5 Movement of People
People Mobility Hampered by the Pandemic and Virus Containment Measures

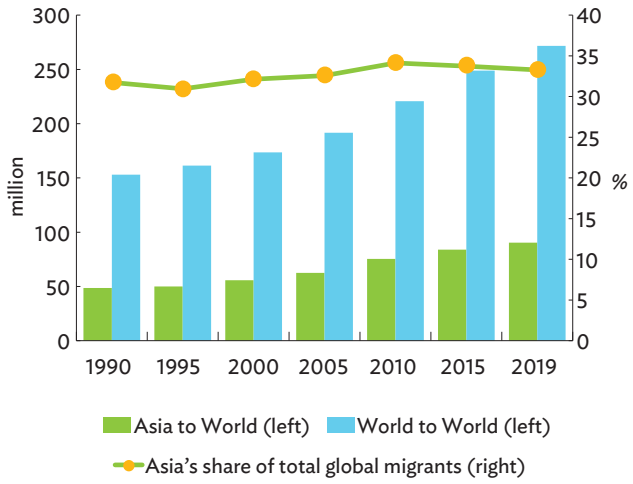
Migration

The number of Asian migrants stood at 90.3 million in 2019 out of 271.6 million migrants worldwide. The coronavirus disease pandemic affected their lives via health, socioeconomic, and protection crises.[30]

In 2019, the stock of international migrants worldwide reached 271.6 million, up 9.2% from 2015 (Figure 5.1).[31] International migrants accounted for around 3.5% of the global population in 2019. The migrant stock continued to grow across all regions from 2015.[32] Global migrants from Asia grew 7.6% to 90.3 million in 2019 from 84.0 million in 2015. During the same period, growth was highest in the Middle East (16.8%) and Africa (12.5%).

Asia remains the largest source of migrants—one in three migrants (33.3%) worldwide. India had the largest number of outward migrants in 2019 (17.5 million) and has been the top source of Asian outmigrants since 1995

Figure 5.1: International Migrant Stock and Share of Migrants from Asia



Note: Asia's share of total global migrants is computed as (migrants from the region / total global migrants) x 100.

Source: ADB calculations using data from United Nations. Department of Economic and Social Affairs, Population Division. International Migrant Stock: The 2019 Revision. https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp (accessed May 2020).

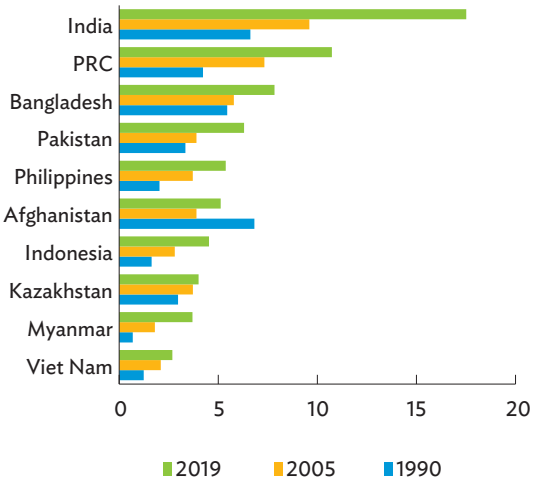
[30] Asia refers to the 49 members of the Asian Development Bank (ADB) within Asia and the Pacific, which includes Japan and Oceania (Australia and New Zealand) in addition to the 46 developing Asian economies.

[31] United Nations (UN) recommendations on statistics of international migration define the "stock of international migrants present in a country" as "the set of persons who have ever changed their country of usual residence, that is to say, persons who have spent at least one year of their lives in a country other than the one in which they live at the time the data are gathered" (UN 1998). International migrant stock consists of persons crossing borders for various reasons—for employment, family reunification, study, and flight from conflict and violence. Some involve the creation of new borders, generating large numbers of international migrants—as during the 1991 dissolution of the Soviet Union.

[32] With the exit of the United Kingdom (UK) from the European Union on 31 January 2020, the UK's immigration policy will shift from free movement to a points-based system which would reduce overall levels of migration and prioritize skills and talent: scientists, engineers, academics and other highly-skilled workers (Government of the United Kingdom 2020). In the United States (US), nonimmigrant admissions grew by 5.4% from 77.1 million in 2016 to 81.3 million in 2018, while those granted lawful permanent residence declined from 1.2 million in 2016 to 1.1 million in 2018 (Government of the US Department of Homeland Security. Immigration Data and Statistics). In 2020, the US Citizenship and Immigration Services (USCIS) raised its fees as one way to slow legal migration (Government of the US Department of Homeland Security. USCIS).

(7.2 million). Other Asian countries with large diaspora populations include the People's Republic of China (PRC) (10.7 million), Bangladesh (7.8 million), Pakistan (6.3 million), and the Philippines (5.4 million) (Figure 5.2).

Figure 5.2: Top 10 Sources of Migrants, 2019—Asia (million)



PRC = People's Republic of China.

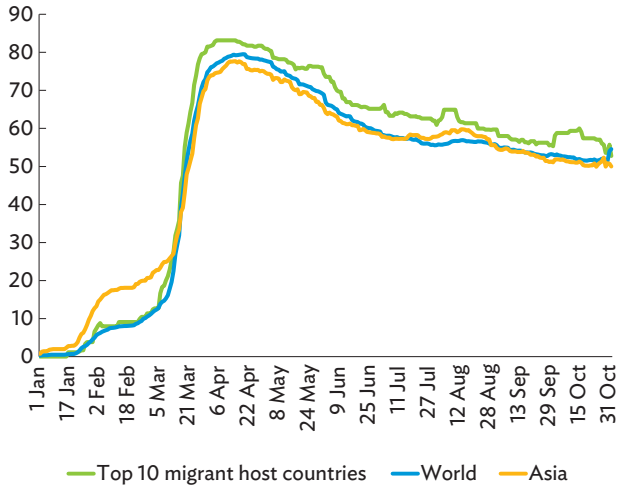
Source: ADB calculations using data from United Nations. Department of Economic and Social Affairs, Population Division. International Migrant Stock: The 2019 Revision. https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp (accessed May 2020).

Mobility Restrictions and Challenges in 2020

Border closures, travel restrictions, and quarantine measures imposed to mitigate the spread of the coronavirus significantly limited mobility and disproportionately impacted international migrants.

The coronavirus disease (COVID-19) pandemic significantly affected people's movement, halted many industries, and disproportionately imposed huge costs on migrants and their families. Restrictions on mobility and travel to curtail COVID-19 infections disrupted economic activity, created massive unemployment, and led to a global economic crisis. As the number of confirmed cases began to rise, many countries quickly imposed lockdowns, the first in late January and becoming most stringent in late March and April (Figure 5.3). Some measures were gradually eased in late April and May but remained restrictive relative to precrisis conditions as social distancing and partial lockdowns continued. Mobility restrictions were more stringent in the top 10 destination countries for migrants—including the US, the Russian Federation, and Middle East countries—where more than 60% of Asia's migrants reside. It became challenging for migrant workers to travel back home.

Figure 5.3: Mobility Restrictions during the COVID-19 Pandemic—2020 Oxford Government Stringency Index



COVID-19 = coronavirus disease.

Notes: The Oxford COVID-19 Government Response Stringency Index is a composite indicator, with a range of 0 to 100 (most restrictive), that captures policy decisions on (i) school closings, (ii) workplace closings, (iii) cancellation of public events, (iv) restrictions on gathering size, (v) public transport closures, (vi) home confinement orders, (vii) restrictions on internal movement, (viii) international travel controls, and (ix) public information on COVID-19. The top 10 migrant host countries for 2019 include the United States, Saudi Arabia, the Russian Federation, the United Arab Emirates, India, Australia, Thailand, Canada, Pakistan, and Malaysia.

Source: ADB calculations using data from Hale et al. (2020a).

The pandemic and ensuing lockdowns put many migrant jobs in jeopardy. The International Labour Organization (ILO 2020b) reported that low-skilled migrants and seasonal workers were likely to be laid off first, but last to get tested or treated. They are often excluded from government policy responses, such as wage subsidies, unemployment benefits or social security, and social protection measures. With limited or no social protection, no savings, without adequate food and shelter, and no financial means to return to their home

countries, thousands of migrants were stranded. Working migrants sent home continue to face uncertainty over their future employment prospects.

Thailand's closure of 18 border points from 23 March resulted in the sudden, unexpected outflow of migrant workers from Cambodia, the Lao People's Democratic Republic (Lao PDR), and Myanmar traveling back to their home countries and communities (Table 5.1).[33] Nepal expects around 500,000 workers who lost their jobs abroad to return home, mainly from the Middle East and Malaysia, while Bangladesh has repatriated about 400,000 of its migrants. India's Vanda Bharat mission flights have repatriated at least 1 million workers. Between February and December 2020, at least 300,000 Filipino migrant workers have been repatriated.

Australia's travel ban for noncitizens and nonresidents, and the temporary suspension of its visa-exemption facilities, put Indonesian migrant workers and working professionals in limbo as they were either locked in or out of Australia for indefinite periods.[34] Indonesians in the southern Philippines had to appeal for food assistance from their government in Jakarta. Malaysia's movement control order barred its citizens from traveling abroad—including 300,000 workers who commute to Singapore daily.[35] Migrants from Asia crucial to the Middle East workforce were confronted with the sudden loss of income and unemployment, particularly low-skilled workers. In Qatar, migrant construction workers were quarantined in overcrowded labor dormitories, creating a higher risk of COVID-19 exposure (Pattison and Sedhai 2020).

Table 5.1: Number of Return Migrants during the COVID-19 Pandemic

	Return Migrants			
Country of Origin	Number	% Outmigrant Stock (2019)	Repatriated Mainly from	As of
Armenia	60,000	6.2	Russian Federation, Europe	30 June
Azerbaijan	20,000	1.7	Russian Federation	29 May
Bangladesh	408,408	5.2	Middle East	31 December
Cambodia	100,000	9.1	Thailand	06 August
India	1,666,496	9.5	Middle East, US, Europe, Asia	31 December
Indonesia	130,000	2.9	Malaysia, Middle East	Mid-June
Lao PDR	119,401	8.9	Thailand	17 June
Myanmar	135,469	3.7	Thailand, PRC, Lao PDR	15 June
Nepal	51,441	2.3	India	12 October
Philippines	327,511	6.1	Middle East, Asia, US, Europe	31 December
Samoa	1,000	0.8	New Zealand	5 August
Tonga	3,000	4.0	New Zealand	26 August
Uzbekistan	500,000	25.3	Russian Federation	29 May
Vanuatu	1,000	13.6	New Zealand	26 June

COVID-19 = coronavirus disease, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China, US = United States.

Sources: ADB calculations using data from United Nations. Department of Economic and Social Affairs, Population Division. International Migrant Stock: The 2019 Revision. https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp (accessed May 2020); Ahamad (2021); Engblom, Lephilibert, and Baruah (2020); Eurasianet.org (2020); Global Knowledge Partnership for Migration and Development (2020); Government of India, Ministry of External Affairs. https://www.mea.gov.in/vande-bharat-mission-list-of-flights.htm (accessed January 2021); Government of the Philippines, Department of Foreign Affairs (2021); International Organization for Migration (2020a, 2020b, 2020c, 2020d); Massing (2020); Millard (2020); Olsen and Vorn (2020); Pannier (2020); Pollock and Paing (2020); Prasain (2020); Radio New Zealand (2020a, 2020b).

[33] As of December 2019, there were 2.8 million registered migrant workers in Thailand and an unknown number of undocumented migrant workers. Around 700,000 migrant workers in Thailand, who worked mostly in tourism, services, and construction industries, have lost their jobs since the lockdown started in late March 2020.

[34] According to Government of Australia, Department of Home Affairs, from 20 March 2020, travel restrictions have been in place prohibiting travel to Australia of all foreign nationals, unless exempt.

[35] Martinus (2020) reported that the Singapore government then made accommodations for Malaysian workers to continue working as usual.

Among the safety nets provided to returning Asian migrants were cash grants, subsidies for housing and transportation, as well as free access to COVID-19 testing and treatment. Subsidies were offered to help businesses retain employees, and social insurance contributions were deferred for employers (Testaverde 2020). Placement services were deployed, and regulations adjusted to protect migrants. Regulations and taxes on remittance were also reduced.

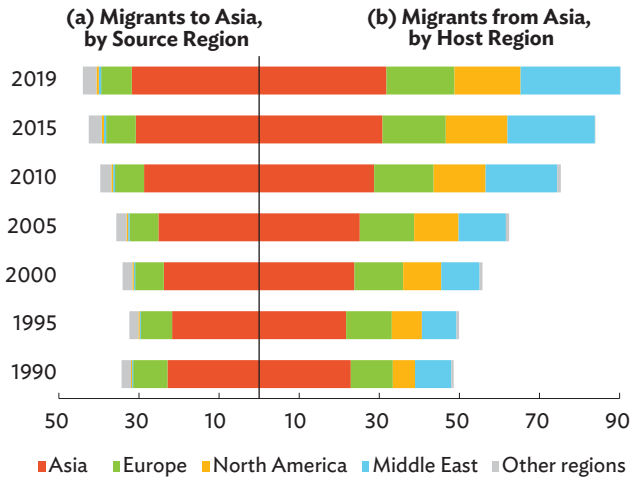
Returning Philippine migrants were given cash ($200) and transportation assistance (Government of the Philippines, Department of Labor and Employment 2020). In Bangladesh, returning migrants received a stipend of Tk5,000 upon arrival at the airport and were eligible for government loans ranging from Tk500,000 to Tk700,000 if they invested in economic activities, especially in agriculture (BenarNews.org 2020). Viet Nam used apps that record a person's health status and symptoms to expedite the return of migrant workers or those traveling within the country (Bismonte 2020). In the Republic of Korea, a disaster relief fund that began in March 2020 was expanded to include all migrants, provided they have been living in the capital city for at least 90 days. Using prepaid cards, the measure provided relief to migrants who had lost their jobs and were unable to return to their home countries due to travel restrictions (The Workers Rights 2020). In New Zealand, migrant workers were allowed to take sick leave given assistance for lost work due to lockdowns. Free COVID-19 testing and treatment was provided in Kazakhstan and the Republic of Korea. Singapore canceled levies for hiring foreign workers to help employers of foreign workers. The PRC also developed an online platform to facilitate job placement and recruitment as well as skills development.

Overview of Migration to and from Asia

Outward migration has steadily increased, especially those headed outside Asia.

In recent years, the stock of Asian migrants across the world has grown faster than the number of migrants residing within the region (Figure 5.4), suggesting that extraregional migration remains the preferred route. Although the number of intraregional migrants within Asia has increased since 1990, the share has been trending downward.

Figure 5.4: Migration to and from Asia, by Region (million)



Source: ADB calculations using data from United Nations. Department of Economic and Social Affairs, Population Division. International Migrant Stock: The 2019 Revision. https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp (accessed May 2020).

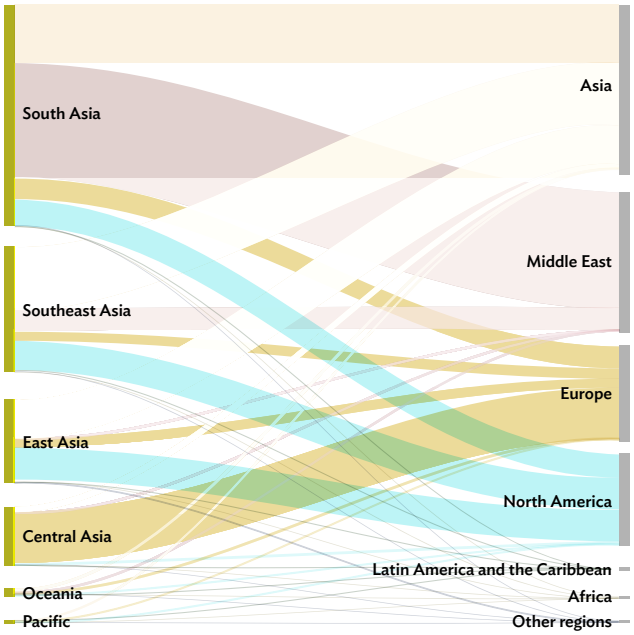
By subregion, South Asia (45.3%) and Southeast Asia (24.2%) account for the largest shares of Asian outmigrants (Figure 5.5). Around 50% of migrants from South Asia move to the Middle East while 28.9% remain within Asia. Southeast Asian migrants tend to stay within Asia, although 24.9% reside in North America. Central Asian migrants are found mostly in Europe, particularly the Russian Federation.

Outmigration is also common in the Pacific. In Fiji, Samoa, and Tonga, outmigrants comprise about 35.4% of the population—and are affected by Oceania's migration policies. New Zealand's Recognized Seasonal Employer (RSE) scheme and Australia's Pacific Labour Scheme allow for the employment of migrants from the Pacific. The RSE cap for 2020–2021 is 14,400, while the Pacific Labour Scheme is uncapped.[36] Nationals from Niue and the Cook Islands, as concurrent New Zealand citizens, can

[36] Government of New Zealand, Ministry of Business, Innovation and Employment. https://www.immigration.govt.nz/about-us/research-and-statistics/research-reports/recognised-seasonal-employer-rse-scheme (accessed September 2020); and Government of Australia, Department of Foreign Affairs and Trade. https://www.dfat.gov.au/geo/pacific/engagement/pacific-labour-mobility (accessed September 2020).

live and work in New Zealand without restriction.[37] In Central Asian economies such as Armenia, Georgia, and Kazakhstan, outmigrants comprise at least 20% of the population.

Figure 5.5: Asian Outmigrants by Subregion and Their Regional Destination, 2019 (number of international migrants)



Source: ADB calculations using data from United Nations. Department of Economic and Social Affairs, Population Division. International Migrant Stock: The 2019 Revision. https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp (accessed May 2020).

Many low-skilled migrants from Asia were hit hard by the pandemic, forcing them to return home, while high-skilled migrant workers in sectors vital to developed host countries stayed on.

Migrants from Asia are in 186 different economies, with more than 40% concentrated in the US, Saudi Arabia, the Russian Federation, the United Arab Emirates, and Canada (Table 5.2). These non-Asian destinations also collectively account for about one-third of the confirmed COVID-19 cases globally. Among the top host countries in Asia, India had 12.3% share of confirmed coronavirus cases.

Skills and the relative importance of certain types of migrant occupations in host countries basically determined how much pressure was applied for migrants to return to their home countries. In the Middle East, where foreign workers account for up to 80% of the labor force, many low-skilled migrant workers in construction, tourism, retail services, and as domestic workers either lost their jobs or were stranded and had to return home with no clear prospects of reemployment. The same was true for migrants in the Russian Federation, where 80% have only low- to medium-level skills (Figure 5.6).

Table 5.2: Top 10 Economies Hosting Migrants from Asia and COVID-19 Cases

	Number of Asian Migrants	Share of Total	Number of Confirmed COVID-19 Cases[a]	Share of Global Total
United States	13,177,721	14.4%	19,968,087	23.9%
Saudi Arabia	9,167,287	10.0%	362,741	0.4%
Russian Federation	6,806,668	7.5%	3,127,347	3.7%
United Arab Emirates	6,517,803	7.1%	207,822	0.2%
India	5,097,377	5.6%	10,266,674	12.3%
Australia	3,713,494	4.1%	28,425	0.0%
Thailand	3,617,946	4.0%	7,163	0.0%
Canada	3,307,678	3.6%	584,409	0.7%
Malaysia	3,186,689	3.5%	113,010	0.1%
Pakistan	3,180,724	3.5%	482,178	0.6%
Top 10 total	**57,773,387**	**64.0%**	**35,147,856**	**42.1%**

COVID-19 = coronavirus disease.

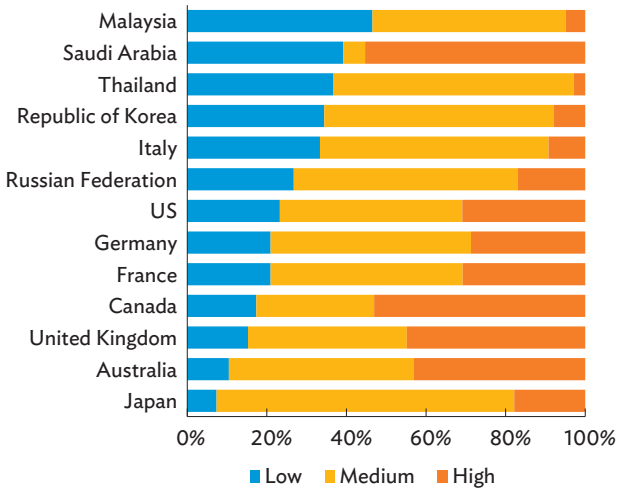
[a]The number of confirmed COVID-19 cases are as of 31 December 2020; the number of global cases totaled 83,427,446.

Sources: ADB calculations using data from Roser et al. (2020); and United Nations. Department of Economic and Social Affairs, Population Division. International Migrant Stock: The 2019 Revision. https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp (accessed May 2020).

[37] Outward migrants from Niue and the Cook Islands were proportional to 170.3% and 63.3% of their respective populations in 2019.

For high-skilled migrants working in Australia, Canada, Saudi Arabia, and the UK, there was far less pressure to return to their home countries. Migrants working in industries key to the pandemic response, such as health workers, were relatively insulated from being repatriated. In Canada, for example, 26% of doctors are foreign-trained workers.[38] In Qatar and the United Arab Emirates, at least 90% of doctors are foreign-born workers. In Bahrain, Oman, Qatar and Saudi Arabia, at least 47% of nurses are migrants. Kuwait, where 96% of nurses are migrants, recently hired at least 500 doctors and nurses from Pakistan, is preparing for a second wave of the coronavirus (Al Sherbini 2020).

Figure 5.6: Employment Distribution of Migrants by Level of Skills *(%)*



US = United States.

Note: Data are from latest available year.

Source: International Labour Organization. ILOSTAT. https://ilostat.ilo.org/data/ (accessed September 2020).

In the US, incoming migrants faced new entry restrictions. The US immigration services were suspended in April 2020 and the issuance of H-1B and other work visas were suspended until 31 December 2020, banning the entry of foreign workers who present a risk to the labor market. Exemptions were made for public health or health-care professionals, and researchers directly engaged in alleviating the effects of the COVID-19 pandemic or engaged in research with substantial public health benefits.[39] This temporary ban affected migrants, especially those in professional occupations (16.9%), elementary occupations (23.3%), and sales and service workers (18.6%).[40] In the UK, skilled tier visas accounted for 50% of all visa applications, a category dominated by migrants from India (46.4%) and, to a lesser extent, the Philippines (7.2%) and Australia (3.8%).[41] As part of the continuing national effort to fight the pandemic, doctors, nurses, and paramedics had their work visas automatically extended for 1 year free of charge. This benefited the source countries for medical workers, such as the Philippines, the largest source of migrant nurses worldwide (Ladrido 2020). Migrants account for at least 25% of employed professionals in the UK.[42]

Many Asian migrants continue to seek (re)employment prospects in Saudi Arabia and the United Arab Emirates. The global economic contraction is forecast to reverse short-term growth prospects in the Middle East; and policies on the nationalization of labor have begun to affect the flow of low-skilled migrants. In Bangladesh, for example, between 2017 and 2019, the flow of migrant workers to Saudi Arabia declined by 27.6%, to the United Arab Emirates by 19.8%, and to Qatar by 38.7%.[43] Notwithstanding these domestic-oriented labor policies, the demand for migrant labor in the Middle East will likely continue as the region pursues post-pandemic diversification (Ghosh 2020).

38 See World Health Organization. National Health Workforce Accounts. https://apps.who.int/nhwaportal/ (accessed January 2021).

39 See Government of the United States, Department of State–Bureau of Consular Affairs (2020).

40 International Labour Organization. ILOSTAT. https://ilostat.ilo.org/data/ (accessed September 2020).

41 Visa applications for the year ending September 2019 totaled 63,510—29,482 from India; 4,576 from the Philippines; and 2,401 from Australia.

42 ILOSTAT data set on employment of migrants by occupation. https://ilostat.ilo.org/data/ (accessed September 2020).

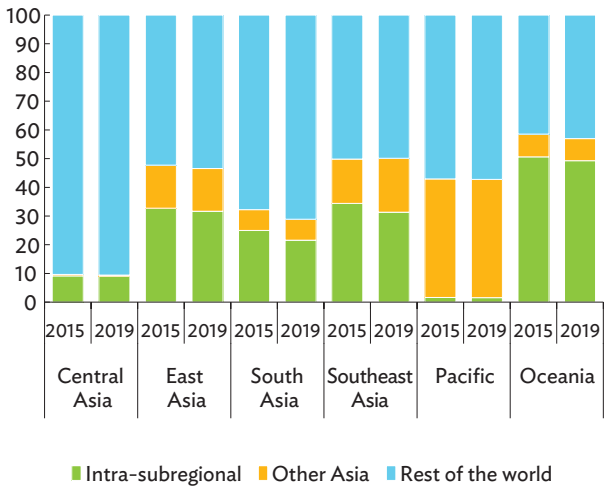
43 Government of Bangladesh. Bureau of Manpower, Employment and Training. http://www.old.bmet.gov.bd/BMET/stattisticalDataAction (accessed September 2020).

Intraregional Migration

Intraregional migration remains an important part of international migration from the region.

Around 35% of Asian migrants stay within the region, varying by subregion (Figure 5.7). The absolute number of intraregional Asian migrants during 2015–2019 rose 3.3%—from 30.8 million to 31.8 million. Most intraregional migrants come from the PRC (5.4 million), Bangladesh (3.7 million), Myanmar (3.3 million), India (3.2 million), and Indonesia (1.9 million). Intraregional PRC migrants move to Japan (14.6%), Australia (12.0%), and the Republic of Korea (11.6%), but Hong Kong, China (42.3%) remains the top destination. At least 80% of Bangladeshi migrants move to India while 57% of those from Myanmar reside in Thailand.

Figure 5.7: Migration from Asia by Subregion
(% of total outmigrants)



Notes:

(i) Intra-subregional refers to migrants from subregion i as a percentage of migrants from subregion i to the world.
(ii) Other Asia refers to migrants from subregion i to other Asian subregions as a percentage of migrants from subregion i to the world.
(iii) Rest of the world refers to migrants from subregion i to the rest of the world as a percentage of migrants from subregion i to the world.

Source: ADB calculations using data from United Nations. Department of Economic and Social Affairs, Population Division. International Migrant Stock: The 2019 Revision. https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp (accessed May 2020).

Among the top economies hosting intraregional migrants are India (5.1 million), Australia (3.7 million), Thailand (3.6 million), Malaysia (3.2 million), and Pakistan (3.2 million). Intraregional migrants to India largely come from neighboring countries such as Bangladesh (3.1 million), Pakistan (1.1 million), and Nepal (0.5 million). Australia hosted migrants primarily from the PRC (0.6 million), New Zealand (0.6 million), and India (0.6 million), while Thailand hosted those from nearby countries such as Myanmar (1.9 million), the Lao PDR (0.9 million), and Cambodia (0.7 million).

Inter-subregional migration remains high among ADB's Pacific developing member countries (41.2%). New Zealand—through its Recognized Seasonal Employer (RSE) scheme—allows in horticulture and viticulture workers from Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Australia's Pacific Labour Scheme allows workers from Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu to take up nonseasonal low- and semi-skilled work in rural Australia in growth sectors such as health care, social assistance, and hospitality.[44] As the pandemic battered tourism across Pacific countries, the Pacific Labour Scheme is one way migrant workers can continue to send remittances to their home country (McDonald 2020).

East Asia and Southeast Asia also have relatively high migrant mobility within their subregions. Intra-subregional migrants in East Asia, primarily from the PRC (3.7 million) and the Republic of Korea (0.7 million) were double their inter-subregional migrants (2.1 million) in 2019. Still, migrants from Indonesia, the Philippines, and Viet Nam continue as the top migrants to East Asia. These economies have labor arrangements—such as a bilateral labor agreement with the Republic of Korea and the Philippines[45] and a memorandum of cooperation for specified skilled workers between Japan and the Philippines (Japan International Trainee and Skilled Worker Cooperation Organization 2019)—to ensure their migrants have worker protection.

[44] The Pacific Labour Scheme—built on the success of the Seasonal Worker Programme—gave more Australian employers access to a reliable seasonal workforce drawn from the Pacific and Timor-Leste.

[45] The Republic of Korea's Employment Permit System has memoranda of understanding with Bangladesh, Cambodia, Indonesia, the Kyrgyz Republic, Myanmar, Mongolia, Nepal, Pakistan, the PRC, the Philippines, Sri Lanka, Thailand, Timor-Leste, Uzbekistan, and Viet Nam.

In Southeast Asia, 31.3% (6.9 million) of migrants remained intra-subregional in 2019. This relatively large number of migrants within the subregion makes intraregional government support and cooperation essential for migrant protection and safety. For example, in 2017, the Association of Southeast Asian Nations (ASEAN) approved a Consensus on the Protection and Promotion of the Rights of Migrant Workers, a framework of cooperation on intraregional migrant workers.

A Call for Bolder Regional Cooperation

As with previous crises, the COVID-19 pandemic has led to many calls for greater regional cooperation.

Health systems and related infrastructure should be upgraded and strengthened to make mobility "pandemic-proof." Across the region, health systems need to better respond to future health emergencies—with improved medical facilities and more-skilled personnel. The pandemic has underscored the need for better, more accessible sanitation and water supply infrastructure.[46]

A regional migrant information infrastructure can leverage new technology to provide efficient information sharing. The exchange of timely, accurate, and reliable information is essential to manage crises. Establishing a shared regional migrant information infrastructure will allow the exchange of accurate, relevant, and timely migrant information and help apply migration best practices among countries (KNOMAD 2017). It can address data gaps on migration and remittances, and provide a monitoring system to spot any abrupt changes requiring policy intervention. The system could also facilitate coordination and cooperation during emergencies and help policy makers better assess migration issues.

Enhanced regional dialogue can explore new ways to legalize or regularize migration, promote labor standards, protect migrants, and ensure remittance inflows. Regional cooperation and integration initiatives can ease migrant deployment and remittance flows. There is a need to coordinate on issues such as formalizing unregistered migrants, the costs of migration, ethical recruitment, promoting international labor standards and social protection for migrant workers, and enhancing mutual recognition of skills.[47]

Better coordination on education and training can improve capabilities, sharpen competencies, and expand skills. Asian migrants provide vital skills that benefit both source and destination countries. The pandemic highlighted the key role migrant workers play in medicine and as medical front liners in many advanced countries. Source countries need to invest in quality education and relevant training to develop human capital.

Remittances

The COVID-19 pandemic disrupted the growth momentum of remittance inflows to Asia—which reached $315.3 billion in 2019.

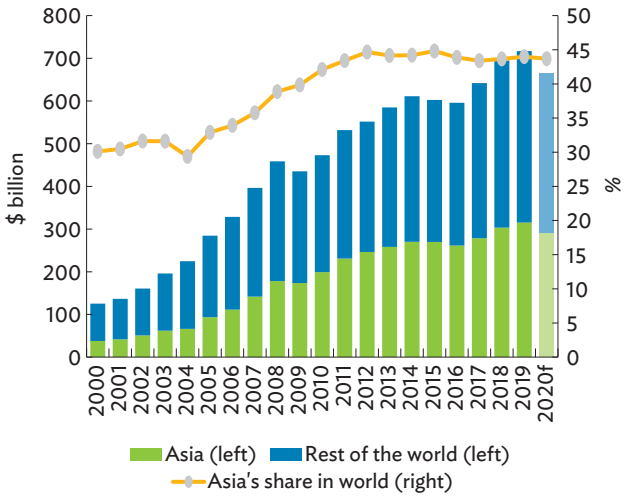
In 2019, global remittance inflows reached $716.7 billion—$21.9 million more than in 2018 (Figure 5.8).[48] From 2010 to 2018, global remittance inflows grew by an average 4.9% annually. However, the growth of inflows

[46] At the 36th ASEAN Summit in June 2020, leaders discussed regional comprehensive post-pandemic recovery plans. They established the ASEAN COVID-19 response fund, a reserve for medical supplies to meet urgent needs during the pandemic, and ASEAN standard procedures for epidemic response in case of health emergencies (ASEAN 2020).

[47] For example, a multi-stakeholder policy dialogue held in February 2020 discussed implementation of the ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers, emphasizing the need for more collaborative, multi-stakeholder approaches to the protection of migrant workers (Philippine News Agency 2020).

[48] The World Bank defines personal remittances as the sum of personal transfers and compensation of employees. Personal transfers include all current transfers in cash or in kind between resident and nonresident individuals, independent of the source of income of the sender (and regardless of whether the sender receives income from labor, entrepreneurial or property income, social benefits, and any other types of transfers; or disposed assets) and the relationship between the households (regardless of whether they are related or unrelated individuals). Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities.

Figure 5.8: Remittance Inflows to Asia and the World



f = forecast.

Source: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). http://www.knomad.org/data/remittances (accessed November 2020).

in 2019 moderated to 3.2% because of the economic slowdown in Europe, local currency depreciation against the US dollar in some major remittance-source countries such as the Russian Federation, and lower oil prices and production cuts in the Middle East.

In 2020, the World Bank estimated the impact of the pandemic-induced global economic slowdown, the uncertain job market for migrants, weak oil prices, and unfavorable exchange rates could result in a $50 billion drop in remittance inflows globally. Inflows to low- and middle-income countries are expected to fall by 7.2% with remittances to Asia dropping 7.4%—more than twice the drop in inflows during the 2008–2009 global financial crisis and the largest contraction since the Asian financial crisis. Other major remittance recipients in Europe and Africa can expect deep cuts in the growth of remittances in 2020.[49]

Remittances to Europe grew the slowest in 2019 due to the economic slowdown in major European outflow countries, the lower price of oil, and the depreciation of the euro against the US dollar. Estimates suggest that the region will suffer a $16.3 billion loss in remittance inflows in 2020 as the impact of the pandemic further weakens major economies (Table 5.3). Latin America and the Caribbean, the top recipient region of remittances from the US, is estimated to have 0.2% lower remittances in 2020, a sharp downturn compared with the 8.1% remittance growth it had in 2019, the year inflows hit $98.1 billion, its highest on record. Around 77% of these inflows came from the US, one of the worst-hit remittance source economies.

Table 5.3: Remittance Inflows by Recipient Region

Region	Share of Total, 2019	Remittance Inflows ($ billion) 2019	Remittance Inflows ($ billion) 2020e	Growth 2019	Growth 2020e	Level Change ($ billion) 2019	Level Change ($ billion) 2020e
Asia	44.0%	315.3	291.8	3.9%	–7.4%	12.0	–23.4
Europe	24.5%	175.8	159.5	0.20%	–9.3%	0.3	–16.3
Latin America and the Caribbean	13.7%	98.1	97.9	8.1%	–0.2%	7.4	–0.2
Middle East	4.2%	30.1	27.5	1.7%	–8.6%	0.5	–2.6
North America	1.1%	8.1	7.5	1.1%	–6.7%	0.1	–0.5
Africa	12.0%	85.9	78.4	1.8%	–8.7%	1.5	–7.5

e = estimate.

Source: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). http://www.knomad.org/data/remittances (accessed November 2020).

[49] Based on World Bank estimates released in October 2020, remittance inflow growth was expected to fall across all regions, most notably Europe and Central Asia (–16.1%), followed by East Asia and the Pacific (–10.5%), sub-Saharan Africa (–8.8%), the Middle East and North Africa (–8.5%), South Asia (–3.6%), and Latin America and the Caribbean (–0.2%). Based on weighted averages, remittance growth in Asia is forecast to contract by 8.4% in 2020 and 7.5% in 2021.

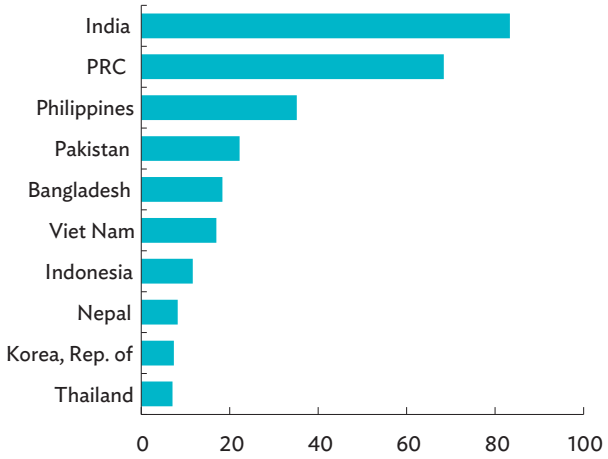
Remittance Inflows by Asian Subregion

Except for Oceania, subregional remittance inflows grew in 2019 (Table 5.4). South Asia accounted for 44% ($139.8 billion) of the Asian total—up 6.1% in 2019. Growth fell from the 12.3% growth in 2018, as lower oil prices slowed economic activity in the Middle East (the source for 59.1% of South Asian remittances). Inward-looking labor policies in the Middle East have started to affect migrant flows.[50] Growth in inflows to other Asian regions were relatively subdued in 2019. Remittances to Southeast Asia rose by 2.8%—yet inflows to major recipients Indonesia, the Philippines, and Viet Nam grew by 4% or more.

Lower inflows are expected across all subregions in 2020. Remittances to Central Asia, which depends on the Russian Federation for at least 75% of its inflows, are estimated to drop by 17.4%. Inflows to Southeast Asia will likely drop by 8.4%, down $6.5 billion as large numbers of workers were repatriated and remittances slowed from the Middle East, North America, and the Russian Federation. Inflows to South Asia are expected to contract by similar amounts.

A gradual and prolonged decline in remittance inflows will hurt the region's top remittance recipients (Figure 5.9). India, the PRC, and the Philippines accounted for 59.3% ($186.9 billion) of remittances to Asia and 26.1% of remittances globally ($716.7 billion). Inflows to these economies will collectively drop by $18.1 billion in 2020, equivalent to 77.4% of the projected decline in Asia.

Figure 5.9: Top 10 Remittance Recipients in Asia, 2019
($ billion)



PRC = People's Republic of China.

Source: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). http://www.knomad.org/data/remittances (accessed November 2020).

Table 5.4: Remittance Inflows to Asian Subregions and Growth

	Amount in $ billion (share of total)		Growth	
Subregion	2019	2020e	2019	2020e
Central Asia	14.5 (4.6%)	11.9 (4.1%)	3.70%	-17.4%
East Asia	81.2 (25.7%)	72.1 (24.7%)	1.7%	-11.2%
South Asia	139.8 (44.4%)	134.7 (46.2%)	6.1%	-3.6%
Southeast Asia	76.9 (24.4%)	70.4 (24.1%)	2.8%	-8.4%
Oceania	2.2 (0.7%)	2.0 (0.7%)	-5.5%	-9.2%
Pacific	0.8 (0.2%)	0.7 (0.2%)	0.7%	-4.3%

e = estimate.

Source: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). http://www.knomad.org/data/remittances (accessed November 2020).

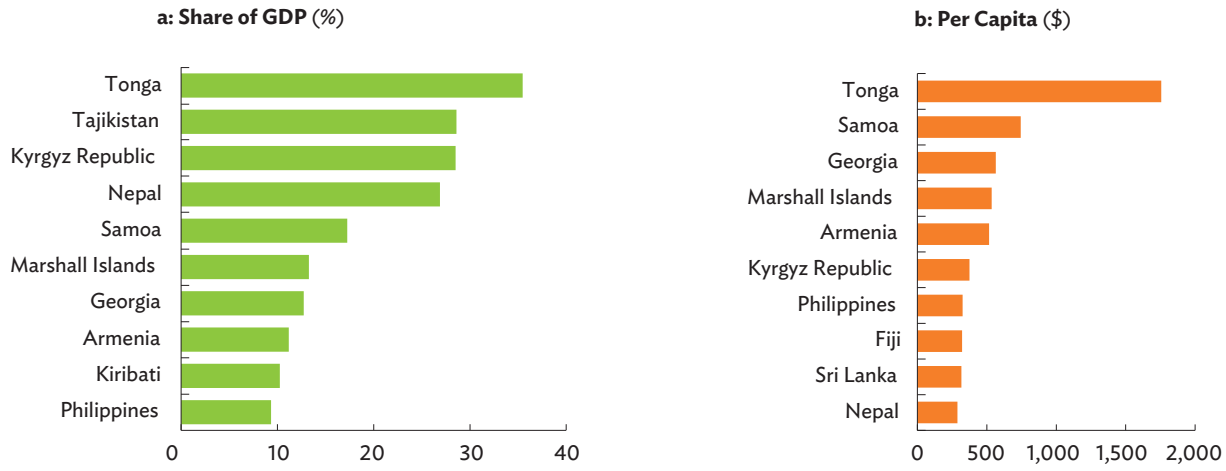
[50] Data on overseas employment by destination from the Government of Pakistan, Bureau of Emigration and Overseas Employment (https://beoe.gov.pk/reports-and-statistics) show that in 2018, the number of Pakistani overseas workers deployed in Oman declined by 35.8%, in Saudi Arabia by 29.6%, and in the United Arab Emirates by 24.3%. The Government of Bangladesh, Bureau of Manpower Employment and Training (http://www.old.bmet.gov.bd/BMET/viewStatReport.action?reportnumber=16) indicated that in 2019, the number of workers deployed had dropped by 55.5% in Kuwait (to 12,299) and 34.3% in Qatar (to 50,292).

The drop in remittances in 2020 will also affect economies with lower absolute amounts but with higher impact on gross domestic product (GDP). In Nepal, the fourth largest remittance recipient by share of GDP (Figure 5.10a), remittance inflows are 10 times larger than official aid, 9 times more than exports, and 67 times FDI (Pandey 2020). Its remittances derive mostly from the Middle East (44.6%) and Asia (43.8%), particularly India and Malaysia where 50% of Nepali emigrant population reside. A significant drop in remittance inflows could hurt Nepal's external balance and foreign exchange liquidity in its economy. Remittance inflows are also essential to several Pacific countries with GDP shares ranging from 10% to as high as 36% (Figure 5.10b). Per capita remittances are high in Tonga, Samoa, the Marshall Islands, and Fiji—and a prime source of foreign exchange. These economies are also largely dependent on tourism, devastated by global travel restrictions. Hurricane Harold also damaged Fiji, Solomon Islands, Tonga, and Vanuatu in April 2020 (IMF 2020a).

Quarantine measures to contain the spread of COVID-19 hampered migrants' ability to send money home to their families.

As the number of confirmed COVID-19 cases began increasing, governments began imposing a variety of mobility restrictions to contain the spread of the virus. In January and February, when restrictions were just starting, migrants were still able to send money home without discernible difficulty. Remittance inflows to 11 selected Asian economies even grew by 6.2% in January and 7.0% in February (Figure 5.11). However, stringency measures jumped sharply in March 2020 and peaked in April when almost all economies imposed border and travel restrictions in one form or another. In many remittance-sending countries, remittance service providers were not considered essential businesses and were closed during these months. On average, remittance inflows to Asia fell by 5% in March. A sharp downturn in inflows occurred in April (–17.5%) and May (–18.3%) before recovering by 24.3% in June and 26.7% in July, as the restrictions on movement gradually eased.

Figure 5.10: Top 10 Remittance Recipients in Asia, 2019

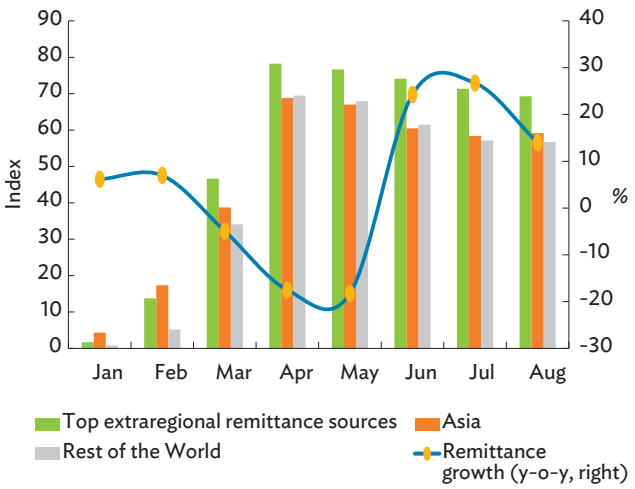


GDP = gross domestic product.

Note: 2019 figures are not available for some countries.

Sources: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). http://www.knomad.org/data/remittances (accessed November 2020); International Monetary Fund. World Economic Outlook Database. https://www.imf.org/en/Publications/WEO/weo-database/2020/October (accessed November 2020); and United Nations. Department of Economic and Social Affairs, Population Division. World Population Prospects 2019. https://population.un.org/wpp/Download/Standard/Population/ (accessed April 2020).

Figure 5.11: Stringency Measures and Remittance Growth, 2020



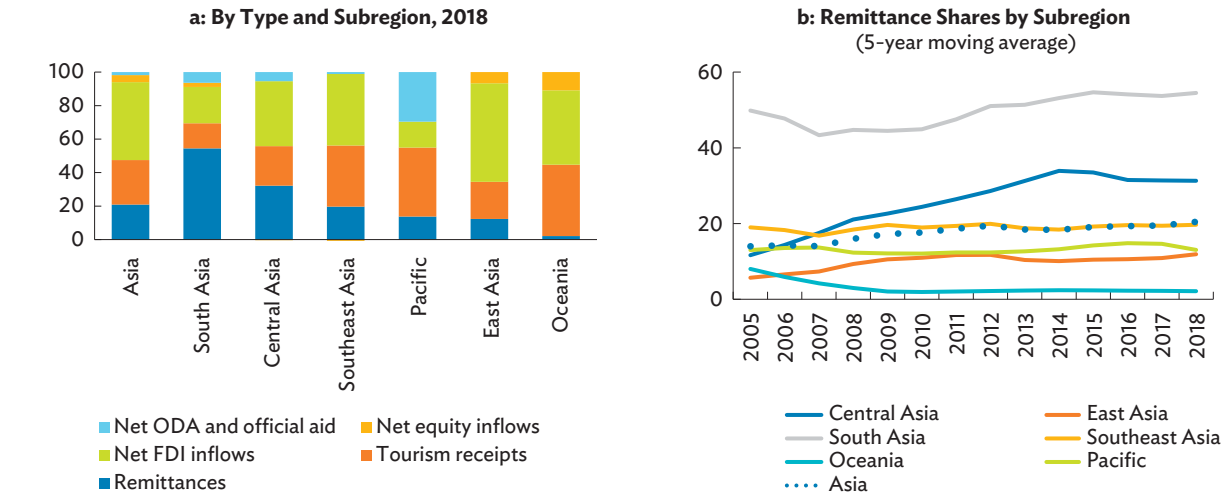
Notes: Data refer to the average of sample countries. Stringency measures refer to the Oxford COVID-19 Government Response Stringency Index that ranges from 0 (no restriction) to 100 (most restrictive). The top extraregional remittance senders to Asia include the United States, Saudi Arabia, the United Arab Emirates, the Russian Federation, the United Kingdom, Qatar, Canada, Oman, and Italy. Remittance growth is based on the year-on-year growth of aggregate remittance inflows to Armenia, Bangladesh, Bhutan, Fiji, Georgia, Kazakhstan, the Kyrgyz Republic, Pakistan, the Philippines, Samoa, and Sri Lanka.

Sources: ADB calculations using data from Hale et. al (2020a); and the central banks of Armenia, Bangladesh, Bhutan, Fiji, Georgia, Kazakhstan, the Kyrgyz Republic, Pakistan, the Philippines, Samoa, and Sri Lanka (all accessed in December 2020).

Despite the large drop, remittances to Asia will likely remain a relatively stable source of external financing compared with other types of financial flows.

In past crises, remittance flows showed signs of resilience to shocks relative to other financial flows. However, this pandemic is different as economies in both source and recipient countries suffered from a sudden, sharp slowdown. The road to recovery is expected to be long and slow. The pandemic is a harder test of the countercyclical character of remittances despite that inflows to some developing Asian countries have started to bounce back (Box 5.1). This could have implications on the growing role remittances play, particularly compared with other inflows such as foreign direct investment (FDI) and tourism. Remittances accounted for 20.5% of financial flows, behind FDI (47.8%, $646 billion) and tourism (26.6%, $359 billion) during 2014–2018 (Figure 5.12a). Asia's remittance share relative to other financial flows has also been rising over the past decade (Figure 5.12b). By subregion, South Asia and Central Asia have seen rapid increases in the relative

Figure 5.12: Financial Flows to Asia (% of total financial flows)



FDI = foreign direct investment, ODA = official development assistance.

Sources: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). http://www.knomad.org/data/remittances (accessed November 2020); World Bank. World Development Indicators Database. https://databank.worldbank.org/source/world-development-indicators (accessed October 2020); UNWTO (2020); and International Monetary Fund (2019).

economic contribution of remittances. South Asia is heavily reliant on remittances for external financing, accounting for more than 50% of total financial flows, followed by Central Asia, where remittance inflows account for one-third of financial flows.

Box 5.1: Remittances and COVID-19—A Test of Resilience

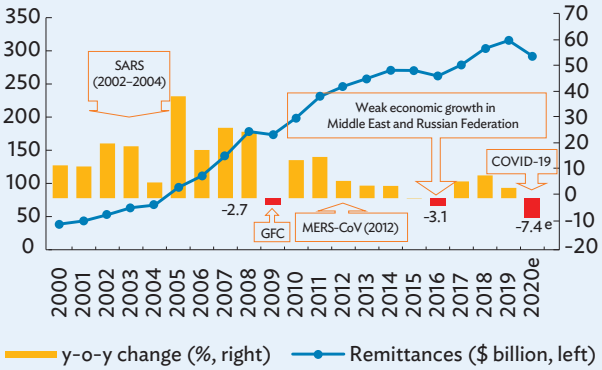
Since 2000, remittance inflows to the region have declined twice—in 2009 during the global financial crisis and in 2016 due to weak economic growth in the Russian Federation and the Middle East (box figure). Remittance inflows fell 2.7% in 2009 (foreign direct investment [FDI] fell 20%) with Central Asia, East Asia, and Oceania hit hard. In 2016, remittance inflows to the region fell by 3.1% (FDI fell 10%) as the oil price collapse weakened economic growth in the Middle East and the Russian Federation.[a] The impact on remittance inflows was more severe in South Asia and Central Asia in 2016 than other subregions, as the two subregions rely on the oil-producing regions as their principal source of inflows.

Remittance inflows during past crises, however, recovered rapidly, surpassing precrisis levels the following year. Resilient and stable inflows relative to other financial flows (like FDI) highlight the key role remittances play in reducing volatility in output, consumption, and investment. Even in extreme cases, remittances reduce the probability of financial crises (IMF 2005; Singer 2008; Ratha and Sirkeci 2010; Rajan and Narayana 2012; Sirkeci, Ratha, and Cohen 2012):

- Remittance inflows to countries in South Asia and Southeast Asia continued to grow as the subregions diversified migrant destinations.
- Remittances are countercyclical—migrants tend to send more money, responding to the needs of their families during crises or natural disasters.
- Existing migrants adjust to the income shock by reducing their own consumption (to continue sending money home).
- Foreign exchange rate movements cause a surge in investment-oriented remittances as local currencies of recipient countries depreciate sharply.

While the two past health crises—the severe acute respiratory syndrome in 2002–2004 and the Middle East respiratory syndrome in 2012—had limited impact on remittances, the COVID-19 pandemic is fundamentally different. Its economic impact is so wide and deep across all source and destination countries, resulting in job and income losses for existing and new migrants, and the mass repatriation of migrants. Thus, remittances as an economic hedge against shocks will likely have limited effect during the pandemic.

Trend in Remittance Inflows



Remittance Inflows Growth (%)

	2009	2016	2020e
Asia	**–2.7**	**–3.1**	**–7.4**
Central Asia	–22.5	–11.1	–17.4
East Asia	–12.8	–3.2	–11.2
South Asia	4.5	–5.9	–3.6
Southeast Asia	5.9	3.6	–8.4
Pacific	7.7	–0.8	–4.3
Oceania	–14.5	–5.4	–9.2

COVID-19 = coronavirus disease, e = estimate, GFC = global financial crisis, MERS-CoV = Middle East respiratory syndrome coronavirus, SARS = severe acute respiratory syndrome, y-o-y = year-on-year.

Source: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). http://www.knomad.org/data/remittances (accessed November 2020).

[a] The Russian Federation in 2016 also suffered a sharp fall in its exchange rate, a balance of payment crisis, and economic sanctions by the United States and the European Union.

Source: Asian Development Bank.

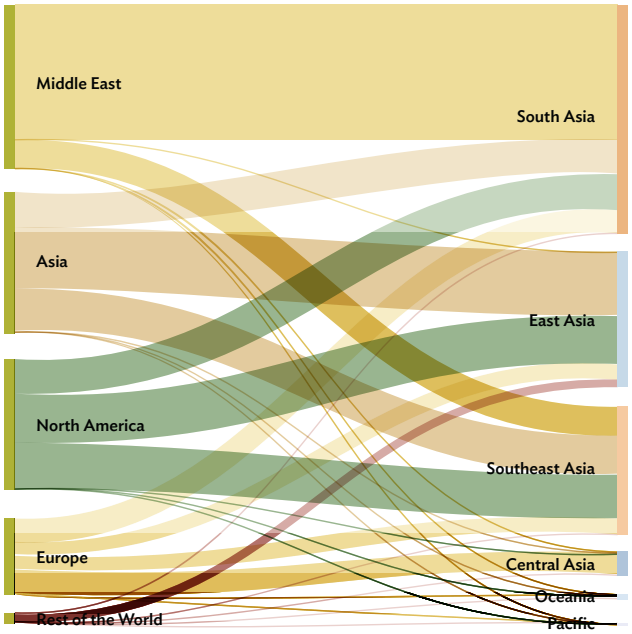
Intraregional and Extraregional Remittance Flows

As major source countries face a significant economic downturn, recipient subregions in Asia brace for the consequences of lower remittances in 2020.

Asia's largest source of remittances remains the Middle East—the inflows of $100.4 billion in 2019, 5.3% ($5.0 billion) more than in 2018 (Figure 5.13). Almost all outflows went to two Asian subregions, South Asia (82.3%) and Southeast Asia (17.4%)—around 50% (about 21 million) of migrants from South Asia and 20% (about 4 million) from Southeast Asia reside in the Middle East. India, Pakistan, and the Philippines received a total of $76.6 billion, equivalent to 76.3% of Middle East outflows to Asia and 53.1% of its outflows worldwide. Year-to-date remittances in the second quarter (Q2) of 2020 grew in India (3.5% y-o-y) and Pakistan (8.8%), suggesting the pandemic had not affected remittance-sending behavior.

In 2019, there were $6.2 billion more inflows from North America and $3.0 billion more from Europe. Those from North America ($78.0 billion) accounted for 24.7% of total inflows to Asia—to Southeast Asia (33.8%), East Asia (37.3%), and South Asia (27.5%). The PRC, India, the Philippines, Viet Nam, and the Republic of Korea received a combined $67.6 billion, equivalent to 86.6% of North America's total remittances to Asia. Remittance inflows from North America to these economies are expected to slow due to widespread infections in the US, business closures, and the resulting drop in economic activity. Inflows from Europe grew to $45.6 billion in 2019, up by 7.2% from 2018. Led by outflows from the UK and the Russian Federation, the top subregion recipients were South Asia (India and Pakistan) and Central Asia (Uzbekistan, the Kyrgyz Republic, and Tajikistan). Countries within Asia also contributed to remittance inflows—though $1.4 billion less than in 2018—as Asia's intraregional remittance share declined marginally to 26.9% in 2019 from 28.6% in 2018. By economy, the US, Saudi Arabia, the United Arab Emirates, and the Russian Federation were among the top sources of remittance inflows to the region. Together these economies sent $146.9 billion to the region, the equivalent of 46.5% of global remittances to Asia. Top intraregional remitters include Hong Kong, China; Australia; and Japan, which together sent $41.2 billion, or 48.4% of intraregional remittances received.

Figure 5.13: Intraregional and Extraregional Remittance Flows to Asia ($ million)



Source: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD) staff estimates. Bilateral Remittance Matrix 2020 (May).

Declining remittance inflows also threaten economies dependent on remittances.

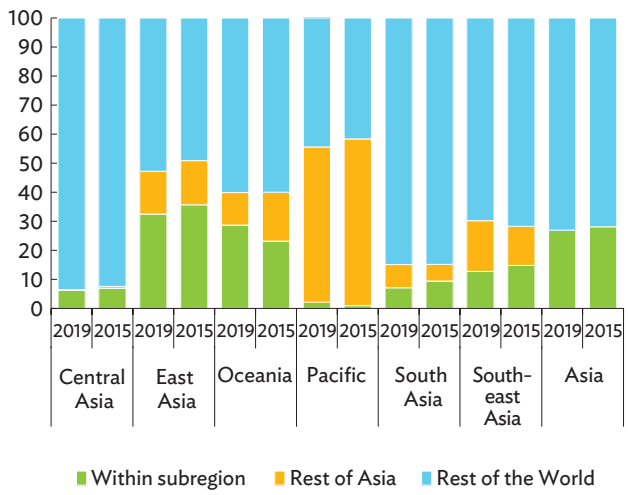
In 2019, around 26.9% ($85.0 billion) of inflows to Asia came from migrant host countries within the region—around 64.5% were from East Asia and Southeast Asia; another 34% from Oceania and South Asia (Figure 5.14). Malaysia, India, Singapore, and Thailand figure prominently among the major intraregional remittance sources. Thus, the pandemic will have varying impact on the livelihood and incomes of the Asian migrant workers they host.

Among subregions, the Pacific stands out by its dependence on Asia for at least 55% of remittances. Oceania is the source for at least 50% of global remittances to Fiji, Kiribati, Samoa, Solomon Islands, and Tonga. Economic recovery in Australia

and New Zealand will benefit countries in the Pacific, which rely on Oceania for employment and remittance inflows. However, the deep cut in tourism across the Pacific suggests that recovery will depend on the resumption of global travel and tourism alongside a rebound in remittances.

In 2019, Central Asia (93.5%), South Asia (84.9%), and Oceania (61.0%) received higher proportions of remittances from outside Asia, as the bulk of their migrant workers work in the Russian Federation, the United Arab Emirates, Saudi Arabia, the US, and the UK. East Asia's remittance profile showed a slight increase (to 52.8% from 49.1% in 2015) in remittance receipts from non-Asian sources. Over the same period, Southeast Asia showed an increase over other Asian subregions.

Figure 5.14: Subregional Remittance Sources in Asia (%)



Notes:

(i) Within subregion refers to remittances within subregion *i* as a percentage of remittances from the world to subregion *i*.

(ii) Rest of Asia refers to the remittances from other Asian subregions to subregion *i* as a percentage of remittances from the world to subregion *i*.

(iii) Rest of the World refers to remittances from non-Asian economies to subregion *i* as a percentage of remittances from the world to subregion *i*.

Sources: ADB calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). http://www.knomad.org/data/remittances (accessed December 2019); and KNOMAD staff estimates. Bilateral Remittance Matrix 2020 (May).

Technology, Digitalization, and Remittance Costs

Digital technology will likely play a more important role as traditional remittance channels are constrained by limited mobility.

Many conventional money transfer businesses closed during the height of government-mandated border and mobility restrictions, particularly in April and May 2020. This opened many opportunities for technology-driven money transfer companies. As people resorted to cashless payment systems, the use of digital remittances grew at an unprecedented rate. People began accessing alternative means of sending remittances—such as mobile money, internet banking, and other non-cash digital and electronic channels. The US payment service company, PayPal, gained 21.3 million new customers in Q2 2020, increasing nearly 140% y-o-y (Manila Standard 2020).

The lockdowns showcased the role digital channels will play in future remittances. They influenced migrant behavior in their choice of remittance channel. But many core problems with accelerating digitalization of remittances continue. By Q3 2020, the average cost of remitting to Asia remains far higher than the Sustainable Development Goal target of 3%—it costs 6.1% from anywhere in the world and 4.6% from any of the top remittance-sending countries to Asia.[51] There are significant variations in remittance costs across Asian subregions—a $200 cash remittance is cheaper to send to Central Asia (1.0% to Azerbaijan) and South Asia (4.1% to Bangladesh), while remitting to the Pacific remains the costliest, ranging from 8.1% (Fiji) to 10.8% (Tonga).

Several nations and organizations issued a call to action in May 2020 calling on policy makers to declare remittance services as essential and facilitate the scaling up of digital remittance channels.[52] The biggest policy reinforcements should focus on three areas: (i) providing digital infrastructure, internet connectivity, and technological innovations to extend

[51] World Bank. Remittance Prices Worldwide. https://remittanceprices.worldbank.org/en (accessed November 2020).

[52] Led by the UK and Swiss authorities, a call to action is a plea for countries across the globe to ease access to international money transfers and support the scaling of digital channels to ensure funds keep flowing to developing markets during the pandemic.

the coverage of money transfer services across national and currency borders, while simultaneously lowering costs; (ii) executing the necessary legal, regulatory, and oversight reforms to allow more nonbank remittance service providers (especially in rural areas), including consumer and investor protection, know-your-customer and anti-money laundering compliance costs; and (iii) supporting government-led knowledge-sharing campaigns to improve financial literacy among migrants and their beneficiaries—to further inclusion in the formal financial system.

Way Forward through Regional Cooperation

As economies recover, the region could benefit from policies and regional cooperation mechanisms that ensure the flow and growth of remittances in a post-pandemic environment.

There are several ways regional cooperation could benefit remittance flows. First, there needs to be stronger government commitment to develop remittance infrastructure, including expanding internet access to rural and remote areas to increase remittances channeled formally and help bring down costs. By expanding rural access to digital technology, remittances could support rural development and create new jobs and opportunities. Ensuring interoperability between mobile financial services will also improve remittance inflows through mobile accounts.

Second, governments and development partners can expand financial and digital literacy campaigns to improve the use of modern remittance channels. This will help migrants with limited experience in accessing formal financial services and those used to sending remittances through informal channels.

Third, public institutions and remittance service providers could collaborate on helping transition migrants and their families to open bank accounts, enhance saving habits, and help build household financial resilience. This will also improve family access to savings, credit, and insurance products, and provide digital solutions via mobile phone apps.

Fourth, harmonizing regulations will help unlock access to digital remittance channels. Reducing the application time for companies to obtain licenses from central banks, having clearer regulations on cross-border partnerships of financial service providers, and promoting innovative know-your-customer solutions to include migrants and their families will encourage digital service providers to open and partner with existing remittance service providers to expand markets.

And fifth, a broader international remittance agenda for the long term must include innovation in the global remittances market and leveraging remittances for consumer and business lending, micro-saving and micro-insurance, improving country risk ratings, and accessing international capital markets through securitization and the issuance of diaspora bonds (Mohieldin and Ratha 2020).

Tourism

The COVID-19 pandemic hit tourism in Asia abruptly and deeply. A recovery to precrisis levels will likely take years, endangering the survival of large parts of the sector.

Impact of COVID-19 on International Visitor Arrivals

The imposition of travel restrictions and fear of infection during travel caused a steep fall in international arrivals.

Asia had become a major destination for international tourism over the past 2 decades.[53] The COVID-19 pandemic brought this trend to an abrupt halt. Many

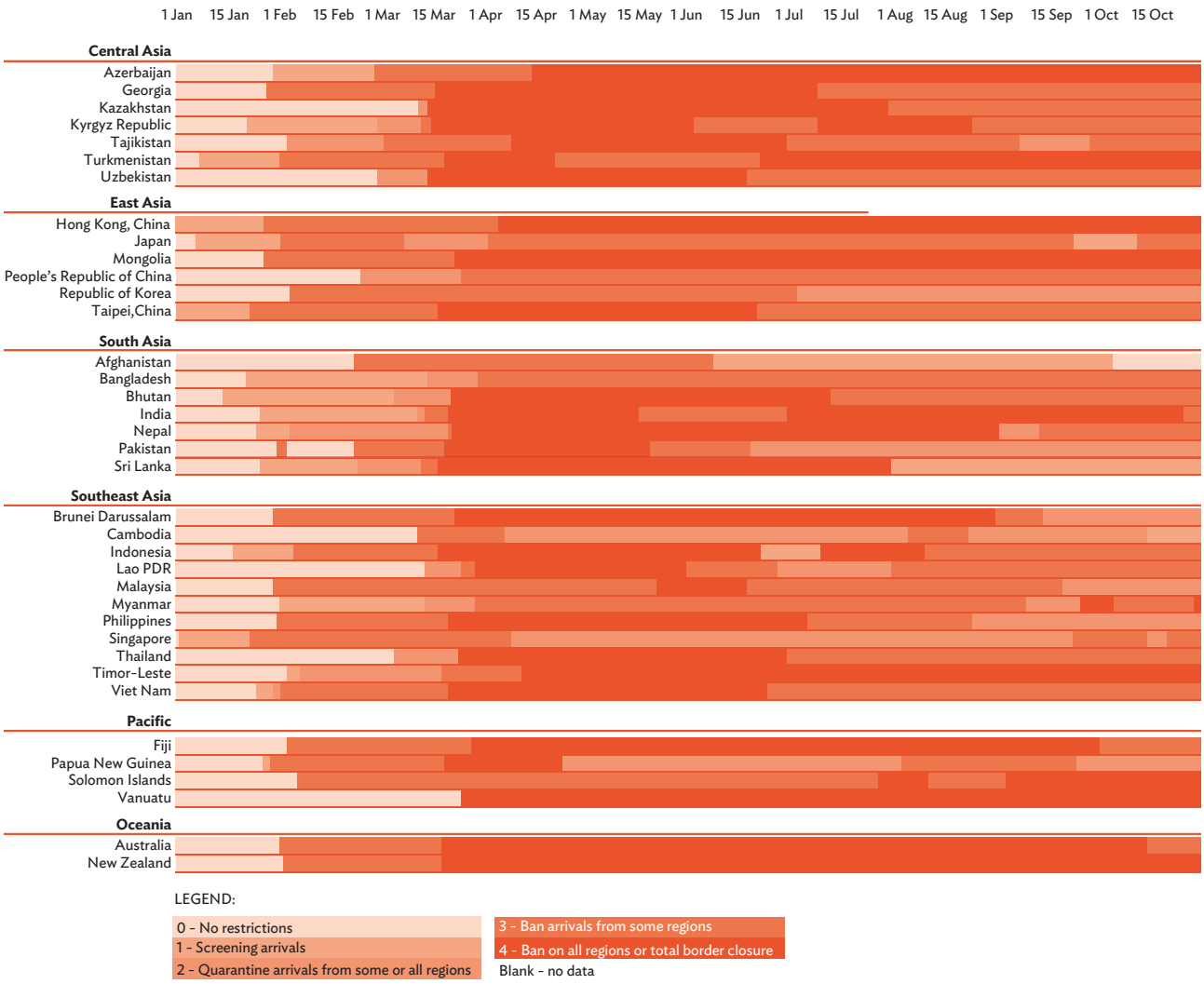
[53] According to the 2008 International Recommendations for Tourism Statistics (United Nations Statistical Commission 2007) that the UNWTO adopts when compiling tourism statistics, *tourism* refers to the activity of *visitors*. A *visitor* is a traveler taking a trip to a main destination outside his/her 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. A *visitor* is classified as a *tourist* (or overnight visitor), if his/her trip includes an overnight stay, or as a *same-day visitor* (or excursionist) otherwise. There are no significant differences between the number of visitors and tourists in many countries except for the PRC where some 60% of visitors are same-day visitors arriving from Hong Kong, China; and Macau, China.

governments in the region introduced enhanced travel controls in February 2020 and extended them to full travel bans within 2 months (Figure 5.15). As of October 2020, most bans were still in place, with only a few governments deciding to slowly ease travel restrictions.

The extensive travel restrictions led to the grounding of airline fleets worldwide. Apart from a sudden slump in the supply of transportation, demand for tourism quickly contracted as many people became afraid to travel. An International Air Transport Association (IATA) survey on consumer travel confidence in April 2020 indicated that 40% of respondents would wait 6 months or more before traveling again—this rose to 55% in the June edition of the survey (IATA 2020a). Consumer travel confidence remained unfavorable in the most recent version of the survey in September, with more than half of respondents planning to travel no sooner than in 6 months (IATA 2020b).

Monthly international tourist arrivals fell dramatically for selected economies in four subregions from January 2019 to September 2020 (Figure 5.16). The drop first occurred in East Asia, where the pandemic originated and where travel restrictions were first imposed. Southeast Asia followed, then South Asia and the Pacific, as the pandemic spread to those subregions.

Figure 5.15: International Travel Restrictions, 2020

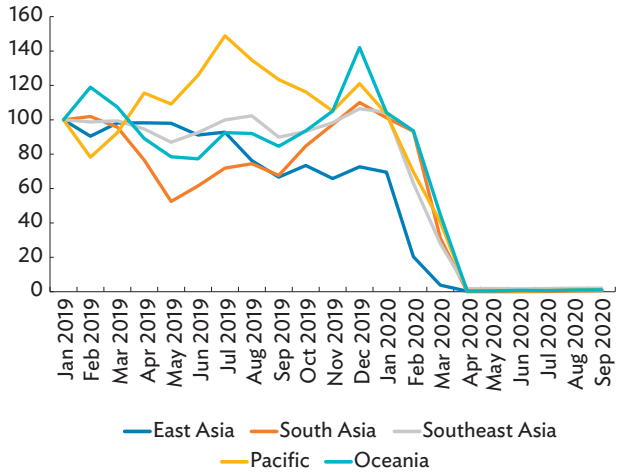


Lao PDR = Lao People's Democratic Republic.

Notes: Data refer to policy applied to foreign travelers, not citizens. No data were available for the following: Armenia, the Cook Islands, the Federated States of Micronesia, Kiribati, Maldives, the Marshall Islands, Nauru, Niue, Palau, Samoa, Tonga, and Tuvalu.

Source: ADB calculations using data from Hale et al. (2020b).

Figure 5.16: Monthly International Tourist Arrivals by Subregion (January 2019 = 100)



Notes: Only economies with complete data from January 2019 to June 2020 were included in estimating the value for each subregion. For some economies with missing data between July and September 2020, international tourist arrivals were obtained from the previous 3-month average. East Asia includes Hong Kong, China; Japan; the Republic of Korea; and Taipei,China. South Asia includes India, Maldives, Nepal, and Sri Lanka. Southeast Asia includes Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam. The Pacific includes Fiji, Palau, Samoa, Solomon Islands, and Vanuatu. Oceania includes Australia and New Zealand.

Sources: ADB calculations using data from CEIC; Government of Fiji, Bureau of Statistics. htttps://www.statsfiji.gov.fj (accessed October 2020); Government of the Lao PDR People's Democratic Republic, Ministry of Information, Culture, and Tourism. International Tourist Arrivals January–March 2020. Unpublished; Government of Malaysia, Ministry of Tourism and Culture. Tourist Arrivals Data. http://mytourismdata.tourism.gov.my; Government of Palau. Visitor Arrivals. https://www.palaugov.pw/visitor-arrivals/; Government of the Republic of Korea, Tourism Organization. https://kto.visitkorea.or.kr; Government of Samoa, Samoa Tourism Board. http://www.samoatourism.org; Government of Singapore, Department of Statistics. https://www.tablebuilder.singstat.gov.sg (all accessed October 2020); Government of Solomon Islands, Ministry of Finance and Treasury. Government (2020); Government of Vanuatu, Ministry of Finance and Economic Management, National Statistics Office (2019); Haver Analytics; and International Monetary Fund (2020b, 2020c, 2020d).

As international arrivals fell to historic lows, economies heavily dependent on tourism were particularly hard hit. For example, arrivals to Thailand (which reported the first COVID-19 case outside the PRC in January 2020) subsequently fell from 10.8 million in the first quarter (Q1) of 2019 to 6.7 million in Q1 2020. After the government introduced a strict travel ban by the end of March, Thailand recorded zero tourist arrivals throughout Q2 2020 and Q3 2020. Following the same pattern, other Southeast Asian countries, such as Cambodia (-98.1%), Myanmar (-97.5%), the Philippines (-97.8%), Singapore (-99.3%), and Viet Nam (-99.0%) saw near shutdowns for Q2 2020. Similar trends continued in Q3 2020. According to IMF (2020d), arrivals to the Pacific island countries contracted 22.7% in Q1 2020, further slumping by 99.5% in Q2 2020 and 99.4% in Q3 2020. For example, between April and September, Samoa, Tonga, and Vanuatu had no international arrivals. Noting that these countries are among the top 10 recipients of tourism receipts as a percent of GDP in the Asia and Pacific region, numerous people lost their jobs and domestic economies suffered significant losses.

A quick recovery in tourism seems unlikely as an end to the pandemic is not yet in sight. The prolonged gloomy prospects for tourism could become a drag on the economic recovery, especially in highly tourism dependent economies.

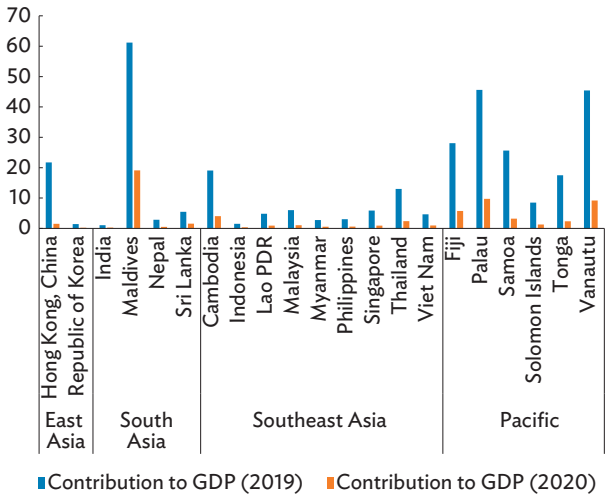
With a slump in international arrivals, many economies expect a substantial decrease in tourism receipts. If Q4 2020 will see similarly low levels of international tourist arrivals, tourism receipts are expected to decline by 83.2% in Thailand ($11.9 billion from $70.5 billion, year-on-year [y-o-y]) and 79.6% in Cambodia ($1.1 billion from $5.2 billion, y-o-y) (Figure 5.17). In 21 selected Asian economies, the contributions of international tourism receipts to GDP are forecast to plunge by an average of 80.8% in 2020 y-o-y. In terms of absolute change, it will be most severe for Maldives, where tourism is one of the main pillars of the economy. From an estimated 61.2% contribution to GDP in 2019, it is expected to fall to 19.1% in 2020. A similar drop is forecast for Vanuatu (9.2% from 45.4%, y-o-y), Palau (9.7% from 45.6%, y-o-y), Samoa (3.2% from 25.6%), and Fiji (5.7% from 28.1%, y-o-y).

Pre-COVID-19 Performance of International Tourism

Prior to the COVID-19 outbreak, tourism had been one of the world's most vibrant and promising economic sectors. In many economies in Asia, tourism was an important pillar of growth and a reliable source of development.

Global tourism showed phenomenal growth over the past 10 years. In 2019, the number of international arrivals had risen to 1.5 billion, up from 949.6 million a decade earlier (United Nations World Tourism Organization 2020e).

Figure 5.17: Outlook for Tourism Receipts in Selected Asian Economies (% of GDP)

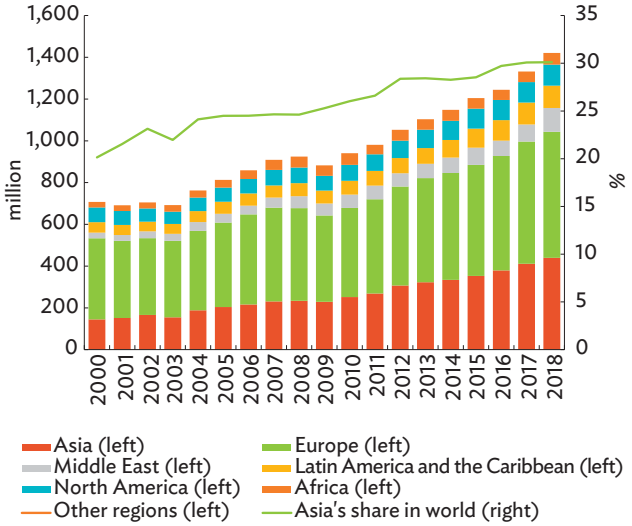


GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.

Notes: Only economies with available data on tourism arrivals up to September 2020 were included in estimating contributions of international tourism receipts to GDP. Estimates for receipts (2019 and 2020) were produced under the assumption that international tourism receipts per capita remain at 2018 levels. Estimates for international arrivals (October to December 2020) were produced under assumptions that Q4 2020 arrivals follow Q3 2020 trends, and international movements in the remaining months of the year remain restrictive. Estimates for GDP (2020) were according to the projections of the Asian Development Outlook Update.

Sources: Asian Development Bank calculations using data from Asian Development Bank (2020); CEIC; Haver Analytics; International Monetary Fund (2020b, 2020c); United Nations World Tourism Organization. Tourism Satellite Accounts. http://statistics.unwto.org/ (accessed October 2020); and World Bank. World Development Indicators. https://databank.worldbank.org/source/world-development-indicators (accessed September 2020).

Figure 5.18: Global Visitor Arrivals by Region of Destination



Source: ADB calculations using data from United Nations World Tourism Organization. Tourism Satellite Accounts. http://statistics.unwto.org/ (accessed October 2020).

International visitor arrivals grew by 3.8% in 2019 and marked the tourism sector's 10th consecutive year of growth.[54] Asia has outperformed other regions with its share of global arrivals rising from around 20% in the early 2000s to 30.1% in 2018 (Figure 5.18).

The number of international travelers to Asia increased by 6.9% in 2018 to reach 439.5 million. Growth in the number of travelers to Europe was 3.2% in 2018, though it continued to attract the largest number of arrivals (603.9 million visitors) and had the largest share of the global total (43.3% on average since 2010). The number of arrivals to North America rose by 2.9% to 100.9 million visitors, the highest growth since 2016. The rapid increase in number of travelers to Asia in 2018 continued an ongoing trend. While global arrivals increased at an average annual rate of 5.3% from 2010 to 2018, arrivals to Asia grew an average 7.2%, faster than North America (3.6%), Europe (4.4%), and Latin America and the Caribbean (6.2%).

Various factors were behind the strong growth of tourism in Asia. A long period of broad-based economic growth gave an increasing part of the population the financial means to travel domestically and internationally. In addition, an increasingly liberalized air transport market led to many low-cost carriers offering inexpensive flights. For example, ASEAN established the Multilateral Agreement on Air Services in 2008 and the Multilateral Agreement for the Full Liberalization of Passengers Air Services in 2010, which led to an increase in open routes between different cities in the region and allowed greater market penetration for low-cost carriers (Leonir and Laplace 2016). In addition, visa requirements were reduced, especially within the region, easing travel still further.

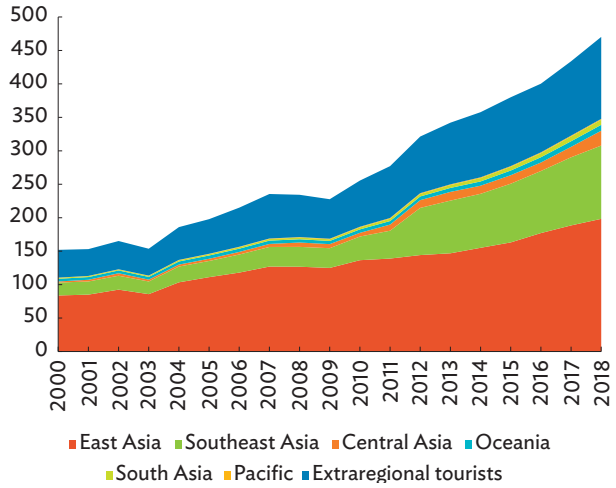
[54] Based on data from United Nations World Tourism Organization. https://www.unwto.org/global-and-regional-tourism-performance (accessed September 2020).

Intraregional tourism has been an increasingly important component of Asia's tourism sector.

As regional integration increased, tourism in Asia has developed a strong intraregional component. Of 439.5 million total arrivals in 2018, the number of intraregional arrivals (the number of Asian visitors traveling to Asian destinations) topped 347.7 million (Figure 5.19). The intraregional arrival share rose from 74.0 % in 2010 to 79.1 % in 2018. There were 9.8 million more arrivals in East Asia and 7.7 million more in Southeast Asia. The sharpest relative increase was in Central Asia, where intraregional tourism increased by 42.6%, to 22.2 million in 2018. This strong growth underscores opportunities to help operationalize the Central Asia Regional Economic Cooperation (CAREC) Tourism Strategy 2030.

Extraregional visitors to Asia had also been growing since 2010, reaching 91.8 million in 2018, up from 88.6 million in 2017. Some 40% came from Europe, around 20% from North America, with one-third from other regions. Visitors from Europe and North America—led by Canada, Germany, France, the Russian Federation, the UK and the US—preferred East Asian and Southeast Asian destinations, notably Japan, the PRC and Thailand.[55]

Figure 5.19: Visitors to Asia (million)

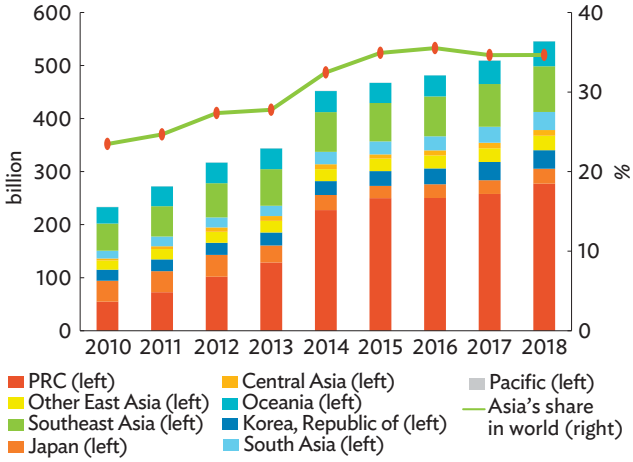


Source: ADB calculations using data from United Nations World Tourism Organization. Tourism Satellite Accounts. http://statistics.unwto.org/ (accessed October 2020).

Outbound tourist expenditures from Asia nearly doubled between 2010 and 2018, with the PRC taking the lead.

Asian tourist expenditures continuously grew in nominal terms by an average annual growth rate of 11.2% between 2010 and 2018, reaching $546.1 billion in 2018 (Figure 5.20). Throughout the period, spending by East Asian travelers accounted for 63.6% on average. The PRC remained the top spender at $227.3 billion, equivalent to at least half of tourism expenditures in the region.

Figure 5.20: Tourism Expenditure by Asian Economies



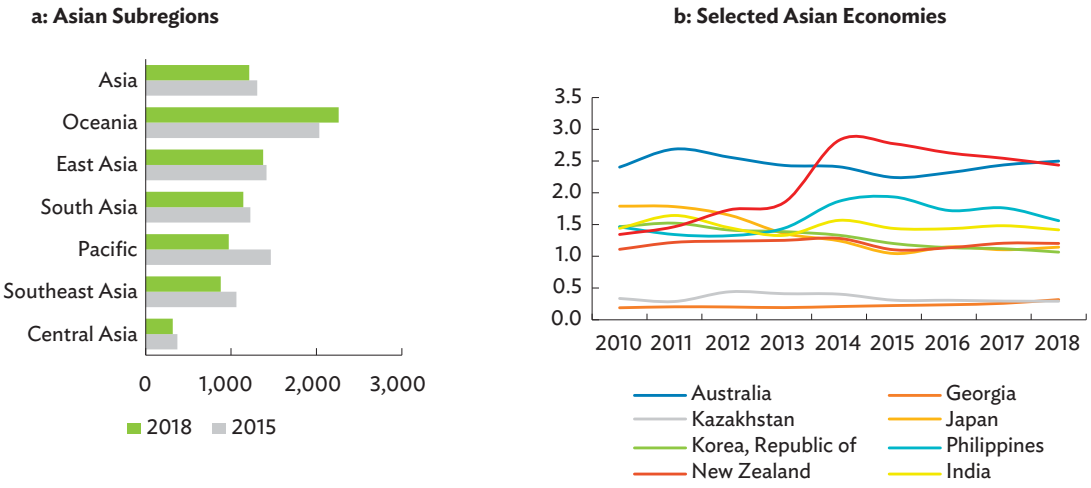
PRC = People's Republic of China.

Sources: ADB calculations using data from World Bank. World Development Indicators Database. https://databank.worldbank.org/source/world-development-indicators (accessed October 2020); and United Nations World Tourism Organization (2020f).

Although outbound tourism expenditures for the region has been on an upward trend since 2010, spending per capita has been declining, from $1,306.9 in 2015 to $1,212.2 in 2018 (Figure 5.21a). Compared with 2015, average per capita tourist spending in 2018 declined in many economies and in all subregions except Oceania. These downward trends may be attributable to the rising popularity of budget travel and the increasing availability of low-cost flights. For instance, outbound tourists from Southeast Asia almost tripled between 2010 and 2018, reaching 97.6 million in 2018, but per capita spending fell by 42.9% to an average of $879.9.

[55] Around 96% of extraregional visitors from other regions were visitors from Macau, China to the PRC.

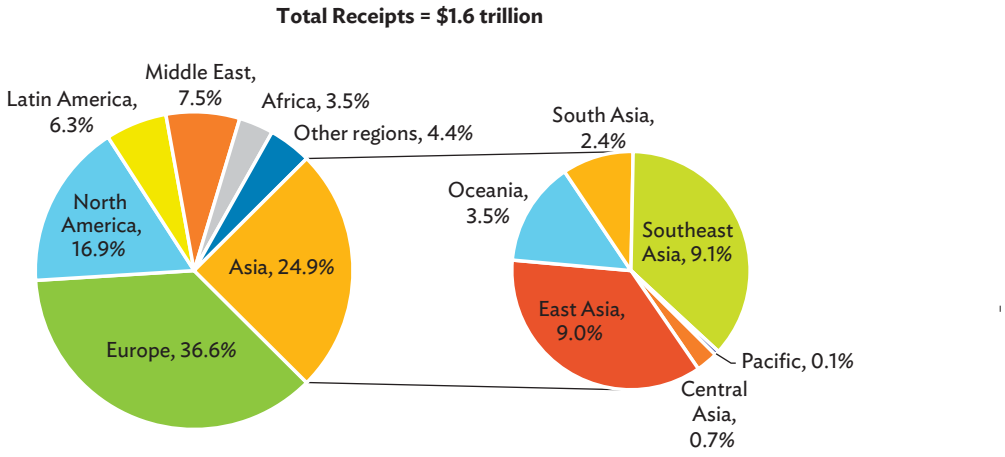
Figure 5.21: Tourism Expenditure per Outbound Tourist ($'000)



Note: 2018 data were not available for some economies with substantial tourism expenditures.

Sources: ADB calculations using data from United Nations World Tourism Organization. Tourism Satellite Accounts. http://statistics.untwo.org/ (accessed October 2020); United Nations World Tourism Organization (2020f); and World Bank. World Development Indicators. https://databank.worldbank.org/source/world-development-indicators (accessed October 2020).

Figure 5.22: International Tourism Receipts by Major Geographic Region, 2018



Sources: ADB calculations using data from International Monetary Fund (2019); United Nations World Tourism Organization (2020e, 2020f); and World Bank. World Development Indicators Database. https://databank.worldbank.org/source/world-development-indicators (accessed October 2020).

Asia's international tourism receipts increased by 10.2%, to a record $411.2 billion in 2018.

Reflecting the robust growth in the number of visitors to the region, international tourism receipts increased to a record $411.2 billion in 2018. Global tourism brought in $1.6 trillion in international tourism receipts, 7.4% more than in 2017. Europe (36.6%) and Asia (24.9%) maintained their shares as the two largest recipients, but tourism receipts to Asia grew 10.1%. (Figure 5.22). Significant tourism receipts helped expand employment opportunities and strengthen local business.

The upward trend in receipts particularly benefited tourism-dependent economies in the Pacific and Southeast Asia.

In 2018, receipts in all Asia's subregions increased. The two subregions with the largest shares of international arrivals also earned the largest share of the region's tourism receipts—Southeast Asia (36.6%) and East Asia (36.0%) (Table 5.5). In Southeast Asia, Thailand received the highest share ($65.2 billion), while Cambodia ($4.8 billion) had the highest y-o-y growth (20.1%). In East Asia, Japan reported both the highest tourism receipts ($45.3 billion) and growth (22.4%).

Oceania had fewer but relatively high value tourists—most visitors to Oceania are from countries with relatively high tourism expenditures. In 2018, the PRC was Australia's biggest source of tourists followed by New Zealand, the US, the UK, Japan, and Singapore. New Zealand had a similar pattern of tourists from developed countries, with 40% from Australia and the next 30% from the PRC, the US, the UK and Germany.

In terms of the largest absolute contribution of tourism receipts to GDP, Thailand ranked first with $65.2 billion, followed by Australia and Japan (Figure 5.23a). As a share of tourism receipts in GDP, Maldives was the most tourism-dependent economy in Asia, deriving 57.4% of its 2018 GDP from tourism (Figure 5.23b). Tourism receipts are important to many countries in the Pacific, averaging at least 16% of GDP. In Central Asia, tourism income was proportional to 20% of GDP in Georgia and 9.9% in Armenia. In Cambodia and Thailand, tourism also contributes a significant share of GDP.

Tourism receipts per visitor arrival varied across subregions.

International tourism receipts per international visitor rose 3.0% to $956.2 in 2018 but differed across subregions (Figure 5.24). Oceania earned the most per arrival in 2018 at $4,472.8, as Australia ($5,120.8) ranked first in tourism receipts per arrival in the region. The second highest per capita income in the region was South Asia at $2,506.7—India ($2,767.3), Sri Lanka ($2,403.0), and Maldives ($2,058.6) contributed to the high level of per capita receipts in the subregion. In contrast, Central Asia recorded the lowest earnings per arrival at $379.0 in 2018. Among the countries in Central Asia, the Kyrgyz Republic had the lowest receipts per arrival at $70.4, which was only 7.4% of Asia's average. Nevertheless, the subregion is tapping its strong potential to promote safe, sustainable, and inclusive tourism under the CAREC Tourism Strategy 2030. This includes regional initiatives for improved advertising and branding, additional investments in tourism services and critical infrastructure, jointly developing tourist products, and advocating harmonization and relaxation of visa regimes.[56]

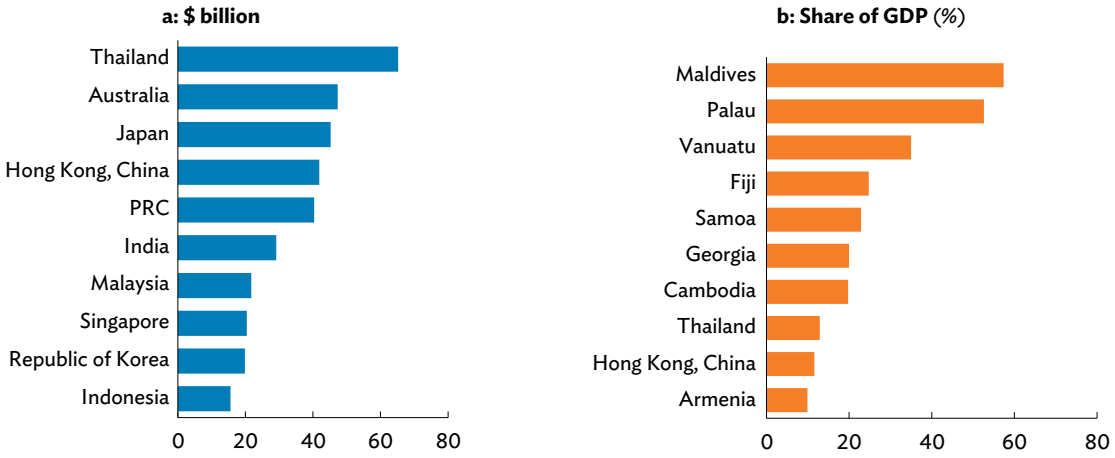
Table 5.5: Tourism Arrivals and Receipts in Asia by Subregion, 2018

	International Tourism Receipts		International Arrivals	
Subregion	$ million	% of total Asia	million	% of total Asia
Central Asia	12,208	3.0	32.2	7.3
East Asia	147,914	36.0	245.6	55.9
Oceania	58,288	14.2	13.0	3.0
Pacific	2,438	0.6	1.6	0.4
South Asia	39,895	9.7	15.4	3.5
Southeast Asia	150,369	36.6	131.7	30.0
Total	**411,112**	**100.0**	**439.5**	**100.0**

Sources: ADB calculations using data from International Monetary Fund (2019); United Nations World Tourism Organization (UNWTO). Tourism Satellite Accounts. http://statistics.untwo.org/ (accessed September 2020); UNWTO (2020e and 2020f); and World Bank. World Development Indicators Database. https://databank.worldbank.org/source/world-development-indicators (accessed October 2020).

[56] CAREC Program. https://www.carecprogram.org (accessed December 2020).

Figure 5.23: Top 10 Recipients of Tourism Receipts, 2018

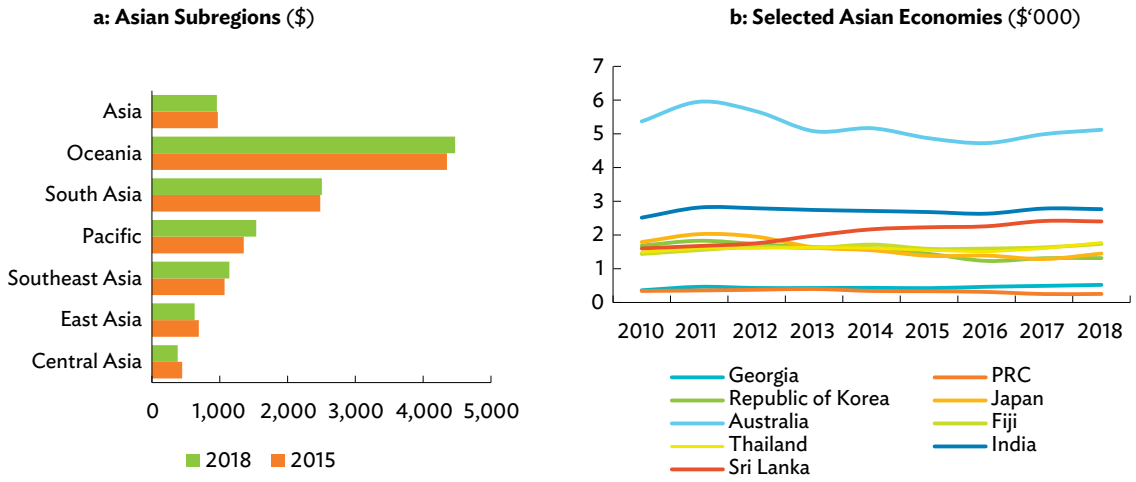


GDP = gross domestic product, PRC = People's Republic of China.

Note: Some economies with incomplete or no time-series data on international tourism receipts (such as Federated States of Micronesia; Niue; Taipei,China; Turkmenistan; and Tuvalu) were not included in the data set used to generate these charts.

Sources: ADB calculations using data from International Monetary Fund. World Economic Outlook Database. https://www.imf.org/en/Publications/WEO/weo-database/2020/October (accessed November 2020); International Monetary Fund (2019); UNWTO (2020f); and World Bank. World Development Indicators. https://databank.worldbank.org/source/world-development-indicators (accessed October 2020).

Figure 5.24: Tourism Receipts per Arrival



PRC = People's Republic of China.

Sources: ADB calculations using data from International Monetary Fund (2019); United Nations World Tourism Organization (UNWTO). Tourism Satellite Accounts. http://statistics.untwo.org/ (accessed September 2020); UNWTO (2020e, 2020f); and World Bank. World Development Indicators Database. https://databank.worldbank.org/source/world-development-indicators (accessed October 2020).

Comparing 2018 with 2015, receipts per arrival in Asia slightly declined by 1.6%—tourism revenues per visitor arrival fell by 14.7% in Central Asia and 8.7% in East Asia, despite rising numbers of international arrivals. This could be due to changing travel behavior involving more frequent budget trips that last for shorter periods.

Prior to the COVID-19 pandemic, tourism was an important driver of income for many economies.

According to the World Travel and Tourism Council (WTTC) (2020), tourism contributed $8.9 trillion to global GDP and accounted for 28.3% of global services exports. As the tourism sector spans various industries—including transportation, accommodation, and food—it has generated large amounts of employment and business. The WTTC estimates that around 330 million people were employed in the sector and accounted for one in every four new jobs created in the 5 years prior to COVID-19 (WTTC 2020).

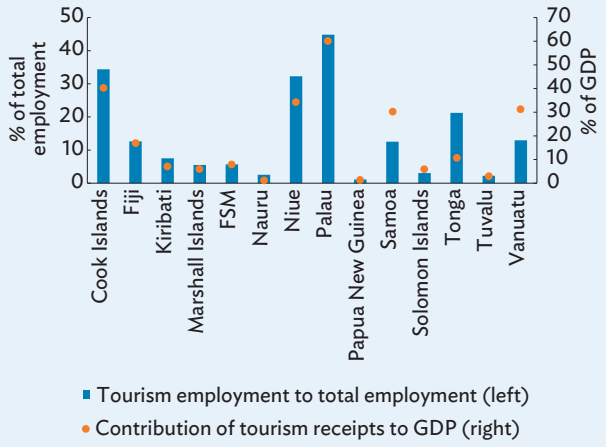
Many Asian economies counted on the tourism sector not only for its effect on income and jobs, but also for its impact on poverty reduction—and tourism's ability to raise the level of community engagement and social integration (Box 5.2). An ILO (2020b) study using selected countries in Asia indicated that tourism employment accounts for 5.1% of total employment (5.9% among women and 4.7% among men). In Fiji, where tourism contributes significantly to GDP, tourism's share in total employment was 10.2%; in Samoa, it was 12.2%. By providing jobs and income opportunities to the informal sector, tourism also helps alleviate poverty.[57]

Box 5.2: Tourism Dependency of the Pacific

The Pacific is particularly dependent on tourism for jobs and growth. In the case of Palau, tourism employment accounts for almost half of the island's total employment. In the Cook Islands and Niue, a third of those employed work in the tourism sector, making substantial contributions to GDP. Papua New Guinea is the Pacific country that is least dependent on tourism, as both tourism employment and receipts hover at just 1%.

The box figure shows that Samoa and Vanuatu enjoy high levels of receipts, considering their moderate tourism employment rates. Fiji has the greatest number of international tourists among the Pacific island countries, accounting for approximately half of total visitors. Prior to the COVID-19 pandemic, the Fijian government recognized tourism as a pillar in the country's National Development Plan—it targeted tourism industry growth from $1.9 billion in 2017 to $2.2 billion by the end of 2021.[a]

Contribution of Tourism to Employment and GDP in the Pacific



FSM = Federated States of Micronesia, GDP = gross domestic product.

[a] Government of Fiji, Ministry of Commerce, Trade, Tourism & Transport. https://www.mcttt.gov.fj/divisions/tourism-unit/programmes/fijian-tourism-2021/ (accessed October 2020).

Notes: Calculations were done using latest available data for employment (2014 for the FSM and Nauru; 2015 for the Marshall Islands and Samoa; 2016 for the Cook Islands and Tuvalu; 2017 for Kiribati and Solomon Islands; and 2018 for Fiji, Niue, Palau, Papua New Guinea, Tonga, and Vanuatu).

Sources: ADB calculations using data from South Pacific Tourism Organization (2019, 2020); and World Bank. World Development Indicators. https://databank.worldbank.org/source/world-development-indicators (accessed October 2020).

[57] As noted by Lemma (2014) and Faber and Gaubert (2019), despite the important and fast-growing role of the tourism sector, the link between tourism and development outcomes remains understudied, especially in developing countries.

Tourism has also triggered the development of large infrastructure projects with positive spillover effects across sectors and beyond borders. For example, to meet increasing tourism demand, Solomon Islands has a long pipeline of priority projects for improved airports, roads, wharves, water and sanitation, solid waste management, energy, and information and communication technology. In Papua New Guinea, ADB financed a comprehensive national airport development program to expand safe and secure access to centers throughout the country that are inaccessible by road (Everett, Simpson, and Wayne 2018). Tourism development has played an integral part in the national strategic development framework of many economies in the region, especially those where tourism receipts are significant, either in absolute terms or as a proportion of GDP (see Figure 5.24).

Reviving and Rebuilding the Tourism Sector

The COVID-19 pandemic has hit tourism particularly hard with governments struggling to provide a lifeline for the sector.

Tourism has been one of the most severely hit sectors by the COVID-19 pandemic. With the end of the pandemic not yet in sight, it is highly unlikely tourism will recover in 2021. IATA (2020c) estimates international flights to reach precrisis levels no earlier than 2024. With estimates of up to 120 million direct tourism jobs at risk, $900 billion to $1.2 trillion in export earnings, and a global GDP loss ranging from 1.5% to 2.8% (UNWTO 2020g), the stakes in successfully restarting the tourism sector are very high.

Box 5.3: Government Measures to Support Tourism in Selected ADB Developing Members

Tourism is important for many economies in Asia. Governments in the region have used stimulus packages to mitigate the pandemic impact and assist businesses and workers in the travel and tourism industry:

The Government of **Cambodia** has implemented measures to support the tourism industry and its workers, including tax breaks, tax exemptions, and financial aid. It allocated up to $2.0 billion to combat the economic disruption caused by the coronavirus disease (COVID-19) outbreak. Suspended employees from the tourism sector were eligible to receive a monthly subsidy ranging from $15 to $40. Hotels, guesthouses, restaurants, and travel agencies in Phnom Penh, Siem Reap, Sihanoukville, Kep, Kampot, and Bavet, were exempted from paying taxes until the end of 2020. The government is also paying 20% of the minimum wage of hospitality workers. Workers are required to attend a short course delivered by the Ministry of Tourism before payments can be made through the National Social Security Fund. Also, the government granted tax exemptions to airlines until December 2020.

In **Georgia**, the government prepared an economic stimulus package worth GEL1.0 billion (~$330.0 million) in response to the negative COVID-19 impact on the economy—which includes infrastructure spending and tax exemptions until November 2020 to aid the tourism industry (about GEL100.0 million (~$33.0 million). Tourism-related businesses are exempt from property and income taxes, covering about 18,000 companies and more than 50,000 employees. Georgia's Tourism Recovery and Anti-Crisis Plan includes support for tax deferment and tax exemption for businesses, and allowances and subsidies for employees. Banks are restructuring the debts of individuals and businesses, especially those in tourism. Interest rate subsidies, bank guarantees, and credit guarantees are also designed for tour operators, hotels, food and beverage business, travel agencies and guides.

In **Indonesia**, the government has applied fiscal measures for all sectors, including tourism: a 6-month tax break for employees and companies starting April 2020; delay of individual and corporate income tax collection to stimulate the economy; and income tax relief for workers in specific sectors. In October 2020, the Tourism and Creative Economy Minister committed to disburse Rp3.3 trillion (~$224.0 million) in grants for tourism-related businesses and local administrations to counter the impact of the COVID-19 pandemic. Of the allocated grants, 70% will be for businesses with the remaining 30% for local administrations.

The **Republic of Korea** made available W300 billion (~$243.0 million) to support the tourism sector. As part of the program, the government allocated W100 billion (~$81.0 million) to provide access to temporary

continued on next page

Box 5.3: Government Measures to Support Tourism in Selected ADB Developing Members *(continued)*

unsecured low interest loans for small and medium-sized tourism companies. In addition, it has granted loan extensions or deferments for 1 year on previous loans up to a total of W200 billion (~$162.0 million). Other financial, fiscal, and tax relief measures for the tourism sector include an emergency relief fund for affected small and medium-sized enterprises (SMEs), tax cuts for businesses, and employment support. To encourage local tourism, the government issued domestic travel and tourism vouchers, and increased the "vacation bonus subsidy" program.

In **Malaysia**, the government launched three economic stimulus packages worth RM260.0 billion (~$59.9 billion) to fulfill three main strategies of protecting social welfare, supporting businesses, and strengthening the economy. Initiatives that target tourism-related businesses include moratoriums on loans, postponement of monthly tax installments, exemption from payment of service tax, discounts up to 50% on monthly electricity bills, additional tax deductions for training expenses, and deferment of income tax installment payments for SMEs. To boost domestic tourism, the government provided travel discount vouchers in partnership with airlines, resorts, and hotels worth RM100 (~$22) per visitor, and offered an individual income tax relief worth RM1,000 (~$226) per visitor for expenses at tourist attractions and accommodation registered with the Ministry of Tourism.

The Government of **Samoa** launched a stimulus package to assist the tourism sector to cope with the unprecedented impact of the COVID-19 pandemic, such as freezing payments for the Samoa National Provident Fund (SNPF) worth ST2.6 million (~$1.0 million) and the Accident Compensation Corporation (ACC) worth ST1.0 million (~$400,000) for 6 months. Under the SNPF, its assistance includes postponing contribution payments for employers in the hospitality sector. ACC assistance includes a 50% reduction in hotels' daily fixed rate, exemption from paying rent for all businesses operating within the Faleolo Airport, provision of interest relief on loans, extension of due dates on income taxes, and waiving registration and late fees for transport.

In **Thailand**, the government issued stimulus packages worth B22.4 billion (~$718.0 million) to support the tourism industry. The initiatives are named "We Travel Together" and "Moral Support." Available from July to October 2020, benefits include subsidized hotel accommodation, airline tickets, car rental fees, bus fares, and facilities in tourist destinations around the country. A total of B20.0 billion (~$641.0 million) was allocated under the "We Travel Together" stimulus package. Some B18.0 million (~$577.0 million) was set aside to subsidize 40% of normal room rates at hotels to eligible travelers, capped at B3,000 (~$96) per night for up to five nights. The other B2.0 million (~$64.0 million) is to subsidize 2 million airline tickets, priced at B2.0 (~$64) per person. The government also allocated B2.4 billion (~$77.0 million) for its "Moral Support" stimulus package, aimed to fund holiday travel expenses of around 1.2 million health workers and volunteers from sub-district hospitals. The subsidy is limited to B2,000 (~$64) per person for a 2-day and 1-night trip. Additionally, the government launched special tourist visas (STV), which allows foreign tourists to stay in Thailand for more than 200 days, as long as they abide by health protocols and insurance requirements. STV applications started in October 2020 and are scheduled to end in September 2021. The government aims to attract 1,200 tourists each month, generating some B12.0 billion (~$380.0 million) in revenue.

Sources: Medina (2020a, 2020b, 2020c, 2020d, 2020e, and 2020f); Organisation for Economic Co-operation and Development (2020); Parama (2020); and United Nations World Tourism Organization (2020d).

Governments are using various fiscal, monetary, and industry-specific measures to help their economies cope with the socioeconomic impact of the pandemic—and its impact on tourism (Box 5.3). Despite these substantive efforts, it is unlikely that the entire tourism sector will be able to revive until the end of the pandemic. And it will likely shrink as some businesses will be unable to survive. One important government objective should be to maintain a critical level of tourism infrastructure so the sector can bounce back quickly once demand returns.

Governments should use a phased approach for tourism recovery.

With the priority to protect the health of travelers and residents, governments have little choice but to rebuild tourism in stages: (i) by promoting domestic tourism; (ii) then by establishing green corridors (or "bubbles") that allow safe travel between partners; and (iii) finally, a full return to international travel. Here we analyze this phased approach.

Jumpstarting Domestic Tourism to Reboot the Tourism Sector

Many governments have started to promote domestic tourism, mainly by providing subsidies for domestic tourists. Stimulating domestic tourism typically responds to actual demand, as many people still yearn to travel but prefer to stay closer to home and avoid mass transportation. Furthermore, international travel restrictions have made it difficult to visit foreign countries.

Early evidence, however, shows that fully mobilizing all outbound travelers to vacation within the country can be difficult. First, in several countries, local lockdowns—such as those previously in Metro Manila, Philippines, and Melbourne, Australia—make it impossible to travel domestically. Second, due to the severe economic downturn and heavy job losses, overall demand for tourism has declined. One also needs to note that the tourism industry is often no longer able to operate at full capacity due to social distancing and other containment measures. This includes actions such as urging airlines to keep middle seats empty. Furthermore, in analyzing demand, some travelers may have lost interest in domestic destinations, and are more interested in exploring new places abroad. Domestic tourism might also be limited by the fact that some people might not want to travel at all because of fear of infection.

Another limitation of domestic tourism might be a mismatch between international and domestic demand. Some countries had been successful in attracting high-income travelers from abroad before the pandemic. However, those international travelers are no longer visiting, and the number of domestic tourists able to afford high-end tourism services might be limited. In the worst case, domestic tourist demand for lower cost travel services might go unmet.

In summary, as domestic tourism is relatively easier to promote than international tourism, it has become a short-term objective for many governments in the region (Box 5.4). In some economies where the number of foreign tourists exceeds the number of outbound tourists, stimulating domestic tourism has proven a viable strategy to help the industry survive. For example, in the Republic of Korea, 2020 has seen a boom in domestic tourism, especially during times when new COVID-19 cases were low. During May 2020, the number of tourists almost reached the 2019 level, when both domestic and international tourists could visit. Similarly, in Viet Nam, domestic tourism has shown a clear upward trend since the lockdown was eased on 11 May 2020. However, in countries with a large surplus in tourism infrastructure, domestic tourism, even if fully mobilized, is not enough. Governments then need to decide on how best to support the sector.

Establishing Travel Bubbles

In the second stage, many governments have tried to restart tourism by establishing so-called travel bubbles or green corridors. Travel bubbles are agreements to open borders to the nationals of the partner economy. Travel bubbles can be for business travel only or also include leisure travel. They often specify provisions on health protocols that need to be followed when leaving and entering the territory. Access can be reciprocal or unilateral. They can be formed between two or more partners.

The first travel bubble in Asia was established between the PRC and the Republic of Korea in early May 2020. The agreement is limited to business travelers, who need to be invited by a company in the other country. And they need to follow a strict health protocol. After this first travel bubble, several others have followed with similar arrangements allowing for essential travel. The exact definition of essential travel varies and can include diplomats, commuters, or expatriates (Table 5.6). As only a limited number of visitors qualify for travel under these arrangements, the increase in international arrivals has so far been small.

Box 5.4: The Potential of Domestic Tourism and Travel Bubbles

To gauge the potential of domestic tourism and travel bubbles, Helble and Fink (2020) provide a detailed scenario analysis. To gauge the potential of domestic tourism, they assume that due to the pandemic all tourists that traveled internationally in 2018 would decide to vacation in their home country. As box figure 1 illustrates the results and shows that across Asia, in more than half the cases, domestic tourism technically has the potential to fully replace foreign visitors. For example, in Armenia, before the pandemic, outbound tourists exceeded the number of inbound foreign tourists by 30%. Armenia thus stands a good chance to fill a substantial part of the gap left by international tourists by domestic guests. However, in economies that are highly dependent on tourism, such as Fiji, Maldives, or Thailand, domestic tourism, even when fully mobilized, will not be enough.

1: Scenario Analysis of Domestic Replacing Foreign Tourists, Based on Number of Tourists *(%)*

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

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

Source: Helble and Fink (2020).

To estimate the potential of travel bubbles, Helble and Fink (2020) assume that such agreements would allow travelers to move in both directions and that the volume would reach the pre-pandemic level and that all bubbles would happen simultaneously. If one country, such as the People's Republic of China (PRC), is the largest source of tourists for various partners, the tourist flows would reach the 2018 level across all pairs (box figure 2).

Bilateral travel bubbles obviously help most economies highly dependent on tourism from one source country. For example, the gap for Fiji would drop from 84% to 44% if it entered a bilateral agreement with Australia.

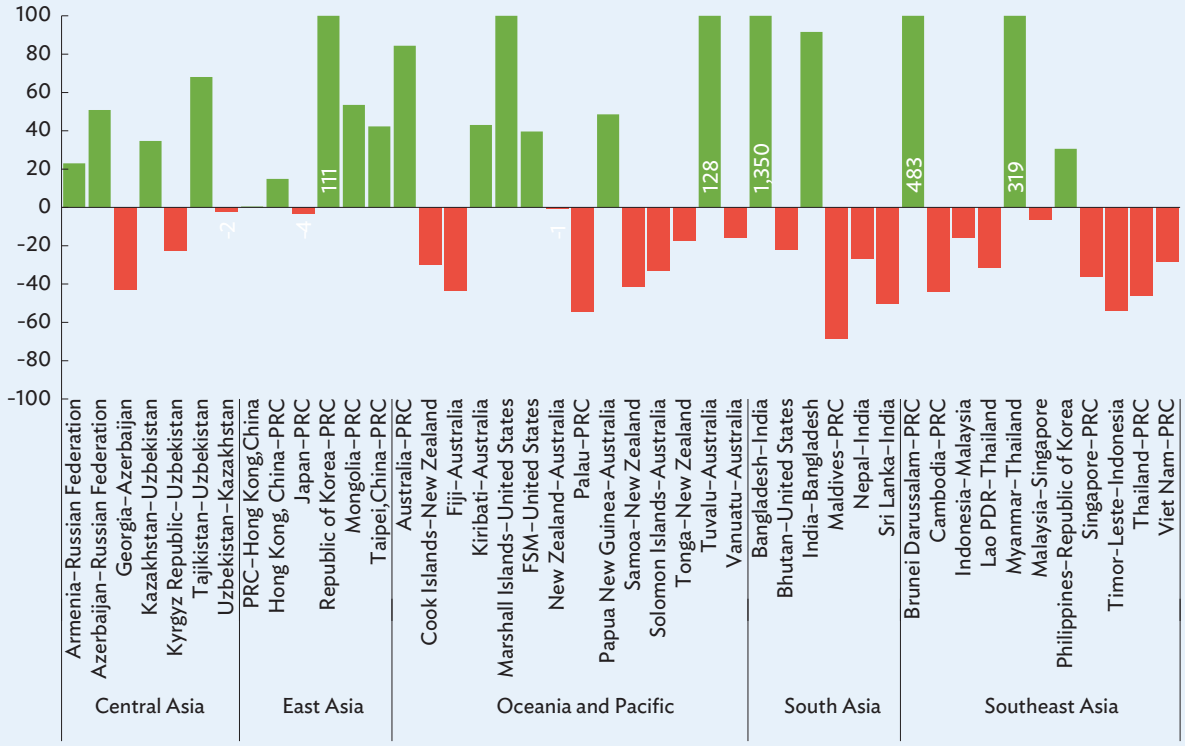
continued on next page

Box 5.4: The Potential of Domestic Tourism and Travel Bubbles *(continued)*

Thailand would see an improvement from −68% to −46% if it established an agreement with the PRC. While these are significant improvements, they still leave these economies with large deficits. In addition, it is unlikely that bilateral tourism would quickly reach precrisis levels.

As with domestic tourism, social distancing and other containment measures would limit supply. Furthermore, traveling in bubbles often requires multiple testing, which comes at a cost that deters some people from traveling abroad.

2: Scenario Analysis of Tourism Bubble with Largest Partner, Based on Number of Tourists *(%)*



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

Notes:

(i) Using 2018 data, in this scenario we assumed that domestic tourists who would otherwise leave the economy would stay at home. We then got the difference between international tourist arrivals, and the sum of inbound tourists from the economy's preferred partner and its own domestic tourists. We then divided this figure by the total international tourist arrivals to get the ratio.
(ii) The green bars indicate by how much the combined domestics tourists from an economy and its preferred partner would surpass the number of international tourists. Some economies and their preferred—including Bangladesh, Brunei Darussalam, the Marshall Islands, the Republic of Korea, Tuvalu, Myanmar—have values that surpass 100%, which suggests that their combined tourists are more than double their 2018 international tourist arrivals. Economies with red bars indicate a gap in arrivals, even with mobilization of domestic tourists and arrivals from their preferred partner.
(iii) Arrival data for 2017 were used for the Marshall Islands, Tonga, and Tuvalu, while 2016 was used for the FSM and 2014 for Bangladesh. There was no arrival data available for Afghanistan, Pakistan, Turkmenistan, and Tuvalu for any year.

Source: Helble and Fink (2020).

Table 5.6: Travel Bubbles in Asia

Economies involved (type of agreement)	Effective Date	Purpose		Testing Requirements		Quarantine Requirement	Sponsor Needed	Contact-Tracing App
		Business/ Official	Leisure	Before Departure	Upon Arrival			
PRC–Republic of Korea	1 May 20	√		√	√	Wait until negative test result	√	
PRC–Singapore	8 Jun 20	√		√	√	Wait until negative test result	√	√
Japan–Thailand; Japan–Viet Nam (Residence Track)	29 Jul 20	√		√	√	14 days	√	√
Singapore– Malaysia (RGL)	17 Aug 20	√		√	√	Wait until negative test result	√	√
Singapore– Malaysia (PCA)	17 Aug 20	√		√	√	7 days	√	√
Singapore–Brunei Darussalam (RGL)	1 Sep 20	√		√	√	Wait until negative test result	√	√
Singapore–Republic of Korea (RGL)	4 Sep 20	√		√	√	Wait until negative test result	√	√
Japan–Malaysia; Japan–Myanmar; Japan–Cambodia; Japan–Lao PDR; Japan–Taipei,China (Residence Track)	8 Sep 20	√		√	√	14 days	√	√
Japan–Singapore (Business Track)	18 Sep 20	√		√	√	Singapore: Wait until negative test result Japan: none	√	√
Japan–Singapore (Residence Track)	30 Sept 20	√		√	√	14 days	√	√
Japan–Republic of Korea (Business Track)	8 Oct 20	√		√	√	none	√	√
Japan– Republic of Korea (Residence Track)	8 Oct 20	√		√	√	14 days	√	√
Australia–New Zealand	16 Oct 20	√	√			none		
Singapore–Indonesia (RGL/TCA)	26 Oct 20	√		√	√	Wait until negative test result	√	√

Lao PDR = Lao People's Democratic Republic, PCA= Periodic Commuting Arrangement, PRC = People's Republic of China, RGL = Reciprocal Green Lane, TCA = Travel Corridor Arrangement.

Notes:
(i) The Reciprocal Green Lane and Travel Corridor Arrangement are reserved for short, business-related travel.
(ii) The Periodic Commuting Arrangement is especially for Singapore or Malaysian citizens with working visa who previously frequently crossed the Johor–Singapore border. Under this arrangement, the workers must spend 90 days in the country of work before they can return home.
(iii) Residence Track, usually used by bubbles involving Japan, is for noncitizen long-term residents with working visa, including their families.
(iv) Business Track, usually used by bubbles involving Japan, is for short business trips.
(v) Testing requirements refer to the COVID-19 polymerase chain reaction (PCR) test. Time allowed to take the test prior to departure varies between bubbles.
(vi) Quarantine requirement refers to quarantine upon arrival. "Wait until negative test result" indicates the number of days required to wait in isolation for the result of the PCR test to become available. Travelers wait in either a self-sourced or government provided location.
(vii) Sponsor refers to a business or government agency who would need to sponsor documents such as a travel pass or visa that would grant entry into the country.
(viii) The Australia–New Zealand Bubble only opens travel in one direction—from New Zealand to Australia. Travelers to Australia can only visit New South Wales and the Northern Territory which are considered as safe travel zones. Upon return to New Zealand, the traveler will be subject to a COVID-19 PCR test and 14-day quarantine in a government facility.

Sources: Government of Australia, Department of Home Affairs. https://covid19.homeaffairs.gov.au; Government of Brunei Darussalam, Ministry of Foreign Affairs. http://www.mfa.gov.bn/Shared%20Documents/Annex.pdf; Government of Cambodia, Ministry of Foreign Affairs and International Cooperation. http://www.cambodianembassy.jp/web2/; Government of Indonesia, Ministry of Foreign Affairs. https://kemlu.go.id/singapore/id; Government of Japan, Ministry of Foreign Affairs. https://www.mofa.go.jp; Government of the Lao PDR, Ministry of Foreign Affairs. http://www.mofa.gov.la; Government of Malaysia, Immigration Department of Malaysia. https://www.imi.gov.my/; Government of New Zealand, Ministry of Business, Innovation and Employment. https://www.immigration.govt.nz/; Government of the People's Republic of China, Ministry of Foreign Affairs of the People's Republic of China. https://www.fmprc.gov.cn/mfa_eng/; Government of the Republic of Korea, Ministry of Foreign Affairs. http://www.mofa.go.kr/eng/ and http://overseas.mofa.go.kr/sg-en/index.do; Government of Singapore, Ministry of Foreign Affairs. https://safetravel.ica.gov.sg; Government of Thailand, Ministry of Foreign Affairs. http://site.thaiembassy.jp/en/; and Government of Viet Nam, Ministry of Foreign Affairs. https://vnembassy-jp.org/en/ (all accessed November 2020).

Economic incentives and trust between partners have proven the decisive factors in establishing travel bubbles. Particularly interesting is the arrangement between Singapore and Malaysia. Because of geographic proximity and close economic ties, these two economies agreed on a so-called Periodic Commuting Arrangement for workers who regularly cross the border. However, the arrangement does not allow for a daily commute, but those who cross will have to spend at least 90 days in their country of employment before they can return home. Overall, the reciprocal travel arrangements signed so far show that economic considerations beyond tourism have become the primary driving force (Table 5.6).

Negotiations on establishing travel bubbles that would allow for leisure travel started in mid-2020. For example, Australia and New Zealand initiated negotiations on a "Trans-Tasman" travel bubble. Given the strong economic and cultural links between the two countries, the agreement was expected to boost tourism in both economies. However, the negotiations stalled due to a COVID-19 outbreak in the Australian state of Victoria in June 2020. In October 2020, authorities agreed to open a quarantine-free, one-way corridor from New Zealand to limited parts of Australia. In a similar effort to open borders to leisure tourists, Fiji's government proposed to form a travel bubble with Australia and New Zealand the so-called "Bula bubble" in June 2020. Recurrent waves of coronavirus infections have been a common tipping point for these travel negotiations to advance.

One critical requirement to establish travel bubbles is that the pandemic is under control across partner countries. While some governments were able to quickly limit the pandemic spread, others have struggled or continue to struggle to contain the disease. Recently, some countries were also confronted with a second wave of infections. Apart from public health considerations, the epidemiological situation affects a tourist's willingness to travel and a country's willingness to receive tourists. The opportunity to open bilateral tourism typically only arises once both parties are well beyond their peak of new infections.

In addition to the epidemiological situation, pandemic preparedness is another important consideration for tourists. As new outbreaks can never be excluded, countries need to demonstrate their capacity to handle them when they do. However, pandemic preparedness varies significantly. As of October 2020, very few countries in the region could demonstrate both: a full control of new infections as well as adequate pandemic preparedness. This is the main reason that, despite the strong interest in travel bubbles, few have materialized so far and the ones agreed upon cover only essential travel.

In sum, restoring public trust in safe travel is key to reviving Asia's tourism sector; by promoting coordinated, seamlessly executed, responsible, and safety-oriented travel measures, multilateral development banks such as ADB, regional cooperation initiatives, as well as regional policy forums and dialogues can help bring back tourism's long-term sustainable potential.

The results of an IATA (2020a) survey revealed that fear of catching the virus while traveling is a major factor keeping them from returning to their old travel habits—only 45% expressed interest in traveling again once the pandemic subsides, while 64% will postpone travel until the general economic environment has improved. Furthermore, stringent travel requirements deter travelers—83% revealed that they will not travel if there is a chance of compulsory quarantine after arrival (IATA 2020b).

With the uncertain outlook, the survival of tourism-related businesses is at risk, along with millions of jobs. Government stimulus packages to cushion the socioeconomic impact of the pandemic may vary, but measures that target the tourism sector typically include marketing campaigns, tax relief, subsidies, and special incentives to boost demand. Furthermore, many governments have established detailed health and sanitary protocols.

Many governments have been looking to domestic tourism to help stimulate economic recovery. For those with existing strong domestic tourism markets, promoting domestic tourism can provide a lifeline. However, for highly dependent tourism economies,

including small island developing states such as Fiji, the Cook Islands, Palau, and Maldives, domestic tourism markets are too small to be a viable option for filling the gap left by international arrivals. Furthermore, promoting domestic tourism is not straightforward. Many people have less disposable income for leisure activities, and social distancing as well as other containment measures may make it difficult or less appealing. Equally, in countries where the tourism attractions are geared toward foreign markets it may take time to reorientate toward domestic preferences. In many cases, there is also a clear difference in spending between domestic and foreign tourists.

Establishing bilateral travel bubbles is another option to revive tourism. The growing number of travel agreements between countries is a testament to this. Economies which are highly dependent on tourism from one source country would particularly benefit. A bilateral bubble between Fiji and Australia would reduce the gap in Fiji by half compared with relying on domestic tourism. Agreements are, however, subject to rapidly changing epidemiological circumstances. If potential bilateral pairings are analyzed according to pandemic preparedness and whether they appear to be past their peak of outbreaks, very few bilateral parings were feasible. Currently existing agreements are not yet targeted to conventional tourists, but allow for essential travel, such as business travel or expatriates returning to work.

As more and more travel bubbles are being put into place, we will certainly witness the emergence of subregional travel bubbles soon. Regional communities in Asia have a history of cooperation on tourism and travel facilitation and many are in discussions to help respond to the crisis. Subregional travel bubbles are, however, only a better solution to bilateral bubbles when there is a large degree of intra-subregional travel. Epidemiological considerations may also become even more complex. One of the most important policy implications for subregional bubbles is the establishment of harmonized protocols for travel and tourism. This should consider the full customer journey from their taxi to the airport to their arrival at their accommodation and visits to attractions and sites. ADB is currently working with international travel and tourism organizations to contribute to this process.

Another important consideration when considering travel bubbles is the ability to conduct cross-border and regional contact tracing. Countries have adopted different tools for contact tracing, from centralized to decentralized systems as well as different technologies, such as quick response (QR) codes or Bluetooth. Varying systems across economies make it difficult to utilize contact tracing apps for cross-border movement. Harmonized systems which can share information would be particularly helpful for subregional travel bubbles which have a high frequency of cross-border movement. This should be based on shared and transparent agreements on data privacy. In a similar vein health insurance needs to cover COVID-19-related costs of travelers. Within the Greater Mekong Subregion, for example, ADB is seeking to trial innovative approaches to contact tracing and mobile insurance in special economic zones located in border areas.

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

As the pandemic situation further evolves, we might see the emergence of global mobile phone apps, such as CommonPass, or of vaccine passes that would greatly facilitate international travel. Again, harmonized standards around recognition of vaccination certificates will be critical to freedom of international movement. Promoting tourism is and will therefore be first and foremost a joint undertaking and makes regional cooperation more needed than ever.

Tourism post-COVID-19 will be different: more than beautiful sights and cheap flights, it will be about health and safety. Governments may also want to use the crisis as an opportunity to "build back better" and increase the long-term sustainability of their tourism sector. Leveraging on innovative solutions, technological advancements, and regional cooperation, it is high time to rethink the future of tourism.

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