

# 8

## *Tourism in the Lao People's Democratic Republic*

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**Reference:**

Harrison, D. & S. Schipani., 2009. Tourism in the Lao People's Democratic Republic. In M. Hitchcock, V. T. King, & M. Parnwell, ed. *Tourism in Southeast Asia: Challenges and New Directions*. Malaysia: NIAS Press. Ch. 8.

### **Introduction**

The overall aim of this chapter is to assess the current role of international tourism in relation to development – specifically economic growth and poverty eradication – in the Lao People's Democratic Republic. More specifically, the focus is on how tourism is organized within the country, with particular reference to the Asian Development Bank, SNV (the Netherlands Development Organization), the Lao National Tourism Administration and the private sector, and the extent to which donor-assisted, community-based tourism contributes to the alleviation of poverty.

The Lao People's Democratic Republic (Lao PDR, or more commonly 'Laos'), a landlocked country of 236,800 sq. km., shares borders with Myanmar (Burma) and China in the north, Thailand to the west, Vietnam to the east and south, and Cambodia to the south. It has a tropical monsoon climate, with a rainy season from May to November and a dry season from December to April. Its terrain is characterized by mostly low calciferous mountains that rise to a maximum height of just over 2,900 metres, with some fertile plains, river valleys and plateaux scattered throughout the landscape. Nearly half the country remains forested, with a system of 20 National Protected Areas in place that encompasses 13 per cent of the nation's total land area. Of all its physical features, the most dominant is the Mekong River, which flows north to south for nearly 1,900 kilometres and, for 919 kilometres, forms a common border with Thailand. The capital city is Vientiane, located on a curve of the Mekong River that borders Thailand's northeastern city of Nong Khai.



The population of some 6.2 million is ethnically mixed, and there is much debate about how they should be described, especially with regard to the linguistic/cultural relationships to one another (Evans, 1999: 1–31). Following early Lao government practice, and using geomorphological criteria, the *CIA World Fact Book* simply categorizes the population as ‘Lao Loum (lowland Lao) 68 per cent, Lao Theung (upland Lao) 22 per cent, Lao Soung (highland Lao) and ethnic Vietnamese/Chinese 1 per cent’ ([www.cia.gov/cia/publications/factbook/print/la.html](http://www.cia.gov/cia/publications/factbook/print/la.html)). By contrast, the official guide book to Lao PDR refers to 49 ethnic groups in four linguistic families, notably the Lao–Tai, the Mon–Khmer, the Tibeto–Burmese and the Hmong–Ioumien (National Tourism Authority of Lao PDR, undated: 9). More technically, using ethno-linguistic criteria, Chazée (2002: 1) refers to the Lao as a sub-group of Tai speakers



**Figure 8.1:** Map of Lao PDR.

and 'a minimum of 131 ethnic minorities and sub-groups which can be divided into numerous clans and lineages', adding that in 1995 'the national census guidelines distinguished 47 main ethnic groups and a total of 149 sub-groups'. He concludes: 'If the ethnic minorities are taken to be all those who are not Lao-Tai, then they are the majority at 65 per cent' (Chazée, 2002: 14).

## **The Geo-Political Context**

Seen alternatively as peripheral to or a lynchpin of mainland Southeast Asia (Jerndal and Rigg, 1999: 35), Laos emerged in the 1970s from a long period of war and civil unrest, prompted largely by the involvement of outside powers in its affairs. Disputed over by the Siamese and the French in the late nineteenth century, in 1893, after a series of Franco-Siamese treaties, it became a French Protectorate. It was briefly occupied by Japan during World War II, and subsequently obtained limited autonomy from the French in 1949. In 1953 it became fully independent, only to enter a protracted civil war, which largely reflected great power interests in the region. In the north-east, the communist Pathet Lao were aligned with Ho Chi Minh's movement in Vietnam and the Soviet Bloc, while to the south the anti-communist, Royal Lao Government forces were supported primarily by the United States.

By the mid-1960s, Laos was massively drawn into the Second Indochina War, fought primarily between the United States and Vietnam. During this 'secret war' that raged in Laos, Thai and Hmong mercenaries were supported by non-uniformed military personnel and 'advisers' based in western Laos and the capital, with American pilots carrying out large-scale bombing missions from bases in Thailand and Vietnam. The Ho Chi Minh Trail network in Laos and North Vietnam was subjected to sustained aerial bombardment, which included the use of defoliants and anti-personnel munitions. Pathet Lao recruits were trained by and fought alongside the North Vietnamese army, which had tens of thousands of troops stationed in Laos, and which proved more than a match for the American-backed forces, despite the latter's superior weaponry (Warner, 1997; Hamilton-Merritt, 1999).

## **The Push for Development and the Role of Tourism**

A ceasefire was agreed in 1973 and led to two years of coalition government. However, in 1975 the Pathet Lao, under the political banner of the Lao People's Revolutionary Party, gained control, dissolved the monarchy, and formed the Lao People's Democratic Republic on 2 December 1975. From then until the mid 1980s the government followed a strict Marxist-Leninist political and economic ideology, but since 1986, and especially after the collapse of the Soviet Union, there has been

a sustained attempt to move from a command economy to a more market-orientated system. One-party government continues, with a slow emergence of a more open democratic system. Nevertheless, despite occasional small-scale domestic unrest up to 2000, Lao PDR is currently experiencing political and social stability and, with considerable international assistance, widespread poverty is being addressed by Government and NGOs throughout the country.

Since 1996, the government has set itself a series of targets: to eradicate poverty, to reduce dependence on overseas development assistance, and to move out of the category of 'least developed country' by 2020 (Government of Lao PDR, 2003: iv–v and 1–4). Substantial poverty reduction has undoubtedly occurred, partly because of increased social stability, but also because government policy, with substantial overseas aid, has had some success. From 1991 to 2000, for instance, real Gross Domestic Product grew at an annual average of 6.3 per cent, and those living in poverty declined overall from 46 per cent of the population in 1992 to 33 per cent in 2002–2003. Most social indicators confirm the trend (Asian Development Bank, 1999a: 3; World Bank, 2005: 4–6).

Much remains to be done. There are stark differences across and within provinces (especially between north and south), between urban and rural areas, and across ethnic minorities (World Bank, 2005: 4–6). And although in 2003 the United Nations Development Programme up-graded Lao PDR to the status of country characterized by 'medium human development', poverty is still prevalent, and Lao PDR scores much lower on the Human Development Index (133) than neighbouring Thailand (73), China (85), Vietnam (108), Cambodia (130), and even Myanmar (129) (UNDP, 2005: 220–221).

## **International Tourism as a Tool for Development in Lao PDR**

Lao PDR has officially welcomed international tourists only since 1989 (Hall, 2000: 183), and the country's first national tourism plan was published in 1990, placing emphasis on the development of a modest tourism industry based on high-end, tightly controlled group tours. However, by 1995 tourism had become a priority for economic development (Schipani, 2002: 18) and the second *National Tourism Development Plan*, published in 1998, focused more widely on four major types of tourism (conventional sightseeing; special interest tourism, for example, eco- and adventure tourism; cross-border tourism; and domestic tourism) to generate foreign exchange and stimulate economic activity. It was considered that together they would bring socio-economic benefits that could be spread across the population and would also enhance conservation of the natural and built environment (Lao PDR/UNDP/WTO, 1998: 37). Indeed, by 1999 tourism was reportedly the country's most important earner of foreign exchange, ahead of garments and wood products,

**Table 8.1: International Tourism in Lao PDR**

Year	Day Visitors*	Overnight Visitors*	Total Visitors
1990	n/a	14,000	n/a
1991	n/a	38,000	n/a
1992	n/a	88,000	92,000
1993	67,000	36,000	103,000
1994	110,000	36,000	146,000
1995	286,000	60,000	346,000
1996	310,000	93,000	403,000
1997	270,000	193,000	463,000
1998	300,000	200,000	500,000
1999	355,000	259,000	614,000
2000	546,000	191,000	737,000
2001	501,000	173,000	674,000
2002	521,000	215,000	736,000
2003	440,000	196,000	636,000
2004	658,332	236,484	894,806
2005	807,550	287,765	1,095,315

\* Those categorized by the World Tourism Organization as 'day visitors' are regional tourists who enter the country by road, and in fact they may stay one or two nights. By contrast, those classified as 'overnight visitors' are mainly from outside the region.

Source: World Tourism Organization 1996: 96; 1999: 104; 2001: 103 and 2005: 103; Lao National Tourism Administration 2006.

and had moved from the position of fourth to first in this league table over only three years (Lao PDR, UNDP and WTO, 1999: 6).

By the opening years of the twenty-first century, there was further recognition of tourism's potential to reduce poverty in Lao PDR. In 2004, the Government's *National Growth and Poverty Eradication Strategy (NGPES)* noted:

Tourism is now a major contributor to national income (7–9 per cent of GDP) and employment. Tourism is a labour intensive industry and contributes directly to poverty reduction. The Lao PDR's tourism strategy favours pro-poor, community-based tourism development, the enhancement of specific tourism-related infrastructure improvements, and sub-regional tourism co-operation.

(Lao PDR, 2003: 104).

A year later, the *National Tourism Strategy for Lao PDR* was to reiterate the role of properly planned tourism in reducing poverty and promoting national development. The strategy recognized the appeal of ethnic minority groups, traditional culture, and the wide range

of archaeological and religious sites, and stressed promotion of the country's arts, crafts and numerous natural attractions to attract visitors (Allcock, 2004: 12–13; 18; 43).

The early statistics of tourist arrivals to Lao PDR were unreliable and varied considerably according to their source, but recent national data are more consistent. Clearly, tourist arrivals have increased dramatically over the last few years, even though the overall trend has been distorted by the world-wide impact of the terrorist attacks in the United States (2001) and the War in Iraq and, more regionally, by terrorist attacks in Indonesia (2002, 2005) and the SARS epidemic in Asia (2003). In 2005, there were more than a million international arrivals in Lao PDR, an increase of more than 50 per cent on the 2000 figure. The total amount of revenue that the tourism industry generated in 2005 is estimated at over US\$146 million, making it the country's primary source of foreign exchange (Lao National Tourism Administration, 2006: 18). Most visitors (82 per cent) come from within the region, primarily from other ASEAN countries, but there are significant numbers of relatively high-spending tourists from Europe (12 per cent) and the Americas (5.5 per cent) (Lao National Tourism Administration, 2006: 6). Recognizing the value of these relatively small but growing markets, the government has prioritized Japan and Australia (with Thailand) in Asia, France, the UK and Germany in Europe, and the USA and Canada in the Americas (Lao National Tourism Administration, 2006: 14).

Much of Lao PDR is poorly developed with only basic transport infrastructure. Tourism development is most concentrated in the Municipality and Province of Vientiane, at the UNESCO World Heritage Sites of Luang Prabang Town and Vat Phou in Champassak, and in Savannakhet City (Lao PDR's second largest), with Savannakhet Province serving as a major entry point for visitors from Vietnam and Thailand. As indicated in Table 8.2, in 2005 Vientiane Municipality (21 per cent), Vientiane Province (11 per cent), Luang Prabang (15 per cent), Champassak (12 per cent) and Savannakhet (6 per cent) together accounted for 65 per cent of all accommodation establishments in Lao PDR, while the Vientiane–Luang Prabang corridor alone, which includes Vang Vieng, accounted for about half all establishments. (Lao National Tourism Administration, 2006: 18–19).

While the government's commitment to community-based tourism (CBT) has a high profile, tourism development in these destinations has been left largely to the private sector, normally locally-owned small and medium sized enterprises, while the introduction of tourism into outlying areas tends to have been taken up by such organizations as the Asian Development Bank, UNESCO, and non-governmental organizations.

## **The Organization of Tourism in Lao PDR**

Numerous stakeholders have an interest in tourism in Lao PDR, and many are in the public sector. At the central level, they include government departments and ministries,

**Table 8.2:** Concentration of Tourism in Lao PDR, 2005: Selected Indices

Province	Visitors	No. of Hotels & Guest-houses	% of Total	No. of Rooms	Occupancy Rate %	Average No. of Rooms
Attapeu	13,740	12	1.1	190	50	16
Bokeo	89,027	24	2.2	309	67	13
Bolikhamxay	63,579	26	2.4	435	65	17
Champassak	99,044	126	11.6	1,616	29	13
Houaphanh	3,175	39	3.6	338	29	9
Khammouane	13,633	18	1.6	394	43	22
Luang Namtha	49,258	50	4.6	536	57	11
Luang Prabang	133,569	163	15.0	1,722	70	11
Oudomxay	54,721	63	5.8	703	52	11
Phongsaly	9,452	36	3.3	273	29	8
Saravanh	8,000	22	2.0	230	42	10
Savannakhet	133,569	67	6.2	1,257	60	19
Sayabouli	15,914	47	4.3	431	37	9
Sekong	6,526	17	1.6	172	37	10
Vientiane Municipality	653,212	224	20.6	4,891	64	22
Vientiane Province	92,657	115	10.6	1,807	52	16
Xieng Khouang	24,174	32	2.9	441	40	14
Saysomboun	n/a	7	0.6	83	n/a	12
<b>TOTAL</b>		<b>1,088</b>	<b>100.0</b>	<b>15,828</b>		<b>15</b>

Source: Lao National Tourism Administration, 2006: 18–19.

most notably the Lao National Tourism Administration (formerly the National Tourism Authority of Lao PDR), which comes under the Prime Minister's Office and is led by a Minister. Ministries and departments dealing with agriculture, forestry, science, technology, the environment, finance, foreign affairs, transport, communication, health and handicrafts are also involved, while at the local level there is a similar range of provincial and district authorities and government departments (Allcock, 2004: 67–68). In addition, there are branch offices of the Lao National Tourism Administration in the country's sixteen provinces and in the Municipality of Vientiane.

Aid agencies, too, are active in supporting the development and promotion of tourism in Lao PDR. By far the best known project has been the UNESCO–LNTA Lao Nam Ha Ecotourism Project (NHEP), in Luang Namtha Province (see also

Parnwell, Chapter 12 in this volume). Started in 1999 with funds provided by the New Zealand Official Development Assistance Programme (NZODA), now the New Zealand Agency for International Development (NZ Aid), the Japanese government through the International Finance Corporation's Trust Funds Programme, and with additional technical assistance from UNESCO, the project demonstrates how treks to ethnic minority villages with trained local guides can bring much-needed cash income to the villagers, and facilitate conservation efforts within a National Protected Area (NPA). As external reviewers noted in 2002, 'the Nam Ha Ecotourism Project has established a first-class working model for ecotourism activities in areas of great cultural and natural richness' (Lyttleton and Allcock, 2002: 6). Indeed, its status as a role model is recognized in the recent *National Ecotourism Strategy and Action Plan*, prepared by the Lao National Tourism Administration with assistance from SNV (National Tourism Authority of Lao PDR, 2005: 4).

Tours developed by the NHEP are now operated by a locally-managed guide service under the supervision of the Luang Namtha Provincial Tourism Office. Now into its second phase (2005–2008) the NHEP is focusing on improving public-private sector co-operation, strengthening natural resource and protected area management in the Nam Ha NPA, and developing a tourism master plan for Luang Namtha Province. The Nam Ha model continues to receive strong support from the Lao Government and has been adopted by Green Discovery, the tour operator in Lao PDR most involved with community-based ecotourism products. With financial assistance from NZ Aid, a community-based ecotourism programme similar to Nam Ha is set to begin in Xieng Khouang province in mid-2006. Both Nam Ha Phase II and the Xieng Khouang Heritage Tourism Programme utilize technical assistance and monitoring sourced through the Office of the UNESCO Regional Advisor for Culture in Asia and the Pacific. These two programmes are part of the wider NZ Aid Lao country strategy that focuses on pro-poor tourism and natural resource management in Luang Namtha and Xieng Khouang provinces. With a commitment of up to US\$ 1 million a year until 2010, New Zealand has emerged as one Lao PDR's main pro-poor tourism donors.

Several other ecotourism projects, based on similar principles and with similar aims, are promoted by aid agencies. These include a CUSO initiative (a Canadian volunteer organization), working in Attapeu Province, DED (the German Development Service) in Phou Khao Khouay National Park, near Vientiane and also in Oudomxay Province, GTZ (German Development Agency) and Vientiane Travel and Tour, its private sector partner, developing an ecotourism programme for eight Akha villages in the Muang Sing area of Luang Namtha, and small European Union projects in Vieng Phoukha District, Luang Namtha and in Phongsaly Province ([www.ecotourismlaos.com](http://www.ecotourismlaos.com) accessed 3rd March 2006). However, the organizations most heavily involved in Lao tourism, both centrally and in the provinces, are the Asian Development Bank



(ADB) and SNV. The ADB is putting most of its resources earmarked for tourism into Luang Namtha, Luang Prabang, Khammouane and Champassak, but is also planning to extend its work through supporting 'pro-poor demonstration projects' in the provinces of Phongsaly, Houaphanh and Xieng Khouang (Asian Development Bank, 2005: 45). SNV, an independent NGO that traditionally has received most of its income from the Dutch government, focuses on small-scale, community-based tourism in parts of Lao PDR not currently on the main tourist trail – notably Savannakhet, Khammouane, Houaphanh and several villages outside the city of Luang Prabang.

### *The Asian Development Bank*

In 2002, the ADB funded a feasibility study of priority tourism infrastructure projects in Lao PDR, Cambodia and Vietnam (Asian Development Bank, 1999b) and has since committed up to US\$30 million in low interest loans and technical assistance to the Mekong Tourism Development Project. It is now a major presence in the Greater Mekong region, and is committed to developing tourism as a means of poverty reduction (Asian Development Bank, 2002a: 24). About a third of this amount is ear-marked for Lao PDR (Asian Development Bank, 2002b: 12).

As in Cambodia and Vietnam, ADB's focus in Lao PDR is on four distinct spheres of activity, as indicated in Figure 8.2, and is designed to be implemented over a five-year period. The first emphasis is on providing loans to improve tourism-related infrastructure, and primarily involves building or improving roads and airports. Currently, three projects are under way, in the Provinces of Luang Namtha, Khammouane, and Luang Prabang.

The second focus is on the development of *pro-poor, community-based* tourism, and for this purpose ADB has a team of four international and four national consultants working closely with local project implementation units (PIUs), which are comprised of staff from provincial tourism offices in Luang Namtha, Luang Prabang, Champassak and Khammouane. These PIUs co-operate with private and public sector agencies, oversee guide training and awareness programmes, and ensure, where appropriate, that women and ethnic minorities are empowered to participate in tourism activities.

The third emphasis is on strengthening regional co-operation, improving cross-border tourism facilities and harmonizing standards, and developing human resources in the Lower Mekong region, while the final sphere of activity is providing institutional support to implement the three major project components.

### *SNV (Netherlands Development Organization)*

SNV has operated in Lao PDR since 2000, initially as SUNV (through a co-operative programme with United Nations Volunteers). The organization is especially committed to providing technical advisers for the development of community-based ecotourism in rural areas. It supported the Nam Ha Ecotourism Project by providing a Handicraft

<b>Part A</b> Tourism-related infrastructure improvement	<b>Part B</b> Community-based tourism	<b>Part C</b> Sub-regional co-operation for sustainable tourism	<b>Part D</b> Financial and administrative support
1. Luang Namtha: airport extension/ improvement 2. Road access to Konglor Cave, Khammouane 3. Improved road access to Kuangsi Falls, Luang Prabang	1. Institutional strengthening and community participation programme 2. Awareness programme: benefits/ conservation 3. Pro-poor tourism products: identification and development 4. Small-scale tourism-related infrastructure 5. Capacity building: micro enterprise and communities 6. Gender: development and participation 7. Ethnic minority participation and programme 8. Marketing and promotion plan 9. Promotion of community-based tourism networks and ecotourism stakeholder associations 10. Project performance monitoring system	1. GMS faculty for tourism cooperation 2. Improved tourist facilities at border posts 3. Establish GMS marketing and promotion network 4. Establish GMS hotel classification system 5. GMS tourism plan 6. Statistics improvement and harmonization 7. Diversification of Agency for Coordinating Mekong Tourism Activity (AMTA) 8. GMS tourism human resource development	1. Implementation assistance and institutional strengthening. 2. Consulting services for project management support 3. Incremental administrative costs and project administrative equipment

**Figure 8.2:** Lao National Tourism Administration – ADB Mekong Tourism Development Project (MTDP)

Production and Marketing Adviser, and has since moved into several Provincial Tourism Offices (PTOs) and national level government organizations ([www.snv.org.la](http://www.snv.org.la)). In Luang Prabang, for instance, its advisers co-operate with the provincial authority in trying to extend the benefits of tourism, currently focused on the World Heritage city of Luang Prabang, to out-lying villages in the Province. In Houaphanh they have helped the PTO formulate a tourism development plan and are assisting in improving information and services at the network of caves once used by the Pathet Lao as command centres during the Indo-China wars, while in Savannakhet, SNV advisers are developing treks to three protected areas in conjunction with villagers and local guides. Similar activities are occurring in Khammouane, as part of the Mekong Tourism Development Project.

All such activities are designed to increase earning opportunities for the rural poor, diversify their sources of income, build local management capacity and expertise in tourism (for example, in guiding and heritage conservation), and empower local communities. They are complemented by technical assistance provided by SNV to the Lao National Tourism Administration in Vientiane, which promotes the National Ecotourism Strategy (National Tourism Authority of Lao PDR, 2004), and the work of the newly-formed inter-ministerial Ecotourism Technical Co-operation Group, which also receives technical assistance and further support from SNV and Mekong Tourism Development Project advisers. SNV also helped to establish the Lao Sustainable Tourism Network, and in May 2006 launched a three-year programme, funded by the European Union, to improve the marketing and promotion capabilities of the Lao Association of Travel Agents (LATA), strengthen the organization's management, and institute mechanisms for information-exchange between tour operators and the LNTA. Such examples, along with its co-operation with UNWTO through the STEP Programme, in disseminating the new Lao Tourism Law (approved by the Lao Parliament in January 2006), show how SNV assists the LNTA in co-operating more closely with the private sector.

Importantly, it should be noted that, except for the work in Savannakhet and Houaphanh, many of the activities carried out by SNV's international and national advisers are funded by ADB through the Lao government, an arrangement that emerged during the first phase of the ADB-financed Mekong Tourism Development Project. In effect, the ADB and SNV have leading (even dominant) roles in the development and trajectory of tourism in Lao PDR – in so far as it is oriented towards rural, pro-poor community-based tourism.

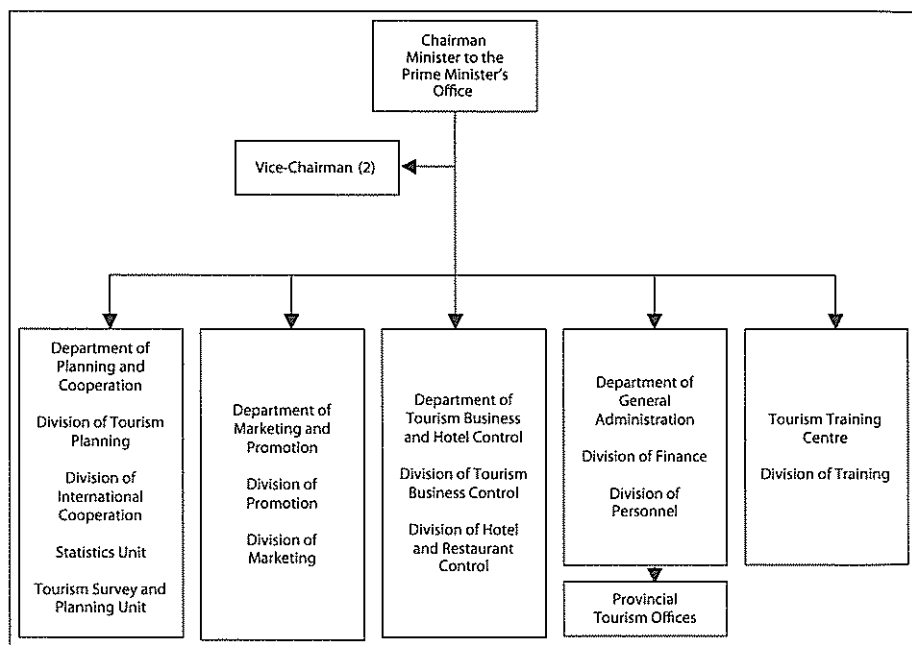
### *The Lao National Tourism Administration*

Over the past decade, the National Tourism Authority has been situated either in the Ministry of Commerce or the Prime Minister's Office. In 2005, the National Tourism Authority of Lao PDR was re-named the Lao National Tourism Administration and

up-graded to Ministerial level within the Prime Minister's Office. Its organizational structure is shown in Figure 8.3. The LNTA is the main government agency responsible for regulating tourism in Lao PDR, in co-operation with several other government departments and ministries. These include the Ministries of: Agriculture and Forestry; Information and Culture; Security; Commerce; Communications, Transport, Post and Construction; and the Science, Technology and Environment Agency (STEA), which is also administered from the Prime Minister's Office. In every province there are tourism offices that work with the LNTA and other related government authorities to regulate tourism in the provinces. At the time of writing, there were about 65 full time, dedicated staff employed by LNTA.

### *Tourism Planning and Co-operation*

The task of the Department of Tourism Planning and Co-operation is to develop the National Tourism Strategy and create tourism master plans for the provinces and specific sites throughout the country, often with the assistance of international organizations, through the Division of International Co-operation. For example, SNV provided technical assistance in drafting the National Ecotourism Strategy and Action Plan, and the current National Tourism Strategy and Action Plan was formulated with national and international technical assistance from ADB's Mekong Tourism Development Project.



**Figure 8.3:** Organizational structure of the Lao National Tourism Administration

### *Licensing and Legal Affairs*

The LNTA licenses tour companies, tour guides, tourist accommodation and restaurants, and sets appropriate standards, guidelines and codes of conduct for them. For example, it publishes a compulsory code of conduct for tour guides and is in the process of setting up a hotel rating system based on good practice elsewhere in the ASEAN region.

### *Marketing and Promotion*

Most marketing and general promotion of the Lao tourism industry is carried out by LNTA, which produces informational materials and participates in conferences and exhibitions. It also maintains tourist information centres across the country and two websites ([www.tourismlaos.gov.la](http://www.tourismlaos.gov.la) and [www.ecotourismlaos.com](http://www.ecotourismlaos.com)). However, more specific tourism products and services are marketed and promoted directly by the private sector, i.e. tour companies, hotels and restaurants, which produce their own advertisements and brochures and develop and maintain their own websites.

### *Training*

Although hoteliers and such in-bound tour operators as Green Discovery provide some training in tourism-related activities, most is through the government and its NGO partners. National tour guides, for example, are trained and registered by the LNTA, which runs an annual tour guide course in Vientiane. Apart from a modest registration fee, costs are met from the LNTA's own budget. It also periodically conducts hotel and restaurant management training sessions for the private sector, as well as short tourism management courses for government employees and the private sector.

Guides trained at national level can operate throughout Lao PDR. Others may be trained at provincial and village levels, through projects supported by such organizations as the ADB and SNV. These may include private sector guides, but candidates going through this process are licensed to operate only at provincial or village level, according to where they were trained. Human resources may also be strengthened in other ways, for example, in language training and study tours.

At the village level, the LNTA supports local communities with targeted capacity building, thus enabling them to participate more in the tourism industry. Appropriate activities include education and training for disadvantaged and poor groups (particularly women), who can then obtain secure employment in the hospitality, guiding and handicraft sub-sectors.

## **The Private Sector**

Three features concerning private sector involvement in Lao tourism are prominent. First, although SNV, ADB and the government are committed to working with the

private sector, LNTA's linkages with tourism businesses remain tenuous, and it might be argued that, at least initially, aid agencies and the government have looked at the private sector with a degree of suspicion. For their part, private sector tour operators and tourism-related businesses used to complain at a lack of visible outputs and tangible support from LNTA, especially in marketing and promotion, and regulatory or training activities. However, while the ADB's Mekong Tourism Development Project is primarily focused on infrastructure projects, product and human resource development, it is also committed (as elsewhere in the region) to developing tourism through the establishment of a Lao Tourism Promotion and Marketing Board, which is intended to increase participation by the private sector and give it a stronger voice on issues related to tourism policy. At the time of writing such Boards had yet to materialize.

Secondly, it is clear that Lao PDR's tourism sector has not attracted substantial foreign direct investment (FDI). This might be explained by the relatively late conversion of the government to a market orientation, but the ILO study quoted above also indicates that, in 1996, 'the existing legal and policy framework favours large enterprises' (Enterprise Development Consultants Co. Ltd. et al., 2002). Through legislation enacted by the Government in 2004, international investors were offered even more favourable terms including the possibility of 100 per cent foreign ownership and tax holidays up to 7 years, followed by very low profit taxes thereafter (Lao PDR, 2004). However, at the time of writing, despite the country's immense potential for tourism, there has been little FDI in its historical, cultural and natural attractions, and such incentives seem not to have succeeded (GMS Business Forum and Directory, 2006).

Thirdly, and in contradistinction to the absence of FDI, since 1986, when a market-oriented economy was introduced in Lao PDR, small, locally-owned businesses have expanded at a phenomenal rate. By 1996

there were 146,000 micro/small enterprises employing the equivalent of 259,000 full-time workers and accounting for 6 per cent to 9 per cent of GDP. This is over ten times the 22,000 that were employed by larger enterprises. Indeed, the micro/small enterprise sector accounted for 86 per cent of rural and 13 per cent of urban employment . . . 90 per cent of these are family businesses which tend to be multiple enterprises. However, they provide supplementary rather than principal household income. 63 per cent are female-owned and account for 56 per cent of total employment in this sector.

(Enterprise Development Consultants Co. Ltd. et al., 2002)

By 2005, the importance of small/micro business was even more pronounced. This is especially evident in the tourism sector, at least in the provision of accommodation, food and beverages. In 1998, for example, there were only 307 accommodation establishments in the country, whereas by 2005 there were 1088 (Table 8.2). Interestingly, the average number of rooms was a mere 15, and exceeded 20 only in Khammouane and Vientiane Municipality. Even in Luang Prabang, with the second biggest concentration of establishments in the country, the average was only 11 rooms (Lao National Tourism

Administration, 2006: 18–19). The message these figures convey is evident in all of Lao PDR's main tourism centres: in the accommodation sector (and in restaurants), small/micro businesses are the norm. Foreign investors may be conspicuous by their absence but, despite the lack of formal mechanisms for obtaining credit, the poor infrastructure, and relatively untrained human resources, local investment in tourism is booming.

## **Tourism and Poverty in Lao PDR**

As tourism is considered a tool for reducing poverty, it is legitimate to ask if it does actually benefit the poor and alleviate their situation. From the evidence available, it seems clear that throughout Lao PDR tourism is perceived to benefit the poor. In the Akha villages visited by the team evaluating the first phase of the NHEP, for example, 'villagers interviewed felt that the tourists dramatically improved their income' and in one village the income from tourism relative to non-tourism sources was as high as 40 per cent (Lyttleton and Allcock, 2002: 42). An equally positive response emerged from interviews with government officials in Vientiane municipality and the provinces of Vientiane and Champassak, as well as numerous village groups in these provinces. Officials in the Lao National Tourism Authority and the Mekong Tourism Development Programme noted tourism was part of the country's *Poverty Eradication Strategy*, and all cited the Nam Ha Ecotourism Project as the primary example of how hill tribes had been able to increase their income through treks, becoming guides, and providing food and accommodation to tourists. Provincial officials echoed such sentiments, and also cited numerous examples of villagers providing handicrafts for sale to tourists, and agricultural products to guest houses. And from discussions with villagers in the Vang Vieng District of Vientiane Province, and in Champassak, the widespread view emerged that tourism (driven here by the private sector, rather than government and aid agencies) increased the incomes of many stakeholders, *including* but not specifically *targeting* the poor, provided taxes for central and provincial government, and employment for a wide range of people providing goods and services to the tourism sector.

Such perceptions are supported by objective evidence. In Luang Namtha, for instance, the site of the longest established ecotourism venture in the country, monitoring by the NHEP shows that the incomes of many in the participating villages have been considerably increased as a result of its activities (Lyttleton and Allcock, 2002: 17–19; Schipani, 2005: 6–11), and this model has been adopted widely throughout Lao PDR. Indeed, a crucial criterion in selecting villages for inclusion in the Mekong Tourism Development Project was the potential income the poor could derive from the development of community-based tourism programmes in their villages. Families able to provide food, meals, accommodation, guide services, handicrafts and transport were initially identified through a participatory process led by project staff, and were later selected by villagers to provide

such services to tourists. The amount of gross and village revenue generated by the tours was then closely monitored, as was revenue at destinations that received infrastructure, promotional and tourism planning support. After an 18-month product development process, local tour operators began selling the new tours and destinations. Tables 8.3 and 8.4 summarize the direct financial benefits those communities, tour operators and the public sector received from tourism activities supported by the project.

It is important to recognize that some destinations were already receiving tourists before the project began working in these areas. However, for communities located on tour routes shown in Table 8.3, the situation was entirely different, and almost all of the village revenue shown in this table is attributed to the tours and operational mechanisms introduced by the project.

In villages involved in donor-assisted CBT in Lao PDR, poverty is alleviated through tourism, and account must also be taken of those 'soft' ecotourists who go to villages when visiting other attractions, for example waterfalls or caves. However, and crucially, most tourists to Lao PDR are *not* involved in donor-assisted, community-based tourism. Depending on which figures are taken as the total of tourist arrivals (Table 8.1), those who do visit such villages at some time are between 7 per cent and 22 per cent of all visitors. Evidence from the Nam Ha project (where monitoring is most advanced) indicates that about 12 per cent of all tourists to the province actually spend *part* of their time in the project villages. And expenditure by visitors at destinations supported by the MTDP is only about 0.3 per cent of the total revenue generated by tourism, a tiny proportion of total expenditure.

In effect, this means that whereas many community-based tourism projects have been specifically designed to bring benefits to poor communities (but not *necessarily* the poorest, which may lack tourist 'attractions'), enterprises developed by the private sector have a major role in alleviating poverty. In the ASEAN–EU project indicated earlier, for example, it was found that tourism was especially important in Vang Vieng municipality and in the nearby (and undoubtedly poor) Hmong village of Ban Pha Thao, as well as in several villages in the Siphandon region of Champassak. Residents of these areas had no doubt about its importance. Villagers of Ban Pha Thao, for instance, estimated that 40 per cent of the village cash income came from the sale of embroidery produced by the women for sale to tourists or, through intermediaries, to the USA, and the importance of embroidery to the household economy was evident in households in the sample survey. And in the village of Don Det Tok, in the Siphandon region of Champassak, discussed in more detail elsewhere (Harrison and Schipani, 2007), tourism was the main source of income in 22 per cent of sampled village households, the second source of income in another 11 per cent, and in 38 per cent of all households surveyed at least one individual was working in the tourism sector.



**Table 8.3: A Summary of the Financial Benefits from Select New Tours Developed by the Mekong Tourism Development Project (March 2005–February 2006)**

<b>Name of Tour</b>	<b>No. of Tours</b>	<b>No. of Tourists</b>	<b>Gross Revenue (US\$)</b>	<b>Village Revenue (US\$)</b>
<b>Luang Namtha</b>				
Pu Sam Yord 3-4-day trek	82	508	19,271	8,010
Nam Ha Camp Forest Camp	10	48	2,635	814
Akha Trail – Nam Mye Caves	6	20	1,016	301
<b>Luang Prabang</b>				
Chomphet 2-day Trek	15	58	2,438	282
Muang Ngoi 2-day Trek	19	86	2,626	1,632
Kwang Si Nature Walk	24	93	1,886	234
Phou Hin Poun 2-day Trek	8	65	2,972	920
<b>Khammouane</b>				
Buddha Cave 1-day Trek	10	48	643	163
Kong Lor-Natan Homestay	8	172	2,313	1,506
Konglor Boat Trip	-	343	3,430	3,430
<b>Champassak</b>				
Don Daeng Island Camp	8	90	657	564
Xe Pian 2-day Forest Excursion	10	59	1,885	826
Kiet Ngong Elephant Rides	766	1,515	7,504	7,284
Pu Khong Mountain 1-day Trek	8	38	838	558
<b>Total, 14 Products</b>	<b>974</b>	<b>3,143</b>	<b>50,113</b>	<b>26,523</b>

However, whereas in donor-assisted CBT poor people are specifically targeted as beneficiaries from tourism, this is not so in the private sector. Indeed, while it was generally believed that tourism *would* bring benefits, provincial and district officials often assumed that the economic benefits from tourism would automatically spread to all members of the community, including the poor. In fact, while quantitative data exist for many of the CBT projects supported by the ADB and SNV, there is little information on how income from other tourism enterprises is distributed throughout Lao PDR. Clearly, in centres of tourism, where accommodation and restaurant sectors are dominated by small enterprises, run largely with family labour, tourism benefits are considerable but they have not really been quantified (but cf. Harrison and Schipani, forthcoming). More in-depth research is needed to ascertain how far others also benefit, for example through purchases of local agricultural crops, handicrafts and such services as village visits, treks and river trips and tubing.

**Table 8.4:** A Summary of Financial Benefits at Tourist Destinations Supported by the Mekong Tourism Development Project (March 2005–February 2006)

Location	No. of Tourists	Total Revenue (US\$)	Village Revenue Estimates (US\$)	Permits / Entrance Fees (US\$)
<b>Luang Namtha</b>				
Green Discovery Co.	756	18,108	10,184	366
Nam Ha Ecoguide Service	1366	25,662	18,796	1,148
Muang Sing Ecoguide Service	567	12,941	8,195	0
Vieng Phoukha Ecoguides	79	6,885	2,272	125
<b>Luang Prabang</b>				
Muang Ngoi Kao Village	7,800	195,000	97,500	0
<b>Khammouane</b>				
Buddha Cave/Na Kang Xang	40,000	48,000	40,000	8,000
<b>Champassak</b>				
Ban Mai Singsampanh Market	14,000	168,000	84,000	0
<b>Total</b>	<b>64,727</b>	<b>474,596</b>	<b>260,947</b>	<b>9,639</b>

## Lao Tourism: Potential and Issues

The natural and cultural attractions of Lao PDR are considerable. There are vast areas of tropical monsoon forest, numerous ethnic minorities, unspoiled countryside (apart, that is, from the areas bombed by the USA during the Secret War), and a virtually undeveloped hinterland away from the main tourist honeypots. Not surprisingly, perhaps, the country's tourism industry is expanding. It is characterized by a burgeoning, small-scale, locally-owned accommodation sector, essentially concentrated in a few tourism centres (notably Vientiane and Vientiane Province, Luang Prabang, Champassak and Savannakhet), which cater to an increasing number of somewhat young, relatively well-educated, independent, budget travellers, who are interested in the natural, archaeological and cultural attractions of the country (National Tourism Authority of Lao PDR, 2003: 21).

In the tourism centres, the private sector predominates. By contrast, in outlying areas it is government policy, with assistance from the ADB and SNV, to develop CBT, and while the numbers of tourists visiting such projects is relatively small, the projects themselves are considered, by government officials and NGOs, as important as role models for further development in the private sector. It seems that unless external constraints have an impact on tourist demand, visitating will continue to increase for the foreseeable future. Indeed, as indicated in Table 8.5, with tourism accelerating in Cambodia and Vietnam and a mature industry already existing in

Thailand, it is likely that the trend towards multi-country tours will continue to emerge, with Bangkok as the gateway to the region.

It is perhaps the likelihood of further increases in tourist arrivals that simultaneously and paradoxically carries a threat to future tourism development. As far as pro-poor, donor-assisted CBT is concerned, promising projects are now operating, but the future is not entirely rosy. As indicated above, the government has left most tourism development to the private sector, and the emerging tourist 'product' has much to recommend it. However, there are some signs in parts of Lao PDR, for example in the Siphandon area of Champassak, that uncontrolled tourism development may have negative impacts, despite the financial benefits it generates for the poor. Guest houses built too close to the river can pollute the water, and riverbanks are subject to erosion. And while local entrepreneurs are currently driving the sector, if large injections of foreign capital are made in the region (and they are undoubtedly being sought), a new impetus will be given to tourism development. In short, while it might be seen as imperative to encourage investment in tourism in Lao PDR, efforts must *also* be made to put efficient regulatory processes in place to ensure that expansion of the tourism industry, whether emanating from international donors and aid agencies or the private sector, is a sustainable form of development.

More specifically, several issues arise from the preceding discussion. The first concerns the kind of tourism development apparently preferred by Lao tourism authorities, while the second, which is related, focuses on the role of the state in future tourism development. Thirdly, important issues emerge from the current relationship of the donor-sponsored, community-based tourism sector to the much larger but less coherent (and to some extent lower-profile) private sector, *especially* over the extent to which the former can really be distinguished from the latter as a form of *pro-poor tourism*. Finally, and more generally, attention needs to be paid to possible problems emerging from the expansion of roads and other forms of communication, funded largely by the ADB, which will inevitably further incorporate Lao PDR in the regional and global economy and thus, at the same time, expose it to some of the problems found elsewhere in the region.

First, there is some ambivalence about the kinds of tourists Lao PDR wishes to attract. A wide range was targeted in the second *National Tourism Development Plan* (Lao PDR/UNDP/WTO, 1998: 37) but elsewhere it is suggested that Lao tourism policy should focus on 'pro-poor, community-based tourism development' (Lao PDR, 2003: 104). Others stress that higher spending regional and long-haul tourists, with an interest in nature and culture-based activities, will bring considerable economic benefits and yet have *minimal negative impacts*. At the same time, however, it is realized that the tourism facilities available in Lao PDR are more appropriate for low-spending, independent travellers, or 'backpackers', and this kind of visitor is also welcome,

**Table 8.5:** Tourist Arrivals in the Lower Mekong Region: Selected Years

	1995	1999	2000	2001	2002	2003	2004
Cambodia	222,000	368,000	466,000	605,000	787,000	701,000	1,055,200
Lao PDR	356,000	614,000	737,000	674,000	736,000	636,000	894,806
Vietnam	—	1,211,000	1,383,000	1,599,000	2,627,988	2,428,735	2,927,873
Thailand	6,952,000	8,651,000	9,579,000	10,133,000	10,873,000	10,082,109	11,737,413

Source: WTO: 1999a; 2002; 2005; ASEAN Tourism Statistics [www.aseansec.org/tour\\_stat/](http://www.aseansec.org/tour_stat/) Total (accessed 26th February 2006).

provided they respect local customs. Whether or not these local perceptions about backpackers holds true merits further research, especially as evidence from elsewhere suggests that while they prefer budget accommodation, they are also likely to stay longer, and spend more on local crafts and souvenirs, than other tourists (Hampton, 1998: 653; Scheyvens, 2002a: 151–155; Westerhausen, 2002: 53–57).

Secondly, as indicated earlier, the efforts of the state, along with the ADB, SNV and other aid agencies, are primarily directed at developing small-scale, donor-supported, community-based tourism enterprises. There is a case for arguing that there should be a more integrated policy, in which the state continues its support for such projects, but *also* creates an enabling environment for the operation of that sector of tourism – the major part – which is dominated by the private sector. So far, perhaps because of financial constraints, state support for the private sector seems to have been limited to producing tourism brochures and, more recently, to attendance at tourism fairs.

Thirdly, it may be that elements of the distinction often made between donor-supported CBT projects and private sector enterprises, at least in Lao PDR, should be reassessed. It is commonly felt, for example, that the former are 'pro-poor', contributing to poverty alleviation, while the latter are frequently considered a less than wholesome tool for 'development'. Such a reassessment is needed for several reasons. Conventionally, it can be argued that NGOs are useful stakeholders in CBT development, and such community-based tourism clearly requires a large amount of technical and financial resources to support surveys, develop products, run training courses, and construct small-scale eco-lodges and other tourist facilities. Without such assistance (even prompting) from NGOs and other international partners, many CBT projects might be delayed or remain on the drawing board. The private sector often lacks the necessary financial and technical resources, and may not even consider such projects potentially worthwhile. By contrast, the argument continues, NGOs and the public sector are well suited to establish best practice models, research CBT regulatory frameworks, and act as mediators to ensure that equitable benefit-sharing mechanisms are put in place. At that point, the business

side of CBT can be handed over to the communities themselves, and to private sector tour operators, who obtain a new product to sell at little initial cost to themselves.

This may be so. However, evidence from elsewhere indicates that NGOs are not always best placed to carry the twin burdens of supporting and marketing CBTs. In 1998 in the South Pacific, for instance, a five-day workshop involving government representatives, national tourism organizations, aid agencies, donors and community representatives examined several donor-assisted prestigious CBT projects then operating in South Pacific islands, and concluded that most, in fact, were examples of top-down development, that few – if any – were financially viable or sustainable, that the agendas and time-scales operated by aid agencies bore little resemblance to local requirements, and that most NGO representatives lacked the entrepreneurial and other skills required to run successful businesses.

A key finding of the workshop was that there are very few examples in the Pacific of successful developments of community-based ecotourism operations in areas of high conservation value. Furthermore, there were few participants prepared to say “yes” to the question of whether these few ecotourism operations would be sustainable once donor assistance ended.

(Tourism Resource Consultants, 1999: 5)

Problems may arise even at the start of a donor-supported CBT enterprise. The assessment by an NGO representative that a site will be commercially viable can be confirmed *only* when it is sufficiently established and seeking tourists. Only then, after a considerable investment of money and human resources, might the private sector be involved, and only then, too, might marketing problems become apparent.

Just as doubt can be cast on the medium- to long-term sustainability of at least some donor-supported ‘pro-poor’ CBT projects, private sector involvement in tourism may have more ‘pro-poor’ credentials than is generally recognized. In many parts of Lao PDR, for example, small, locally-owned guest-houses, funded by the sale of livestock and not at all dependent on donor support, play a crucial role in expanding the cash economy and benefiting the poor. Responding to market demand, they emerge from within local communities, cater for the majority of the country’s tourists, usually by purchasing local goods and services, and also supply visitors to donor-supported CBT projects. As discussed in more detail elsewhere (Harrison and Schipani, forthcoming), there is a strong possibility that the role of such enterprises in alleviating poverty has been underestimated. Instead of being considered unwelcome competitors of ‘alternative’ tourism, they might more accurately be regarded as partners in tourism development, and thus accorded some of the technical advice and support provided on a regular basis to donor-supported community tourism projects.

Finally, as the Lao infrastructure is developed, roads built, and airports and river facilities expanded, the impacts of such changes need to be carefully monitored. Communications

are usually two-way, and while they facilitate the movement of tourists and goods, they also enable others to move around more easily. Roads, for example, mean increased trade and more intra-regional travel. More commercial traffic on the roads is likely to lead to pollution, disrupt village life, and increase demand for commercial sexual services. Anecdotal evidence and personal observation suggests this demand is already being met.

This is not to suggest that tourism causes prostitution. As Brown makes clear, while local characteristics vary, prostitution has long been established throughout Asia (2000: 1–28) and the background and extent of sex tourism in Southeast Asia, especially Thailand, is sufficiently well known to require little supporting evidence (Meyer, 1988; Truong, 1990). In fact, as both Meyer (1988: 370) and Brown (2000: 11) clearly indicate, most prostitution in the region is provided for local clients rather than tourists. That said, prostitution is clearly exacerbated by tourism, and sex workers catering for Western tourists are able to earn more than those catering only for local clients. At present, though, it would seem the commercial sex trade in Lao PDR is mainly limited to Lao nationals and foreign labourers, and involves few international tourists.

More generally, as the country becomes more 'connected' to the region through transport networks and labour exchange, increased movement within Lao PDR, and across its borders, for commercial and tourist purposes, will undoubtedly expose Lao communities to trends already apparent, for example, in Thailand and Cambodia. Such trends will undoubtedly increase the attraction of the world outside, especially for the young, and increase the threat of an HIV/AIDS epidemic. At the same time, without effective control or planning, more tourists coming through Thailand, where uncontrolled mass tourism has 'led to the degradation and transformation of the principal natural attractions' (Cohen, 2001c: 170), could simply replicate the process in Lao PDR.

## **Conclusions**

It has been argued in this chapter that, since the mid-1980s, tourism has become increasingly important in the economy of Lao PDR, to the extent it is now the country's main earner of foreign exchange, and that the significance of the tourism sector, and its role in poverty alleviation, is likely to continue. It has also been suggested that there is some ambivalence in government and non-government circles about the kind of tourism most appropriate to Lao PDR. On the one hand, considerable efforts (and funds) have been directed by government, by the Asian Development Bank, and by aid agencies (most notably SNV) in developing community-based tourism (CBT). On the other hand, ADB is also heavily involved in developing infrastructures that will facilitate the movement of tourists within Lao PDR and across the region, and in encouraging closer links with the private sector. Indeed, whereas most CBT projects are developed in outlying parts of the country, tourism development in areas of high

levels of tourist concentration, most notably Vientiane Municipality and Province, Luang Prabang, Champassak and Savannakhet, is largely in the hands of small, largely-unregulated, family-owned and family-operated enterprises, the importance of which to poverty alleviation and more general 'development' still remain to be researched but is likely to be considerable and under-estimated.

Numerous questions, then, need to be asked about the relationship of community-based tourism (CBT) to 'conventional' tourism (CT) – which in Lao PDR is predominantly independent travel and backpacking tourism. First, how far does CBT depend on CT? It could certainly be argued that the former develops only by 'piggy-backing' on the latter. Secondly, is it the case that while CBT is essentially rural, CT is urban-based? Tourism statistics and the interests of the cultural tourists who make up much of the CT sector would seem to suggest this is so. Thirdly, will successful CBT lead to CT? At present, it seems too early to say, but it is a distinct possibility. Fourthly, to what extent can it be argued that *both* sectors of Lao tourism – CBT and CT – are only partially capitalist? The former, with its support from the ADB and the aid agencies, can be considered (at best) only partially orientated to markets or profits, while CT, dominated by small guest houses employing (frequently unpaid) family labour, could equally be regarded as proto-capitalist. Indeed, is there merit in the suggestion that both sectors of Lao tourism might be regarded as contributing to poverty alleviation, and are different forms of 'pro-poor' tourism? If so, one way of bringing these apparently disparate sectors together would be to develop a network of donor-supported CBT projects with firm and expanding links to the private sector, leading to different forms of private-public (or NGO) partnerships. At present, although there is recognition of the need for an overlap between the two, *very* little occurs in practice.

Finally, is Lao tourism – whether CBT or CT – 'sustainable'? It is certainly growing but (as yet) has not reached the level of 'development' (and the associated problems) that have characterized so much of Thai tourism (Cohen, 2001c), or that can be perceived in the urban expansion and over-development of Cambodia's Siem Reap. It is not too late to avoid these dangers, and the goodwill to do so is present throughout Lao tourism. However, a successful strategy for sustainable tourism development has to be predicated on an integrated approach which not only takes due cognisance of the role of CBT, but also understands the role of and co-operates with the thousands of owners of small guest houses and hotels which dominate Lao tourism and who cater for most of the country's tourists.

## **Authors' Note**

David Harrison, a co-author of this paper, first worked in Lao PDR in June 2002 as a consultant with the Asian Development Bank, and later, from 2003 to 2005, as part

of an ASEAN–EU Universities Network Programme, ‘Building Research Capacity for Pro-poor Tourism’. Funded by the European Commission, this project involved five partner organisations from Europe and South East Asia: the International Institute for Culture, Tourism and Development, at London Metropolitan University; the University of Liège (Belgium); the University of Social Science (Vietnam); Udayana University (Bali, Indonesia) and the National University of Laos. Data on tourism and poverty alleviation were obtained in Lao PDR in July and August 2004, and special thanks are due to Dr Sengdeuane Wayakone, of the National University of Laos, and Dr I Nyoman Adiputra, of Udayana University, who also participated in the Lao part of the research project. Further information on the project can be obtained from [www.iictd.org](http://www.iictd.org)



# Tourism in Southeast Asia

## Challenges and New Directions

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 **nias** PRESS

Tourism in Southeast Asia:  
Challenges and New Directions  
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First published in 2009  
by NIAS Press  
NIAS – Nordic Institute of Asian Studies  
Leifsgade 33, DK-2300 Copenhagen S, Denmark  
tel (+45) 3532 9501 • fax (+45) 3532 9549  
email: books@nias.ku.dk • website: www.niaspress.dk

Simultaneously published in the United States  
by the University of Hawai'i Press

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**British Library Cataloguing in Publication Data**

Tourism in Southeast Asia : challenges and new directions  
1. Tourism – Southeast Asia I. Hitchcock, Michael II. King,  
Victor T. III. Parnwell, Mike  
338.4'79159

ISBN 978-87-7694-033-1 (Hbk)

ISBN 978-87-7694-034-8 (Pbk)

Typesetting by Donald B. Wagner  
Produced by SRM Production Services Sdn Bhd  
and printed in Malaysia