COVID-19 impacts on the tourism sector in EU islands: What future for the EU tourism governance?

Since the beginning of the COVID-19 crisis in March 2020, tourism has been the most affected economic sector in the EU, due to both the travel and the local health restrictions. The unprecedented impacts of the crisis, stroking European regions unevenly, have harshly hit territories most reliant on the tourism sector, mainly coastal regions and especially islands. With the recovery from the crisis underway, European institutions’ targeted support is crucial to boost a safe, equal, and competitive future for the tourism sector.

The objective of this technical note is to reflect upon the impacts of the crisis on the tourism sector in EU islands alongside the European governance of tourism and the related distribution of competences, to lay out specific recommendations for the future EU strategy on tourism to better support its short-term revival as well as ensure its long-term growth in insular regions.

1. EU Tourism Policies: a divided governance put to the test by the socioeconomic challenges of the COVID-19

1.1. Multi-level approach to European Tourism policies

a. The European dimension

The European Union does not have a specific structure for decision-making in relation to tourism, which is, on the contrary, a transversal competence. However, the EU normative framework affects tourism, as it is the case for instance for the common visa policy.

Presently, article 195 of the Treaty on the Functioning of the EU (TFEU), defines the scope of competences of the European institutions for the sector. Formally, article 195
states that “The Union shall complement the action of the Member States in the tourism sector, in particular by promoting the competitiveness of Union undertakings in that sector” but excludes “any harmonisation of the laws and regulations of the Member States”. In this context, throughout the last two decades, the Commission published several communications related to its political orientations on the tourism sector, especially concerning the promotion of sustainable development and the implementation and improvement of the common visa policy.

The financial support of the EU to the tourism sector is ensured by different budgetary instruments of the Cohesion Policy (e.g. ERDF, ESF, EMFF). Hence, the current governing structure of the sector, having a transversal dimension, does not permit an adequate territorialization of related measures, neither a comprehensive consideration of islands’ specificities in that matter.

b. The national dimension

At the moment, as the European governance tends to complete the action of the Member States, decision-making for the tourism sector is mainly regulated at national level, which is taking actions regarding the development of the sector and defining its general priorities.

However, even at national level, tourism is viewed as a transversal topic. For example, in France, since 2014, two ministerial departments are sharing the related competence: the Ministry of Europe and Foreign Affairs and the Ministry of Economy and Finances. In this context, since 2017, the Interministerial Council of Tourism (ICT) coordinates the works of the departments involved in tourism, it adopts the governmental plans for tourism and determines the priorities of the State. The recent creation of the ICT shows the specific issues related to tourism governance, their constant and fast evolution, and the growing demand for public coordination of this sector, which is linked to numerous others, making the implementation of common and long-term objectives often even more complicated.

c. The regional dimension

Moving to the last layer, Regions then ensure the execution of tourism strategies at the territorial level calibrated for targeted objectives, in line with their specificities and mid-term priorities. In the case of France, for instance in Corsica, the Tourism Agency of Corsica (TAC) oversees tourism policies and characterizes its action around four main missions: 1) promoting the assets of Corsica in France and abroad, 2) develop and add value to the touristic offer, 2) observe and analyse the evolution of tourism in the region and 3) coordinate the different insular stakeholders.
In conclusion, as the tourism sector branches out within different priority sectors, linked directly or indirectly - transports, culture, environment, agriculture, and fishing -, the overall European governance has so far considered tourism as a transversal topic, with strategic decisions made mainly at the national level, and leaving little room for manoeuvre for regions.

1.2. The breaking of COVID-19 crisis and the acceleration of the European debate on tourism

The unprecedented crisis that the sector experienced these last two years pushed the European institutions to deeper reflect upon the governance of tourism at EU level. In this context, the conclusions of the Council of the EU on Tourism in Europe for the next decade: sustainable, resilient, digital, global and social, of 27 May 2021, called for a reinforced coordination between the Member States regarding tourism, especially in view of the digital and ecological transition in the coming decade. Moreover, the Council suggested setting up an EU Agenda for Tourism 2030-2050 with the aim of sharing common priorities and action plans for the industry and it invited the Commission to work together with Member States for the implementation of an EU Tourism Dashboard as a pilot-project for tourism.

Likewise, in March 2021, the European Parliament published a report on establishing an EU strategy for sustainable tourism, asking for targeted measures to support the industry that would fully take into account the relevance and contribution of the sector in the EU, through the creation of a Directorate General (DG) dedicated to tourism and a European Agency for Tourism to ensure the interdisciplinary dimension of the tourism industry is properly considered. The Parliament also asked to keep « a particular focus for mountainous regions, islands and insular regions » and underlined the importance of a close collaboration with the European Committee of the Regions in this prospect. Besides, it encouraged the Commission and the Member States to ensure the mobility within the territories suffering from double and triple insularity (islands depending on other islands) and the fall of supply of provisions for insular territories during the crisis.

The European institutions have gradually increased their involvement in the reflexion on tourism in the past few years, and even more with the hard impact of the sanitary crisis on the sector. Nevertheless, there is a stratified institutional and political landscape that appears when we look at touristic policies at EU level. This heterogeneity, added to the fragmentation of intervention, complicates the implementation of ambitious and long-term policies, and thus causes a naturally less efficient reaction during the crises that the sector can experience, as the COVID-19 crisis unfortunately has demonstrated.

While European coastal and maritime regions highly depend on this sector, the insular regions of the European Unions have an even higher dependence on tourism activities. A revision of

1 Article 15.
2 Article 75.
3 Article 76
the European governance of tourism should thus, not only guarantee a clear distribution of the competences for the implementation of tourism policies but also conceive and apply a territorialized approach considering the challenges of the regions’ most reliant on the sector and that suffered the most from the crisis, that is, islands.

2. The consequences of COVID-19 on tourism: aggravated territorial impacts in insular regions

At EU level, the tourism sector represents 9.5% of GDP and 11.2% of total employments, which equals 22.6 million of jobs. In 2016, about 500 million of tourists came in the EU for a total of 1,237 billion arrivals worldwide, representing 40.4% of the world market shares. Besides being quantitatively substantial in terms of number of jobs, tourism is also important on a qualitative aspect: it is a source of employment for social categories more exposed to precariousness, such as women, who represent 59% of the jobs in tourism against 46% in total employment, and young people, as 45% of the employees of the sector are between 16 and 35 years old.

Moreover, if tourism represents around 9.5% of the EU GDP, for insular regions, this share increases between 15% up to 30% of GDP, and even 50% for several islands. This distortion between mainland and insular regions can be further confirmed by the decrease in the number of international arrivals for Member States between January and November 2020, that varied for instance, between 48% for Austria against 84% for Cyprus, for instance.

Within the same Member State, the differences between mainland and insular regions are also striking. In Greece, during the sanitary crisis, the proportion of jobs potentially at risk was ranging from 55% in the South Aegean Islands to 22% in Central Greece. In Europe, within the regions that have been exposed to the highest rates of jobs potentially at risk, around 40%, the majority were islands: Crete, South Aegean, and Ionian Islands (Greece), Balearic and Canary Islands (Spain) and the Algarve region (Portugal). Indeed, as tourism in these territories mostly relies on international arrivals, the loss of these tourists could not be compensated by domestic tourism, due to the reduced local population, unlike certain mainland regions that could count on a strong domestic demand to counterbalance the losses, especially in France and Germany. As a result, European regions have been hit very differently by the drop of touristic activities, with, in the front line, insular regions.
To better showcase the reality of the crisis on tourism in EU islands, you will find hereafter box texts with specific examples:

**Corsica**

During the first quarantine in France (17 of March to 11 May 2020), traffic was suspended between the mainland and Corsica, except from the essential products freight. This suspension came with an unprecedented drop of turnover for hotels, between 84% and 94% in April and May 2020 in comparison to 2019 levels. About a third of the Corsican GDP relies on tourism, without including indirect sectors and informal economy. During the second quarter of 2020, employment dropped of up to 31,5% against 7,6% in the French average during the same period.

**Malta**

In Malta, where tourism incomes are among the most important of the EU proportionally to the GDP (about 17%), the recession has been very harsh: the country observed a drop of 17,1% of GDP during the second quarter of 2020 and a decrease of 9% over the whole year 2020. From January to October 2020 Malta saw a decrease of 63,5% of the number of flights in comparison to the same period in 2019, going from about 43 000 to less than 16 000. The Maltese authorities developed a tourism strategy for 2021-2030, based on the three “R” – Recover, Rethink, Revitalise - in order to prepare a recovery heading for the sustainable and digital transition of the sector.

**Sicily**

Sicily closed its borders on 10 March 2020, several months before the beginning of the summer season, usually starting in May and up to early fall. The island’s GDP depends up to 15% on the tourism industry, and the island lost about 650 million euros of incomes related to tourism in 2020. To overcome this, Sicily worked on a proposal aimed to cover part of the touristic fees: around 600 000 touristic packages were offered with, among other things, the payment by the region of one hotel night out of three booked.

**Gotland**

As early as April 2020, Gotland region, saw the decrease of the number of tourists was clearly threatening its economy: at that time, restaurant owners had already registered a fall of 50% in their reservations. Easter season is usually very favourable to Gotland, and the island particularly suffered from the national cancelation of Swedish Easter holidays in April 2020. At the same time, the Gotland’s ferry company registered a drop of 85% in booking after it proposed to repay tickets to the clients that wished to cancel it.
The Azores
According to the Portuguese National Institute of Statistics (INE), in 2020 the sector experienced great difficulties with 26 million of nights booked in that year, the lowest number since 1993, representing a decrease of 63% compared to 2019 in Portugal. But this drop is unequal among regions, and it is Lisbon (71,5%) and Azores (71,1%) that were affected by the strongest decreases.

Balearic Islands
From March 2020 and within four months, the Balearic Island’s GDP fell by 41%, representing around 6.1 billion euros. Depending on the different sources and what specific activity is considered in the tourism industry, the Balearic Island’s GDP related to tourism varies between 35% to 45%. During the first wave, while the region was preserved by the epidemic compared to other Spanish regions, the Balearic Islands asked to implement “touristic corridors” with certain German Landers that had low contamination rates. Overall, the loss of income was substantial, considering for instance that of 16 million tourists in the Balearic Islands in 2019, 4.5 million were Germans.

La Réunion
The numbers published by the French National Institute of Statistics on the consequences of the COVID-19 on the tourism sector in La Réunion demonstrate a loss of about 10% of the workforce in 6 months starting from March 2020, despite the massive use of part-time unemployment benefits by enterprises to maintain jobs. During this period, only a third of the rooms were occupied in hotels, two times less than in 2019.

Greek Islands
In Greece, the unemployment rate that was of 14,3% in March 2020, reached 18,3% in June. In the Aegean Sea islands it reached up to 28% in the same period, against 13,8% of June 2019, representing a progression of 14,2% in one year. Beyond unemployment, precariousness risks to worsen in Greece and especially in the islands most reliant on tourism: beneficiaries of the part-time unemployment benefit perceives 534 euros per month, less than the national minimum salary (650 euros).

As these examples illustrate, insular regions have particularly suffered from the pandemic and the recession in the tourism sector that generated from it. Beyond the short-term impacts of the crisis, the specific features of the current economic crisis reflect the structural socio-economic inequalities of the EU. The reliance on sectors with strong economic volatility (in this case, tourism) and the weak
diversification of insular economies constitute aggravating factors to the crisis. The Islands Commission thus calls upon an efficient and specific short-term answer to alleviate the direct effects of the pandemic in islands and urges structural action from public authorities to reduce the root causes of structural vulnerabilities in insular territories in view of a long-term successful and sustainable recovery of the tourism sector.

3. Towards a European Governance of tourism: answering the emergency recovery and preparing the future

The outburst of the crisis and its socioeconomic consequences, along with the recent communications published by the European institutions (i.e., Council of the EU and European Parliament) reflect the evident need for a European supervision of tourism as a priority to ensure the restoration of the sector and to answer its main challenges in the long-term.

Therefore, the Islands Commission of the CPMR:

- Invites the European Commission to gather exhaustive and harmonized data on the impacts of the COVID-19 on tourism and guarantee their regular monitoring. This would represent an essential basis to develop efficient, fact-based policies, specifically for those European territories that have been unequally affected by this crisis.

- Underlines the need to ensure that the Recovery and Resilience Facility (RFF) plans support the recovery of the tourism sector, and especially in islands, by giving a stronger role to regions in the implementation of such plans. Additionally, it stresses that there should be a good level of coherence between the Plans developed and the effective impacts suffered by the different territories.

- Asks for the allocation of additional public funds, coming either from the European or the National level, to boost the recovery in the most affected enterprises and territories, such as islands: counting on about 3 million enterprises including 90% of SMEs, the great majority of tourism stakeholders have a limited resilience capacity in front of this major crisis. It is thus a priority to strongly support with all available means the small structures and fragile territories that might not overcome the crisis.

- Asks the European Commission to assess the state of play of the transport sector in islands and find smart and sustainable solutions for the recovery of air and maritime flows to the pre-crisis levels, as transport suffered a considerable outlash during the crisis and is an essential component for tourists’ arrivals in EU islands.

- Supports the last proposals of the co-legislators for a sustainable future of tourism and, considering the impact of the COVID-19 crisis on the sector, invites the European institutions
to develop a European policy for tourism with a strong territorial dimension. The EU Tourism Policy should be supported by an ambitious budget that should be able to ensure a successful recovery as well as cope with the future challenges of the sector, such as the tourists’ behaviour shift towards safer and greener practices. A key role for regions should be guaranteed in this, following the example of the Cohesion Policy.

- Stresses that, complementary to a European Policy for Tourism and its dedicated budget, other EU funds should be mobilized to answer the specific needs of the tourism sector and its private stakeholders, by boosting training offers, research and innovation that can impact directly or indirectly the expected recovery of the sector.

- Considers necessary the adaptation of the internal structure of the European Commission to better face the challenges of the impact of the COVID-19 in the sector in a long-term perspective. This could include for instance the creation of a Directorate General in charge of Tourism as suggested by the European Parliament. This Directorate should have a strong territorial dimension that could result into an internal organisation based on defined geographical units, such as maritime basins for example, to better grasp the specificities of tourism activities and maximize the possibilities of coordination among European regions. In this scenario, a unit dedicated to European islands could be envisaged, fully considering the inherent challenges of insular territories for the development of the sector, related to transport, and geography, among others.

- Supports the proposal of the Council for the implementation of an EU Tourism Dashboard, in view of proposing collective action plans for the sector in the coming decades. It will uphold the elaboration of common positions for the future of tourism at the level of the EU, that include a strong territorial dimension and a specific consideration for islands.

- Underlines that the recovery of tourism in islands cannot go through without the necessary consideration of safety and sustainability, to enable long-term resilience of the sector.