



In collaboration with



**KUALA LUMPUR
HIGH LEVEL DIALOGUE
ON ASEAN ITALY
ECONOMIC RELATIONS**

HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

Sixth Edition

Mandarin Oriental Hotel, Kuala Lumpur
Wednesday, July 5 and Thursday, July 6, 2022

ALADDIN D. RILLO
Senior Economic Advisor
Economic Research Institute for ASEAN and East Asia (ERIA)

Main Partner



Official Carrier



With the Patronage of



Technical Partner



Partner



Junior Partner



With the support of



Strategic Partner





Balancing Health and Economy in Post-Pandemic Recovery: ASEAN Perspective

Dr Aladdin D. Rillo
Senior Economic Advisor
Economic Research Institute for ASEAN and East
Asia (ERIA)

“COVID-19: a crisis like no other”

Due to the COVID-19, ASEAN economic growth contracted for the first time since 1998

-3.3%

Labor income losses soared to

-\$100 Billion

+Not to mention the adverse impact of COVID-19 on **trade (-5.4%), FDI (-24.5%), and employment (6.7 million people)**

Note: All figures are for 2020



The pandemic is **BOTH** a global health crisis and global economic crisis ...

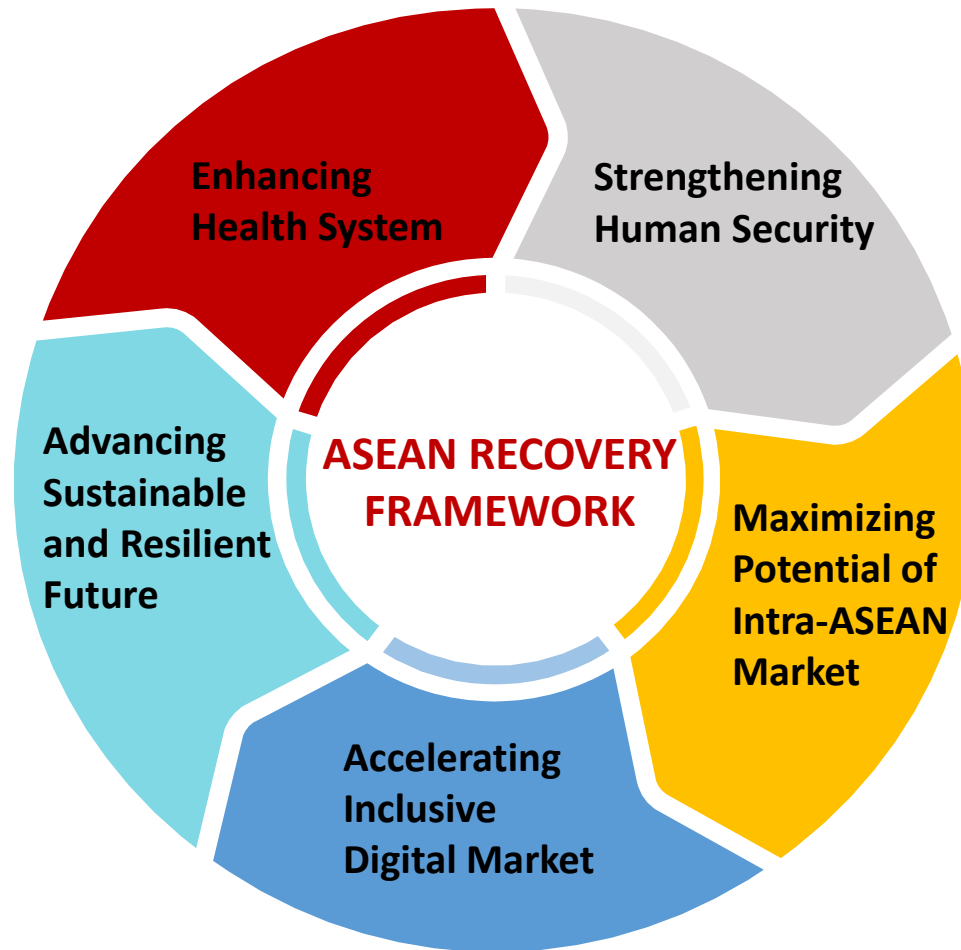


Affecting **productive capacity** of the region (i.e., from trade to tourism and MSMEs) and creating devastating **impact on society** (loss of lives and livelihoods)



Hence, the **need to manage both health and economy** to overcome the COVID-19 shock and sustain a post-pandemic recovery

ASEAN COVID-19 response: from containment to recovery



Coordinating health and economic measures for recovery

Enhancing health systems

- Facilitate safe and safety travel of supplies of essential services, in accordance with receiving countries protocols
- Exchange of experiences and training of health professionals for pandemic handling, including mental health
- Enhance capacity of public health services to enable health emergency response including ensuring food safety and nutrition in emergencies

SOMHD

HSSWG



SEOM

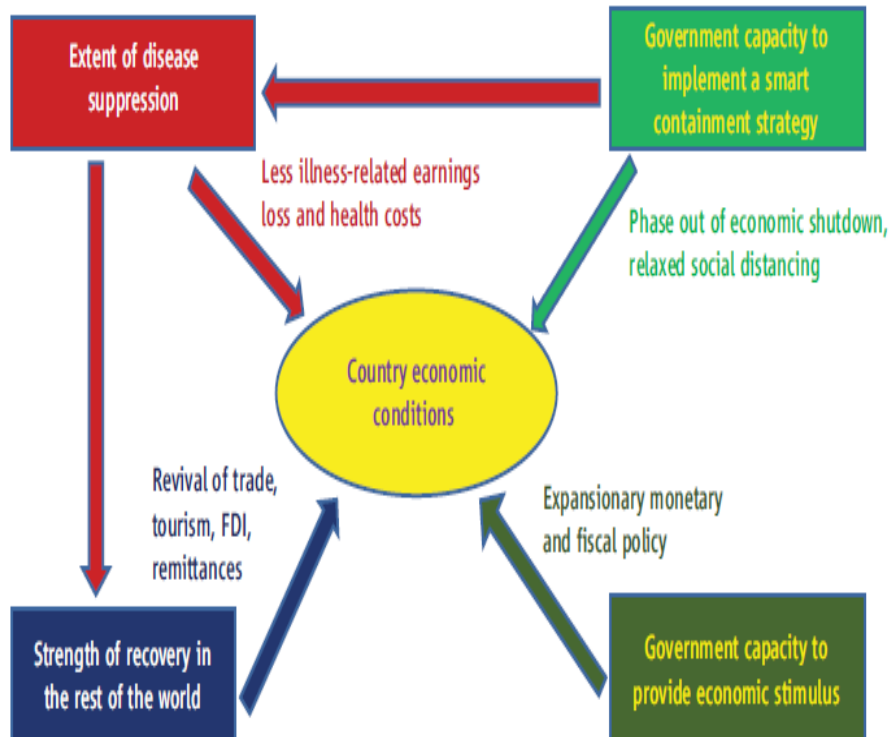
SOM-AMAF

Maximizing potential of intra-ASEAN market

- ASEAN Travel Corridor Arrangement to facilitate essential business travel without compromising public health and safety
- Re-opening of the tourism sector

SOMHD – senior officials meeting on health development; HSSWG – health care services sectoral working group
SEOM – senior economic officials meeting; SOM-AMAF – senior officials meeting, agriculture

Moving forward, as COVID-19 persists, the link between health and economy remains crucial

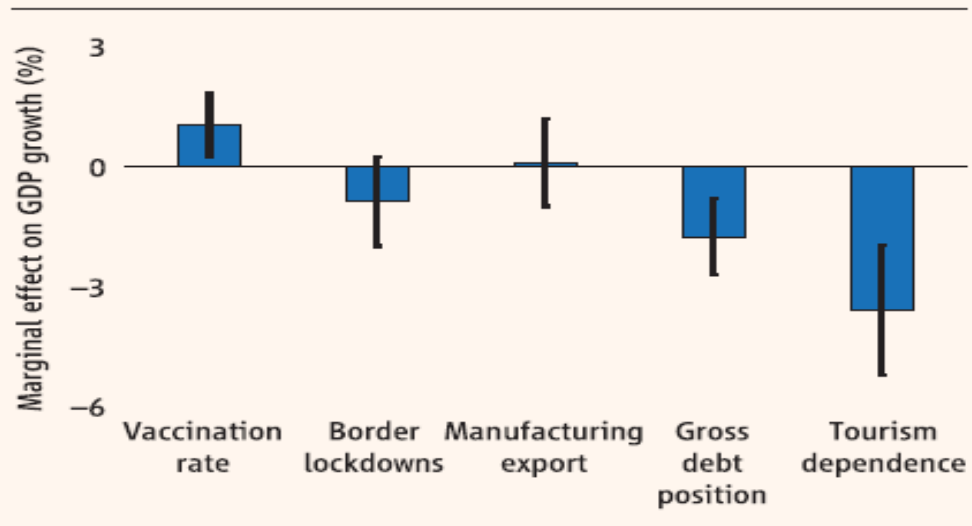


Source: World Bank, *East Asia and the Pacific Economic Update (April 2022)*

- Evidence suggests that countries with weakest **economic performance** were the ones that suffered high rates of COVID-19 infections and mortality; that relied on prolonged restrictions on mobility rather than on effective test strategy
- **Policy dimensions** to recovery:
 - vaccination to contain COVID-19
 - fiscal policy for relief, recovery and growth
 - climate policy to build back better

Vaccination: key to containing COVID-19 and facilitating economic recovery

Figure B1.1. Correlation between vaccination and GDP growth



Source: EAP staff research, based on data from World Economic Outlook (WEO) October 2021; World Development Index (WDI); OWiD.

Note: the figure shows point-estimates from cross-section Ordinary Least Square regressions between countries' GDP growths in 2021 (relative to the 2019 level) and pre-Delta vaccination coverages (cumulative share of the population fully vaccinated in June 2021), international lockdown stringency (OWiD index), manufacturing export (share of GDP), tourism dependency index (calculated using 2015–2019 averages for the total contribution of tourism to export receipts; scaled between 0 and 100), and gross debt position (share of GDP). All explanatory variables are standardized as units of deviation from the global average. Bar heights represent the sizes of the estimated coefficients. Whiskers represent 90-percent confidence intervals of the estimates.

- Real GDP outturns have still fallen in countries with resurging inflections amid low vaccination rates
- Evidence suggests that high rates of vaccination reduce the sensitivity of economic activity to infections; on average, countries having fully vaccinated a one percentage point larger share of their population experienced a 6-basis points higher GDP growth in 2021 relative to the pre-pandemic level in 2019
- Thus, accelerating vaccine deployment and health-related spending remains the first priority

ASEAN outlook - key emerging trends



Sustainability. Ensuring that post-pandemic recovery looks at sustainability in a more comprehensive manner and as an integral part of the region's economic growth and development [e.g., *ASEAN Circular Economy Framework*]



Digitalization. Advancing ASEAN's digital transformation toward an inclusive, resilient, and sustainable digital economy [e.g., *Brunei Seri Begawan (BSB) Roadmap for Digital Transformation 2021-2025*]



Re-thinking regional economic integration. Deepening community building efforts as ASEAN is poised to become a more dynamic region driven by mega forces and geopolitical shifts [e.g., *ASEAN Post-2025 Vision*]

Conclusion: managing trade-offs

- In ASEAN, as elsewhere, overcoming the COVID-19 shock remains a key priority; but **recovering better and ensuring a resilient and sustainable recovery** requires tremendous actions and strategic measures.
- Beyond medical interventions and policy support, having a **strong regional economic cooperation and integration** to ensure that regional measures are implemented is crucial ...
- ... as well as **governments taking a dynamic view** to make **choices that soften trade-offs** between health and economy; by building capacity for smart containment (to test, trace, and isolate) through targeted and less economically disruptive policy measures and by implementing strategies that take into account the mega forces and emerging issues and risks that will shape ASEAN's resilient and sustainable future.

Thank you

arillo@eria.org

Scan for ERIA Publications:

