

PASCN Discussion Paper No. 2003-08

**A Comparison of Tourism Policy Frameworks:
Philippines and Thailand**

Cherry Lyn Rodolfo



The *PASCN Discussion Paper Series* constitutes studies that are preliminary and subject to further revisions and review. They are being circulated in a limited number of copies only for purposes of soliciting comments and suggestions for further refinements.

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Ma. Cherry Lyn S. Rodolfo
University of Asia and the Pacific

December 2003

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Ma. Cherry Lyn S. Rodolfo
September 2003

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Abstract

The Arroyo administration has identified tourism as one of the pillars of growth and development. It recognizes that tourism should become truly competitive in attracting visitors, in generating the expected economic benefits, and in pursuing sustainability. This can be achieved as the Philippines continuously measures its performance against its competitors. This study is an attempt to compare the policy frameworks of Philippines and Thailand. The objective is to draw lessons from Thailand's experience which can help Philippine tourism counter threats and exploit opportunities through the use of public policy. Thailand is a relatively good model for marketing and promotions, for using tourism as a tool for economic recovery during the Asian financial crisis and for building on and strengthening past initiatives which have produced positive results for tourism. However, growth was achieved with high costs on the environment and culture in a number of destinations. Overall, Thailand still possesses the potential to be the leading tourism destination in South East Asia and has the basis for a long-term growth in tourism given the focus of new masterplans on sustainability. Based on Thailand's excesses in tourism development and the Philippine's experience in some of its destinations, there is a critical place for government and policies in sustainable tourism development without compromising the principle of subsidiarity. Policies should be oriented towards establishing rules of the game and creating an environment that fosters competition, efficiency, and conservation. Since most Philippine destinations are still in their early stages of the product life cycle, they need to manage development in such a way that economic benefits are earned without suffering from the negative effects experienced by Thailand.

Executive Summary

Tourism is reputed to be the world's largest and one of the fastest growing industries today. Based on the 2000 figures, it accounted for 10% of the global economic production and 10.6% of the global workforce. In the Asia-Pacific region alone, it generated US\$2.5 trillion of the total Asia-Pacific Economic Cooperation demand (10.5% of total APEC regions' GDP) and its direct and indirect impacts support 8.1% of the total jobs in the region.

Apart from contributing to economic growth, tourism can be instrumental in pursuing sustainable development. Tourism involves various aspects of life – economic, social, cultural and physical. Hence, tourism development should aim at meeting the present needs without compromising the ability of the future generation to meet their own needs.

Policies are instrumental in achieving sustainable tourism development. Policies play a crucial role in developing the competitiveness of an industry and in making activities economically viable and sustainable. The role of the state in the struggle for sustainable development is critical and fundamental but is not one of direct management or command and control (Panayotou, 1993). The state's role is rather to establish new rules of the game and create an environment that fosters competition, efficiency, and conservation.

The present administration has identified tourism (together with Information Communication and Technology and Agriculture) as one of the pillars of growth. As the Philippines prepares its sustainable tourism agenda, it merits to learn from the experiences of other countries in incorporating the goals of sustainable development in the tourism agenda and strategies for various activities like promotions, marketing, product development, infrastructure development and information technology. The primary purpose of such benchmarking is to analyze performance, practices and processes for improvement. The Philippines is in the early stages of the product life cycle and it is noteworthy for it to learn from those who are already in more mature stages, to learn from their success and failures.

In APEC, Thailand stood out in using tourism as a tool for economic recovery especially during the Asian financial crisis of 1997. The share of tourism value-added rose by two percent. During that time, Thailand faced currency devaluation and recession and revived the broader economy through intensified policy action on Tourism including:

- increased public/private sector investment in promotional spending,
- relaxation of visa rules,
- new domestic and international airline competition – scheduled and charter, accelerated privatization of the national airline and regional airports,
- leadership of the ASEAN regional tourism programme and
- cooperation with other countries for promotion and a focus on regional airline liberalization.

Thailand has often been referred to as a success story in tourism development and marketing (Oppermann and Chon, 1997). The lesson that Thailand's tourism industry provides can assist developing countries in establishing their tourism policy and tourism management strategies.

It cannot be denied, however, that Thailand's success in generating huge volume of arrivals since the Visit Thailand Year in 1987 imposed *negative effects on culture and the environment*. The ravaging of Thailand's environment by rapid industrialization has contributed to problems of population in cities, resorts and beaches. The air in Bangkok is highly polluted and European tour cancellations in the 1990s have been attributed to the high level of pollution in Bangkok and at some resorts such as Pattaya. The government is building constituency with private sector to pursue planned development in other destinations.

The Philippines can learn from Thailand's experience, particularly on how its policies became instrumental in its success as well as in the cultural and environmental degradation of tourism and in how policies were used in minimizing the costs of development.

Specifically, this study seeks to:

- 1) *compare the overall policy frameworks of Philippines and Thailand in tourism development*
- 2) *examine some directions toward sustainable tourism development in the Philippines based on the lessons derived from Thailand's experience*

Some of the findings are:

- Both Thailand and the Philippines are now focusing on foreign and domestic tourism markets. While domestic tourism promotions have become stronger in recent years, there are hardly any comprehensive database on domestic tourists, their flows and characteristics, which are being monitored regularly.
- The economic sustainability of tourism in the Philippines is threatened by certain policies which prevent the expansion of business activities in the country. This is true in the case of transport and accommodation development. There is a lack of air access between major East Asian markets like Taiwan, Korea and Japan and the Philippines. Costs of doing business for international airlines are high in the Philippines compared to other Asian destinations.
- The Philippines had a first-mover advantage with the devolution of tourism functions which in turn increased the stakeholders' participation in pro-active localities like Palawan, Cebu, Batangas, Laoag, and Mindoro Oriental. While Thailand's devolution came in later in 1997, the Thai government is extending full support to make the local administrations more capable in tourism development.
- There is higher degree of government influence in the Philippines as evidenced by the ownership of tourism facilities.
- There are efforts for both countries to pursue sustainable development. Both have a National Ecotourism Strategy. Thailand has developed a National Sustainable Tourism Plan in 2001 which now serves as a guide to the local plans of regions, provinces and cities. While there are pocket initiatives to pursue sustainable tourism in local communities, the Philippines still has to produce a national framework for sustainable tourism. The environmental sustainability of tourism is threatened by the lack of rules and guidelines on the development of tourism facilities.

- A strong public-private partnership is essential in pursuing environmental sustainability. The rejuvenation of Pattaya and the enforcement of environmental guidelines would not have been possible without such partnership. The Philippines has nurtured private-public partnership in achieving sustainability in destinations like Palawan and Cebu.

What is critical in Thailand's development is the commitment made by government to shift from just the volume to more longer staying and higher spending tourists in order to increase the yield from tourism and protect the environment and cultural heritage.

The initiatives for sustainable development were laid down in the 1991 Tourism Master Plan. The Philippines has taken an active role in building a constituency for ecotourism and in participating in pilot projects on sustainable development. Apart from a national ecotourism strategy, there is a need to develop a national sustainable tourism master plan that addresses both economic goals of income generation without compromising the environment and cultural heritage. The DOT has taken the lead in developing regional master plans. The challenge and urgent need is for the DOT to develop and provide an overall framework or direction on sustainable tourism development that will guide the various master plans being developed by regions, provinces, and cities.

The Philippines can build upon existing initiatives. The areas which require strong attention as far as sustainable tourism development is concerned include:

Market and Product Development

- Studying and understanding the needs of the core markets (which have become a basis for the various training programs of schools, universities and TAT in Thailand). Such initiative should be well-grounded on research and data. Strong marketing campaigns are built on sound research.
- Building a strategic information system that captures the relevant data on domestic and foreign tourism (on flows and behavior), potential investment areas (classified as high, medium or low) and the urgent investment needs as well as regulatory framework.
- Accelerating the completion of the Tourism Satellite Accounts in order to heighten the economic benefits of tourism development. The government should also work towards the development of more localized Tourism Satellite Accounts. Such information can be a starting point for private sector to put a greater stake in tourism development of their locality.
- Strengthening domestic tourism promotions at the LGU level since these political units are tasked to plan and develop their own tourism industry. Domestic tourism will balance foreign demand in tourist destinations.

Organizational Development

- Considering proposals to reorganize the DOT in order to produce a lean organization focused on core activities and to re-allocate budget on priority projects for sustainable development.

Manpower Development

- Assessing manpower requirements for each type of work for human resources development
- Improving the quality of human resources and developing a high standard of specialized skills in various environments
- Improving tourism training infrastructure especially in the provinces and providing more opportunities for training the trainer programs
- Providing general guidelines on career opportunities and working conditions in tourism services
- Setting up a national network of tourism education and training institutes to strengthen cooperation, and build up research capability of students and industry practitioners.
- Developing stronger partnership between the private sector and academic institutions
- Developing pool of accredited tour guides in the local communities who can be hired by tour operators or travel agencies.

Infrastructure

- Pursuing liberalization of airline access especially to other gateways with high and medium tourism potential. The Philippines should consider removing restrictions in capacity through bilateral “open skies” and liberal charter arrangements
- Developing integrated network of road, land and air transportation within the Philippines.
- Removing barriers to individual and business travel such as visa rules.
- Addressing the taxation issue for international airlines in order to reduce costs of doing business
- Upgrading accommodation facilities and providing incentives to such initiatives.

Resources Management

- Conducting resource inventory and developing tourism loops for tourists to experience greater diversity, increase consumption, and increase length of stay. Such approach will also enhance cooperation among local units and distribute income from the core to the peripheral areas connected by the loops.

- Documenting experiences of pilot projects or best practices of local communities and disseminating the information to more localities. This in turn can build up the constituency needed in order to increase stakeholder participation in that community.
- Drafting guidelines on tourism development which actually falls under the open space and recreation category in the Zoning Ordinances. This can help prevent the same problems experienced by Pattaya. Such development requires an assessment of the carrying capacity and density standards, site planning standards, housing standards, and utility standards.

Partnership for Sustainable Tourism

- Strengthen the 3Ps: Public -private partnership. Constituency building is needed in order to properly communicate the concept of sustainable development, to develop trust among stakeholders and to identify areas of responsibilities. Strong awareness programs can be supported by the LGUs and the private sector through focus group discussions or workshops.
- Adopting site management by local communities to increase site carrying capacities and measures to regulate the tourism flow are integrated in the planning process of destinations.
- Closer coordination among the various government agencies and building a monitoring body from the private sector.

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A Comparison of Tourism Policy Frameworks: Philippines and Thailand

Maria Cherry Lyn S. Rodolfo

1 Background

In the Medium-Term Philippine Development Plan (MTPDP) 2001-04, the Arroyo administration devotes a separate chapter on tourism entitled "*Putting the Philippines on the International Tourism Map.*" The administration aims to implement reforms that will meet the industry's development requirements, rebuild the country's image, strengthen its competitiveness in attracting foreign visitors, further stimulate domestic travel while protecting and preserving the environment, its socio-cultural heritage and the welfare and rights of women and children.¹

As part of its policy framework, the plan will continue to implement the 1991 Tourism Master Plan (TMP) to optimize the economic contributions of tourism and develop it on an environmentally-sustainable basis. The primary objectives of the TMP include:

- To optimize the contribution of tourism to economic growth at a national and regional level
- To enhance and contribute to social cohesion and cultural preservation at a local level, develop tourism on an environmentally sustainable basis and
- To develop a diversity of destinations and markets to minimize exposure to major internal and external threats to tourism activity.

In April 2002, the Department of Tourism (DOT) initiated the implementation of a National Ecotourism Strategy as framework for sustainable development, described as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987). While sustainable development builds on the old principles of conservation and stewardship it offers a more proactive stance that incorporates continued economic growth in a more ecological and equitable manner.²

The DOT recognized that for tourism to become truly competitive in attracting visitors, generating the expected economic benefits, and pursuing sustainability, the Philippines should measure its performance against its competitors. Benchmarking tourism is needed to analyze performance, practices and processes for improvement. The future competitiveness of tourism depends on organizations getting close to their markets and developing responsiveness to market needs, and an ability to counter threats and to exploit opportunities. And benchmarking provides a useful tool for increasing competitiveness and learning from the mistakes of others.

¹Medium -Term Philippine Development Plan 2001-04, p.71.

² One of the components of sustainable development that emerged from *Our Common Future* is the redistribution of economic activity and reallocation of resources. Meeting essential needs depends in part on achieving full growth potential and sustainable development clearly requires economic growth in places where such needs are not being met. Communities must pursue economic well being while recognizing that government policies may set limits to material growth.

The MTPDP 2001-04 revealed that the Philippines' volume of arrivals is one of the lowest in Southeast Asia. Costs are higher in the Philippines than in Thailand and Malaysia. The Philippines lags behind in air access infrastructure.³ A tourist would prefer Phuket over Cebu because the latter does not currently offer the same variety or level of readiness in terms of access, accommodation, infrastructure or attractions as Phuket.⁴

Table 1. Visitor Arrivals to Southeast Asia

	1999	2000	2001	2002
Malaysia	7.9	10.2	12.8	11.7
Thailand	8.7	9.6	10.1	10.8
Singapore	6.9	7.7	7.5	7.3
Indonesia	4.3	5.0	5.1	5.0
Philippines	2.2	1.9	1.8	1.9
Vietnam	1.8	2.1	2.3	2.6

(in millions)

Source: MTPDP 2001-04, Pacific Asia Travel Association (2001)

In the Asia-Pacific region, Thailand stood out in using tourism as a tool for economic recovery especially during the Asian financial crisis of 1997 (WTTC, 2001). The share of tourism value-added rose by two percent. During that time, Thailand faced currency devaluation and recession and revived the broader economy through intensified policy action on tourism including:

- increased public/private sector investment in promotional spending,
- relaxation of visa rules,
- new domestic and international airline competition – scheduled and charter
- leadership of the ASEAN regional tourism programme and
- cooperation with other countries for promotion and a focus on regional airline liberalization.

Thailand has often been referred to as a success story in tourism development and marketing (Oppermann and Chon, 1997). Even the Philippines used Thailand as benchmark for policy on air access (Limlingan, 1999; MTPDP, 2001-04) and infrastructure development (McKinsey, 2002). *However, there are some aspects where Thailand can be used as model on the kind of tourism the Philippines should avoid in order achieve sustainability.* The success of Thailand in tourism for the past 30 years has been achieved at the expense of environment and culture in popular destinations like Pattaya, Phi Phi Island and Koh Samui. The WTO (2001) noted that the present use of coastal resources for tourism is not sustainable. On the other hand, Thailand still possesses the potential to be the leading tourism destination in South East Asia and has the basis for a long-term growth in tourism. The WTO recommends that Thailand develop its own model of sustainable tourism development.

As the government and private sector strive to put Philippine tourism in the international map and incorporate sustainability in their agenda, it would be useful to learn from Thailand's

³ MTPDP 2001-04, p. 72-73.

⁴ Based on the presentation of Secretary Richard J. Gordon during the Tourism Related Industry Congress, Philippine International Convention Center, 07 March 2002.

experience, from its successes and failures and more importantly from how it has and is turning failures into successes through policy reforms.

Specifically, this study seeks to:

- 3) *compare the overall policy frameworks of Philippines and Thailand in tourism development*
- 4) *examine some directions toward sustainable tourism development in the Philippines based on the lessons derived from Thailand's experience*

This study is divided into six sections. Section 1 will discuss the background of the study while Section 2 explores the role of policies in tourism development. The next two sections trace the evolution of policy frameworks in Philippines and Thailand. Section 5 compares the level of policy influence in critical decision areas as market priorities, ownership, concentration of power, nature of development, infrastructure, manpower, environmental and cultural concerns. Finally, Section 6 summarizes the lessons from Thailand's experience and summarizes the findings of the study.

2 The Role of Policies in Sustainable Tourism

In 1987, the World Commission on Environment and Development presented a report entitled *Our Common Future* which placed the concept of sustainable development center stage and promoted it as a vehicle for deliverance. Sustainable development is described as “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*” (WCED, 1987). Thus, it is not simply a matter of temporal tradeoffs and intergenerational transfers. While sustainable development builds on the old principles of conservation and stewardship it offers a more proactive stance that incorporates continued economic growth in a more ecological and equitable manner. Sustainability is not attainable without economic growth. Sustainability requires alleviation of poverty, an effective demand for environmental quality, and these changes cannot take place on a sustainable basis without growth (Panayotou, 1993).

Tourism reflects the diversity of the multi-dimensional concept of sustainable development. Tourism Canada (1990) reported that sustainable tourism development is one that leads to management of all resources in such a way that the economic, social, and aesthetic needs are met while maintaining the cultural integrity, essential ecological processes, biological diversity and life support systems. Resource management should reaffirm that tourism is an economic activity which must be capable of making a profit in order to survive and benefit the community. Panayotou (1993) argues that the costs of tourism development are rooted more on market and policy failures rather than economic growth.

Who should assume a bigger role in tourism development? Issues such as the economic importance of tourism as an activity (Go and Jenkins, 1997), market failures as in the case of monopoly and entry barriers (Johnson and Thomas, 1992), negative externalities (Johnson and Thomas, 1992; Go and Jenkins, 1997) or the “tragedy of the commons”, social costs borne by local and traditional communities as in the case of Thailand and Mexico (Elliott, 1997) and socially unfavorable distribution of income have been put forward as strong cases for some form of intervention (Roy and Tisdell, 1998). Such interventions are proposed to correct market failures and ensure that markets fully and accurately respond to consumer preferences (Hartley and Hooper, 1990). It is only government which can provide political

stability and the legal and financial framework required by tourism (Elliott, 1997). Roy and Tisdell (1998) argued that the effectiveness of state control and management can be limited due to ineffective implementation of delegated power and other administrative difficulties such as lack of willingness or capacity to enforce rules and regulations as well as the openness to bribery and corruption by officials. While private sector can be assigned with rights of ownership of certain areas, such management can lead to the creation of greater monopoly power and the lack of utilization of linkages among industries. The role of the state therefore in the struggle for sustainable development is critical and fundamental, not one of direct management or command and control but to establish new rules of the game and create an environment that fosters competition, efficiency, conservation (Panayotou, 1993).

While tourism is an activity sustained mainly by the private sector after the Second World War governments have been the major player in its development and promotion of tourism destinations (WTO, 1999). The government's role is more important in developing countries or transition economies, where government support is needed to jump-start the industry's growth. On the contrary, there is less need for public sector for the tourism industry in countries which are at a high level of economic development.

The role of government in tourism has already changed significantly over the last three decades. In the early years of tourism development governments played a pioneering role since it might be the only entity with resources to invest in the sector (Jenkins, 1994; WTO/JTA, 1998). Governments emerged as tourism entrepreneurs for lack of private investors with capital, experience and willingness to invest in tourism (Jenkins, 1994; Oppermann and Chon, 1997). Governments had high hopes that tourism will be able to address objectives of development such as foreign exchange earnings, employment and income generation, regional development and higher government revenues. Incentives were given for the development of new accommodations, visitor center facilities, manpower development and infrastructure as in the case of Malaysia (Khalifa and Tahir, 1997).

Overdevelopment by the private sector which led to environmental degradation, exploitation of culture, prostitution and cut-throat competition which induced governments to moderate growth in supply by introducing legislation. Overregulation eventually led to fewer investments. In the past decade the pendulum has now swung back towards a more *laissez faire* attitude. The government sees its role more as a facilitator or stimulator of private sector investment through fiscal and other incentives. In almost all countries surveyed by the WTO (1998), government has divested itself of its direct interests in tourism plant and services. Industry legislation and regulations are less and less common, except where they relate to consumer protection or to national heritage and environment conservation.

According to the WTO (1999) the trend now is towards a disengagement from tourism by the public sector and more public-private partnership in tourism development and promotions especially at the local level. In addition to easing budget constraints, public-sector led marketing organization is often less entrepreneurial and effective than one managed by the industry itself or in collaboration with the industry. In most countries, semi-public NTOs have been established or recognized by the state as autonomous bodies with competence at national level for the promotion and in some cases, marketing of inbound international tourism. In countries with high degree of decentralization, the partnership involves not only central governments as the public partners but also provincial authorities.

In the past two years, institutions such as the WTTC, the World Bank, and the Asian Development Bank have examined and promoted the link between tourism and the poverty eradication agenda. These institutions have called for a closer integration of tourism policies with the poverty agenda that covers economic and socio-cultural dimensions. The economic impact of travel and tourism cuts across several aspects of the policy spectrum – employment, transport, communications, regional development, infrastructure, taxation, trade and the environment. However, these government policies are not harmonious with each other and to the overall thrust for sustainable development.

The need to assess tourism policies has become more urgent in the wake of pressures of rapid tourism growth on the environment and cultural resources. The Organization for Economic Cooperation and Development (OECD) has been active in assessing the performance of tourism policies among its member countries. Its assessment aims to promote the compatibility and mutual reinforcement of tourism policies in a broader policy framework and to help Member countries to improve performance and international competitiveness while promoting balanced development of the industry.

Since 1982, the OECD has regularly reviewed national policy on tourism in order to deepen mutual understanding of current tourism policy issues, identify gaps, shortcomings and successes in national tourism policies, and evaluate the economic, social and environmental impacts of those policies. This work provides valuable information on tourism policy and reveals significant changes such as the development of partnerships with the private sector, the increasing importance of the role played by regional and local authorities and the major role played by new macroeconomic indicators for tourism in determining policy direction.

From 1982 to 1983, the Tourism Committee of the OECD published the first version of an Inventory of Obstacles to International Tourism in the OECD area. In 1984, a joint Capital Movements and Invisible Transactions and Tourism Committee Working Group was established to examine matters concerning the liberalization of international tourism with specific reference to the updating of the relevant sections of the Codes of Liberalization of Current Invisible Operations. The outcome was an extensive enlargement of the obligations of Member countries under the Travel and Tourism item. The 1984 Inventory was a first try and was updated in 1991. The Inventory consists of measures introduced through legislation, regulations or administrative practices by the governments of Member countries which (a) restrict or impede the individual traveller from travelling abroad as a user of tourist services, (b) introduce discriminatory treatment intended to encourage the residents of a country to travel within their own country rather than abroad or to visit particular countries rather than others; or (c) by requiring conditions less favorable than those accorded to the national enterprises of the host country.

In 1998, the OECD undertook a major review of the liberalization of tourism services in the OECD area. This work enlarged the coverage of the Inventory of Measures Perceived as Obstacles to International Tourism in 1991 to include the new provisions covered in the GATS. This recent update included all members of the World Trade Organization. The study revealed that members in general impose few restrictions on tourism especially for outbound operations. The main limitation relates to fiscal charges imposed on international transportation when national/resident travellers leave the country.

The APEC Tourism Working Group (1996) engaged in a study that examined impediments to tourism growth in the Asia-Pacific region. The study included a review of available

literature, a survey to identify the specific impediments to tourism among APEC member economies and a survey of 230 government and private sector organizations associated with tourism in the APEC region. It defined 'impediment' as any factor, real or perceived, such as regulation, capacity constraint, policy of operating practice which limited the growth of tourism to and within the APEC region. It included constraints which limit the freedom of the individual to travel from and to countries in the region of affect their decisions to travel to countries in the region. It also included those factors which limit the operation, promotion, development or establishment of tourism-related businesses, within the APEC region. These are constraints such as infrastructure capacity, regulatory environment, the financial system, the labor market, the marketing and promotion network and the implications of technology. Since 1999 ESCAP-member countries have been taking action at the national level to implement the Plan of Action for Sustainable Tourism Development in the Asian-Pacific Region.

There are several approaches in comparing policies. An industry analyst can reasonably examine tourism policies of nations in terms of major categories like transportation, accommodation, destination development, investment and labor policies. From a political science perspective, some elements include organization of power affecting tourism policy issues, political motivations surrounding decisions affecting tourism and the decisions regarding who will be the political constituencies for tourism policy (Richter, 1993).

In this study, the tourism policies of the Philippines will be compared with Thailand based on seven policy decision areas namely market priorities, form of development, centralization or decentralization, ownership as discussed by Ritcher (1993) and infrastructure, manpower development, and environmental and cultural sustainability as measures used by the United Nations Economic and Social Commission in the Asia-Pacific as part of its Plan of Action for Sustainable Tourism Development in the Asian and Pacific Region (2001).

3 Evolution of Policy Framework in the Philippines

It has been noted that government policies in the Philippines do not support measures for developing the tourism sector (ESCAP, 2001). Tourism is not given priority status in the national agenda or in the allocation of budgets thereby leading to limited support from other government agencies related to infrastructure development, particularly road, airport, and seaport development. In 2001, the DOT organized a Tourism Related Industry Congress to produce resolutions aimed at improving the position of the Philippines in the international tourism map. The National Socio-Economic Summit of 2001 adopted the resolutions forwarded by the 1st TRICON. In 2002, the TRICON focused on increasing the stakeholders' role and commitment in tourism development and in mobilizing efforts for Visit Philippines Year 2003. All these efforts were oriented towards improving the Philippines' rank as a tourist destination in Asia.

How did Philippine tourism evolve over the years? What policies were used to develop tourism? What were the costs of development? What policy responses were adopted to address the pressures created by tourism on the environment and culture? What have been the consequences of these policy responses?

1950s and 60s

In the 1950s, the private sector initiated the development of the industry by forming the Philippine Tourist and Travel Association (PTTA) whose charter was promulgated by Congress in 1952. The need for government in the early stages of development became evident and was manifested with the creation of the Board of Travel and Tourist Industry (BTTI) under the Department of Commerce and Industry in 1956. The BTTI and the PTTA worked together in developing tourism. The BTTI served as the policy-making body while the PTTA served as the implementing arm. The Philippine Tourism Commission (PTC) was later created to absorb the functions of BTTI and PTTA after these two organizations failed to effectively carry out their functions.

For the government, tourism's major economic benefit was basically related to foreign exchange earnings and employment generation. The primary objective of development was to cash in on the tourist trade to the same extent as other Asian countries during this period. In 1962, the major markets were the US (50.25%), Australia (7.34%), and Japan (5.70%). By the end of the 1960s, the Japanese market became the second largest market (17%).

Table 2. Number of Tourists and Dollar Receipts in Asian Countries:1968-1970

	No. of Tourists (in thousands)			Dollar Revenues (in US\$ Million)		
	1968	1969	1970	1968	1969	1970
Hong Kong	675	765	900	162	188	211
Japan	500	609	775	116	135	200
Thailand	375	470	600	65	81	100
Singapore	273	340	550	54	62	104
Philippines	113	123	144	25	27	32

Source: DOT

4-Year Philippine Development Plan (1974-77)⁵

Arrivals and receipts increased from 0.62 M and US\$10.2 M in 1962 to .17 M and \$38.2 M in 1972. To further support tourism PD. No. 31 was issued and eliminated hotel taxes. Similarly, P.D. No. 92 included tourism in the "*Business and Incentives and Reforms*" of the Board of Investments (inclusion of a firm to be based on foreign exchange earnings potentials). Entry and visa requirements were relaxed.

Under the Integrated Reorganization Plan of 1972 which overhauled all government offices, the Department of Trade and Tourism was created. Presidential Decree No. 189 was promulgated to rename the Department of Trade and Tourism as the Department of Trade and to create the Department of Tourism in 1973 with a Philippine Tourism Authority attached to it in lieu of the PTC. The PTA served as the implementing arm for physical and infrastructure development. The Philippine Convention Bureau was likewise created in 1976 to become the marketing arm of the Department of Tourism.

Under the Martial Law regime, the government committed resources to assist the industry in its bid for a bigger share of the international tourist market. In the 4-year Philippine

⁵ A separate chapter (14) was devoted to tourism under this plan.

Development Plan (PDP) of 1974-77, government policies were directed only to making Manila and the nearby provinces of Cavite, Laguna, Batangas, Corregidor and Bataan as the priority development areas given the limited resources. The government did not envision the development of other provincial destinations based on the fact that the country was attracting more short-term tourists who stayed for an average of 1-4 days only.

Infrastructure development included the construction of the Philippine International Convention Center to boost Manila's bid as a convention center in Asia and the Folk Arts Theater among others.

Air policies were likewise central to the development of the tourist trade during this period. The one-airline policy in 1973 aimed to establish the financial viability of the airline and to spread out aviation services to the entire country. Thus, this policy became the basis for Philippine Airline's (PAL) monopoly of the industry for two decades. The government amended the terms of air agreements and signed new ones with different countries. Special projects undertaken by the government included the hosting of the Miss Universe pageant, the Balikbayan Program and the Reunion for Peace Program.

Table 3. Arrivals and Receipts from 1971 to 1977

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$ M)	% Change
1971	144,321	0.17	65.93	-30.40
1972	166,431	15.32	121.97	85.00
1973	242,811	45.90	76.90	-37.00
1974	410,138	68.90	58.20	-24.30
1975	502,211	22.50	109.60	88.40
1976	615,159	22.50	93.10	-15.10
1977	730,123	18.70	130.90	40.60

Source: DOT

The government achieved its targets of half million tourists and receipts amounting to \$119.6 M in 1977. Actual figures revealed arrivals of 730,123 and receipts amounting to \$130 M in 1977. Major markets developed were the USA, Japan and Australia.

As a result of these economic contributions, tourism was given a new role as a tool for national development. However, the policies pursued created inefficiencies in supporting industries. Competitive air services were not developed due to the monopoly in both the domestic and foreign markets. Above all, more communities were marginalized as foreign tourism developed. The disparity between the core (Manila) and the periphery (provinces) widened. Tourism benefits hardly trickled down to the community residents where tourism infrastructure and activities were undertaken.

10-Year Tourism Plan (1978-87)⁶

The Philippines has emerged as an investment and destination center of Asia in the midst of public protests against human rights violations by the Marcos administration. Arrivals grew at an average of 37.9 % from 1973 to 1976. The government then pursued the preparation of

⁶ Incorporated in Chapter 8 of Tourism in the 5-year PDP (1978-82)

a Tourism Priorities Plan to provide a comprehensive and systematic development of tourist areas throughout the country.

Based on P.D. 1200, the National Economic and Development Authority (NEDA) drew up a Ten-Year Tourism Plan covering the years 1978-1987. Under the plan, the government aimed to spread the benefits of tourism to the different regions of the country and focused on developing the Philippines as a tourist, financial and convention center.

The objectives of the government as stated in the plan were the following:

- To make Manila an international convention center
- To fully develop tourism-related facilities and manpower at all levels
- To restore, renovate and maintain historical landmarks and to develop and conserve national parks for Philippine flora and fauna
- To develop the regions and a cadre of small businessmen engaged in tourism related activities
- To make air policies supportive of international tourism development and to establish a data and information base on which plans and projects can be formulated

A target of 3 million tourists by 1987 and foreign exchange earnings of US\$961.4 million was set for tourism. This was to be achieved through:

- Strong foreign tourism promotion in the traditional markets like the US, Japan and Australia and in potential markets like Europe, China, Africa, Middle East and ASEAN countries
- Information campaigns to encourage domestic travel by government and private employees, local civic organizations, and local base of the population such as farmers, fishermen and barangay leaders
- Provision of incentives for projects in the following areas: Region I (Ilocos Sur, Benguet and La Union), Region IV (Manila), Region IV-A (Cavite, Laguna, Batangas and Quezon), and Region IX (Zamboanga del Sur)
- Provision of manpower resources and pursuit of professionalization of tourism in the Philippines and in Asia by the Asian Institute of Tourism

The policies were directed at developing areas with existing facilities and attractions. Priority areas were expanded to include Region I (Ilocos Sur, Benguet and La Union) and Region IX (Zamboanga del Sur). In terms of domestic tourism, the plans during this period aimed to cultivate local travel habits among Filipinos through programs such as the Pasyalan Campaign, Bakasyon Program and Lakbay-Aral Program.

Table 4. Arrivals and Receipts from 1978 to 1986

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$ M)	% Change
1978	859,396	17.70	210.10	60.50
1979	966,873	12.50	238.00	13.30
1980	1,008,159	4.30	319.70	34.30
1981	938,953	-6.90	343.70	7.50
1982	890,807	-5.10	450.10	1.00
1983	860,550	-3.40	464.80	3.30
1984	816,712	-5.10	366.30	-21.20
1985	773,074	-5.30	507.00	38.40
1986	781,517	1.10	647.10	27.60

Source: DOT

Arrivals reached the 1 million mark for the first time in 1980 but declined by an average annual rate of 3% from 1981 to 1987. Arrivals reached only 794,700 in 1987 (below targets) due to political instability of the 1980s. Receipts generated amounted to \$450 M in 1982 and \$1.2 B in 1987 (above targets) due to rising costs of services

But the political unrest coupled with the economic and political crisis of the early 1980s led to a steady decline in arrivals during the period. Development was primarily government-led and oriented toward distributing the economic benefits through a *trickle-down* approach. While regional distribution of income became an objective in the Ten-Year Tourism Plan, there was no clear basis for the selection of the priority areas such as Ilocos and Zamboanga del Sur. While the development plans devoted separate chapters for tourism, the government was primarily concerned in maximizing the cash potentials of tourism services and environmental, cultural and economic sustainability of the programs were not prioritized. Sex tourism flourished.

There was a complete neglect of domestic tourism even though the plans enumerated programs to stimulate domestic travel interests among Filipinos including farmers and fisherfolks who were beset with rising poverty concerns. A more active domestic tourism campaign was conducted during the last two years of the Marcos regime to counterbalance the downturn in arrivals and build up the base for domestic travel. However, the mounting poverty concerns limited the growth of this market (MTPDP, 1987-92).

5-Year Medium Term Philippine Development Plan (1987-92)⁷

The Aquino administration sought to change the landscape of tourism development in the country as envisioned in the MTPDP of 1987-92. It inherited an industry with a negative image as another sexual paradise in Asia and characterized by political instability and with a string of “*white elephant*” infrastructure projects of the previous administration.

The new administration aimed to pursue a level of tourism development that is for and by the Filipino people for improvement of quality of life and balance between urban and rural centers, to achieve a level that will optimize the utilization of indigenous resources and protect the natural environment and preserve the ecological base, to provide strong government organization that will effectively and efficiently direct, implement and coordinate functions and resources and sustainable as well. While development was driven primarily by the need to maximize economic benefits, the government saw the need to strike a balance between economic growth and environmental and cultural sustainability.

Table 5. Arrivals and Receipts from 1987 to 1997

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$ M)	% Change
1987	794,700	1.70	1,200.00	85.40
1988	1,043,114	31.30	1,301.00	8.40
1989	1,189,719	14.10	146,535.00	12.60
1990	1,024,520	-13.30	1,306.00	-11.00
1991	951,365	-7.10	1,281.00	-2.00
1992	1,152,952	21.20	1,673.90	30.60

Source: DOT

⁷ Tourism was combined with Industry and Trade in Chapter 5 of the MTDP

The major policies and strategies of the new administration were directed toward development of high impact markets such as East Asia and the review of air agreements to make them more responsive to the requirements of the industry and the improvement of international and national airports; deregulation and self-regulation of private sector; people empowerment through the strengthening and revitalization of local tourism councils; the primary importance on environmental and sociocultural impacts and welfare of the local communities in the development of tourism areas; and regional dispersion of economic benefits through an expanded list of priority areas.

Such bottom-up approach to planning and development was intended for a tourism by and for the Filipinos. Existing organizations namely the PTTA, PHILTOA and the HRAP were revived to become active participants in the shaping of policies and programmes. In 1991, tourism functions were devolved to the local government units thereby empowering the local communities from planning to implementation. A one-year National Tourism Plan was produced by both DOT and the private sector. The objectives of sustainable development became more explicit in the 1991 Tourism Master Plan, the blueprint for tourism development in the next 20 years. However, the administration was criticized for not really prioritizing tourism despite the strategies set under the MTPDP as evidenced by the reluctance of the NEDA to seek funding for the TMP (Rieder, 1997).

From 1987-1992, arrivals increased by an average annual rate of 7.9%. The decline in 1990 and 1991 can be attributed to a combination of factors and events such as the political troubles (kidnappings, military coups), power crisis (brown-outs), Mount Pinatubo eruption in 1991, Gulf War of 1990, and the economic recession which hit major markets like US and Japan.

5-Year Medium Term Philippine Development Plan (1992-98)

The Ramos administration faced serious challenges in improving the Philippine economy. These were rising external debt problems, high inflation and interest rates, and a poverty incidence of 32% among others. In tourism, there was still a high concentration of tourism in Northern Luzon (with 98% concentrated in Metro Manila).

The government aimed to achieve greater contribution of tourism to economic growth and regional development in order to attain the macroeconomic goals of industrial restructuring for worldwide competitiveness, increasing incomes and establishing stronger productive and ecological sound links between agriculture and industry (MTPDP, 1993-98). Its targets were an annual increase of 16.5% in arrivals with a corresponding increase in expenditures from US\$1.8 B in 1993 to \$4.9 B in 1998. The number of local tourists should have increased from 7.9 million in 1993 to 17.6 million in 1998 with a corresponding increase in expenditures from P28 B in 1993 to P58 B in 1998.

It adopted the cluster development approach embodied in the 1991 TMP and heavily supported infrastructure development to link air, sea and land transport services. It focused on the triple T's (tourism, transport and telecommunications) for economic growth and therefore strongly pursued deregulation of these strategic sectors (air, inter-island shipping, telecommunications and banking). It encouraged the development of tourism facilities outside the NCR for local tourists and implementation of regional tourism training programs in 3 clusters namely: Cebu, Davao and Baguio and development of tourism to conserve the

sociocultural heritage and preserve the environment. It conducted an aggressive marketing and promotions to project the Philippines as a major tourist destination and retirement haven focusing on domestic and East Asian markets. In pursuit of integrated cluster development planning, the government prepared master plans for areas like CAR, Tagaytay and Palawan.

Arrivals hit the 2 million mark in 1996. Incoming seat capacity increased as a result of expanded bilateral agreements with major markets like the US, Japan, Taiwan, Korea and Hong Kong. As member of the WTTC, the Philippines signed the Villamouira Declaration of 1997 which aimed at using tourism as vehicle for employment generation.

Table 6. Arrivals and Receipts from 1993 to 1998

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$ M)	% Change
1993	1,372,097	19.00	2,122.00	26.80
1994	1,573,821	14.70	2,282.90	7.60
1995	1,760,163	11.80	2,454.00	7.50
1996	2,049,367	16.40	2,700.60	10.10
1997	2,222,523	8.50	2,831.20	4.80
1998	2,149,327	-3.30	2,412.90	-14.80

Source: DOT

The vulnerability of the industry to external shocks became evident when the Asian financial crisis in 1997 dampened demand for tourism by major markets such as Japan. Unlike Thailand the Philippines was not able to use tourism as tool for economic recovery during this crisis. Most operators continued charging dollar-denominated prices for their services because they were protecting themselves from the escalating costs of imported inputs. While the industry expanded in the mid 1990s, the rising costs of development became more evident with the rising pollution cases (as in the coliform issue in Boracay), rampant prostitution in Metro Manila and the provinces, and marginalization of the community residents where large scale projects were being developed among others.

A review of the national plans which serve as overall policy framework for tourism development revealed that the economic importance of tourism in generating foreign exchange earnings thereby easing the balance of payments deficit and in creating employment opportunities has been long recognized by government. However, the lack of priority for tourism's role in economic development was evidenced by the incoherent plans, the heavy politicization of the industry as well as the lack of leadership in sustaining the momentum of development. Furthermore, the sustainability goals and redistribution of income through regional tourism development became explicit only during the Aquino administration and later became the guiding principles of the 1991 TMP. The devolution of tourism functions supported the redistribution of wealth to more communities and the development of domestic tourism.

Angat Pinoy MTDP (1998-2003)

The Estrada administration noted the slowdown in the growth of the services sector and the declining productivity in its development plan. It was challenged by the Asian financial crisis and bankruptcy of Philippine Airlines (PAL).

The objectives as well as policies for tourism development became part of the overall targets for the entire services sector. A Transportation and Tourism Summit was held in 1999 to

produce resolutions by the private and government sector on transport issues, marketing and product development among others. The resolutions were expected to serve as guiding principles for tourism development during this administration. Its strategies covered: marketing the Philippines as the best place to do business for holidays, business, convention and retirement purposes; encouraging LGUS and local communities to venture in projects in tourism priority areas; developing and implementing existing standards and guidelines for physical infrastructure development to minimize impact on the environment; promoting domestic and international tourism and upgrading tourism training institutes and promote excellence in studies on travel and tourism.

Arrivals declined by an average of 3.5% from 1998 to 2000. Tourism receipts likewise dipped by 8.5% per annum during that period. The liberalization of air access pursued under the previous administration slowed down when the government started reviewing the air services agreements in order to support the rehabilitation of PAL which became bankrupt in 1998. The government abrogated the agreement with Taiwan in 1999 leading to a loss of 900,000 seats per week from both Taiwanese and Philippine carriers.

4 Year Medium Term Philippine Development Plan (2001-04)

The Arroyo administration aimed to implement reforms that will meet the industry's development requirements, rebuild the country's image, strengthen its competitiveness in attracting foreign visitors, further stimulating domestic travel while protecting and preserving the environment, its socio-cultural heritage and the welfare and rights of women and children.⁸ Arrivals projected to reach 1.9 M to 2.4 M in 2001 and 2.3 M to 3.0 M by 2004. Receipts expected to amount to \$2.2 B to \$2.7 B in 2001 and \$2.6 B to \$3.4 B in 2004. The major markets to be developed and prioritized are: East Asia (Japan, Korea, Taiwan and Hong Kong), North America (US and Canada) and Europe (UK, Germany and France).

The government identified the following strategies to meet the objectives and targets:

- Improve accessibility of tourist destinations by developing tourism hubs (Manila, Cebu, Davao, Laoag); liberalizing civil aviation to increase weekly air seat capacity at par with Thailand, Malaysia and Singapore and to liberalize visa requirements; encouraging investments
- Enhance tourist products and services by making products better and affordable through discussions with private sector and LGUs; investing in human resource development by reviewing existing curricula to improve quality of graduates; conducting niche and mass-marketing programs
- Instill a culture of tourism by advocating for stronger law enforcement, conducting information campaigns, integrating environmental considerations and promoting ecotourism; intensifying LGU participation and establishing representation and participation of women in tourism
- Work for the recognition of tourism by establishing the Tourism Satellite Accounts; tapping resources for development; reviewing and assessing tourism development plans

Under the 1991 TMP, the Philippines aimed to achieve a target of 4 million arrivals by 2004. However, past years' events slowed down efforts to realize the target. The kidnapping incidents and political instability in certain areas of Mindanao (all highly sensationalized by

⁸ Medium-Term Philippine Development Plan 2001-04, p.71.

media) triggered the issuance of travel advisories by the US and Japan and other countries. The September 11 terrorist attacks in the US further declined arrivals from the US. The Iraq War and the SARS outbreak worsened the performance of the industry.

On the other hand, domestic tourism flourished amidst all these crises. The SARS outbreak caused a shift from outbound to domestic travel by Filipinos. While domestic tourism was getting recognized, there are hardly any recent and comprehensive data on domestic tourism flows and behavior, a reflection of neglect or lack of priority for tourism in the past decades.

Table 7. Arrivals and Receipts: 1998 to 2002

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$ M)	% Change
1999	2,170,514	1.00	2,553.70	5.80
2000	1,992,169	-8.2	2,133.80	-16.4
2001	1,796,893	-9.8	1,722.70	-19.3
2002	1,932,677	7.6	1,740.06	1.0

Source: DOT

The Philippines has a lot of catching up to do. The industry lacks focus and strategic direction as evidenced by the inconsistencies in declared policies and actions and the lack of coordination among stakeholders. Devolution is becoming a problem in some destinations given the rising conflicts between community residents and local government units in areas of market and infrastructure priorities, unfriendly business environments, and inconsistent policies between the central and local implementing agencies. What the Philippines has right now is a master plan that needs updating, a set of regional and community master plans with recommendations and investment potentials that need to be disseminated, an industry lacking in research and development capabilities, and a series of resolutions among government agencies and between government and private sector that need strong coordination. On the other hand, the industry can take pride in the private-public sector partnership that has become stronger in recent years in marketing and promoting destinations, developing infrastructure, increasing community participation and in developing more sustainable tourism activities particularly at the local levels. Sustainability has likewise been incorporated in the National Ecotourism Strategy thereby providing a national framework on sustainable development.

4 Evolution of Policy Framework in Thailand

In 2002, the WTO revealed that Asia is one of the fastest growing markets despite the security concerns arising from terrorism. Thailand's tourism in terms of visitor arrivals hit the 10 million mark in December 2002. Thailand's growth has posed as threat to the competitiveness of most Asian economies vying to become tourism hubs in the region.

Tourism has become a national priority in Thailand because of its potential to generate jobs, income and foreign exchange. In 2002, the TAT commissioned research for the Tourism Satellite Accounts (TSA) and results revealed that tourism directly and indirectly supported 3.4 million jobs (11 percent of the workforce) and US\$1.57 billion worth of economic activity (11.4% of GDP).

How did Thailand achieve its competitive position today? What policies were used to develop tourism? What were the costs of development? What policy responses were adopted

to address the pressures created by tourism on the environment and culture? What have been the consequences of these policy responses?

First Five-Year Tourism Development Plan (1977-1981)

International tourism began with the early visits of European travelers notably Portuguese, English, Dutch and French in the 17th century. Mass tourism, notably the entertainment industry, developed in the late 1960s due to the presence of American servicemen in Asia. Around one-third of the total spending of the overseas visitors went to entertainment during the period 1966 to 1971 (Meyer, 1988). From 1960 to 1973 arrivals increased by 20 percent per year leading to a growth of 32 percent in the number of rooms. Indeed, tourism generated foreign exchange revenues, employment and income for the Thai people. At the same time, however, Thailand gained a reputation as sexual paradise of Asia.

Table 8. Arrivals and Receipts: 1960 to 1976

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$ M)	% Change
1960	81,340	32.11	10	
1965	225,025	6.18	24	140.00
1970	628,671	33.82	105	337.50
1971	638,738	1.60	106	0.95
1972	820,758	28.50	131	23.58
1973	1,037,737	26.44	169	29.01
1974	1,107,392	6.71	193	14.20
1975	1,180,075	6.56	227	17.62
1976	1,098,442	-6.92	200	-11.89

Source: TAT

To develop the industry, the government set up the Tourism Organization of Thailand (TOT) in 1969. Having recognized economic value of tourism the Thai government incorporated tourism development for the first time into the Fourth National Economic and Social Development Plan of 1977-1981. The major objectives of the government were to increase foreign exchange earnings and help reduce the national deficit in the balance of trade and payments through tourism (Meyer, 1988). The primary focus was on marketing and on physical development in order to facilitate the growth in international as well as domestic tourists. The rising tension between economic growth and the culture was not immediately addressed.

Table 9. Arrivals and Receipts: 1977 to 1981

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$M)	% Change
1977	1,220,672	11.13	230	15.00
1978	1,453,839	19.10	435	89.13
1979	1,591,455	9.47	549	26.21
1980	1,858,801	16.80	867	57.92
1981	2,015,615	8.44	983	13.38

Source: TAT

In 1978 the TOT was upgraded and renamed as the TAT. The commitment of the government to promote tourism development included budgetary allocation to TAT. Strong

promotions contributed to the growth of tourism revenues from 4.6 million baht in 1977 to 21.4 million baht in 1981. This apparent success led the government to aim for the projected tourism revenues of 49 million baht at the end of the Second Five-Year Tourism Development Plan (Li and Zhang, 1997).

While the plan recognized the environmental effects of tourism development, it did not specify any concrete suggestions as to how to solve these issues. The government simply issued strict regulations as a tool for environmental protection. Both the government and the private sector lacked the technical and management know-how about conservation of destinations. Inappropriate land use activities and construction were hardly controlled by the regulator. The result: deterioration of coastal destinations.

Second Five-Year Tourism Development Plan (1982-1986)

The rising tension between economic gains and environment and culture continued but the government remained committed to developing mass tourism in Thailand. The Second Tourism Development Plan’s primary objectives (incorporated in the 5th National Social and Economic Plan) focused on expanding the industry by intensifying promotion and marketing, supporting public investments to develop tourist destinations, and private sector investments in the services businesses.

When tourism became the largest foreign exchange earner in 1982, the government used fiscal policy to stimulate expansion of infrastructure. It granted tax breaks to promote hotel construction thereby leading to a 44 percent growth in hotel rooms between the period 1986 to 1990 (TAT, 1990b).

The government continued to concentrate on mass tourism development despite the mounting public criticism of the environmental and cultural deterioration due to tourism. The government did not have definite strategies and policies to respond to the growing tension between the rising presence of tourists and the environment and culture.

Table 10. Arrivals and Receipts: 1982 to 1986

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$ M)	% Change
1982	2,218,429	10.06	1,038	5.60
1983	2,191,003	-1.24	1,089	4.91
1984	2,346,706	7.11	1,156	6.15
1985	2,438,270	3.90	1,171	1.30
1986	2,818,092	15.58	1,421	21.35

Source: TAT

Third Five-Year Tourism Development Plan (1987-1991)

The Third Five Year Tourism Development Plan (1987-91) was produced under a set of three major economic conditions and problems – namely a balance of trade deficit, unemployment and uneven distribution of income. In order to solve such problems, tourism development and promotion were used as major instruments to realize the national development targets. Two courses of action for tourism development were set and these were:

- Emphasis on marketing, research and advertising and promotions and public relations

- Development and conservation of tourism resources including improvement of facilities

To implement this plan, TAT received budgetary provisions for development of the tourist destinations for the amount of 20 million baht annually in 1987. This was increased to 150 million baht annually during the 1990-91 period (Li and Zhang, 1997). In 1987, Thailand launched the first Visit Thailand Year to celebrate the 60th birthday of the King. Visitor arrivals increased from Europe and East Asia and the Pacific rose by 20 percent per year for 1987 and 1988.

Table 11. Arrivals and Receipts: 1987 to 1991

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$ M)	% Change
1987	3,482,958	23.59	1,946	36.95
1988	4,230,737	21.47	3,121	60.38
1989	4,809,508	13.68	3,753	20.25
1990	5,298,860	10.17	4,326	15.27
1991	5,086,899	-4.00	3,923	-9.32

Source: TAT

In 1988, the Thai government approved additional loan projects of 1544.9 million baht under the overseas Economic Cooperation Fund of Japan to improve tourist facilities, preserve the environment and develop convenient transportation routes. A total of 1310.9 million baht was distributed to 73 tourism development projects in 8 geographic areas between 1989 and 1991 (TAT, 1992).

Under this plan, the government started to place higher value on environmental and cultural conservation. A bigger budget was used for restoration and maintenance of destinations through the controls of agencies like the Royal Forestry Department, the Fine Arts Department, and the Department of Local Administration. However, coordination problems hampered these agencies from improving the environmental and cultural conditions.

The Plan also emphasized rural industrialization and aimed to encourage the development of small-scale industries through promotion of entrepreneurship, the strengthening of management, improving market information and easing financial constraints.

The move to turn Thailand into a shopping paradise became evident with the successful promotion of Thailand Arts and Crafts Year in 1989. The 5th National Plan placed emphasis on economic restructuring, centred on export-oriented industrialization and the diversification of the rural economy. The underlying objective of the latter strategy was to ameliorate the growing problem of seasonal unemployment in rural areas. Because of their capacity to absorb labor during slack period in the agricultural calendar, rural handicraft and agro-processing industries have provided the cornerstone of this policy. The traditional handicraft products have been singled out to play an important future role in boosting earnings and in drawing provinces in the peripheral regions more centrally into the limelight through contributing what they produce best to the country's portfolio of tourist resources.

The government did not have a particularly difficult task in coordinating the work of a large number of agencies which have overlapping responsibility for handicraft industries: Thailand has fewer than half the number of such agencies found in Malaysia.

All these past plans can be described as physical plans since they focus on improving infrastructure and amenities. There were no attempts to coordinate the physical and marketing components of the plan (TDRI, 1993).

Fourth Five-Year Tourism Development Plan (1992-1996)

The fourth Five-Year Tourism Development Plan (1992-1996) was developed in a crisis environment, and the Plan focused on the renovation, restoration and maintenance of tourism resources. This is not only because most resources have already been depleted but because Thailand has to compete with other Asian countries as regional tourism center. While Thailand has been known for its impressive historical sites, friendly people and vibrant cultures, it was ranked as the second most polluted and unsanitary nation after India in a 1990-91 survey of 1,450 tourist agencies in 40 major cities in 26 countries (Kaosa-ard, 1994).

Popular tourist destinations received priority with regard to quality and environmental improvements. These conditions led to a decline in tourist arrivals in 1991 by about 4 per cent to 5.1 million. As far as regional planning is concerned, many of the recommendations have not been used because they were not publicized, financial support was not made available, recommendations lacked well-conceived promotion schemes, concrete incentives, the plans have rarely been updated, environmental degradation diminished the potentials of sites and local residents have objected to some of the recommendations (TDRI, 1993).

Tourism revenue, which in 1991 brought in US\$4.48 billion, was expected to fall to US\$4.28 billion from a previous estimated US\$5 billion. Tourist arrivals were forecast to be at 5.1 million visitors for 1992 (or no growth over 1991) and down about 4 per cent from 1990 (Carey, 1992). In 1992 and 1993, Bangkok's premier hotels reported occupancies of 20 to 30 per cent, down from normal occupancy rates of about 60 per cent. Domestic tourism was projected to increase at a rate of 5% over and above the projected 147 million tourist nights in 1996. The plan also aimed for a higher expenditure per day and about 10 days for the average duration of stay (TDRI, 1993).

The overall objectives of the plan were to use tourism as a means of improving the welfare of Thai citizens and returning benefits to taxpayers, of providing historical, social and cultural education and of stimulating the Thai people's interest in nature conservation, protecting the environment and retaining their identity, and of generating foreign exchange earnings, increasing local income and providing employment for both enterprises and residents in tourist areas.

The strategies considered under the plan were the following:

- Upgrading the tourism market by targeting high income professional groups and promote Thailand as local for professional conferences and conventions, female tourists who will spend on health tours and beauty enhancement programs, repeat tourists who tend to stay longer in secondary towns such as Lampang, Ranong and Udon Thani, and high income sports such as golfing, fishing and gliding.
- Enlarging the local market by targeting women who spend more than men especially on souvenirs, advertising programs for local motorists, organizing campaigns for secondary towns for Visit that Town Year, promoting tourism for retirees and the elderly.
- Restoring and conserving tourism resources by demarcating ecologically fragile areas, enforcing urban planning legislation.

- Establishing a Thai Heritage Fund and a Nature Fund for each major tourist province, using fiscal incentives to encourage recycling of beverage and food containers, and setting up inter-agency guidelines with relevant agencies, and establishing tourism resource monitoring and information systems
- Providing tourism as a welfare benefit to the Thai citizens by focusing promotions as Tourism for the Thais wherein foreign exchange earnings will become a byproduct rather than primary objective
- Promoting Thailand as tourism center of Indochina and the gateway to inner Asia by upgrading airports in Chiang Mai, Phuket and Satthahip, studying the feasibility of joint investment and package tourism between Thailand and countries in Indochina and Inner Asia
- Presenting a new image for Thailand by providing more information about places for families, setting up cultural museums, disseminating information about sports and health centers, enforcing land zoning in Pattaya and Samui and controlling the spread of AIDS, and abolishing sex tours

Table 12. Arrivals and Receipts: 1992 to 1996

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$ M)	% Change
1992	5,136,443	0.97	4,829	23.09
1993	5,760,533	12.15	5,013	3.81
1994	6,166,496	7.05	5,762	14.94
1995	6,951,566	12.73	7,664	33.01
1996	7,192,145	3.46	8,664	13.05

Source: TAT

Thailand changed its strategies in order to maintain stable growth and pushed for “*high quality tourism*.” Thus the 4th Tourism Master Plan focused heavily on sustainable tourism. Promotions in the domestic and international market were supported by public funds for the conservation of tourist resources. It also emphasized on cooperation between public and private sectors in correcting environmental problems of destinations.

Fifth Five-Year Tourism Development Plan (1997-2001)

Since 1975, the volume of arrivals has steadily increased despite the Gulf War in 1991 and the Asian financial crisis in 1997. It is now ranked as the 19th top destination in the world, a marked improvement from its previous 26th position.

Some of the factors which contributed to the growth of tourism particularly during the Asian crisis were:

- Willingness of Thai hoteliers to price in Baht and thus offer very attractively priced tour packages (particularly to European markets),
- Thai hoteliers increased prices by around 20 per cent on average to compensate for the higher cost of imported items in their operation, but were still able to offer strong value-for-money in most international markets.

- Effectiveness of the ‘Amazing Thailand’ marketing campaign which focused on Thailand as an inexpensive and safe destination in a region hounded by media images of political and social unrest.

The Plan’s objectives are:

- To promote more quality visitors from overseas to travel more extensively within the country, spending longer days and more money and spreading out to all regions while taking into account the receiving capability or constraints of individual destinations;
- To create a higher sense of appreciativeness by the Thais in traveling more extensively and spending more money in the country throughout the year to increase tourism balance sheet and to distribute progress to the localities which would have positive effect on the overall economic development of the nation;
- Technological advancement and upgrading in the area of information and data services through domestic and international computerized networks;
- Regional cooperation in the areas of infrastructure development
- Human resource development geared towards producing personnel of international quality and in increasing possessiveness of locals in preserving and maintaining resources
- Safety and security of tourists and protection for tour operators through strict implementation of the Tourists Business and Guides Act N.E. 2535,
- To consider necessary and appropriate tourism business operations for joint investments or the promotion and support of investment for the benefits of the nation and the organization.
- Conservation and revival of the arts, culture and tourism resources alongside environment by placing priority on the quality of sustainable tourism development to enable it to cater to long-term increase of visitors while retaining the national identity and heritage;
- Intensified cooperation between public-private sectors as well as the local administrations in resolving or preventing tourism-related problems and in the development and administration of tourism resources to maximizing their value in order to attract more interest from visitors;

This plan built on the principles laid down by the fourth development plan. Again, it emphasized on and sought to deploy strategies for environmental protection leading to sustainable development. Some of these strategies were:

- Reducing the volume of pollution
- Establishing appropriate criteria for garbage and waste management with an emphasis on reducing, reusing and recycling waste
- Disseminating useful data to the public recognizing the equal right of access to information of all parties
- Encouraging ecotourism by local communities including capacity building in project formulation and planning
- Shifting from chemical fertilizer to organic fertilizer for agricultural pollution prevention
- Collecting of fees for raw water from industrial, agricultural and domestic consumers

TAT has been the executing agency for coordinating a ‘*Tourism Development Program*’ since 1988. The funds are provided through the Overseas Economic Cooperation Fund (OECF) of Japan supplemented with Government support. During the first phase of the

Program, from 1989 to 1994, around 1.5 billion Baht was spent on 73 tourism development projects.

Table 13. Arrivals and Receipts: 1997 to 2001

YEAR	VISITOR ARRIVALS		VISITOR RECEIPTS	
	Volume	% Change	(in US\$M)	% Change
1997	7,221,345	0.41	7,048	-18.65
1998	7,764,930	7.53	5,934	-15.81
1999	8,580,332	10.5	6,695	12.82
2000	9,508,623	10.82	7,112	6.23
2001	10,132,509	10.42	7,293	1.02
2002	10,872,976	7.31	7,890	1.08

Source: TAT

These projects are aimed at infrastructure development and improvement, conservation of archeological sites, landscaping of tourism areas, and marketing and promotional activities. The Program's second phase had the stated objectives of revitalizing and preserving deteriorated tourist sites. The Program's third phase states its objective as 'sustainability', in line with the National Development Plan focusing on:

- human resource development;
- restoration, conservation, and environmental improvement in ASEAN and Indochina region;
- promotion of the cooperation in tourism development in ASEAN and Indochina region.

Sixth Five-Year Tourism Development Plan (2002-2006)

Having learned from the negative effects of overdevelopment in destinations, the government has recognized (as its vision) tourism as an economic activity that has and will continue to play a central role in the future economic and social development of Thailand. It emphasized that careful management of tourism resources can be a driving force for the conservation of Thailand's unique natural and cultural heritage. The Government of Thailand through its support of TAT is committed to the development of internationally competitive, environmentally sustainable and socially responsible tourism.

Objectives

This policy seeks to coordinate the activities of the diverse components of the tourism sector through the following objectives which seek to:

- ❑ *Build on the success of the 'Amazing Thailand' marketing and promotion campaigns;*
- ❑ *Develop the potential of new and emerging markets through targeted marketing strategies;*
- ❑ *Encourage the diversification of the country's tourism product base;*
- ❑ *Enhance Thailand's position as the tourism gateway to the GMS;*
- ❑ *Foster the expansion of tourism development to rural areas to spread the socio-economic benefits derived from tourism;*
- ❑ *Assist local administrations and provincial governments in the effective management of tourism development;*

- ❑ *Encourage the conservation and presentation of Thailand's unique natural and cultural heritage;*
- ❑ *Identify opportunities for future investment and employment creation;*
- ❑ *Enhance industry operational standards and human resource skill levels;*
- ❑ *Improve the tourism sector's information and analytical database; and*
- ❑ *Reinforce Thailand's image as a safe and friendly destination.*

In addition to spreading the economic benefits of tourism more evenly throughout the country by developing new tourism products, TAT would like to attract new market segments especially the higher spending markets (Meeting, Incentives, Convention and Exhibition).

In the Sustainable Tourism Plan, the initial ad hoc uncontrolled development of tourism in Thailand created a number of incidences of negative socio-cultural and environmental impacts. Certain areas became synonymous with sex tourism. Areas adjacent to the 'Golden Triangle' began to attract young travelers looking for cheap narcotics. Failure to enforce planning legislation and zoning regulations allowed unsightly sprawling beachfront developments. However, as Thailand has matured as a tourist destination, these issues are being addressed. The industry is no longer the prerogative of expatriates, with Thais now active in every level of ownership, management and operation.

The Plan recognized that the decline in average length of stay and relatively lower per capita spending prevent Thailand from generating higher revenues from the huge volume of visitors. As a result of the Amazing Thailand campaign (and devaluation of the Thai baht), destinations have been promoted as cheap and packages have been strict thereby preventing tourists from enjoying other attractions and from staying longer.

In terms of economic sustainability, Thailand has to attract more longer staying and higher spending tourists to increase the yield. (In 2000, total tourist expenditure amounted to US\$6.8 B which represents an average daily expenditure of US\$92.00 per tourist. Average length of stay is 7 days. The TAT aims to attract more longer staying and/or higher spending tourists. TAT clearly feels there is a need to develop new tourism products and reposition Thailand's image in the market place to attract longer staying and freer spending tourists, in other words, to increase the 'yield' from tourism).

Thailand is challenged to offer a wide range of diversified products and services that will attract visitors to stay more and spend more.

The plan also seeks to distribute benefits more evenly throughout the country through development and promotion of packages better known as "*tourism loops*" which will allow tourists to be in contact with fragile communities and environments. The use of the concept stresses on the involvement of local communities in the development process.

In summary, Thailand's challenge today is on how to transform mass tourism into a sustainable market and how to minimize the costs of development in emerging destinations. Sustainable development requires economic growth to take place. The real challenge is how to continue tapping tourism as a leading creator of jobs and source of income while at the same time create a better quality of life. The evolution of sustainable tourism development as a national agenda in Thailand is clearly evident in the series of five-year master plans. Each plan reflected the shifts in objectives as well as responses to various pressures including dynamic changes in market demand. The regular updating of the master plan provides

policy-makers a clear idea of where the industry is headed and the policies needed to respond appropriately to pressures created by tourism activities on the economic, environmental and cultural sustainability. Such regular reviews provide more evident areas for capability-building on both the public and private sectors.

5 Comparison of Policy Framework

The previous sections revealed how policies have evolved in both countries. Both have committed to pursuing sustainable development— economic, ecological and environmental— but at varying degrees.

This section now provides a more detailed comparison of policy framework in specific aspects of sustainable development ranging from market priorities to manpower development.

5.1. Market Focus: Domestic or international tourism

In most Asian countries tourism policy is designed for international markets because countries are poor to have a strong domestic base for earning the same amount of revenues from foreign visitors. For many years, both Philippines and Thailand have focused on foreign markets. Today, the external shocks (economic and political) have heightened the need to support the development of domestic tourism which generated business for both countries during those turbulent times.

Market Dependency

The Philippines has greater dependency ratio on just two markets when compared to Thailand. It strongly competes with Thailand for the Japanese market. Thailand has strongly focused on Japan and has been successful in attracting the Japanese senior market based on decision factors such as peace and order and infrastructure (TAT, 2000). Today, Thailand is aggressively promoting its long stay program aimed particularly at the Japanese aging population with per capita income of US\$1,750 per month . Started three years ago, the long stay program of Thailand is a result of cooperation among various agencies and private sector participants. The TAT has strong tie-ups with its hospital associations. The Philippines, on the other hand, came in as a late player in developing the long stay program despite the existence of the Philippine Retirement Authority since 1985.

Visitors tend to spend more (US\$144) and stay longer (9.8 days) in the Philippines than in Thailand. In spite of the peso devaluation, the Philippines was not able to attract a good number due to the expensive rates charged by suppliers, particularly hotels which continued to charge the same dollar rate. Hotel operators, on the other hand, asserted that they had to cover for the higher costs of imported materials.⁹ The average length of stay is longer in the Philippines due mainly to the US market (primarily balikbayan market).

Thailand has been able to position itself well as a gateway from Europe to the East Asian region, and particularly to the Mekong Sub-region. Out of the 5.2 million Europeans who went to Southeast Asia in the year 2000, for instance, 90% chose Thailand.

⁹ Hotel and Restaurant Association of the Philippines

In Thailand, the Japanese market spends an average of US\$119 per day for less than a week's stay. The Malaysians spend an average of three days and spends US\$105 a day. The East Asia market generates nearly 60 percent of arrivals but the overall average length of stay is only around 5 days. Europeans who comprise 23 percent of arrivals stay for an average of 14 days though their daily expenditure is only US\$76, much lower than that of East Asians. The Americans on the other hand spend nearly 9 days and spend as high as US\$122 per day.

The TAT aims to attract more longer staying and/or higher spending tourists. TAT clearly feels there is a need to develop new tourism products and reposition Thailand's image in the market place to increase the 'yield' from tourism.

Domestic Tourism

Thailand has an estimated 10 million domestic tourists who frequent places like Pattaya and various national parks. Since the 1980s, Thailand has focused on its domestic market as evidenced by the development of statistics to measure the market's impact and the various promotions (Ritcher, 1989). Still, data on the domestic market do not form part of the annual statistical report.

Over the years, the Thai government has developed infrastructure for both domestic and foreign tourists. However, domestic tourism promotions have been minimal. The current tourism masterplan puts emphasis on domestic travel to more destinations outside traditional sites like Pattaya and Bangkok. Thailand has recognized the importance of domestic tourism – both to fill any gaps in demand from overseas markets, and as a major opportunity in its own right given that a smaller proportion of the Thai population can afford to travel overseas owing to the Baht's devaluation. More than 55 million domestic trips generating 233,300 million Baht is estimated to have taken place during 2000 by TAT (WTO, 2001).

The Philippine DOT estimated a total of **10** million domestic travelers in 2002. Infrastructure development is now focused on both domestic and foreign tourists. Domestic tourism promotions have become stronger through public (sponsored by the Department of Trade and Industry and local government units) and private (PHILTOA's Travel Mart) domestic trade fairs. The current holiday economics program of the government is being supported by the newly created Federation of Tourism Industries of the Philippines (FTIP), the umbrella organization of all tourism groups and associations nationwide. House Bill No. 403 has been filed in Congress and seeks to grant certain incentives to resident Filipinos who travel to domestic tourist destinations.

As the government focuses on domestic tourism through its holiday economics and other promotions, it needs to improve the collection, synthesis and analysis of domestic tourism data. A number of local government units do not have tourism officers who collect, manage and analyze the database on a regular basis. Also, some establishments do not submit arrivals and occupancy reports. Furthermore, there is a lag of about three to four months before the central DOT office can synthesize and present the monthly figures.

A strong domestic base is needed in order to strengthen the international market. Based on the surveys conducted by the DOT, most foreign travelers choose the Philippines based on recommendation from friends and relatives. If local tourists are proud of their local destinations, then they can prove to be the best marketing and sales force.

5.2.Integrated or enclave tourism

Is tourism integrated in the activities of local economies? In Thailand, tourism transportation and infrastructure (water, energy, and roads) are used by both foreign and domestic tourists. Tourist attractions like museums, temples and national parks are usual places where tourists and non-tourists mix. Domestic and foreign tourists tend to mix mostly for business related travel and travel mostly to the Southern part of Thailand. In recent years, domestic tourists dominate in numbers in popular sites like Pattaya. Isolated resorts mostly for foreign tourists are a major component of tourism in the country. Developers are marketing exclusive resorts for foreign retirees in places like Chiang Mai and Phuket.

Foreign and domestic tourists tend to mix in the national capital of Manila and provincial cities. This is especially true for business travel. There is a growing trend to develop isolated and exclusive resorts particularly for target markets like retirees in areas like Zambales and Batangas. However, most of these enclave destinations still need to integrate the local community residents in their activities in order to distribute gains and increase the residents' stake in protecting their tourism resources.

Table 14. Market Dependency Ratio

Rank	Thailand			Philippines		
	Country of Residence	Volume of Arrivals	% share to total arrivals	Country of Residence	Volume of Arrivals	% share to total arrivals
1	Malaysia	1,297,619	11.93	U.S.A	395,323	20.5
2	Japan	1,233,239	11.34	Japan	341,867	17.7
3	China	763,708	7.02	Korea	288,468	14.9
4	Korea	717,361	6.60	Hong Kong	155,964	8.1
5	Singapore	687,982	6.33	Taiwan	103,024	5.3
6	Taiwan	678,511	6.24	Australia	70,735	3.7
7	United Kingdom	574,007	5.28	Singapore	57,662	3.0
8	Hong Kong	533,798	4.91	Canada	54,563	2.8
9	USA	519,668	4.78	United Kingdom	48,478	2.5
10	Germany	412,968	3.80	Germany	39,103	2.0

Note: For the year 2002

Sources: Tourism Authority of Thailand (TAT) and Philippine Department of Tourism (DOT)

5.3. Centralization-Decentralization: Regulations and Controls

How centralized is tourism planning and development? Table 15 provides some indicators of the continuum from centralization to decentralization. Tourism development in Thailand is guided by the five-year Tourism Master Plan which in turn is incorporated in the National Socio-Economic Plan. The formulation of the masterplan started in 1977 when the government saw the potentials of tourism in generating foreign exchange. The current 9th Economic Plan and the 6th Tourism Master plan have evolved from past initiatives (which focused only on generating foreign exchange revenues and marketing and promotions) to one that places sustainable development at the core of its policies and strategies. Such evolution was a response to the threats that overdevelopment and lack of destination management have imposed on the resources of Thailand.

The Thai government recently deregulated its domestic airline industry to allow other carriers like Bangkok Airways to fly the trunk routes previously monopolized by Thai Airways.

Strong government influence is evident in the financial support extended to TAT. In order to allow the TAT to concentrate on its marketing and promotions function, a Ministry of Tourism evolved from the current structure of the TAT. The Ministry focuses more on planning and development.

The government does not require license from tourism facilities. It does not accredit facilities or impose standards for hotel classification. Recently, however, the TAT is working towards an accreditation standard through consultations with the private sector. It announced that Chiang Mai University will take the lead in developing the accreditation standards.

The TAT manages very few government properties. As a result, it is not burdened with responsibilities to manage facilities and to make them profitable.

The regulatory environment is relatively weak in Thailand for both individual travelers and investors. This is also true in the case of monitoring negative externalities created by the consumption of public sites like national parks and coastal areas.

While the tourism planning and development functions have been decentralized in 1997, the TAT has yet to upgrade the capability of the local administrations.

There are strong lobby groups in Thailand which try to increase awareness on the negative effects of tourism, particularly overdevelopment, on the environment and culture. The Ecumenical Council for Tourism Development is at the forefront in advocating a greater awareness of the deterioration of natural resources and cultural heritage.

Tourism planning is now under the control of local administration. Projects are submitted by the village council to the provincial office of the TAT.

The Philippines does not lack plans or policies. The truth is that there are a lot of individual plans and policies around. During the Marcos regime, there have been several plans which were not unified under one national plan. It was only in 1991 when the DOT received assistance from the United Nations Development Programme and the WTO in producing a long-term development plan which was finished in 1993. The plan (1991-2010) became the blueprint for tourism's development beginning with the Ramos administration (1992-1998). What is needed is a continuity of past initiatives which have contributed to tourism growth. Unlike the five-year Tourism masterplan of Thailand (updated every five years in response to the changes in market conditions and impact on Thai tourism's sustainability), the 1991 Philippine masterplan has not yet been updated. And city or municipality tourism master plans have yet to be done or implemented.

The 1991 masterplan aimed at diffusing the benefits of tourism to peripheral regions outside of Metro Manila through the establishment of clusters around provincial international gateways namely Davao, Cebu, Laoag, Subic and Clark. The DOT is currently focusing on the establishment and active promotions of tourism enterprise zones in building infrastructure. To emphasize the place of tourism in the national socio-economic agenda, the government through the National Economic Development Authority (NEDA) has dedicated a separate chapter on tourism in the Medium-Term Development Plan.

In 1992, PAL was privatized. However, the government still protects PAL's interests through the bilateral air service agreements.

The Philippines was able to move towards decentralization of powers earlier than Thailand. The Local Government Code of 1991 aims to support the countryside development program. Tourism facilities or establishments can already secure their licenses from the local government units and they are not obliged to seek accreditation from the DOT. There are moves to bring back the licensing to the DOT based on the complaints by industry players about the mushrooming of facilities which do not meet standard requirements for safety, security and service.

The government still exercises control in terms of ownership of tourism facilities. The Philippine Tourism Authority (PTA) is an attached agency of the DOT responsible for infrastructure development. Its properties include Club Intramuros, Pagsanjan Garden Resort, Tagaytay Picnic Grove, and Banaue Hotel and Youth hostel. Its infrastructure projects include the Paskuhan Village in Pampanga and completion of the remaining works at Malasag Eco-Village in Cagayan de Oro.

5.4.Public-private ownership

Promotional activities have been undertaken mostly by the private sector due to budget constraints of the DOT. The legislative bodies allocated only 0.13% of the total funds to the DOT. The same amount represented only 0.9 percent of the revenues generated by tourism during that year. While the private sector operators in Thailand aggressively conduct promotions, they are supported by a relatively high budget for promotions by the TAT.

The Philippine's total tourism budget for the year is P888 M (approximately US\$20.70 M) of which P81 M (approximately US\$1.89M) is appropriated for PCVC, the marketing arm of DOT.

Table 15. DOT Budget vs. Total Government Appropriations (in pesos)

Year	Department of Tourism	Total Government Appropriations	DOT Percentage Share of Total Government Appropriations
1995	492,060	387,397,933	0.13%
1996	627,198	394,496,000	0.16%
1997	652,329	433,817,543	0.15%
1998	744,555	546,743,816	0.14%
1999	577,657	585,097,506	0.10%
2000	888,099	665,094,141	0.13%

Source: General Appropriations Act FY 1995-2000

Includes budget of the following: Nayong Pilipino, PCVC, DOT-OSEC, Intramuros Administration, National Parks Development Committee

Table 16. Indices of centralization - de centralization

<i>Centralized</i>	Philippines		<i>Thailand</i>	
	1990	2001	1990	2001
National Plan	Yes. There have been several, but the first comprehensive post-Marcos plan is the 1991 Tourism Master Plan sponsored by the UNDP-WTO.	The DOT received technical assistance from the WTO to review implementation of the Tourism Master Plan	Tourism plan is part of National Economic and Social Development Plan done every 5 years.	The latest is the 9 th National Economic Plan and corresponds to the 6 th Tourism Master Plan
Government – controlled airlines	Yes. In the process of being privatized	PAL has been privatized Government has minority stakes in the flag carrier	Thai International is in the process of being privatized. Thai Airways controls domestic trunk routes	Thai International is still 93% owned by the Ministry of Finance although it is publicly-listed. Thai Airways no longer exercises monopoly over domestic trunk routes
Ministry of Tourism counterpart	DOT covers PCVC, PTA, Intramuros Administration, National Parks Development Committee	DOT The Secretary of Tourism has been granted a “ <i>supercabinet</i> ” status by the Office of the President	Tourism Authority of Thailand which is under the Prime Minister’s Office.	A Ministry of Tourism has evolved from the TAT organization structure and assumed planning and development functions TAT will concentrate on marketing and promotions
National Licensing or Inspection of Tourism Facilities	Yes, but being transferred to the local government units by virtue of the 1991 Local Government Code	Licensing is in the hands of local government units by virtue of 1991 Local Government Code. Accreditation by DOT is voluntary	No. The TAT does not accredit facilities No accreditation system exists	No but the TAT is consulting with hotel operators about implementation of accreditation system for tourism facilities by the operators themselves
Government – controlled/owned accommodations	A few were deliberately public, others by default; now being sold. All under the PTA	PTA still manages quite a number of properties but construction of new facilities are private sector driven	Very few.	Very few. The TAT pushes private sector to undertake investments in accommodation and resort development

National currency and investment controls on tourism	Tax on travel tickets for outside Philippines. No restrictions on property investments except on land.	Requires regular business licenses or permits. Limitation on importation of capital goods and other goods locally available. No restrictions on property investments except on land.	Board of Investment oversees imports and concessions. Foreigners may take out all profits. Generally weak on regulations. There are tourism police units.	No restrictions on foreign investment in property. Investors can own land. No discriminatory charges or taxes and no restrictions on repatriation of capital. Foreign equity limited to not more than 49% for most tourism businesses – hotels, tour operators and restaurants. There are consultations on liberalizing foreign ownership rules. Regulations protect tourists and tour operators under the Tourist Act
Regulatory environment	Moderate.	Moderate	Weak	Weak. Has liberal visa rules.
Active local interest groups.	Unions, religious groups are critical.	More interest groups have been developed at the local levels, usually public-private partnership NGOs are active	Beginning to be some opposition, like the New Thai Network on Tourism (TNT). These are primarily environmental and religious. Unions weak.	Strong opposition from quite a number of groups. TAT has developed partnership with private and environmental groups to address environmental deterioration and prostitution
Local control of tourism planning	Some. The plan does require more training of indigenous workers at managerial level.	Yes due to the devolution Active LGUs exist	Most of it is under local or private control. Most jurisdictions have very slight controls. AIDS testing of prostitutes is now being pursued locally.	TAT is supporting training programs for local administrations
<i>Decentralized</i>				

Sources: Richter (1991) and various DOT and TAT documents

Table 17. Impediments which impact on individual travel

Impediment	Country	Controls	Rationale	Code*
1 Visa requirements	The Republic of the Philippines	Visas required for persons coming from countries with which the Republic of the Philippines has no diplomatic relations. Holders of Hong Kong and Taiwanese passports must have special passports.		I
	Thailand	Visa free 56 nationalities staying up to 30 days. For visitors from 76 other countries visas valid for 15 days can be obtained on arrival		N
2 Limitations on travel abroad	The Republic of the Philippines	None except the inspection of exit (travel) documents of Filipinos travelling abroad	Numeric generation	N
	Thailand	No limitations on travel abroad by outbound travellers		N
3 Foreign exchange (Inbound)	The Republic of the Philippines	No restrictions. Visitors bringing in more than \$ US 3,000 are required to declare it at the international airport.		N
	Thailand	No restrictions		N
4 Foreign Exchange (Outbound)	The Republic of the Philippines	No restriction		N
	Thailand	Limitations on the amount of Baht which can be taken out of Thailand (20,000 Bht/person, but 500,000 if going to one of Thailand's neighboring countries)		N
5 Customs or barrier controls	The Republic of the Philippines	Quarantine inspection for certain goods. Regular customs duties and tariffs.		J
	Thailand	Restrictions on alcohol and cigarettes only.		N
6 Departure taxes	The Republic of the Philippines	Departure tax of \$US 20		I
	Thailand	Airport service tax 200 Bht (\$US8)		I. I
7 Business licenses and approvals	The Republic of the Philippines	Regular business licenses or permits		J
	Thailand	Foreign equity limited to not more than 49% for most tourism businesses –		I

		hotels, tour operators, restaurants, etc.		
8 Import policies	The Republic of the Philippines	Limitation on importation of capital goods and other goods locally available.		I
	Thailand	No limitation on imports.		N
9 Foreign investment (business)	The Republic of the Philippines	No restrictions		N
	Thailand	No restriction		N
10 Foreign investment (property)	The Republic of the Philippines	No restriction except on land.	100% investment is allowed in foreign equity participation except land.	I
	Thailand	No restrictions		N
11 Taxes and charges	The Republic of the Philippines	Regular government tax of 10% value added tax and, regular business tax or fees.	Revenue generation	N
	Thailand	No discriminatory taxes or charges		N
12 Foreign exchange controls	The Republic of the Philippines	No restrictions		N
	Thailand	No restrictions		N
13 Repatriation of profits or capital	The Republic of the Philippines	No restrictions		N
	Thailand	No restrictions		N
14 Employment	The Republic of the Philippines	Subject to approval by Department of Tourism, Department of Labor and Employment and Bureau of Immigration as well as the Board of Investments.	To give opportunity	J

			to qualified Filipino nationals.	
	Thailand	Employment in senior levels in hotels and tour operations is allowed. A work permit is required.		I
15 Import of promotional materials	The Republic of the Philippines	Subject to regular customs duties	Protection of locally produced materials.	I
	Thailand	No restrictions, duties on charged on excess quantities.		
16 Others	The Republic of the Philippines Thailand	Compliance with environmental standards e.g. environment clearance certificate. N.A.		N

* Codes

I = constitutes an impediment to competition or growth of tourism

J = where there is justification for an impediment on the grounds of public order, public health, safety or morals

N = measures which are not seen as inhibiting the growth of tourism

Source: Impediments to Tourism Growth in Asia-Pacific, APEC Technical Working Group, 1996

Although Thai tourist business operators have formed various organizations and associations, they have yet to form a truly united front. The Philippines is a step ahead with the formation of the FTIP.

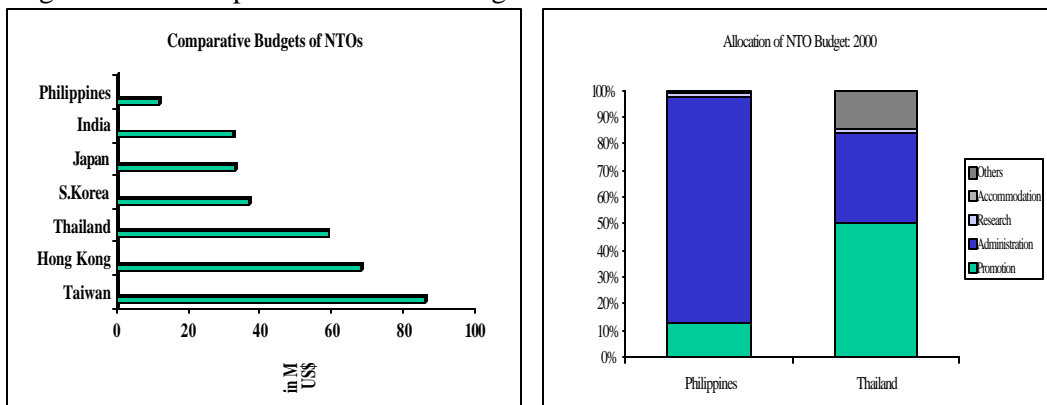
5.5 Marketing and promotions

Thailand has been cited as model for tourism marketing and promotions. The TAT has been efficient as an organization in carrying out its functions - planning, development and marketing.

The TAT still considers its budget small relative to the pro-active and effective advertising, public relations and market promotions campaign that it has to pursue. The budget is not enough for TAT to assume its responsibilities for tourism development. To-date, an average 500 million Baht budget has been allocated annually for improving and developing tourist locations which is derived from a special task budget and foreign loan project budget. This amount is far less than the 3,000 – 5,000 million Baht supporting budget sought by TAT after it compiled its needs assessment for such activities. The lack of budget has been cited as reason for the degeneration of tourist attractions due to inadequate maintenance and conservation efforts.

The Philippines’ marketing budget is indeed very small when compared to the budget of Thailand or other Asian countries. For the year 2000, the TAT has a total marketing budget of 1.8 B Baht (around US\$46.09 M) which is 61.64% of its total budget (approximately US\$74.76 M). Macau has \$15.5 M budget for tourism and \$7.5 M for overseas promotions while the Australian Tourist Commission’s budget totals US\$53.70 M. The Philippines, on the other hand, had US\$600,000 for its marketing and promotions.

Figure 1. A Comparison of NTO Budgets



Source: PATA (2000)

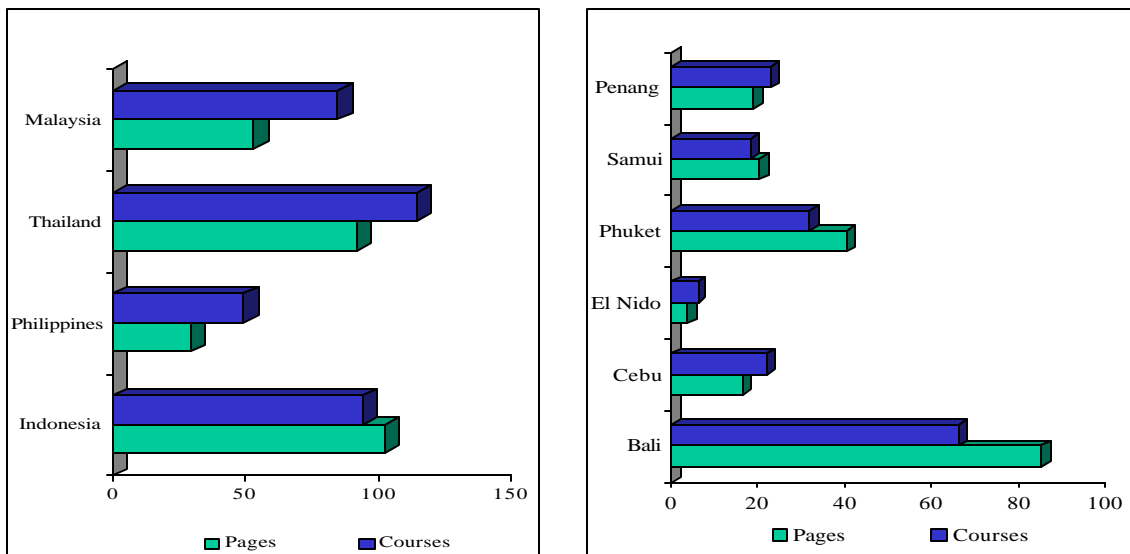
A comparison of the budget allocation by the TAT and DOT would reveal that a bigger portion of the latter’s budget goes to administration, maintenance of offices and operations. In the case of Thailand, its marketing funds account for 50 percent of the total budget while only 30 percent is used to support administrative services as

well as research and development. Most R&D activities are funded by foreign institutions like the World Bank (see Figure 1).

In terms of returns from the marketing expenditure, the Philippines spent only US\$0.35 per visitor arrival. Thailand, on the other hand, spent higher on a per capita basis, around US\$4.60. Furthermore, the US\$600,000 budget of the DOT generated around US\$2.3 B dollars of revenues or US\$3,600 per dollar of marketing expense. The figure is \$157 for Thailand.

Given the relatively scarce marketing budget, the DOT has approached private sector to provide financial support to DOT's marketing programs. The need for an effective marketing campaign is evident in the low exposure of the Philippines relative to other Asian destinations in the brochures of Japanese tour operators (considering the year 1999 was a relatively good year). Only Cebu and Palawan have been mostly featured by tour operators. Since the Japanese market relies mostly on the assistance of travel agencies, they need more information about the Philippines (see Figure 2).

Figure 2. No. of Brochure Pages and Courses of Top 10 Japanese Travel Agencies Devoted to ASEAN Beach Destinations



Source: Seminar on Upgrading the Service Standards of Travel Trade Supporting Industries (1999)

Under the 12th Congress, House Bill No. 2848 proposes to appropriate a portion of the fees (P50.00) collected from departing international passengers at the NAIA to accrue to the DOT for tourism promotions, marketing and development-related projects.

HB No. 1674 on the other hand seeks to provide for an adequate and effective reform of the travel tax by allocating 25 percent of the total collections to the development of

tourism and promotions in 20 depressed provinces identified by the Office of the President.

5.6. Safety and security constraints.

Crime rate is relatively lower in Thailand. Their destinations are considered safe particularly by the Japanese market. Tourist-related crimes seldom result to death of the tourists. Although the Office of the National Police is now responsible for the safety and security of tourists and has tourist police divisions in tourist locations, statistics indicate that the numbers of tourist incidents are increasing. There are budget constraints resulting in a limited police force that is not expanding in line with tourism growth and which has limited equipment with which to carry out its duties.

Safety and security is a problem in Mindanao due to the Abu Sayyaf kidnappings. While some destinations like Cebu, Batangas and even Palawan have the capability to overcome such threats, they lose potential tourists with the way the news are sensationalized.

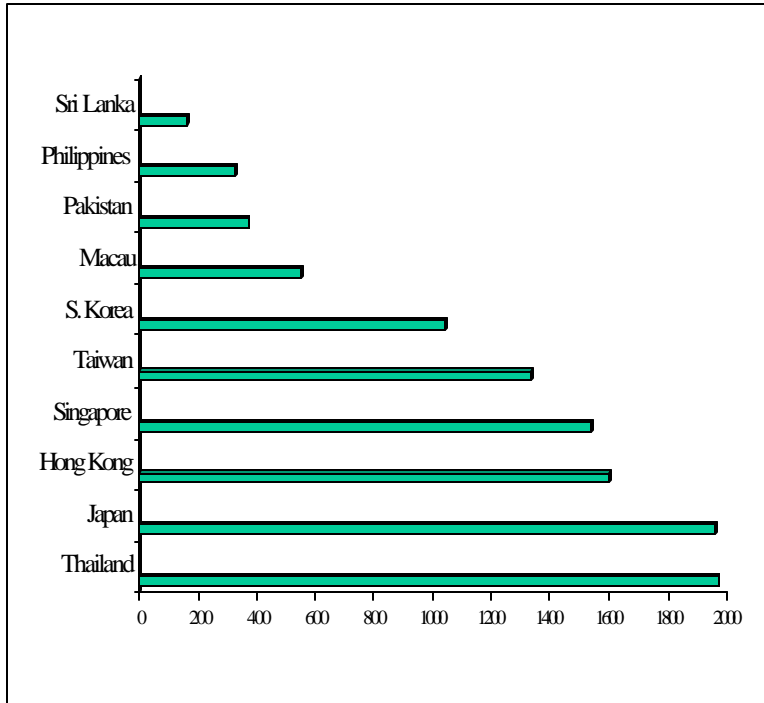
5.7. Infrastructure

In the 1996 APEC survey on tourism impediments, the major infrastructure bottleneck for tourists coming from primary markets of the Philippines is airline capacity. This is followed by airport congestion, accommodation capacity, accommodation standards, and ground transport problems.

Air Transportation

Air access is the basic infrastructure for majority of tourists to Thailand and the Philippines. Around 98 percent of arrivals enter the Philippines via air. The figure is lower at 84 percent for Thailand due to land travel by Malaysians to the Southern portion of Thailand. It rivals Singapore in terms of number of incoming flights per week (see Figure 3).

Figure 3. Comparative Air Access in Major Asian Airports: Year 2002

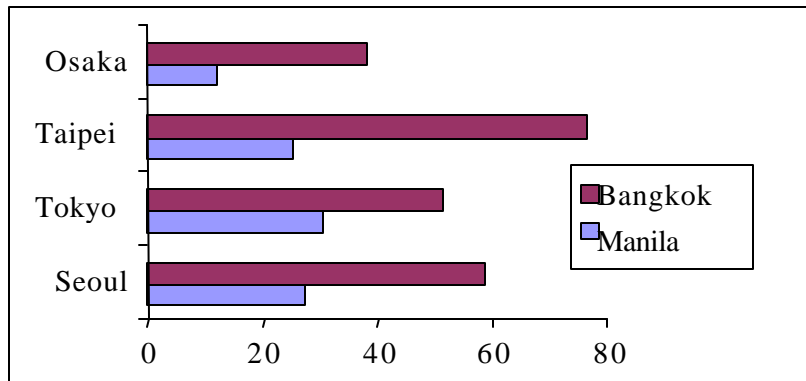


**No. of Incoming Flights Per Week*

Source: Various Airport Authorities. Pacific Asia Travel Association

Thailand provides more incoming flights from major tourist markets of the Philippines such as Japan, Korea and Taiwan (see Figure 4). There are 51 direct flights from Tokyo to Bangkok (7 hour flight) and 30 from Tokyo to Manila.

Figure 4. Air access from Northeast Asia to Bangkok and Manila



**number of incoming direct flights per week*

Source: OAG Flight Guide (September 2003)

In 1999, when the Philippines abrogated the air service agreement with Taiwan, Thailand implemented a bilateral “*open skies*” agreement with Taiwan and also signed one with Malaysia in October 2001. Thailand has been actively leading liberalization of air access within the Mekong Basin. As it aims for a growth of 10 percent annually over the next four years, Thailand recognizes that there is still insufficient seat availability for major tourist markets such as Japan, as well as, emerging markets like Italy, India, Eastern Europe and the Middle East.

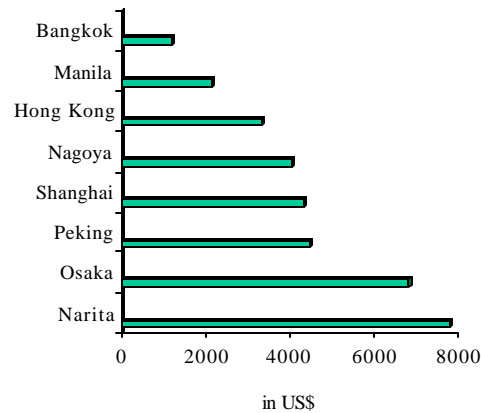
Air access provides a crucial component of tourism development in the Philippines since 98% of arrivals travel by air. The 1991 Tourism Masterplan recognized the need to develop air access and pushed for the liberalization of the airline industry which in turn materialized through the issuance of Executive Order No. 219 in January 1995 and with the issuance of the Implementing Rules and Regulations in 2001.

Airport congestion is another constraint faced by both countries in the traditional gateways of Bangkok and Manila. The International Air Transport Association (IATA) projected that overcrowding in Bangkok since 1998 will get worse by 2006 and will cause Thailand to lose up to 3.8 million tourists and could also result in Thailand losing the chance to become a major aviation hub in the region. The delays can likely force airlines particularly those making long-haul transcontinental flights to switch their bases from Bangkok to Singapore or Kuala Lumpur.

While the Ninoy Aquino International Airport’s capacity will be expanded with the opening of Terminal 3, international (particularly European) airlines have considered pulling out of Manila due to the expensive airport charges. Apart from overtime work of customs personnel being charged to the airlines, the landing fees are expensive compared to Thailand (see Figure 5). Airlines are constrained by the gross taxation ruling of the government as embodied in the Tax Reform Code of 1997. They pay taxes based on the gross receipt reflected on the airline ticket even though they just receive discounted fares. And even if European airlines enjoy a 1.5 percent tax rate¹⁰ (compared to the 2.5 percent) on the gross billings compared to other carriers, taxation is highest in the Philippines. Thus, European airlines find it cheaper to make a turnaround in hubs like Bangkok or Hong Kong than mount flights to Manila. And Terminal 3 has turned into another white elephant given the unsettled legal and political battles between the Philippine government and the Build-Operate-Transfer investors.

¹⁰ While the 1997 Tax Reform Code stipulates a 2.5 percent tax based on gross billings or receipts, the bilateral tax treaty of the Philippines with European countries allows a 1.5 percent rate.

Figure 5. Comparative Landing Fees in Asia



*Landing fees for a Boeing 747-400

Source: Various airport authorities

Traveling to Thailand and to destinations within Thailand is considered convenient and relatively inexpensive. This has played a major part in promoting the growth of tourism. However, certain limitations are becoming problematic including:

- *Land Transport.* There is a lack of international signposts that could assist tourists travel throughout the country on their own by car. There is also still a problem with the condition of the roads in neighboring countries for tourist wishing to travel more extensively in the region, as well as, concerns about their safety; and
- *Water transport.* Coastal tourist attractions and tourist sites along canals are considered to be a major tourist attraction. There is, however, a lack of designated docks to receive cruise vessels, as well as, harbors for accommodating yachts. Safety regulations are rarely enforced.

The transportation network in the Philippines lags behind Thailand. The hubs and spokes system being promoted by DOT is based on the 1991 Tourism Master Plan which aims to bring tourists to satellite destinations via at least one gateway. There is a need to accelerate the development of an efficient transportation network that will allow tourists to move with reasonable costs from one destination to another at the shortest time possible. For the Japanese market, for instance, access (preferably direct) is a very important decision factor for choosing a destination. If more gateways like Palawan can be developed then tourists (domestic and foreign) will no longer be obliged to fly back to Manila for an international or even domestic flight. A liberal transportation policy is needed to make it happen.

Most roads still lack signages and information on tourist attractions that can be found in the local communities. Also, the buses or public vehicles transportation network is not very tourist friendly since it is hardly incorporated in maps.

While inter-island shipping has developed in recent years, ports or harbors lack the facilities and standards to assure safety and security of tourists. Furthermore, the personnel are not adequately trained to attend to the needs of tourists.

Immigration procedures are straightforward in Thailand and there are few impediments related to visas for international tourists especially from major tourism markets. Facilitation of travel in the form of visa exemptions or visa on arrival applies to about 158 countries. Thailand grants visa upon arrival to the Chinese market, one of its top 10 markets.

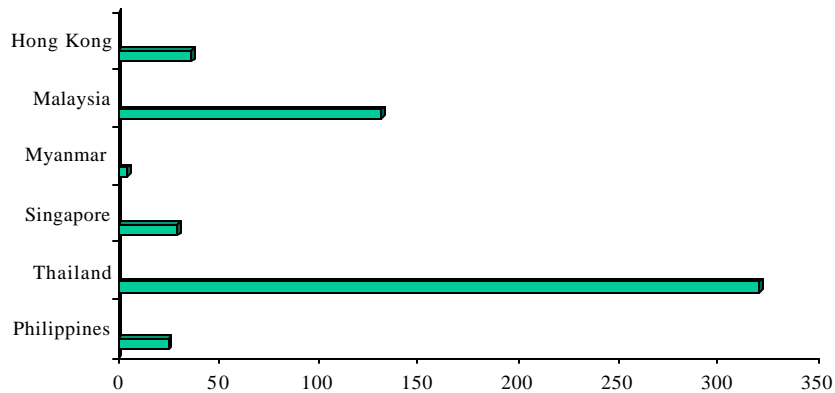
One of the resolutions of the National Socio-Economic pact last December 2001 for the tourism agenda was the liberalization of visa requirements and fees for Chinese tourists. In February 2002, visa requirements for Chinese nationals were simplified through reduction in visa fees by 20 per cent, shortened processing period, and simplified application procedures. Likewise, in a bid to boost tourism and attract investments, foreign nationals have been allowed to extend their stay to the Philippines for a period of six months to one year from the date of arrival (UNESCAP, 2001).

Accommodation Capacity and Standards

Industry players in the Philippines often complained about the lack of capacity and quality accommodation establishments especially in provincial destinations. True enough, the Philippines has only around 200 establishments and 25,000 rooms available for tourists nationwide. Around 40 percent is concentrated in Metro Manila. Thailand, on the other hand, has more than 4,000 establishments and 320,000 rooms, one of the highest in Asia. Bangkok alone accounts for 25 percent of total capacity.

The huge capacity of Thailand was built up over the years as the government promoted investments in the hotel industry as early as 1980s. The tax incentives granted by Thailand to new and existing establishments have encouraged hotel owners to upgrade their facilities. Such incentives for undertaking renovation do not exist in the Philippines.

Figure 6. Number of Hotel Rooms in Asia



For the year 2001

**Figures are in thousands*

Sources: PATA, DOT

Thailand does not have an existing accreditation system for hotels, especially the local ones. Quality hotels are international chains with established names and reputation worldwide. The TAT has been consulting with hotel associations in order to produce an accreditation standard which ensure quality for discriminating tourists. The Philippine DOT still accredits establishments (using de luxe, first class, standard and economy ratings) voluntary basis in order to assure quality services. The monitoring system of DOT's accreditation need to be enforced as tourists complain about the inability to establishments to meet its accreditation level. With the devolution of tourism functions to the local government units, not all establishments are required to seek DOT accreditation.

5.8. Manpower Development

There are over 3.4 million people directly and indirectly employed in the tourism industry of Thailand. In 2010, up to 4.8 million people are projected to be employed in the industry, representing an average annual growth rate of 3 per cent.

In Thailand, there are approximately 120 tourism colleges, universities and institutes offering travel and tourism courses, but the standards of these varies. Courses are taught at certificate level, undergraduate level and in various postgraduate programmes. Each year, there are nearly 13,000 persons who finish their studies from educational institution. Some universities, colleges and educational institutes design their own curriculum with some advice from the Tourism Authority of Thailand. Other universities have some relations with universities abroad like Australia, United Kingdom, USA in order to design their curriculum to Thai students or the needs of Thai tourism industry. Courses offered are like tourism marketing, tourism

Although training has been conducted to develop personnel employed in various professions, there is still a lack of highly trained personnel with required skills and also languages such as Japanese for tour guides. At the same time, just over half of the people working in the tourism industry were educated only to the high school level. Many have few opportunities for training especially to develop technical skills and management and language capability.

In the Philippines, travel and tourism employs around 3 million workers (8.8 percent of total economy employment) directly and indirectly in tourism. The DOT conducts training programs that include continuing education, hotel and resort services skills development, train the trainer, educating the educator, labor management, Japanese language courses and frontline service skills for taxi drivers, and homestay participants. A total of 17,301 industry workers benefited from the training programmes conducted by the DOT from 1997-2001. The private sector conducts training on its own or through association-sponsored programs. A hotel and training institute has been established through public and private sector partnership to serve as laboratory and training ground for hotel and restaurant students. Still there is scarcity of tourism graduates who are capable of assuming management positions and with strong orientation to research for product development and improvement. The absence of a school offering postgraduate course in tourism is a sign of the lack of priority for manpower development in the country.

Table 18: Summary of manpower trainings, 1997-2001

Year	No. of Trainings	Beneficiaries
2001	112	3,924
2000	118	3,643
1999	120	3,209
1998	77	1,861
1997	101	4,664
Total	528	17,301

Source: Office of Tourism Standards.

Some schools have adopted the dual training system which allow students to learn the various operations of a business. Their students tend to work with hotels, travel agencies, airlines during their practicum. However, a number of private sector operators have not yet cooperated with schools in such program. As the country faces stiff competition with more and more Asians learning the English language, then it should strengthen the curriculum of universities and seek to develop an international chain of exchange system with other countries.

Total enrollment in Manila is around 22,000 or a net increase of 14 percent per annum. This is a result of more schools offering tourism and related courses such as hotel and restaurant management, travel agency operations, airline operations. And only 15-20 percent of the practicum time is devoted to community immersion programs. Such immersion programs can serve as ways to upgrade and utilize local manpower in the communities. In Palawan and Negros Occidental, students and out-

of-school youths are being tapped to conduct research and campaign for the local government.¹¹

The Department of Education has already identified tourism as one of its priority areas to address the gaps in manpower training. Furthermore, the Technical Education and Skills Development Authority is working on a project to assess the current capabilities and capacities of technical and vocational education providers, estimate the future demand for tourism services (occupation) and recommend policies and program responses on improving the ability of these educational institutions to respond to dynamics of the tourism sector.

Sustainability Issues

Both Philippines and Thailand are moving towards sustainable tourism development. There is greater awareness on the negative effects of tourism development particularly in the local communities. The government is getting more active not in regulating spirit of free enterprise but in minimizing the negative effects on the environment. Thailand had a more laissez-faire attitude in the early years of its tourism development. But the costs borne by communities due to bad planning and lack of rules on how private sector should behave in developing facilities in fragile areas have pushed Thailand to become more vigilant.

One of the goals of sustainability is income distribution which depends on factors like positive perception of tourism by the locality, provision of access to the destinations, and marketing and promotions.

As indicated by the Defert's Index, tourism has become an important activity in Thailand (see Table 19). A high Defert index ¹², therefore, implies that a relatively high proportion of the local population works in the tourism industry. Hence, the higher the index, the more important is tourism's role in the local economy (Oppermann and Chon, 1997). Tourism density is highest in Chonburi where Pattaya is located while tourism intensity (in terms of tourists per 1000 host population) is highest in Phuket and Bangkok.

Bangkok used to account for 76 percent of the tourism income. By 1994, this has been reduced to 37 percent as new destinations such as Phuket, Chiang Mai, Chon Buri-Pattaya and Songkhla-Hat Yai (TDRI, 1997) and to around 34 percent in 2000. Other border towns and cities have also experienced growth in income due to the opening up of the Indochina.

For the Philippines, high indices have been computed for Davao, Cebu and the NCR. The NCR has the highest concentration of tourists per square kilometer while Davao has a high tourist concentration per 1000 host population.

Tourism development has been largely concentrated in Metro Manila. Prior to the 1990s, Manila served as the only gateway in the Philippines. Revenues were mostly concentrated in the metropolis. Places visited outside of Manila were usually Baguio

¹¹ Inputs of Dr. Francis Sta. Maria, Consultant, Landco Leisure Farms

¹² Defert index is computed by dividing the number of beds or rooms in a locality by the host population of that area.

and Tagaytay. In the 1990s, the development of new gateways such as Mactan-Cebu, Davao, Laoag, Subic, and Clark paved the way for the direct entry of foreign tourists from Northeast Asia to the communities in the Visayas particularly Cebu. The liberalization of the airline industry was a major factor behind the growth of tourism. The entry of players like Cebu Pacific, Air Philippines and Asian Spirit introduced competition, provided greater access between Manila and other provincial destinations.

Thailand has been trying to reverse the environmental deterioration in sites like Pattaya. In the mid 1990s, the Thai government devoted funds in rejuvenating and expanding the carrying capacity of Pattaya through wastewater treatment retrofits for hotels and by removing houses along the coastal areas (see Table 20).

The WTO assisted the Thai government in preparing a sustainable development plan for tourism which became the basis for the Tourism Master Plan for 2002-2006. The Master Plan revealed that at least 179 tourist locations in 49 provinces need assistance in returning them back to their original state. Most of these tourist spots are located in areas under the responsibility of agencies such as the Interior Ministry, the Royal Forest Department, the Department of Fine Arts and the Department of Religion.

Furthermore, the TAT took the lead in analyzing the development potential of some 2,300 listed attractions of around 33 provinces with significant tourism development potential. The plan identified the significance, potential level (high, medium, low) for tourism development and the urgency for such development plus the investment requirements. This analytical work has been used to define a tourism development strategy with a focus on the development of new tourism destinations in addition to the already established areas of Phuket, Pattaya, Ko Samui and Chiang Mai.

The Royal Forest Department's National Parks Division has only recently commenced tourism development within the parks and protected areas. Although park management plans have been developed, tourism does not form a focal issue.

The Department of Fine Arts in charge of cultural resources have made survey of all sites from a protection and restoration point of view. However, only limited initiatives have been undertaken in respect to tourism.

An integral part of the planning process for destinations in Thailand is the determination of carrying capacity. For example, Phi Phi Island and other fragile tourism areas in Thailand cannot accommodate a doubling of visitors which can happen in six years (under a 12 per cent growth assumption). At present the demand for some of the fragile tourism sites (national parks, temples, coral reefs) is surpassing the carrying capacity with potentially large negative impacts on the tourism resource base. Site management, measures to increase site carrying capacities and measures to regulate the flow of tourists are therefore of paramount importance of sustainable tourism development.

Some of the action plans involving sustainable tourism have been made in the Philippines. These include sites like Olango Bay in Cebu and Ulugan Bay in Palawan. In 1999 an executive order established guidelines for ecotourism and created a National Ecotourism Development Council to make policy along with

structures to review and approve ecotourism projects. A National Ecotourism Congress was formed in 1999 to help formulate national ecotourism policy. In addition, it centered on people, nature and time as three interdependent elements to achieve sustainable tourism. Whale-watching programs have been organized based on coordination with other government agencies, universities and non-government organizations in order to generate livelihoods for local communities. A National Ecotourism Strategy was completed in April 2002 to promote an integrated approach for the protection of natural resources while at the same time generating economic opportunities for local communities.

Both Thailand and the Philippines are beset with rising cases of prostitution of the culture. However, the situation is worse in Thailand particularly as far as sex tourism is concerned. Such kind of prostitution has irreversible outcomes that can destroy the capability of the future generation to sustain the benefits from tourism development.

Table 19. Measures of Tourism Development

Thailand				Philippines			
	Defert's Index	Tourism Density (tourists per sq km)	TII (tourists per '000 persons)		Defert's Index	Tourism Density (tourists per sq km)	TII (tourists per 1000 persons)
Bangkok	9.11	6,050.63	1,493.85	Batangas	0.28	24.89	41.36
Chiang Mai	9.56	94.75	1,263.27	Cebu	1.73	125.17	267.94
Chonburi	22.70	15,525.12	3,030.38	Davao	2.77	37.59	411.27
Phuket	78.61	254.43	11,932.57	NCR	1.25	3706.26	237.33
				Palawan	0.71	2.64	52.09

**2000 figures include domestic and foreign*

Sources: Statistical Yearbooks (Thailand and Philippines)

National Statistics Office, Philippines

Department of Tourism

Table 20. Examples of Environmental Management of Tourism in APEC Economies

MEASURES	LOCATION	APPLICATION
Environmentally Sensitive Design	Nusa Dua, Bali	Setbacks from shore, public access, height limits; traditional Businesses architecture
	Harmony, US Virgin Islands	Solar energy, elevated walkways; recycled materials
	Suma Theme Park, Malaysia	Preservation of natural terrain and flora
	Pomun Lake, Korea	Traditional Korean architecture; Integrated management of water, sewer, solid waste and transportation
Land Use Classification/Restriction	Great Barrier Reef, Australia	Protection of reefs; to separate and limit incompatible uses
	Mt. Huangshan China	Zoning to restrict development in greenbelt
	Whistler Resort, BC, Canada	Zoning, performance standards
Environmentally-Sensitive Areas Protection	Great Barrier Reef, Australia	Protection of reefs; scientific study zones;
	Mt. Huangshan China	Alpine protection strategies
	River Nakdong, Korea	Migratory bird habitat
	El Mazunte, Oaxaca, Mexico	Protection of marine turtles, biodiversity
Dispersion of Impacts	Waitomo Caves, New Zealand	Protection of glow worms; limits to number of visitors
Selection of Energy Sources/Conservation	Australia's National Ecotourism Strategy	Development of energy conservation strategy Experimental use of solar and wind energy in remote areas.
Water Supply Treatment and Conservation	Whakarewarewa Geysers U.S. Virgin Islands	Protection of thermal water source Desalination at new resorts
Materials Selection	Whistler BC, Canada	Use of reusable materials and recycled products
	Harmony, US Virgin Islands	Construction with recycled products
Waste Management	Whistler BC, Canada Australia's National Ecotourism Strategy	Recycling of all products possible Development of tourism waste minimization strategy
Air Pollution Controls	Whistler BC, Canada Chubu-sangaku NP, Japan	Limitation of automobile access, availability of mass transit to reduce pollution and traffic Only buses and taxis are allowed in park in tourist season

Water Pollution Controls	Pattaya, Thailand Harmony, U.S. Virgin Islands	Waste water treatment retrofits for hotels Application of effluent to natural landscaping
Restoration	Mines Wonderland Resorts, Malaysia Pattaya, Thailand Doi Tung Project, Thailand	Conversion of open pit mine to into recreational resort, forest and artificial lakes Removal of housing on beaches, restoration of shoreline Reforestation and recovery of tourist area
Infrastructure/Carrying Capacity Management	Nusa Dua, Bali Cancun, Mexico	Increased utility capacity for resorts and worker villages. Highway improvement. Expanded wastewater treatment and lagoon improvement

Source: Environmentally Sustainable Tourism in APEC Member Economies (APEC Tourism Working Group, 1996)

6 Lessons from Thailand's Experience: Implications on Sustainable Development in the Philippines

Both countries share common challenges such as fragmented private sectors, negative images as cheap destination in the case of Thailand and an unsafe destination for the Philippines, and rapid deterioration of resources. But they have adopted similar policies to address those challenges. These are devolution, private-public partnership and a national ecotourism policy among others. A number of case studies on community tourism development and expansion of carrying capacity in Thailand and the Philippines have been documented by ESCAP. The two differ in the degree of importance attached by stakeholders particularly to the policies. In the Philippines, tourism is highly politicized and usually lacks a strong leadership that will strategically lead the communities and the industry as a whole towards long-term growth. In Thailand's experience, leadership has been a critical element in growth plus favorable factors such as peace and order, diversified products and strong marketing and promotions. Thailand has flooded the world tourism market with an abundance of good news about its destinations with the cooperation of media. This is what the Philippines needs to create a positive image for the various destinations.

Thailand has been known to build on and to strengthen past initiatives that have produced good results for tourism. This commitment is embodied in the five-year TMPs which have evolved from previous ones. While the first plans (mostly physical plans) focused on attaining the economic goals of foreign exchange generation and job employment with minimal emphasis on the role of environmental conservation and preservation in the long-term sustainability of tourism the recent ones concentrate on developing higher quality of tourism and making resources more sustainable. Thailand experienced that it is important to stress on product development and to build awareness on these new product and market niches. For tourism to become sustainable, Thailand now has to concentrate its efforts in attracting high spending and longer staying tourists and in improving its image. Leadership has been a critical element in Thailand's effort to build on past initiatives. A culture of tourism among the Thais has deepened as more emphasis is given on developing Tourism for the Thais.

The challenges of the 1990s pushed the government to incorporate environmental and cultural sustainability in its plan and to adopt specific measures or projects to accomplish this goal. The TAT has been active in communicating the findings of the various provincial and regional master plans particularly those related to resource inventory, resource utilization, and to potential investment areas.

Thailand is actively pursuing its commitments under the APEC Agenda for Tourism. It is at the forefront of removing barriers to movement of people through its liberal air access and visa requirements. Thus, Thailand is able to develop its position as regional aviation and tourism hub.

The Philippines can learn a lot from the excesses of Thailand's development. Pattaya is a model of bad planning. While Thailand boasts of huge numbers of arrivals, the country is beset with cultural and environmental problems which threaten tourism's sustainability. The spread of AIDS among the local Thais has become a major threat. Thus, the WTO recommends that Thailand should develop its own model of

sustainable development by changing the present tourism direction and focusing more on products and activities which will add to the attractiveness of Thailand as a quality destination. The strategy is to combine mainstream markets with niche products. Thailand is moving towards reducing low budget tourists since they do not pay for the resources they consume. If Thailand is not able to reverse the present situation, its tourism will lose the power to improve economic conditions for the Thais in the future. Thus, the Philippines should manage development in such a way that the local communities are protected from those negative externalities created by tourism.

The Thai government is moving away from areas which the private sector can do better if not best. One example is in the policing of regulations and the lack of appropriate management systems. At present, the private sector is heavily involved in defining a hotel grading system which will address the need for standardization and control measures for the development of accommodation facilities. It has been found out that standards are needed in respect of water quality, sewage disposal, garbage disposal, height restrictions, construction density, construction of roads along the coast, use of coral as construction materials and environmental impact assessment standards. The TAT has recognized the need to categorize and grade facilities and activities in order to make market presentation better and improve standards. Since hotels in Thailand have not yet been graded, the TAT is supporting the Thai Hotel Association in introducing a private sector system. Thus, policing and management of the performance of Thai hotels will be under the supervision of the private sector in cooperation with the Chiang Mai University that will devise an acceptable system. The government does not envisage a public sector controlled authorization system anymore. The TAT has therefore committed to promoting only those accredited by the private sector groups which will implement the grading system.

Furthermore, the Thai government recognized that a strong public-private partnership is needed to pursue sustainable and integrated tourism development. While Pattaya is a model of negative private sector driven tourism development, the Khao Lak tourism area offers an alternative model. The Khao Lak is located about 50 km north of the airport of Phuket. Local entrepreneurs have developed a highly attractive area for mainstream tourism – families with children or tourists who simply would like to experience a quite and relaxing atmosphere. In the case of garbage collection, the entrepreneurs collaborate with the Khao Lak tourism association and the local administration. The basis for development has been the initiatives of the private sector local tourism association with strong support from the local administration and assistance provided by the Department of Town and Country Planning and the Public Works Department of the Ministry of Interior.

The Philippines does not lack plans or policies. Past initiatives have produced good results for tourism. It is a matter of continuing these initiatives. To begin with, the masterplan should be reviewed and updated. Public-private partnership is common in manpower training and in marketing and promotions of local destinations. Strong public-private partnership in research and development is widespread in Thailand and has yet to flourish in the Philippines.

The Philippines can build on existing initiatives. The areas which require strong attention as far as sustainable tourism development is concerned include:

Market and Product Development

- Studying and understanding the needs of the core markets (which have become a basis for the various training programs of schools, universities and TAT in Thailand). Such initiative should be well-grounded on research and data. Strong marketing campaigns are built on sound research.
- Building a strategic information system that captures the relevant data on domestic and foreign tourism (on flows and behavior), potential investment areas (classified as high, medium or low) and the urgent investment needs as well as regulatory framework.
- Accelerating the completion of the Tourism Satellite Accounts in order to heighten the economic benefits of tourism development. The government should also work towards the development of more localized Tourism Satellite Accounts. Such information can be a starting point for private sector to put a greater stake in tourism development of their locality.
- Strengthening domestic tourism promotions by the DOT and the private sector in cooperation with LGUs in order to balance foreign demand in tourist destinations.
- Building awareness on the product niches proposed under the McKinsey study

Organizational Development

- Considering proposals to reorganize the DOT in order to produce a lean organization focused on core activities which will account for lesser share of the appropriated budget.

Manpower Development

- Assessing manpower requirements for each type of work for human resources development
- Improving the quality of human resources and developing a high standard of specialized skills in various environments
- Improving tourism training infrastructure especially in the provinces and providing more opportunities for training the trainer programs
- Providing general guidelines on career opportunities and working conditions in tourism services
- Setting up a national network of tourism education and training institutes to strengthen cooperation, and build up research capability of students and industry practitioners.
- Developing stronger partnership between the private sector and academic institutions

- Developing pool of accredited tour guides in the local communities who can be hired by tour operators or travel agencies.

Infrastructure

- Pursuing liberalization of airline access especially to other gateways with high and medium tourism potential. The Philippines should consider removing restrictions in capacity through bilateral open skies with major markets such as Japan, South Korea, the United States and opening up the secondary gateways to link them with more established hubs in the region and generate third country tourism traffic.
- Supporting infrastructure improvement for the nautical highway and the network of road, land and air transportation within the Philippines in order to reduce costs and improve mobility.
- Removing barriers to individual and business travel such as visa rules.
- Addressing the taxation issue for international airlines in order to reduce costs of doing business

Resources Management

- Conducting resource inventory and developing tourism loops for tourists to experience greater diversity, increase consumption, and increase length of stay. Such approach will also enhance cooperation among local units and distribute income from the core to the peripheral areas connected by the loops.
- Documenting experiences of pilot projects or best practices of local communities and disseminating the information to more localities. This in turn can build up the constituency needed in order to increase stakeholder participation in that community.
- Drafting guidelines on tourism development which actually falls under the open space and recreation category in the Zoning Ordinances. This can help prevent the same problems experienced by Pattaya. Such development requires an assessment of the carrying capacity and density standards, site planning standards, housing standards, and utility standards.

Partnership for Sustainable Tourism

- Strengthen the 3Ps: Public -private partnership. Constituency building is needed in order to properly communicate the concept of sustainable development, to develop trust among stakeholders and to identify areas of responsibilities. Strong awareness programs can be supported by the LGUs and the private sector through focus group discussions or workshops.
- Adopting site management by local communities to increase site carrying capacities and measures to regulate the tourism flow are integrated in the planning process of destinations.

- Closer coordination among the various government agencies and building a monitoring body from the private sector.

What can Thailand learn from the Philippines? First, there is no place for incoherent plans in a fragile industry like tourism. Second, devolution without the proper training and preparation can inhibit the full use of devolved tourism functions in building the capability of local communities in their own tourism development. Third, the overall vision of tourism should be supported by the policy goals in tourism-allied sectors such as transportation. And when tourism becomes heavily politicized, tourism loses its power to generate jobs, democratize income distribution and eradicate poverty. Thailand can likewise learn from the pocket initiatives that demonstrate strong private-public partnership in tourism development as in the case of Palawan, Olango Bay in Cebu and Panglao Craft Village at Panglao Island Tourism Estate in Bohol. The Entrepreneurial Development in Rural Tourism and the Philippine Agrotourism Programme enhance public-private partnerships in community tourism.

This study compared the overall tourism policy frameworks of Thailand and the Philippines in order to draw lessons for sustainable development. Thailand has often been cited as a model for tourism development, particularly in marketing and promotions and liberalization of tourism related services such as air transportation. Its experience provides lessons on how excesses – environmental degradation, prostitution, cultural exploitation - can weaken the power of tourism in eradicating poverty and in making tourism more sustainable. The Philippines boasts of destinations which are at the early stages of the product life cycle. These destinations can learn from the negative effects of tourism development in Thailand such as in the case of Pattaya, Koh Samui and even Bangkok. Thailand's experience has revealed that government and policies still have a place in tourism development. Thailand's position as a regional hub for tourism is a result of relatively liberal air transport policies. More importantly, government's critical role is in correcting the market failures, minimizing the negative externalities created by tourism and assisting in the distribution of benefits to communities among others.

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