Transmissions from the Front: Political Impact of COVID-19 in Southeast Asia

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MALAYSIA

- The government's COVID-19 response approaching "recovery phase"
- As economic sectors reopen, the country's exit strategy remains unclear
- Privacy concerns arise over government's tracking of citizens' interstate travel

The government is cautiously optimistic about the progress made in flattening the curve on COVID-19 over the past couple of weeks, declaring that Malaysia is now in the "recovery phase." The plateauing of new COVID-19 infections reported daily and acceleration in recoveries indicate that the Movement Control Order (MCO) is paying off. However, fears remain that cases may spike again as the MCO is gradually lifted.

The Ministry of International Trade and Industry (MITI) made a surprise announcement yesterday, allowing companies previously granted permission to operate during the MCO to resume full operations starting April 29, subject to health guidelines. Previous bureaucratic hassles resulted in supply chain disruptions and unnecessary hiccups. While the business community has welcomed this decision, critics have slammed the announcement as being too hasty and threatening to undo the success of containment measures so far. They argue that assurances such as increased public health spending and sufficient capability for hospitals to cope with a possible surge in cases remain lacking.

Other critics, including within the ruling Perikatan Nasional coalition, have said that the administration lacks urgency in drafting a clear and actionable exit plan beyond the recently announced stimulus packages and one-off cash handouts. The Ministry of Finance (MoF) and the Economic Planning Unit (EPU) have been tasked with coming up with economic recovery plans and have begun discussions. Interestingly, MITI minister Azmin Ali is said to be leading this effort, despite MoF officially being in charge. Azmin is one of four Senior Ministers and is widely regarded as Prime Minister Muhyiddin's right-hand man.

Data privacy concerns have arisen over the government's recently-launched "Gerak Malaysia" ("*Move Malaysia*") application to track citizens' interstate travel. Registration involves collecting personal information and location data, which will be stored for a period of up to six months. Once approved, a successful applicant will be provided with a QR code, which will be scanned by authorities manning roadblocks. However, the government has not clarified how the application will "process" approved movements, such as those for emergencies, medical reasons, and the purchase of necessities. It is also unclear if individual permit applications will be made mandatory in the future.

THAILAND

- The state of emergency has been extended for another month to May 31, with the aim to reinforce the downward trajectory of reported cases
- The government will borrow 1 trillion baht to finance various COVID-19 relief programs, including a 5,000 baht per month handout for qualified citizens
- Inbound flights will remain banned until May 31, but several airlines will resume domestic operations

Thailand's state of emergency, which was scheduled to expire on April 30, has been extended for another month to May 31. While the number of confirmed cases fell to single digits for the first time this week, the government has underscored the need to preempt a second wave of infections. Existing disease control measures will continue to be enforced, including the nationwide curfew from 10pm to 4am. Inter-provincial travel is discouraged, and large gatherings will continue to be prohibited.

That said, there are no additional measures that demand new action on the part of companies. Businesses and venues may gradually be reopened over the coming weeks, with provincial governors set to make the call for their jurisdiction. In Bangkok, the local administration announced plans to allow for the reopening of restaurants, markets, some sports facilities, golf courses, parks, hair salons and pet grooming shops, but under strict disease control measures.

Some 16 million people have qualified to receive a 5,000 baht handout per month for three months, as part of the government's COVID-19 relief measures. The handout is primarily intended for laborers and the self-employed who are not covered by the social security system. As of April 28, the cabinet also approved 5,000 baht distributions to 10 million farming households, with the funds to be financed from the 1 trillion baht loan that the government will take to finance various relief packages.

The Civil Aviation Authority of Thailand (CAAT) extended the ban on all incoming international flights until May 31, in keeping with the country's extended state of emergency. Several domestic routes, on the other hand, will resume on May 1 under stringent public health requirements. CAAT has mandated that no food and drinks are served onboard and that empty seats are designated between passengers. Passengers must wear face masks, while cabin crew will similarly don masks, face shields, and gloves. To support suffering airlines and tenants of shops at airports, Airports of Thailand (AoT) will discount or waive rent on commercial and office spaces until December 31.

SINGAPORE

- More widespread tracking of people's movements being considered, as government contemplates circuit-breaker exit strategy
- Foreign worker dormitory situation remains elevated but unlikely to significantly dent the ruling People's Action Party election vote share
- Job cuts almost certain to exceed 2009 and 1998 financial crises; Prime Minister expected to devote substantial parts of May Day Rally to COVID-19's impact on workers and government's response

Singapore is contemplating expanding its use of technology tools to track people's movements, as it charts the contours of an appropriate exit strategy from the current semi-lockdown. Leaders will rely on the narrative that monitoring through smartphones is necessary to rapidly ringfence new infections, so that the economy can begin the first steps to recovery. In a country where intrusive policies are the norm rather than an exception, it's unlikely many will oppose giving up their privacy in exchange for a quicker restoration of economic life. Before the circuit breaker is lifted (tentatively on June 1), policymakers have also pledged to significantly increase testing capacity.

The foreign worker dormitory situation continues to be a lightning rod for criticism. Manpower Minister Josephine Teo has been fingered for failing to make adequate preparations to minimize the risk to migrant workers, and will be easy fodder in upcoming elections. But the ruling People's Action Party's (PAP) vote share is unlikely to be severely dented by the controversy, given that Singapore's pragmatic electorate has largely based voting decisions on individual bread-and-butter issues such as jobs and costs of living. However, confidence in the PAP's fourth-generation leaders to handle a major crisis has taken a hit. This does not augur well for the leadership transition after the elections.

COVID-19's economic repercussions on Singapore, a bellwether for other trade-reliant economies, are dismal. Singapore is headed for its worst recession, with economists tipping annual GDP to contract drastically – as much as minus 8 to minus 10 per cent. Retrenchments could range from 50,000 to 150,000 despite various relief packages, surpassing the 40,000 in the 2009 Global Financial Crisis and 30,000 in the 1998 Asian Financial Crisis. The unemployment rate, a barometer of ground sentiment, could approximately double to above 5 per cent. Prime Minister Lee Hsien Loong is expected to address COVID-19's impact on jobs and the economy in his traditional May Day rally on Thursday.

PHILIPPINES

- Modified quarantine measures introduced across the country from May 1, except for Metro Manila and other key business areas
- Government relying on multilateral loans to procure critical medical equipment as excise tax revenues plummet
- A move towards deficit spending to address worsening economic projections

Most regions are now subject to more relaxed General Community Quarantine (GCQ) guidelines, but key business areas such as **Metro Manila, Cebu and Davao City, and major manufacturing zones such as Central and Southern Luzon will remain under strict enhanced community quarantine (ECQ) until at least May 15.** GCQ areas will see economic activity revived as essential and low-risk industries can resume full operations (e.g. agriculture, food manufacturing, supply chain links, logistics), while e-Commerce, electronics and exports, financial services, retail trade, and BPOs can resume at limited capacity. Non-essential or leisure-based industries must remain fully closed. It remains a significant possibility that ECQ measures are extended once again beyond the May 15 deadline.

The government is relying on multilateral loans to procure critical medical equipment. At least USD 6 billion in additional financing is expected from various multilateral and bilateral sources to fund the COVID-19 response program, including a newly-approved USD 1.5 billion loan from the Asian Development Bank and up to USD 5 billion from the World Bank for the purchase of test kits and medical equipment such as ventilators. This is expected to compensate for reduced government revenue from sin taxes levied on alcohol and cigarettes, which has plummeted as a result of localized liquor bans and a suspension on domestic cigarette production.

The Philippines is moving towards deficit spending, particularly on infrastructure, to address worsening economic projections. With the Central Bank expecting GDP to contract between 0% to -1% this year, the government is promoting increased spending to bolster the economy. The Central Bank has cut interest rates by 1.25% to reduce borrowing costs, and the government has raised USD 2.35 billion from the sale of dollar-denominated bonds. Congress has also called on the government to widen deficit spending to cushion the economy during the downturn. The government has signaled its intention to spend significantly on infrastructure to boost the economy through projects under the president's flagship "Build, Build, Build" program. Other economic measures such as structural reforms on tax incentives (CITIRA) and the liberalization of public services are unlikely to make significant headway in Congress due to the political risks attached to championing these measures, with Senators looking to prioritize bills more directly linked to addressing the COVID crisis.

INDONESIA

- The government claims it is getting the coronavirus under control, amid inconclusive independent data and stagnating testing
- SOEs struggling with the economic fallout from the global pandemic
- Local governments and research institutions supporting the fight against COVID-19

With official numbers of new COVID-19 cases and related deaths going down in Jakarta, the government contends it is making headway in controlling the pandemic. However, it is too early to make a conclusive call, and the number of burials in Jakarta remains above trend. There is also a scarcity of reagents needed for PCR tests, which has led to some local governments reporting zero new cases in the last few days.

The slowing economy is putting pressure on Indonesia's state-owned enterprises (SOEs), raising the risk they will require bailouts. With the national economy recovery budget amounting to only USD 9.6 billion, the national government may not be able to help every SOE in need of financial assistance. The State Electricity Company (PLN) has already asked the national government to pay its USD 3.1 billion debt. To maintain a healthy cashflow, PLN has also proposed restructuring USD 2.2 billion of debts due this year.

Twenty-five regions have now applied to implement large-scale social restrictions, comprising two provinces and 23 cities or regencies. With studies suggesting Indonesia will enter the peak of the COVID-19 crisis in May or June, the number of regions requesting the Health Ministry's permission to impose stricter restrictions will continue to increase. However, the Health ministry has rejected several regions' requests thus far, citing incomplete paperwork and lack of full compliance with government criteria without publicly clarifying what these are.

Meanwhile, West Java and other local governments are independently seeking out PCR testing reagents and more ventilators instead of waiting for their distribution from the national government. Pharmaceutical SOE Biofarma has confirmed it can produce the reagents domestically, while defense and aeronautics SOEs PT Pindad and PT Dirgantara say they are ready to produce ventilators.

VIETNAM

- Strict social isolation is lifted, most services are allowed to resume
- The Ministry of Planning and Investment has released a draft policy outlining measures to support business affected by COVID-19
- Private sector continues to develop COVID-19 medical devices, equipment and test kits, restrictions on the export of rice and face masks to be lifted

With no new local confirmed cases of COVID-19 since April 16, Vietnam's Government has lifted the strict social isolation measures for almost the entire country. Most business services have been reopened, barring a few exceptions that involve mass gatherings. Local governments continue to play an active role in determining the pace of reopening, and what may open. Prime Minister Phuc has declared that, in general, Vietnam has "repelled" COVID-19.

Nevertheless, the deputy Health Minister has cautioned that without herd immunity, and given that a number of cases have re-tested positive after being cleared of COVID-19, there remains a high chance of further community infection. Given this risk, citizens have been advised to continue heeding precautions such as wearing of facemasks and social distancing in public spaces (transport, schools, etc.).

The Ministry of Planning and Investment has released a new draft policy to support business affected by COVID-19. Measures include proposed extensions on tax deadlines until September for payments made since March 2020, as well as further reductions in interest rates for current and new loans to support businesses and citizens. The Government must submit the policy to the National Assembly Standing Committee for approval, the timeline of which remains unclear.

The Government has promulgated Decision 15 providing cash support to people affected by COVID-19, but provinces are reporting difficulties in implementation and identifying eligible recipient groups. The most common complaints are a lack of clarity on the definition of low-income freelancers, and the ineligibility of furloughed employees whose firms still maintain a low level of business. The Ministry of Labor, Invalids and Social Affairs is expected to release more detailed guidance soon.

Vietnam's private sector continues to make progress on medical and industrial capabilities related to COVID-19. Local conglomerate Vingroup has completed the design process for two new ventilator models and plans to bring them to market soon, while the WHO has recently approved made-in-Vietnam COVID-19 PCR test kits. Finally, Vietnam has relaxed export restrictions on facemasks and rice from May 1.

MYANMAR

- Newly-released government economic plan promises faster reform and urgent measures, but implementation will be crucial in determining whether it generate long-term change
- Piecemeal local responses and appeals to national solidarity increasingly take the place of a coherent national policy approach to preventing the spread of COVID-19
- Most restrictions have been extended but not tightened, amid a general sense that the worst of the health crisis has not yet arrived

The government released its COVID-19 Economic Relief Plan this week as a comprehensive attempt at an economic response to the ongoing crisis. It is stocked full of welcome measures to cut red tape, expedite government spending and improve the business environment, initiatives that the government has been aware of but largely unable to accomplish during its four years in power so far. It bears the imprint of government reformers such as Deputy Ministers U Set Aung and U Min Ye Paing Hein, signaling perhaps their last, best chance to push through the economic reforms that have so far eluded the National League for Democracy (NLD) government ahead of the likely November 2020 election.

These measures represent a welcome departure from the typical NLD inclination toward belt-tightening and appealing to national solidarity instead of much-needed reform. As a result of the government's general reluctance to pursue top-down measures to manage the crisis, State and Region governments have undertaken local, often uncoordinated, action to address the crisis. Ordinary citizens have also felt compelled to act, for instance barricading hundreds of Yangon side streets in an attempt to keep out the coronavirus.

Alongside a general sense that the worst of the health crisis is yet to come, most government measures, such as bans on inward flights and mass gatherings, have been extended from April 30 to May 15. The number of COVID-19 cases remains low, with 150 confirmed cases from about 7,400 tests.

Based on the current trajectory, the government's concern about low-income citizens and the NLD government's unwillingness to provide space to the military, a widespread lockdown is unlikely. Since the onset of the crisis, the main opposition political parties to the NLD have remained remarkably quiet, while the military has opportunistically done its best to improve its public image, for instance making moves to work with the ethnic armed groups on COVID-19 responses and lending testing machines to the health effort.