

Understanding Tourism Resilience amid COVID-19 in China from An Agency Perspective

– The Case of Hainan

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Abstract: The COVID-19 pandemic is one of the most influential challenges of the 21st century. It has led to a great concern about the security of human mobility. Unlike other crises or disasters in the past, COVID-19 has generated profound social and economic impacts. The tourism industry, in particular, whose development and prosperity are strongly contingent on human mobility, has been significantly hit by the COVID-19 shock. It is thus particularly important to take a closer look at the resilience of tourism. This study takes the case of Hainan –a well-known tourism region– to analyze how tourism economies respond and cope with the COVID-19 crisis. In China, it is well documented that strong top-down government measures and intervention policies are crucial and irreplaceable, which can timely enable the resilience of the whole tourism industry during the pandemic. Besides the presence of multi-scalar strong government agencies, this paper, therefore, takes a step further to scrutinize how other actors (e.g tourism firms) work with state actors to respond and adapt to COVID-19. This study could be useful or serves as a reference for further researchers to explore the regional economic resilience issue under COVID-19 in China and also in other developing economies. It will also offer possible directions for future research agendas in the area.

Keywords: tourism resilience, COVID-19, state agency, Hainan, China

1. Introduction

It has been three years since the outbreak of COVID-19 in December 2019. Due to its rapid spread, wide range of impacts, and high severity, it was identified as a global pandemic by WHO in 2020. Although the COVID-19 pandemic is a public-health crisis, it has affected almost all sorts of human activities across the world and seriously impacted the tourism sector [1]. Governments worldwide have imposed lockdowns or boundary restrictions to control the spread of this pandemic and to save people's lives [2]. It is evident that some industries can survive and even transform with stronger dynamism through digital platforms [3], while others like tourism-related sectors whose development and prosperity rely significantly on physical human mobility have shown more vulnerability to COVID-19. A recently released economic impact report from WTTC (2022) finds

that Travel & Tourism (including its direct, indirect, and induced impacts) accounted for 25% of global employment and 10.3% of the global GDP (9.6 trillion US dollars) before the pandemic. Even though tourism contributed 4.9 trillion US dollars to GDP in 2020 (-50.4% decline), it increased by 1 trillion US dollars in 2021, thanks to COVID-19 strict policies being relaxed in many countries [4]. Consequently, the tourism industry has recovered significantly and is showing great potential for growth.

Therefore, tourism development under COVID-19 is closely related to the notion of resilience. As we know that the word "resilience" originates in the Latin word "resilire", which means to rebound or to leap back as a result of an adverse event [5]. It originates from physics, well applied in engineering, and later resembles the ecological system in the field of ecology [6]. Generally, the notion of resilience is frequently used in social sciences, such as psychology and regional studies, economic geography [7]. There are three main types of resilience: engineering resilience, ecological resilience, and adaptive resilience [5]. They are characterized by the ability to bounce back from shocks, to absorb shocks, and to adapt positively to shocks [7]. Indeed, crises or shocks as important impact factors are not new for the development of the tourism industry [8]. As a result of disasters, pandemics, and epidemics such as the Ebola Virus, Middle East respiratory syndrome (MERS), and SARS in the past, the tourism industry has consistently rebounded afterward [2]. The resilience of the economy can be enhanced by diversified industrial structures in general [9]. However, compared to the manufacturing industry, the tourism industry is more dependent on the market dynamics and population mobility. The COVID-19 has mainly affected people's mobility and consumption activities. According to Hu et al, it is likely that COVID-19 will be more significant for sectors that respond to physical proximity and clusters, interactions, and flows of human activity in real-world environments [10]. Consequently, the resilience of tourism is more fragile when facing this pandemic.

If neither is effective in the face of disasters or shocks, government interventions will do the most to preserve tourism resilience under crisis time, and to maintain its adaptability for a long run. The important role of government in tourism resilience has frequently appeared in the existing literature, while limited empirical evidence has been captured to support the role of state agency in shaping tourism resilience under COVID-19 in China. Therefore, this paper aims to give a better understanding of how tourism resilience looks like in China and of what kind of core impact factors shaping resilience of tourism. In particular, this study, through the case study of Hainan in China, explores to what extent state agency plays a key role in affecting tourism resilience under COVID-19? Semi-structured interviews are conducted with government departments, travel agencies, tourism sites as well as tourists. It also proposes a research agenda for future research on tourism system-level resilience. This paper contributes to a better understanding of the duration of the period change (short-term and long-term), impacts, and resilience for regional tourism development.

2. Literature Review

In the context of a pandemic, it is imperative to examine the hospitality and tourism industries [11].

Studies on industrial resilience, and recovery policies and strategies are in progress, being both conceptual [12-15] and empirical [15]. Because of the fatal threatens and impacts of the COVID-19 for the tourism industry, literature review on the topic is highly recommended. It will not only identify appropriate problems for future researchers by providing insight and directions, but also help the government and policy makers to understand and respond to the crisis in a timely manner [2]. Pryag argued that tourism resilience can generally be divided into three perspectives: macro-level (destinations and communities), meso-level (organizations and institutions) and micro-level (tourists and employees). It is also noted that unlike the quick bounce-back of all activities from previous emergencies, global crises and pandemics, the shock of COVID-19 to the tourism industry

is unique [16]. In view of the government's realization that the unsold capacity may not be able to be marketed in the near future, the industry could suffer a permanent setback [2].

In their study, Antón and Almeida investigated recovery strategies that can be implemented by tourism operators, government authorities, and international organizations [17]. They found that tourism operators are forced to change their operating strategies for survival in the market [18]. It is believed that the primary response strategies will be cost reduction, promotion of local tourism markets, price reduction by offering better packages, and establishing emergency plans [17]. Research has also demonstrated that policymakers can play an important role in enhancing collaboration among stakeholders in the tourism industry to build disaster resilience [19]. During the COVID-19, the tourism industry has been subject to extensive government intervention [20]. One example would be TUI, the world's largest multinational tourism organization, which has announced cost reductions across its global operations with the assistance of the UK and German governments [20]. McCartney also observes that three waves of Macao's recovery mainly depend on government interventions including heavy restriction on tourism lockdown, enough fiscal reserves to the community, economic relief packages as well as health and epidemic prevention policies [21]. The ability and speed of recovery from a crisis will depend on the policies of the government and the availability of funding [22]. As a result of the extreme increase in fixed costs associated with maintaining airports and airlines, the UK's aviation industry is expected to lose over GBP200 billion in 2020, negatively impacting suppliers and those relying on fleet renewal to remain competitive [23]. Cioccio & Michael stated that government interventions can provide funding during a crisis for tourism recovery [24].

It is certain that, China was already the world's biggest tourism consumer before the COVID-19 pandemic. Macao, for instance, expect tourism, there are limited industry alternatives, or ability to disperse possible risks [22]. The first infected case in Macao was recorded a few days before 2020's Chinese New Year Day. All new year celebrations were cancelled. Moreover, visa issuing for groups was stopped by the Chinese authority. People were instrumented to wear masks and visitation plummeted during city-wide lockdowns. Prior to opening the travel corridor with China, the border restrictions had prevented the occurrence of COVID-19 cases for 130 consecutive days [25]. Since the outbreak of COVID-19 in 2020 until now, not only Macao, but also the whole China conducted a series of health protocols and measures including border control, city lockdown, wearing masks, temperature testing, nucleic acid testing, health codes and travel codes on smartphones.

Through a set of big data technologies, the spread of COVID-19 will be monitored by the government in real time. However, all kinds of restaurants, hotels and indoor entertainment venues, including bars, clubs, karaoke, beauty and hair salons, libraries and museums and even outside tourist attractions and scenic spots must be closed down during the intermittent outbreaks of the pandemic. Despite limited or no consultation with communities or industry, restrictive and oversight policies have been implemented quickly [21], it is undeniable that such a radical epidemic prevention intervention made it possible for us to resume going out or even travelling. Government interventions with strong agency (e.g., a high degree of ability, efficiency, determination, and resource mobilization power) have had a huge impact on people's mobility and tourism industry both in positive and negative aspects, but most scholars are interested in studying its impact on banning mobility, but overlooked facilitation.

3. Case Study

Hainan is a major tourist province in China with limited industry alternatives. Thanks to its tropical climate, Hainan has had only two outbreaks of COVID-19 in the last three years since the pandemic raged around the world. When other provinces in China are suffering from the epidemic. Hainan

has become the first and most popular destination for people to temporarily escape the epidemic and get close to nature. Meanwhile, the macro strategic adjustments and the strict top-down epidemic policies from central government formed a strong and powerful intervention, combining with a variety of measures from local governments have enabled Hainan's tourism industry to demonstrate a strong resilience during the COVID-19 pandemic.

3.1. Factors in Tourism Resilience of Hainan

Hainan Province is located in the Southern part of China and is the second largest island in China. Because of its rich and diverse tourism resources, it has been a major tourism province in China. Hainan's tourism industry plays a significant role in promoting economic and social development, which is as the same as that of Macao. However, due to the impact of the epidemic in the past three years, the contribution rate of tourism to the provincial economic growth has been significantly reduced, tourism and tourism-related industries, including scenic spots, hotels, catering and transportation have been badly hit. While, thanks to the central government's strong and top-down epidemic prevention measures as well as timely and efficient development policies, Hainan's tourism recovered and remarked a good performance. According to Hainan Provincial Bureau of Statistics, Hainan's GDP reached 76.56 billion dollars in 2020, an increase of 3.5 % over the previous year at constant prices [26]. And statistical data from Hainan Provincial Department of Culture and Tourism (2020) [27] shows that the total number of tourists in Hainan Province in 2020 was 645.51million, 22.3% lower than the same period of the previous year, and the total tourism revenue was 12.07 billion dollars, 17.5% lower than the same period of the previous year [28]. The total retail sales of consumer goods reached 27.3 billion dollars, an increase of 1.2% over the previous year. The off-shore duty free goods and automobiles are the main contributors to the positive growth of total retail sales of consumer goods [26]. In 2021, the GDP of the province was 89.57 billion dollars, up 11.2 % year-on-year in constant prices [29]. The total number of tourists r was 81.043 million, up 25.5% year on year, recovering to 97.5% of 2019. The total tourism revenue reached 19.15 billion dollars, up 58.6% year on year [30]. Retail sales of consumer goods totaled 34.56 billion dollars, up 26.5% year on year. Market sales grew rapidly and tourism recovered steadily. Hainan's GDP in the first half of 2022 reached 43.50 billion dollars, up 1.6% year-on-year at constant prices [31].

3.2. Powerful Interventions from the Central Government at Macro Level

Since the massive outbreak of COVID-19 in China, the central government has responded quickly and proposed a strategy to accelerate the formation of a development pattern named “double circulations” (domestic circulation and international circulation of economic assets, capital and markets). In this strategy, the domestic circulation is positioned as the main body and the domestic and international circulations are mutually reinforcing. In the aspect of national public health and epidemic prevention policies, border lockdown, visa tightening, strict mask wearing, mandatory and normalized nucleic acid testing nationwide vaccination, sharing of big data such as travel codes and health codes as well as circuit breaker mechanism for domestic flights are strictly implemented. Such a powerful policy allows China to bring the epidemic under control in the shortest time, while allowing people to resume mobility in the fastest way. Additionally, a series of rescue and assistance measures have been introduced to help enterprises. Greater support including tax, finance, rent, water and electricity network costs, government procurement and other aspects are given by the state. This can help culture and tourism enterprises reduce operating costs and reduce operating pressure, such as “Notice on Strengthening Financial Services for the Prevention and control of COVID-19” (2020), “Policies on Promoting the Recovery and Development of

Difficulty-driven Industries in the Service Sector” (2022), as well as “A Package of Policies and Measures to Stabilize the Economy” (2022).

In order to inject more impetus into the development of tourism in Hainan against the impacts of COVID-19, the central government issued a new policy on the off-shore duty-free shopping of Hainan in 2020. Meanwhile, the central government also deployed a Chinese central state-owned enterprise—China Duty Free Group—to help Hainan’s tourism retailing business. According to the industry benchmark “Top Travel Retailers” published by The Moodie Davitt Report, China Duty Free Group has been the number-one ranked travel retailer since 2020. The development model of off-shore duty-free shopping and island vacation has opened a new chapter for Hainan tourism during the COVID-19 period and greatly strengthened the resilience of Hainan's tourism and tourism retail market. According to Hainan Bureau of Statistics, with the adjustment of duty-free policy in 2020 and the gradual recovery of tourist numbers, the number of duty-free shopping trips in Hainan reached 6.72 million in 2021, an increase of 50 % compared with 2020. Moreover, Hainan received 81.043 million domestic and foreign tourists in 2021, up 25.5% year-on-year, recovering to 97.5 % in 2019; The total revenue of tourism was 19.32 billion dollars, up 58.6% year on year and 30.9% compared with 2019 [29].

3.3. Supporting Measures from Hainan Provincial Government at Micro Level

There are two ways to fight against crises, one is "helped by others" (external helping factors), one is "self-help" (internal factor). Encouraged by the central government's strong support and "special care" (unique strategy), the Hainan provincial government has introduced a series of measures aimed at helping tourism out of difficulties. Enterprise rewards, fee exemption, subsidies for daily epidemic prevention and elimination, and subsidies for job stabilization are conducted aiming at enriching measures to alleviate difficulties. Local government also took measures to boost consumer confidence and promote market recovery by reducing or exempting tickets to scenic spots and issuing vouchers for food, tourism and accommodation. In order to retain talents in relevant fields and save talents for the rapid recovery and transformation of the tourism industry after the epidemic, Hainan Provincial authority launched a training program for "flourishing work and light learning". Eligible applicants can apply for full government tuition and textbook subsidies. For provinces and regions that have been under lockdown for a long time (such as Shanghai, Chengdu, Chongqing and Changsha), Hainan tourism promotion fairs have been conducted led by Hainan provincial government together with travel agencies, famous international hotel chains, tourist attractions, duty-free and golf enterprises in the first time of recovery.

3.4. Self-help for Private Tourism Enterprises

Flexibility plays a crucial role in the era of crisis and post-crisis resilience. In businesses, a crisis may trigger the evolution of new business strategies and models, which will ultimately determine the potential of enterprises for survival [32]. With the interviews with representative market players including local travel agencies, intentional hotels, tourist attractions, tourism planners and industry associations in Hainan, we found that in the face of the pandemic attack, firstly, they all choose to actively adjust the operation mode, including pricing, marketing and improving service quality as well as reducing unnecessary manpower expenditure. Many popular tourism products are even discounted by as much as 30 percent. The omni-channel (online+offline) marketing activities are more efficient, especially live-streaming sales. Moreover, the application of new technologies such as artificial intelligence (AI), virtual reality (VR) and augmented reality (AR) etc in the innovation of the content, form and factors of tourism products, to a large extent enriched the types and improved the experience of tourism products. Thirdly, they seize the graduation season, the love of

suburban travel and camping to create new tourist attractions, develop special tourism projects (such as Haikou Shishan National Geological Park, Mission Hills Tourist Holiday Resort and Wanning Riyue Bay) to drive the monthly revenue compared with the same period last year.

4. Findings and Conclusions

Government's strong regulatory measures are a double-edged sword under COVID-19. Temporarily, they affect people's freedom of travel and consumption. However, for a long run, the government's strong agencies that control the spread of the epidemic has been effective, for which people can resume their travel behaviors. In China, particularly in Hainan, all the agencies played by the government are the most important elements in improving the resilience of the tourism economy. This is the most effective approach on the ground. During the pandemic, the timely readjustment of Hainan's offshore duty-free policy issued by Chinese central government has enabled Hainan, a strategically and geographically important tourism province, become one of the most popular shopping holiday paradises in China. Meanwhile, government policies help to maintain Hainan's tourism resilience after the COVID-19 pandemic outbreak. However, the future of the tourism industry thus is still full of many uncertainties. There is no doubt that tourism recovery and sustainable development will be the research themes of tourism development in the post-COVID-19 era, and the reshuffle in China's tourism industry will accelerate. Private tourism enterprises will face fast recovery and sustainable development of tourism. This requires them to transform and upgrade themselves in order to enhance their overall operational capabilities. In addition, the outbreak of the epidemic has changed people's demand for and the way they travel. All the tourism enterprises need to design distinctive and high-quality tourism products according to the needs and preferences of tourists in the post-pandemic era. With the continuous progress of science and technology, the application of new science and technology in the tourism industry will be increasingly widespread. It can better improve the quality of tourism services and management, but also can increase the experience of tourists. All these will make the tourism industry more resilient to risks and challenges in the future.

We thus also set several agendas for future research on the topic:

How the AI applications identified affect the tourists' overall tour experience in the post-pandemic era?

How the AI applications affect tourists' behaviour based on Maslow's and related theory?

How to improve tourism planning based on an integrated approach of AI applications, and tourist location development towards meeting tourists' needs?

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