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**Tourism and COVID-19 in 2020: The case of Malta as a small state**

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**Abstract**: Drawing on primary and secondary sources, including interviews, legal notices, contemporary news reports, and national data, this paper examines the impact of COVID-19 on key components of Malta's tourism sector (accommodation, food and beverage). As a small advanced economy, Malta was supported by a healthy fiscal cushion, enabling authorities to enact critical recovery measures for economic stability, and tourism promotion and upskilling. Institutional coherence and agile decision-making allowed for decisive action, whilst high social capital produced significant public compliance. These small state advantages facilitated Malta's effective containment of the virus during the first wave, thus providing lessons for policymakers in small states to navigate the challenge. Contrastingly, the crisis of the second wave demonstrates the importance of coherent policy-making and public communication to reduce viral transmission rates, safeguard public health and enable tourism to resume safely. Tourism has suffered; but Malta's diversified economy has allowed some sectors to remain buoyant. Recommendations are offered for investment in additional growth areas. In this way, small states may build more sustainable cross-sectoral resilience moving forward.

**Keywords:** COVID-19, economic diversification, Malta, resilience, small states, sustainable tourism



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## Introduction

The COVID-19 pandemic has posed an unprecedented global challenge. Within three months of initial transmission, by 28 April 2020, over three million persons were known to have been infected worldwide, the death toll had surpassed 215,000, and 100% of international destinations had travel restrictions in force (UNWTO, 2020). Although remoteness insulated many small islands from the worst of the public health crisis, tourism-dependent small states have still faced two concurrent problems: dramatic economic downturn consequent to the restrictions; and renewed virus transmission upon a resumption of travel. Malta's experience is illustrative of this chicken-and-egg dilemma. Initially, the small island state was widely praised for a successful handling of the health crisis: World Health Organisation (WHO) European regional director Hans Kluge described Malta as a "country to follow" (Cocks, 2020). Yet the real challenge for the country has been to contend with coexistent economic hurdles.

Indeed, a hasty reopening to international arrivals in July and the hosting of mass events coincided with this 'model' country facing the highest COVID-19 mortality rate in Europe only six months after Kluge's praise (European Centre for Disease Prevention and Control, 2021).

Tourism is a significant component of the Maltese economy, and this sector has been one of the most impacted as a direct result of the pandemic. Studying the impact of COVID-19 on the Maltese tourism industry may therefore offer important lessons for small states by understanding the varied means by which the authorities sought to build economic resilience. Despite being small, Malta's relatively advanced and diversified economy enabled it to remain buoyant and avoid a total lockdown. This reveals the risks of single-sector reliance for those small states without recourse to alternate revenue streams or the necessary fiscal space to compensate. However, when Malta reopened its borders without stringent quarantine and testing measures and resumed mass events (Cuschieri et al., 2020), this led to a spike in infections and to Malta's travel status being downgraded. This demonstrates the necessity of consistent and coherent communication, and the crucial importance of maintaining public health at the heart of all policy decisions, domestically and internationally. No small, open, tourism-based economy will ever be free of the threat of a global pandemic insofar as it still plagues the home countries of its prospective tourists.

Given the potential scope of tourism offerings, this study focuses predominantly on the so-called "holy trinity" of the hospitality sector: food, drink and accommodation (Bell, 2009, p. 19). Whilst recognising that this trinitarian approach is a contested one (Brotherton, 1999; Hemmington, 2007), it provides a suitable orienting framework for the analysis of the tourism industry in this paper to be made henceforth with particular reference to these three fundamental tourism offerings. This paper therefore assesses the impact of the COVID-19 pandemic on Malta's accommodation and food and beverage industries in relation to tourism, as a bounded case study covering the period from March to December 2020. Methodologically, it draws on primary sources such as government legal notices, data from the Maltese National Statistics Office (NSO), and contemporary news reports about the unfolding series of events. Virtual qualitative interviews were also conducted with high-level executives managing ten of Malta's leading hotels. Interviews were focused on the hotel industry since quality tourism is predominantly driven by accommodation providers, rather than the food and beverage sector (Simancas Cruz et al., 2018). These interviews served three key purposes: to identify gaps in our industry research; to expand our understanding by acquiring an insider perspective; and to triangulate our findings. Given that this is an instrumental case study to derive prescriptive lessons for small states, this methodology ensured our recommendations would be robust, feasible and tailored towards mitigating both short- and long-term industry challenges.

The context of the tourism industry in Malta and its economic contribution prior to the pandemic will first be outlined. Subsequently, the impact of the crisis will be assessed, and the stability and recovery measures enacted to remedy the negative consequences will be examined. This reveals the competitive and flexible advantages of a small, advanced economy. In contrast, the adverse outcomes following the reopening of the country's borders will also be evaluated, highlighting the risks of poor policy-making and the effects on resilience-building. Finally, to enhance the capacity for small states to "buffer from within" to mitigate the adverse effects of such shocks (Thorhallsson, 2011, p. 2), one needs to prepare for the future; thus, we offer recommendations for tourism-dependent small states to support their transition towards more diversified economies that will be less vulnerable to disruption moving forward.

## The Maltese Tourism Industry

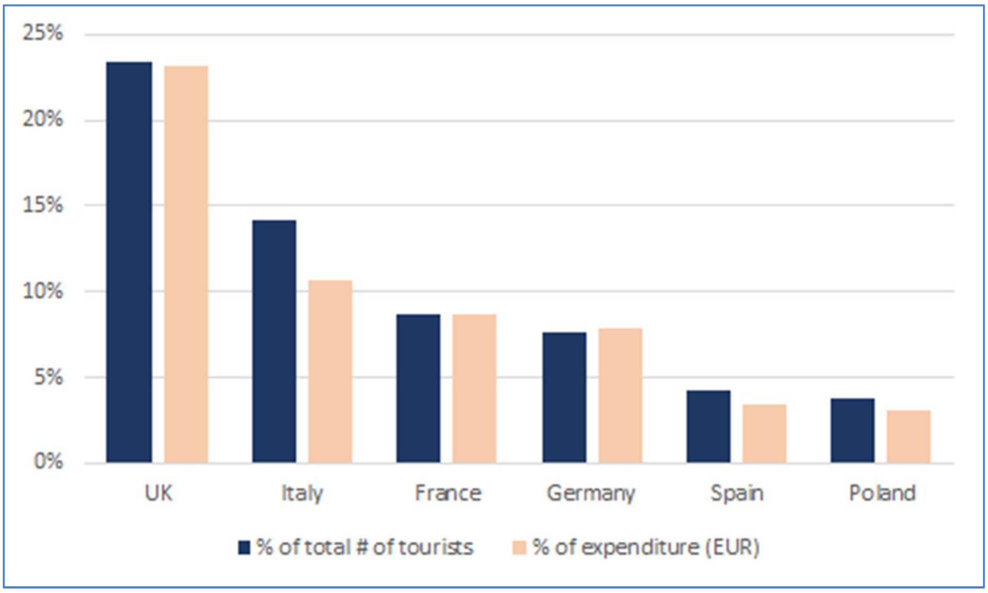
### *Context*

The Republic of Malta is an archipelago comprising the inhabited islands of Malta, Gozo and Comino (referred to collectively as Malta). With a territorial size of 316 km² of land, it is classified as the tenth smallest country in the world by area, and the most urbanised and densely populated member state of the European Union (European Commission, 2020a). Given that small state economies are characterised by openness, higher trade-to-GDP ratios, and more import-export volatility than their larger counterparts with similar income levels or policies, international trade and tourism are two significant sources of foreign exchange for small countries (Jahan & Wang, 2013), and Malta is no exception. In Malta tourism has experienced growth, development and ongoing transformation since the 1950s (Katircioglu, 2009). Malta's popularity as a tourist destination has increased exponentially over the years, with visitor numbers growing by an average of 9% year-on-year over the past decade. According to NSO data, 2.8 million tourists visited Malta in 2019, implying that there were over five times as many tourists as the national population of 0.49 million (NSO, 2019a; 2020a).

As an island state, entry into the country is only possible by air or sea: in 2019, 98% of tourists (defined as foreign visitors who spend at least one night in accommodation in Malta) arrived through Malta International Airport, the country's sole airport (NSO, 2020a). Scheyvens and Momsen (2008, p. 498) argue that small land size and relative isolation enable many small island states to offer "the sun-and-sea, tropical island paradise" as an "enticing tourism product". Hence, Malta's subtropical climate, complemented by a high average number of days of sunshine (with long daylight hours), has been instrumental in allowing the Islands to position themselves as a key Mediterranean "sun-and-sea" holiday destination (Markwick, 1999, p. 229). In addition to natural capital, Croes and Semrad (2013, p. 470) have identified "the discovery of culture" as an advantageous avenue to new market segments which allows small island destinations to capitalise on their ability to offer a "distinct experience". Malta's unique heritage thus provides a key resource in attracting "cultural tourists" (Markwick, 1999, p. 227). Over the years, Malta's tourism product has diversified, and the country now holds niches in travel for business, conferences, health and wellness, English language education, scuba diving and other sports (Attard, 2018).

Malta's hospitality sector relies heavily on visitors from the UK and Italy (see Figure 1); together, these accounted for 33.8% of total tourism expenditure in 2019. Small island tourism typically peaks in the warmer months, when climatic and environmental factors are more conducive to island accessibility (Cheer, 2020). In accordance with this, the majority of total tourist expenditure in Malta tends to occur between the months of May to October, peaking between July and August (NSO, 2020a). This can be attributed both to Malta's seasonal climate pattern, and the holiday periods of tourists' countries of origin (Markwick, 1999). The total number of tourists who visited Malta from May to October in 2018 and 2019 consistently amounted to over 50% of Malta's total population *each month* (NSO, 2019a, 2020a). In August 2019, inbound tourists almost doubled Malta's resident population, exacerbating the strain on social, infrastructural and ecological resources. Hence, the soaring growth in arrivals calls into question whether Malta's tourist-carrying capacity has already been exceeded.

**Figure 1: Countries of origin of Malta's tourists in 2019 with the highest share of tourists and expenditure (NSO, 2020a)**




***The importance of tourism to Malta***

World Travel and Tourism Council (WTTC) data suggests that fifteen of the top twenty countries with the highest dependency on travel and tourism as a share of GDP in 2018 were small island states, including Malta (Quinn, 2020). Malta's growing tourism sector has created an increasing economic dependency on tourism expenditure, which amounted to €2.2 billion in 2019 (NSO, 2020a; 2020b). The total contribution (including direct, indirect, and induced contribution) of travel and tourism to Malta's GDP in 2019 was 15.8%, and its total contribution to employment was 21.1% (WTTC, 2020). These figures constitute some of the highest shares in the Mediterranean region and are well above European and global averages.

Furthermore, the WTTC (2018) reported that in 2017, direct contribution of travel and tourism to Malta's GDP was one of the fastest growing in the world at 12.6%, with the sector's GDP growth outpacing total GDP growth at a significantly greater rate than most other countries. This highlights the importance of, and consequential dependency on, tourism for Malta's economic and social interests. Hence, in a 2019 study conducted by the World Economic Forum (2019, p. 35), Malta ranked first, globally, in terms of 'Prioritisation of Travel and Tourism' as a sub-index of 'Travel and Tourism Competitiveness', based on measures of government prioritisation, spending, and effectiveness of tourism marketing.

One of the primary means of accruing tourist expenditure is through purchases in accommodation, and food and beverage providers. The quality of such offerings has a direct impact on the competitiveness of these operators within small states, seeking to rival larger and potentially more easily accessible destinations (Ridderstaat & Nijkamp, 2016). In 2018, this sector totalled 5,354 businesses in Malta: some 5% of all registered business units (NSO, 2019a). With some 22,860 people directly employed in the hospitality industry (60% full-time), this represented 10% of the total Maltese workforce (NSO 2020b; 2020c). 65% of all hospitality entities were of sole-ownership or partnerships, whilst 93% had less than ten employees and were classified by the NSO as micro-organisations. These figures expose the serious implications of the impact of COVID-19 on small business owners and employees who rely on tourism for their livelihood.

## COVID-19 in Malta

### *Before the outbreak (January-March 2020)*

In December 2019, COVID-19 – the respiratory disease caused by Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2) – spread from Wuhan, China, across the world (Sohrabi, 2020). On 30 January 2020, the WHO declared this spread a Public Health Emergency, and on 11 March 2020 a global pandemic (Balkhair, 2020). The disease caused immense social and economic disruption on a worldwide scale. Due to its nature in spreading through droplet or contact transmission, travel restrictions and quarantine measures were enforced around the world as a response to the declared pandemic.

Unlike those countries which entered the 2020 COVID-19 crisis in a troubled financial position, Malta was at a strong starting point. Subverting the reductive perception of smallness being a weakness, several small advanced economies had previously demonstrated an ability to cope when confronted with externally-originating shocks during the 2008 global financial crisis (Skilling, 2017). Malta was one such success story, proving its economic resilience as a result of its adoption of the Euro, stable and largely risk-averse banking systems, and an economy diversified towards value-added services (Bonello, 2010). This resilient economic model meant that by the start of 2020, unemployment levels were down, public debt to GDP ratio was low, and Malta had a healthy cushion of fiscal surplus accumulated over several years of steady growth (Mifsud, 2020). In the interviews with accommodation providers conducted for this study, respondents reported record annual guest volumes over the 2016-2019 period.

However, this resiliency could not wholly insulate Malta from the impact of the pandemic. The European Commission (2020b) confirmed that the economies to be hardest hit by the pandemic would be those with the highest reliance on tourism (identified, above, primarily as small states). Overall, it is estimated that the international tourism economy declined in 2020 by approximately 70-80% as a result of the crisis, with recovery to pre-2020 levels not expected until 2023 (OECD, 2020). Thus, for economies with a heavy reliance on tourism, the impact of a pandemic of this scale cannot be understated. Owing to geographic proximity and the high dependency on Italian tourism, the rising case numbers in Italy in early 2020 were closely monitored by Maltese officials. In February, before any local cases had been detected, Maltese authorities began preparations for the impending health crisis.

### *The first wave (March-May 2020)*

As one of the most densely populated countries in the world, the concentration of Malta's population meant the risk of infection was potentially greater than in countries with more dispersed populations (Wong & Yun, 2020). Recognising the potential for rapid transmission, Malta prioritised prevention and introduced measures in late February to screen people entering the country (Government of Malta, 2020a). The first case of COVID-19 was recorded in Malta on 7 March 2020, carried by an arrival from Trentino, Italy (Scicluna, 2020a). Italian flights were subsequently stopped on 10 March 2020, and flights from Germany, France, Spain, and Switzerland were also halted the next day. On 13 March, a mandatory two-week quarantine was imposed on travellers entering from the most infected countries with direct flights into Malta (Public Health Act, 2020a). This was followed by a ban on all inbound air and sea travel on 21 March 2020, with the exception of cargo, humanitarian, and repatriation transport (Public Health Act, 2020b).

Given that Malta has an ageing population (Agius Decelis, 2013), the impact of the disease – causing relatively high case fatality for those aged 65 and over (Yanez et al., 2020) – could be devastating. Consequently, for those categorised as vulnerable, or over 65 years of age, a full lockdown was imposed. For the rest of the population, measures constituting a 'semi-lockdown' were enforced. Police were authorised to disperse gatherings of more than five people, and fines were imposed for breaches of the new regulations (European Commission, 2020b). All non-essential retail stores and services were ordered to close (Public Health Act, 2020c).

Despite the ease of transmission, when Briguglio and Azzopardi-Muscat (2016) applied the framework of vulnerability and resilience to the public health systems of small states, they found that policymakers within such states may build resilience due to their ability to have a 'helicopter view' of health issues across the small jurisdiction. During the outbreak in Malta, this facilitated the coordination of health services and the rapid collection of data. Surveillance and control measures were easier to implement, and shortcomings in the provision of healthcare could be identified quickly and promptly remediated. Moreover, small state experts tend to be more generalist (Randma-Liiv & Sarapuu, 2019) and to occupy multifunctional roles. Hence, decision-making was streamlined and it was easier to mobilise quickly to contain the spread and rapidly test a large proportion of the population (Nesheim, 2020), and to refocus and repurpose staff and wards at the national hospital, Mater Dei Hospital. To communicate this ongoing activity, the Superintendent of Public Health, Charmaine Gauci provided regular briefings to the media on the number of local cases of COVID-19, the risk assessments, and the epidemiological progress of Malta (Caruana, 2020). By April, Malta's COVID-19 testing rate was the third highest in the world (Cuschieri, 2020) and the country topped an EU report measuring citizens' trust in the health sector (Eurofound, 2020).

In addition to sound policy measures, some of this success may be attributed to the suggestion that many small, peripheral and network-driven island societies with effective democratic state institutions and high public confidence can draw on their 'social capital': defined as the "resourcefulness of a people to respond positively, collectively and responsibly to an identified challenge" (Baldacchino, 2005, p. 32). Thus, a public survey in May 2020 showed that 92% of Maltese respondents trusted Superintendent Gauci "to deliver reliable and accurate information on the virus and how to contain it", with Health Minister Chris Fearne also receiving a high trust rating of 82% (Martin, 2020a). This clear and effective communication of comprehensive public health measures, combined with high levels of public trust, resulted in significant public cooperation in the fight against COVID-19, and consistent adherence to the instructions of the health authorities during this first wave (Agius, 2020a). This lends credence to the argument that social capital and institutional coherence make small island states more buoyant when confronted with external pressures (Scheyvens & Momsen, 2008). Consequently, although the infection rate increased by an average of 16% daily within a month from the initial case, no major outbreaks occurred in Malta during the first wave (March to May 2020), and the spread was quickly contained (Government of Malta, 2020b).

### *The transition phase (May-July 2020)*

As the number of cases decreased, on 22 May 2020 the Maltese government announced relaxation measures signifying a transition period intended to kickstart the economy. In accordance with Legal Notice 204, "the closure of restaurants, cafeterias, snack bars, open-air markets, clubs and outdoor swimming pools*"* was revoked (Public Health Act, 2020d). With the requirement to adhere to social distancing, catering establishments were allowed to reopen, subject to ongoing health and safety inspections (Public Health Act, 2020e). Protocols tailored to different kinds of establishments (including accommodation and catering) were put in place based on three priorities: social distancing; hygiene; and limiting the risk of COVID-19 transmission.

Efforts to limit the spread of the disease had resulted in Malta's maximum number of active cases reaching only 0.07% of the population at the peak of the outbreak in April, with a mortality rate of 0.002% (Government of Malta, 2020b). These figures were some of the lowest in Europe (European Centre for Disease Prevention and Control, 2021) and by June, authorities were hopeful that this would make Malta attractive to travellers following the lifting of restrictions, especially when compared to the high figures in competing Mediterranean destinations such as Italy and Spain.

Spurred on by such prospects, and anxious to offset the growing consequences of the prolonged semi-lockdown, tourism entities increasingly pressured the Maltese government to fully lift restrictions in anticipation of the peak tourist season, (Francalanza, 2020a). Emphasizing the strength of the sector, the President of the Malta Hotels & Restaurants Association (MHRA), Tony Zahra, explained the significance of income from tourism to the Maltese economy,

> Tourism is a hosepipe […that] feeds into other smaller pipes […which] represent many sectors of the economy; airport shops, taxis, public transport, restaurants, hotel bars and many more ... If you close the tap, there will be no water in any of the pipes ... the economy will remain in a disastrous state (Camilleri, 2020).

On 14 June 2020, the number of active cases had dropped to 37, down 89% from peak levels in mid-April (Government of Malta, 2020b). On that day, the Maltese government declared that the public health emergency brought about by the COVID-19 pandemic would be lifted on 30 June 2020 (Public Health Act, 2020f). All legal restrictions on business operations and public gatherings would be gradually lifted, with public health guidelines to be observed. The airport and seaports were commercially reopened on 1 July 2020 to 22 countries constituting 'safe corridors' (Public Health Act, 2020g). Thereafter, borders were reopened to all EU member states (except Sweden and select regions in France, Italy and Spain) and a number of additional destinations on 15 July 2020 (Public Health Act, 2020h). This stage was intended to allow the tourism sector to once again receive foreign visitors from across the globe.

***The second wave (July-December 2020)***

Although criticised by health and social authorities, the Maltese government proceeded to reopen the country's borders without sufficient precautions in place. The tourism industry's vocal public lobbying was seemingly instrumental in this decision. Although the measures implemented during the semi-lockdown had been effective at reducing the local infection rate, the decision to reopen borders to foreign nations that were still experiencing radically different situations would subsequently have a dramatic, adverse impact on Malta.

During the first two weeks following the reopening of the airport on 1 July and the lifting of restrictions, few new cases were detected in Malta. This period may have given a false sense of security to governmental authorities, who, eager to reap the rewards of successfully weathering the first wave of the virus, allowed entrants into the country without testing or quarantine upon arrival (Public Health Act, 2020i). Furthermore, mass events were allowed to proceed without sufficient adherence to public health guidelines (with restrictions only being reinstated on 5 August) (Public Health Act, 2020j). Various Maltese tourism entities sought to take advantage of this leniency. While competing Mediterranean destinations remained in full lockdown, four large music festivals were planned to be held in September in Malta. These were intended to boost economic activity by attracting "tens of thousands of revellers from countries where the virus [was, at the time] alive and kicking" (Galea-Debono, 2020a). The Maltese government encouraged visitors to return to the islands, stating that "Malta is open for business", whilst tourism authorities advertised the country as the "island festival hotspot" (Cuschieri et al., 2020, pp. 1-8).

However, this optimistic period was short-lived. From 18 July onwards, Malta began once again to experience a steady increase in positive COVID-19 cases, originally imported by travellers passing through Malta's borders unchecked. With no restrictions in place, transmission then began to occur locally at village feasts, parties, workplaces, family gatherings, religious and sports gatherings, and other social events (Farrugia, 2020a). The insufficient implementation of public health measures and the lack of enforcement of those in place were heavily criticised by local health authorities and the medical trade unions. The government approach was met with scrutiny from the media, and generated divisive public debate as a result of the mixed messages being promoted to the public. Medical associations accused the government of going against the advice of Superintendent Gauci. In a public statement, the Malta Association of Public Health Medicine levelled criticism that,

> These numbers are a direct consequence of irresponsible political behaviour, disregard of scientific evidence, and conflicting messages pushed by prominent personalities which led to inadequate physical distancing, infrequent and incorrect use of masks and disregard of public health recommendations...Three weeks after lifting most measures and – almost uniquely in the EU – allowing mass events to go ahead as if the battle against COVID-19 had been won, we are right back where we started (MAPHM, 2020).

Friction between health practitioners and the Maltese government escalated, and medical associations and public health workers engaged in industrial action on multiple occasions, pressuring the government to ban mass gatherings, heed advice from health authorities, and implement the necessary regulations to safeguard public health (Vella, 2020). Following this industrial action, authorities reimposed restrictions on social gatherings on 5 August 2020 (Public Health Act, 2020j). From 22 August, a weekly 'amber list' was launched, mandating passengers arriving from its designated corridor countries to produce a negative swab test. If one was not provided, passengers could be subject to one upon arrival, or a 14-day quarantine (Public Health Act, 2020k).

Despite the reintroduction of these restrictions, the damage had already been done. By 5 August, Malta's COVID-19 case rate had already risen to become one of the highest in Europe; over the preceding 14-day period, it had recorded the 6th highest cumulative number of COVID-19 cases per 100,000 citizens of all EU member states (European Centre for Disease Prevention and Control, 2020). The steep escalation of cases had resulted in a general downgrading of the country's travel destination status (Galea Debono, 2020b), with multiple European countries, including the UK, removing Malta from their safe-travel list, implementing quarantine measures for travellers from Malta, and warning against all but essential travel to Malta (Beswick, 2020). By mid-August, several countries had also imposed complete bans on travel to Malta (Carabott, 2020a). These measures were enforced at the peak of Malta's tourist season, quickly undermining much of the sustained effort during the first wave to allow the country to successfully reopen its borders.

## The Maltese tourism industry: navigating the crisis

### *The impact of COVID-19 on Malta's tourism sector*

The impact of enforced legal measures, taken in response to COVID-19, was keenly felt by the Maltese tourism sector, primarily due to lack of operating revenue and resulting unemployment rates (Xuereb, 2020a). Food and beverage establishments in Malta were allowed to continue operating by means of takeaway and delivery services throughout the semi-lockdown. A number of restaurants also adapted to online delivery, despite negligible income and heavy overhead costs, to maintain brand awareness and staff utilisation throughout the challenging period (Galea-Debono, 2020c). However, some providers were forced to temporarily close entirely, since remaining open was not operationally feasible (Calleja, 2020a). Those that closed may have lacked the resources and agility to transform and market their operations successfully at such short notice, whilst others were limited by sanitation requirements necessary to safeguard staff and customers.

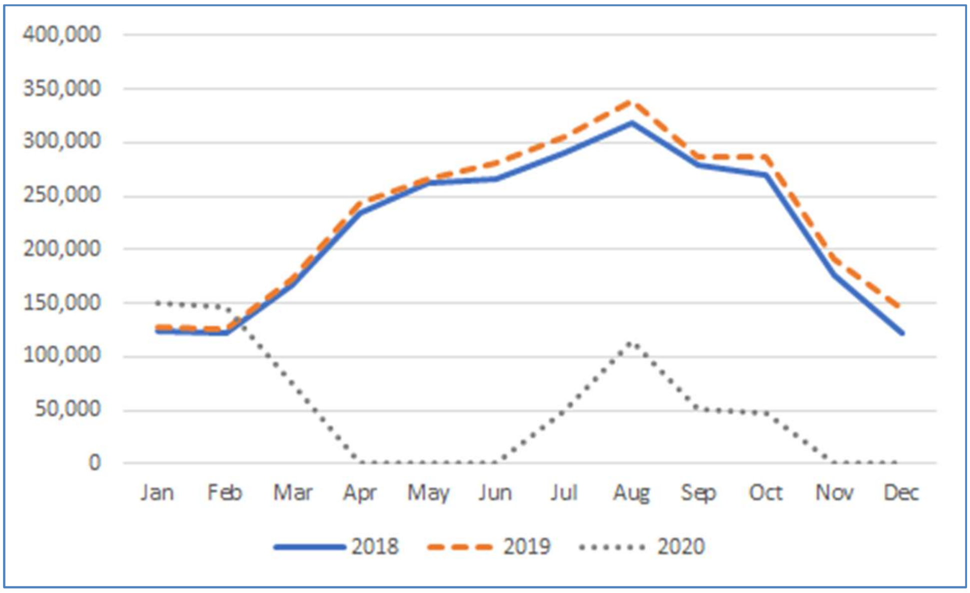
Whereas food and beverage companies could still cater for the domestic market, accommodation providers rely primarily on foreign visitors as a major customer segment. These providers could continue to operate during the semi-lockdown by taking the necessary precautions to ensure guest isolation (Scicluna, 2020b). According to interviewees, guests already present in hotels had to self-isolate and were assisted in making arrangements to depart from Malta. Thereafter, as foreign visitors were unable to enter the country, these establishments were left with idle capacity. Consequently, operations were streamlined to decrease costs, whilst teams were scaled down and centralised. Establishments without guests were forced to close temporarily.

A significant number of food and beverage providers, as well as nearly all accommodation providers, thus faced a situation of near-zero revenue generation throughout the semi-lockdown period. A survey on business and employment projections conducted by the Malta Employers' Association (MEA) in May found that 33% of respondents indicated a loss of business of over 75% throughout the period, and over half of these were from the hospitality sector (MEA, 2020a). Concurrently, they still faced operational costs such as labour, unsold perishable foodstuffs, and overheads (including rent and utilities). When reopening, some businesses risked losing more money on operational costs than if they had remained closed. A follow-up survey in September (MEA, 2020b) corroborated these results, indicating that hospitality remained the most negatively impacted sector in Malta, with 12% of respondents indicating a loss of business of over 60% (even after the reopening of the airport in July).

The overall impact of COVID-19 on Malta's tourism sector was intensified due to its occurrence just prior to the start of Malta's peak tourist season (see Figure 2). The International Monetary Fund (IMF) anticipated that large and medium tourism-dependent economies could suffer losses in summer tourism proceeds exceeding 2% of GDP, with the impact on smaller, tourism-dependent states being amplified significantly, and uncertainty persisting into 2021 (Rebillard, 2020). In May, even prior to the outbreak of the second wave, estimates had already indicated that Malta's overall tourism numbers would be significantly lower throughout 2020, with providers expecting to take on heavy losses (EY, 2020). Official NSO figures have since corroborated these expectations. In July, national data depicts a decline in tourism revenue of approximately €251 million, when compared with July 2019; this represents an 88% drop (NSO, 2020a), whilst visitor numbers also declined by 84%. According to accommodation providers, while the first half of August saw a slight increase in occupancy levels due to the relaxation of measures, this decreased towards the end of the month as travel restrictions were reintroduced (Galea-Debono, 2020d). In August, overall visitor numbers were still 66% below 2019 levels, with a parallel drop of 71% in visitor spending (NSO, 2020a).

By end 2020, Malta had recorded a decrease in total inbound trips of 76% when compared to 2019, and an associated decrease in total tourism expenditure of 80% (NSO, 2020a). Tourism accommodation occupancy in 2020 as a whole was 65% lower than in 2019 (NSO, 2020e), exhibiting "the second-largest decline among EU countries" (Fitch Ratings, 2020). Even after the reopening of Malta's borders, the disruptions and uncertainty caused by the second wave led to planned trips being cancelled, or not booked at all (Farrugia, 2020b). This exacerbated the already-significant opportunity cost shouldered by Malta's tourism industry and hospitality sector. With an overall bleak outlook on the recovery of business activity, operators within the tourism industry expect a full recovery to take over eighteen months (MEA, 2020b).

**Figure 2: Total number of inbound tourists by month of departure (NSO, 2020a).**




This same challenge applies to the airport, which faces excess capacity. Many airlines entered into retrenchment, having laid off staff, downsized their fleets, and reduced the number of routes offered (Garcia, 2020). Even after reopening, problems include a reduction in flights to Malta, reduced public confidence in flying, less disposable income of potential travellers, and the aforementioned excess capacity of hospitality businesses. Although beyond the scope of this study, it is important to note that significant ramifications have also been felt by associated sectors. These include retailers, as well as suppliers to the tourism sector, such as transportation companies, producers of foodstuffs and consumer products, and service providers, who all rely on foreign visitors to operate (EY, 2020). In addition to reduced consumption, the tourism industry has also faced disrupted supply chains that may result in further negative future consequences (Pieters, 2020).

Taking into account the contribution of the tourism sector to national employment, the dependence on international tourists and the share of employment, the European Commission (2020c) anticipated that Malta would be among the countries most likely to see jobs impacted by the reduction in tourism. Validating this, NSO data shows that Malta's unemployment rate increased to 4.1% in August; up from 3.4% in January, and the highest it had been since March 2018 (NSO, 2020f). This continued to increase over the following months, reaching 4.5% in December (NSO, 2020g). Overall, Malta's GDP is calculated to have declined by 5.7% (7% in volume terms) in 2020 (NSO, 2020h) and stakeholders within the tourism and hospitality sectors anticipate a troubling and uncertain coming period (EY, 2020).

***Stability and recovery measures***

Whilst the rapidity at which COVID-19 infiltrated societies around the world and the scale of impact created complex challenges for global leaders, in Malta this was amplified due to the arrival of the pandemic at a time of political uncertainty, with an unelected prime minister having just taken office following an internal leadership changeover in January 2020 (Brotman, 2020). Yet, despite these challenges, Skilling (2018) argues that the characteristics of the small advanced economy model – "openness, flexibility, social insurance, [and] deliberate policy-making" – position these small states to respond effectively to external pressures. As a result of agile decision-making, Malta's efforts were initially praised by Commonwealth Secretary-General Patricia Scotland as "the best in Europe" (Agius, 2020b).

This is most evident with regard to the stability and recovery measures enacted by the Maltese government between March and June 2020, as they sought to ease liquidity pressures on struggling businesses and to counter unemployment. Baldacchino (2000, p. 28) argues that smallness is an advantage for economic management because microeconomic reforms can be swiftly enacted and "a few sizeable investments can swiftly alter the shape of the economy". Validating this theory, extensive financial measures were implemented in Malta, with a combined value of approximately €1.8 billion (PwC, 2020a). A number of these measures were directed specifically toward entities deemed "enterprises suffering from a complete suspension of operations" (KPMG, 2020a), including those in the tourism sector. Employees and self-employed individuals were entitled to a salary of €800 per month (€500 for part-time employees). Subsidies were also provided on rent, utilities and business licenses (KPMG, 2020b). Tax deferrals payable for businesses, the self-employed, and employees were also implemented. The deferral of taxes relating to the Financial Settlement System (FSS), maternity contributions, and social security contributions (Government of Malta, 2020c) was in place until the end of June 2020, whilst settlement of VAT taxes payable from March 2020 to August 2020 was deferred to May 2021. Interviewees considered these government wage supplements and tax deferrals crucial in preventing bankruptcy.

Important smaller aid packages included a teleworking aid package to offset setup costs incurred by employees working from home, parental benefits payable directly to teleworking employees with childcare responsibilities, quarantine leave benefits to support quarantined workers, and benefits for employees with disabilities teleworking due to health concerns (KPMG, 2020a). Bank guarantees were also provided. These could be used to support soft loans, with the option of applying for subsidies. Temporary moratoriums on loan repayment were also introduced (Deloitte, 2020), and payments from government to private industry were sped up to sustain liquidity (European Commission, 2020d).

In an effort to stimulate domestic expenditure, the Maltese government announced an Economic Regeneration Plan in June 2020, representing a further economic injection of €900 million (Government of Malta, 2020d). Funds were allocated to help companies adapt their business models, and hotels were exempted from paying Malta Tourism Authority (MTA) licences on their properties and food and beverage operations for the year. Most of the measures introduced during the semi-lockdown period were subsequently extended until March 2021 (KPMG, 2020c). Moreover, Malta also sought assistance from the European Commission, which provided state aid schemes to support the Maltese economy (KPMG, 2020a). This is evidence of Bailes, Thayer and Thorhallsson's (2016) theory that, when seeking to reduce the impact of an economic shock, small states seek the economic shelter afforded by international organisations to offset inbuilt structural weaknesses with external assistance.

In direct relation to the tourism industry, €100 vouchers were provided to all Maltese residents aged 16 and over, 80% of which to be spent directly within catering and accommodation establishments, and the remaining 20% to be spent within retail (Government of Malta, 2020e). Rather than increasing taxes, this measure was implemented to ease pressure on Maltese residents whilst simultaneously stimulating the economy (Government of Malta, 2020f). The scheme was praised by the Association of Catering Establishments as a "much-needed demand stimulant", whilst the Gozo Business Chamber stated that this initiative would bolster domestic tourism and was "crucial, given Gozo's strong dependency on tourism" (Costa, 2020). It was also well-received by the Chamber of SMEs, the MHRA and the MEA.

By May 2020, a Columbia University study on support measures for businesses, families and jobs enacted since the start of the pandemic revealed that the Maltese investment in COVID-19 recovery had amounted to the largest financial package in proportion to GDP in the world, estimated at 22% of the Maltese economy (dwarfing 14% in the USA and 5% in the UK) (Conneely, 2020). As the economic balance shifts into deficit, increased public spending in Malta is expected to partially offset the impact of any recession brought on by COVID-19. The shock absorbing recovery measures implemented by the Maltese government are intended to support employment, reduce business costs, and to stimulate domestic consumption and economic recovery (KPMG, 2020d, and Fitch Ratings, 2020).

On 12 May 2020, the Secretary-General of the World Tourism Organization, Zurab Pololikashvili, wrote to Maltese Prime Minister Robert Abela to praise "the incredible work of [the Maltese] government ... in helping the travel and tourism sectors to deal with the COVID-19 outbreak and to address its socio-economic impact" (Pololikashvili, 2020). This case study supports Skilling's (2018) argument that small advanced economies which effectively deploy their fiscal and monetary policy tools are not disadvantaged by their small size when seeking to manage substantial economic shocks. The pandemic's impact on Maltese businesses within the tourism sector would have been significantly greater, and would have likely manifested in the form of business closures and mass unemployment, without the stability measures put in place by the government.

Looking ahead to 2021, the recovery measures remain essential to ensure the continued survival of the industry. Without them, many businesses would be overcome by liquidity issues and would likely fail. Overall, these measures were not expected to return economic activity to pre-COVID-19 levels, but to stimulate the economy and sustain struggling businesses. These measures have been especially favourable to tourism as a prioritised area, with 20,000 workers in the sector benefiting from the supplements (Government of Malta, 2020g). However, it remains to be seen whether tourism figures will reach pre-COVID-19 levels, and how long this will take, particularly given the ongoing impact of the second wave. Until then, the sector will remain heavily reliant on state aid, well above usual subsidies.

***Anticipating arrivals***

Malta's agility in responding to COVID-19 has not been restricted to its public health and financial recovery response. Scheyvens and Momsen (2008, p. 499) positively identify that "small size can facilitate coordination of tourism development, and make it easier to innovate, adapt and change according to market demands". Among the many consequences of the pandemic, the increasing use of digital applications stands out. This presents significant advantages for small states as access to specialised services through virtual platforms becomes more viable, knowledge exchange is facilitated, and digital channels enable actors to circumvent their material size constraints. Despite halting international arrivals during the semi-lockdown, Maltese authorities therefore sought to capitalise on digital opportunities to promote Malta as a tourist destination, including introducing €10,000 grants to enable businesses to promote their products virtually in foreign markets (KPMG, 2020d). Moreover, Heritage Malta (the national agency for museums, conservation practice and heritage) partnered with the MTA to release online video publications showcasing local cultural sites and museums to entice future visitors (Government of Malta, 2020h). A series of webinars was specifically launched to connect British travel agents with Maltese suppliers, owing to the UK's prime importance to the Maltese tourism sector (Dennis, 2020).

In addition to marketing initiatives, interviewees in the hospitality sector explained that the pandemic forced an opportunity for strategic reorganisation that management would ordinarily have lacked the capacity and resources to implement due to the rapid daily pace and demand of the Maltese tourism industry. Fundamental to this process of strategic review has been the need for ongoing staff training to complement the national monetary and fiscal policies with support for the structural transition to the post-COVID-19 world (Skilling, 2020a). With lower numbers of staff in small states, investment in quality staff training and development will support the delivery of higher-quality hospitality services and generate long-term returns on the investment (Nestoroska and Petrovska, 2014). To this end, the MHRA released free online courses, career counselling, study bursaries for English language courses for tourism operators, and specialisation courses accredited by the United Nations Institute for Training and Research (UNITAR). In May, the Maltese government also invested €5 million in free e-learning training schemes for up to 30,000 tourism workers, intended to bolster Malta's human resources capabilities (Government of Malta, 2020i). By looking ahead, authorities are seeking to favourably position Malta in order to increase competitiveness and galvanise the tourism sector in the post-COVID-19 period.

At the same time, despite the resilience of the Maltese economy, the agility of its policy response, and efforts made to entice and prepare for future arrivals, any small open economy remains inexorably linked to developments at the global level (Alba et al., 2020). As tourism relies on foreign visitors, in order to understand the prospects for Maltese tourism to resume, the situation in the countries of origin of these visitors must also be considered. By December, major suppliers of tourism to Malta, such as the UK, Italy, France and Germany, were still facing high infection and mortality rates (European Centre for Disease Prevention and Control, 2021). In December, in addition to the amber travel list, Malta even suspended flights temporarily from the UK owing to concerns about a new variant of the virus (Government of Malta, 2020j). These high rates of new daily cases call into question the extent to which travel will be readily resumed, whether restrictions might be reinstated, whether there will be further ramifications on businesses within Malta's tourism sector, and what the resulting economic and social impact will be. More broadly, the performance of international trading partners – particularly those within the EU, Malta's largest market for goods and services (Bonello, 2010) – and the ways by which they navigate the pandemic will impact upon Malta's economic opportunities for recovery.

These challenges are not confined to foreign shores. Indeed, the second wave has severely hindered Malta's own progress and is undermining the extensive stability and recovery efforts underway. By 18 August, total active cases in Malta had increased exponentially to 648, up from just four the month prior (Government of Malta, 2020b). The corresponding death rate also increased significantly, and on 30 September it was reported that Malta had the highest mortality rate in Europe, at 3.6 deaths per 100,000 people (European Centre for Disease Prevention and Control, 2021). By December, the virus had also infiltrated care homes (Government of Malta, 2020k), schools had emerged as a new source of transmission (Xuereb, 2020b), and festive celebrations held against the advice of health authorities resulted in mass transmission (Carabott, 2020b). On 31 December, total active cases had reached 1434, with cases continuing to rise (Government of Malta, 2020b). Consequently, despite all the marketing, restructuring and upskilling efforts underway by tourism authorities and entities, tourists may prefer to set their sights on alternate destinations with a more promising outlook.

## Lessons for small states

### *Recovery and resilience*

All told, the Malta case study offers critical prescriptive lessons for small states. First, it reveals the advantages of small scale for an effective response to the pandemic. In a small state, the small population size will invariably facilitate disease transmission and incur higher medicine costs per capita, whilst higher rates of swab testing relative to the population (facilitated by ease of access) will result in higher rates of reported infections (Briguglio & Muscat-Azzopardi, 2016). These are conditions that cannot be changed by policy. Yet building resilience in response to these challenges is policy-dependent, and the 'helicopter view' of small states presents significant opportunities for infection control (Muscat-Azzopardi & Camilleri, 2018, p. 448). Indeed, Skilling (2020a) makes the case that "agility is likely to be more valuable than scale" in navigating the structural challenges posed by the COVID-19 pandemic. Supporting this view, institutional coherence and agile decision-making were particularly conducive to decisive, quick and inclusive action by Maltese state authorities.

The agility with which small states are able to respond to crises thus contrasts with "the more complex, heterogeneous large countries [which] struggle to deliver the sustained political consensus required to achieve structural reform and fiscal consolidation" (Skilling, 2013, pp. 3). As a small advanced economy, Malta was supported by a healthy fiscal cushion from years of surplus, enabling authorities to quickly enact an extensive range of financial recovery measures to mitigate the adverse impact of the crisis on the tourism sector, and the economy more broadly. These measures were instrumental in preventing mass bankruptcies and rampant unemployment across Malta. Although some companies were forced to cease operations entirely during the semi-lockdown period, recovery efforts enabled a gradual resumption in service provision. As an advanced economy, Malta was fortuitous in having recourse to this action; conversely, many small island developing states with limited resources and fiscal space will struggle to replicate this success without significant and concerted international assistance (Leal Filho et al., 2020).

The success of the rapid policy response is facilitated by the distinct sociocultural and political ecology of small states (Moncada et al., 2021). Higher cultural cohesion and social capital initially produced significant public trust and adherence to regulations, supporting strategic flexibility (Baldacchino & Bertram, 2009). Altogether, these small state advantages allowed Malta to respond swiftly to effectively contain the spread of infection during the first wave of the virus, thereby permitting a reopening of the tourism sector ahead of the crucial summer period. These successes make Malta's impressive navigation of the first wave a testament to the adaptive capabilities of small states.

Contrastingly, the arguably unnecessary crisis of the second wave – facilitated by the irresponsible organisation of mass events and insufficient public health measures during the hasty reopening of borders – demonstrates the fundamental necessity of coherent policy-making and public communication to mitigate the adverse impact of the pandemic. At the start of the crisis, it is evident that when there was a clearly communicated and scientifically informed policy, public compliance with health advice was high and the rate of infection slowed dramatically (Lilleker et al., 2021). By July, Malta seemed to have conquered the virus. Had the reopening to tourists taken place incrementally, and in accordance with public health guidelines, Malta may have been able to maintain low infection rates and would have reaped greater rewards from summer tourism.

Instead, the reopening of the airport to visitors from high-risk countries without precautions, and the promotion of mass events, resulted in confusion, with conflicting messages from the health authorities and politicians being communicated to the public. When leadership began to show cracks, public compliance (already difficult to sustain over such a long period of time) decreased substantially. When surveyed by the MEA as to whether they believed a second wave could have been avoided, 96% of respondents (representing Maltese organisations from various sectors) responded in the affirmative (MEA, 2020b). Moreover, in August the Medical Association of Malta (MAM) critiqued the government's "misguided decisions" for bringing about "disastrous consequences on the tourist industry and public health alike" (Cordina, 2020). If resilience is policy-based, and dependent primarily on effective governance and political leadership (Skilling, 2021), rather than a symptom of size, then a targeted and coordinated approach, with stringent enforcement of measures, is clearly necessary for states of all sizes to reduce the rate of infection, and thereby enable tourism to resume safely.

This suggests two additional pivotal findings from the Maltese case. First, Malta's dramatic transition "from the 'poster child of Europe's COVID-19 success' to a high-risk country" (Cuschieri et al., 2020, p. 5) reveals the critical importance of a clear and consistent direction from both political and health authorities. This is vital in order to implement, and stringently enforce, scientifically evidence-based measures that can provide protection, without necessarily causing major disruption (e.g. quarantining, hygiene, test and trace, and the wearing of face coverings). By October, the MAM released another scathing critique of the country's "absence of leadership", arguing that "the government must stop sending mixed messages that the epidemic is under control, grossly underestimating the gravity of the situation. This has encouraged many people not to take mask-wearing seriously, accelerating the spread of the virus. This does not augur well either for Public Health or the economy" (Calleja, 2020b). Although small advanced economies score highly on effective governance (Skilling, 2021) and the higher social capital and societal cohesion in small states is favourable for compliance (Baldacchino, 2005), these advantages are lost if instructions are contradictory or insufficient.

Secondly, when devising, implementing and communicating policy, the pandemic response should not be presented as a dichotomous choice between health and tourism; until the community transmission of COVID-19 is under control, economic recovery measures cannot fully succeed and tourism cannot resume safely. This extends beyond the small state itself: given the dependency of small states on international trade, finance and tourism, their ability to withstand shocks will depend on effective governance and crisis management by the external partners they seek shelter from as well (Thorhallsson, 2011).

### *Small state tourism*

When seeking to attract future visitors, small states will need to adjust their approaches and revise hospitality processes. Some providers in Malta reopened in accordance with official safety protocols, which will continue to affect service provision and influence consumer preferences in the post-COVID-19 environment. Together with infrastructural improvements and the dedicated training of staff to upskill in preparation for the post-COVID-19 period, digital tools may be harnessed to market small states as viable destinations for future travels. In the short and medium-term, small states will need to reconfigure their approach to tourism to satisfy visitors, whilst safeguarding the health of both tourists and workers. Representatives of the tourism sector must work closely with health authorities to understand the medical triggers and health requirements necessary to build resilience into the post-COVID-19 tourism industry. This would help to manage the reactivation of both the economy and service delivery, without compromising safety.

In the long-term, part of this process will require further diversification of the tourism sector itself. More visitors may opt for private accommodation (including private rented accommodation and private residences, as opposed to hostels, hotels, and tourist villages) (NSO, 2020e) to avoid staying in large establishments populated by large numbers of guests. This would amplify an emergent trend; whereas collective accommodation previously dominated the accommodation market, the past two decades have seen a dramatic shift in preference towards private accommodation, with the share of total nights spent in private accommodation in Malta increasing from 20% in 2009 to 48% in 2019 (Attard, 2018). This trend has largely been driven by ease of booking, and an increase in demand for experiential tourism (a more authentic experience) (Agius, 2016). The pandemic is likely to fuel this demand even further as private accommodation provides more control over sanitation.

COVID-19 could therefore be paving the way for the contribution of more private and small-business owners to a more shared economy. Scheyvens and Momsen (2008) view such enterprises as favourable to the development of small island states because they sustain local ownership of the tourism product and prevent the economy from being dominated by the interests of foreign corporate investors. At the same time, there are employment implications resulting from the increasing preference for private accommodation, since these are run by private owners (whereas collective accommodation companies employ workers) (Schembri Orland, 2020). This option also reduces pressure on the hotel construction industry in small states as it makes use of existing properties. However, the Maltese government must amplify its efforts to regulate unregistered private holiday accommodation. Authorities should ensure that licenses are paid, that the required quality standards are met, and that the proliferation of these types of accommodation does not result in unwarranted fiscal competition (Grech, 2020).

Consumer choices regarding accommodation, food and beverage services, and other touristic offerings will be influenced by the response measures to the crisis and the sanitation procedures implemented – which may even enable providers to diversify into niche tourism products. A prime example is the opportunity for small states in warm climates to target the medical tourism segment by promoting the allure of their sun and fresh sea air as part of the health recovery process. Research has identified a positive link between travel and the physical, mental, and social well-being of individuals (Alipour et al., 2020). In 2017, tourism for "educational, religious and health-related purposes" only accounted for 6.8% of visitors to Malta (Attard, 2018, p. 39). Yet, there is scope to expand on hospitality provisions for this niche market. An attractive feature of Malta's small size is that the distance between the airport, accommodation establishments, and clinics is short, whilst the private sector enables visitors to bypass long waiting lists (Medical Tourism Association, 2020). As a small state with an advanced economy, high quality Maltese clinics are comfortable, prices are competitive in comparison with the global average, and services are accessible due to the multilingual medical staff (Mallia, 2018). Therefore, sustained improvements in these areas would be conducive to diversifying Maltese hospitality provisions, penetrating new markets of niche tourists, and further attracting foreign direct investment.

Post-COVID, even the arrangement of rooms and public areas will affect consumer decision-making, and there is expected to be an increased demand for outdoor offerings (European Commission, 2020c), which the climate of warm-water destinations, such as Malta, favours. At a destination level, however, this could result in more pressure to seize land for open air provisions (Markwick, 2000). Meeting these demands in a small state with a high population density therefore risks this pursuit at the expense of land, social equity and access for all.

Given these changing preferences, the gap between mass and quality tourism may increase (Schmidt, 2020). Visitors with more disposable income will demand more exclusivity, which small states are uniquely positioned to capitalise upon. Malta is infrastructurally ill-prepared to cater for large volumes of people, so reducing the number of visitors makes it possible to increase the level of quality to target a more exclusive audience. It is important to note, however, that the Maltese tourism industry has traditionally positioned itself towards the mass market. This is evident in both the available touristic infrastructure, as well as the mindset of providers, the majority of whom tend to compete solely on price (Chapman & Speake, 2011). Although a shift in mindset and industry focus may be challenging, this pandemic has brought about the opportunity to diversify.

This proposed pivot towards quality tourism was initially recognised in the National Tourism Policy 2015-2020 (Ministry for Tourism, 2015); however, this remains a piecemeal affair. Thus, the approach taken by one of Malta's largest hotel operators, AX Group, is noteworthy; interviewees described their greater focus on the luxury tourism segment (rather than the mass market), favouring average guest spend over volume of guests. The need for a long-term emphasis on sustainability of the tourism sector over volume was echoed by the Corinthia Group, another of Malta's largest hotel chains, that has stressed that "we should be talking about tourist expenditure, not numbers" (Galea-Debono, 2020d). As Craigwell (2007) explains, this is of strategic importance because offering greater value can enable small island states to rationalise high prices with high quality in the competitive tourism environment.

Nevertheless, interviewees argued that this reorientation to quality over quantity will only succeed if bolstered by government initiatives to reposition Malta on the tourist map, together with regulations to match existing capacity to desired demand. This is a sector that small island states like Malta would be well-placed to target by leveraging the "beauty, culture and history of the Island" to develop a unique brand identity, characterised by experiential authenticity that will attract luxury guests and increase "visitor gratification, loyalty and expenditure" (Micallef, 2017, pp. 17-38). However, reorienting towards this niche market also brings challenges. In small states, it may be difficult to sufficiently isolate luxury provisions from less savoury tourist hotspots, as exemplified by the five-star resorts around St George's Bay in Malta standing in stark contrast to the ugly reality of the sleazy entertainment area of Paceville on its doorstep (Billiard, 2014). The gap to reconcile this luxury promise with reality may therefore prove too great to bridge over credibly in dense urban areas. Moreover, in the attempt to make this transition, Pekkala (2015, p. 41) explains that "luxury oriented resorts often attract elite tourists that expect services, such as swimming pools, gardens, golf courses, and other facilities that consume scarce water and energy resources." Therefore, sustainability in resource-deprived small states, such as Malta, must be a core consideration in designing approaches to target quality tourism.

### *Diversification beyond tourism*

Tourism should remain a strong contributor to the economic performance of small states as it has a high-income elasticity and leads to higher economic growth than commodity dependence (Roe et al., 2004). Yet, its vulnerability to sectoral shock, as exemplified by the COVID-19 crisis, has also shown that, to ensure sustained future economic growth, a more diversified economy is necessary, and alternative areas that contribute to this growth ought to be strengthened. Opportunities for diversification must be resilient enough to navigate any future disruption, be that a health pandemic such as COVID-19, natural disasters, or other black swan events. Tourism is always one of the first sectors to be hit in crisis situations. Therefore, the diversification of the economic model can mitigate the consequences of single sector reliance for small states. This will ensure the necessary injection of capital to reinvigorate the tourism sector after such a crisis.

The Maltese case demonstrates how a diversified economy enabled some sectors to remain buoyant, despite the tourism sector suffering. Although there was a total lockdown of the tourism and retail sectors during the first wave, other sectors (such as construction, professional services, and finance) continued to contribute to the Maltese economy (PwC, 2020b). Unlike countries that enforced a total lockdown across all sectors, the partial restrictions meant that these alternative revenue streams still managed to accrue vital income. Skilling (2020b) assesses that this sectoral mix has enabled small advanced economies to maintain even more of a competitive advantage than larger advanced economies overall, and has been vital to offsetting the dramatic decline in international tourism. This lends credence to the need for diversification of the economy in small states to extend beyond tourism.

Malta has already found success in financial services, remote gaming, blockchain and computer programming; and so, further investing in technological infrastructure, digital literacy, and bridging the digital divide will also be essential to laying the foundations of a more resilient and knowledge-based economy (Fabri, 2020). This can enable small advanced economies like Malta to maintain a competitive advantage and to achieve growth despite their heightened exposure to external shocks. Moreover, small size provides a strategic competitive advantage that makes these small states more flexible to adapt to new systems, which larger countries may take longer to implement (Baldacchino, 2019). Consequently, in the bid to "transition to a high skills, high investment, high productivity economy" (Skilling, 2020b), the capacity of small states to be experimental should be leveraged.

Concurrently, if enacted sustainably, this diversification would serve to relieve some of the negative impacts of the tourism sector on the social and natural environment of small states. These consequences are largely a result of over-tourism, defined as a situation where "the quality of life in the area or the quality of the experience has deteriorated unacceptably" (Goodwin, 2017, p. 1). Without proper destination management, "high visitor numbers can create extra pressure on local resources and an overloaded infrastructure", which can in turn result in an inferior experience for visitors and locals alike (WTTC, 2018, p. 9). Although a major driver of the Maltese economy, the exponential inflow of people parallel to a fixed and limited capacity has resulted in negative consequences in the form of overcrowding, the disfiguring of shorelines due to the large-scale construction of coastal hotels (McElroy, 2003), environmental degradation, infrastructural overloading, and rampant over-development (Briguglio & Avellino, 2019). These problems were already being felt prior to the COVID-19 pandemic, and it is vital that workarounds are found to reduce these adverse effects, particularly as they limit the adaptive capabilities of small states striving to confront the parallel global crisis of climate change (Briguglio & Cordina, 2003).

## Conclusion

The COVID-19 pandemic wreaked havoc on tourism-dependent economies across the globe, including that of Malta. Borders were closed, airlines were grounded, and tourist arrivals were halted. Consequently, the tourism sector experienced a sudden shock to the system. Through an examination of the impact of COVID-19 on key components of Malta's tourism sector (accommodation, food and beverage), this paper argued that the Maltese case is illustrative of the ways by which many of the distinct advantages of a small state could be harnessed by policymakers to successfully navigate the challenge. This was exemplified by institutional agility and resourcefulness facilitating effective governance and the deployment of stability and recovery measures, and heightened social capital supporting compliance during the first wave of infection.

However, the transmission rate escalated exponentially in Malta during the second wave, and the extent of this viral resurgence was largely a result of poor policy decision-making, and not a consequence of size. As the US geographer Gilbert F. White (1945, pp. 2) wrote, "floods are 'acts of God,' but flood losses are largely acts of man [*sic*]". This same logic holds true for Malta's approach to the COVID-19 pandemic, where it is clear that the benefits of small scale for crisis management were undermined by hasty, ineffectual policy-making that prioritized short-term solutions, only to erode progress and precipitate greater problems.

Given the crucial importance of sound policy-making to build resilience (Moncada et al., 2021), when looking to the future, this paper has highlighted how small advanced economies may be advantaged by not being reliant on a single sector. Technological capabilities and the flexibility to be experimental should therefore be leveraged to further diversify the economy and augment its buoyancy. At the same time, tourism will remain a strong contributor to small island economies. Thus, an examination of diversification opportunities in the latter half of this analysis revealed that authorities also have a timely opportunity to reposition small island states, such as Malta, as exclusive tourism destinations. Prioritising quality over quantity can help small states to offset the negative ramifications of over-tourism and enable them to capitalize on more personalised and localised offerings. At the same time, recognising that all economic sectors, and not just tourism, must operate in accordance with an environmental threshold is essential for the long-term health of all nations.

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