

Vaccine Passports: Why, When, How?

Sohaib Shahid, Senior Economist | 416-982-2556

May 31, 2021

Highlights

- Vaccine passports, both domestic and international, might be the travel and tourism sector's ticket to revival. Still, they won't come easy and are almost certainly going to end up a mishmash of different credentials for different activities.
- These passports won't be without 'side effects'. They are likely to exacerbate pandemic-induced inequalities. Any policy that makes vaccine passports essential for cross-border travel or access to domestic activities will have to account for the potentially negative impact on more vulnerable groups.

Who knew just over a year ago that vaccine passports would be a 'thing'. Well, they are. And will soon become – at the risk of sounding trite – the 'new normal'. The pandemic has devastated the travel and tourism sector. And vaccine passports might be the sector's ticket to revival. These passports will be of particular help to countries that are reliant on tourism (for example, the EU), as it would allow them to welcome domestic and foreign tourists as soon as this summer.

Vaccine passports fall into two categories:

1. Domestic passports to enter indoor and large group events (like sporting facilities or restaurants).
2. International passports to enter a country. This could have a material impact for U.S.-Canada relations, as it could lead to structurally lower cross-border trips.

Countries can use vaccine passports domestically, internationally or both. Let's take the example of the EU and Israel, two locations that have made significant progress on this front. The EU says the passport (dubbed a "Digital Green Pass") will only be used at EU borders and not for attending sporting events, theatres etc. But countries may implement their own digital passes for people wanting to attend public events. Meanwhile, Israel's "green pass" is valid for cross-border travel of Israeli citizens. The pass is also compulsory for visits to restaurants and stadiums etc. Israel has also introduced a 'purple badge' for unvaccinated individuals who want to go to gyms and swimming pools. Those with a purple badge have to wear masks and socially distance. The purple badge is not accepted at all venues, such as stadiums. Starting June 1st, the use of both the green pass and the purple badge to access domestic activities will be scrapped. The green pass will only remain in place for cross-border travel.

Europe's proposed vaccine passport covers anyone who is either vaccinated, has a negative test or has recently recovered. Anyone who has received their final dose of an EU-approved vaccine at least two weeks beforehand can travel to the EU, no matter their country of origin. A list of 'low-risk' countries will also be expanded, allowing travel even without a vaccine. A low-risk country is currently defined as one with an infection rate of less than 75 cases per 100k population. But travelers from such countries would still have to show a negative test or show proof of having recovered from the virus.

Table 1: Countries Are Introducing Vaccine Passports

Country	Domestic Vaccine Pass Applicable	International Vaccine Passports Required
Israel	Valid for cross boarder travel for citizens and mandatory to visit restaurants and stadiums. Domestic vaccine passes will not be required June 1 onwards.	<ul style="list-style-type: none"> Bahrain, Cyprus, Greece enter with proof of vaccination Intend to expand this list
EU	Digital Green Certificate: Only used for Intra-EU travel but not for attending domestic sporting events, theatres etc.	<ul style="list-style-type: none"> Agreement on May 19th to reopen borders for fully vaccinated travelers (with EU approved vaccine). Expanded list of low-risk countries, with infection rate <75/100k. Must show negative PCR or proof of recovery EU members can still set own rules
Denmark	Coronapas: Allows vaccinated, negative test and recovered to enter bars, restaurants and museums.	<ul style="list-style-type: none"> Fully vaccinated and approved by the EMA Travel not before 14 days since vaccinated <u>and no later than 180 days since completion of vaccination</u> Permanent resident of an EU country and completed vaccination in an EU country Travellers recovered prove positive antigen or PCR test
UK	Government is piloting different ways a vaccine passport can be used for large gatherings such as concerts, nightclubs and sporting fixtures.	<ul style="list-style-type: none"> Israel, Singapore, Iceland, Ireland, New Zealand, Australia
Canada	X	<ul style="list-style-type: none"> No formal guidance yet, but G20 ministers supported vaccine passports.
U.S.	<ul style="list-style-type: none"> ✓ Voluntary in NY X Banned in several states (i.e. FL, TX, AZ etc.) 	<ul style="list-style-type: none"> No formal vaccination passport protocol Maintains entry restrictions for high-risk countries

Source: Various news agencies, TD Economics.

Still, it is important to remember that the EU proposal is non-binding and would allow EU states to set their own rules. Any EU member can unilaterally decide to ban travel from any non-EU country (with or without vaccines). For example, if a Canadian tourist lands in Spain, there is no guarantee they can travel to Portugal, if Portugal bans entry of Canadian travelers. The EU is giving a lot of leeway to member states on how they want to regulate access to domestic activities (restaurants, stadiums etc). Each member state could have its own rules for access to domestic activities. This will make things complicated and uncertain.

Meanwhile, Israel's green pass is available for vaccinated individuals and recovered patients. But, unlike the EU, adults with a negative coronavirus test are not eligible for the green pass.

Stateside, there is no unified strategy regarding vaccine passports. The federal government has said it will not seek a universal vaccine passport, leaving states to move ahead with their own plans. Some states strongly oppose the idea, while others are in favor, leading to a patchwork of policies across the country. What is more, some large businesses, such as sports and concert venues are requiring proof of vaccination.

Meanwhile, in Canada there is no formal guidance yet, but the Federal Government has backed vaccine passports. The situation is more complex at the provincial level. While Quebec is already sending people electronic proof of their vaccination, Alberta and British Columbia are opposing the use of vaccine passports. On the ground, almost 80% of Canadians say they would support the use of vaccine passports for cross-border travel. But only 55% of Canadians are willing to provide proof of vaccination at public places such as restaurants, malls and even workplaces.

Emerging markets (EMs) are a different story altogether. Developments related to vaccine passports mean that international tourism, especially from EMs, will remain structurally weak. This is for several reasons: (1) Europe isn't yet accepting Chinese and Russian vaccines which most EMs are getting; (2) EM vaccination rates are well behind advanced economies (AEs); (3) Unlike AEs, many EMs do not have the capacity to put resources toward developing vaccine passports.

Remember, vaccine passports will have their own fair share of 'side-effects'. They are likely to exacerbate pandemic-induced inequalities. Disparities in vaccine takeup along income and racial lines have persisted throughout almost all vaccination campaigns in AEs. For example, willingness

to be vaccinated is lower among certain Canadian visible minorities and those living in rural and low-income areas. South of the border, roughly half of Americans have received at least one dose of the vaccine compared to only 29% of Black Americans and 32% of Hispanics. Any policy that makes a vaccine passport essential to access domestic activities and international travel should account for the low-income and the minorities left behind. Globally, requirements for vaccine passports will create a bigger gap between AEs and EMs, and therefore, the global rich and the global poor.

Bottom Line

Vaccine passports could help to hasten recovery in the travel and tourism sector but they won't come easy. Passports are likely to end up as a mishmash of different credentials for different activities, which will make things messy complicated and uncertain. At the same time, concerns about data privacy and health-care equity will remain front and centre in their application. Vaccine passports won't be without their 'side effects' either. They are likely to exacerbate pandemic-induced inequalities. As such, even as they are adopted, opposition to the concept is unlikely to fade quickly.

Disclaimer

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.