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Tourism in the BRICS Countries in the Context of the COVID-19 Pandemic

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Abstract

This article aims to highlight the impact of COVID-19 pandemic on the BRICS countries. Tourism is a very important activity for the economy of emerging countries in general, and the BRICS countries in particular. At the same time, tourism is an activity very sensitive to various risk factors. Tourism was developed with the view of diversifying the economic activities of these countries. In recent decades, the emergence of new risk factors, such as epidemics, that generated unprecedented health crises, have begun to have an increased impact, including in the BRICS countries. Thus, the inbound and outbound tourism of the BRICS countries was severely affected by the COVID-19 pandemic.

Keywords: BRICS countries, emerging economies, tourism, sanitary crisis, COVID-19.

JEL Classification: I10, L80, L83

1. Introduction

The BRICS countries are a group of emerging economies, in which tourism has grown in the context of sustainable development. These countries, which have important natural resources, are trying to diversify their economic activities and develop activities in other, more environmentally friendly sectors. Many emerging countries support and encourage the development of tourism, alongside traditional activities.

Over six decades of continuous growth, tourism has been one of the most important sectors of activity in terms of economic growth, both locally and globally (OECD, 2020a), participating in 2019, with 10.3% in achieving world GDP (USD 8.9 trillion), 1/10 of all jobs (330 million) and ¼ of all net new jobs created over the last five years (WTTC, 2020a). Globally, tourism continues to perform with 1.5 million international arrivals in 2019 (UNWTO, 2020a).

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Emerging economies are contributing with larger proportions of travellers to this global trend and are becoming increasingly desirable as destinations as they show greater competitiveness in travel and tourism (WEF, 2019).

The BRICS group of emerging countries is among the most sought after destinations in the world: China and India in Asia, the Russian Federation in Europe, Brazil in South America and South Africa in Africa. Travel & Tourism (T&T) competitiveness can be seen simultaneously as a powerful economic growth drive, or a risk to ongoing development of the industry, if not managed correctly. The BRICS countries had in 2019 very good positions in the T&T competitiveness report ranking. China ranked 13th (score 4.9), and is Eastern Asia-Pacific's largest T&T economy, accounting for over one-half of the sub-region's T&T GDP. The country has the index's best score for the natural and cultural resources sub-index. Brazil ranked 32nd (score 4.5), and has both the region's largest and most competitive T&T industry and environment thanks to exceptional natural (2nd) and cultural (9th) resources. India ranked 34th (score 4.4), and had the greatest ranking improvement (from 40 to 34). The Russian Federation ranked 39th (score 4.3), and is Eurasian's most competitive T&T economy and accounts for the majority of the sub-region's T&T GDP. It is the only Eurasian economy to score above the global average for natural (34th) and cultural (18th) resources. South Africa ranked 61st (score 4.0), and is the most competitive of the three sub-regions in Sub-Saharan Africa, but has experienced slow growth in competitiveness over the past two years. South Africa's biggest advantages come from tourist services infrastructure and T&T prioritization, although the sub-region does perform below the global average in both areas. South Africa has, by far, the largest T&T industry in Sub-Saharan Africa. The country's most significant advantage is its combination of natural (15th) and cultural (23rd) resources (WEF, 2019).

At the same time, tourism is a very sensitive activity to various risk factors. In general, the causes of tourism crises are of economic, political, geopolitical, security (terrorist attacks) and environmental nature. These crises can affect the demand and supply of tourism in different states. In recent decades, the emergence of new risk factors, such as epidemics, that generated unprecedented health crises, have begun to have an increased impact. The first health crisis that had effects on tourism for a longer period was the Ebola epidemic, which affected West Africa (99% of cases were in Guinea, Sierra Leone and Liberia). Ebola was the only epidemic with a major impact on T&T (WTTC, 2018) compared to other epidemics and crises studied by the WTTC.

The spill-over of SARS-CoV-2 virus, Ebola, and other infectious pathogens from animals to human beings is an important reminder of the need for countries to include protection of our biodiversity as part of interventions to effectively manage outbreaks of epidemics or pandemics in human populations. 2020 meant for the whole world a confrontation with an enemy that is difficult to control, the SARS-CoV-2 pandemic. Tourism activity has been affected by this enemy from the beginning, as tourism is one of the sectors most affected by this health crisis.

This article aims to analyze tourism activity in the BRICS emerging economies in the context of this new health crisis.

2. Literature Review

In the specialized literature, the coronavirus-type of viruses was presented as a family of viruses capable of causing the disease on both animals and humans. Coronavirus 2019 (COVID-19) is the most recently discovered coronavirus, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). In November 2019, the first case was detected in Wuhan, Hubei Province, China. Later on, other outbreaks were reported in countries such as Iran, Italy or South Korea (McKibbin & Fernando, 2020).

The causes of the global recession of 2020 are definitely something new in modern history, generating new types of recessions, different from previous ones. Thus, Ozili and Arun (2020) show how factors that are not of a financial or economic nature can generate a mixture of financial and economic crisis. Several authors have written about the social and economic implications of the pandemic (Nicola et al., 2020; McKibbin & Fernando, 2020), along with the World Tourism Organization (UNWTO), World Travel & Tourism Council (WTTC), Organization for Economic Co-operation and Development (OECD), and International Monetary Fund (IMF) publications, which have continuously analyzed the evolution of the disease and its impact on tourism industry. Research on the effects of travel restrictions is to be found in Chinnazi et al. (2020), whereas Koh (2020) presents a study on high-risk occupations connected with tourism (guides, taxi drivers, casino workers, cruise crews, tourism and hotel industry workers).

3. Research Methods

To highlight how tourism in the BRICS countries has been affected by the pandemic, the quantitative method is the one that can help us make a comparison between the relevant data for 2018 and 2019 and the similar accessible data for 2020. For tourism it is important to analyze the number of international arrivals, accommodation, tourism revenues and the contribution of tourism to GDP. In order to carry out this research, data provided by WTTC, UNWTO, OECD and IMF were used, which were processed by the author for this purpose.

4. Findings

As China is the country from where the disease spread (Hoque, 2020), it is important to see how the pandemic affected the tourism industry in the BRICS countries. Tourism is an activity of the tertiary sector, which has gained increasing importance worldwide, including in emerging countries, such as the BRICS countries. Tourism in the BRICS countries is rich in diverse natural resources, but some of them are depletable. Tourism offers a chance to diversify economic activities, which support a sustainable development, including a sustainable tourism.

4.1. China

China is both an important recipient of tourists, the main suppliers being states such as South Korea, Japan, United States, Russia, Vietnam, Singapore, India and Australia (OECD, 2020b), but also a large provider of tourists, especially for states in the Asia-Pacific region such as Thailand, South Korea, Singapore, Malaysia, Vietnam, as well as Japan, Australia, and Russia. Many Asian countries rely on Chinese tourists and were heavily affected by China's move to cancel outbound group trips indefinitely. Among them we can name Thailand and Japan. China is Thailand's number one market, generating nearly 30% of all arrivals. The Tourism Council of Thailand has estimated losses of at least USD 1.6 billion as a result of the lockdown (WTTC, 2020a). In 2018, China outbound tourist arrivals totalled 149.72 million, contributing to the economic development of the local area. Revenues from domestic tourism are also very important, 86% representing the domestic spending out of the total spending in 2019 (WTTC, 2020a). In the context of the outbreak of the SARS-CoV-2 epidemic and its spread in different regions of the country, people were advised to stay home to protect themselves from the virus. These lockdowns and other related measures have led to a decrease in tourism activity, both internally and externally.

Beijing has postponed the departure of all groups from China, and other countries such as Singapore, the United States and Australia have restricted access to foreigners coming from China (Hoque, 2020). Many domestic and international flights have been delayed due to the panic created by the spread of coronavirus, thus severely affecting airlines. Even though the infectious spread of COVID-19 has been slowing down in China, the effects of the pandemic on Chinese tourism industry are severe. The domestic tourism revenue in the country was estimated to drop 69% in the first quarter of 2020, followed by a 20.6% decline in the whole year of 2020. Amidst the global turbulence, in an initial assessment, the IMF expects China to slow down by 0.4% compared to its initial growth target to 5.6%, also slowing down global growth by 0,1% (OECD, 2020a).

4.2. Russia

In 2017, tourism contributed USD 18,670 million to the economy, i.e., 3.8% of Russian GVA (Gross Value Added) – an increase of 21.4% from 2016. In 2018, tourism expenditure amounted to USD 38,791 million. The number of international visitor arrivals recorded in 2018 was 24.6 million. The main source markets were Ukraine (with a 33.4% market share) followed by Kazakhstan (14.3%) and China (6.9%). Other key markets include Finland, Azerbaijan, Poland and Germany. The number of domestic arrivals recorded in 2018 was 62.2 million, an increase of 16.2% from 2017. In 2018, the number of total departures was of 42 million, and the destinations preferred by Russian people were Turkey (5.7 million), Finland (3.3 million), Kazakhstan (2.9 million), Ukraine (2.3 million) and China (2 million) (OECD, 2020a).

4.3. Brazil

Tourism in Brazil accounts directly for 3.1% of GDP, rising to 9.6% if indirect effects are also included. The sector supported 2.1 million jobs in 2018, which account for 2.5% of total employment. In 2018, international tourist arrivals reached 6.6 million and their spending amounted to USD 6,320 million. Argentina was the largest source market with 2.5 million tourists (37.7% of total), followed by the United States (8.1%), Chile (5.9%), Paraguay (5.4%) and Uruguay (5.3%). With over 206 million trips in 2015, the domestic market has high potential for growth. The majority of Brazilians choose domestic destinations for their holidays, including carnival and summer breaks. The main destinations are the Northeast regions, followed by the Southeast and South regions. In 2018, outbound tourism was 10.7 million and the preferred international destinations were the United States (2.2 million), Portugal (1.1 million), Argentina (0.9 million), Chile (0.58 million) and Spain (0.55 million). Tourism expenditure was USD 22,227 million (OECD, 2020a).

4.4. South Africa

In 2017 the direct contribution of the T&T sector to GDP amounted to USD 9,784 million, representing a 2.8% direct contribution to GDP. The outbound expenditure totalled USD 6,344 million, which is a positive balance for South Africa (OECD, 2020a). Direct employment in tourism totalled 722,013 in 2017, representing 4.5% of the total workforce. In 2018, there were 10.5 million international tourist arrivals, up 1.8% over 2017, and 4.5 million same-day visitors (total arrivals 15 million). Key source markets are other African countries, which make up over 70% of all international arrivals. Zimbabwe is the top source market (21.1% of tourists) followed by Lesotho (16.6%) and Mozambique (13.0%). South Africa's major long-haul overseas markets are the United Kingdom, the United States and Germany. Domestic tourism trips totalled 17.7 million. In terms of departures, the number of tourists from South Africa was 6 million. In 2018, South Africa was ranked the third most visited country in Africa, after Morocco and Egypt (UNWTO, 2020a).

4.5. India

Foreign tourist arrivals in India in 2018 totalled10.56 million, and the earning from tourism amounted to USD 28.585 billion. The source countries for foreign tourist were Bangladesh (21.3%), United States (13.8%), United Kingdom (9.75%), Sri Lanka, Canada, Australia, Malaysia, China, and the Russian Federation. Departures from India in 2017 totalled 26.30 million, the main destinations being Saudi Arabia (1,581,233), United States (1,285,466), Thailand (1,281,681), Singapore (1,272,077), China (818,954), United Kingdom (561,573), Malaysia, Indonesia, Sri Lanka, and Oman. Domestic tourist visits in India in 2018 were 1,854.9 million (GIMT, 2019). However, by analysing each month, we can see how in 2020, the situation has worsened. While in January 2020 there were

1,118,150 arrivals compared to 2019, with 1,103,380 arrivals, an increase by 1.3%, in February 2020 there were 1,015,632 arrivals compared to 1,087,694 arrivals in 2019, i.e., a decrease of 6.6%, and the decrease became all more pronounced in March, when the pandemic was declared and the danger became more aggressive, with 328,462 arrivals in 2020 as compared to 978,236 in March 2019, registering a decrease of 66.4% (GIMT, 2020).

In the first quarter of 2020, the devastating effects of the pandemic began to be felt in the tourism industry, reducing the number of foreign tourists, compared to the same period last year. Thus, in India, throughout January-March 2020, 2,462,244 tourists were registered, compared to 2019 when there were 3,179,792 tourists, i.e. a decrease of 22.6% (GIMT, 2020). Revenues over the same period decreased by 17.1% from USD 7.427 billion, in January-March 2019, to USD 6.159 billion, in January-March 2020.

5. The Way Ahead

Taking into account the unparalleled introduction of travel restrictions across the world, the expectation is that the international tourist arrivals will be down by 20% to 30% in 2020 as compared to 2019 figures, which means a decline in international tourism receipts (exports) of USD 300-450 billion, i.e., almost one third of the USD 1.5 trillion generated in 2019. UNWTO notes that in 2009, during the global economic crisis, international tourist arrivals declined by 4%, while the SARS outbreak led to a decline of just 0.4% in 2003 (UNWTO, 2020b). On average, domestic and inbound tourism account for 75% and 25% of internal tourism consumption, respectively. The importance of domestic tourism varies considerably at country level (OECD, 2020a). According to experts (UNWTO, 2020c), the recovery in domestic tourism will be possible in the second half of 2020, and the majority of experts are of the opinion that domestic tourism would only partially (52%) compensate for the temporary drop in international tourism or not at all (42%). Panel experts from Europe and Asia-Pacific region see a start of the recovery in the third quarter of 2020, with a more or less full international tourism recovery by 2021. As of June 15, 2020, 22% of all destinations worldwide (48 destinations) have started to ease restrictions, with Europe leading the way. Asia-Pacific, the first region to suffer the impact of the pandemic, had a 60% decrease in arrivals in January-May 2020, whereas the Americas and Africa both a 47% decrease (UNWTO, 2020c).

T&T are huge global businesses that contribute to the global GDP as well as global employment. Prospects for China have been revised markedly, with growth slipping below 5% in 2020, before recovering to over 6% in 2021, as output returns gradually to the projected levels before the outbreak (OECD, 2020b). The IMF (2020) had predicted a moderate global growth of 3.4 percent for 2020. But the COVID-19 disease changed the outlook unexpectedly (Ozili & Arun, 2020). Output contractions in China are being felt around the world, reflecting the key and rising role China has in global supply chains, travel and commodity markets.

The tourism industry was affected as the travel opportunities for Chinese tourists, who usually spend billions annually, were severely curtailed. The impact on travel to and from China may have devastating effects on the global economy. Many airlines have canceled several flights or significantly reduced the number of flights in and out of China. Many countries closed their land borders, cross-border ferries, and railways to and from China. China itself implemented strong border control policies to reduce the number of imported cases.

Table 1. Overview of the World Economic Outlook Projections
Real GDP, annual percent change

	2019	2020	2021
World output	2.9	-3.0	5.8
Emerging markets and developing economies	3.7	-1.0	6.6
China	6.1	1.2	9.2
India	4.2	1.9	7.4
Russia	1.3	-5.5	3.5
Brazil	1.1	-5.3	2.9
South Africa	0.2	-5.8	4.0

Source: Adapted from IMF, World Economic Outlook, April 2020, p. 7.

However, according to Table 1, in a more optimistic projection, China and India will recover faster after the crisis, while other states will experience a more difficult time. This aspect is supported by the strong economy of the two states, which have a faster capacity for action and the relationship with the other economies of the world.

6. Conclusions

The BRICS countries receive most of the tourists from the neighboring countries, but also tourists from the BRICS countries go to the neighboring countries to a large extent, developing an intra-continental tourism, which is worth taking into account in view of the fact that some trips can be made on land, in a safer manner in the lockdown and post-lockdown periods when many flights were canceled. Domestic tourism has become significant in more and more countries due to traffic restrictions and the spread of the virus. The BRICS countries are oriented towards domestic tourism, being among the largest consumers of domestic tourism with domestic spent of total tourism by 86% in China, 83% in India, 94% in Brazil, and 71% in Russia.

Although severely affected by the COVID-19 pandemic, the tourism activity continued to take place in the BRICS countries due to the fact that Brazil and South Africa are in the Southern hemisphere, where in January-March is a hot season and the spread of the virus was slower. Overall, the BRICS countries are trying to find solutions to overcome the crisis and unite in providing aid to other states that want to receive aid.

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