2012 – 2017 Tourism and Travel Related Services Strategic Plan- Responding to the ASEAN Services Liberalization

Prepared by the College of Innovation
Thammasat University, Bangkok, Thailand

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Preface

The full realization of the ASEAN Economic Community by 2015 provides the Thai tourism industry and the country in general with a number of new opportunities as well as challenges. The Department of Tourism must be complemented on taking the initiative to work with all stakeholders in the country to determine the impact of the free trade agreement and how the Kingdom can most effectively respond to these challenges and opportunities.

The study which involved numerous meetings and consultations with a wide range of stakeholders has identified what are seen to be the key issues by various stakeholders and presents a coherent action plan for ensuring that all stakeholders are in a position to positively benefit from the opportunities of the free trade agreement. As will be seen from this document there is a strong emphasis on building the capacity of small and medium-size enterprises as we approach 2015.

We wish to thank all of those who donated their valuable time to participate in the meetings and to provide feedback which has been incorporated into this document.

We look forward to working with the Department of Tourism as well as many other stakeholders in the implementation of this plan.

Your sincerely,

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Part 1

Introduction

Part 1 Introduction

Background

Under globalization, the concept of the liberalization of goods and services is rapidly expanding. The movement of capital and labor between countries is increasing, as well as the economic co-operation among nations at both national and regional levels. These phenomena have changed the trade and investment environments in many regions accelerating trade and service competition.

“Tourism and travel related services” are one of the service sectors to be liberalized under the free trade agreement within the ASEAN Economic Community. Under this agreement there will be more opportunities for people within the region to invest in tourism businesses with the possibility of a free flow of labor between ASEAN countries. These changes have the potential to negatively or positively impact many enterprises and employees in Thailand’s travel industry.

In order to ensure that the Free Trade Agreement (FTA) increases Thailand's competitiveness within the region the Department of Tourism sponsored a study to allow it to better understand the impact of the trade agreement and to seek ways to ensure the competitiveness of the tourism industry in Thailand through the adoption of innovative and effective strategies and programs during the 2012 - 2017 period.

The plan has been developed based on meetings that were held in various locations in Thailand, the analysis of free trade in general and specifically within the region, assessing global issues affecting competitiveness and the consulting team's general knowledge of Thai tourism. It is important to note that this proposed plan would specifically deal with the response to tourism service liberalization. Thus, it will not cover all dimensions of tourism development, which are included in the National Tourism Plan 2012 - 2016.

Methodology

1. Literature review – to understand the present situation on FTA in tourism services at international, regional and national level.
    a. WTO (GATS), ASEAN (AFAS)
    b. Bilateral agreement on tourism and travel-related services
    c. ASEAN Economic Community Blueprint
    d. ASEAN Tourism Strategic Plan 2011 – 2015
    e. Relevant research studies/ journals/ articles (Thai and English)
    f. Relevant national plans e.g. National Tourism Plan, National Economic and Social Development Plan, national strategies on service sector.
    g. News (Thai and English)

2. Situational analysis on liberalization in tourism services for Thailand
    a. Interviews with relevant stakeholders e.g. PATA, Thai Hotels Associations, Association of Thai Travel Agencies, Association of Domestic Tourism, Thai Tourism Council, Restaurant Association, etc.
    b. Stakeholder meetings in 5 provinces with private sector (hotels, tour operators, travel agencies, restaurants)
        - Chonburi
        - Phuket
        - Chiang Mai
        - Khon Kaen
        - Bangkok

3. Development of a draft tourism service plan

4. Public presentations in Bangkok and Chiang Mai (to receive feedback from private sector)

5. Preparation of the 2012 – 2017 Tourism and Travel Related Services Strategic Plan

About the project team

A team from the College of Innovation, Thammasat University, Thailand was responsible for carrying out the project and consisted of:

- Prof. Dr. Walter Jamieson — Project Leader and Director of Service Innovation Program
- Ms. Pawinee Sunalai — Project Manager
- Dr. Napat Settachai — Senior Researcher and Adjunct Professor
- Ms. Kanokrattana Netlomwong — Senior Researcher
- Mr. Navy Rasrisansuk — Project Officer

Part 2

Present Situation on FTA related Tourism Services in Thailand

Part 2 Present Situation of FTA Related Tourism Services in Thailand

Part 2 provides baseline information regarding the characteristics and importance of the services sector and particularly the tourism industry as well as the concepts of Free Trade Agreement (FTA) and Mutual Recognition Arrangement (MRA). It also summarizes the updated situation regarding tourism services liberalization in Thailand. The main objective of this portion of the document is not only to create a better understanding of the topic among tourism stakeholders but also to identify the potential effects and concerns of services liberalization.

1. Introduction to the Services Sector and Tourism Industry

The production and distribution of services, like any other economic activity, is ultimately destined to satisfy individual demand and social needs. Many services are critical to human development and poverty reduction, like healthcare and education; others are important to a well-functioning economy, for example telecommunications, transport or banking. Developing countries have a keen interest in many services areas including tourism, health and construction.

Services have several characteristics that make them different from goods including their intangibility, inseparability, perishability, non-ownership, and heterogeneity (Zeithaml, Parasuraman & Berry 1985, Lennon 2008). Another major characteristic is the differentiation, as services have to meet different needs and desires of the customer. Services also require a close contact between the provider and customer. In other words, unlike goods, services do not need the middleman (Berry 1983), so the service delivery has to be fast and trustworthy.

Based on the World Trade Organization's definition, services can be divided into 12 sub-categories:

(1) Business Services
(2) Communication Services
(3) Construction and related engineering Services
(4) Distribution Services
(5) Educational Services
(6) Environmental Services
(7) Financial Services
(8) Health-related and Social Services
(9) Tourism and Travel-related Services
(10) Recreational, cultural, and sporting services
(11) Transport Services
(12) Other services not included elsewhere

However, it is important to note that services - under the definition of both WTO and ASEAN - do not include public services.

According to WTO[1], there are 4 ways in which a service can be traded, known as "modes of supply":

Mode 1: Cross Border Supply - services supplied from one country to another (e.g., services provided by international postal, telephone companies or airlines)

Mode 2: Consumption Aboard - consumers from one country making use of a service in another country (e.g., tourism and educational services)

Mode 3: Commercial Presence - a company from one country setting up subsidiaries or branches to provide services in another country (e.g., foreign banks setting up branches overseas or Thai entrepreneurs opening Thai restaurants overseas)

Mode 4: Movement of Natural Persons - individuals travelling from their own country to supply services in another (e.g., temporary employment of foreign workers delivering services)

The services sector is a sizeable and continuously expanding component of both global and local economies. Globally, the sector accounts for 63.4% (or almost two third) of World Gross Domestic Product (GDP) (IMF 2010). It also contributes 40-50% of GDP in ASEAN countries. ASEAN exports of commercial services to the world market have grown steadily from US$ 57.4 billion in 1998 to US$ 153.2 billion in 2007. ASEAN imports of commercial services from the world market also grew steadily from US$ 66.5 billion in 1998 to around US$ 176.3 billion in 2007 (ASEAN Secretariat 2009).

In Thailand, during the past four decades the services sector has become the most significant economic activity. In 1960, services sector accounted for 47.72% of the country's GDP and increased to 55.11% in 2003, while the contribution of the agriculture sector to the country's GDP was 39.79% in 1960 and reduced to 9.7% in 2003 (NESDP).

As a sub-category of the services sector, tourism has been widely considered a significant industry. It has long been a major source of revenues and employment for several countries including Thailand. Over the decades, tourism has experienced continued growth and deepening diversification to become one of the fastest growing economic sectors in the world. The number of international tourist arrivals grew by nearly 7% to 940 million in 2010. These arrivals generated US$ 919 billion in export earnings (UNWTO 2011). Meanwhile, ASEAN tourism also performed an outstanding growth in 2010 with total international arrivals of more than 73 million, increasing by 11% compared to 2009 (ASEAN Secretariat 2010).

[1] WTO. General Agreement on Trade in Services, Part 1 – Scope and definition, Article 1 (2)

Like other developing countries, Thailand has attempted to encourage tourism industry expansion in order to boost foreign investment and reverse downward financial trends. Throughout the past few decades, tourism has become increasingly important to Thailand in its shift from an agricultural to a more industrialized and service-based economy. International tourist arrivals reached 14.46 million in 2007, contributing 540 billion baht (about US$17 billion) to the local economy (MOT 2009). In 2010, the number of international tourist arrivals was 15.93 million, increasing by 12.63% from that of the previous year (TAT 2011).

Recognizing an importance of the services sector and especially the tourism industry, many countries worldwide have initiated and stimulated the establishment of several international trade rules. One of the most important initiatives is the liberalization or Free Trade Agreement (FTA) in tourism services, which has been supported by various multilateral and regional organizations such as World Trade Organization (WT

2. FTA and MRA

2.1 Free Trade Agreement (FTA)

Free Trade Agreement (FTA) refers to an agreement to eliminate barriers or obstacles to international trade. Generally, such barriers or obstacles include tariffs, import quotas, preferences, market access, national treatment and other domestic regulations. The purpose of FTA is to reduce barriers to exchange so that trade can grow as a result of specialization, division of labour, and most importantly via comparative advantage (i.e. natural resources, skilled workers, agriculture-friendly weather, etc.). Services liberalization thus refers to the removal of barriers in services trade in all four modes of supply in order to promote faster and more business between the two countries or areas.

Ideally, the reduction of trade barriers and the creation of a more stable and transparent trading and investment environment can contribute to development. Liberalization can make it easier and cheaper for the companies in a country that has signed the FTA to export their products and services to trading partner markets. It also can boost business opportunities and learning for local firms, create jobs, and bring competition on price and quality.

However, services liberalization can equally have negative impacts on poor consumers, local firms especially SMEs, and government's ability to regulate. One of the most critical concerns is that local SMEs may risk of being put out of business if they are unable to compete with the foreign firms. Key factors such as the quality of local institutions and the competitiveness of local firms are important in determining impact.

Therefore, to take advantage of the opportunities and avoid costs, any liberalization needs to occur in a carefully sequenced manner, and countries need to have the appropriate level of administrative and regulatory capacity to ensure that this opening is beneficial.

2.2. Mutual Recognition Arrangement (MRA)

Similar to FTA, Mutual Recognition Arrangement (MRA) is a policy instrument designed to promote economic integration and increased trade between participants. It was formalized by WTO in the early 1980s under the Agreement on Technical Barriers to Trade (TBT). Whilst there are many types of MRAs, the most common is designed to facilitate agreement on standards. This type of MRA is an agreement between two or more parties to mutually recognize or accept one or all aspects of one another's conformity assessments.

Initially, MRAs tended to operate on a bilateral basis, facilitating agreement between two countries that desire to work together. Later, as they grow and evolve, MRAs are becoming more complex, dealing with multi-lateral issues of trade, where a number of nations are involved such as in the cases of European Union (EU) and ASEAN. In ASEAN, for instance, MRAs have been adopted to facilitate the freer movement and employment of qualified and certified personnel between the Member States. To date, seven MRAs have been concluded and signed by ASEAN Economic Ministers seeking conformance of standards in the fields of engineering, nursing, architecture, surveying, medical, dental, and accountancy (ASEAN Secretariat 2009).

The contemporary approach to MRAs is not only to ensure commitment and agreement to international trade, but also to encourage the sharing of good practice and information between partners. It involves trust and partnership between parties and strengthening of close working relationships. The expected results for both parties include reduced costs, increased competitiveness, increased market access, and freer flow of trade (University of Queensland 2011).

3. Thailand and FTA in Tourism Services

Thailand has 7 FTAs in tourism services::

(1) General Agreement on Trade in Services (GATS)
(2) ASEAN Framework Agreement on Services (AFAS)
(3) Thailand – Australia Free Trade Agreement (TAFTA)
(4) Japan – Thailand Economic Partnership Agreement (JTEPA)
(5) ASEAN – China Free Trade Agreement (ACFTA)
(6) ASEAN – Korea Free Trade Agreement (AKFTA)
(7) ASEAN – Australia – New Zealand Free Trade Agreement (AANFTA)

Among these agreements, GATS and AFAS are the primary focus of this study because they frame a set of rules aiming for the liberalization of international trade in services at multilateral and regional levels, respectively. In addition to GATS and AFAS, ASEAN MRA on Tourism Professionals is considered as another important initiative in ASEAN integration on trade in services. More detailed information about these 3 agreements are summarized below.

3.1 GATS

General Agreement on Trade in Services (GATS) is among the WTO's most important liberalizing agreements. It came into force in January 1995. GATS is the first and only set of multilateral rules and principles covering international trade and investment in services. Its main objectives include expansion of service trade, progressive liberalization through successive rounds of negotiations, transparency of rules and regulations, and increasing participation of developing countries.

GATS has two main parts:

(1) The Horizontal Commitments. They are the general rules and disciplines, applied to all services sectors across the board. Every WTO member has to abide by these rules or risk being challenged by another country at a WTO dispute panel. These rules are 'general obligations' and include the 'Most Favoured Nation' (MFN) principle, which means that all trading partners must be treated equally.

(2) The Sector-Specific Commitments. They are the rules applied to a service sector only after a government has actively listed it to come under GATS. Each WTO member will set up its national "schedules" which list the specific commitments on access to its domestic markets by foreign suppliers. Every country has freedom to choose which services to commit and under what limitations. For example, a country making a commitment to allow foreign banks to operate in its territory may limit the number of banking licenses to be granted (a market access limitation). It might also fix a limit on the number of branches a foreign bank may open (a national treatment limitation) (WTO 2001). In addition, every country is able to limit commitments to one or more of the four recognized "modes of supply" through which services are traded and also withdraw and renegotiate those commitments.

In principle, GATS applies to all internationally-traded services with two exceptions: services provided to the public in the exercise of governmental authority, and in the air transport sector, air traffic rights and all services directly related to the exercise of traffic rights.

As one of services sectors covered under the GATS, tourism and travel-related services is divided into 4 sub-sectors: (1) hotels and restaurants, (2) travel agents and tour operators, (3) guiding services, and (4) other.

Under GATS, tourism and travel-related services has the highest number of commitments. In 1998, there are 112 commitments for hotels and restaurants, 89 commitments for travel agents and tour operators, and 54 commitments for tourist guides, while other varies depending on how it is defined.

Commitments by "modes of supply" also vary. While Mode 1 (Cross Border Supply) is the most liberal, Mode 4 (Movement of Natural Persons) is the most restrictive. Mode 3 (Commercial Presence) and Mode 4 (Movement of Natural Persons) are the key areas for future liberalization.

3.2 AFAS and AEC

The ASEAN Framework Agreement on Services (AFAS) was signed by ASEAN economic ministers[2] on 15 December 1995. The AFAS aims to:

a) Enhance cooperation in services amongst Member States in order to improve the efficiency and competitiveness, diversify production capacity and supply and distribution of services of their service suppliers within and outside ASEAN;

b) Eliminate substantially restrictions to trade in services amongst Member States; and

c) Liberalize trade in services by expanding the depth and scope of liberalization beyond those undertaken by Member States under the GATS with the aim to realising a free trade area in services.

Since these 3 original objectives were established, a series of complementary guidelines and targets have been agreed at the ASEAN level. The most relevant of these was the agreement made at the 37th ASEAN Economic Ministers' (AEM) Meeting in Vientiane in September 2005. Here, Ministers reaffirmed their commitment to liberalise trade in services in the region in line with the vision to create the ASEAN Economic Community (AEC). The ASEAN Ministers also set the goal that the liberalisation of all services sectors would be achieved by 2015, although it was agreed that flexibility would be allowed for some sub-sectors.

Another major agreement is the Vientiane Action Program (VAP), the mechanism currently used by ASEAN to drive the integration agenda for 2004 – 2010. Under the VAP, economic integration towards a single market and production base will begin with eleven

[2] At that time, there were 7 member countries: Indonesia, Malaysia, the Philippines, Thailand, Brunei, and Vietnam.

sectors that are identified to be fully integrated by 2010. Of these 11 priority sectors, 4 are services sectors: Air Travel, e-ASEAN (ICT), Healthcare and Tourism.

To establish the AEC in 2015, ASEAN formulated the "AEC Blueprint" in November 2007. The Blueprint aims to transform ASEAN into a single market and production base with free movement of goods, services, investment, skilled labour, and freer flow of capital. It has significant impact on services liberalisation in ASEAN, providing actions, targets, and timelines for the free flow of services in the region. All Member States are required to:

"Allow for foreign (ASEAN) equity participation of not less than 51% by 2008, and 70% by 2010 for the 4 priority services sectors; not less than 49% by 2008, 51% by 2010, and 70% by 2013 for logistics services; and not less than 49% by 2008, 51% by 2010, and 70% by 2015 for other services sectors." (ASEAN 2008)

Under AFAS, the Member States enter into successive rounds of negotiations to liberalise trade in services with the aim of submitting increasingly higher levels of commitments. The negotiations result in commitments that are set forth in schedules of specific commitments annexed to the Framework Agreement. These schedules are often referred to as packages of services commitments. Since the realization of AFAS in 1995, ASEAN has carried out five rounds of negotiations resulting in 7 packages of commitments while completion of the 8th Package remains ongoing.

Together with other ASEAN Member States, Thailand signed the 7th Package in February 2009. The main objectives of this Package include:

a) Scheduling no restrictions for cross border supply and consumption abroad (Modes 1 and 2);

b) Committing higher foreign equity levels (Mode 3) allowing ASEAN equity participation of not over 49%; and

c) Progressively removing other restrictions.

In October 2010, ASEAN Leaders concluded and signed the Protocol to implement the 8th Package of AFAS commitments. Since then, ASEAN Member States have been working towards full completion of their commitments for the 8th Package as per mandate of the AEC Blueprint.

Thailand, led by the Department of Trade Negotiations, Ministry of Commerce, is currently drafting the detailed document of the 8th Package of Commitments. The major difference of this Package from the previous one is the higher degree of services liberalization. The completion of the 8th Package will have significant impact on services economy in Thailand, as it will allow foreign shareholding in ASEAN-based companies for the 4 priority services sectors and logistics services to be increased from 49% to 70% across the country. This could begin to challenge Thai tourism companies especially the SMEs as early as 2012.

To minimize the negative impacts on local services businesses, however, each ASEAN Member is able to set the limitations of specific tourism services and for certain mode of supply. For example, in its 7th Package, Indonesia sets the commitments only for the 3-star hotels and above as well as identify the geographic area where foreign equity participation can reach 100%. For travel agency and tour operator services, Indonesia also limits the number of only 55 agencies with approval from the government body. Similarly, Malaysia only allows foreign equity participation of 51% in 4-to-5-star hotels. Thus, the Thai government can consider setting some sorts of limitations in the 8th Package.

3.3 ASEAN MRA on Tourism Professionals

Both AFAS and AEC also acknowledge the importance of services professional qualifications with an aim to facilitate their movement within the region. As a result, MRA has been developed by ASEAN in its overall services integration. An MRA enables the qualifications of services suppliers that are recognised by the relevant authorities in their home country to be mutually recognised by other signatory Member States. This helps to facilitate the flow of professional services providers in the region, in accordance with relevant domestic rules and regulations (ASEAN Secretariat 2011).

In liberalizing tourism services particularly in Mode 4, ASEAN adopted MRA on Tourism Professionals in January 2009. The main objective of this MRA is to increase the equality of tourism human resource and facilitate the mobility of tourism professionals within the region using the ASEAN Common Competency Standard for Tourism Professionals (ACCSTP) as the basis. It also aims to exchange information on best practices in competency-based education and training for Tourism Professionals and to provide opportunities for cooperation and capacity building across ASEAN Member States.

Following the conclusion of the MRA, the 13th ASEAN Tourism Ministers (ATM) Meeting in January 2010 endorsed “MRA Follow-up Implementation Requirements” including capacity development for members of related organisations under the MRA at regional and national levels. As a first activity, ASEAN Member States agreed to develop training toolboxes for common competencies for 32 job titles in the six identified labour divisions. These toolboxes will be used by tourism training and education institutions in the Member States. The six labour divisions cover: four in hotel services including front office, housekeeping, food production and food and beverage services; two in travel services comprising of travel agencies and tour operators.

It is important to note that MRA does not guarantee a visa or a job overseas. Despite the implementation of the MRA and ACCSTP, the work permit conditions will remain valid in each country as a concession to national interests. The main purpose of MRA is to facilitate and accelerate labour mobility between the ASEAN countries based on demand-driven competency-based qualifications, training and certification.

At present, Thailand is the only remaining country that has not yet signed the ASEAN MRA on Tourism Professionals. The Ministry of Tourism and Sports is urging the government to make decision before the upcoming ASEAN Meeting in Indonesia in early 2012.

Within this context, AFAS and AEC provide the broad guidelines for ASEAN Member Countries to progressively improve Market Access and ensure equal National Treatment for services suppliers among ASEAN countries in all four modes of services supply.

4. Impacts of Tourism Services Liberalization

The liberalization of international trade in tourism services is expected to contribute a range of benefits to the participating countries. These benefits include:

(1) Economic performance. With the progressive liberalisation of the services sector in ASEAN, tourism industry will assume an even greater role in generating growth, broadening the economic base, and increasing contribution to exports.

(2) Development. Access to world-class tourism services should assist exporters and producers in ASEAN countries to capitalize on their competitive strength. Building on increased foreign investment and expertise, ASEAN countries should be able to advance in international tourism services markets.

(3) Efficient service delivery. The liberalisation of the services sector in ASEAN is expected to create a competitive environment that leads to better and more efficient services delivery.

(4) Consumer savings. Based on strong evidence, liberalization leads to lower prices, better quality and wider choice for consumers. Such benefits, in turn, work their way through the economic system and help to improve supply conditions. This should benefit consumers or tourists who should obtain their quality services in reasonable costs.

(5) Greater transparency and predictability. A country's commitments in its services liberalization schedule guarantee that foreign firms will be allowed to supply their services under stable conditions. This gives tourism stakeholders – producers, investors, workers and users – a clear idea of the rules of the game, so they can plan for the future with greater certainty, which encourages long-term investment.

(6) Technology transfer. Services liberalization encourages foreign direct investment (FDI). Such FDI typically brings with it new skills and technologies that spill over into the wider economy in various ways. Domestic employees learn the new skills (and spread them when they leave the firm). Domestic firms (i.e., hotels and tour agencies) are able to adopt the new techniques such as computerized-booking system or new equipment to improve the quality and efficiency of their service delivery.

Despite above benefits, critics have addressed several potential negative impacts of international trade liberalization in tourism services. These impacts include:

(1) Loss of control over the form and scale of development. It is widely criticized that governments will pay a high price in losing the right to regulate, a loss which has substantial implications for democratic planning. The GATS, in particular, affects the ability of governments to regulate foreign companies that set up within their countries as well as the ability to protect their own 'infant' industries. It may become more difficult for

governments to put in place regulations to guarantee local participation in tourism development or to preserve their natural resources (e.g., a hotel chain may challenge an ecological classification for a resort or local aesthetic in its design by questioning the necessity for such restriction) (George and Henthorne 2007).

(2) Economic leakages. Liberalization of Modes 3 and 4 can potentially lead to increased threats for the host countries from leakage effects on tourism revenue. Woodroffe (2002) concluded in her report that "the benefits of service liberalisation for the domestic economy in developing countries appear limited. This is partly because developing countries are not major exporters of services so stand to gain little from the opening of potential new markets overseas. It is also because multinational service providers appear to create limited linkages with their host domestic economy, while potentially undermining nascent service industries."

(3) Negative impacts on SMEs. This issue is perhaps the most critical concern. In most developing countries, the services sector is mainly composed of a large number of local SMEs, which will be directly affected by the liberalization. A developing country government may wish to protect infant industries in order to promote a diversified, dynamic economy and to protect jobs and livelihoods. However, with insufficient financial resources, networks, knowledge and skills, and technology, SMEs would have a hard time competing with the foreign companies. Without supports or protection from the government, these SMEs highly risk being put out of business.

(4) Potential job loss. Liberalization of mode 4 (i.e., ASEAN MRA on Tourism Professionals) may have a serious effect on the availability of jobs for the local people in a host country. As a result of increased mobility of tourism professionals between the Member States, a number of job opportunities may be taken away by skilled foreign workers.

(5) Brain drain. On the other hand, a host country may lose some of its tourism professionals and skilled workers to the foreign companies in other ASEAN countries that offer better benefits.

(6) Little benefits to consumers. Some critics note that the promised benefits to consumers from increased competition do not materialize. Sometimes this is because multinationals have simply taken over state monopolies, bringing no new benefits of competition (Woodroffe 2002). The problem also lies with weak national regulatory bodies.

(7) Increased threats to sustainable development. The GATS, for example, does not address the tourism-specific environmental, economic, social and cultural impacts in the context of sustainable development. The expansion of tourism services as a result of opening up the country for foreign investment may exacerbate the already existed socio-cultural and environmental problems in a number of major tourist destinations. According

to some, mode 4 of supply of human resources across borders may also lead to the creation of foreign enclaves and environmental bubbles in the domestic territory.

5. Summary

As the fastest-growing area of trade (around six per cent per annum), services are important to development. Likewise, the tourism and travel-related industry is one of the world's fastest growing economic sectors and has acquired an important position in global trade. For developing countries in particular, tourism is considered a valuable export because of its contribution to foreign exchange, investment and employment opportunities. Recognizing the growing importance of services, several governments and international organizations have initiated and supported the liberalization of trade in services by using FTA and MRA as the key policy mechanisms.

Thailand is now having 7 FTAs in tourism services. Among these agreements, GATS and AFAS are the primary ones. The GATS is the first multilateral, legally binding set of rules covering international trade in services. Based on GATS principles, AFAS provides the enabling legal framework for setting out the broad parameters for services liberalization. Under AFAS, Thailand is facing the most progressive commitment, which is the increased foreign (ASEAN) shareholding in service businesses from 49% to 70%. Another significant initiative is the adoption of ASEAN MRA on Tourism Professionals, which will facilitate the mobility of skilled labour between the Member Countries.

As described above, the impacts of liberalisation of tourism services can be both positive and negative. The full liberalization of tourism services should be a win-win situation for all. Therefore, the Thai government needs to have a plan and/or policy instrument to harness the FTAs in tourism services and ensure the best outcomes for local firms and consumers.

Part 3

Issues, Challenges and Opportunities related to Liberalization of Tourism Services

Part 3 Issues, Challenges and Opportunities related to Liberalization of Tourism Services

Issues and Challenges

Based on information received from the public meetings held in five major provinces of Thailand as well as secondary data collected from various sources, a number of issues and challenges related to the liberalization of tourism services in Thailand were identified by a wide range of stakeholders. It is recognized that these issues and challenges require effective strategies and actions in order to ensure the full benefits of liberalization and minimize its negative impacts on the tourism industry. These important issues and challenges can be grouped into 6 major areas as follows.

1. Information, Communication and PR

- Insufficient information, knowledge and understanding about:
  - Baseline tourism information (i.e., the number of tourists, amount of spending by sectors, estimated number of tourists, etc.)
  - Trends of the tourism industry in the global market
  - The nature, benefits, opportunities and impacts of liberalization in tourism services
  - How to do business outside the country (i.e., procedures, regulations, source of financing, tax, fee, etc.)
  - Potential of investment in ASEAN countries
  - AEC information
  - Visa and work permit information
  - Tourism workforce and employment information in different tourism sectors (e.g., hotels, tour and travel agencies, restaurants)
- Lack of applied research, evaluation and monitoring on the impacts of FTAs in tourism services
- Poor management of the existing information
  - Information is kept in various government agencies and/or under different format systems
  - The private sector has minimal involvement in information management minimizing its relevance
- Ineffective communication process and PR
  - The existing channels of FTA information are inappropriate and the format is too complicated and difficult to understand
  - Poor access to the existing baseline tourism information.

2. Tourism SMEs

The stakeholders identified the lack of readiness and competitiveness of Thai tourism SMEs as a critical obstacle to achieving the full potential of the FTA in tourism services. According to the Office of Small and Medium Enterprises Promotion (OSMEP), Thailand has 2.9 million SMEs that employ 10.5 million people or 77.8% of the total workforce and contribute 3.75 trillion baht to the country's GDP (Bangkok Post, 2011). Tourism SMEs account for approximately 70% of the total tourism businesses in the country. With the opening up of the service economy for free trade under the AEC plan, the degree of market competition will increase among ASEAN members.

Generally, Thai tourism SMEs have long been recognized as being highly experienced, efficient and successful tourism enterprises in both local and national markets. However, there is a strong feeling amongst many stakeholders that they may they may face some difficulties in competing with ASEAN countries due to several challenges including the following:

- Insufficient information of important issues related to the foreign trade agreement (e.g., baseline tourism information, liberalization in tourism services, government policies and plans, the nature of the AEC, investment opportunities and procedures in ASEAN nations, etc.).

- A large number of business operators have little access to existing tourism-related information. In addition, have not cooperated with public organizations regarding the FTA in tourism services. As a result, it is difficult for Thai tourism SMEs to prepare themselves for the increasingly competitive market or develop a plan for business expansion and investment in other ASEAN countries.

- Insufficient knowledge and skills in the following areas:
  - Management
  - Marketing
  - Languages
  - ICT
  - Innovation

- Poor/little access to credit. This is recognized as one of the most serious problems for SMEs that want to improve their competitive advantage or expand their business overseas. Currently, only 30% of SMEs can obtain loans from commercial banks and they are charged higher interest rates than large companies (Bangkok Post, 2011). This is due in part to the fact that most bank personnel have little knowledge and understanding of tourism businesses. In addition, due to their lack of good accounting systems and collateral, many SMEs have to seek loans from "loan sharks" and must pay high interest rates.

Although Thai government has already set up such agencies as the Small and Medium Enterprise Development Bank (SME Bank) and the Thai Credit Guarantee Corporation as well as allocates SME funds, these mechanisms have proven to be ineffective. The application process for SME funds is relatively complicated, takes time, and requires meeting several conditions. There is another government-led financial support program, the "FTA fund" provided by Department of Foreign Trade, Ministry of Commerce. However, the fund only supports Thai enterprises that are affected by FTA rather than those that would like to invest in other ASEAN nations.

- Poor networking. Currently, the establishment of networks among Thai tourism SMEs (e.g., hotels and tour operators) is insufficient making it difficult for SMEs to compete with multinational corporations. In addition, by their very nature, local tourism SMEs also tend to compete rather than cooperate with each other. There can be no doubt that SMEs must build alliances with companies in neighbouring countries in order to survive in a more competitive environment.

3. Human Resources

As discussed earlier, the services sector is recognized as the most important economic activity in Thailand with the highest share of employment. The Thailand Development Research Institute (TDRI, 2009) estimates that in 2011 about 2.7 million workers were employed in hotels, restaurants and travel-related services. The consulting team identified that there are some quantity and quality issues that obstruct the liberalization in tourism services from a human resources perspective. There are a number of issues building those discussed below:

- Insufficient tourism workers in major tourist destinations.
  For example, in Phuket, there are about 5,000 vacancies in hotels and tourism businesses. These vacancies aere mostly at the technical and operational levels such as receptionists, salespersons, mechanics, accountants, cleaners, and security guards (Kom Chad Luek, March 2011).

  There are several reasons identified by stakeholders for the shortage of tourism workers. According to the business operators, Thai graduates are not interested in working in tourism services because they view that most of tourism jobs require little education and are therefore seem to be low status. Moreover tourism positions are seen to be seasonal and relatively low-paid with long hours of working.

- Poor Language and Comprehension Skills
  The capacity to speak foreign languages and understand the needs of tourists was seen as one of the most important skills required in tourism services. However, a large number of Thai workers and graduates have poor language skills, not only in English but also other foreign languages (e.g., Japanese, Korean, Russian, Chinese, German, ASEAN languages...). In comparison, workers from other ASEAN countries notably Singapore, the Philippines, and Myanmar are more proficient in the English language than Thais. These people also would like to work in Thailand as the country provides a good living environment. Their language and comprehension skills certainly provide people from other countries with a distinct position of advantage. Most importantly, after the MRA is functioning, the freer movement and employment of qualified and certified tourism personnel between ASEAN member countries will be promoted. To prepare for the increased mobility of tourism labor across the ASEAN region and ensure their competitiveness, Thai workers and graduates have to improve their language capability and other skills.

- Insufficient knowledge and understanding of ASEAN culture.
  In addition to language skills, willingness and ability to understand other people was seen as very important. Many Thai people are relatively inward looking and find it difficult at times to understand different cultures.

- Negative attitudes of Thai graduates towards tourism services.
  It was reported that many of Thai university graduates do not want to work in the service industries since they view that tourism jobs are lower-paid, lower-status, and provide less career opportunities compared to the positions in other industries. Meanwhile, most of tourism operators view that Thai workers and graduates are quite selective, lack a positive attitude, and are not hard working. The research team also find out that Thai workers are less interested in working abroad than those from other ASEAN countries such as the Philippines and Myanmar.

4. Education

Tourism and hospitality programs are some of the most offerings in several educational institutes in Thailand. Each year, there are over 10,000 graduates in this field (TDRI, 2011). Despite the relatively large number of university graduates, there is a shortage of tourism workers at the technical and operational levels in major tourist destinations as described in the previous section. Indications clearly are that:

- The existing tourism curriculums do not meet the needs of the industry
  - Subjects taught in tourism institutions are too broad
  - There is insufficient practical training to improve hands-on experiences
  - Ineffective language training

- Lack of quality control & certification of tourism institutions
- Lack of certification of graduates

To solve the above problems, the Thai government and various tourism institutions have to work together in developing quality tourism curriculums in cooperation with the industry. Graduates of these programs need to have a basic knowledge of business management, administration, strategic planning and possess language skills. They should be able to commute in at least one foreign language. In addition, to prepare for the AEC they should have a good understanding about other ASEAN countries in terms of their culture and language. The new curriculum should place an emphasis on practical training by developing collaborative partnerships with private tourism operations. This practical training should last anywhere from 3 months to 1 year preferably during the high tourist season.

5. Government

In its many discussions and meetings the research team were made aware that the efficiency of Thai government in carrying out tourism-related policies is relatively low due in part to the factors discussed below:

- Poor enforcement of existing rules and regulations.
  This is recognized as the country's most serious tourism related problem. The existing tourism-related laws and regulations (e.g., Employment of Foreign Worker Act, Travel Agency Business and Guide Act B.E.2535, Hotel Act B.E.2547, Immigration Act B.E.2522, Foreign Business Act B.E.2542, Consumer Protection Act, Places of Service Act B.E.2509, Foreign Direct Investment Act, etc.) are poorly enforced. As a result, a range of problems have emerged and intensified such as an increase of sitting guides, unregistered travel agents, illegal foreign workers, environmental problems in tourist destinations as well as the damage to archaeological and/or historic resources.

- Lack of innovative and responsive plans and policies.
  To support free trade in tourism services, national plans or policies have not been formulated. Thus, there are no clear guidelines for tourism stakeholders, including both public and private sectors, in dealing with the challenges of the liberalization of services.

- Lack of coordination among different government agencies.
  In addition to TAT and MOT, there are several government agencies involved in tourism development and services liberalization such as the Department of Trade Negotiations, Ministry of Commerce; Department of Skill Development, Ministry of Labour and Social Welfare; Department of ASEAN Affairs and Immigration

Bureau, Ministry of Foreign Affairs; and Ministry of Education. While all are concerned with promoting or supporting t the liberalization in tourism services, they rarely coordinate their activities or programs. As a result, their policies and activities are often overlapping making it confusing for stakeholders as well as wasting valuable resources.

- Inadequate knowledge and understanding on liberalization.
  A large number of government officials have little knowledge and understanding of services liberalization including rules and regulations . The problem is exacerbated by the fact that many officials have no tourism business experience or knowledge. It is therefore difficult for them to provide assistance or direction to the industry.

- Lack of collaboration between public and private stakeholders.
  Throughout the past decade, public participation in tourism development has become a major concern in Thailand. Although a number of public meetings have been organized, the voices of the public and private sector are often not heard and taken into account. Thus, most of business operators view that those meetings mainly aim to inform the public about the tourism-related issues or policies rather than to promote stakeholder collaboration.

- Insufficient incentives.
  Few effective tax incentives are provided to investors making the country less attractive to foreign investors.

- The country's tax system
  The tax system is viewed as another obstacle for local tourism businesses especially SMEs when they tried to compete with the larger enterprises. According to the business operators, the tax rate is relatively high, while the tax refund processing is usually delayed.

6. Destinations

The last area of major issues and challenges that affect the country's readiness for the liberalization of tourism services is associated with the quality of tourist destinations in Thailand. Some critical problems include:

- Some of the major issues include the degradation of several tourist destinations due to mass tourism, ineffective planning and management, poor regulation enforcement, insufficient collaboration among tourism stakeholders, etc. It is important to note that these problems have resulted from a range of causes that are not necessarily directly related to the liberalization in tourism services. However, the potential increase of foreign investors in tourism businesses after

the liberalization functions may in some cases exacerbate the problems. Meanwhile, degraded tourist destinations lessen the country's competitive advantages in a highly competitive tourism market.

- Safety and security are vital for providing quality tourism. The success or failure of a tourism destination depends in part on being able to provide a safe and secure environment for visitors. There are a growing number of safety and security problems in several major tourist destinations. These problems can heighten tourists' negative perception towards the country and consequently tourists may choose to visit other ASEAN countries that provide similar experiences but within a safer environment. Thus, both preventive measures as well as effective assistance and support need to be provided to tourists in order to ensure their safety and security.

- In some major tourist destinations, the existing facilities and infrastructure have already reached their capacity and in many cases are poorly maintained. For example, in Phuket, the average amount of clean water provided for each person is only 27 litres per day compared to the recognized standard of 200 litres per day. In Bangkok, the amount of waste that cannot be managed properly accounts for about 500 tons per day or 2.5 times of the total waste in Chiang Mai. Therefore, it is vital for these destinations to improve their facilities to accommodate not only the existing level of tourism an increase of tourists. This topic would require a great deal more space to explore but there can be no doubt that professional destination and visitor management is urgently required.

Opportunities

As described earlier, the ASEAN Economic Community (AEC) 2015 initiative aims to create the free flow of goods, services, investment, capital and skilled labour. It is designed to result in a number of benefits and opportunities to the member countries including Thailand. These opportunities are:

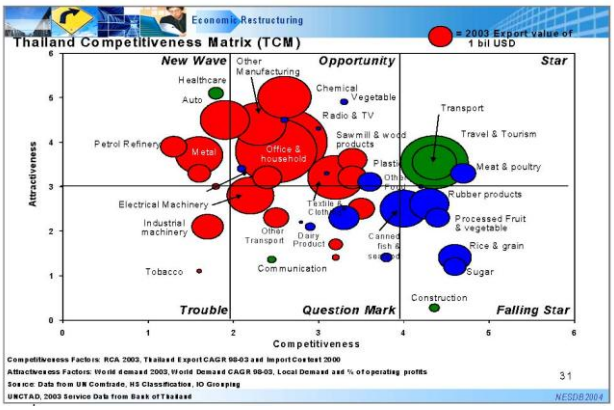
1. Expand market opportunities and increase a country's competitiveness

The establishment of AEC will create a large regional market and will increase the competitiveness of each member country including Thailand. ASEAN market will have 600 million people with GDP of 30,000 million baht. As a result, the region would be able to compete with other larger nations such as China and India or other regional economic corporations such as EU or NAFTA.

2. Facilitate export of tourism services

Thailand is widely recognized as the land of smiles, friendly hospitality and gentle people. Therefore, Thai tourism operators should gain benefits from the liberalization of tourism services by investing in new businesses in other ASEAN nations based on the great reputation of Thailand.

In drafting the Strategic Plan for Service Sector Development, the National Economic and Social Development Board (NESDB) analyzes the country's opportunity and competitiveness in various industry and service sectors. The NESDB also develops tthe Thailand Competitiveness Matrix (TCM) based on 2 major factors: attractiveness and competitiveness. The result shows that travel and tourism are categorized as one of the industries with high level of both of these factors as seen in the following figure. This highlights that the country has the ability and capacity to be competitive in the liberalized tourism market.



Thailand Competitiveness Matrix (TCM)
Source: National Economic and Social Development Board (2004)

3. Increase foreign investment

It is expected that the amount of foreign investment in tourism industry will be increased after the liberalization process begins because in comparison with other ASEAN countries Thailand has a wider range of attractive and distinctive tourism resources. The theory is that this increased capital investment will consequently lead to the stimulation of local economies, expansion of tourism businesses, and an increase of tourism employment opportunities in the country.

4. Stimulate the competitive improvement of local businesses

With an awareness of liberalization and increased foreign investment, local tourism businesses hopefully will attempt to improve their competitive advantage. These attempts could include, for example, acquiring additional knowledge and skills, improving service

quality and standards, developing networks and adopting innovative and creative ways in doing businesses.

5. Create employment

An increase of tourism service businesses in the country will create more job opportunities for local people.

6. Increase opportunities of working overseas

Under the ASEAN Mutual Recognition Arrangement (MRA) on Tourism Professionals, there are 32 positions in 6 labour divisions available for workers from all member countries. This will increase the opportunities for Thai people to work overseas. Through these opportunities, Thai workers can obtain monetary benefits, work and life experiences, skill improvement, and a better understanding of different cultures and ways of life.

Part 4

Tourism and Travel related Services Strategic Plan

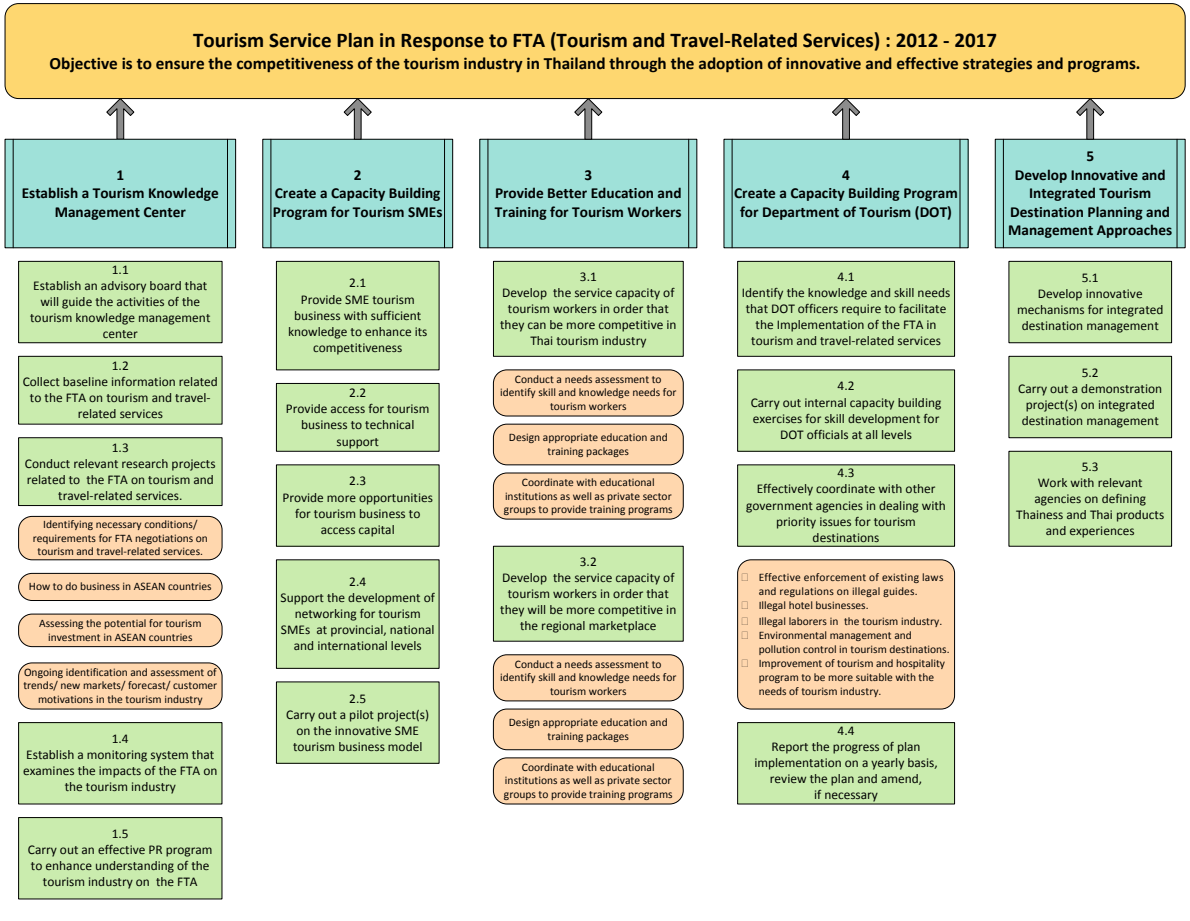
Part 4 Tourism and Travel Related Services Strategic Plan

The plan has been developed based on the consultations and meetings with stakeholders, especially the private sector on the needs and appropriate directions/actions for the Department of Tourism to implement in order to ensure effective responses to the FTA on tourism and travel-related services. It is also based on the analysis of free trade in general and specifically within the region, assessing global issues affecting competitiveness and the consulting team's general knowledge of Thai tourism.

The strategic plan is based on the principle that the Department of Tourism will work with the private sector during the implementation of the plan and will coordinate with other government agencies to ensure an integrated approach to implementing the proposed activities related to FTA on tourism and travel-related services. It is seen as an action-oriented plan, which can be amended based on changing situations and priorities.

It is important to note that this plan would specifically deal with the response to tourism service liberalization. It is not designed to cover all dimensions of tourism development. The National Tourism Development Plan 2012 - 2016 is the instrument that is concerned with dealing with tourism in general in the country.

The proposed plan is composed of 5 major strategies as illustrated in the following diagram.


Tourism Service Plan in Response to FTA (Tourism and Travel-Related Services) : 2012 - 2017
Objective is to ensure the competitiveness of the tourism industry in Thailand through the adoption of innovative and effective strategies and programs.
1 Establish a Tourism Knowledge Management Center
1.1 Establish an advisory board that will guide the activities of the tourism knowledge management center
1.2 Collect baseline information related to the FTA on tourism and travel-related services
1.3 Conduct relevant research projects related to the FTA on tourism and travel-related services.
Identifying necessary conditions/ requirements for FTA negotiations on tourism and travel-related services.
How to do business in ASEAN countries
Assessing the potential for tourism investment in ASEAN countries
Ongoing identification and assessment of trends/ new markets/ forecast/ customer motivations in the tourism industry
1.4 Establish a monitoring system that examines the impacts of the FTA on the tourism industry
1.5 Carry out an effective PR program to enhance understanding of the tourism industry on the FTA
2 Create a Capacity Building Program for Tourism SMEs
2.1 Provide SME tourism business with sufficient knowledge to enhance its competitiveness
2.2 Provide access for tourism business to technical support
2.3 Provide more opportunities for tourism business to access capital
2.4 Support the development of networking for tourism SMEs at provincial, national and international levels
2.5 Carry out a pilot project(s) on the innovative SME tourism business model
3 Provide Better Education and Training for Tourism Workers
3.1 Develop the service capacity of tourism workers in order that they can be more competitive in Thai tourism industry
Conduct a needs assessment to identify skill and knowledge needs for tourism workers
Design appropriate education and training packages
Coordinate with educational institutions as well as private sector groups to provide training programs
3.2 Develop the service capacity of tourism workers in order that they will be more competitive in the regional marketplace
Conduct a needs assessment to identify skill and knowledge needs for tourism workers
Design appropriate education and training packages
Coordinate with educational institutions as well as private sector groups to provide training programs
4 Create a Capacity Building Program for Department of Tourism (DOT)
4.1 Identify the knowledge and skill needs that DOT officers require to facilitate the Implementation of the FTA in tourism and travel-related services
4.2 Carry out internal capacity building exercises for skill development for DOT officials at all levels
4.3 Effectively coordinate with other government agencies in dealing with priority issues for tourism destinations
Effective enforcement of existing laws and regulations on illegal guides.
Illegal hotel businesses.
Illegal laborers in the tourism industry.
Environmental management and pollution control in tourism destinations.
Improvement of tourism and hospitality program to be more suitable with the needs of tourism industry.
4.4 Report the progress of plan implementation on a yearly basis, review the plan and amend, if necessary
5 Develop Innovative and Integrated Tourism Destination Planning and Management Approaches
5.1 Develop innovative mechanisms for integrated destination management
5.2 Carry out a demonstration project(s) on integrated destination management
5.3 Work with relevant agencies on defining Thainess and Thai products and experiences

1. Establish a Tourism Knowledge Management Center

In order to ensure that governments as well as the private sector can take advantage of the opportunities coming from free trade there is an urgent need for the government to fund the establishment of a tourism knowledge management center. The knowledge management center would be responsible for obtaining and storing all relevant tourism and free trade related information, organize and analyze the information and make it available in a user-friendly way for different audiences by ensuring that it is tangible and usable to decision-makers, key stakeholders and industry. The ability to effectively communicate information with a wide range of stakeholders is an integral part of the knowledge management function.

The center therefore would have the following objectives:

- Collect relevant information on free trade together with timely information on tourism trends, issues of competitiveness, product development, marketing and PR etc. This collection must be guided by careful selection policies and expert advice.
- Ensure that all of the data is organized in digital form and easily accessible by researchers as well as other users.
- Analyze the information collected in order to ensure that key issues, concepts, lessons etc. are identified. Without this step the information will not be usable to any of the potential stakeholders.
- Commission the preparation of reports that are user-friendly and of immediate utility to stakeholders. These reports must be in digital format and immediately available.
- Develop a communications policy framework to ensure that all stakeholders have access to the relevant information using appropriate media and public relations techniques.

The goal for this action is to ensure that the vast amount of information that is available is structured in such a way that is useful for a wide number of stakeholders with different levels of capacity. In order to achieve these objectives a number of comprehensive and targeted actions must be undertaken.

1.1 Establish an advisory board that will guide the activities of the tourism knowledge management center

This advisory board must be made up of public and private sector well as academic stakeholders, be small in size and able to respond to events in a timely fashion. The advisory board will be responsible for providing guidance on what information to collect, what research to commission and the most appropriate ways of disseminating information to stakeholders. The advisory board will be small in number and organized by sectors. It will work almost totally virtually with the guidance of a professional knowledge management expert(s).

1.2 Collect baseline information related to the FTA on tourism and travel-related services

Baseline information would include GATS, AFAS and FTA under other cooperation frameworks, articles/ journals/ report related to FTA in tourism services.

1.3 Conduct action research projects related to FTA on tourism and travel-related services

The following topics are the proposed research activities that should be carried out quickly.

- Identifying necessary conditions or requirement for FTA negotiations on tourism and travel-related services.
- How to do tourism business in ASEAN countries (i.e., procedures, investment laws and regulations, tax, incentives, immigration and work permit laws, etc.). This will need to be carried out for the three sectors: hotels, food and beverage and tour operators.
- The assessment of tourism investment potential in ASEAN countries.
  This work would need to carefully examine areas for investment on the part of the three sectors. The study will have to include an assessment of the investment laws in each of the countries where investment is recommended. It is recognized that this is a significant task and part of the role of the advisory board's role would be to identify key countries with the highest potential for return on investment.
- Ongoing identification and assessment of trends/new markets/forecast/customer motivations in the tourism industry as they apply to the three sectors key objective of ensuring that Thai industries remain competitive. The results of this analysis will be provided on a yearly basis.

It is recognized that other topics would be identified by the advisory board.

1.4 Establish a monitoring system that examines the impacts of the FTA on tourism industry

Monitoring system will be designed to examine the impact of the free trade agreement on the tourism industry on a regular basis. This will include developing a monitoring framework, criteria or indicators, methods for data collection and analysis. Once the system is in place, it is important to do test and collecting baseline information before the actual monitoring is put into place.

1.5 Carry out an effective PR program to enhance understanding of the tourism industry about the FTA

PR techniques would include interactive websites, industry events, electronic newsletters, social media, briefing notes, e-mails etc. It is clear that this is an expert field of activity and requires someone with expertise to provide advice and direction.

2. Create a Capacity Building Program for Tourism SMEs

Throughout the consultations it became eminently clear that small and medium-size enterprises do not feel that they are ready for an increased competitive environment. This is backed up by statements from industry leaders expressing the same concerns. The specific dimensions include communication, language, use of technology, access to capital and technical knowledge, awareness of the nature of the competitive environment etc.

There needs to be an immediate and concerted effort to develop capacity in all sectors of the tourism economy to ensure that all stakeholders and in particular SMEs have the necessary information, tools and confidence to successfully compete in the region.

2.1 Provide SMEs tourism business with sufficient knowledge to enhance its competitiveness

Based on an initial assessment, the focus can be on the following areas:

- Service innovation and creativity (i.e. service quality design and delivery, service management and operations)
- International service levels and delivery systems
- Communication within multi-cultural environment
- Business management
- Languages
- Cultural and environmental conservation
- IT for tourism services
- E-marketing
- Target market and products

The Department of Tourism recognizes that there are stakeholders currently working on the skill and knowledge development in some of the above mentioned topics (e.g. the Tourism Authority of Thailand's work on training for tourism industry on E-marketing, IT & technology). Thus, in order to make use of limited budget, DOT will coordinate with relevant government agencies and other stakeholders in order to ensure an integrated approach among the relevant players. It is important to note that the further areas of knowledge development will be identified and must be addressed.

2.2 Provide access for tourism business to technical support

SMEs must have access to technical advice in order to be able to develop their hardware and software. It is not recommended that the government establish a bureaucracy to do this but rather work with the existing institutions (e.g. ISMED: Institute For Small and Medium Enterprises Development or OSMEP: Office of Small and Medium Enterprises Promotion) or identify technical colleges, universities and in some cases research institutes that can work with directly with SMEs to help them with their technical needs.

2.3 Provide more opportunities for tourism business to access capital

SMEs must have access to a dependable source of capital at reasonable rates. There are a number of government programs that are set up to do this and the task will be ensure that all SMEs are aware of what is presently available. In addition to providing information on the existing available funds and soft loan, the Department of Tourism would seek for more opportunities from financial institutes that can provide soft loans or low interest rate loans for the SMEs in the tourism sector.

2.4 Support the development of networking for SMEs tourism at provincial, national and international levels

This will require identifying relevant existing both international and Thai networks for SMEs, encouraging and supporting networking among SMEs tourism, as well as providing necessary technical and financial support.

2.5 Carry out a pilot project(s) on the innovative SME tourism business model

This pilot project is to work with the SMEs tourism in enhancing their capability in running the business based with the use of creativity, innovation and technology.

3. Provide Better Education and Training for Tourism Workers

There is a need for the establishment of a strong cross ministerial human resource development agency in Thailand similar to that of the Workforce Development Agency (WDA) in Singapore. This is absolutely essential if the country is to be effective in dealing with an increasingly competitive environment and to ensure that Thai workers are competitive in a regional workplace.

3.1 Develop the service capacity of tourism workers in order that they can be more competitive in the Thai tourism industry

- Conduct a needs assessment which can be carried out by a series of "by invitation" only meetings of experts and key stakeholders to quickly identify skill and knowledge needs for people working in the tourism industry within the country.
- Design appropriate education and training packages based on the results of these meetings. These training packages will be validated by the key stakeholders
- Coordinate with educational institutions as well as private sector groups to provide training programs.

3.2 Develop the service capacity of tourism workers in order that they will be more competitive in the regional marketplace

- Conduct a needs assessment which can be carried out by a series of "by invitation" only meetings of experts and key stakeholders to quickly identify skill and knowledge needs for people working in the tourism industry within the country. Part of this process will be in identifying skills and knowledge that will help to ensure that Thai workers are able to be competitive on a regional basis. Involving industry stakeholders in this process is essential in order to ensure that there is a fit between what is being provided and what they expect.
- Design appropriate education and training packages based on the results of these meetings. These training packages will be validated by the key stakeholders
- Coordinate with educational institutions as well as private sector groups to provide training programs.

4. Create a Capacity Building Program for Department of Tourism

The capacity of the staff of the Department of Tourism (DOT) in dealing with tourism development issues in the country must be immediately enhanced through an internal capacity building exercise, on-the-job training, periods abroad and the hiring of experts to work alongside the staff in various tourism issues.

4.1 Identify the knowledge and skill needs that DOT officers require to facilitate the implementation of the FTA in tourism and travel-related services

This can be done through internal meeting among the officers at different level to identify the needs with having an expert to facilitate the discussion.

4.2 Carry out internal capacity building exercises for skill development for DOT officials at all levels

The capacity of the staff of the Department of Tourism and the Provincial Tourism Offices in dealing with the FTA in tourism service and also tourism development issues of the country must be immediately enhanced through an internal capacity building exercise, on-the-job training, periods abroad and the hiring of experts to work alongside the staff in various tourism issues.

4.3 Effectively coordinate with other government agencies in dealing with priority issues for tourism destinations

Issues identified by the tourism industry that need urgent attention included:

- Effective enforcement of existing laws and regulations on illegal guides.
- Illegal hotel businesses.
- Illegal laborers in the tourism industry.
- Environmental management and pollution control in tourism destinations.
- Improvement of tourism and hospitality program to be more suitable with the needs of tourism industry.

4.4 Report the progress of plan implementation on a yearly basis, review the plan and amend, if necessary

It is essential for the DOT to do a report on progress to date on a yearly basis. Difficulties in achieving certain activities must be clearly identified and benefits to achieve them develop. Based on the tourism situational analysis, the plan should be reviewed and amended, if necessary.

5. Develop Innovative and Integrated Tourism Destination Planning and Management Approaches

Throughout the consultation process it was widely recognized that if destinations are not immediately improved, their competitiveness will be seriously threatened given the strategic product development actions being taken by some of the leading tourism economies in the region.

5.1 Develop innovative mechanisms/ models for integrated destination management

Working with public and private sector experts examine a range of destination management models and develop destination management approaches suitable for Thailand. This will require that priority issues are identified, relevant government programs assessed and new approaches and policies developed where necessary. This effort would be led by a small team of destination management experts drawn from academia as well as the private sector.

5.2 Carry out a demonstration project(s) on integrated destination management

The pilot project can be at provincial, city or municipal level in order to assess and in some cases modify the models that have been developed. The priority demonstration projects would be selected by an advisory group and would be carefully assessed in order to test the effectiveness of various approaches.

5.3 Work with relevant agencies on defining Thainess and Thai products and experiences

In the consultation process there was constant reference to the need for more Thai products and experiences to be made available to the tourist at tourism destinations. There has already been a great deal of work in defining what is specific to Thai culture and what is necessary is a series of expert meetings that would help to define products and services that reflect Thainess and what this means for the industry in general. Based on these meetings a handbook could be produced and disseminated to relevant stakeholders.

Part 5

Action Plan

Part 5 Action plan

A detailed action plan and timeline for implementing the "Tourism Service Plan in Response to FTA in Tourism and Travel-related Services for Thailand" is provided in the table.

Actions	2012	2013	2014	2015	2016	2017
1. ESTABLISH A KNOWLEDGE MANAGEMENT CENTER						
1.1 Establish an advisory board that will guide the activities of the tourism knowledge management center						
1.2 Collect baseline information related to the FTA on tourism and travel-related services		Update	Update	Update	Update	Update
1.3 Conduct action research projects related to the FTA on tourism and travel-related services	Identify necessary conditions for FTA How to do tourism business in ASEAN	Tourism investment potential in ASEAN countries		Other topics to be identified. Situational analysis on tourism industry		
1.4 Establish a monitoring system that examines the impacts of the FTA on tourism industry			Develop monitoring system	Testing and collecting baseline information	Conduct monitoring the impacts from FTA on tourism industry	
1.5 Carry out an effective PR program to enhance understanding of the tourism industry about the FTA						
2. CREATE A CAPACITY BUILDING PROGRAM FOR TOURISM SMES						
2.1 Provide SME tourism business with sufficient knowledge to enhance its competitiveness. • Service innovation and creativity (i.e. service quality design and delivery, service operations) • International service and delivery • Communication within multi-cultural environment • Business management • Languages • Cultural and environmental conservation • IT for tourism services • E-marketing • Target market and products	DOT working with other stakeholders to provide the knowledge. DOT to collaborate with other agencies who are already in the business.					

Actions	2012	2013	2014	2015	2016	2017
2.2 Provide access for tourism business to technical support						
2.3 Provide more opportunities for tourism business to access to capital						
2.4 Support the development of networking for SME tourism at provincial, national and international levels.						
2.5 Carry out a pilot project(s) on the innovative SME tourism business model.						
3. PROVIDE BETTER EDUCATION AND TRAINING FOR TOURISM WORKERS						
3.1 Develop service capacity for tourism workers to be more competitive in the Thai tourism industry						
3.2 Develop service capacity for tourism workers to be more competitive in order that they will be more competitive in the regional marketplace						
4. CREATE A CAPACITY BUILDING PROGRAM FOR DEPARTMENT OF TOURISM						
4.1 Identify the knowledge and skill needs that DOT officers require to facilitate the implementation of the FTA in tourism and travel-related services						
4.2 Carry out internal capacity building exercises for skill development for DOT officials at all levels						
4.3 Effectively coordinate with other government agencies in dealing with priority issues for tourism destinations						
4.4 Report the progress of plan implementation on a yearly basis, review the plan and amend, if necessary						

Actions	2012	2013	2014	2015	2016	2017
5. DEVELOP INNOVATIVE AND INTEGRATED TOURISM DESTINATION PLANNING AND MANAGEMENT APPROACHES						
5.1 Develop innovative mechanisms/ models for integrated destination management		↔	↔			
5.2 Carry out a demonstration project(s) on integrated destination management				→	→	→
5.3 Work with relevant agencies on defining Thainess and Thai products and experiences			→	→	→	→

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