

Spotlight: Econ Op-eds in Summary

Week ended 22nd April '20

In Summary

The underneath contains summaries of the articles given above, including key extracts from these articles.

1. COVID-19 signifies both "danger" and "opportunity"

By: Lionel Wijesiri

- The Covid outbreak is a primarily a public health crisis, followed by an economic crisis. If we can contain the virus without overwhelming healthcare systems, then we can focus on easing the economic restrictions put in place to suppress the virus. The post-pandemic economic challenges facing Sri Lanka would be demanding and a negative economic growth is possible.
- A national strategy on economic recovery is important. The liquidity of financial institutions and the considerable amount of people living under poverty needs to be looked at. Ensuring survival of small business would be pivotal for recovery. A coordinated global response in containing the outbreak is required for tourism and trade flows to recover.
- In Sri Lanka, a vast imbalance between the rural and urban sectors exists. The crisis also offers the Government a rare chance to undertake the required policy changes to overcome the rural-urban disparities in the country. China is now prioritising the country's rural areas over urban development. We too, like the Chinese, should seize the opportunity.

Back in first week of January, many global scientists predicted that the spread of the new COVID-19 in China would reach a turning point by the second or third week of February. They were right. The total number of serious and critical cases in the country has been declining since February 22, and there have been no new cases in the last few days other than international travellers arriving in China.

Unfortunately, new infections outside China have risen very fast, with potentially disastrous consequences for public health and the global economy.

Faced with this pandemic, the policymakers can draw several useful lessons from China and other countries that were among the first to be hit by COVID-19. This is especially useful for countries like Sri Lanka, that have not yet experienced a major outbreak.

Predictions regarding the economic fallout from the COVID-19 pandemic run the gamut. Some people equate the prospects for the world economy to the Spanish flu pandemic. It was one of the deadliest pandemics in human history. Fortunately, there are others who describe a shock followed by speedy recovery.

Priority

The effect of COVID -19 is two-fold. First and foremost a public health crisis. Then comes the economic crisis. No affected country can tackle mounting economic concerns if it loses sight of the basic fact that people are getting sick and some of them are dying.

The simple fact is, if a country floods out its healthcare system, then people die of heart attacks, strokes, missed surgeries and trauma. So, the first thing we need to do is mitigate

the wave that is occurring throughout the country. If we can contain this devil without let him go out-of-control, we can begin slowly and easing up on the blunt economic restrictions needed to suppress the coronavirus.

This cautious return to life is already taking place in China, Taiwan and many Asian countries hit earliest by the pandemic.

Eventually, whether it's in three months' or one year's time, we also will return to normal life. Then what next? The post-pandemic economic challenges to Sri Lanka would be real and pressing. Our economic growth in the first half of the year (or the whole year) might be negative.

That is why we need to be concerned about financial stability. Financial institutions will face a liquidity problem, but hopefully, not a solvency problem. The probability of a full-blown crisis like the Spanish flu pandemic, one that sparked the Great Recession depends simply on how long the current situation lasts.

Beneath these macro concerns are deep and various challenges at the national level. If we walk through the plight of the average worker in the Sri Lankan economy, around 9% of our population lives below the poverty line and possesses essentially no savings.

Small business

Another growing concern is the terrible blow to small businesses. For example, some survey findings indicated that industrial establishments below five employees accounted for 84% of total establishments and 28% of total employment, but accounted for only 7.5% in the industrial sector. The survival of these small businesses will determine the shape and nature of recovery.

Therefore, focus on small businesses should be a central theme in our current discussions. While the government will be forced to inject up money into the economy, they need to worry the most about very small entrepreneurs, even single-employee businesses, as they will suffer the most.

Revival

Fighting against COVID-19 is not a solo job. Sri Lankan Government cannot do it alone. For example, even if Sri Lanka may become corona-free by mid-April, the country has to keep on spending a lot of resources to keep the virus coming in from other countries. Until other countries are also stable, there wouldn't be inward tourism, no outward exports, no inward imports, no inward cashflow whatsoever. So, it should be a global effort.

It is becoming obvious now. Though China may now be emerging from the worst of the health crisis, Europe and the US are not in a position to resume trade as usual. Effectively galvanizing the global economy will be very difficult without clearly coordinated policies across countries

While the Sri Lankan Government is totally concentrating on the scourge of corona, it should focus on "What next" scenario. That means a National Plan of revival. We need not wait until this issue is settled and life returns to normalcy. A Presidential Task-force on revival of post-corona economy would be fine.

Chinese experience

Once again take China for example. Beijing is drafting a law to underpin an ambitious campaign to revitalise its rural areas. The campaign marks a shift in focus for the country – prioritising the country's rural areas over the urban development that has fuelled breakneck economic growth for decades.

Just like Sri Lanka, for decades, rural areas in China, where incomes and living standards are significantly lower, have been left behind in the urbanisation drive. Millions of farmers have gone to the cities in search of work in factories, leaving behind their homes, land and children in the care of elderly relatives.

Rural-urban divide

A number of studies done in Sri Lanka, too, have revealed that a vast unbalanced expansion of the development between the rural and urban sectors. A wide gap can be identified with respect to income, savings, expenditure, level of education, language literacy and computer knowledge etc. However, the health situation of the people in both sectors was in a satisfactory level. But in the case of some diseases such as heart diseases, high blood pressure, rheumatism, diabetes etc, it was noted that such ailments were plentiful in the urban areas.

As the rural sector personnel get engaged in work related to physical strain, there can be seen a decline of vulnerability of such diseases. Although both the sectors spend the maximum amount out of their income for consumer food, the amount of the families in the rural sector spend a very low figure relatively to that of the urban sector. The reason for this situation is that they do not get a sufficient income to eke out their living.

The COVID-19 pandemic threatens the world with disaster. But the crisis also offers the Government a rare chance to undertake policy changes that not only address the short-term public-health challenge but also take policy decision how we can find solutions for the rural urban disparities in the country.

The Chinese word for "crisis" is signifying "danger" and "opportunity" respectively. We too, like the Chinese, should seize the opportunity and not waste the COVID-19 crisis.

[For the full article – Refer Daily Mirror](#)

2. Post-COVID-19 challenges and the way forward for Sri Lanka tourism

By: W.H.M.S. Samarathunga

- The global tourism industry will suffer major setbacks as a result of the COVID-19 pandemic, with the World Tourism Organization estimating a 20-30% reduction compared to 2019. In Sri Lanka, the industry is the 3rd largest foreign exchange earner, and employs 380,000+ individuals. However, both the Easter Attacks and the COVID outbreak will result in an inability to meet growth targets for the industry.
- Sri Lanka's top source markets are also severely affected by the pandemic, reducing potential visitors. Combined with containment measures for the pandemic, this will likely result in tourism job losses and financial pressure on industry players as well. It is important to anticipate post-COVID trends for the industry and capitalise on Sri Lanka's strengths to exploit these.
- Domestic tourism will be important initially, and regional markets will be the next segment. Focusing on top-tier visitors may also help in the short run, while steady messaging to traditional source markets will help in the long-term. The industry will also have to pay very close attention to health and safety standards to reassure visitors. Formulating a Tourism Resilience Plan that will lay the foundation to respond to future crises is key.

Sri Lanka's speedy post-war growth was disrupted last year following the Easter Sunday attacks that made the industry suffer a loss of \$1.5 billion of tourism revenue.

However, due to the efforts of tourism officials, Sri Lanka tourism was able to recover quickly, attracting 1.9 million of tourists by the end of 2019.

The COVID-19 outbreak shows the vulnerability the tourism and hospitality industry to external shocks. As of now, a range of tourism establishments have entered into a period of zero revenue, leaving the stakeholders of the industry at a dilemma on the next steps to be taken.

The global scenario

According to the United Nations World Tourism Organization (UNWTO) international tourist arrivals will drop by 20% to 30% in 2020 when compared with 2019, which means a loss of 290 million to 440 million tourists in a single year. Accordingly, this could be read as a loss of USD 300 to 400 Bn of international tourism receipt, or in the worst-case scenario this could go as high as \$ 1.5 trillion, UNWTO warns.

This loss will be equal to the industry growth of five to seven years in a row.

In response to the COVID-19 pandemic, many countries have injected billions into their economies to protect the industries and the fiscal market. However, developing countries like Sri Lanka are instead trying to implement local models to control the impact of the pandemic due to fiscal constraints.

Local scenario

The Sri Lanka tourism industry is the third biggest Foreign Exchange (FE) earner with a total earning of USD 4.4 Bn in 2018 and USD 3.7 Bn. in 2019 that has got the worst hit among other top FE earners.

Sri Lanka's target of achieving 3.5-4 million tourists and earning USD 5 Bn in 2020 is highly unlikely considering the present spread and growth of the pandemic, as are long term targets for the industry.

The real loss of tourism income to Sri Lanka could be much higher than the Asian Development Bank estimate in March of USD 107 to 319 Mn since the situation has escalated over the period of time.

According to SLTDA statistics in 2018, 169,003 and 219,484 people were employed as direct and indirect employees of the tourism industry. As of now, majority of these workers are temporarily unemployed.

On the other hand, tourism investors are facing a financial crisis without being able to maintain a sufficient cash flow to service debts, and meet operating expenses. Debt moratoriums for tourism are part of the attempts to protect the industry. But it is unsure how long the Government and the financial market could afford moratoriums.

COVID-19 challenges to Sri Lanka tourism

Impact on source markets

Tourist arrivals to a destination is largely depending on three factors: destination area variables, generating area variables, and transit area variables. COVID-19 has had a huge impact on all these three factors and brought down international tourist arrivals to a minimum.

Looking at the present pandemic situation at our 'Top 10' source markets, most of them have been seriously hit by COVID-19 in terms of spread of the virus and the mortality rate. Therefore, Sri Lanka tourism source markets will not be sending tourists to Sri Lanka during the course of the year.

Impact on tourism resources

Loss resources including human resource and capital resource will impose huge challenges for tourism stakeholders in the months to come.

Many tourism establishments have started laying off temporary and casual staff, stopped salary increments, and even cut salaries while warning that they will have to lay off a considerable number of staff if the situation continues.

Travel bans, suspension of flights and curfew regulations

Many countries imposed travel bans, suspension of flights and curfew regulations, also taking different defensive actions to fight against COVID-19.

As of 15 April, there are 12,512 foreign guests in Sri Lanka, according to the SLTDA reports. 50% of these tourists are reported to be staying at homestay units or unregistered properties in the down south beach front areas. About 30% prefer staying in Sri Lanka until the situation improves and a majority is waiting till airlines resume their operations.

Future of the tourism and hospitality industry

Will China be our hope?

Chinese tourists have been continuously visiting Sri Lanka and are big spenders at hotels, tourist shops and for other tourism services.

China has been the largest source market in the world since 2012. In 2018 Sri Lanka received only 265,965 (167,863 in 2019) Chinese tourists (0.1% of the total outbound traffic). The effectiveness of the Sri Lankan pandemic control mechanism is better than most of China's top outbound destination countries.

Negative western perceptions towards China will reduce Chinese travels in the West. This presents an opportunity for Sri Lanka to attract more high-spending Chinese tourists.

Paying attention to the Russian market is imperative since the spread of COVID-19 in Russia is relatively slow and low compared to the West. India also has done great so far and if it continues to be successful, it will also dominate Sri Lanka tourism as it did during the last decade.

Continuous promotions in other conventional tourism markets should not be forgotten. Small elite clusters from those countries will continue to make international travels immediately after lifting the travel bans and Sri Lanka will get their attention as a 'safe' destination to travel.

Asians in Asia, Europeans in Europe, and Americans in America

Initially domestic tourism will play a leading role. Then, international travel will take place regionally during the first phase of the recovery period. Potential travellers will select neighbouring countries to visit instead of flying out of the region.

Future tourism products and tourist behaviour

Tourism will take some time to bounce back. According to the UNWTO predictions, international tourism could drop back to the level of 2012-2014 period. We can expect following changes in the behaviour of international tourists:

- Increase of domestic tourism
- Travelling to local destinations with families in their private vehicles, which will be followed by short-haul destinations (flying hours less than five) and long-haul destinations will be selected thereafter
- The tourists will travel in smaller groups (FITs) than being stick to lager groups (GITs)
- Increase of individual consumerism instead of common consumerism that will make more demands for private tours, yachts, private jets, small villas and bungalows
- Less demand for big hotels and resorts with large number of rooms, more demands for smaller hotels
- More demand to island destinations including Sri Lanka, Maldives, Seychelles, Australia, New Zealand, and Caribbean Islands, etc.
- Less demand for cruise tourism since 13 passenger ships were affected by COVID-19 (e.g. Diamond Princess in Japan, Ruby Princess in New Zealand)
- Increased demand for travel insurance to meet with emergency medical expenses, evacuation charges and cancellations
- banquets (still the organisers will try to keep the attendees low)
- Increased demand for direct flights than connecting flights

Future operations in the tourism and hospitality

Service establishments will be highly motivated to strictly follow HACCP (Hazard Analysis and Critical Control Point) standards like never before. Authorities will have to introduce new guidelines on how to run the tourism and hospitality businesses while minimising the health risks and maximising the guests' satisfaction.

Short-term strategies to consider

Short-term strategies that the to be considered for the revival of the industry with standard health protocols include:

- Attracting rich European millionaires only for beach holidays. The tourists can be airlifted to the hotel directly and other than the hotel staff no contact with anyone.
- Enjoy now pay later. Longer credit facilities to be given to stable tour operators.
- Promotion of Ayurveda and indigenous medicine to boost immunity.
- Sri Lanka to have more direct flights from focused tourist-generating countries.
- Small boutique hotels can be leased out to millionaires on long-term basis.
- International tour operators to encourage their credit card companies to offer interest free instalment payments for customers on travel plans.
- Introduce virtual tourism with creative videos, sound tracks from iconic destinations embedded with augmented reality.
- Tourism authorities to prepare a Tourism Resilience Plan (TRP) to better manage situations like this in the future.

Despite challenges, the tourism industry has always bounced back faster, harder and stronger. It is important to hold our ground as a must-visit and one of the safest destinations in the world even during these turbulent times.

[For the full article – Refer Daily FT](#)

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