

THE ROLE OF TRUST IN THE COVID-19 ECONOMIC RECOVERY

LESSONS FROM ASIA

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AROUND THE GLOBE, COVID-19 is disrupting all aspects of society. However, at some point, the containment phase of the crisis will end, and focus will shift to a strong economic rebound. Many Western economies have looked to the East for the planning of the containment phase. We believe that, for the planning of the economic rebound, they should do so even more.

The transition phase between containment and full operation may last up to 12 to 18 months, since it will depend on either the development of a vaccine or ample immunization. Regardless of the specifics, which may vary widely by economy, we face a dramatic economic downturn. The severity of this economic downturn depends on the length and depth (distance from full operation) of the transition phase. We argue that trust will play a crucial role in limiting both.

So, if Western economies are to learn from Asia, what exactly are Asian economies doing right to drive trust? Many point to digi-

tal applications, which indeed have proven their merits. However, while digital and AI can be powerful enablers, trust requires more than apps. We propose lessons for both governments and businesses, focusing on three Asian economies: South Korea, Taiwan, and Singapore.

Trust Is Essential for a Strong Economic Recovery

COVID-19 is testing not only the systemic resilience but also the adaptability of businesses, institutions, governments, and entire societies. The fabric of trust provides the means by which systemic coordination and cooperation can be achieved. Such cooperation can drive behaviors that, although uncomfortable, are essential to bring an economy back up to speed.

Trust is essential for businesses to regain capacity to operate (supply). Employees need to go back to work, but they may not immediately trust the safety of their business environment. Measures such as tem-

perature checks and social distancing in workplaces can help. But trust is also crucial to drive customer demand. Places linked to contamination risks—such as theaters, restaurants, and planes—may be avoided for some time. Booking systems that take into account social distancing can provide help. Finally, trust will be crucial to enable certain orchestrating institutions to function again. Consider, for example, public transportation, which is so essential to many people’s commutes. With typically crowded systems, people may be hesitant to return to old habits. Systematically checking temperatures and reducing capacity can help maintain commuters’ trust.

being shared, at the right level of detail, and in a timely fashion?

- **Security/Privacy.** Is the right tradeoff being made between data sharing and data security/privacy?
- **Reliability/Credibility.** Are commitments and forward-looking communication balanced with the risk of under-delivery?
- **Proximity/Intimacy.** Is the right balance found between relying on community trust vs. individually rational behavior?

Four Drivers of Trust in COVID-19 Times

We define trust as “the expectation that a target agent upon which trust is placed will deliver on promises and/or behave according to expectations or agreed-upon shared norms.” Trust is driven by several elements, which we have grouped into four clusters. (See the exhibit.)

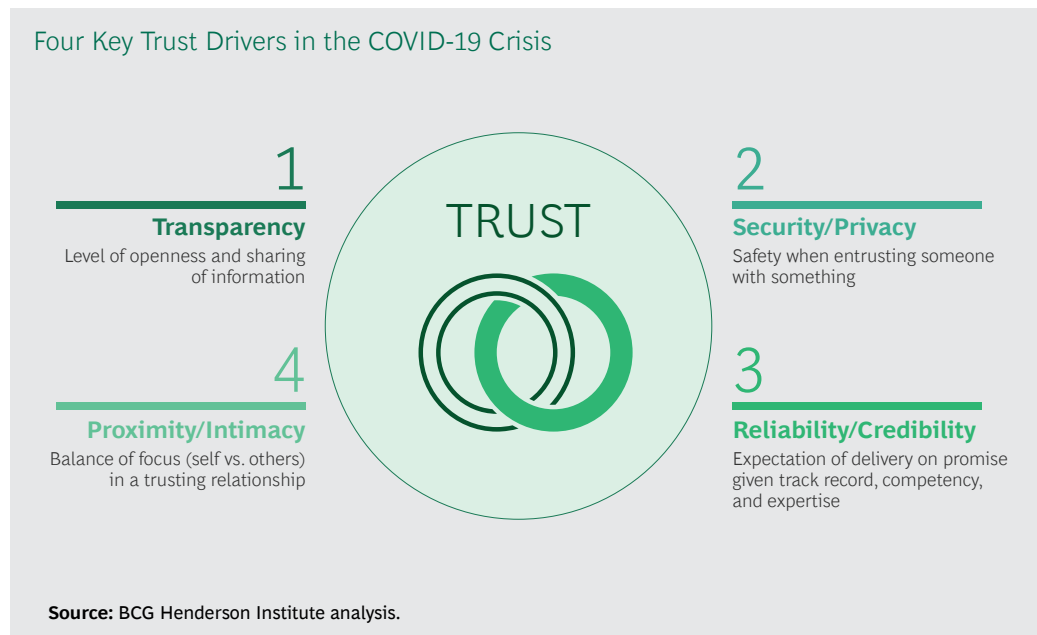
The answers to each can guide estimations of current levels of trust. However, and even more important, they provide guidance to improve.

Making choices on the combination of these drivers will play a crucial role in the rebound. To understand the role they can play, ask yourself the following questions:

It is unlikely that any rebound will happen in a big-bang fashion. Rather, a staged and de-averaged approach—with some activities coming back sooner than others, driven by readiness and criticality—is the most likely scenario. Managing such a de-averaged transition will not be trivial. The very concepts of “critical” and “ready” are controversial.

- **Transparency.** Is data and information

Key agents in that process are businesses and institutions. Their challenge is to plan,



enact, track, and adjust the rebound process. Governments will play an outside role, given their position as meta-orchestrators that shape the behavior of other agents. We therefore start with lessons for governments and then propose lessons for businesses.

Western Governments Need to Take Lessons on Trust from Asia

Any lesson, of course, needs to be applicable in the West. What may have worked in Asia may simply not be possible to implement in Europe, for example. To mitigate this, we focus on the learnings from South Korea, Taiwan, and Singapore. Given that South Korea and Taiwan have similar democratic systems, and that all three countries are committed to privacy, we are confident that the learnings are relevant. We structure lessons across the four drivers of trust.

TRANSPARENCY

Sharing information is clearly instrumental for building trust. Real-time information on both the spread of the virus and the rebound should be the goal.

Shift toward real-time transparency about the spread of the virus. Western governments mostly rely on daily press conferences or static maps that indicate city-level spread of the virus. While these have gone a long way in showing the advance of the virus, digital applications can even further increase transparency. Clearly, there is a tradeoff with privacy, but more can be done without risking personal identification.

Our three Asian economies provide a wide spectrum of options. All publish detailed infection maps in real time, raising people's trust in unaffected locations. South Korea even shows the detailed movement of confirmed cases after diagnosis, while in Singapore, Bluetooth-enabled apps allow for high-precision contact tracing. As South Korean Vice Minister Lee Tae-Ho stated, "trust can only be earned and harnessed through full openness and transparency."

Learning has played an important role in our Asian examples. During the 2015 MERS epidemic in South Korea, transparency was lower. With the majority of transmissions happening in hospitals at the time, there was no need to panic or to slow down the economy. Nevertheless, that was exactly what ultimately happened because people lost trust due to a lack of transparency.

Closely track the rebound, and offer feedback to businesses and citizens in real time. For an economic rebound to be successful, businesses and citizens need to plan. For this, they need to understand the ongoing dynamics of the state of the economy and of society as a whole.

Imagine that a restaurant will be allowed to reopen in 14 days, and it has to place orders at suppliers. In many Western economies in lockdown, this task is currently almost impossible. In the uncertainty that will characterize the rebound for months, correct and transparent information, offered in real time, is crucial. The usual metrics (such as GDP) will be late, and detailed early-warning signals must be installed. In China, for example, coal consumption and congestion are used as early signals for economic activity.

SECURITY/PRIVACY

Privacy and security clearly have the potential to break, as well as build, trust. In the current uncertain environments, a static approach will not suffice.

Dynamically adapt the balance between transparency and security/privacy. Naturally, transparency needs to be balanced with security and privacy, taking into account the specific circumstances of the COVID-19 crisis. While many Asian economies learned how to do so in previous epidemics, the Western world has been mostly unprepared. It is still possible to learn from the pandemic peak to do better in the rebound period. Emergency adaptations of privacy regulations may be helpful but need to be applied with care.

In South Korea and Taiwan, societies are truly empowered by digital applications.

Consequently, they are even sharing more information than required through voluntary apps. This exemplifies that the balance can shift toward increased transparency without breaching trust. Clearly, citizens made concessions on privacy during times of epidemics. But they did so explicitly, with a clear tradeoff on transparency in return, and with specific timelines on the more flexible privacy regulations. And after the crisis, they still own their data (for example, in South Korea the right to “be forgotten”).

It is a fallacy that in Western economies such dynamic application of the balance between transparency and privacy is not possible. In Europe and the US, telecom carriers already share (anonymized) data to track people’s movements. In a certain NYC park, an unauthorized gathering of people was detected using this data. However, care is in order: if the balance shifts too far, it will be incredibly harmful. Citizens’ trust will be further broken, and they will take actions (such as leaving the phone at home or not reporting symptoms) to avoid being detected—a disaster for containment efforts.

RELIABILITY/CREDIBILITY

Delivering on promises in a consistent manner will be essential going forward. In this regard, honest communication and long-term planning can help.

Consistently communicate both good news and bad news, and avoid unrealistic promises. Treat citizens as partners in the effort, not subordinates. This entails honestly communicating both good news and bad news. Indeed, sugarcoating does not help: crisis communication specialist Arjen Boin warns to avoid a “paternalistic sense of ‘children that need to be shielded from bad news’” and instead advises to treat citizens “as adults that are going to make a long-term effort.”

In most Western economies, government communication went from mere advice to lockdown in less than a week. This approach continued to be taken beyond mid-March, even after many Western countries

had already been hit hard. Such 180-degree shifts in messaging are incredibly harmful for credibility. On the other end of the spectrum, many Asian countries have been upfront about the severity of the crisis from the start. Real-time communication on what is going well and not so well has been crucial in keeping trust high.

Even worse is bending the truth. Many governments have insisted that facemasks are not effective if the person wearing it does not show symptoms. While the goal—to save masks for health care professionals—is clearly virtuous, people increasingly realize that the assertion is not the full truth, and this hurts trust. Singapore has taken a very different approach, clearly stating the desire to keep facemasks for health care professionals. Overwhelmingly, the public complied.

Plan and implement a staged and de-averaged rebound. A staged and de-averaged approach has already earned its stripes in many Asian economies throughout the containment process. Singapore, for example, managed to keep schools open for a long time by explaining the reasons for the decision and communicating them clearly. Only on April 7, over 70 days after the first confirmed case, were more restrictive measures taken. Another good example is Taiwan, where people’s temperatures are checked when entering malls. Rather than closing down businesses entirely, the government made the conscious decision to keep them open. While there are epidemiological reasons to take a person’s temperature, there is a positive impact on trust as well, increasing the credibility of both government and businesses.

Planning needs to provide visibility beyond the next few days and weeks. Some countries have already announced a relaxation of restrictions, with an implementation time of about a week. This is a good first step, but more clarity about relaxations and even longer timelines will be essential.

PROXIMITY/INTIMACY

Trust among communities has the poten-

tial to coordinate actions toward a common goal in an effective manner.

Nurture a sense of community, because rational individual actions will not be optimal for society: solving the prisoner's dilemma. As mentioned before, a successful ramp-up will be de-averaged, with some sectors and activities coming back before others. Tightly engineering such a de-averaged landscape will likely be close to impossible. Some individuals may decide that staying home another week, even after guidelines change, is a rational decision—but this is clearly detrimental to a strong recovery. The individual's preferred action may even directly oppose society's preferred action.

Such a prisoner's dilemma can be solved by enhancing trust among players and, in this case, among entire communities. The success of Taiwan's and South Korea's responses depend largely on a sense of community. While hard restrictions are imposed on people diagnosed with the virus, most other guidelines have remained soft. People's sense of community drive them to act responsibly.

A sense of community goes beyond a naive, altruistic view. Prioritizing long-term impact over short-term benefits may actually realign society's incentives with people's perceived incentives. Ingraining an understanding that “in the end, if the economy does not go well, I will be negatively impacted as well,” may help governments in their efforts.

Businesses Need to Complement Government Actions to Reinstate Trust

Clearly, businesses are crucial actors in the rebound process as well, and they, too, should learn. First, they need to complement and support government actions as described above, because both need to be aligned for the optimal outcome. But best practices go further.

Enhance trust for employees. To nurture trust for employees, employee safety must

be put first. Whenever possible, companies need to minimize physical contact.

A great example is Taiwan Semiconductor Manufacturing Company (TSMC). Even before the Lunar New Year, wearing masks and temperature checks were made mandatory, and people with fever were asked to self-quarantine for 14 days.

Another example shows the importance of going above and beyond early. SK Group, a large South Korean telecommunications player, was the first conglomerate to allow flexible working for all employees. With all conglomerates following quickly, SK's leadership strongly contributed to employees' trust toward the business.

Enhance trust for customers. Customer preferences will shift at least temporarily (such as toward remote purchasing) and likely, to some extent, permanently. On top of this, volatility will be the new normal, further adding to uncertainty. Companies will therefore need to shift gears rapidly.

One great example is Taiwanese electronics company ASUS. By extending the product warranty for its products by 30 days, it drives customer trust, which will continue beyond this crisis.

Enhance trust for value-chain partners. Uncertainty is likely to play an important role in the value chain as well. Therefore, it will be crucial to optimize the supply chain early.

For example, Master Kong, a Chinese noodle producer, quickly refocused on e-commerce, smaller stores, and digitization while reviewing the supply-and-demand planning on a daily basis. By doing so, and communicating strongly, it supports its entire supply chain.

Another strong example of a company driving trust in the value chain is Samsung, which provided more than \$2 billion in no- or low-interest loans to suppliers affected by the COVID-19 crisis. Doing so not only established trust with supply chain partners in these difficult times, but it also ce-

mented that trust for the long run, when things go back to normal.

Without a Strong Focus on Trust, the Economic Recovery Will Be Weak

Lessons from Asia highlight the need for governments and businesses alike to increasingly focus on trust. Fully embracing digital applications will be essential. Indeed, digital is omnipresent: from information access to enable transparency and proximity, to analytics respecting security and privacy, to effective actions enabling reliability and credibility.

Still, there is more to enabling trust than just digital. An interwoven application of digital and nondigital is necessary to cap-

ture the full potential of trust. It will be crucial to humbly acknowledge the limitations of technology and governance and their need to rely on trust. Therefore, drivers of trust are to be incorporated as design principles of interventions that seek to safely accelerate ramp-up.

The COVID-19 rebound will happen gradually and be de-averaged, requiring empowerment of the whole population to steer individual, decentralized, autonomous decisions. Governments and business are pivotal in the process, and if they are to make a difference, they need to quickly apply the practical trust lessons from countries that are ahead in the process.

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