

Chapter 1

Introduction

1.1 Principle and Rationale of Study

Over the past two decades, international tourism has achieved remarkably well, contributing substantially to general growth of world economy. The development of tourism industry is often a very significant strategy for the development of economic growth in developing countries and developed countries. Tourism industry generates various economic benefits, including increased foreign exchange earnings, employment, income and government revenues. The job expansion for increasing direct employment in travel and tourism is forecast to average 1.9 percent per year over the next decade, compared with 1.2 percent annual growth forecast for total jobs in the global economy (Turner & Sears, 2013). Moreover, tourism industry is the world-largest export earners generating US\$ 1.3 trillion, representing 6 percent of the world's exports in 2013. International tourist arrivals climbed up 5 percent to 1,087 million from 1,035 in 2012. It is forecast to grow up 1.8 billion international tourists in 2030. The international tourism receipts ascended to 4 percent to US \$ 1075 billion in 2012 (UNWTO, 2013).

The international tourism business has entered an interesting period for many countries in Asia between 1997-1998 (Lim,2003) while tourism developments can procure economic benefits. It can also negatively impact natural environments and socio-cultural conditions. Tourism can change traditional lifestyles and culture as a result of expanded income distribution due to increases in the number of tourists and capital flow. It has been suggested that tourism leads to less environmental destruction than some other sectors, such as manufacturing industry in cases where the natural environment is used as the tourism resource, i.e., in ecotourism, environmental conservation may be promoted.

After the party IV in 1986 set trends changed comprehensive and open cooperation with foreign tourism in the economy – the society of Lao People's Democratic Republic (Lao PDR) identified and announced the implementation of the development and promotion of tourism, culture, nature and history. In order to accommodate tourism and other services, the government focused significantly on infrastructure by building roads, improving communication to the challenges, and connecting with neighbors to make visitors can integrate at regional and international levels. Tourism in Lao People's Democratic Republic (Lao PDR) generates various economic benefits such as job expansion in travel and tourism is forecast to average 1.9 percent per year over the next decade, compared with 1.2 percent annual growth forecast for total jobs in the global economy (Turner & Sears, 2013). Moreover, tourism is the world, export generating US\$ 1.3 trillion, representing 6 percent of the world's exports in 2013. International tourist arrivals export in 2013 climbed up 5 percent to 1,087 million from 1,035 in 2012. It is forecast to grow up 1.8 billion in 2030. The international tourism receipts increased from 4 percent to US \$ 1075 billion in 2012 (UNWTO, 2013). The tourism sector is now the second-largest income earner in Lao PDR after the mining sector, according to a recent report (Tourism Statistics, 2013). Given the significance of the sector, which generated about US\$514 million last year, the government is committed to further develop facilities and service staff to attract more overseas visitors and the number of tourist arrivals amounted to about half this figure in 2012, up 22 per cent compared to the previous year. The number of tourist arrivals has increased continuously since the government launched the "Visit Lao PDR Year" campaign in 1999-2000, despite the recent global economic downturn. In 2006, 1.2 million people visited Lao PDR, rising to 1.6 million in 2008 and to 2 million in 2009, before rising to 2.5 million in 2010, 2.7 million in 2011 and 3.3 million in 2012. The government estimates that the number of tourist arrivals could reach 3.58 million next year, 3.74 million in 2015 and 4.5 million people in 2020. To achieve the goal of 3.74 million visitors in 2015, the Ministry of Information, Culture and Tourism has outlined seven priority programs. The programs include developing essential infrastructure at tourist sites and encouraging more business operators to cater for visitors, while an international promotional campaign will highlight the many attractions that Lao PDR aims to offer. There will be training and

development for government staff working in the tourism sector, as well as management training for business operators. Efforts will also be made to improve the skills of workers in the industry and the quality of the services they provide.

In order to understand more the below table displays number of tourist arrivalw in\$Lao PDR in 1990 – 2011, and shows revenue besides that it shows revenue from 1990 until 2011 as following.



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Table 1.1 The number of international arrivals to Lao PDR and revenue generated
during the period of 1990 - 2011

Year	Number of tourist Arrival	Change (%)	Average Length of stay (Days)	Revenue from tourism
1990	14,400	-	-	-
1991	37,613	161	-	2,250,000
1992	87,571	133	-	4,510,000
1993	102,946	18.00	-	6,280,000
1994	146,155	42.00	-	7,557,000
1995	346,460	137	-	24,738,480
1996	403,000	16.00	3.30	43,592,263
1997	463,200	15.00	4.00	73,276,904
1998	500,200	8.00	3.70	79,960,145
1999	614,278	23.00	4.00	97,265,324
2000	737,208	20.00	4.00	113,898,285
2001	673,823	-8.60	5.20	103,786,323
2002	735,662	9.00	4.30	113,409,883
2003	636,361	-13.50	4.00	87,302,412
2004	894,806	41.00	4.30	118,947,707
2005	1,095,315	22.00	4.50	146,770,074
2006	1,215,106	11.00	4.50	173,249,896
2007	1,623,943	34.00	4.50	233,304,695
2008	1,736,787	7.00	4.25	275,515,758
2009	2,008,363	16.00	4.50	267,700,224
2010	2,513,028	25.00	4.50	381,669,031
2011	2,723,564	8.00	4.50	406,184,338

Source: Tourism Development Department, Lao PDR PDR 2011

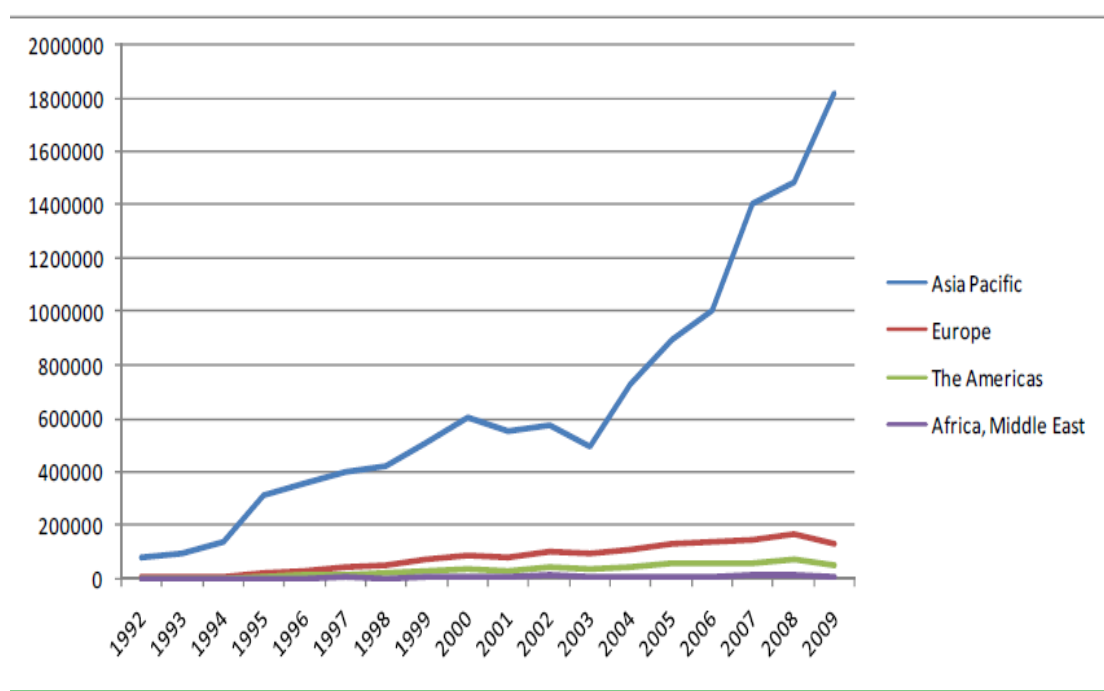


Figure 1.1 Number of Tourist Arrivals to Lao PDR by Region, 1992 – 2009

Lao PDR is an attractive destination for many reasons, including its natural beauty, rich cultural traditions and political stability. The country is now becoming more closely connected with the rest of the region as new roads and bridges are built across the Mekong River. Lao Airlines now flies to serve many countries in the region to helping region travel. There are three primary advantages including location, abundant natural resources and cultural based resources that support to promote the improvement of tourism in Lao PDR. Lao PDR is located near many popular tourist destinations of neighboring countries. Lao PDR shares land borders with Kingdom of Thailand (Thailand), Socialist Republic of Vietnam (Vietnam) and Kingdom of Cambodia (Cambodia). Travel agencies can easily provide package tours that combine these countries with Lao PDR. In addition, Lao PDR offers attractive natural environments such as mountainous areas and the Mekong River, as well as abundant wildlife, including freshwater dolphins. Lao PDR is, moreover, a multi-ethnic nation and a number of minorities live in the northern part of the country. These ethnic groups are living as permanent residents. Lao PDR is also known as home to two World Heritage Sites known as the town of Luang Prabang World Heritage Property and Vat Phou.

On the other hand, there are several disadvantages that may impede the development of tourism in Lao PDR because Lao PDR has relatively little international recognition and international access, as well as safety problems with internal transportation. Compared to its neighbors, Lao PDR is a less popular destination for the number of foreign tourists. No direct flights to Lao PDR from the principal developed nations, therefore overseas tourists must transit in Thailand, Vietnam, Cambodia or People's Republic of China (China). Safety problems with domestic flights are also a concern, as the country is lack of transport infrastructure but Lao PDR 's abundant resources may fulfill their potential tourism destination. So Lao PDR's abundant resources can be adopted to attract tourist to arrivals in Lao PDR. Largest numbers of tourist arrivals to Lao PDR are from Asia and Pacific region following by Europe, Americas, Africa and Middle East as shown on the following Figure 1 and Table 2.

Table 1.2 Market share of international tourist arrivals by region (%) 2000 – 2011.

Region	Asia and Pacific	Europe	Americas	Africa and Middle East
Year				
2000	81.97	11.73	5.71	0.59
2001	82.11	11.98	5.10	0.81
2002	78.71	13.85	6.35	1.09
2003	78.29	14.75	6.21	0.75
2004	81.59	12.53	5.27	0.61
2005	82.1	11.99	5.48	0.42
2006	83.01	11.43	5.01	0.55
2007	86.61	9.09	3.78	0.51
2008	85.36	9.72	4.33	0.59
2009	90.65	6.48	2.66	0.21
2010	89.93	7.09	2.68	0.3
2011	90.49	6.67	2.57	0.27

Source: Tourism Development Department, Lao PDR PDR 2011

From the above information of international tourist arrivals, the market share of tourist arrivals to Laos PDR increased constantly from 2000-2011 with a percentage growth rate from 81.97% to 90.49. However, the number of visitor arrivals decreased slightly from 82.11% in 2001 to 78.71 in 2002 (in Table 2). Consequently, the main question of this research is to experiment the economic factors influencing the international tourism demand in Lao PDR. The research benefits will explain determinants of tourism demand of eight ASEAN members using PMG and PM methodologies. Applications for planning policies might be adopted to promote tourism industry in Lao PDR. The result outputs of the factor influencing the demand of tourist arrival in Lao PDR can be utilized as a source of knowledge for academic decisions, and entrepreneurs in the tourism industry.

However, in growing the international tourist's role of being the fuel for Lao PDR economy, there is very little attention on the study of factors that properly identify the tourist's decision to visiting Lao PDR and there has been nothing said about predicting the future flow of international tourist coming to Lao PDR; there has, however, been more studies giving attention to other Asian countries as well as in many Western and European countries. An increasing number of studies have struggled to understand behavior of the international tourism through the demand models, as can be seen in the following papers: Gonzalez and Moral (1995), Turner, L. W., & Witt, S. F. (2001), Dritsakis (2004), Narayan, P. K. (2004), Lim (1997), E.I.Lelwala and L.H.P. Gunaratne. (2008), Lim et al. (2009), Jintranun et al. (2011), Garín-Muñoz, Teresa.(2006),Aslan et al. (2008), Garin-Munoz and Montero-Martin (2007), Ouerfelli (2008), Song et al. (2003), Allen et al. (2009), Kusni et al. (2013), Asemota and Bala (2012).

1.2 Research Aim and Objective of Study

The main objective of this study aims to experiment the economic factors influencing the international tourism demand in Lao PDR).

The specific objectives are as following:

1. To determine factors affecting international tourism arrivals to Lao PDR of eight ASEAN members.

2. To employ the PMG and MG methods estimating the determinants of tourism demand of eight ASEAN members.

1.3 Expected Outcome of Study

In this paper study about Estimating International tourism demand for Lao PDR PDR This study will benefit as following:

1. The results will provide effective information for the public sector to increase the effectiveness of strategic plan to promote Lao PDR as a tourist destination, r in Lao PDR
2. The results will provide a source of knowledge information for investors, travel agent companies, private sector and public sector to promote tourism to draw foreign tourists and to use the international tourism demand model of eight ASEAN members. It will benefit for stakeholders.



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