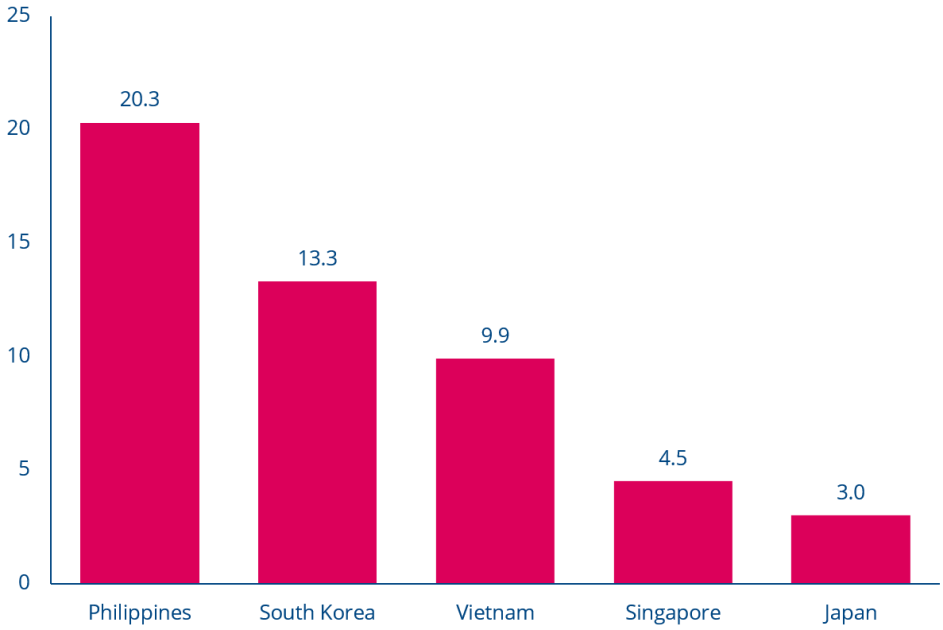
20 *The ILO identifies these segments as 1) those with underlying health conditions and older people, 2) young persons and older workers, 3) women, 4) unprotected workers, and 5) migrant workers.*

Figure 3.11. Share of Youth Population Not in Employment, Education or Training, 2019.



Note: The share of youth not in education, employment or training conveys the number of young persons not in education, employment or training as a percentage of total youth population. It provides a measure of youth who are outside the educational system, not in training and not in employment, and thus serves as a broad measure of potential youth labour market entrants.

Source: ILOSTAT (2020c).

Looking for new jobs and entering the job market will also be more difficult for young people. Permanent business closures from the COVID-19 crisis have not only led to job losses, they have also reduced the number of new jobs available. For instance, job offers to fresh graduates in March 2021 fell by 15.1% from a year earlier in Japan (The Japan Times, 2020b). With both young and older, more experienced workers competing for the same jobs, the youth are at a disadvantage given their lower years of experience. This is also made worse by the interruptions in schools and training, which hinder the youth from getting the professional experience and training they need for the job market. With little choice in the labour market, the youth are more

likely to be unemployed or to accept jobs which do not match their skills and with lower pay.

Sentiments among SMEs interviewed are mixed regarding their preference for fresh graduates. Some SMEs, (SME 1 and SME 3) are receptive to employing new labour market entrants. On the other hand, other SMEs (SME 2 and SME 5) generally look for applicants with longer work experience.

The youth also a face greater probability of losing their jobs because labor laws tend to increase the cost of firing more tenured workers, because they are working in less protected jobs, and because more experienced workers are deemed by employers to be more productive (ILO (2020b). The ILO (2020b) estimates that, globally, about 178 million young people are employed in sectors hit the hardest by COVID19, and three quarters of them are employed informally. These hard-hit sectors are those where jobs are most at risk because of drastic falls in output (Table 3.2) (ILO, 2020c) They include 1) accommodation and food services, 2) real estate; business and administrative activities, 3) manufacturing; and 4) wholesale and retail trade; repair of motor vehicles and motorcycles. Medium-high risk sectors, on the other hand, include 1) arts, entertainment and recreation and 2) transport; storage and communication.

Data for South Korea, the Philippines, and Vietnam show that a significant share of employed youth are in high and medium-high risk sectors (**Table 3.3**) (ILO, 2020c). In South Korea, over 58% of the youth are employed in high risk sectors, majority of them in the manufacturing and wholesale and retail trade sectors. Adding those employed in medium-high risk sectors brings this proportion to over 69% of employed youth. In the Philippines and Vietnam, the youth employed in high-risk sectors make up 45% and 39% of youth employment, respectively. Considering medium-high risk sectors brings the totals to over 52% and over 42% for the Philippines and Vietnam, respectively. This implies that, in addition to interruptions in schooling and training, a large portion of future workers are likely to experience spells of unemployment as the pandemic takes its course.

Table 3.2. Risk Classification of Sectors.

LOW	LOW-MEDIUM	MEDIUM	MEDIUM-HIGH	HIGH
• Education • Human health and social work activities • Public administration and defence; compulsory social security • Utilities	• Agriculture; forestry and fishing	• Construction • Financial and insurance activities • Mining and quarrying	• Arts, entertainment and recreation • Transport; storage and communication	• Accommodation and food service activities • Real estate; business and administrative activities • Manufacturing • Wholesale and retail trade; repair of motor vehicles and motorcycles

Source: ILO (2020c)

Table 3.3. Distribution of Youth Employment by Economic Activity, 2019, in %.

	Risk	Philippines	South Korea	Vietnam
Accommodation and food service activities	High	7.57	26.61	5.08
Real estate activities	High	0.32	0.20	0.24
Administrative and support service activities	High	4.95	3.12	0.50
Manufacturing	High	10.02	11.79	24.08
Wholesale and retail trade; repair of motor vehicles and motorcycles	High	22.06	16.48	9.34
Arts, entertainment and recreation	Medium-High	1.04	5.93	0.42
Transportation and storage	Medium-High	4.75	2.08	2.11
Information and communication	Medium-High	1.55	3.08	0.66
Construction	Medium	10.53	2.88	5.23
Financial and insurance activiies	Medium	1.80	1.75	0.54
Mining and quarrying	Medium	0.48	0.05	0.17

	Risk	Philip-pines	South Korea	Viet-nam
Agriculture; forestry and fishing	Low-Me-dium	20.67	1.02	20.34
Education	Low	3.26	7.60	2.03
Human health and social work activities	Low	1.09	8.42	0.59
Public administration and de-fence; compulsory social secu-rity	Low	3.40	1.42	0.73
Electricity, gas, steam and air conditioning supply	Low	0.19	0.10	0.13
Water supply; sewerage, waste management and remidiation activities	Low	0.12	-	0.11
Professional, scientific and tech-nical activities	Unclas-sified	0.96	3.68	0.45
Other service activities	Unclassi-fied	5.23	3.17	2.53
Activities of households as em-ployers	Unclassi-fied	-	-	0.11
Activities of extraterritorial orga-nizations and bodies	Unclassi-fied	-	-	-
Not elsewhere classified	Unclassi-fied	-	0.63	24.61

Source: ILOSTAT (2020d)

This triple threat of disruptions in education, training, and work-based learning, difficulty in finding new jobs or entering the job market, and job losses due to the pandemic may have long-lasting effects on today's youth, who may constitute a "lockdown generation" whose future prospects are undermined by the pandemic. These long-term effects may include lower wages, less opportunities for career development, and poorer job prospects (Gregg, 2001; Gregg & Tominey, 2005; Genda et al., 2010; Cruces et al., 2012; OECD, 2020).

Conclusion

The COVID-19 pandemic forced businesses to change the way they operate, whether through the use of modern ICT tools or through putting in place measures to ensure the health and safety of employees who must report to work. These changes have presented major challenges for SMEs who were already facing limited working capital in their day-to-day operations even before the pandemic. Therefore, policies are needed to reduce the barriers faced by firms in implementing new work schemes, going digital, and ensuring occupational health and safety.

Governments can help encourage alternative work schemes and digital transformation among SMEs by encouraging public and private investments in ICT to lower the cost of internet service and improve the speed and reliability of internet connections. Institutions also have a role to play in creating laws and regulations that protect both firms and workers from data security breaches and ensure their data privacy. Capital constraints that hinder firms from going digital must also be addressed by policies as this is one of the major barriers faced by SMEs.

New work schemes have also created challenges for firms in terms of ensuring workers' mental and physical safety and wellbeing. Governments have the responsibility of ensuring that laws and protocols on occupational health and safety are implemented in alternative work arrangements, and regulations on working hours should also be made applicable under such alternative schemes. Businesses also have the responsibility of ensuring compliance with occupational health and safety laws by providing training on the topic, evaluating employees' workstation at home, and helping their workers set up their remote workstations. Internal policies on working hours must be created and strengthened to protect employees' mental wellbeing and help them decouple work from home life.

Changing business environments and consumer preferences have also called for rapid skills development and retraining of employees. Alongside private initiatives to retrain their workforce, government programs encouraging technology and digital skills development can create a future-ready and crisis-resilient workforce.

On the flip side, it has also be shown that telework arrangements may not be feasible for many SMEs in the long-run. Thus, ensuring the safe return to work is crucial for business and economic recovery. Many SMEs lack the

formal mechanisms in formulating and carrying out guidelines for the safe return to work of employees. Governments can help by formulating clear and implementable guidelines that can support SMEs in ensuring their workers' safety while a cure and vaccine for COVID-19 is not available. Subsidizing personal protective equipment across the populations can also help ease the economic burden falling on SMEs to comply with health and safety protocols.

Finally, the negative labor market implications of the crisis are expected to be shouldered by today's youth. Thus, specific labor policies, such as job search assistance and youth training and reskilling, are needed to mitigate the negative long-term effects of the pandemic on the youth's future labor outcomes.

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Globalization

4. Globalization

The COVID-19 pandemic has battered international investment and trade. Experts warn of drastic falls in foreign direct investment flows, with the United Nations Conference on Trade and Development (UNCTAD) seeing a global decline of up to 40% in 2020 (UNCTAD, 2020a). The uncertainty brought about by pre-pandemic trends—the trade conflict between the U.S and China in particular—and the COVID-19 pandemic itself have made investors wary and experts diffident with their advice on where investments should go. This presents an opportunity for some countries to attract FDI, but only if they are able to successfully convince cautious investors with a compelling COVID19 report card in addition to sound fundamentals to give them a competitive edge.

Trade has significantly slowed as economies are hit from both supply and demand. According to the World Trade Organization (WTO) (2020), the volume of merchandise trade for the first quarter of 2020 fell 3% year-on-year, while initial estimates for the second quarter point to a massive 18.5% drop year-on-year (WTO, 2020).

The disruptions brought about by the pandemic, including various government interventions meant to curb the spread of the virus that had consequently impeded flows across global value chains, put emphasis on the need to establish resilient supply chains, especially for essentials goods and services. Decades of success globalizing production have resulted in an intricate web of interdependencies among multiple firms, large and small, across multiple countries. Thus, quarantine measures, border closures and travel restrictions across countries have not only affected global production networks, but also local economies and communities. Consequently, global value chains (GVCs) will see a transformation in the immediate future in response not only to the disruptions brought forth by the pandemic, but also by the fourth industrial revolution, US-China trade politics, and the sustainability imperative.

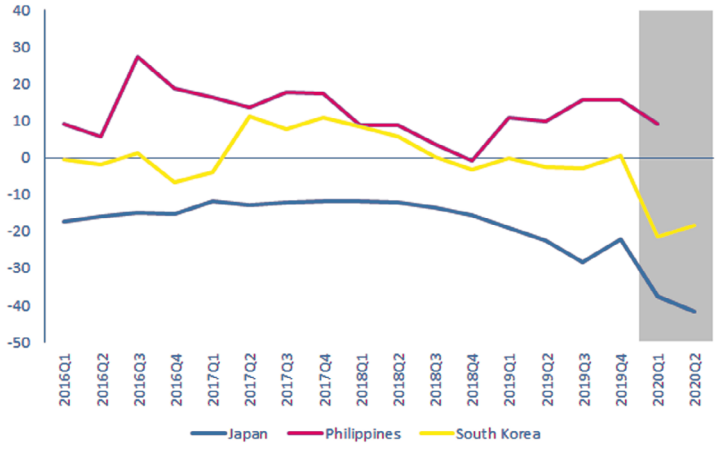
This chapter begins by examining recent trends in FDI and trade, and interpreting their impacts on FDI dynamics that are expected to continue post-pandemic. Following this is a discussion of possible transformations in global value chains within the next decade following the four trajectories proposed by UNCTAD in their *World Investment Report 2020*.

Theme 10: The COVID-19 pandemic has compounded the recent slowdown of globalization through diminished trade and investment flows.

Among the immediate economic effects of the COVID-19 pandemic are lower consumer and business confidence that have led to declines in investment and trade (Figure 4.1 and Figure ***4.2***). Many businesses have been either forced to close shop following government quarantine protocols or been forced to shut down due to falling demand from both local and international market. Investors have held back on investments, taking a wait-and-see position as the pandemic progresses. Because of disruptions in business operations, many workers have experienced loss of income or are at risk of losing their jobs. This feeds back to falling demand for goods and services across the globe, further loss of revenue among firms, and further deterioration of business confidence, creating a contractionary loop for the economy.

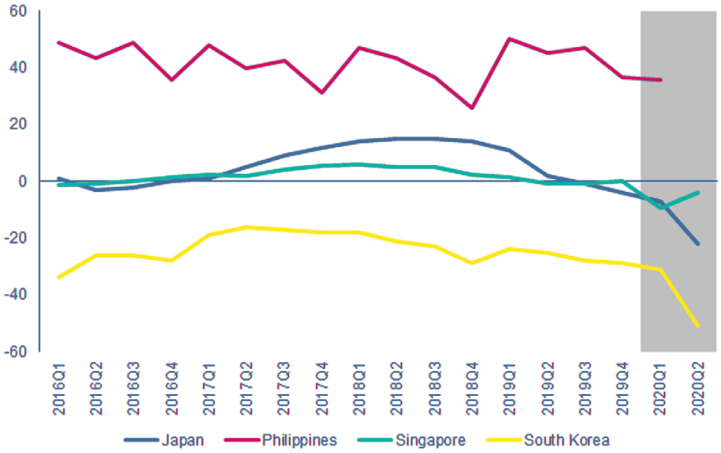
Seen globally, trade has been affected by both government lockdown measures and lower consumer confidence. All five economies under study—Japan, Philippines, Singapore, South Korea, and Vietnam—have suffered from dips in both imports and exports at the height of global lockdowns in mid-March to mid-May 2020 (**Error! Reference source not found.** and **Error! Reference source not found.**). Compared to the same period last year, export values were lower in 2020 in all countries considered except in Vietnam, which had previously been considered a success story in COVID-19 containment. Similar albeit smaller dips in imports were also observed. SMEs we had interviewed reported delays in shipments of imported inputs at the height of the pandemic, but have seen logistics situations improve as restrictions were eased. Nevertheless, the recent declining trends in trade data are reflective of the lower global and local demand for merchandise goods and the overall downturn of the global economy.

Figure 4.1. Consumer Confidence.



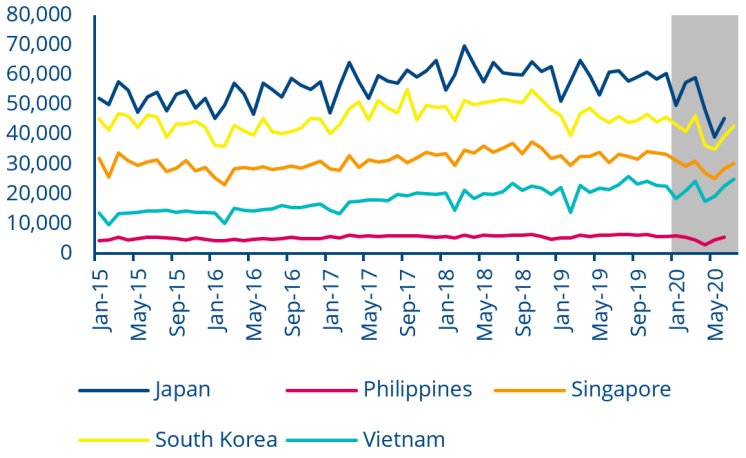
Source: Bank of Japan (2020a), Bank of Korea (2020a), Bangko Sentral ng Pilipinas (2020a)

Figure 4.2. Business Confidence.



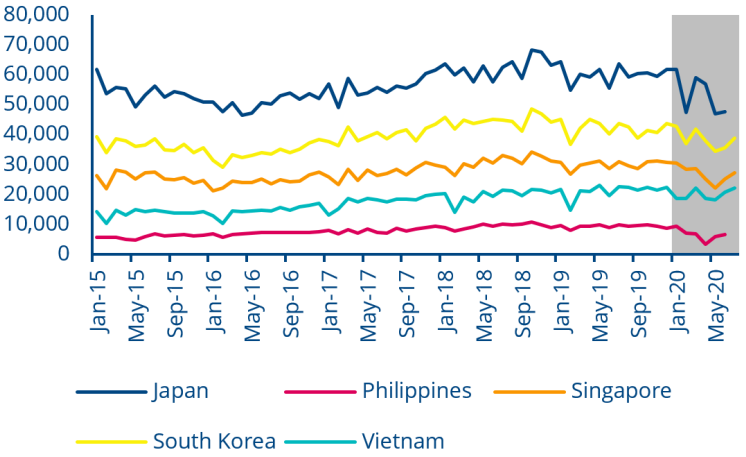
Source: Bank of Japan (2020b), Bank of Korea (2020b), Bangko Sentral ng Pilipinas (2020b), Singapore Institute of Purchasing and Material Management (2020)

Figure 4.3. Total Exports (in USD million).



Source: Ministry of Finance (Japan) (2020a), Korea Customs Service (2020a), Philippine Statistics Authority (2020a), Department of Statistics (Sinagpore) (2020a), General Statistics Office (Vietnam) (2020a)

Figure 4.4. Total Imports (in USD million).

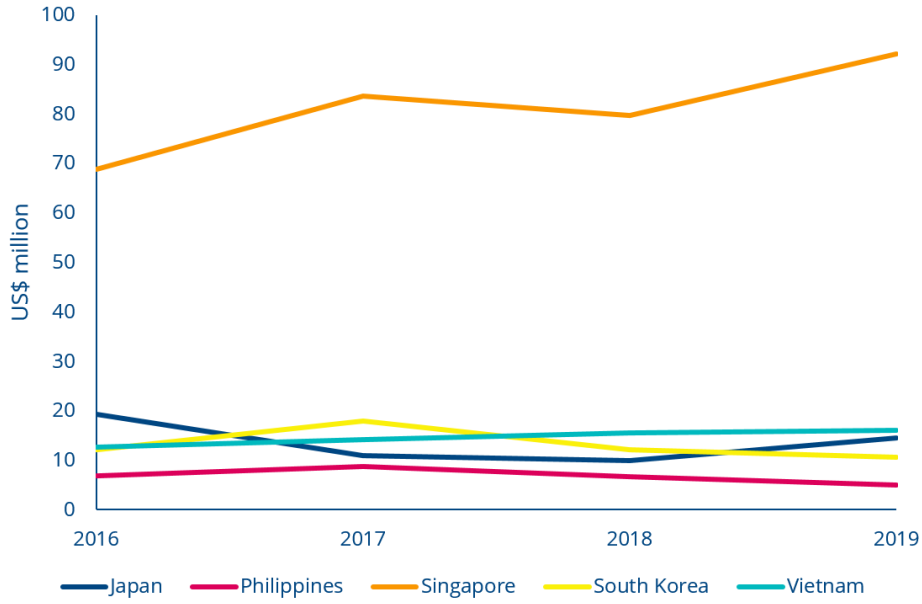


Source: Ministry of Finance (Japan) (2020b), Korea Customs Service (2020b), Philippine Statistics Authority (2020b), Department of Statistics (Sinagpore) (2020b), General Statistics Office (Vietnam) (2020a)

While the pandemic has significantly contributed to rapidly falling business confidence, the downward trend had begun earlier. Since early 2019, business confidence has been seen falling especially in Japan and South Korea, two countries with large GVC participation particularly in manufacturing (Figure 4.2). Deterioration in business confidence observed in these two countries had been triggered by uncertainty surrounding global trade friction, including the US-China trade conflict and other regional trade tensions. Consequently, many foreign investors have either held back on investment or shifted investments to other economies as these trade conflicts worsened. Trends in the diversification of global investments may be accelerated or intensified by the COVID-19 pandemic, as investors seek to build greater resilience into their supply chains.

The impact of global trade frictions has been mixed among the economies considered in this report. Some economies may have benefited from the US-China trade conflict. Foreign direct investment flows into Japan, Singapore, and Vietnam increased from 2018 to 2019. Japan's inflow of foreign direct investment rose from USD 9.8 billion to USD 14.6 billion in 2019. Inflows of foreign investment rose in Singapore from USD 79.7 billion to USD 92.1 billion, as investments in electronics manufacturing, energy, and chemicals poured into the country (UCTAD, 2020). Vietnam also experienced an increase in FDI inflows as more Japanese and Korean firms shifted manufacturing into the country (UNCTAD, 2020a). On the other hand, the Philippines and South Korea experienced contractions in FDI in 2019 as both internal and external factors came into play. External factors include global uncertainties such as the US-China trade conflict and the conflict between the US and Iran (Cigaral, 2020a). Aside from these external factors, trade tensions with Japan and the end of tax incentives for foreign investors contributed to South Korea's decline in FDI for 2019 (UNCTAD, 2020a).

Figure 4.5. Foreign Direct Investment Inflows.



Source: UNCTAD (2020b)

Numbers in the first few months of 2020 reflected the early impacts of the pandemic on FDI. The Philippines reported a 67.9% decrease in FDI for April 2020 compared to April 2019, with the Bangko Sentral ng Pilipinas citing weak global and domestic demand prospects as reasons for the decline (Cigaral, 2020b). Disbursements of FDI projects in Vietnam for the first quarter of 2020 was also down 6.6% year-on-year, while FDI commitments for January to March was down 20.9% year-on-year (Thuy, 2020).

The global economic downturn will continue to slow down FDI flows, but countries in Southeast Asia can still be attractive destinations for investment especially for regional neighbors looking to diversify and relocate their supply chains driven by concerns regarding recent global trade frictions or towards building more resilient production networks following the pandemic. Japanese and South Korean firms may be expected to continue shifting production into Southeast Asian countries, such as Vietnam and Indonesia, to circumvent the US-China trade conflict, provided that these countries are able to successfully manage their COVID19 situations. In April this year, the Japanese government announced a USD 2.4 billion package in support of firms moving operations

back to Japan or to countries in Southeast Asia (Alberti, 2020). Singapore, which has consistently been a top destination for FDI, also stands to gain with its relative competitiveness in high-technology manufacturing. A study by the Asian Development Bank (2018) shows that the Philippines stands to gain from the trade conflict, but will be competing with other ASEAN neighbors like Malaysia, Thailand, and Vietnam (Abiad, 2018). However, uncertainties brought about by the pandemic may become a hurdle for the Philippines as the country had become a COVID19 hotspot for a period.

Theme 11: Global value chains will see transformations in the next decade towards more diversified regional networks with increased localization of production activities that generate greater added value while remaining globally integrated in knowledge-based components.

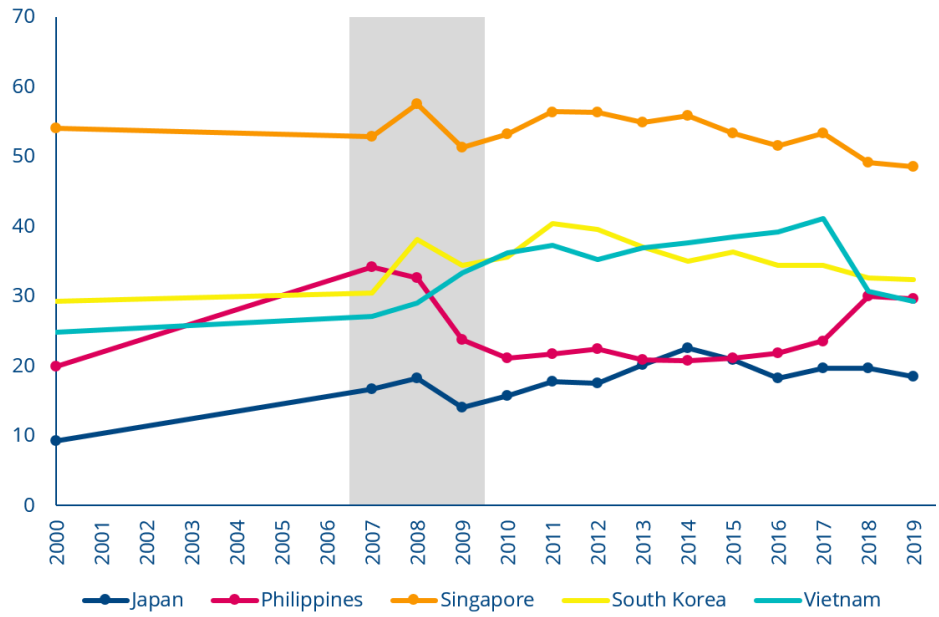
Global value chains (GVCs) have provided immense growth opportunities for economies across the world. Many countries have reaped the benefits from participating in GVCs through forward and backward linkages. These benefits include the creation of jobs, technological transfer, expansion of markets, and increases in productivity. However, this interconnectedness in production has also created an intricate web of interdependencies whereby local shocks can easily affect the health of other economies. This was highlighted from the beginning of the pandemic as trade disruptions in Wuhan, China quickly cascaded across the region and the rest of the globe disrupting the supply chains of some of the largest companies in the world in a matter of weeks, arguably faster than the contagion of the virus itself. As the pandemic spread, multiple disruptions rapidly emerged exposing the huge vulnerabilities of existing GVC configurations.

GVC expansion in the past two decades were driven by trade policies, microeconomic firm and industry level considerations, and technological advances (UNCTAD, 2020a). In the 2000s, the world saw a remarkable growth in GVCs as trade was further liberalized and more countries opened their local economies and embraced export-oriented growth. With technological advances in manufacturing as well as information and communications, firms have been able to outsource increasingly specialized steps of the production process to other firms often in foreign countries, taking advantage of wage differentials and declining trade costs. With the rise of the knowledge-based economy, hyper-specialization of tasks has been further supported through digitally-enabled GVCs. Although GVC expansion had slowed in the 2010s as numerous country government adopted protectionist policies and as returns

to FDI declined, the level of interdependence among economies and firms across the globe has remained tremendously high. Furthermore, asset-light forms of investment particularly in knowledge-based and tech industries have flourished (UNCTAD, 2020a), which suggests that trends in absolute FDI flows may underrepresent the continuing expansion of GVCs.

Backward GVC participation estimates based on export decomposition terms from the Asian Development Bank (2020) reflects the trends in the 2000s and 2010s (Figure 4.6). GVC participation for Japan, Philippines, South Korea, and Vietnam was higher in 2019 than in 2000. Meanwhile, Singapore's GVC participation stands out as having been on a on a steady decline since 2011. The Global Financial Crisis of 2007/08 marked the beginning of divergence in trends among the five countries considered. A trend of rising participation is observed for Japan from a low in 2009. In South Korea, participation has been declining since 2012. The Philippines' participation declined from 2007 to 2014 before rising again beginning in 2015. Vietnam has been seeing a steady increase in its participation in GVCs, but data suggests a sharp decline in participation in 2018 followed by a moderate decline in 2019.

Figure 4.6. Backward Participation in Global Value Chains, 2000, 2007-2019.



Source: Asian Development Bank (2020); author's calculations.

COVID-19 is expected to accelerate the changes in GVC patterns brought about by technology, policy, and economic considerations. Fourth industrial revolution technologies have further enhanced mechanical automation through robotics, while digitalization has increased supply chain efficiency and reliability. Advanced ICT, analytics, and 3D printing push the boundaries of GVC expansion further. Automation puts downward pressure on labor cost and promotes economies of scale, which can pull multinational enterprises towards re-bundling production processes and reshoring (UNCTAD, 2020a). On the other hand, digitalization of the supply chain, leads to lower transaction costs and greater transparency and information sharing, which can push towards offshoring and outsourcing of services (UNCTAD, 2020a). Additive manufacturing, or 3D printing, can lead to re-bundling of certain processes across dispersed geographic locations. Thus, production chains will become shorter, leading to smaller, localized production (UNCTAD, 2020a), yet will remain connected to larger regional or global networks where dependencies shift from physical intermediate goods to knowledge-based services and process components

Trends in the policy landscape are also accelerating. Since 2018, trade frictions, including the US-China trade conflict, have shifted the policy landscape towards greater protectionism driven in part by the rise of popular politics in many jurisdictions. The COVID-19 pandemic may intensify inward-orientation justified by the argument of having to secure the supply of essential goods, the vulnerabilities of which were exposed at the height of worldwide lockdowns.

Finally, customer and investor preferences for sustainable production had begun to influence global value chains in recent years. People and governments have become more aware of the harmful effects of climate change, and many businesses have placed increased importance on disaster resilience and sustainability in their operations. More recently, the pandemic has also highlighted the need to build greater resilience in production and distribution networks.

Depending on how these technology, policy, and economic considerations pan out, UNCTAD sees four possible trajectories of global value chains in the next decade (UNCTAD, 2020a). First, there may be *reshoring*, where value added becomes geographically concentrated. Second, industries may *diversify* their networks, leading to a wider distribution of economic activities. Third, global value chains may choose to reduce the physical length of supply

chains but maintain fragmentation through *regionalization*. Lastly, industries may shorten their value chains and re-bundle production stages through *replication*. These four trajectories have varying impacts on international production across industries and can lead to different outcomes for FDI and GVC trade. Table 4.1 below summarizes the impacts, drivers, affected industries, and results of these four trajectories, while Figure 4.7, which is adapted from UNCTAD (2020a) summarizes the relevance of the four trajectories on various industries.

Key informant interviews with government representatives and members of the academe have yielded varying outlooks on GVCs in the context of their local economies. A resource person from the Philippine government (GOV 1) believes that the country would be looking more inwards for both supply especially of essential goods and demand for products. This is echoed by a member of the academe (ACAD 1) who expects that nationalistic and inward-looking sentiment to grow in popularity.

In comparison, a resource person from the Japanese government (GOV 3) expects a combination of reshoring by Japanese firms and diversification of supply chains in view of increasing resilience and business continuity. There is now greater appreciation of the benefits of a "just-in-case strategy" over the traditional "just-in-time strategy" among Japanese firms. Part of the Japan's strategy to improve resilience in Japanese supply chains is to provide subsidies to firms relocating production either domestically, especially for essentials, or to other economies in Southeast Asia.

From the perspective of an economist from South Korea (ACAD 2), the COVID-19 pandemic has highlighted the importance of distance as a factor determining the reliability of supply chains. Given the supply chain difficulties and uncertainty experienced during the pandemic, the production of key components and critical inputs is expected to be relocated physically closer to market, and alternative local sources would have to be found, echoing trends of regionalization, reshoring, and diversification. However, South Korea's current GVC configuration is driven significantly by wage differentials. Thus, although the country's biggest exports has been in semiconductors, for which production processes can be automated, reshoring may not be an attractive option. A more viable scenario is for South Korean firms to relocate production to other neighboring Asian economies, especially in the ASEAN.

Vietnam in particular expects to benefit from the relocation of production from China, with FDI from Japan and South Korea as firms pursue diversification and regionalization strategies.

Based on these insights, the dominant trajectory in Asia, particularly for the five countries considered in this report, is for a higher regional concentration of value-added creation in GVCs, with diversification within the region in response to recent trade frictions and experiences during the pandemic. Reshoring is seen as a strategy for essential goods, including medical supply, but not so much in high-technology manufacturing as proposed by the UNCTAD (2020a). Based on interviews with experts (ACAD 2 and ORG 1), there still appears to be an opportunity for labor cost arbitrage for countries like Japan, South Korea, and Singapore who outsource to neighboring countries in the region.

On the ground, however, the general sentiment among SMEs interviewed is that their supply chains will remain as is. To the SMEs we interviewed, cost was still the biggest consideration when sourcing for imported inputs, and for the moment, their current suppliers, mostly from China, still offer the lowest cost. Although they experienced a few short delays with their current suppliers during the pandemic, none of the SMEs interviewed reported international supply chain disruptions as having greatly affected their operations. Domestic considerations such as lack of manpower and the drop in local demand for their products due to forced business closures and shelter-in-place instructions from government presented greater challenges to these firms. Moreover, according to a resource person from the Asian Trade Center, working capital constraints and personal relationships play big roles in Asian SMEs' supply chain and production decisions. Thus, while diversification and automation may be more viable and feasible for larger firms, this may not be the case for SMEs.

Conclusion

Global value chains have been transforming as they expanded in the last two and a half decades, but recent developments in technology, trade policy, and business strategy are expected to drive potentially drastic shifts in the patterns of globalization in the future. The difficulties and uncertainty brought about by the COVID-19 pandemic will likely accelerate these changes. The reconfiguration of GVCs will benefit some while hurting others. The pandemic introduces additional criteria on top of sound macroeconomic

fundamentals and traditional considerations for economies to successfully attract investments from a relatively smaller pool of efficiency-seeking. Public health and safety, resilience of local production and distribution networks, and sustainability of operations now receive greater attention from potential investors.

Good public health policies to contain the spread of COVID-19 can help the economy restart operations ahead of competing economies. This also lowers the operational risks and uncertainties brought about by the pandemic, as firms are assured of workers' health and an improved local demand. Policies that ease regulations and lower bureaucracy on foreign investments will continue to attract FDI, especially in light of the recent increase in government restrictions and interventions meant to curb the spread of the virus. An expert we interviewed from Vietnam particularly noted how increased travel restrictions and processes upon arrival of foreign visitors may have a negative impact on investment flows as this affects perceptions and business confidence. Nonetheless, in the long view, countries that effectively manage the impacts of the pandemic at home will have a competitive advantage from the perspective of investor over those that don't.

Table 4.1. UNCTAD's Four Trajectories of International Production.

		RESHORING	DIVERSIFICATION	REGIONALIZATION	Replication
International production impact		- Shorter, less fragmented value chains - Re-bundling of supply chain and production stages - More concentrated value added - Less offshoring - Less outsourcing	- Continued fragmentation of supply chains - Increased platform-based supply chain governance - Increased offshoring and outsourcing of services - More concentrated value added	- Shorter physical supply chains, but not less fragmented - More geographically distributed value added	- Shorter, less fragmented value chains, - Re-bundling of production stages - Higher geographical distribution of activities - More concentrated value added - Increased outsourcing
Key drivers	**Technology**	- Automation - Robots	- Digitalization - Platforms - Artificial Intelligence - Blockchain	- Digitally enabled	- Automation - Digitalization - 3D printing
	Policy Environment	- Push for higher degree of self-reliance - Push for build-up and protection of strategic industrial capacity		- Regional economic cooperation - Need for regional self-reliance - Build-up and protection of industrial capacity	- Push for production capacity of critical supplies
	Sustainability Trends		- Push for supply chain risk management - Supply chain monitoring capacity	- Push for supply chain resilience	
Prevalent industries		- Higher-technology - GVC-intensive industries	- Services - GVC-intensive industries	- Regional processing industries - GVC-intensive industries, primary sector	- Hub and spoke industries - Regional processing industries

Results	- Lower FDI - Divestment and relocation - Possible initial increase in FDI by non-equity mode partners in home markets - Lower GVC trade	- Lower FDI in physical productive assets - More intangibles - Increased trade in services and data flows	- More intraregional FDI - More relocations - More intraregional trade	- Lower FDI - Increased trade in services, intangibles, data flows and payments of royalties and licensing fees - Lower GVC trade

Note: This table is adopted from UNCTAD (2020a).

Source: UNCTAD (2020a)

Figure 4.7. UNCTAD's "The Relevance of Different Trajectories, by Industry"

BROAD SECTOR		INDUSTRY	RESHORING	DIVERSIFICATION	REGIONALIZATION	REPLICATION
Primary		Extractive industries, agro-based				
Manufactur-ing	GVC-intensive industries	High technology intensity (automotive, machinery and equipment, electronics)				

		Medium-low technology intensity (textiles and apparel)				
	Geograph-ically distributed industries	Regional processing (food and beverage, chemicals)				
		Global hub and spokes (pharmaceuticals)				
Services	Distributed, lower value added	Wholesale and retail trade, transportation and logistics				
	Concentrat-ed, higher value added	Financial services, business services				

Source: UNCTAD (2020a)

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5

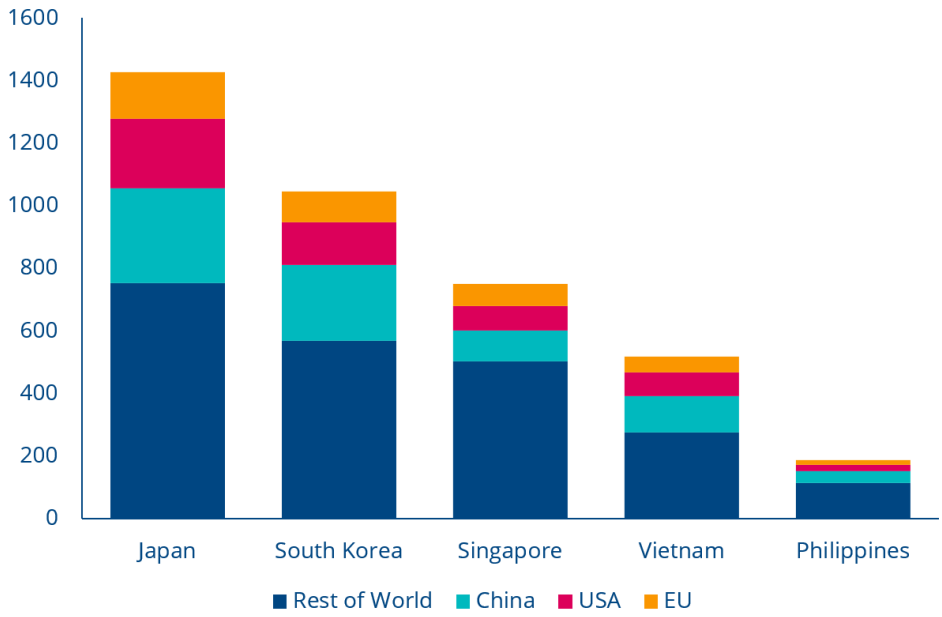
Asia-Europe Relations

5. Asia-Europe Relations

Trade, Investments, and Official Development Assistance

Asia and Europe have become leading trade and FDI partners in recent years, overtaking each region's trade and FDI flows with the United States (Neves, Becker, & Dominguez-Torreiro 2019). The significance of this economic relationship is highlighted in the case of each of our countries of interest. The European Union (EU) is the Philippines' largest foreign investor (in terms of amount of foreign direct investments) and fourth largest trading partner (European Commission 2020g). It is also one of the largest foreign investors in Vietnam. Singapore is the EU's largest trading partner in the ASEAN region, and its third biggest Asian investor (European Commission 2020i). Japan and South Korea are the European Union's (EU) seventh and eighth largest trading partners for total exports and imports of goods, respectively (European Commission 2020f; 2020j). Figure 5.1 presents the total exports and imports of goods of the countries considered in this report to and from the US, China, and European Union member countries.

Figure 5.1. 2019 total goods exports and imports of Japan, South Korea, Singapore, Vietnam, and the Philippines (in US$ billion).

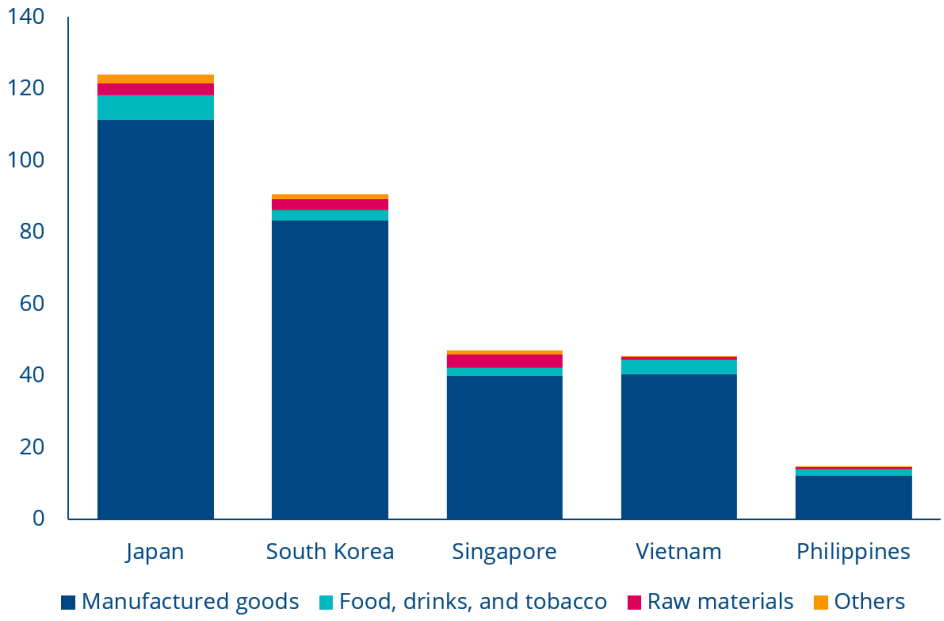


Source: UN COMTRADE Database

Breaking down by component, manufactured goods[21] make up most of the trade between EU and our countries of interest (Figure 5.2). For Japan, South Korea, and Vietnam, these imports and exports of these manufactured goods are mainly machineries/equipment and automotive/vehicles (European Commission 2020a; 2020d; 2020e). For Singapore, however, the EU imported more chemical products than machineries, but still exported more machineries over other kinds of manufactured goods (European Commission 2020c).

21 *Food, drinks, and tobacco products include goods and services with SITC 0 to 1. Raw materials include goods and services with SITC 2 to 4. Manufactured goods include goods and services with SITC code 5 to 8. For a detailed explanation of each SITC, see United Nations (2006).*

Figure 5.2. 2019 Total Trade with the European Union (in billion Euros).



Source: European Commission (2020a, 2020b, 2020c, 2020d, 2020e).

When countries' borders closed due to the pandemic, most supply chains were disrupted. Operations in airports and seaports ceased, and more stringent importation procedures, especially factoring in health and safety requirements were put in place. On top of these, shelter-in-place orders decreased the overall demand for vehicles and other transport equipment. These factors greatly impacted the overall trade of manufactured goods, which comprise most of the region's trade with the EU. Furthermore, the EU shifted its priority to safeguarding industries in its member states that have been significantly affected by the pandemic (Grammas et al. 2020), limiting the FDIs that are going to countries outside the Eurozone.

As of February 2020, 80 FTAs in the countries considered in this report have been signed and are in effect, while 33 negotiations have been launched (Table 5.1). Japan, Singapore, South Korea, and Vietnam all have FTAs (signed an in effect) with the European Union, while the Philippines, South Korea, and Singapore have FTAs (signed and in effect) with the European Free Trade

Association[22] (EFTA). FTA negotiations are underway between the Philippines and the EU, Vietnam and the EFTA, and the ASEAN bloc and the EU. It is expected that negotiations would take longer to proceed due to the COVID-19 pandemic.

Table 5.1. FTA status by country.

Country	Under Negotiation		Signed but not yet In Effect	Signed and In Effect	Total
	Framework Agreement Signed	Negotiations Launched			
Japan	0	7	0	18	26
Philippines	0	3	0	9	12
Singapore	0	7	1	25	36
South Korea	0	13	1	17	31
Vietnam	0	3	1	12	17

Source: ADB Free Trade Agreement Database. https://aric.adb.org/database/fta (accessed 26 August 2020).

Notes:

1. Framework Agreement signed: The parties initially negotiate the contents of a framework agreement (FA) , which serves as a framework for future negotiations.

2. Negotiations launched: The parties, through the relevant ministries, declare the official launch of negotiations or set the date for such, or start the first round of negotiations.

3. Signed but not yet in effect: Parties sign the agreement after negotiations have been completed. However, the agreement has yet to be implemented.

4. Signed and in effect: Provisions of FTA come into force, after legislative or executive ratification.

In terms of tourism, international tourism receipts could decline by around 56% to 81% in 2020 (Abiad et al. 2020), primarily due to the COVID-19 pandemic. This could potentially affect the GDP of Singapore, Vietnam, the Philippines, and South Korea by a decline of as much as 5%, conditional on the length of containment these countries would impose. The shorter

22 *EFTA members are Iceland, Liechtenstein, Norway and Switzerland.*

containment scenario assumes a 3-month period for countries to control the outbreak, normalize economic activities, and lift travel bans, while the longer containment scenario assumes that it would take six months.

Figure 5.3. COVID-19 Impact on Tourism Receipts (% of GDP).

Source: Abiad et al. (2020).

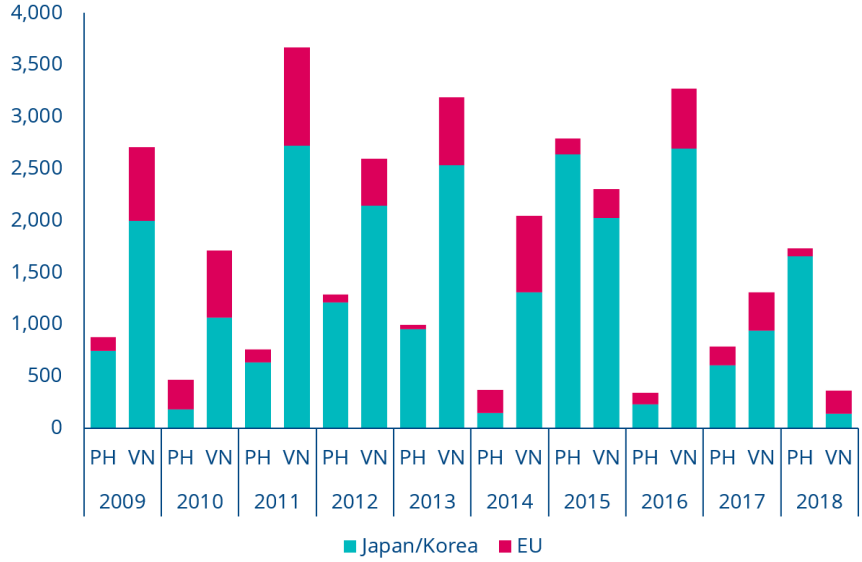
Outward FDI from the EU is largest in Singapore (Figure 5.4), illustrating how attractive the country is to foreign investors. It is also the third largest foreign direct investor in the EU, following Japan and Hongkong, SAR (European Commission 2020i). The EU's investment relationship with South Korea is also strong, as the bloc has been South Korea's largest foreign direct investor for 2018. Developing countries like the Philippines and Vietnam, on the other hand, received much less FDI from the EU in the same year.

Figure 5.4. FDI with the EU in 2018 (in billion Euros).

Source: European Commission (2020f, 2020g, 2020i, 2020j, 2020k).

Official development assistance (ODA) from EU countries, Japan, and South Korea to the Philippines and Vietnam has varied greatly in the past decade (Figure 5.5). Historically, Japan and South Korea have committed more ODAs compared to EU countries. Furthermore, Vietnam has received more ODAs compared to the Philippines. Through the years, most of these ODAs had been for the Economic Infrastructure & Services sector (Figure 5.6), which includes the following subsectors: Transport & Storage, Communications, Energy, Banking & Financial Services, and Others. Coming second is the Social Infrastructure & Services sector which covers Education, Health, Population Policies, Water Supply & Sanitation, and Others. Just like FDIs, ODAs to the Philippines and Vietnam are expected to decrease as donor countries may prioritize spending on recovery and stimulus within their borders.

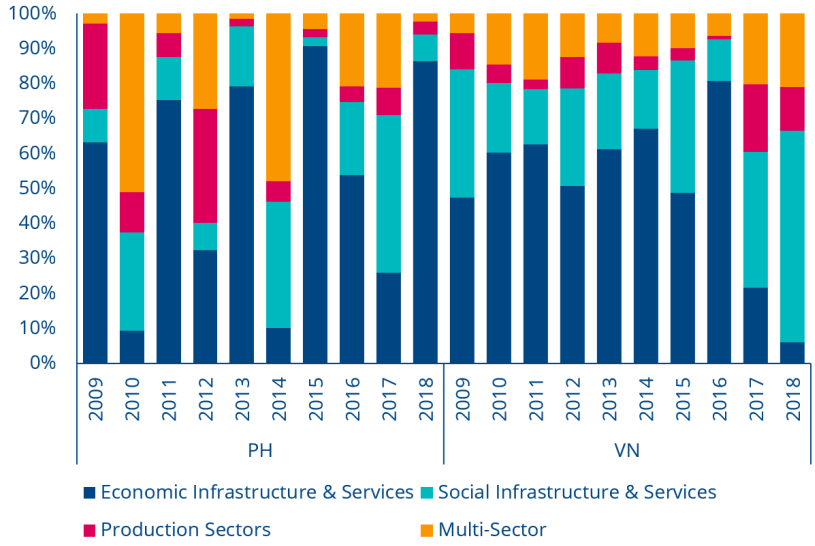
Figure 5.5. Official Development Assistance, by source (commitments in US$ millions).



Source: OECD Creditor Reporting System

Note: Only includes the following sectors: Social Infrastructure & Services, Economic Infrastructure & Services, Production Sectors, and Multi-Sectors.

Figure 5.6. Official Development Assistance Composition (% of total commitments in selected sectors).



Source: OECD Creditor Reporting System

When donors are able to increase their ODA allocations again, the focus is expected to shift to the health sector. This is due to the crisis stressing the much-needed support for improvements of public health systems in the regions. Both Europe and Developed Asia are expected to increase coordination and cooperation to address regional and international hotspots and sensitive issues (Zhang 2020).

Being the new "global leaders", a collective effort from both regions could persuade large international bodies such as G20 to provide fiscal and monetary stimuli and avoid a beggar my neighbor approach (Cameron 2020) to global issues. Debt relief and humanitarian rescue packages for the worst hit regions of the world would need to be provided. They could also begin overhauling the World Health Organization that has been at the center of scrutiny for being biased towards China (Griffiths 2020, Kelland 2020).

Theme 12: Government response to the pandemic has mostly been inward-looking, but the fight against COVID-19 and the push for economic recovery requires international cooperation.

Most countries have been currently focused on controlling the spread of the virus within their own borders. The European Union temporarily abandoned its open border and Single Market features to contain the virus within geographical boundaries (Yeo 2020). As the EU plans to reopen its borders, a recovery plan has been laid out. Some of its important features focus on supporting investments in the region, investing in key value chains, and supporting key programs for possible future crises (European Commission 2020h). Coordinated efforts have been notably lacking in Asia, even among members of ASEAN where both some of the highest number of COVID19 cases (Philippines, Indonesia) and the lowest (Lao PDR, Brunei) have been reported.

As of June 2020, the European Union has temporarily imposed travel bans on countries around the world, but has allowed nationals from China (conditional on China granting reciprocal access to EU visitors) Georgia, Japan, South Korea, and Thailand to travel to the area (Thiessen 2020). While some international cooperation in medical research and information sharing has ensued between Europe and Asia, there has been no high-level coordination among European and Asian governments aimed at addressing COVID19-related issues from pandemic control to economic recovery. Adapting Zhang

(2020), this report recommends that Asian and European governments increase cooperation in the following areas:

1. Enhance information sharing

The pandemic has demonstrated the critical importance of transparency and information-sharing among countries. Complete and truthful information on the spread of disease, effectiveness of medical treatment options, and success or failure of mitigation measures can save lives. A global crisis requires global solutions.

Medical and pharmaceutical research institutions in Asia and Europe should intensify information sharing to more efficiently develop vaccines and treatment of COVID-19. In the EU-Japan virtual summit held in May 2020, one of the key points made was to develop a vaccine and treatments with a goal of making them affordable and accessible to all (a global public good). The EU and Japan also agreed on strengthening cooperation in science, technology and innovation to accelerate research on health.

Currently, around 12% of total research output of Asia-Europe Meetings[23] (ASEM) member countries could be classified as Asia-Europe collaborations (i.e., research institutions in Europe collaborate with an institution in Asia, and vice versa) (European Union 2019). There is room for further improvement in the both intensity and breadth of such cooperation especially given the global nature of the ongoing crisis. Figure 5.7 presents the top 10 Asia-Europe research collaborations, as percentage of total research output of first country per country pair. In Lao PDR, for example, around 20% of its total research outputs were done in collaboration with the United Kingdom. This highlights the increased connectivity between Asia and Europe in terms of scientific cooperation.

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23 *The Asia-Europe Meeting was established in 1996. Currently, it has 51 member and 2 institutional partners (the EU and the ASEAN). Appendix 1 provides a list of ASEM member countries.*

Figure 5.7. Asia-Europe Research Collaborations (% of total research outputs of first country in country pair).

Source: European Union (2019).

Note: LA = Lao PDR; GB = United Kingdom; MN = Mongolia; DE = Germany; MM = Myanmar; KH = Cambodia; BN = Brunei Darussalam; FR = France; NZ = New Zealand; LV = Latvia; RU = Russian Federation; BG = Bulgaria.

2. Strengthen multilateralism

With the United States letting go of its traditional leadership position in addressing global issues at this time, cooperation between Europe and Asia is especially more important. A few individual country governments, most notably China and Russia, have unilaterally intensified efforts in expanding their role and prestige in the global fight against COVID19 by pioneering vaccine development and increasing international aid. However, the global nature of the crisis also requires multilateral efforts based on trust and two-way cooperation not only in the areas of public health and safety, but also trade, economics, and socio-cultural exchange. Deliberate efforts must be made in engaging with other countries in partnership, otherwise, there is a tendency for countries to succumb to protectionist leanings, which may be detrimental to global public health and economic outcomes in the long run.

3. Increase support for vulnerable regions

Globally, Abiad et al. (2020) estimates that the impact of COVID-19 ranges from US$6.1 trillion to US$9.1 trillion. Developing Asia, no doubt, is one of the most vulnerable and worst-hit regions in the world following the COVID-19 pandemic. Table 5.2 presents hypothetical GDP impacts of COVID-19 in different regions of the world depending on how long containments would last.

Table 5.2. Regional losses from COVID-19.

Region	GDP (%)		GDP (US$ billion)	
	Shorter containment	Longer containment	Shorter containment	Longer containment
World	-7.1	-10.5	-6065.7	-9051.6
Developing Asia	-5.7	-8.5	-1309.8	-1955.4
Central Asia	-8.6	-12.7	-31.1	-46.3
East Asia	-5.1	-7.6	-820.5	-1227.2
Southeast Asia	-7.2	-10.6	-213.0	-315.4
South Asia	-7.0	-10.4	-243.6	-364.1
The Pacific	-4.8	-7.1	-1.7	-2.4
United States	-8.0	-12.0	-1646.6	-2461.8
Europe	-9.1	-13.6	-1715.1	-2556.6
Rest of World	-5.9	-8.8	-1394.2	-2077.7

Source: Abiad et al. (2020).

Note:

1. *Central Asia - Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.*
2. *East Asia - Hong Kong, Japan, the People's Republic of China Mongolia, South Korea, and Taipei.*
3. *South Asia - Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.*
4. *Southeast Asia - Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.*

5. *The Pacific - Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.*

4. Strengthen policy coordination

Countries in Asia and Europe must coordinate their policies not only to minimize the persisting economic and health impacts of the COVID-19 pandemic, but also for their economies to recover quickly. Countries should continue to keep GVCs in check while promoting trade and investment across countries, all of which requiring confidence among them. While there are a number of areas countries could focus on individually, Cameron (2020) identifies those which require inter-regional coordination (Table 5.3).

Table 5.3. Some policy recommendations.

Area	Action plan
Trade	· preserve the World Trade Organization and pursuing its reform with the aim of regaining support from the USA · coordinate establishment of a provisional dispute settlement mechanism · establish set of rules on inter-regional e-commerce and the digital economy as they are bound to gain in importance
Borders	· coordinate reopening of borders as it has significant implications for transport links between Europe and Asia · jointly consider requiring health passports to travel (to boost confidence in tourism)
Society	· reflect on how Asian and European societies have coped with the crisis and what implications these have for society · share insights gained on the use of digital technology, robotics, and surveillance, and innovations in education and health

Source: Cameron (2020).

The many challenges presented by the COVID-19 pandemic has generated mostly inward-looking responses among most country governments that

have been focused on protecting public health and securing strategic resources within their borders. The nature of the pandemic and its economic repercussions require a global approach and deliberate intent to move away from beggar thy neighbor policies.

Conclusion

Countries are still at the point where all their efforts are concentrated within their borders. Inter-regional cooperation between Asia and Europe is not on anyone's priority agenda, but the need for it does not go unnoticed. With the United States letting go of its traditional global leadership position, it is a good time for Asian and European countries to step up and take initiative to steer the global agenda to their advantage as soon as the situation stabilizes.

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Appendix

Appendix 1. ASEM member countries.

Asia (including Australia and New Zealand):

- Australia
- Bangladesh
- Brunei Darussalam
- Cambodia
- China
- India
- Indonesia
- Japan
- Kazakhstan
- South Korea
- Lao PDR
- Malaysia
- Mongolia
- Myanmar
- New Zealand
- Pakistan
- Philippines
- Singapore
- Thailand
- Vietnam

Europe:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Russia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- United Kingdom

6

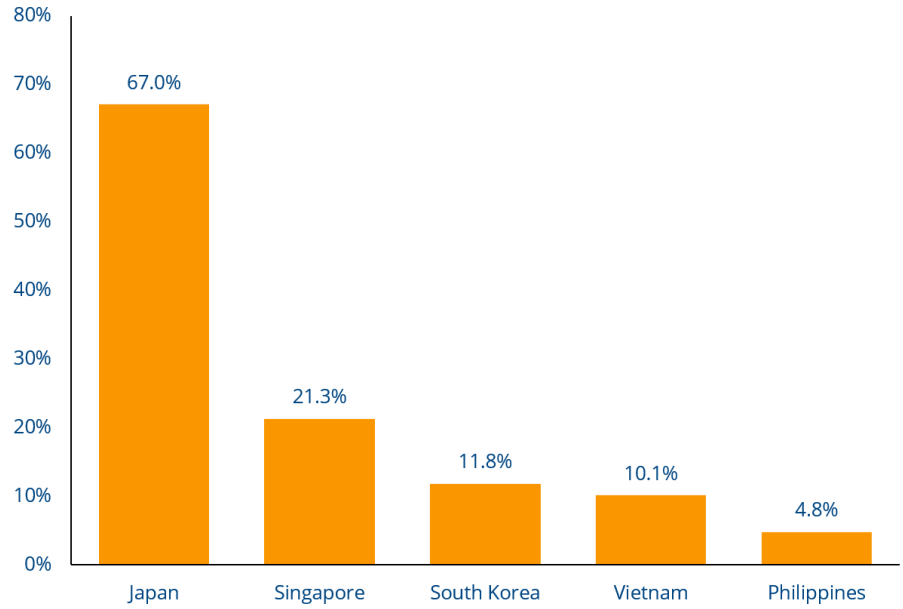
Institutions and Economic Regulations

6. Institutions and Economic Regulations

Government Interventions

The COVID-19 pandemic has led to a serious loss of confidence in free-market mechanisms (Levy et al. 2020) in parallel with major disruptions in economic activity, creating space for government intervention. In many countries, intervention has been heavy and far-reaching with the intention of addressing a dual challenge of protecting public health and saving the economy. As of 24 August 2020, Asian Development Bank (ADB) estimates show that COVID-19-related fiscal interventions in Japan, Singapore, South Korea, and Vietnam had already exceeded 10% of these countries' 2019 GDPs (Figure 6.1). Given possible virus resurgences, the absence of a vaccine, and required post-pandemic economic recovery interventions, government spending across these countries are expected to continue rising in the near future.

Figure 6.1. COVID-19 spending (as % of 2019 GDP).



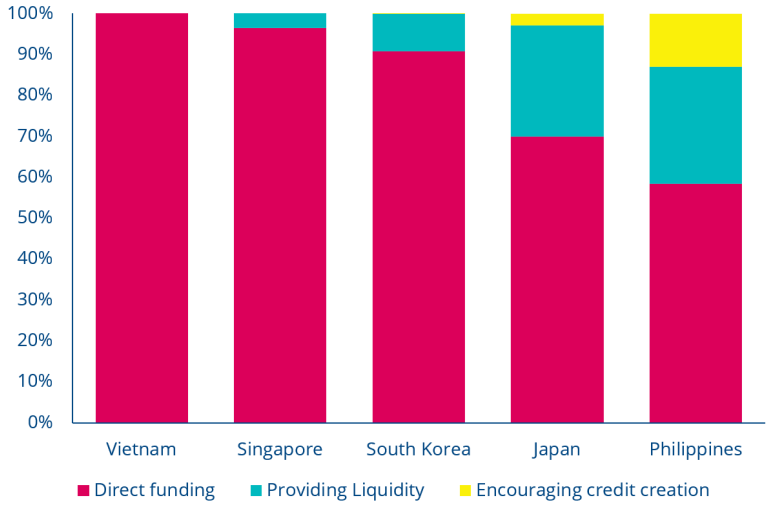
Source: Asian Development Bank COVID-19 Policy Database ; World Bank World Development Indicators

Most interventions in the countries considered in this report have been for direct funding purposes (Figure 6.2). These include long-term loans to private companies and local government from the national government, equity investments (*which increase government ownership of private companies*), loan cancellations, tax cuts and forbearances, as well as government transfer payments to individuals and firms—usually small and medium enterprises (Felipe & Fullwiler 2020a). Some country governments and central banks have also deployed interventions to provide short-term liquidity and to encourage credit creation through monetary easing and lower interest rates. In particular, Japan, the Philippines, and South Korea have taken considerable steps to ease liquidity constraints.

The Bank of Japan had kept itself from pushing interest rates deeper into negative territory, but has expanded its purchase of corporate stocks, bonds and other assets, and has established a new one-year facility offering loans against corporate debt as collateral at zero interest to provide support for financial markets and companies affected by the pandemic (Bank of Japan 2020). The Philippine Central Bank cut interest rates four times since February 2020 resulting in the lowest level in the Bank's history at 2.25%, while the Bank of Korea has also cut its policy rate to a historic low of 0.5%.

Appendices 6.1 – 6.5 provides a list of projects undertaken by each country government thus far, and Appendix 6.6 provides details of measures per spending classification.

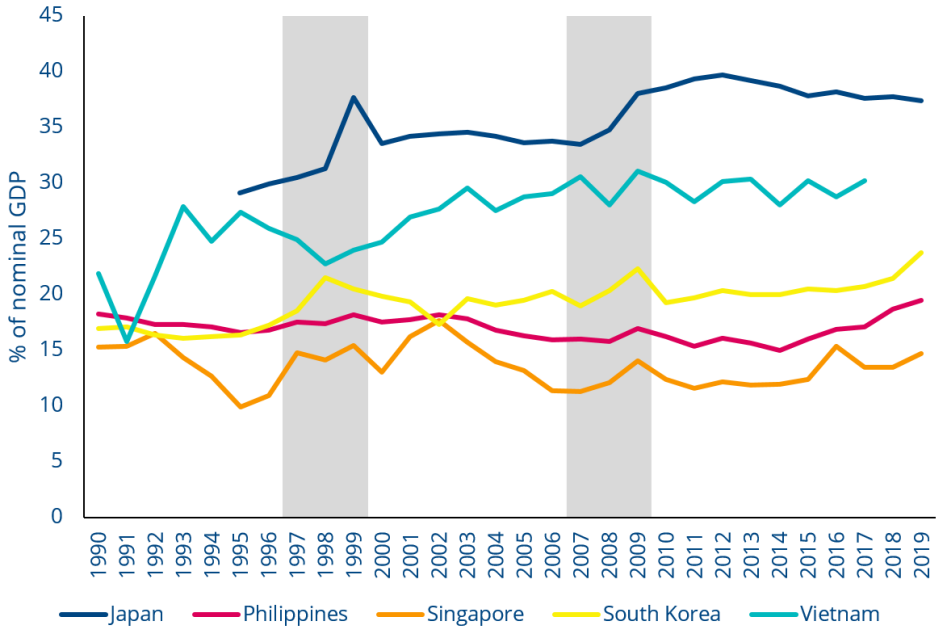
Figure 6.2. COVID-19 breakdown, by objective (as % of total COVID-19 spending).



Source: Asian Development Bank COVID-19 Policy Database

Like Japan, Singapore has avoided cutting interest rates to provide monetary stimulus to the economy, but has focused on increasing direct fiscal stimuli. To date, COVID-19-related spending in Japan and Singapore are already at 3.16 trillion USD (366 trillion JPY) and 82 billion USD (112 billion SGD), respectively. Historically, the largest total annual government expenditures of Japan and Singapore were 1.95 trillion USD (207 trillion JPY) and 55 billion USD (75 billion SGD), respectively. With aggregate output expected to be at its worst this year, Japan and Singapore are expected to hit record high levels of national expenditure relative to GDP this year (even larger than AFC and GFC periods).

Figure 6.3. National government expenditures (as % of GDP).



Source: CEIC data

Beyond Fiscal and Monetary Action

Given the nature of the COVID19 pandemic as both an unprecedented public health crisis and the largest global economic shock since the Second World War, government response has been a broad combination of fiscal and monetary intervention as well as administrative action to prevent the spread of the virus and emergency measures to cope with the rising number of cases. A timeline of COVID19 trigger events and various government

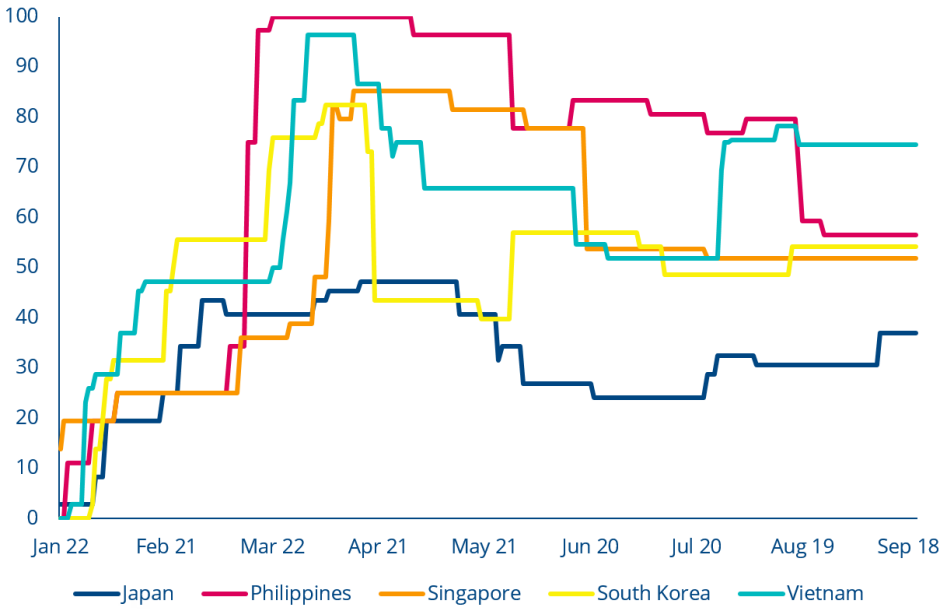
actions (Appendix 6.7) shows the most common direct interventions carried out in each country to be implementation of domestic and international travel restrictions (including more stringent immigration procedures and travel bans), lockdowns (home quarantines, business and event closures), and general safety measures (relating to safe physical distancing, hygiene, disease monitoring, and treatment).

The various mitigation measures deployed by country governments at national and local levels have introduced a notably larger and more active role of the state in what may traditionally have been considered part of the private domain, including domestic and home affairs. In general, individual citizens in the countries considered in the report seem to have been supportive and compliant with government directives in response to the pandemic even if some of these directly affected their privacy, autonomy, or economic wellbeing.

The University of Oxford had put together a Coronavirus Government Response Tracker using data on 17 indicators of government response to the pandemic, nine of which measure the stringency of containment and closure policies such as school/workplace closures and travel restrictions. Figure 6.4 shows wide variance in the stringency of mitigating measures for the countries considered in this study, with the Philippines having had the strictest policies in place and for the longest continuous period among the five countries. All firms except those producing "essential" goods and services were ordered shut and asked to adopt flexible/work-from-home arrangements when possible during the near-nationwide lockdown in the Philippines. All forms of public transportation were also shut down. Vietnam has recently implemented similarly stringent measures as it faces a second wave of infections, but only after nearly two months of relaxed measures when the number of cases (temporarily) dropped.

On the other hand, Japan has had some of the least stringent restrictions, with the Japanese government not having the legal power to impose lockdown measures and only encouraging firms to minimize face-to-face interactions with customers and among employees. South Korea adopted stringent containment measures in March as the number of cases in the country rapidly increased in March, but their early success in mitigating further spread has allowed them to relax restrictions thereafter while maintaining necessary precautions.

Figure 6.4. COVID19 Government Response Stringency Index.



Source: Oxford COVID-19 Government Response Tracker

Notes:

1. *Data updated as of 3 September 2020. Japan cuts off at 30 August, Philippines at 24 August, Singapore at 1 September, South Korea at 2 September, and Vietnam at 28 August.*
2. *See Hale et al. (2020) for a full description of the index and how it is calculated.*

Theme 13: The experience of the pandemic has created space for bigger government post-COVID.

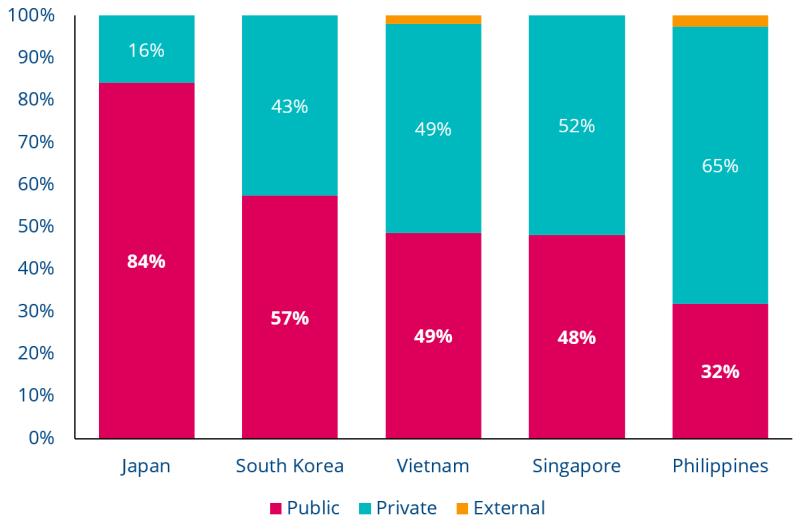
Large macroeconomic shocks such as the 2007 Asian Financial Crisis and the 2008-2009 Global Financial Crisis each ushered in succeeding periods of increased government spending and larger government activity relative to the rest of the economy. The direct effects of these huge bursts of deficit spending often lasted years after each trigger event, although the size of government spending typically diminished as soon as the crisis had been overcome. Likewise, during these major crises, governments had exercised unprecedented control over areas of the economy previously governed more freely by private enterprise. The gravity of the impacts of the crisis at hand

and the urgency of government action in response to the crisis tended to relax the psychological thresholds of what the public considered acceptable levels of fiscal spending and taxation (Bird 1972), and what citizens considered acceptable limits of government power.

The acceptance of new levels of intervention may remain even when the crisis ends, and the social upheavals brought about by crisis tend to impose new and continuing expectations from government by the public as result of changes in social ideas. As Bird (1972) described, such events "often force the attention of governments and peoples to problems of which they were formerly less conscious."

For example, the Global Financial Crisis of 2008/2009, which had highlighted weaknesses in financial market regulation, prompted wide-ranging reforms for financial institutions worldwide as well as changes in attitude towards globalization, which has influenced trade policy in major economies around the world. Given the unprecedented and far-reaching implications that the pandemic has had not only on what is expected from government, but also on what is allowed of government, there is little reason to believe that the new size and role of government adopted during the pandemic will return to its previous level without lasting effects. One of the areas that governments around the world may be expected to play a larger role in is health care.

Figure 6.5. 2017 Domestic health expenditure.



Source: World Bank World Development Indicators

Note: External portion refers to "direct foreign transfers and foreign transfers distributed by government encompassing all financial inflows into the national

health system from outside the country. External sources either flow through the government scheme or are channeled through non-governmental organizations or other schemes."

One of the economists interviewed for this study expects pressure to build on the Philippine government to increase much needed spending on the healthcare system, where hospital bed capacity is only around 10 beds (as of 2016) per 10,000 people and physician availability is 6 physicians per 10,000 people (as of 2017). The pandemic has also revealed various weaknesses in government provision of public services as well as broad issues of governance, including the role of national versus local government.

Lessons from New Zealand, the first country to eliminate COVID-19 in the world, show that disease eradication was achieved by implementing strict lockdowns early, increasing testing capacity, and having an effective contact tracing system. This success was met with a positive response from more than 80% of its citizens, while the rest simply expressing concerns over the pandemic's effects on the economy and people's mental health. This case perfectly illustrates how good crisis management and governance positively affects people's trust towards the government.

As the world is still working towards the development of a vaccine to combat COVID-19, it is too early to tell what extent government size will grow. What is clear at this point is that there will be a bigger government "with which officials can control more economic levers" (Fairless & Douglas 2020)[24], and that the public's perception towards their own governments have changed.

The pandemic and each country's specific situation remains fluid. As the past six months have demonstrated, countries that have had no new reported cases for several weeks may all of a sudden experience a new wave of infections at any time once mitigation measures are relaxed, and yet the socio-economic costs of stringent safety and health protocols are too large to ignore. As uncertainty continues to loom over the pandemic and whether or how soon life could return to normal, governments will likely continue playing an expanded role and with the corresponding cost.

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24 *UC Berkeley's Maurice Obstfeld notes that there "won't necessarily [be] big government programs, but extensive intervention" in economic areas deemed critical, such as trade (Fairless & Douglas 2020).*

Policies for the New Normal

As governments, private organizations, and individuals first began to grapple with how best to respond to the pandemic in the first quarter of 2020, adaptations had been mainly *reactive* or at most *anticipatory* (Schwarzer and Schwarzer, 1996), aimed at dealing with an imminent threat ahead. *Preventive* action, which builds general resistance and reduces the overall risk of potential disasters, had been taken before the pandemic hit with varying degrees of success across countries, and those countries that were generally better prepared, seem to have been able to cope better than those that have not.

South Korea, one of the first countries to experience a rapid rise in the number of cases early in the pandemic, seems to have successfully mitigated the spread of the virus through free mass testing, digitally-enabled contract tracing, and strict individual quarantine protocols. The South Korean government attributes their success in implementing these measures to having an information and communication technology (ICT)-powered disaster response system in place before the pandemic hit, which they had gradually developed learning from past disasters (Government of the Republic of Korea, 2020).

As countries begin to realize that the new normal may include COVID19 or similar viruses remaining a constant threat, governments and their citizens will have to embrace proactive coping strategies on top of general preventive strategies aimed at building general resistance to harm from disasters. The goal of proactive strategies is to improve the conditions of individuals and organizations so as to offset, eliminate, reduce or modify crises and their impacts so that if and when they do strike, the dangers they present are significantly diminished (Francisco, 2014). Governments will have to prioritize addressing vulnerabilities, many of which the pandemic has exposed.

Sustain Mitigation Efforts, Improve Response Readiness, and Develop Government Agility

In the absence of an effective vaccine or even many months after a vaccine has been developed, new waves of infections may occur even in countries that have been successful in mitigating the spread of the virus in earlier periods. Thus, a minimum level of safety and health measures will likely be sustained by most governments. Governments are expected to adjust the stringency

of mitigation measures as the need arises. This will require governments to sustain their capacity for crisis response and for most countries to increase such capacity to improve readiness in anticipation of (re-)escalation of the crisis in the near future. Dealing with COVID19 is likely to be continuing challenge rather than a one-time pass/fail event. Governments will have to invest not only in emergency response capabilities, but also proactively build up its ICT and logistics capabilities to improve its ability to bring important public goods and services to its citizen in all situations.

It is not only governments that must be prepared to deal with a prolonged crisis. Industries, firms, and individual households must also be prepared for a new normal that includes the prospect of having to ease in and out of lockdown and having to adopt more stringent mitigation measures as the need arises. In the medium term, governments may be expected to play a larger role in providing support to enable the private sector to invest in their own proactive strategies to build more resilient organizations and anti-fragile supply chains.

Governments will have to reassess the effectiveness of rule-based bureaucracy during the pandemic and after. Bureaucratic systems are intended to be simple, foolproof and therefore easily scalable, but the volatile, uncertain, complex and ambiguous or "VUCA" environment that has characterized the pandemic may turn bureaucracy into a liability that impedes government responsiveness and adaptability.

Expand Hospital Capacity and Improve Health Care

The COVID-19 pandemic exposed several weaknesses of the public health system across most countries. In particular, the problems of inadequate infrastructure—from hospital beds and equipment to paraphernalia—especially outside capital cities, and insufficient healthcare labor supply have finally received the full attention of government and citizens. Governments are expected to invest rapidly and more heavily on improving facilities and services. A consequent challenge that follows this would be the need for healthcare reform to ensure that citizens, especially those who are most vulnerable, have guaranteed access to quality healthcare in the near future. A VUCA environment calls for an agile, mission-driven government able to make quick, informed decisions and respond to rapidly changing and widely varying needs of its people without losing sight of its mandate and public priorities.

Set-up Agencies for Disease Control

Not all countries have an agency designed specifically to address public health concerns such as the COVID-19 pandemic. Among the countries considered in the report, only South Korea and Singapore have a center for disease control (CDC)[25] (Singapore's CDC is called the National Centre for Infectious Diseases). Coordination of research efforts as well as consolidated and verifiable crisis communications regarding the virus or contagious disease is a critical function that such agency would have especially during a pandemic.

Identify and Address the Needs of Population Most At-risk

With most countries facing record-high unemployment, poverty incidence and hunger is expected to worsen in many countries as jobs in the informal sector have been among those most badly affected by lockdowns. Some households may also be expected to have slid below the poverty line as breadwinners could not find work. Governments must identify the most vulnerable sectors of society, and prioritize them in the provision of basic necessities such as food, healthcare, education, and shelter as well as income-generating opportunities for sustainable progress. In the Philippines and Vietnam, it is estimated that only 65% at most of the poorest quintile are covered by social safety nets, and only 9% of the benefits from social safety net programs actually accrue to the poorest quintile with much of the benefits going to the less poor.

Gaspar, Lam, & Raissi (2020) recommends that in developing countries, gaps in coverage be addressed by expanding existing programs and using other delivery instruments including mobile phone networks and in-kind provision of goods and services—especially health, food, and transportation—to reach people most in need or currently left out. In this area, ICT solutions may also help. The pandemic demonstrated the challenges of a highly cash-dependent social safety net program as experienced in the Philippines where long

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25 *Japan has the National Institute of Infectious Diseases (NIID), but experts argue that the NIID does not come close to what CDCs in other countries can do (Egawa 2020; Osaki 2020). On the other hand, the Philippines has the Research Institute for Tropical Medicine (RITM), Bureau of Quarantine, and Epidemiology Bureau. However, these institutions could not be compared to CDCs in other countries as well, as emphasized by the fact that even the health secretary asked Congress to setup the Philippines' own CDC (Cepeda 2020).*

delays in the distribution of cash aid from the national government coursed through local units have been attributed to beneficiary validation and cash disbursement issues especially in geographically isolated areas, both of which could have been addressed by digital solutions such as electronic payments.

Support and Enable Small Business to Innovate

The drastic decline in demand for their products amidst the pandemic and temporary business closures due to stringent mitigation measures have been devastating for many businesses, especially SMEs with limited cash reserves and working capital. In addition, new safety and health protocols have increased operating costs for firms, further reducing profit margins already suffering from depressed demand. Governments have introduced various forms of support for businesses, including commercial loan guarantees, low-interest rate loans, and direct subsidies, to help firms survive the crisis. However, given the likelihood of a prolonged crisis, governments will have to reassess and optimize the kind of support provided. Support will have to be shifted gradually towards enabling firms to adopt proactive strategies to increase the viability and sustainability of their business as well as the resilience of their organizations. Smaller firms with limited access to resources, whose condition has been aggravated further by the ongoing crisis, will need support in increasing organizational capabilities and securing resources to build anti-fragile operations and supply chains, to develop resilient marketing and distribution channels, and to introduce product, process, or business model innovations. Digital solutions, including participation in e-commerce and social media marketing as well as the use of cloud-based applications and business software, have emerged as essential tools that have helped some SMEs cope better.

Regional Public Goods

Theme 14: Regional cooperation will play a vital role in the fight against COVID-19.

Addressing the challenges presented by the pandemic require solutions mainly falling under the category of what economists consider "public goods"—i.e., goods that can benefit all members of society and the consumption of which by one member does not diminish or preclude consumption by another. Because of the special nature of such goods, private provision tends to be

sub-optimal. For example, the use of face masks to reduce the risk of infection benefits both the person wearing the mask and anyone else who interacts with or stays in close proximity with that person. But since the person wearing the mask will tend to put more weight on the personal benefits and costs of wearing a mask than on any social benefit (or cost) this may produce, a person may behave in a way that is rational from a personal standpoint, but that results in a sub-optimal outcome to society—e.g. deciding not to wear a mask because one feels young or healthy even if there is a possibility that one is an asymptomatic carrier of the virus able to infect others including the sick or elderly. A government directive requiring everyone to wear masks in public spaces is an example of government intervention aimed at increasing provision of the "public good" with positive social outcomes which private individuals may not (immediately) take responsibility for.

While the benefits of some public goods such as the wearing of face masks during a coronavirus pandemic tend to remain within local or national boundaries, other public goods provide benefits that go beyond political borders, creating similar issues of ownership or responsibility. The COVID-19 pandemic requires solutions with a global or regional scope that goes beyond provision of national public goods (NPGs). For example, the provision of public goods at the supranational or regional level had helped control and eliminate malaria in certain parts of Asia (ADB 2018).

Through the 2014 East Asia Summit, 18 world leaders jointly agreed that they will exert efforts to combat malaria within their borders. Without an assurance that its neighbors will work towards malaria elimination, there is no incentive for a country to do the same since the disease will just emerge again. This established regional cooperation (a regional public good) then led to the success in controlling and eliminating the disease in certain parts of the region.

One interesting lesson from this case is that addressing public health concerns requires two things: efforts by governments within their borders to *control* the disease, and efforts by governments among themselves to *eliminate* the disease. Both control and elimination are forms of public goods, the former being a NPG, while the latter being both a national and a regional public good (RPG) (ADB 2018).[26]

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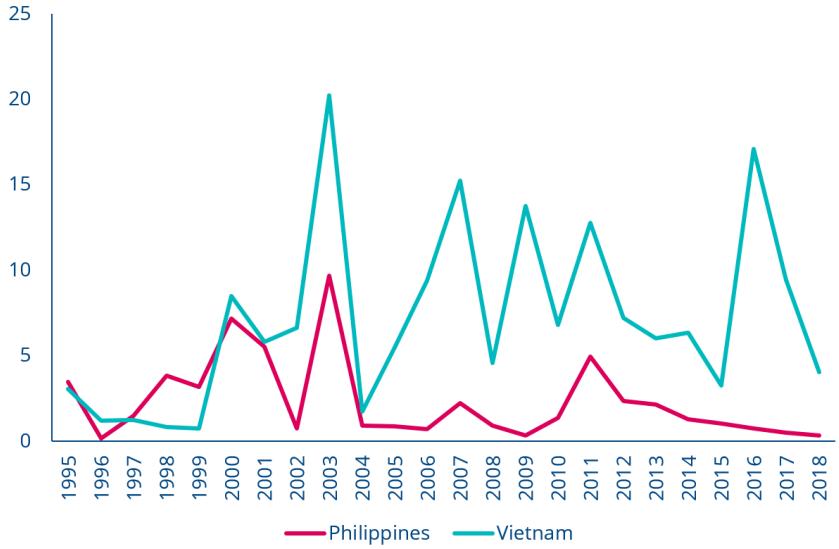
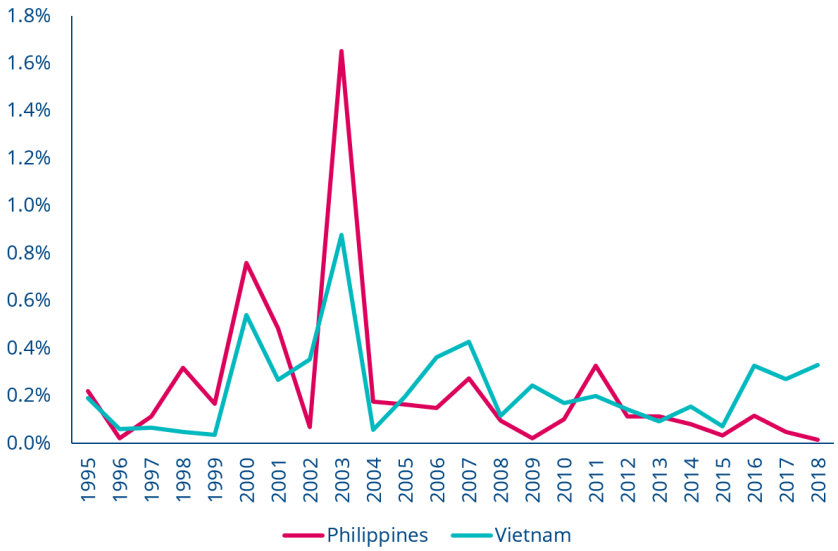
26 *A public good's classification depends on the scope of the benefits it provides. In the literature, NPGs produce public benefits that remain within a country's border, while RPGs produce benefits that extend to two or more countries.*

Governments must include the provision of supranational and regional public goods (RPGs) among their priorities in managing the pandemic crisis. The phenomenon of having "imported cases" of COVID19 trigger second (or third) waves of infection in countries like Singapore and South Korea highlights the importance of international cooperation and coordination. Controlling the spread of COVID-19 globally or in the region depends on capacity of the "weakest country" to control the spread of the disease. And without every country being able to meet the minimum threshold level of effort required for successful mitigation of the spread of the virus (and possibly, full eradication of the disease), COVID19 will continue to threaten all countries.

A country whose neighbor or major trading partner continues to experience high rates of infection will not be able to isolate itself by completely shutting down all international exchanges for an extended period of time. A coordinated global response to the pandemic is therefore essential to ensure lasting success in fighting COVID19. In order to enable coordinated efforts across all countries, the need for development assistance focusing on COVID19 in particular and infectious diseases in general may have to be prioritized. In the past 25 years, ODA allocation for control of infectious diseases in the Philippines and Vietnam averaged less than 1%. This is consistent with the global historic trend which focused on providing ODAs in the transport and storage, energy, and water supply and sanitation sectors.

Figure 6.6. Infectious disease control-related ODAs (top: in millions USD; bottom: as % of total ODA).





Source: OECD Creditor Reporting System

Conclusion

Policy recommendations above focus on four critical areas of the economy: government, health, populations-at-risk, and SMEs. Government agencies need to further improve their response readiness as it is still possible for more waves of infections to occur. In the event that this happens, government agility will prove to be vital in ensuring that the economy does not get hurt any further. Healthcare systems and facilities demand major improvements, and right now governments should be working on this. Populations-at-risk, such as the unemployed and the poor, need to be provided with social services for them to be able to pay for their living needs. Finally, SMEs, especially those that are barely surviving, should be extended as much support as possible. New government programs need to consider these aspects.

Regional public goods, particularly regional cooperation, will play a key role in the new normal. Just like in the case of malaria control and elimination, a strong commitment in controlling the virus within each country's borders is needed to achieve the goal of eradication. Also, with eight vaccines already in the third phase of clinical trials as of this writing (Corum et al. 2020), the next concern would be how to best allocate them all over the world. When this time comes, a stronger global cooperation is needed to make sure that even the poorest countries will receive aid.

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Appendix 6.1. Selected COVID-19 policy measures in Japan.

Objective	Policy Measure	Agency in Charge	Funding Amount (in trillion JPY)
Providing Liquidity	Targeted liquidity provision through special funds-supplying operation to provide loans to financial institutions to facilitate financing of corporates.	Bank of Japan	
	An increase in the annual pace of the Bank of Japan's (BOJ) targeted purchases of commercial paper with an upper limit of JPY2 trillion.		2
	The maximum amount of additional purchases of commercial paper was increased to JPY7.5 trillion		7.5
	The BOJ stated it is providing ample yen and foreign currency funds without setting upper limits including the conduct of the U.S. dollar funds-supplying operations. As of June 16, JPY60 trillion has been provided under special funds-supplying operations.		60
	New fund-provisioning measure to support financing of SMEs.		30
	The Bank of Japan (BOJ) strengthened its special funds-supplying operations by (a) expanding the range of eligible collateral to private debt in general, including household debt, and (b) increasing the number of eligible counterparties (to mainly include member financial institutions of central organizations of financial cooperatives).		
	Decreased the Benchmark Ratio used to calculate the Macro Add-on Balance in financial institutions' current account balances at the BOJ (to which 0% interest rate is applied) for the May 2020 reserve maintenance period from 32.5% to 30%.		

Providing Liquidity	Decreased the Benchmark Ratio to 28.5% for the June 2020 reserve maintenance period.	Bank of Japan	
	The Benchmark Ratio increased to 31.5% for the July 2020 reserve maintenance period.		
	Banks have been allowed to draw down the stock of high-quality liquid assets below the minimum liquidity coverage ratio requirement.	Finance Service Agency	
	The exchange rate has been allowed to adjust flexibly.	Bank of Japan	
Credit creation	An increase in the annual pace of the Bank of Japan's (BOJ) targeted purchases of corporate bonds with an upper limit of JPY3 trillion, respectively.	Bank of Japan	3
	The maximum amount of additional purchases of corporate bonds was increased to JPY7.5 trillion.		7.5
	The BOJ applied a positive interest rate of 0.1 percent to the outstanding balances of current accounts held by financial institutions at the Bank that correspond to the amounts outstanding of loans provided through special funds-supplying operation.		
	The government expanded the volume of concessional loan facilities (interest free without collateral) primarily for micro, small, and medium enterprises affected by COVID-19 through the Japan Finance Corporation and other institutions	Japan Finance Corporation	
	To support borrowers during this period of stress, the Financial Services Agency has reassured that banks can assign zero risk weights to loans guaranteed with public guarantee schemes, use their regulatory capital as needed to support funding of affected businesses, and draw down their capital conservation and systemically important bank buffers to support credit supply	Finance Service Agency	
	The government enhanced access to loans (interest free without collateral from local financial institutions, such as local banks		

Direct Funding	Concessional loans from public and private financial institutions	Finance Service Agency	
	An increase in the annual pace of the Bank of Japan's purchases of Exchange Traded Funds (ETFs) and Japan-Real Estate Investment Trusts (J-REITs) up to about JPY12 trillion (2.2% of GDP) and JPY180 billion (0.03% of GDP), respectively.	Bank of Japan	12.18
	The Government of Japan adopted the Emergency Economic Package Against COVID-19 of JPY117.1 trillion and subsumed the remaining part of the previously announced packages and the two COVID-19-response packages.	Prime Minister of Japan and His Cabinet	117.1
	Cash payment of JPY100,000 per person will be given to all citizens nationwide, from previously planned JPY300,000 to each household in need whose income has declined significantly so that the total amount of cash payments will expand significantly, from the scale of JPY6 trillion to more than JPY14 trillion.		14
	Exemption of customs duty and (domestic) consumption tax for imported goods which are proved to be provided free of charge.	Japan Customs	
	The government announced another set of new measures to be included in the formulation of the second supplementary budget	Prime Minister of Japan and His Cabinet	117.1
	JPY1.3 trillion in domestic tourism subsidies aimed at helping coronavirus-battered local economies.	Ministry of Land, Infra-structure, Transport and Tourism	1.3

Source: Asian Development Bank COVID-19 Policy Database

Appendix 6.2. Selected COVID-19 policy measures in the Philippines.

Objective	Policy Measure	Agency in Charge	Funding Amount (in billion PHP)
Providing Liquidity	Re-offered other tenors in its term-deposit facility (TDF) and started a measured increase in offer volumes in its RRP facility with a PHP200-billion auction offering in line with the stabilization of liquidity conditions and normalization in the BSP's monetary operations	Bangko Sentral ng Pilipinas	
	Announced a 200-basis point reduction of the reserve requirement ratio (RRR) for banks		220
	Easier terms and access to the BSP's rediscounting facility		
	Reduced the Minimum Liquidity Ratio (MLR) for stand-alone thrift banks, rural banks and cooperative banks from 20% to 16%		
	Revised the composition of the RRR to include loans granted to MSMEs. Expanded the coverage of the measure to include large enterprises. As of July 2, PHP44.2 billion in MSME loans and PHP534 million in loans to large enterprises have been used as alternative reserve compliance by banks.		44.73
	100bps cut in reserve requirements of thrift banks with expanded/FCDUs		
	Relaxed documentary and reporting rules for foreign exchange operations		
	Eased the asset cover requirement of banks with expanded/foreign currency deposit units.		

Encouraging Credit Creation	Temporary relaxation of provisioning requirements (subject to the BSP approval)	Bangko Sentral ng Pilipinas	
	Temporary relaxation of requirements on compliance reporting, penalties on required reserves, and single borrower limits		
	Suspension of the submission of required reports and other documents by BSP-supervised financial institutions except for the Financial Reporting Package for Banks (FRP), the Consolidated Foreign Exchange (FX) Position Report, event-driven report requirements and reserve requirement-related reports.		
	Relaxation of prudential regulations regarding marking-to-market of debt securities		
	Reduced its policy rate four times since February by a cumulative 175 bps to a record low 2.25%		
	Waiver of fees on fund transfer transactions under PhilPass.		
	Suspension of charges for filing, processing, and licensing/registration fees relative to application to provide electronic payment and financial services (EPFS)		
	Approved the assignment of a zero risk weight for MSME loans guaranteed by the Philippine Guarantee Corp., Agricultural Guarantee Fund Pool and the Agricultural Credit Policy Council		
	Temporary relaxation in the credit risk weights for loans to MSMEs subject to review by the BSP by end-December 2021		
	Temporarily allowed banks to use their capital buffers to absorb losses and support financing requirements, and to let their LCR go below 100% to meet liquidity demand		

Encouraging Credit Creation	Deferred the implementation of the revised risk-based capital framework applicable under Basel III for stand-alone thrift banks, rural banks and cooperative banks.	Bangko Sentral ng Pilipinas	
	Further eased standards on asset cover on foreign currency liabilities by subjecting lenders to a rolling two-week compliance period and give more flexibility in managing their foreign currency exposure		
	Temporary relaxation in the borrowing limit of pawnshops from 50% to 70% until end-December 2021		
	Eased regulatory requirements on bank operations further until 31 March 2021 including easing the single borrower's limit from 25% to 30%		
	Exempted debt securities held by market makers from the credit exposure limit to a single borrower		
	Eases rules on real estate loan limits of banks		
	PHP120 billion credit guarantee for affected small businesses. As of end-June 2020, PHP37.5 billion in guarantees have been approved.	Department of Finance	120
Direct Funding	PHP10 billion Land Bank of the Philippines loan program for LGUs to increase their emergency funding.	Land Bank of the Philippines	10
	Up to PHP15 million loan assistance from the DA for micro and small enterprises engaged in agriculture and fisheries production.	Department of Agriculture	0.02
	PHP3 billion lending program for "study now, pay later" schemes in private schools by the Land Bank of the Philippines. As of July 7, PHP260 million have been approved.	Land Bank of the Philippines	3
	PHP1.5 billion LBP I-Study lending program		1.5
	PHP2.8 billion additional funding for DA's Survival and Recovery Assistance Program (SURE Aid) for affected farmers and fishers.	Department of Agriculture	2.8

Direct Funding	PHP1.203 billion for DTI loan program for micro, small, and medium enterprises (MSMEs) for enterprise development training and livelihood kits. As of July 29, the Department of Trade and Industry announced a new funding source worth PHP3 billion for its CARES lending program for MSMEs. A further PHP1 billion in additional funding was secured from state-owned banks.	Department of Trade and Industry	5.2
	Implementation of a minimum 30-day grace period for payment of all loans, without incurring interest on interest, penalties, or other charges	Bangko Sentral ng Pilipinas	
	Suspension of acceptance of installment payments for Bangko Sentral ng Pilipinas (BSP) properties purchased on installment basis is extended until 31 May 2020, and additional interest or penalties will not be imposed.		
	Healthcare equipment and supplies exempted from import duties, taxes and other fees	Bureau of Customs	
	Tax exemptions for donations of cash, critical healthcare equipment, relief goods, and the use of property for fighting COVID-19.		
	Temporary elimination of tariffs and other taxes and fees on qualified manufacturers and suppliers of medicines, medical equipment and devices, or articles needed in the supply chain, among others		
	The Department of Finance announced that a total of PHP58.6 billion have been marshalled to support frontline workers and increase health system capacity.	Department of Finance	58.6
	PHP205 billion emergency subsidy program for 18 million low-income families in the informal sector	Department of Social Welfare and Development	205
	PHP51 billion wage subsidy for employees of small businesses that closed during the enhanced community quarantine	Social Security System	51

Direct Funding	PHP30 billion additional assistance to local governments to support vulnerable sectors	Local Government Units	30
	PHP16.5 billion for rice programs of the Department of Agriculture (DA) and Department of Trade and Industry (DTI) to boost the buffer stock	Department of Agriculture	16.5
	PHP1.5 billion Department of Labor and Employment (DOLE) assistance for Overseas Filipino Workers	Department of Labor and Employment	1.5
	PHP2 billion DOLE cash assistance program for displaced workers		2
	PHP1.2 billion Social Security System assistance to cover unemployment benefits	Social Security System	1.2
	PHP3 billion for Technical Education and Skills Development Authority online programs to upskill workers	Technical Education and Skills Development Authority	3
	PHP470 million deferment of filing, payment of taxes, and temporary exemptions	Bureau of Internal Revenue	0.47
	PHP139.596 billion net operating loss carryover (NOLCO) of five years to help business cope with losses		139.6
	PHP180 million emergency employment program by the DOLE for informal sector workers	Department of Labor and Employment	0.18
	PHP14 billion from the Tourism Infrastructure and Enterprise Zone Authority to support the tourism industry	Department of Tourism	134

Source: Asian Development Bank COVID-19 Policy Database

Appendix 6.3. Selected COVID-19 policy measures in Singapore.

Objective	Policy Measure	Agency in Charge	Funding Amount (in billion SGD)
Providing Liquidity	SGD4 billion bridge loan facility to Singapore Airlines (SIA) from DBS	DBS Bank	4
	Monetary Authority of Singapore (MAS) is providing sufficient liquidity to Singapore dollar (SGD) and United States dollar (USD) funding markets in Singapore and supporting their effective functioning.	Monetary Authority of Singapore	
	MAS has also significantly stepped up its provision of USD liquidity to the banking system, increasing the volume of foreign exchange swaps transacted at its daily MMO as of March 31 by about 25% over the past 2 weeks.		
Credit creation	The MAS and Enterprise Singapore launched the MAS SGD Facility for ESG Loans to lend Singapore dollars at an interest rate of 0.1% per annum to eligible financial institutions to support lending to small and medium-sized enterprises (SMEs).	Monetary Authority of Singapore	
	The MAS adopted a 0% per annum rate of appreciation of the policy band and reduced the midpoint to the prevailing level of the SGDNEER, with no change to the width of the band		
	The MAS announced various transitory regulatory forbearance measures including deferral of the implementation of Basel III regulations, utilization of capital and liquidity buffers to support lending, among others		
	Authorities raised the leverage limit for S-REITS from 45% to 50% to provide greater flexibility to manage their capital structure and enhance funding access.		

Direct Funding	SGD20 billion in loan capital under the Resilience Budget to support good companies with strong capabilities	Ministry of Finance	20
	March 27, Up to SGD9.7 billion in convertible notes as part of SIA's fundraising underwritten by state-investor Temasek Holdings	Temasek Holdings	9.7
	Deferral of certain contractual obligations such as rent and loan payments businesses and individuals.	Ministry for Law and Home Affairs	
	Authorities announced enhanced credit relief for individual and SME landlords in the form of principal and interest payment deferrals to December 31 and extension of loan tenure up to the corresponding deferment period on an opt-in basis.	Monetary Authority of Singapore	
	SGD19 billion rescue package for SIA consisting of SGD5.3 billion in equity, up to SGD9.7 billion convertible note portions of SIA's fundraising underwritten by state-investor Temasek Holdings, and a SGD4 billion bridge loan facility from DBS	Temasek Holdings	5.3
	Import tariffs and all other duties and charges were waived on essential goods including medical, hygiene, pharmaceutical and agricultural products.	Singapore Customs	
	Part of the Care and Support package in includes funds to contain the outbreak of around SGD800 million, mainly to the Ministry of Health.	Ministry of Health	0.8
	The government has allocated SGD92.9 billion (19.2% of GDP) for various COVID-19 related measures under the 2020 budget announced on February 18, as well as supplementary budgets on March 26, April 6, and May 26	-	
	Transitory tax deferrals and rebates	Inland Revenue Authority of Singapore	

	The MAS announced a SGD125 million support package to sustain and strengthen capabilities in the financial services and FinTech sectors. The support package, funded by the Financial Sector Development Fund	Monetary Authority of Singapore	0.125
	SGD6 million grant by the MAS and AMTD Group and AMTD Foundation to support Singapore-based FinTech firms.		0.006
	SGD45 million marketing and promotion campaign to drive local demand for lifestyle and tourism businesses.	Singapore Tourism Board	0.045

Source: Asian Development Bank COVID-19 Policy Database

Appendix 6.4. Selected COVID-19 policy measures in South Korea.

Objective	Policy Measure	Agency in Charge	Funding Amount (in trillion KRW)
Providing Liquidity	The Bank of Korea (BOK) is making unlimited amounts available through open market operations (OMOs)	Bank of Korea	10
	To augment available funding for small and medium-sized enterprises (SMEs), the BOK increased the ceiling of the Bank Intermediated Lending Support Facility by a total of KRW5 trillion On May 13, the BOK increased the financial support by an additional KRW5 trillion to bring the ceiling to a total of KRW10 trillion.		10
	The BOK launched the Corporate Bond-Backed Lending Facility as a lending scheme providing KRW10 trillion in loans to businesses, banks and non-bank financial institutions for up to 6 months.		1.65
	KRW1.65 trillion in loans by policy banks as part of a financial aid package for the auto industry	Financial Sevices Commission	
	The BOK has taken several measures to ensure continued accommodative monetary conditions and facilitate financial system liquidity.	Bank of Korea	
	Other measures taken to facilitate funding in foreign exchange		

Credit creation	The BOK lowered the interest rate on the Bank Intermediated Lending Support Facility to 0.25% (from 0.5%-0.75%) and lowered the Base Rate by 50 basis points (bps), from 1.25% to 0.75%.	Bank of Korea	
	The Base Rate was further reduced by 25 bps to a record low 0.5%.		
	The Korea Financial Services Commission (FSC) postponed the implementation of margin requirements for non-centrally cleared OTC derivative transactions to help ease compliance burdens on financial institutions amid the COVID 19 crisis.	Financial Sevices Commission	
	KRW300 billion in guarantees by the Korea Credit Guaranteee Fund as part of a financial aid package for the auto industry.		0.3
Direct Funding	The government announced an additional financial support package of KRW100 trillion (USD80 billion) to boost local business and ease the financial burden on households and businesses	Financial Sevices Commission	100
	Further augmentation of KRW35 trillion mainly through creation of a special purpose vehicle (SPV) to purchase corporate bonds and commercial paper (KRW 20 trillion) and additional funds for SME lending (KRW 10 trillion)		35
	KRW5 trillion working capital support program for SME subcontractors in key industries to be financed by injecting equity into an SPV which will create a pool of underlying assets by purchasing loans and will issue primary collateralized loan obligations while management of loans will be carried out by creditor banks.		5
	The government announced the creation of a stock market stabilisation fund (KRW10.7 trillion).	Korea Development Bank	10.7
	The National Assembly approved the budget of KRW2.1 trillion for disease control, i.e., epidemic prevention and treatment, support for medical institution and quarantined people	-	2.1

Direct Funding	Temporary elimination of import tariffs on surgical and sanitary masks and melt blown filters until June 30, 2020.	-	
	The government announced emergency support of KRW20 trillion for households and damaged industries, such as tourism and export industries	-	20
	Reduced taxes on new car purchases for 3 months. On June 5, the measure was extended by another 6 months until end-December 2020.	-	
	The National Assembly approved (a) loans and guarantees for small businesses, indirect support of wage and rent for small merchants (KRW4.1 trillion), (b) consumption coupons for the poor, emergency family care and employment retention support (KRW3.5 trillion), and (c) support for issuing local gift certificate, local government grants for infection prevention (KRW1.2 trillion)	-	8.8
	The government announced an emergency relief payment plan of KRW9.1 trillion (USD7.4 billion) to address the virus outbreak. The government plans to pay relief checks to households in the bottom 70% income bracket (around 14 million households), of up to KRW1 million (USD820) per household.	-	9.1
	Some local governments have announced cash support for people (a) Gyeonggi province announced KRW100,000 (USD82) to all residents, and (b) Seoul and Daejeon have a similar plan without specific criteria.	-	
	National Assembly approved the third supplementary budget worth KRW35.1 trillion with KRW23.7 trillion in new spending and KRW11.4 trillion revenue adjustment and support tax reductions.	-	35.1

Source: Asian Development Bank COVID-19 Policy Database

Appendix 6.5. Selected COVID-19 policy measures in Vietnam.

Direct Funding	Policy Measure	Agency in Charge	Funding Amount (in trillion VND)
Providing Liquidity	The State Bank of Vietnam (SBV) stated that it is ready to provide liquidity support, including through open market operations and refinancing windows, for Credit Institutions (CIs) to implement the government's programs and help CIs to address nonperforming loans.	State Bank of Vietnam	
	With depreciation pressures rising, the SBV announced that it would intervene in the currency market as needed to smooth excessive exchange rate volatility.		
Credit creation	The SBV cut benchmark policy rates by 50–100 basis points (bps), the short-term deposit rates cap by 25–30 bps, and the short-term lending rates cap for priority sectors by 50 bps; raised its remuneration rates on required VND reserves by 20 bps, and also raised interest rates by the same amount on Vietnam Deposit Insurance, Vietnam Social Policy Bank (VSPB), Vietnam Development Bank, People Credit Funds and microfinance institutions' deposits at the SBV.	State Bank of Vietnam	
	SBV has instructed CIs to actively reduce bonus and salary, cut other operating costs, timely adjust business plan (including not pay dividend in cash), and use the saved resources to reduce interests		
	VSPB also proposed to the authorities to reduce its interest rate charged on loans to the poor household by 15% and to other eligible policy borrowers by 10% starting from April 1 to-end-2020	Vietnam Social Policy Bank	
	Further reduction in key policy rates to 4.5% (from 5%) for the refinancing rate and to 3% (from 3.5%) for the discount rate, and 5.5% (from 6%) for the overnight lending interest rate in inter-bank electronic payment and lending.	State Bank of Vietnam	

Credit creation	Government guarantees for loans to aviation businesses with outstanding loans as of December 31, 2019.	-	
Direct Funding	The SBV is instructed to provide refinancing with 0% interest rate to Vietnam Bank for Social Policies (VBSP) for providing unsecured loans with 0% interest rate to affected firms for making suspension pay to their workers. The total loan value is estimated at VND16 trillion	Vietnam Bank for Social Policies	16
	2% reduction in interest rates for direct and indirect loans to SMEs from the SME Development Fund.	Small and Medium Enterprise Development Fund	
	The authorities announced a credit package totaling VND300 trillion (about 5% of GDP) from the banking sector for affected firms and households through debt rescheduling, exempting, and reducing interests/fees, retaining restructed debts in the same debt category as before restructuring	State Bank of Vietnam	300
	The state budget alocated VND 16.2 trillion (0.3% GDP) to prevent and control epidemics	Ministry of Finance	16.2
	Temporary elimination of import taxes on medical and protective equipment.	Vietnam Customs	
	Cash transfer package worth of VND36 trillion from the state budget (both central and local government budget) to affected entities and individuals for 3 months from April to June 2020		36
	Announced fiscal support packages	Ministry of Finance	196
	Cut electricity tariffs for 3 months to support firms and households affected by COVID-19 (The support is estimated at approximately VND11 trillion)	Ministry of Industry and Trade	11

Direct Funding	Increase family circumstance-based reduction to personal income tax (PIT) for 6.8 million disadvantaged individuals (estimated support of VND 10.3 trillion)	Ministry of Finance Ministry of Finance	10.3
	Reduced regulations charge and fee rates for a number of fields such as Construction, Travel, and Water Resources		
	50% reduction in the rates, fees and charges in the field of securities, banks, and non-bank credit institutions to support those affected by the COVID-19 epidemic until the end of December 31, 2020		
	The Ministry of Labor, Invalids, and Social Affairs proposed the bolstering of the Unemployment Insurance Fund Balance by VND3-5 trillion to retrain the labor force.	Ministry of Labor, Invalids, and Social Affairs	3.5
	The Government proposed a number of policy measures to the National Assembly	National Assembly	
	Allowed contributions and support extended to COVID-19 efforts as reasonable expenses deductible from corporate income taxes.	Ministry of Finance	
	50% reduction in registration fee for domestically manufactured/ assembled cars until end-2020 to stimulate domestic consumption.	Vietnam Customs	
	50% discount on fees for take-off and landing and flight control services for domestic flights from March-September 2020.	Ministry of Transport	
	15% reduction in payable land rent in 2020 for enterprises, organizations, households and individuals directly leased by the State under decisions and contracts of competent state agencies.	-	

Direct Funding	Reduced fees from 20 - 30% for some services in the field of transaction registration to ensure labor safety and 20% discount on fees for registering secured transactions.	Ministry of Finance	
	The National Assembly approved the increase in family allowances deduction of personal income tax from the current 9 million VND to 11 million VND / month for taxpayers, adjusted from 3.6 million VND to 4.4. million dong / month for dependents		
	Increased capitalization for state-owned Vietnam Bank for Agriculture and Rural Development not exceeding VND3.5 trillion from remaining funds in the 2019 budget and subsequently approved by the National Assembly on June 10.	Bank for Agriculture and Rural Development of Vietnam	3.5
	The government proposed to National Assembly for the reduction of corporate income tax from 20% to 15-17% for about 700,000 SMEs and MSMEs from 1 July 2020 (estimated support of VND 7.8 trillion)		7.8
	Cut of telecommunication charges (estimated amount of VND 15 trillion)	Ministry of Information and Communications	15

Source: Asian Development Bank COVID-19 Policy Database

Appendix 6.6. ADB COVID-19 Intervention Classification.

Operational Details	Measure
Providing Liquidity	Lending to the private sector or state/local/regional governments, and asset purchases to provide liquidity • Additional standing facilities or increased provision for normal lending to money markets • Short-term loans to nonfinancial businesses to refinance maturing obligations or otherwise finance short-term operations • Direct short-term loans (1 year or less to maturity) to state/local/regional governments or purchases of their short-term securities (1 year or less to maturity) • Direct purchases of short-term financial assets in secondary markets • Repurchase agreements
	Non-lending actions and regulatory adjustments: collateral requirements, payments system policies, liquidity regulations, reserve requirements, etc.
	Foreign exchange operations or domestic lending in foreign currency • Loans in foreign currency or foreign exchange swaps from a central bank or government to the domestic private sector or into domestic currency markets
Encouraging Credit Creation	Secondary market purchases of securities (greater than 1 year to maturity), and loans to financial sector • Purchases of mortgage-backed securities • Purchases of corporate bonds, collateralized loan obligations (CLOs), or bond exchange-traded funds (ETFs) • Purchases of new financial sector loans to the non-financial sector in full or less than full

Encouraging Credit Creation	Interest rate reductions and other regulatory adjustments: capital requirements, credit and lending standards, oversight, etc. • Interest rate reductions - Announced reductions in policy rates - Attempts to indirectly reduce interest rates via purchases of securities (or bond/fixed-income ETFs) in secondary markets • Reduced capital requirements - Temporary or permanent reductions in risk-weighted capital requirements, supplementary leverage ratio requirements, countercyclical capital buffer requirements, etc. - Temporary or permanent omitting or reduced weighting of certain financial assets in calculating required capital - Temporary or permanent sheltering of losses for lenders from equity impairment - Regulatory forbearance • Oversight - Reductions in macroprudential margins of safety (such as loan-to-value ratios, debt-service ratios, etc.) - Relaxations in micro-prudential oversight (such as bank examinations)	
	Loan guarantees	
Direct Funding	Direct long-term lending	Long-term direct lending to businesses, households, and state/local/regional governments • Direct loans to the non-financial sector (more than 1 year) • Primary market purchases of private debt securities with maturities greater than 1 year (corporate bonds, mortgages or mortgage-backed securities, bonds issued by state/local/regional governments, etc.)
		Forbearance

Direct Funding	Equity support	Equity claims on the private sector • Purchases of equities and/or equity ETFs • Direct investments in non-financial corporations • Direct investments in banks and other financial institutions
	Government support to income/ revenue	Health • Healthcare-related additions to non-national government income (households, businesses, state/local/regional government)
		Non-health • Non-healthcare-related additions to non-national government income (households, businesses, state/local/regional government)

Source: Felipe & Fullwiler (2020b).

Appendix 6.7. Timeline of COVID-19-related events.

Date	Japan	Singapore	South Korea	Philippines	Vietnam
3-Jan		Screening all in-bound travel	Quarantine and screening measures for individuals entering from Wuhan		
5-Jan				DOH calls for stronger surveillance of incoming travelers from China	
20-Jan			Change from infectious disease alert level 1 to level 2		
22-Jan	The Health Ministry says that it will strengthen its vigilance on visitors from Wuhan, China	Set-up task force to handle the pandemic Anyone with pneumonia and travel history to China within 14 days will be isolated, it is announced. Anyone with acute respiratory infection who had been to any hospital in China with 14 days will also be isolated in hospital in Singapore.			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
23-Jan				MIAA enforces precautionary measures such as ensuring the availability of hand sanitizers, providing an examination booth, and sanitizing quarantine areas. BOQ is observed to be using thermal scanners to monitor the body temperatures of passengers arriving from international flights to the Ninoy Aquino International Airport.	Recorded its first case of Covid-19
24-Jan				The Civil Aeronautics Board (CAB) suspends all airline operations between Wuhan, China, and any destination in the Philippines for an indefinite period.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
27-Jan			Change from infectious disease alert level 2 to level 3		
28-Jan			Ministry of Health and Welfare announces full inspections for all Koreans and foreigners who entered South Korea from Wuhan in the past 14 days	The Philippines temporarily stops issuing visas to travelers from Hubei province. The Philippine Bureau of Immigration also temporarily suspends the visa upon arrival (VUA) mechanism for Chinese tourists and businessmen.	
29-Jan		From noon on Jan 29, all visitors with recent travel history to Hubei or with passports issued in Hubei will not be allowed to enter or transit in Singapore.			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
30-Jan		Price Controller is called in to look at the issue of overpricing of surgical masks.			
31-Jan	The government bans entry to Japan of all foreign nationals who visited China's Hubei Province within the past 14 days. The Foreign Ministry raises its travel advisory for all of China, warning its nationals to avoid "nonessential" trips.			President Rodrigo Duterte imposes a travel ban on Chinese citizens coming from Hubei province and other areas of China where the virus has spread. The Department of Transportation (DOTr) implements increased safety measures in nationwide transport hubs, such as the use of face masks by service personnel and disinfection of train interiors and surfaces after every loop.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
1-Feb		New visitors of any nationality with recent travel history to mainland China will not be allowed to enter or transit in Singapore from 11.59pm on Feb 1 Four masks per household are handed out by the Government, with advice to wear the masks only when unwell and visiting a doctor.	Face masks supplied to workplaces that may be more vulnerable to infectious diseases		Vietnam declared a state of emergency and banned all flights to and from China.
2-Feb			Ministry of Health and Welfare announces foreigners coming from Hubei will be denied entry Ministry of Health and Welfare announces that those in contact with patients who tested positive for COVID-19 must self-isolate for 14 days	Duterte expands the travel ban to cover any person traveling directly from China, Hong Kong, and Macau, with the exception of Filipinos and holders of permanent resident visas.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
4-Feb				Cebu Governor Gwendolyn Garcia places Cebu under a state of preparedness.	
12-Feb			KCDC announces that stricter quarantine screening measures will be extended to travelers from HK and Macao in addition to travelers from China		
15-Feb					Vietnam announced its first local quarantine orders.
17-Feb		All Singapore residents and pass holders returning from China must complete a 14-day stay-home notice.			
18-Feb				DOH announces that the public can engage in public gatherings as long as they follow precautionary measures.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
22-Feb					
23-Feb			MOHW launches the "Public Reassurance Hospital Program" which separates respiratory from non-respiratory disease patients and allows patients to consult physicians and receive prescriptions virtually. Change from infectious disease alert level 3 to level 4 MOHW requests all Daegu citizens to voluntary self-quarantine for at least two weeks and that those displaying symptoms of the virus get tested ASAP. Kyungpook National University Chilgok Hospital begins operating the first drive-through testing checkpoint.	The DFA advises Filipinos to delay non-essential travel to South Korea, despite no ban being in place yet	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
24-Feb	Prime Minister Shinzo Abe instructs his government to swiftly draw up a basic policy to combat Covid-19				
26-Feb	Prime Minister Shinzo Abe asks that all sporting and cultural events be cancelled across the nation as a measure to slow the spread of Covid-19 infection during this crucial period.		Goyang City begins operating a drive-through testing station. This is the first drive-through testing station in South Korea operated by the local government.	Government temporarily bans Filipino tourists from traveling to South Korea. At the same time, travelers from virus-hit North Gyeongsang province in South Korea are banned from entering.	
29-Feb			KCDC advises citizens to exercise “social distancing” and maintain personal hygiene until early March.		

Date	Japan	Singapore	South Korea	Philippines	Vietnam
	Prime Minister Shinzo Abe requests all elementary, junior high, and high schools across Japan to close temporarily, as a measure to slow the spread of Covid-19 infection. The closures to begin from March 2.				
2-Mar	Prime Minister Shinzo Abe asks the National Diet for power to declare a "state of emergency" over Covid-19, but he is cornered into admitting in Diet debate that his decision to call for the closure of all schools in the nation was taken without consulting even a single expert.				

Date	Japan	Singapore	South Korea	Philippines	Vietnam
3-Mar		Singapore authorities announce that travellers from Iran, Northern Italy and South Korea will not be allowed to transit or enter Singapore, with outbreaks starting in those countries		Filipino tourists can now travel to South Korea again, but restrictions remain in place for North Gyeongsang, Daegu City, and Cheongdo County.	
6-Mar			Government to buy 80% of national mask supply and to implement a 5-day rotation system allowing only two masks to be purchased per person.		
7-Mar			Government announces a GPS-based app to enforce self-quarantine measures.		

Date	Japan	Singapore	South Korea	Philippines	Vietnam
9-Mar			Special immigration procedures, which previously only applied to all Korean citizens and foreigners from China, are expanded to include Japan.	Duterte declares a public health emergency after 10 confirmed cases and local transmission. Duterte rejects the idea of a Metro Manila lockdown, for now. Makati, Pasig, and QC create precautionary policies. Cebu begins to screen domestic passengers after COVID-19 cases are confirmed in Metro Manila.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
10-Mar		Senior centric activities will be suspended for 14 days from Mar 11	Ministry of Education postpones start of the new school year until HS until March 23	The DILG forbids students to be out in public places in Metro Manila. Malls begin to set up safety measures, like alcohol dispensers at entrances and temperature checks. The Archdiocese of Manila also releases a list of precautionary measures for churches, like suspending the practice of dipping hands in holy water fonts. The LTFRB requires public transport operators to sanitize their vehicles.	
11-Mar			Special immigration procedures expanded to include Italy and Iran		

Date	Japan	Singapore	South Korea	Philippines	Vietnam
12-Mar				The Philippines bans foreigners from coronavirus-hit countries.	
13-Mar		Safe distancing measures are announced. All ticketed cultural, sports and entertainment events with 250 participants or more are to be deferred or cancelled.			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
15-Mar		Authorities announce that those who enter Singapore with recent travel history to ASEAN countries, Japan, Switzerland or the United Kingdom will be issued a 14-day stay-home notice.	Special immigration procedures expanded	Duterte announces that the whole Metro Manila (Mar 12) will be placed on lockdown after the coronavirus alert is raised to the maximum level of Code Red Sublevel 2. Government work and classes in all levels are suspended for a month. The inter-agency task force for COVID-19 (IATF) encourages the private sector to observe flexible working arrangements.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
15-Mar				In different checkpoints, there are different rules. Traffic builds up, leading cops to resort to random checks. Some checkpoints lack manpower or equipment. Workers worry about loss of income. Some local governments pass ordinances to enforce curfew amid the lockdown. Some also place themselves under community quarantine. The Philippine Amusement and Gaming Corporation (Pagcor) suspends gaming operations, but Philippine offshore gaming operators (POGOs) remain open.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
16-Mar			Special immigration procedures expanded	DSWD suspends activites of some programs, including payout programs that require social contact. The 4Ps program continues, but only through ATM transactions. DTI orders groceries to limit shoppers. In an evening address, Duterte announces that the entire Luzon will be placed under enhanced community quarantine. It enforces home quarantine for all households with minimal exemptions for essential tasks and health workers.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
17-Mar			Government declares Daegu City, Gyeongsan City, Cheongdo-gun, and Bonghwa-gun as special disaster zones	Come evening, Duterte declares a state of calamity in the whole country for 6 months.	
18-Mar		Singaporeans are advised to defer all travel abroad.	KCDC advises postponing or cancelling all non-urgent international travel.		
19-Mar	Japan adds 38 countries, mostly in Europe, to those travelers it is asking to self-isolate for 14 days after arriving in the country		Special immigration procedures expanded	The DFA temporarily stops issuing visas for foreigners looking to enter the country.	
20-Mar		Stricter safe-distancing measures are rolled out in Singapore, including new measures for F&B outlets.			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
22-Mar		All short-term pass holders are barred from entering or transiting in Singapore.	KCDC announces that all inbound travelers arriving from Europe will be tested for COVID-19		
23-Mar		Temporary ban for all short-term visits and transits	KCDC advises all individuals to observe an "Enhanced Social Distancing Campaign"		
24-Mar		All entertainment venues have to close, and restrictions will be put in place at malls, museums and attractions.	Required COVID-19 test from all travelers from Europe		
25-Mar	Tokyo Governor Yuriko Koike announces soft lockdown of the metropolitan district until April 14, calling for all large-scale public events not to be held during this period, as well as suspension of live music houses, restaurants, etc.		Required COVID-19 test from all travelers from US		

Date	Japan	Singapore	South Korea	Philippines	Vietnam
26-Mar		Closure of bars, cinemas, entertainment outlets	"Walk-thru" COVID-19 testing station outside ICN to test foreigners arriving in South Korea		
27-Mar				The DPWH begins a nationwide disinfection operation on national roads. The Commission on Elections (Comelec) extends the suspension of voter registration from March 31 to April 30.	
28-Mar			Arriving foreigners required to travel directly to their domestic address from the airport		
30-Mar	Tokyo Governor Yuriko Koike urges live houses, bars, and other nightlife establishments to suspend operations, and for residents to stay home at night.				

Date	Japan	Singapore	South Korea	Philippines	Vietnam
31-Mar					
1-Apr	Prime minister Shinzo announces a government plan to distribute two reusable cloth face masks to every Japanese household		Stricter immigration measures announced BP monitors and blood glucose meters to be provided to vulnerable individuals suffering from chronic diseases in designated special disaster zones	Duterte orders the military and police to shoot and kill unruly quarantine violators.	A national lockdown began.
2-Apr		Safe distancing measures are introduced at markets.		Residents in Luzon are now required by the IATF to wear face masks when leaving their homes.	
3-Apr	The government begins enforcing a de facto shutdown of all travel into Japan. Anyone coming from anywhere else in the world is required to go into quarantine for two weeks.				

Date	Japan	Singapore	South Korea	Philippines	Vietnam
6-Apr				Rizal province, which neighbors Metro Manila, goes under lockdown.	
7-Apr	Abe declares a month-long state of emergency for Tokyo, Kanagawa, Saitama, Chiba, Osaka, Hyogo, and Fukuoka in the face of a rise of cases "not a lockdown, and that public transit would continue. Prefectural governors can only request that people work from home and avoid going out"	Circuit breaker measures kick in. Offices closed, dining in not allowed, Only essential services can continue to keep their premises open, and all schools will close and students shift to home-based learning.			
8-Apr			Seoul issues business suspension order for clubs and bars		
9-Apr			Schools begin academic year online		

Date	Japan	Singapore	South Korea	Philippines	Vietnam
10-Apr	Having received permission from the Abe government, Tokyo Governor Yuriko Koike declares the business and organization categories subject to closure requests: entertainment facilities, universities and schools, amusement facilities, gathering and exhibition facilities, and commercial facilities. Aichi Governor Hideaki Omura defies the national government and issues his own state of emergency declaration for his prefecture.			The Philippine Overseas Employment Administration (POEA) temporarily suspends the deployment of health care workers abroad "until the national state of emergency is lifted and until COVID-19-related travel restrictions are lifted at the destination country." The memo does not mention if the government intends to hire or compensate them.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
13-Apr	Ishikawa Governor Masanori Tanimoto announces a "state of emergency" outside of the framework of the national government's "state of emergency "to last until May 6. Osaka, Fukuoka, and Hyogo prefectures request some business operation suspensions under the state of emergency.		KCDC imposes stricter immigration procedures for Koreans and long-term foreigners arriving from the US		
14-Apr	Hokkaido Governor Naomichi Suzuki and Sapporo Mayor Katsuhiro Akimoto agree to declare (April 12) a renewed "state of emergency" outside of the framework of the national government's "state of emergency."	Mask becomes mandatory			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
15-Apr					The government released a decree to prevent the spread of "fake news" related to the pandemic. Violators face fines of about $400 to $850.
16-Apr	Abe expands the state of emergency nationwide			Duterte warns that the military and police will take over "like martial law" if Filipinos break curfew. He also says quarantine violators will not receive government aid.	
17-Apr			First meeting of intergovernmental, working-level task force on SK's COVID-19 response		

Date	Japan	Singapore	South Korea	Philippines	Vietnam
20-Apr			Social distancing measures relaxed	The Supreme Court orders judges to urgently release prisoners who fall under a 2014 guideline that says inmates who have been detained longer than their minimum penalty, and whose cases are not moving because of lack of witnesses, shall be released to decongest jails. The DILG orders barangays to publish names of those eligible for DSWD cash aid for "transparency purposes."	
21-Apr		Circuit breaker extended Barber and bubble tea shops closed		The PNP begins to arrest lockdown violators without warning.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
23-Apr					Social isolation measures were lifted in Ho Chi Minh City and Hanoi with some restrictions remaining for hospitality and entertainment businesses. "Unnecessary major events" remained banned, and non-essential public services suspended.
25-Apr					The government released guidelines that allowed localities to lift Covid-19 restrictions if they had contained the virus.
27-Apr	Japan expands its outright ban on entry to a further fourteen nations, including neighbor Russia		Electronic wristbands required for individuals who fail to follow self-isolation protocols		
30-Apr		Airports closed			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
1-May			Partial reopening of state-run museums, art galleries, and libraries	Starting May 1, all areas of the country are either under enhanced or general community quarantine (GCQ). The Philippine government allows POGOs to reopen, despite most of the non-essential industries still being closed due to the pandemic. The Philippine Amusement and Gaming Corporation (Pagcor) chief cites "significant revenues" as reason for allowing operations to resume.	
2-May				The Department of Transportation pushes for the reopening of airports in GCQ areas.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
3-May	The Abe government decides to extend the Covid-19 state of emergency until May 31, less than one month, but signals that business and facility restrictions will gradually be reduced.				
6-May			End of "Social Distancing" campaign and start of "Distancing in Daily Life" scheme		
7-May					The Ministry of Transport announced that all public and commercial transport could begin to operate at full capacity and frequency.

Date	Japan	Singapore	South Korea	Philippines	Vietnam
8-May	The Abe government approves Remdesivir, a drug produced by Gilead Sciences of the United States, as its first Covid-19 treatment.		Government issues a month-long advisory to suspend business on all clubs and bars		
9-May				Malacañang announces certain types of public and private construction are allowed in ECQ areas. NAIA is set to reopen for inbound international flights starting Monday, May 11, marking the end of the week-long suspension that started on May 3.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
10-May			Seoul, Incheon, and Gyeonggi province issue administrative order to prohibit gatherings on nightlife establishments for 2 weeks		
11-May			Seoul metropolitan government to require all subway passengers to wear face masks during crowded hours SK to enforce maximum sixfold increase in the monetary penalty for foreigners who violate the mandatory self-quarantine rule		

Date	Japan	Singapore	South Korea	Philippines	Vietnam
12-May				Roque announces only 3 areas are to be placed under "modified" enhanced community quarantine from May 16 to 31 – Metro Manila, Cebu City, and Laguna. Other areas are put in GCQ and have community quarantine status lifted totally.	
13-May				The government changes its mind about totally lifting community quarantine in certain "low-risk" areas. Instead, they would be placed under modified general community quarantine.	The country reopened six secondary border gates with China to facilitate the resumption of cross-border trade.
14-May	Abe lifts the state of emergency imposed in 39 out of 47 prefectures				

Date	Japan	Singapore	South Korea	Philippines	Vietnam
16-May				Modified ECQ (MECQ) begins in Metro Manila, Bulacan, Laguna, and other high risk areas. Cebu City and Mandaue City are the only areas still in ECQ until May 31. Some malls reopen subject to health protocols, and traffic builds up on EDSA.	
21-May	May 21: Prime Minister Shinzo Abe lifts the state of emergency for Osaka, Kyoto, and Hyogo prefectures.		SK extends "special travel advisory" urging citizens to refrain from international travel until mid-June		
22-May			Seoul orders all coin-operated karaoke rooms to suspend business		

Date	Japan	Singapore	South Korea	Philippines	Vietnam
23-May				DOLE says employers are required to provide shuttle services for employees dependent on public transport to get to work. Employees "can't be forced to work" if their employers can't provide transportation.	
25-May	Prime Minister Shinzo Abe formally declares an end to Japan's Covid-19 state of emergency, asserting that some kind of "Japan model" had been successful in defeating the infection.		Masks required on all flights and public transportation		

Date	Japan	Singapore	South Korea	Philippines	Vietnam
26-May				The DOH also suspends giving hydroxychloroquine to COVID-19 patients after the WHO temporarily suspended clinical trials on the drug over safety concerns.	
29-May			Government suspends operations of all state-run museums, art galleries and theaters		
1-Jun	Osaka Prefecture returns to a fully open policy for all local businesses. In Tokyo, movie theaters, gyms, department stores, and many other businesses are in principle allowed to reopen. Also, gatherings of fewer than 100 people (indoors) and 200 people (outdoors) are also officially permitted.	End of circuit breaker; Phase 1 of reopening Households can receive up to 2 visitors	SK lifts 'designated day-only' rule to allow citizens to access public masks any day of the week SK begins testing an 'electronic customer register' that collects user data and visiting records for epidemiological surveys in Seoul, Incheon and Daejeon	Metro Manila shifts to general community quarantine.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
2-Jun		Schools reopen		The government announces that during GCQ and MGCQ, certain places like buildings and barangays may still be put under lockdown if two or more coronavirus cases are reported in the vicinity.	
3-Jun			Approves use of Remdesivir as a treatment for COVID-19 Ministry of Environment to strengthen regulations on imported wildlife to prevent animal-originated infectious diseases		
8-Jun			MOHW announces a senior citizen care service to provide care for vulnerable senior citizens until June 30	DepEd postpones face-to-face classes until a vaccine is available.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
10-Jun			QR code-based registration of visitors at bars, clubs, and entertainment facilities becomes mandatory across the country SK will introduce QR-based logs at private educational institutes to curb infections among students		
11-Jun			SK to promote test-trace-treat model and standardize 18 disease-control programs		
13-Jun	Karaoke shops in Tokyo are allowed to reopen, though the wearing of face masks, face shields, and other coronavirus anti-infection measures are instituted.				

Date	Japan	Singapore	South Korea	Philippines	Vietnam
15-Jun				President Duterte extends GCQ for Metro Manila until June 30, and tightens restrictions for Cebu City again with an ECQ level.	
16-Jun	Chubu Centrair International Airport resume international flights, beginning with service to Manila.				
18-Jun	Events with up to 1,000 people in attendance permitted and all restrictions on moving between prefectures, never enforced, are also officially lifted.				
19-Jun		Phase 2 of reopening Dining in permitted, Households can receive up to 5 visitors, Some facilities reopen			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
22-Jun			KCDC chief says second wave of outbreaks is happening in SK		Cross-border travel restrictions with Cambodia were lifted
25-Jun					Flights between Vietnam and Japan for commercial activities resumed between June 25 and 27.
28-Jun			KCDC to implement a three-level social distancing scheme as daily new coronavirus cases rebound to over 60		
30-Jun				Duterte extends GCQ in Metro Manila and ECQ for Cebu City until July 15.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
1-Jul		All acute respiratory infection patients aged 13 and above are swabbed for Covid-19 from this point. Tourist attractions reopened at 25 percent operating capacity.	SK launches a mandatory entry log system using QR code-based registration at entertainment facilities Begins using Remdesivir as treatment for COVID-19 patients with severe symptoms		Vietnam resumed issuing e-visas to foreign visitors from 80 countries on.
3-Jul				The government's policy task force agrees to allow religious gatherings at 10% capacity in GCQ areas.	
7-Jul	Tokyo Governor Yuriko Koike says she will establish a Tokyo version of the US Centers for Disease Control and Prevention (CDC) to create long-term policies to deal with the coronavirus.			Despite cases still increasing, the government lifts the ban on non-essential outbound travel for Filipinos. Roque says tourism is now allowed.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
10-Jul	Abe government eases restrictions further, allowing events to be held with up to 5,000 people in attendance		SK bans churches from holding small gatherings and begins QR-code entry logs for all religious facilities SK to require all foreign arrivals from countries with high incidence of COVID-19 to submit certificates proving negative test results		
12-Jul			President Moon Jae-in to launch an inter-agency counil for the 'Korean New Deal', aimed at fostering jobs and economic growth amid COVID-19		
13-Jul					Vietnam announced it was allowing the resumption of commercial flights to and from China.

Date	Japan	Singapore	South Korea	Philippines	Vietnam
15-Jul	Tokyo Governor Yuriko Koike issues a "Level 4" coronavirus warning, the successor to the now-defunct "Tokyo Alert" system, but its practical policy implications are unclear.			Duterte places Cebu City under MECQ. Meanwhile, GCQ in Metro Manila is extended until July 31.	
17-Jul		Minister for National Development Lawrence Wong announced that Singapore was entering the final phase of testing all foreign workers residing in dormitories, with testing expected to be completed by mid-August. Singapore announced that travelers entering Singapore from Japan, Hong Kong, and the Australian state of Victoria would be required to serve their quarantine at dedicated facilities.			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
19-Jul			SK to lift restrictions on museums, galleries, and libraries in Seoul metropolitan area		
21-Jul				Cebu City cops enlist friendly neighborhood “tsismosas” or gossipmongers as contact tracers.	
22-Jul		The Civil Aviation Authority of Singapore and the European Union Aviation Safety Agency announced that the two organizations would collaborate to create common standards to facilitate air travel between Singapore and the European Union.			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
23-Jul	The Abe government signals that it will begin letting foreigners who are Japan permanent residents back into the country, though the policy changes will take place "gradually." Some types of residents will be allowed back sooner than others.			The Philippines suspends leisure travel abroad for Filipinos.	
27-Jul					Vietnam began a four-day evacuation process of 80,000 people from Danang after several new cases cropped up in the tourist hotspot over the weekend. Meanwhile, the Vietnamese government warned of stiff penalties for illegal immigration and mandated social distancing in Danang while banning gatherings of 30 or more.

Date	Japan	Singapore	South Korea	Philippines	Vietnam
28-Jul					The Vietnamese government swiftly imposed a lockdown on Danang, restricting any flights or public transit in or out of the city and closing entertainment venues.
29-Jul		Just under 40 percent of the population had downloaded the contact tracing app. Authorities have said they would like that figure above 75 percent.		In an attempt to aid the economy, the government relaxes restrictions on businesses earlier deemed too dangerous. Among others, gyms and personal grooming services are to be allowed in GCQ areas starting August 1.	
31-Jul				Duterte extends GCQ in Metro Manila to August 15, and downgrades Cebu City to GCQ.	Vietnam recorded its first two deaths from Covid-19

Date	Japan	Singapore	South Korea	Philippines	Vietnam
2-Aug				Duterte gives in to the plea of the frontliners and imposes MECQ on Mega Manila from August 4 to 18, but not without daring them to stage a "revolution."	
3-Aug					A government spokesperson said that Vietnam has no plans for a widespread Covid-19 lockdown and will only put areas considered epicenters under strict quarantine.
5-Aug				Local government units and the Department of Health will go door to door in select barangays to identify symptomatic individuals.	

Date	Japan	Singapore	South Korea	Philippines	Vietnam
7-Aug		The majority of foreign workers will be allowed to return to work by the end of the month, putting many construction projects back on track			
11-Aug		Amid a third wave of imported cases, all inbound travelers must wear quarantine monitoring devices			Danang announced that it was extending its social distancing measures indefinitely.
13-Aug					With the second-largest outbreak after Danang, Quang Nam Province suspended non-essential services until further notice.

Date	Japan	Singapore	South Korea	Philippines	Vietnam
14-Aug					Vietnam registered to buy a Russian Covid-19 vaccine, state television announced. In the meantime, Vietnam will continue developing its own vaccine.
15-Aug				The government announced the extension of GCQ in multiple provinces on Luzon, Panay, and Cebu islands until August 31.	
17-Aug		Singapore and Malaysia reopened their border for the first time in five months for limited business travel.			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
19-Aug				Despite rising infection rates, lockdown restrictions in Metro Manila and four nearby provinces were relaxed to GCQ. Public transportation resumed. The government has said that police checkpoints are "here to stay."	All restaurants in Hanoi must adopt social distancing measures and require masks. Prime Minister Nguyen Xuan Phuc on called for greater inspection measures for medical equipment amid reports of the circulation of substandard gloves and face masks.
21-Aug		Singapore announced that national exams will take place from September 14 through December 2, with Covid-19 safety measures in place			

Date	Japan	Singapore	South Korea	Philippines	Vietnam
22-Aug		The Ministry of Health announced a new cluster of cases at Singapore's largest dormitory. Authorities mandated that employers in labor-intensive industries must screen employees for Covid-19 before they return to work and every 14 days thereafter.			
25-Aug		Singapore held discussions with Indonesia and Thailand to establish reciprocal travel arrangements for essential business.			
28-Aug					Quang Nam Province lifted social distancing measures.

Date	Japan	Singapore	South Korea	Philippines	Vietnam
31-Aug				Duterte named a former chief of the National Bureau of Investigation as the new head of the Philippine Health Insurance Corporation, sparking criticism over his lack of experience in public health.	
1--Sep		Singapore and Brunei announced a reciprocal "green lane," permitting travel between the two countries for essential business and official purposes only.		Several businesses in Metro Manila resumed operations under general community quarantine (GCQ) rules, prompting additional police deployments in business districts.	Flights transporting workers to South Korea and Japan will resume on September 15.
2-Sep					Foreign experts, investors, managers, and diplomats entering the country for fewer than 14 days will no longer be required to quarantine.

Date	Japan	Singapore	South Korea	Philippines	Vietnam
4-Sep		A fast lane connecting Singapore and South Korea will open for essential business and official travel.			

Source: Abad (2020), Cha & Kim (2020), CSIS (2020), Goh (2020), Penn (2020), Xue (2020), Yong (2020).

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