



COVID-19 AND THE FUTURE OF TOURISM IN ASIA AND THE PACIFIC

MARCH 2022

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Co-publication of the Asian Development Bank and the World Tourism Organization





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On the cover: (*top left to right*) Buddha Stupa in Kathmandu, Nepal; Blue boats in Phong Nha, Viet Nam; Marshall Islands; Buddhist temple in Sri Lanka; and business district in Tokyo, Japan. Photos from ADB.

Cover design by Mike Cortes.

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FOREWORD

The devastation of tourism globally and in Asia and the Pacific by the coronavirus disease (COVID-19) pandemic has been widely discussed and documented. It is now time to turn our attention to recovery.

Tourism in the region has been rapidly transforming for decades. Rising regional incomes and shifting consumer consciousness have shaped the growth of intraregional travel and customer preferences. Global megatrends such as digitalization and globalization have also influenced the sector.

Yet even among these major changes, the COVID-19 pandemic stands as a milestone in tourism's development in our region. Existing trends, such as digitalization, have been accelerated, and industry faces new demands in areas such as health and safety protocols. Many tourism businesses across the region are thus reimagining the future of tourism and their place in it.

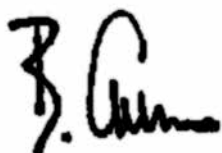
While tourism is largely a private sector activity, it needs to be enabled by a complex web of policy, regulation, and infrastructure investments by government. Reform and recovery initiatives being rolled out by governments in the region will have immediate, long-term, and far-reaching consequences for the industry.

Sustainable development of the sector will require close collaboration across all major stakeholder groups—from governments to communities and private sector at national and destination level, and on to visitors themselves. Opportunities are emerging for governments and businesses to leverage greater consumer consciousness to support sustainable tourism.

In the short term, ensuring public health and safety needs to be the primary focus. National and local governments should help destinations to reopen safely, while providing clear guidance on safety measures to ensure consumers regain confidence in travel while keeping the safety of host communities and workers.

In many respects, COVID-19 has presented destinations in the region with a “reset moment” that they can and should use to address long-standing challenges and seize new opportunities, such as putting tourism on a more sustainable trajectory, enhancing digitalization, and stepping-up community engagement and inclusion.

This publication aims to contribute to a growing body of literature on the future of tourism in Asia and the Pacific by articulating the views and expectations of experts across our region. We hope that it will provide important reflections and viewpoints for policy makers and the sector at large in the region so that they can continue to prepare well-informed and considered policy that enables a prosperous, inclusive, and resilient region.



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ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
Gen Z	–	Generation Z
GTERC	–	Global Tourism Economic Research Centre
IATA	–	International Air Transport Association
MSMEs	–	micro, small, and medium-sized enterprises
PRC	–	People's Republic of China
SDG	–	Sustainable Development Goal
UNWTO	–	World Tourism Organization
WHO	–	World Health Organization

EXECUTIVE SUMMARY

This report outlines key trends in the tourism sector in Asia and the Pacific before the coronavirus disease (COVID-19) outbreak (to the end of 2019) and during the pandemic from early 2020 to the end of 2021. It draws on pre-pandemic trends and early crisis responses for insight into how the sector is likely to evolve and to recommend how governments can foster recovery in the sector that takes full account of tourism’s environmental, social, and economic impacts; in short, a sustainable recovery.^a This executive summary shares key takeaways from the report.

Chapter 1: Pre-Pandemic Tourism Trends (2010–2019)

Pre-pandemic growth. Travel was a booming industry in Asia and the Pacific prior to COVID-19, with international arrivals growing from 208 million visitors in 2010 to 360 million in 2019. Industry growth generated tens of millions of jobs and formed an integral part of socioeconomic growth for countries across the region. However, the pandemic halted international travel and had a devastating impact on tourism destinations, businesses, and communities.

Megatrends. Megatrends affecting tourism prior to COVID-19 included:

- (i) Economic climate:** Sustained growth from 2010 to 2019 led to a rising middle class in Asia and the Pacific, whose increased disposable income fed demand for travel.
- (ii) Technology:** Internet access in the region soared to 2.33 billion users in 2019 from 2.08 billion in 2018, and associated advances in digital technology^b changed labor markets—displacing jobs through automation while creating new opportunities and increasing productivity.^c
- (iii) Conscious consumption:** Consumers expressed growing interest in socially responsible brands and products, amid increased digital access to information.
- (iv) Demographics:** The youth segment became more important in volume and purchasing power and was characterized by familiarity with digital technology and conscious consumption preferences.

^a “Sustainable recovery” is a challenge complicated by slow vaccination rates and the unpredictable appearance of COVID-19 variants such as Omicron. Some recovery proved feasible among some Asia and Pacific countries in 2021 with restrictions, but its sustainability has been entirely a function of the severity of the variants. Border restrictions were changing every week.

^b The terms “digital” and “technology” are used interchangeably in this report

^c Statista. [Number of internet users worldwide from 2009 to 2020, by region](#) (accessed 25 January 2022).

Tourism market dynamics. In addition to megatrends, tourism markets prior to the pandemic were beholden to outbound market dynamics, consumer behavior, travel preferences, and tourism technology advances. The key outbound market for destinations in Asia and the Pacific was the People's Republic of China (PRC), followed by Japan, the Republic of Korea, Singapore and other Southeast Asian markets, and increasingly, India. Although some evidence suggests consumers in the region shifted toward a more conscious approach to consumption pre-pandemic, the vast majority of destinations dedicated marketing and product development toward maximizing visitor arrivals, which in some places contributed to “overtourism.” For key market segments, in 2018, 56% of global travelers traveled for leisure, recreation, or holiday; 27% traveled for family, friends, religion, or health; and 13% traveled for work. Technology advances in transportation, communication, finance, and automation helped create and popularize products such as low-cost airlines and alternative accommodation booking platforms.

Chapter 2: Pandemic Impacts on Tourism in Asia and the Pacific (2020–2021)

Travel and tourism have been among the most severely affected sectors during the COVID-19 pandemic due to strict travel bans and restrictions. While many governments gradually lifted travel bans in late 2021, some travel restrictions remained in place. Amid closed borders and strict quarantine measures for international travelers, consumers in the region began taking domestic trips, sometimes aided by business and government incentives. Businesses in the region have begun adapting to the uncertainty with varying product offers, services, and enhanced hygiene measures.

International travel. Travel restrictions fed a cumulative 95.3% decline in international arrivals to Asia and the Pacific during January–July 2021, the biggest decline in international arrivals globally, compared to the same period in 2019.^d Indeed, factoring in different levels of border closures and travel restrictions, the region was the most closed in July 2021. As international travel to the region is expected to remain restricted into 2022 and 2023, due to varying levels of infection risk, vaccinations, and quarantine requirements, some destinations have started to experiment with ways to open borders to international tourists under limited quarantine requirements, particularly for vaccinated travelers. The restart of international travel in the region has been highly tentative and sporadic, amid concern about new outbreaks in destinations and fear of returning passengers bringing new infections home.

Economic impacts. Travel restrictions have had profound impacts on tourism and broader economies. Average gross domestic product growth across Asia and the Pacific—excluding Hong Kong, China; the Republic of Korea; and Singapore—dropped from 5.5% in 2019 to 0% in 2020, and tourism-dependent economies are likely to experience prolonged consequences.

^d World Tourism Organization. 2021. *UNWTO World Tourism Barometer Statistical Annex*. 19 (5). p. 14.

Impacts by market segment. Supplier groups had varying success in adapting their business models to survive, and some have borne the full impact of government-mandated shutdowns. Core pandemic impacts and responses include the following:

- (i) **Aviation.** Airlines were among the hardest-hit businesses in 2020, as demand for flights plummeted 96% in Asia and the Pacific, compared to an 83% decrease in Europe and an 88% in North America. Spurts in domestic air travel compensated for some of the declines in international flights, but only in certain countries, including the PRC, Japan, New Zealand, and Viet Nam. Governments have provided financial support to some airlines, while others have had to restructure to survive. Low-cost carriers, which often rely on packing planes to be profitable, have had to trim costs and suspend routes, though those that were subsidiaries of larger airlines fared better than independent ones. Set against this challenging backdrop, some PRC airlines even managed to generate slim profits, and ordered new aircraft (e.g., Spring Airlines and China Express Airlines) based on the strength of demand for domestic travel in the country.^e
- (ii) **Accommodation.** In 2020 and 2021, fluctuating demand, revenue loss, reduced staff, and rising costs tied to public health measures were among the multiple challenges faced in the sector. Small businesses suffered most, with many lacking the capital to service fixed running costs. However, hotels have begun adapting business models by providing personalized services at physical distance from other guests and quarantine facilities, or by developing new businesses such as food delivery or giving land to community gardens. And investor confidence in large properties appears to have remained upbeat, with five of the largest international hotel chains in the region having 776 new hotel projects in the pipeline as of the third quarter of 2021, excluding projects in the PRC.^f Investors also expect continued growth in domestic travel and an eventual return to the demand seen in 2019.
- (iii) **Tour operators.** Cancellations in tour operations were widespread in 2020 and 2021. While many were forced to close (either temporarily or permanently), others adapted products in response to changing circumstances. Some began offering outdoor activities to domestic tourists and others established digital tours or online experiences.

Consumer behavior. Confidence in travel varies by location and is partially a function of local COVID-19 experience. Interviews reveal the following consumer preferences in the region: (i) flexibility in booking travel to change plans on short notice; (ii) rural and coastal destinations that offer fresh air and privacy,

^e OAG. 2021. Data provided in the OAG webinar “Does China Hold the Key to Aviation Recovery?” 17 February 2021.

^f Lodging Econometrics. 2021. [The Asia Pacific Hotel Construction Pipeline Trend Report](#). 16 November.

over cities; (iii) activities that improve physical and mental health; (iv) travel that limits interactions to small groups of family or friends, such as car rentals; and (iv) accommodation that provides privacy and personalized services, such as short-term property rentals or luxury hotels. Youth appear more willing, due to perceived lower risks to their health.

Technology. Internet usage soared by 40 million new users in Southeast Asia during 2020. Rapid technology adoption was underway before COVID-19, but isolation during the pandemic accelerated it and fed innovation.^g Key developments in digital tourism technology during 2020 and 2021 include the popularization of contactless payment and virtual experiences. Another critical technology application that began during the pandemic (and is likely to continue growing) is the use of digital tools to support rapid testing, contact tracing, and digital vaccine passports.

Travel segments. COVID-19 has reshaped consumer demand, and tourism suppliers are adapting their business models accordingly. Some of the key shifts to travel segments include the following:

- (i) **Cultural, religious, and community experiences.** In March 2021, 50% of the world's 1,121 UNESCO World Heritage sites were closed. The collapse in the number of visitors highlighted the extent to which tourism underpins the preservation of cultural heritage in the region, since many sites suddenly lacked vital revenues for site maintenance and improvement. Operators have begun offering digital tours and preparing for the return of tourism.
- (ii) **Self-improvement, education, and wellness travel.** In 2017, the wellness sector generated over \$639 billion and nearly 18 million jobs, with 6 of the top 10 wellness destinations in Asia.^h Wellness offers depend on health and hygiene conditions, and as a result, the segment suffered more than others from health restrictions. However, greater health consciousness may fuel strong recovery. Educational travel was also heavily affected as border closures sharply curtailed student mobility in the region. However, pent-up demand is expected to feed quick recovery, albeit with students potentially choosing destinations closer to home (in the region), both for short-term and longer-term courses.
- (iii) **The great outdoors.** Nature-based travel has grown quickly during the pandemic, including among domestic tourists in the PRC. Similar trends were observed across the region and are expected to last after the pandemic subsides. Further, travel restrictions lowered emissions of air pollutants, and cleaner air increased traveler appreciation for outdoor experiences—highlighting the need to protect natural areas as travel resumes.

^g S. R. Choudhury. 2020. *Southeast Asia's Digital Services Surge as Coronavirus Pandemic Kept People at Home*. CNBC. 20 November.

^h Global Wellness Institute. 2018. *Global Wellness Tourism Economy*.

- (iv) **Theme parks and built attractions.** Theme parks have had to implement strict social distancing and hygiene measures that are hurting earnings, including partial closures and enhanced health measures. However, major operators opened new parks in 2021, and financial analysts in 2020 and early 2021 optimistically predicted a record performance of parks in 2022. In the PRC, park attendance is domestic only because COVID-19 restrictions limit international visitors. Similar restrictions also operate in other Asia and Pacific countries, but there are still some international visitors, creating potential in that area.ⁱ
- (v) **Beach tourism.** While international travel restrictions also undermined beach destinations, many remained open to domestic tourists and explored ways of attracting visitors, such as specialized packages for digital nomads^j and discounts on long-term stays.
- (vi) **Cruise tourism.** The cruise industry experienced several outbreaks that prompted global headlines and widespread alarm. Cruises in the region stopped almost completely as ports refused entry and the United States implemented a no-sail order. Some operators have begun reopening routes, but passenger volumes remain low. Efforts are underway to adopt industry-wide health standards to expedite the safe reopening of cruise tourism.
- (vii) **Urban tourism.** By 2019, urban travel had become one of the forces driving tourism growth in Asia and the Pacific, with domestic visitors making up on average 80% of visitor arrivals. However, every major city in the region has suffered major losses. Bangkok was previously one of the world's most visited cities, but lost 14.5 million visitors in 2020 compared with 2019.^k
- (viii) **Luxury travel.** The luxury market—goods and experiences—shrank 22% in 2020. However, the segment is relatively more resilient and countries (notably the PRC) are attempting to spur domestic markets during travel restrictions. The PRC implemented tax-free malls for domestic travelers who had returned from overseas or booked future travel. Success in reopening luxury travel will depend partly on destinations keeping travelers and locals separate.
- (ix) **Business travel.** Business travel and the “meetings, incentives, conventions, and exhibitions” segment were critical sources of revenue for the travel industry pre-COVID-19. However, the shape and pace of recovery is highly complex, given that the pandemic has brought about a major expansion in remote work and videoconferencing, while many businesses are increasing attention to the environmental impact of business travel.

ⁱ A. Sarsfield-Hall. 2021. Disney Theme Park Attendance Predicted to Recover by 2023. Blooloop. 27 January.

^j The term “digital nomad” describes a category of mobile professionals who perform their work remotely from anywhere in the world, utilizing digital technologies. Source: European Cities Marketing (2021), Understanding the World of the Digital Nomad, p. 5.

^k Tourism Economics. 2020. Travel & Tourism | Cities COVID-19: Pandemic Impacts in Asia Pacific. Bulletin. 24 September. p. 3.

- (x) **Events.** In the early stages of the pandemic, most events came to a full halt or went completely digital. Some in-person events had resumed as of June 2021. The Tokyo Olympics took place in August 2020 without spectators, and amid widespread skepticism from a Japanese public concerned about the impact of the event on COVID-19 infections in the city. Some limited events have taken place in the region since then, relying almost entirely on the presence of domestic audiences.
- (xi) **Youth.** Asia and the Pacific's many youthful consumers makes them a significant force in travel in the region. As young people grow up, gain financial independence, and make their own consumer decisions, their spending power is growing. They are also possible agents of change in the travel industry (as consumers, employees and entrepreneurs), given their strong technological literacy, "collectivist" mindset, and strong beliefs around issues such as climate change and social justice. However, pandemic impacts have been asymmetric across age groups. While young people appear to be less at-risk of developing severe health symptoms, secondary effects of the pandemic on education, job opportunities, and income may be severe and prolonged. Despite the individual challenges and concerns of young people, a survey of more than 27,000 youth signals that Millennials and Gen Zs^l remain committed to addressing larger societal and environmental issues, and that the pandemic may have actually increased their sense of social responsibility.^m This will add momentum to a shift by travel companies toward offering community-based and locally sourced tourism attractions and services. Another key feature of the youth segment is its advanced use of digital technology. Gen Z has shifted online for work, studying, and socialization more effortlessly than any other generation, with profound implications for the tourism sector now and in the future. For these reasons, the impact of COVID-19 on young people in the region is given special attention in this report.

Chapter 3: The Future of Tourism in Asia and the Pacific (2022 and beyond)

Given the complex nature of travel, the interdependence of tourism suppliers, and public health imperatives, tourism recovery depends on a web of interrelated factors to ensure a sustainable tourism sector. The World Tourism Organization defines sustainable tourism as "Tourism that takes full account of its current and future economic, social, and environmental impacts, addressing the needs of visitors, the industry, the environment, and host communities." Sustainable tourism includes consideration of both the supply and demand sides of tourism markets, as well as policy decisions to manage the impact of COVID-19 on society and the economy.

^l The terms "Millennials" and Gen Z are used to refer to the cohorts of individuals born between 1996 and 2021, and 1980 and 1995 respectively. The terms are used colloquially, and the exact date ranges used for each generational group may differ slightly according to source.

^m Under a loose definition Generation Z is generally considered to include people who were born 1995–2010, and Millennials 1980–1995.

Shifts in megatrends. The following five megatrends will shape tourism demand and supply in the region in 2022 and beyond.

- (i) **Pandemic.** Uncertainty surrounding future outbreaks and vaccination will continue to affect travel until the pandemic is under greater control. Improving health and risk preparedness will need to feature prominently in national planning and development. Delays in vaccination may slow the return of international tourism to the region.
- (ii) **Economic and geopolitical climate.** Severe short-term economic impacts will require government support for tourism suppliers, particularly small businesses. Regional cooperation will be essential, especially on cross-border issues such as visas and harmonization of COVID-19 border entry requirements. Other nontraditional transnational security issues, including climate change and resource scarcity, may add new layers to pandemic-induced challenges.
- (iii) **Technology.** Continued expansion of internet access will boost economic growth and productivity, though inequalities in access will persist. Advances in green technology can support efforts to control climate change; automation will support efficiency though risks displacing workers; and virtual meetings will continue to change the ways people conduct business, learn, and socialize. Contactless payments, health monitoring, and digital vaccine passports will become standard features, while blockchain technologyⁿ will offer new opportunities to increase privacy for financial, health, and travel applications.
- (iv) **Consumer values.** Middle class consumers are likely to be more price cautious, though pent-up demand may drive spending spikes from consumers in more secure jobs. Consumers are likely to pay more attention to the impact of their spending on the environment and society. Spending is also likely to reflect awareness of the relationships between the environment and personal health, and likely to align travel choices with destinations that provide meaningful improvements to personal health and well-being, as well as those which, on a practical level, can provide adequate health and medical services. Skepticism surrounding globalization, fears of racially motivated hostility among some host communities, and concerns about possible contagion while traveling may push consumers to keep travel plans simple, flexible, and closer to home.
- (v) **Demographics.** Demographic changes are also a megatrend that impacts travel. The population in Northeast Asia, for example, will continue to age, while South Asia's youth population grows. By mid-2021, according to the

ⁿ Using cryptography to secure exchanges, blockchain provides a decentralized database, or distributed ledger, of transactions that everyone on the network can see. A blockchain network is essentially a chain of computers, also known as nodes, that must all approve an exchange before it can be verified and recorded. Source: Borrows, M., Harwich, E., & Hesselwood, L., (2017), *The Future of Public Service Identity*, Accenture, November 2017.

United Nations Population Fund, one in four people will be 60 years old or older, compared to one in ten today in the Asia and Pacific region. In East and Northeast Asia, they estimate that one in three people will be over 60, most women without pensions or any type of social protection net.⁹ This will also mean an increase in the number of retired people and, for those with the means, more time to travel, albeit mobility issues will be more important for destination access. More travel demand from this group could help drive post-pandemic recovery. The values and travel motivations of the region's younger consumers are expected to exert a particularly important influence on the trajectory of post-pandemic tourism recovery, given their technologically savvy and environmentally and socially responsible consumption behavior.

Charting the future—How will travel change? The report examines shifting travel dynamics related to (i) national government and policy considerations, (ii) consumer demand and behavior, (iii) inbound destinations and outbound markets, and (iv) tourism suppliers and businesses.

- (i) **National government and policy considerations.** International travel in the region will restart and gradually gather pace as the health impacts of COVID-19 are contained more effectively. However, travelers will proceed with extreme caution. Quarantine requirements will deter travelers from some destinations, emphasizing the need for regional coordination on opening borders safely and agreeing on shared health protocols. Relations between governments may become strained by varying travel protocols arising from spikes in infections in different places at different times. Deeper cooperation will be essential to prepare for future shocks.
- (ii) **Consumer demand and behavior.** Short-term impacts on disposable income may lead to preferences for less expensive trips, though international travel will recover as economies rebound and consumers feel more confident to spend their disposable income on travel. Cautious travelers will plan trips closer to home, to familiar places, and away from crowded destinations. Demand will increase in the outdoor and wellness segments, both in the short and long term.
- (iii) **Destinations and outbound markets.** Travelers will favor destinations with effective infection control. Industry leaders will hope for a rapid recovery to pre-pandemic travel volumes, but fresh outbreaks of new COVID-19 variants and hesitancy among the governments of major source markets to fully reopen borders or to impose regulations on outbound travel (particularly the PRC), will restrict resumption of seamless cross-border travel anytime soon.

⁹ United Nations Population Fund – Asia & the Pacific. Population Trends (accessed January 2022).

- (iv) **Tourism suppliers and businesses.** Tourism suppliers and businesses in a destination will benefit from mainstreaming of enhanced health standards at airports, accommodations, as well as at restaurants and attractions. Digital tools such as contactless check-in and vaccination passports will help implement these standards, which in turn will also protect and reassure residents and visitors.

Opportunities to Shape Sustainable Tourism Development

Through the policies to stimulate recovery and support the tourism sector, tourism stakeholders can shape the return of tourism to support a more sustainable and inclusive development pathway. A critical issue will be balancing the immediate need to support livelihoods that depend on tourism by stimulating demand with the investments needed for the longer-term sustainable development objectives of maximizing benefits and minimizing negative impacts on the environment, society, and the economy. The table below summarizes the discussion:

Tourism Opportunities and Guiding Questions for Key Stakeholders

Stakeholder	Key Opportunity	Guiding Question
National government stakeholders	Tourism that drives more inclusive, sustainable, and resilient growth.	What policies will be most effective for stimulating sustainable growth, industry resilience, and reducing future recession risk?
Consumers	Tourism that is easier to plan, safer, sustainable, and more affordable.	When will it be safe for people to travel again, and how will travel change?
Destinations and communities	Improved offerings that support economic growth alongside community, destination, and environmental stewardship.	How can destinations encourage and prosper from desired tourism segments, while becoming more resilient to shocks?
Suppliers and businesses	Innovation and new technology that drives growth and reduces costs.	How should businesses react to and recover from the pandemic, while planning for the future and ensuring that their operations are more sustainable?

Source: Authors.

Chapter 4: Policy Recommendations for Sustainable Recovery

Governments across the region will play an essential role in supporting the recovery of tourism. However, sustainable development of the industry will require close collaboration across all major stakeholder groups. The recommendations, therefore, address how government can best support and collaborate with each stakeholder group in driving sustainable tourism.

National-level government. In the short term, the most important actions national governments can take to restart tourism will be scaling up vaccination rates, safely reopening borders, and ensuring adequate health and safety measures. Economic support to businesses and labor markets will remain essential, as will investments in digital infrastructure and the skills in the labor force to use it. Longer term, governments should engage in regional dialogue that advances the sustained reopening of borders and emergency planning to cope with future shocks. Governments should also seek to integrate environmental sustainability plans into tourism development, while diversifying outbound markets.

Adapting to shifts in consumer demand. In the short term, national and local governments should provide clear guidelines on permissible activities while sharing transparent information on health and vaccination statuses. Governments across the region should standardize health, sanitation, and hygiene measures to build traveler confidence. Shifts in consumer preferences create opportunities for tourism to support sustainable development, and governments can help both consumers and businesses to make more responsible choices. Millennials and Gen Z travelers typically show more concern for the environmental and social impact of travel; however, these dynamics need to be better understood and acted upon through market research, knowledge sharing, and strategic marketing. Certification schemes can encourage visitors to select sustainable options. Policy makers should also stimulate investment in growth areas, such as wellness tourism, and leverage digital technology to support sustainable development and improved health monitoring. Governments should prepare for the resurgence of travel from key markets, while ensuring adequate controls are in place to avoid overtourism.

Supporting local destinations and their communities. COVID-19 presents destinations a “reset moment” that can help address long-standing challenges and new opportunities, such as putting tourism on a more sustainable trajectory. Short term, local governments should support labor markets and sectors experiencing decreased demand. Local governments first need to measure and understand the impacts that the halt of tourism has on labor markets, and assess skills gaps within and beyond the tourism industry. They should seek to restore tourism markets to build job opportunities and provide skills training among those who lost jobs due to the pandemic. It is also important for local governments to promote destinations in domestic markets, to support the quick return of visitors, and build future resilience. Reduced tourism in the short term provides opportunities to prepare destinations for growth and to improve visitor management.

Longer term, governments can help create appealing products by supporting (i) research in growth sectors, (ii) private sector investment and partnerships, and (iii) skills development. Destinations will need guidance and financial support in applying regenerative principles, such as circular economy models, rewilding natural landscapes, adopting community benefit models, and ensuring tourism development contributes to community and visitor well-being. Governments should strengthen the roles of communities in decision-making at all levels.

Furthermore, governments should enhance their market research capabilities through national tourism organizations, and share insights with tourism businesses more effectively. Investment is also required in monitoring visitor behavior before and during visits, to improve the customer journey, and to trigger additional innovation.

Supporting tourism businesses and suppliers. Although many tourism businesses failed during COVID-19, those that survived can play a catalytic role in helping communities recover. In the short term, governments may need to provide financial support to businesses critical to the long-term viability of destinations—such as transport services, accommodation, and iconic heritage sites. Governments can strengthen the agility and resilience of businesses by providing (i) training in digital skills, (ii) guidance on market trends, and (iii) financial support to adapt or create new products.

Governments should focus on helping tourism suppliers develop products that will appeal to domestic markets to promote sector resilience. Longer term, governments can guide businesses in implementing technology tools such as digital health monitoring, contactless transactions, virtual tours, and automated services. Governments can help the private sector to decarbonize tourism by guiding businesses to reduce water and electricity waste, both through physical investments and by educating guests. Given the growing youth focus on sustainability, governments can foster a new generation of youth-led small and medium-sized enterprises that encourage sustainable tourism. Policies can support young entrepreneurs in developing their businesses; connecting with clients, mentors, and other youth; and engaging in the broader industry. As tourism markets return, governments should support community-led models of tourism that create authentic experiences for visitors while ensuring communities have a proper stake in decision-making.

1

INTRODUCTION

International travel was booming in Asia and the Pacific prior to the coronavirus disease (COVID-19). From 2010 to 2019, international arrivals grew at an average annual rate of 6.3%, from just over 208 million arrivals in 2010 to more than 360 million by the end of 2019.¹ Demand was largely driven by a growing middle class in the region. The Brookings Institution defined “middle class” as “\$10 and \$100 per person per day in 2005 purchasing power parity terms.”² Associated growth in the tourism industry generated tens of millions of jobs and contributed to deepening of cross-cultural understanding and regional integration. However, the pandemic devastated the industry overall.

Against this backdrop, this report seeks to inform the recovery and restart of the tourism industry in Asia and the Pacific during and in the wake of COVID-19. It discusses growth prospects based on past trends and provides associated recommendations for policy makers in the region. The report seeks to answer the following questions:

- (i) How has COVID-19 changed tourism demand and behavior in Asia and the Pacific?
- (ii) What will these changes mean for governments and tourism-dependent businesses as COVID-19 subsides and people plan to travel again?
- (iii) What can member governments and the private sector do to optimize the new norms likely to emerge?

1.1 Scope, Structure, Methodology, and Sources of the Study

The report first summarizes pre-COVID-19 tourism trends globally and in Asia and the Pacific and then analyzes the impact of pandemic on overall tourism in the region, looking at the air travel, accommodations, and tour operations segments. It then

¹ World Tourism Organization and Global Tourism Economy Research Centre (GTERC). 2020. *UNWTO/GTERC Asia Tourism Trends – 2020 Edition*. Madrid: UNWTO.

² This implies an annual income for a four-person middle-income class household of \$14,600 to \$146,000: Homi Kharas. 2017. The Unprecedented Expansion of the Global Middle Class: An Update. *Brookings Institution Global Economy & Development Working Paper*. No. 100. Washington, DC: Brookings Institution.

examines the impacts on consumer behavior in the region and the expanding role of digital technology in travel and analyzes how COVID-19 has shaped travel products in 10 key segments. An analysis of the youth segment is also presented, which provides important indicators for how the industry is transforming and how it could develop. Based on this analysis, the report charts a potential course for tourism in Asia and the Pacific in several major policy areas and recommends how public and private sectors can work together to ensure more sustainable and enduring tourism. Specific policy priorities are presented for national and local stakeholders.

The report is based on extensive desk research. The observations are strengthened using findings of interviews with 26 tourism industry stakeholders, including online travel agents, accommodation providers, tour operators, market research organizations, and industry associations. Participants were selected based on their knowledge of the travel and tourism sector in Asia and the Pacific, and were based in Australia; the People's Republic of China (PRC); Hong Kong, China; India; Japan; the Republic of Korea; Singapore; Thailand; the United Kingdom; and the United States. Two panel discussions were held with these participants to check and refine the findings. A focus group discussion was held with seven students and young professionals to gain qualitative insights on the impact of COVID-19 on young people's lives and travel plans, arranged in collaboration with the Pacific Asia Travel Association.

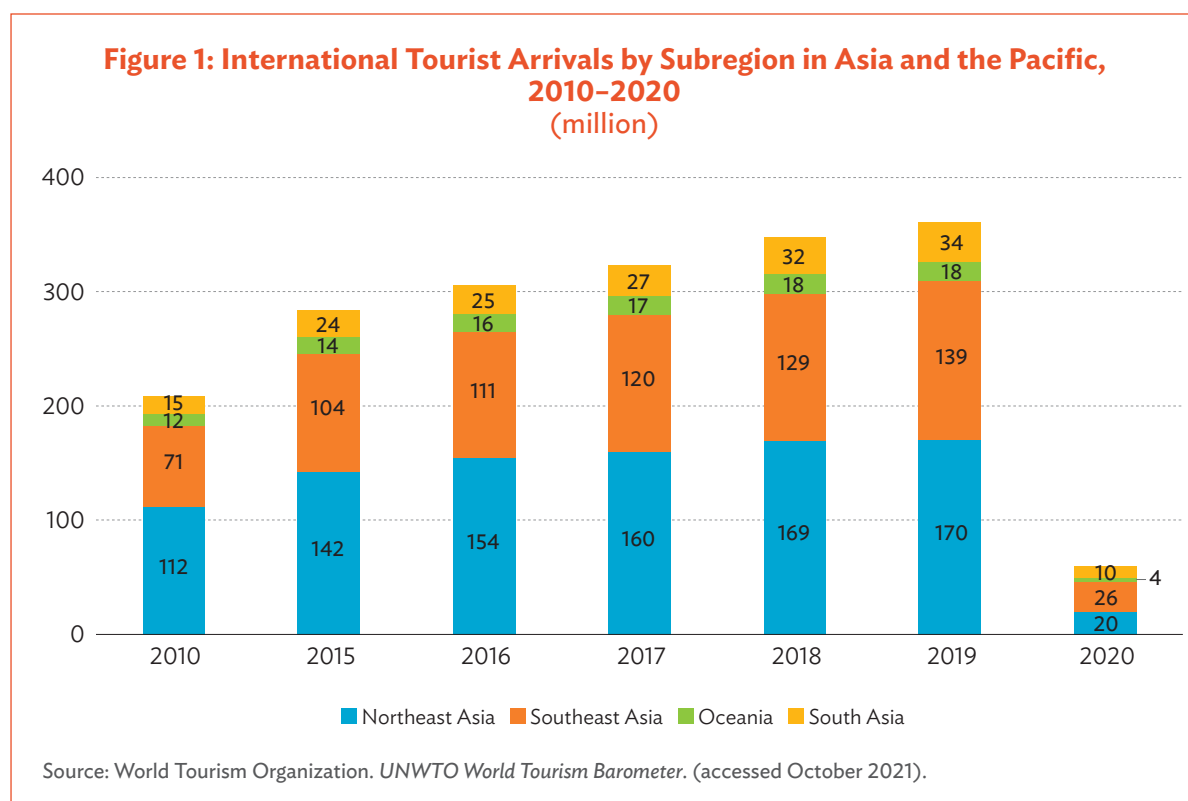
The report covers the period 2010–2021 and data shared in the report are from primary and secondary sources. The primary data were collected through virtual focus group discussions and individual virtual meetings between January and October 2021.

The study includes data from domestic and international tourist arrivals and tourism receipts. The World Tourism Organization (UNWTO) defines international tourist arrivals as inbound nonresident visitors traveling within a country and international tourism receipts as the spending of these visitors within that country. The latter does not include spending on international transport. Domestic tourism comprises the activities of resident visitors within their own country. Unless otherwise specified, international and domestic tourist arrivals are overnight visitors and do not include day visitors. A visitor is defined as a traveler taking a trip to a destination outside his or her usual environment, for less than a year, for any purpose (business, leisure, or other personal purpose) other than to be employed by a resident entity in the country or place visited. Nonresident international students studying for less than a year in a country are classified as international tourist arrivals under this definition. Same day visitors are not included in this analysis.³

³ UNWTO. 2020. *Report: Methodological Notes to the Tourism Statistics Database*. Madrid. p. 24.

1.2 Global and Regional Tourism Growth

Until the end of 2019, the travel and tourism industry was one of the world's largest and fastest-growing industries, generating \$1.7 trillion in international tourism revenues from almost 1.47 billion international tourists. Every region experienced increased international tourist arrivals, with Asia and the Pacific recording 7% growth in 2018 and 4% in 2019. In 2019, about 26% of global growth was generated by Asia and the Pacific, with the Southeast Asia subregion accounting for over 70% of growth in the region (Figure 1).



1.3 Megatrends

Tourism markets are shaped by consumer demand, which in turn is shaped by megatrends and shorter-term consumer trends. The difference between these is explained below.

The “Megatrend Framework” from Euromonitor International illustrates the major influences of change that affect the wider industry. According to Euromonitor International, megatrends are

“...trends shaping consumer markets with the power to transform and disrupt entire categories... [they identify] the underlying forces driving change and propelling long-term shifts in consumer attitudes and behavior...To be considered a megatrend, it must be around for an expected five, 10 and 15 years and impact most industries. Otherwise, it is simply a powerful category or industry trend of the moment.”⁴

This report looks at the four megatrends of economy, technology, consumer values, and demographics in the period leading up to the pandemic and how these were evolving in Asia and the Pacific. Subsequently, in section 3.1, the report adds a fifth—health—given that the pandemic has highlighted the fundamental link between public health and the ability of the travel and tourism sector to function. Health is also discussed in the context of geopolitics, since it has become a serious nontraditional security issue affecting cross-border travel and thus relations between governments.

The four key megatrends leading up to the pandemic include:

- (i) **Economic climate.** From 2010 to 2019, economic growth in Asia and the Pacific was strong, as average annual gross domestic product (GDP) in 19 countries reached 4.0% or higher; led by Bangladesh (8.2%), Armenia (7.6%), Nepal (7.0%), and Viet Nam (7.0%).⁵ Economic productivity across the region fed the growth of a rising middle class, with more disposable income than in previous decades and increased income for and propensity to travel.
- (ii) **Technology.** In 2020, an estimated 3.15 billion people in Asia and the Pacific had internet access, up 1 billion in just 5 years,⁶ with 53.4% of all households having access.⁷ These steady increases in access across the region have impacted employment, for example, with automation displacing jobs in airports and hotels. At the same time, however, digital technology has created new employment and new efficiencies: virtual tours and virtual reality

⁴ S. Bumphrey and Z. Brehmer. *Megatrend Analysis: Putting the Consumer at the Heart of Business*. London: Euromonitor International.

⁵ Asian Development Bank (ADB). 2020. *Basic 2020 Statistics*. Manila.

⁶ Statista. [Number of internet users worldwide from 2009 to 2020, by region](#) (accessed 25 January 2021).

⁷ International Telecommunications Union. 2021. *Digital Trends in Asia and the Pacific 2021*. Geneva. p. 4.

have appeared as alternate ways to experience and market destinations, for example, and chatbots offer 24/7 access to information across travel sites; recognition technology has streamlined security at airports.

- (iii) **Consumer values.** Two key values can be highlighted here. First, Euromonitor International notes that prior to COVID-19, consumers in the region were shifting from *conspicuous* consumption to *conscious* consumption. “Conspicuous consumption,” coined by American sociologist and economist Thorsten Veblen, is defined as “excessive consumption for the sake of signaling social status.”⁸ The shift was due, in part, to increased digital access to information, alongside growing interest in experiences and brands that emphasize social responsibility. Sarita Nayar, managing director and chief operating officer, US, for the World Economic Forum, emphasized at the 2020 Davos meeting that both Generation Z (born roughly between 1995 and 2010) and Millennials (1980–1995) had become the “world’s most tech-savvy, sustainability-conscious consumers,” ones that value experiences more than “buying things or owning assets.”⁹ This connects to the second consumer value, i.e., awareness is growing of humans’ impact on the environment, which is seeping into the spending choices of consumers as they decide to travel. For example, a study by the European Investment Bank in 2021 found that regardless of where respondents lived, people say that it would be easiest to give up flying to fight climate change (40% for Europeans, 38% Americans, and 43% for PRC respondents).¹⁰ Meanwhile, even before the pandemic raised concern about visiting places crowded with strangers, attention in the media was growing toward “overtourism,” the effect of crowds at heritage sites, or the negative impact of tourism on indigenous communities.
- (iv) **Demographics.** Generation Z and Millennials comprise the largest share of population, particularly in India, Indonesia, Malaysia, Pakistan, and the Philippines, thus constituting an important consumer group in these countries.¹¹ In Asia and the Pacific more generally, these generational groups have grown up accustomed to great economic growth and social and technological change. Of these two groups, Bloomberg estimated in 2018 that Gen Z would be the world’s most populous group by the following year, accounting for about 31.5%, thus a third of the world’s 7.7 billion population.¹² In addition to their significant share of the region’s population, it is important to note that Generation Z in particular has, within relatively few years, been shaped by waves of disruptive technology, political turbulence, and most recently, the effects of the COVID-19 outbreak, the consequences

⁸ Investopedia. Thorstein Veblen. <https://www.investopedia.com/terms/t/thorstein-veblen.asp>

⁹ S. Nayar. 2020. *Why It’s Time to Start Talking about Consumption Equality*. Davos: World Economic Forum.

¹⁰ European Investment Bank. 2021. What Are You Ready to Give Up to Fight Climate Change? EIB Climate Survey, part 2 of 3. Luxembourg.

¹¹ United Nations Department of Economic and Social Affairs. 2019. *World Population Prospects 2019. Population Division. Online Edition. Rev. 1*. New York.

¹² L. Miller and W. Lu. 2018. *Gen Z is Set to Outnumber Millennials Within a Year*. Bloomberg. 20 August. <https://www.bloomberg.com/news/articles/2018-08-20/gen-z-to-outnumber-millennials-within-a-year-demographic-trends>.

of which will change the global economy and society for decades to come. As Gen Zs grow from children, students, and young adults, they will become fully economically active, and, with that, the primary decision-makers in travel. For this reason, their values and attitudes matter greatly (and are explored in greater depth in “COVID-19 Youth Impacts”).

1.4 Asia and the Pacific Pre-COVID-19 Travel Trends

In addition to the more general megatrends shaping global and regional travel prior to the pandemic, several region-specific trends can be identified to explain the dynamics of travel and tourism before COVID-19 emerged at the end of 2019. These were (i) dependence on specific outbound markets, (ii) changes in consumer behavior and travel motivation, (iii) evolving travel segments, and (iv) technology developments in the tourism industry. Key features of each of these factors are described below:

- (i) **Outbound markets.** Destinations in Asia and the Pacific were largely dependent on a few outbound markets in 2019, and the PRC in particular. The PRC alone accounted for 154 million outbound tourists in 2019, or more than 10% of total international tourist arrivals, though much of this corresponds to trips to Hong Kong, China and Macau, China. Outbound tourists from the PRC were also the world’s biggest spenders in 2019, having spent almost \$255 billion on travel and tourism. Other important outbound markets for Asia and Pacific destinations included Japan, the Republic of Korea, Singapore, and other Southeast Asian markets. India was among the most important growth markets for outbound visitors.
- (ii) **Consumer behavior.** While conscious travel was gaining popularity in the years leading up to the pandemic, overtourism was a persistent challenge affecting destinations and communities across the region. Skift, a travel industry news site, coined the term “overtourism” in 2016, which UNWTO subsequently defined as “the impact of tourism on a destination, or parts thereof, that excessively influences perceived quality of life of citizens and/or quality of visitors’ experiences in a negative way” and dedicated a study on the subject in 2018. It results from a combination of insufficient destination management and planning, rising incomes of visitors, increased desire to travel, and usually easier and cheaper air access. Until January 2020, when travel came to a halt, stories proliferated of overtourism in Asian hot spots. Destinations such as the Great Wall in the PRC, Taj Mahal in

India, Angkor Wat in Cambodia, Phuket in Thailand, the island of Palau, and many others throughout Asia were victims of their own success, of being too popular. A growing middle class throughout Asia and the Pacific, especially in the PRC, had the means to travel, and with low-cost carriers increasing accessibility, many places were within easier reach.¹³

- (iii) **Travel segments.** According to UNWTO, in 2018, 56% of the world's travel and tourism was driven by travelers seeking leisure, recreation, and holidays, followed by 27% traveling for visits with friends and relatives, religion, and health; 13% for business; and the remainder for other purposes.¹⁴ Among the 56% traveling for leisure and recreation, beach vacations—whether to the ocean, a river, or lake—were the chief attraction for approximately half of this group, although increasing numbers also sought more authentic destination experiences, i.e., activities that enabled the visitor to interact meaningfully with a destination's inhabitants and aspects of its culture such as music, art, food and drink. The increased interest in such authentic experiences established a firm base for the future of tourism in the region, which has many nature-based and cultural attractions and experiences to offer, potentially via thematic circuits.
- (iv) **Tourism technology.** Digital innovation and adoption were an important factor in regional travel growth up to 2019. In particular, technology advances related to transportation, communication, finance, and automation spawned a wide range of innovations that supported the development of new or improved tourism products. For example, in transportation, technology facilitated improvements in air transport, especially the rise of low-cost carriers, which increased access to destinations across the region for international and domestic services. Such carriers use technology to reduce costs and increase efficiencies through ticketless travel and expanded internet distribution, reducing or even eliminating dependence on intermediaries such as travel agents. Other examples include the development and mass adoption of accommodation booking platforms, such as Agoda, Trip.com, or Airbnb, as well as food delivery services and virtual reality.

¹³ K. Buchholz. 2020. [The Rise of the Asian Middle Class](#). Statista. 3 July; footnote 2; and *Aviation Business News*. [Asia-Pacific region fastest growing in world for airline activity](#).

¹⁴ World Tourism Organization (UNWTO). 2019. *International Tourism Highlights 2019 Edition*. Madrid. p. 7.

2

COVID-19 PERIOD (2020–2021)

This section examines pandemic impacts on tourism activity in Asia and the Pacific during 2020–2021, noting that even during the first year of the pandemic, tourism trends evolved in line with available options and incentives. While early government responses to the pandemic (during January to June 2020) forced many tourism businesses to close, consumers in the region began adapting travel plans to take domestic trips once preliminary restrictions were lifted. Although international travel options within the region were very limited as of December 2021—and prospects remain limited into 2022 and probably 2023—travelers began moving locally, encouraged by government and businesses incentives. Businesses in the region have begun adapting to uncertainty with varying product offers, services, and with enhanced hygiene measures, as discussed below.

2.1 Pandemic Impacts on Travel in Asia and the Pacific

In May 2020, the UNWTO reported that 100% of destinations worldwide had pandemic-related travel restrictions for international tourists in place, effectively bringing the global travel and tourism sector to a standstill. Restrictions broadly remained in place through the rest of 2020, and while 2021 had been expected to see a widespread restart of travel in line with the global rollout of vaccination programs, this restart faltered in much of the world and barely started in Asia and the Pacific. International arrivals to Asia and the Pacific fell 94.9% between January and September 2021, compared to the same period in 2019; Southeast Asia, among the most affected global subregions, saw arrivals plummet 98% during the same period.¹⁵ On 26 November 2021, 21% of all countries around the world still had full restrictions in place, 25% had varying restrictions, and 65% of destinations in Asia and the Pacific remained completely closed.¹⁶ According to UNWTO, “partial closure” means that one or more borders (air, land, or sea) are closed, but not all; for example, land borders are closed while travelers can arrive by air. In addition, entry of travelers originating from some high-risk countries of origin may not be admitted. Even where borders may be partially open, travelers (and particularly leisure travelers) face many obstacles to traveling, such as costly testing and quarantine requirements, bureaucratic procedures such as health declarations, and the sudden closure of leisure facilities due to local COVID-19 health restrictions—few if any of which are harmonized from country to country. Examples are presented in Box 1.

¹⁵ UNWTO. *UNWTO World Tourism Barometer*. (accessed November 2021).

¹⁶ UNWTO. 2021. [New COVID-19 Surges Keep Travel Restrictions in Place](#). 26 November. Madrid.

Box 1: Lessons on Reopening Borders to Tourists

While most destinations have kept their borders closed, a few countries opened travel bubbles on a bilateral basis, including Australia and New Zealand. However, implementation has been sporadic and subject to rapid reversal following small outbreaks. That no two countries have managed health restrictions in the same way complicates this. Incongruencies in public health restrictions, paired with new strains of the virus, have undermined confidence in restarting international travel. As of December 2021, a select few countries in Asia and the Pacific opened their borders to international tourists, with mixed results. The following examples demonstrate the volatility linked to opening, closing, and reopening in line with evolving circumstances:

- (i) **Maldives.** Borders were closed to tourist arrivals from 27 March 2020 to 15 July 2020. In June 2020, the government issued guidelines on restarting tourism and set up a certification program covering safety and hygiene standards for tourism facilities, including accommodation and transport. Following consultations with health professionals and tourism stakeholders, 40 accommodation venues on uninhabited islands reopened for international arrivals on 15 July 2020, with hotels and guest houses located on inhabited islands opened on 1 August 2020.^a Negative polymerase chain reaction (PCR) tests were required to enter the country, with in-room testing at regular intervals, and infection control aided by the remote nature of resorts.^b As of December 2021, the system had remained in place and allowed the country to receive visitors while competitor markets remained closed. The system has generally succeeded, with 555,000 arrivals in 2020, albeit down 67% from 2019. Lessons for replication include the approach to placing visitors in isolated destinations and encouraging extended stays that tap growing desire for remote working—a solution that other destinations such as Bali are beginning to replicate. However, the system cannot be replicated in many destinations given that it relies on visitors staying on isolated islands, with little contact with the local population, and often for extended periods.
- (ii) **Sri Lanka.** Sri Lanka welcomed its first visitors from Europe on 21 January 2021. As of 13 December 2021, travelers who present a valid international certificate for full vaccination against COVID-19, with the use of an approved vaccine, are exempt from testing on arrival, quarantine, and testing on day 14 after arrival requirements. The final dose must have been administered at least 14 days before departure. Stricter requirements were in place for those who have recently recovered from COVID-19. As of December 2021, a total of 104,989 international visitors had arrived since January 2021^c, steadily increasing each month, but still down from 1.9 million in 2019.^d
- (iii) **Thailand.** Starting in June 2021, the Thai government implemented plans to ease restrictions on international travel, including shortening the quarantine period from 14 to 10 days^e and allowing inoculated visitors quarantine-free access to Phuket and possibly other destinations, subject to improved international coordination on issuing vaccine passports and immunity certificates.^f However in practice, reopening Phuket and other destinations in Thailand has proved highly challenging as inbound travel has remained restricted due to the need to contain local outbreaks in the country. On 1 December 2021, for example, the Tourism Authority of Thailand announced that they were increasing “blue zone” destinations (those that can be visited) to 26 and simultaneously announcing that they were extending the “Emergency Decree for the fifteenth time until 31 January 2022.”^g

A lesson from all three examples is that for visitors and service providers, the entry situation is extremely fluid and subject to sudden change. Maximum flexibility in changing travel plans is necessary, while both travelers and the travel industry (both local and international) need clear communication and time to adapt for demand to be generated and in place once borders reopen.

^a UNWTO/GTERC. 2020. *UNWTO/GTERC Asia Tourism Trends - 2020 Edition*. Madrid.

^b J. O’Ceallaigh. 2021. *In the Maldives Tourism Recovers as the Wealthy Take a Break from the Pandemic*. *Financial Times*. 9 February.

^c Sri Lanka Tourism Development Authority. *Monthly Tourist Arrivals Reports 2021*.

^d Sri Lanka. Hello Again. <https://www.srilanka.travel/helloagain/>.

^e *The Straits Times*. 2021. Thailand to Shorten COVID-19 Quarantine Period to Revive Tourism. 19 March.

^f R. Thanthong-Knight. 2021. *Vision of vaccinated tourists coming into focus in Thailand*. *The Japan Times*. 4 March.

^g Tourism Authority of Thailand. 2021. *TAT News*. 1 December.

During much of the pandemic through 2020 and 2021, travel restrictions varied by the week, and thus have been impossible to predict. These conditions are expected to prevail as international travel is expected to remain restricted into 2022 and possibly 2023, due to emerging variants, varying levels of vaccinations and hence infection risk, and possible quarantine requirements. Furthermore, the emergence of both the Delta and Omicron variants of COVID-19 have demonstrated that even individuals who are “fully” vaccinated (with up to three vaccine doses) can still become infected, show symptoms of the virus, and themselves be infectious to others. COVID-19 infections occurred in multiple parts of the region prior to 2022, prompting some destinations to reinstate or maintain restrictions. Since widespread vaccination and herd immunity are currently assumed to be the keys to reopening and recovery, especially in the people-intensive travel and tourism industry, as of December 2021, WHO’s Gavi COVID-19 Vaccines Global Access facility was targeting distribution of doses to 92 low- and middle-income economies with an estimated 3.6 billion people still not vaccinated.¹⁷ In addition, the Asia Pacific Vaccine Access Facility is also helping to increase the vaccinated through \$9 billion in assistance, as well as an additional \$20 billion package by ADB.¹⁸ Many of the countries with low vaccination rates are low- and middle-income economies, including several in Asia and the Pacific.

2.2 Consequences for Economies in Asia and the Pacific

In 2020, GDP in economies across Asia and the Pacific dropped. Regionwide, average GDP growth—excluding Hong Kong, China; the Republic of Korea; and Singapore—dropped from 5.5% in 2019 to 0% in 2020.¹⁹ Restrictions on movement have had profound negative impacts on tourism and broader economies, and destinations that depend on tourism for income and employment are likely to experience prolonged consequences.²⁰ With the exception of the PRC, few economies in the region have been able to replace international visitors spending with domestic travelers.²¹ Above all, loss of the PRC outbound market was a major hit for Asia and the Pacific, especially Southeast Asia and East Asia which, as Figure 2, shows were highly dependent on this market.

¹⁷ S. Berkely. 2021. We’ve Had COVID-19 Vaccines for One Year. How Can We Make Better Use of Them? Gavi, the Vaccine Alliance. 9 December. <https://www.gavi.org/vaccineswork/weve-had-covid-19-vaccines-one-year-how-can-we-make-better-use-them>.

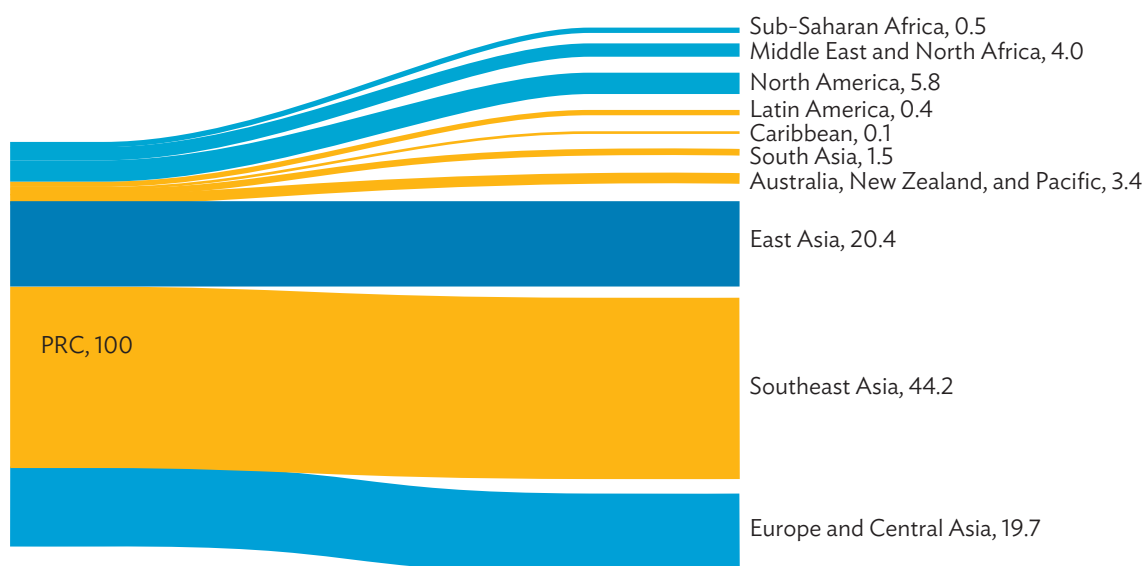
¹⁸ ADB. 2021. ADB COVID-19 Response. <https://www.adb.org/what-we-do/covid19-coronavirus>.

¹⁹ Annual GDP growth in 2020 was –1.9% in Central Asia, 1.8% in East Asia, –6.0% in South Asia, –4.0% in Southeast Asia, and –5.8% in the Pacific. Source: ADB. 2021. Asian Development Outlook 2021. Manila.

²⁰ Footnote 1.

²¹ World Bank. 2020. *Rebuilding Tourism Competitiveness: Tourism Response, Recovery and Resilience to the COVID-19 Crisis*. Washington, DC.

Figure 2: International Tourist Arrivals by Subregion in Asia and the Pacific, 2010–2020 (million)



PRC = People's Republic of China.

Note: Figures refer to tourists from the PRC only.

Source: World Bank. 2020. *Rebuilding Tourism Competitiveness: Tourism Response, Recovery and Resilience to the COVID-19 Crisis*. Washington, DC. <https://openknowledge.worldbank.org/handle/10986/34348> License: CC BY 3.0 IGO.

2.3 COVID-19 Impacts on Travel Businesses

Cross-border travel restrictions have impacted all travel segments, especially air travel, accommodation, and tour operations. Where borders remained open to tourists, strict quarantine requirements (typically 10–14 days) were sometimes in effect, which discouraged visitors—given that travelers faced restrictions on movement after arrival, were often required to cover the costs of quarantine in hotels, and that the typical quarantine period was longer than the average annual leave allowance for employees in Asia and the Pacific. This section describes pandemic impacts on core tourism business sectors in the region.

2.3.1 Air Travel Impacts

Before the pandemic, Asia and the Pacific had become the aviation industry's biggest market. In 2019, the region accounted for 35% of passengers, compared to 27% from Europe, and 22% from North America. Data from the International Air Transport Association (IATA) shows that the pandemic slashed international passenger traffic for the region by 80.3% compared to 2019, worse than Europe's 73.7% and North America's 75.4% declines. The survival of airlines in the region will be important for the recovery of tourism overall, as they provide essential access to destinations.²²

²² IATA. 2021. 2020 Worst Year in History for Air Travel Demand. 3 February. Montreal.

Domestic air travel compensated for some of the declines in international flights, but only in certain countries, including the PRC, Japan, New Zealand, and Viet Nam. PRC carriers, for example, reported domestic passenger traffic surpassed 2019 levels. The PRC airlines were helped, in part, by a \$500 million assistance fund created by the Trip.com Group, which enabled reduced or waived commissions and provided loans and advertising support.²³ In other parts of the region with smaller domestic markets, airlines have had to restructure or consolidate.²⁴ For example, the Republic of Korea's Korean Air and Asiana Airlines announced a merger, and Japan's ANA Holdings planned to reduce its fleet by around 10% and strengthen ties between All Nippon Airways and its low-cost subsidiary, Peach. Malaysia Airlines announced a debt restructuring of about \$3.9 billion. One expected consequence of consolidation and reduced services is higher fares, especially for lower passenger load destinations, such as the Pacific islands.

Low-cost carriers—which were proliferating in the region prior to the pandemic—may find it difficult to sustain their traditional business model of packing airplanes to maximum capacity as consumers remain sensitive about social distancing. Low-cost carriers that are subsidiaries of larger airlines such as Peach (ANA), Jin Air (Korean), Jetstar (Qantas), and Scoot (Singapore Airlines) fared better than independent ones such as AirAsia and IndiGo.²⁵ It is worth noting that low-cost carriers may have more streamlined business models than mainstream carriers, which can enable them to adapt to different pricing strategies faster.

Mayur Patel, regional sales director, JAPAC, OAG Aviation observed that “the booking time lead has shortened considerably...so a lot of travelers are making decisions at the last minute...People are feeling less and less confident in terms of booking 60 days out...which is posing a real challenge for revenue managers in airlines and hotels and throughout the supply chain.”²⁶ Since travelers are not planning their trips far in advance, cancellation and refund policies have had to become more flexible. This should bode well for travelers, especially in catching last minute deals, but it also means that airlines are flying fewer planes to ensure maximum passenger loads and control their costs, and routes with fewer planes may see fares increase. Many Asian airlines are also trying to control costs by negotiating delivery deferments with the airplane manufacturers.²⁷

²³ The [Trip.com](#) Group is a NASDAQ listed company with over 45,100 employees and over 400 million members, making it one of the leading online travel agencies in the world.

²⁴ E. Suguira. 2020. [Asian Airlines Fly Nervously into Post-COVID Future](#). *Nikkei Asia*. 31 December.

²⁵ CAPA Centre for Aviation. 2020. [COVID-19 Forces Major Change across Asia-Pacific Airline Industry](#). 3 September.

²⁶ M. Patel. 2021. *Zoom Interview on COVID Impacts on Asia and the Pacific Air Travel*.

²⁷ CAPA Centre for Aviation. 2021. [Aircraft Deferrals Will Play A Key Role in Asian Airline Recovery](#). 27 February.

2.3.2 Accommodation Sector Impacts

The accommodation sector experienced multiple challenges during 2020 and 2021. These included fluctuating patterns of demand (which stymied forecasting demand), revenue loss, rising costs associated with public health measures, and the need to reduce staff. Among larger businesses with easier access to capital investment, the accommodations sector pivoted creatively in response to the pandemic, including modified product offerings, acting as state quarantine facilities, and providing public services. Examples include the following:²⁸

- (i) In Thailand, at the start of April 2020, Centara Resorts and Hotels provided complimentary hotel accommodation and meals to health-care workers, including hosting doctors, nurses, and other medical staff from the nearby Police General Hospital.
- (ii) Marriott International’s Community Caregiver Program provided discounted accommodation to caregivers at more than 80 hotels across the region so they could stay close to the hospitals where they work.
- (iii) Hong Kong, China’s Mandarin Oriental staff worked with Oxfam to provide masks and hygiene products to underprivileged families.
- (iv) The Hong Kong, China-based Rosewood Hotel Group established a fund to help workers affected by the pandemic and provided meals to first responders across the region.
- (v) Hotel groups in Australia; Hong Kong, China; Singapore; and other destinations in the region have been offering “quarantine packages” for visitors where this is a requirement.

To prepare for greater demand, and using the experience of catering to guests in quarantine, larger hotels have divided up spaces to separate guests, and have brought personalized services such as more in-room dining and exercise equipment for guests, rather than holding them in large public spaces. Later properties that catered to business travelers have also witnessed a significant impact to their businesses. As of December 2021, the outlook for business travel accommodation was still uncertain because many companies and organizations realized during the pandemic that remote work delivered cost-savings and was as productive and better for employee satisfaction, if not even more so, than in-person. For example, a study of nearly 7,500 employees across the globe conducted from September to November 2020 found that access to remote work increases employee well-being, productivity, innovation, and inclusion. Employees reported innovation improved by 63%, work engagement by 75%, and organizational commitment by 68%.²⁹ Rapid adoption of digital meeting technology, such as Zoom and Microsoft Meetings, may have lasting impacts on business accommodation. Hotels that depend on business travel and events are increasingly looking at options to repurpose urban properties into office space or residential units if business travel does not return. For instance, hotels in

²⁸ Footnote 1.

²⁹ T. Van Bommel. 2021. [Remote Work Options Can improve Productivity and Curb Burnout](#). *Catalyst*.

Hong Kong, China are reportedly looking into converting rooms into longer-term serviced apartments, student accommodation, and residential apartments, though conversions do not appear to be happening widely.³⁰

Despite challenges and the need to pivot business models in the short term, hotel investors and developers did not stop expanding at the height of the pandemic. In 2021, the five biggest hotel chains in Asia and the Pacific—Accor, Marriott International, IHG Hotels & Resorts, Hilton, and Hyatt—were set to open a combined total of more than 700 hotels in the region.³¹ Hilton, for example, had record openings of 79 hotels in 2020 and opened 15 new hotels in January 2021 alone. The hotel investments bode well for the return of Asia and the Pacific as one of the fastest-growing hotel regions of the world. The openings were driven by investors noting the strong rise of domestic travel in the region and having long-term faith in recovery due to evidence of pent-up travel demand. Openings were largely in countries where local demand had returned, such as Australia, the PRC, Japan, Indonesia, Thailand, and Viet Nam.

Meanwhile, across the region, micro, small, and medium-sized enterprises (MSMEs), particularly in the accommodation sector, were among the most affected by the pandemic. A survey of 3,831 MSMEs in Indonesia, Lao People's Democratic Republic (Lao PDR), the Philippines, and Thailand showed that many were forced to close (ranging from 70.6% of MSMEs interviewed in the Philippines to 41.1% in Thailand).³²

Closures of MSME accommodation businesses is a loss of jobs and livelihoods, and, strategically, may lead to the loss of vital accommodation capacity in specific rural areas (stymieing a destination's ability to rebound once demand returns), or the loss of capacity in certain sections of the market (such as in budget travel). Such closures may also represent the loss of businesses which offered more personalized or bespoke experiences and thus underpinned the attractiveness of certain destinations.

2.3.3 Tour Operation Impacts

Tour operations—from individual tour guides to large multinational operators—were severely impacted by widespread cancellations in 2020 and 2021. And like other major industries such as aviation and accommodation, the rapid emergence of the pandemic and the drastic measures taken to contain it in early 2020 placed tour operators in a highly challenging position, with tours underway and customers suddenly left stranded due to the suspension of international travel routes. Many tour operators were forced to bear the cost of this, with only partial support from government agencies or insurers. Tour operators both large and small have also had to face multiple obstacles to reinstating tours, even where government public health

³⁰ S. Rivers and J. Gill. 2020. *Changing Rooms: Converting Hong Kong Hotels In The COVID-19 Era*. DLA Piper. 27 May.

³¹ *Lodging Econometrics*. 2021. *The Asia Pacific Hotel Construction Pipeline, Excluding China, Remains Steady Year-Over-Year - Lodging Econometrics*. 16 November.

³² ADB. 2020. *Asia Small and Medium-Sized Enterprise Monitor 2020. Volume II—COVID-19 Impact on Micro, Small, and Medium - Sized Enterprises in Developing Asia*. Manila.

regulations have allowed. Coordinating a tour involves putting in place multiple actors (such as airport transfers, guides, hotels, restaurants and activity operators), each of these with their own operational limitations when adhering to COVID-19 public health guidelines. Setting up and selling tours has inevitably required greater human and financial resources at a time when demand remains depressed.

Despite this, while many were forced to close (either temporarily or permanently) others that were well-placed to adapt to changing circumstances modified, built-on, or developed new services. No firm data exists, though, for the number of MSME tour operators across Asia and the Pacific that were impacted. MSME definitions vary by country based on different criteria, as the 2021 ADB SME Monitor recognizes. But based on 2020 data, these businesses accounted for an average of 99.6% of all enterprises in South Asia and 97.6% in Southeast Asia.³³ In India, for example, a survey of 135 tour operators conducted in the summer of 2020 found that 74% were completely shut down and 10.3% were working remotely.³⁴ Some rebound in tourism occurred due to domestic demand, but this varied by country.

Key themes that operators responded to during 2020 and the first half of 2021 include

- (i) increased demand for wellness;
- (ii) small groups and more family-oriented travel;
- (iii) more demand for nature, adventure, and ecotourism, away from crowds;
- (iv) experiential travel, especially authentic cultural experiences;
- (v) increased use of digital technology and automation, especially contactless technology;
- (vi) more domestic tourism, especially localized, which increased dramatically but has not filled the gap in international tourism receipts;
- (vii) increased concern for social and personal responsibility in general and related to travel; and
- (viii) greater attention to sustainability, health, hygiene, and safety, and associated support from destinations to encourage this type of tourism.

Accordingly, some operators pivoted toward more outdoor, open-space activities such as lakeside camping in Bali, a motorbike tour in Viet Nam, and *tuk-tuk* (three-wheeled transport) tours of hill tribes and mountains in Thailand. Virtual tours were also beginning to appear on services such as Amazon Explore and Airbnb Experiences, which provided online experiences such as a rickshaw ride through Tokyo, a tour of Singapore's Chinatown murals, and a cooking lesson in India. A scan of multiple in-person tours offered via tour aggregator, Viator, showed offers from several countries subject to access restrictions and quarantine requirements. Despite travel restrictions, the prevalence of new and modified activities is a positive sign for when access fully returns.

³³ ADB. 2021. *Asia Small and Medium-Sized Enterprise Monitor 2021: Volume I—Country And Regional Reviews*. Manila. p. 14.

³⁴ Federation of Indian Chambers and Commerce Industry. 2020. *Hotels and Tour Operator's Survey on the Impact of COVID-19 on the Travel & Hospitality Industry*. Delhi. p. 24.

Travel for larger groups has been hit hard by the pandemic (with low margins, some operators have gone out of business), and is generally less popular with younger Chinese travelers, suggesting that it could become somewhat smaller post-pandemic. However, this type of travel will not disappear entirely, as the infrastructure still exists for it in popular destinations such as Thailand (which now has more Chinese-speaking guides, hotels, and other key infrastructure).

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2.4 Pandemic Impacts on Consumer Behavior in the Region

PRC citizens were the first to witness strict lockdowns, in late January 2020. However, they were also among the first to see local lockdown restrictions lifted. While restrictions on international travel in the region have continued, daily life has resumed with relative normality in countries that have been more successful at curbing infections.

A study of consumer confidence conducted by McKinsey in November 2020 found that consumer optimism in Asia and the Pacific was highest in the PRC, India, and Indonesia, where consumers expected a quick recovery; while the same study found that consumer confidence was low in Australia and Japan.³⁵ This reflects the extent to which consumer confidence has been broadly shaped by experiences of lockdown and its disruption to daily life.

While consumer confidence in November 2020 appeared to be stronger in Asia and the Pacific than in other world regions, the impact of strict lockdowns combined with fear of spreading the virus have driven major changes in consumer spending habits in the region. The McKinsey study found that digital activity had expanded across all countries in Asia and the Pacific, led by online entertainment streaming, food delivery, and remote learning.³⁶ Value, convenience, and limiting human interaction (e.g., by using self-service kiosks and contactless payments) have become key consumer demands across the region, and similarly, smartphone and other digital devices have taken on an even more pivotal role in booking and managing travel.

Various PRC-based interviewees consulted for this report credited the country's color-coded health apps, providing a level of assurance that allowed consumers to go about their daily lives and interactions with strangers with more ease. This observation also points to a wider cultural issue highlighted in other interviews: in countries with experience managing pandemics, public acceptance of health measures

³⁵ McKinsey & Company. 2020. [Survey: APAC Consumer Sentiment during the Coronavirus Crisis](#). 6 November.

³⁶ Footnote 35.

may have been higher, leading residents to have felt less of a sense of disruption to daily life compared to those in other regions. However, the subjective level of perceived disruption varies widely based on factors such as age and socioeconomic circumstances. Young people with little experience of earlier health-related crises, while facing precarious working conditions or disruption to education, have often experienced profound disruption to daily life, with associated mental health impacts and concerns for the future. Research and interviews conducted for this report reveal that travelers in Asia and the Pacific are³⁷

- (i) seeking greater independence and flexibility in planning and booking travel, to be able to change plans at short notice if or when public health restrictions change;
- (ii) preferring rural and coastal destinations which offer fresh air, privacy, and space to avoid crowds, as opposed to densely populated urban destinations;
- (iii) limiting the size of their groups to their “bubbles” (close family or friends) and choosing methods of transport (such as car rentals) that minimize interaction with strangers;
- (iv) choosing accommodation that provides privacy and personalized service, which keep interaction with other guests to a minimum (such as short-term property rentals or luxury hotels);
- (v) predominantly younger in age, due to a perceived reduced risk of infection;
- (vi) showing more interest in activities that improve physical and mental health; and
- (vii) seeking to minimize overall spending and maximize value through travel purchases, in particular by seeking out and comparing offers using online comparison tools and getting maximum advantages from customer loyalty schemes.

2.5 The Expanding Role of Digital Technology in Travel

With mobility severely restricted, more people working from home, and social distancing requirements implemented across the region, digital technology has become even more critical to work and living. Rapid digital technology adoption was underway before COVID-19, but isolation from one another and the need to ensure a modicum of access to transport and public facilities (i.e., airports, shopping centers, etc.) has accelerated this trend. Much of the digital infrastructure needed to support the digitalization of travel was in place prior to the pandemic.

2.5.1 Increased Broadband and Internet Access

Google reported internet usage soared in 2020–2021 with 60 million new users in Southeast Asia alone. They noted that “[w]hile digital consumption has been accelerated by the pandemic, it is not a one-off phenomenon and is now a way of life

³⁷ See Methodology section and Annex 1 for further information about interviews.

for Southeast Asians.”³⁸ While they also reported that the travel sector suffered, the digital “seeds” have been planted, which will benefit travel and tourism as people can begin to travel again.

Some of the game-changing tourism technological developments, particularly in Asia and the Pacific, were made possible by recent growth in broadband and internet access. This, in turn, facilitated increased digitalization, which was demonstrated in part by smartphone penetration in Asia increasing from 54.13% in 2019 to 58.56% in 2020.³⁹ With increased smartphone use, internet use soared especially in Asia and Pacific countries. In the PRC, for example, internet penetration increased almost 10% from June 2019 to December 2020 and 98.6% of PRC residents access the internet via smartphones.⁴⁰ India, Indonesia, Japan, and other Asia and Pacific countries experienced similar growth.

2.5.2 Contactless Payments

Increased internet use laid the foundation for the spread of technologies such as contactless payments and check-in at hotels and airports, which enable seamless travel, such as biometric check-in and security at airports. Contactless payments became popular in Asia and the Pacific in 2020. Since the pandemic began, a study from Google, Temasek, and Bain and Company estimated that at least 60 million additional consumers in Southeast Asian countries started buying online.⁴¹

2.5.3 Virtual Experiences

Increased digitalization also helped establish virtual tourism products. Although not perfect replacements for in-person experiences, virtual experiences offer ways to market and promote destinations, stimulate interest, and educate people who may become more interested in visiting in-person when it becomes possible.

2.5.4 Rapid Testing and Proof of Vaccination

Technology solutions also began to appear in 2020 to address COVID-19 mitigation needs such as rapid testing, contact tracing, and the beginnings of a vaccine passport. Judging from the multiple schemes mentioned below that have been proposed or launched, interest is extensive in digital vaccine passports amid a growing belief they are crucial to enabling international tourism to resume. A globally recognized proof of vaccination has existed since 1933, known as the “International Certificate of Vaccination or Prophylaxis,” which is issued by the Centers for Disease Control and Prevention and approved by the World Health Organization (WHO). A digital version of this certificate, or “vaccine passport” as it has commonly become known, could be the most accepted solution since the standard version has been accepted and used globally.

³⁸ Google, Temasek, and Bain & Company. https://services.google.com/fh/files/misc/e_conomy_sea_2021_report.pdf. *Roaring 20s: The SEA Digital Decade*. e-Conomy SEA 2021.

³⁹ Statista. *Forecast of the Smartphone Penetration in Asia from 2010 to 2025* (accessible by subscription only).

⁴⁰ Statista. (both accessed through subscription).

⁴¹ Footnote 38, p. 14.

To gauge the possible effect of vaccination on international travel in Asia, ADB conducted a simulation exercise. Under the assumption that vaccine certificates would be implemented and allow vaccinated people to travel as before the pandemic, the tourism sector is not expected to recover until 2023, at the earliest. Research found that a 6-month delay in the vaccination roll-out would postpone the recovery of the tourism sector by a full year.⁴²

Furthermore, while some countries in Asia and the Pacific are implementing schemes, no harmonized system has materialized. This is partly due to a lack of consensus on systems and standards, as well as debate on the efficacy and rationale for vaccine passports. The advantages and disadvantages of vaccine passport schemes are discussed further in Box 2.

Box 2: Pros and Cons of Vaccine Passport Schemes

Both governments and private businesses are exploring options to introduce vaccine passports or similar schemes to support the reopening of borders and businesses. Some of the benefits and potential risks are described below.

Pros:

(i) Travel. The passport provides proof of vaccination, thus enabling entry to those countries requiring it.

(ii) Incentive. Vaccine passports or certificates could powerfully motivate people to get vaccinated. If countries reduced quarantine requirements for vaccinated people, unvaccinated people wishing to travel may be more willing to get vaccinated. The same may be true if certain businesses require employees to be vaccinated.

(ii) Opportunities. A vaccine passport or certificate may allow some businesses to reopen, including ones that would likely not be able to do so without a certain level of assurance that patrons were vaccinated. This may support early resumption of specific businesses, such as cruise lines, theme parks, and airlines. In particular, some cruise lines have already begun exploring vaccination and proof requirements, including Avalon Waterways, Azamara, Carnival, Celebrity Cruises, Crystal Cruises, and several others.

Cons:

(i) Variants. Most Asia and Pacific countries are in the early stages of the vaccine rollout. The effectiveness of all vaccines against the COVID-19 variants is not fully known yet, so it might be premature to fully introduce the passport system.

(ii) Discrimination. Such passports will be used to give people who are vaccinated and presumed to have immunity the ability to do things that others cannot. There is a danger of stigmatizing individuals who lack certification.

(iii) Fraud. Fake passports might be produced since they might be easy to copy, thus diminishing the value of legitimate passports.

(iv) Privacy. Vaccine passports could mean that health data is shared easily with outside companies, thus violating one's health privacy.

Source: Authors.

⁴² M. Helble et al. 2021. [Can Vaccination Help Restart Tourism](#). ADB Briefs. No. 186. Manila: Asian Development Bank.

According to WHO, with 102 unique vaccines in the clinical phase of development, 22 of which are being evaluated by WHO and 8 in finalized status, the situation for achieving harmonized standards on vaccines and thus passports could become more complicated. The following are some of the most prominent global examples of vaccine passports, followed by examples in Asia and the Pacific:

(i) Global Examples

- (a) **The International Air Travel Association Travel Pass.** This mobile app developed by IATA is intended to help establish a global standard for validating and certifying COVID-19 passenger travel requirements by creating a global registry of health requirements, testing and vaccination centers, authorized test centers, and a digital version of one's passport.
- (b) **CommonPass.** Intended to be a “globally interoperable platform for people to document their COVID-19 status...”
- (c) **IBM Digital Health Pass.** A “digital wallet” based on blockchain technology and intended to provide maximum health privacy while enabling organizations ways to return people to physical spaces.
- (d) **Vaccination Credential Initiative.** The initiative aims to enable individuals to access a trustworthy and verifiable copy of their vaccination records in digital or paper form. It is being developed by Microsoft, Oracle, Mayo Clinic, and others.
- (e) **The Good Health Pass Collaborative.** This initiative is working to ensure that the above solutions and others that are appearing are interoperable across institutional and geographic boundaries.

(ii) Asia and the Pacific Examples

- (a) The Thai government approved the adoption of vaccine passports, joining the PRC, Japan, and the Republic of Korea. Thailand is using digital health certificates to track users' vaccination and coronavirus test history for international travel. So far, Sinovac, AstraZeneca, and Johnson & Johnson have registered their COVID-19 vaccines in Thailand. The vaccine passport will only be issued to an individual and not for group use. This plan by the Thai government assumes that vaccine passports would be immediately available and allowed for international travel.
- (b) The “Immunitree” health passport of Malaysia was recognized by Singapore in February 2021 and included verification of COVID-19 tests and vaccination. Their blockchain-based open-source system was being made available at no cost to other governments and organizations.

- (c) The PRC and Southeast Asian countries, including Malaysia, Indonesia, the Philippines, and Singapore are exploring mutual recognition of health codes and upgrading “fast tracks” to promote the resumption of people-to-people exchanges, work, and production. Malaysia and the PRC agreed to mutually recognize digital vaccine certificates or COVID-19 health certificates during recent meetings in April 2021.
- (d) An India-based system enables access to vaccine certificates and scheduling vaccination appointments with multiple hospitals.

2.6 How COVID-19 Has Shaped Travel Products and Segments

As COVID-19 has impacted consumer behavior and attitudes toward travel and tourism, it has also seriously impacted the services and products that businesses provided. While some pandemic mitigation measures have been required by governments, others have been implemented voluntarily by travel and tourism businesses. In November 2020, the *UNWTO/GTERC Asia Tourism Trends* report presented responses and recovery measures that had been implemented by public and private sector actors in the region. The report summarizes measures which, as of December 2021, were continuing to guide recovery efforts (Table 1).⁴³

Table 1: Recovery Measures Taken through Supporting the Tourism Sector to Reopen

Area of policy	Recovery measures recommended
Private sector crosscutting measures	• Implement global and harmonized health, safety, and hygiene protocols
	• Train personnel in safety and security protocols as well as self-service delivery
	• Communicate protocols and responsibilities to the customers, and keep them informed onsite and through digital and social media
	• Clean all surfaces more frequently, using products and disinfectants that meet requirements with special attention to high-touch surfaces
	• Set up plan in the event a guest or employee falls ill on site
	• Create an internal coronavirus disease (COVID-19) coordination committee to follow-up on implementation and execution of protocols and service delivery
	• Redesign processes toward more digital touchless operations across all possible touchpoints
	• Keep a record of statistical information for tourism planning and management in full coordination with local and national tourism and statistical authorities
	• Promote social dialogue and work to ensure the health and well-being of workers and the working environment (support employees in monitoring their health and adopt human resources policies)
	• Engage in public-private sector dialogue and participate in national and local recovery mechanisms

Source: World Tourism Organization and Global Tourism Economy Research Centre 2020. *UNWTO/GTERC Asia Tourism Trends–2020 Edition*. Madrid.

⁴³ Footnote 1.

As stakeholders began implementing these measures in 2020 and into 2021, changes in operations and attitudes began creating a “new normal” for the industry whereby measures such as stringent hygiene protocols, use of contactless customer service, and the implementation of social distancing measures were rapidly becoming part of business as usual, albeit with decreased customer capacity and increased costs. Changing customer attitudes and preferences also formed part of this new normal, and in some cases created new opportunities that businesses could capitalize upon. In fact, some have argued that the pandemic should be regarded more widely as a ‘reset moment’ for upgrading visitor facilities and addressing long-standing challenges for the tourism sector in the region (see Box 3). The impact on the industry and the shape of the new normal vary hugely across different tourism products, and are detailed in section 2.6.1.

Box 3: Treating the Pandemic as a “Reset Moment”

While COVID-19 has been managed relatively well in Asia and the Pacific (particularly in East Asia) compared to other world regions, disruption to the tourism sector has been deep, with consequences that may take several years to emerge, said Sarah Mathews, group head of Destination Marketing for Asia and the Pacific at TripAdvisor. “When demand does return, it is likely to gradually take shape through a series of carefully managed travel corridors between countries that have succeeded in keeping infections low. In any case, given the level of disruption to air routes and different approaches to managing the pandemic, the patterns of demand are unlikely to look like they did in 2019” observed Matthews, who is based in Hong Kong, China.

Matthews explained that destinations in the region should treat the pandemic as a “reset moment,” taking the opportunity to upgrade key areas of national tourism infrastructure, such as “flagship” popular attractions. “Destinations have a unique opportunity to take a fresh look at everything from access to pricing and on-site management, in order to put these valuable places on a more stable financial footing and ensure that they will be properly cared for in the long term.” Consumers are likely to pay much closer attention to ease of access and the quality of local medical facilities than was the case in the past, she observed. Increased interest among consumers around health, wellness, and travel in smaller groups also means that travelers will require more help in planning and packaging their own trips. “Well-organized nature-based products that focus on outdoor activities, wellness, and self-drive tours could become ‘quick wins’ when travelers are able to return.”

Source: Authors, based on interview with Sarah Mathews, group head of Destination Marketing Asia and the Pacific, TripAdvisor.

2.6.1 Cultural, Religious, and Community-Based Experiences

Prior to COVID-19, cultural tourism was the purpose of visit for 47% of arrivals among 69 countries and was forecast to increase by 15% over the next few years. Included with this was an estimate that culinary travel was also a leading draw, with an estimated 25% of a traveler’s budget spent on food and beverages.⁴⁴

The collapse in visitor arrivals throughout the region has highlighted the extent to which cultural, religious, and community tourism had become a major driver of tourism demand. It has also highlighted the extent to which tourism underpins the preservation of tangible and intangible cultural heritage in the region.

⁴⁴ UNWTO. 2018. *Tourism and Culture Synergies*. Madrid.

In March 2021, 50% of the world's 1,121 UNESCO World Heritage sites were still closed.⁴⁵ In May 2020, a report by the Friedrich Ebert Stiftung Foundation for Social Democracy found that while heritage sites were often overlooked in the pandemic, they found themselves “at the epicenter of a multifaceted challenge.”⁴⁶ Shuttered sites and businesses, paired with few visitors, meant that families whose livelihoods depend on tourism were struggling—tour guides and heritage management staff were not being paid or lost their jobs, complicating site management. Furthermore, mass confinement makes practicing cultural and religious rituals impossible for most, adding another layer of hardship to communities in times of crisis.

The report also highlights the ongoing challenge of securing cultural heritage sites to prevent them from being looted or destroyed, and protecting natural heritage sites from poaching and illegal wildlife trafficking. To cite one example, Cambodia's most visited tourist destination, Siem Reap, recorded a contraction of 45.6% of tourist arrivals in the first 4 months of 2020, and a 99.6% reduction of tourist arrivals in April 2020 compared to the same month in 2019.⁴⁷ As of April 2020, around 2,956 tourism-related businesses had closed, leaving 45,405 people unemployed.⁴⁸ UNWTO has expressed concern that the collapse of cultural tourism jeopardizes the livelihoods of millions of cultural professionals. At the same time, the value of culture to travelers has been highlighted by the millions of people seeking virtual access to museums, heritage sites, theaters, and performances from their homes around the world.⁴⁹

With many borders closed to international visitors, some operators and sites began offering virtual tours and experiences. Airbnb Experiences launched virtual tours and experiences offered as a complement to or substitute for their in-person experiences. Most Asia and the Pacific sites and experiences were inaccessible in-person due to COVID-19 restrictions from April 2020 onward. Some experiences, such as cooking lessons and traditional arts demonstrations, proved to be popular online. While not a replacement for in-person experiences, virtual presentations also help market and promote a place for when in-person is again possible.

2.6.2 Self-Improvement, Transformational Travel, Educational Travel, and Wellness

Travel for self-improvement, transformation, education, and wellness was one of the fastest growing segments before COVID-19. In 2017, the wellness sector generated over \$639 billion and nearly 18 million jobs, with 6 of the top 10 wellness destinations in Asia.⁵⁰ The quality of wellness offers depends strongly on health and hygiene conditions. Consequently, this segment has perhaps suffered more than others from lockdowns and public health restrictions, particularly where experiences involved closed spaces such as spas or close contact such as massages.

⁴⁵ UNESCO. [Monitoring World Heritage Sites Closures](#). (accessed 01 March 2021).

⁴⁶ P. Fabel. 2020. *Markers of Identity: Asia's Cultural Heritage in Times of COVID-19*. Friedrich Ebert Stiftung. 19 May.

⁴⁷ Open Development. 2020. *Socio-Economic Impact of COVID-19 on Cambodia*. 29 September.

⁴⁸ Footnote 47.

⁴⁹ UNWTO. [Cultural Tourism & COVID19](#).

⁵⁰ Global Wellness Institute. 2018. *Global Wellness Tourism Economy*.

At the same time, lockdowns have motivated many consumers around the world to focus on self-improvement, as their pace of life has slowed yet they need to maintain health and well-being without meeting in groups or leaving home. Many consumers in the region have turned to furthering formal education, other learning experiences (such as short courses), or improving health. Where travel has been possible, this appears to have benefited destinations in Asia and the Pacific which have built up a strong reputation for standard-setting quality in this segment.

One of the largest self-improvement areas prior to COVID-19 was education and educational travel. According to WYSE Travel Confederation, this segment generated \$333 billion in tourism receipts and accounted for at least 23% of the global travel market in 2019, with UNWTO estimating that youth travel would account for 300 million arrivals and increase 3% annually.⁵¹ Younger travelers are the fastest-growing consumer and traveler group in Asia and the Pacific, meaning this segment warrants greater attention.

However, the pandemic severely disrupted the educational travel sector, with border closures leaving international students stranded overseas or unable to leave their home countries to take up placements at overseas universities. In Australia, international education exports dropped by 6% by June 2020 and the crisis in tourism alone reduced GDP by 1.5%.⁵² More broadly, prior to the pandemic, tuition fees from international students made up an increasingly important share of revenues for higher education institutions. These institutions have come under significant pressure to refund tuition fees to students where teaching has been suspended or partially replaced by online teaching.

International students have also been found to have a strong impact on the tourism industry of their study countries, according to a 2018 study.⁵³ As a result, the drop in international student mobility in the region is likely to have heavily impacted the associated demand for the “visiting friends and relatives” category of international travel. Before the pandemic, overseas students would commonly receive visits from friends and family while attending overseas study placements and explore their host countries.

Looking ahead, safety is likely to remain a major concern for international students and their families. The perception that governments in East Asia and Southeast Asia have managed the pandemic better than traditional student-receiving countries such as the UK and the US has become widespread—an effect that is likely to reinforce patterns in regional student mobility that were emerging pre-pandemic. It is notable that pre-pandemic, the PRC had become the third-largest receiving country of international students, and more students were traveling within East Asia and Southeast Asia for international education than they were a decade ago.⁵⁴

⁵¹ WYSE Travel Confederation. n.d. <https://www.wysetc.org/about-us/facts-and-stats/> Facts and Stats.

⁵² P. Grozinger and S. Parsons. 2020. *The COVID-19 Outbreak and Australia's Education and Tourism Exports*. Reserve Bank of Australia. 10 December.

⁵³ M. N.D. Tran, K. Moore, and M. Shone. Interactive Mobilities: Conceptualising VFR Tourism of International Students.

⁵⁴ J. Waters. 2021. *Covid-19 and International Student Mobility. Some Reflections*. London School of Economics blog. 5 January.

One report from Oxford University has suggested that as a result of the pandemic, students from Asia could favor the PRC; Hong Kong, China; Japan; the Republic of Korea; and Singapore as potential study destinations in the future.⁵⁵ It is doubtful whether concerns around student safety will be entirely offset by successful vaccination programs in countries that receive students outside Asia and the Pacific, as attitudes toward public health and the quality of the student experience play an important role in decision-making. Furthermore, the perceived increase in racism toward Asian people could make Asian students reconsider studying in the US or Europe. Another critical concern among students and parents the additional costs related to mandatory quarantines, insurance, and vaccinations.

Nevertheless, while the pandemic has disrupted the international education sector, the fundamental attractions inherent in overseas education (such as international experience and prestige) have not changed, and this will help drive recovery.

2.6.3 The Great Outdoors

Nature-based travel has been growing quickly. The Adventure Travel Trade Association values adventure experiences at \$683 billion with a 21% compound annual growth rate from 2012 to 2017.⁵⁶ Substantial growth was occurring in the PRC, where the China Outdoor Association estimated a market size of 60 million enthusiasts, while Destination Canada found that about 20% of Chinese travelers considered themselves “aspiring escapists.” While destinations outside the PRC restricted access to parks and other outdoor venues due to COVID-19, the PRC government has been preparing to expand its offers, especially in winter tourism, partly in preparation for the 2022 Winter Olympics. The government aims to inspire as many as 300 million winter sports enthusiasts.

While ecotourism expeditions, trekking, hiking, skiing, glamping, and mountain climbing were not traditional activities for Chinese travelers, these segments have seen a considerable boost, as they have attracted travelers who might otherwise have traveled overseas. According to Carol Chen, co-owner of Guangzhou-based Diadema, one of the PRC’s leading luxury travel agencies, “this reflects a greater shift in consumer values which includes a greater appreciation for the country’s outdoor spaces, as well as taking on personal physical challenges as part of the vacation experience.”

Chinese consumer interests in the great outdoors are also reflected in other consumer segments, particularly city-dwellers who are seeking easy escapes from city life. This trend was observed by the Mekong Tourism Group, interviewed for this report. The company—which caters to more than 6 million visitors per year across its forest parks, wildlife zoos, and resort hotels—noticed a relatively fast recovery, following the initial phases of lockdown in the PRC, boosted by would-be outbound tourists spending on domestic travel.

⁵⁵ W. Xiong et al. 2020. *Centre for Global Higher Education Working Paper Series*, No. 54. September. Oxford: CGHE.

⁵⁶ Adventure Travel Trade Association. 2018. *20 Adventure Trends to Watch in 2018*.

According to May Li, vice chairman of the board of the Mekong Tourism Group, the company has noticed a significant rise in self-driving, small groups, customized tours, and short-distance travel to locations within 1 to 2 hours' drive of major cities. "Once domestic travel had resumed following the initial lockdown (January–May 2020), by late May, demand was restored to 50% of the level in 2019, and on the National Day holiday in October, this had reached 80% of 2019 levels, a pattern consistent with the performance of the domestic tourism market across whole China," she observed. She said that during the past 2 years, PRC travelers had become more confident in booking aspects of their trips independently and in advance. "They are also increasingly embracing alternative reality and virtual reality technology, and we are using it to enhance the visitor experience on-site—a lesson that we will use for engaging more with young consumers in the future." Finally, the company has observed sharp growth in health and sport tourism and has seen demand grow for its organized cross-country forest races, triathlons, and marathons, which will resume once permission is received from the government. PRC travelers' enthusiasm for competitive sports is likely to be replicated once international travel is possible again.

These patterns of consumer behavior appear to be repeated elsewhere in the region. According to Richard Bangs, co-founder of Steller.com and Mountain Travel Sobek "consumers have noticed that carbon emissions are down, and the air is cleaner. The new traveler is more cautious and concerned about crowds, about carbon footprints, and about well-being, diversity, and about costs. This highlights the importance of applying regenerative principles to tourism development in the future."

Regarding nature parks and protected areas in the region, more generally, while the absence of visitors may at first seem to benefit protected natural areas (given the potential for ecological recovery and restoration), it may also cause negative effects, including loss of income for conservation projects, damage, or wildlife crime in the absence of a management of resources. The full extent of this is yet to be determined. As demand returns, however, it is imperative that protected areas are prepared for directing surges in visitors toward positive outcomes.⁵⁷

This segment is expected to have wide and lasting positive impacts beyond the PRC, given that it offers experiences that are outdoors and often away from crowds, thus socially distant, and considered safer than activities that attract crowds. If managed responsibly, nature-based experiences have the potential to generate more respect and resources for protecting and preserving natural resources.

⁵⁷ UNWTO. 2020. [Sustainable Recovery of Tourism In Protected Areas from the COVID-19 Pandemic](#). Op-ed. 16 December.

2.6.4 Theme Parks and Built Attractions

Theme parks in Asia and the Pacific attracted 521 million visitors in 2019 and were forecast to continue growing throughout the region.

Disney—the largest company in the theme park space by revenue and visitors—illustrates pandemic impacts on the segment. In their first quarter earnings report for fiscal year 2021, the company reported that their theme parks were closed or operating at reduced capacity. The report noted that “We have incurred, and will continue to incur, additional costs to address government regulations and implement safety measures for our employees, talent and guests...We currently estimate these costs may total approximately \$1 billion in fiscal year 2021.” With the continued closure or partial reopening of their parks, they estimated a loss of \$119 million in revenue.

To reopen, they instituted strict cleaning and hygiene protocols, alongside social distancing and mask-wearing, temperature checks, and regular sanitization requirements. In March 2021, one of the most popular online resources for the attractions industry, Blooloo.com, reported a flurry of plans and investments globally among companies such as Disney to reopen or even launch new theme parks in 2021. In fact, a UBS report cited by Blooloo.com predicts “historical performance and attendance metrics by FY22” because the parks have “implemented operational improvements during the pandemic.”⁵⁸

2.6.5 Beach Tourism

Pre-COVID, the stream of visitors to beach destinations such as Phuket, Hainan Island, and Goa was growing to the extent that some locations were struggling to deal with the number of visitors, which had started to cause significant damage to local environments. For example, in 2018, authorities in Thailand decided to close Maya Beach on the island of Phi Phi Leh as more than 5,000 daily visitors had severely damaged the environment, including most of the island’s coral,⁵⁹ while the beaches on the Philippine island of Boracay were closed for similar reasons (reopening again in 2021 following infrastructure improvements).⁶⁰

Hainan Island (PRC) alone received 83 million domestic and international visitors in 2019. In December 2020, the island was declared COVID-19-free and hosted millions of domestic visitors, but remained closed to foreign visitors. Throughout Asia and the Pacific, if accessible, beach destinations were mostly open only to domestic markets. Examples of major beach destinations that sought to promote domestic visitors include Da Nang in Viet Nam (until it was forced to close for 1 month from late July following

⁵⁸ A. Sarsfield-Hall. 2021. [Disney Theme Park Attendance Predicted to Recover by 2023](#). *Blooloo*. 27 January.

⁵⁹ BBC.com. 2019. [Thailand: Tropical Bay from the Beach to Close until 2021](#). 9 May.

⁶⁰ BBC Travel. 2021. [The Island that Look a Holiday from Holidays](#).

the detection of one case of COVID-19),⁶¹ and Phuket, which in February 2021 saw 90% occupancy from domestic visitors over the Makha Bucha holiday, following the easing of government restrictions.⁶² However, the absence of foreign visitors in Phuket has led to a loss of \$10 billion in tourist revenue. With Hainan as an example, this segment seems poised to return to high levels of visitors.

Several beach destinations took innovative approaches to stimulate demand. Boracay and Palawan in the Philippines sought to attract long-stay visitors such as digital nomads, with packages sold on a monthly rather than weekly basis.⁶³ Resorts on Indonesia's Bintan Island made a concerted effort to attract domestic visitors by cutting prices, encouraging take-up of its water sport activities, and attracting a small number of domestic-market conferences.⁶⁴ Some destinations that have attracted digital nomads (such as Boracay, Palawan, and Bali) can benefit from nomad spending since these white collar workers are able to work remotely for long stretches, relatively unaffected by the crisis.

Beyond Asia and the Pacific, sun and sand destinations that are reopening might provide lessons about what could happen if not planned or managed well. In June 2021, popular sun and sand destinations such as Miami Beach, Florida and Cancun, Mexico were returning to overtourism status with crowds of visitors. In addition to stressing local infrastructure and ecosystems, the risk of wider COVID-19 spread was strong, given that visitors will return home, many carrying COVID-19. This underscores an important role for airlines, hotels, and destination management organizations to implement risk mitigation protocols.

2.6.6 Cruise Tourism

Prior to COVID-19, the cruise segment was among the fastest growing in the travel and tourism industry worldwide. The Cruise Lines International Association reported that the number of passengers increased more than 68% from 2009 to 2019, reaching 30 million. Asian cruising grew 14% annually from 2014 to 2018. The industry generated capacity for 4.02 million passengers to cruise Asia in 2019—3.80 million on Asian cruises and 175,000 on voyages that passed through Asia.⁶⁵

COVID-19 hit the cruise industry with outbreaks on a few ships, prompting global headlines that caused widespread alarm that cruise ships could be incubators for quickly spreading the virus. Some examples include the Diamond Princess,⁶⁶

⁶¹ N. Quy. 2020. *A Devastating Year for Vietnam's Tourism*. *VN Express*. 21 December.

⁶² *The Phuket News*. 2021. *Tourists Flock to Eastern Provinces*. 27 February.

⁶³ E. Lopez. 2021. *Hit by Coronavirus, Philippine Beach Resorts Target Local Long- Stay Tourists, Digital Nomads*. 28 February.

⁶⁴ K. Siregar. 2020. *Without Tourists from Singapore, Bintan's Resorts Get Creative to Make Ends Meet amid COVID- 19*. *Channel News Asia*. 24 December.

⁶⁵ Cruise Lines International Association. *2021 State of the Cruise Industry Outlook*. Washington, DC.

⁶⁶ M. Rich. 2020. *"We're in a Petri Dish": How a Coronavirus Ravaged a Cruise Ship*. *New York Times*. 22 February.

stranded off the coast of Japan, the Ruby Princess⁶⁷ in Australia and New Zealand, the Westerdam,⁶⁸ the Grand Princess,⁶⁹ the Costa Luminosa⁷⁰ and the Zaandam.⁷¹ While these incidents were tragic, with many cases and deaths among passengers and crew, up to 100 ships were cruising at the same time without incident.

Cruises in Asia and the Pacific almost stopped completely as ports refused entry and the US Centers for Disease Control implemented a no-sail order, which barred cruise ships from US ports. A limited number of ships began sailing again starting in July 2020, but not near pre-COVID numbers. This situation continued throughout 2020 and into 2021, with many lines that had planned cruises in Asia and the Pacific, delaying the relaunch of service. As of March 2021, all locations in the region were closed to or highly restricted cruises.

On 21 September 2020, Cruise Lines International Association adopted a mandatory set of health protocols, following the recommendations of a “healthy sail” panel, established by Royal Caribbean and Norwegian Cruise, among others. The recommendations have implications for cruise operations, ports, and shore excursions worldwide, especially in “destinations and itinerary planning” and “guest excursions.” The panel discouraged self-exploration or other externally sponsored excursions and required shore excursion vendors to incorporate strict protocols and management processes addressing COVID-19 such as physical distancing, personal protective equipment, sanitation, personnel screening, and training.

On 30 October 2020, the Center for Disease Control released a Framework for Conditional Sailing Order for Cruise Ships, which remains in effect for a year, or earlier once COVID-19 is no longer considered a public health emergency. While the framework applies to operations in US waters, its implications are global and have affected operations in ports in Asia and the Pacific. The framework may set a global standard for ensuring adequate health and safety protections initially for crew, and subsequently for passengers and portside communities. Although it does not apply to non-US lines, US lines would likely abide by this framework beyond US ports and non-US lines seemed to be implementing similar protocols, thus paving the way for a global standard.

Smaller ships may become more important in the cruise market, as new or expanded cruise lines introduce smaller vessels. While most are “explorer” or small luxury ships, they are less likely to visit traditional cruise ports in the Western Hemisphere, do not need cruise terminals to process large volumes of passengers embarking or disembarking, can visit smaller ports, and will be seeking alternative itinerary offerings.

⁶⁷ F. Noble. 2020. [Coronavirus: Emails Show NSW Health Knew of COVID-19 Risk on Ruby Princess](#). 9news. 4 April.

⁶⁸ R. Paddock, S. Wee, and R. Rabin. 2020. [Coronavirus Infection Found after Cruise Ship Passengers Disperse](#). *New York Times*. 16 February.

⁶⁹ T. Fuller, S. Mervosh, and J. Gross. 2020. [21 Coronavirus Cases on Cruise Ship Near California](#). *New York Times*. 6 March.

⁷⁰ F. Robles. 2020. [Passengers Fell Ill With Coronavirus. And the Ship Sailed On](#). *New York Times*. 6 March.

⁷¹ F. Robles. 2020. [Ships with Coronavirus-Stricken Passengers Docks in Florida](#). *New York Times*. 2 April.

A positive sign for regional cruise markets was the announcement by the India-based Waterways Leisure Tourism to invest \$300 million in the Indian cruise market, which included the launch of Cordelia Cruises. The new line had planned on cruises starting in May 2021 as a “cruise liner by Indians for Indians.” Their chief executive officer, Jurgen Bailom, notes that “It’s time to lead by example and tell the world India is ready for a post-pandemic comeback with its very own cruise brand.”⁷² As of January 2022, the line was offering several India-only itineraries.

2.6.7 Urban Tourism

Prior to the pandemic, urban tourism was one of the driving forces of tourism growth in Asia and the Pacific, with domestic visitors making up around 80% of visitor arrivals. Shopping, gastronomy, culture, nightlife, and luxury accommodation were among the core attractions for urban visitors from within the region. However, every major city in Asia and the Pacific has suffered losses due to the pandemic.

Cities that relied most on international visitors were especially affected. Bangkok was the worst affected in the region, with an estimated loss of 14.5 million visitor arrivals for 2020 (it had previously been the world’s most visited city for 4 consecutive years).⁷³ According to an Oxford Economics Study, travel demand for Hong Kong, China also continued to decline due to civil unrest on top of the global pandemic, with visitor arrivals forecast to decline by 13.5 million in 2020. Macau, China was also deeply impacted, with an estimated decline in international arrivals at 12.2 million, 70% of which comprised tourists from the PRC. Cities such as Colombo and Phnom Penh, which are particularly reliant on long-haul visitors, were also hit hard by the crisis.⁷⁴

COVID-19 has forced cities to become less dependent on long-haul markets—a situation that could expedite recovery once borders reopen, since short- and medium-haul markets are likely to be the first to return. Lingering travel restrictions and fragile travel demand are expected to have the greatest negative impact on long-haul travel, while short-haul and medium-haul travel are expected to enjoy a quicker return to pre-crisis levels.

One of the key features of the growth in urban tourism in the region has been the emergence of high-quality budget accommodation, which was especially attractive to the youth segment and travelers who looked to save on accommodation while prioritizing retail, fine dining, and entertainment. Operators in the high-quality budget accommodation market can vary from large corporate investors to small, independent businesses. Paloma Meng, general manager for Hostelworld Group in Shanghai observes that since the start of the pandemic, there has been much fallout in this

⁷² *Economic Times*. 2021. [Dream Hotel Group to Invest US\\$300 million to Develop Cruise Tourism in India](#). 21 March.

⁷³ Mastercard. 2019. Global Destination Cities Index 2019.

⁷⁴ A. Sacks, H. McDermott, S. Trimble. 2020. [Global Travel Service: Global Highlights & Risks, July 2020](#). Tourism Economics. 14 August. Oxford.

sector as properties have closed or are about to do so. However, she notes that “those with money are investing in good quality, well-located properties as they are confident that when demand returns properly, it will come back strongly.”

The pandemic has highlighted the strengths and weaknesses of urban environments as places to live, work, and visit. As people were forced inside, out of schools and workplaces and away from one another, new challenges emerged. Aspects that were taken for granted, like access to nature, clean air and water, reliable internet, and space to move have become more highly valued. Increased home working and schooling may also take pressure off public transport systems. Meanwhile, climate change is expected to bring even more challenges to cities in Asia and the Pacific—whether physical, environmental, or health-related—in the coming years.⁷⁵

In countries where the virus had been contained effectively, city life has largely returned to normal, though with stricter hygiene and social distancing measures. This, combined with the unique appeal of cities as centers of commerce, arts, culture, gastronomy, and nightlife should eventually help to drive recovery, even though the visitor experience is likely to be managed differently, with much stricter hygiene protocols in place, crowd limitations, and pedestrian flow management in busy places. The nature of industries like retail is also changing globally— becoming less about acquiring goods and more about providing immersive, sensory experiences to shoppers, such as interactive displays, photogenic spaces, and events.

2.6.8 Luxury and Exclusive Travel

The global luxury industry was heavily impacted by the pandemic in 2020.⁷⁶ The overall luxury market—encompassing both luxury goods and experiences—shrank by as much as 22% and is estimated at about \$1.18 trillion globally, back to 2015 levels.

Tourism in Asia and the Pacific is an important vehicle not only for the consumption of high-end accommodation and dining but has, to date, fueled a significant proportion of spending on personal luxury items (like clothes, jewelry, and watches), with PRC travelers in particular enjoying significant tax discounts on purchases made abroad. However, in 2020 this trend was reversed as the PRC introduced dedicated tax-free malls for domestic travelers who had returned from overseas or had booked travel in the future. Following a threefold increase in the tax break, PRC shoppers in Hainan, for example, now benefit from a \$15,000 duty-free allowance. Some commentators have suggested that such alliances are a key tenet of a long-term objective of the PRC government to maximize domestic consumption and repatriate travel-related shopping from abroad.⁷⁷

⁷⁵ Channel News Asia. 2020. [Greener and Cleaner: Reimagining Our Cities in the Wake of COVID-19](#). 6 June.

⁷⁶ Bain & Company. 2021. [The Future of Luxury: Bouncing Back from Covid-19](#). 14 January.

⁷⁷ The Economist. 2021. [Duty-free Retail is Finding New Ways to Grow](#). 27 February.

While luxury tourism declined in relation to other categories of luxury spending, it is still a resilient segment of the tourism industry, with luxury travel operators and property owners able to benefit from more available capital to invest in innovation to upgrade products and services. According to luxury travel expert Uwern Jong, success in reopening and attracting luxury travelers will depend heavily on the extent to which destinations can keep travelers separate from local people. This is because in the immediate recovery phase, luxury travelers are likely to be sensitive to their surroundings and keen to travel in conditions that are as hermetically sealed as possible, with only those in their travel party. For this reason, a considerable amount of innovation and product development is currently underway to ensure that the luxury market can open up fastest, by offering services such as plane-to-property transfers.

High-quality local health-care facilities will be important for reassuring travelers (and their insurance companies) that they can find treatment if needed. This also points to the potential for strong growth in medical tourism, especially among wealthier travelers who can pay for treatments overseas that may have been delayed at home. Thailand, for example, has long been a leader and pioneer in medical tourism, catering to higher end visitors from around the world. Bumrungrad Hospital in Bangkok, for instance, helped establish medical tourism as a key global travel segment.

Further innovation is expected as governments seek to capitalize on the increasing number of high net-worth individuals in the region who are location-independent and could be attracted to invest in property and businesses in remote locations through improved visa facilitation and other business startup incentive schemes.

2.6.9 Business Travel and the Meetings, Incentives, Conventions, and Exhibitions Segment

Business travel and the meetings, incentives, conventions, and exhibitions segments were critical sources of revenue for the travel industry pre-COVID-19. However, as travel and tourism came to a standstill, so did most of the segment as corporations, associations, and other large meetings organizers suspended travel.

From the end of April 2020 onward, very few in-person exhibitions and meetings took place, even for domestic markets, such as the PRC and the Republic of Korea, where some meetings were conducted. Based on estimates from the Global Business Travel Association, the region lost about \$120 billion in business travel spending in 2020. As of February 2021, a Global Business Travel Association company survey showed that most of this segment was not expected to recover soon.⁷⁸ For example, 32% of PRC companies did not plan to resume travel soon, 43% had considered it but had not yet made plans, 7% planned within 1–3 months, and 18% were unsure.

⁷⁸ Global Business Travel Association. 2021. *Coronavirus Poll Results*. February. p. 19. The poll was conducted from 8 to 18 February 2021 among Global Business Travel Association members.

An op-ed article in Business Travel News provides a sobering assessment of the future of business travel demand.⁷⁹ The article’s author, Scott Gillespie, provides four reasons for why “demand will be sharply and permanently diminished.” The pandemic forced most employees to work from home, which will remain popular for many workers and their companies in the post-pandemic world. The logic follows that if one does not need to go to the office to work, why do you need to travel?

2.6.10 Events

Nonbusiness events comprise a range of activities from arts and culture to sporting events and weddings. Events of all kinds stopped around the world. People could not travel to events and the events themselves were considered risky and often vectors of infection. Outdoor events have restarted on a limited basis, but indoor events have been restricted. The 2020 Tokyo Olympics, for example, was postponed by a year and then restricted only to domestic spectators.

As with much of business travel and the meetings, incentives, conventions, and exhibitions market, many events either became fully virtual or a hybrid. For events conducted in person, COVID-19 protocols for cleanliness, mask-wearing, and social distancing are key features in Asia and the Pacific. In a June 2021 survey of 208 Italian representatives of global pharmaceutical and biopharma companies conducted by the AIM Group International, a global events and meetings company, 47% said that they were planning to attend in-person events in the last quarter of 2021 and almost a third indicated that they would prefer a combination of virtual and in-person (hybrid) event.⁸⁰

2.7 Impacts on Youth

The youthful nature of young consumers in Asia and the Pacific makes them a significant force in travel in growing spending power (as young people grow up, gain financial independence, and make their own consumer decisions), and as possible agents of change in the travel industry (as consumers, employees and entrepreneurs). This is given their strong technological literacy, and their “collectivist” mindset and strong beliefs around issues such as climate change and social justice. The COVID-19 pandemic (a significant global event with ongoing repercussions across multiple aspects of daily life) struck during the formative years, both for Millennials (Generation Y, born c. 1980–1995) and Generation Z (born c. 1996–2012). It is therefore likely to exert a strong influence on young people’s values and attitudes toward travel—among other things—in the years to come. For this reason, the authors of this report have chosen to examine the impact of COVID-19 on various aspects of young peoples’ lives in Asia and the Pacific more closely. Outputs from a specially convened focus group held with young people to discuss these issues are presented in Box 4 at the end of this chapter.

⁷⁹ S. Gillespie. 2021. [Business Travel Has Peaked. Here’s Our Future](#). *Business Travel News*. 22 January.

⁸⁰ AIM Group International. 2021. [Events In-Person, Hybrid or Digital? Trends and Perspectives from The Sponsors \(Survey\)](#). 14 June.

A global survey of Millennials and Gen Z conducted by Deloitte⁸¹ identified climate change, the welfare of their families, financial stability, health care, and long-term career prospects as huge concerns *before* the pandemic. A “poor work/life balance” and the “inability to be their authentic selves” also weighed on respondents. Notably, many Gen Zs around the world were starting to use novel tactics and the power of the internet to bring attention to the causes they cared about to build solidarity with peers around the world.

The impact of climate change weighed particularly heavily on young people, particularly Generation Z. Conde Nast traveler suggested in January 2020,⁸² “if Gen Z has a face, it might just be Greta Thunberg’s,” referring to the young Swedish activist who led the school strike movement and who has become a figurehead for Gen Zs determined to force global action to combat climate change, pointing to a wider trend among Gen Z to put pressure on governments and businesses that are underperforming on their climate commitments. The movement has grown in Asia too. Greta Thunberg has been featured widely in the Chinese media, while small grassroots protest groups on climate change have emerged in cities across Southeast Asia including Yangon, Kuala Lumpur, and Manila.⁸³ As a result, young people in the region could, at the very least, pay closer attention to the environmental impact of the travel industry as it gradually recovers, and even change their own travel behavior to reduce environmental impact.

Millennials and Generation Z also merit consideration as the Asia and Pacific tourism sector’s employees and entrepreneurs. In 2018, Dell Technologies⁸⁴ surveyed 12,000 Gen Zs globally, with more than half the respondents coming from 10 Asia and Pacific countries (Australia, the PRC, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Viet Nam). The survey found that Gen Z tends to place a high value on factors beyond salary, such as working for a socially or environmentally responsible organization (38%), the possibility to learn new skills and have new experiences (50%), and to do work that has meaning and purpose beyond getting paid. This suggests that tourism businesses will have to take greater steps to reassure potential employees about the impact that their operations have on the environment and to offer a wider range of conditions to young employees, beyond a fair wage.

As both health and economic effects of the pandemic took hold in early 2020, it became clear that the impact of these had been asymmetric across age groups.⁸⁵ While young people appeared to be less at-risk of developing severe health symptoms than older age cohorts, disruptions to their access to education and employment

⁸¹ Deloitte. [White Paper on Millennials and Generation Z Making Mental Health at Work a Priority](#).

⁸² L. Cheslaw. 2019. [Gen Z Are Pressuring the Travel Industry in All the Right Ways](#). *Condé Nast Traveler*. 29 July.

⁸³ P. Jha. 2019. [The Young Activists Fighting Southeast Asia’s Climate Crisis](#).

⁸⁴ Dell Technologies. 2019. [Gen Z is Here. Are You Ready?](#)

⁸⁵ OECD. 2020. [Youth and COVID-19: Response, Recovery and Resilience](#). 11 June.

on top of economic downturns are likely to put the young generation on a more volatile trajectory in finding and maintaining quality jobs and income. By extension, this could affect their ability to travel and their choice of activities when they do. It is also likely to affect their preparedness to work in the tourism sector (i.e., they may be missing vital skills), or their interest in doing so (given that the pandemic has shown the sector to be highly vulnerable to external shocks, and thus unable to offer stable employment conditions).

In contrast to the common perception that most learning shifted seamlessly online, education has faced significant disruption from COVID-19 across the region. The World Bank notes that COVID-19 has been extremely challenging for students without internet access, and that digital inequalities persist across all countries, affecting educational and career opportunities.⁸⁶ For example, in Southeast Asia in 2020, only Brunei Darussalam, Malaysia, and Singapore have over 80% internet penetration, while in Cambodia, Indonesia, and Thailand less than 60% of the population has access to the internet, and in Viet Nam, internet penetration is as low as 40%.

In terms of the pandemic's impact on youth employment, a 2020 study by ADB and the International Labour Organization found that it has severely affected young people's employment prospects in Asia and the Pacific.⁸⁷ And there is concern that the economic effects of the pandemic may aggravate the existing vulnerability of young people in labor markets. Pre-pandemic, they were already more likely to work in nonstandard employment, such as temporary or part-time work, facing a higher risk of job and income loss. This, combined with the fact that young people tend to own fewer financial assets, indicates that the economic effects of COVID-19 are likely to affect youth in ways ranging from their access to housing to paying back school loans. In short, a key concern remains that the multiple effects of the pandemic are threatening to create a "lockdown generation" that will feel the crisis long into the future.

2.7.1 Consequences of the Pandemic on Young People's Mental Health

Long-term concerns around the impact of COVID-19 on career and study prospects, as well as more immediate concerns around avoiding the virus and fear of spreading it, have created immense psychological pressure for young people in the region (Figure 3). However, in many Asian cultures, the issue is a highly sensitive topic. A survey carried out in 2021 among 1,226 18–24-year-olds in Australia; the PRC; Hong Kong, China; and Singapore found that only 41% of Gen Zs across Asia and the Pacific are comfortable talking about their mental health.⁸⁸

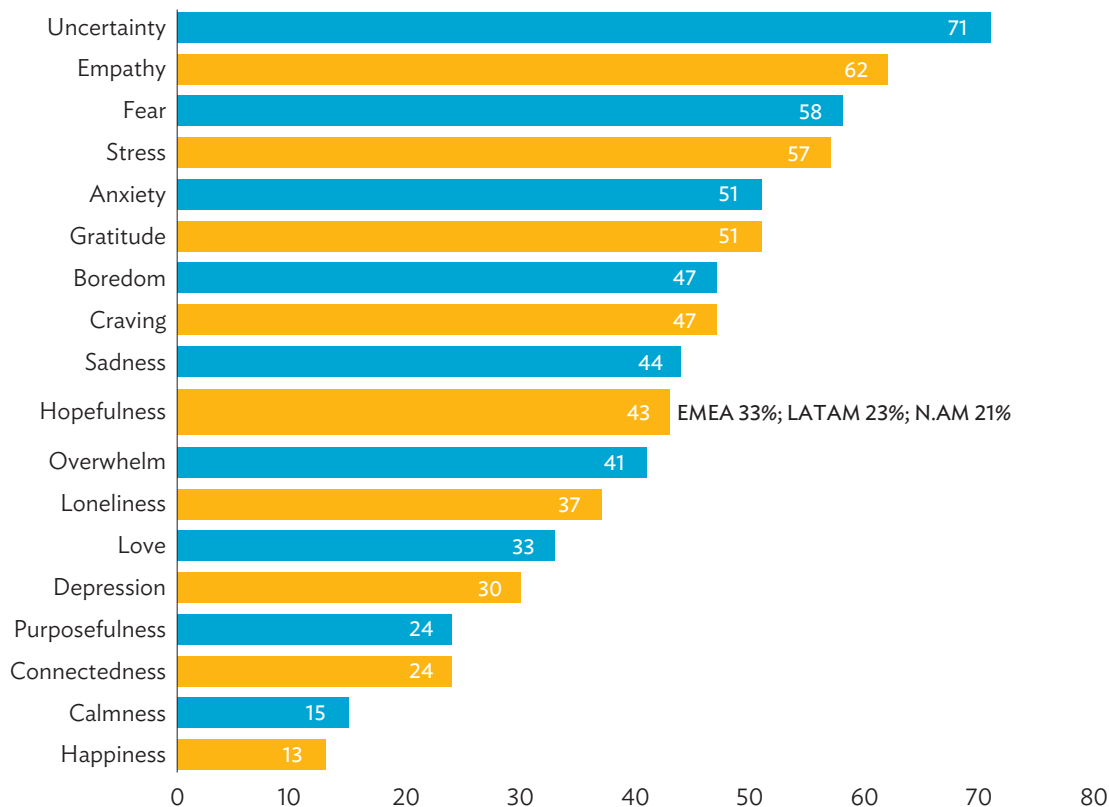
⁸⁶ N. Yarrow. 2020. [COVID-19 in East Asia: How the Region's Higher Education Systems are Addressing the Crisis to Adapt to the Future](#). *World Bank Blog*. 23 June.

⁸⁷ International Labour Organization and ADB. 2020. *Tackling the COVID-19 Youth Employment Crisis in Asia and the Pacific*. Geneva and Manila.

⁸⁸ S. Lim. The Drum. 2020. [Gen Z in APAC Say Their Mental Health Has Been Impacted by Covid-19](#). 10 October.

Figure 3: Emotional Comparison of Asia and Pacific Youth, 2019–2020

Question: How would you describe your emotions today compared to an average day before the coronavirus?



EMEA = Europe, Middle East, and Africa; LATAM = Latin America; N.AM = North America.
Source: VICE Media Group. 2020. [Youth in Pandemic: Outlook from APAC](#).

The effect of the pandemic on young people's mental health in the region is illustrated by an Observer Research Foundation survey of nearly 5,000 urban youth aged 18–32.⁸⁹ The survey found that the lockdown led to emotional upheaval, with 65% of respondents saying that they have felt lonely or very lonely during the lockdown. Further, 37% of respondents felt that the lockdown had severely impacted their mental well-being, while 43% worried that they would no longer be able to lead a normal life after the lockdown.⁹⁰ The ADB–International Labour Organization report echoes these concerns, with more than 40% of young respondents possibly affected by anxiety or depression.

⁸⁹ A. Kaul, and T. Chapman. 2020. *Life in Lockdown, A Survey of India's Urban Youth*. New Delhi.

⁹⁰ Footnote 89.

The issue of mental health has important implications for the tourism sector in the region in a number of ways. First, it highlights the ways in which generational values have shifted, and that young people are prepared to be open to engaging with an issue that has traditionally been considered taboo but that has inevitable influence on academic and work performance. This makes this a key issue for major employers in the sector to take into account. The issue also suggests the need for tourism suppliers in the region to treat their younger customers with greater empathy (and potentially their older customers too), developing products that help young people to regain social skills and confidence, as well as those which support relaxation and disconnection from the stresses of daily life. It also highlights the capacity of travel to give young people international work and study experience, thereby becoming more competitively placed for securing a job in the future.

2.7.2 Youth—A Restless and Hopeful Generation

The pandemic has disrupted the lives of young people around the world at a time of unprecedented awareness among young generations about other global challenges such as climate change, political accountability, and social inequality. Broadly, they continue to push for a world in which businesses and governments mirror that commitment to society, putting people ahead of profits and prioritizing environmental sustainability.⁹¹

A global survey of more than 27,000 Millennials and Gen Zs conducted by Deloitte revealed that, despite the individual challenges and personal sources of anxiety that Millennials and Gen Zs are facing, they have remained focused on larger societal issues, both before and after the onset of the pandemic.⁹² The pandemic appears to have reinforced their desire to help drive positive change in their communities and around the world. This potentially holds implications for the way that tourism is planned and managed, especially where it risks causing harm to local community relations, or to the integrity of indigenous communities. In a more positive respect, it suggests that younger travelers could place greater importance on their spending supporting vulnerable communities or small businesses.

2.7.3 A Digital Generation

Gen Zs have shifted online to work, study, relax, and socialize perhaps more effortlessly than any other generation—marking trends in behavior which are likely to remain long after the worst effects of COVID-19 have passed. For example, a Google survey of Gen Zs in Southeast Asia and India in December 2020 found that 74% of Gen Zs had bought products online using a mix of social media, shopping apps, and traditional and digital media to rigorously compare products to help stretch their

⁹¹ Footnote 81.

⁹² Deloitte. 2021. *A Call For Accountability and Action: The Deloitte Global 2021 Millennial and GenZ Survey*.

money further. The survey also found that digital wallets have quickly become the preferred method of managing money over credit cards, with apps that help keep track of spending with every transaction.⁹³

The UK-based Travel Foundation is a charity that partners with businesses and governments to help tourism bring greater benefits to people and the environment. Jeremy Sampson, chief executive officer of the charity, noted that since the start of the pandemic, he has seen a shift among travel companies toward greater responsibility and meeting the sustainability expectations of younger people around the world. He said that “Companies are [demonstrating] more appreciation for all things local in support of local communities...doubling down on ensuring that they are able to respond to what the younger generation is asking and looking for and making sure that their supply chains and procurement practices are in place to ensure supply of local products.”⁹⁴ Tourism products with a strong local identity, co-created with local people can tap into marginalized communities and help create more opportunities, equity, and inclusion.

Box 4: Youth Voices—Findings from a Special Youth Focus Group on Regional Travel Trends

Two dedicated focus groups were convened at the start of April 2021 to test the findings from this report and gain first-hand insights on consumer attitudes in Asia and the Pacific, particularly related to attitudes toward travel. One was specifically dedicated to young people. Seven young people representing five key outbound markets in Asia and the Pacific reacted to the information on youth presented above, as well as early predictions on the post-pandemic period. Following is a summary of their insights.

Experiences living through the pandemic. While most participants were living in countries that had contained the coronavirus disease (COVID-19) quite effectively, most had experienced disruption to their plans in higher education and work experience abroad. Deprived of the opportunity to travel internationally to take up work placements or continue international study, most decided to focus their energies on some form of self-improvement. Romil from India described how he had used the time to learn to drive and, like many of his friends, learn new life skills such as cooking and do-it-yourself activities. Jihye from the Republic of Korea described how the pandemic had forced young people to slow down, since family pressure to get the best education or job had been somewhat removed given the circumstances of the pandemic. However, participants also expressed concern that the pandemic had forced friends with a passion and a good education in travel and tourism to leave the sector due to the sharp drop in the job opportunities available.

- *During the pandemic we slowed down but also got more productive, using this time to learn new skills, like cooking and driving for example” - Romil, India.*
- *“During the pandemic we stayed at home. Travelling abroad would risk bringing the virus back home, infecting friends and family and causing huge disruption for everyone” - Christopher, Singapore.*

Travel during the COVID-19 period. Even where travel was technically possible, Christopher from Singapore suggested that most young people preferred not to amid fear of bringing back the virus, infecting friends and family and hugely disrupting their work and home life. Other participants had been able to travel domestically during the past year. According to Elsie from the People’s Republic of China (PRC), “the country has contained

continued on next page

⁹³ Think With Google. 2020. [Vibe Check: How is Gen Z Influencing the Future of Retail and Services?](#)

⁹⁴ Statement made during the focus group discussion held by the authors on 8 April 2021.

Box 4 *continued*

the virus well, so young people feel more confident to travel,” while Romil in India described how, prior to the country’s sharp increase in COVID-19 cases in 2021, young people had largely continued to travel domestically, encouraged by special offers and the opportunity to discover “national treasures” with a fraction of the number of visitors seen before the pandemic. However, he reported a high degree of hesitancy over traveling to rural areas since there were doubts over the accuracy of locally reported infections.

- *“The pandemic disrupted my travel plans and my job” – Jihye, Republic of Korea.*

Forthcoming travel plans. Elsie from the PRC described how many of her peers were desperate to be able to travel internationally again. However, when it occurs, it would only be to countries perceived as “safe,” with no, or extremely low numbers of infections and good health-care facilities. Opinions around whether travel would grow back more responsibly were mixed; most recognized that the environment had become a more important theme in popular culture, but the attraction of heavy discounts and special offers with airlines and hotels was likely to fuel demand among young people once international travel started again.

- *“We really want to travel abroad, but only to countries that have managed the pandemic well.” – Elsie, the PRC.*

Favored countries would likely be those in Asia and the Pacific with easy access, and a good record on having contained COVID-19. Several participants, including those from the PRC reported that they and many of their peers had been put off from traveling to the United States due to the perceived lack of safety surrounding COVID-19 but also due to the perceived risk from Asia-phobic attacks, which had been widely reported across Asia and the Pacific as of June 2021. Aletheia (leader of the PATA Youth Forum), highlighted that racism directed toward people of Asian background had not received the same level of media attention as the Black Lives Matter movement, yet it was quickly becoming a hot topic among young people on social media.

Vaccine hesitancy. More than half of the group expressed strong doubts about the effectiveness of the vaccines currently in use and said that many young people did not appear keen to be vaccinated soon themselves, with some noting that the vaccines had been deployed early before new mutations had emerged, while others felt it was not necessarily due to the relatively low risk posed by COVID-19 to young people’s health.

Looking ahead. Aletheia from Singapore has worked extensively with aspiring students and young professionals in the Asia and Pacific travel industry and observed a growing willingness among young people (especially Gen Z) both to spend their money and to evaluate potential future employers by how strongly they felt these businesses represented their own values. In contrast to older generations, they were also not afraid to speak out against unfair and exploitative practices.

- *“As a consumer our dollar matters; however, we’re more willing to challenge authority and seek change from within companies, rather than just hoping our spending will make the difference” – Aletheia, Singapore.*
- *“I hope that the pandemic leads to a renewed appreciation for culture, and our cultural heritage” – Jihye, Republic of Korea.*

These sentiments were echoed by Romil from India who expressed his desire for some Asia and Pacific destinations and major businesses to drop old-fashioned attitudes and embrace inclusion and diversity more openly, for example for accommodation providers to openly welcome same-sex couples. Hina from Japan said the pandemic highlighted significant gender inequality in Japan, and that public anger had already caused subtle changes in language used by the media and politicians.

Source: Participants: Christopher Foo (Singapore), Joy Huang (PRC), Jihye Shin (Republic of Korea), Romil Takkar (India), Hina Takewa (Japan), Aletheia Tan (Singapore), and Elsie Zhang (PRC). The authors would like to thank Aletheia Tan and the Pacific Asia Travel Association for their kind assistance in organizing the Youth Focus Group. See also Annex 2.

3

THE FUTURE OF TOURISM IN ASIA AND THE PACIFIC (2022 AND BEYOND)

As noted, tourism was among the sectors most affected by COVID-19, and stakeholders across the public and private sectors are pursuing a range of solutions to recover from the near-total collapse of travel. This section highlights trends that will help shape ways forward for decision-makers in Asia and the Pacific. While forward changes are broadly rooted in pre-pandemic trends, COVID-19 has influenced consumer attitudes toward travel and consumption habits, as well as key suppliers such as hotels, airlines, and tour operators—spurring widespread change across the industry as a whole.

Given the complex multi-sector nature of travel, involving multiple types of operators, attractions, and the policies, the interdependence of tourism suppliers, and public health imperatives, recovery depends on a web of interrelated factors. These include the supply and demand sides of tourism markets, as well as policy decisions to manage the impact of COVID-19 on society and the economy. The supply side refers to sites, service providers (i.e., hotels, restaurants, and attractions operators), while the demand side refers to the operators and tourists who are booking or purchasing the supply side offers.⁹⁵ “Recovery” itself is a highly subjective term, as it is interpreted variously as the full restoration of travel demand patterns seen in 2019, or more simply as a restart of cross-border travel between neighboring countries. For this reason, the report uses “restart” in the following section to refer to the period of approximately 1–2 years from when outbound international leisure travel is permitted from the region’s largest source markets, such as the PRC, Japan, and the Republic of Korea. “Restart” is also used (as opposed to “recovery”) to reflect the likely more cautious way travel will resume. The remainder of the report discusses the megatrends expected to impact Asia and Pacific travel, and ways in which different stakeholders can collaborate to support a safe restart of tourism and sustainable development of the industry over time.

⁹⁵ The UNWTO publication, *Methodological Notes to the Tourism Statistics Databases, 2020 Edition*, provides extensive explanations of tourism statistical terminology.

3.1 Charting the Future: How Could Megatrends Evolve?

Given that the megatrends identified in section 1.3 are liable to shift and influence traveler behavior, as well as the direct influence of the pandemic itself, this analysis is by necessity speculative, based on the authors' best assessments of available information.

This section looks at how the drivers and megatrends discussed in section 1.3 are likely to evolve in the near future. It looks to the four megatrends discussed in section 1.3 (economic climate, technology, consumption preferences, and demographics), and adds a critical section, COVID-19 and the “overall health situation,” as this megatrend will have an important role in deciding the future of tourism markets in years and decades to come.

3.1.1 COVID-19 and the Overall Health Situation

As described in Chapter 2, travel and tourism globally and in Asia and the Pacific collapsed in April 2020 and, as of December 2021 with COVID-19 cases increasing, recovery of international travel depended on rates of infection and vaccination. And with uncertainty around the location or scale of further outbreaks and variants of COVID-19, as well as availability of vaccines, uncertainty about international travel will also continue until the virus is no longer considered a threat to public health.

The threat has reemphasized the importance of improving the quality and preparedness of national health systems, which has become a dominant feature in national politics and a priority in international development programs, including in recovery programs for travel and tourism.

- (i) COVID-19 has also underscored the priority need to improve national and regional risk management for future pandemics and other crises, as well as risk management specifically for the tourism sector.

In a January 2021 report, *Coronavirus Vaccines: Expect Delays*, the Economist Intelligence Unit found that more than 85 developing countries will not achieve widespread vaccination before 2023, with most of Asia and the Pacific not achieving widespread coverage until late 2022 or 2023 onward.⁹⁶ As of December 2021, the situation seemed to be improving among some Asia and Pacific countries. The following had 50% or more of their populations fully vaccinated: Australia (76.93%), Bhutan (73.98%), Brunei Darussalam (88.95%), Cambodia (82.34%), Fiji (67.20%), Iran (59.27%), the PRC (83.17%), Japan (77.79%), Malaysia (79.91%), Maldives (68.88%), Mongolia (66.97%), New Zealand (77.11%), the Republic of Korea (81.74%), Singapore (83.18%), Sri Lanka (63.31%), Thailand (62.98%), and Viet Nam (55.17%).

⁹⁶ The Economist Intelligence Unit. *Q1 Global Forecast 2021 Coronavirus Vaccines: Expect Delays*. London.

3.1.2 Challenges to Growth

COVID-19 has caused severe economic dislocation worldwide, which will require increased government intervention to support populations and businesses beyond 2022. Since micro, small, and medium-sized enterprises (MSMEs) have been especially impacted, government support for MSMEs will continue to be critical for recovery. Not surprisingly, this recovery will vary from country to country, which as the International Monetary Fund noted in its January 2021 *World Economic Outlook Update* “depend[s] on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.”⁹⁷ The International Monetary Fund projected global growth of 5.5% in 2021 and 4.2% in 2022, despite economic uncertainty and a 3.5% contraction in 2020.

In Asia and the Pacific, the economic outlook is brighter, more optimistic. ADB forecast in December 2021 that “developing Asia” would grow by 7.0% for 2021 and then 5.3% in 2022, assuming progress on vaccine rollouts and that COVID-19 outbreaks are brought under control.⁹⁸ Northeast Asia’s ageing population is gradually slowing in productivity, while the more youthful southern Asian countries (India, Indonesia, and Viet Nam) are expected to continue expanding, with disposable incomes fueling recovery of the tourism sector.⁹⁹

Disposable income levels for Asia and the Pacific may climb in 2022, unless Omicron and other coronavirus variants further stymie growth. Widespread regional cooperation on standardizing health protocols and easing restrictions on cross-border travel will be challenging if countries put national interests first. The United States Office of the Director of National Intelligence suggests that new multilateral coalitions may arise in the aftermath of COVID-19, particularly among countries that have successfully managed their own domestic outbreaks.¹⁰⁰ Countries that ease travel restrictions among small groups, or “travel bubbles” of countries (e.g. Australia, Japan, New Zealand, Thailand, and Viet Nam) could extend these groups to the PRC or other countries that have managed the pandemic relatively successfully.

As the United States Office of the Director of National Intelligence predicts: “During the next five years, non-traditional security challenges such as public health, climate change, and food and water security are likely to become more important national security concerns for countries in Asia and the Pacific, and in some cases, spill across borders with implications for regional stability. Most prominent among these concerns is the threat of another regional pandemic.”¹⁰¹

⁹⁷ International Monetary Fund. 2021. *World Economic Outlook Update*. Washington, DC.

⁹⁸ ADB. 2021. [Asian Development Outlook Supplement](#). December. Manila.

⁹⁹ ADB Asian Development Outlook publications for 2021 do not provide regional projections beyond 2022.

¹⁰⁰ The White House. 2021. [National Security Memorandum on United States Global Leadership to Strengthen the International COVID-19 Response and to Advance Global Health Security and Biological Preparedness](#). 21 January.

¹⁰¹ United States Office of the Director of National Intelligence. 2021. *Five-Year Regional Outlook East Asia and Pacific*.

Furthermore, tensions related to climate change are expected to increase within and between Asia and Pacific nations. Change to Pacific island countries are already witnessing sea level rises sooner than expected. And some of Asia's biggest cities, including Bangkok, Ho Chi Minh City, Jakarta, Manila, Osaka, Shanghai, and Tokyo are coastal and are likewise already facing rising sea levels.¹⁰² This threat, and extreme weather events, is particularly critical to Pacific island countries, Maldives, and major coastal destinations.

3.1.3 Technology

Multiple types of technology evolved and were increasingly used during and as a result of COVID-19. For example, COVID-19-driven social distancing, quarantining, and isolation accelerated the adoption of and dependence on digital technology for shopping, health care, work, and education—a trend that will continue to deepen, especially among countries in Asia and the Pacific. Broadband internet and 5G cellular access will also continue to expand throughout the region, which in turn will help boost economic growth and productivity throughout the region, however significant inequalities in access will remain.

The region can also expect to see an acceleration of advances in “green technology” to reduce greenhouse gas emissions and boost climate change resilience, which will be driven principally by the PRC, which will lead both as a manufacturer and adopter of green technology.

Other advances in the region include automation, which is increasing service sector efficiency and reducing costs. However, these advances could also displace workers, particularly in financial services, transportation, and health care.

Advances in blockchain technology are also increasing, which offer a heightened degree of privacy and data security. In particular, blockchain applications in digital financial transactions, medical records, and visa data will accelerate the use of digital wallets and digital payment systems, and could underpin the first widespread applications of digitized medical records and visas in the travel sector (such as for sharing medical records or facilitating visa issuance).

Virtual meeting technology is likely to become more sophisticated, as integrations with other popular applications will facilitate working, learning, and some socializing, with a consequent rise in the number of virtual or virtual-hybrid events.

¹⁰² Office of the Director of National Intelligence. 2021. Global Trends 2040, Five Year Regional Outlook, East Asia and Pacific.

Finally, the addition of 224 million internet users in Asia and the Pacific from 2019 to 2020 (accelerated by the change in consumer behavior brought about by lockdowns and other public health restrictions) enabled the rapid adoption of contactless technology, especially for hotels and restaurants—a trend that is expected to continue.¹⁰³

3.1.4 Conscious Consumption, Social Responsibility, and Consumer Values

During COVID-19 and post-COVID-19, consumers in Asia and the Pacific are expected to purchase, particularly travel, with an increased concern for having a positive impact on the people and places they visit, thus consuming more consciously and responsibly. Consumers are more likely to monitor the impact that businesses have on their surrounding environment and community more closely. They are also likely to become more vocal about practices they regard as unfair or irresponsible, as well as praising businesses that take innovative approaches to local social or environmental challenges. This trend may be further driven by a new generation of MSMEs that could emerge (sometimes supported by larger players), run by younger entrepreneurs that are purpose-driven and seeking to address local challenges (e.g., regeneration, poverty reduction, education, reducing gender inequality). Responsible business approaches are likely to resonate with younger consumers who share values and are keen to demonstrate this through social media.

Consumers are also likely to pay more attention to the relationship between their surrounding environment (in their household and local area) and personal health. They are likely to prioritize health-related spending, for example, to improve household air quality and hygiene. Spending on healthy food and dietary supplements is also likely to increase.

With increased attention to health, expect to see increased caution by consumers about traveling to developing countries where medical services may not be sufficiently equipped or within reach. David Dia of Tuniu Global, a major online travel agent in the PRC observed that patterns of overseas travel for Chinese travelers could well change in the future. “They are likely to prioritize destinations within Asia and the Pacific that are perceived as having managed the pandemic well, easy access from their point of departure, as well as seclusion, privacy, and space...These are habits that are likely to endure as Chinese travelers venture beyond Asia and the Pacific too, as there will be a strong willingness among travelers to avoid destinations they perceive as potentially being crowded.”

¹⁰³ [Internet World Stats](#) (accessed 14 January 2022).

Travelers from other generating markets in Asia and the Pacific are expected to be equally cautious and pay closer attention to the terms and conditions of the travel services that they purchase. They will be required to make complex decisions surrounding insurance and cancellation policies, travel restrictions, health regulations, quarantine, and reentry requirements upon returning home.

While discretionary spending is expected to rise naturally as retail and leisure outlets reopen, the effect of “pent-up demand” is most likely to be released in the short term by those groups of consumers in a more secure financial position, such as those on higher-than-average incomes, and older consumers with savings. In general, however, middle class consumers in Asia and the Pacific are likely to remain highly cautious, especially among younger consumers who may be witnessing the first recession in their lifetime.

Finally, competition in education and employment is likely to become more intense, particularly in countries which have seen a severe contraction in the jobs market. At the same time, a counterculture rejecting intense working patterns and demanding fairer working conditions and gender equality may gather pace among the region’s youth.

3.1.5 Demographics

While demographic trends evolve over decades, the next 1–2 years will see a continuation of the trend observed in recent years, “an aging, graying Northeast Asia and a young and developing Southeast Asia,” according to the Office of the Director of National Intelligence in the United States.¹⁰⁴ This trend will place a greater burden on young people across the region to drive post-COVID-19 economic recovery. However, this burden will not be spread evenly, and the drops expected in working-age populations in the PRC, Japan, and the Republic of Korea will place a heavier burden on young working-age people to meet rising social security costs, while the comparatively younger populations of Southeast Asia will give countries such as Indonesia a democratic dividend. Consequently, the youth segment is critical to Asia and the Pacific growth as they are more versed in and quick to adopt new technologies, especially digital. Youth are also influencing future growth by being comparatively more socially conscious and concerned about values in their life and spending decisions. Disruption to career paths caused by the pandemic’s impacts on education could also exacerbate pre-existing inequalities.

¹⁰⁴ Footnote 103.

3.2 Charting the Future: How Will Travel Dynamics Evolve in Asia and the Pacific?

This section looks at how the travel and tourism sector will recover and evolve, a difficult timeline to predict. The section nonetheless broadly discusses short-term likelihoods (December 2021 to January 2023) and makes longer-term predictions (2023 and beyond) where appropriate. These predictions then inform discussions of opportunities and questions (Section 3.3) and corresponding recommendations (Chapter 4).

The predictions are grouped into four interrelated clusters: (i) national-level government and policy considerations, (ii) consumer demand and behavior, (iii) inbound destinations and outbound markets, and (iv) tourism suppliers and businesses. It factors in key considerations established in the preceding sections, including megatrends and key drivers, how travel and tourism were shaped by the onset of the pandemic, and how different stakeholder groups have reacted so far.

3.2.1 National-Level Government and Policy Considerations

- (i) **Resurgence of travel.** International travel in Asia and the Pacific will restart and gather pace in the short term, because people are keen to travel again. However, they are also anxious about health risks, and will travel with extreme caution. Countries that have been relatively successful in containing the spread of the virus will exercise the most caution by continuing to apply the strict conditions on arriving passengers that were in place in 2021. Measures will be gradually introduced to process different groups such as returning citizens, migrant workers, business visitors, and leisure visitors as economic needs and political objectives dictate.
- (ii) **Policy impacts on travel.** Travel policies—especially those concerning COVID-19 testing, quarantine, and vaccination requirements for international tourists—will initially be deterrents for travelers in some outbound markets, particularly where they are required to quarantine upon arrival at their destination. For example, in 2020, industry experts cited Thailand’s strict quarantine policy as a constraint on inbound tourism, although limited flight connections were also a major issue. Thai Airways and Bangkok Airways, for example, reduced services due to financial difficulties.
- (iii) **Managing cross-border travel.** In the short term, travel bubbles between countries in Asia and the Pacific will provide travel opportunities, although because they do not completely reliably prevent cross-border infection, they are uncertain. Medium term, through 2025, travel bubbles may expand to include more countries based on shared health and hygiene protocols and mutually acceptable levels of vaccinations or infection rates. Countries may also increasingly opt for nonreciprocal arrangements based on criteria such

as infection rates and variants of concern in the inbound country. Additional methods such as pre-departure provision of documentation (for example, uploading passenger locator forms and vaccine certificates), as well as “vaccinated travel lanes” can help ensure more efficient processing of travelers at borders.

- (iv) **International relations.** As observed during 2020–2021, community outbreaks of COVID-19 and other infectious diseases as a result of cross-border travel are likely to raise tensions between countries in the region, especially where these trigger shutdowns and economic impacts.
- (v) **Preparing for future shocks.** Beyond 2025, travelers and the tourism industry are expecting governments and destination organizations to be better prepared for the next pandemics or variants. Risk management plans are expected to be in place “...and countries will thus be more able to recover or restart...” their tourism sectors within shorter timeframes. This will be a function of whether governments and destination management organizations have learned and adopted lessons from the COVID-19 experience. It will be important in the short term for national governments (ideally in cooperation with other governments), to pool their resources to improve planning and take concerted action to future-proof. Still, the risk remains that other shocks related to new variants of COVID-19 or other infectious diseases could derail longer-term recovery from COVID-19, and major shocks may not be a once-in-a-lifetime occurrence.

3.2.2 Consumer Behavior and Preferences

- (i) **Travel dynamics and disposable income.** Prior to the pandemic, a growing middle class with rising disposable incomes largely fueled tourism expansion in the region. Economic hardships linked to the pandemic have likely significantly affected household incomes, at the very least in the short term, and will in turn impact travel choices. While many consumers turned to domestic travel during the pandemic, varying levels of economic growth and household financial resilience—paired with the potential for recessions in certain countries—will continue to impact travel and tourism. Longer term, if and as economies rebound, people are likely to travel at or above pre-pandemic levels, but with continued caution and attention to health and safety.
- (ii) **Traveler confidence and behavior.** In planning and booking travel, and while at their destinations, travelers are likely to be extremely cautious. At first, they are likely to choose familiar places, simple, flexible itineraries, and a high degree of control over their travel plans. The experience of traveling is likely to help travelers in Asia and the Pacific regain confidence and gradually plan more ambitious itineraries. Further, consumers will seek to avoid crowded places, particularly where they are likely to encounter visitors from countries with poor infection control rates.

Consumers are showing that across multiple industries sustainability is going to be something that they opt for when they have to make choices between one provider and another. And so, for us, it's an area that we're doubling down very, very hard.

Mike Orgill

Head of Public Policy for Airbnb

- (iii) **Trips.** Where travel bubbles and, in Thailand, sandbox destinations exist, we may see an increase in short trips between bubble countries as tourists and travelers seek to maximize available travel opportunities. These may replace long-haul trips for some at least during 2022–2023. However, the situation is volatile and subject to change quickly if a country experiences a spike in cases, as Australia did in mid-2021, which temporarily halted its bubble with New Zealand. Trips will also be a function of quarantine requirements—which deter international travel—and vaccination rates, which were slow in some countries in the region.
- (iv) **Product preferences.** Concern for sustainability issues, especially environmental and social impacts, are likely to play a much stronger role in decision-making among consumers in Asia and the Pacific. For example, Booking.com's 2021 *Sustainable Travel Report* found that 61% of travelers want to travel more sustainably due to the pandemic. These results vary by economy, with the following proportions of travelers agreeing: 88% of travelers from India and Viet Nam; 84% from the PRC; 78% from Thailand; 76% from Hong Kong, China; 70% from Singapore; 64% from the Republic of Korea; 61% from New Zealand; 51% from Australia; and 42% from Japan.¹⁰⁵ Outdoor activities will also likely be a key growth segment in the short term. Outdoor recreational and wellness activities will become more firmly established over time, and accordingly, overtourism at nature-based sites will need to be prevented.

The relationship between spending on travel and other sectors of the economy in the region is discussed in more detail in Box 5.

3.2.3 Destinations and Outbound Markets

- (i) **Destination preferences.** Consumers—particularly those from countries where the pandemic has been contained relatively well—will favor destinations perceived to offer effective infection control by local

¹⁰⁵ Booking.com. 2021. *Sustainable Travel Report 2021*. p. 4.

Box 5: How the Global Outlook is Shaping Consumer Confidence in Travel

Asia and the Pacific is expected to be the first region in the world to recover to levels of spending seen in 2019, forecast to occur by 2022, according to Caroline Bremner, head of Travel Research at Euromonitor International, the world's leading independent provider of strategic market research. However, Bremner acknowledged that the pace and shape of recovery depends highly on how the People's Republic of China reopens and permits its citizens to travel internationally, a phenomenon which had also dominated the region's growth pre-COVID. "Looking ahead, decisions taken by the government could potentially be influenced by destinations' political relationships with China, as well as the perceived risks to health in each destination," she explained.

Bremner also notes that consumer attitudes to responsible consumption in Asia and the Pacific appear to be mixed. "Products that contribute to personal health and wellness have seen a massive increase in demand in the past year, and environmental awareness has also become a much stronger theme in consumer culture too" she observed. "However, the desire for international travel is still very strong, especially among the young," she explained. "Many Asian consumer markets are digitally advanced, so the type of experiences that can be shared among peers are likely to remain extremely popular in the future."

In a recent report on attitudes toward sustainable practices, Asia and Pacific consumers were least likely to avoid travel due to environmental concerns, she pointed out. This sentiment was echoed by Alex Siegel, director of The Learning Adventure, a provider of educational travel experiences in the region. "Consumers in Asian countries where the virus has been well contained seem not to have the same perception as consumers in Europe (for example); the same 'life is going to change forever' attitude seen elsewhere in the world," he observed.

Despite this, Euromonitor reports that some structural changes in the region's tourism sector are inevitable. This is particularly so in areas such as business events, which are likely to see permanent adaptations to become hybrid events, or low-budget group travel, which consumers may choose to avoid due to health concerns. Caroline Bremner noted that it is important not to overlook the work taking place in destinations across the region to develop nature-based visitor experiences that are more in harmony with the environment and local communities.

Source: Interview with Caroline Bremner, head of Travel Research, Euromonitor International.

governments, responsible destination management (especially crowd control), and good health-care facilities.

- (ii) **Key outbound markets.** Most major city destinations in Asia and the Pacific may see 2019 volumes of travel return by 2024, according to a *Tourism Economics* report.¹⁰⁶ However, as of December 2021 with the coronavirus Omicron variant spreading quickly, this return may be further delayed, with an uncertain pattern of recovery as outbreaks are contained at different rates across

These consumers have become used to virus control measures such as temperature checks and regular testing as a normal part of daily life. When they do travel, they will be looking for a high degree of reassurance around the measures that are put in place, for example in hotels, malls and other public spaces.

Sarah Mathews
Group Head of Destination Marketing
Asia and the Pacific, TripAdvisor

¹⁰⁶ Tourism Economics. 2020. Travel & Tourism | Cities COVID-19: Pandemic Impacts in Asia Pacific. Bulletin 24 September. p. 1.

the region. This will also depend on the return of major outbound markets such as the PRC and India, which were accounting for most outbound travel from Asia and the Pacific, and a larger share of global travelers. In the long term, outbound PRC travelers will again be a main generating market for countries in Asia and the Pacific, but their influence will be a function of PRC government policy on outbound travel. It is assumed that by 2025, PRC people will again be traveling outside the country. However, as of December 2021, there was no indication of when. The outbound Indian traveler segment was increasing rapidly pre-pandemic, and this trend is also likely to return as the pandemic recedes.

- (iii) **Education travel.** When international travel from key outbound markets is possible, educational travel is expected to return, with demand for flexible placements and catch-up courses to enable students to make up for time lost due to travel restrictions and distance learning.

The fundamental attractions of international education have not changed, such as prestige, improved career prospects, and the chance to build a network.

Dan Baker
General Manager, Student.com

3.2.4 Tourism Suppliers and Businesses

- (i) **Airports.** In a similar way to travelers becoming accustomed to the widespread use of airport security measures following 9/11, health security and safety protocols such as temperature checks, rapid tests for arrivals, the use of mandatory quarantine facilities, social distancing, and vaccine passports will become a regular part of the cross-border travel experience. Enhanced safety and health standards will continue to be standard practice beyond 2025, and will likely be mainstreamed by all stakeholders.
- (ii) **Digital tools.** Digital technologies, particularly for contactless check-in processes, dining, visiting attractions, digital payments, and vaccination passports will become standard practice in the medium term and facilitate seamless travel.
- (iii) **Tourism suppliers.** Suppliers along the tourism value chain, such as airlines, hotels, and restaurants, have been

R. Ali. 2020. Don't Confuse Travel's Reopening with Recovery: A Long Slog Lies Ahead. Skift. 15 June.

COVID-19 has made the travel industry realize that major shocks such as pandemics can happen.

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Senior Vice-President
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adapting to COVID-19 protocols, including closing and reopening at short notice, or will struggle to survive.

3.3 Guiding Sustainable Tourism Development: Opportunities and Key Questions

Tourism stakeholders¹⁰⁷ have the opportunity to guide the return of tourism to support a more sustainable and inclusive development pathway. However, achieving this will require a whole-of-industry shift in mindset, alongside supporting policies, regulations, and revised business approaches. At the same time, tourism stakeholders face a myriad of challenges brought on by the pandemic, and in many ways, their desire to quickly recuperate lost revenue may be at odds with sustainable development pathways for the industry.

Pent-up demand will likely drive travelers to again visit their favorite destinations, and at the same time, industry stakeholders will be incentivized to make up for lost time. Accordingly, both national and local governments will face the important question of how to manage the resurgence in tourism. Some will choose immediate economic gains from the resurgence of tourism over more moderate and controlled flows in support of longer-term sustainability. Others are already treating the pandemic as an opportunity to reset and modify unsustainable practices to support longer-term growth that benefits communities and helps protect the environment. This issue is discussed in more depth in Box 6.

As such, a key question for all tourism stakeholders, policy makers in particular, will be how to ensure the sector follows a sustainable path while balancing the tangible need to support businesses (and the industry more broadly) to recover from travel stoppages. Balancing these objectives will be challenging given the competing interests of an immediate resurgence of (unsustainable) tourism, against a more gradual repositioning of the industry.

The remainder of this section lays out some of the key opportunities for addressing this challenge, as well as key questions that tourism stakeholders should ask themselves as a relative degree of normality returns. The section follows the same groupings of national, traveler, destination, and business considerations—examining opportunities and key questions relevant to each group.

¹⁰⁷ Tourism stakeholders include all public and private sector parties who are impacted by the development of travel and tourism. This is a wide net that includes virtually all those involved in every type of infrastructure development, tourism supply, related education and training providers, related policymaking, etc.

Box 6: Short-Term Returns to Tourism Warn against a Resurgence in Overtourism

Industry experts have expressed doubts as to whether governments, businesses, and tourists will adopt a long-term perspective on supporting sustainable industry growth over short-term opportunities to earn revenue. In June 2021, Travel Weekly convened a group of travel trade editors to share opinions on whether tourists and destinations were more likely to return to pre-pandemic practices that allowed for overtourism and, in cases, unsustainable development. All agreed that overtourism is likely to resume, and that it was already happening in the United States.

Rohit Kohli, Joint Managing Director, The Creative Travel Group, corroborates this point—indicating that overtourism was happening in India with domestic tourists, despite surges in coronavirus disease (COVID-19) cases. From September 2020 to March 2021, India experienced historic increases in domestic tourism, with hotel rooms often unavailable in major leisure destinations. This provided an economic boost for destinations, since Indian travelers spend not only on food and accommodation, but also on destination experiences. However, questions remain as to whether the resurgence in tourism was being managed sustainably.

Spikes in COVID-19 cases in India temporarily slowed demand, but at the first opportunity, domestic travelers rushed back to popular destinations. For instance, as soon as Himachal Pradesh announced that negative COVID-19 RT-PCR tests were no longer required to enter the state, hundreds of cars appeared on the road leading into the state. Such surges can lead to negative environmental and social impacts. Kohli expects that once travel fully reopens, “people will revert to old patterns of travel...[and] there will be a larger carbon footprint that’s going to be part of the travel landscape forever.” He does not think governments in Asia and the Pacific will play much of a role in preventing overtourism from happening because “it’s not in the Asia Pacific economic interest...to regulate tourism...[so] it has to be done at a more local level.”

Kohli’s sentiments are reinforced by those of Mario Hardy, who until June 2021 was the CEO of the Pacific Asia Travel Association. Hardy advocates for a focus on sustainability versus economic impacts. He notes that destinations are thinking only about numbers. “They want visitors, maximum amounts. Sustainability or overtourism is not actually in their thinking at the moment. They need the money, the visitors, the business to go back to what it was, and [to] offer jobs again.” Hardy also expects recovery to be uneven due to the complexity of the crisis. “It’s not the flick of a switch and everybody goes back to normal the next day. It will be gradual, very slow, and will take a very long time.”

Source: Authors, based on interviews with Rohit Kohli, Joint Managing Director, The Creative Travel Group; and Mario Hardy, former CEO of the Pacific Asia Travel Association.

3.3.1 National-Level Policy and Government Perspectives

Opportunities: Tourism drives more inclusive, sustainable, and resilient growth

- (i) Policies to protect populations and simultaneously stimulate development will be an ongoing opportunity and challenge that will continue well into the future.
- (ii) Opportunities to stimulate investment in improved visitor infrastructure and continued health and hygiene measures.
- (iii) Reopening of the PRC’s outbound travel would benefit countries in the region, due to growing dependence on this market prior to the pandemic.

Guiding Question: What policies will be most effective for stimulating sustainable growth, industry resilience, and reducing future recession risk?

- What health and hygiene standards will be expected by visitors, residents, and businesses; and which of these standards will become permanent?
- How will visitor infrastructure needs differ now and in the future?
- What level of immunity will be needed to establish travel bubbles with other countries?
- What vaccine passport scheme will prevail at the national, regional, or global level?
- Which entities at the national and subnational levels will be responsible for managing a sustainable return to tourism, and how best to coordinate efforts among the public and private sectors? When will the PRC's outbound travel policy open, and what other outbound markets can support growth? (See Box 7).

Box 7: The PRC Outbound Market

One of the most important policies to watch in Asia and the Pacific during the 2022 onward is the PRC's outbound travel policy. The country had been one of fastest growing and most prominent markets for many countries in Asia and the Pacific, but the government imposed severe travel restrictions in January 2020. As this policy changes and outbound travel recovers, many countries in the region are expected to benefit. In 2019, 13 countries each received more than 1 million PRC visitors. The country will thus exert heavy influence on rate of recovery by destination through the countries it approves as "safe" (where geopolitics plays a role too).

Source: Authors.

3.3.2 Consumer Behavior and Preferences

Opportunities: Tourism that is more fun, safe, sustainable, and less expensive

- (i) Vaccines can open the doors to travel and make travelers feel safer and more confident. However, with the emergence of new variants, vaccines many need to be combined with other health and safety procedures.
- (ii) Digital technology will continue to streamline tourism and enhance health and safety.
- (iii) Digital health certifications (including testing and vaccination certificates) will become standard practice and support confidence among Asia and Pacific travelers.
- (iv) Competition will be fierce to recapture Asia and Pacific travelers, which means price-competitive travel opportunities, although some flight prices may remain high, especially to island destinations with low flight frequency.

Guiding Question: When will it be safe for people to travel again, and how?

- At what level of COVID-19 risk is it safe to travel?
- When will it be safe to do indoor activities?
- If there is another outbreak, what will happen to travel reservations, including return trips? What quarantine rules are in place, and how will they change?
- Will anti-vaccine trends delay recovery for certain destinations?
- What technology and innovations can help streamline travel?
- Are digital vaccine or health certificates required to travel?
- How affordable will future trips be, and are suppliers and destinations competing for consumer business?
- What options exist for outdoor and community-based tourism at the destination, and is it being managed sustainably?

3.3.3 Community and Destination Perspective***Opportunities: Improved offerings can support economic growth alongside community, destination, and environmental stewardship***

- (i) The pandemic provided destinations the opportunity to identify gaps in preparation and planning. Addressing the gaps can improve destination management and outcomes.
- (ii) Visitor management will become increasingly important for and effective in protecting local communities and encouraging socially responsible visitors, particularly as travelers have increased awareness of sustainable tourism and stewardship.
- (iii) More local offers were developed to serve a local market, a trend that will continue as more “authentic” and low-impact experiences are sought by visitors beyond the locality.
- (iv) Demand for nature-based tourism, which gained popularity during the pandemic, will become a permanent trend and lead to new opportunities for destination development.

Guiding Question: How can destinations encourage and prosper from desired tourism segments?

- How can the destination be better prepared for future crises?
- Does the destination want as many visitors as in the past, and are there any particular visitor segments it should seek to attract in the future?
- What alternatives have evolved for businesses that depended on outside visitors?
- Will these alternatives become permanent?
- Can the growing trend of local offers and local customers become permanent?
- With many indoor places and activities limited, people sought outdoor activities, which boosted visits to parks and other outdoor recreational venues. What does this mean for destinations?

3.3.4 Supplier and Business Perspective

Opportunities: Using innovation and new technology to drive growth

- (i) For some businesses in Asia and the Pacific, government support bought time to adapt product offers and prepare, such as through product adaptations and staff training.
- (ii) Some adaptation involved further adoption of digital technology for transactions, marketing, enhanced cleaning of vehicles and facilities, as well as virtual tours.
- (iii) Digital health passports will enable automated entry to venues.
- (iv) Virtual tours may be a permanent addition but will become more of a marketing tool than product offer as people feel safer about in-person activities.
- (v) Demand for nature will continue to grow, which can enhance conservation and protection, if managed well.

Guiding Question: How should businesses react to and recover from the pandemic, while planning for the future?

- How long will governments continue to provide special support to businesses and how will existing support programs change?
- What should businesses do to prepare for the next crisis?
- How can businesses prepare for sudden shifts in demand due to sudden changes in travel restrictions?
- How can they best plan staffing to prepare for volatility? When will populations reach herd immunity and how will this affect different market segments?
- Is increased demand for outside and nature-based activities permanent?
- With domestic technology infrastructure such as internet connections and bandwidth keep pace with growing dependence on digital tools for selling, marketing, and sharing experiences?
- Should businesses require vaccine passports for entry or participation in specific activities?
- How can businesses adapt to restricted demand from major outbound markets with departure or entry restrictions? What aspects of service, property design, or procedures should be adapted to the public health measures in force?

Note: COVID-19 is impacting virtually every product and segment of tourism businesses. Table 2 details key opportunities and challenges facing supplier segments, each of which deserves deeper attention for industry-specific recommendations.

Table 2: Summary of Growth Opportunities and Challenges Per Segment, 2021–2022

Segment	Opportunities for Growth	Challenges
Authentic cultural, religious, and community experiences	Strong if limited to small group gatherings.	Large events will be limited by regulations, protocols, and/or low risk threshold among visitors.
Self-improvement, transformational travel, educational travel, and wellness	Very strong attraction for visitors if protocols can be maintained. Strong desire for healthy options.	Rapid increase in offers due to market demand, but weak enforcement of standards might dilute the offers.
The great outdoors	Very strong building on pre- and coronavirus disease (COVID-19) period demand. Open spaces and separation from others appealing to visitors.	Risk of excessive demand overrunning nature-based destinations.
Theme parks	Pent-up visitor demand, but protocols will limit capacity to 2022.	More than 2 years may be required to ensure the highest possible standards in parks.

continued on next page

Table 2 *continued*

Segment	Opportunities for Growth	Challenges
Sun and sand	Will always be in demand even when limited.	Climate change may disproportionately affect coastal destinations, and COVID-19 may force destination-wide lockdowns.
Cruise tourism	Strong pent-up demand. India, Maldives, and Singapore expected to grow, especially as India-based cruise lines progress.	Cruise ships have been incubators, especially the fast-spreading COVID-19 Delta variant. As a result, some cruise lines require all passengers to be vaccinated. Even with full vaccination, some breakthrough cases are appearing. This indicates health risks, and may cause cancellations again.
Urban cool, city breaks	Strong pent-up demand, but growth will vary from city to city depending on COVID-19.	Rapid urbanization can lead to increased pollution (including air, water, and physical waste) which may render destinations less attractive to visitors. At the same time, increased urbanization may lead to increased emissions.
Luxury, exclusive travel	Already active during COVID-19 and expected to grow.	Requires significant investment to ensure a competitive product. Seclusion and privacy difficult to achieve at scale.
Business travel, meetings, incentives, conventions, and exhibitions (MICE)	Despite pent up demand recovery unlikely to meet pre COVID-19 levels as remote work patterns hold.	Ensuring safe and healthy conditions for groups. Businesses may be less willing to invest as heavily in MICE-related travel. Challenging to overcome delegates' own concerns around mixing in large, international groups.
Youth	Less risk averse and likely to be the leading segment to return first.	Long-haul youth travel will be a function of risk tolerance with COVID-19 and overseas sociopolitical events, like anti-Asia sentiments in the United States.

Source: Authors.

4

POLICY PRIORITIES AND RECOMMENDATIONS

National and local governments across the region will play an essential role in supporting the recovery of tourism. However, sustainable development of the industry will require close collaboration across all major stakeholder groups—from national governments to communities at destinations, and visitors themselves. Crucially, national governments and policy actions should support local governments and destinations. The recommendations in this section are intended for governments and policy makers, and discuss ways they can support stakeholder groups in the short term and the long term. The recommendations are grouped into (i) national-level government and policy recommendations, (ii) adapting to shifts in consumer demand, (iii) supporting local destinations and their communities, and (iv) supporting tourism suppliers. In each section, the recommendations look at ways either national or local governments (or both) can support stakeholders to facilitate safe and sustainable reopening of borders, destinations, and attractions—all in support of the reopening of tourism.

4.1 National-Level Government and Policy Considerations

Recommendations in this section focus on how governments and policy makers help establish the broader national context in which tourism can resume. Accordingly, the recommendations are intentionally broad in nature, and will require the support of individuals engaged in the tourism sector and beyond. For national governments, ensuring public health and safety needs are going to be the primary focus in the short term. Policy recommendations targeting national-level stakeholders, therefore, focus on health and vaccination, opening borders, and ensuring a base level of economic stability—all of which are critical for the longer-term revival of tourism in countries and the region more broadly.

4.1.1 Short Term

Strengthen health and safety, apply sanitation measures to tourism infrastructure, and address gaps in medical infrastructure and supply chains.

Governments will need to standardize enhanced health and safety measures and make them permanent, from the local to national levels. In particular, these should feature hygiene and cleaning practices for travel and tourism destinations, sites, and businesses. Visitors, residents, and businesses alike will expect higher health

and hygiene standards, which will need to be embedded into visitor infrastructure. Immediate policy responses for enhanced health and safety measures, such as lockdowns, enhanced hygiene and cleaning, social distancing in public places, vaccination campaigns, and phased-in business reopening have been generally successful. Many of the measures have become standard, especially hygiene and cleaning practices, and should become permanent. COVID-19 also forced national introspection on gaps in medical and educational systems, as well as supply chains for essential goods and services, which need to be urgently addressed.

Scale up vaccination to achieve herd immunity.

Countries that attain herd immunity and can implement strong COVID-19 protocols will be the “winners” in tourism recovery. Countries should rapidly push for maximum vaccination for their own citizens to again attract international travelers. Increased vaccination and testing may also eliminate the need for quarantines or reduce quarantine periods, which can help attract international travelers. Consumer confidence in destinations will rise as vaccination rates increase, as will public health and safety. As such, vaccination and achieving herd immunity are among the most important national imperatives to support the recovery of tourism.

Open borders, leveraging health certification, and standardized cross-border health protocols.

Reopening cross-border travel requires policies that institute COVID-19 testing protocols, widespread vaccination, and credible information on the health status of travelers. As such, vaccine passports or similar forms of health certification will be important for reopening borders. Vaccinated traveler lanes may also provide an important way to improve the efficiency of cross-border travel. As in Maldives, Sri Lanka, and Thailand, individual countries may consider specialized programs to facilitate reopening to tourists, taking into account domestic features, such as the ability to quarantine guests on remote islands. Broader regional cooperation on protocols and standards is also essential to reopening borders. Organizations such as ADB and the Association of Southeast Asian Nations—as well as tourism industry organizations and trade associations such as UNWTO and the Pacific Asia Travel Association—can play a pivotal role in bringing national stakeholders into regional dialogue on health certification and unified health and safety protocols.

Invest in digital technology and skills to use it, especially for women and youth.

National governments should seek to expand access to digital technology and leverage it to support travel, business, education, and other key areas. Governments in the region should continue to support digital technology through investments in broadband, smartphone use, and app development for sustainability, health, education, and business. Governments should also seek to provide targeted training for small business, youth, and women to adapt to technological innovations. Increased use of technology can deepen resilience to future shocks. As health certification becomes more prevalent, governments should also explore new digital tools, including blockchain technology, for the introduction of digital vaccine passports.

Sustain economic growth and provide assistance to businesses and labor markets.

Rapid declines in GDP and employment since the onset of the pandemic have required rapid and ongoing responses. Many governments in the region responded with policy support for businesses and the unemployed, ranging from fiscal stimulus and loans to employment subsidies. The 2020 edition of the *UNWTO/GTERC Asia Tourism Trends* report summarizes the measures that governments in Asia and the Pacific have taken to support tourism businesses and labor markets in the region (Table 3).¹⁰⁸

Table 3: Mitigating Pandemic Impact through Fiscal and Monetary Measures

Area of policy	Mitigation measures taken
General monetary support measures	<ul style="list-style-type: none"> Fiscal measures to support tourism sector employees, employee retention incentives (e.g. furlough schemes), postponement of tax obligations, expedited tax refunds/unemployment payments Additional, targeted funding for regions particularly dependent on tourism Fast-track tourism infrastructure projects Measures to support consumer confidence and spending (e.g. enhanced income support for people required to self-isolate)
Tourism-specific support, monetary support measures	<ul style="list-style-type: none"> Fiscal measures to support tourism businesses, e.g. postponement or waiver of tax obligations, suspended social security contributions, debt relief/cancellation, write-off of loans and assets, loan guarantees Compensation for cancelled bookings Support to cover the cost of cancelled events Support packages for specific sectors (e.g., export credit lines, stakes in airlines, cruise companies) Preservation of vulnerable sectors (e.g., freelance artists, musicians, artisans) Set up of national voucher system for hotels and restaurants, with backing from central government (to cover voucher value in case of business failure)

Source: World Tourism Organization and Global Tourism Economy Research Centre. 2020. *UNWTO/GTERC Asia Tourism Trends – 2020 Edition*. Madrid.

As of January 2022, it was still difficult to determine which types of support were most effective for recovery. However, support should continue to the extent possible. In the short term, national governments need to determine the most effective policy tools for mitigating further economic impacts, while implementing tools to support business, ensure that key skills remain in the sector, and ensure that livelihoods are preserved to the greatest extent possible.

¹⁰⁸ Footnote 1, p. 45.

4.1.2 Long Term

Engage in regional cooperation to facilitate the reopening of borders and to support emergency planning.

Regional cooperation for common solutions on managing COVID-19 needs to supplant national interests. Governments should expand risk management plans based on regional cooperation and knowledge sharing to better prepare for future crises, including pandemics and climate change-induced threats. In addition to sharing best practices at the regional level, national governments need to integrate risk management into national tourism policies and plans more completely to safeguard against future shocks.

Integrate sustainability plans into tourism sector development.

COVID-19 raised awareness of the importance of sustainability measures for public health, environmental protection, and economic recovery. With far lower carbon emissions and fewer visitors, governments have begun to realize the negative social and environmental impacts of overtourism, and the importance of minimizing the negative impacts of tourism. Proactive policies and engagement with the private sector can strengthen efforts and incentives for progress toward the Sustainable Development Goals, leveraging the tourism sector as a vehicle for change.¹⁰⁹ Incentives such as tax breaks and subsidies for travel businesses that implement sustainability measures (i.e., improved energy efficiency and waste management) and sustainability certification programs can encourage the inclusion of sustainability agendas in the development of tourism. Carbon taxes may also support decarbonization as travel resumes.

Diversify inbound markets to increase future resilience.

The pandemic has exposed the overreliance of many destinations in Asia and the Pacific on outbound travel from the PRC. Government tourism marketing policies should encourage diversification. Forward marketing campaigns may wish to balance domestic markets (which are more resilient to external shocks) with international ones, and avoid overreliance on any single country's outbound market.

¹⁰⁹ ADB. 2021. *Sustainable Tourism After COVID-19: Insights and Recommendations for Asia and the Pacific*. Manila.

4.2 Adapting to Shifts in Consumer Demand

Public health and safety measures to mitigate COVID-19 are priorities for helping travelers and consumers to decide which sites to visit. Consumer confidence about traveling again was, as highlighted by McKinsey's November 2020 survey, a function of experiences during lockdown. Concern about COVID-19 spreading helped to drive more Asia and Pacific consumers online and increased awareness about the impact of their pre-COVID-19 actions on society and the environment.¹¹⁰ Younger people in the region, though perhaps less susceptible to COVID-19's worst health effects, were strongly impacted, especially in terms of new anxiety about the future. As a Deloitte global survey of Millennials and Gen Zs shows, they are focused on large societal issues.¹¹¹ The pandemic has reinforced their desire to drive positive change in their communities and to put people ahead of profits and prioritizing environmental sustainability.

Accordingly, national and local governments should focus on enabling destinations to reopen safely, while providing clear guidance on safety measures to ensure consumers regain confidence in travel. There are also emerging opportunities for governments and businesses to leverage increased consumer consciousness to support sustainable tourism development.

4.2.1 Short Term

Facilitate short trips to uncrowded destinations.

Travelers in Asia and the Pacific will want to travel internationally in the short term, but will do so cautiously, on shorter trips, away from crowds and in open spaces such as parks and beaches. National and local policies should encourage clear standards and guidelines on permissible activities to enable the resumption of travel. Within the region, governments should seek to standardize health, sanitation, and hygiene standards to the degree possible, to build the confidence of travelers in nearby international destinations. Policy coordination at the regional level will be essential to facilitate short trips, as will clear guidance from destinations and local governments on permissible activities and safety measures.

¹¹⁰ U. Binggeli, M. Constantin, and E. Pollack. 2020. [COVID-19 Tourism Spend Recovery in Numbers](#). McKinsey & Company. 20 October.

¹¹¹ Footnote 93.

Provide visitors with clear information on health status of countries and destinations, and ensure continued implementation of health and safety measures.

More traveler caution and care for health, hygiene, and safety is expected, thus requiring national and regional policies to set clear standards and invest accordingly. Agreeing on such standards will also boost international travel, as will communicating vaccination rates, eliminating quarantine requirements, and enforcing testing. The importance of “safety” as a brand asset to travel businesses in the region is discussed in more depth in Box 8.

Box 8: Safety is Becoming the New “Brand” for Travel

Travel decisions are being driven by safety and health concerns first, followed by flexibility in deciding options, and then pricing, according to Hermione Joye, sector lead, Travel and Vertical Search, Asia and the Pacific, Google. “From a user perspective the desire to take on risk with international travel is limited because... people are primarily concerned about safety and so they’re going to be much more cautious and... [travel] shorter distances...” she said. This concern for safety and health among travelers in the region Joye referred to as the “new brand” and flexibility as the “new loyalty.” While pre-coronavirus disease (COVID-19) pricing was sometimes the priority factor for travel decisions, Joye said that it now prominently follows safety and flexibility. “Asia and Pacific consumers will gravitate to suppliers that are known for strictly following safety and cleanliness protocols and demonstrate loyalty to those suppliers that can provide products and services with a great degree of flexibility, thus last-minute changes, flexible cancellation policy, and refunds....”

Nobody can predict the future, but with unique insight into consumer demand, Google appears confident that consumer concerns around public health and personal safety while traveling will continue to influence travel decisions in the region as borders reopen. From searches and advanced bookings that Google has observed, this trend is likely to persist into 2022, and there is a strong possibility it will become a permanent dimension of consumer travel behavior.

Source: Authors’ interview with Hermione Joye, sector lead, Travel & Vertical Search, Asia and the Pacific, Google.

Encourage conscious consumption, leveraging growing interest among youth.

As noted, COVID-19 has increased conscious consumption and demand for responsible, low-impact tourism, particularly among young people. This affords opportunities for businesses to increase sustainable product offerings and for governments to leverage consumer preferences to achieve more sustainable growth. Governments should invest in understanding how Millennial and Gen-Z travel segments behave, particularly in supporting climate action and conscious consumption. Integrating young people in decision-making at all levels of government and business can help ensure that efforts to recover will resonate with the youth segment. Supporting exchange programs that allow students and young employees to gain international experience will be essential. Government policies that enhance marketing and messaging targeting Millennials and Gen Z travelers can strengthen efforts to control climate change and foster public-private leadership on responsible travel. Targeting these groups can deliver economic, social, and environmental benefits, while fostering a more sustainable travel and tourism sector.¹¹²

¹¹² Footnote 91.

Stimulate investment in wellness tourism to encourage growth and enhance the welfare of travelers and local communities.

Interest in wellness tourism was growing prior to the pandemic, as noted, and greater health consciousness during and after the pandemic is likely to feed growth as travel resumes. To maximize country and regional competitiveness in this segment, national and local governments can provide incentives such as tax breaks and support for marketing, training, and skills development. These incentives can stimulate further investment to scale up the segment and enhance the welfare of local communities and tourists alike.

Avoid overtourism to protect travelers, communities, and the environment.

Travelers will expect destinations (including government authorities and industry stakeholders) to keep infection control measures in place as part of destination management. Limiting visitor flows to avoid overtourism will be essential for preserving infection control. At the same time, avoiding overtourism can support longer-term sustainability of destinations. Local governments should seek to collaborate with destination management organizations, communities, and the private sector to ensure adequate visitor and destination management.

Facilitate consumer use of digital technology to support national objectives for sustainable development.

Consumers in Asia and the Pacific, especially young people as described earlier, have become more technologically savvy during the pandemic. Accordingly, they have become more receptive to consuming information online for education, work, shopping, and travel. Government solutions that leverage technology to reach consumers, such as digital marketing and the online provision of visitor information, will become increasingly important. At the same time, governments can use digital technology to monitor health and safety, such as through contact tracing, vaccine passports, or health certificates.

Prepare for the return of PRC tourists.

Outbound PRC travelers could again become an important source of visitors and revenue for destinations across Asia and the Pacific once the government permits them to travel internationally. Governments and private sector stakeholders in inbound markets should examine their marketing and targeting, including through research, to identify potential short-term market opportunities and consider their potential evolution. It will also be important to diversify marketing products and services to cater to domestic tourists and new outbound markets (such as India).

4.2.2 Long Term

Leverage certification schemes to attract conscious consumers.

As discussed, travelers (youth in particular) are increasingly interested in destinations and brands that are greener, more experiential, community-related, more socially responsible, and that support health and safety. Governments, both local and

national, can attract socially conscious consumers by developing certification schemes that demonstrate the social responsibility of destinations or businesses, or seek certification in line with larger international schemes, such as those aligned with the Global Sustainable Tourism Council and UN Sustainable Development Goals.

4.3 Supporting Local Destinations and Their Communities

Looking ahead and to reiterate a point, the priorities of individual destinations and their respective communities will depend on the extent to which the local economy relied on tourism as a source of revenue before the pandemic. It will also depend on the types of tourism that were prevalent (e.g., sun and beach; meetings, incentives, conventions, and exhibitions; and/or city tourism). In many respects, COVID-19 has presented destinations in the region with a reset moment that they can use to address long-standing challenges and seize new opportunities, such as putting tourism on a more sustainable trajectory. Some destinations may also start to attract increasing numbers of visitors for the first time if they offer products and experiences that are aligned with emerging demand (e.g., outdoor experiences or wellness services). If managed with care, new products and experiences can provide a basis for successful long-term, low-impact tourism development.

4.3.1 Short Term

Assess local job losses and implement measures to reintroduce jobs.

Local governments first need to measure and understand the impacts of sudden slowdowns of tourism on local labor markets, and assess skills gaps both within and beyond the tourism industry. With a clear understanding of the hardest-hit industries and segments, governments can begin to implement measures to restore jobs and expand new segments. One key method for restoring jobs will be implementing destination-level policies that facilitate the resumption of tourism. Some key destination-level initiatives that can help achieve this include (i) ensuring that hygiene measures are strictly followed by destinations; (ii) managing visitor flows to ensure social distancing, as necessary; (iii) restoring air links between destinations, which may require local government investments with and/or without complementary private sector investments; and (iv) restoring events, while strictly adhering to health and safety protocols.

Support workers displaced from the tourism sector and address skills gaps.

Lack of demand for tourism workers has led to a significant share of workers leaving the sector. These individuals may require retraining to find employment in other sectors. At the same time, the outflux of workers from the tourism sector may contribute to skills shortages in tourism industries when travel resumes. Accordingly, local governments and private sector stakeholders should provide skills training, both to support the transition of tourism workers into other sectors, and conversely, to provide skills training for those seeking employment in tourism businesses.

Foster the safe and responsible reopening of destinations.

Collaboration between local authorities and tourism suppliers is essential for tourism to resume safely and responsibly in a way that helps build confidence among domestic and overseas consumers. To support safe reopening, local governments should provide clear, practical guidance to tourism businesses on how to safely reopen, while also ensuring businesses strictly follow the guidelines. Local governments can support safe reopening by guiding local authorities on how to use public spaces more creatively to reduce crowding and increase the outdoor space available for use by local hospitality providers. To build confidence among travelers, destinations should also communicate the hygiene measures being taken, and what facilities are open under what conditions. Depending on sectors and destinations, governments should encourage collaboration to innovate and find ways of reopening—such as plane-to-property “bubble” transfers in the luxury sector. Destinations should educate visitors on how to visit responsibly through clear, creative communications campaigns. Public information and awareness campaigns will be critical to maximizing both business and visitor support for policy measures. Where necessary, destinations may consider upgrading local medical facilities to ensure that visitor health needs are adequately covered.

Carry out research and implement offerings to stimulate local demand for destinations.

Despite historic dependence of destinations in Asia and the Pacific on international visitors, considerable opportunities exist to increase domestic travel; doing so can build resilience to global shocks to the tourism industry while scaling up tourism activity as COVID-19 persists. An essential first step is to understand differences between domestic and international market preferences for tourism products and services at destinations. National and local governments can support the development of local markets by funding research and supporting marketing campaigns that target domestic consumers. Close collaboration with the private sector will be essential for ensuring that destinations and businesses develop products and service offerings that cater to domestic markets. Governments can provide additional support by training operators in digital marketing and improving knowledge of domestic market dynamics.

Use the temporary halt in tourism to address destination-specific visitor management challenges.

Low tourism volumes in the short term provide opportunities for local governments and other stakeholders to prepare destinations for future growth while supporting improved destination and visitor management. For instance, where overcrowding at heritage sites takes place, local governments and tourism suppliers can make infrastructure investments (such as in walkways, signage, and safety equipment) to ensure sites are better equipped to manage larger visitor volumes in the future. Training can also support staff (like tour guides) to develop more robust visitor education programs while helping them manage visitors better.

4.3.2 Long Term

Encourage product development to enhance offerings that will appeal to consumers post-pandemic.

Destinations can develop products that will appeal to consumers in the wake of the pandemic, such as enhanced outdoor activities and products that support physical and mental well-being of travelers. This report lists specific subsectors likely to be increasingly appealing as travel resumes (Table 2). Governments can provide strategic guidance and investment for initiatives that (i) support strategic planning and research into growth sectors (to help destinations and their tourism sectors understand market opportunities); (ii) support tourism industry collaboration and encourage private sector investment in developing on-site facilities and infrastructure; (iii) link products and experiences for visitors, such as through themed routes or improved marketing and promotion about what to see and do; and (iv) support skills development in growth sectors.

Support destinations to cope with upward or downward movements in demand.

The pandemic has triggered major shifts in the viability of specific subsectors, discouraging business events and large-group travel and encouraging health and wellness tourism. Destinations that rely heavily on subsectors experiencing declines will need support managing these changes, as will smaller destinations that may be currently unprepared for an influx of new visitors. Where downward pressures apply, destinations and businesses may require support in adapting to decreased tourism, and even repurposing assets such as business accommodation or conference venues. Conversely, destinations not prepared for large tourism flows will require support planning for surges in tourism, to ensure growth is managed sustainably.

Implement regenerative tourism models.

Destinations can place tourism development on a more equitable, environmentally sustainable path by applying regenerative principles to tourism development. Destinations will need guidance and financial support in applying regenerative principles. Approaches may include implementing circular economy models within destinations to minimize resource use, rewilding natural landscapes, adopting community benefit business models, and ensuring that tourism development in a specific area contributes to community and visitor well-being. Destinations will need support in understanding how to capitalize on shifts in consumer demand toward more sustainable, low-impact forms of travel to make regenerative models succeed. Policies that boost inclusiveness, particularly for youth and women, will be of particular importance to supporting equitable distribution of tourism benefits to communities.

Strengthen the role of communities as decision-makers.

Tourism policy in Asia and the Pacific should seek to leverage tourism to drive deeper economic and social gains for the communities in which it takes place. To achieve this, it is critical to emphasize the role of local communities; as a source of demand when international demand is weak, but also as key stakeholders in the tourism planning and development process to ensure that tourism development occurs in line with the wishes and ambitions of local people, destinations will need support community consultations and development of mechanisms to include residents at each stage of the tourism planning process. Community consultations can also help ensure that marketing activities accurately reflect local identity, and that local people feel invested in co-creating tourism products and experiences.

Support local tourism organizations to address local priorities.

Destination-level organizations will require significant support from local and national governments in investment, strategic guidance, upskilling local officials, and integrating tourism considerations and activities into local government agencies.

Upgrade local crisis management plans.

COVID-19 forced destinations to recognize deficiencies in public health services, risk management, and visitor management. National support will be required to help local tourism authorities improve crisis management planning and in addressing vulnerabilities (including exposure to the failure of specific markets or environmental threats caused by climate change).

4.4 Supporting Tourism Suppliers

Although many travel and tourism businesses failed during COVID-19, those that survived can play a catalytic role in helping the industry and communities recover. The industry is interdependent with a broad range of industry sectors. As Stewart Moore, chief executive officer of EarthCheck, emphasized: “The tourism industry can play a pivotal role in helping places to recover; however, in the future it needs to step up and play a more strategic role, for example by working in a much more integrated way with other sectors such as transport and agriculture.” He further explained that the sector has “traditionally suffered from being highly fragmented and lacking “one voice” in policy matters.” This is often the case in individual countries, so creating a consensus for the industry among multiple countries is a huge challenge. The following recommendations highlight ways in which local and national governments can support businesses to thrive, become more resilient, and engage in emerging markets.

4.4.1 Short Term

Support businesses that are critical to long-term destination viability.

Some tourism suppliers are critical to the attractiveness or overall viability of tourism at destinations such as transport services to and from destinations, accommodation, and iconic heritage sites. In many cases, business survival will depend on access to

investment and exposure to risk. Large multinationals with access to investment, such as airlines and hotel groups, are likely to preserve the strongest positions during and after the pandemic. However, even large entities like airlines may require financial support. Smaller businesses face limited access to finance and may be at even higher risk of failure. Even with support, the gradual withdrawal of state assistance paired with low consumer demand is likely to cause market consolidation and reduced capacity (including the suspension of vital air routes) at destinations. National and local governments should first conduct analysis to understand the level of dependence that destinations have on businesses or services, and consider options for providing strategic or financial support where necessary.

Help businesses to become more agile in reacting to market demand.

Businesses will have to be highly responsive to shifting patterns of consumer demand to maximize profits in a volatile market environment. Governments can offer business support including (i) training (such as in digital skills for the tourism workforce); (ii) guidance on market trends and how to capitalize on them; and (iii) financial support to enable businesses to adapt facilities and product offerings, where appropriate (for example, converting short-term accommodation into long-term stays, or changing conference facilities into sport centers). Government support—in terms of training and the development of certifications—can also help suppliers adapt, market, and introduce products aligned with shifting consumer demand, such as for more environmentally sustainable services, community-based products, or wellness offerings with certified safety features.

Enable suppliers to adapt products, services, and networks to capitalize on domestic markets.

Border closures compelled tourism suppliers to reorient international offerings to cater to domestic markets, and many businesses are expected to continue reorienting products to meet local tourism demands. While domestic markets may not completely replace revenue lost from higher-spending international visitors, reorienting products to capture local demand helped many businesses to survive, and may support long-term revenue growth and improved resilience of tourism businesses. Government stakeholders can support businesses to engage local consumers by providing advice on local consumer preferences while businesses themselves can adapt product to cater to local needs (such as by offering food delivery or hosting community events) and making packages more attractive to domestic travelers (by adapting tours, menu items, and prices).

Guide businesses to implement digital solutions that encourage smoother, safer travel.

Governments can help businesses to implement digital health monitoring, contactless transactions, digital payments, virtual visits, automated services, and to expand consumer access to information through digital marketing. Doing so can streamline business practices while greatly improving health and safety conditions for visitors. In the longer term, governments can support capital investment, such as in 5G networks, to increase access to digital services.

Use data and market intelligence to help businesses understand emerging trends and plan accordingly.

Businesses will rely more heavily on the smart use of data and market intelligence. Governments can invest in enhancing their market research capabilities through national tourism organizations, and in sharing insights with tourism businesses more effectively. Investment is also required in monitoring visitor behavior before and during visits to improve the customer journey. Gathering and interpreting this data will require improved skills capabilities, as well as enhanced cooperation between tourism suppliers and data providers such as online travel agents and mobile networks.

4.4.2 Long Term

Mobilize private sector capital and human resources to decarbonize tourism activity, reduce waste, and limit negative impacts on communities.

Making tourism more sustainable will require close collaboration between the public and private sectors. National and local governments can encourage tourism businesses, such as accommodation venues and attractions, to educate guests on how to minimize water and energy waste. Where appropriate, policy levers—including carbon taxes and environmental standards—can curb waste and other negative behaviors to levels within the carrying capacity of given destinations. Conversely, subsidies and tax credits can encourage businesses to implement energy efficiency retrofits and other measures to support environmental sustainability; while tax incentives can encourage investors to engage in green infrastructure development.

Support youth-led programs that encourage sustainable travel and purpose-driven enterprise models.

Young, purpose-driven entrepreneurs can help establish a new generation of small and medium-sized enterprises—supported by larger players—aimed at helping address local challenges such as regeneration, poverty reduction, education, and gender inequality. Governments can implement policies that support young entrepreneurs in developing their businesses, connecting with clients, mentors, and other youth (both domestically and abroad), and engaging in the broader industry. Travel and tourism should also be developed as a vehicle to improve young peoples' physical and mental well-being, and to develop social skills and intercultural experience that will be increasingly in demand in the future workplace and society. As such, supporting exchange programs that allow students and young employees to gain international experience will be essential. Governments should support the gradual resumption of international student mobility, recognizing that there will be stronger preference for exchanges in Asia and the Pacific than before, due to safety concerns about COVID-19 and possible incidences of “Asia phobia” in other regions of the world. Overall, governments should look to integrate young people in decision-making at all levels of government and business to ensure that efforts to recover (such as consumer marketing campaigns) will resonate with their target audience.

Support community-led models of tourism development to boost the creation of authentic experiences for visitors, and to ensure that communities have a proper stake in decision-making related to tourism development.

Increased interest in travel driven by conscious consumption and social responsibility translates into demand for authentic experiences and community tourism, but limited to small groups. Policies that boost inclusiveness, particularly for youth and women, can further stimulate this interest. Over a 5-year period or longer, policies emphasizing inclusive tourism business models will be essential, and these models can help ensure tourism is sustainable for local communities and visitors. Government policies that support local communities and entrepreneurs to meet demand for authentic experiences and products could support local entrepreneurs in long-term sustainable ways, especially youth and women.

Support the return of events.

Policy priorities for events will be directly related to COVID-19 recovery and mitigation measures. Longer term, health, hygiene, and safety requirements will likely be automated for entry into venues. Technology solutions such as vaccine passports will be mandated by policy and expanded to include other health and safety precautions beyond vaccines. For example, the global Northstar Meetings Group has produced an Event Planner's Survival Guide/Toolkit, which recommends that venues obtain the SG Clean Quality Mark Certification, a sanitation and hygiene program to ensure high public health and safety standards.

4.5 Supporting Regional Cooperation

Many of the challenges and recommendations presented in this report are transnational, and require collaboration across multiple sectors at multiple levels. Given that the COVID-19 pandemic has created a range of new challenges for governments in the region, there are grounds for initiating regional cooperation in new areas, as well as deepening cooperation in areas where actions were already underway prior to the pandemic. In this way, governments can help to expedite a smooth, durable restart of travel in the region, as well as address the longer-term recommendations presented.

4.5.1 Short term

In May 2020, UNWTO issued a series of Global Guidelines to Restart Tourism to guide the public and private sectors engaged in tourism around the world in achieving a smooth, just, and efficient restart of global travel, particularly the harmonization of travel restrictions and hygiene protocols. Notable areas that can be improved through global and regional cooperation include¹¹³

¹¹³ UNWTO. 2020. *Global Guidelines to Restart Tourism*. Madrid. 28-05-2020, pp. 10-26

- (i) harmonizing travel restrictions and health protocols in a way proportionate to the public health risk and local risk assessments;
- (ii) working toward the international interoperability of visitors' tracing apps;
- (iii) ensuring regional and international coordination in the re-opening of borders;
- (iv) providing reliable, consistent, and easy-to-access information on travel restrictions and protocols to the private sector and to travelers; and
- (v) advancing travel facilitation toward e-visa/visa on arrival/no visa policies and temporary visa cost exemption to stimulate demand.

4.5.2 Long term

Moving beyond the harmonization of travel restrictions and protocols, there is a range of areas where long-term regional collaboration could help drive faster recovery from the COVID-19 pandemic. These include

- (i) incentivizing travel between neighboring countries where possible (for example, where travel restrictions are relaxed sufficiently to make leisure travel feasible);
- (ii) harmonizing tourism quality and safety standards, especially in emerging products in the region (such as adventure sports, outdoor activities, wellness and educational travel);
- (iii) capacity building and knowledge and experience sharing, for example around the effectiveness of different COVID-19 support measures, and measures to restart tourism;
- (iv) developing thematic multi-country routes and heritage circuits, combined with joint marketing efforts to position these routes in key target markets;
- (v) promoting product development among private sector stakeholders and supporting improved product quality standards along these routes; and
- (vi) establishing tourism investment corridors.

Finally, as observed throughout this report, countries in the region face the urgent task of addressing the long-term sustainability of tourism and ensuring that the measures taken to support recovery also contribute to achieving the UN Sustainable Development Goals. These are explained in more detail in the ADB 2021 publication *Sustainable Tourism After COVID-19: Insights and Recommendations for Asia and the Pacific*.¹¹⁴

Given the scale of the challenges facing Asia and the Pacific in restarting tourism, regional cooperation is essential. As stated previously, the United States Office of the Director of National Intelligence predicts “During the next 5 years, nontraditional security challenges such as public health, climate change, and food and water security are likely to become more important national security concerns for countries in Asia and the Pacific, and in some cases, spill across borders with implications for regional stability. Most prominent among these concerns is the threat of another regional

¹¹⁴ Footnote 109.

pandemic.”¹¹⁵ “To help address these challenges, the following are some of the most prominent channels for regional cooperation that will enable countries to maximize the benefits of sharing their knowledge and experience:”

- (i) The South Asia Subregional Economic Cooperation group which brings together Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka in a project-based partnership to promote regional prosperity, improve economic opportunities, and a better quality of life in the subregion.
- (ii) The Greater Mekong Subregion comprises Cambodia, the Lao PDR, Myanmar, the PRC’s Yunnan Province and Guangxi Zhuang Autonomous Region, Thailand, and Viet Nam—all united by the Mekong River. Sponsored by ADB, the Greater Mekong Subregion Tourism Sector Strategy was launched in 2016 and extends to 2025 to bring Greater Mekong Subregion countries together to cooperate on regional tourism cooperation.
- (iii) The South Asian Association for Regional Cooperation comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka, and was set up in Kathmandu in 1987.¹¹⁶
- (iv) The Association of Southeast Asian Nations’ 10 member states include Brunei Darussalam, Cambodia, Indonesia, the Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.
- (v) The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation’s seven member states are Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand.
- (vi) Among nongovernment organizations, the Pacific Asia Travel Association is one of the oldest and most prominent in the region. It provides advocacy, research, and events to its more than 650 member organizations, including 82 government, state, and city tourism bodies, 14 international airlines and airports, 71 hospitality organizations and 75 educational institutions, as well as thousands of youth members across the world.

¹¹⁵ Footnote 102.

¹¹⁶ ADB placed on hold its regular assistance in Afghanistan effective 15 August 2021. <https://www.adb.org/news/adb-statement-afghanistan>.

APPENDIX 1

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APPENDIX 2

Focus Group Discussions Background

Mainstream Focus Group and Panel Discussions

The following are main themes and representative questions that were discussed:

Pre-COVID-19

- What do you consider to have been the top three positive developments contributing to building back better in Asia and the Pacific (APC) tourism?
- What do you consider to have been the top three negative developments that will most affect destinations overall and moving forward with recovery?

During COVID-19

- What are the three main ways APC consumer expectations and attitudes changed in general?
- What are the three main ways APC consumer expectations and attitudes changed about traveling?
- What stands out for you as the most successful examples of travel business adaptation to greatly reduced or altered demand in APC?
- Least successful?
- Business lessons learned?
- What stands out for you as the most effective government interventions to support travel and tourism?
- Least effective?
- Government policy lessons learned?

Post-COVID-19

- What does recovery mean for the APC tourism regionwide?
- Will there ever really be a Post-COVID-19 period?
- Have lessons been sufficiently learned to prepare the tourism industry ready for the next pandemic or extended health crisis?
- Do you expect expanded travel bubbles to be the likeliest scenario moving forward?

Assumptions

- Return of international tourism is a function of COVID risk and vaccination and capacity to implement measures and convince visitors of sufficient health and safety measures.
- People in APC and generating countries want to and/or can travel internationally at least by 2022.
- APC Government support for industry remains but varies from country to country. Critical for preventing even wider insolvency.
- COVID-19 protocols become permanent, even after infection diminishes and vaccination increases:
 - Social distancing with travel businesses into 2021 and beyond.
 - Increased visitor expectation of implementation of protocols.
 - Cost of business adaptation to constraints could increase insolvencies unless government can step in.
 - Tourism and hospitality operators need to be prepared for potential closures at short notice and on an infrequent basis due to localized lockdowns based on designated tier levels.
 - Increased public and private investment in health, hygiene and safety for accommodations, sites, and transport.

Uncertainties discussed with panelists

- Level of risk consumers will tolerate in destinations.
- Continuation of government support.
- Prevalence of variants of the virus across APC and globally, affecting markets and operators.
- Potential for outbreaks and lockdowns.
- Economic downturn or possible recession.
- Regional tensions.
- Household and business financial resilience.
- Availability and nature of ongoing financial support to businesses as pandemic continues.
- Community perceptions of tourism.
- Supporting infrastructure; availability of supporting infrastructure for digital with the move to more online transactions; public transport capacity.
- Climate change-induced weather events, especially for outdoor activities and day trips.
- Accessibility of destinations for APC residents and potential international visitors.
- Consumer attitudes to the “safety” of travel and risk threshold in general.
- Availability, pricing, and capacity of tourism product from transport, accommodation, attractions, retail, activities, and hospitality.
- More emphasis on sustainable products and services by consumers and businesses.
- Magnitude of return of visitor demand for mass market pre-COVID-19 tourism.

Youth Focus Group

A panel of young people from a representative selection of markets in Asia and the Pacific was assembled to discuss trends that were presented to them. They also discussed their travel ambitions and the effect that COVID-19 has had on their education, work, and travel plans.

The focus group session was conducted for 90 minutes via Zoom with assistance from the Pacific Asia Travel Association (PATA).

Session format:

- General findings were presented by the authors, and those related to youth (main concerns, drivers, our assumptions).
- Assumptions were tested and then leading to discussion in breakout groups.

Main themes and representative questions that were discussed:

1. Experience of travel pre-pandemic:
 - What were the main motivations to travel internationally for young people from your country pre-pandemic?
 - Which destinations were becoming popular for them?
 - What was attracting them?
2. Experience during the pandemic:
 - How have you spent the past year?
 - In what way has the pandemic disrupted your work/study plans?
 - Have you traveled within your own country?
 - Have there been any positive sides to life during the pandemic for you? (e.g., more time with family, taking up new hobbies, learning new skills?)
3. Near future travel plans (during the next year):
 - If you were allowed to travel internationally as from tomorrow, would you travel? If yes, where would you go?
 - In what way has the pandemic changed your approach to travel? (On a practical level, and in terms of inspiration/aspirations about where you might travel?)
 - What factors might shape your decisions about travel? (e.g., family, health, cost, what's open). Which is the priority?
 - Do you think more frequent domestic travel is here to stay?

4. In-destination experience:

- Think about your preferred destinations; how might the experience be different to how it was pre-2020? Does anything concern you?
- Thinking about some of APC's developing country destinations; what do you think the pandemic means for them?

5. Attitude toward sustainability/issues that matter to them

- In daily life, how importantly do you view the following issues? (....)
- How do young people feel about these issues in your country, compared to 5–10 years ago?
- With regard to tourism and sustainability, which issues do you think governments should deal with most urgently during the recovery?

6. Long-term ambition:

- What major changes do you hope to see in tourism in APC in 5 years' time?
- What would success look like?

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COVID-19 and the Future of Tourism in Asia and the Pacific

Tourism in Asia and the Pacific has transformed dramatically over the last 2 decades due to the impacts of globalization, digitalization, rising disposable incomes, and shifting consumer preferences. The coronavirus disease (COVID-19) pandemic stands out as a pivotal moment in the trajectory of tourism development. It has accelerated some trends, such as digitalization, and is likely to have permanently altered consumer preferences. This report explores how different tourism market segments may have been impacted by the COVID-19 pandemic, and more importantly what this means for policy makers seeking to move tourism onto a more sustainable development pathway.

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ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

About the World Tourism Organization

The World Tourism Organization (UNWTO), a United Nations specialized agency, is the leading international organization with the decisive and central role in promoting the development of responsible, sustainable, and universally accessible tourism. It serves as a global forum for tourism policy issues and a practical source of tourism know-how. Its membership includes 160 countries, 6 territories, 2 permanent observers, and over 500 affiliate members.



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