

The Deployment of Fiscal Policy In Five ASEAN Countries in Dampening The Impact of COVID-19

Mohd Rozaimy bin Ridzuan^{a*}, Noor Amira Syazwani Abd Rahman^b

^{ab}Universiti Teknologi MARA Cawangan Pahang, Malaysia

ARTICLE INFO

Article history:

Received 10 May 2020

Accepted 10 January 2021

Published 31 January 2021

Keywords:

ASEAN,
COVID-19,
Economic Stimulus Package,
Fiscal policy,
Political Economy Theory of
Fiscal policy

DOI:

10.24191/jeeir.v9i1.9156

ABSTRACT

The COVID-19 crisis is casting a long shadow over ASEAN and its member states. The number of individuals infected by it continues to surge daily. COVID-19 has rapidly morphed into an unprecedented health, economic and geopolitical crisis. Among the sectors that have practically ground to a halt are the tourism, aviation and travel sectors. This paper attempts to examine the initiatives taken by several ASEAN countries in mitigating the impact of COVID-19. A content analysis was employed in order to understand the economic stimulus packages employed by five ASEAN countries in dampening the effect of COVID-19. Several evidences are presented in this paper by referring to published data, and information from secondary sources such as scholarly articles and journals, newspapers and data from the web. The findings are also strengthened by connecting those initiatives with a political economy theory of fiscal policy. The study found that the majority of ASEAN countries employ fiscal policy in order to stimulate the economy and encourage full employment.

1. Introduction

COVID-19 pandemic first began in China in late 2019 (Muhammad Umer Nasir et al., 2020) and it is associated with Wuhan's Huanan Seafood Wholesale Market, which trades in fish and a variety of live species including poultry, bats, marmots, and snakes (Lu, Stratton and Tang, 2020). On 30th January 2020, WHO declared the COVID-19 to be a Public Health Emergency of International Concern (PHEIC) after new confirmed cases were found in the United States, Europe, the Middle East, and Australia (WHO, 2020a). Later on, new cases were detected in Thailand, South Korea, and Japan, and their epidemiological patterns indicated that human to human transmission is possible (Chan et al., 2020). Wooi and Selvaratnam (2018) contend that good health is essential to improve quality of life. However, as of April 4, 2020, the number of COVID-19 cases increased to more than 1 million with a death toll of

* Corresponding author. E-mail address: rozaimy@uitm.edu.my

over 50 000 worldwide (WHO, 2020b). The pandemic has not only brought negative impacts on public health, but has also disrupted the world' economy. ASEAN countries included.

The effects of COVID-19 has hit the ASEAN economy (ISEAS, 2020), and WHO (World Health Organization, 2020) highlighted that it is pertinent to minimize both the economic impact of the virus as well as misinformation on a large scale. Kernan (2019) highlighted that the pandemic will bring negative impacts on both individual health and economy of the countries. According to Peng et al. (2012), a pandemic could cause family members to become unemployed and unable to pay their children's school fees. Elgin, Basbug, and Yalaman (2020) also contend that the outbreak not only inflicted human suffering and loss of lives, but it has also generated a major global economic downturn. The pandemic has brought economic disruption in the ASEAN countries. It has affected supply chains related to machineries and electronics products since many factories located in China need to be closed due to lockdowns (ASEAN Policy Brief, 2020). Malaysia, Singapore, Vietnam and Thailand are the most affected in their supply chain due to reduction in demand of goods produced by them. The Phillipines and Indonesia are also badly affected as they have been increasing their supply chain (Menon, 2020b). World Bank highlighted that the countries that are heavily depending on tourism and exports will be badly affected by the pandemic. The Bank projected that there will be an annual reduction in GDP, up to 6.1 in Malaysia, 9.9 percent in the Philippines, and 10.4 percent in Thailand (Strangio, 2020).

Ing (2020) contends that the pandemic has adversely impacted more than 30 million people living in ASEAN countries who have lost their jobs and about 3 million people are living in extreme poverty. The unemployment rates have spiked to almost unprecedented levels because of the pandemic, which has devastated economies to varying degrees. In Laos, where the formal unemployment rate was around 0.7% last year, has recently spiked to around 25%. Unemployment rates have risen to a ten-year high in Vietnam, where the pandemic has cost nearly five million Vietnamese workers to lose their jobs. Thailand is projected to suffer the worst economic contraction than any Southeast Asia state, due largely to its high dependence on global tourism. Reports suggest the unemployment rate could climb to almost 25% if the economic crisis lasts for several more months (Hutt, 2020). Most of the governments of ASEAN member countries have imposed stringent domestic containment measures, which is slowing down or even stopping economic activities in certain sectors. The increase in Covid-19 cases across ASEAN countries is predicted to worsen the economic growth of the countries. The pandemic has also caused a sharp decline in oil prices and caused severe downward pressures on asset prices in both the equity and fixed income markets (OECD, 2020b). Hence, ASEAN member countries are taking steps to cushion the economic impact of the virus by introducing fiscal policy measures (KPMG, 2020). This paper presents initiatives taken by several ASEAN countries in dampening the impact of COVID-19 and how those initiatives are interrelated with A Political Economy Theory of Fiscal Policy. Basically, several ASEAN countries have established economic stimulus packages in order to reduce the economic impact of COVID-19.

2. Literature Review

According to Ahmad Ghazali, Arlinah and Azlina (2017), the ASEAN economy is the most open economic region as it is projected to be the fourth largest economy by 2050 and its potential market would be larger than the European Union or North America. However, the COVID-19 crisis is casting a long shadow over ASEAN member states. Malaysia is one of the hardest hit by the crisis that has prompted the government to close down several important institutions such as schools, universities, and most places of worship (Searight, 2020). Singapore has conducted a massive screening of individual temperature and has provided a ventilator to every COVID-19 patient as it has the capacity to do so (Searight, 2020). The country imposed strict regulatory measures for quarantine and in tracing the movements of the infected (Djalante, Shaw and DeWit, 2020). In mid-February, Vietnam quarantined a

huge number of citizens, especially those located in Hanoi after an outbreak was detected among citizens coming back from Wuhan. Vietnam's Government essentially shuts its borders to foreigners beginning 22 March and imposed a "partial lockdown" from 1 April.

Most people were required to remain in their homes until 15 April, although many businesses including banks, factories, and grocery stores were still operating – albeit with heightened precautions, including the mandatory use of face masks in public, limitation on the number of people gathering, and other measures (Kokaları and Tran, 2020). In terms of the infection rate per capita, Brunei has the highest infection rate, which forced the government to impose strict quarantines. It is different in Indonesia, where the malls and grocery stores remained open, although some places such as restaurants and entertainment centers have been closed (Searight, 2020). The Indonesian COVID-19 task force (*Gugus Tugas Percepatan Penanganan COVID-19*) has been formed to coordinate the national COVID-19 response. A single coordinated source of information in Indonesia is presented through its dedicated website www.covid19.go.id (Djalante, Shaw and DeWit, 2020).

The effects of COVID-19 are hitting ASEAN economies and this situation has been made worse by the global growth slowdown. COVID-19 has badly impacted several important economic sectors such as manufacturing and tourism (Menon, 2020). Today, China represents 20 percent of the global trade in manufacturing and it has become the main supplier of intermediate inputs for manufacturing companies all around the world (UNCTAD, 2020). Among the items exported by China include electronics, machinery, commodities including mineral fuels, rubber, and copper while, in terms of imports, the top 15 items include electrical machinery and equipment, iron & steel, mineral fuel, and chemicals (Venkateswaran and Huani, 2020). China's share of ASEAN export is about 13.9%. On the supply side, ASEAN imports about 20.5% of its total imports from China. Within ASEAN, Cambodia, and Thailand, which have a very strong service trade linkages in tourism and production in China, is expected to experience larger declines in GDP. Relatively large contractions from a persistent pandemic shock are also expected in Indonesia, the Philippines, and Vietnam (Kimura et al., 2020).

Meanwhile, three ASEAN countries such as Malaysia, Thailand, and Singapore are the most affected by the pandemic since they have heavily ventured in the regional supply chain with China. In Malaysia, the Malaysian Prime Minister announced a limited lockdown called the Movement Control Order (MCO) on 16th March 2020. The first MCO (MCO1) started on 18th March until 31st March 2020. It was then continued for another 2 weeks (MCO2) until 14th April 2020 (McKibbin and Fernando). During MCO, all universities, schools, religious places, and non-essential sectors are closed. Interstate travel is not allowed without a valid reason. Only the head of the family is allowed to buy groceries within a 10 km radius. Both the police and the army work together in coordinating and monitoring peoples' movements (Salim et al., 2020). Indonesia and the Philippines are also badly affected by the pandemic as they have increasingly engaged in the supply chain. Vietnam is the only new ASEAN member country that has integrated into supply chains with China, thus also facing the impact of severe supply disruptions (Menon, 2020). A reduction in the Chinese supply of intermediate inputs can affect the Vietnamese production in terms of communication equipments (UNCTAD, 2020).

Generally, tourism has been a pertinent sector in all ASEAN countries and the high degree of reliance on tourism and exports makes Thailand the hardest hit economy among the ASEAN countries (Menon, 2020 & Venkateswaran and Huani, 2020). With much of China under quarantine and travel restrictions being imposed on Chinese nationals, the countries most exposed to the slowdown are Vietnam, Thailand, and Singapore. Cambodia and Laos will also be badly affected since these countries received most of their investment and aids from China. The Philippines and Mekong countries have large foreign worker populations and restrictions on their movement or employment prospects as COVID-19 spreads will affect sending and receiving countries. Brunei and Malaysia are net oil exporters and the price war indirectly induced by the pandemic will hit them hard (Menon, 2020).

2.1 A Political Economy Theory of Fiscal policy

Fiscal policy is an adjustment in the income and expenditure of the government as stipulated in the state budget in order to achieve better economic stability and pace of development (Yunanto & Medyawati, 2014). The Keynesian view is that the fiscal policy is needed to promote economic growth in the emerging market economies (Canh, 2018). An important role for fiscal policy is the mitigation of unemployment and the stabilization of the economy (Auerbach et al., 2010). Unemployment can be mitigated by tax cuts and public spending increases. In the presence of unemployment, reducing tax increases private-sector hiring, while increasing public production creates public sector jobs. Thus, tax cuts and increases in public production reduce unemployment. However, both actions are costly for the government. When the private sector experiences negative shocks, unemployment increases. When these shocks occur, the government mitigates unemployment with stimulus plans that are financed by increases in debt (Battaglini and Coate, 2016).

Fiscal Policy offers two types which are contractionary and expansionary fiscal policy. The contractionary fiscal policy decreases the level of aggregate demand, either through cuts in government spending or increases in taxes. It decreases the level of aggregate demand by decreasing consumption, decreasing investment, and decreasing government spending, either through cuts in government spending or increases in taxes. The aggregate demand/aggregate supply model is useful in judging whether expansionary or contractionary fiscal policy is appropriate.

Meanwhile, expansionary fiscal policy is a fiscal policy that increases the level of aggregate demand, either through increases in government spending or cuts in taxes. The expansionary policy can do this by (1) increasing consumption by raising disposable income through cuts in personal income taxes or payroll taxes; (2) increasing investment spending by raising after-tax profits through cuts in business taxes; and (3) increasing government purchases through increased federal government spending on final goods and services and raising federal grants to state and local governments to increase their expenditures on final goods and services (BCCampus, 2020).

In times of pandemic, fiscal policy is key to save lives and protect people and the governments have to do whatever it takes (Gaspar, Lam and Raissi, 2020). Fiscal policy should be used to offset the effects of this shock on Gross Domestic Product (Castro, 2020). Blanchard (2020) has outlined three ways fiscal policy can be used to fight COVID-19 and the coronavirus recession:

1. The right incentives to firms, as well as funding for federal agencies, to produce tests, explore drugs, and develop vaccines (to fight the virus)
2. Aiding the people and businesses affected by the economic shutdown.
3. Support of aggregate demand.

Maintaining business cash-flow has been a core goal of the fiscal policy measures that have been introduced, supported by monetary and financial policies. Measures have included extending deadlines for tax filing, the deferral of tax payments, the provision of faster tax refunds, more generous loss offset provisions, and some tax exemptions, including from social security contributions, payroll taxes, or property taxes (OECD, 2020).

3. Research Methodology

This qualitative paper reviews relevant literature pertaining to initiatives of five ASEAN countries in dampening the impacts of COVID-19 in their countries through preliminary reports, newspapers and websites. The data collected were analyzed using a thematic interpretive analysis where sub-themes were identified and the major issues discovered. The findings of the study were then structured and presented through preamble themes, such as Tourism and Manufacturing sectors, which are the most affected

during the pandemic, helping Small and medium-sized enterprises (SMEs), Deregulation, Human Resource Development, and Mitigating the Cost of Living of Individual Citizens. The findings were also strengthened by connecting the initiatives with a political economic theory of fiscal policy.

4. Findings and Discussion

4.1 Tourism Sector

COVID-19 has had a bad impact on several important economic sectors such as tourism and manufacturing (Menon, 2020). The movement control order (MCO) has adversely impacted these sectors as it has reduced the aggregate demand of citizens. The Indonesian government has allocated US\$6 million to local airlines and travel agencies and more than US\$10 million was allocated towards marketing and promotion activities for Indonesian tourism destinations. Social media influencers were also employed to promote the country's tourist hotspots. It is interesting to note that the state-run oil company PT Pertamina will offer discounts on jet fuel to airlines to enable them to offer a 30% discount on a quarter of their seats for tourists visiting one of the 10 tourist destinations (The Nation Thailand, 2020 and The Star, 2020). In addition, the Pertamina projects that its revenue will be 45% lower than targeted due to slumping fuel sales amid the corona virus (COVID-19) pandemic (IDN Financials, 2020). Hoteliers and restaurants located in one of these 10 destinations will also have their taxes waived for the next six months (Medina, 2020).

The government of Singapore will also provide assistance to the tourism sector and most of them are in the form of tax rebates and loans. Regional ferry terminals, international cruises as well as Changi International Airport will receive a 15 percent property tax rebate (Singapore Business Review, 2020). Further rebates will be given for aircraft landing and parking charges, and rental rebates for shops and cargo companies at Changi Airport. Besides that, the government also has allocated up to S\$1 million (US\$714,000) in loans for enterprises in the tourism sector with an interest rate capped at five percent and the government will take 80 percent of the risk of the total loan (Medina, 2020).

Malaysian tourism is also adversely affected by the impact of the COVID-19 outbreak. In order to dampen the impact of COVID-19, the Malaysian government will provide several incentives to this sector through tax exemptions and deferments, discount vouchers, and tourism promotions. In order to support the tourism industry, the government in collaboration with airlines, resorts, and hotels, will offer discount vouchers of 100 Ringgit (US\$22) per person, starting March 2020 (Berita Harian Online, 2020). 30 million ringgit also will be channeled to Tourism Malaysia in order to promote Malaysian tourism in the Middle East, Europe, ASEAN, and South Asia (Medina, 2020).

Tourism has been a growing sector in the Cambodian economy. In 2015, the government launched the 'China Ready for Cambodia Tourism' policy to attract about two million Chinese tourists to visit the country in 2020. With the onset of the COVID-19 outbreak, however, the country is unlikely to meet its target of two million Chinese visitors in 2020. To combat this, hotels and guesthouses located in the Siem Reap province will be exempted from paying taxes from February to May 2020 (New Straits Times, 2020). Additionally, the government has offered special deals for tourists visiting the Angkor Archaeological Park in Siem Reap and the Angkor Wat temple. Among the special deals include a one-day ticket that will be valid for two days until June 25, 2020; three-day ticket that will be valid for five days; and seven-day passes that will be valid for 10 days (Medina, 2020).

Thailand anticipates a loss of five million tourists this year, taking with them "250 billion Baht (over US\$8 billion) in revenue. The government will provide soft loans for tourism-related operators in order to help workers in the industry with their daily expenses. The soft loans, sponsored by the Government Savings Bank, would be offered through commercial banks with an interest rate of three to four percent to tourism-related operators facing a liquidity crunch, while the government would also relax

debt repayment conditions for those who retained enough liquidity to prevent laying off of employees (Louis, 2020).

As discussed previously, a majority of ASEAN countries are attempting to reduce the economic impact of COVID-19 by utilizing fiscal means such as tax rebates, tax waivers, tax exemptions, and tax deferrals to dampen the impact of COVID-19 on the tourism, manufacturing and hotel sectors. The restriction of movements in many countries has placed the economy in a state of distress due to the suspension of business and industrial operations. A Political Economy Theory of Fiscal policy explained that the government may adjust its spending levels and tax rates in order to regain the economy of the country. A majority of ASEAN countries will adjust tax rates by introducing the tax rebates, exemptions, and deferrals to help businesses and workers mitigate the impact of COVID-19. When these sectors enjoy the tax benefits, it can help the businesses to continue running the business, thus reducing the probability of them retrenching their workers since the businesses do not have sufficient cash flow to pay the salary of the workers.

4.2 Manufacturing Sector

COVID-19 has had a devastating impact on ASEAN's labour force, especially in the manufacturing sector. A fall in export demands has led to production halts which in turn has created mass layoffs (Martinus and Seah, 2020). To respond to this issue, the Malaysian government will provide a variety of new and enhanced tax incentives, ranging from tax exemptions and deductions for the manufacturing sector as well as the establishment of new businesses. In order to attract foreign investment, the Malaysian government will grant a zero percent tax rate for 10 years for companies in the manufacturing sector with investments in fixed assets between 300 million ringgit (US\$70 million) and 500 million ringgit (US\$116 million). Besides that, the government will also grant a zero percent tax rate for 15 years for companies in the manufacturing sector with investments in fixed assets exceeding 500 million ringgit (US\$116 million). 100 percent investment tax allowance also will be given for three years for an existing company in Malaysia that will relocate its overseas facilities to the country.

In Indonesia, the second stimulus package was launched to protect the economy, particularly in the manufacturing sector. Corporate income tax (CIT) will be reduced by 30 percent for businesses in 19 selected manufacturing industries for the next six months. Businesses in these 19 sectors are also eligible for deferment of import tax payments for the next six months, and the government will also relax value-added tax (VAT) refunds for the same time period. Employees within these 19 sectors earning an annual income below 200 million rupiah (US\$13,000) will be exempt from paying income tax for six months (Medina, 2020).

In Singapore, the government introduced a Temporary Bridging Loan Program, enabling eligible enterprises of all industry sectors to borrow up to SGD 5 million, with an interest rate capped at 5% p.a. The Government will co-share up to 90% of the borrowing risk (for applications initiated from 8 April 2020 to 31 March 2021) and enterprises may request for deferment of principal repayment for one year. Under the Trade Loan program (part of the Enterprise Financing Scheme), Singapore-based enterprises will be able to borrow up to SGD10 million to finance short-term import, export and guarantee needs, with the Government co-sharing up to 90% of the borrowing risk (for applications initiated from 8 April 2020 to 31 March 2021) (Hooi and Kandar, 2020).

The Cambodian Government has introduced tax exemptions for a period of six months to one year for factories that produce garments, footwear and bags. The factories have been put in a category of adversely impacted industries due to the lack of raw materials from non-operational suppliers. Besides that, the garment industry, will be awarded special treatment to help lower the logistic costs of affected companies. Meanwhile, in Thailand, Board of Investment Promotion ("BOI") support measures on medical device industries. BOI provides additional promotion to medical device industries such as an

additional three year reduction of 50% corporate income tax; including the manufacturing of medical alcohol (pharmaceutical grade) in the list of promoted business and exemption of corporate income tax for five years for non-woven fabric manufacturers (Hooi and Kandar, 2020).

Based on the explanation above, it can be seen than most of ASEAN countries will utilize the fiscal policy to reduce the impact of COVID-19 on businesses. In general, the financial assistance that will be offered by the ASEAN countries is in the forms of tax exemptions, tax deferrals and loan programs. This is in line with the principles mentioned in the Political Economy Theory whereby the government will adjust its spending level and tax rates in order to boost the economy of the country.

4.3 Helping Small and Medium-Sized Enterprises (SMEs)

Accounting for 30-60% of the GDP of ASEAN member states and the largest source of employment for all economic actors, small-medium enterprises is a very important economic actor in Southeast Asia (ASEAN Secretariat, 2013). Most ASEAN countries believe that SMEs are among the sectors that heavily contribute to the growth of the national economy and the COVID-19 has badly impacted this sector and some of the businesses have had to shut down. Indonesia, for example, is home to 55,2 million SMMEs which contribute to 57% of Indonesian GDP. SMEs are important in cyclical downturns and recessions (Robertua, 2016). The encouragement and promotion of competitive and innovative SMEs are necessary in contributing to a greater economic growth and social development towards more inclusive and broad-based integration of the ASEAN region.

In order to dampen the impact, the Indonesian government has allocated loans of up to 10 billion rupiah (US\$655,000) to SMEs with the condition that the SMEs have a good credit history and are able to repay the loan. In Singapore, the SMEs constitute about 72 percent of the total labor workforce. Therefore, the government will raise the maximum loan quantum from S\$300,000 (US\$214,000) to S\$600,000 (US\$428,000) and increase the risk-share on these loans from the current 50-70 percent level to 80 percent. The Cambodian government will provide assistance in the form of low-interest loans in order to support SMEs in the agriculture sector. The funds worth US\$50 million will be distributed through the state-owned Rural Development Bank (RDB) with the goal of increasing local production capacity (Medina, 2020).

In Malaysia, the government will provide assistance to help with the cash flow of SMEs in the form of loans, microcredit schemes, moratorium, and loan guarantees. The central bank has also allocated 2 billion-Ringgit (US\$453 million) worth of loans for SMEs, with each SME eligible to receive up to 1 million Ringgit (US\$226,000) with a tenure of 5.5 years and this includes a 6-months payment moratorium. The government will also provide banks with an 80 percent guarantee on the loans. Moreover, the government has prepared US\$43 million micro-credit scheme for small businesses in the tourism industry. In addition, a total of 300 million ringgit (US\$68 million) in loans has been prepared for SMEs looking to digitalize or automate their business. The financing can be used to help purchase hardware, software, and other IT solutions and services, in addition to equipment and machinery (Medina, 2020).

On 6 April 2020, the Prime Minister announced a third economic stimulus package. The package is to help the SME sector that contributes more than two-thirds of total employment in Malaysia and almost 40 percent of the GDP. The wage subsidy program announced on 27 March will be increased from RM5.9 billion to RM13.8 billion. The amount of wage subsidy received by workers will vary and it depends on the total number of staff in an organization. The government will also abolish the 2% interest rate to 0% under the Micro Credit Scheme amounting to RM500 million under Bank Simpanan Nasional (BSN). In addition, the government will provide discounts on rental to SMEs in the retail sector, which operate on premises owned by Government-Linked Companies (GLCs). All companies with work permits also will be entitled to get a 25 percent discount on foreign worker levy (New Straits Times, 2020a).

Based on the above discussion, it is believed that a majority of the ASEAN countries have agreed to help SMEs since the enterprises provide employment to a significant number of workers in the respective countries. A majority of the ASEAN countries' SME have been badly affected by the COVID-19 since the citizens need to stay home and the aggregate demand has reduced. The profit of the enterprise also has been affected as the demand reduced. Hence, there is a likelihood of the enterprises to reduce the cost of production by terminating some of their workers. This situation will give a domino effect on the country as the unemployment rate will be increased. Hence, a majority of ASEAN countries will help the SMEs by providing micro-credit scheme, moratorium, or even providing discounts for rental. If the government does not help these enterprises, it will badly affect the country's reserve since more money needs to be allocated in order to train and retrain the terminated workers. OECD (2020) mentioned that one of the goals of fiscal policy is to maintain business cash-flow. When the SMEs were given financial assistants, they will be able to survive the impact of COVID-19.

4.4 Deregulation

According to Hancher and Moran (1989), deregulation refers to the alteration, cancellation, or abolition of existing rules. The Indonesia government will take proactive action in deregulating several rules and regulations to ensure that the economy of the country can be stimulated promptly. The government will simplify and accelerate import and export procedures by reducing the 'Restriction and Prohibition' (Lartas) measures. Under Lartas, certain products are either restricted from being imported or exported or are prohibited from being imported or exported. Goods that are subject to Lartas are those that have a negative influence on one of the following categories: National security and defense; Human health; Culture and heritage; Intellectual property; Industry, and trade; and Human health. The Lartas measures will also be simplified and accelerated to help businesses import raw materials. This stimulus is for manufacturers of steel products and its derivatives in addition to producers of strategic food items such as sugar, flour, and salt (Medina, 2020). According to HSI Consulting (2020), ease of import will also be provided through the delay of payment of import duties for a maximum of 30 days after the import.

The General Department of Customs and Excise (GDCE) in Cambodia will be more lenient in facilitating the import of raw materials, accessories, and parts used for textile and garment production. The GDCE will extend the number of products that qualify for the 'green lane' custom clearance. Cambodia has four customs lanes for imports – red, yellow, green, and blue. Goods that use the green lane are immediately assessed and are issued custom clearance documents. The GDCE will work closely with the Garment Manufacturers Association in Cambodia (GMAC), freight forwarders, and customs brokers to determine the service fees. Further, the GDCE will also cooperate with special economic zones (SEZs) across the country (Medina, 2020). Basically, the deregulation is grouped under the non-fiscal policy. However, some countries, for instance, Indonesia, do allow a delay in the payment of import duties for a maximum of 30 days after the import. The second stimulus package will be introduced by the Indonesian government to provide some ease in importation by untightening the regulation so that the import of raw materials becomes simpler and easier.

4.5 Human Resource Development

Several ASEAN countries have allocated a portion of funds to enhance the skills of the local workers and at the same time to boost the economy of the countries. The Singapore government has allocated a huge portion of the money to ensure that local workers' skills are enhanced. The allocation of money will be given to both individuals and corporations for retraining and upskilling the local workers. This is part of the government's vision to transform Singapore into a 'Global-Asia node of technology, enterprise,

and innovation'. The government aims to reskill more than 330,000 local workers through the Redevelopment Program in the tourism, aviation, food services, and retail sectors (Medina, 2020).

The government will upgrade local human resources through its Skills Future program. The program will assist individuals in gaining new skills (Skills Future), enhance the role of businesses in developing their staff (Skills Future Enterprise), and support mid-career workers to help them stay employed (Skills Future Mid-Career). Under the individual program (Skill Future), Singaporeans aged 25 and above can receive up to S\$500 (US\$356) in Skills Future Credit top-up. This top-up will be available from October 1, 2020, and expires at the end of 2025 and is designed to encourage Singaporeans to reskill and upskill. Under Skills Future Enterprise, businesses are given S\$10,000 (US\$7,134) to cover 90 percent of out-of-pocket expenses like skills training and job redesign. The government hopes this grant will benefit 25,000 SMEs in the country. Meanwhile, Skills Future Mid-Career Package is a program aimed to assist workers aged between 40-60 years to remain employable and be able to access good jobs (Medina, 2020).

In Malaysia, the government will provide 100 million Ringgit (US\$45 million) to help businesses affected by COVID-19 to upgrade the skills of its workers. This includes sectors, such as retail, hospitality, and tourism in addition to electrical, electronic, and automotive manufacturing. Another 50 million Ringgit (US\$11 million) will be provided to finance short courses, in particular, to improve the digital skills of employees, and 20 million Ringgit (US\$4.5 million) will be allocated to fund short courses for employees in the manufacturing sector (Medina, 2020). As discussed in the political-economic theory of Fiscal Policy, fiscal policy will allow the government to increase their spending level on final goods and services (BCCampus, 2020). In this situation, some of the ASEAN countries may employ fiscal policy to provide training to the workers in order to retrain and upskill local workers and boost the economy of the countries.

4.5 Mitigating the Cost of Living of Individual Citizens

The Indonesia government has allocated US\$324 million for the government's Affordable Food Program (Sembako Murah) to help some 15 million low-income households purchase staple foods at discounted prices and to boost local consumption. This program was initiated by the President during his re-election campaign in 2019 and aims to enable 15 million low-income households to purchase staple food products at discounted prices. Besides that, the low-income households will also receive 200,000 rupiah (US\$13.97) per month in financial benefits, an increase from 150,000 rupiah (US\$10), for the next six months (Medina, 2020).

The Singapore government will allocate S\$1.6 billion (US\$1.1 billion) to help Singaporeans cover household expenses during the current economic uncertainty. This includes a one-off cash payment of S\$300 (US\$214), S\$200 (US\$142), and S\$100 (US\$72) to all Singaporeans over the age of 21 depending on their income. Besides, the GST-voucher U-Save rebates will be doubled through a one-off special payment and the u-save rebates help lower-income families offset part of their utility's bills. In addition, Singaporeans on workfare (Older lower-wage Singaporeans who work, undergo training to up-skill themselves, or employers who send their older lower-wage workers for training) will receive an additional 20 percent of their income. This is in addition to a S\$100 (US\$72) in cash payment; and lower-income households will receive grocery vouchers of S\$100 (US\$72) in 2020 and 2021 (Medina, 2020).

Meanwhile, in Malaysia, the government also took an initiative to reduce employees' contribution towards the Employee Provident Fund (EPF). The Employee Provident Fund (EPF) is a compulsory saving and retirement plan for private-sector workers in Malaysia. Employees usually contribute between 11 percent to seven percent of their monthly salary. This has now been reduced to four percent, potentially increasing cash in the hands of households by some 10 billion ringgit (US\$2.2 billion). In terms of financial assistance, the low-income households received a monthly payment of 200 Ringgit

(US\$45) scheduled for May to be paid in March. Families will also receive an additional one-off payment of 100 Ringgit (US\$22) (Medina, 2020).

A majority of ASEAN countries utilized fiscal policy in order to reduce the cost of living of the individual citizens. There are a variety of means introduced by the ASEAN countries in reducing the cost of living of the people such as giving discounts for certain types of food, one-off financial payments and reducing the contribution in the pension scheme. All of these efforts are related to a Political Economy Theory of Fiscal policy. This theory explains that the government will adopt the fiscal policy by increasing government expenditure and reducing the tax rate in order to raise disposable income as well as aggregate demand. For instance, in Malaysia, the government will reduce the employees' contribution to the Employee Provident Fund (EPF). If this situation occurs, it will automatically increase the disposable income of the people. In other words, the purchasing power of the people will be increased due to an increase in disposable income. Hence, the aggregate demand of the people also will be increased and it will increase the revenue of the countries since the businesses will be able to pay more corporate tax to the government.

5. Conclusion

The economic pressures initially stemmed from the near complete lockdown of China. But as the outbreak spread rapidly across the globe, the economic pressure became more persistent and broad-based and Thailand and Malaysia are the most vulnerable to significant growth slowdown followed by Vietnam and Singapore. Indonesia and the Philippines are relatively more insulated. Notwithstanding this differentiation, the scale of the outbreak has prompted governments in all these countries to announce some form of stimulus measures. The governments of Indonesia, Malaysia, Thailand, Singapore, and Vietnam have announced fiscal measures to support businesses and individuals impacted by the outbreak. The Philippines government has not formally announced any fiscal stimulus measures but the Lower House, on 10 March, has approved PHP1.65bn as additional funds for the Department of Health (Venkateswaran and Huani, 2020). The government's fiscal policy will help to revive the economy by increasing aggregate demand such as public and private consumption and investment. This will help to stimulate the economic growth through the multiplier effect and reduce the hike in the unemployment rate (Norlin, 2020). The fiscal policy targets are related to government spending and taxation. As part of the third pillar of the ASEAN Economic Community (AEC) Blueprint on Equitable Economic Development, the ASEAN member states have reiterated their commitment to foster a strong, dynamic, and efficient SME sector. The ASEAN Small and Medium Enterprises Agencies Working Group (SMEWG) is responsible for formulating policies, programs, and activities to foster SME development. It also serves as a consultative and coordination forum for SME agencies. SMEWG meetings are convened regularly twice a year (Robertua, 2016).

References

- Ahmad Ghazali, I., Arlinah, A. R., and Azlina, H. (2017). Electricity consumption and economic growth in ASEAN. *Journal of Emerging Economies & Islamic Research*, 5(2), 16–27.
- ASEAN Secretariat (2012). *Directory of Innovative SMEs in ASEAN*. Jakarta: ASEAN Secretariat.
- ASEAN Policy Brief (2020). *Economic Impact of COVID-19 Outbreak on ASEAN*. Retrieved on 11 November 2020 from https://asean.org/?static_post=asean-policy-brief
- Auerbach, Alan, William Gale and Benjamin Harris (2010). Activist Fiscal Policy. *Journal of Economic Perspectives*, 24(4), 141–164.

- Berita Harian Online (2020). *Pakej Rangsangan Ekonomi 2020*. Retrieved on 5 April 2020 from <https://www.bharian.com.my/berita/nasional/2020/02/660080/info-pakej-rangsangan-ekonomi-2020>
- BCCampus (2020). *Using Fiscal Policy to Fight Recession, Unemployment, and Inflation*. Retrieved on 3 April 2020 from <https://opentextbc.ca/principlesofeconomics2eopenstax/chapter/using-fiscal-policy-to-fight-recession-unemployment-and-inflation/>
- Battaglini, M. and Coate, S. (2016). A Political Economy Theory of Fiscal policy And Unemployment. *Journal of the European Economic Association*, 14(2), 303–337.
- Blanchard, O. (2020). *The three ways fiscal policy can be used to fight COVID-19 and the coronavirus recession*. Retrieved on 10 May 2020 from <https://equitablegrowth.org/the-three-ways-fiscal-policy-can-be-used-to-fight-covid-19-and-the-coronavirus-recession/>
- Canh, N. P. (2018). The effectiveness of fiscal policy: contributions from institutions and external debts. *Journal of Asian Business and Economic Studies*, 25(1), 1-18.
- Castro, M. F. E. (2020). *Fiscal Policy and COVID-19: Insights from a Quantitative Model*. Retrieved on 10 May 2020 from <https://research.stlouisfed.org/publications/economic-synopses/2020/03/27/fiscal-policy-and-covid-19-insights-from-a-quantitative-model>
- Chan J. F. W., Yuan, S., Kok, K. H., To, K. K. W., Chu, H., Yang, J. (2020). A familial cluster of pneumonia associated with the 2019 novel coronavirus indicating person-to-person transmission: a study of a family cluster. *The Lancet*, 395(10223), 514-23.
- Djalante, R., Shaw, R. and DeWit, R. (2020). Building resilience against biological hazards and pandemics: COVID-19 and its implications for the Sendai Framework. *Progress in Disaster Science*, 6, 1-7.
- Elgin, Basbug and Yalaman (2020). *Economic policy responses to a pandemic: Developing the COVID-19 Economic Stimulus Index*. Retrieved on 10 May 2020 from <https://voxeu.org/article/economic-policy-responses-pandemic-covid-19-economic-stimulus-index>
- Gaspar, V., Lam, W. R. and Raissi, M. (2020). *Fiscal Policies to Contain the Damage from COVID-19*. Retrieved on 10 May 2020 from <https://blogs.imf.org/2020/04/15/fiscal-policies-to-contain-the-damage-from-covid-19/>
- Hooi, W. K. and Kandar, F. W. (2020). *COVID-19 Stimulus Measures & Incentives With Special Focus on Projects & Infrastructure Sectors*. Retrieved on 24 December 2020 from www.zicolaw.com
- IDN Financials (2020). *Pertamina projects revenue decline due to COVID-19 pandemic*. Retrieved on 9 May 2020 from <https://www.idnfinancials.com/news/33570/pertamina-projects-revenue-decline-covid-pandemic>
- Ing, L. Y. (2020). *Improving ASEAN COVID-19 Management*. Retrieved on 11 November 2010 from <https://theaseanpost.com/article/improving-asean-covid-19-management>
- Hancher, L. and Moran, M. (1989). Introduction: Regulation and deregulation. *European Journal of Political Research*, 17, 129-136.
- Hutt, D. (2020). *Mass unemployment the new normal in SE Asia*. Retrieved on 11 November 2020 from <https://asiatimes.com/2020/05/mass-unemployment-the-new-normal-in-se-asia/>
- Kimura, F., Thangavelu, S. M., Narjoko, D. A., and Findlay, C. (2020). *Pandemic (Covid-19) Policy, Regional Cooperation, And The Emerging Global Production Network*. Retrieved on 9 May 2020 from <https://jci.edu.my/wp-content/uploads/2020/04/JCI-JSC-WP-2020-01-Pandemic-COVID-19->

Policy.pdf#

- Kokalari, M. and Tran, H. (2020). *COVID-19's Economic Impact on Vietnam Intensifies*. Retrieved on 9 May 2020 from <https://vinacapital.com/wp-content/uploads/2020/04/COVID%E2%80%99s-Economic-Impact-on-Vietnam-06-APRIL-2020.pdf>
- Martinus, M. and Seah, S. (2020). Are ASEAN Stimulus Dollars Going towards Sustainability? Retrieved on 24 December 2020 from <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective>
- McKibbin, W. J. and Fernando, R. (2020). *The global macroeconomic impacts of COVID-19: Seven scenarios*. Retrieved on 9 May 2020 from <https://www.brookings.edu/research/the-global-macroeconomic-impacts-of-covid-19-seven-scenarios/>
- Muhammad Umer, N., Roberts, J. Muller, N. L., Macri, F., Mohammed, M.F., Akhlaghpour, S. Parker, W., Edtekhari, A. Rezaei, S. Mayo, J. and Nicolaou, S. (2020). The Role of Emergency Radiology in COVID-19: From Preparedness to Diagnosis. *Canadian Association of Radiologists' Journal*, 71(3), 293-300.
- Medina, A. F. (2020). *ASEAN Incentives to Counter COVID-19 Impact*. Retrieved on 1 April 2020 from <https://www.aseanbriefing.com/news/asean-incentives-to-counter-covid-19-impact/>
- Menon, J. (2020). *Assessing the economic impacts of COVID-19 on ASEAN countries*. Retrieved on 2 April 2020 from <https://www.eastasiaforum.org/2020/03/27/assessing-the-economic-impacts-of-covid-19-on-asean-countries/>.
- Menon, J. (2020b). COVID-19 and ASEAN+3: Impacts and Responses. *SSRN papers*. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3595012
- New Straits Times (2020). *Cambodia allows tax exemption for aviation, tourism sector*. Retrieved on 5 April 2020 from <https://www.nst.com.my/world/region/2020/04/580928/cambodia-allows-tax-exemption-aviation-tourism-sector>
- New Straits Times (2020a). *PM's speech on Additional Prihatin SME Economic Stimulus Package*. Retrieved on 8 April 2020 from <https://www.nst.com.my/news/nation/2020/04/581935/full-text-pms-speech-additional-prihatin-sme-economic-stimulus-package>
- Norlin, K. (2020). Impact of Pandemic on Economy and Recovery Policy. Retrieved on 10 May 2020 from <https://www.bernama.com/en/features/news.php?id=1829686>
- OECD (2020). *Tax and Fiscal Policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience*. Retrieved on 10 May 2020 from https://read.oecd-ilibrary.org/view/?ref=128_128575-o6raktc0aa&title=Tax-and-Fiscal-Policy-in-Response-to-the-Coronavirus-Crisis
- OECD (2020b). *COVID-19 crisis response in ASEAN Member States*. Retrieved on 11 November 2020 from https://read.oecd-ilibrary.org/view/?ref=129_129949-ehsuoqs87y&title=COVID-19-Crisis-Response-in-ASEAN-Member-States
- Robertua, V. (2016). ASEAN Economic Community And Small-Medium Enterprises: An English School Perspective. *Jurnal Hubungan Internasional*, 5(1), 22-30
- Salim, N., Chan, W. H., Shuhaimi, M., Nor Erne, N. B., Safiya, A., Ahmad Athif, M. F., Anazida, Z., Sharin, H. H., Hooi, E. K. J. and Shaekh, M. S. (2020). *COVID-19 epidemic in Malaysia: Impact of lockdown on infection dynamics*. Unpublished Manuscript. <https://doi.org/10.1101/2020.04.08.20057463>

- Singapore Business Review (2020). *Tourism sector to receive tax rebates in 2020*. Retrieved on 5 April 2020 from <https://sbr.com.sg/hotels-tourism/news/tourism-sector-receive-tax-rebates-in-2020>
- Strangio, S. (2020). *Southeast Asian Economies Face Generational Downturn from COVID-19*. Retrieved on 12 November 2020 from <https://thediplomat.com/2020/09/southeast-asian-economies-face-generational-downturn-from-covid-19/>
- The Nation Thailand (2020). *Indonesia unveils \$742 million stimulus to counter virus impact*. Retrieved on 5 April 2020 from <https://www.nationthailand.com/business/30382831>
- The Star (2020). *Indonesia unveils US\$742mil stimulus to counter virus impact*. Retrieved on 5 April 2020 from <https://www.thestar.com.my/business/business-news/2020/02/25/indonesia-unveils-us742mil-stimulus-to-counter-virus-impact>
- Lu, H., Stratton, C. W., & Tang, Y. W. (2020). Outbreak of pneumonia of unknown etiology in Wuhan, China: the mystery and the miracle. *Journal of Medical Virology*, 92(4), 401-402.
- Louis, J. (2020). *Tourism in Thailand and Cambodia take a virus hit*. Retrieved on 5 April 2020 from <https://theasianpost.com/article/tourism-thailand-and-cambodia-take-virus-hit>
- World Health Organization (2020). *Novel Coronavirus (2019-nCoV)*. Situation Report-12.
- Peng, L., Zhang, J., Li, M., Li, P., Zhang, Y., Zuo, X., Miao, Y., Xu, Y (2012). Negative life events and mental health of Chinese medical students: the effect of resilience, personality and social support. *Psychiatry Research*, 196(1), 138-41.
- Kernan, W. D. (2019). Health-related impediments to learning among dental and oral surgery students. *Journal of Prevention & Intervention in the Community*, 47(1), 32-44.
- KPMG (2020). *A Bridge Past COVID-19: The path for the economy*. Retrieved on 2 April 2020 from <https://www.kpmg.us/insights/2020/bridge-past-covid-19.html>
- Searight, A. (2020). *Southeast Asian Responses to COVID-19: Diversity in the Face of Adversity*. Retrieved on 2 April 2020 from <https://www.csis.org/analysis/southeast-asian-responses-covid-19-diversity-face-adversity>
- UNCTAD (2020). *Global trade impact of the coronavirus (COVID-19) epidemic*. Retrieved on 5 April 2020 from <https://unctad.org/en/PublicationsLibrary/ditcinf2020d1.pdf>
- Venkateswaran, L. and Huani, Z. (2020). *Dealing with COVID-19 in ASEAN*. Retrieved on 5 April 2020 from https://www.mizuhobank.com/singapore/macro/ad-hoc/pdf/MI200309-ASEAN_and_the_COVID-19_outbreak.pdf
- WHO (2012a). *WHO Director-General's opening remarks at the media briefing on COVID-19*. 11 March 2020. Retrieved on 9 May 2020 from <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>
- WHO (2020b). *Coronavirus Disease 2019 (COVID-19): Situation report*. 75. Retrieved on 9 May 2020 from https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200404-sitrep-75-covid-19.pdf?sfvrsn=99251b2b_2
- Wooi, Y. K. and Selvaratnam, D. P. (2018). Empirical analysis of factors influencing the public health expenditure in Malaysia. *Journal of Emerging Economies & Islamic Research*, 6(3), 1-14
- Yunanto, M. & Medyawati, H. (2014). Monetary And Fiscal Policy Analysis: Which Is More Effective? *Journal of Indonesian Economy and Business*, 29(3), 222 – 236.