

The Shy Birds are Making a Comeback, But.....

An economic and cultural evaluation of Thailand's tourism industry after the tsunami.

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Tourism is a highly sensitive and vulnerable activity. It is not without reason that tourists have been described as "shy birds", who can be scared off by any number of real or perceived threats to safety, health and property or financial wellbeing. Since the beginning of 2004, some unforeseen and uncontrollable factors have attributed to Thailand's fluctuating tourism fortunes. They led to a catastrophic drop in numbers of tourists. The first important factor to be mentioned is the SARS outbreaks. Some tourists from Europe, America and Australia were scared and avoided traveling to Thailand.

Much more, the threat of terrorism in the South of Thailand started to be a geopolitical influence. Towards the end of 2005, the troubles are yet to be resolved. The threat occurred only in the three provinces in the South near the border, and did not extend to other parts of the country. But it scared people off. Tourist numbers hence fell significantly. In 2004/2005, the situation was aggravated by the December 26 tsunami. The six affected provinces of Phuket, Krabi, Phangnga, Satun, Ranong and Trang reported sharp declines in the number of foreign visitors. In January 2005, only 640,000 foreign tourists arrived at Bangkok International Airport, an 18% drop from the year before.

The Tourism Authority of Thailand (TAT), however, sees booming years ahead for three reasons. First, the SARS (Severe Acute Respiratory Syndrome) scare and the re-emergence of bird flu remain under control. Second, the tsunami disaster shocked the world, but the tourism industry has already started to recover. Beginning from the peak travel season in October, 2005, the tourists are making a comeback. Some tourists simply avoid tsunami-hit provinces, visiting other areas of

the country. So the total number of visitors is still rising. Finally, the situation is regarded as a shot-run phenomenon that can be overcome through smart marketing campaigns.

The total number of foreign tourists was 12 million in 2004, generating 384 billion baht (about 8 billion Euros). The TAT projected that it will be 13.4 million in 2005, generating 450 billion baht for the local economy. It is officially expected that the number of foreign visitors will reach 20 million in 2008. Not only that, the number of trips taken by Thai tourists was estimated by the TAT at 76.25 million in 2005, compared to only 42.5 million in 1996. The expansion of the middle income class following rapid economic growth has encouraged rapid growth in domestic tourism. It is estimated that in 2008 the tourism market in Thailand will be dominated by local tourists.

The perspective of the TAT is not universally hailed, but it is only outside investors and multinational corporations who will be the greatest beneficiaries. NGOs and academics have warned repeatedly that the promotion of such mass tourism has already had negative impacts on Thailand economically, culturally and environmentally. Local people are suffering and crying. It is obvious that the tourism growth has not led to the trickle-down effect. People at the grassroots have lost their lands, way of life and family. They have to live with high inflation and a degraded environment caused by uneducated tourists and uncontrolled tourism growth.

The Driving Forces

What will be the locomotive of tourism growth in Thailand after the tsunami? According to the TAT, several factors will support Thailand's tourism fortunes at least until 2008. Relatively low prices for

tourists, various international standard attractions and accommodations, plenty of unique cultural attractions, excellent transport connections and the increased popularity of visiting neighboring countries are among them. This will be incorporated with sound government policies and smart marketing campaigns. The government has already improved and developed many tourism destinations, and has carried out some structural changes. The establishment of the Thailand Convention and Exhibition Bureau, the Tourism Council of Thailand and an office of special tourism development are examples. The roles of these agencies reflect the government's policy to bring in higher-quality tourists, develop new tourist attractions and integrate its management of the tourism industry in Thailand.

Moreover, the planned opening of the Suvarnabhumi International Airport in 2006 is expected to be instrumental in making Thailand a regional hub. The new airport with the capacity to handle 45 million passengers and 3.3 million tons of cargo per year will solve the bottleneck problems in air travel that Thailand has faced in recent years. The establishment of new low-cost airlines such as Orient Thai Airlines' One-Two-Go, Thai AirAsia and Nok Air will facilitate domestic travel significantly. Bangkok Airways, the Thailand's oldest private airline, is also operating new routes to China, India, Maldives, Cambodia and Myanmar. Based on its experience in running its own airports in Thailand, it will build and run new airports in Myanmar and Cambodia. This strategy will bring in more new tourists than before.

At the same time, the improvement of land links from Thailand to other ASEAN countries, especially China, Indochina and India, will strengthen the country as a tourism hub. The first ASEAN-India



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Land for Sale Sign at Tsunami-hit Karmala Beach, Phuket

car rally, started on December 8, 2004, has shown that land tourism is going to boom.

In June 2004, the Thaksin administration endorsed a tourism master plan, which will be in place until the end of 2008. The plan included key elements that will strengthen tourism-related sectors such as human resources, distribution of tourism opportunities and standardization. It introduced standards for hotels, home-stay, and natural attractions. Cities with access to neighboring countries will be developed under the plan. Moreover, an administrative system to support tourism promotion activities abroad was formed, with the government's policy being to strengthen the leadership of Thai ambassadors worldwide.

Last but not least, there is the TAT's smart marketing campaign. It has signed an agreement with Thai Airways International and many leading travel operators and wholesalers all over the world to promote Thailand's tourism destinations in the global market. It also creates new niches such as eco-tourism, agro-tourism and health tourism, including dental spas and long-stay for senior-citizen tourists.

The strategy is attractive to tourists from Europe and Japan.

Overcoming the Tsunami Shock

The tsunami hit the shores of six resort provinces in the South of Thailand last year on December 26. The waves killed 5,300 people in Thailand. The Thai government estimated that the losses could amount to 20 billion baht and more than 200,000 tourism jobs were at risk. Around half of the South's peak tourist season right after the shock was ruined. The total effect on tourism, however, is not expected to be as devastating as that which followed the SARS scare, which despite claiming only 800 lives, sent the region into a panic. The number of foreign arrivals is still increasing for two reasons. First, the TAT's strategy is set to minimize the impact by promoting alternative cities and beach resorts in Hua Hin, Pranburi, Chumphon and Satun while the disaster-stricken areas are cleaned up and repaired. Second, funds both from the government and private donations have been spent and disbursed for the process of rehabilitation in the tsunami-hit provinces, compensation to victims, and installation

and implementation of the disaster alert system. Some tourism related operators are confident in the tourism prospects signaled by the TAT. In October 2005, six seaside resorts were open in Khao Lak, the area hit hardest by the tsunami. Some newspapers published interviews given by foreign tourists who wanted to enjoy themselves and move on. These are to support the TAT's perspective that foreign tourists are making a comeback. The shy birds do not have time to know what happened.

But that is only one side of the coin. Despite the fact that the recovery process is well underway in many sectors, there are still concerns. Ten months after the shock, there is still no rehabilitation plan. The warning system has not been installed yet. According to the provincial authorities, tourism in the six tsunami-hit southern provinces remains sluggish. A lot of tourism-related operators are still closed. The others are slashing their prices in a desperate effort to attract tourists. Some developers have to revise their plans as some business partners have backed out of the project due to the sharp drop in tourist numbers. There are signs display-



Screenshot of REST - Responsible Ecological Tours Project

ing “land for sale” everywhere. The recovery of tourism sites and infrastructure is unlikely to be completed soon. The fishing villages, the worst-hit areas, have still no hope to recover. Many psychiatrists voice concern about a possible increase in suicides among people affected by the tsunami who are still suffering from loss and stress.

Land disputes have been singled out by NGOs and academics as one of the most serious issues facing tsunami victims. Outside investors were setting up brokerage firms. The firms have reportedly bought large blocks of land encompassing tsunami-hit areas. Some influential people in the areas have also done the same thing. They took away land from the villagers who have no title deeds.

Overcoming Liberalization

Many developing countries, facing debt burdens and worsening terms of trade, have turned to tourism promotion in the hope that it will bring foreign exchange, investment and technology. Thailand has also joined the club. Tourism promotion and the foreign investment policy implemented since the 60s have brought transnational corporations into the travel and tourism sector more than into any other economic sectors in the country. These foreign operators have increasingly pressured the Thai government to liberalize trade and investment in services. After

the financial crisis in 1997, they have strongly supported the privatization of state enterprises, particularly airlines and airports. This pressure of liberalization has consequently affected the independence of thousands of small and medium-size enterprises, including hotels and tour operators

It is also hard to believe that the liberalization in the tourism sector will bring full benefits for local residents. Normally, more than two-thirds of the revenue from international tourism has never reached the local economy because of the high foreign exchange leakages. The multiplier effects of international tourism remain small. After implementing the new free trade and investment policies, their balance sheets may even worsen because the profits and other income repatriated by foreign companies is likely to outgrow the inflow of new investment.

Globally, transnational corporations are under increasing pressure to liberalize trade and investment in services in the multilateral round of negotiations under the World Trade Organization (WTO). The aims are to abolish restrictions on foreign ownership and other measures which have so far protected the services sector in the member countries. For the hotel sector, for example, the multilateral agreements facilitate franchising, management contracts and licensing. Moreover, foreign tourism-related companies are entitled to

the same benefits as local companies in addition to being allowed to move staff across borders as they wish, open branch offices in member countries, and make international payments without restrictive regulations.

But multilateral trade negotiations cannot go so well. In the fourth quarter of 2005 the Doha Round still ended in a stalemate. As an option, many governments around the world have turned to bilateral approach. Concluding a Free Trade Agreement (FTA) with important trading partners becomes a favorite measure. Since 2004, Thailand has made a lot of efforts to negotiate an FTA with its trading partners. It has already concluded agreements with some important trading partners, including China, India, Australia, New Zealand, and more recently Japan. It is now negotiating with the USA. Most of these FTA included liberalization in trade and investment in services. Tourism, including air transport and telecommunication, is subject to being liberalized and deregulated.

The tourism sector included in the Thailand-Japan FTA, for example, aims to explore and deepen partnership between the two countries. As Japan is an aviation hub for East Asia, and Thailand is an aviation hub for Southeast Asia, the partnership in tourism will open up new business opportunities in various sectors of the tourism industry.

In October 2005, a Thai-Japanese joint venture, for example, announced a 10-year, 135-billion-baht development plan to build a floating Phuket Bay International City. Japan-based Umezawa, a real-estate developer, will be a key player in this joint venture project. The plan enjoyed the participation and cooperation of the governments and private sectors in both countries as stated in the FTA, but not that of the local communities.

Overcoming the mismanagement of “alternative” tourism

Given the negative effect of mass tourism on the communities and physical environments, NGOs and academics have increasingly pressured the government to turn its policy toward more sustainable tourism development. Instead, the government focuses on “ecotourism”. One of the government’s plans is to remove hundreds of thousands of rural and hill tribe people from protected areas and to open up the country’s 81 national parks and reserved areas to outside investors and visitors. The government strongly believes in the Western concept that eco-tourism under a good management system is beneficial to local communities. International and foreign agencies such as the World Bank and the Japanese Overseas Economic Cooperation Fund (OECF), have joined the club providing funds for eco-tourism that turns out to be construction frenzy in rural and natural areas to provide accommodation and infrastructure for visitors. The remarkable point is that some of the massive eco-tourism development projects are involving logging operations in national parks countrywide.

The TAT, the Royal Forestry Department and Ministry of Finance are the main agencies in charge of the operations. The plan involves lots of investment and construction. It seems to go against the original purpose of national parks, which are supposed to be preserved for public

relaxation and education. Many times, local villagers came out to protest against officials who had felled large trees in connection with constructing parking lots, roads, toilets, bungalows, souvenir shops, and concrete stairs leading to the piers in the parks. The construction has been done in a hurry to meet the loan conditions, but apparently without much thought for the nature reserves’ carrying capacity and biodiversity conservation. Many popular parks are now overwhelmed by visitors during the high season.

This is just to illustrate what can go wrong with alternative tourism development. The approach to tourism in national parks like this is going to focus on numbers – the more the merrier. No attention is being paid to how these ever increasing numbers of tourists will damage Thailand’s precious natural areas.

Toward Sustainable Tourism Growth?

Tourism growth in Thailand has inevitably led to resource degradation and alienation of participants and host communities. But it can be managed compatibly within environmental constraints.

One example of successful sustainable tourism is the Responsible Ecological Tours Project (REST), initiated by a Thai NGO with over eight years of experience in the community-based tourism activities. Two key factors are integrated into the REST’s tourism-planning model, the sustainable socioeconomic development of local communities, and conservation of natural resources that provide the basis of community livelihood. Over 15 communities around Thailand have organized and managed their own tourism activities including home-stay, nature tourism, and exhibitions of traditional products.

Another example is the Kanchanaburi Eco-tourism Cooperative (KECC), founded by the local people of Lintin sub-district, with the support of the TAT, the

Ministry of Agriculture and Cooperatives, and the Royal Forest Department. KECC is based on the concept that income from tourism will be sustainable if the ecological and cultural environment is preserved. It has given the local people the opportunity to buy KECC shares, borrow funds from commercial banks and monetary organization, utilize members’ savings, and use donations from the private sector and donor organization. Many more cooperatives are being established on the basis of the KECC prototype.

But these successful candidates are lucky. There are many more alternative tourism operators who have encountered problems such as red tape, lack of manpower, insufficient financial support, and lack of local involvement. Last but not least, development without clearly defined guidelines and citizen participation remains a crucial point of tourism policy initiatives in Thailand.

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