

## KEY POINTS

- Tourism has been hit hard by COVID-19. As a major economic sector and source of foreign exchange earnings in many countries in Asia and the Pacific, the sudden fall in tourist arrivals is having severe economic and social consequences within and beyond tourism.
- This policy brief analyzes two strategies to revive tourism. First is to promote domestic tourism. The analysis shows that in about half of the economies in the region domestic tourists could replace a considerable portion of international visitors, if fully mobilized.
- Second, in the recovery phase, countries can negotiate so-called travel bubbles. The potential of travel bubbles is estimated and their feasibility assessed given the pandemic and pandemic preparedness of countries (as of July 2020).
- To revive tourism successfully, governments together with travel and tourism sectors should prepare phased tourism recovery plans, in which travel bubbles can only be a stepping stone to a fully open regime. During the recovery phase, governments need to rebuild tourist confidence and encourage innovation and investment for a resilient and sustainable tourism sector.

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## Reviving Tourism amid the COVID-19 Pandemic<sup>1</sup>

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## TRENDS BEFORE COVID-19

Tourism was one of the fastest growing sectors in Asia before the coronavirus disease (COVID-19) pandemic, with various factors driving strong growth. Sustained economic growth in the region gave an increasing part of populations the financial means to travel domestically and internationally. In addition, an increasingly liberalized air transport market saw low-cost carriers emerging to offer inexpensive flights, and visa requirements became more accommodating, easing travel still further. Regional communities, such as the Association of Southeast Asian Nations, facilitated some of these trends.

In addition, many Asian countries quickly recognized the potential of tourism to contribute to economic growth and to generate substantial foreign exchange earnings. Tourism ranked high in government development plans around the region as a sector with high potential growth, especially for smaller countries with limited jobs in manufacturing but many tourist assets. Several Pacific island countries invested heavily in tourism.

The abrupt fall in tourist arrivals and resulting demand plunge in the tourism sector due to COVID-19 has caused millions of job losses and economic hardships and wiped out many firms, especially the micro, small, and medium-sized enterprises that had catered to tourists or in related industries. This section briefly looks at the main trends in tourism in Asia before COVID-19 to demonstrate the sector's dynamic development, on which many economies around the region were pinning hopes.

<sup>1</sup> The policy brief was prepared under the overall guidance of Cyn-Young Park, Director of Regional Cooperation and Integration Division. The authors acknowledge valuable comments received from Hernan Epstein, Clara van der Pol, Aleli Rosario, and Yasuyuki Sawada; and capable research assistance of Sol Francesca Cortes.

Figure 1 depicts the share of outbound tourists by subregion and the rest of the world between 2000 and 2018.<sup>2</sup> Whereas Asian tourists accounted for a little more than 20% in 2000, in 2018 every third tourist in the world was from Asia and the Pacific. It should be noted that in absolute numbers, total tourists worldwide doubled from 0.72 billion in 2000 to 1.45 billion in 2018. The number of tourists from Asia tripled from 152.7 million in 2000 to 468.6 million in 2018. Growth was particularly strong in Southeast Asia, where the number of tourists increased more than six times, followed by South Asia, in which the number of travelers increased five times.

Asia and the Pacific has also become a major destination of international tourism over the past 2 decades. In relative terms, Central and West Asia grew most, followed by Southeast Asia and South Asia (Figure 2). East Asia, including Japan, was the largest destination within Asia and the Pacific, receiving 285.0 million in 2018, up from 115.4 million international tourists in 2000. Southeast Asia received 97.6 million international 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), according to the statistical

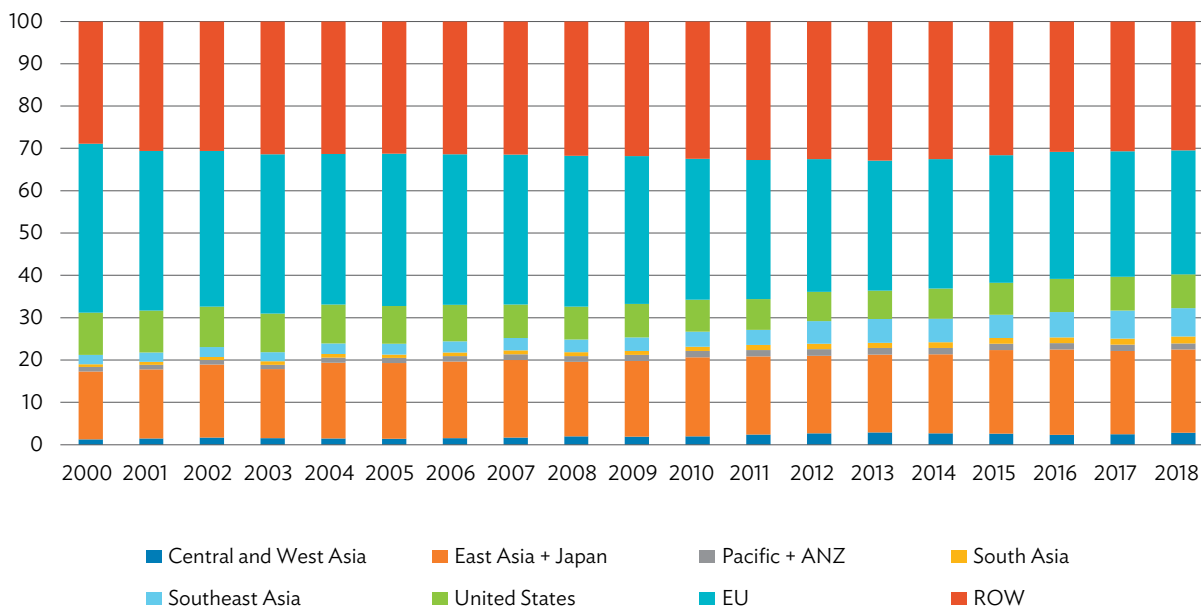
database provided by the United Nations World Tourism Organization (UNWTO).

Not all economies in Asia depend on tourism to the same extent. The Tourism Satellite Accounts (UN and UNWTO 2008) established a methodology to measure the direct contribution of the tourism industry to gross domestic product (GDP). One measure to gauge the economic importance of tourism is based on inbound tourism expenditure as a percentage of 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. Figure 3 shows the numbers for Asia and the Pacific by subregion based on data published by UNWTO.

In Asia and the Pacific, we can distinguish between four groups of economies:

- (i) **Highly tourism-dependent economies**, where the direct contribution of tourism to GDP exceeds 10%: Cambodia; Fiji; Georgia; Hong Kong, China; Maldives; Palau; Thailand; Tonga; Samoa; and Vanuatu.

Figure 1: Share of Outbound Tourists by Subregion of Origin, 2000–2018 (%)

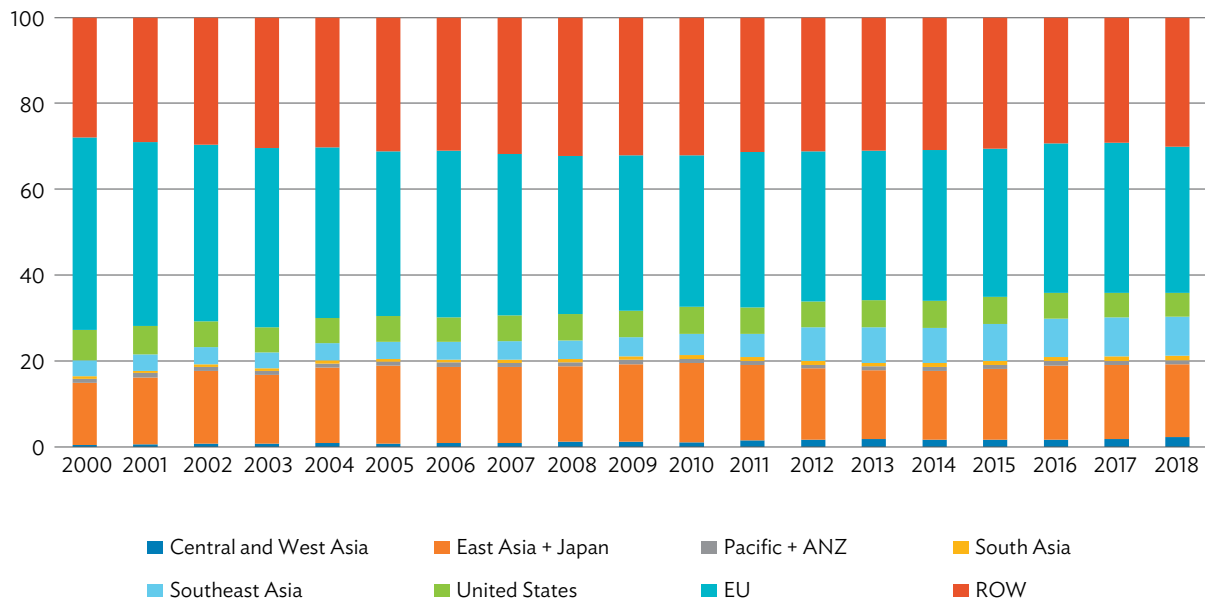


ANZ = Australia and New Zealand, EU = European Union, ROW = Rest of the World.

Source: Asian Development Bank calculations based on United Nations World Tourism Organization statistical database (accessed 12 June 2020).

<sup>2</sup> As developed member countries in the region—Japan, Australia, and New Zealand—are important tourist source countries, we included the number of their outbound tourists in East Asia and the Pacific, respectively.

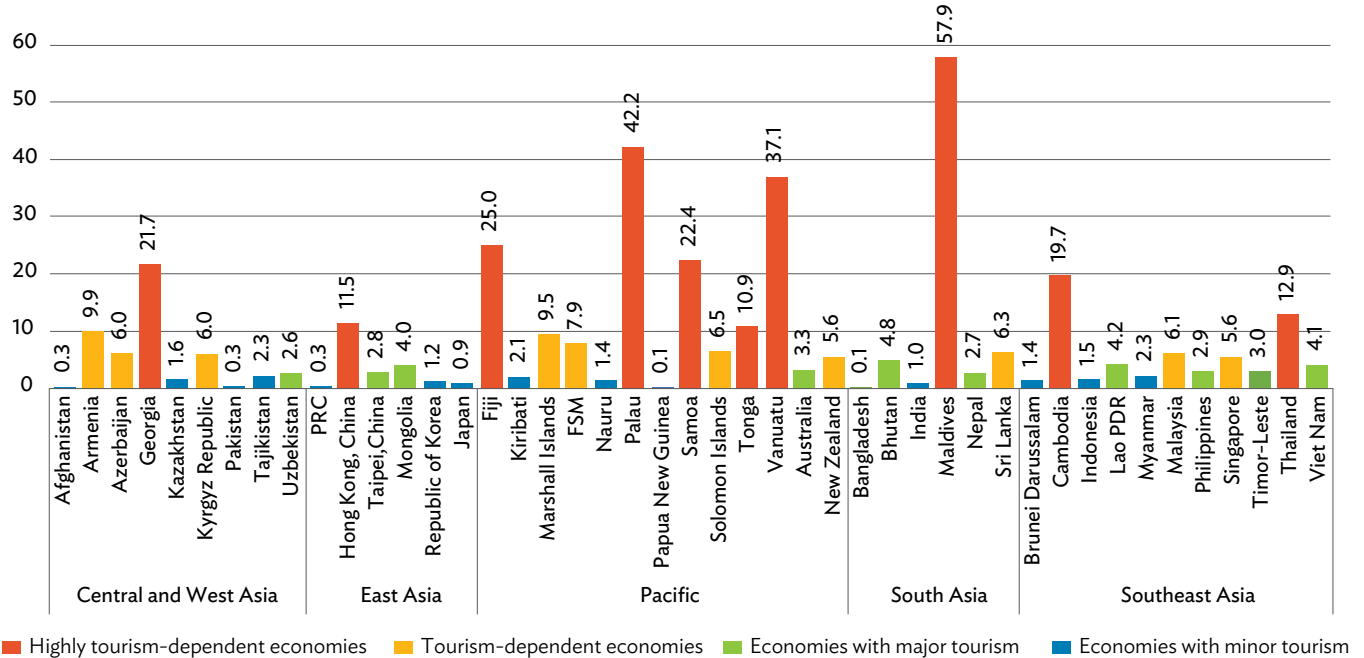
Figure 2: Share of Inbound Tourists by Subregion of Destination, 2000–2018 (%)



ANZ = Australia and New Zealand, EU = European Union, ROW = Rest of the World.

Source: Asian Development Bank calculations based on United Nations World Tourism Organization statistical database (accessed 12 June 2020).

Figure 3: Inbound Tourism Expenditure, 2018 (% of gross domestic product)



FSM = Federated States of Micronesia, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China.

Notes: No data were available for the Cook Islands, Turkmenistan, and Tuvalu; 2017 data were used for Kiribati, Palau, and Papua New Guinea; 2015 data were used for the FSM.

Source: United Nations World Tourism Organization Compendium of Statistics (accessed 13 June 2020).

- (ii) **Tourism-dependent economies**, where the contribution of tourism to GDP ranges from 5% to 10%: Armenia, Azerbaijan, the Federated States of Micronesia (FSM), the Kyrgyz Republic, Malaysia, the Marshall Islands, New Zealand, Singapore, Solomon Islands, and Sri Lanka.
- (iii) **Economies with major tourism**, where tourism accounts for 2.5% to 5% of GDP: Australia; Bhutan; the Lao People’s Democratic Republic; Mongolia; Nepal; the Philippines; Taipei,China; Timor-Leste; Uzbekistan; and Viet Nam.
- (iv) **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, the People’s Republic of China (PRC), the Republic of Korea, and Tajikistan.

from April 2020 (IATA 2020a), 40% of respondents replied that they would wait 6 months or more before traveling again, hitting 55% by the June 2020 survey.

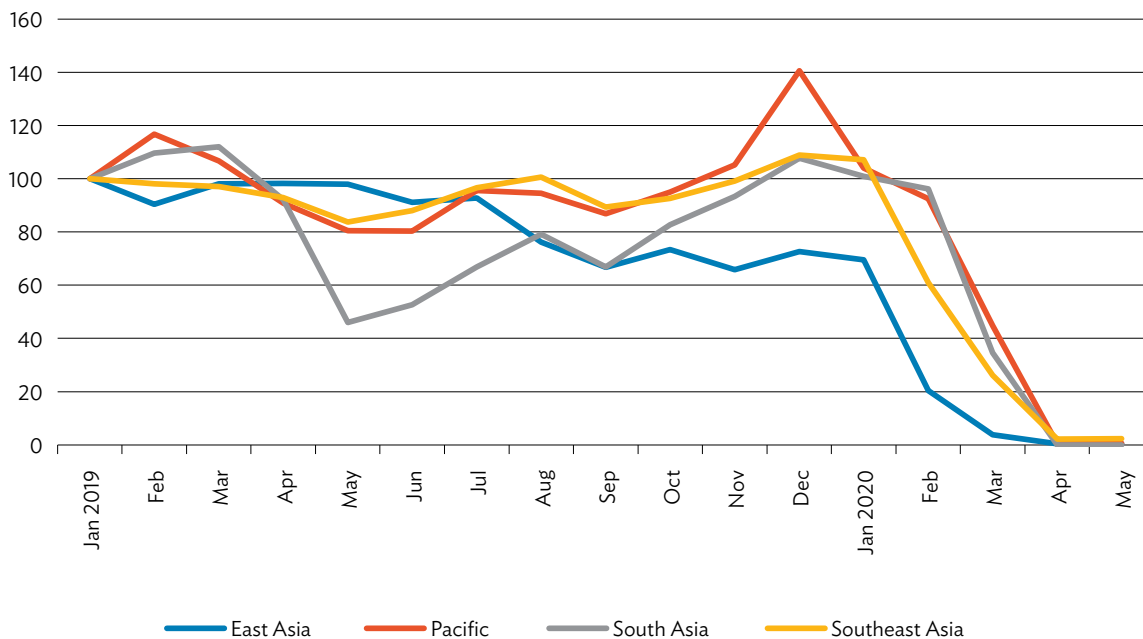
The sudden interruption of travel, fueled by the fear of infection, put tourist arrivals in free fall. Figure 4 depicts monthly tourist arrivals for selected economies in four subregions from January 2019 to May 2020. The drop first occurred in East Asia, where the pandemic originated and which was first to impose travel restrictions. Southeast Asia followed, then South Asia and the Pacific.

As international travel restrictions continue in many countries and demand for international travel remains low, a quick rebound is not in sight. IATA (2020b) expects that global passenger traffic will not return to pre-COVID-19 levels until 2024. In many cases, domestic tourism will lead the recovery of the sector. We already notice in countries that have loosened restrictions on movement of people, that domestic tourism is gaining traction. IATA numbers show that domestic flights have started to rebound in several countries, such as the PRC and Japan. However, the recovery seems slow and prone to setbacks. In the PRC, even though the virus spread had slowed substantially in March, domestic flights in June 2020 were still about 40% lower than in the same period of 2019.

### COVID-19 AND IMPACT

The pandemic outbreak led to a quick introduction of travel restrictions: as first hit, many Asia and Pacific countries were also among the first to introduce restrictions. By the end of April 2020, all countries in the world had imposed some travel restrictions according to UNWTO (2020). Many or most tourists were also afraid to travel. In an International Air Transport Association survey

Figure 4: Monthly International Tourist Arrivals by Subregion, January 2019–May 2020, (January 2019 = 100)



Notes: Only economies with complete data during January 2019–May 2020 were included in estimating the value for each subregion. East Asia includes Hong Kong, China; Japan; the Republic of Korea; and Taipei,China. The Pacific includes Australia, Fiji, and New Zealand. South Asia includes Maldives, Nepal, and Sri Lanka. Southeast Asia includes Cambodia, Indonesia, Myanmar, Singapore, Thailand, and Viet Nam.

Source: Asian Development Bank calculations based on CEIC and Haver Analytics databases (accessed 27 July 2020).

## WAYS FORWARD FOR TOURISM RECOVERY

For tourism to recover, governments need to develop a phased approach. In the early stages of the pandemic, many governments introduced extensive containment measures, such as strict lockdowns, which made tourism almost impossible. As the level of new infections decreases, governments typically decide to relax some restrictions, especially regarding the movements of people within its own territory. International travel bans are usually kept in place longer. During this phase, domestic tourism can be resumed. However, due to continued containment measures, such as limiting the number of passengers in airplanes, the potential of domestic tourism remains constrained. The more successful governments are in containing the virus, the more likely it is that they initiate negotiations to open travel with partners that have been equally successful. These negotiations could lead to the establishment of green corridors that allow travel between partner countries following strict health protocols. These bilateral agreements can then slowly be expanded to plurilateral ones. In the following, we provide an analysis of this phased approach. First, we analyze the potential of domestic tourism, then of bilateral travel agreements, and finally of subregional travel arrangements.

### Scenario 1: Promoting Domestic Tourism

Given the international travel restrictions and fear of infection, domestic tourism offers a better chance for a rebound in the early phase of recovery. Many governments are looking for ways to stimulate domestic tourism as a way to support the battling tourism industry. The Philippines, for example, invested \$8.5 million in a domestic tourism campaign in early 2020 (Talavera 2020). In Viet Nam, domestic tourism has shown a clear upward trend since the lockdown was eased on 11 May 2020. Travel bans and fear of infection could also induce tourists who would ordinarily travel abroad to consider domestic destinations, making this a viable strategy. Many people still yearn to travel but may prefer to stay closer to home and avoid mass transportation, given the risk of infection and near-term and general uncertainty.

The following section analyzes possible demand for tourism by replacing foreign tourists with domestic travelers. To have a comparable measure across economies, we calculate the ratio of the difference between domestic tourism departure and international tourist arrivals, to international tourist arrivals. We assume that due to the pandemic all tourists that traveled internationally in 2018 would decide to vacation in their home location in 2020. This assumption is obviously strong for several reasons. First, on the supply side, social distancing and other containment measures, even for domestic tourism, might make it very difficult to operate at the pre-pandemic level. This includes actions such as requiring airlines to keep middle seats empty or hotels to operate below full capacity. Second, analyzing the demand side, some travelers might have no interest in domestic destinations. Tourists often are interested in exploring new places abroad. More than a quarter of travelers cross borders to visit family and friends or for health and religious reasons (UNWTO 2020). Third, people might also not want to travel at all because of fear of infection. Fourth, overall demand for tourism has

declined due to job losses and other loss of income. Finally, local lockdowns might make it impossible to travel even domestically.

Another limitation of domestic tourism might be a mismatch between the demand of international and domestic travelers. Some countries have successfully geared their tourism attractions to the tastes and preferences of international markets. However, those international travelers are no longer visiting. Domestic markets may prefer different attractions and transport options which are not currently catered for.

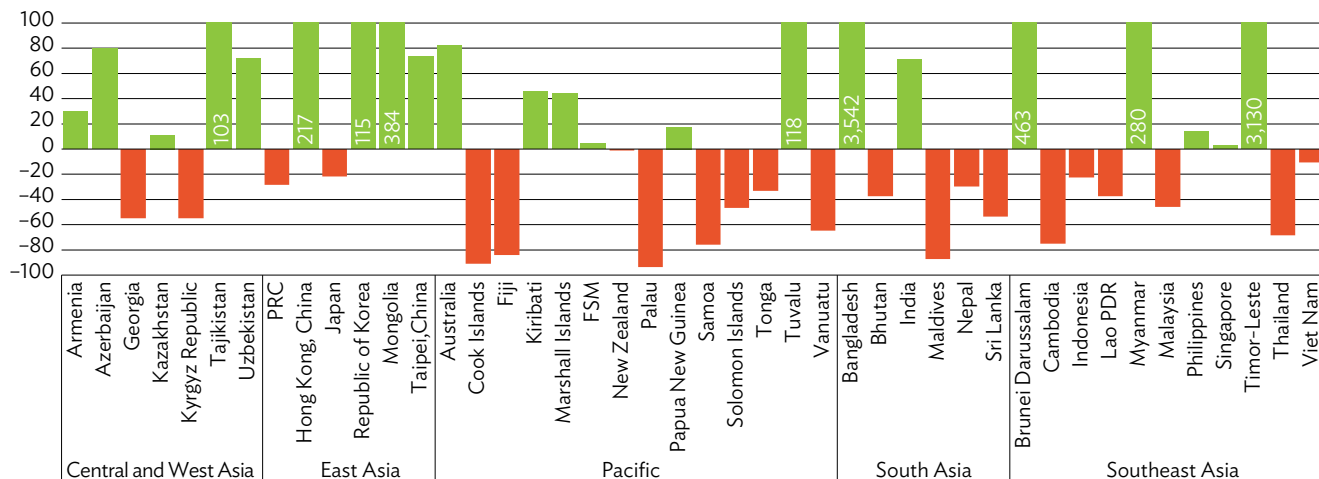
With these caveats, Figure 5 illustrates the results of a scenario analysis where, in each economy, all international tourists in 2018 travel domestically instead in 2020. For example, the Philippines received in 2018 about 7 million international tourists, while 8 million Filipinos traveled abroad. If all outbound tourists stayed in the Philippines, then the country would have an excess demand of 1 million. Across Asia and the Pacific, in more than half of cases, domestic tourism technically *has the potential* to fully replace foreign visitors. In Armenia, before the pandemic, outbound tourists exceeded the number of inbound foreign tourists by 30%. This may not be the case, however, in economies that depend heavily on tourism, in that they would still face large gaps in demand even if they could fully mobilize domestic tourism.

Since domestic tourism is relatively easy to promote, it has become a short-term objective for many countries in the region. The situation is unprecedented, and the coming months will show how successful governments will be in tapping domestic tourism to close the gap left by international travelers.

The analysis in Figure 5 is based on the number of international tourists as reported by UNWTO. Yet, instead of comparing the number of international arrivals and outbound travelers, one can compare the tourism expenditures of foreign nationals and of residents based on balance-of-payments statistics (IMF 2013). Similar to the analysis above, we calculate the ratio of the difference between inbound and outbound traveler expenditure, to inbound traveler expenditure. Almost all economies in our sample report these expenditures to the International Monetary Fund as debit and credit of travel and passenger transport services. The difference between inbound and outbound traveler expenditure gives a more accurate picture of the economic weight of both groups. However, measuring the exact amount is challenging and that data are not available for the Cook Islands; the Federated States of Micronesia; Palau; Taipei, China; Turkmenistan; Tuvalu; and Viet Nam.

Figure 6 shows the results of the analysis: 19 economies show a surplus and 22 a deficit. The results are similar to those in Figure 5 and the “tourism deficit” is especially large in economies highly dependent on tourism, such as Cambodia, Fiji, Georgia, Maldives, Thailand, and Samoa. The deficit is in many cases larger compared with the gap based on the number of tourists. For example, for Georgia, it increased from 55% to 73%, for Fiji from 84% to 88%, and for Thailand from 68% to 77%. The relatively higher number is because in these countries foreign tourists spend substantially more than outbound travelers.

Figure 5: Scenario Analysis of Domestic Tourists Replacing Foreign Tourists, Based on Number of Tourists (%)

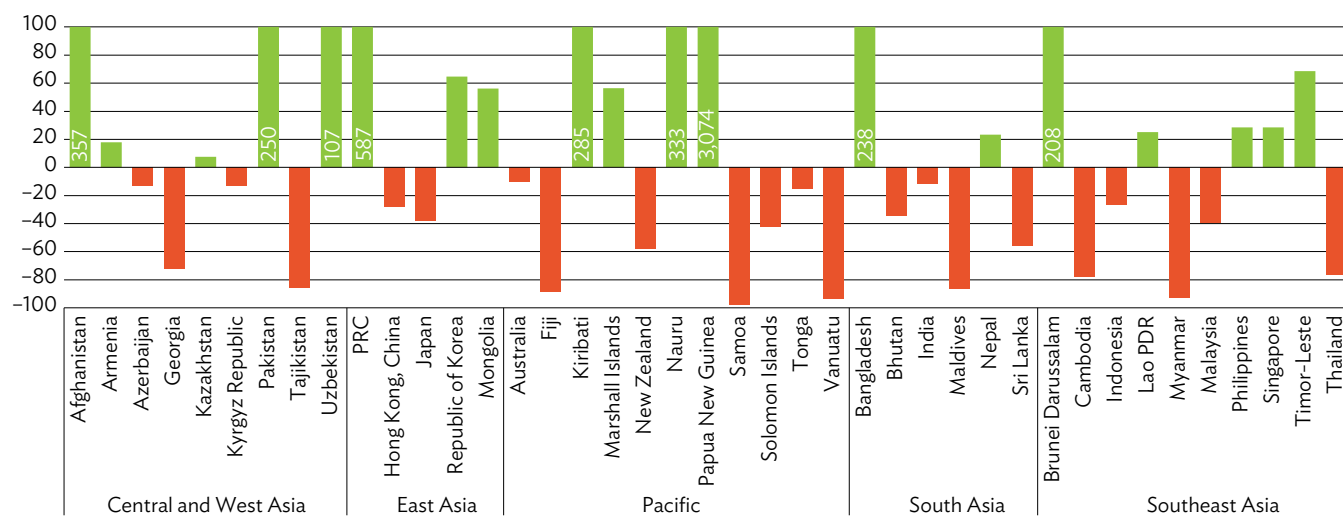


FSM = Federated States of Micronesia, Lao PDR = Lao People’s Democratic Republic, PRC = People’s Republic of China.

Notes: These are the ratios of the difference between outbound and inbound tourists with respect to inbound tourists. Using data from 2018 tourist arrivals, a value of zero suggests an economy’s domestic tourists are sufficient to compensate for international tourist arrivals. Economies with green bars indicate the potential of domestic tourism is higher than the gap left by the absence of international tourists. Economies including Bangladesh; Brunei Darussalam; Hong Kong, China; Mongolia; Myanmar; the Republic of Korea; Tajikistan; Timor-Leste; and Tuvalu have values that surpass 100%, suggesting these economies’ domestic tourists were more than double their international tourists in 2018. Economies with red bars indicate a gap in arrivals even with mobilization of domestic tourists.

Source: Asian Development Bank calculations based on United Nations World Tourism Organization statistical database (accessed 13 June 2020).

Figure 6: Scenario Analysis of Domestic Tourists Replacing Foreign Tourists, Based on Tourism Expenditures (%)



Lao PDR = Lao People’s Democratic Republic, PRC = People’s Republic of China.

Notes: These are the ratios of the difference between outbound and inbound tourists’ expenditure with respect to the inbound tourists’ expenditure to show a financial perspective of the economies’ potential gain or loss from the scenario. To do this, we used Travel and Passenger Services entries from an economy’s Balance of Payments. Travel includes the goods and services acquired by a traveler for personal use, such as accommodation, food and beverages, entertainment, and transportation, except for international transfers. Both personal and business travel are included. Passenger services is a subcategory of transportation which captures international transportation and onboard expenditures including excess baggage as well as food and beverage. No data are available for the Cook Islands; the Federated States of Micronesia; Palau; Taipei,China; Turkmenistan; Tuvalu; and Viet Nam.

The green bars suggest that domestic tourist expenditure is more than enough to compensate for the loss of international tourists. Afghanistan, Pakistan, Uzbekistan, Kiribati, Nauru, Papua New Guinea, Bangladesh, and Brunei Darussalam have ratios of 100% which suggest income from tourism can potentially more than double when their own tourists spend the same amount domestically. On the other hand, the red bars indicate a gap despite the mobilization of domestic tourists.

Source: Asian Development Bank calculations based on International Monetary Fund’s International Financial Statistics (accessed 20 July 2020).



## Scenario 2: Negotiating Travel Bubbles with Preferred Partners

Another option for countries to restart tourism is to establish so-called travel bubbles or green corridors with other countries. Travel bubbles, in our analysis, are agreements by the signatories to open their borders to visitors from a partner economy or economies. Travel bubbles could be for business travel only or also include leisure travel. They often specify provisions on health protocols that need to be followed when leaving and entering the territory. Access can be reciprocal or only in one direction. They can be formed between two or more partners.

The first travel bubble in Asia and the Pacific was established between the PRC and the Republic of Korea on 1 May 2020. The agreement is limited to business travelers, who need to

be invited by a company in the other country. They also need to monitor their health for 2 weeks and get tested for the virus 72 hours before departure. Upon entry into the other country, travelers are tested again and quarantined for up to 2 days. The two countries are currently discussing expansion of this program. In June, travel bubbles for business travelers were introduced between the PRC and Singapore as well as between Japan and Viet Nam.

As Table 1 shows, the three travel bubbles in place are targeted to business travelers and follow a similar pattern. The trip must be strictly for business and testing occurs before departure and again after arrival. The length of quarantine is then typically shorter. Types of tourism under negotiation also include cross-border commuters (e.g., Malaysia and Singapore) as well as tourists.

Table 1: Bilateral and Subregional Travel Bubbles in Asia, as of June 2020

Economies Involved and Bubble Name	Effective Since/ Under Negotiation	Main Provisions
PRC–Republic of Korea	1 May 2020	<ul style="list-style-type: none"> <li>For business travelers only (sponsored by a company)</li> <li>10 provinces in the People’s Republic of China (PRC) only</li> <li>Special disease control procedure: Take COVID-19 test 72 hours before departure and another one upon arrival</li> </ul>
PRC–Singapore	8 June 2020	<ul style="list-style-type: none"> <li>For business travelers only (sponsored by a company)</li> <li>6 provinces in the PRC only</li> <li>Traveler undergoes test and stays at a designated center for 1–2 days to wait for result</li> </ul>
Japan–Viet Nam	25 June 2020	<ul style="list-style-type: none"> <li>Business travel only (both businesspeople and workers)</li> <li>Special chartered flight(s) arranged by the Japanese Chamber of Commerce and Industry to Viet Nam on 25 June 2020</li> <li>Temperature check before flight; PCR test upon arrival, then quarantined for 2 weeks in a hotel</li> </ul>
Australia–New Zealand “Trans-Tasman Bubble”	Under negotiation	<ul style="list-style-type: none"> <li>Targeted at tourists</li> <li>Supposed to be in effect by July, postponed due to new outbreaks in Victoria, Australia</li> </ul>
Hong Kong, China–PRC (Macau, China and Guangdong)	Under negotiation	<ul style="list-style-type: none"> <li>Mostly for business</li> <li>Stalled due to issues in quarantine restrictions and other complexities</li> </ul>
Malaysia–Singapore	Under negotiation	<ul style="list-style-type: none"> <li>Have agreed to establish the following, but conditions and protocol still being discussed</li> <li>Reciprocal green lane: For essential business and official purposes</li> <li>Periodic commuting arrangement: For Singaporean/Malaysian residents with long-term immigration passes to periodically return to their home countries for short-term home leave</li> </ul>
Fiji, Australia, and New Zealand “Bula Bubble”	Under negotiation	<ul style="list-style-type: none"> <li>Movement within the country will be contained to “VIP lanes”—geographically isolated resorts in Fiji</li> <li>Tourists must show proof of 14 days quarantine in their home country from a recognized medical institution, or quarantine for 14 days in Fiji at their own expense</li> <li>Tourists must present a negative COVID-19 test result upon arrival. Test should be taken within 48 hours prior to arrival</li> </ul>
Brunei Darussalam, Malaysia, and Singapore	Under negotiation	<ul style="list-style-type: none"> <li>For business travelers and medical travelers</li> <li>Green lanes to be created for less restricted travel, no need for 14 days home quarantine</li> <li>Final procedures have yet to be finalized</li> </ul>

Source: Asian Development Bank.

For example, Australia and New Zealand are currently negotiating a “Trans-Tasman” travel bubble. Given the strong links between the two countries, the agreement is expected to boost tourism in both, as similar COVID-19 status argues for an agreement. However, a recent outbreak in the Australian state of Victoria has stalled negotiations.

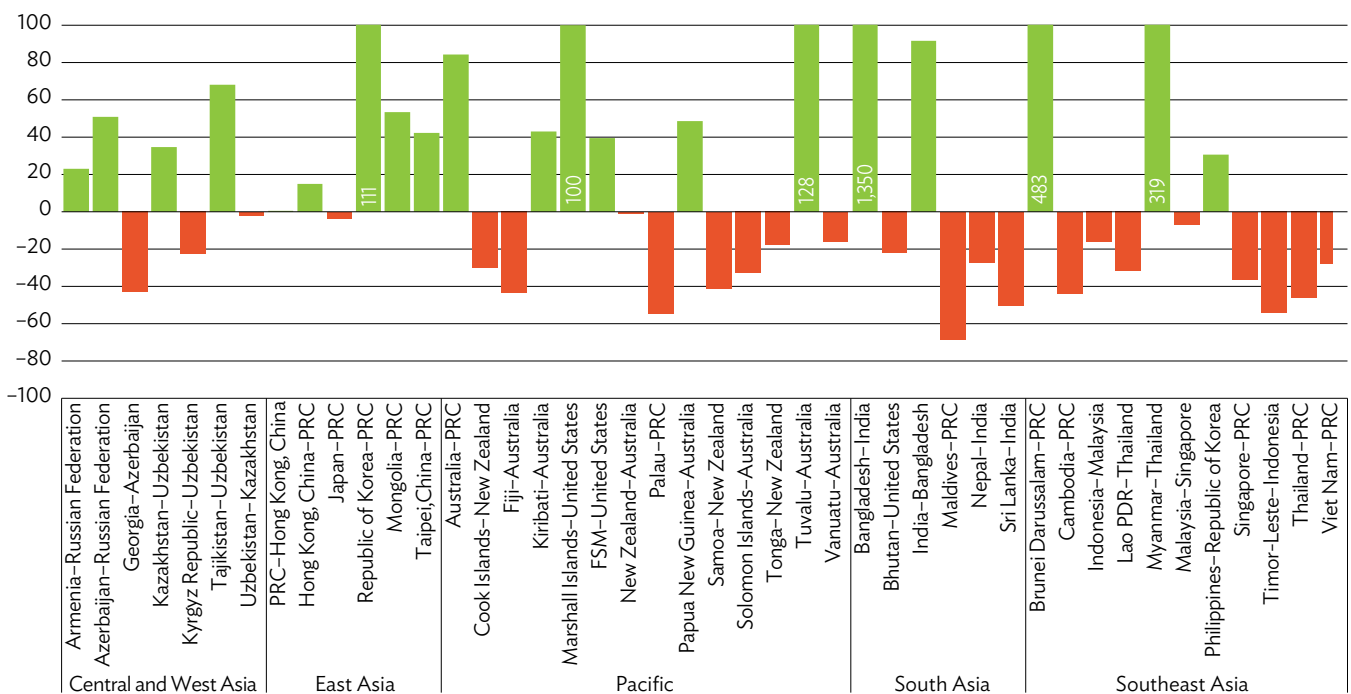
Based on the emerging examples, economic incentives and trust between partners are the decisive factors in establishing travel bubbles or green corridors. Economic considerations include the importance of the partner to economic relations as well as for tourism. Trust is needed to ensure effective control and management of COVID-19.

The establishment of travel bubbles aims to redirect a substantial part of the partner countries’ international travelers. For example, Australia and New Zealand are hoping that the Trans-Tasman travel

bubble will boost tourism between both countries given their strong links (Boseley 2020). Similar epidemiological situations also play in favor of an agreement until a major outbreak occurred in Melbourne in early July 2020. The Australian Chamber of Commerce and Industry not only aims to attract the 1.4 million visitors that came to Australia from New Zealand before COVID-19; ideally, Australia would like to receive all 3.1 million New Zealanders that traveled abroad in 2019.

While it might be desirable for the receiving economy to attract all outbound tourists of the partner economy, it is unlikely that this could be achieved. The analysis in scenario 2 therefore takes a more conservative approach. It assumes that the number of bilateral travelers between the economies would reach precrisis levels. For the Trans-Tasman travel bubble we would thus assume that 1.4 million New Zealanders would visit Australia, and 1.5 Australians would visit New Zealand.

Figure 7: Scenario Analysis of Bilateral Travel Bubble with Largest Partner, Based on Number of Tourists (%)



FSM = Federated States of Micronesia, Lao PDR = Lao People’s Democratic Republic, PRC = People’s Republic of China.

Notes: Using 2018 data, we assumed that domestic tourists who would otherwise leave the economy would stay at home in this scenario. We then got the difference between international tourist arrivals, and the sum of inbound tourists from the economy’s preferred partner and its own domestic tourists. We then divided this figure by the total international tourist arrivals to get this ratio.

The green bars indicate by how much the combined domestic tourists from an economy and its preferred partner would surpass the number of international tourists. Some economies and their preferred partner—including Bangladesh, Brunei Darussalam, the Marshall Islands, the Republic of Korea, Tuvalu, and Myanmar—have values that surpass 100%, which suggests that their combined tourists are more than double their 2018 international tourist arrivals. Economies with red bars indicate a gap in arrivals, even with mobilization of domestic tourists and arrivals from their preferred partner.

Arrival data for 2017 were used for the Marshall Islands, Tonga, and Tuvalu, while 2016 and 2014 were used for the FSM and Bangladesh, respectively. There was no arrival data available for Afghanistan, Pakistan, Turkmenistan, and Tuvalu for any year.

Source: Asian Development Bank calculations based on United Nations World Tourism Organization statistical database (accessed 13 June 2020).



Figure 7 describes the estimated results from this analysis. Bilateral travel bubbles may help the economies that are highly dependent on tourism from one source country. For example, the gap for Fiji would drop from 84% (domestic tourism only) to 44% if it entered a bilateral agreement with Australia. Thailand would see an improvement from -68% (domestic tourism only) to -46% if it established an agreement with the PRC. While these are significant improvements, they still leave these economies with a large deficit. In addition, it is unlikely that bilateral tourism would quickly reach precrisis levels. As with domestic tourism, social distancing and other containment measures would limit supply. Furthermore, testing and quarantine restrictions may still apply which are off-putting. Equally, the local population may not welcome foreign tourists as they can be seen as a source of infection.

### Scenario 3: Establishing Subregional Travel Bubbles

Once bilateral travel bubbles are successfully established, they could be progressively expanded into subregional travel bubbles. For example, in Europe, several countries have reopened to selected partners. On 15 June, for example, the Netherlands began allowing entry to nationals of 12 European countries, including Belgium, Germany, and Italy, but not the United Kingdom, France, or Spain (McClanahan 2020). In the Pacific, Australia, Fiji, and New Zealand are considering the so-called Bula Bubble.

In Asia and the Pacific, a number of subregional institutions are working together for cooperation on tourism and travel facilitation. The Greater Mekong Subregion (GMS) for example, established a Mekong Tourism Coordinating Office to promote the region as a single tourism destination.

In response to COVID-19, several communities are seeking to further advance their collaboration. The South Asian Association for Regional Cooperation (SAARC) has proposed to set up a regional emergency fund. The Central Asia Regional Economic Cooperation (CAREC) Program is also in the process of finalizing and adopting a regional tourism strategy which would account for COVID-19 impacts and priorities.

To simulate the effect on tourism, we assume that travel within the subregional bubble would reach the pre-pandemic level. In this scenario 3, our hypothesis is that subregional travel bubbles would emerge around existing subregional institutions, or economy groupings with previously high levels of internal movement of people. Subregional institutions can facilitate negotiations and implementation of travel arrangements. In the following, we provide a scenario analysis of the subregional travel bubbles:

- (i) CAREC bubble, including Azerbaijan, the PRC, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. (For Afghanistan, Pakistan, and Turkmenistan, UNWTO does not provide recent tourist arrival data.)
- (ii) East Asia bubble, including the PRC; Hong Kong, China; Japan; Mongolia; Taipei, China; Palau; and the Republic of Korea. (Palau is included in this bubble since the large majority of its tourists come from East Asia.)

- (iii) The Pacific bubble including Australia, the Cook Islands, Fiji, the FSM, Kiribati, the Marshall Islands, New Zealand, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.
- (iv) SAARC bubble, including Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka.
- (v) GMS bubble including Cambodia, the PRC, the Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam.

Subregional institutions in Asia and the Pacific are at different stages of institutional development but in all cases they already provide an adequate platform for negotiations among members.

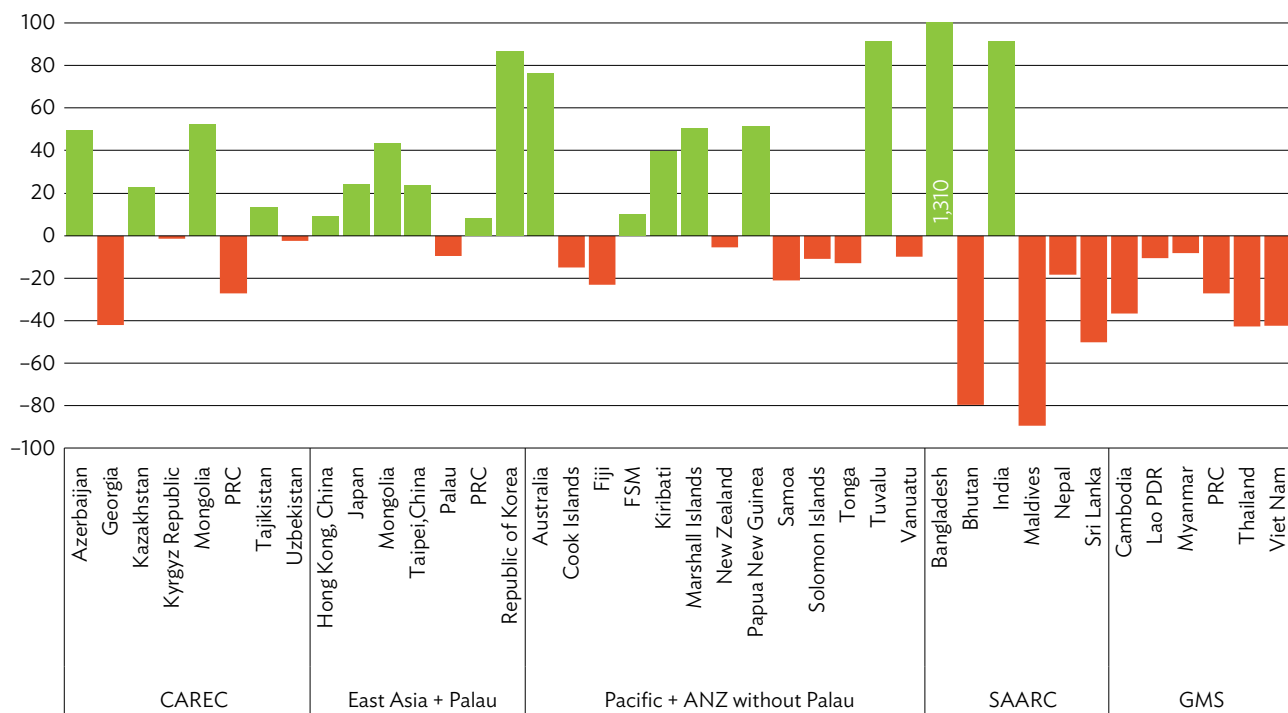
As Figure 8 shows, for CAREC, a subregional bubble would help narrow the tourist gaps for Georgia and the Kyrgyz Republic. Similarly, for East Asia and Palau, a subregional bubble would allow Palau to almost eliminate its deficit. For the Pacific, it would also substantially improve the situation. The main reason is that many tourists to the Pacific islands originate from Australia and New Zealand. The outcome is less positive for South Asia and Southeast Asia. The reason is that, for several countries, the largest source country of tourists is outside the subregion. For example, tourists from the PRC formed the largest group of foreign visitors in Maldives. It is therefore not always the case that subregional travel bubbles are the best solution for all participating countries to fill the gap left by international travelers. Therefore, it is no surprise that some policy makers tend to give preference to bilateral solutions for now (Wei 2020).

## EPIDEMIOLOGICAL CONSIDERATIONS

The three scenarios above are based only on tourism flows. In this section, we consider which solutions are feasible from an epidemiological point of view, given the situation in early July 2020. The COVID-19 pandemic started at different times across countries and has developed differently. While some countries were able to bring the pandemic quickly under control, others are still struggling to contain the disease. Recently, some countries were also confronted with a second wave of infections. And willingness to welcome foreign tourists depends on the stage in the pandemic. In addition, tourist willingness to travel depends on the pandemic situation in the destination country. The opportunity to open for bilateral tourism typically only arises once an economy and its partner are well beyond their peak of new infections.

To measure the current stage in the pandemic, we collected daily data of new cases for each economy from the beginning of the year until early July. The day with the highest number of new cases is considered the peak. Next, we collected the daily average of new infections during 1–7 July 2020 and divided the average by the number of infections during the peak. For this study, an economy is considered past its peak of infections if the proportion of new cases in early July is 3% or less compared with the peak.

Figure 8: Scenario Analysis of Subregional Tourism Bubble, Based on Number of Tourists (%)



ANZ = Australia and New Zealand, CAREC = Central Asia Regional Economic Cooperation, FSM = Federated States of Micronesia, GMS = Greater Mekong Subregion, Lao PDR = Lao People’s Democratic Republic, PRC = People’s Republic of China, SAARC = South Asian Association for Regional Cooperation.

Notes: For this scenario, we used data from 2018 and assumed that the tourists would be able to move freely within their respective bubbles. Tourists who went to an economy outside the bubble were assumed to stay at home. We subtract the number of tourists who stayed at home and those who arrived from the bubble from the total number of international tourists. We then got the proportion of this figure with respect to the number of international tourist arrivals. Arrival data for 2017 were used for the Marshall Islands, Tonga, and Tuvalu, while 2016 and 2014 data were used for the FSM and Bangladesh, respectively. There was no arrival data available for Afghanistan, Pakistan, Turkmenistan, and Tuvalu for any year.

Source: Asian Development Bank calculations based on United Nations World Tourism Organization statistical database (accessed 13 June 2020).

In addition to the epidemiological situation, the preparedness of a country to fight the pandemic constitutes another important consideration for tourists. Pandemic preparedness is based on various dimensions. We use the Regional Safety Assessment by the Deep Knowledge Group as a proxy to capture an economy’s safety, stability, and resilience during the COVID-19 pandemic.<sup>3</sup> The assessment analyzes 200 economies using parameters in six main categories: quarantine efficiency, government efficiency and risk management, monitoring and detection, health care readiness, regional resiliency, and emergency preparedness. To compute a score for each economy, the Deep Knowledge Group used quantitative and qualitative information sourced from publicly available indices and other open data sources. It divides economies into four groups, the first tier being the safest. We consider a bilateral agreement feasible if both rank in the first two tiers.

Table 2 illustrates the case of bilateral travel bubbles with the largest source economy. In terms of pandemic preparedness and stage, only a few pairs are ready to negotiate bilateral travel arrangements. In Central and West Asia, no country pair qualifies. The biggest potential is found in East Asia, where economies have high pandemic preparedness and the number of new cases is generally falling. In the Pacific, potential is high as several Pacific islands are COVID-19 free. However, their preparedness to handle an outbreak is limited. Therefore, only Australia and New Zealand could enter into bilateral deals with their preferred partners. In South Asia, no country pair qualifies for an agreement on either dimension. In Southeast Asia, the PRC and Viet Nam would have the potential to open up again for travel.

<sup>3</sup> Please refer to the Deep Knowledge Group (2020) or the online Appendix at: <https://aric.adb.org/tourism-appendix>.

Table 2: Feasibility of Preferential Travel Arrangement Based on Public Health Considerations

Receiving Economy	Partner	Pandemic Preparedness in First Two Tiers	Both Passed the Peak
<b>Subregion: Central and West Asia</b>			
Armenia	Russian Federation		
Azerbaijan	Russian Federation		
Georgia	Azerbaijan		
Kazakhstan	Uzbekistan		
Kyrgyz Republic	Uzbekistan		
Tajikistan	Uzbekistan		
Uzbekistan	Kazakhstan		
<b>Subregion: East Asia</b>			
PRC	Hong Kong, China	Yes	
Hong Kong, China	PRC	Yes	
Taipei, China	PRC	Yes	Yes
Mongolia	PRC		Yes
Republic of Korea	PRC	Yes	Yes
Japan	PRC	Yes	
<b>Subregion: Pacific islands</b>			
Cook Islands	New Zealand		Yes
Fiji	Australia		
Kiribati	Australia		
Marshall Islands	United States		
FSM	United States		
Palau	PRC		Yes
Papua New Guinea	Australia		
Samoa	New Zealand		Yes
Solomon Islands	Australia		
Tonga	New Zealand		Yes
Tuvalu	Australia		
Vanuatu	Australia		
Australia	PRC	Yes	
New Zealand	Australia	Yes	
<b>Subregion: South Asia</b>			
Bangladesh	India		
Bhutan	United States		
India	Bangladesh		
Maldives	PRC		
Nepal	India		
Sri Lanka	India		
<b>Subregion: Southeast Asia</b>			
Brunei Darussalam	PRC		Yes
Cambodia	PRC		Yes
Indonesia	Malaysia		
Lao PDR	Thailand		Yes
Myanmar	Thailand		
Malaysia	Singapore		
Philippines	Republic of Korea		
Singapore	PRC	Yes	
Timor-Leste	Indonesia		
Thailand	PRC		Yes
Viet Nam	PRC	Yes	

FSM = Federated States of Micronesia, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China.

Notes: Afghanistan, Pakistan, Turkmenistan, and Nauru are not included, as no recent data on tourist arrivals were available. If an economy or its partner was not part of the Deep Knowledge Group's study, then the "Pandemic Preparedness in First Two Tiers" column will automatically be left blank. These include Brunei Darussalam, the Cook Islands, Kiribati, the Marshall Islands, Nauru, Samoa, Tonga, and Tuvalu.

Source: Asian Development Bank calculations based on the Deep Knowledge Group COVID-19 Regional Safety Assessment, World Health Organization Corona Disease Dashboard, Johns Hopkins COVID-19 Dashboard, and Google COVID-19 Statistics (accessed 8 July 2020).

## POLICY RECOMMENDATIONS AND CONCLUSION

### Domestic Tourism

Many countries are looking to domestic tourism to help stimulate economic recovery. In this analysis we saw that redirecting tourists from foreign destinations to domestic ones helped to fill the gap in about half of the economies. This is therefore an attractive option, particularly where there are existing strong domestic tourism markets. However, for economies highly dependent on tourism, including small island developing states such as Fiji, the Cook Islands, Palau, and Maldives, domestic tourism is not a viable option for filling the gap.

Furthermore, promoting domestic tourism is not straightforward. Many people will have less disposable income for leisure activities, and social distancing and other containment measures may make it difficult or unappealing. Equally, where the tourism attractions are geared toward foreign markets it may take time to reorient toward domestic preferences. In many cases there is also a clear difference in spending between domestic and foreign tourists.

For highly tourism-dependent economies it makes sense for governments to support tourism enterprises to rebuild and reform. Most governments have established economic stimulus packages to ease the impact of COVID-19, which will help the tourism industry to rebound once the immediate crisis has passed. Support directed specifically to tourism includes establishment of health and sanitary protocols, certifications, marketing campaigns, and special incentives to boost demand. Governments will also need to invest and promote investments that help ensure longer-term sustainability of their tourism industries and use the opportunity to “build back better”.

### Travel Bubbles

Establishing bilateral travel bubbles is an interesting option to revive tourism. The growing number of travel agreements is a testament to this. Economies that are highly dependent on tourism from one source country would particularly benefit from a bilateral travel bubble. A bilateral bubble between Fiji and Australia would reduce the gap in Fiji by half compared with relying on domestic tourism. Agreements are however subject to rapidly changing epidemiological circumstances. Existing agreements are based on a mix of economic, social, and health considerations. If potential bilateral pairings are analyzed according to pandemic preparedness and whether they appear to be past their peak of outbreaks, very few bilateral pairings were attractive.

Subregional or multilateral travel bubbles are also under discussion and may be considered as a next step to multiple bilateral agreements. Regional communities in Asia and the Pacific have a history of cooperation on tourism and travel facilitation, and many are in discussions to help respond to the crisis created by COVID-19. The analysis demonstrates that a CAREC subregional travel bubble would reduce the gap in tourists for several of its members. Subregional travel bubbles are however only a better solution to bilateral bubbles when there is a large degree of intra-subregional travel. Epidemiological considerations may also become even more complex.

One of the most important policy implications for subregional bubbles is the establishment of harmonized protocols for travel and tourism. This should consider the full customer journey, from their taxi to the airport to their arrival at the accommodation and visits to attractions and sites. The Asian Development Bank (ADB) is currently working with international travel and tourism organizations to contribute to this process.

Another key consideration is the option to conduct cross-border and regional contact tracing. Many economies are now using digital contact-tracing tools. There is however a wide range of tools being adopted from centralized to decentralized systems and use of different technologies such as QR codes or Bluetooth. Varying systems across economies make it difficult to utilize contact-tracing apps for cross-border movement. Harmonized systems which can then share information would be particularly helpful for subregional travel bubbles that have a high frequency of cross-border movement. This should be based on shared and transparent agreements on data privacy. In a similar vein, health insurance needs to cover COVID-19-related costs of travelers. Within the GMS, ADB is seeking to trial innovative approaches to contact tracing and mobile insurance in special economic zones located in border areas.

It is also very important to remember that travel bubbles are only a second-best option, which should only be temporarily in place. If the pandemic allows, a nondiscriminatory approach should be preferred. Several countries have chosen this option. Maldives, for example, is open for international tourism. They have established guidelines around health checks for inbound tourists and protocols in the event of an outbreak. They are supported by their “one island one resort” tourism model which affords some natural social distancing.

As we move forward in the pandemic, we might see the introduction of vaccine passes. Again, harmonized standards around recognition of vaccination certificates will be critical to freedom of international movement. Promoting tourism is and will therefore be first and foremost a joint undertaking and makes regional cooperation more needed than ever.

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