

## **Development and Management of Tourism Products: The Thai Experience**

**Mingsarn Kaosa-ard**

*Social Research Institute, Chiang Mai University, Chiang Mai 50200, Thailand*

*E-mail: [mingsarn@chiangmai.ac.th](mailto:mingsarn@chiangmai.ac.th)*

### **INTRODUCTION**

*Many developing countries have relied upon tourism as a means of acquiring foreign exchange, generating income and creating employment for the local people. Even in newly-opened socialist countries like Indochina and Eastern Europe, high hopes have been placed on tourism as the pioneering sector to bring quick economic benefits with little investment. In Thailand, after the Asian crisis in 1997, tourism has become one of few bright spots in the Thai economy and has managed to propel the sagging economy to a certain extent.*

*The success of Thai tourism has promoted some of its neighbors to emulate aggressive tourism promotion campaigns. Increasing price competition within the region has raised concern over long-term sustainability. New products, based on natural resources, cultural heritage and traditional wisdom have been exploited to achieve maximum tourism income. Shopping has also been added as one of the tourist attractions.*

*The strategy of selling nature and culture have been severely criticized as having transformed both, but not for the better. Moreover, the benefits of tourism are believed to be unevenly distributed between large and small tourist operators, while costs, if any, are shouldered by locals who have derived no direct gain from tourist promotion. These are some of the concerns that prompt a revaluation of tourism development for the coming years. This paper investigates some of the issues faced by and strategies used by Thailand to promote tourism.*

### **GROWTH AND FUTURE PROSPECTS**

Compared with the world's top tourist destinations such as France, Italy and Spain, which each host between 35 and 70 million visitors a year, the Thai tourist economy — accommodating 8-10 million international tourists — cannot be considered large (Table 1). Measured in relation to Gross Domestic Product (GDP), however, Thailand's tourism income is quite significant. Compared to tourist arrivals in countries endowed with the world's wonders such as Egypt (with 3.21 million tourists) and other Asian countries such as India (with 2.36 million tourists), the Thai tourist industry has clearly been an economic success.

Tourism in Thailand reached a significant size for the first time in the 1990s (Table 2). The period during the country's Sixth National Economic and Social Development Plan (1987-1991) could be called the "Golden Age of Thai Tourism," when tourism income, estimated at 50 billion baht in 1987, doubled within 3 years (Table 2). By 2001, the total number of

international tourists was about 10 million. The sector earned a revenue of almost 300 billion baht, three times the size of earning a decade ago.

Thailand's growth rate in tourism income is often higher than the country's GDP (Table 3). In 2001, income from international tourists was greater than the export earning from integrated circuits and was more than double the earnings from textiles and garments (Table 4).

Prospects for the industry in the 2000s also seem to be on the high side. Tourism growth of Thailand for the next 5 years is projected at 7 percent per annum (Table 5). Logistically, Thailand can benefit as the "Gateway" to Indochina. Barring new international disputes, all this should encourage Thai tourism growth.

The Thai tourism industry has, without question, brought the country large and growing foreign exchange earnings. One study after another confirms the economic benefits of tourism, not only in terms of foreign exchange earnings but also employment. What then are the issues? To understand them, one has to understand the composition of tourism.

**Table 1.** Size of tourist economies 1998 (selected countries)

<b>Destination</b>	<b>Tourist Arrivals (million)</b>	<b>Tourism Earnings (US \$BN)</b>	<b>Revenue % of GDP</b>
<b>World Top Destinations</b>			
France	70.0	29,700	1.9
United States	46.4	71,116	0.9
Spain	47.8	29,585	5.3
Italy	34.8	30,427	2.5
<b>ASEAN Destinations</b>			
Thailand	7.7	6,392	11.1
Singapore	5.6	4,984	13.9
Philippines	2.0	2,421	11.2
Malaysia	5.6	2,456	9.1
Indonesia	4.9	5,325	15.2
<b>Other Destinations</b>			
Japan	4.11	4,154	10.5
India	2.4	3,124	0.6
Egypt	3.2	2,555	0.9
Hong Kong	9.6	7,109	9.1
Mexico	19.8	7,897	8.2

*Sources:* 1 World Tourism Organization cited by Kaosa-ard et al., (2001)

2 International Monetary Fund (1999)

**Table 2.** Number of international tourist arrivals, length of stay, tourist income and expenditure.

Year	No. of tourist (million persons)	Length of stay (days)	Revenue (billion. Baht)	% change		
				Arrivals	Length of stay	Revenue
1977	1.22	4.5	4.6	-	-	-
1978	1.45	4.8	8.9	19.2	7.3	93.1
1979	1.59	5.1	11.2	9.5	5.2	26.3
1980	1.86	4.9	17.8	16.8	-3.7	58.2
1981	2.02	5.0	21.5	8.4	1.2	20.8
1982	2.22	4.8	23.9	10.1	-3.4	11.3
1983	2.19	4.9	25.1	-1.2	2.5	4.9
1984	2.35	5.5	27.3	7.1	11.4	9.0
1985	2.44	5.6	31.8	3.9	2.0	16.3
1986	2.82	5.9	37.3	15.6	6.3	17.5
1987	3.48	6.1	50.0	23.6	2.2	34.0
1988	4.23	7.4	78.9	21.5	21.5	57.6
1989	4.81	7.6	96.4	13.7	3.7	22.2
1990	5.30	7.1	110.6	10.2	-7.5	14.7
1991	5.09	7.09	100.0	-4.0	0.4	-9.6
1992	5.14	7.06	123.1	0.97	-0.4	23.1
1993	5.76	6.94	127.8	12.15	-1.7	3.8
1994	6.12	6.98	145.2	7.05	0.6	13.6
1995	6.95	7.43	190.8	12.73	6.4	31.4
1996	7.19	8.23	219.4	3.46	10.8	15.0
1997	7.22	8.33	220.8	0.41	1.22	0.6
1998	7.76	8.40	242.2	7.53	0.8	9.7
1999	8.58	7.96	253.0	10.50	-5.2	4.5
2000	9.51	7.77	285.3	10.82	-24	12.8
2001	10.06	7.93	299.0	5.82	2.1	4.8

Source: Tourism Authority of Thailand (2002)

**Table 3.** Thailand: Growth of GDP, export and tourist income 1977-2001

(percent)

Year	GDP	Export	Tourist Income
1977	16.5	17.1	15.5
1978	21.0	16.7	93.1
1979	14.5	30.2	26.3
1980	17.8	23.1	58.2
1981	15.4	14.9	20.7
1982	7.9	4.4	11.4
1983	11.0	-8.3	4.9
1984	7.0	19.6	9.1
1985	4.2	10.4	16.3
1986	8.0	20.7	17.5
1987	14.4	28.5	34.1
1988	20.3	34.6	57.6
1989	17.9	27.9	22.2
1990	15.5	14.2	14.7
1991	7.5	23.1	-9.6
1992	8.1	13.7	23.1
1993	12.0	14.1	3.8
1994	14.7	20.9	13.6
1995	15.4	23.6	31.4
1996	12.1	0.4	15.0
1997	6.4	28.0	0.6
1998	-2.4	24.4	9.7
1999	-0.3	-1.5	4.5
2000	6.2	25.5	12.8
2001	4.0	4.2	4.8

Sources: 1. Thai Customs Department(2002)  
 2. Office of National Economic and Social Development Board(2002)  
 3. Tourism Authority of Thailand (2002)

**Table 4.** Thailand: Tourism income and major export items

	(million baht)				
Item	1985	1990	1998	1999	2000
Tourism	31,768	110,572	242,177	253,018	285,272
Integrated circuits	8,248	21,580	93,833.1	111,767	179,302
Textile products	23,578	84,472	123,133	110,356	124,326
Rice	22,524	27,770	86,803.1	73,812	65,516
Precious stones	6,350	22,045	86,803.1	73,812	65,516
Rubber	13,567	23,557	55,406.5	43,941	60,742
Prawns	3,439	20,454	58,806.7	48,696	60,644
Sugar	6,247	17,694	28,054.5	21,677	27,307
Tapioca products	14,969	23,136	22,081.8	22,999	20,281
Tin	5,647	1,880	2,531.4	2,491	2,801
Maize	7,700	4,144	-	-	-
Total Principal Exports	112,269	246,732	2,248,089	2,214,249	2,777,734
Agriculture Export	84,353	133,263	304,425	266,645	294,247
Ratios of Tourism to					
Total Principal Export (%)	28.3	44.8	10.8	11.4	10.3
Ratios of Tourism to					
Agriculture Export (%)	37.7	83.0	79.6	94.9	96.9

**Sources:** 1. Thai Customs Department (2002)  
2. Tourism Authority of Thailand (2002)

**Table 5.** Thailand: Projection of international tourist arrivals

Year	Number of Foreign Tourists
2001	10,164,705
2002	11,072,094
2003	11,799,606
2004	12,690,407
2005	13,479,829
2006	14,364,309

**Source:** Kaosa-ard et al., (2001)

### COMPOSITION OF TOURISM

To complete a holiday, three components are necessary: the tourists, the attractions and the industry. The tourism product is a bundle of goods and services packaged and offered to tourists. This product is of a composite nature and has a number of distinctive characteristics. Firstly, the product is composed of natural resources which are public goods: beaches, waterfalls, mountains, and the general environment. Secondly, safety and infrastructure are also important elements of the product. Singapore offers an example of a city totally deprived of interesting natural sites but still is able to attract above 5 million tourists a year. This success is built mainly on the island state's superb telecommunications, transport system and effective sanitary and safety regulations. Lastly, a nation's people and their culture, and visitors' access to both are important components of any tourism product or package. It is

apparent that a substantial part of the product is public good, and efficiency of government intervention is a prerequisite for a country's success.

Because of this composite nature, it is difficult to say whether the tourism industry as a whole is a labor-, natural resource-, or capital-intensive industry. This depends on the type of attractions offered and the stages of both tourism and economic development in the country. Broadly speaking, Thailand has slowly moved from nature-based tourism to labor-intensive services related to tourism. In order to increase the number and income from tourism in the future, more capital will be needed to increase the existing carrying capacity of public utilities as well as knowledge needed to make tourism an informative entertainment.

### ADVANTAGES OF THAI TOURISM

What are the factors underlying the success, of Thai tourism as of today? What are the comparative advantages of the Thai tourism industry? Thailand is not endowed with world wonders, although our country has restored some of its more interesting historical sites. Thailand, for example, has many beautiful beaches. Scenic beauty and exotic nature can be found mainly in the more favored tourist sites, but there are hundreds of beaches as beautiful if not, even more beautiful elsewhere in the world. Although it would be untrue to say that our nature and our historical sites are not attractive, these positive aspects do not give us the cutting edge in the tourism industry.

Several surveys in Thailand have confirmed that the country's cutting edge aspects are in its nice people. The Thai people are very service minded and local people in the street often go out of their way to help tourists. The "People factor" is often overlooked by many national tourism organizations as a key factor of the success of tourism. Table 6, which compares selected Asia Pacific countries' success factors indicates that Thailand scored the highest for its people, food, nightlife, historical sites and cultural events. It should also be noted that "nice people", is the key success factor which requires an effort to ensure its sustainability. Local Thai people have reasons to be pleasant to tourists if they feel that the tourism industry is beneficial and advantageous for them. The benefits need not be pecuniary or evident. A recent survey in Thailand suggested that rather than focusing on income, the main benefit perceived by the Thais was that they feel proud that foreign tourists like to come to Thailand (Kaosa-ard et al., 2001). However, the people factor may be negative if local residents have to compete with infrastructural facilities with foreign tourists. In a more concrete term, improved infrastructure and amenities should also be made accessible to local folk and tourism infrastructure should not be limited to solely be used by foreign tourists in order to assure a positive "people" factor in the long term.

Table 7 clearly shows that Thailand's weakness is in our public services. Thailand scored lowest in urban traffic and second lowest in safety, health and hygiene, pollution and waste management. Thailand's tourism problem represents indeed a supply problem rather than a demand problem. At present, fewer than 2 percent (10 million) of world travelers (600 million) visit Thailand and only one-third of the travelers that pass through Don Muang International Airport during their visit to Thailand. The expansion of tourism markets is a relatively easy task compared to improving the quantity and quality of supply of public services.

**Table 6.** Ranking of selected Asia Pacific countries by tourism attractions.

Attractions	Thailand	Australia	Japan	Singapore	Indonesia	Malaysia	Hong Kong
1. Historical sites	7.64	4.62	7.12	4.51	7.13	5.60	4.20
2. Ethnic diversity	6.37	5.71	5.04	5.78	6.39	6.37	6.22
3. Cultural events	7.34	5.10	7.15	5.22	7.14	7.34	5.70
4. Sun, sand, sea	7.78	8.60	5.46	5.04	7.25	6.56	4.48
5. Mountains, water falls	6.68	6.44	7.42	3.14	7.16	6.42	4.09
6. Wildlife viewing	5.75	7.42	3.97	3.85	6.00	5.89	3.61
7. Adventure	6.92	6.96	4.84	4.02	6.43	6.26	5.07
8. People	8.37	7.52	7.83	6.97	7.16	7.17	5.56
9. Shopping	7.66	6.07	7.45	8.11	6.16	6.37	8.09
10. Food	8.20	6.99	7.98	7.71	6.47	7.18	7.82
11. Night life	7.62	6.41	6.36	5.78	5.73	5.16	7.27
12. Amusement, Theme Parks	5.25	6.63	6.35	5.22	4.40	4.47	5.32

*Source :* Kaosa-ard et al., (1997)

**Table 7.** Evaluation of government services by foreign tourists.

Government services	Thailand	Australia	Japan	Singapore	Indonesia	Malaysia	Hong Kong
1. Visa application	<b>8.00</b>	7.17	7.31	7.81	7.26	6.21	7.94
2. Immigration clearance	7.17	7.73	7.22	<b>8.05</b>	6.50	7.13	6.76
3. Custom clearance	7.62	7.61	7.85	<b>8.52</b>	6.60	7.34	7.03
4. Language & Communication	6.22	<b>9.19</b>	6.81	9.07	6.22	8.02	7.56
5. Urban traffic	2.84	<b>6.72</b>	5.09	5.96	4.70	5.29	4.80
6. Ease of intra-country communication between major tourism destination	7.07	8.29	<b>9.50</b>	8.65	6.05	7.47	7.84
7. International links with other countries	7.90	8.14	8.33	<b>8.83</b>	6.24	7.26	8.63
8. Health and hygiene	6.07	8.80	<b>9.37</b>	7.83	4.84	6.08	6.88
9. Pollution and waste management	4.20	7.48	<b>8.10</b>	7.00	4.09	5.33	5.10
10. Safety	6.34	7.87	<b>9.22</b>	8.54	5.78	6.75	6.30

*Source :* Kaosa-ard et al., (1997)

### QUALITY TOURISTS

The growth of Thai tourism has often been criticized to be aimed at increasing quantity rather than quality. The Tourism Authority of Thailand (TAT) has been pressured to find an operational criterion which will target on “quality” tourists. However, critics often have diverse opinions on the concept of a quality tourist. Representatives from the Hotel Association of Thailand often assert that quality tourists are the big spender—those who stay in famous, international-chain hotels, ride in chauffeur-driven limousines and dine at expensive restaurants. Others, mostly the civil societies groups, argue that true quality tourists are those who most influence income distribution. Therefore, under this definition, a

quality tourist would, stay in locally-owned hotels or guest houses, eat at local food stalls, and ride a tricycle. Income generated by these tourists is thought to penetrate more deeply and widely to the poorer segments of the industry. In contrast, money from big spenders tends to leak outside the country through franchise royalties and remitted dividends.

However, more idealistic observers define quality tourists as those who venture to new places to broaden their knowledge of the world and its peoples by being directly exposed to local citizens and their culture. Cultural seekers buying packaged heritage tours are not considered full-fledged quality tourists in the eyes of the idealist because mass tourism does not allow person to person contact and cultural exchange.

The theory that big spenders bring more income to a country fails to find support from empirical evidence. A recent study (Kaosa-ard et al., 1993) confirms that although the daily expenditure of typical guest house tourists may not be as high as that of hotel dwellers, they do in fact normally spend more because they usually stay much longer. When the structure of tourist spending is examined, the highest proportion of the expenditure by “hotel tourists” is for accommodation.

In addition the income distribution criterion is, however, also criticized on the ground that it ignores other negative attributes. It is claimed that guest house dwellers could have a close relation with illegal drugs. A response to this accusation is that neither can the big spender criterion guarantee that the source of the big money is clean. Proponents of both criteria, however, suffer from the identical mistake, i.e., applying a quantitative yardstick to a qualitative attribute.

The cultural exchange argument is the most romantic, but proves to be the least operational. If this definition were taken seriously, Thailand would be left with only a few thousands of “quality tourists.” Most tourists simply want to escape from stress and strain, and are not interested in experimenting with alternative ways of life and thoughts. The trend of travelers in the Asia-Pacific region is to take shorter holidays and more frequent breaks each year. There is little time for personal and cultural exchange.

If one was to define quality tourists as big spenders who are also culture seekers, what would such tourists group be like? According to a survey of over 1,200 local and foreign tourists, quality tourists tend to be female, aged over 40, who spend more money per day, and are more interested in cultural attractions. (Kaosa-ard et al., 1993).

It may be easier to identify “bad” tourists. For example, if bad tourists are those who come to buy sex, or come to trade or consume illegal drugs, the relevant policies would be not to tolerate such practices and drastic action should be taken to eliminate such services.

### **SHOPPER’S PARADISE**

Shopping is an activity which is favored by tourists. Shopping paradise is often used as an attraction for tourism. In Asia, Hong Kong and Singapore are known for their diversity of shops, brands and products. Being tax-free trading ports, these islands offer a wide range of tax-free luxury goods of international brands. Some developing countries try to emulate this strategy by setting up tax-free shops to lure additional spending from tourists. Relying on

luxury shopping may be a good attraction strategy but is hardly beneficial from the point of view of local income and employment.

On average, foreign tourists spend most of their budget on accommodation and food accounting for almost half the daily spending. The shopping strategy in Thailand is geared towards local products. Thailand is a well-known production base of textiles, leatherwear, gems and jewelry.

In Thailand, on average, tourists spend about 35 percent of their expenditure on shopping (Table 8). This average for women is of course greater than that for men (Chaisuwan et al., 1999). Within the shopping budget, about 27 percent go to clothing and 12 percent each on leather goods and gems and jewelry.

**Table 8.** Average spending of tourists classified by types of expenditures

Type of spending	Average spending (baht)	1999	Change (%)	Average spending (baht)	2000	Change (%)
		Proportion (%)			Proportion (%)	
<b>Foreign tourists</b>						
Souvenirs	1,286.4	34.7	19.4	1,338.7	34.7	4.1
Accommodation	907.4	24.5	-10.4	932.9	24.2	2.8
Food and beverage	572.9	15.5	-3.7	587.4	15.2	2.5
Entertainment	394.3	10.6	-4.3	403.9	10.5	2.5
Local travels	241.5	6.5	-12.2	284.6	7.4	17.9
Tourism service	156.9	4.3	0.9	176.2	4.6	12.3
Misc	145.2	3.9	-21.7	137.4	3.6	-5.4
<i>Total</i>	<i>3,704.5</i>	<i>100.0</i>	<i>-0.2</i>	<i>3,861.2</i>	<i>100.0</i>	<i>4.2</i>
<b>Thai tourists</b>						
Accommodation	1,104.07	33.3	7.9	1,233.88	34.1	11.8
Souvenirs	1,026.80	30.9	23.2	1,083.57	29.9	5.5
Food and beverage	658.76	19.8	-1.3	629.39	17.4	-4.5
Tourism service and local travels	303.97	9.2	17.2	373.99	10.3	23.0
Entertainment	141.49	4.3	-10.3	183.34	5.1	29.3
Misc.	84.49	2.5	-27.0	114.96	3.2	36.1
<i>Total</i>	<i>3,319.85</i>	<i>100.0</i>	<i>8.6</i>	<i>3,619.13</i>	<i>100.0</i>	<i>9.2</i>

**Source:** Tourism Authority of Thailand (2002)

An average spending for jewelry per person was 10,500 baht per day or approximately US\$ 239. Biggest spenders in this category are the Middle East travelers followed by Americans and South Asians. An average of 6,700 bath was spent on brand products. The most preferred prices for gold products are between US\$100 - 500 and less than US\$ 50 for silver products.

Recently, the Thai government has implemented a “one village one product strategy” which could enhance tourism activity in Thailand. Villages are free to choose any products including tourism services. Villages may use this opportunity to produce souvenirs,



handicrafts and improve the facilities in the village to offer attractions and accommodations to tourists.

### CULTURE FOR SALE

In a broad sense, culture can be defined as “a set of relationships that govern a society.” As these relationships are abstract, concrete expressions such as “religion, rites and rituals, the arts” etc. are often taken to represent culture. Tourism is claimed to affect a society in various ways, for example, by influencing the indigenous values system and way of life and by distorting traditional rites and rituals.

The most prevalent criticism of tourism is that it exposes local residents to the values and consumption patterns of tourists who have much higher purchasing power than the local. This may influence both the local way of life and local consumer demands. The proponents of this argument however tends to disregard the impact of the mass media, which now reaches even remote areas not normally accessible to tourists.

The second argument against “culture for sale” strategy is that promoting a cultural event deprives local communities of true culture. By transforming a traditional event into a show, the spiritual power that has woven the social fabric is undermined.

A study on a local festival in Thailand was conducted to investigate the impact of tourism on culture. “Bun Bang Fai” or the skyrocket festival has been selected to study the possible distortions that tourism may have on culture (Aeusrivongse, 1992 ; Rabibhadana, 1992). Bun Bang Fai is celebrated relatively widely in Thailand’s Northeastern Region (also the North in the past) during the early months of the rainy season starting from June. It is believed that Bun Bung Fai assures abundant rainfall and guarantees the well being of a village community. Traditionally, the festival was only for men, as it relates to agriculture where men play the dominant role. Thus the procession used to constitute men holding phallic symbols symbolizing fertility.

Many of the traditional features of this festival in Yasothon, the area of the case study, have now been altered. Nowadays, the parade features mostly young girls. Advertising placards have replaced the phallic symbols. Casual dancing and drinking have been transformed into well-rehearsed shows. As the festival is highlighted as a tourist attraction, attempts have been made by the organizer—now the municipal authorities—to formalize and to spectacularize the procession.

At first glance, a comparison of the Bun Bang Fai festival in Yasothon today with what would have been the traditional festival may suggest that tourism is the root cause of this distortion of tradition. An in-depth investigation, however, shows that prior to tourist promotion, change in the festival’s format had already taken place due to shifts in the local power, employment structures and changing social relationships in the community. Bun Bang Fai has not been abolished. It has changed to include newcomers into the community, notably the ethnic Chinese traders who sponsor the parade, and to strengthen the power of the State (Aeusrivongse, 1992). Bun Bang Fai has become a means of demonstrating the provincial authority’s attempt in response to the central government’s tourist promotion policy. The

festival has not only elevated the status of the province into a “tourist zone”, but also elevated the status of the province in the overall national administrative structure.

Moreover, the festival is not held mainly for tourism but rather to encourage bonds within an increasingly complex society where rural and urban communities, indigenous inhabitants and descendants of Chinese migrants, traditional customs and the power of the state are all being integrated as a whole.

Culture is not, however, static. For culture to thrive, it has to respond to the country’s economic, social, political and technological structure. Even without tourism, Bun Bang Fai would have changed. Tourism merely speeds such process of change or adds special features to a cultural event. The recognition that tourism has widened the audience has driven the local authority to “improve the show” and to make sure that it is not repetitive. But tourism is not a main agent affecting change.

The study clearly indicates that, in the case of provinces such as Yasothon which has relatively few tourist attractions, the promotion of an event such as Bun Bung Fai alone is insufficient to raise or expand tourist interests in the region.

Another study (Sattayanurak, 1992) attempts to inquire into the impact of tourism on wood carving in Chiang Mai. Chiang Mai’s wood carving industry, relying heavily on the tourist market, produces a wide range of products ranging from traditional carvings to those catering to foreign tastes, such as dragons, frogs carrying umbrellas, etc. The present issue is to what extent has tourism distorted local folk art. The study revealed that the carving industry in Chiang Mai and Lamphun was set up mainly to serve the tourist industry. The old carving school of the North ceased to exist since the reign of King Rama V (1868-1910) when it was dominated by the carving school of Central Thailand. The current carving industry is totally unrelated to the old culture. Today, big and small operators and carvers alike have mutual interests in attracting more tourists. Their concern, of course, relates to their high dependency on tourism income, rather than on culture.

The more valid criticism, centers on the transformation of a social event into a commercial product, for which some parties pocket profits without compensation to others, who may well be participants in the show. The argument is an economic one and is applicable even to any promoted event designed for economic gain. The issue of sharing the benefits from tourist events is discussed in the following section.

### **SHARING OF COSTS AND BENEFITS**

If a product’s characteristics are multiple, as in the case of tourism, how should its economic benefits be shared? To what extent should tax money be used to subsidize the profit-generating activities of the tourism sector? Estimating the costs and benefits distribution at the national level is difficult. Yet, some answers can be obtained on the impact of subsidizing tourism by studying specific promotional activities.

A major part of tourism promotion is advertising tourism events both in Bangkok and the provinces. The main purpose of this is to use the event to introduce a particular province as a tourist destination. In some provinces such as Chiang Mai, a well-known holiday

destination, such events lengthen and heighten the peak season. During the first weekend of February, the city holds a Flower Festival. The local agricultural office initiated the festival to promote horticulture production. Only later was it used to attract tourists. The event has three main features: a procession of flower-decorated vehicles, a flower and garden competition and beauty contest. The last activity is generally a by-product of the procession. The Provincial Office, with the help of the Provincial Agricultural Office is responsible to organize the parade. Local businesses, government offices and educational institutes provide flower decorated vehicles. The Chiang Mai Municipality is responsible for decorating the Public Park where the horticulture contests are held. Lately, it has been felt that the private business sector, especially the larger hotels who are receiving the largest economic benefits have not adequately supported the event. The private sector argues that the event is held during the peak season and does not create much extra income. The event attracts mostly local tourists who do not stay in big hotels.

A study had been conducted in order to examine this income distribution issue. The two questions to be answered were (a) to what extent does the Flower Festival create additional income over and above the normal peak seasons? And (b) what are the costs and benefits to the parties involved?

According to the study, the festival reaped an estimated total income of 105 million baht, some 45 million baht, or 75 percent, above normal peak period income. Costs to the government (all agencies combined) and the private sector were roughly equal i.e. about one million baht for each party. While the hotel sector provided a not-very-impressive (120,000 baht) decorated vehicle, this sector gained additional income of 9 million baht. The return on each baht of investment was 75 baht, more than three times the average return. Although the event appeared to be slightly more attractive to local than foreign tourists, 85 percent of the income accrued in the hotel sector went to the large hotels.

The empirical results also confirm the general speculation that tourism income from this festival does benefit the small producers. But the large operators accrue by far the greatest share. Wages for the people of Chiang Mai and the students who join the procession without pay were computed and the local community's contribution comes to about 155,500 baht. Thus, for each baht invested, the event (excluding imputed wages) generated extra income of 20 baht.

A more recent survey of costs and benefits of tourism by interviewing over 3,000 Thai respondents revealed that worsening income distribution was perceived as the most important social cost of tourism (77% of respondents) while resource degradation was considered to be a social cost by 57 percent of respondents. (Kaosa-ard et al., 2001).

### **PRIORITIES FOR SUSTAINABLE TOURISM**

When the first Master Plan for Tourism Development was written in 1976, the tourism product in Thailand was considered as "virgin." At that time, the major objective was to use tourism as an additional means of earning foreign exchange and to generate extra income and employment for the local people.

Today, the country derives large foreign exchange revenues from tourism. Part of this fortune is amassed at the expense of our nature and environment. External demand for tourism in Thailand is and remains strong. Thailand's supply situation including government services, however, is qualitative. Our natural-resource-based attractions have been over-exploited. Investments on infrastructure have to be accelerated and expanded to enable comfortable services both local residents and foreign tourists. Clearly, in view of all this, priorities for tourism development requires readjustment.

Preliminary as it is, evidence and common sense indicate that larger shares of tourism benefits go to the larger investors and the richer sectors of the economy. Consequently, the future role of the government agency responsible for tourism should be directed towards developing, conserving, and monitoring tourist resources. A larger proportion of government budget should be reallocated for physical (i.e. environment and tourism resources protection), rather than market development. Thailand now levies local taxes on hotel rooms and therefore, this special tax should be used to support activities that directly benefit the tourism industry.

#### REFERENCES

- Aeusrivongse, N. 1992. Tourism in case study of Bun Bang Fai festival and wood carving, Bangkok: Thailand Development Research Institute, Bangkok, Thailand.
- Chaisuwan, J., O. Maneesong, R. Seumboosang and N. Gimpagorn. 1999. An in-depth study of foreign tourists behaviour in their purchase of Thai jewelry products. A report submitted to the Thailand Research Fund., Bangkok, Thailand.
- International Monetary Fund. 1999. International financial statistics yearbook. Washington DC, USA.
- Kaosa-ard, M., A. Rabibhadana, N. Aeusrivongse, S. Waranyuwatta, K.W. Thee, D. Patmasiriwat, C. Pipatsithee, W. Charndueywit, S. Phothiwaswarin, T. Pholdee, J. Phlaengpraphan, S. Thimphithak, J. Namahong, K. Areepakorn, P. Laocharoenwong, T. Songsakul and W. Supphatchai. 1993. A review report on tourism for the master plan research project. Prepared for The Tourism Authority of Thailand (TAT), Thailand Development Research Institute, Bangkok, Thailand.
- Kaosa-ard, M., D. Patmasiriwat, K. Jivakul, J. Chiengthong, P. Wijukprasert, A. Israngkul, P. Thienthirawit, T. Keawmeesri, J. Sirisukheepradit, A. Boon-Long, P. Liengcharoen, R. Jarungratanapong, U. Upprasit, S. Ruangchan, P. Meethom and A. B. Rala. 1997. A Study for the national master plan for the tourism industry. Tourism Authority of Thailand. Thailand Development Research Institute, Bangkok, Thailand.
- Kaosa-ard, M., J. Chiengthong, W. Charndueywit, S. Chamniwikkorn, A. Intharaphairoj, P. Wijukprasert, P. Thienthirawit, T. Keawmeesri, P. Liengcharoen, P. Meethom, J. Phlaengpraphan, J. Tejawaree and W. Ratiwanij. 2001. A Study for the national action plan for the tourism industry. Tourism Authority of Thailand. September 2001. Thailand Development Research Institute, Bangkok, Thailand.
- Office of National Economic and Social Development Board. 2002. [Online]. Available [http://www.nesdb.go.th/main\\_menu/macro/gdp\\_data/reportqgdp.asp?heading\\_id=2](http://www.nesdb.go.th/main_menu/macro/gdp_data/reportqgdp.asp?heading_id=2) (October 1, 2002) Bangkok, Thailand.

- Rabibhadana, A. 1992. Tourism and culture : Bang-Fai in Eastern Bangkok. Thailand Development Research Institute, Bangkok, Thailand.
- Sattayanurak, A. 1992. Wood Carving in Chiang Mai. Chiang Mai University, Chiang Mai, Thailand. (Mimeo).
- Thai Customs Department. 2002. [Online]. Available [http://www.customs.go.th/statistic\\_search.html](http://www.customs.go.th/statistic_search.html) (August 20, 2002), Bangkok, Thailand.
- Tourism Authority of Thailand. 2002. [Online]. Available <http://www.tat.or.th/stat/index.html> (August 25, 2002), Bangkok, Thailand.

