

**Greater Mekong Subregion
High-Level Public- Private Sector Consultation Meeting
9-11 September 2004
Bangkok, Thailand**

TOURISM

I. Background and Setting

1. The Greater Mekong Subregion (GMS) is the fastest growing tourism destination in the world – bringing in much needed foreign exchange, creating jobs, and contributing substantially to economic growth. GMS countries have a strong comparative advantage in tourism – demonstrated by high growth rates¹ – but need to exploit tourism more effectively as an instrument for sustainability, reducing poverty and promoting broad-based economic growth. In spite of this impressive growth, supported in part by the different subregional initiatives and projects promoted by the GMS Tourism Working Group (TWG) for a decade, future growth and sustainability in this sector is still constrained by the lack of a comprehensive and more coordinated tourism promotion and marketing effort, difficulties in access to many tourist destinations, insufficient tourist infrastructure, relatively weak policy and institutional capacities to promote private sector participation, and obstacles for the movement of tourists to and within the subregion.

2. Tourism in the GMS has increasingly become multicountry; amid a highly competitive world tourism industry, the GMS tourism sector has the best chance to grow if it promotes the subregion as a single tourist destination. GMS countries have recognized the advantages of cooperating in order to develop new products, improve the policy climate and institutional capacities, strengthen promotion and marketing, and establish partnerships between the public and private sectors. Subregional cooperation is crucial to the continued growth of tourism in the subregion.

3. Investments in tourism infrastructure are urgently needed, as are investments in pro-poor, community-based tourism in the GMS. The poor need to not only share in the benefits of increased tourism, they also need to participate actively in its growth. At the policy and institutional level, issues concerning partnership between public and private sectors, quality of tourism products and services, and enhanced access to and within the subregion need to be urgently addressed. It is also critically important to assist the GMS countries to manage the cultural and natural resources, which are the basis for the sustainability of the tourism sector.

4. The GMS countries possess a wide range of highly attractive and relatively undeveloped natural, cultural, and historical heritage tourism resources. In 2003, the GMS attracted about 17 million international tourists and around \$10 billion in receipts. Tourism forecasts indicate that if a subregional approach to develop and promote the tourism sector is adopted, the GMS countries could attract about 29.2 million international tourists by 2010 and about 61.3 million by 2020. If the forecast is realized, by 2010 there could be an additional \$7.56 billion expenditure from tourists; an additional

¹ The average annual growth rate has been 8% for the period 1995-2002. The growth rates for each country are the following: Cambodia (20%), Lao PDR (11%), Myanmar (6%), Thailand (7%), Viet Nam (10%) and Yunnan province of PRC (11%)

194,000 hotel rooms and related services and facilities with investment requirements of about \$14.5 billion; a substantial increase in the demand for and supply of transportation equipment and services; and about 194,000 new jobs in the hotel sector. The contribution to household incomes from tourism could be significant, especially in the rural areas with tourism potential and among disadvantaged groups such as the youth, women, and ethnic minorities, who will be able to get better paying jobs, or new jobs, or create their own small business. The volume of taxes accruing to national and local governments in the GMS will also increase and boost local economies and overall trade activity. However, these benefits will not occur, or may not be equitably distributed unless a subregional approach to the tourism sector is adopted.

5. Tourism is one of the flagship programs under the Greater Mekong Subregion (GMS) program strategic framework approved by the GMS governments in November 2002. The TWG, comprising senior representatives of the national tourism organizations (NTOs), was established in 1993 to guide the implementation of projects to promote the GMS as a unique tourism destination. The TWG is supported by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the Pacific Asia Travel Association (PATA), the United Nations Education Scientific and Cultural Organization (UNESCO), the World Tourism Organization (WTO), and the Asian Development Bank (ADB). The Agency for Coordinating Mekong Tourism Activities (AMTA) was established in 1997 in Bangkok as a permanent secretariat of the TWG.

6. The TWG, which has promoted several successful subregional projects in the last 10 years,² has also recognized that there is need for a more holistic approach based on focused programs to continue the sustainable expansion of the sector, while protecting the natural, historical, and cultural heritage. Further, the TWG knows that it is also necessary to develop policies and mechanisms to ensure that the economic impact of tourism is fairly distributed and contributes significantly to reduce poverty. Many private sector operators in the tourism industry are already implementing subregional strategies³ when approaching the GMS tourism market. Nongovernment organizations (NGOs) and local communities in the GMS also recognize the need to strengthen subregional cooperation and strategies to ensure the protection of natural and cultural resources and mitigate potential negative effects of unguided tourism development on vulnerable local populations.

II. Issues and Challenges

7. To deal with the challenges ahead, the TWG recently revised its agenda and the tourism flagship matrix to deal with the necessary reforms in the sector in a more holistic way. In 2004 the TWG included new areas of interest, incorporated new partners, and reorganized its activities around the following 7 thematic programs: (i) promoting the subregion as a single tourism destination; (ii) developing tourism-related infrastructure; (iii) improving human resources in the tourism sector; (iv) improving standards for managing natural, historical, and cultural resources for conservation and tourism; (v) promoting pro-poor community-based tourism; (vi) promoting greater participation of the

² Samples of this success are the Mekong Tourism Forum, which has become a key meeting in the annual tourism agenda in the subregion; the project "Jewels of the Mekong", which substantially contributed to attract tourists to the subregion as a single destination and many other marketing, promotion, training and research activities.

³ Many airlines such as Bangkok Airways and many tour operators are already operating at GMS level.

private sector and partnerships with the public sector; and (vii) facilitating the movement of tourists to and within the GMS.

(i) Promoting the Subregion as a Single Tourism Destination.

8. The common need for effective destination marketing is one of the strongest reasons for cooperation among the NTOs of the GMS. Joint-destination marketing activities organized by AMTA have been effective. However, several problems remain – lack of a general direction and coordination of activities, insufficient financing, and lack of human resources in AMTA and other relevant stakeholders to implement the activities. Financial support for administrative and operational activities and strengthening human resources for AMTA is badly needed. The tourism industry has to take the lead in providing this support.

9. It is necessary to prepare a tourism positioning and marketing strategy that will cover (i) identification of the appropriate type, range, and location of products including tour circuits based on the priority areas that should be developed; (ii) a target market segmentation strategy and the forecast tourism volumes between 2006 and 2015 broken down by product and activity interest, by source markets, and by socioeconomic profile; (iii) a brand image and market positioning strategy that individual GMS countries will use as a marketing umbrella for their own individual activities and to organize marketing and promotional activities at the subregional level; (iv) a plan for establishing and financing an appropriate institutional structure to implement subregional marketing activities; and (v) the respective roles of the public and private sectors.

(ii) Developing tourism-related infrastructure.

10. Under the leadership of the TWG, NTOs of the GMS are cooperating in joint projects to plan and develop tourism-related infrastructure. Six NTOs agreed on conceptual plans for developing tourism infrastructure on the Mekong River. ADB supported this initiative through the GMS Mekong Tourism Development Project, approved in December 2002. However, infrastructure needs are still huge in the GMS and this lack of infrastructure is a great obstacle for the development and sustainability of the GMS tourism sector. Infrastructure to facilitate access to tourism destinations (airport, roads, ports), ensure environmental standards in tourist destinations (wastewater and solid waste treatment systems), and protect and rehabilitate historical cities and monuments are urgently required. Private sector investment in hotels and recreation areas is also required.

11. It is necessary to prepare a strategy to develop tourism-related infrastructure that identifies (i) priority geographic areas where tourism-related infrastructure is required (with special attention to economic corridors and development triangles including several countries); (ii) priority tourism-related infrastructure subsectors that require improvement; (iii) financial mechanisms to develop and operate tourism-related infrastructure; (iv) institutional arrangements required to coordinate tourism-related infrastructure development at national and subregional levels; and (v) a list of high-priority tourism-related infrastructure projects.

(iii) Improving Human Resources.

12. Human resources in the public and private sectors are generally weak in the GMS. The TWG has supported human resource development (HRD) for more than a decade. A key emphasis has been on upgrading the basic skills of the GMS trainers of the tourism industry, and training courses for NTO's personnel on issues relevant to GMS tourism development. UNESCAP has been a major supporter of these initiatives. However, there has been lack of coordination in identifying priorities and organizing activities supported by various stakeholders. Capacity building in management of tourism destinations, tourism planning, marketing, and service delivery is urgently required.

13. It is necessary to develop a comprehensive subregional approach to tourism HRD covering both private and public sectors at national, provincial, and local tourism offices, and natural and cultural heritage resource managers.

(iv) Improving standards for managing natural, historical, and cultural resources.

14. National parks, other protected areas⁴, historic places and cultural sites, together with the people living within and adjacent to these areas, are the primary resources of the tourism industry. The ability to manage these resources wisely will largely determine whether growth in tourism is sustainable. Since 1995, the TWG has sought opportunities to improve standards of natural and cultural resource management in the GMS. UNESCO has been a major advocate of these initiatives. However, a common approach in the GMS to manage these resources to ensure an appropriate balance between conservation objectives and poverty reduction through improved tourism is still lacking.

15. The GMS countries need to agree on a subregional approach to the sustainable management and development of natural and cultural heritage resources linked to tourism. Increasing the level of cooperation and coordination between the NTOs and the resource management agencies responsible for the natural and cultural heritage, and between those and local communities, is a key challenge.

(v) Promoting Pro-poor Community-based Tourism.

16. Tourism policies and regulations that are pro-poor and which lead to genuine social, economic, cultural and environmental benefits should be promoted by private and public sectors in the GMS. In the past, some policies and projects set tourism off on an anti-poor course characterized by uneven distribution of benefits, poor planning, economic leakages, environmental destruction, unguided development, and lack of concern with the local population's needs and cultures. The TWG included support for village-based tourism into its agenda in 1995 and UNESCO has been an advocate of this project. However, GMS governments do not yet have a common approach to pro-poor tourism.

17. GMS countries need to improve the sustainability and poverty reduction impact of the GMS tourism sector, by focusing attention on expanding business and job

⁴ There are about 550 protected areas in the subregion. The *GMS Atlas of the Environment* has identified 37 protected areas with areas of 1000 km² or more.

opportunities for the poor, retaining and distributing benefits at the local level, promoting local products, ensuring sustainable development of tourism infrastructure at the community level, promoting partnerships between public and private sectors and local communities, and expanding local participation in planning and managing tourism destinations. A subregional approach to achieving a more pro-poor and equitable distribution of the benefits of tourism development and to develop community-based and ecotourism projects that benefit the poor, women, and indigenous people in the subregion is required.

(vi) Promoting greater participation of the Private Sector and partnerships with the Public Sector.

18. The TWG has established the Mekong Tourism Forum (MTF) as a vehicle to encourage private sector participation in GMS tourism and promote dialogue between private and public sectors in the GMS. PATA has supported the organization of nine MTFs. However, a coherent subregional approach to increase private sector participation in tourism still needs to be developed.

19. GMS countries need to prepare a strategy to (i) increase cooperation and develop partnerships between the private and public sectors at local, national, and subregional levels; (ii) increase private sector investment in the tourism sector; (iii) facilitate the development of small and medium-sized enterprises (SMEs) in the tourism sector; and (iv) assess measures to increase industry competitiveness.

(vii) Facilitating Travel to and within the GMS

20. Easing restrictions on cross-border travel within GMS has been a priority of the TWG. To date, outcomes have been significant including the opening of new international border checkpoints and the provision of visas on arrival. It is, however, necessary to further facilitate the movement of tourists to and within the subregion, while minimizing the potential negative effects, such as increased illegal criminal activities, trafficking in people, and HIV-AIDS.

21. A comprehensive road map should be prepared that will cover: (i) facilitation of cross-border movement and improved processing procedures at border checkpoints, (ii) development of overland and river-based tours and tour circuits, (iii) provision of improved transportation services information, and (iv) liberalizing air transport policies.

III. Roles, Responsibilities, and Opportunities for the Tourism Industry

22. The tourism industry in the GMS has a key role to play to ensure the growth and sustainability of the sector in close coordination with the GMS governments. It is also responsible to ensure that local natural environments, communities and cultures are respected and that tourism benefits the society as a whole and contributes to the reduction of poverty. The sector offers opportunities for investment and operation of infrastructure facilities and resources, provision of quality services to tourists, as well as training opportunities.

(i) Roles

23. National and local governments should provide an appropriate physical, regulatory, fiscal and social framework that allows the private sector to operate effectively. However, in some GMS countries, governments have also become hoteliers, travel agents and tour and transport operators. This strong role of the public sector could be justified on certain occasions when private sector investment is difficult to attract due to the lack of the necessary physical, human and regulatory infrastructure. However, in recent years most GMS countries have disengaged from many of these functions and have transferred them to the private sector. The role of the private sector in developing GMS tourism has been progressively expanding in each country, although at different rates, depending on the characteristics of the country. Furthermore, the private sector has also been progressively interested in investing and managing tourism facilities due to the improvements in infrastructure, facilitation of access, and a more positive attitude of GMS government towards private investment in the sector.

24. Progressively, GMS governments see their role more as that of regulator of tourism activities and facilitator or stimulator of private sector investment through fiscal and other incentives. This is a natural and positive development, which recognizes the role of the private sector in developing tourism in the subregion. Some of the key roles that the private sector could play are the following:

- (a) Provide quality service and products to tourists
- (b) Invest in tourism infrastructure (hotels, recreation areas, transportation systems), but also increasingly in areas of traditional public investment such as airports and public utilities
- (c) Finance and develop national and regional marketing strategies in association with the public sector (Tourism Marketing and Promotion Boards will be established in several GMS countries)
- (d) Advocate sector reforms to improve the competitiveness of the industry and manage sector crises (hotel, tour operators, restaurant and other tourism related associations have been established and are becoming increasingly important in representing the concerns of the private sector)
- (e) Promote Subregional Cooperation. Several companies have developed regional tours and products across borders. More are necessary. The MTF should serve as a platform for subregional dialogue for the sector.
- (f) Special role of the SMEs. Thousands of tourism-related SMEs have been established in the GMS and are increasingly becoming a source of strong dynamism, creativity, and employment. These can be expanded.
- (ii) Responsibilities

25. Many GMS private tourism companies are collaborating with local government authorities and communities to ensure that their long term-investments have a positive impact on the community and that any potential negative impacts are minimized. In this regard, the following aspects have to be considered by GMS private sector investors and operators and by the public sector authorities that monitor them including:

- (a) Respect and preserve local culture and heritage. Local heritage and cultures are some of the key sources to develop a tourist destination. Private sector investors need to ensure that those cultures are preserved and enhanced. They have to respect local traditional architecture, promote local customs and teach tourists how to understand, respect and share local cultures and traditions.
- (b) Protect the environment. Tourism facilities have to respect environmental standards, both during the construction and operation phases. In some cases investment and operation of tourism facilities could even have a positive impact on the natural environment by offering alternative sources of income to local populations that would have otherwise destroyed their natural habitat due to the lack of income opportunities.
- (c) Promote local products and people. The private sector should maximize the use of local products such as local construction materials and food and ensure that local population is employed for the construction and operations of tourism facilities.
- (d) Share economic benefits with local communities
- (e) Protect the rights of tourism industry's workers. The industry must guarantee the rights of its workers and enhance their capacities.
- (f) Protect the rights of tourists. It is necessary that the industry, in close coordination with the government ensure the protection of the tourists from potential frauds, health or security risks.
- (g) Guarantee quality of services and products. The industry must ensure its own reputation by promoting the establishment of certification and classification systems of key services offered to the tourists across the subregion. This can be through self-regulation or through a more formalized system in close coordination with the governments.
- (h) Establish a code of conduct for the GMS tourism industry
- (iii) Opportunities

26. The expansion of infrastructure, improved access of tourists to and within the subregion, and a more positive attitude from GMS governments towards the private sector is providing significant opportunities for investors, operators, training institutions and consulting companies. These include:

- (a) Investment opportunities in tourism infrastructure, travel facilitation, and products
- (b) Human resource development opportunities. Training activities in hotel management, ICT for tourism, tour guiding, destination management, tourism planning

- (c) Efficient management of tourism resources (historical monuments, natural parks and reserves) and tourism-related infrastructure (airports, public utilities, etc.)