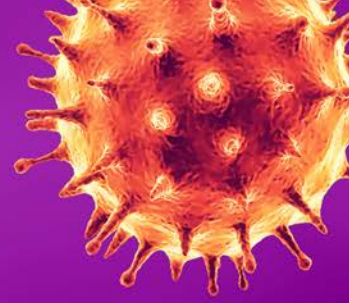




Trade Hot Topics



A Special Focus on COVID-19 and the Commonwealth | ISSUE 163

COVID-19 and Tourism: Charting a Sustainable, Resilient Recovery for Small States

Kim Kampel¹

1. Introduction

As of 20 April 2020, 100 per cent of all worldwide tourism destinations had introduced travel restrictions in response to the COVID-19 pandemic. The United Nations World Tourism Organization (UNWTO) warns that international tourist arrivals could fall by between 60 and 80 per cent this year. This puts 100–120 million jobs at risk and could lead to lost exports of up to US\$1.2 trillion (UNWTO, 2020b).

Given the unprecedented impacts of COVID-19 on tourism and the wider economy, the sector is unlikely to recover fully in the foreseeable future, even if the virus is contained. The prospects for recovery will depend on the duration of the crisis and the time it takes for the travel and tourism sector to rebound. Furthermore, the effects of the virus outbreak on tourism are likely to be asymmetrical and highly localised within countries, with some destinations disproportionately vulnerable because of their high reliance on the sector (OECD, 2020b). For example, many Commonwealth small states, including small island developing states (SIDS), depend on international tourism for up to 90 per cent of their exports and for a significant share of their gross domestic product (GDP).

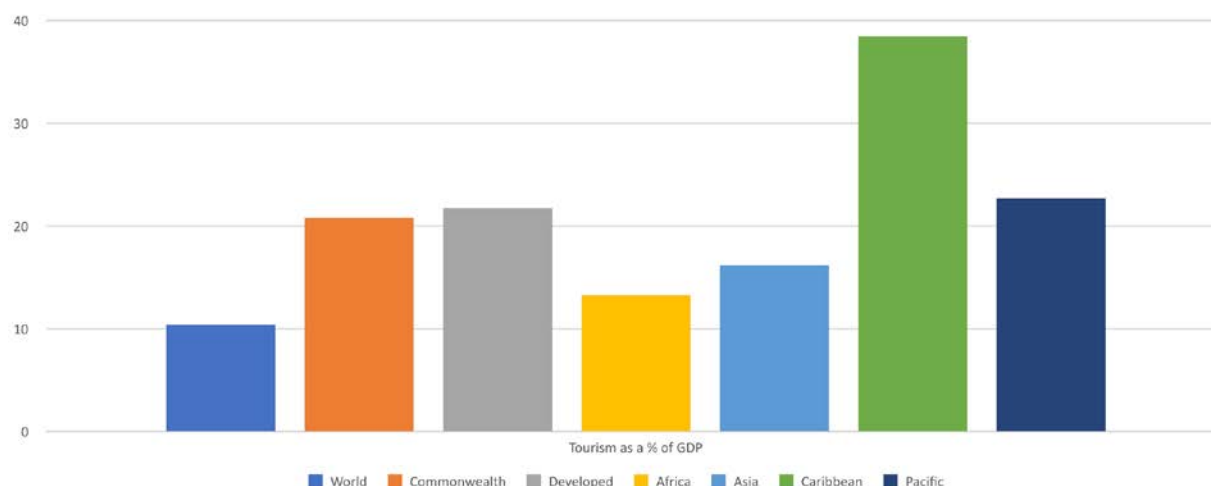
Moreover, the tourism sector has a multi-sectoral dimension, with linkages to a myriad of other economic activities along the tourism value chain. The crisis has implications for both large-scale multinational companies and informal tourist-related activities supporting women, youth and marginalised communities. The onset of the crisis in small states has had widespread effects, across aviation and cruise transportation; retail; business conferencing; entertainment; and cultural, ecological and sports activities, as well as in productive sectors like agriculture and fishing. This has affected jobs, livelihoods and socio-economic development globally.

For small states, the implications could be even more far-reaching, given their high dependence on travel and tourism; significant levels of economic, financial and social vulnerability; exposure to external shocks and natural disasters; fragile health care systems; and limited resources to address the unfolding crisis and the changes in international travel it will bring.

Governments across the world have taken a number of measures to address the immediate impacts on the sector and to facilitate its recovery. Tourism has traditionally exhibited greater resilience than other

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Figure 1: Total contribution of tourism to GDP by Commonwealth region, 2019 (%)



Source: Commonwealth Secretariat (based on data from WTTC)

trade categories in economic downturns. However, it is clear that this pandemic will reshape the travel and tourism sector for some time to come, while sustainability considerations will have to embrace the new dimension of health safety.

This issue of *Trade Hot Topics* outlines some of the immediate implications facing small states arising from the pandemic, drawing lessons from global response and recovery efforts, and explores potential sustainable policy responses and strategies available to small states in the aftermath of COVID-19 as tourism markets begin to reopen. No detailed assessment of the pandemic's impact on the tourism sector is provided because this is available elsewhere, especially the reports by the UNWTO.²

2. The trade significance of the tourism sector³

Several features of the tourism sector make it uniquely vulnerable to the COVID-19 pandemic. First, unlike other services (e.g. insurance, finance and telecoms), tourism and its related activities require physical proximity for the service to be delivered and utilised.⁴ Constrained mobility measures in the context of the pandemic affect three modes of supply under the General Agreement on Trade in Services (GATS): consumption abroad (mode 2), commercial presence (mode 3) and movement of natural persons (mode 4) (Shingal,

2020). Global travel restrictions, border closures and other contingency measures to contain COVID-19 have had an immediate negative impact on tourism and related sectors because fewer people are travelling.

Second, unlike goods, which can still be produced, stored and consumed at a later stage, a halt to services trade means that lost revenues and income cannot be recouped later on. Furthermore, capacity and infrastructure along the tourism supply chain, once lost, are almost impossible to reinstate, particularly for smaller, vulnerable economies (WTO, 2020c).

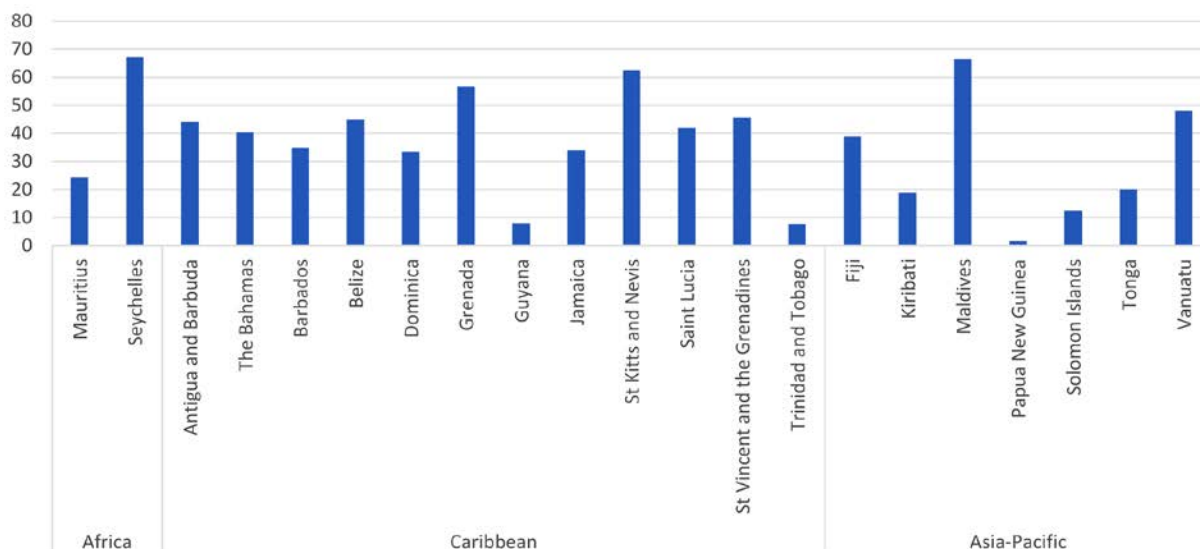
Third, tourism is a critical sector for many countries because it generates employment and foreign exchange. It is also one of the most dynamic economic sectors, with important backward and forward linkages and multiplier effects across many productive sectors and activities in the tourism value chain. Its labour intensity offers vast opportunities for consistent employment, skills development and entrepreneurship, especially for women and youth, marginalised populations living in rural areas and small and medium enterprises (SMEs). In particular, it enables the informal unskilled sector to become services exporters: from retailing craft items and offering tour guide services or community, heritage and cultural experiences to providing home lodging

² See <https://www.unwto.org/tourism-covid-19>

³ The World Trade Organization (WTO) defines tourism as including tourism and travel-related services, to include services provided by hotels and restaurants (including catering), travel agencies and tour operator services, tourist guide services and other related services (https://www.wto.org/english/tratop_e/serv_e/tourism_e/tourism_e.htm). Though cruise travel falls under maritime transport under the WTO Services Sectoral Classifications list, it is integral to the tourism sector in various geographic regions. The World Travel and Tourism Council (WTTC) defines the travel and tourism industry to include hospitality, aviation, airports, cruise operators, retail, transportation, meetings, incentives, conferences and events (MICE) and tour operators, among others.

⁴ Along with distribution and transport sectors, with significant air, maritime and land transportation disruption.

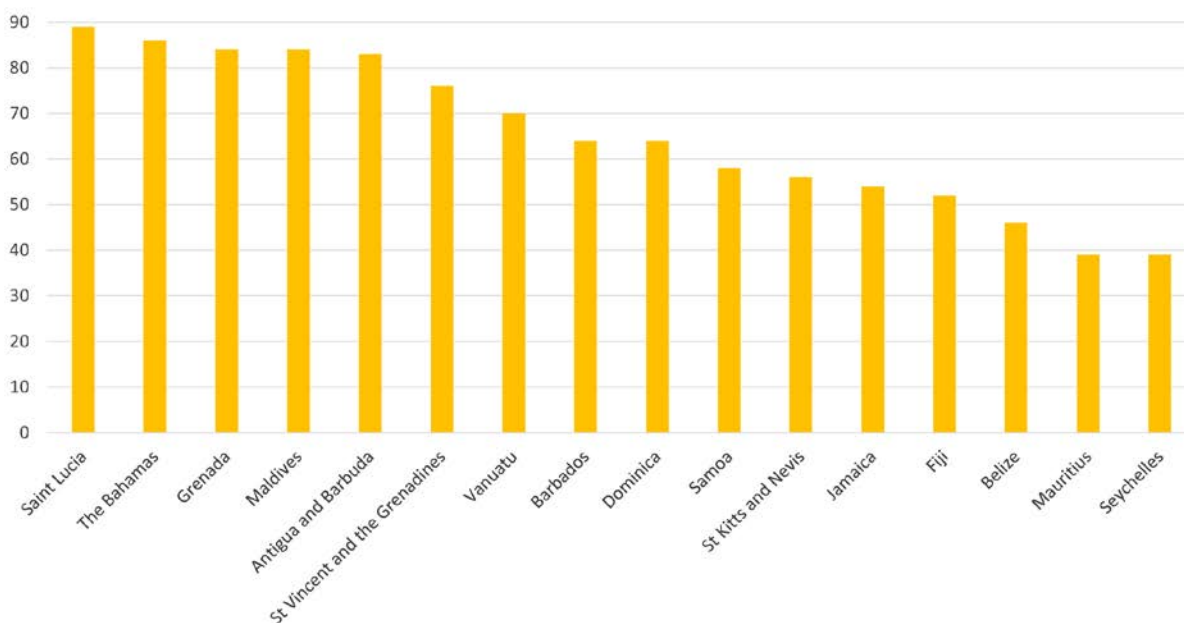
Figure 2: Total contribution of tourism to GDP of Commonwealth SIDS, 2018 (%)



Source: Commonwealth Secretariat (calculations based on data from World Bank and WTTC)

Note: Data is not available for Nauru, Samoa and Tuvalu. Singapore is excluded.

Figure 3: Share of international tourism revenues of total exports, 2019 (%)



Source: UNWTO

accommodation (WTO, 2020d). Accordingly, the sector can be a huge driver of sustainable economic development (Christie et al., 2014).

3. Tourism in Commonwealth small states

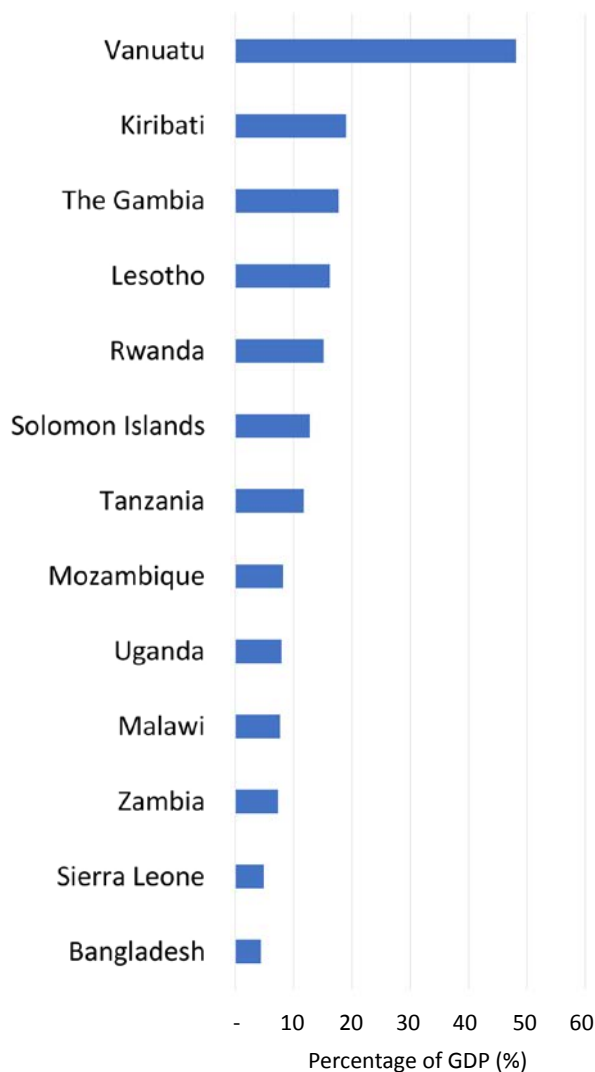
A total of 32 Commonwealth member countries are classified as small states, 25 of which are SIDS and 14 of which are least developed countries (LDCs). For many of these countries, tourism accounts for both the largest share of total exports and a significant share of GDP. International tourism revenues as a share of total exports range from 39 per cent (Mauritius and Seychelles) up to 89 per cent (Saint Lucia) (Figure 3). Furthermore, for

some Commonwealth LDCs, the total contribution of tourism to GDP can be as high as 48 per cent (Vanuatu) (Figures 2 and 4).

4. Implications of the crisis for tourism recovery in small states

Small states face challenges as a result of the unique characteristics of their economies, accentuated by the economic fallout from the pandemic. As the pandemic has had staged impacts globally, some countries have started to implement response and recovery plans for the tourism sector, based on guiding recommendations and policies issued by the various travel industry bodies (WTTC,

Figure 4: Contribution of tourism to GDP of Commonwealth LDCs, 2019 (%)



Source: Commonwealth Secretariat (calculations based on data from WTTC)

Note: Data is not available for Tuvalu

2020a). These measures address, in the short term, immediate crisis management responses and, in the medium to longer term, comprehensive tourism recovery plans, focusing on strengthening the sustainability and resilience of the sector, thereby future-proofing it against similar external shocks. Policy responses are highly specific to the national economic and public health contexts (OECD, 2020a). Yet lessons can still be drawn from other regions' response and recovery efforts, which will be relevant in devising and deploying small states' own post-COVID-19 recovery and resilience strategies, in light of the unique challenges and implications facing their economies.

4.1 Dependence on the tourism sector for growth and exports

Many small states rely heavily on the travel and tourism sector as a key economic sector, with tourism a principal contributor to their GDP (Figures 2 and 4). According to UNWTO's Tourism Barometer, Commonwealth members comprise 19 of the 36 SIDS listed as being highly vulnerable, with their share of international tourism revenues accounting for a large proportion of their total exports. Given that many small states that rely predominantly on tourism and related hospitality services are insufficiently diversified to be able to rely on any other economic sector to sustain themselves, contingency measures that reduce cross-border mobility have had severe impacts. Accordingly, early planning for post-COVID-19 recovery is imperative for overall economic recovery.

4.2 Concentration of SMEs and the informal sector

The travel and tourism sector in small state destinations comprises mainly small-scale businesses, SMEs or entities operating in the informal sector. They are often less resilient to the costs that external shocks entail since they are in a financially more precarious situation (OECD, 2020a). Furthermore, within smaller economies, the forward and backward linkages across the tourism value chain are critical and tend to sustain livelihoods by generating skilled and unskilled jobs for marginalised groups, including women and youth, and integrate local communities as guardians and beneficiaries of natural and cultural resources. In this way, tourism has the potential to create and retain wealth nationally, by boosting local development throughout the value chain, at the same time sustainably exploiting and preserving the region's natural resources and cultural heritage for future generations. The impact of COVID-19 on the tourism sector in small states, including the introduction of blanket travel restrictions, has had a devastating effect throughout the tourism value chain. It has affected women disproportionately as the travel sector and related industries, such as accommodation and food services, employ an above average share of women (UNWTO, 2020b). This clearly puts the Sustainable Development Goal (SDG) targets in jeopardy.⁵

⁵ In particular, SDG target 8.9 on devising and implementing sustainable tourism policies that create jobs and promote local culture and products; SDG target 12.b on developing and implementing tools to monitor sustainable development impacts for sustainable tourism; and SDG target 14.7, increasing the economic benefits to SIDS and the LDCs from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism (Mead, 2018).

4.3 Exposure to external shocks

Tourism-dependent small states are extremely exposed to economic shocks, and this has been compounded by the pandemic's impact on foreign revenue and remittance inflows. Their tourism sectors are particularly vulnerable to any contraction, making financial viability tenuous (MFAT, 2020). Most countries have rolled out immediate crisis financial rescue and stimulus packages, on either a general or a sector-specific basis, to mitigate the pandemic's economic damage and protect and sustain employment. However, in small states, overall financial support is limited and may not be sustainable for an extended period.

For example, in Solomon Islands, there is limited government capacity to provide or administer wage relief or income support (MFTA, 2020). Caribbean destinations are in a fragile situation, since governments lack the social welfare systems or the large financial safety nets of larger economies to lower payroll taxes or provide low-interest loans, whereas national insurance schemes are being stretched beyond their capacities (Handy, 2020).

In addition, multinational tourism establishments such as major hotel chains have the advantage that they can sustain their business with additional bank liquidity, and continue to operate in markets with low infection rates, even if they are forced to scale back their operations elsewhere. However, small firms within small economies and SIDS do not enjoy the benefits of scale and integration of their larger counterparts in more developed markets. Small states cannot rely on bailout packages in the same order of magnitude as wealthier countries.

The EU and the USA have secured their major airlines through massive bailout packages, whilst other economies have not succeeded in maintaining air infrastructure amid mounting costs. The result is airline carriers declaring bankruptcy, reducing their workforce or going out of business (Slotnick, 2020b). Bankruptcies and consolidation in the airline sector could portend future challenges for small states, as uneconomical long-haul flight routes may be cut in an effort to recoup airline losses. This could result in capacity limitations and price increases, possibly affecting travel routes to small states and SIDS.

Crucially, economy-wide financial stimulus packages in small states may not be sufficient to support the informal sectors servicing the tourism

value chain. For example, in the Pacific, there is likely to be major income loss to the informal sector that supplies goods to the tourism industry (such as smallholder farmers and fishermen). By comparison, in some Organisation for Economic Co-operation and Development (OECD) countries, such as Costa Rica and Croatia, relief measures have been extended to informal and sharing economy workers (OECD, 2020a).

Though some small states have succeeded in providing temporary cash flows and support for the economy, including the tourism sector, reduced revenues, combined with additional direct health and social expenditures, have increased the fiscal deficit and financing needs. Several small states in the past have remained ineligible for financing under existing facilities, since they are classified as high-income countries. Though some multilateral and bilateral debt relief and emergency concessional financing has recently been made available by the International Monetary Fund and G20 to support these financing needs, elevated debt burdens in many Commonwealth countries are likely to remain, entrenching their financial vulnerability.

4.4 Vulnerability to climate change, natural disasters and other health risks

Many small states are highly vulnerable to climatic events and natural disasters, which are compounding the economic impacts of the current pandemic. In the Caribbean, Dominica and The Bahamas are still recovering from the devastation caused by Hurricanes Maria in 2017 and Dorian in 2019. The 2020 hurricane season is approaching and forecast to be much more active. In the Pacific, recent cyclone activity has damaged infrastructure (in Tonga, Vanuatu and Fiji) and the effects of prior disease outbreaks, such as the measles outbreak in Samoa in 2019, are still being felt in some economies in terms of employment and revenue impacts (Berlinger and Yee, 2019). Similarly, in Africa, severe prolonged drought has compromised agricultural productivity and food security, and the COVID-19 pandemic is undermining efforts to recover from the aftermath of the Ebola virus.

4.5 Risks to tourism capacity and infrastructure

The potential risk of valuable tourism skills, capacity and infrastructure, and concomitant tourist revenue being lost, including with respect to related, ancillary services that support the tourism

value chain, is potentially catastrophic for small states. In the Pacific, the pandemic portends the imminent risk of skills and local ownership losses, affecting core tourism infrastructure in the sector overall. In Vanuatu, it is predicted that skills losses occasioned by reduced short- to medium-term tourism employment will force people to move, potentially to seasonal agricultural work (MFAT, 2020). This is compounded across small states by the heavy reliance of the SME and informal sector on tourism.

Furthermore, the linkages of the tourism sector with vital conservation and biodiversity efforts are being compromised, resulting in losses of critical natural and wildlife resources. In Africa, there are potential catastrophic consequences for wildlife conservation and eco-tourism, with increased reports of environmental crime, including wildlife poaching and illegal bush meat harvesting. Rural communities, previously reliant on the revenue from national and private safari parks and conservation tourism for both preserving natural resources and guaranteeing livelihoods, are now severely compromised as a result (ETN, 2020). Similarly, tourism is a key source of income for marine protected areas, and conservation plans in these areas are further being affected.

4.6 Adapting to post-COVID travel regulations

Small states will have to adapt to future developments in the travel industry in a post-COVID-19 context. Spurred by the World Travel and Tourism Council (WTTC) global travel safety protocols, many advanced economies are developing similar measures to safely reopen their travel sectors. However, implementing these protocols in small states will entail significant business restructuring and infrastructure adjustments, and employee retraining, in hotels and the transportation sector as well as at the various points of entry and ports. Some proposed measures, such as introducing digital and contactless payments, and other integrated technologies to enable automation, at hotels or in retail, may be onerous and costly for small states to implement.

Furthermore, one of the main bottlenecks to the development of backward linkages in the tourism sector is the inability of local suppliers to meet a variety of safety or hospitality standards (Jansen, 2013). This suggests that further safety standards could be onerous for small states

when seeking to build these linkages with local suppliers, potentially compromising some socio-economic spillovers.

Meanwhile, some advanced economies are starting to pursue regional travel arrangements and reciprocal 'bubble' arrangements, which allow travellers to travel freely and with more flight frequency within and between a number of approved countries with low infection rates, avoiding otherwise mandatory 14-day quarantine or testing requirements. There is a risk that small states, owing to their size, limited scale and negotiating asymmetries, could be excluded from such exclusive arrangements, especially if they are unable to demonstrate commensurate levels of health safety. There is already evidence that the EU will require that testing, tracing and hospital capacity between countries using their 'green zones' of travel be EU-certified. Though some Caribbean and other small states are implementing their own aircraft sanitisation and other health and safety protocols and processes (Johnson, 2020), they will likely have to demonstrate they will operate in full compliance with the health and related regulations in the jurisdictions with which they intend to operate or interface. The risk of these health and safety regulations, presenting behind-the-border regulatory barriers for smaller players in the tourism market, is a potential challenge for sustainable and resilient tourism recovery in small states (Shingal, 2020).

Overall, advanced economies have started to focus on long-term recovery plans. However, for small states in general, with the exception of a few, the immediate priority has been to stem the losses and prioritise immediate crisis response and relief measures. This is to be expected, considering the physical, financial and capacity asymmetries and other constraints facing their economies. Large, vertically integrated and diversified tourism players in developed country markets may be better able to withstand losses for a prolonged period of time. By comparison, small states tourism markets comprise fragmented small firms and informal tourism enterprises, which makes immediate survival a priority. Nevertheless, formulation of appropriate recovery and resilience strategies is still critical not only to the survival of the sector in tourism-intensive small states but also to maintain the vital socio-economic linkages the sector cultivates. The next section explores the form these strategies could take.

5. Way forward

The complete recovery of the tourism sector will depend on how long COVID-19 measures and border restrictions remain in place and when air travel resumes. It is a matter of debate whether the disruption to the tourism industry is temporary or the staged impact of the virus and the induced behavioural changes among travellers are likely to be longer-lasting. Nevertheless, some lessons can be drawn from national and global responses and recovery efforts in the tourism sector, whilst also taking into account the challenges facing small states.

Already some regions in Europe, the Caribbean and elsewhere are starting to open up and ease border restrictions for the summer tourism season. Fundamentally, for small states, most of which are geographically distant from their major source markets, restoring air connectivity is crucial to enabling tourism recovery. This will be influenced by border restrictions; commercial viability of airline routes; and aviation safety and compliance infrastructure, much of which is beyond the control of small economies (MFAT, 2020). The WTTC, the International Air Traffic Association (IATA) and other industry bodies are in the process of developing protocol safety guidelines for the aviation industry to make the travel experience safer.

What is clear for all markets is that demand-side recovery will remain slow. The pandemic could portend potential long-term changes in consumer travel behaviour, fuelled by entrenched fears and uncertainties around the safety of travelling. Restoring confidence not only in the travel community but also in host countries receiving tourists will be key, and the preparedness of small states in this regard will be vital. In the meantime, uncertainties regarding flight activity and consumer perceptions should not prevent small states from taking their own measures towards recovery and resilience.

5.1 Maintaining existing supply capacity along the tourism value chain

Many small states have already implemented emergency response and stimulus packages dedicated to injecting liquidity into markets, ensuring social protection in an effort to ensure business continuity and guarantee worker livelihoods. However, for small states, relief and stimulus packages will only go so far and last so long. Accordingly, maintaining the viability of those parts of the sector that can be reactivated when

travel conditions ease, will be crucial for post-COVID-19 recovery planning.

In the short term, taking measures in the period of downtime to preserve and invest in the critical infrastructure, capacity and skills throughout the tourism value chain would mitigate against the loss of core tourism facilities and enable preparation for the easing of border and other restrictions and the reopening of tourism markets. Some countries have converted idle air passenger capacity arising from suspended international passenger flights to freight merchandise and medical relief supplies to help maintain critical supply chains. Similarly, in the hotel sector, with the prospects of some markets opening up for the summer season, a few large hotel chains are investing in renovations and converting 'safe' hotel facilities, previously utilised to house hospital or medical personnel, into post-COVID-19 holiday retreat packages, allowing exclusive clientele to isolate in or benefit from high-end luxury surroundings.

In addition, several countries are following industry recommendations to invest in sector training and skills development for the post-COVID-19 environment. As in developed country markets, some Caribbean experts have recommended that, before opening to international travel, every Caribbean destination should have public health nurses who are trained in detecting acute respiratory illnesses, in every hotel and all areas of potential risk (ETN, 2020). Equipping staff with basic skills to identify guests presenting with COVID-19 symptoms, as well as preparing tourism workers to implement health and safety protocols, would further complement adaptation to the new tourism reality. Similarly, digital skills training will become increasingly important as more economies inevitably embrace technological and digital solutions to attract and enhance the tourist experience as well as adapt to health measures and protocols. Relatedly, education and sensitisation campaigns within tourist destinations will be important in getting ready to open their economies to foreign arrivals, to build awareness and reduce stigmatisation of travellers from regions severely affected by the pandemic.

Focusing efforts on all sizes of enterprises along the tourism value chain would maintain the capacity and facilities in peripheral sectors, such as informal and small-scale retail, farming and fishing, catering, cultural, craft and creative activities. To maintain this capacity, governments could be a backstop

by sourcing from the informal sector, as well as encouraging larger private sector actors to do the same. Some small states, such as Jamaica, have successfully utilised local supplier network linkages to prevent tourism leakage out of the country, by cultivating local and ancillary sectors that support the tourism sector. This would be an instructive strategy for all small states to pursue.

5.2 Maintaining demand and managing consumer perceptions

Some small states have highlighted that lower tourism demand owing to travel restrictions and fears about safety, even in cases of low incidence of the virus and after the pandemic recedes, could disincentivise economic activity in the tourism sector (Werner, 2020). Allaying tourists' fears and negative perceptions of health and safety risks regarding travel to a region will be paramount. Accordingly, small states must, in the short term, pay attention to maintaining the demand side of their tourism offering, in terms of the existing client base as well as by generating new demand for when travel restrictions ease. Governments can encourage private sector initiatives to offer deferred holiday bookings or schemes to maintain customer loyalty and encourage visitor returns, rather than losing them to competitors.

Post-crisis marketing campaigns should highlight their implementation of health and safety protocols and address misconceptions about the scale of the pandemic in certain regions, to restore confidence, and even project small states as potential alternative holiday destinations. For instance, Caribbean Airlines has recently highlighted its sanitisation, air filtration processes and other measures to be used on its aircraft, promising a safe flight experience. To promote and market small state destinations, social media and other digital platforms could be used to complement the usual channels employed in the promotion and marketing of destinations.

5.3 Implementing harmonised travel safety protocols

In the medium to long term, it is envisaged that the travel and tourism industry will have to incorporate health safety as a new pillar of global sustainability (WTTTC, 2020a). Much of the tourism industry's post-COVID-19 success will depend on the robustness, quality and resilience of health and safety protocols that will inevitably govern the industry going forward. This would be necessary to garner confidence among tourism consumers, tourism industry workers and host country citizens that they will be protected

and the health risks minimised. Accordingly, health and safety protocols would be a key competitive component of the post-COVID-19 recovery and resilience package. These protocols will have to be coordinated and harmonised with all local suppliers along the tourism value chain, encouraging rather than hindering backward supplier linkages, as well as among the private sector, transport sector, health authorities and various ports of entry, to ensure smooth interfaces and minimal risk along the entire tourist journey.

Some SIDS, like Jamaica, Saint Lucia and Maldives, are already developing their own home-grown solutions; these could be scaled up regionally through collaboration and coordination with different sub-regions. Harmonised protocols at a regional level would allow safe travel between and across connected destinations and achieve economies of scale and cost containment. This would also improve the image and competitiveness of the region as a whole as tourism markets are sequentially reopened, whilst enabling easier access to regional travel bubbles.

5.4 National cooperation and regional collaboration

Public-private collaboration is critical to mitigate the impact of the crisis and to manage and enhance responsiveness to ensure speedy recovery (WTTTC, 2020). Accordingly, in all small states, multi-sectoral cooperation and the sharing of intelligence between local health authorities and key private sector bodies involved in the tourism sector will be critical to recovery efforts. In the post-COVID-19 context, having a central repository to collate vital data, including correct information and statistics to mitigate the perpetuation of misinformation about the extent of virus penetration in these regions and their state of preparedness, will be vital.

In some regions, especially the Caribbean, past experience in recovering from recurrent climatic crises affecting tourism has proven an advantage in this pandemic. These experiences, including of coordination and planning and building resilience strategies in advance, hold lessons for other small states. Moreover, lack of economies of size and scale make it difficult for many small states to implement response and recovery strategies alone. Therefore, closer regional cooperation and collaboration can enable the cross-border sharing of data and intelligence among sub-regions with respect to recovery strategies, evolving travel regulations, implementation of harmonised health and safety protocols and tracking tourism data.

Such regional coordination will ensure that the experiences and lessons of economies can be shared and translated into best practices for the region as a whole, adding to resilience efforts.

5.5 Phased reopening: focus on domestic and regional tourism first

Given that stimulus packages are not sustainable and do not represent a long-term solution, small states' governments recognise it is imperative to restart economic activity sooner rather than later, and to adjust their business models to undertake a staged, sequential and gradual reopening of the tourism sector. It is generally predicted that domestic demand will recover faster, leading to some regional tourism, while international, long-haul travel will be the last segment of the market to resume normal patterns (UNWTO, 2020b). Each small state region will need to consider how to deploy and stage its approach.

Although local or domestic tourism is unlikely to replace international tourism numbers, this could serve as a precursor and contingency strategy to a more comprehensive opening-up of the entire tourism sector. Though not a long-term sustainable solution for SIDS with low levels of domestic tourism, this would at least provide them with a launch pad from which to prepare and showcase their state of preparedness to the rest of the world. The focus on domestic tourism as a pathway for recovery has also been recognised in some Commonwealth countries in Africa, such as Uganda, which had embarked on a domestic tourism promotion strategy even prior to the pandemic (Mugambwa, 2020).

Some are more optimistic about opening borders to intra-regional tourism, which holds promise in some regions as a trigger to stimulate growth and recovery in the industry. Traditionally, African tourism has been characterised by a high proportion of foreign visitors. However, there has been growing attention at African Union level to expanding the tourism market to target travellers from across the continent, capitalising on the purchasing power of an emerging African middle- to higher-income class. However, this requires addressing several challenges, including the high cost of air transport, poor connectivity and an inflexible visa regime. The African Continental Free Trade Area could potentially ease some of these cross-border movement restrictions and infrastructural and transport deficits. Although the COVID-19 outbreak has temporarily closed borders across

Africa, this is a strategy worth pursuing gradually, as a stop-gap to full reopening up to international tourism.

5.6 Capitalising on travel corridors or bubbles and diversifying source markets

In the absence of sufficient numbers to generate their own domestic or regional tourism channels to replace international long-haul travel, low infection rates in regions like Asia-Pacific and the Caribbean could make cross-border travel corridors or 'bubbles' an attractive prospect. However, this would require that significant domestic travel be underway, to assure confidence in the safety of the travel experience. There is discussion about extending the Australia/New Zealand Trans-Tasman bubble to Pacific countries. This would be a key part of their recovery efforts, given the high propensity to travel within this region. Pre-COVID-19, the contribution of New Zealand to visitor spend in the Pacific was substantial (almost NZ\$1 billion), and it will be crucial for Pacific tourism sector recovery (MFAT, 2020).

In the Caribbean, the dominant source markets are the USA, Canada and Europe. Having contained the virus, many Caribbean SIDS are already introducing a phased reopening of their tourism markets from June 2020. This will be based on strict safety protocols, including testing of passengers on arrival. There are already initial signs of recovery, with US tourists already booking post-pandemic trips to some Caribbean countries.

In the short to medium term, small states could capitalise on the competitive advantage offered by low infection rates to cultivate alternative source markets through travel arrangements with countries exhibiting similarly low infection rates. They can also market their destinations to quarantine-weary travellers, and this could lay the basis for beneficial mutual travel arrangements with a more diverse array of countries. Many small states are considering the use of immunity passports as a precondition for entry to their market. However, it may be more prudent to await a vaccine, in the absence of a credible antibody test, and amid uncertainty and unreliability about the duration of antibody protection and potential for reinfection.

5.7 Diversifying the product offering: realigning tourism recovery strategies for resilience and sustainability

Since the pandemic is likely to reshape the tourism industry for the foreseeable future, small states will have to consider, in the medium to long term,

how to adapt their tourism strategies to align with the new normal the pandemic has engendered. Marketing strategies and business models will have to adapt to changing trends and source markets and envisage innovative new business models and product offerings.

Going digital

Commonwealth advanced economies and other OECD countries are relying on digital connectivity and virtual promotional campaigns to boost the recovery of their tourism sectors. Although most small states lack digital connectivity, skills and mature digital ecosystems, some countries are deploying successful digital marketing strategies to lure back customers. Embracing digital and technological options such as virtual strategies and online offerings, to showcase and market destinations and experiences to stimulate demand and address a wider target audience, will be a crucial component of a future tourism recovery strategy.

Diversifying into niche product offerings

An effective recovery strategy should incorporate sustainable solutions to advance and promote the tourism sector while also making it resilient to future shocks. In this regard, small states could consider expanding, adapting or differentiating their tourism offerings into niche products that cater for the unique circumstances the pandemic presents. Some countries are already upscaling the designation of special tourism resorts or lodges as quarantine zones into post-COVID-19 retreat packages. Some, such as the Maldives, are using their unique, contained island geographical configuration to offer exclusive resort or island retreats for travellers. Others, such as Antigua and Barbuda, are converting hotel accommodation into self-catering options to allay travellers' fears of virus transmission.

The health crisis presents an opportunity, in the medium to longer term, to boost small state competitive advantages offered by their natural resource endowments, by leveraging more nuanced, differentiated propositions and tourism experiences beyond sand, sea and sun. Many small states boast a wealth of biodiversity, wildlife and natural resources, unfortunately now threatened as a result of the COVID-19 outbreak. Conservationists have highlighted the links between biodiversity loss (through deforestation, degradation of marine ecosystems and wildlife trade) and the transmission of dangerous pathogens leaving the wild and crossing over into human populations,

resulting in disease outbreaks. Accordingly, a tourism resilience strategy that invests in, preserves and prioritises conservation of ecosystems and biodiversity, restricts wildlife trade and protects ocean and marine life can provide a differentiated and diversified tourism offering, attracting more visitors from more diverse markets. It would at the same time mitigate the risk of future zoonotic spillover and disease outbreaks, save threatened species of wildlife, bring in critical revenues for conservation or environmental stewardship and build resilience against adverse climatic events and natural disasters.

Seychelles provides an exemplary example of harmonisation of tourism objectives with preservation of the natural environment: in the midst of and despite the pandemic, it announced the culmination of its marine protection initiative, which promises to safeguard 30 per cent of its exclusive economic zone waters from commercial use. Besides tourism, this initiative benefits onshore wildlife, coral reefs, sustainable fishing and other activities that conserve biodiversity and adaptation to climate change (Sala, 2020). Similarly, in the Pacific, the importance of biodiversity tourism and acceleration of sustainable and regenerative tourism projects has already been recognised.

The COVID-19 crisis could present an opportunity for all small states to engage in a 'tourism reset' focusing on biodiversity and natural resource management, as providing a concerted pathway to simultaneously prevent future pandemic outbreaks and boost tourism diversification and resilience (Honeck and Kampel, 2020).

A forward-looking, differentiated recovery and resilient tourism strategy should focus on the entire tourism value chain, including forward and backward linkages, drawing in and creating economic benefits for local communities, informal sectors and generating rural employment. Actively cultivating these linkages would spur job creation, including among youth, women and local communities; support and sustain the livelihoods of the poorest; and maintain the competitiveness of the tourism sector and its infrastructure as a whole, while retaining tourism revenues rather than repatriating profits abroad.

5.8 Attracting investment and financing

Given the short-term nature of stimulus packages and fiscal measures in response to COVID-19, as well as the temporary nature of debt relief, it will be crucial for small states to continue to seek to

attract sustained investment into the tourism sector to ensure self-sufficiency. The tourism crisis occasioned by the pandemic's economic fallout could be a catalyst to mobilise innovative funding mechanisms for recovery, by raising the profile of the tourism sector's interconnected linkages and the importance of sustainable recovery for socio-economic development.

Going forward, a comprehensive sustainable and resilient tourism recovery strategy will provide an opportunity for small states to make the tourism sector more conducive to attracting investment to support the new strategies in the aftermath of the crisis. Innovative, resilient tourism strategies have the potential to attract and leverage financing from the public and private sector, which will be more inclined, in a post-COVID environment, to focus on financing sustainable, nature-based, eco-friendly and green/blue economic strategies underpinned by sound health and safety protocols and inter-sectoral linkages.

The establishment of Seychelles' Marine Protected Areas was facilitated by two innovative financing mechanisms. First was a debt-for-nature swap, which facilitated the conversion of US\$21.6 million of Seychelles' national debt. Second was the issuance of the world's first sovereign blue bond, whereby Seychelles was able to raise \$15 million from international investors. These initiatives enabled the government to finance Seychelles' marine protection policy objectives, demonstrating the potential for utilisation of capital markets for financing the sustainable use of countries' natural resources, thereby also benefiting the tourism sector. Accordingly, comprehensive sustainable recovery and resilient tourism strategies will be crucial in garnering confidence and unlocking requisite investments as tourism markets reopen.

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International Trade Policy Section at the Commonwealth Secretariat

This Trade Hot Topic is brought out by the International Trade Policy (ITP) Section of the Trade Division of the Commonwealth Secretariat, which is the main intergovernmental agency of the Commonwealth – an association of 54 independent countries, comprising large and small, developed and developing, landlocked and island economies – facilitating consultation and co-operation among member governments and countries in the common interest of their peoples and in the promotion of international consensus-building.

ITP is entrusted with the responsibilities of undertaking policy-oriented research and advocacy on trade and development issues and providing informed inputs into the related discourses involving Commonwealth members. The ITP approach is to scan the trade and development landscape for areas where orthodox approaches are ineffective or where there are public policy failures or gaps, and to seek heterodox approaches to address those. Its work plan is flexible to enable quick response to emerging issues in the international trading environment that impact particularly on highly vulnerable Commonwealth constituencies – least developed countries (LDCs), small states and sub-Saharan Africa.

Scope of ITP Work

ITP undertakes activities principally in three broad areas:

- It supports Commonwealth developing members in their negotiation of multilateral and regional trade agreements that promote development friendly outcomes, notably their economic growth through expanded trade.
- It conducts policy research, consultations and advocacy to increase understanding of the changing international trading environment and of policy options for successful adaptation.
- It contributes to the processes involving the multilateral and bilateral trade regimes that advance more beneficial participation of Commonwealth developing country members, particularly, small states and LDCs and sub-Saharan Africa.

ITP Recent Activities

ITP's most recent activities focus on assisting member states in their negotiations in the World Trade Organization and various regional trading arrangements, undertaking analytical research on a range of trade policy, emerging trade-related development issues, and supporting workshops/ dialogues for facilitating exchange of ideas, disseminating informed inputs, and consensus-building on issues of interest to Commonwealth members.

Selected Recent Meetings/Workshops Supported by ITP

29 January 2020: Looking to LDC V: A Critical Reflection by the LDV IV Monitor (in partnership with the OECD Development Centre and the Centre for Policy Dialogue, Bangladesh) held at Marlborough House, London, United Kingdom.

28 January 2020: Roundtable Discussion on Trade Shocks in the Commonwealth: Natural Disasters and LDC Graduation (in partnership with the Enhanced Integrated Framework) held at Marlborough House, London, United Kingdom.

11 October 2019: Tapping the Tourism Potential of Small Economies: A Transformative and Inclusive Approach (WTO Public Forum) held in Geneva, Switzerland in collaboration with the WTO and the UNWTO.

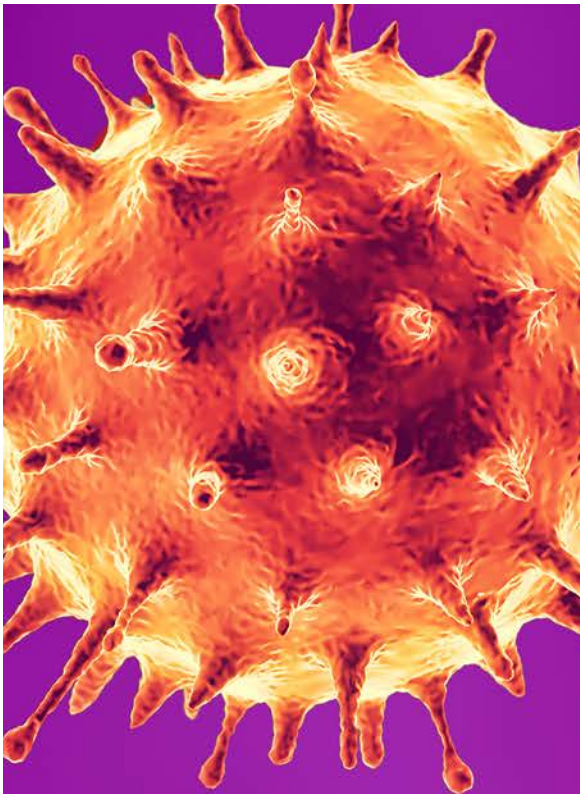
10 October 2019: Commonwealth Trade Ministers Meeting held at Marlborough House, London, United Kingdom.

26–27 September 2019: 12th South Asia Economic Summit XII: Shaping South Asia's Future in the Fourth Industrial Revolution held in Colombo, Sri Lanka in collaboration with The Institute of Policy Studies of Sri Lanka

26 June 2019: Launch of the Commonwealth Publication 'WTO Reform: Reshaping Global Trade Governance for 21st Century Challenges,' held in Geneva, Switzerland.

28–30 May 2019: Harnessing Trade Policy for Global Integration: Commonwealth Consultation for the Asia-Pacific Region held in Singapore in collaboration with the Institute of South Asian Studies, National University of Singapore.

4 April 2019: The Digital Economy: The Case of the Music Industry held in Geneva, Switzerland in collaboration with UNCTAD and the Government of Indonesia.



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