

# EUROPE'S COVID STRATEGY HAS FAILED SUBSTANTIALLY



The EU's strategy is halfway between the Chinese - with strict lockdowns - and the US - keeping the economy open - yet shows the worst results of each of them.

Saying that health and economy go hand in hand is turning into a proverbial example for Europe, where both are going wrong at the same time. **After two months of travel and activity restrictions, since the start of November, the numbers of infections continue to skyrocket.** The health situation has become so complicated that governments tighten the lockdowns every day, which is causing a severe blow to economic activity, as the IMF revealed in the update of its macroeconomic forecasts published last week.

The IMF has sharply revised the euro area growth forecast for 2021, showing numbers especially hard for Spain and Italy. On the contrary, it has improved its estimate for the developed economies, among which the United States stand out, with an improvement of two points, and Japan with 0.8 points. The IMF notes that while the recovery remains dynamic in the developed world, it is struggling in Europe.

## Tourism Sector Requires Coordination

The Network for the European Private Sector in Tourism (NET), which includes Hotrec, the umbrella organization for the European catering industry, is calling on EU leaders to coordinate travel restrictions, testing and vaccination in the fight against the spread of the coronavirus.

Coordination must be expanded to provide a solid foundation for early recovery of the travel and tourism industry after the pandemic. "Although the current focus is on containing the spread of Covid-19 within Europe, we shouldn't lose sight of the day after," the network organization wrote in a statement.

The association, therefore, calls on decision-makers to comply with the following points:

- Accelerate vaccination rates across the continent.
- Adopt a common Europe's COVID strategy to defining incidence rates that could trigger the relaxation of restrictions that would build public confidence by tracking progress.
- Continue the discussion on a common digital passenger tracking form for all transport modes.
- Build a common evidence system for testing and vaccination.
- Ensure reliable, affordable, and efficient testing to replace quarantine requirements and other restrictions on the free movement of people.
- Further evaluate the use of antigen testing as a substitute for PCR testing.
- Clear, comprehensive, and timely (at least 5 days) information on restrictions and accompanying requirements.
- Provide stability by avoiding interrelated changes in travel restrictions.
- Implement a strategy with a long-term perspective, developed with other similar diseases or threats in mind in the future.

## Different Approach of Europe, USA, Asia

The restrictions approved in Europe in November during the second wave caused a drop in employment and sales in most of the continent, so it is expected that the tightening of the measures at the beginning of 2021 will cause a new contraction. The United States, by contrast, is pursuing a more aggressive strategy of keeping the economy open, largely as a consequence of political paralysis from the November elections until the inauguration of the new president, Joe Biden. The result of this strategy is that its economy is resilient despite outbreaks. The recovery has run its course, albeit at a slower pace, but it has not been reversed as it has in Europe. The growth registered in the second half of the year will generate a strong momentum in the US in 2021. According to the IMF, the country will already see pre-crisis production levels in the second half of this year.

The pandemic has also shown that what is best for the economy is tight control of the virus with severe restrictions in areas with identified outbreaks, tight control of infections and a limitation on international travel. This was the strategy of China and other Asian countries and the results have been the best in the world. However, in Western countries, it has been impossible to restrict travel so strictly.

## EU's Health Strategy Has the Worst Results

Europe's COVID strategy is halfway between China's and the US: fight the virus, but still allow some economic activity when the numbers improve. The problem is that it is reaping the worst results of each of them since partial closures allow the virus to continue spreading, but affect the activity of the industries that rely on social contacts, like hospitality, leisure and commerce, extending the crisis to other economic activities.

In economic terms, the result will be a longer W-shaped crisis, although the second recession will be lighter. The IMF believes that the euro area will not return to pre-crisis GDP levels until 2022, and for Spain and Italy, this will not be possible until 2023. This means that the pandemic will have caused the loss of three years in terms of activity, and probably more in terms of employment.

The coronavirus has proven to be unpredictable and could cripple any strategy in the coming months. Furthermore, the new strains pose an additional threat; but the economic results obtained to date are undeniable: Europe's health strategy is failing in terms of cases while causing the deepest recession.

## Some Countries Are Better Off

For many European countries, there is an aggravating factor in Europe's COVID strategy: the closing of national borders. The countries of origin of tourists, those of the center and north of the continent, have managed to minimize the crisis thanks to the ban on international travel. **Not only did they manage to reduce the outflow of foreign currency, but also stimulated the economies through domestic tourism.** The pictures of crowded beaches in the south of the United Kingdom are the best example of how northern countries achieved great relief from the crisis by closing the borders to international tourism.

However, this strategy failed to improve contagion data. In fact, in November, the countries that closed already looked worse than Spain or Italy in a number of confirmed cases. Still, it was very profitable from an economic point of view. Eurostat national accounts statistics clearly show this. In Spain, the turnover of the tourism, transport and trade industries during the summer was 21% lower than in the same period of the previous year. However, in Germany, it was only 1.8% lower; and in

the Netherlands, it was the same as a year ago.

The border closure strategy did not manage to curb the virus, but it is being very costly for Mediterranean countries. According to IMF forecasts, Germany will already be at pre-crisis GDP levels by late 2021 or early 2022, while Spain and Italy will take at least another year to achieve this.

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