

POLICY BRIEF

# Strategies to Restart the Tourism Sector during the COVID-19 Pandemic



Highly tourism-dependent Palau could benefit from a travel bubble or green corridor partnership with East Asia, its biggest tourism market. Photo credit: ADB.

*This policy brief looks at three scenarios for reviving tourism: promoting domestic tourism, bilateral travel bubbles, and subregional travel bubbles.*

**Published:** 28 October 2020

## Introduction

Prior to the onset of the coronavirus disease (COVID-19) crisis, tourism in Asia experienced rapid growth, buoyed primarily by sustained economic growth, liberalized air travel, and regional cooperation. Many Asian countries that recognized the potential of tourism to significantly contribute to economic growth placed it high on their list of development priorities. This is especially true for small countries with limited jobs in manufacturing yet many tourism assets, such as several Pacific island countries.

The tourism sector has since suffered a downturn not just in the region but globally. The pandemic prompted countries to impose travel restrictions and many people refused to travel for fear of infection. A quick rebound for the tourism industry is unlikely as international travel restrictions continue and the demand for international travel remains low. The International Air Transport Association (IATA) expects that global passenger traffic will not return to pre-COVID-19 levels until 2024.

This policy brief is adapted from a publication of the Asian Development Bank (ADB) that takes a closer look at domestic tourism and travel bubbles as strategies to help the hard-hit tourism industry recover.

## Changing Trends in Tourism

Based on data from the United Nations World Tourism Organization (UNWTO), the number of tourists from Asia tripled to 468.6 million in 2018 from 152.7 million in 2000, with Southeast Asia and South Asia posting the strongest growth. Asia and the Pacific also became a major destination over the past 2 decades. Central and West Asia grew most, followed by Southeast Asia and South Asia. East Asia, including Japan, was the largest destination in the region, receiving 285.0 million international tourists in 2018, up from 115.4 million in 2000. Southeast Asia followed with 97.6 million tourists in 2018, Central and West Asia (41.1 million), South Asia (23.6 million), and the Pacific, including Australia and New Zealand (21.2 million).

However, tourist arrivals abruptly fell in the region as elsewhere because of the pandemic, resulting in job losses and economic difficulties, especially for the small businesses that catered to tourists or were in related industries.

In an IATA survey from April 2020, 40% of respondents said they will wait 6 months or more before traveling again. The number increased to more than 50% in the August 2020 report.

## Economic Contribution of Tourism

Economies in Asia and the Pacific depend on tourism at varying levels (see Table 1). One way to gauge its economic importance is to look at inbound tourism spending as a percentage of the gross domestic product (GDP), as indicated in balance-of-payments statistics reported to the International Monetary Fund. This expenditure is estimated by combining the “credit” entries of the travel and passenger transport items.

**Table 1: Four Groups of Economies in terms of Tourism Dependence**

<p><b>Highly tourism-dependent economies</b> (more than 10% of the GDP)</p>	<p>Cambodia Fiji Georgia Hong Kong, China Maldives Palau Thailand Tonga Samoa Vanuatu</p>
<p><b>Tourism-dependent economies</b> (5% to 10% of GDP)</p>	<p>Armenia Azerbaijan Federated States of Micronesia Kyrgyz Republic Malaysia Marshall Islands New Zealand Singapore Solomon Islands Sri Lanka</p>
<p><b>Economies with major tourism</b> (2.5% to 5% of GDP)</p>	<p>Australia Bhutan Lao People's Democratic Republic Mongolia Nepal Philippines Taipei, China Timor-Leste Uzbekistan Viet Nam</p>

**Economies with minor tourism**  
(less than 2.5% of GDP)

Afghanistan  
Bangladesh  
Brunei Darussalam  
Japan  
Kazakhstan  
Kiribati  
India  
Indonesia  
Myanmar  
Nauru  
Pakistan  
Papua New Guinea  
People's Republic of China  
Republic of Korea  
Tajikistan

*GDP = gross domestic product.*

Based on 2017 and 2018 UNWTO data, the top three countries in terms of tourism dependence are Maldives at 57.8% of GDP, Palau (42.2%), and Vanuatu (37.1%).

## Policy Options

For tourism to recover, governments need to develop a phased approach to balance public health and economic needs. They could start by stimulating domestic travel while international travel bans are still in place. Domestic tourism may be promoted upon the easing of travel restrictions within the country.

Meanwhile, countries that have flattened the curb of infection rates can consider travel bubbles or green corridors with other countries that have been equally successful in containing COVID-19. These bilateral travel arrangements can then be expanded to a group of countries on a subregional level.

An analysis of three scenarios provides policy options for countries planning to reboot their tourism sector.

### Scenario 1: Promoting domestic tourism

With the proper strategy and incentives, domestic tourism can lead the rebound in the early phase of recovery. Technically, domestic tourism has the potential to fully replace foreign visitors in more than half of the economies across Asia and the Pacific. This is based on the assumption that all tourists that traveled internationally in 2018 would opt to travel within their home country in 2020. For example, the Philippines received in 2018 about 7 million international tourists, while 8 million Filipinos traveled abroad. If all outbound tourists stayed in the Philippines, then the country would have an excess demand of 1 million. However, economies that depend heavily on tourism may still experience large gaps in demand.

A comparison of tourism expenditures of foreign nationals and residents based on balance-of-payments statistics gives a more accurate picture of the economic weight of these groups. If domestic tourists replace foreign tourists, 19 economies will have a “tourism surplus” while 22 economies show a deficit. The deficit is larger for highly tourism-dependent economies, and in many cases, the deficit is larger than the gap based on the number of tourists because spending by foreign tourists is substantially higher.

While domestic tourism is relatively easy to promote, it may face the following challenges:

- limited operations of airlines and hotels because of containment measures;
- low interest of local tourists in domestic destinations;
- low demand because of people’s fear of infection, reduced income;
- local lockdowns; and
- attractions and tourism facilities (e.g., transport options) may be tailored to an international market rather than to domestic tourists.

## Scenario 2: Establishing bilateral travel bubbles

Countries may allow entry of visitors for business travel only or also include leisure travel from another country through a travel bubble or green corridor. Travel bubbles usually require testing before departure and after arrival and shorter quarantine periods. The first travel bubble in Asia and the Pacific was established between the People’s Republic of China and the Republic of Korea on 1 May 2020. It was limited to business travelers who have an invitation from a company in the other country.

Bilateral travel bubbles may help economies that are highly dependent on tourism from one source country. For example, a bilateral bubble between Fiji and Australia may reduce the tourism deficit in Fiji by half. Scenario 2 however assumes that the number of bilateral travelers between economies will reach precrisis levels, which may take some time to achieve. As with domestic tourism, bilateral tourism faces several challenges, such as containment measures, testing and quarantine restrictions, and the local population’s fear of infection from foreign tourists.

Typically, bilateral travel bubbles are considered only if the countries involved are well beyond their peak of new infections. The level of pandemic preparedness is also an important factor for their success. Analysis based on these factors show that the biggest potential for bilateral travel bubbles is in East Asia, where economies have high pandemic preparedness, and the number of new cases is generally falling. Potential is also high for Pacific islands that remain COVID-19 free, but their preparedness to handle an outbreak is limited.

## Scenario 3: Establishing subregional travel bubbles

The third scenario assumes that travel within the subregional bubble would reach the pre-pandemic level. The hypothesis is that travel bubbles may emerge around existing subregional institutions or economic groupings (e.g., Greater Mekong Subregion) with previously high levels of internal movement

of people. These institutions can facilitate negotiations and implementation of travel arrangements.

An analysis of five subregional travel bubbles shows the following prospects:

- A Central Asia Regional Economic Cooperation Program (CAREC) travel bubble can help narrow the tourism gaps for Georgia and the Kyrgyz Republic;
- An East Asia travel bubble with Palau would help the Pacific island country to almost eliminate its deficit because a large majority of its tourists come from East Asia.
- A travel bubble between Pacific island countries and major markets, Australia and New Zealand, may be beneficial.
- The prospect for travel bubbles in the Greater Mekong Subregion and in South Asia (SAARC) is less positive because the largest tourism markets for several countries are outside the region.

Since subregional travel bubbles may not be the best solution for all countries in a regional grouping, some policy makers tend to prefer bilateral bubbles for now.

## Policy Recommendations

### Domestic tourism

Domestic tourism can help stimulate economic recovery in Asia and the Pacific, particularly those with strong local tourism markets. In about half of the economies in the region, redirecting outbound travelers to domestic locations can help fill the gap.

However, this is not a viable option for highly tourism-dependent countries, including island economies, such as Fiji, the Cook Islands, Palau, and Maldives. Instead, government should consider supporting tourism enterprises to “build back better.” Measures can include economic stimulus packages, establishment of health and sanitary protocols, special incentives to boost demand, and promoting investments in sustainable tourism.

### Regional cooperation

Economies that are highly dependent on tourism from one source country would benefit from a bilateral travel bubble, but agreements need to take into account changes in epidemiological circumstances, such as a surge in COVID-19 cases.

Subregional travel bubbles may be considered if cross-border travel within the subregion is significant, but epidemiological considerations may become even more complex. Important policy implications for subregional bubbles are the establishment of harmonized protocols for travel and tourism and cross-border and regional contact tracing, which may be supported by digital tools and technologies, such as QR codes and Bluetooth.

However, travel bubbles are only a second-best option, and should only be temporary. If the pandemic allows, a nondiscriminatory approach that opens a country’s borders for international tourism, should be

implemented.

## Resources

International Air Transport Association (IATA). 2020. *Air Passenger Market Analysis*. IATA Economics Report. May.

IATA. 2020. *Air Passenger Market Analysis*. IATA Economics Report. August.

IATA. 2020. *Recovery Delayed as International Travel Remains Locked Down*. Press Release. 28 July.

International Monetary Fund. 2013. *Goods and Services Account*. Chapter 10 in *Sixth Edition of the Balance of Payments and International Investment Position Manual (BMP6)*. Washington, DC.

M. Helble. 2020. *Two Ways to Revive Tourism in Asia and the Pacific*. *Asian Development Blog*. 5 August.

M. Helble and A. Fink. 2020. *Reviving Tourism Amid the COVID-19 Pandemic*. Manila: Asian Development Bank.

UN World Tourism Organization. 2020. *International Tourism Highlights, 2019 Edition*. 24 August.



### Matthias Helble

Senior Economist, Economic Research and Regional Cooperation Department, Asian Development Bank

Matthias Helble's research interests include international trade, health, housing, and development. Before joining ADB, he was a senior research fellow and co-chair of the Research Department of ADB Institute in Tokyo. He previously worked as an economist for the World Bank, the World Health Organization, the World Trade Organization, and the United Nations. He holds graduate degrees in Economics from the University of Tübingen, the University of Wisconsin-Madison, and the Graduate Institute of International and Development Studies (PhD) in Geneva.



### Anna Fink

Economist (Regional Cooperation), Sustainable Development and Climate Change Department, Asian Development Bank

Anna Fink leads research and technical assistance on regional cooperation and integration with a focus on Southeast Asia, the Pacific, and regional public goods. Before joining ADB, she was a natural resource economist and statistician with the Secretariat of the Pacific Community and a consultant on trade facilitation and regional integration in East and Southern Africa. She has a master's degree in Development Management from the London School of Economics and has volunteered for projects in Africa and South America.



## Asian Development Bank (ADB)

The Asian Development Bank is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region.

Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

Follow Asian Development Bank (ADB) on

