Cross-Border Journal of Businees Management
Vol. 1 No. 2 Juli - Desember 2021, page 257-268 p-ISSN: 2775-538X

ECONOMIC GROWTH OF COUNTRIES IN THE REGION SOUTH EAST ASIA IN THE ERA OF THE COVID-19 PANDEMIC

Desi Yuniarti
Institut Agama Islam Sultan Muhammad Syafiuddin Sambas, Indonesia
e-mail: desiyuniarti777@gmail.com

ABSTRACT

The COVID-19 pandemic has caused a decline in the economy and activity in various sectors and regions in Indonesia. Although the economic shock caused by the COVID-19 pandemic has gradually subsided as the domestic financial market stabilized and several economic sectors expanded. However, given the nature of the blow to both the supply and demand sides of the economy, recovery efforts still need more time. At the same time, the spread of the virus also shows no signs of ending as the trend of confirmed cases and deaths continues to increase. On the one hand, demands for the resumption of various social and economic activities are getting stronger, marked by the loosening of social restrictions in many areas. On the other hand, the existing public health infrastructure is still inadequate. So there is a high risk of re-activating the various wheels of social and economic activities to normal. With these limitations, the new normal is a must. The new normal is also an opportunity to strengthen the economy as long as it is accompanied by transparent priority setting and proper policy coordination and synchronization.

Keywords: COVID-19, economy, social restrictions, new normal

INTRODUCTION

The COVID-19 pandemic is a test of the resilience of a nation. Quoting Singapore's Minister of Foreign Affairs, Vivian Balakrishnan, the COVID-19 pandemic is an acid test (rapid feasibility test) for the resilience of public health, social capital and governance systems2. This multidimensional crisis due to the COVID-19 pandemic has come so quickly and has exposed the fragility of a country in various fields. In the health sector, this pandemic, for example, shows how inadequate and evenly distributed health facilities are in many countries, including the United States and Italy, which were previously considered to be quite advanced in public health facilities. Not only in terms of the availability of hospitals and medical personnel, this crisis has also exposed the facts of the lack and uneven distribution of facilities in the fields of health laboratories, testing and vaccination in many countries.

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In the economic field, the crisis caused by the COVID-19 pandemic has developed in such a way and caused a contraction of the global economy. Unlike previous crises, it hit not only the demand side of the economy, but also the supply side of the economy. So that its pressure on growth is felt in many countries (Balakrishnan, 2020). Various world financial bodies estimate that the COVID-19 pandemic will cause the world economy to contract by -2.0% to 2.8% in 2020, from previously growing by an average of 2.9% in Balakrishnan (2020), the impact of COVID-19 19 on Singapore, our region, and the world, Interview with CNBC Asia, CNBC Exclusive, 11 March 2020. Contrasting, but also proven to trigger social conflict in a country. Especially countries where there are seeds of discrimination and sharp social and political inequalities, which are vulnerable to conflicts and clashes between social classes in society. The protracted social unrest that has occurred in the United States is a testament to that. This riot, although framed by racial issues, was actually also triggered by the economic crisis due to an explosion in unemployment of more than 33 million people and hundreds of thousands of deaths due to the COVID-19 pandemic in the country (Cheung, 2020).

This short article will explore the ramifications and impacts of the COVID-19 pandemic in Indonesia by reviewing various aspects of economic development, public health and regional preparedness. This article will also review some of the priorities towards a new normal or “living in peace” with COVID-19 that must be taken and prepared. This article will then identify the challenges faced and the steps taken to not only recover but also emerge from the crisis caused by this Pandemic stronger and grow sustainably.

RESEARCH METHODS

The study of this research uses a literature review where the literature is taken in accordance with the subject matter and analyzed in depth so that conclusions and findings can be drawn in the study. Literature taken from books, journal articles both nationally and internationally and other literature. (Phillippi & Lauderdale, 2018; Marshall et al., 2013; Bengtsson, 2016).

RESULTS AND DISCUSSION

COVID-19 and the Indonesian Economy

As an open country, the Indonesian economy is not immune to the world turmoil caused by the COVID-19 pandemic. Various international economic bodies such as the World Bank estimate that this pandemic will erode national economic growth to only be in the range of 3.5% to 2.1% in 2020. In line with

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the World Bank, the IMF also projects Indonesia's economic growth of 0.5% in 2020. This is clearly a sharp correction from the growth rate of 5.02% recorded in 2019. Likewise, from a socio-economic perspective, several institutions estimate that there will be an additional 1.16 million (+0.44%) to 9.6 million (+3.6%) of the poor in 2020, which depends on the degree of economic damage that will occur. Likewise, the number of unemployed is expected to increase by 2.91 million (2.17% of the workforce) to 5.23 million (3.79% of the workforce) in 2020. The domestic financial market was also affected by the shocks caused by the COVID-19 pandemic. This can be seen from the swift capital outflow which was recorded at Rp.159.6 trillion between January and April 2020. The amount of capital outflow in this short time span was the largest that Indonesia has experienced since 2009. At the same time, domestic financial volatility also recorded an increase as indicated by the weakening of the Composite Stock Price Index (JCI) above 33% in March 2020, and the depreciation of the rupiah to touch the level of IDR 16,505 per USD, although now it has decreased to the level of Rp. 15,000 per USD. The yield (Yield) of the Republic of Indonesia government bonds with a tenor of 10 years also rose to a level above 8% in March 2020.

From the release of Indonesia's economic growth in quarter 1-2020 issued by the Central Statistics Agency (BPS) it is clear that the damage to the economy caused by the COVID-19 pandemic is clear. Indonesia's Gross Domestic Product (GDP) growth rate in the first quarter of 2020 was recorded at only 2.97% (year-on-year), which is the lowest growth rate since 2001. This figure is also much lower than the predictions of the Ministry of Finance and Bank Indonesia, which previously still predicted growth in the range of 4%-5% in the first quarter of 2020. Meanwhile, the Indonesian economy in the first quarter of 2020 against the fourth quarter of 2019 has recorded a contraction of -2.41%5. In other words, there has been a decline in the size of the national economic pie due to the COVID-19 pandemic. Although it cannot be said to be a technical recession, which by definition is a decline in GDP for two consecutive quarters, this decline can certainly continue in Q2-2020 considering that the peak of social restrictions occurred in April and May 2020, which will only be recorded in the data for the 2nd quarter of 2020.

On the expenditure side, the largest GDP contraction was recorded in household consumption spending, which worsened by 2.84%, the largest consumption contraction since 1999. The sharp decline in consumer household spending was due to at least two things: First, the increase in unemployment which had a direct impact on decrease in income and household consumption expenditure. Second, the increased uncertainty due to the COVID-19 pandemic has led to the diversion of consumption to savings (precautionary savings) by households whose income has not been heavily affected by the crisis caused by this pandemic.

Of course, not all sectors in the economy have heterogeneity of impact. Some sectors that were hit particularly hard were the transportation sector (1.27% from the previous 7.55%), the construction sector (-2.41%), and the manufacturing industry (-1.47%). The heavy blow felt by these various sectors could actually be predicted beforehand from various other indicators, for example from the indicator of a decrease in the number of foreign tourist arrivals which reached 64.11% between March 2019 and March 2020, as well as Bank Indonesia's Prompt Manufacturing Index in April 2020 which was recorded at 27.5 which is the lowest number in history6. Meanwhile, other sectors that are still relatively safe are the financial sector, health sector and social work which still grew dominantly by 10.67% yy (previous: 8.49% yy), and 10.39% yy (previous: 7.82 yy), respectively. (BPS, 2020).

When and How Will the Pandemic End?

The damage that is almost evenly distributed in various sectors caused by the COVID-19 Pandemic is basically due to the nature of uncertainty and the fatal risk it causes. Where as long as massive tests have not been carried out and an effective vaccine is found, which is the cause of asymmetric information, all social activities and activities will be surrounded by uncertainty and have risks. This risk in Indonesia has not shown any signs of abating. The latest data until June 4, 2020 shows that both the number of confirmed cases and deaths due to COVID-19 in Indonesia continues to show an increase. Even for the number of confirmed cases, Indonesia is among the highest in the Southeast Asia region, in the second top position after Singapore (Warjiyo, 2020).

In this case, risk factors and uncertainty can be minimized by carrying out a series of 3Ts (testing, tracing, and treatment) on those suspected of suffering from COVID-19. Unfortunately, in these three respects, Indonesia is still very far behind. For example, in conducting tests, Figure 5 shows that the number of COVID-19 tests per 1,000 population carried out by Indonesia is still far below other countries, even compared to neighboring countries in Asia. One thing, of course, is far from ideal, where with a relatively high number of confirmed deaths, Indonesia should conduct more tests on those suspected of having COVID-19. In the future, this is of course a priority for improvement considering the epicenter of the multidimensional crisis caused. With a series of damages inflicted on various sectors, the question that arises then is when will this

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COVID-19 pandemic end? From the history of pandemics that occurred in the world, it will end for two reasons: medical reasons and social reasons. One pandemic ended for medical reasons with the discovery of a vaccine that could provide immunity against this virus or an effective way of avoiding it. Meanwhile, socially, the pandemic will end when the community has reached a stage where the exhaustion of the fear caused by the pandemic has occurred, so it is decided to then adapt to living with the risks (Kolata, 2020).

Today there have been tens or even hundreds of efforts made by various countries, including Indonesia, to find a vaccine that can provide protection against COVID-19. The optimistic estimate is that laboratory and clinically tested vaccines will be available in early 20218. However, another problem that will then arise is how to mass produce and distribute them to nearly 8 billion people in the world. The next issue is an ethical issue, such as which country and which community group has the right to get it first? Furthermore, another question is whether this vaccine is classified as a public good, which means that the responsibility for procurement and distribution rests with the state. Some things are of course not easy to answer (Christensen, 2020).

In addition, if we go back to history, the optimism about finding and distributing a vaccine to ward off COVID-19 seems to also need to be recalibrated. The track record of conflict between viruses and existing medical innovation capabilities shows that the majority of pandemics end more not for medical reasons, with the invention of vaccines, but the majority end due to a social agreement. An article published recently by Gina Kolata, American Pulitzer Prize-winning science journalist, describes how major pandemics that killed hundreds of thousands to millions of people such as the Bubonic Plaque (Black Death), the Spanish Flu of 1918, and the Hong Kong Flu of 1968 ended socially as with the passage of time, without ever found an effective vaccine against it that until now9. The virus that caused the 1968 Hong Kong Flu pandemic is still circulating in the world today as a seasonal flu, for which a truly effective vaccine has not been found. But socially, humans have been able to adapt and don't have an excessive fear of this flu.

Likewise with the COVID-19 pandemic, indications in various countries indicate that this pandemic will end socially rather than medically. Many countries are gradually starting to open up and relax from their social distancing and quarantine policies. Frustration and exhaustion with the fear of this virus socially seems to have reached its peak, so the impulse to return to normal activities as social and economic beings is difficult to resist. Including in

Indonesia, easing or more precisely, the violation of social distancing rules has become something that is commonly seen in recent times.

Of course, there is still a hot debate between public health experts who reject the easing and several elements in society, especially from the business community, who advocate for an immediate end to the existing social restrictions. A complicated debate, where both sides have equally strong reasons. Of course, this debate can only end with a firm decision taken by the national policy makers. And in this case, reflecting also on existing history, social and economic arguments are almost always won in a public policy debate (Kolata, 2020).

So, what needs to be prepared to minimize the risk of ending this pandemic socially is to strengthen public health capacity in conducting 3T (testing, tracing and treatment) and ensuring the availability of medical personnel evenly in various regions in Indonesia. In this regard, Indonesia still has many limitations. For example, the availability of hospitals and ventilators to treat COVID-19 sufferers is still relatively small compared to the existing needs. Its presence is also more centered in Java, although currently the center of the COVID-19 pandemic has spread to many other areas outside Java10. To see the extent of the impact of the COVID-19 pandemic in various regions in Indonesia, the next part of this article will review the heterogeneity of impacts and readiness to recover and strengthen the economy in various regions in Indonesia.

Regional Heterogeneity of the COVID-19 Pandemic Crisis

In general, the crisis due to the COVID-19 pandemic has affected all provinces in Indonesia. However, as is the case by sector, there is also heterogeneity of the impacts on the economy of each province.

A simulation conducted by Arief Anshory Yusuf (2020) shows the reality of this gradation. Assuming that there are three transmissions of the impact of the COVID-19 pandemic on the economy, namely through changes in the level of external trade in the province, changes in tourism activities and the implementation of large-scale social restrictions (social-distancing), Arief shows that there is a decrease in the growth rate of an average of 5, 0% of 2019 nationally. In other words, the economic growth rate in 2020 is predicted to drop to only zero percent from a 5.02% basis of growth in 2019. The same simulation shows gradations in various provinces. The biggest decline is expected to occur in DKI, whose GRDP (Gross Regional Domestic Product) is estimated to decline to negative 7.5%. Or with a growth base in 2019 of 5.9%, DKI's economy is expected to grow negatively 1.6% in 2020. Meanwhile, the weakest impact will occur in Papua province, whose economy will only decline by -1.2%, from -15.72% in 2019 to -16.92% in 2020 (Pusparisa, 2020).

The simulation also shows that there will be an increase in the poverty rate by an average of 1.5% nationally, or an increase of almost 3.9 million poor people. The largest increase will be experienced by the province of West Java, where the poor population will increase by 1.9% or 943 thousand people, while the lowest increase will occur in the province of North Kalimantan, where the poor population will increase by 0.5% or around 3400 people.

The main contributor to the almost uniform decline in the economy in various regions in Indonesia is the simultaneous implementation of large-scale social restrictions, which in fact occurs, especially in terms of population mobility to work11. Meanwhile, the allocation of fiscal stimulus amounted to Rp.405 trillion (+/- 2.5% of GDP) in the form of social assistance (Rp.110 trillion), health budget (Rp.75 trillion), industrial incentives (Rp.70 trillion), and economic recovery. (Rp.150 trillion) only had a minimal impact on restraining the slowdown in growth, with its contribution to growth increase of only 0.15% (https://www.google.com/covid19/mobility/).

Three interesting aspects can be drawn from this study: First, the COVID-19 pandemic has had the greatest economic and social impact on a province that has many densely populated urban areas. From the distribution shown in Graph 7, it is clear that in the projected decline in GRDP the largest will occur in the provinces of Java, North Sumatra, West Sumatra, Riau, Bali and South Sulawesi, which are provinces with high population density and have a lot of population urban area. Second, the main contributor to the decline in GRDP in various provinces in Indonesia is the massive occurrence of social distancing, either formally through the PSBB policy (large-scale social restrictions) or informally, such as those who work and study independently from home, or half a year. Forced to be unemployed due to being laid off (termination of employment) or closing his business. Third, the decline in people's socio-economic activities was largely due to social restrictions that could not be immediately recovered by the splash of fiscal stimulus, which of course also had many limitations, both in terms of sources and instruments that could be taken. The injection of stimulus amounting to IDR 405.1 trillion provided by the government had a less significant impact in restraining the slowdown in growth. From the latest developments, the government plans to increase the fiscal stimulus for recovery from Rp.405.1 trillion to Rp.677.2 trillion, by increasing the allocation for each existing post and adding a new post for the bailout fund for MSMEs (micro, small and medium enterprises) and BUMN (state-owned

 p-ISSN: 2775-538X

enterprises). However, if the instruments and data collection bases applied are still the same and tend to be off target as has been proven in several regions, then the ineffectiveness of this additional stimulus will almost happen again.

As a result, the simalakama of these three aspects is that by maintaining a policy of limiting questions will continue the damage and prolonged economic suffering, which cannot be helped even with the various incentives and stimuli provided. Meanwhile, not practicing social distancing will pose a risk to public health and increase the number of victims due to the COVID-19 virus. Moreover, as discussed previously, Indonesia cannot be said to have reached the peak of the pandemic and there are limitations in testing, tracing and treating the public.

New Normal aka Live in Peace with COVID-19

New normal or living in peace with COVID-19 as popularized by President Joko Widodo, is living by continuing to carry out various socio-economic activities, even though implementing several protocols to minimize the risk of transmission. This means a change in routine and habitual patterns in various social activities, from the way of traveling, working, studying to shopping. Various government agencies related to the new normal have also issued various protocols related to this new normal. Such as protocols on education, protocols for industrial activities and new normal protocols for industry, education and transportation.

Of course, implementing the new normal has risks. The experience of several countries, such as South Korea, which implemented it earlier on May 6, 2020, shows that the relaxation of social restrictions through the new normal has the potential to cause the emergence of a second wave of the spread of the COVID-19 virus. One thing that has happened in the country has caused social restrictions and quarantine to be imposed again until June 14, 2020. Even though this country has high discipline in implementing the new normal protocol, with health facilities and infrastructure for testing, tracing and treating which is much better than many other countries (Sebayang, 2020).

However, not all countries that have implemented the new normal fail, or experience a second wave of the spread of the COVID-19 virus. An example of a case in Asia is Hong Kong, which so far can be said to have successfully implemented the new normal and avoided the second-wave of the pandemic (Yeung, 2020). Likewise, several countries in Europe such as Austria and Germany which have also started implementing the new normal so far can be said to be quite successful and there have been no reports showing a significant spike in additional cases of COVID-19 sufferers.

The common thread of success in these countries is essentially three things: massive testing, tracing and treating of patients and suspected COVID-19 sufferers, discipline in implementing protocols in various activities, and a little luck. The last element reflects the existence of factors beyond control that can be done, such as negligence in implementing the protocol in the midst of the large number of people with COVID-19 without identifiable symptoms.

A further question then does Indonesia have all of these? One more thing that is not easy to answer. During a pandemic, everything is risky, but that doesn't mean we have to stop because of it.

Conclusion

Mapping the Road to a Strengthening Economy

With the start of the new normal phase in Indonesia, a plan for various socio-economic aspects of the community should be available. Various government institutions such as Bappenas have also prepared a Safe Productive Protocol as a protocol for the community in carrying out various socio-economic activities during the Pandemic, which refers to the criteria of the World Health Organization (WHO).

However, these protocols alone are not enough. Because his presence is intended to be limited to implementing preventive measures for the spread of the COVID-19 virus, which ultimately aims to save people's lives and livelihoods, by regulating the pattern of socio-economic activities carried out. These protocols are similar to policies issued by the government, which should be coordinated across agencies as well as between central, provincial and regional governments. This is to prevent the occurrence of overlapping policies horizontally and vertically, which in turn leads to public confusion and ineffectiveness in their implementation.

A recent example where the implementation of this new normal policy has even become counterproductive is the regulation regarding the requirement to obtain an Entry Permit (SIKM) in carrying out activities in the new normal era, which was stipulated by several local governments. In practice, this regulation becomes a burden that burdens the community, because in addition to complicated management, it also involves significant costs. The winding road to getting back to work in this new normal era for inter-regional workers is also added to the rules for having to undergo polymerase chain reaction (PCR) or rapid tests issued by the Task Force for the Acceleration of Handling COVID-19.

 p-ISSN: 2775-538X

So it is not surprising that many then cancel their activities, including airlines that also cancel flights.

Furthermore, coordination of policies and rules across horizontal and vertical agencies must also be carried out, not only limited to rules related to the new normal protocol. What is also really important are policies and regulations related to the budget and the use of the budget as a stimulus for the recovery and strengthening of the community's economy. The government with Government Regulation in Lieu of Law (Perppu) Number 1 of 2020 has made efforts to change various rules related to budgeting, such as easing the maximum limit of the 3% budget deficit during the COVID-19 response period, relaxation in adjusting the amount of mandatory spending and shifting the budget between organizational units. (fiscal switching).

However, this easing policy related to budgeting should also be accompanied by two other things: setting priorities for proper handling and reflecting the needs and taking sides with the least affected communities, as well as strengthening the database for handling and conducting direct socio-economic interventions. Because without clear priorities and explicitness of the assumptions and underlying philosophies, the policy of easing budgeting can be likened to giving blank checks that are prone to being misused for interests that do not directly affect the general public. Likewise, strengthening the database must be done to avoid suspicion and social conflicts at the grassroots which can then backfire for strengthening efforts.

Prioritization must be prepared in a complete manner and capable of functioning as a roadmap towards not only recovery but also improvement and strengthening of the national economy. Because behind the existing crisis, the COVID-19 pandemic also actually provides opportunities for improvement and strengthening of the national economy. Ideals about the national economy going forward, such as the necessity of having a strong and complete social safety net, good public health facilities, adequate digital infrastructure and awareness of the importance of low carbon along with more attention to the environment must be included in this roadmap of strengthening.

Last but not least, the preparation of the roadmap absolutely pays attention to regional aspects. Attention to regional uniqueness is a must given the heterogeneity of the impact of this COVID-19 pandemic, as well as the different comparative advantages that each region has. Do not then be impressed that in the preparation of priorities and roadmaps there is an improvement in certain sectors, such as the attention that seems a bit excessive to the tourism sector, which can be interpreted as prioritizing certain areas.

 p-ISSN: 2775-538X

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