

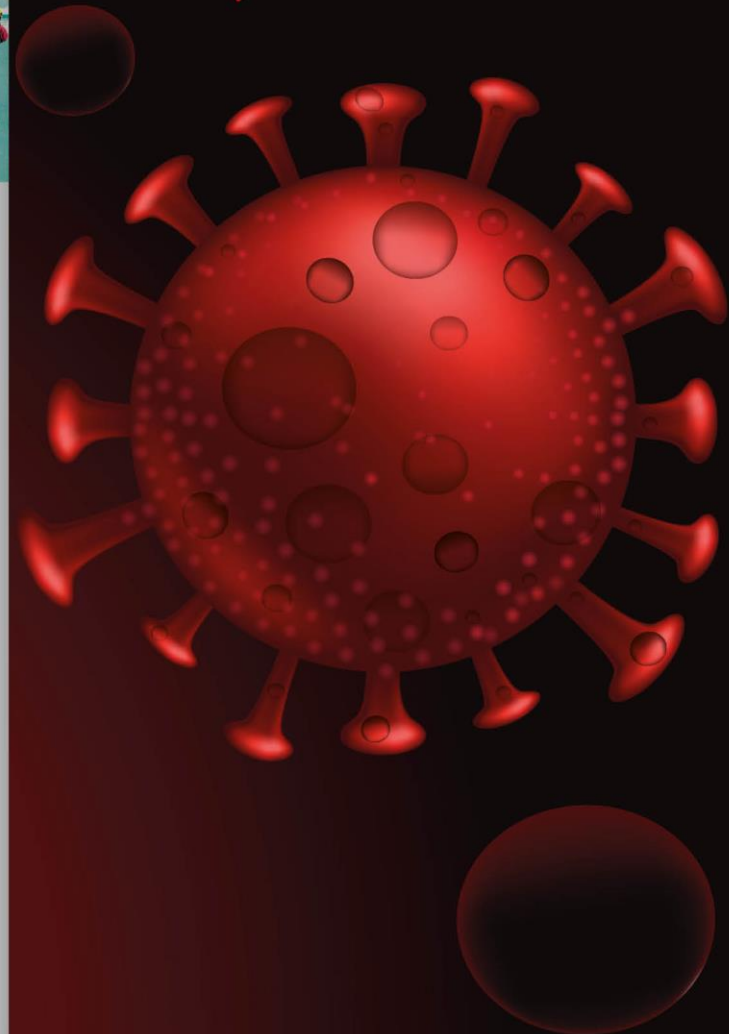


The COVID-19 Pandemic and the Blue Economy:

New challenges and prospects
for recovery and resilience



COVID - 19



The context during the first semester of 2020

The COVID-19 pandemic is unprecedented in our lifetimes, impacting all economies depending on the evolution cycle of the disease (arrival, spread and control) and on the type of prevention and remedial measures taken. Given the unprecedented nature of threats and the disruptions caused by COVID-19, countries are implementing policy responses and trade measures with different philosophies, time, scales and levels.

The Blue economy accounts for about 3.5 to 7 per cent of global GDP.¹ Blue economic sectors, those largely relying on the marine environment, ecosystems and species to generate economic value, are being heavily impacted. The pandemic is not only limiting global fishing efforts but also hampering production of other maritime goods and services, affecting dependant value chains globally.

Blue economy sectors, such as travel, tourism, maritime transport, fisheries and seafood production, are heavily affected. Disruption of supply side capacity, such as transport routes, limited access to ports and closures, falling demand, and increased number of sanitary and regulatory measures, are undermining these sectors. While some blue economic sectors in affected countries are subject to full closure or running at less than half of their capacity (e.g. coastal and marine tourism), others continue to deliver essential goods (e.g. fish and seafood production) and services (maritime transport and certain logistic services). While the latter are indispensable for the population, both demand and supply have nevertheless, clearly fallen. Coastal zones such as the Mediterranean basin are suffering heavily from confinement measures as their livelihoods depend on a limited set of marine based activities.

Yet, the impacts among blue economic sectors are uneven, as the level of restrictiveness and type of measures taken varies among affected countries in terms of depth, type of activity and timing. Also, the time and steps for easing or lifting measures could be quite different among countries depending on the capacity to manage the spread of the disease within the population and capacity levels of sanitary services.

The sustainable management of Blue economies is essential for attaining more sustainable and inclusive economic development paths consistent with the 2030 Agenda for Sustainable Development and, in particular, Sustainable Development Goal 14: *Conserve and sustainably use the oceans, seas and marine resources*. However, besides pre-existing challenges such as increasing levels of plastic and chemical pollution, GHG emissions and overexploitation of resources, policy makers must additionally face the impacts of the pandemic and seize opportunities for quick economic recovery as soon as measures are lifted.

¹ UNCTAD (2020). Own calculations based on World Bank and UNCRAD data, 2018.



1. Travel and coastal tourism

The global Travel & Tourism sector grew at 3.9% to contribute a record \$8.8 trillion and 319 million jobs to the world economy in 2018.² About half of all tourists choose a coastal destination for their vacations. Coastal and maritime tourism is the largest of all blue economy sectors and it is an essential source of jobs, investment, and income for many countries, especially in Small Island Developing States (SIDS), where it can represent more than half of the national income. For example, cruise industry revenue was estimated at \$37.8 billion in 2017³ and coral reef tourism alone is estimated to generate about \$19 billion per year globally.⁴

UNWTO recently revised its 2020 prospects in international tourist arrivals from between 3% to 4% growth⁵ to a deep decline of between 20 and 30 per cent. This translates into an estimated loss of US\$ 300 to 450 billion in international tourism receipts.⁶ The Asia-Pacific and Europe are the regions most affected so far.

More pessimistic forecasts point to a loss of up US\$2.1 trillion in travel and tourism GDP this year.⁷ Subsequent confinement measures, suspension of most economic activities plus closure of national borders coupled with restrictions on air, rail and land travel are the main determinants. Indeed, current measures could be extended to the second and potentially the third quarters of 2020, affecting the Northern hemisphere's 2020 summer season, thus limiting foreign exchange flows.

Small and medium sized enterprises (SMEs) and autonomous workers make up around 80% of the tourism sector.⁸ They are particularly exposed with millions of livelihoods across the world - including within vulnerable communities - relying on coastal and other forms of tourism.⁹ Cruise tourism has been particularly affected, with some companies having to put the entire crew and passengers under quarantine. In some countries, such as Spain and Italy, hotel services have been suspended and some large conference and sport centres, as well as hotels, are being transformed to provide temporary hospital and emergency services due to the shortage of intensive care units in coastal cities (e.g. Spain, Italy, and the United States). Once the outbreak is over, it could take 10 months to two years for the industry to recover.¹⁰ More than 50 million jobs are at risk,¹¹ especially due to the seasonality of most of those jobs. Recovery measures in the tourism sector highly depend on the length and depth of the restrictions. Perhaps, as restrictions are likely to be lifted incrementally, recovery will be slow. However, once lifted many people tired of confinement may run to coastal and rural areas in a quest for contact with nature, open air and water, leading to a sudden increase in demand.

² World Travel Tourism Council (2019). Travel & Tourism continues strong growth above global GDP. See: <https://www.wttc.org/about/media-centre/press-releases/press-releases/2019/travel-tourism-continues-strong-growth-above-global-gdp/>

³ 2017-2018 Cruise Industry News Annual Report (2018). See: <https://www.cruiseindustrynews.com/cruise-news/17489-industry-revenue-growth-track.html>

⁴ World Bank Blog (2017). Sustainable tourism can drive the blue economy: Investing in ocean health is synonymous with generating ocean. See <https://blogs.worldbank.org/voices/Sustainable-Tourism-Can-Drive-the-Blue-Economy>

⁵ UNWTO (2020). COVID-19: UNWTO Calls on Tourism to be Part of Recovery Plans. See: <https://www.unwto.org/news/covid-19-unwto-calls-on-tourism-to-be-part-of-recovery-plans>

⁶ UNWTO (2020). Impact assessment of the COVID-19 outbreak on international tourism. See: <https://www.unwto.org/impact-assessment-of-the-covid-19-outbreak-on-international-tourism>

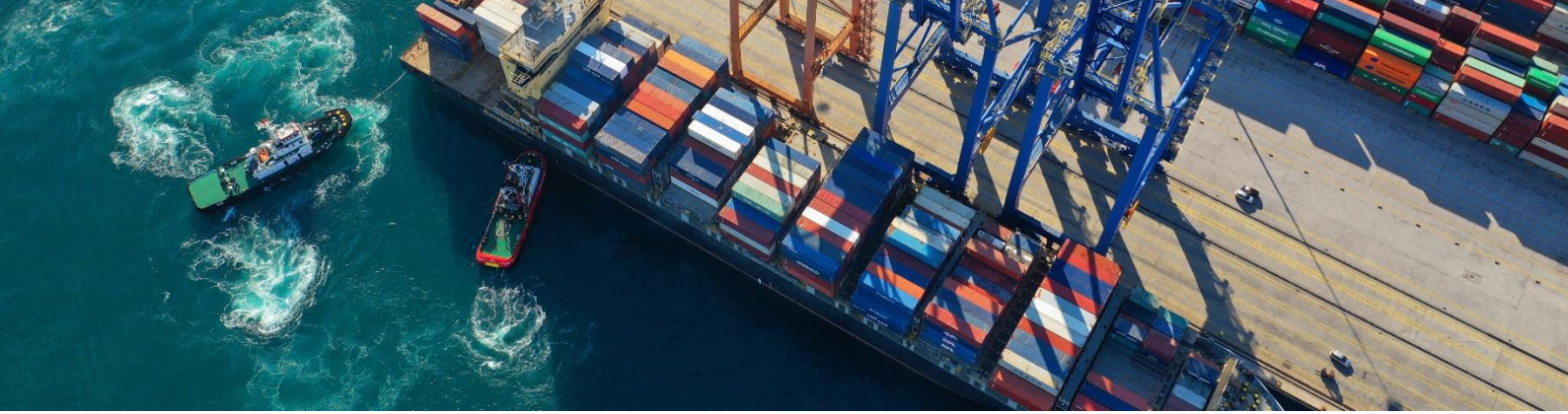
⁷ World Travel Tourism Council (2020). Travel and Tourism: Economic impacts of COVID-19.

⁸ Ibid.

⁹ Ibid.

¹⁰ See <https://www.weforum.org/agenda/2020/03/world-travel-coronavirus-Covid19-jobs-pandemic-tourism-aviation/>

¹¹ Ibid.



2. Maritime transport.

As the world battles the coronavirus pandemic, the global maritime transport industry is playing a critical role in the response to the virus. It is ever more important to keep supply chains open and to allow maritime transport to operate, as over 80% of global trade by volume and more than 70% by value is estimated to be carried by over 50,000 commercial vessels worldwide.¹²

Slowdown in output in most value chains will reduce demand for maritime transport services and, in some cases, shift maritime trade patterns by changing suppliers and manufacturers. So far, container lines have lost about 4 per cent of volume during the first quarter if compared to the same period last year.¹³ While long term impacts on all maritime transport segments are yet to be fully assessed, for now the impact on freight transport appears less dramatic in comparison with coastal and marine travel and tourism sectors. Countries are trying to avoid trade restrictions in order to ensure that essential goods, such as food and medical products, are delivered in a timely manner. Yet, some specific restrictive measures on imports and exports of protective equipment, medical materials and devices, and wildlife and certain animals trade¹⁴ have already been taken since WTO Members agreed to notify trade measures related to COVID-19 impacts.

Because of the pandemic, traffic slowdown, with fewer scheduled requests for shipping and cancellations, blank sailings, or port closures are occurring. For example, container ship visits to Chinese ports plunged by about 10 per cent in late January and early February.¹⁵ The impacts can also be significant in the first and second quarter of 2020 for the Western Hemisphere due to the fast COVID-19 spread in Southern Europe and the United States.

While industrial output in Western Europe is trending downward, imports of essential, medical goods and devices can be expected to continue to grow. Many economies, such as the European Union, Canada and Brazil, are taking measures to facilitate imports and sales of vital protective and medical supplies and devices.¹⁶ While air transport is the preferred option for these imports right now due to the urgency, maritime freight will be also used.

More recently and with the outbreak seemingly diminishing in China, cargo volumes have to a certain extent rebounded at Chinese ports¹⁷ in March 2020. However, for global trade and maritime transport to slowly recover once the pandemic is tackled, the import demand of main consumption markets in Europe, North America and Asia will need to recover as well.

¹² UNCTAD (2019) Maritime Transport Review. See https://unctad.org/en/PublicationsLibrary/rmt2019_en.pdf

¹³ Lloyd's List (2020). Box carrier outlook worsens as pandemic progresses. See <https://lloydslist.maritimeintelligence.informa.com/LL1131918/Box-carrier-outlook-worsens-as-pandemic-progresses>

¹⁴ Some trade restrictions in the form of import and export bans and controls are starting to show on certain vital medical materials and devices, animal trade and certain food stocks in order to avoid shortages or further transmission vectors by some countries. See WTO notifications on COVID-19 at https://www.wto.org/english/tratop_e/Covid19_e/Covid19_e.htm

¹⁵ See UNCTAD Transport and Trade Facilitation Newsletter N°85 - First Quarter 2020. See: <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2296>

¹⁶ See. WTO (2020). WTO notifications on COVID-19. See

¹⁷ See <https://www.freightwaves.com/news/china-cargo-flows-rapidly-return-to-pre-coronavirus-levels>

Furthermore, the rebound of maritime cargo from China and other Asian countries may not be as solid as one may think. Some private sector observers are pointing at a second phase of the downturn, which could place cargo companies in a precarious position.¹⁸ This phase will largely result from reduced supply side capacity and falling trade between China and Europe, as well as a general lower demand of non-essential goods.

The health of seafarers is also a key sanitary concern. The International Chamber of Shipping¹⁹ has called on all governments and United Nations Agencies to keep maritime trade moving by continuing to allow commercial ships access to ports worldwide and by facilitating the movement and rapid changeover of ships' crews. It is estimated that every month around 100 thousand seafarers²⁰ need to shift ashore in order to comply with international maritime regulations for ensuring crew safety and welfare. Calls have also been made²¹ to protect the health of seafarers and passengers, as well as the general public, due to their essential role in keeping trade routes working.

Even though significantly affected by the pandemic, maritime transport may rebound quicker than other blue economy sectors as cargo flows, while hindered by the pandemic, are not expected to come to a halt.

¹⁸ Lloyd's List (2020).

¹⁹ ICS (2020). Joint Open Letter to United Nations agencies from the global maritime transport industry. See: <https://www.ics-shipping.org/news/press-releases/2020/03/19/joint-open-letter-to-united-nations-agencies-from-the-global-maritime-transport-industry>

²⁰ Ibid.

²¹ Ibid.



3. Fisheries and seafood production

International supply chains exchange between 35 and 38 per cent of global fisheries and aquaculture output, generating US\$152 billion in exports in 2017.²² Fish and seafood consumption also provides about 20 per cent of all animal protein intake for 3.2 billion people.²³

On the supply side, some observers indicate that illegal fishing is likely to increase as law enforcement weakens during the pandemic due to fewer surveillance missions. By contrast, legal industrial and small-scale fishing operations are likely to decline, especially over the near term, from a combination of the risk of being at sea in a pandemic and supply chain complications caused by market closures,²⁴ both formal and informal. Limited supplies of protective sanitary material for fishers and processing workers, scarcity in fishing inputs (bait, ice, nets, and gear), as well as logistical challenges, are being faced when seeking to harvest and export fresh and clean produce globally.²⁵

The COVID-19 pandemic is already impacting fish products and seafood value chains through falling consumer demand (restaurants and hotels), closure of retail business, disrupted trade routes, changes in consumer demands as well as a potential increase in sanitary measures on fish and seafood products. As commercial restrictions have increased in COVID-19 affected countries on restaurants, hotels, small business and cruises, the seafood industry outlook is not bright. The pandemic is hindering demand, fishing capacity and output all at once. Additionally, massive cancellation of flights by most airlines is directly affecting trade in some high-end fresh products, which are mainly transported by air. For example, Maldivian tuna exports to Europe have ceased,²⁶ Indian shrimp consignments to China have dropped by 10 to 15 per cent,²⁷ United Kingdom exports are under shock due to key market closures in Europe,²⁸ shrimp prices are a tenth of their normal value²⁹ in certain northern Spain ports and fresh salmon, and trout and cod exports from Northern European countries and Chile to the North American market also are falling.^{30,31}

On the other hand, demand for frozen preparations, and canned and packaged seafood products is growing as households seek to stock up on non-perishable food at the expense of fresh seafood options. Online retailers and takeaway options are reporting increased interest as home-bound consumers explore retail alternatives³² in substitution of traditional restaurants. Some producers are freezing and processing their catch not only to react to short-term market signals but to also create

²² UNCTAD, FAO and UNEP (2019). Advancing Sustainable Development Goal 14 - Sustainable fish, seafood value chains, trade and climate. See: <https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2576>

²³ Ibid.

²⁴ Center for Strategic and International Studies (2020). Covid-19 at Sea: Impacts on the Blue Economy, Ocean Health, and Ocean Security. See <https://www.csis.org/analysis/covid-19-sea-impacts-blue-economy-ocean-health-and-ocean-security>

²⁵ FAO (2020). How is COVID-19 affecting the fisheries and aquaculture food systems. See <http://www.fao.org/documents/card/en/c/ca8637en>

²⁶ The edition, 16 March 2020. See <https://edition.mv/business/15530>

²⁷ Economic Times, India, 16 March 2020. Market news Seafood may not find takers on Covid-19 scare. See: <https://economictimes.indiatimes.com/markets/commodities/news/seafood-may-not-find-takers-on-Covid-19-scare/articleshow/74648516.cms?from=mdr>

²⁸ The Guardian (2020). Coronavirus: 'severe shock' to UK fishing as markets dry up. See: <https://www.theguardian.com/business/2020/mar/18/coronavirus-severe-shock-to-uk-fishing-as-markets-dry-up>

²⁹ El País, 18 March 2020. El Coronavirus amenaza con paralizar la pesca española. See <https://elpais.com/economia/2020-03-18/el-coronavirus-amenaza-con-paralizar-la-pesca-espanola.html>

³⁰ Under current news: five facts about COVID-19 impact on seafood. See <https://www.undercurrentnews.com/2020/03/20/nsc-five-facts-about-Covid-19-impact-on-seafood-markets/>

³¹ Seafood source (2020). Emergency meeting in Chile paints dire picture of salmon supply chain.

³² Globefish, FAO (2020). COVID-19: Impact on global fish trade. See <http://www.fao.org/in-action/globefish/news-events/details-news/en/c/1268337/>

adequate stock in view of future market recovery. The shift can help in saving jobs, especially of women who represent most workers in processing plants. It may also contribute to food security by allowing less food waste and stockpiling of produce for immediate distribution in confinement zones. It may also keep or boost demand for complementary inputs, such as aluminium and vegetable oils. An increase in demand of “preserved” products over fresh products is likely to affect more small-scale fishers than industrial ones. Indeed, small scale fishers are usually socially unprotected, as in many cases they lack health insurance and cannot afford the risk of getting sick at sea.

Action towards value addition has already been recommended by the UNCTAD-DOALOS Oceans Economy and Trade Strategies Project (2018-2021)³³ in Barbados, Belize and Costa Rica. However, challenges remain in terms of incentivising investment, acquiring capital goods and technology, providing training and protecting workers, while ensuring compliance with harvesting and post harvesting sanitary measures and traceability. In this process it will be important to clarify to beneficiary countries and potential export markets how the virus is transmitted and to ensure, through proper handling, processing or cooking that fish and seafood trade does not become a vector for transmission.³⁴

Risk for infection of crews is very high in fishing vessels as there is restricted space, tasks are physical and collective most of the time and missions can last weeks or months. Additionally, levels of precautionary sanitary measures and medical attention can be insufficient or ineffective in the case of the COVID-19 virus. Many fishers are already missing profitable fishing seasons, and many are self-employed. Urgent policy measures are needed to protect and support small scale fishers in affected countries, as many will not be able fish to sustain their families or pay loans for capital and operational costs. Requests for support packages and financial aid for small-scale fishers, as well as to make available protective and sanitary materials for fishers, are being made in many European Union countries as well as in Africa, Asia and Latin America.

COVID-19 may have, at least theoretically, positive effects on sustainability of global fisheries. Recent United Nations research reveals that about 31 per cent of global stocks are currently below sustainable biological levels. At the same time, there are reported cases of over-capacity, over-fishing and illegal unreported and unregulated (IUU) fishing in several commercial species.³⁵ Capacity enhancing and other types of subsidies - estimated at about US\$10 billion in OECD countries³⁶ and potentially above US\$20 billion worldwide - are still being poured on the sector, targeting mainly industrial fleets. In this context, reduced fishing activity may allow stressed stocks to recover, especially in areas such as the Mediterranean, the Black sea, West Africa and the Caribbean. While fishing represents only about 0.5 per cent of global GHG emissions, fewer fishing trips will also imply less fuel consumption, thus lowering GHG emissions by the sector.

The pandemic offers a unique opportunity to shift resources allocated to capacity- and effort-enhancing subsidies towards policy instruments that encourage stock and ecosystem management, improve traceability and compliance with sanitary measures, enhance safety and social protection of crews and support sustainable and alternative livelihoods through economic activities of small scale fishers and coastal populations.

Some observers are indicating that hindered economic activity may be a “holiday/resting time” for nature and particularly for biodiversity. This may well apply to the oceans too. This critical period can even help develop a better understanding of the close links between anthropogenic activity, fish stocks pressure, marine biodiversity loss and level of GHG emissions.

³³ <https://unctad.org/en/Pages/DITC/Trade-and-Environment/Oceans-Economy-Trade-Strategies.aspx>

³⁴ FAO (2020).

³⁵ UNCTAD, FAO, UNEP (2019).

³⁶ Ibid.

4. A role for the blue economy in post COVID-19 recovery and resilience?

Uncertainty dominates the outlook for the blue economy to the extent that the duration and severity of the pandemic is yet to be clear. All blue economic sectors are being negatively impacted by the COVID-19 outbreak, including in developing countries which are being heavily impacted by the downturn trends in global demand and economic activity, falling commodity prices, eroding export earnings, capital outflows, and declining tourist revenues and remittances.

UNCTAD is shifting its attention in assessing the impact of the pandemic on key blue economic sectors and in identifying potential for recovery and resilience within them in social, economic and environmental terms. The blue economy will certainly play a crucial role in global recovery once demand raises again, one hopes within the next months.

There is a clear unprecedented need for recovery and resilience measures. Some of recommended actions that could be deployed to enable a faster blue economic recovery in a post COVID-19 phase include the following:

- Apply the least possible trade-restrictive sanitary measures to all goods and services sectors including blue economic ones;
- Exercise due restraint in scaling up “hidden” sanitary protectionism and closely monitor trade-related response measures;
- Introduce sanitary and social safety readiness and adaptation plans for most vulnerable key blue economic workers in tourism, maritime transport, fisheries and seafood processing;
- Monitor developments in shipping and address bottlenecks hampering trade in critical goods and materials. Key factors to monitor are the time ships spend in port and the reliability of schedules;
- Minimize unnecessary controls and burdensome procedures associated with goods (including of marine origin) clearance to ensure that trade facilitation gains achieved over the years are not eroded;
- Keep up the fight against illegal fishing in all shores and rely as much as possible on electronic monitoring and surveillance systems complemented with targeted inspections and interventions at sea and port;
- Extend fishing seasons, when below total allowable catch, according scientific evidence and without disturbing reproduction periods, so fishers can compensate lack of activity during confinement periods;
- Support fresh production shifts to seafood processing when feasible, as well as new product development and effective logistic support;
- Enhance coordination between fish and seafood suppliers with transport, warehousing and logistical services in order to avoid loss of produce and food waste;
- Design and implement rescue policy packages for vulnerable populations in blue economy sectors and actors;
- Phase out unsustainable public expenditure including fish and fuel subsidies, diverting resources to alternative biodiversity enhancing policies
- Expedite public and private debt forgiveness, total or partially, particularly for SIDS and LDCs.

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