



Economic Letter October 2021

Looking Ahead in Order to Tame Covid-19

It has now become imperative for the tourist economies of the Caribbean to reduce the incidence of positive cases domestically to trivial levels, so that they can restart their economies. Aruba, Antigua, the Bahamas, Barbados, Jamaica and many smaller islands have no other source of foreign earnings to compare with tourism; without a recovery of tourism these countries cannot reach the levels of national income and employment they enjoyed before the pandemic. For the time being economies are ticking over with the help of foreign loans, mainly from the IMF and other official sources. However, because the proceeds of these loans are being used to support employment and consumption, this borrowing cannot be sustained. Foreign borrowing can be sustained indefinitely if the proceeds are invested to increase foreign earning capacity, for example in hotel construction, but not otherwise.

It is becoming clear that considerable investment in PCR testing capacity and in isolation facilities, training and health systems are critical to suppressing Covid spread. Strict lockdown, tracing, testing and isolation are the most effective measures for taming surges in the spread of the virus. They are hugely disruptive of economic activity, however, so the duration of such measures should be as short as possible. Tourism economies should consider the cost of investing in equipment and systems to test entire populations of small islands in the course of one week or less. With that capacity, lockdowns would be infrequent and of limited duration, lasting only for as long as it takes to test everyone, and to isolate all positive cases. Investment in health systems for comprehensive testing and isolation, along with the social support systems that would be needed during lockdowns, would be a sustainable use of foreign borrowing. The quick suppression of Covid surges would help to attract tourists back to the destination, bringing renewed foreign currency inflows.

Additional investment is needed in arrival facilities at airports of major tourist destinations. There is evidently considerable pent-up demand for Caribbean resort holidays in North America and elsewhere, as soon as national and international Covid regulations permit safe and predictable travel scheduling. When the volume of arrivals begins to approach pre-pandemic levels, new airport facilities should be in place for the reception and testing of all arriving passengers, without long delays and inconvenience. Investment is needed in buildings, equipment, training, logistics and systems so that tourists can be tested at the airport on arrival and provided with authorised transport to a 24 hour quarantine, to await their test results. The arrivals procedure should be tested and ready, in advance of the coming winter tourist season.

Governments need to rethink national strategies for cruise tourism. It will not be possible to apply the arrival processes described above to cruise passengers disembarking for short tours, local shopping and to relax on the beach. However, to allow tourists to circulate domestically, even if they are fully vaccinated, creates a vulnerability, a loophole through which Covid-19 can infiltrate the population. This virus is especially adept at exploiting every weakness in the measures taken against it. Decisions must be made whether the amount spent by cruise tourists can compensate for the losses incurred in a general lockdown, if Covid-19 infiltrates the community via the cruise loophole.

There are other vital aspects of the battle to suppress and eliminate Covid-19, including the vaccination programme, the purchase of therapeutics for the treatment of Covid-19 when they become available, and alleviating the burden of stress on over-stretched health personnel. The challenge posed by the pandemic is complex and there are many moving parts. That is why an ad hoc approach, which reacts to the situation as it evolves will not suffice. Forward thinking and forward planning are needed, in a joined-up approach where Government devises policies in close consultation with the health profession and the private sector. Strategies should already be under consideration for the coming winter season, with decisions and plans of action under expected and pessimistic scenarios.

Thinking ahead is the key to managing in uncertain circumstances such as the Caribbean now faces. Looking ahead enables Government to make important decisions about investment priorities and the use of available finance. Forward planning works best as a collective exercise, because people with different interests bring new perspectives which highlight possible ripple effects of policy measures.