

## Improving ASEAN Commodity Exports in the New Normal Era

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### Introduction

The commodity export sector in ASEAN countries in recent years has been confronted with the divergence of monetary and fiscal policies among developed countries. The question is whether the divergence of these policies is a threat or an opportunity. As we know, the divergence of monetary policy occurred because the Federal Reserve System decided to raise interest rates even though the European Central Bank and Bank of Japan set the opposite. Meanwhile, the divergence of fiscal policy occurred because the United States Government decided to carry out a budget deficit policy even though governments in Western European countries preferred to conduct more balanced budget policies. Both divergences caused the US dollar to strengthen against various other currencies around the world. As a result, the people of the United States had a higher ability to buy goods produced abroad, and conversely, people in Western Europe and Japan had a lower ability to buy goods from abroad. This situation will be an opportunity for ASEAN countries if they can increase the growth of their commodity exports.

Moreover, the commodity export sector of ASEAN countries was also shocked by the COVID-19 pandemic. The pandemic forced governments in various countries to reduce the mobility of transportation facilities, people and goods and services in order to prevent the wider spread of COVID-19. This situation logically disrupted the commodity export activities of ASEAN countries.

Further, this paper proposes ways that need to be carried out by the governments of ASEAN countries in order to improve their commodity export performance in the new normal era, i.e. amid the divergence of macroeconomic policies in developed countries and the aftermath of COVID-19 pandemic. The proposed policies are based on the results of a simple analysis of the commodity export data of ASEAN member countries to the United States and the world in the 2017-2018 period as well as the latest information from the world economy.

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## ASEAN Commodity Exports During the Macroeconomic Policies Divergence

In general, the commodity export destinations of ASEAN countries can be grouped into two destination countries/regions, namely the United States and the world. The following tables illustrate the growth in commodity exports of ASEAN countries to the United States and the world.

**Table 1. ASEAN Countries Commodity Exports to the US (in thousands of USD)**

Countries	2017	2018	Growth (%)
Brunei Darussalam	28,771	57,661	100.41
Cambodia	2,409,745	3,047,006	26.45
Indonesia	17,810,363	18,471,422	3.71
Lao People's Democratic Republic	22,611	26,851	18.75
Malaysia	20,662,227	22,546,148	9.12
Myanmar	278,012	492,258	77.06
Philippines	9,209,532	10,550,142	14.56
Singapore	24,170,044	31,888,993	31.94
Thailand	26,527,135	27,893,610	5.15
Viet Nam	41,549,715	47,580,106	14.51
Average	14,266,815.5	16,255,419.7	30.17

Source: International trade statistics, processed.

**Table 2. ASEAN Countries Commodity Exports to the World (in thousands of USD)**

Countries	2017	2018	Growth (%)
Brunei Darussalam	5,586,316	6,506,565	16.47
Cambodia	11,276,841	12,715,470	12.76
Indonesia	168,810,637	180,215,036	6.76
Lao People's Democratic Republic	4,909,734	5,814,806	18.43
Malaysia	217,715,510	247,489,373	13.68
Myanmar	13,878,764	16,671,612	20.12
Philippines	63,233,344	67,487,925	6.73
Singapore	373,055,543	412,077,471	10.46
Thailand	235,871,371	249,921,314	5.96
Viet Nam	215,118,607	243,698,698	13.29
Average	130,945,667.7	144,259,827	12.47

Source: International trade statistics, processed.

Based on the two tables, there are several conclusions. First, the divergence of macroeconomic policies in developed countries increased the commodity export growth of ASEAN countries to the United States. This happened because the divergence of macroeconomic policies strengthened the real effective exchange rate (RER) index of the US dollar so that the purchasing power of the United States people increased. The US dollar RER index in 2018 increased 3.31 percent from 2014.

Second, the divergence of macroeconomic policies in developed countries did not adversely affect commodity exports of ASEAN countries to the world as shown by the growth of commodity exports of ASEAN countries to the world. This was because central banks in various countries took preventive measures to prevent the adverse effects of the divergence of macroeconomic policies and because 81 percent of ASEAN countries' commodity exports were directed to countries other than the EU and Japan.

Third, the majority of ASEAN countries achieved a growth rate of commodity exports to the United States that was higher than the growth of their commodity exports to the world. On average, in 2018, ASEAN commodity exports to the United States increased by 30.17 percent while to the world increased by 12.47 percent. This shows that the divergence of macroeconomic policies in developed countries actually raised the importance of the United States market for commodity exports of ASEAN countries.

Therefore, it is clearly seen that, overall, the divergence of macroeconomic policies in developed countries apparently did not have a negative impact on the total value of commodity exports of ASEAN countries. Instead, the impact was positive.

### **ASEAN Commodity Exports and the Threat of a COVID-19 Pandemic**

Although the divergence of macroeconomic policies in developed countries had a positive impact on the growth of the total value of ASEAN commodity exports, the COVID-19 pandemic seems to have the opposite effect. Globally, so far, the COVID-19 pandemic has forced many countries to adopt policies on trade barriers, such as commodity export bans, in order to meet domestic consumption needs. As a result, as reported by UNCTAD, global value chains have been disrupted, which has led to lower income and investment activities in many countries. The impact of these declines is the fall in world export spending as a result of the deterioration in total world demand. More clearly the WTO reports that in the first half of 2020 the COVID-19 pandemic caused a decrease in the volume of international trade by 13-20 percent.

Then, if it is assumed that the export commodity prices of ASEAN countries to the United States and world markets in 2020 are not much different from the prices of these export commodities in 2018, and considering the size of the decline in the volume of international trade as reported by the WTO, it can be predicted that some ASEAN countries will experience negative commodity export growth. The prediction results are shown in the following table.

**Table 3. Predictions of ASEAN Commodity Export Growth During the COVID-19 Pandemic**

Countries	To the US (%)	To the World (%)
Brunei Darussalam	89.85	5.91
Cambodia	15.89	2.20
Indonesia	-6.85	-3.80
Lao People's Democratic Republic	8.19	7.87
Malaysia	-1.44	3.12
Myanmar	66.50	9.56
Philippines	4.00	-3.83
Singapore	21.38	-0.10
Thailand	-5.41	-4.60
Viet Nam	3.95	2.73
Average	19.61	1.91

Source: International trade statistics, processed.

### **What Needs to be Done in a New Normal Era?**

To restraint the decline in commodity export growth as a result of the COVID-19 pandemic and to promote export commodity growth in a new normal era, the governments of ASEAN countries need to increase their spending on several key activities while ensuring that the production of these export commodities can continue. The government expenditure is used to finance the following activities.

First, the construction of new warehouses to add storage places for commodities to be exported. As is known, the divergence of macroeconomic policies in developed countries actually increases the total value of commodity exports from ASEAN countries, whether to the United States or to the world. Normally, such a favorable situation encourages export commodity producers in ASEAN countries to increase their production capacity. However, the pounding of the COVID-19 pandemic caused export commodities produced by exporters to be restrained and could not be immediately exported. In fact, among the commodities that cannot be immediately exported there are commodities which are vulnerable and cannot last long. Therefore, storage warehouses are needed in order to store the commodities produced so that the quality is maintained and not damaged.

Second, the provision of additional road infrastructure, transportation facilities and field staff to accelerate the process of sending commodities that have been produced from production sites to storage warehouses and from storage warehouses to ports for export. In this case, the governments of ASEAN countries, through designated field officers, need to proactively approach producers and pick up commodity products at production sites and send them to storage warehouses. This will reduce the risk of damage to these commodities.

Third, expanding commodity trading activities in the commodity futures market, including providing incentives for export commodity producers in the commodity futures market. So far, the commodity futures market has functioned more as a medium for trade transactions in agricultural products, precious metals, minerals, vehicles and machinery. Going forward, governments in ASEAN countries need to expand trading activities in the commodity futures market which includes trade activities for all commodities produced by creative businesses. The governments of ASEAN countries also need to provide incentives in the form of additional business capital for small and medium entrepreneurs who are able to increase their trading activities in the commodity futures market.

Finally, export management training in a pandemic situation and in a new normal era. A pandemic situation can reduce the production activities of exporters. In order for them to continue working in normal times without laying off their employees, governments in ASEAN countries need to provide export management training in a pandemic situation. Workers who are forced to not work can be included in training classes so as not to reduce their hours of work as usual. At the end of the activity, each exporter will get additional skilled workers.

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