



Institute of Asian Studies,
Universiti Brunei Darussalam



**Research Report on “Trade linkages and supply chains resilience: Navigating the
COVID-19 new normal”**

Authored by

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Introduction: The COVID-19 pandemic and the dawn of a new normal.

Bruno Jetin, Institute of Asian Studies, Universiti Brunei Darussalam

The COVID-19 pandemic that swept around the world from the end of 2019 was initially thought of as a temporary crisis. However, it is now entering its second year and has transformed from a health crisis to an economic crisis and a social crisis. It is also upsetting international relations by sharpening nationalism and protectionism. At the same time, an effective fight against the pandemic and its devastating effects requires an even higher level of international cooperation and mutual aid. If the pandemic lasts so long, it is because whole sections of the world's population are still not vaccinated, which allows the virus to continue to spread and mutate, and then return to contaminate countries where the situation was thought to be under control.

If the hope of a quick solution to the pandemic fades, the idea that we will have to learn to live for a long time with the pandemic is settling in people's minds. Hence, the "new normal" expression reflects well this idea that what seemed exceptional to us until recently became the new reality for an indefinite period. So, what has changed? What are the main characteristics of this unique historical period?

The first characteristic that you need to get used to is a fear for your health and a state of permanent uncertainty. The real risk of being infected leads us to change our habits and lifestyle and redefine our social and family life. Even if the periods of confinement tend to decrease, the spaces of sociability are less frequented, and the withdrawal on the family or even personal space is privileged. Individual mobility, whether on a national or international scale, is significantly reduced. At the same time, hyper-globalization had accustomed increasingly large sections of the population to travel long distances to tourism in countries that were once unaffordable. Work is also permanently affected. Teleworking has developed, and companies and employees in many economic activities have experienced that it is possible and less risky to work from home. This leads to new forms of work organization, new forms of communication and new frontiers between working time and family and private time. The economic activity of companies is forced to restructure to become more robust and resilient to minimize risks and ensure the continuity of production chains on a national and international scale.

The second characteristic is the rise of inequality. Not everyone has access to vaccines, testing and care. Not everyone has the possibility to work from home. Not everyone has the chance to maintain a social and family connection through the Internet. All those who work manually, as a farmer, as a labourer on construction sites, in shops and transport or the care trades, are obliged to continue to travel to work. As a result, they face a higher risk of co-amending.

Asia and ASEAN have wholly entered this new normal. Accustomed to high economic growth, Asian countries, particularly ASEAN, are forced to adapt to slower global economic growth. This is hitting them hard as many of them had opted for export-led growth strategies. China had already begun to rebalance its growth in favour of its domestic market (Jetin & Reyes Ortiz, 2020) but ASEAN countries are still largely dependent on exports (Jetin & Kurt, 2016) have to change their growth model. One possible solution will likely be strengthening regional integration between ASEAN and the rest of Asia (Jetin & Mikić, 2016) and facilitating international investment in the region (Nottage & Jetin, 2021)

One of the major concerns is likely to ensure the security of supply chains, especially for medical products. This is the problem that B. Jetin studies in his paper entitled "Trade linkages and supply chains of Personal Protective Equipment and vaccines in ASEAN during the COVID-19 pandemic". It confirms that COVID-19 has reinforced the trend towards

regionalization advanced by Enderwick and Buckley (2020) showing that the vast majority of personal protection products imported by ASEAN are imported from Asia, particularly from China. But there are exceptions. Medical equipment and vaccines come primarily from outside Asia and are transported over very long distances. In the end, it is not clear that the proximity of regional trade is always a guarantee of better security and that the strengthening of regionalization is to the detriment of globalization. The two trends coexist, and what changes is rather how they combine and reconfigure.

This is the same observation He Ping made in his paper on China-Japan relations entitled “Diversification or Departure? The Changing Supply-chain Layout in Sino-Japanese Relations and Its Implications for Asia”. It analyses the current policy of the Japanese authorities seeking to repatriate Japanese companies operating in China to strengthen Japan’s supply chains. This call has met with little response from Japanese companies whose interest is not to withdraw to Japan but to deepen their regional and global presence. He Ping concludes that the solution to regional tensions lies precisely in consolidating regional agreements such as RCEP and CTPP. These agreements both enhance the security of Asian supply chains by facilitating trade and serve as a springboard for exports to the rest of the world. Collaboration between Japan and China, significantly to help China become a member of the CTPP, is the most beneficial solution for everyone.

Truong Quang Hoan is studying the impact of the COVID pandemic on ASEAN through the example of Vietnam, which emerged in the early months of the pandemic as one of the most resilient member countries in terms of health and economy. This has increased Vietnam’s attractiveness to multinational firms as an alternative to China to locate their factories integrated into global supply chains. As a result, Vietnam is one of the first countries in the world to reopen its economy and borders in 2020 to return to regular economic activity. The author credits the health and economic recovery measures taken by ASEAN and the Vietnamese government to explain this success. This success is nevertheless fragile due to the slow pace of vaccination in other ASEAN countries and the timidity of the fiscal stimulus policies of most member countries adopted under the “ASEAN Comprehensive Recovery Framework (ACRF)” at the 37th ASEAN Summit. ASEAN should adopt an economic development plan focused on the green economy and the digital economy to secure its future in the medium term. This plan should be part of new regional integration agreements such as RCEP.

Henelito A. Sevilla analyses the impact of the pandemic on the Philippines. The Philippines has an open economy that is highly dependent on foreign countries due to the massive presence of Filipino workers abroad who make up 10% of the Filipino population. The author is interested in the social impact of the crisis and, in particular, the fate of migrant workers and seafarers. These workers have been hit hard by the pandemic because of the difficulties faced by migrant workers in getting vaccinated. Their mental health has also been greatly affected by their living and working conditions. Seafarers have been tasked with ensuring the continuity of the transport of goods under challenging conditions. After spending weeks waiting off the ports before their boats could unload their goods, the sailors were not allowed to disembark and had to leave without being able to set foot ashore. Although the Philippine government has adopted a series of measures allowing for the repatriation of migrant workers and seafarers, these have proved insufficient to ensure their economic and health security. In addition, their families, who depend on remittances, have been severely affected by the loss of income.

Sok-Gee, Chan, and Wai-Mun Har have been interested in Chinese investments in Malaysia since adopting the BRI strategy in 2013. These investments increased sharply until 2017 to the point of reaching second place in Malaysia before plateauing due to the trade war between the United States and China. Chinese investment was first concentrated in metallurgical infrastructure and industry and then increasingly in the electronics industry, a crucial industry for Malaysia. The authors find that these investments have created very few jobs for Malaysians

due to the massive presence of temporary Chinese workers. The authors recommend that the collaboration between China and Malaysia be renegotiated to orient it more towards the digital economy, which is the post-COVID economy of the future, so that more jobs are created for Malaysians.

Finally, Shofwan Al Banna Choiruzzad analyses the spread of Covid-19 in 2020 in East and Southeast Asia and its impact at individual, societal, national, and global levels. The first impact is the disruption of the public health, and the secondary is the impact on the livelihood of people which is going to be felt in the longer term. While the primary impact of the pandemic to the public health is quite diverse, the secondary impact is felt across the region. The paper focuses on the impact of the pandemic to the food security situation in East Asia and the lessons we can draw from the disruption for regional cooperation.

The set of contributions illustrates the many problems that will have to be solved in the context of the new post-COVID normal.

In this Research Report on “Trade linkages and supply chains resilience: Navigating the COVID-19 new normal”, seven authors from five countries (Brunei, China, Indonesia, Malaysia, the Philippines, and Vietnam) will provide a comprehensive analysis and highlight their perspective on ASEAN-China cooperation in the fight for COVID-19 and it is expected that the report can contribute to ways and means to overcome the challenges of the impact of COVID-19.

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Trade linkages and supply chains of Personal Protective Equipment and vaccines in ASEAN during the COVID-19 pandemic.

Bruno Jetin, Institute of Asian Studies, Universiti Brunei Darussalam

Introduction

The COVID-19 pandemic has created a global economic, finance and social crisis. Global production dropped 3.1% in 2020, and the recovery, projected to 5.9% in 2021, is threatened by global supply disruptions and the worsening pandemic dynamics (IMF, 2021). External debt grew to a record high in 2020, more than twice their value of 2009 and more than four-fold their level of 2000 (UNCTAD, 2021). Global poverty increased by around 97 million in 2020 (Gerszon et al., 2021), representing an unprecedented increase. International trade merchandise trade plunged 15.0% year-on-year in the second quarter of 2020 (WTO, 2021) causing major value chain disruptions and exposing the fragility of medical goods world supply.

In the first semester of 2020, the shortages of medical supplies climaxed because the production stoppages caused by the spread of the virus occurred precisely when global demand increased dramatically. Several countries banned or severely restricted their medical supplies exports to prioritise their own citizens (Bown, 2020; Evenett, 2020). Importing countries competed with one another to secure the much-needed volumes of masks and other Personal Protective Equipment (PPE). Some countries even went so far as to accuse themselves of diverting cargo at airports by offering a higher price to suppliers at the last moment.

These scenes of tension have revived long-standing debates about the excesses of globalisation. The global value chains (GVC) that Multinational Enterprises (MNEs) generalised from the 1990s onwards had already been accused in advanced countries of accelerating deindustrialisation, contributing to massive unemployment and leading to the loss of skills and know-how. In developing countries, they had no positive effect on employment (Pahl & Timmer, 2020). In the 2000s, when climate change and the need to decarbonise the economy became a central issue, GVCs were criticised for their contribution to global warming. The fragmentation of production networks into increasingly narrow segments and their ever wider geographic extension have led to an explosion in the transport of intermediate and finished products over ever longer distances, multiplying greenhouse gas emissions.

Advocates of GVCs, which epitomise this era of hyper globalisation, defended a contrarian view. They argued that they make it possible to organise global production in the most efficient way possible, eliminating unnecessary stocks, selling products at the lowest price, and creating jobs in the poorest countries. In practice, they extended the principle of just-in-time production at the world level. According to this view, GVCs ensured that global growth benefited everyone as a high tide lifted all boats.

The 2010s were marked by several dramatic events, which, in retrospect, are all warning signs of the current crisis. The H5N1 avian influenza outbreak in 2006-07, the H1N1 influenza pandemic in 2009-2010, the earthquake in Japan followed by the Fukushima disaster in March 2011, followed by the terrible floods in July 2011 in Thailand, revealed the fragility of global supply through value chains. Firstly, they showed that zoonoses could contribute to pandemics spreading faster worldwide thanks to air transport. Secondly, natural disasters could cause severe shortages of intermediary products leading to production stoppages in industries such as automobiles and electronics.

The energy transition and the rise of the electric vehicle in the 2020s add a new element of risk. While oil and gas reserves are relatively widespread worldwide, rare earths and most of

the materials needed to produce Lithium-ion batteries are concentrated in a smaller number of countries (Jetin, 2020b). This adds a political risk that led several countries and regions to establish a list of critical materials. In some cases, new laws reinforce the use of the national security argument to restrict international trade in certain products. This occurs in a context of enhanced rivalry between big powers, climaxing in the Sino-USA trade conflict.

The COVID-19 pandemic combined all these elements and has revived the controversy about the dangers or the benefits of long-distance GVCs. The shortages of PPE, and some pharmaceutical products, have been blamed on the excessive dependence on overstretched global supply chains that broke during the crisis when they were most needed. If at least some of the most critical PPE, like masks, gowns, or gloves, had been produced locally or in neighbour countries, shortages would have been less severe. If public authorities and private companies had not maintained blind faith in the ability of just-in-time production to supply them with unlimited quantities at the very last moment, they would not have minimised their PPE stocks. This sentiment, drawn from the corner of common sense, has become widely shared in many European countries where the shortages have been most severe, where deindustrialisation was pronounced and where the authorities' top priority these last decades has been to cut expenses of the health system leading to the "hollowing-out of state capacities" (Jones & Hameiri, 2021). Reshoring, nearshoring, short-circuit from local producer to local consumer, that important civil society actors already supported before the pandemic, became centre stage during the year 2020. In an unexpected move, they were joined by executives whose businesses were affected by the disruptions and by politicians anxious for their future.

The movement of the pendulum is certainly going away from hyper globalisation (Jones, 2020) (Antràs, 2020) and extreme fragmentation. But how far deglobalisation will go towards onshoring and nearshoring is an open question. According to Enderwick and Buckley (2020, p. 103), "on balance, therefore, the effect of the pandemic and underlying anxieties about globalisation will push the world economy towards a more regionally-focused composition". This trend pre-existed the COVID-19 pandemic, and many scholars have argued that the world economy has followed a dual approach of global and regional integration (Coe et al., 2004; Freyssenet & Lung, 2004; Jetin, 2009). The latter have gained ground in recent years (The Economist, 2019) due to the WTO's inability to conclude a new multilateral trade agreement, as regions succeeded in strengthening their commercial (Jetin & Mikić, 2016) and institutional links (Nottage & Jetin, 2021). This deepened regional integration between East, Southeast and South Asia (Jetin, 2018).

The positive link between proximity and health security is not apparent. When the local capacities exist, producing PPE within the national borders has the following advantages: the direct relationship between the authorities and the companies facilitates the management of the crisis. In addition, it maximises the speed of response and minimises transport risks. China is probably the country that has benefited the most from these advantages of proximity during the pandemic. However, relying too much on local companies may also be a disadvantage when the country is hit by the pandemic forcing these companies to a halt. This happened to China at the end of 2019 and during the first quarter of 2020 when the country was in lockdown, and the demand for PPE skyrocketed. At the time, China was even importing PPE and receiving aid from foreign countries that were not yet affected. This shows that even in the case of a large PPE producer country, recourse to international trade remains essential. In which case, the question is whether importing from regional countries is preferable to long-distance international trade. The answer is usually positive because of the existence of regional institutions, regional trade agreements and privileged relationships based on a long common experience.

But this may not always be the case. For example, PPE and vaccines are not always produced locally, in neighbour countries, or even in the region. In these circumstances, long-

from around US\$ 300 million in 2019. It was matched by a surge of Chinese imports which rose from US\$ 153 million to USD 1.4 billion.

In comparison, ASEAN's import from ASEAN grew from US\$ 47 million up to US\$ 200 million thanks to more significant imports from Indonesia, Singapore, the Philippines, and Malaysia. But the magnitude of Chinese imports is such that it eclipsed all other sources of supply. As a result, China's share jumped from one half to three quarters of total ASEAN imports. As a result, the shares of ASEAN and the rest of Asia declined while the supply of the EU and the USA became marginal. The reason is that China, true to its reputation as the world's factory (Jetin, 2012), was the only country able to ramp up its industrial capacity quickly and match the surge of demand from ASEAN and the rest of the world. ASEAN and other Asian countries could not put their production up to the required level when it was most needed.

Surgical gowns (Figure 2) and protective goggles (Figure 3) share the same characteristics. More than 90% of ASEAN's imports come from Asia, with China accounting for more than 60% before 2020. The rest of Asia and ASEAN supply around 20% of ASEAN's needs. During the first year of the pandemic, ASEAN relied even more on China for surgical gowns and ASEAN. The latter was able to satisfy more local needs thanks to a substantial increase in Cambodia and Vietnam's exports while imports from the rest of Asia plummeted. Such was not the case for protective goggles because exports from Malaysia, which used to be the main Southeast Asian provider to ASEAN, fell in absolute terms to a marginal level before the pandemic started.

Protective suits (see Figure 4) and respirators (see Figure 5) are also two products for which Asia is by far the largest provider. China's dominance is less as it is better balanced by supplies from the rest of Asia and ASEAN. However, when the pandemic erupted, China expanded its industrial capacities to such an extent that the shares of ASEAN's imports from ASEAN and the rest of Asia declined, although they have increased in absolute terms. Europe and the USA have a small and declining share.

The last two protective personal equipment goods have distinctive features. Surgical gloves (Figure 6) are the only product for which ASEAN is almost self-sufficient. 85% to 90% of ASEAN's imports come from ASEAN thanks to Malaysia and Thailand, respectively the top number 2 and 4 exporters at the world level. Indonesia is also a significant provider of gloves to ASEAN. Outside of ASEAN, all other suppliers play a minor role. The reason is that these three Southeast Asian countries are among the largest producers of natural rubber that they transform into several products ranging from surgical gloves to tyres.

PCR tests (Figure 7) are the only products for which Europe and the USA are the main albeit declining sources of supply. This is because PCR tests are medical devices that are more intensive in research and development as opposed to personal protective equipment, which is more intensive in natural resources and labour. Therefore, it is significant that Western countries are the leading suppliers, although China and the rest of Asia are catching up.

Vaccines belong to the same category of research-intensive products. Their production is concentrated in a few advanced countries (Evenett et al., 2021). The competition between big pharmaceutical companies is intense, as epitomised by the race to develop COVID-19 vaccines. Figure 8 shows that ASEAN has imported growing quantities of vaccines over 2001-2020, mainly from Europe followed by the USA. Surprisingly, India and China, respectively at the top 7 and 14 rank global exporters of vaccines, don't play the leading roles in ASEAN. This same pattern is found in Latin America and Africa, where the European Union is the main source of vaccines (Sorescu et al., 2021). One explanation is the high specialisation of the production of vaccines. Rich countries specialise in high-end and complex vaccines, while China and India specialise in the medium and low-end range.

Conclusion

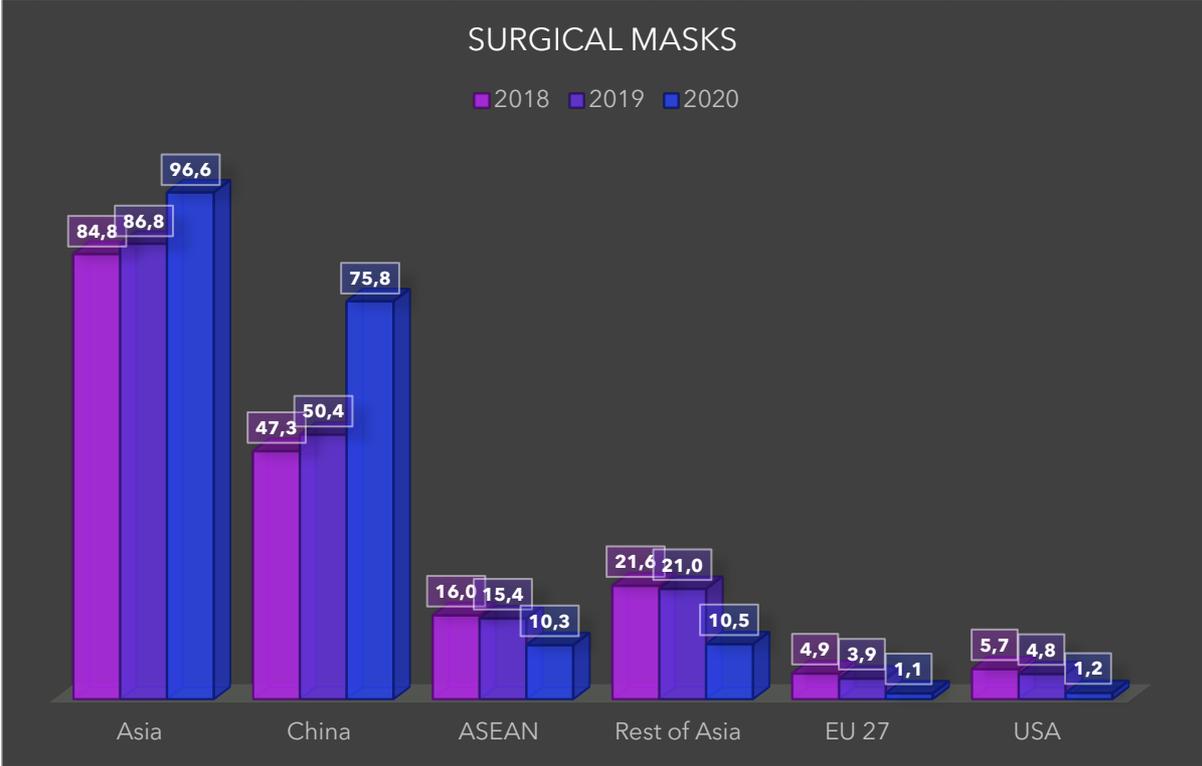
Our results confirm the primary role of the region in the supply of PPE. Asia, particularly China, Japan, and Korea, are the leading suppliers of PPE to ASEAN. It is explained by the geographical proximity and the agreements between ASEAN and these three dialogue partners. It is undoubtedly an advantage for ASEAN, which is not self-sufficient for most PPE, although it counts top global exporters for some products among its state members. However, this advantage may be a weakness in a time of crisis. ASEAN is too dependent on China for certain products, which can become a problem when a pandemic hits China itself. This occurred between January and March 2020, when most of China was in lockdown, and the supply chains were stopped. Diversification of the sources of supply is desirable to minimise risks. For instance, the supply of PCR tests is more balanced. ASEAN should also develop its own production of the leading PPE and vaccines to have a more extensive set of capacities to handle health crises. Some of its member states have the scientific and industrial capacities to innovate and produce research-intensive products like medical equipment and vaccines. An ASEAN master plan of medical supplies could be elaborated and discussed collectively to assess ASEAN capabilities and potential collaborations to explore who can produce what and what kind of regional supply chains can be established. This could be achieved in cooperation with ASEAN dialogue partners, which dispose of advanced research and manufacturing capacities. ASEAN could then be better prepared to cope up with future pandemics.

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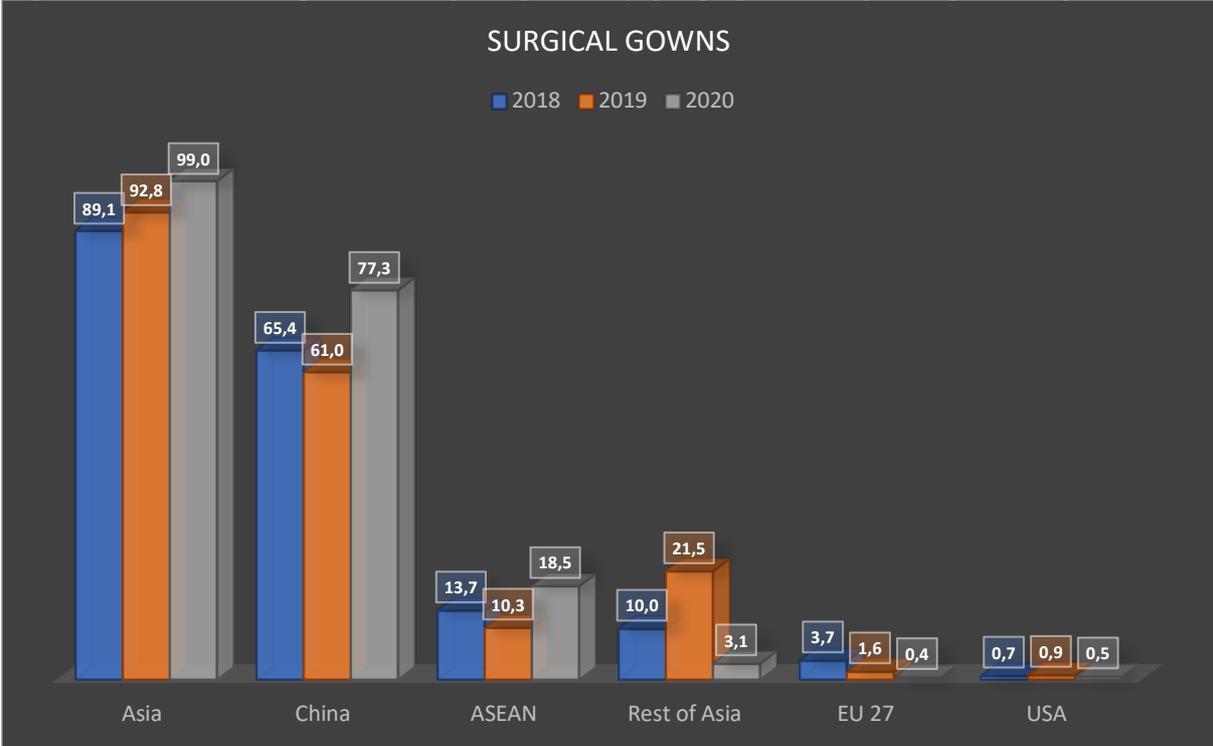
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Figure 1: ASEAN’s imports of surgical masks by geographical origin, in percentage



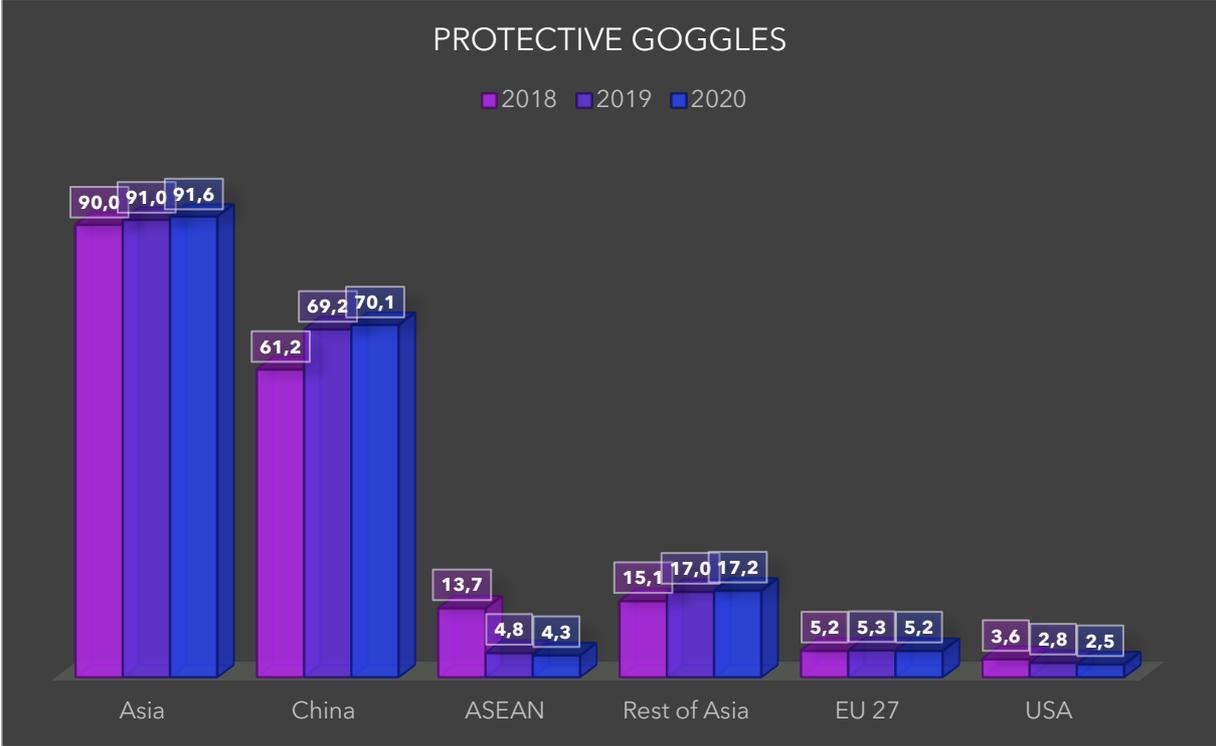
Source: Author’s calculations with Trade Map, International Trade Centre, based on the Harmonised System (HS) and UNCOMTRADE, maintained by the United Nations Statistics Division.

Figure 2: ASEAN’s imports of surgical gowns by geographical origin, in percentage



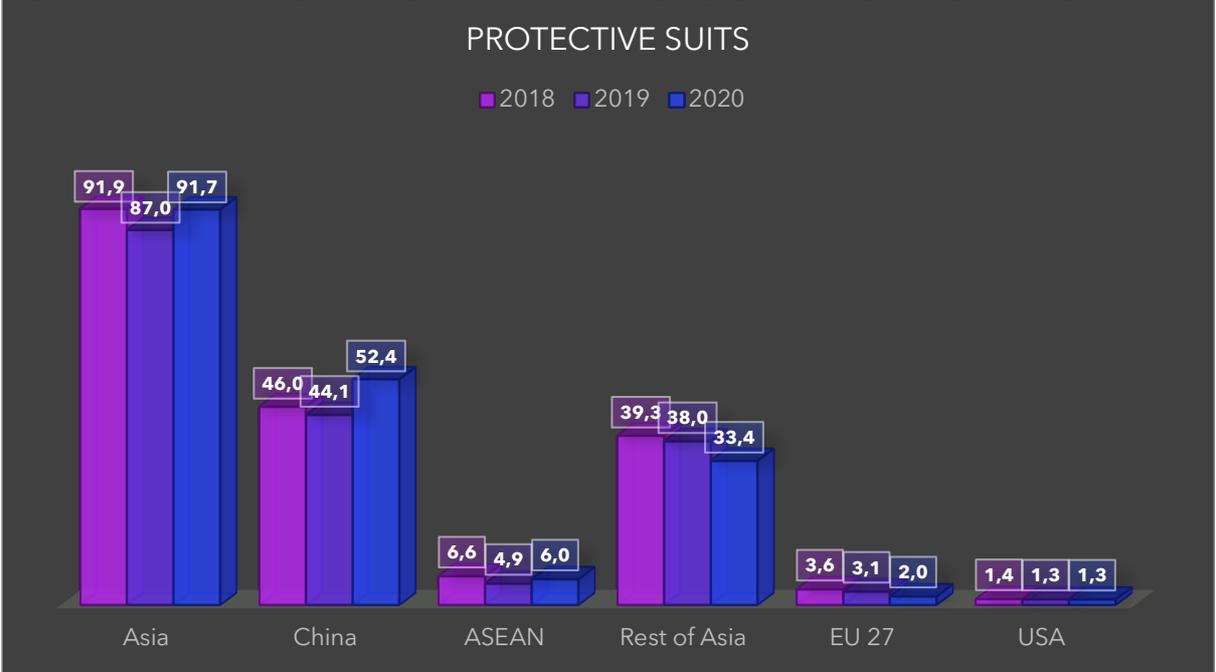
Source: Author’s calculations with Trade Map, International Trade Centre, based on the Harmonised System (HS) and UNCOMTRADE, maintained by the United Nations Statistics Division

Figure 3: ASEAN’s imports of protective goggles by geographical origin, in percentage



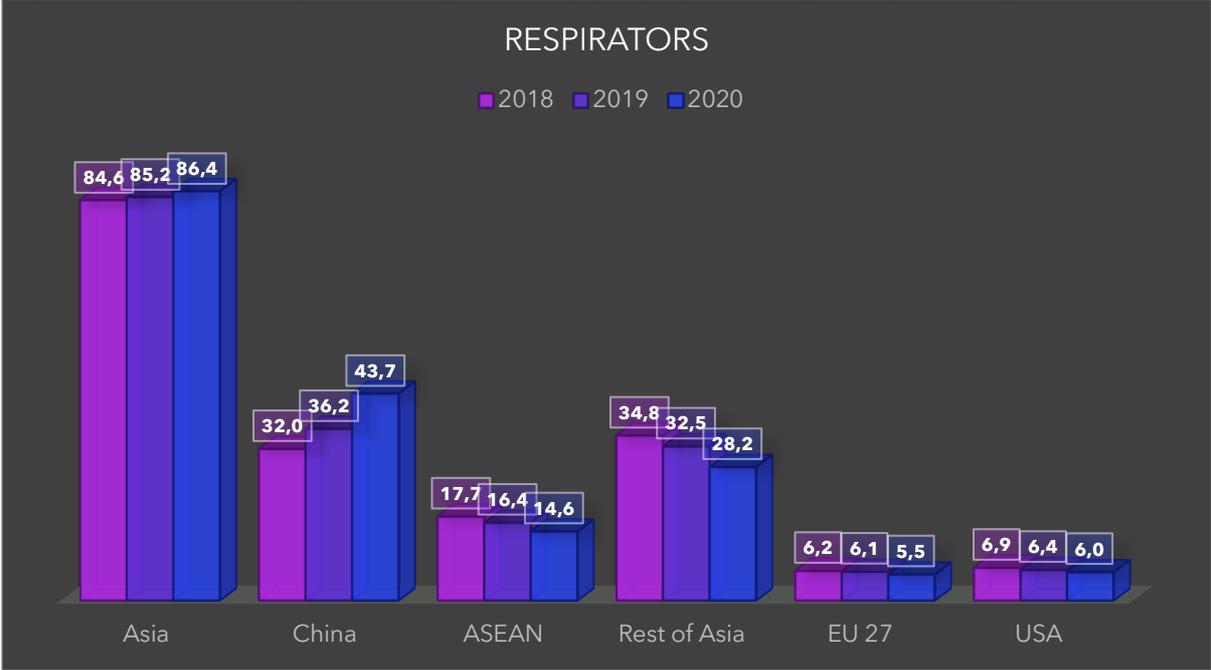
Source: Author’s calculations with Trade Map, International Trade Centre, based on the Harmonised System (HS) and UNCOMTRADE, maintained by the United Nations Statistics Division.

Figure 4: ASEAN’s imports of protective suits by geographical origin, in percentage



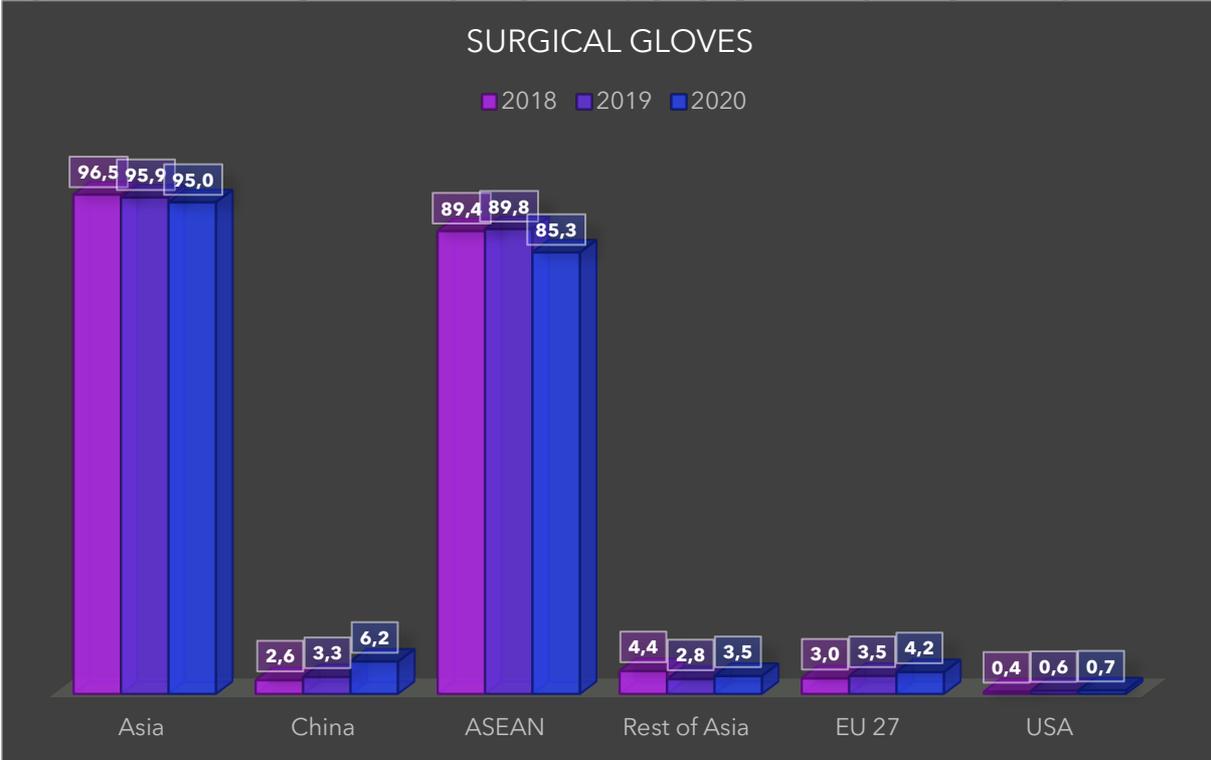
Source: Author’s calculations with Trade Map, International Trade Centre, based on the Harmonised System (HS) and UNCOMTRADE, maintained by the United Nations Statistics Division.

Figure 5: ASEAN’s imports of respirators by geographical origin, in percentage



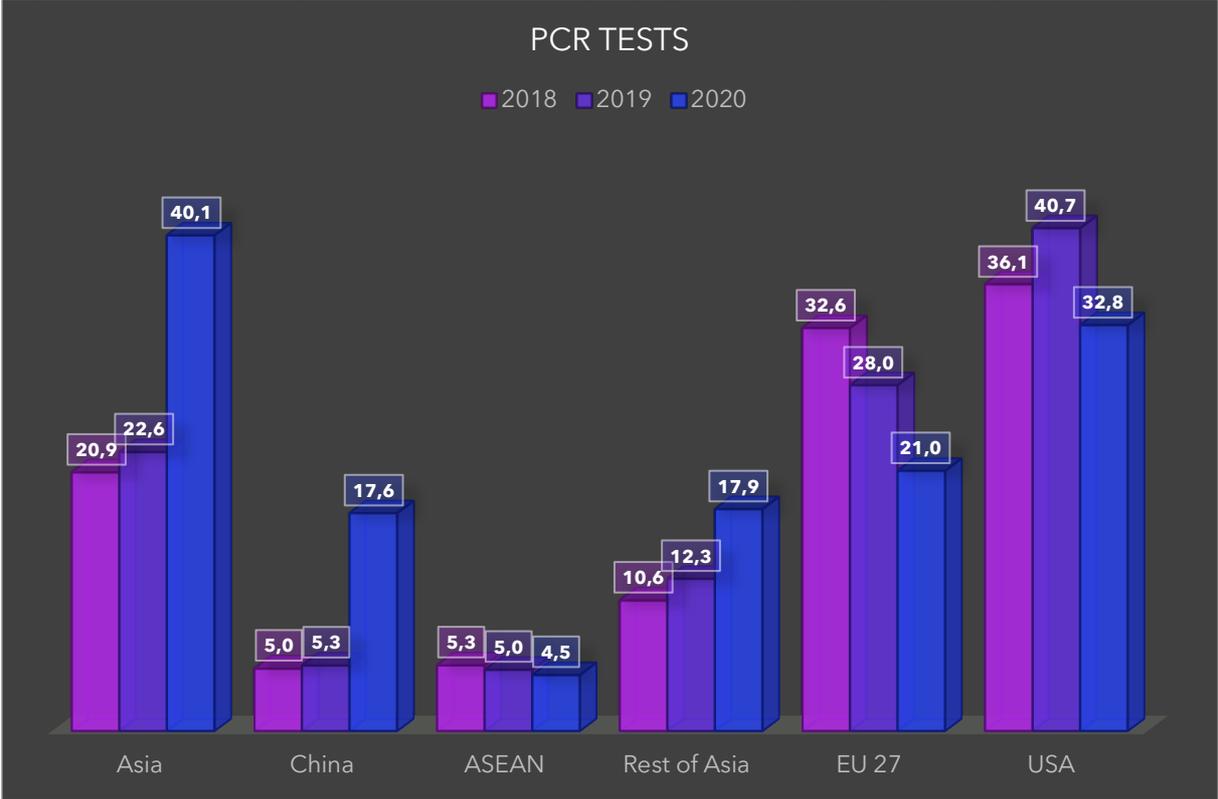
Source: Author’s calculations with Trade Map, International Trade Centre, based on the Harmonised System (HS) and UNCOMTRADE, maintained by the United Nations Statistics Division.

Figure 6: ASEAN’s imports of surgical gloves by geographical origin, in percentage



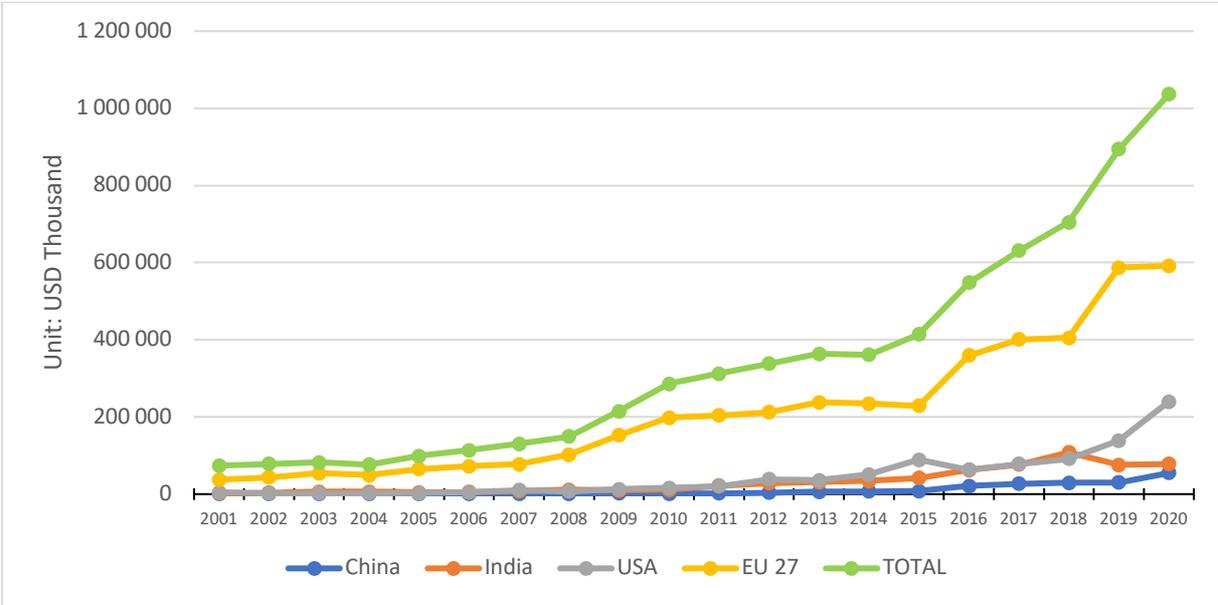
Source: Author’s calculations with Trade Map, International Trade Centre, based on the Harmonised System (HS) and UNCOMTRADE, maintained by the United Nations Statistics Division.

Figure 7: ASEAN’s imports of PCR tests by geographical origin, in percentage



Source: Author’s calculations with Trade Map, International Trade Centre, based on the Harmonised System (HS) and UNCOMTRADE, maintained by the United Nations Statistics Division.

Figure 8: ASEAN’s imports of vaccines for human medicine by geographical origin, USD thousands, 2001-2020



Source: Author’s calculations based on Trade Map, International Trade Centre, based on the Harmonised System (HS) and UNCOMTRADE, maintained by the United Nations Statistics Division.

Diversification or Departure? The Changing Supply-chain Layout in Sino-Japanese Relations and Its Implications for Asia

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The Abe administration and Suga administration have encouraged and compensated Japanese companies to shift production from China back home or into Southeast Asia, with an aim of enhancing the supply chain disrupted by the COVID-19 pandemic and reducing its dependence on China. Unexpectedly, the assistance fund has not been fully used. According to a survey by JETRO in September 2020, only 7.2 per cent of Japanese companies operating in China said they were moving or considering moving production out of China (Japan External Trade Organization, 2021). Therefore, many media reports and academic studies see this “Departure from China” proposition an overestimated or even a false one, as least in the short term.

However, when Toshiba, a Japanese tech giant and once a distinctive exemplar of Sino-Japanese economic cooperation since the reform and opening-up period, announced in September 2021 that it will relocate its 30-year-old production plant from China’s north-eastern city Dalian to Vietnam or Japan, people began to ask: is this departure going to speed up, or will this decision produce a demonstration effect and bring along other Japanese enterprises (Zhou, 2021). So far, the interpretation of this breaking news has been fairly moderate as the analyses claim that this ongoing reconfiguration takes place “delicately and at the margin” (*The Economist*, 2021). Nevertheless, it impels us to evaluate and envision the ever-changing supply-chain layout in Sino-Japanese relations and its implications for Asia.

The False Dilemma between Globalization and Regionalization

Globalization and regionalization are not opposites, nor are they in a trade-off relationship. In extreme terms, there is no regionalization without globalization. Conversely, globalization does not override regionalization, and must be embodied in the regionalization of various regions. The end of globalization will not lead to the flourishing of regionalization. The regionalization or re-regionalization proposed recently by some politicians and scholars, which is expected to keep a certain distance from the existing globalization, is probably unsustainable. In the Asia-Pacific region, due to the special geo-economic and geo-political relations, this bifurcated approach to understanding the relationship between globalization and regionalization is posing great challenges and risks for China, Japan, and ASEAN states alike. For this dichotomy to be established, the prerequisite is that countries in the region all have the same strategic judgment and coordinate their common actions as like-minded partners. However, judging from today’s international political reality in East Asia, it may be difficult to achieve this condition.

From Japan’s perspective, in terms of industrial development level and domestic population, Japan is by no means a “small country”. More importantly, in today’s world, even a “big country” or a “superpower” cannot achieve real development on its own. The experience of Japan’s post-war history has fully revealed that the process of globalization and international orientation are important cornerstones for Japan to advance its national interests. Featuring Japan-EU EPA and Japan-U.K. FTA, Japan’s major achievements in economic diplomacy in the past year are all new practices of cross-regional cooperation despite the heated discussion of “de-globalization”. Against the background of world-wide trade protectionism, the economic friction between the U.S. and China, and the inward-looking tendency in world economy, these

achievements are indeed commendable and have exemplary value not only for other countries but also for Japan itself.

From China's perspective, the dilemma between globalization and regionalization is easily related to its recent "dual circulation" economic strategy (CGTN, 2020). Needless to say, the introduction of this "dual circulation" plan has something to do with the ever-changing, unpredictable and even worsening international situation that China has faced in recent years. However, Chinese leaders have publicly stated several times that the so-called "dual circulation" does not focus on the internal or domestic circulation exclusively, let alone close the door. This is a commitment to the world, especially to its traditional economic partners, and it can also be regarded as a self-reminder, or even self-warning.

This judgment about globalization and regionalization has special significance for Sino-Japanese relations. Undeniably, there are many structural problems between China and Japan, but the easing of some conflicts must be placed in the context of globalization. This is not about multilateralization of controversial issues, but rather about promoting and safeguarding one's own interests and values from a global or globalized perspective, which is helpful to alleviate problems confined to a region. If the region itself is over-emphasized, certain problems will be intensified. This is true for the value chain and supply chain, as well as other issues in non-economic fields.

RCEP and CPTPP

RCEP and CPTPP not only reflect the changing layout of supply chain in Asia-Pacific, but also have profound implications for Sino-Japan relations.

In 2018, Asia's intra-regional trade has reached 57.5% of the total volume, and the connectivity and complementarity of supply chain and value chain among its economies have kept growing (Asian Development Bank, 2021, 17). The accelerated sprint of RCEP negotiations is inseparable from this objective condition, which in turn contributes to the freer flow of economic factors in the region and the optimization and strengthening of the division of labour among members. RCEP adopts regionally accumulated rules of origin to promote the in-depth development of production chain, supply chain and value chain in the region. At the same time, the rule system within the region is gradually unified, and the level of regulatory integration continues to improve. This will enhance the resilience and extensibility of the regional value chain. Over time, the rupture of the production chain of basic medical products like masks or complex manufacturing products like automobiles is expected to be greatly alleviated in case a new epidemic comes.

It is undeniable that RCEP is still largely a free trade agreement under traditional regional cooperation conditions. In view of the fact that the global pandemic has not fundamentally changed, Asia-Pacific countries should take precautions and actively explore the path of regional economic integration under the "epidemic mode". Especially under the conditions of hindered cross-border personnel exchanges, the accumulated fatigue in fighting the epidemic, and global economic downturn, international trade is shrinking, and RCEP member states are of no exception. In addition, it is necessary to soberly recognize that compared with other high-level FTAs such as CPTPP, RCEP still has a lot of room for improvement. And RCEP is not a panacea, nor a regional initiative that can cure all headaches. Trade disputes and economic conflicts of interest among RCEP member states will not disappear because of the emergence of RCEP. There should be a reasonable expectation of the actual effects of RCEP, with member states making the best use of the status quo and striving to maximize its benefits.

Besides RCEP, the CPTPP expansion issue also draws public attention latterly. On November 19, 2020, a spokesperson for the Ministry of Commerce of China stated that China is positive and open to joining the CPTPP. On November 20th, President Xi Jinping stated at the APEC leaders' informal meeting that China will actively consider joining the CPTPP. On November 24th, Foreign Minister Wang Yi and Japanese Foreign Minister Toshimitsu Motegi exchanged views on President Xi's statement during their talks. On September 16, 2021, China officially applied to join the CPTPP and made a request to begin talks with existing members.

Japan's attitude towards China's intention to join the CPTPP is of particular concern. Japanese government has emphasized some objective difficulties caused by CPTPP's high standards, and the necessity and prioritization of implementing RCEP as soon as possible. Japan is the chair of the CPTPP this year. In the process from TPP to CPTPP, Japan has played a considerably active and even irreplaceable role and has also achieved remarkable results. In the potential expansion of CPTPP, Japan is also believed to be a key player towards the participation of some candidate countries. Of course, for China, the issues at stake are to what extent it truly has the strategic will and political determination, and to what extent it has been well prepared for some core issues. At the same time, it is also indispensable to have external support and encouragement.

The ups and downs of globalization in the past few years have enabled China and Japan to have a more comprehensive understanding of each other's economic diplomacy. The practical experience and instrumental rationality of commerce truly reflect the mutual construction of "economy" and "diplomacy". The supply chain issue is never a purely economic one, and the very value in value chain can be interpreted in two ways. The evolving supply chain layout should become a stimulus rather than an impediment in Sino-Japanese relations, which in turn should contribute to the prosperity and stability of the region and the world as a whole.

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The COVID-19 Pandemic and Vietnam's Economy: Policy Response, Outlook and Strategic Sectors for Recovery

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1. Policy response of the ASEAN region and Vietnam to the COVID-19 pandemic

The COVID-19 pandemic has had serious economic consequences and poses great challenges for the economic integration of East and Southeast Asia. The economic impacts of the pandemic on the regional economy can take place under channels as follows: the disruption of supply chain performance; a sharp drop in global consumer demand from the large negative wealth effects; the disruption of growth in connectivity- the key factor of a stronger global value chain (GVC); an increase in GVCs' operation cost due to the limited supply of services and the application of restrictive non-tariff measures (NTMs); and the financial fragility due to large negative wealth effects from unemployment and large corporate bankruptcies globally (ERIA, 2020; Kimura et al., 2020; Kimura, 2020). For the ASEAN region, the effects of COVID-19 are deeply heating its member economies at a time when other risk factors such as the global growth slowdown and the escalating trade war between the United States and China were already rising (Menon, 2020).

To cope with the adverse impact of the pandemic, in addition to measures to limit the spread of COVID-19 (such as social distancing and increased imports of medical equipment), ASEAN countries have performed various efforts to support socioeconomic recovery. Governments and central banks of many ASEAN countries have implemented easing monetary policies and launched economic stimulus packages to support the health sector and economic activities. As of May 2021, ASEAN's economic stimulus and relief packages reach US\$730 billion, which is equivalent to 7.8% of the region's total GDP and nearly doubled the stimulus package from January to July 2020. Cambodia, Indonesia, Laos, Myanmar, the Philippines and Thailand have borrowed a total of about US\$15.6 billion to respond to the pandemic from financial institutions such as the World Bank, the Asian Infrastructure Investment Bank (AIIB) and International Monetary Fund (IMF) (Martinus & Seah, 2021). In general, ASEAN's stimulus packages are immediate fiscal and monetary measures to accelerate economic recovery, including: (1) disbursement of cash assistance to retrenched workers and vulnerable groups; (2) supporting micro, small, and medium enterprises (MSMEs) activities; (3) providing financial assistance and incentives to the heavily-hit critical economic sectors, namely aviation and tourism, and most importantly (4) strengthening emergency health responses such as testing capacity and vaccination programmes (Martinus & Seah, 2021).

At the regional level, the most notable effort to respond to the pandemic and economic recovery is the adoption of 'ASEAN Comprehensive Recovery Framework (ACRF)' at the 37th ASEAN Summit. Accordingly, ASEAN's economic recovery efforts focus on three main phases: reopening, recovery and resilience. In terms of substance, the ACRF is structured into five key recovery strategies: enhancing health systems, strengthening human security, maximizing the potential of intra-ASEAN market and broader economic integration, accelerating inclusive digital transformation, and advancing towards a more sustainable and resilient future. In addition, a set of enabling factors are required to ensure the effective and efficient implementation of the framework: (i) policy measures and responses; (ii) financing and sustainable resource mobilization; (iii) institutions and governance mechanisms; (iv) stakeholder engagement and partnerships; and (v) effective monitoring (The ASEAN Secretariat, 2020a).

ASEAN also issued ‘ASEAN Declaration on an ASEAN Travel Corridor Arrangement Framework’ to facilitate essential business travels among member states, while prioritizing public health safety, particularly in controlling the transmission of the COVID-19, without precluding the application of the framework to other categories of travel in the future (The ASEAN Secretariat, 2020b). Currently, ASEAN has agreed on a number of contents on travel regulations, health safety, and epidemic prevention. Besides, the ASEAN has also established the ‘ASEAN Centre for Public Health Emergencies and Emerging Diseases’ to enhance capacity and preparedness to respond to emerging diseases in the region. These are also areas in which ASEAN countries and international partners enhance cooperation at both bilateral and multilateral levels.

As an open economy dependent on trade, foreign direct investment (FDI), and foreign tourism, Vietnam has also been negatively impacted by the viral pandemic. Sectors such as textile and footwear production, which are deeply integrated into GVCs, have been severely disrupted. A survey conducted in May 2020 by the General Statistics Office of Vietnam (GSO), revealed that 86% of 126,000 firms were considerably affected by the pandemic (Vo, 2020). Nevertheless, in 2020, Vietnam was among the first countries in the world to domestically reopened its society and economy, including the tourism sector, and resuming normal industrial production. Obviously, there are a number of reasons behind Vietnam’s success in containing COVID-19 including its own experience in fighting historical epidemics and its single-party system which allows for timely and aggressive infection control. It also requires a high level of preparedness and a host of coordinated efforts to provide accurate and credible information via news outlets, social networking sites, and community loudspeakers to the public about the epidemic (Nguyen and Ho, 2020).

Figure 1: Vietnam’s exports to the world between January 2019 and March 2021 (US\$ billions)

Source: Author’s processing from GSO, Vietnam.

The Vietnamese government has announced a slate of policies to aid the social and economic recovery of the country. These include social insurance measures, monetary measures, by offering credit lines to banks; as well as fiscal measures, such as the rescheduling of tax and land rental payments. The government has also announced plans to accelerate public investments and promote its tourism and agricultural export sectors (Vo, 2020). Although there are up and down months, Vietnam’s commodity exports to the world in 2020 were US\$282.65 billion, which was 7.0% higher than the export value in 2019. Total exports in the first quarter of 2021 reaches US\$78.40 billion which is 23.7% higher than that in the same period of 2020 (see Figure 1). The most important markets for Vietnam’s exports in 2020 are the United States (US\$70.08 billion), China (US\$48.87 billion), Japan (US\$19.28 billion), and South Korea (US\$19.11 billion). Therefore, to some extent, it could be said that Vietnam has been emerging as a regional economic hub in the global supply chain in select sectors. However, the recent increase in the number of COVID-19 cases and deaths has continuously posed challenges for Vietnam’s economic recovery.

2. Macroeconomic outlook of Vietnam and the ASEAN region in the post- COVID-19 pandemic

In the short term, we believe that the impact of the COVID-19 pandemic on Vietnam in particular and Southeast Asia as a whole will likely continue to take place on the following aspects.

First, Vietnam and many Southeast Asian countries have a high openness to trade, investment, and tourism, and all these sectors are heavily affected by the rapid spread of disease in countries, especially recent COVID-19 variants.

Second, the decline in energy consumption due to blockades and travel bans will more affect regional economies dependent on fuel exports.

Third, the sharp decline in domestic demand due to lockdowns and other public health measures continues to have large and multi-layered impacts on regional economies dependent on household and private consumption.

Fourth, the COVID-19 pandemic is likely to continue to negatively affect inward FDI flows in the region, which will slow down the economic recovery in Vietnam and other ASEAN countries.

Besides the COVID-19 pandemic, disagreements and tensions between the two great powers, the United States and China are likely to remain in the short term in many issues such as trade and information security. This could slow down the recovery speed of the world economy in general and ASEAN economies in particular.

It can be said that the pace of economic recovery in ASEAN countries will be weak and incomplete as long as they cannot bring the domestic spread of the COVID-19 under control. In recent months, the spread of the virus has continued in Indonesia, the Philippines, Malaysia, and Vietnam. Meanwhile, along with a low percentage of the fully vaccinated population, new and more dangerous variants of COVID-19 pose a considerable threat to the recovery of the ASEAN region. In addition, most ASEAN governments have not been able to maintain the same high levels of financial expansion as development partners. Except for Singapore and Thailand, the average COVID-19 fiscal response in Southeast Asia is only 3% of GDP in 2020, compared with 13.5% of GDP at the global level and much higher in major advanced economies. In this respect, the short-term regional outlook does not appear to be very promising.

In the medium term, the economic recovery of Vietnam and other ASEAN countries is expected to be stronger because of the following factors. The first element is that there is greater vaccine coverage in member countries, which plays an important role in lifting travel restrictions, thereby increasing the mobility of resources and boosting industrial production, services, investment, and international trade. The next factor is that in addition to China, the recovery momentum of major economic partners of ASEAN, such as the United States and the European Union, is expected to be clearer. Last, the shift of economic activities to online forms during the pandemic can have a positive impact on Southeast Asia, especially in countries considering the digital economy as a priority in their development strategy.

3. Strategic areas for economic recovery in Vietnam and the ASEAN region in the post-COVID-19 pandemic

The strategy for economic recovery in Vietnam in particular and the ASEAN region as a whole should focus on the following areas:

First, it is crucial for the region to maintain expansionary macroeconomic policies. The fiscal expansion measures of Vietnam and many ASEAN countries have been increasingly larger in scale, but these measures do not seem to be sufficient for a strong economic recovery in the region. On the other hand, global interest rates have begun to rise as markets adjust to the prospect of higher U.S inflation and tighter monetary policy in the coming time. This could increase borrowing costs, putting pressure on the domestic currencies of ASEAN countries. As a result, Vietnam and other ASEAN countries face bigger challenges in maintaining their necessary expansionary policies. Therefore, it is essential for regional countries to have stronger collective commitments to maintain expansionary fiscal measures.

Second, Vietnam and other ASEAN countries should promote implementing a green recovery strategy. The ACRF has mentioned the green factor in economic recovery and is in fact implemented in a number of ASEAN countries. However, the ASEAN region still lacks feasible green recovery initiatives or commitments. Accordingly, the post-pandemic green recovery strategy should focus on: 1) building mechanisms to accelerate the transition to a sustainable ecosystem, integrating green growth in every country's development policy; 2) realizing opportunities from green growth, including efficient and renewable agriculture, sustainable

urban and transport models, transition to clean energy, circular economy models, and healthy, productive seas; and 3) identifying sustainable financial resources to realize opportunities for green growth.

Third, more efforts to develop a digital economy in Vietnam in particular and in the ASEAN region as a whole are necessary. In response to the pandemic, the business community in the region has quickly switched from face-to-face working to remote one, while consumers' shopping activities are increasingly focused on e-commerce channels. To promote the digital economy in the region, efforts should focus on strengthening connectivity, skills, and digital payments (especially building a unified ASEAN e-payment system across borders and removing logistical barriers to international payments). Another measure includes formulating and implementing ASEAN's overall development policy for the digital economy to help individuals and businesses easily connect the digital economic infrastructure in the region. During this process, a closer cooperation between government agencies and the private sector in the region needs to be further enhanced.

Fourth, more resources should be directed to the recovery of MSMEs in Vietnam and other ASEAN countries. Most enterprises in ASEAN are MSMEs, those currently face many difficulties due to the spread of COVID-19. To support ASEAN's MSME sector to survive and recover from the pandemic, it is necessary to improve labour skills for MSMEs, thereby creating resilience for businesses and the regional economy after the pandemic. This can be realized by implementing appropriate education and training policies to equip labour with new skills during the digital transformation period. Additionally, regional governments need to support the development of new digital financial services, the connectivity of market networks, and new technology to the business community in general, and MSMEs in particular. ASEAN countries are also suggested to encourage women to participate in business activities, especially in developing the digital economy. Lastly, Vietnam and other ASEAN countries should support the formation of innovation ecosystems and start-up activities in which MSMEs should be placed at the centre position in development strategies.

Last but not least, ASEAN countries need to enhance international and multilateral cooperation efforts for economic recovery. ASEAN countries should promote the implementation of integration commitments such as the Regional Comprehensive Economic Partnership (RCEP) agreement, thereby creating a driving force for the recovery of production and supply chains and economic growth in the region. The ASEAN region can collaborate with its external partners to enhance the implementation of all the above-mentioned suggestions, which will positively contribute to ASEAN's socioeconomic recovery in the coming time.

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COVID-19 Pandemic and its Impact on Overseas: Filipino Workers and Seafarers

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Abstract

There was so much optimism that the country could achieve remarkable growth since President Duterte came to power. Before the COVID-19, the Philippines had recorded growth in its economy. This growth can be associated with the trust of the private business and investment sectors as well as to the hard-earned income of Overseas Filipino Workers and Seafarers. The economic rise of China and the development of its relations with countries in Southeast Asia has also contributed to this growth. With the advent of the COVID-19 pandemic, however, economies in the region have suffered tremendously, and the Philippine economy was no exception. The COVID-19 pandemic has put economies into recession: exports are falling, job losses, and wages were "cut in both formal and informal economies." (Kidd, A. and Tran, A.: 2020). This paper will investigate how the COVID-19 pandemic has socially and economically affected the lives of many Overseas Filipino Workers (OFWs) and Filipino Seafarers. In particular, this paper seeks to answer the following questions:

1. Why and in what ways are the migrant workers and seafarers affected by the pandemic?
2. What is the overall impact of COVID -19 on OFWs and Seafarers socio-economic standing?
3. How this impact on OFWs and Seafarers manifest on the Philippine economies?
4. What are initiatives being taken by the Philippine governments to address this?

Keywords: Covid-19, OFWs, Filipino Seafarers, Philippines, labour migration, health, economic and security concerns

Introduction

Even before societies were organized, the predominant pattern of movement of people or groups of people greatly depended on their immediate environments, their geography, and what it has to offer to meet their daily needs. These people move from one place to another in search of food and, basically, survival. Hence, since time immemorial, migration has always been driven by the scarcity of basic human needs such as food, shelter, and security.

In the contemporary Philippines, migration is still driven by similar factors. These factors, such as financial instability, low wages, job mismatch, insurgency problem, lack of infrastructure development, and an educational culture that serves only to supply employable individuals abroad, compel Filipinos to seek greener pastures and migrate to other countries.

These factors go hand in hand with other factors depending on one's location in the Philippines. At the heart of Filipino migration is the idea that to support one's family, one must work abroad to earn a decent income. Because of this, labour migration has not only contributed to the development of the economy but also produced a considerable number of middle-class Filipinos. Every year, the Philippines receive major national revenue from the remittances of OFWs in Asia, the Middle East, Northeast Asia, North America, and Europe. This paper focuses on the impact of the COVID-19 pandemic on OFWs and Filipino seafarers.

The Socio-economic Impact

Labour migration does not only involve risk resulting from venturing into another territory; it also does not guarantee proper working conditions and environment that shall ensure their elaborate protection and safety. Moreover, this may also affect the mental, emotional, social, and psychological health and well-being of both the migrant and the immediate family due to long-term separation. Accordingly, although physical separation impacts the performance of the migrant worker, it, on the other hand, gives hope to their families at home with a promise for better material living conditions in the future. This goes to show why major sending labour export countries such as Mexico, India, Pakistan, Bangladesh, Indonesia, etc., experience high socio-psychological stress.

Filipinos are no exception. With 10 per cent of its population working and living abroad, the tendency to experience threats to the mental and emotional well-being of Filipino migrant workers and their families is unquestionably higher. Mucci et al. argued that "[m]igrant workers show an increase in the incidence of serious, psychotic, anxiety, and post-traumatic disorders due to a series of socio-environmental variables, such as loss of social status, discrimination, and separations from the family" (Mucci et al.: 2021).

One of the major critical factors that affect workers' health and mental conditions is discrimination in the work environment, with most workers coming from low- and middle-income countries. Aside from this, physical separation of families has children left without parents, usually left to the care of their grandparents or relatives, posing great challenges to their formative years during most of their childhood. However, the beginning of the COVID-19 pandemic also made an unprecedented turn of events for OFWs and Seafarer families.

Seafarers were required to continue working and were not allowed to disembark to ensure that the supply system and network continued even when international travel and economic activities were halted. As a result, Pelle Laursen, chief technical officer of Maersk, observes that fatigue and mental health issues are increasingly observed among the crew. At the same time, those who were relieved from their overseas work had remained stranded in airports. The situation has led UN Secretary-General Antonio Guterres to call the current situation a "humanitarian and safety crisis." Similarly, the ILO declares essential seafarers workers (Mucci et al.: 2021).

Meanwhile, the Philippine News Agency (PNA) reported that since the COVID-19 pandemic, an estimate of 600,000 Overseas Filipino Workers was repatriated. It was also reported that around 70,000 to 130,000 more OFWs were expected to return, setting aside regular returning OFWs (Patino:2021). According to current Foreign Affairs Secretary Teodoro Locsin, Jr., this is "the biggest" repatriation of Filipinos in the history of OFWs in the country. The last mass repatriation happened during the 1991 Gulf War when between 20,000 to 30,000 Filipinos were brought home from Iraq, Kuwait, Saudi Arabia, and other West Asian countries (Baclig:2021).

However, the repatriation of OFWs and seafarers as a result of the COVID-19 pandemic has significantly drained the national economy. Apart from this, the agonizing experiences of OFWs did not end after repatriation. Staying in quarantine facilities in Metro Manila and waiting for chartered flights to get to their home provinces was no picnic either. When Filipinos reach the country, they are put in quarantine facilities for at least ten days. Although the Department of Budget and Management had allotted a 5.2 billion-pesos budget to quarantine returnees, once quarantine periods are extended for an additional two to three days, and other emergencies occur, this remains insufficient. The Department of Overseas Labor Employment (DOLE) had asked for a shorter quarantine period to minimize possible expenses; however, health officials and public health experts rejected the proposal (Medenilla: 2021). This still does not include OFWs and seafarers who have contracted the virus. As of May 2020, cases among OFWs rose to 1,819, 219 severely infected, including the Philippine Ambassador to Lebanon (Manlangit: 2020).

Staying in isolation facilities in foreign countries does not only cause mental and psychological health problems to the patients and their families in the Philippines. Many OFWs are employed in hospitals and other health facilities in host countries as medical professionals such as doctors, nurses, medical aid, and other allied medical professionals. In this regard, high rates of exposure to the virus are also of grave concern. The World Health Organization (WHO) expressed that the Covid-19 virus has brought "challenges and risks" to health workers globally. Not only that these workers were exposed to the virus but also "face a high workload, stress, profound psychological distress from the moral dilemmas they face ..." (WHO: 2020). These health workers not only sacrifice themselves to serve infected patients but also endure not seeing their own families. The fear of physically possibly transferring the virus to their families after their duties is widespread among Filipino medical workers. Social stigma and stress threaten their mental health and well-being, which the international community must seriously address. After a 28-year-old cruise ship worker committed suicide upon knowing that repatriation flights were suspended again, efforts to address mental health problems among the seafarers were initiated. The Philippine government called on relevant government agencies to check and monitor the well-being of OFWs and seafarers (Pacocha: 2020).

The National Center for Mental Health (NCMH) also reported a growing number of Filipinos experiencing mental health issues during the pandemic, with an average of 30 to 35 calls received per day from March to May 2020 as compared to 13 to 15 from May 2019 to February of 2020 (Pacocha: 2020).

Although maximum government efforts are in place to achieve herd immunity by making the COVID-19 vaccine available to all Filipinos, the reopening of economic activities and the deployment of OFWs and Seafarers remain slow. The number of reported daily COVID-19 cases are still high. Hence, the Philippine government is facing a dilemma between opening its economy to allow people to work and controlling the spread of the virus. The government hopes that soon when the majority are inoculated, economic activities and mobility will normalize. Although growth forecast is optimistic for East and South Asian countries as compared to a moderate forecast for Southeast Asia for 2021, the Asian Development Bank (ADB) reports that the forecast can be hampered by two intervening variables arising from new variants of the virus as well as the delayed delivery of vaccine supplies. They also cited "prolonged unemployment" as another variable that may create uncertainty in the coming months (ADB: 2021).

Remittances and the Philippines Economy under COVID years

Another impact of the covid-19 pandemic on OFWs is the number of overseas remittances contributed to the Philippine economy. The pandemic has affected the overall performance of the Philippine economy at the macro and micro levels. The most prominent industries that contribute to the economy are connected to the services and tourism industries that were greatly affected by the suspension of international travel and mobility and less on manufacturing products supported by domestic agricultural and maritime sectors. As OFWs and seafarers formed major global migrant workers' communities in the world, the suspension of services and tourism activities also meant the suspension of employment for many Filipinos employed in the service and tourism sectors of receiving countries. As illustrated in the graph below, the Philippines significantly performed in the positive GDP growth from 2016 to 2019, dropping to -9.6 per cent in 2020, the lowest among ASEAN countries. Nevertheless, the Philippine government maintains a positive projection of 5.5 per cent growth in 2021 (ADB: 2021).

In terms of overseas remittances, cash remittances fell from 30.1 billion US dollars in 2019 to 29.9 billion US dollars in 2020, while personal remittances decreased from 33.5 billion US dollars to 33.2 billion US dollars in the same period (Young, Oeking:2020; SEPO:2021). Remittances in the first quarter of 2021 showed positive growth compared to the first quarter of 2019. From January to April of 2021, remittances were recorded to reach 11 billion US dollars higher than the 10.49 billion US dollars in the same months in 2019. This growth was attributed to remittances sent from mainly the United States, Malaysia, Singapore, and South Korea (Rivas:2021).

Government Assistance to OFWs

During the pandemic, the Philippine government has extended assistance to affected Overseas Filipino Workers and Seafarers in various forms. The Overseas Worker Welfare Administration (OWWA) and other agencies distribute free food and provide transportation and accommodation. OWWA Administrator Hans Leo J. Cacdac said that the government had instructed OWWA to ensure that "OFWs who are returning to their provinces are safe and comfortable" (OWWA: 2021). Financial assistance programs for displaced workers are also provided, such as the DOLE-AKAP for OFWs. Under this program, Filipinos are given 200 USD or 10,000-peso financial assistance (DOLE AKAP:2021). An integration program where OFWs are given work opportunities in the country upon their return is also available (DOLE AKAP: 2021). However, it is essential to note that although the government has assisted OFWs and seafarers from international and local repatriation to food, accommodation, and allowance, these efforts are temporary and do not address these workers' general and deep needs and their families for financial security and stability.

Conclusion

The COVID-19 pandemic as a global health crisis has not only claimed thousands if not millions of lives in the whole world, but it also exposes the health of the world economy and the efficacy of national governments. The temporary suspension of all non-essential travels has affected the tourism and services industries and underscored the experience of individuals that are directly and indirectly affected—as a result, disrupting the supply chains of labour, services, and production.

As governments worldwide have exerted their best efforts to salvage or manage their economies and protect their people from the unseen enemy, it has revealed their vulnerabilities and exposed them to threats never experienced before. Conflicts on the control and access to vaccines have painted dividing and disturbing images and emphasized the disparity between the "haves" of the global north and the "have-nots" of the global south. These conflicts are manifested in the socio-economic front and the geopolitical fronts. The accusation made by former US President Donald Trump against China is perhaps the best example of this claim.

The Philippine case clearly demonstrates the COVID-19 pandemic and its associated global impact. With 10 per cent of the Philippine population residing and living abroad, the probable impact on these Filipinos is high. This paper shows that Overseas Filipino Workers (OFWs) and Filipino seafarers are among the worst affected by this pandemic. Nonetheless, people are optimistic that sooner or later, the global economy will return to its health and hiring, and overseas employment of OFWs and Seafarers will normalize through the remarkable developments in medicine and vaccinations.

Finally, as the COVID-19 pandemic exposes critical labour sectors (OFWs and Seafarers) and the overall health of the Philippine economy, it is crucial to realize the lessons that the Philippine government should learn from the current labour structure and the country's massive dependence on the remittances of Filipino overseas workers. As the country conducts its national election in 2022, the primary point to be considered by the next administration should not be politicking which only destroys national unity and divert national efforts to unnecessary non-sense policy and projects but more on instituting genuine reform by creating local employment for Filipinos so that the dictum that is stipulated in the labour policy and which states that, "working abroad is a choice and not a necessity," will have its actual fruition.

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Impact of China Investment on Employment in Malaysia Manufacturing Sector

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Abstract

China's outward Foreign Direct Investment (FDI) grows drastically over the decades, and this leads to China emerged as the top investor to Malaysia in 2018 despite of various reconciliation of mega projects in the mid-2017. Nevertheless, the crowding-out effect is a concern in FDI especially given the nature of China's FDI on resource-seeking. This study aims to investigate the China's investment on the employment in the manufacturing sector in Malaysia. We align the employment creation with the economic plans in Malaysia in matching the contribution of China investment in the country. We found that the employment creation in the manufacturing sector in Malaysia by the China's FDI in the recent years is lesser as compared to the labour dispatched into Malaysia. Next, there is a shift in the employment in manufacturing sector contributed by the China's FDI from Basic Metal to Electronics & Electrical products, the Malaysia key economic areas. We suggest that incentives and further collaboration in terms of employment creation in industries such as Transport Equipment and Machinery & Equipment are suggested for better alignment with the 11th Malaysia Plan.

Keywords Foreign Direct Investment (FDI), employment, manufacturing, China, Malaysia,

1. INTRODUCTION

The enforcement of the China's economic liberalisation policy in 1978, leads to various economic initiatives been implemented that contributed towards China's substantial growth towards an economic powerhouse. As such, the size of China's economy has reached over USD10 trillion, forming 13% of the global gross domestic products (GDP) and formed about 25% of global economic growth (Xin, Li and Wu, 2016). This had attracted much investment into the country. Besides, in 1992, Den Xiaoping further encourage the outward foreign direct investment (FDI) from China which became the major turning points to the Chinese economy (Zhang and Daly, 2011). Several laws were passed to facilitate FDI into China. Immediately

after the open-door policy was announced in 1978, the Law of People's Republic of China on Joint-Ventures using Chinese and Foreign Investment was enacted in 1979 (Hui and Ka, 2014). The Law of the People's Republic of China on Enterprises Operated Exclusively with Foreign Capital enabled the establishment of wholly foreign-owned enterprises whilst the Provisions of the State Council of the People's Republic of China for the Encouragement of Foreign Investment authorised several preferential treatments for foreign joint ventures.

The outward FDI from China reach as high as USD196.15 billions in 2016 but decrease by 19.3% in 2017 because of the China-US trade war in 2017 (Ministry of Commerce of the People's Republic of China, 2018). Despite of the drop in the outward FDI in the world, China climbed up from 25th in the Global Ranking of ODI in 2002 to 2nd in 2017 despite of the dropped in the China's ODI due to the US-China trade war (CMC, 2018). Even though the pandemic started off in Wuhan, China, it had come out fast enough to sustain its economy in which the World Economic Outlook (WEO) report released in June 2020 by International Monetary Fund (IMF). IMF indicates that the second quarter GDP is expected to be more severe than the first quarter, except in China, where most of the country had reopened by early April. Moreover, China as before is looking to expand its industry demand and looking for collaboration with the world in the development of world-class products to fulfil the demand from the developed economies. The realization of Regional Comprehensive Economic Partnership (RCEP) on November 15, 2020, marked another milestone on the collaboration between ASEAN economies and China.

Malaysia greatly welcome RCEP because it trying to integrate the regional supply chain through digitalization, which greatly benefits the Small and Medium Enterprises (SMEs). The world supply chain was greatly affected due to Covid-19 with a drop of 40% as indicated by the World Investment Report 2020. Besides that, the World Investment Report 2020 also reckoned that the disruption of the supply chain greatly affected the businesses especially the SMEs. Hence, the RCEP is expected to further enhance the connectivity among the member countries and to provide a new opportunity for international trade and wider access in terms of market shares using digital infrastructure.

The relationship between Malaysia and China had been long standing since the era of Sultanate of Melaka. This relationship is further strengthened in the last two decades which had been outlined in various Malaysia Plans since 2001. China emerged as the top investor in Malaysia at the end of 2018 with an investment amount of RM19.67 billions (USD 4,753.72 billions) despite of various reconciliation of mega projects happened in the mid-2017 after the new government of Malaysia take their administration.

Zhang and Daly (2011) as well as Peyrouse (2016) regarded, the objectives of the China's OFDI in developing regions are known for resource-seeking and political interest rather than economic interest towards the host country. The capital market imperfections and inefficient banking system in China had allowed soft loans to be made to potential outward investors, which may not bring economic benefits in the long run to the recipient countries. This was further put into question when countries such as Malaysia and Myanmar to take the initiative in revising the infrastructure projects with China. Yet, no further analysis had been done to prove the destruction nature of the China's OFDI rather than it was merely a discussion among politicians.

Furthermore, the effect on employment in the host country remain questionable when there was a large despatch of the labour services from China into the host country. In this context, it is witnessed that the number of labours dispatched for labour services reached 971,000 in March (2018) and expected to increase about 58,000 for each year. In Asia itself, the number of labour services despatched as of 2016 was 207,978 people, which is 78.78% of the total labour services, despatched to the world by China. This leads to the question on whether the Chinese investment led to more employment opportunity in the host country or merely as a ground to reallocate their labour to the host country.

Therefore, it is timely and crucial for us to investigate the extent of China's investment in Malaysia especially in the manufacturing sector in Malaysia to gauge some preliminarily knowledge on its contribution towards the national economy. We particularly choose the manufacturing sector because it is considered as the heart for employment and economic growth of a country. Further, we analyse the economic impact of China investment towards the employment in each industry of the manufacturing sector. This will provide the answer to the policy makers and the public on the efficacy of China's investment given the debates among the policy makers, academics and the public on the role and motivation of China's OFDI. We seek to analyse employment creation brought by the China as compared to Malaysia's top FDI origin countries. Our observation found that the employment creation in the manufacturing sector in Malaysia by the China's FDI in the recent years is lesser as compared to the labour dispatched into Malaysia especially in contracted projects. Further, we found that there is a shift in the employment in manufacturing sector contributed by the China's FDI from basic metal to Electronics & Electrical products. This study is aims to shed some insights to the policy makers and the public on the efficacy of China's investment given the debates among the policy makers, academics and the public on the role and motivation of China's Outward FDI.

The rest of the paper is organized as follows. Section 2 discusses on the China investment in Malaysia. Section 3 discussed the China contribution to the manufacturing sector in Malaysia. Finally, Section 4 concludes.

2. CHINA INVESTMENT IN MALAYSIA

Malaysia continues to attract investment in manufacturing sector following the export-orientated industrialization since 1980s. Manufacturing sector is regarded as the heart for economic growth of a country. Hence, developing nations to attract foreign investment on manufacturing sector.

The FDI in Malaysia grow steadily (refer to Figure 1) with a grow rate of 949.60% between 2001 and 2005. This may be associated with the policy taken by Malaysia to promote the growth of FDI by increasing the equity policy in manufacturing sector where 30% limit of foreign ownership was relaxed in telecommunications, insurance, shipping and forwarding as well as approved investment in Multimedia Super Corridor (MSC) to encourage high value-added and technology-intensive industries (Rancangan Malaysia Kelapan, 2001-2005).

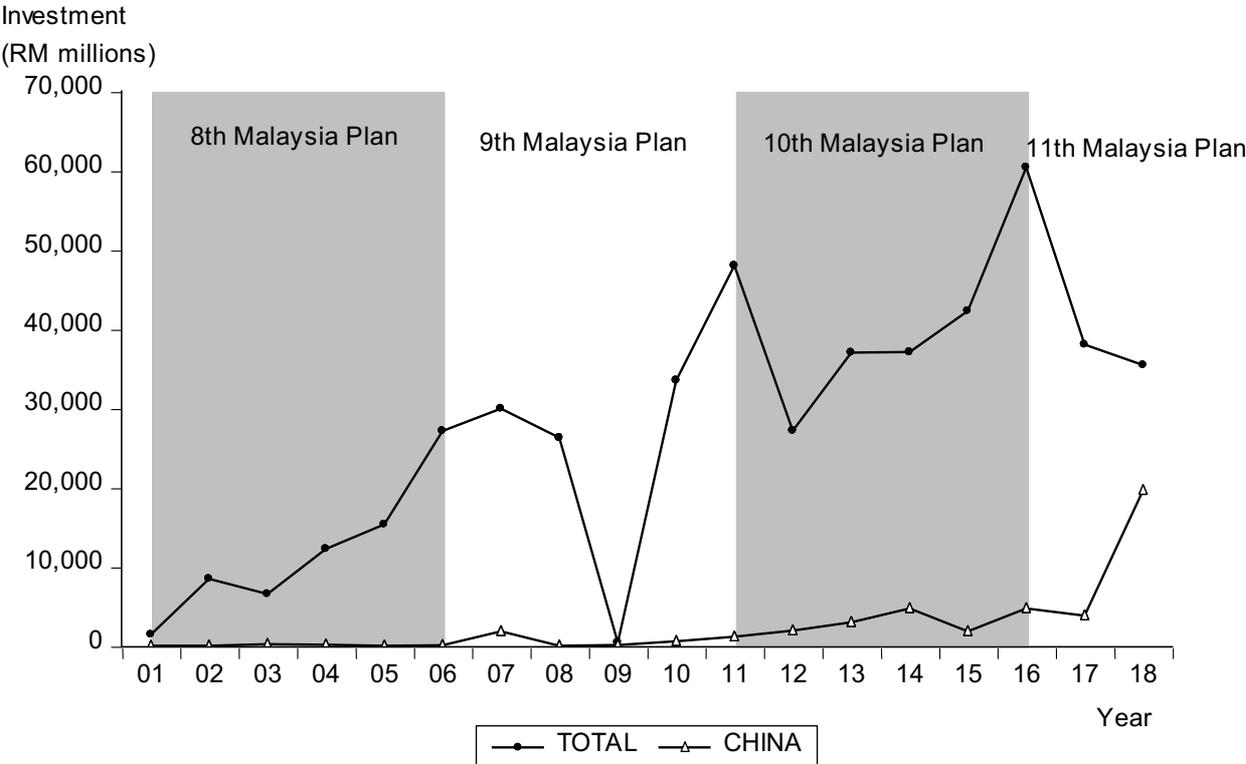


FIGURE 1 Investment in Malaysia from 2001 to 2018

Investment Data from Malaysian Investment Development Authority (MIDA)

The investment from China in manufacturing sector as shown by Figure 1 is at RM34.36 million in 2001 and raised to RM39.58 million in 2005. This marked an increase of only 15.25% over the span of five years. Amid with the 2008 Global Financial Crisis the total FDI in the country dropped by 98.27% due to the pull-out of direct investment from the developed economies. Nevertheless, FDI from China in manufacturing sector remains strong and increased by 354.97% from year 2008 to 2009. The results might be due to the shift in the investment policy during the period of the 9th Malaysia Plan (MP) with the establishment of East Asia community with the East Asia Free Trade Agreement (FTA) – Japan, China and South Korea (Rancangan Malaysia Kesembilan, 2006-2011). Besides that, the 6th Prime Minister of Malaysia, Najib Razak engaged strongly to strengthen the political and economy ties with China.

The Belt and Road Initiatives (BRI) was signed in 2013 and this further lead to a sharp increase in the FDI from China in the manufacturing sector as shown in Figure 1. The policy of Malaysia to leverage on China's expertise and investment especially in railway infrastructure and construction further lead to a tremendous increase with approximately 10,702.60% in the manufacturing sector. In addition, the 10th MP started to develop policy to diversity its external trade structure by reducing the dependency on the traditional markets such as the developed economies and to make stronger inroads into emerging markets in Asia and Gulf states, which further intensify the economies ties between Malaysia and China.

The China investment in Malaysia continues to make it significant impact with China remains as the Malaysia's largest foreign investor since 2016 to the present for manufacturing sector. Despite of the adverse effects due to the COVID-19 pandemic, the value of investment from China remains as the top largest investor in manufacturing sector with a total of RM31.3 billion (approximately USD7.48 billion) for the first nine months of 2020 (Aman, February 2021). The economic ties between Malaysia and China are expected to be enhanced over time with the Regional Comprehensive Economic Partnership (RCEP) that is believed to significantly contribute to rejuvenate the Small and Medium Enterprises (SMEs) aftermath the COVID-19 pandemic economic crisis.

Although, the increase of China investment yield significant results, yet the impact of the value of investment to the real economy is yet to be determined. In this context, this study adds to the research on the impact of FDI from China in term of employment creation by using Malaysia as the main setup. The concern on employment creation by FDI remains the core department of analysis because value of direct investment lay on the employment opportunities

it created to push the country beyond the productivity frontier, thus economic growth in the long run.

3. CHINA CONTRIBUTION TO MALAYSIA EMPLOYMENT

3.1 An overview of the China's investment on manufacturing sector in Malaysia

In this section, the contribution of China's investment in Malaysia employment with the comparison with the labour dispatched from China and with the major investors in Malaysia. The comparison with the labour dispatched from China enables us to gauge some basic knowledge on the utilization of local workers in their project. The employment creation in manufacturing sector is compared with the amount of labours dispatched to Malaysia via contracted projects and also labour services employed given the data obtained from Malaysian Investment Development Authority (MIDA) and various issues of the China Statistical Yearbook, respectively (refer Table 1 and Figure 2). Figure 2 and Table 1 show that the turnover of labour dispatched to Malaysia in terms of contracted project far more exceeded the labour services employed and the employment created in the manufacturing sector by China's investment in Malaysia. We observed that there was a sharp increase in the labour dispatched via contracted projects, approximately 118.76% between 2011 and 2017.

The policy in the 10th MP implemented by the 6th Prime Minister, Najib Razak in shifting the focus on new fast-growing markets, particularly in Asia and ASEAN as well as to leverage on the China's expertise in building the railway infrastructure contributed partly contributed to the increase of contracted projects labours from China into the country. This is followed by the establishment of Regional Economic Corridors such as Iskandar Malaysia, East Coast Economic Region (ECER), the Northern Corridor Economic Region (NCER), the Sabah Development Corridor (SDC) and the Sarawak Corridor of Renewable Energy (SCORE) that contributed to the rise in labour dispatched to Malaysia (Eleventh Malaysia Plan, 2016-2020). This may be due to lack of skilled-labours in Malaysia in handling the growth in the China investment in the recent years. According to Tham and Liew (2004) dependency on foreign skilled-workers may delay the up-grading of technical skills, mechanisation and automation which defeat the motives to attract FDI into the country. The labour dispatched by China, which grow beyond the employment created in the manufacturing sectors, could lead to employment destruction in Malaysia in the long run if it not been handle properly.

Consistently, we noticed that the increment in the job created by the FDI provides no evidence for job creation in Malaysia given the increase in unemployment rate in Malaysia from 3.0% in 2011 to 3.4% in 2017. This supports the view that FDI may resulted in job losses as

proved by (Mariotti, Mutinelli, & Piscitello, 2003; Schmerer, 2014) when the reallocation on manufacturing plants happened with the aim of cost reduction.

TABLE 1 Comparison on employment in Malaysia with labour dispatched from China

Year	2011	2012	2013	2014	2015	2016	2017
Labour services from China	3,065	2,759	2,468	3,779	5,267	6,885	6,705
Contracted workers from China	5,220	6,232	8,017	10,130	9,351	12,312	21,214
Manufacturing sector in Malaysia	3,481	3,835	3,660	5,534	5,127	10,147	4,767
Employment to labour dispatched (%)	42.02	42.65	34.91	39.79	35.07	52.86	17.07

Notes: Employment to labour dispatched is refers to the employment creation in manufacturing sector in Malaysia divided with the total number of contract and labour services from China in percentage

Source: China Statistical Yearbook, Various Issues and Investment Data from Malaysian Investment Development Authority (MIDA)

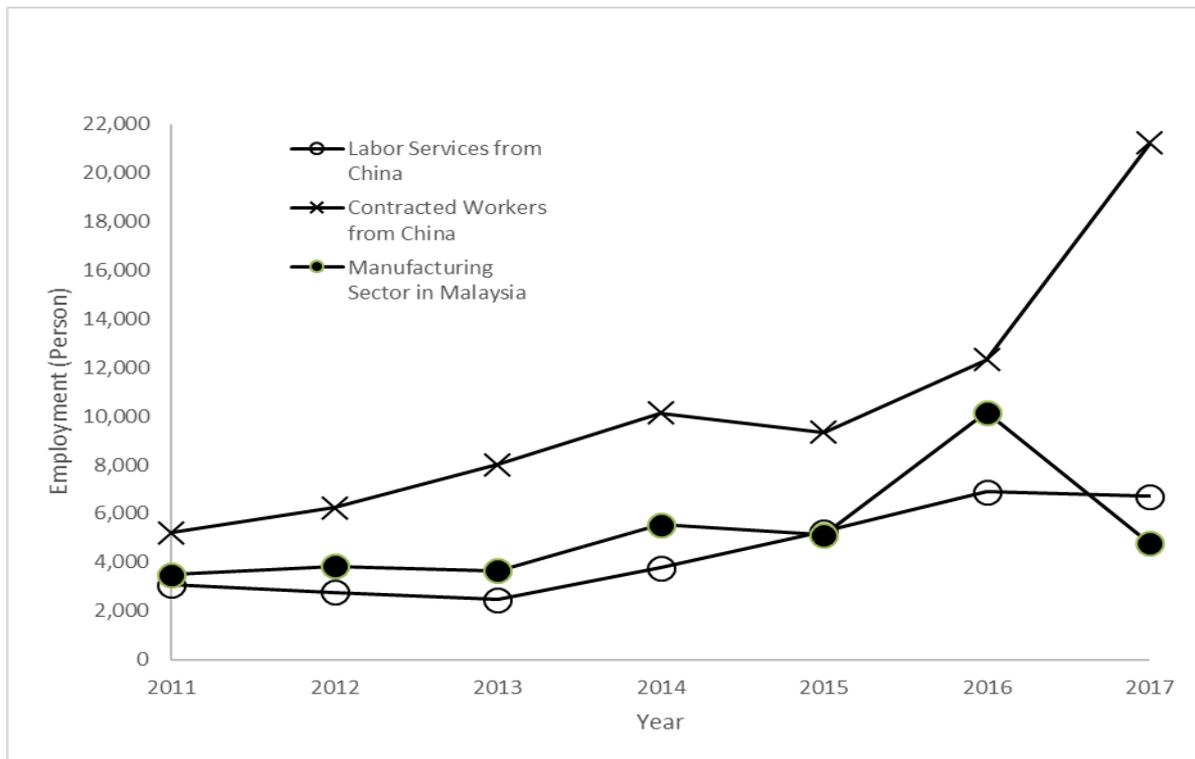


FIGURE 2 Comparison on employment in Malaysia with labour dispatched from China
Source: China Statistical Yearbook, Various Issues and Investment Data from Malaysian Investment Development Authority (MIDA)

The reduction in the ratio of employment created in manufacturing sectors in Malaysia to the total number of contract and labour services from China from 52.86% in 2016 to 17.07% in 2017 leads to the alarming issues on the employment creation by the China's investment in Malaysia. Measures were taken by the 7th Prime Minister, Mahathir Mohamad to renegotiate the China's investment especially project-based in order to restore the primary motives of FDI in employment creation for the nation. The increase in contracted projects labour dispatched from China as compared to the employment creation in manufacturing sector is also due to the reason of the nature of Chinese labour that willing to work long hours without oblige to the labour law and cultures. Similar situation is found in Africa by Anshan (2007).

Next, Table 2 provides the employment creation between China and the other four major investors in the manufacturing sector in Malaysia. This comparison allows us to compare the emergence of China as Malaysia main investors over the years as compared to the traditional major investors. Based on Table 2, China's role in employment creation shifted dramatically under the period of 10th MP and continues in contemporary 11th MP. Najib Razak took over premiership in April 2009, more than halfway of 9th MP. Najib's international relationship policy is clearly pro-China. His election campaign and political image were extensively constructed as China-friendly, perhaps as strategy to win back Malaysian Chinese voters'

support. To Malay voters’, Najib portrayed China as “friendly investors” that help economic growth and create employments.

The collaboration between Malaysia and China are intensify during Najib Razak time especially after Malaysia join the BRI club. Malaysia-China Kuantan Industrial Park (MCKIP) was launched on February 5, 2013 further marked the new collaboration between Malaysia and China after the BRI. Other well-known projects are the infrastructure projects such as East Coast Rail Link (ECRL), High Speed Rail (HSR) and Digital Free Trade Zone (DFTZ).

Statistics in Table 2 and 3 verify the international relation shift and success of Najib’s pro-China policies. Total employment created by China’s investment in manufacturing sector jumped 184.36% in 10th MP (2011 - 2015) and 21.80% in 11th MP (2016 - 2018) while Japan and USA dropped heavily. Malaysia associated many of its mega projects to China’s Belt and Road Initiative (BRI) despite no reciprocal acknowledgement or denial from China. Perhaps, China just plays along with Malaysia (Najib Razak) enthusiasm, therefore triggering doubt about benefit of China’s investment to employment creation to Malaysia.

TABLE 2 Total Employment in manufacturing sector of five major investors in Malaysia

Year	China	Indonesia	Netherlands	Japan	USA
2001-2005	5,333	1,738	20,805	44,876	36,643
2006-2010	7,609	3,521	13,006	42,380	49,846
2011-2015	21,637	2,687	15,497	36,019	32,653
2016-2018	26,353	727	4,583	12,490	6,090
2018	11,439	563	1,260	4,816	2,128

Source: Authors calculation based on data from Malaysian Investment Development Authority (MIDA)

TABLE 3 Change in Total Employment in Manufacturing Sector of Five Major Investors in Malaysia (in percentage)

Year	China	Indonesia	Netherlands	Japan	USA
2006-2010	42.68	102.59	-37.49	-5.56	36.03
2011-2015	184.36	-23.69	19.15	-15.01	-34.49
2016-2018	21.8	-72.94	-70.43	-65.32	-81.35

Source: Authors calculation based on data from Malaysian Investment Development Authority (MIDA)

3.2 Employment creation in each industry of manufacturing sector

To explore the contribution of China investment on the Malaysia manufacturing sector, we further match various phases of Malaysia Economic Plans with the growth in employment in various industry. Such analysis is necessary to verify whether China investment is destructive or constructive. In addition, industry analysis also allows us to know whether the China investment is as claimed as resource-seeking and political interest. The industry analysis on employment creation in manufacturing sector reveals some interesting intuitions (refer Table 4). First, the largest and most consistent employment creation by China’s investment is in basic metal products industry. Despite of being only resource-seeking, China did contribute to the resource-based industries.

However, there are notable shifts in China’s policy towards their investment direction in Malaysia. In between 2016 and 2018 (part of current 11th MP), total employment creation from China increased 21.8%. However, employment creation in basic metal dropped 95.7% while non-metallic mineral products and fabricated metal products increased 411.3% and 236.8% respectively.

In term of amount, combine employment from the three sub-industries merely dropped 55 people from 11,047 to 10,992 employment creation. On the other hand, Electronics and Electrical products industry started to gain it momentum and created the largest amount of employment since 10th MP (2011 – 2015) and almost double in merely three years later. Another notable change is rubber products industry where employment creation jumped 770% between 10th MP period and 11th MP period. These shifts in China’s employment patterns partly can be explained by shift in Malaysia’s economic direction in 10th MP and Najib’s envisioned Economic Transformation Program (ETP) launched in September 2010.

Electronics and electrical was identified as higher value-added and knowledge intensive industry under 10th MP. Subsequent 11th MP aims to diversify and increase electronics and electrical outputs and exports from new applications for semi-conductors in digitalisation, mobility, connectivity, energy efficiency, and miniaturization. Electronics & electrical is also one of the National Key Economic Areas (NKEAs) under Economic Transformation Program (ETP). Thus, drastic increase of China's employment creation in this industry could be due to pull factor to attract China's investment. The number of jobs created between 2006- 2010 and 2011-2015 increase significantly from 267 jobs into 4,980 jobs. The number of jobs keep increase into 8,037 jobs during 2016-2018. The increase of jobs created due to large investments come from top local electronics and electrical companies which mostly the largest stakeholder of these company from China; Carsem (M) Sdn Bhd, Unisem (M) Sdn Bhd and Globetronics Group. The initiative of previous government about Digital Free Trade Zone (DFTZ) for greater cooperation between Malaysia and China especially in e-commerce logistics also influence the increase of job creation during 2016-2018.

Even the largest investment from China in Malaysia from 2008 to 2017 is related to BRI that focuses on railway infrastructure and construction, yet we failed to identify significant increase in the industries such as Machinery & Equipment as well as in Transport Equipment. Data shows that in Machinery & Equipment sector, the employment increase from 563 jobs during 2006-2010 to 794 jobs during 2011-2015. However, the job creation is decrease into 117 jobs during 2016-2018.

Data shows that in Transport Equipment industry, the employment increase from 685 jobs during 2006-2010 to 1532 jobs during 2011-2015. The increasing of job is due to the BRI signed between Malaysia and China in 2013. However, the job creation is decrease into 1462 jobs during 2016-2018. The number of jobs created should be increased as during 2016-2018, the BRI was at the phase of preliminary and design phases. The reduction of jobs created in Machinery & Equipment sector compared to Transport Equipment sector occurred after BRI is signed between Malaysia and China. This can be concluded, after BRI is signed, China investment in Malaysia is focused into Transport Equipment, which result in reduction of job employment in Machinery & Equipment industries.

On the other hand, China's employment creation spike in rubber products (2016 – 2018) and textiles & textile products (2011 – 2015) remain a puzzle and this may be due to the objective of China's outward FDI which mainly focus on resource-seeking.

TABLE 4 Employment Creation in Each Industry of Manufacturing Sector

Industry	China	Indonesia	Netherlands	Japan	USA
Basic Metal Products					
2001-2005	555	432	0	430	87
2006-2010	2,804	0	11	2,353	0
2011-2015	9,716	338	27	1,342	0
2016-2018	4,965	0	1,095	63	0
2018	3,305	0	0	0	0
Electronics & Electrical Products					
2001-2005	249	166	19,571	25,466	30,516
2006-2010	287	0	9,863	21,056	42,374
2011-2015	4,980	0	10,890	15,918	23,352
2016-2018	8,037	0	2,760	2,174	1,721
2018	2,365	0	964	574	1,331
Rubber Products					
2001-2005	197	0	19	1,534	1,479
2006-2010	427	278	398	275	0
2011-2015	190	0	0	1,106	4,266
2016-2018	1,653	0	0	802	0
2018	1,308	0	0	754	0
Non-Metallic Mineral Products					
2001-2005	252	0	28	317	73
2006-2010	270	0	76	2,469	205
2011-2015	885	136	0	665	344
2016-2018	4,525	0	0	266	0
2018	980	0	0	202	0
Fabricated Metal Products					
2001-2005	303	85	100	1,962	765
2006-2010	238	12	249	2,619	204
2011-2015	446	112	410	1,923	173
2016-2018	1,502	104	0	230	229
2018	786	104	0	102	130

Petroleum Products (Inc. Petrochemicals)					
2001-2005	0	0	0	297	71
2006-2010	12	0	256	178	352
2011-2015	107	0	143	926	0
2016-2018	723	250	167	238	0
2018	723	250	0	201	0
Plastic Products					
2001-2005	346	2	46	3,207	237
2006-2010	154	145	186	1,158	193
2011-2015	924	458	37	1,703	22
2016-2018	994	0	0	419	107
2018	630	0	0	308	25
Paper, Printing & Publishing					
2001-2005	0	0	279	173	25
2006-2010	159	0	0	399	159
2011-2015	150	0	134	1,306	43
2016-2018	993	0	11	26	39
2018	574	0	11	0	0
Food Manufacturing					
2001-2005	334	202	286	319	413
2006-2010	39	1,611	85	134	142
2011-2015	72	250	1,249	1,210	90
2016-2018	271	80	0	1,394	0
2018	211	80	0	1,134	0
Wood & Wood Products					
2001-2005	522	27	37	1,617	166
2006-2010	417	220	0	1,069	237
2011-2015	257	15	0	767	233
2016-2018	602	0	0	26	0
2018	108	0	0	0	0
Chemical & Chemical Products					
2001-2005	754	415	236	652	428

2006-2010	324	247	58	931	1,013
2011-2015	231	5	662	545	429
2016-2018	147	203	49	23	240
2018	104	75	49	9	155
Machinery & Equipment					
2001-2005	285	63	113	1,479	515
2006-2010	563	72	1,205	1,187	1,953
2011-2015	794	128	231	726	670
2016-2018	117	0	49	617	700
2018	101	0	43	285	232
Furniture & Fixtures					
2001-2005	164	0	0	412	445
2006-2010	222	405	69	0	292
2011-2015	89	0	21	139	0
2016-2018	88	0	0	0	0
2018	88	0	0	0	0
Textiles & Textile Products					
2001-2005	244	200	0	221	345
2006-2010	520	0	275	2,328	251
2011-2015	1,004	0	16	292	40
2016-2018	65	36	0	1,321	93
2018	65	0	0	0	93
Beverages & Tobacco					
2001-2005	0	0	0	0	46
2006-2010	27	48	0	0	0
2011-2015	0	0	45	0	194
2016-2018	47	0	16	0	0
2018	47	0	0	0	0
Transport Equipment					
2001-2005	1,052	146	76	3,918	460
2006-2010	685	477	83	4,556	1,362
2011-2015	1,532	1,178	0	7,189	648
2016-2018	1,461	54	167	3,968	1,196

2018	44	54	0	482	153
Leather & Leather Products					
2001-2005	0	0	0	51	0
2006-2010	0	0	0	15	0
2011-2015	0	0	0	0	0
2016-2018	91	0	76	0	0
2018	0	0	0	0	0
Scientific & Measuring Equipment					
2001-2005	0	0	4	2,622	498
2006-2010	61	0	192	1,275	699
2011-2015	260	0	1,632	262	1,667
2016-2018	22	0	193	505	1,765
2018	0	0	193	400	9
Miscellaneous					
2001-2005	76	0	10	199	74
2006-2010	400	6	0	378	410
2011-2015	0	67	0	0	482
2016-2018	50	0	0	418	0
2018	0	0	0	365	0

Source: Authors calculation based on data from Malaysian Investment Development Authority (MIDA)

4. CONCLUSION

China's outward FDI had growth drastically over the decades with various policies implementation to encourage the FDI under the administration of Xi Jinping. The strong political ties between Malaysia and China continues which marked the peak in 2018 with China becomes the top investor to Malaysia in 2018 despite of various reconciliation of mega projects happened in the mid-2017 after the new government of Malaysia take their administration. Despite of the pandemic crisis, which had threatened the world, China emerged as the top investors in manufacturing sector in Malaysia and greatly contributed in the economy recovery of the country. Nevertheless, the nature of China's FDI which focused on resource-seeking and political interest has resulted in some doubts toward the economic impact and received various attention from different parties included the political parties. Mega projects had been reconciled with the concern of debt trap during 2018 and therefore, it is timely to investigate the extent of

China's investment in the manufacturing sector in Malaysia. This is crucial to rediscover the relationship and the way to move forward in sustain foreign investment especially with the influx of China investment in the world and the change in the focus of the world economic collaboration after the pandemic and to achieve the 12th Malaysia Plan.

The result found that employment creation in the manufacturing sector in Malaysia by the China's FDI in the recent years is lesser as compared to the labour dispatched into Malaysia especially in contracted projects. Further, we found that there is a shift in the employment in manufacturing sector contributed by the China's FDI from Basic Metal to Electronics and Electrical products. This suggest that the strong economies tie over the years lead to development of mutual understanding on the Malaysia key economic areas of the country. Investment cooperation of the Chinese shareholdings in the major market players in Malaysia such as Carsem (M) Sdn Bhd, Unisem (M) Sdn Bhd and Globetronics Group had encouraged the employment creation in the industry.

Yet more initiative could be taken by both countries to create the win-win situation by encouraging investment into priority sector in moving up to the higher value-added industry via Electronics and Electrical products. Furthermore, economic relation with China is vital to achieve the recent 12th Malaysia Plan that focuses on to reset the economy aftermath COVID-19. This include the role of digitalization to create new business opportunities and rejuvenate the world supply chain in manufacturing sector and further been extended into renewable energy. Besides, the incentives and further collaboration in terms of employment creation in industries such as Transport Equipment and Machinery and Equipment is also vital to achieve the objective of the 12th Malaysia Plan on enhancing connectivity and transport infrastructure.

Therefore, this study suggests that the authorities to deliberately the benefits of China investment in Malaysia to fully leverage on this relationship to achieve sustainable economic growth. This is because manufacturing sector contributed to more than 50% of the employment opportunities of the countries especially in emerging economies. Thus, a win-win situation is necessary to move towards Shared-Prosperty Vision in 2030.

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Securing Food Security Amidst Disruptive Crisis: Lessons from COVID-19 Pandemic for East Asian Regional Cooperation

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Introduction

The spread of Covid-19 as a global pandemic in 2020 is a tsunami that rocks the stability of order at individual, societal, national, and global levels. The first impact of the pandemic is the disruption of the public health, in which many people lost their lives and even some of the survivors will be affected through the rest of their lives. However, the secondary impact on the livelihood of people is going to be felt in the longer term.

In East and Southeast Asia, multiple factors lead to different levels of severity and fatalities of the Covid-19 pandemic. Some countries are hit significantly, while others were relatively successful to manage the spread of the virus (cumulative confirmed Covid-19 cases could be seen in Fig. 1). While the primary impact of the pandemic to the public health are quite diverse, the larger impacts are felt across the region. In this context, this short paper will look at the impact of the pandemic to the food security situation in East Asia and what are the lessons learned from the disruption for regional cooperation.

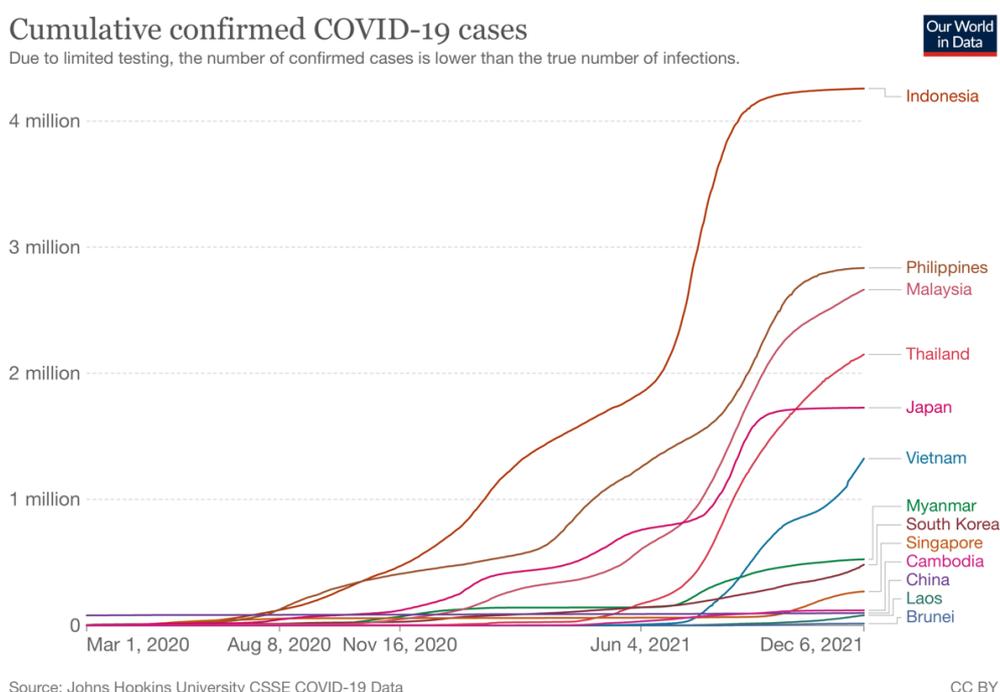


Figure 1. Cumulative Confirmed Cases of Covid-19 in East and Southeast Asia. Source: Our World in Data

This paper defines food security by following United Nations Food and Agriculture Organization (FAO) definition. According to this conceptualization, food security is achieved when people “...at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life” (FAO 2006). The definition identified the elements of food security, which includes: (1) the availability of food, (2) access to food, (3) food utilization, and (4) the stability of food supplies.

East Asia as A Success Story⁴

East Asia is a success story in the struggle to achieve good security. In the early 1990s, Southeast Asia is among the worst in the world in terms of undernourishment with for 31% of the population were undernourished. The undernourishment rate declined sharply in the 2000s, although conditions vary in different countries with different levels of development (OECD/Food and Agriculture Organization of the United Nations, 2017). There are several reasons for the progress. Economic growth, a reduction in the poverty rate, and strong agricultural productivity provide a strong foundation for strengthening food security.

The region has witnessed rapid economic growth since the 1960s, with fast-paced growth in East Asia. When China opened its market in the late 1970s, this trend was further boosted. Southeast Asia also followed suit and transformed from the poorest subregion in Asia in 1965 into one of its fastest-growing parts. Although disrupted temporarily by the 1997 Asian Crisis, East and Southeast Asian economies successfully recovered and are now among the few “global engines of growth.”

Together with economic growth, the region has also witnessed significant progress in poverty reduction. In this respect, China records the world’s most spectacular achievement, showing a decrease from 66.3% of the population living below 1.9 USD per day in 1990 (2011 PPP) to almost zero (0.5%) in 2016, the latest year for that indicator in the World Bank database (The World Bank, 2021). Japan and the Republic of Korea even achieved this number earlier. Similar stories are also seen in other East and Southeast Asian countries. In Thailand, the population living below 1.9 USD (2011 PPP) per day was 19.3% in 1981, and in 2019, the number was 0.1%. In Indonesia, it was 54.9% in 1990 and 2.9% in 2019. In the Philippines, the number dropped from 13.7% in 2000 to 2.7% in 2018. Even late bloomers such as Lao PDR,

⁴ In this paper, East Asia refers to ASEAN Member Countries plus Japan, China, the Republic of Korea, the Democratic People’s Republic of Korea (DPRK), Mongolia.

which had more than half of its population living under 1.9 USD per day in 1997, successfully reduced it to 10% in 2018 (The World Bank, 2021).

Furthermore, East Asia is well known as one of the most productive agricultural baskets in the world. According to FAO Statistics, there are 789.4976 million hectares of agricultural land in this region, composing 16.44% of the world’s agricultural land in 2018 (FAO 2021a). The favourable climate, fertile lands, and diversity of geographic features allow East and Southeast Asia to consistently be among the main producers of various crops and food commodities in the world.

East Asia is the main producer of rice, which is also the staple food of the region. Producing more than 418 million tons of rice (paddy) in 2019, East contributed to more than half of the global production of rice (Fig. 2). From this number, more than 209 million tons are produced by China, while approximately 188 million tons are produced by Southeast Asia subregion. Japan also has a strong agricultural sector that produced more than 10 million tons of rice in 2019. Vietnam (with more than 43 million tons of rice produced in 2019) and Thailand (with more than 28 million tons in 2019) are known as leading producers and exporters of rice in Southeast Asia. While producing more rice than Vietnam or Thailand (54 million tons of rice in 2019), the sheer size of Indonesia’s population means that Indonesia needs to import rice from other countries.

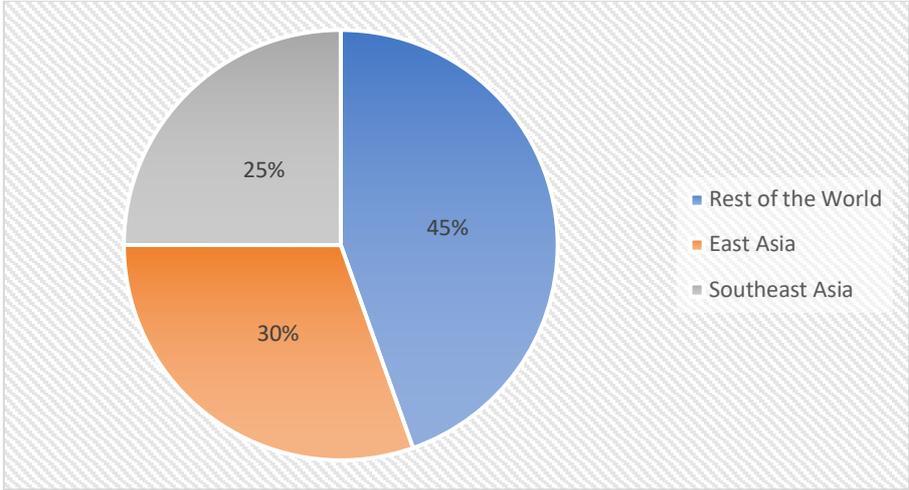


Figure 2. Share of Global Rice Production

Source: FAO (2021a)

Apart from rice, East Asia produces other important cereal/grains, such as wheat and maize. In 2019, the region produced 135.2 million tons of wheat and 315.58 million tons of

maize. The region also produced considerable amounts of other cereals, such as buckwheat, barley, sorghum, and rye.

East Asia also produces other food commodities that are significant in the global economy and in global food security. This is an important epicentre of oil crop production since the majority of the world's most widely used vegetable oil, palm oil, is produced in this region. The largest producers of this versatile commodity are Indonesia and Malaysia. The two countries produce approximately 84% of the global palm oil (United States Department of Agriculture, 2021). Various kinds of vegetables and fruits are also abundant in this region, produced both for domestic consumption and for exports. East and Southeast Asia also produces a significant amount of sugar crops, 338.65 million tons in 2019.

Progress Disrupted? The Impact of COVID-19 Pandemic

While most countries can avoid the worst scenarios, the pressure on food security remains strong. Lockdowns and/or lesser mobility restrictions have created transport and border bottlenecks, affecting the quantity and quality of food available for consumption. Food production and availability are stable, but prices are rising.

This situation has compromised the ability of people to access sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life. Before the pandemic, 144.5 million people in ASEAN member states could not afford a nutrient-adequate diet, and 61.3 million people struggled to afford an energy-sufficient diet. After the pandemic, the number of households unable to afford a nutrient-adequate diet rose to 179.8 million people, and those struggling to afford an energy-sufficient diet also increased to 68.9 million (Asia Pacific Foundation of Canada 2021). Studies on the food security situation in several countries have confirmed this situation. A study in Malaysia, which has actually handled the pandemic relatively well, found that 63.76% of respondents from families in the bottom 40% had to reduce their food intake (Ibrahim and Othman 2020). In the Philippines, the national hunger rate spiked from 8.8% in December 2019 to 21.1% in 2020 (Philstar 2020). A survey by the Indonesian Institute of Sciences found that 36% of surveyed households can be categorized as food insecure (LIPI (Indonesian Institute of Sciences) 2020). It is estimated that households that struggle to afford a “calorie adequate” diet will rise from 6% to 8% due to the pandemic, and more than one-third of Indonesians (approximately 90 million) will have difficulty accessing a “nutrition adequate” diet (Asia Pacific Foundation of Canada 2021). A similar result was found in Lao PDR, where a survey revealed that 30% of respondents consumed less nutritious food due to rising grocery prices and lower income (WFP and FAO

2020). Vietnam also faced similar conditions, with a study finding that 34.5% of respondents claimed that they experienced worsened food quality compared to the usual (UNICEF Viet Nam 2020). In Cambodia, the percentage of food-insecure households rose from approximately 18% to approximately 22% (and probably more) due to the pandemic (Asia Pacific Foundation of Canada 2021). In Myanmar, 24% of urban residents and 44% of pregnant mothers did not eat enough healthy food (Headey et al. 2020). Due to the continuing political crisis, it is expected that the situation will worsen.

Regional Cooperation in Securing Food Security

During the early days of the pandemic, some countries responded to the shock by restricting exports and impending imports. Such efforts led to rising short-term prices in importing countries and lower income prospects for exporters. APT (ASEAN Plus Three) leaders soon saw that those measures were counterproductive and started to coordinate their policies. In June 2020, APT leaders declared their commitment to keeping the markets open to ensure the resiliency and sustainability of regional supply chains and to refrain from taking policies that may hinder the flow of food, commodities, medicines, and medical supplies (ASEAN Plus Three 2020a). Such regional coordination eased the insecurity and allowed a stable supply of food and commodities during the pandemic. Despite the declines in the early stage of the pandemic, commodity production increased in 2020 compared to 2019. Nevertheless, continuous communication is still necessary to prevent panic on the supply side (Asia Pacific Foundation of Canada 2021).

Food security has been an important agenda for East Asian regional cooperation since the establishment of these regional organizations. The ASEAN Declaration, signed in Bangkok in 1967 and, thus, also known as the Bangkok Declaration, mentioned that one of the aims and purposes of the establishment of ASEAN was “To collaborate more effectively for the greater utilization of their agriculture and industries and the raising of the living standards of their peoples” (ASEAN 1967). While not mentioning the term food security explicitly, the inclusion of such passages shows the importance of food security in regional cooperation. The concern for food security was also evident in the Declaration of ASEAN Concord, signed in Bali, February 24th, 1976. The elimination of poverty, hunger, disease, and illiteracy was mentioned as the “primary concern of the member states.” Furthermore, “cooperation in basic commodities, particularly food and energy,” was made the first programme of action in the economic cooperation segment (ASEAN 1976). In 1979, the term “food security” was explicitly mentioned in the Agreement on the ASEAN Food Security Reserve, signed in New

York, October 4th, 1979, which established the ASEAN Emergency Rice Reserve (ASEAN 1979). Under the AERR, each member promised to earmark a particular quantity of rice (50,000 tons in the beginning but then amended to 67,000 tons) to be available for other members in emergency situations. Nevertheless, the AERR was never utilized by ASEAN members, probably due to its limited size of stocks and complex requirements (Kim and Plaza 2018; Mujahid and Kornher 2016). To overcome this problem, there was a discussion to enlarge the cooperation to involve “Plus Three” countries, which have more financial capacity. The involvement of the Plus Three countries (Japan, China, Korea), as well as the modification of its mechanism, was expected to overcome the limitation of the AERR. In 2004, the East Asia Emergency Rice Reserve (EAERR) pilot project commenced.

Following another crisis in 2007/2008, ASEAN adopted the ASEAN Integrated Food Security (AIFS) Framework and the Strategic Plan of Action on Food Security in the ASEAN Region (SPA-FS) in March 2009 (ASEAN 2009). There are four components of the framework: (1) food security and emergency/shortage relief, (2) sustainable food trade development, (3) an integrated food security information system, and (4) agricultural innovation. Following the evolution of the concept of food security, the regional framework was further developed in 2015 with the publication of AIFS and SPA-FS 2015-2020, which included nutrition-enhancing agricultural development as the fifth component. It also developed more measurable outputs and more systematic monitoring and evaluation mechanisms (ASEAN 2016).

This framework has provided the basis for larger regional cooperation, which involves Plus Three countries (Japan, China, Republic of Korea) in the form of the ASEAN plus Three Emergency Rice Reserve (APTERR). The APTERR aims to strengthen food security through specific rice reserve mechanisms to prepare for large-scale disasters or other emergency cases. Learning from the non-utilization of the previous regional food reserve mechanism, the APTERR has two reserve mechanisms: (1) the “earmarked rice reserve,” for which the member countries pledge to hold a certain quantity as an emergency international reserve and (2) the “stockpiled rice reserve,” which is kept in the form of actual rice (or cash). The addition of the stockpiled reserve and/or cash fund aims to simplify the process since this fund is released as an immediate response to an emergency. If the emergency reserve has not been used or partly used during the reserve period, the remaining quantity is used for poverty reduction purposes. Regarding the earmarked reserve, the quantities that the countries have declared as the international emergency reserve are released. Other than the introduction of the stockpiled rice reserve, the APTERR has a much larger quantity in the earmarked rice reserve (787,000 tons) compared to the previous AERR (50,000 and then 67,000 tons). While the utilization of the

APTERR is still very limited, observers have noted that it might have a calming effect on the market and thus help to tame the historically volatile international rice market (Mujahid and Kornher 2016).

Apart from the regional emergency reserve, another important initiative is the development of a food information and early warning system through the establishment of the ASEAN Food Security Information System (AFSIS). The AFSIS was first approved as a project by the Ministers of Agriculture and Forestry of the ASEAN member states plus the People's Republic of China, Japan, and the Republic of Korea during the APT Ministerial Meeting on Agriculture and Forestry (AMAF+3), hosted by Lao PDR, in 2002. After the first phase (2003-2007) was completed, the project was extended into the second phase (2008-2012). At the end of the second phase, there was a joint endorsement among APT members to make the AFSIS a permanent mechanism rather than a project. However, disagreements over various issues led ASEAN leaders to cancel the plan, and in 2017, APT countries agreed to continue the AFSIS as a "Project led by Thailand with support from Plus Three Countries" (AFSIS 2021).

As already discussed, the COVID-19 pandemic has significantly affected the food security situation in the region. ASEAN and APT responded to the crisis by initiating several measures. During the early period of the pandemic, ASEAN anticipated the pandemic's impact on food security by declaring a joint commitment to ensure food security, food safety, and nutrition by minimizing disruptions in the regional food supply chain (ASEAN 2020c). A similar commitment was declared by APT leaders during the Special ASEAN Plus Three (APT) Summit on Coronavirus Disease 2019 (COVID-19) on April 14th, 2020, which endorsed the utilization of the APTERR (ASEAN Plus Three 2020b). The commitment was further reiterated in the APT Economic Ministers Joint Statement on Mitigating the Economic Impact of the COVID-19 Pandemic on June 4th, 2020 (ASEAN Plus Three 2020a). While most APT countries tend to rely on national mechanisms to deal with COVID-19 and its consequences for food security, the regional mechanism has been utilized, although still in a limited manner (APTERR 2020). Beyond utilizing the emergency rice reserve, ASEAN published the ASEAN Declaration on Strengthening of Adaptation on Drought (ASEAN 2020a) and the ASEAN Guidelines on Disaster Responsive Social Protection to Increase Resilience (ASEAN 2020b).

Lessons Learned

East Asia's long experience with regional cooperation to ensure food security shows that while there are still limitations in regional cooperation, regional cooperation is an important pathway to strengthen food security in East and Southeast Asia. The COVID-19 pandemic has

provided a strong push for ASEAN and APT leaders to further develop regional mechanisms to anticipate the impacts of future pandemics or any other crises on food security. While most countries still rely on policies at the national level, regional cooperation mechanisms can help ease the burden of all member countries when such disruptions occur.

However, COVID-19 pandemic also illustrates the embeddedness of food security in ecological and social systems. The sustainability of food security is strongly tied to the patterns of interaction between humans and nature, including in developing responsible patterns of production and consumption. For example, the conservation of tropical peatlands, abundant in Southeast Asia, is crucial to preventing future outbreaks of potential zoonotic diseases. Expansions of human economic and social activities often create habitat disruptions in areas with high biodiversity, which includes the presence of many potential disease vectors and creates risks for future zoonotic disease pandemics (Harrison et al. 2020). Thus, measures to ensure food security must also be integrated into greater efforts to mitigate climate change and to prepare proper adaptation in vulnerable societies.

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