POST-COVID-19 ECONOMIC RECOVERY IN THE MEKONG REGION

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Editorial Foreword

Welcome to the June 2021 Issue of the Mekong Connect Magazine, a joint publication initiative between the Asian Vision Institute (AVI) and the Konrad Adenauer Stiftung (KAS) Cambodia Office. The magazine publication aims to provide access to a wider audience who wishes to gain a better understanding of a wide range of key issues facing Mekong countries, including public health, climate change, trade and economy, food security, poverty and development, digitalisation, peace and security, and international cooperation.

A remarkable progress achieved over the past two decades since the turn of the 21st century has brought transformative growth in income per capita and living standards of millions of people in Asia. Key drivers of the growth are scientific and technological breakthroughs, innovation and free trade. However, the progress has been assaulted by the global COVID-19 pandemic since the beginning of 2020. The ongoing rambling effects have not spared countries in the Mekong region.

In this Issue of the Mekong Connect Magazine, we look into the impacts of the COVID-19 pandemic and its devastative effects on economies of Mekong countries. While the pandemic has hampered health security of Mekong countries, many main sectors of their economies, such as trade and regional supply chains, tourism, agriculture, finance, real estate, manufacturing and service sectors, have experienced major disruptions, leading to closure of businesses, retrenchment and laying off, and breakdown of domestic industries.

This Issue analyses the changing dynamic of the region as the consequence of COVID-19 and the economic recession. It also discusses policy responses to the pandemic and recovery plan, including the attention to global production and supply chain networks, digital transformation, economic reopening, vaccine rollouts, and social protection for vulnerable groups.

This publication collects intellectual insights from researchers and scholars from inside and outside the Mekong region. The extent of social and economic losses from the prolonged pandemic has been discussed, and the contributing scholars have offered some practical insights and policy recommendations for post-COVID-19 economic recovery. In addition to the policy suggestions offered in this Issue, we encourage more robust debates and studies to provide more enriched analysis. This Issue, like its preceding ones, is published in digital and printed formats (https://www.asianvision.org/mekong-connect/).

We would like to acknowledge the intellectual contributions of the following authors: Professor Prema-chandra Athukorala, Ambassador Christian Berger and Dr Stefan Hanselmann, Dr Wee Chian Koh, Ms. Isabel Weininger and Ms. Likhedy Touch, Ms. Amphaphone Sayasenh and Mr. Alounsana Chandara, Ms. Setthikun Sun, Dr Lwin Lwin Aung, and Dr Huy Quynh Nguyen.

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Global Manufacturing Value Chain and Export-Oriented Industrialisation

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In common usage, international trade is perceived as an exchange among countries of goods produced from beginning to end within their national boundaries. The example of 'cloth-wine trade' between England and Portugal introduced by David Ricardo in 1817 is still used in the standard textbooks to explain gains from trade. The relevance of this characterisation of international trade has, however, been rapidly eroding in recent decades. In the modern world, an ever-increasing array of products, ranging from a simple toy like the baby doll to a highly sophisticated aeroplane or a computer, comprises parts and components coming from several countries. There are still some products that carry the 'Made in Country X' label, but the modern manufacturing trade is dominated by goods 'Made in the World'.

My preferred term for this phenomenon of cross-border dispersion of production processes is 'global production sharing', a term introduced by Peter Drucker. The alternative terms are 'international production fragmentation, 'vertical specialisation', 'slicing the value chain', and 'offshoring'. In the following discussion, I use the term 'global manufacturing value chain' (GMVC) to refer to the interrelations among a set of firms located in different countries which specialise in different tasks of the production process of a given product.

The Rise of Global Production Sharing

Global production sharing is not a particularly novel phenomenon. It originated as an integral part of the emergence of multinational enterprises (MNEs) in manufacturing in the late 19th century. What is unprecedented about the current process of global production sharing is its wider and ever-increasing product coverage and its rapid spread from mature industrial countries to developing countries.

Shifting the labour-intensive assembly process to developing countries in some traditional labour-intensive consumer goods (apparel, particularly) and electronics industry began in the late 1960s. Since then, GMVCs have evolved and spread into many industries such as sports footwear, electronics, automobiles, aircrafts, televisions and radio receivers, sewing machines, office equipment, power and machine tools, cameras and watches, and medical devices light-emitting diode (LED). In general, industries with the potential to break up the production process to separate tasks to minimise transport cost are more likely to move to peripheral countries. According to various estimates, parts and components, and final assembled goods traded within GMVCs now accounts for nearly two-thirds of total world manufacturing trade. The high-performing East Asian economies have been the major beneficiaries of this structural shift in world trade. Recent years have seen some early signs of GMVCs spreading to 'latecomers' to export-oriented industrialisation in the region (Athukorala and Kohpaiboon 2014).

Three mutually reinforcing developments have driven the global spread of GMVCs. First, advancements in production technology have enabled the industry to slice up the value chain into finer, 'portable' components. As an outcome of advances in modular production technology, some fragments of the production process in certain industries have become 'standard fragments' which can be effectively used in several products. Second, technological innovations in communication and transportation have shrunk the distance that once separated the world's nations and improved speed, efficiency and economy of coordinating geographically dispersed production process. This has facilitated and reduced the cost of coordinating various fragments of the production process across countries in a timely and cost-efficient manner. Third, liberalisation policy reforms across the world have considerably removed barriers to trade and foreign direct investment (FDI). Trade liberalisation is far more important for the expansion of GMVC-trade compared to conventional horizontal trade. This is because a given task of the value chain operates with a small price-cost margin, and the profitability of operation could be erased by even a small tariff (World Bank 2019).

In recent years, there has been speculation in policy circles and the popular press that the so-called Fourth Industrial Revolution (IR4) (in particular, robotisation and 3-D printing) could result in a reversal in the ongoing process of global production sharing. These technological advances are still in their infancy: the effects are not at all clear-cut yet. In principle, almost all production processes can be robotised, and some can be undertaken by 3-D printing, but, in reality, the actual replacement of labour with such IR4 technology depends on the relative cost of doing so, which depends on both complexity of the production process and the bulkiness of the given product. It might not be a cost-effective substitute for the human touch involved in the most intricate assembly processes (World Bank 2019).

Would the disruptions in GMVC operations caused by the COVD-19 pandemic trigger a process of reshoring, shifting manufacturing facilities from the developing-country locations to home (developed) countries? The process of global production sharing has been a fundamental structural change in international production built on large suck cost incurred by firms in putting in place their global sourcing strategies. It is unlikely that firms would abandon deep-rooted global sourcing strategies in response to a ‘once in a century’ global shock.

GMVCs and Export-Oriented Industrialisation

Why should policymakers pay particular attention to joining GMVCs as part of the outward-oriented development strategy?

Global production sharing opens up opportunities for developing countries to participate in a finer international division of labour. For instance, a country needs not set up a motor vehicle plant to benefit from the growth of the world automobile industry: it is enough to be competitive in the production of a single part or parts that fit with its relative cost advantage. GMVCs facilitate resources to flow to their most productive use not only across countries and sectors but also tasks across the value chain of a given product. Specialisation in a given task within a GMVC has the potential to aid the export-oriented industrialisation process in a number of ways.

First, participation in GMVCs is an effective way of linking domestic manufacturing to dynamic global industries of electronics, electrical goods, medical devices and transport equipment, which are the incubators of new technology and managerial skills. The very nature of these industries is the continuous shaking-up of the production processes, the emergence of new products and production processes in place of old ones. Thus, joining GMVCs has the potential to yield growth externalities (spill-over effects) through the transfer of technology and managerial know-how. Second, engagement in GMVC opens up greater opportunities for achieving economies of scale and scope since trade within GMVCs accounts for a large and increasing share of world manufacturing trade. Finally, the process of global production sharing opens up opportunities to specialise in 'high value-to-weight' components in the value chain that are suitable for shipment as air cargo. This helps overcome trade cost disadvantages arising from the geographical distance to major markets.

In a labour-abundant economy, tasks undertaken within GMVCs naturally tend to be labour intensive. Therefore, industrialisation by joining GMVCs is a 'pro-poor strategy: labour is the only 'resource' owned by the poor'.

Policy Issues

Factor intensities of the given tasks/segments of the production process and the prices of the required factor inputs in comparison with their productivity jointly determine which country produces what tasks with a production network. Tasks within the manufacturing value chain differ in the proportion of different factors required, enabling firms to locate labour-intensive production blocks in countries where productivity-adjusted labour costs are relatively low.

However, the relative labour cost advantage is only one determinant of a labour-abundant country's success in joining GMVCs. Success depends on whether the relative labour cost advantage is significantly higher than the costs of 'service links' associated with linking the given geographical location to GMVCs. Here the term service links refer to arrangements for connecting/coordinating activities into a smooth sequence to produce the final goods. Service link cost relates to transportation, communication, and other related tasks involved in coordinating the activity in a given country with what is done in other countries within the production network.

The policy regime and the domestic investment climate of the country also need to be conducive for involvement in production sharing. The decision of a firm to outsource production processes to another country—either by setting up an officiated company or establishing an arm's length relationship with a local firm—entails 'country risks', supply disruptions caused by shipping delays, political disturbances, or labour disputes (in addition, of course, too natural disasters). Supply disruptions in a given location could disrupt the operation of the entire manufacturing value chain.

Conclusion

Global production sharing is an integral part of the global economic landscape. Trade within global production networks has been expanding more rapidly than conventional horizontal trade. Trade-in goods produce led wholly within national boundaries. With the rapid expansion of GMVCs, parts and components and technical and managerial know-how and capital have become increasingly mobile across national boundaries, making trade patterns increasingly sensitive to inter-country differences in trade and investment policies. In this context, policymaking for export-oriented industrialisation needs to focus on specific manufacturing niches within the global manufacturing value chain.

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Policy Priorities for Post-COVID-19 Economic Recovery in the Mekong Region

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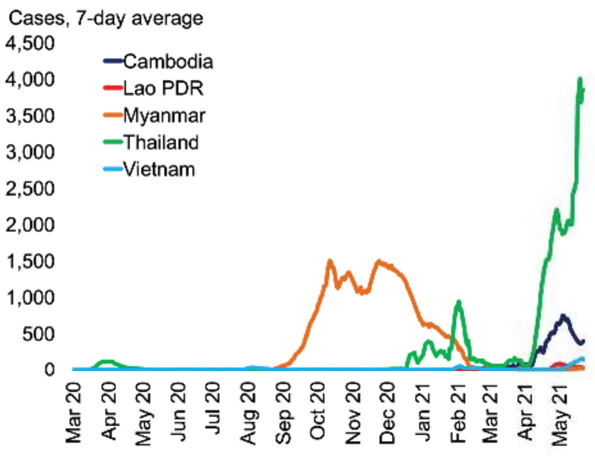
Introduction

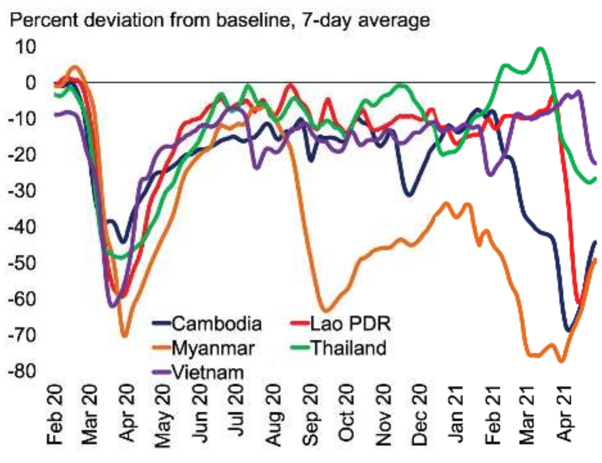
The COVID-19 pandemic has had a devastating impact on the global economy, resulting in a contraction of economic activities in 2020, unprecedented in living memory (IMF 2021). Although there are signs of recovery, prospects remain highly uncertain and uneven across countries. China has returned to pre-pandemic levels of economic activity, thanks to swift control of the outbreak and fiscal stimulus. Rapid vaccination progress in the United Kingdom and the United States has led to a sharp fall in the number of new infections. However, daily confirmed cases of COVID-19 are still on the rise in many countries, including recent outbreaks in several Mekong economies, which have resulted in the re-imposition of targeted interventions to contain disease spread, and consequently reduced mobility (see Figures 1 and 2).

Figure 1. New daily COVID-19 cases



Source: Our World in Data.
Note: Last observation is May 22, 2021.

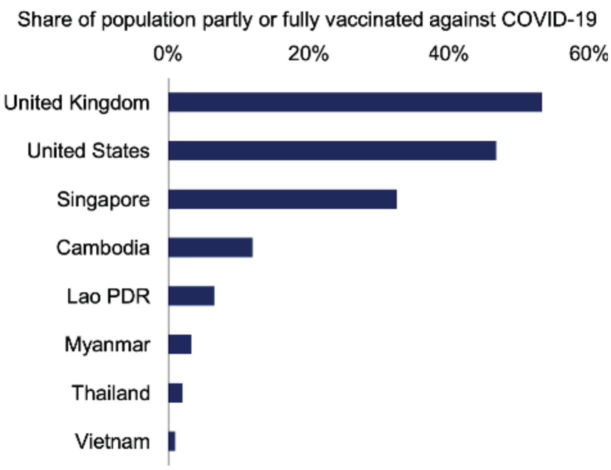
Figure 2. Mobility: retail and recreation



Source: Google Community Mobility Reports.
Note: Mobility for retail and recreation, relative to the baseline (corresponding day of the week during Jan 3 – Feb 6, 2020). The last observation is May 19, 2021.

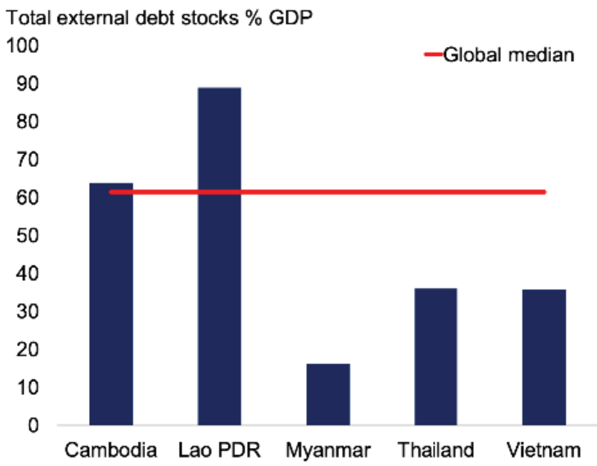
Emerging market and developing economies (EMDEs), especially those with slower vaccine rollout, limited policy support, greater reliance on tourism, and a larger informal sector, are expected to face daunting challenges in sustaining the recovery. Economies in the Mekong region are particularly vulnerable. Myanmar, Thailand, and Vietnam have only vaccinated a very small share of their populations, while Cambodia and Lao PDR have limited fiscal space amid high debt levels. Cambodia and Thailand are highly dependent on tourism. Cambodia, Lao PDR, and Myanmar have high informal employment (Figures 3 to 6).

Figure 3. Share of the population vaccinated against COVID-19



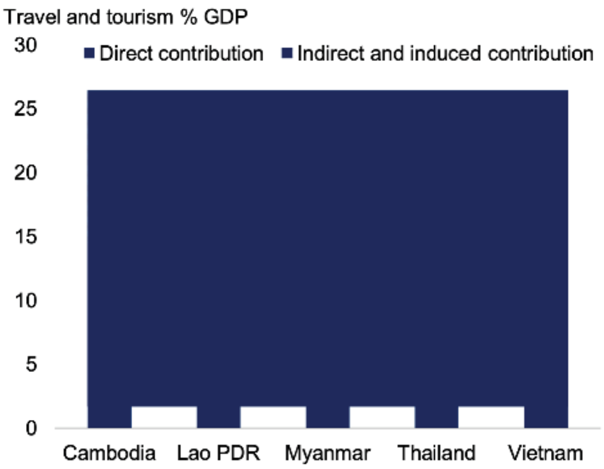
Source: Our World in Data.
Note: Data as of May 13, 2021.

Figure 4. External debt % GDP



Source: World Bank.
Note: Data as of 2019, except for Cambodia and Thailand (2020).

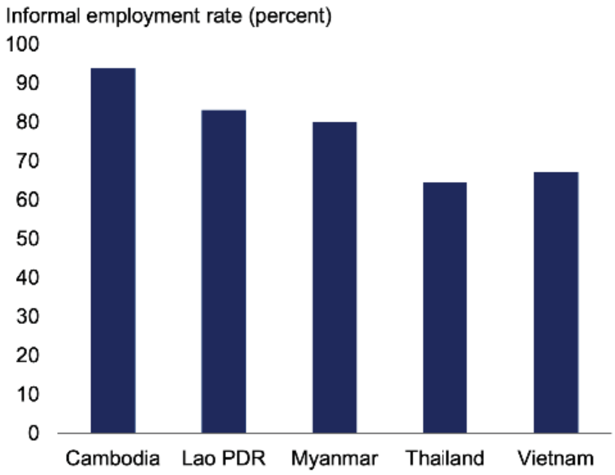
Figure 5. Contribution of tourism to GDP



Source: World Travel and Tourism Council.

Note: Direct contributions are transactions by tourists for tourism services and products such as accommodation, recreation, transportation, and other related sectors. Indirect contribution measures the supply chain impact, while induced contribution measures the impact of money spent in the local economy by employees working in jobs supported by tourism both directly and indirectly. Data as of 2019.

Figure 6. Share of informal employment



Source: International Labour Organization.

Note: Data based on latest year available.

Policymakers in the Mekong region have implemented large-scale fiscal stimulus to save lives and livelihoods. They will need to continue to support their economies through better-targeted measures as policy space has diminished. The immediate emphasis should be prioritising healthcare spending—on vaccination, testing, treatment, and healthcare infrastructure. Fiscal support should be targeted to affected households and firms, particularly micro, small, and medium enterprises (MSMEs), which tend to have limited access to resources, and vulnerable groups, such as women and rural workers, who are more likely to work informally. Specific policies should focus on reviving important drivers of growth and employment, such as the tourism, garments, and electronics sectors, including accelerating the adoption of digitalisation

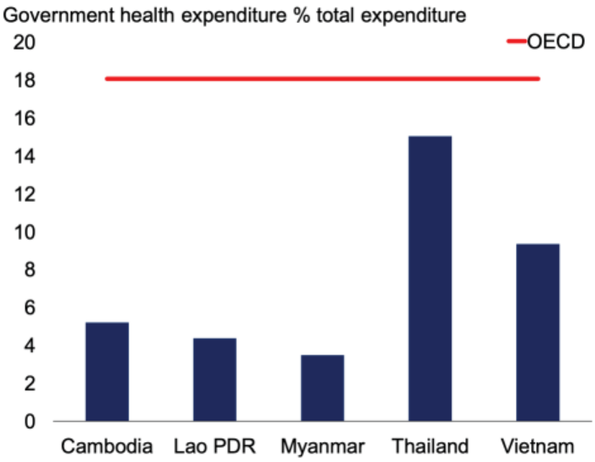
Healthcare

Healthcare spending needs are expected to remain high to procure and roll out vaccines, manage possible new waves of COVID-19 infection, and ensure the delivery of essential healthcare services. The health financing response must support scaling-up and service delivery to facilitate a rapid and organised response to the pandemic (WHO 2020). Policymakers should focus on two immediate priorities.

First, prioritise health in government budgets. Government health expenditure in Cambodia, Lao PDR, and Myanmar is among the region's lowest (Figure 7). In the current context of widening fiscal deficits and mounting debt levels, it is important to identify non-critical spending that can be put on hold to ensure sufficient funding in public health to prepare for and respond to future outbreaks. This includes financing population-based functions, such as comprehensive surveillance, data and information systems, laboratories, and communication campaigns, and rolling out vaccines and ensuring equity in vaccine distribution.

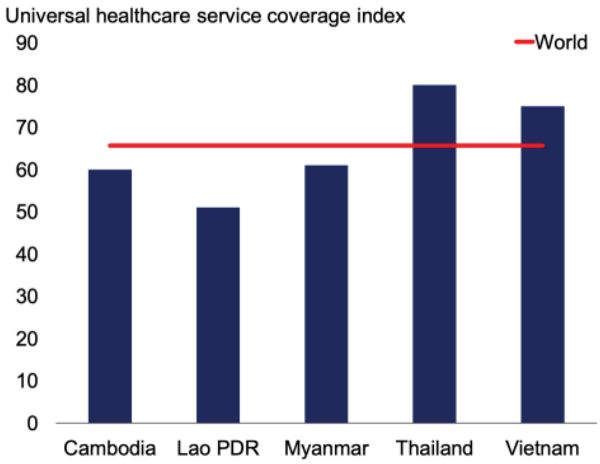
Second, remove financial barriers to health services. It is essential to protect people, particularly the poor, and improve universal access to healthcare. In this regard, Cambodia, Lao PDR, and Myanmar have comparatively low universal service coverage (Figure 8). Health financing policies should be reviewed to make services free at point-of-use to enable timely diagnosis and treatment of COVID-19 for all who need them. For example, people who require treatment or are in quarantine or self-isolation should not be asked to pay for services. It can prevent them from obtaining necessary care, making it harder to control the outbreak and putting entire societies at risk.

Figure 7. Government health expenditure



Source: World Bank.
Note: Data as of 2018.

Figure 8. Universal healthcare service coverage



Source: World Health Organization.
Note: Data as of 2017.

MSMEs and Vulnerable Groups

Governments worldwide have implemented non-pharmaceutical interventions, including lockdown measures, to curtail the spread of the virus. However, these measures have also inevitably impacted economic activity through disruptions in labour supply, consumer demand, global and local supply chains, and access to capital and finance. Therefore, a pivotal part of policy support will ensure that households and businesses can continue to navigate the crisis.

Firms have continued re-opening their businesses in the Mekong region, and revenues have improved, but progress has not been uniform. MSMEs have been more affected by the COVID-19 pandemic as they have fewer internal resources and face more limited access to financing. Policymakers should continue to design targeted measures for MSMEs. For example, tax deferrals and access to loans are the policies most needed by firms in Cambodia (World Bank 2020). However, there is a mismatch between policy need and the ability to access those policy measures, and this gap is especially pronounced for smaller firms. Therefore, policymakers should pay close attention to the delivery and performance of government support schemes, including addressing pre-existing restrictions and enhancing policy coordination.

The informal sector has also been hit hard by the pandemic because much of it is concentrated on services (World Bank 2021). In EMDEs, almost three-quarters of firms in the services sector are informal, compared to about one-third in manufacturing. Informal firms and informal workers—out of sight of the government—could not access government support systems and had very few buffers to fall back on in times of distress. Women and people living in rural areas are more likely to be employed informally. Policymakers should consider how to effectively engage with these vulnerable groups to provide support schemes to them. This may involve engaging with social enterprises or community service organisations to reach those located in remote or rural areas.

Tourism

The pandemic has decimated travel and tourism, which has severely affected tourism-reliant countries. For example, international tourist arrivals in 2020 fell by 80 per cent in Cambodia and 83 per cent in Thailand. Even before the pandemic, the industry faced several challenges, including an overreliance on foreign tourists from a limited number of countries, a lack of infrastructure outside major destinations, and low spending levels per tourist (ADB 2021). As the region recovers, policymakers should focus on restoring and building new channels of demand and increasing the industry's resilience.

COVID-19 could lead to shifts in consumer demand, from long-haul international tourism towards domestic and proximity international tourism. This may arise due to health and hygiene concerns or a fall in household income. Moreover, the adoption of digital tools to hold virtual meetings could depress demand for physical meetings, incentives, conferences, and events tourism. Countries will have to develop marketing campaigns to convince travellers that it is safe to travel and accelerate the rollout of vaccines to help travellers feel safer. There should also be an emphasis to diversify tourist destinations, such as developing ecotourism. Finally, governments will have to work with the private sector to enhance the industry's resilience to better cope with future crises.

Garments

Cambodia, Thailand, and Vietnam are competitive in the labour-intensive textile, apparel, and footwear manufacturing industries, owing to relatively low labour costs, strategic location, preferential market access, and supportive government policies (Huynh 2015). However, the pandemic has exposed their vulnerability, primarily in heavily relying on imported raw materials and exporting to few markets such as the European Union and the United States. In addition, workplace closures in other countries have hampered the import of inputs for garment production, while cancellation of orders have forced many firms to temporarily cease operations and lay off workers.

Going forward, firms need to increase their resilience by pursuing more flexible business models and exploring new export markets. Garment factories need to switch across production types to meet changing consumer demand and equip their workers with transferable skills. They will also need to develop more end markets through product differentiation and producing higher value-added garments. Governments can play a role by improving trade facilitation and investing in technical and vocational training.

Electronics

Electronics manufacturing is an important sector in Thailand and Vietnam, with electronics exports making up more than 30 per cent of total exports. Although the industry has remained resilient during the pandemic, structural challenges need to be addressed to facilitate the sector's growth in the post-COVID-19 environment. This includes greater diversification across the electronics supply chain, which currently relies heavily on raw materials and intermediate products from China, moving up the value chain to semiconductor fabrication from the simple assembly of electrical components, creating innovation-driven growth strategies for firms to adopt disruptive technologies (Internet of Things, artificial intelligence, robotics), and developing human capital to attract foreign direct investment.

Digitalisation

The pandemic is pushing more consumers online and accelerating the adoption of digital tools. In Cambodia, almost half of firms have increased digital platforms, mostly for marketing and sales (World Bank 2020). However, Cambodia still has one of the lowest shares of firms, having adopted or increased digital platforms. This may reflect the digital divide and infrastructure-related issues. In Cambodia, only two-fifths of the population have access to the Internet, compared to more than two-thirds in Thailand and Vietnam. In Lao PDR and Myanmar, the shares are even lower, at around one-quarter.

Policymakers should focus on overcoming the digital divide by facilitating MSME's adoption of digital tools. This can include lowering data costs through subsidies or partnerships with telecommunications providers, providing grants for first-time purchases of devices such as mobile phones and computers, and promoting digital literacy through training that emphasises building online business skills (Karr et al. 2020). Governments will also have to enhance trust in digital solutions by enacting new or revising existing legislation relating to cybersecurity and data privacy and combating digital fraud and online misinformation.

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Post-COVID-19 Economic Recovery: Some Reflections on Cambodia

Christian Berger and Stefan Hanselmann

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Dr Stefan Hanselmann is Director of the GIZ Regional Economic Development Program IV and the SME Support Program.

The following deliberations on post-COVID-19 economic recovery do not claim to be a fully-fledged macro-economic analysis. Instead, they focus on selected structural and sectoral aspects that reflect personal experience and not necessarily official German positions.

Until the outbreak of the COVID-19 pandemic, Cambodia saw a long period of vigorous growth. It was inclusive to the extent that it offered for the first time hundreds of thousands of people employment and income in the formal sector of the economy. With the pandemic, it became apparent that the structure of Cambodia's economy offered little resilience to external shocks. However, the pandemic also allows the Cambodian Government to draw valuable conclusions and develop policies that increase the country's future resilience against such shocks and dependencies.

As a short-term measure, especially the Cash Transfer Program proved extremely helpful. It may well serve as a stepping stone for a permanent structure, a social insurance scheme with universal coverage. This permanent structure could and should also cover individual medical emergencies, which frequently lead to indebtedness and continued poverty for the most vulnerable members of society. But let there be no doubt: such schemes are not a free-for-all; they need permanent financing. Moreover, to benefit from social insurance protection, those who receive protection from the system are the same who will have to maintain it by regularly contributing payments to it.

During the crisis, the microfinance sector received particular attention. A well-functioning microfinance system can be very useful for a country like Cambodia. It can provide credit for farmers and small enterprises which otherwise lack access to the banking sector, and it offers an alternative to borrowing from loan sharks. However, the COVID-19 crisis revealed both short-term problems as well as structural deficiencies. It seems that the short-term problems are in the process of being addressed by the Cambodia Microfinance Association and civil society organisations. But to remain beneficial, functional, and relevant for long-term economic growth, some experts suggest stronger regulation of the microfinance sector. It may not be sufficient that internal company regulations and self-governance exclusively guide operations of those institutions. In addition, experts recommend improving the overall financial literacy of the population to become aware and measure the consequences of burdening themselves and their families with large debts. The third matter for discussion is whether land titles shall be prohibited as collateral for microcredits. Collateralised land titles might incentivise microfinance institutions to be less concerned about the ability of clients to pay back the loan.

There is no guarantee that Cambodia's past growth model will regain its old strength. A need for modernisation and diversification of economic structures has been on the cards for some time. But which sectors can be drivers of future growth?
The agricultural sector offers significant potential, but so far, mechanisation is limited, productivity is low, and production is focused on the domestic market. At the same time, interesting opportunities exist with exports to foreign markets. Unlocking this potential is certainly not easy, as negotiations about mango exports to Japan or China showed. It requires time, effort, and resources on all sides. Moreover, successful penetration of international markets will not come overnight.

An important aspect is an access to information for producers and traders. Only up-to-date and comprehensive data about potential market demand, clients, phytosanitary and other import regulations, transport channels and distribution networks allow for a sustainable export of products. As for the German and EU markets, efforts are underway to establish an export support system in Cambodia that will provide information on all these aspects. The intention is to have the system fully operational once the present restrictions imposed by COVID-19 are over. Another aspect is to move up the value chain and develop agro-processing capacities in Cambodia. For example, if you can find canned vegetables from Peru in Phnom Penh's supermarkets, why should it be impossible to find Cambodian products in the supermarkets of Berlin, Hamburg or Munich?

Industrial manufacturing is another option to explore. Used strategically, it will open the door to global value chain integration, including the possibility of gradually moving from low to medium level technologies. This approach could work for industries such as automotive components, electrical goods, or engineering products. It may need fiscal incentives to encourage foreign investors to establish a production base in Cambodia. It will certainly need a qualified workforce with a demand-driven set of qualifications. Combining them with the concept of Special Economic Zones facilitating local production through foreign investment will offer a starting point for industrial production networks and technological clusters. The SANCO Special Economic Zone in Poipet may serve as a good example.

Tourism is another sector that Cambodia may want to develop more systematically. Angkor does not need much advertising. Instead, it needs a balanced policy approach that optimises its long-term use as a tourist destination and pays respect to its unique architectural treasure's religious and cultural dimensions. The recent decision not to go ahead with a large-scale tourist development project in the immediate neighbourhood of Angkor Wat seems to follow this balanced approach. At the same time, a visit to Angkor should not just be part of a regional package sold by international travel agencies. Cambodia has a lot more to offer. To fully develop the country's potential, Cambodia will have to analyse existing tourism flows, economic impact and future sustainability. Challenges will be the accountability for the social and environmental effects of tourism, the effective management of tourist flows or the increasingly digitalised strategies to meet the demands and expectations of the modern travellers.

Despite COVID-19 and a limited EU market access, the textile industry provides roughly one million jobs. If well managed, it will continue to do so for a long time. Vocational training and the consideration of internationally recognised environmental and social standards are probably the two most important factors Cambodia must keep working on if it wants to keep its textile industry competitive. At the same time, it is worth noting that the EU Commission considerably softened the original proposal regarding the withdrawal of free market access under the EBA scheme. It paid off for Cambodia to take up matters with the EU Commission in Brussels. A further pro-active engagement with the EU Commission in Brussels might open the way to full restitution of the EBA preferential system, from which Cambodia has profited so much.

Much has been written about Cambodia's "Golden 1960s". But maybe those years were not so golden after all. Cambodia's economy at the time was largely fueled by foreign funding. In other words, the "Golden Sixties" were an unsustainable illusion. Today, however, Cambodia has a viable production base and the potential to become part of regional and international value chains. Today, if available resources are put to productive use, sustainable and inclusive growth will be no longer an illusion.

Women in Crisis: Women's Economic Challenges and Empowerment in Post-Pandemic Recovery

Isabel Weininger and Likhedy Touch

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Likhedy Touch is Program Manager at Konrad-Adenauer-Stiftung Cambodia.

The impacts of crises are never gender-neutral, and the COVID-19 pandemic is no exception. It has taken a serious socio-economic toll on women and girls all over the world, including Cambodia. What are the concrete impacts on women in the Mekong Delta, especially in Cambodia? And which policy measures are in place or should be taken to counter the effects of COVID-19 on women at the national and regional levels?

Why Are Women More Vulnerable to Crises?

Women are more vulnerable than men to crises, whether environmental, economic or financial crisis, or war and conflict. The social and economic ramifications of any crisis affect women more than men. This was the case, for example, for the global financial crisis in 2008 and the Ebola epidemic in Western Africa in 2014. According to the United Nations (UN), 80 per cent of people displaced by climate change are women (Habtezion 2016, 5). If there is a lack of jobs and resources, women lose their jobs and income first and might descend into poverty, and girls are more likely to be deprived of education.

For the current COVID-19 crisis, women worldwide are suffering and impacted more from the containment measures and the economic consequences. The UN expects long-term income losses for women and a decline in the female employment rate. The pandemic has exposed the existing gender inequalities and underscored the urgency for sustainable and coordinated actions. According to the UN, "Women earn less, save less, hold less secure jobs, are more likely to be employed in the informal sector. They have less access to social protection and are the majority of single-parent households" (UNWomen 2020a, 4). Women are working in essential sectors such as supermarkets or nutrition production, health services, and child care. Seventy per cent of care and social workers worldwide are women, and women contribute three times as much unpaid domestic care for relatives or ill people as men (UNWomen 2020b, 4). Those occupations are necessary to uphold even during the pandemic. Therefore, women are more exposed to the risks of COVID-19 infections while their unpaid care and domestic work burdens have increased.

Moreover, the economic effects are more severe for women, since they are already being paid less. The UN Women calculated that the crisis would widen the gender poverty gap. Approximately 47 million women and girls will be pushed into extreme poverty, and 247 million women, compared to 236 million men, will be living on less than 1.90 US Dollars per day in 2021 (Ibid, 7). In addition to the economic pressure, the number of gender-based violence rose throughout the world during the pandemic. The pandemic has also constrained women's access to sexual and reproductive health care. For example, many pregnant women avoided going to hospitals and clinics for their check-ups due to the fear of catching the virus, which could have repercussion to their overall health (Oxfam 2020, 8). Also, the pandemic has affected women more than men in physical and mental health. For example, 66 per cent of women in the Asia-Pacific region confirmed mental health repercussions, which is eight percentage points more than men (UNWomen 2020b, 10).

Zooming into the Mekong region, a common analysis by UNICEF, UNWomen and CARE points out that the economic sectors which are hit the most by the pandemic are the garment industry, tourism and the informal sector in general, where more women tend to work. For example, 75 per cent of garment workers in the region are women. For those working in the informal sector, 94 per cent and 87 per cent in Cambodia and Myanmar relatively are women (CARE et al. 2020, 2).

COVID-19 Impact on Women in Cambodia

Like other countries in the Mekong region, Cambodia's economy is mainly driven by the garment manufacturing industry and agricultural sector, followed by tourism and construction sectors creating a high rate of informal employment. In these sectors, women are over-represented and experience gender-based occupational segregation. Horizontal segregation means that women and men tend to work in different occupations, industries or sectors, while vertical segregation stands for the different positions, responsibilities and unequal opportunities (World Bank 2019). To exemplify this horizontal segregation by demographic numbers in Cambodia, 77 per cent of the 750,000 garment factory workers are women (CARE et al. 2020b, 12–13). Also, a majority of employees in the entertainment and tourism sectors are women, including approximately 34,000 sex workers. Cambodian women are more vulnerable to layoffs and loss of livelihoods as a result of COVID-19 because they hold less secure and formal jobs than men, not to mention having fewer alternatives to generate income (Tamesis 2021).

In the case of Cambodia, the horizontal and vertical segregations can be explained by many different factors, including unequal access to education, social norms and traditional gender roles, and other pre-existing inequalities. On skill education and opportunities for women in Cambodia, it has become evident that women have less networking and financing possibilities, and women and girls tend to get less education in technical, mathematic and digital fields. Consequently, they have fewer options concerning which sectors they can enter and fewer opportunities to reach high positions in their careers. Nevertheless, some Cambodian women were able to turn the crisis into opportunities and digitalised successful business models (KAS et al. 2020).

Another strong negative impact from the COVID-19 pandemic on women is school closure. On the one hand it is difficult for women to enter the labour market with low education, but on the other hand it is particularly hard for girls to continue or return to education. In Cambodia, schools have been closed for nine months without any specific date for reopening due to the unpredictability of COVID-19 (UNICEF 2021), which has led to mostly women in the families being responsible for homeschooling of children. This adds up to unpaid care and domestic responsibilities. Another issue is that the post-pandemic economy will offer only few opportunities to those women who want to return to the labour market, mostly in the informal sector or in unfavourable conditions (Swedish Embassy 2020).

Cambodia has the highest informal employment rate compared with other Mekong countries, with 94 per cent for women, compared to 87 per cent for men. In neighbouring countries such as Myanmar and Thailand, the percentage is lower, with 87 and 37 per cent respectively of women working in the informal sector (CARE et al. 2020b,12–13). In Cambodia, two-thirds of micro, small and medium enterprises (MSMEs) are owned by women, and most are unregistered. This is why fewer women are likely to benefit from the government measures, for example, from the SME finance fund for registered businesses (Oxfam 2020, 8).

Gender stereotypes and inequalities, coupled with gender-based employment segregation, can further intensify women's risks and vulnerabilities during the pandemic and its aftermath (Estrada et al. 2020). Women are more vulnerable because of an interplay of gender inequalities, traditional roles and other intersecting factors within the broader framework of socio-economic development. All of these can lead to increased risks and vulnerabilities for women during and after the pandemic crisis.

Gender Responsiveness in Cambodia

When the pandemic hit, the Royal Government of Cambodia (RGC) immediately launched the COVID-19 Master Plan that includes strengthening the health system, providing support for workers and enterprises, and allocating cash transfer to poor and vulnerable households (ADB 2021). While gender responsiveness was not directly reflected in the policies and strategies when formulating and implementing the master plan, women are part of the targeted vulnerable segments. Existing mechanisms to fight poverty and to provide social assistance, such as ID Poor and the National Social Security Fund, can help alleviate the impacts and ensure income security for Cambodians who are not part of the national protection system and who are working, for example, in the informal sector whose employees are mostly women. For example, workers who lost their jobs due to the pandemic are provided with income assistance of US$40 per month from the government and US$30 per month from their employers to protect them from falling back into poverty (WB 2020, 20). This is one example indicating how gender mainstreaming has not been yet fully implemented in the Kingdom's policies.

However, line ministries have been making gender mainstreaming efforts during the pandemic. For example, a Ministry of Health (MoH) project produces a range of Covid-19 communication materials that are gender-sensitive and include gender-responsive messages. Besides, the Ministry of Women's Affairs (MoWA), which has the national mandate to promot gender equality and women's empowerment, is working on outlining gender mainstreaming approaches and is strategically planning concrete measures to respond to the negative impacts of the pandemic on women and girls and vulnerable groups.

According to the Director-General of Gender Equality and Women's Economic Development (phone interview on 28 May 2021), MoWA's General Directorate of Gender Equality and Women's Economic Empowerment is currently drafting a Working Paper on Leading the Way for Gender-Responsive by addressing the 3Ps – Policy Framework of Post-COVID-19, Partnerships and Priorities. Regarding the Policy Framework, MoWA will adopt the three-year operational plan, under the title "Economic Recovery Plan 2021–2023: Recovery, Reform and Resiliency," to respond to the COVID-19 outbreaks in the Kingdom. MoWA has established and operated the Gender Responsive Social Protection Working Group to ensure a more active collaboration and response to gender topics in the national council and social protection plans.

Generally, MoWA partners with other line ministries, the private sector, and non-governmental organisations such as Oxfam and United Nations agencies to promote gender equality and women empowerment within the government's Digital Social and Economic Policy Framework and the Entrepreneurship Development Fund. It also works through sectoral gender mainstreaming mechanisms by focusing on, among other things, building capacity on social protection; supporting studies and research related to unpaid care, domestic work, and the care economy; and supporting women's entrepreneurship development.

Additionally, MoWA has prioritised areas for actions under the framework of the latest Neary Rattanak V (2019–2023), the National Strategy for Gender Equality and Women's Empowerment, such as boosting women and girls in STEAM education (an educational approach to learning focusing on Science, Technology, Engineering, Arts and Mathematics), accelerating women economic empowerment especially in communities and rural areas, and expanding women's leadership in political and public sectors and gender mainstreaming in climate change, amongst others. Furthermore, MoWA launched the third National Action Plan on Violence Against Women in 2020 to prevent and combat all forms of violence against women and girls. The plan also promotes public awareness of the issues, expands socio-economic opportunities, and strengthens participation and accountability (MoWA 2020). These action plans will be a driving force promoting gender equality and women empowerment and enhancing women's engagement and participation in post-pandemic recovery plans "to build back better" across all sectors in line with the priorities set by the government and all relevant actors.

Because the action plans have just been introduced, their outcomes are not yet available for assessment. All the plans and frameworks on gender-sensitive policies regarding the impacts of the pandemic cannot be implemented if the economy itself is not recovering. However, progress can be achieved through expanding women's access to public services during the pandemic by taking advantage of new technologies. For instance, women have gained more access to health services digitally. Useful information on sexual and reproductive health have become more available through technical support from the MoH (UNFPA 2020). Furthermore, women have gained greater access to mental health support services, where they learn to address mental health issues and mitigate the risks of gender-based violence (WHO 2020). These digital health services are improving in light of the pandemic, promoting the empowerment and safety of women and their families and the communities. In moving forward, Cambodia needs to further strengthen its institutions to support gender-mainstreaming and gender-sensitive recovery through institutionalising human resource development with external stakeholders, NGOs and the private sector.

Empowering Women in Post-Pandemic Recovery

Looking at the case study of Cambodia, the recommendations for women empowerment in the Mekong region and the wider Southeast Asia are similar to the global responses to the pandemic. The UN recommended three priorities for policymakers on countering the COVID-19 impacts on women (UN Women 2020b), which are as the following:

- Firstly, to ensure women's equal representation in all decision-making and response planning processes related to COVID-19;
- Secondly, to address the improvement of conditions for jobs in the care economy – paid and unpaid; and
- Thirdly, to include the international gender lens into all socio-economic counter-measures from financial aid to social welfare programmes.

In Southeast Asia, several regional organisations and initiatives have been working on the empowerment of women and girls and the inclusion of gender perspectives, which are also relevant to countering the current challenges posed by COVID-19. For example, the ASEAN Ministerial Committee on Women (AMMW) and the ASEAN Women Entrepreneurs Network (AWEN) have established several regional formats that could help counter the socio-economic impacts from the pandemic on women in the region. As Cambodia is now preparing to take up the role of ASEAN Chairmanship in 2022, it might take the lead in the next ASEAN Women Leaders' Summit, which was first held under the Vietnamese leadership in 2019, to promote women's entrepreneurship development.

Furthermore, the Mekong River Commission (MRC) has started including gender perspectives since 2000. Since women contribute enormously to nutrition, food security, and livelihoods of families along the Mekong River, they are more negatively affected than men by floods and droughts. The MRC acknowledges the importance of gender equality for sustainable development in the Mekong River Basin and thus aims to increase equitable economic and social development. For example, the MRC's "Basin Development Strategy for the Mekong River Basin 2021–2030 & MRC Strategic Plan 2021–2025" show the importance of gender-sensitive policies throughout the reports (MRC 2021). These existing commitments offer the possibilities to monitor the effects of the ongoing COVID-19 pandemic on women and give a basis for improving policy development and responses in the respective Mekong countries. Also, the MRC should raise and continue its efforts in promoting gender equality and mainstreaming regarding the sustainability of its measures.

The challenges and risks women and girls in the Mekong region face due to COVID-19 are not much different from those in most parts of the world. In the post-pandemic recovery period, to empower women across all sectors and especially to help them re-enter the economy, all Mekong countries shall continue pushing forward not only with the implementation of gender mainstreaming in all line ministries, but also with the provision of a sustainable economic environment for women to return and thrive in the job market. This is only possible if women have the same opportunities as men and can access decent work without gender-based occupational segregations or stereotypes. To achieve a real paradigm shift, all recovery measures must include women, whether it is unemployment benefits or access to education. And finally, the obstacles for women to achieve better-paid and higher-skilled jobs must be addressed in our societies and families. It should not be accepted that women and girls suffer more from the socio-economic impacts of the pandemic simply by virtue of their gender.

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Pathway to a Full-Fledged Digitalisation and E-Commerce in Cambodia in Post-COVID-19 Economic Recovery

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Introduction

Looking back at Cambodia's economic landscape a few years ago, people would prove that Cambodia had a long way to go, whether it is about catching up with the global economic phenomenon of Industrial 4.0 or about transforming into the digital economy fully fledged. Back in 2019, the Cambodian Minister of Economy and Finance stated that Cambodia would need approximately ten years at minimum to have a full-fledged transformation into a digital economy (Xinhua, March 12, 2019). The integration of technology into workplaces and businesses took place in a slow yet progressive manner.

It is important to discuss the digital economy since we are not just talking about catching up with the rest of the world but also about absorbing the economic benefits. Raised by the UN Resident Coordinator Pauline Tamesis, the changing phenomenon presents a huge opportunity for Cambodia's economic development backed by the 50 billion dollars e-commerce trade volume accumulated within Southeast Asia with the prediction of its increase to approximately 200 billion dollars by 2025 (UNDP 2018; Hor 2018). Nonetheless, she also pointed out concerns about various areas that still need further concentration, development, and investment, such as human capital. In addition, she mentioned the importance of Cambodian citizens to familiarise themselves with modern technology.

The foundation of the digital economy has been identified to be the "hyperconnectivity" produced by modern technology, the Internet, and the Internet of things (IoT) (Deloitte 2021). Hyperconnectivity has modified the traditional business models and operations, communication, information sharing, data storage, and products and goods delivery facilitated by digitalisation. Therefore, the Minister of Economy and Finance of Cambodia emphasised that the country would need to expand the digital infrastructure of Internet coverage and its cost, services, applications, and devices, and improve logistics and payment system together with providing people with digital literacy (Xinhua, March 12, 2019). Even though it appeared that Cambodia was taking turtle steps toward achieving the goals, the COVID-19 pandemic has triggered the turning point. The country's digital economy is taking off due to the rapid increase in internet use, online entertainment, online businesses, the integration of technology at workplaces, adoption of digital payments, and government support.

Barriers to Digital Economy in Cambodia before the Pandemic

The shortages in digital infrastructure and digital literacy were considered the barriers to digital economy in Cambodia, which was still far lagging other countries in the region. For years, the government implemented the Rectangular Strategy Phase III 2013–2018, the National Science and Technology Master Plan 2014–2020, Telecoms and ICT Policy 2017, and ICT Master Plan 2020, which signify the necessity in developing e-Government and encouraging the private sector to invest in technology, specifically in Research and Development for innovation and technology to enhance competitiveness, improve the ICT industry, develop human resources, internet connectivity, cybersecurity, and government e-services (Koica 2014; General Secretariat of the National Science and Technology of Ministry of Planning 2016; CDC 2014; Cambodian New Vision 2013).

Despite the efforts, digital literacy is still low in Cambodia, in which most Cambodian internet users only use the Internet for entertainment (74.4% of the users) and for news and information gathering (approximately 30% of the users) (Im 2019). Moreover, Hutchinson, deputy director for external affairs of the ICT Association of Cambodia and

Sola, the coordinator of the Khmer Software Initiative of Open Institute, said the price of the Internet in Cambodia is still relatively expensive and the coverage of internet access is not throughout the country (Barton 2007). Data provided by His Excellency Im Vutha of the Telecommunication Regulator of Cambodia showed that internet coverage of 3G technology is only accessed by 85.1% of the population and only covers 60% of the country. In contrast, the 4G technology is used by 80.3% of the population with the coverage of just half of the country area (Im 2019.).

Besides, digital literacy is relatively low although a quarter of the Cambodian population use the Internet. However, they have not maximised the use of the Internet by searching for data available on the World Wide Web. Instead, they solely navigate through Facebook (Chhem et al. n.d.). The integration of digital technologies by the private sector is constrained due to the lack of ICT knowledgeable staff, supporting legal framework, and limited access to financial services. Based on data given by Digital Rain, there are inadequate internet infrastructure, legal framework, and human resources with IT skills at junior, senior and managerial levels, resulting in the tendency of recruiting workers with soft skills or training employees IT skills related to the use of basic computer software programmes, the Internet, blogging, or writing (Digital Rain 2016).

COVID-19: Turning Point of Digital Economy

The COVID-19 pandemic is the catalyst for digital economy in Cambodia just as in the rest of the world. COVID-19 has posed obstacles to major economic aspects, such as disrupting global trade and global supply chains, restricting domestic and international travel, and affecting the tourism and hospitality sectors, triggering a global economic recession. However, the pandemic has a silver lining effect. With people experiencing lockdown and travel restrictions, digitalisation has been rapidly integrated into different spheres of the society and economy.

Internet demography in Cambodia

One of the noticeable phenomena to support this argument of how the pandemic has accelerated the overall digital progress is the increase in the number of internet users and social media users. Although the number alone may not indicate an in-depth linkage of how it will facilitate the rapid growth of the digital economy, it represents the rise in awareness and the use of digital technology in daily lives and the ability to digitalise. As emphasised by the Minister of Commerce, the rapid growth of e-commerce in the recent decades is owed to the affordable internet connection (UNCTAD 2020). In this regard, he also expressed that e-commerce in Cambodia established its concrete consumer base, intensified by social media and “smartphone-based value-added services” (Ibid).

Currently, Cambodia is preparing for the pre-5G and 5G route in terms of digital infrastructure. In 2018, 6.4 million people were 2G subscribers (30%); 4.6 million people subscribed to 3G (24%), and 8.2 million people used 4G (43%). Amidst the pandemic, the percentage of internet penetration, which refers to the internet coverage compared to the total population, reached 50%, while mobile connections reached 125.8% of the total population (Ibid). In 2021, social media users have jumped to 71.3%, different from 2016, which was marked at 27% (Statista Research Department 2021a). In one year of the pandemic, it is noted that there has been a surge in internet users of approximately 1 million people, accumulating a total of 8.86 million internet users out of the 16 million population in the country (Data Reportal 2021). Nonetheless, the figure for internet subscription rose to a sum of 14.8 million subscribers, which is equivalent to 90% of the population (Ibid).

E-commerce and logistics as coping mechanism during COVID-19

The pandemic has forced businesses to turn to e-commerce, resulting in e-commerce becoming the means to divert the impact of the pandemic and recover from it. According to UNCTAD’s director of technology and logistics, Shamika N. Sirimanne, “Economic recovery after the pandemic will require greater efforts to foster the uptake of e-commerce and digital solutions all over the country” (UNCTAD 2020). In other words, since the pandemic requires social distancing and generates the implementation of travel restriction and lockdown, businesses wishing to continue their operation must modernise their business operation models by digitising their business operation. Thus, businesses need to switch from relying on traditional 'Brick and Mortar' shops, which refer to businesses that open up physical stores and offer direct goods and services shopping, to putting up their businesses on social media and other digital platforms. For instance, some businesses set up Facebook pages or Instagram pages to boost their sales during the pandemic.

At the same time, some other businesses also set up partnerships with delivery companies, which is particularly for food stores/stalls. They put their shopping services and products in food delivery mobile applications, such as foodpanda, grab deliveries, Nham24, and more. Data showed that the total estimated value of e-commerce market transactions could rise to US$222 million in 2021, with an average expected growth rate of 8.98% in five years, and could increase to US$313 million by 2025 (Statista Research Department 2021b). As for the number of e-commerce users, it is estimated to be at approximately 5.8 million people in 2021, equivalent to 32.9% of the population, and it may climb to 7.8 million people (44.1%) by 2025 (Ibid).

Workplace and digitalisation

In other aspects, we have also witnessed a similar change in working life. For example, work from home has become a new normal amidst the lockdown and travel restrictions. Furthermore, complying with the government policy set out to curb the 20 February 2021 community outbreak, a new call for reduction of people in one confined space (office) has resulted in the adoption of remote working (Hrm Asia 2021). Therefore, to sustain business operations and goods and services provision, firms and entities have switched to using digital technologies to facilitate their activities. These include video conferencing instead of actual physical meetings, emails for online reports, the use of one shared system and software like clouds and drive to store and share files among staff, which corresponds to the extension of digital literacy among the labour force, the better utilisation of technology to facilitate business operations, and a step toward familiarisation with high-tech.

COVID-19 paving the way for active use of e-wallet

In terms of fintech, although it is in its premature stage in Cambodia, the use of e-wallet and e-payment has been significantly growing. The pandemic has paved the way for further growth in this sector, as people try to minimize contact even in cash exchanges. Therefore, e-banking, mobile payment, and e-wallet have become their alternatives, especially when they are highly interconnected with the e-commerce activities that consumers and suppliers perform. In a report by Mekong Strategic Partner in 2020, contactless payment using QR codes has set the trend in major businesses activities during the pandemic. This marks the beginning of fintech acceptance, service usage, and adoption by customers in the country, which implies that in the long run, once dealt with the pandemic, the payment method will lead the way due to its convenience and security, as customers need not hold money in their hand but rather make payment digitally at any time in any currency.

Besides, mobile wallet services such as transferring money from a customer in one province to another are also increasingly used, since travel restrictions and cross-province travel were banned quickly. Additionally, another illustration of why e-payment grows significantly comes from the government's active use of digital money transfer, such as the government support programmes during the pandemic. For example, based on UNESCAP, the government's Cash Transfer Program supporting unemployed garment workers and tourism sector employees used Wing agent, a mobile wallet agent, to deliver financial assistance to 530,000 households. The amount is equivalent to a total of US$23 million (UNESCAP 2021).

Government efforts in supporting e-commerce amidst the pandemic

With such success of e-commerce and the rapid progress of digitalisation, the Cambodian government has put its best effort into facilitating online business activities. In a press release, the Ministry of Economy and Finance released the statement that the government is working on drafting the 2021–2035 policy framework focusing on: 1) developing digital infrastructure, 2) fostering digital trust and confidence, 3) creating digital citizens, 4) building the digital government, and 5) promoting digital businesses (Thou 2021). Additionally, a law on e-commerce, together with a law to protect consumer rights and businesses, have been passed (UNCTAD 2020; Business 2 Business Cambodia 2021).

However, it does not end there since the government has continuously put their best performance into finalising sub-decrees on e-commerce businesses registration, resulting in the ease of registration burden of about 40% of the actual cost, and law on cybercrime (UNCTAD 2020). At the beginning of the year, the Ministry of Commerce, together with EIF, also set up a US$2.5 million worth project to provide government support in “business-to-business and business-consumer marketplace” and assist MSMEs in setting up their businesses on online platforms and becoming a part of e-commerce (Ibid). Besides, the Ministry of Posts and Telecommunications contributed to the working group drafting an e-government policy framework corresponding to the digital economy policy of Cambodia ICT Masterplan 2020 and Telecom-ICT Policy 2020 to encourage a transition to the digital economy and digitalisation in public sectors.

Digitalisation as the Road to Recovery

Regardless of all mentioned above, the digital phenomenon might have just occurred in the capital city of Phnom Penh and other major cities; it is yet to take shape in full-fledged. Therefore, hard and soft technology infrastructure and digital literacy will need to be the priority of the public in other underdeveloped regions throughout the country. Nonetheless, what we see now is an opportunity to recover from the impacts of the pandemic. Digitalisation is the engine of our economic growth and can enable a full-fledged transition to digital economy, which could lead us to catch up with the global digital economy.

Digitalisation is a road to recover from the damages caused by the COVID-19 pandemic and build resilience against external shocks in the future. Amidst the pandemic, people are cut off from the outside environment, at least physically. The lockdown and travel restrictions mean fewer customers, fewer economic transactions and activities, and an economic downturn. However, for businesses to grow, for work in firms to get done, and for their demands to meet, there is a need for a tool to bridge the gap, and that is the use of digital technology.

Businesses are bound to operate in their usual activities normally by enhancing digital marketing, digital sales, digital payment, logistics, and system to operate. That would mean although there are no physical interactions, goods and services can still be delivered and ordered online; marketing can be largely intensified on social media, which could reach the general public and could also be expanded to international customers; payment can be made using an e-wallet or mobile wallet; meetings can be organised online using applications such as Zoom, google meets, Microsoft teams, and other; and working papers can also be consolidated underneath one company system. Therefore, economic activities could sustain and provide rooms for Cambodia's economy to recover from the pandemic.

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Vietnam on Road to Post–COVID-19 Economic Recovery, But with Challenges

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Introduction

All over the world, countries are working to contain the death toll, reduce the number of infected people, and flatten the curve. Multifactored calculations are also being made by governments to organise from the top down to restore the post-COVID-19 economy. It is difficult to evaluate whether economies of many Asian countries are on the road to post-COVID-19 economic recovery. There has been a spike in new cases in recent months in 2021, which threatens and delays efforts to reopen and develop the economy. This paper discusses some of the impacts of COVID-19 on Vietnam's economic growth and prospects for future economic recovery.

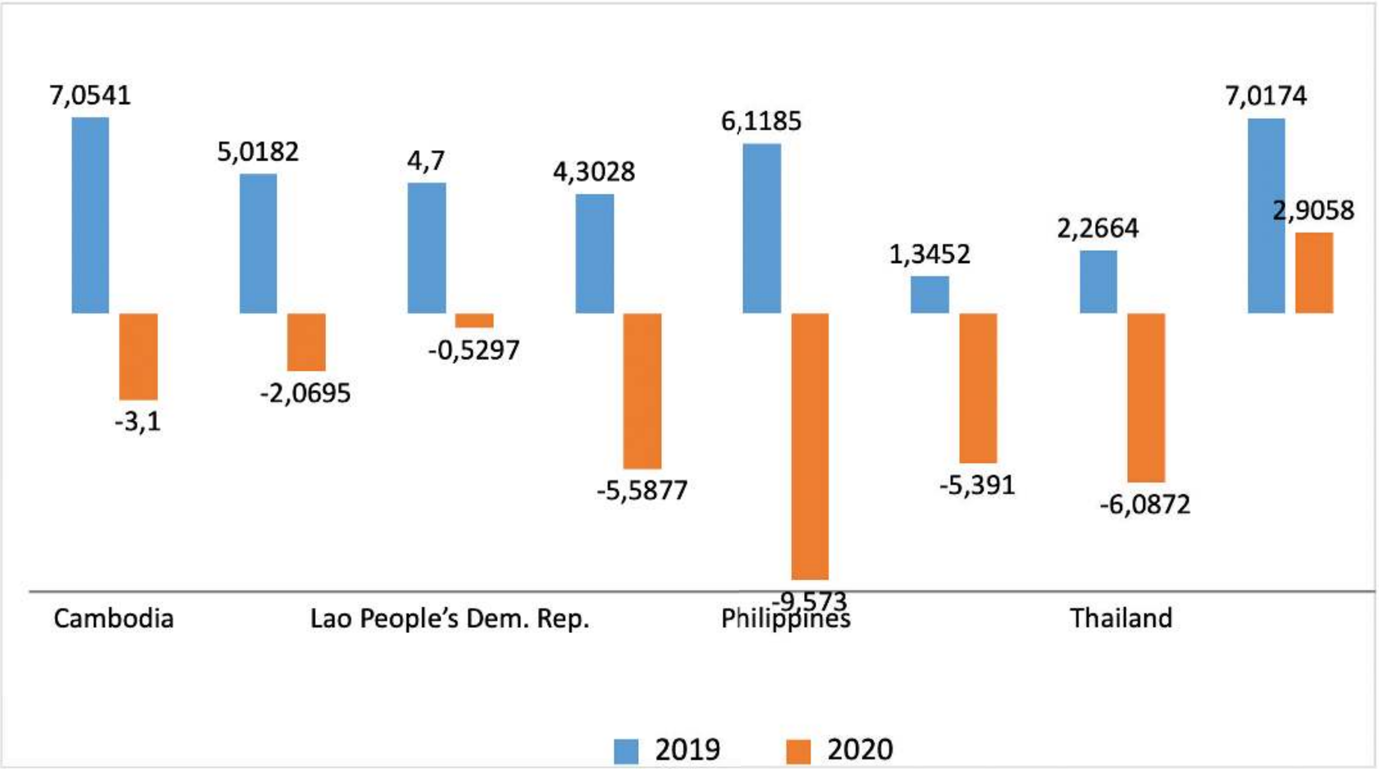
Vietnam has emerged from the COVID-19 pandemic, thanks to its efforts in disease control. It is the only country in ASEAN that was able to maintain a positive economic growth rate in 2020. Soon after Vietnam detected its first COVID-19 case on 23 January 2020, aggressive and cost-effective control measures were adopted to contain the pandemic, such as aggressive contact tracing, targeted testing, and isolation of suspected COVID-19 cases. The swift introduction of the containment measures helped keep recorded infections and death rates notably low and bring the pandemic under control in 2020. As a result, the successful containment and timely policy support helped limit the economic fallout and the size of the emergency response package in 2020.

Vietnam's Successful COVID-19 Containment and Economic Recovery in 2020

Although the pandemic hit the economy hard, Vietnam has taken decisive steps to limit both the health and economic fallout. GDP growth in 2020 was at its lowest of the last three decades. With exports and tourism severely affected, domestic consumption has been (and is expected to continue) critical to hold the economy together. During the COVID-19 outbreak, domestic activities and tourism declined due to increasing social distancing and mobility restrictions, culminating in the almost complete national lockdown in April 2020. Yet, Vietnam has remained one of the most dynamic economies in the world. In 2020, its economy expanded by 2.9 per cent, one of the highest growth rates, backed by the early rebound of domestic activities, thanks to the relatively low rates of COVID-19 infections and robust export performance, particularly higher-tech exports of electronics as people around the world work from home.

In addition, Vietnam's economic resilience can be explained by some factors. First, it relied on the rest of the world to drive its domestic growth. The foreign sector was the driving force as merchandise (net) exports continued to grow at an exceptional rate of above 10 per cent per month (year-over-year). Second, domestic activities rebounded when the authorities started to ease most mobility restrictions after the pandemic was under control. As a result, manufacturing production surged by over 30 per cent in the first half of 2020. Third, the government issued policies to reduce the adverse effects on domestic spending, a key engine of growth for the Vietnamese economy. The government issued a $2.6 billion social protection package for cash support to the most vulnerable people and workers who had lost their jobs in 2020, providing affected enterprises with credit at zero or low-interest rates to pay workers' salaries. In addition, the government has embarked on an expansionary fiscal stance to strengthen its national health systems, shore up the local economy and provide income assistance to the most vulnerable and impoverished groups. A substantial financial package for restructuring the loan was also issued. Online shopping and banking systems are promoted as useful measures for virus prevention. The development of private-sector mobile distribution networks has also accelerated in the cities.

Figure 1. Economic growth in some Southeast Asian countries (%)



Source: Asian Development Outlook 2021.

Challenges in Vietnam's Post-COVID-19 Economic Recovery

Vietnam has emerged from the COVID-19 pandemic. However, in light of new outbreaks since April 2021, the country has been tightening restrictions to prevent the spread of the virus, particularly in major cities and industrial parks in northern Vietnam. Before the recent COVID-19 infections, Vietnam was well-placed to stage a faster and stronger rebound than the position in 2020 and set to return to growth that is projected to be 6.5 per cent in 2021 (IMF 2021). In the first quarter of 2021, Vietnam's trade volume reached a 10-year high of US$207 billion and increased by 30 per cent compared to the same period in 2020. However, it is too early to conclude. Vietnam's strict measures and vaccine planning to contain the COVID-19 infections may bring the recent outbreaks under control. However, there will be some challenges ahead for Vietnam's post-COVID-19 economic recovery efforts.

The main challenge for Vietnam will be to find new drivers that will support the expected recovery in short to medium term. Over the past decade, the Vietnamese economy mainly relied on the rapid expansion of its exports and local consumption. These two drivers are not expected to return to their pre-crisis levels in the immediate future, given the continued uncertainties of the recent virus outbreaks and international contexts. Vietnam's short-term challenge is its reliance on the rest of the world to drive its domestic growth. It is the most trade-reliant economy in Southeast Asia. In 2020, Vietnam maintained its resilient exports, thanks to the supply chain relocation and diversification trend out of China, which promoted production growth to meet steady export demand.

Thus, given the high level of trade dependency, Vietnam can only do much with domestic tools to re-energise its economy. The pandemic has dealt a massive blow to Vietnam's tourism industry, which accounted for roughly 10 per cent of the GDP in 2019. With the government yet to announce any plans to re-admit foreign tourist arrivals, no significant pick-up is in sight for hotels, food and beverage outlets, travel agencies, tour guides and transportation workers, who are reliant on tourist traffic in the economic recovery plan.

Way Forward

As manufacturers across the globe start to rethink their supply-chain strategies to address the frailties exposed by the pandemic, Vietnam remains in a strong position. The country has long been an attractive offshoring destination. Its offshoring subsector could grow, especially if companies make greater efforts to diversify their supply chains in the wake of the pandemic. In 2021, despite new challenges in the recent virus outbreaks and uncertainties globally, Vietnam could expect strong growth to return next year. It will likely see its position as an offshoring location reinforced once the global economy begins to recover. Harnessing this energy to become a middle-income nation will require multiple longer-term investments—in the smart technologies of Industry 4.0 and infrastructure development.

To accelerate the short-term recovery of the economy in the aftermath of the COVID-19 crisis, the government should act on complementary lines of actions. The first will focus on controlling the spread of the recent COVID-19 outbreaks and carrying out vaccinations as soon as possible, thereby preventing new outbreaks and bringing hope of repeating its 2020 success against the pandemic. A successful vaccination plan will support the country to reopen the economy and recover the tourism industry in Vietnam.

The second line of action is to accelerate the execution of the public investment programme. While spending faster and better can be an effective tool to jump-start the recovery through its multiplier effects on jobs and the economy, the improvement of Vietnam's infrastructure and human resources will attract more foreign investment and reduce business costs. The focus should be on priority projects and decentralised public work programmes that are generally effective in creating direct and indirect jobs for vulnerable people in affected areas.

The third driver for the post-COVID-19 economic recovery plan will be to strengthen Vietnam's production base and increase the linkages between local enterprises and foreign investors. The private sector should be supported, especially businesses that have been temporarily affected by the crisis. Institutional reforms will become essential to promote linkages between domestic and foreign sectors in Vietnam's economic recovery efforts.

Looking ahead, Vietnam's economic outlook is not immune to risks. The recovery speed will be influenced by the efforts of virus containment and economic conditions in the rest of the world. While the government should act decisively to jump-start the recovery, such economic reforms and stimulus should be well targeted to reduce adverse impacts of the pandemic on domestic consumption, manufacturing, and exports. Thus, the post-COVID-19 economic recovery will depend much on keeping the recent community transmission of COVID-19 under control while also making the right structural shifts to drive growth over the next decade. Vietnam may not only regain its pre-COVID-19 economic position but also drive new economic growth. Therefore, its post-COVID-19 economic recovery will depend on whether the economic reforms that have brought success in the past few years will remain in place.

An Assessment of Post-COVID-19 Economic Recovery Efforts in Myanmar

Lwin Lwin Aung

Dr Lwin Lwin Aung, PhD in Economics

Like other countries in the world, Myanmar is facing the novel Coronavirus (COVID-19) pandemic. On 23 March 2020, Myanmar confirmed the first two positive cases of COVID-19 (Global New Light of Myanmar, March 24, 2020). As of 1 July 2021, the official confirmed COVID-19 cases reached 159,347, with 3,347 confirmed deaths, when a total of 2,743,783 people were tested. A total of 136,992 patients recovered and were discharged from hospitals (MoHS 2021). However, there is widespread scepticism about the figures due to low-level testing.

The governments' restrictions helped mitigate the spread of the virus but had a severe effect on multiple sectors, including the economy. The economic impact of COVID-19 in Myanmar was initially limited to industries such as garment, agriculture exports and tourism, but it has subsequently widened to other sectors due to the spill-over effects from other economies and the impact of domestic COVID-19 prevention efforts. Myanmar's growth prospects are already affected by disruptions in trade, supply chains and tourism due to the pandemic. The country's economy was estimated to have grown by 1.7 per cent in FY19/20, down from 6.8 per cent in FY18/19. Under the downside scenario, the growth rate is estimated to be at (-0.5) per cent for FY20/21 if the containment measures are extended until the end of the first quarter (Myanmar Economic Monitor 2020). In addition, the second-wave, which started in August 2020, from the losses in income, consumption and investment could be more severe than the first wave and make it difficult for growth to recover to the pre-crisis levels.

Due to the slowdown in economic growth, the Government of Myanmar has taken several concrete measures to ease the impact of COVID-19 on industries as well as households, including by reducing tax and interest rates, rolling out an electricity subsidy scheme across the country and distributing basic food items to people without regular income. The Committee for Prevention, Containment and Treatment of the 2019 Novel Coronavirus led by two Union Ministers was formed on 30 January 2020 with relevant ministries and organisations (State Counsellor n.d.). However, because the WHO declared Coronavirus Disease 2019 as a global pandemic on 11 March 2020, the Committee was elevated and reorganised as a national level Central Committee by the Presidential Order (45/2020) dated 13 March 2020. The State Counsellor heads the National Level Central Committee. Subsidiary Committees at the Regional, Township and even Wards and Village levels were also formed (Global New Light of Myanmar, March 14, 2020).

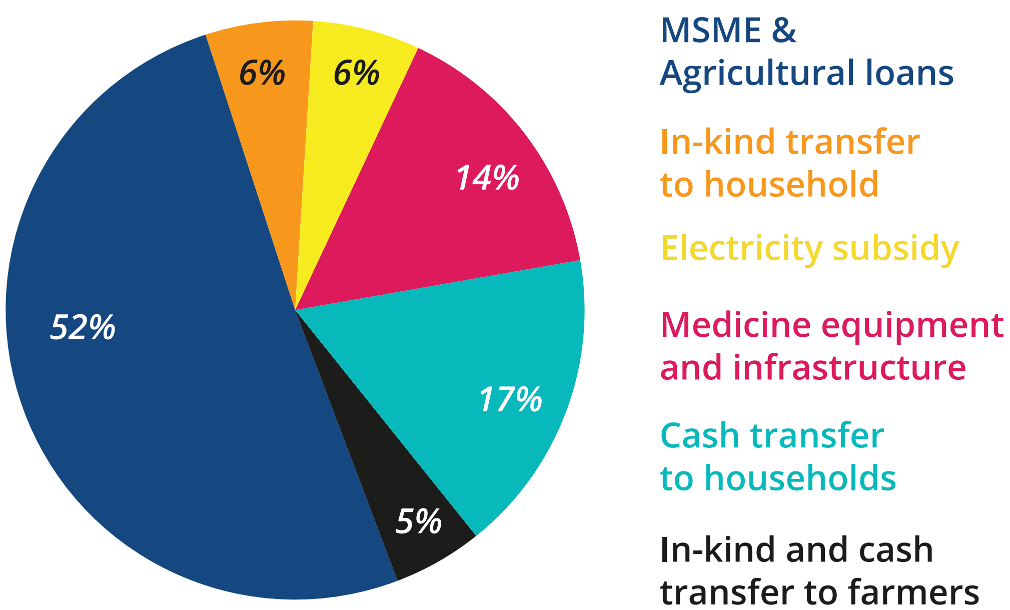
Furthermore, a working committee to remedy the economic impacts of the COVID-19 was formed with nine members on 13 March, and the Union Minister for the Ministry of Investment and Foreign Economic Relations (MOIFER) acted as its chairperson (Global New Light of Myanmar, March 19, 2020). The committee is responsible for designing measures to address the negative impacts of the pandemic on trade and tourism sectors. It is also responsible for short, medium and long term measures to respond to the pandemic crisis by working with the private sector and related associations to create new jobs for those employees who have been laid off at factories and to conduct vocational training for the workers. The committee carries out additional measures to explore new markets to buy raw materials for CMP garment businesses in the country instead of relying solely on the Chinese market. The committee also advises the President's Office on tax exemption schemes and tax reliefs for small and medium-sized enterprises and on reduced interest rates for local businesses (The Irrawaddy, March 30, 2020).

The Coronavirus Disease 2019 Containment and Emergency Response Committee was also formed with Notification No. 53/2020 issued by the President's Office on 30 March 2020, with the Vice President as Chairman and ten other members tasked with 11 duties. The committee oversees the quarantine procedures for people returning from overseas in collaboration with Nay Pyi Taw Council and state/regional governments. It also strictly administers community quarantine if necessary. The committee works together with government departments, the Red Cross, civil society organisations and NGOs to provide food, healthcare, and moral support to communities in quarantine. It also works to maintain security, stability, and the rule of law in those areas (President Office n.d.).

The Ministry of Planning, Finance and Industry (MOPFI), on 27 April 2020, launched the COVID-19 Economic Relief Plan (CERP) to mitigate the economic impact and build foundations to facilitate rapid economic recovery. The 15-page CERP comprises seven goals, ten strategies, 36 action plans and 76 actions, each with an estimated timeline and designated authority in charge, covering a range of fiscal and social measures (Allen & Gledhill, April 30, 2020). The UN has also developed a framework for the immediate socio-economic response to COVID-19 in Myanmar (UN-SERF), which seeks to support and contribute to the CERP (UNOCHA 2020).

Under the CERP, the government has allocated approximately 2.9 to 3.7 trillion kyats (2.5 per cent to 3.2 per cent of the GDP) toward developing effective countermeasures to the COVID-19 outbreak. The most visible support measures have included: (i) supporting the development and implementation of disease prevention and treatment programmes; (ii) supporting household consumption; and (iv) assisting firms to avoid bankruptcy. Initial mitigating measures have focused on: (i) tax deferrals and exemption to affected businesses; (ii) exemptions of electricity charges to households; (iii) supporting businesses and civil servants through loans and guarantees; (iv) providing direct financial assistance to vulnerable households through in-kind and cash transfers; and (v) increased spending on medicines, medical equipment, and infrastructure. While the CERP is currently addressing the short-term mitigation measures of COVID-19 impact on businesses and households, the upcoming Myanmar Economic Resilience and Relief Plan (MERRP) mapped out with a focus on macroeconomic, financial stability and sustainable growth in the longer run. The MERRP enshrines the notion of environmental sustainability as part of a truly sustainable economic recovery to capitalise on Myanmar's potential for green investment in sectors such as energy and infrastructure, taking full advantage of this opportunity to build back better.

As of the end of September 2020, it was estimated that over half of the spending envisaged under the government's CERP had been disbursed. On 27 September 2020, the former Union Minister of MOIFER announced that the government had disbursed around 1.9 trillion kyats (1.7 per cent of the GDP) on the CERP to address the social, health and economic impacts of COVID-19. The CERP spending by activities is illustrated in Figure 1. This figure includes the disbursement of MMK 200 billion to assist the nation's manufacturing, hospitality, tourism, and service sectors. A further MMK 600 billion has been provided to farmers at MMK 50,000 per acre of farmland. MMK 100 billion was provided to the microfinance sector, while MMK 200 billion to the MSMEs. A further MMK 100 billion has been disbursed to small tea shops and street stalls to ensure their survival (Global New Light of Myanmar, September 27, 2020). Tax expenditures from deferrals and exemptions of around 431 to 490 billion kyats have not been costed and included in this implemented amount, according to Myanmar Economic Monitor December 2020.



Source: Modified from https://www.gnlm.com.mm/covid-19-crisis-we-will-recover-and-build-back-better/.

The CERP was designed for the 1st wave of COVID-19 but given the 2nd wave is much more severe, response measures will need to be scaled up. There is room for the government to increase its spending in response to COVID-19, drawing on domestic and external financing sources. External donor support amounts to almost 1 per cent of the GDP, excluding in-kind support. However, the reporting of the external sources is not consolidated, and execution is difficult to track on a timely basis.

Myanmar is one of the first countries to receive India's donation of 1.5 million doses of COVIDSHIELD vaccines manufactured by the Serum Institute of India (The Irrawaddy, January 22, 2020). The COVIDSHIELD vaccine doses arrived in Myanmar on 22 January 2021. Healthcare workers, including volunteers on the frontline, government officers in key unions, regional and state government roles, elderly people with underlying health issues, and residents in densely populated townships are the prioritised groups to be vaccinated. In addition, Myanmar has ordered 30 million doses of COVID-19 vaccine from India. 2 million doses arrived on 21 April 2021. Out of 3.5 million doses, about 1.88 million doses had been administered as of 21 April 2021. 1.54 million people had received their first shot, while only 340,000 had returned for their second dose after the prescribed four-week interval (MoHS 2021).

Despite the pandemic, foreign investment in Myanmar has remained resilient. For the first time in years, Foreign Direct Investment has passed the USD 5 billion target for a single budget year (Global New Light of Myanmar, September 27, 2020). Myanmar, with a labour force of 22.4 million (ILO 2017), offers a large pool of low-cost workers for foreign manufacturers and has emerged as one of the most popular production bases in Southeast Asia for labour-intensive industries, namely those requiring substantial amounts of human labour to produce products, with notable examples being garment manufacturing and the assembly of toys and stationery items (Euro Cham Myanmar 2019). Pyidaungsu Hluttaw, Myanmar's highest legislature, approved the highly anticipated comprehensive Industrial Zone Law on 26 May 2020. Myanmar Company Law and Industrial Zone Law are valuable instruments that could attract foreign investment to the country.

Given the fact that Myanmar has a moderate impact of the global COVID-19 outbreak, the good cooperation between the government and the people could support recovery with strong economic growth and macroeconomic stability, attracting FDI and creating employment opportunities in the country. By implementing the government's COVID-19 Economic Relief Plan and receiving international assistance, it is expected that Myanmar's economy could recover from the impact of COVID-19. However, the current political uncertainty could complicate the prospects for a quick economic recovery.

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COVID-19 in Lao PDR: Policy Options for Inclusive Mitigation and Recovery

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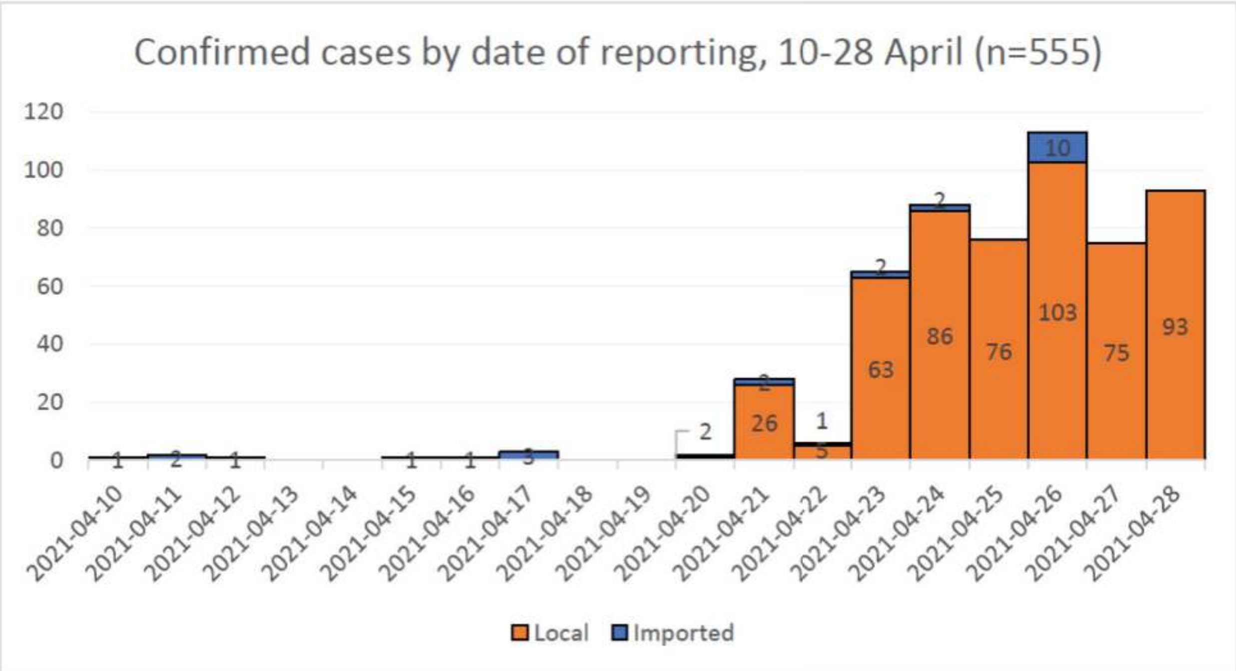
Overview of COVID-19 Situation in Lao PDR

Lao PDR confirmed its first two cases of COVID-19 on 24 March 2020 (WHO 2020). Soon after, the government swiftly implemented a nationwide lockdown, including shutting schools and businesses, imposing travel restrictions and closing international border from April to mid-May 2020. By the end of June 2020, most of the lockdown measures had been gradually lifted, except for closure of the international border. Because of considerable success in containing the spread of the virus, there were only 20 confirmed cases with zero reported death in Lao PDR as of July 2020. The number increased to 49 by the end of March 2021 from imported cases.

The situation, however, changed dramatically in April 2021 when a rapidly spreading outbreak with a more transmissible Alpha variant in Thailand found its way into Lao PDR through the illegal border crossing of some Thai and Lao individuals and a week-long Lao New Year holiday, which caused a fast and wider community transmission. After cases were detected after the New Year holiday, intensive contract tracing and mass testing were carried out. As a result, 546 cases of COVID-19 were reported between 20 and 28 April 2021, more than 10 folds the total number of cumulative cases in 2020 (see Figure 1 for Epidemic curve during the period), and the virus spread into 15 out of 18 provinces in the country. The first COVID-19 death was also reported on 9 May 2021. In response to the outbreak, the government re-introduced lockdown measures between 22 April and 5 May 2021. The lockdown was extended two times until 4 June 2021, with gradual relaxation. These measures have been largely successful in containing the spread as daily cases have declined substantially. Nevertheless, there are a total of 1968 cases and three reported deaths as of 7 June 2021.

Figure 1: Epidemic curve of COVID-19 confirmed cases



Source: Extracted from WHO, Situation Report #29.

Impact of COVID-19 Pandemic in Lao PDR

Lao PDR has managed considerably well in preventing health crisis from COVID-19 during the first wave as well as the current outbreak. It has not, however, been immune to adverse social and economic impacts. Indeed, the economic impact had already been felt by the tourism-related sector even before the first COVID-19 case was detected as potential tourists started cancelling their trips following the news of a severe outbreak in China.

At the macro-economic level, the World Bank estimated a 0.6 per cent contraction of the Lao economy in 2020. Supply chain disruption and weakened global demand are expected to cause a decline in the export-oriented sector. Travel restriction, social-distancing requirement and financial uncertainty are expected to adversely affect the service sector. In addition, the current account deficit was estimated to widen from 8.3 per cent of GDP in 2019 to 11.3 per cent in 2020. The fiscal deficit was also projected to worsen to 7.6 per cent of GDP in 2020 from 5.1 per cent in 2019 (World Bank 2021). Throughout March 2020, about 134,404 Lao migrant workers returned from neighbouring countries (United Nations Lao PDR n.d). Southichack et al. (2020) estimated that 191,200 workers in the country lost their jobs during COVID-19. Combining these two numbers, the unemployment rate is estimated to be as high as 23.4 per cent.

At the micro-level, the COVID-19 pandemic has significantly impacted people's livelihoods and could lead many into poverty. The World Bank has conducted two rounds of household phone surveys to assess the pandemic's socio-economic impacts. The first round of phone survey was taken between 20 June and 16 July 2020, during which 2,500 households from all provinces were interviewed (World Bank 2020). It found that about 50 per cent of the households experienced a decrease in income between March and June 2020, and a decline in remittances was frequently cited as one of the reasons for income reduction. Furthermore, nearly 15 per cent of the respondents reported switching or losing jobs during the same period. In addition to decreased income, 70 per cent of the interviewed households indicated they were adversely affected by an increase in food price. Some enterprises were also found affected. Around 8.4 per cent of them were temporarily or permanently closed in June or July 2020, and more than half of those that remained open saw a decline in revenue compared to the pre-COVID-19 level in February 2020.

The second round of the World Bank's phone survey was conducted between 26 February and 24 March 2021, a year into the COVID-19 pandemic and a month before the second and more severe wave of COVID-19 outbreak in Lao PDR. The survey results found signs of recovery in the labour market, as almost 75 per cent of the respondents who did not work in July 2020 returned to work by March 2021. A proportion of households reported a reduction in income declined from 48 per cent during the first phone survey to 31 per cent in the second round of the survey (World Bank 2021). Job market recovery was driven by a rebound in construction activities, while hospitality, transportation and manufacturing sectors remained weak.

Lao PDR's Policy Responses

Lao macroeconomic foundations were already vulnerable before the pandemic, with high public debts and high debt servicing obligations expected in the short and medium-term. Fiscal consolidation by cutting expenditure and improving revenue collection has already been implemented. In response to the pandemic, the Lao government has undertaken some mitigation measures amid limited fiscal space. The first set of measures were issued by the Prime Minister on 2 April 2020 (see Decision 2020). These are broad economic measures to be further implemented by line ministries, and they include:

- Exempt personal income tax for people in public and private sectors who receive a monthly salary below 5,000,000 LAK for three months (April to June 2020).

- Exempt income tax for micro-enterprises for three months (April to June 2020).

- Exempt import duties and other fees for importing products used for the COVID-19 outbreak, such as masks, hand soap and medical equipment.

- Defer tax payment collection from tourism-related businesses for three months.

- Extend the deadline for road tax payment from 31 March to 30 June 2020.

- Reduce tariff rate and extend payment due date for electricity and water bills.

- Reduce Bank of Lao PDR's interest rate and reserve requirement.

- Encourage commercial banks to undertake credit policy to mitigate the impact from COVID-19, such as postpone debt payment on both the capital and interest, reduce the interest rate, issue new credit, and restructure existing debts.

- Postpone mandatory contribution to Social Security by affected businesses for three months.

In addition, the government also agreed to compensate 500,000 LAK to employees who participated in the Social Security Scheme and had their work suspended during the outbreak for two months between May and June 2020. Similar measures were re-introduced and are currently implemented for the second wave of the outbreak.
Though the above measures might be helpful, the scope and coverage are very limited and do not cover vulnerable groups of people. Most of the measures are only relevant to formal sectors of the economy. The National Enterprise Database indicates that more

than 66 per cent of enterprises in Lao PDR have no business registration and are considered informal (Southichack et al. 2020), which means they are not covered under the stimulus package. In addition, unemployment compensation is only available to workers who have access to social security schemes. This group of workers only accounts for 3.1 per cent of people employed domestically during the pre-COVID-19.

Policy Options for Inclusive Mitigation and Recovery

While weak fiscal capacity constrains the government's ability to issue large scope fiscal stimulus, safeguarding the livelihoods of vulnerable people should be mandatory, and inclusive mitigation and recovery policies should be the priority. Below are some policy options for short and medium terms for mitigation and recovery.

- An immediate cash transfer to vulnerable households. More than a year of the pandemic, vulnerable groups of people have not been included in the existing mitigation measures. It is, therefore, necessary to provide immediate cash transfer to restore their livelihoods.

- Facilitate transportation of agricultural inputs and outputs.

- Promote skill development for laid-off workers and returned migrants.

- Financial subsidy to micro and informal enterprises.

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