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Resetting Tourism after COVID-19 with Particular Emphasis on South Asia †

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Abstract: Tourism is a significant contributor to the economy of some countries. There are multiple countries, especially in South Asia, whose economies are largely reliant on tourism. The World Tourism and Travel Council estimates that the tourism sector contributed USD 234 billion, or 6.6% of the region's GDP, in 2019 in South Asia. Countries such as Maldives and Mauritius have faced huge issues since the COVID-19 pandemic brought about a complete shutdown of their tourism industries. The revival of tourism is a must for these counties; otherwise, their post-pandemic economic recovery will be majorly affected. This paper analyzes the effect of COVID-19 on the tourism sector in South Asia and sets out solutions for rebuilding it. This paper elaborates on the solutions mentioned above by emphasizing certain aspects. Firstly, this paper recommends that governments use the general equilibrium model as suggested by the report of the United Nations Conference on Trade and Development (UNCTAD). The UNCTAD report concerns the effect of COVID-19 on tourism. The general equilibrium model can be used to assess the implications of COVID-19 on the tourism sector effectively. Using this model, countries can accurately evaluate the effects of the tourism shock on the economy. Particular attention should be placed on developing countries wherein social progress has faced issues by the fall of tourism revenues. This paper suggests using the South Asian Association of Regional Cooperation (SAARC) as a platform for setting up tourism bubbles to deal with this issue.

Keywords: tourism; South Asia; COVID-19; general equilibrium model

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1. Introduction

Tourism was one of the first sectors to be severely hit by the pandemic. Containment measures forced a near-complete halt to tourism activities worldwide. Additionally, the sector risks being one of the slowest to recover, given the continued travel restrictions and global recession. This has ramifications beyond the tourism economy, as numerous other industries that are reliant on tourism are also heavily harmed.

Numerous countries, particularly in South Asia, have economies that are heavily reliant on tourism. According to the World Tourism and Travel Council, tourism contributed USD 234 billion, or 6.6 per cent of South Asia's GDP, in 2019 [1]. These South Asian countries have faced significant challenges since the COVID-19 outbreak, forcing the closure of their tourism businesses. Tourism resurgence is critical for these counties; without it, their post-pandemic economic recovery will be significantly harmed.

This paper first recommends that governments use the general equilibrium model as suggested by the report of the United Nations Conference on Trade and Development (UNCTAD). The UNCTAD report concerns the effect of COVID-19 on tourism [2]. The general equilibrium model can be used to assess the implications of COVID-19 on the tourism sector effectively. Using this model, countries can accurately evaluate the effects of the tourism shock on the economy. Particular attention should be placed on developing countries wherein social progress has faced issues by the fall of tourism revenues. Secondly, this paper examines the issue of post-travel quarantine requirements, which pose a hindrance to many tourists. This paper suggests using the South Asian Association of Regional Cooperation (SAARC) as a platform for setting up tourism bubbles to deal with this issue. A similar model to the New Zealand–Australia model of tourism bubbles is suggested. Multiple South Asian countries cannot use the same framework since the immigration systems differ, but inspiration can be sought from the New Zealand–Australia model.

2. Need for Using General Equilibrium Models

Historically, tourism researchers and policymakers have estimated the economic implications of changes in tourism expenditure using input–output (I–O) or social accounting matrix (SAM) models [3]. Regrettably, these models have several quite restricted assumptions, reducing the accuracy of their estimations.

Real-world demand and supply characteristics that affect the economic consequences of shocks to tourism expenditure can only be adequately captured using computable general equilibrium (CGE) models. The term computable refers to a model's ability to quantify the impacts of a shock to an economy based on underlying economic benchmark data/the representation of an economy. The term "general" refers to the fact that it encompasses various economic agents engaging concurrently. Equilibrium occurs in a CGE when all producers, consumers, employees, and investors are content with the quantities of products produced and consumed, the number of hours worked, the amount of money saved and invested, etc. [4].

CGE models, which have become a standard tool for policy analysis in a majority of sectors of the economy, are widely used by international organizations such as the World Bank, the World Trade Organization, the International Monetary Fund, the Organization for Economic Cooperation and Development, and the European Commission, as well as by government agencies, research centers, and consulting firms worldwide [5]. Moreover, CGE models can be built for policy analysis at a variety of spatial scales, including the country level, the regional level, the multiregional level, and the multinational level. This makes CGE models ideal for estimating the pandemic's impact on tourism.

3. Applying the General Equilibrium Model

CGE models are increasingly being used to research and formulate tourism policies. Several examples of topics covered include the economic consequences of changes in inbound tourism; the impact of tourism on income distribution and poverty reduction; the economic consequences of tourism crises; the economic consequences of climate change; the economic consequences of special events; and the evaluation of economic policy on tourism industries.

To operationalize a CGE model, the associated social accounting matrix (SAM) must be constructed, and estimates of critical behavioral factors affecting consumer demand, manufacturing technology, and the substitutability of imported and domestic products must be obtained. Calibration is the final phase.

CGE models shed light on the structural consequences of an increase in inbound tourism [6]. An increase in inbound tourism can result in improved overall growth in the real GDP, real exchange rates, real wages, the Consumer Price Index (CPI), and net benefits or welfare. The modeling demonstrates that some sectors benefit from tourism expansion while others suffer.

4. Case Studies

4.1. Australia

According to an Australian study, sectors that benefit from increased inbound tourism include service industries that directly serve international tourists and industries that indirectly supply tourism-related activities, while sectors that suffer include non-tourism exporters and industries that compete with imports [7].

4.2. Fiji

According to research conducted for Fiji, gains in tourism-related sectors are partially offset by losses in traditional export- and import-competing businesses, owing in part to a tourism-induced currency appreciation [8].

4.3. Singapore

CGE modeling indicates that inbound tourism makes a sizable contribution to the Singaporean economy, vying for resources with non-tourism industries [9]. In addition, inbound tourism contributes significantly to the appreciation of the Singapore dollar, which has a significant negative influence on the country's other exports. The results show that Singapore's data-driven marketing approach, which is aimed at increasing overall visitor expenditure, may not always maximize tourism's contribution to the GDP, employment, and household income. Studies confirm the results of CGE modeling in measuring the economy-wide effects of various tourism market sectors in comparison to the simple expenditure yield measurements used in many nations to drive destination marketing.

5. Role of the SAARC

The United Nations Economic and Social Commission for Asia and Pacific has proposed using tourism bubbles to help South Asian countries recover economically following the pandemic [10]. India has taken the lead on this endeavor by establishing an agreement with Sri Lanka on air bubbles [11]. Two countries enter into such an air bubble agreement by establishing a set of laws and restrictions and signing a bilateral deal allowing their airlines to fly international flights between them. The SAARC can serve as a good forum for bringing countries together to work on bilateral or multilateral air bubble agreements in this regard. The New Zealand–Australia travel bubble agreements provide inspiration. While SAARC countries' immigration procedures differ from those of Australia and New Zealand, they can serve as an example for SAARC countries. Collaboration between the National Tourism Authorities (NTAs) of the participating nations is critical for this strategy to operate. This can be facilitated further by the establishment of a COVID-19 Tourism Response Group under the auspices of the SAARC. This group will be in charge of coordinating between the NTAs and will be subdivided into subgroups under the auspices of each national government. The committee's duty would include developing standard operating procedures for tourism and coordinating with relevant law enforcement authorities. Additionally, a liaison would efficiently communicate any concerns and policy proposals to the government, as the tourism industry is clearly a stakeholder in the economy's recovery as a whole.

6. Conclusions

South Asia's revival of tourism appears to be best served by the utilization of tourism bubbles. However, before any solution can be implemented, it is necessary to quantify the pandemic's impact on the tourism industry. The CGE model appears to be the optimal choice for this calculation. The CGE model may be customized to calculate the economic damage caused by a hit to the tourism industry in any country, as it has done effectively in Australia, Singapore, and Fiji. The SAARC should serve as a platform for establishing tourism bubbles across South Asia. This will necessitate collaboration between SAARC countries and their respective NTAs. The SAARC can serve as a venue for facilitating the implementation of actions necessary to make these solutions a reality. South Asia is aware of the actions necessary to resurrect its tourism industry, but it will require stronger cooperation and for these countries to set aside their differences and work cooperatively. The question is whether they will do it.

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