

A New Emergence of Tourism in Lao PDR for the Two Decades

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Abstract

Since 1990, tourism has played an important role in the socio-economic development of Lao People's Democratic Republic (Lao PDR) and continues to generate substantial benefits for the country. International tourism is considered the best means of ensuring the flow of resources from one economic sector to another within the nation. Thus, tourism generates foreign exchange revenue for the country as well as income for its local people. It also encourages local people in remote areas to develop and promote agricultural products related to tourism, handicrafts, and other artifacts in remote areas. Tourism creates job opportunities, spreads wealth to local communities, and encourages local people to preserve their customs and traditions. Therefore, the Lao government regards tourism as an important tool for poverty alleviation and focuses on developing ecotourism, pro-poor tourism, and community-based tourism in the country (Schipani, 2002). However, tourism needs to be carefully planned and managed in order to preserve natural and cultural resources and maximize the advantages of tourism for the entire country. For instance, tourism can adversely impact certain socio-cultural aspects and direct and indirect employment generation within the country; it can also cause tourism revenues to trickle out of the country if it develops into a form of colonization, where the country becomes economically dependent on foreign countries.

Keywords: Tourism in Lao PDR, community-based tourism, impact of tourism

1. Introduction

The Lao People's Democratic Republic (Lao PDR), is a land-locked country situated in the heart of Southeast Asia. It covers approximately 236,800 square kilometers and shares borders with 5 nations: China to the north, Cambodia to the south, Vietnam to the east, and Thailand and Myanmar to the west. Lao PDR consists of 17 provinces with a population of approximately 6.2 million, spread among 49 ethnic groups; about 85% of this

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population lives in rural areas. Buddhism is the most widely practiced religion. Lao PDR has two seasons: the rainy season, which extends from May to October, followed by a dry season from November to April (Harrison & Schipani, 2009).

Since 1989, the tourism industry in Lao PDR has been geared up to welcome international tourists (Harrison & Schipani, 2007:200), and within just two decades, tourism has assumed a very important role in the socio-economic development taking place in Lao PDR, from its northern to the southern parts. In fact, the nation has been able to utilize tourism as a tool for poverty alleviation, using various forms of tourism such as “community-based tourism” (CBT), ecotourism, and pro-poor tourism. This paper is a documentary study that focuses on the stages of tourism development in Lao PDR, tourism performance, with particular regard to CBT, the impacts of tourism, including tourism-related issues, and the future potential of tourism in Lao PDR.

2. Stages of Tourism Development

The tourism industry has played an important role in the country's development ever since the foundation of Lao PDR in 1975. However, the country was not fully prepared to welcome international tourists at that time, and most of the foreign visitors were members of official delegations (DAN, 2007:91-93). In 1986, a new open door policy was put into operation, and the country adopted the “market-oriented economy.” At this time, tourism came under focus as a sector for commercialization. The first *National Tourism Plan* was published in 1989, which focused on building a modest tourism industry based on high-end and tightly group tours (Harrison & Schipani, 2007:200). By 1995, tourism had become a priority sector, especially after the United Nations Educational, Scientific, and Cultural Organization (UNESCO) added Luang Prabang to its list of World Heritage sites. The second *National Tourism Development Plan* was published in 1999, and it emphasized conventional sightseeing, eco-and adventure tourism, cross-border tourism, and domestic tourism (Harrison & Schipani, 2009:168).

In 1999, Lao PDR proclaimed and globally promoted the “Visit Lao Year” campaign for 1999-2000. Since then, the number of tourists has increased dramatically. The average growth rate of the tourism industry is 20.53%; the industry is now a major contributor to the national income, generating about 7-9% of the GDP (LNTA, Statistical Report on Tourism in Lao PDR, 2009). Consequently, in 2004, the *National Tourism Strategy for Lao PDR* emphasized the role played by tourism in several developmental aspects such as poverty alleviation, strengthening the position of traditional culture and ethnic minority groups, CBT development, and the improvement of tourism-related infrastructure and sub-regional cooperation.

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During the last two decades, tourism has played a vital role in the country's socio-economic development by generating foreign exchange earnings for the country as well as income for the local people. Tourism also promotes local products, creates job opportunities in many economic sectors in the country, and encourages local people in remote areas to develop and promote agricultural products, handicrafts, and other artifacts. In addition, it creates jobs and spreads wealth to local communities and people, who — through the sale of local products abroad and in other communities — are encouraged to preserve their customs and traditions.

3. Tourism Performances ¹⁾

Lao PDR has made substantial efforts to support and develop its tourism industry over the last 19 years (1990-2010). Consequently, this sector has expanded rapidly and Lao PDR has received numerous compliments from tourists in the form of epithets such as the “Jewel of the Mekong” and the “Land of Kindness.”

Moreover, tourism has played an important role in socio-economic development, commerce, investment, cross-cultural exchange, and international cooperation in the region. Tourism helps people to better understand one another and encourages international peace and friendship. Hence, the government of Lao PDR has designated tourism as a priority sector for its contributions to the country's socio-economic development, and it focus on developing a sustainable form of tourism based on cultural, natural, and historic resources, so that Lao PDR will become a place for recreation, cultural, exchange, and learning for both regional and international visitors. Based on this vision, the main policies concerning tourism development in Lao PDR are as follows:

1. To implement an open-door policy involving cooperation with foreign nations in economic and cultural matters
2. To promote tourism development to alleviate poverty and stimulate local production
3. To create employment opportunities
4. To generate and distribute income among the multi-ethnic Lao people
5. To promote and conserve the arts, culture, and fine traditions of the Lao people
6. To conserve and protect ancient archaeological sites, historic monuments, and the natural environment

When Lao PDR first opened its doors to international tourists in 1990, only 14,400 international arrivals were recorded. By 2005, this number had risen to nearly 1.1 million

arrivals, which generated over USD 146 million in foreign exchange. By 2010, the number of arrivals was 2 million, generating a revenue of USD 270 million. For the last 19 years, tourism has been among the highest garnerers of foreign exchange, surpassing industries such as garment manufacturing, electric exports, and the mining sector (LNTA, Statistical Report, 2009). Over 70% of tourist arrivals to Lao PDR are regional tourists, while the remaining 30% are from the long-haul market, including Europe, America, and the Asia-

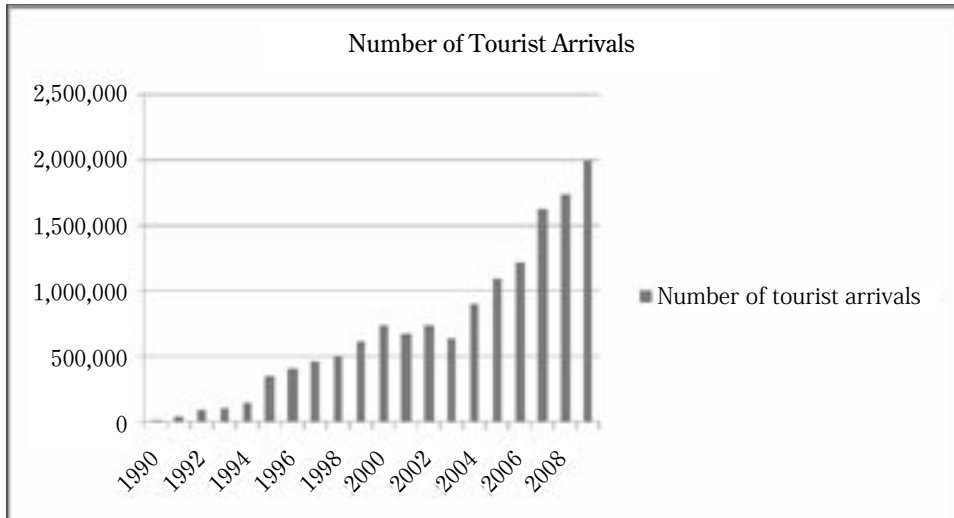


Figure 1. Increase in the number of tourists to Lao PDR since 1990
Source: Lao National Tourism Statistical Report 2010

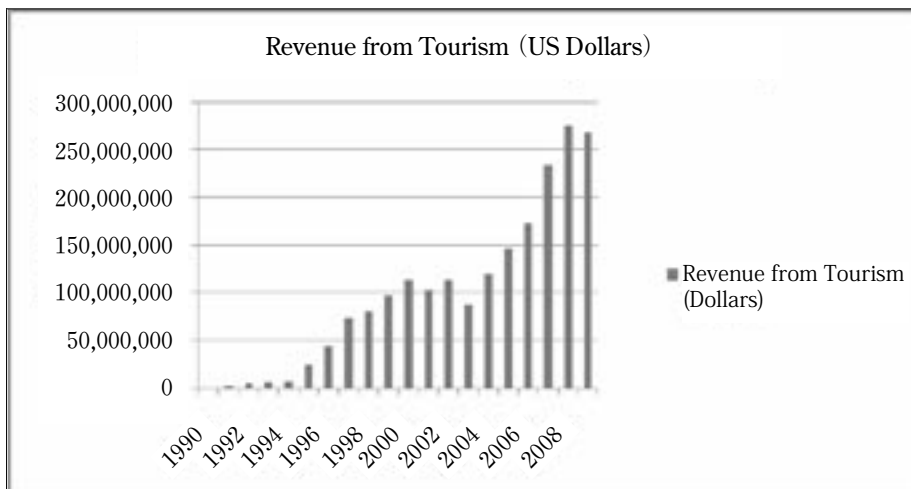


Figure 2. Increase in revenue from tourism since 1990
Source: Lao National Tourism Statistical Report 2010

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Pacific region. Priority markets for tourism are Thailand, America, France, the UK, Japan, Australia, Germany, Canada, Vietnam, and China (LNTA, Statistical Report on Tourism in Laos, 2010).

The Lao government has made significant investments to promote growth and investment in the tourism sector. There have been large investments in the road networks extending north-south and east-west in Lao PDR, which have now conveniently linked the country with its neighboring countries. Three international airports are currently functional, located in Vientiane, Luang Prabang, and Pakse. The national electricity grid, water supply, and other public infrastructures have been upgraded and expanded. Recent advances in communication technology provide for easy and reliable communication with the outside world. In addition, there are 17 international immigration checkpoints, of which 13 checkpoints are authorized to issue visas on arrivals. Furthermore, the country has entered into visa-free agreements with 8 other ASEAN countries and recently declared a visa exemption for Japanese tourists staying for two weeks or less.

Despite the substantial progress made, Lao PDR still requires considerable infrastructural investment, and the government is actively encouraging foreign investment, as outlined in the 2004 legislation on investment. At present, foreign investment is encouraged in all production and service industries. All areas of investment that do not have a negative impact on national security or the environment and which do not adversely affect people's health or their culture are decidedly welcome. Foreign investors and their property are entitled to full protection under the Lao PDR laws.

Foreign investors are permitted to invest in Lao PDR in three ways: first, by undertaking contracts for business cooperation; second, through joint ventures between foreign and domestic investors where the foreign equity should not be less than 30% of the total registered capital; third, through 100% foreign-owned enterprises.

According to the Tourism Law passed in 2005, foreign investment is encouraged in the following sectors:

- 1 . Activities involving tourism promotion
- 2 . Activities involving tourism communication
- 3 . Activities involving tourism transportation
- 4 . The accommodation sector
- 5 . The food, beverage, and entertainment sector
- 6 . Handicrafts and souvenirs
- 7 . Tour companies

Investment in the tourism sector has been liberalized to allow foreign investors 100% ownership in hotels and restaurants, while foreign investment in tour companies is set at a minimum of 30% and a maximum of 70% for foreign shareholders.

In 2009, Lao PDR had a total number of 1,493 tourist attractions — a rapid increase from the 2005 number of 985 designated tourist sites. Currently, there are 435 cultural sites, 849 natural sites, and 290 historical sites. Of these, more than 500 sites still require investors who could further develop facilities and services at the sites. While 364 sites are currently functional, many of them are still in need of further investment and improvement (LNTA, Statistical Report on Tourism in Lao PDR, 2009:24).

At the same time, the Lao government has been improving its tourism management and administrative systems and strengthening tourism-related businesses in the private sector. For example, the Lao National Tourism Administration has been elevated to the ministerial level and the Lao Association of Travel Agents and the Lao Hotel and Restaurant Association have been established. In 2009, there were 166 registered tour companies (in 2003, there were only 41 tour companies), 1,148 restaurants, 357 hotels, and 1,344 guesthouses — with a total of 26,558 rooms — operating across the country. The average room occupancy rate in 2009 was 54%, compared with 45% in 2003 (LNTA, Statistical Report on Tourism in Lao PDR, 2009:18–24).

Following the mining sector, tourism is the second-largest contributor of revenue to the economy. In 2009, the revenue generated by tourism was USD 267.7 million, while that generated by the mining sector was USD 539.4 million (LNTA, Statistical Report on Tourism in Lao PDR, 2009). In addition, the tourism industry currently employs over 30,000 people, including many village-based guides and other rural service providers that have been trained by various community-based ecotourism programs conducted in the country.

Although Lao PDR is a small country in mainland Southeast Asia, it has tremendous potential for further development of tourism based on the region's cultural diversity and historical and natural assets. Forests cover approximately 41% of the country's landmass, with 20 national protected areas harboring a wealth of biodiversity, including globally important species. These areas are located along the Mekong River and its tributaries and include beautiful landscapes, archaeological sites, and the distinctive Lao art and heritage. In addition, Lao PDR has many historical sites (the Plain of Jars, Vat Phou Champasak, and Luang Prabang) and 49 hospitable ethnic groups with diverse lifestyles, cultural practices, and customs.

One fine example of the Laotian heritage is the Luang Prabang town, a living UNESCO World Heritage site and home to many ethnic groups that first settled in this region in the fourteenth century. This town has become known as a "Tourist Mecca" in

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Southeast Asia and is popular with both regional and international long-haul visitors. Other examples are Vat Phou Champasak and the ancient city of Setapura, which dates back to the fifth century. In Xieng Khouang is the Plain of Jars, with over 3,000 large stone urns spread over 60 major sites. Each jar weighs 2-3 tons, and they are believed to be about 3,000 years old. This exceptional heritage has been awaiting entry into UNESCO's list of World Heritage sites since 2007. In addition, the Hin Tang Archaeological Park and the historic caves of Viengxay, one of the 15 national heritage sites, are situated in Houaphan province (LNTA, Tourism Guide Book, 2010).

Some exceptional natural tourist attractions in Lao PDR include the Li Phi and Kone Papheng waterfalls; the latter is the deepest waterfall in Southeast Asia. Another such attraction, the 7.5-km-long Kong Lor Cave, is large enough to accommodate small tourist boats. In all, there are 20 national protected areas in Lao PDR, some with established community-based ecotourism programs. One such successful project is the Nam Ha Ecotourism Project, recognized by the United Nations Development Programme (UNDP) as a "best practice" project for alleviating poverty and recipient of a UN Development Award as well as the British Airways Tourism for Tomorrow Award. Other special tourist destinations include the charming towns of Muang Ngoi in Luang Prabang, Muang Sing in Luang Namtha, Vang Vieng in Vientiane province, Pak Beng in Oudomxay, Don Sao in Bokeo, and Don Khone-Don Det in Champasak. In addition, Lao PDR has many traditional festivals held every month of each year.

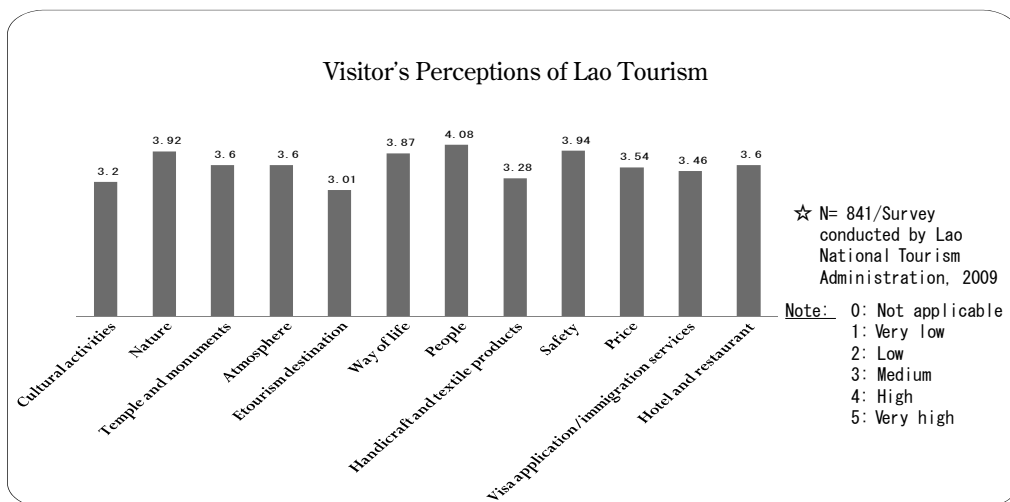


Figure 3. Tourist satisfaction with commodities and services in Lao PDR
Source: Lao National Tourism Statistical Report 2010

Since the importance and benefits of tourism are clearly recognized in Lao PDR, the Lao government continues to support and strengthen the role of the tourism sector by enacting tourism-related laws, marketing and advertising the country's many attractions, and forging cooperative relationships between the public-private sector. Moreover, Lao PDR has cooperated with ASEAN and international organizations such as the United Nations World Tourism Organization (UNWTO) and the Netherlands Development Organization (SNV) to improve the historic Viengxay caves, draft a decree for an effective tourism law, and work on projects in southern Lao PDR. Priority areas for improvement include building human resources, developing infrastructure, upgrading services in the tourism sector, and implementing community-based ecotourism projects in Houaphan, Luang Namtha, Luang Prabang, Khammouane, Champasak, and other provinces.

4. Community-Based Tourism

The tourism planning and development strategy of Lao PDR at present, and up to 2020, defines the concept of community-based ecotourism as follows: "The role of ecotourism or community-based tourism is to advance the conservation of cultural and natural resources, local socio-economic development, and tourists' understanding and appreciation of places they are visiting, as well as to generate income through tourism in local communities" (LNTA, 1998:19).

Based on this, CBT, pro-poor tourism, and ecotourism are being utilized as the means for poverty alleviation in Lao PDR. These approaches have resulted in successful tourism projects in areas such as the Nam Ha Ecotourism Project (NHEP) in Luang Namtha, in various villages in Luang Prabang, a World Heritage site, and in the form of CBT in Khammouane and Champasak, located in southern Lao PDR.

These tourism achievements have been accomplished with the help of aid provided by several international donors, who were the main institutional agencies providing financial subsidies and technical assistance during the first stage of CBT management for NHEP. Since 2002, these international agencies include, first, the Asian Development Bank (ADB), which funded a feasibility study for priority tourism projects in Lao PDR, Cambodia, and Vietnam (Harrison, D. and Schipani, S. 2009:209), and second, the Netherlands Development Organization (SNV), which — through a collaboration with the United Nations Volunteer Program (SNVU) — provided technical advisors for CBT in rural areas. Initially, SNV supported NHEP by providing the local artisans guidance on how to make handicrafts and market them. Following this project, SNV began implementing similar programs in several provinces such as Luang Prabang, Houaphanh, Savannakhet, and Khammouane as well as at the national level, under the government's

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authorization. Three agencies have played a major role in these programs — UNESCO (assisted NHEP and provided an office for the project in the House of Heritage in Luang Prabang), a German development agency (Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)), a German development service (Deutscher Entwicklungsdienst (DED)), and a Canadian volunteer organization (Canadian University Service Overseas (CUSO)) — by laying down objectives and undertaking the role of assisting ecotourism-related management in Lao PDR (Harrison & Schipani, 2007:202-210).

The NHEP was launched in 1999, through funding provided by the New Zealand Agency for International Development (NZAID), the Japanese government, and the International Finance Corporation's Trust Fund Program, with additional technical assistance provided by UNESCO and other agencies. The purpose of NHEP was to develop a series of treks to ethnic minority villages, train local guides, provide income for villagers, and facilitate conservation efforts within the national protected areas (the project is now under the administration of Luang Namtha Provincial Tourism Office). Within three years, the project was successful in providing a “first-class working model for ecotourism activities in areas of great cultural and natural richness and [...] a mechanism for promoting forest conservation” (Schipani, 2007:209-10). Currently, this model is being implemented in Phongsaly province in northeastern Lao PDR in the form of a trekking tour to eight different ethnic villages and a visit to the local tea gardens, one of which has a large tea tree that is 400 years old (Chinese merchants are the main buyers of tea leaves from this tea tree)²⁾. Tourism helps the Akha ethnic villagers to obtain a spectacular income, and only 40% of their income, at present, comes from non-tourism sources (Harrison & Schipani, 2009:179). These trekking tours have helped increase the income of the hill tribes, who provide meals, accommodation, and guide services for tourists, and numerous villages now produce handicrafts that are sold to tourists and supply agricultural products to guesthouses. The revenues earned by each village from treks are monitored closely and appropriately distributed among the villagers. For example, the income earned by Nam Ha Ecoguide Service grew from USD 17,700 in 2001 to USD 31,700 in 2005, and approximately 18% of this went directly to the villagers — which amounts of USD 3,186 in 2001 and USD 5,706 in 2005 (Harrison & Schipani, 2007: 211). In addition, villagers can supplement their income by selling handicrafts and providing other services such as massages. The local hill tribes readily welcome tourists and are rarely ever adversely affected by the impact of their presence (Lyttleton & Allcock, 2002).



Photo1. Community-based ecotourism in Luang Namtha
PhuSamNyord, an example of NHEP in Luang Namtha
by Jodie Kurpershoek (2007)

Besides the NHEP, the CBT in Vang Vieng (Vientiane province) and in the Siphandon region of Champasak province (where CBT is conducted by the private sector, not government or international organizations) continues to augment the income of many stakeholders, including some poor families, provide taxes for the central and provincial governments, generate employment for a wide variety of people, and supply goods and services to the tourism sector (Harrison & Schipani, 2009:180).

Furthermore, the Development Analysis Network (DAN) 2007 has reported instances of community-based urban tourism in Luang Prabang, while pointing out that local people involved in tourism-related businesses earn more than families working in the farming industry. Moreover, families residing near tourist sites have a greater chance of earning incomes that are higher than those of families living far away from tourist sites:

The survey found that most villages in a city (four out of five) close to tourist sites and (three out of four) villages slightly further [from] tourist sites claimed to benefit from tourism through employment opportunities offering a stable income through providing services for visitors. On the other hand, one out of four villages [...] located away from the city and far from tourist sites stated the same tourism benefits. Twenty percent of the provincial budget was devoted to tourism, while 14% of the total labor force [was] engaged directly in the tourism industry and almost 30% in the city of Luang Prabang (DAN, 2007:112-21).

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On the other hand, a few villages admitted some negative impacts resulting from tourism and the influx of visitors (both domestic and international tourists), such as tourists ruining tourist sites and leaving them dirty through the accumulation of garbage and dust from transportation. In addition, two other villages mentioned an incident in which a Buddha image was stolen and destroyed by tourists. Apart from this, 12 villages opined that the absence of tourist sites in the vicinity of their village affected them significantly because the villagers were unable to benefit from tourism (DAN, 2007:112).



Photo2. Night market in Luang Prabang City:
A center selling local products made by ethnic groups
by Senesathith Simonekeo (2009)

Moreover, the study shows the link between tourism and an improved living standard for many villagers. In their own perception, they are able to earn higher incomes from the increasing number of job opportunities, have better access to markets and main roads, and benefit from the growth of tourism. In addition, many villages recognize the fact that tourism can bring them better health care, better provision of electricity, and further improvements in public transport networks, which will not only provide people in remote areas easier access to city markets but also increase the possibility of attracting more tourists. Consequently, poverty has been virtually eradicated in villages on the outskirts of the city, although there are still some pockets of poverty left in villages outside the city (DAN, 2007:110-122).



Photo3. CBT and community-based ecotourism in Champasak
by Saithong Phommavong and Jodie Kurpershoek (2008)

5. Impacts of Tourism

In terms of the socio-cultural sphere, tourism has provided Lao PDR the opportunity to introduce itself to the world as a new tourist destination. The emergence of this industry in Lao PDR increasingly encourages people to learn more about Lao, urging them to discover the country on their own terms: as a place to study, research, visit, and explore in order to experience Lao's culture, nature, and history. The tourism objectives continue to promote the preservation of Lao's culture throughout the country.

However, the interaction and communication between Lao people and foreigners and the exchange of cultures that have already occurred in Lao PDR might result in certain negative impacts of tourism, such as changes in the social and cultural behavior of the local residents. For instance, it may change the way people dress, with the locals imitating foreign styles or fashion by wearing jeans, spaghetti singlets, shorts, and so on, which are not traditional clothing; the locals may also include European food in their diet, such as pizza and pasta (and/or hamburgers, perhaps). Consumption behavior may be influenced by the fact that foreigners like to have their own food while visiting places in Lao PDR, which in turn influences Lao culture and society. In addition, some locals provide services to tourists at entertainment facilities that are traditionally considered immoral in Lao culture.

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In terms of the environment, the tourism industry in Lao PDR is rooted in the conservation of forests and national protected areas. It is necessary to keep the cities clean and the countryside green so that the country can reap long-term benefits from tourism; these measures also forge a link between good health and the environment. Luang Prabang and many places in Lao PDR benefit from tourism due to their pleasant environment. However, tourism entails pollution and puts pressure on shrinking natural resources, leading to problems associated with garbage clearance and drainage in crowded tourist places, traffic jams in cities with tourist destinations, and water pollution and riverbank erosion that may affect local agriculture, which in turn affects the supply of various products and services to the tourism industry.

In economic terms, tourism is the primary motivation for economic improvement in Lao PDR. On the positive side, tourism creates jobs, earns revenue for the country in the form of foreign currency, and generates income for the nation and the local communities, which also assists in alleviating poverty. However, the best scenario for the country would be to have a diverse economy at the local community level, as becoming too dependent on the economic development of one industry (the tourism industry) could have a negative impact on society, on the whole, and the people who are involved in tourism, in particular. For instance, if the number of tourists decreased, the local people's income would decrease correspondingly, leading to a business crisis.

Although the growth of the tourism industry has resulted in significant poverty alleviation, as identified in the community-based case study on ecotourism in NHEP and CBT in Luang Prabang, it is worthwhile to consider certain issues concerning the distribution of benefits gained from tourism and the trickle-down effect of tourism. As seen in the Luang Prabang case study, CBT raises questions on whether the benefits of tourism remain within the province and its local enterprises, since the host cannot cater to tourist demands using only standard equipment, food, and other products. However, according to DAN³⁾, the trickle-down effect is relatively minimal in the tourism industry, and a large portion of current costs for tourism establishments are spent locally. Tourism still has a major impact on other industries such as agriculture (food supplies) and handicrafts. In Lao PDR, tourists tend to prefer guest-houses, use local transport, and spend money in ways that benefit small- to medium-sized enterprises (DAN, 2007:122).

6. Future Potential and Issues

Tourism development in Lao PDR is believed to match the anthropological approach to tourism development, since it proceeds along the following three stages: (1) Tourists discover new destinations, (2) local entrepreneurs provide facilities to accommodate the

growing number of tourists, and (3) mass tourism leads to further development implemented by organizations located outside the local community (Wilson 1993). Tourism, therefore, entails both potential benefits and concerns for the socio-economic development of Lao PDR. Thus, the success of the newly emerging tourism industry in Lao PDR depends on the development of human resources, which in turn would develop tourism and the hospitality sector.

6.1. Future potential

Due to the concurrent development of tourism in Cambodia, Vietnam, and Thailand, Lao PDR is able to further profit by cooperating with as well as encouraging the tourism industries of its neighboring countries.

Local investment is booming as well, as the local entrepreneurs (who normally run family-owned businesses) play bigger roles in the industry than larger enterprises (such as government and international agencies). For example, case studies of CBT in the Siphandone area, Luang Prabang, NHEP, and Khammouan indicate a total number of 146,000 small enterprises employing 259,000 full-time workers, altogether contributing 7–9% of the GDP, which is more than eleven times the number of workers employed by larger enterprises (22,000).

With regard to the CBT approach, it is necessary for Lao PDR to learn from the experiences of CBT in neighboring countries such as Thailand and Vietnam and compare them with the CBT of other countries throughout the world. At present, CBT in neighboring nations involves creating a site network and services among villages with tourism potential and creating links with villages without any tourism sites by means of related activities, such as tours to traditional villages with various styles of architecture or exhibitions of handicrafts with different unique designs and other cultural products. In addition, an essential component of CBT is the establishment of guesthouses. For instance, a family can start a guesthouse business by initially building one room; subsequently, after receiving some profit, it can expand the business by building a second room and so on. Finally, a family will own an established guesthouse with many rooms. This method directly benefits family-owned businesses, and especially the poor.

6.2. Issues

It is often observed that the rich benefit more from tourism than the poor and that richer countries are able to profit more from tourism than poorer nations. While rich people do benefit indirectly through rising property prices, ambiguities concerning the idea of “pro-poor tourism” are necessary to eliminate poverty or for poorer communities to endeavor to be “better off” over time.

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The greater the number of tourists entering the country, the higher is the threat to the local communities, which is the main concern pertaining to donor-assisted CBT. For example, in the Siphandon area of Champasak, uncontrolled tourism development may have had some negative impact (despite the financial benefits generated for the poor) because the guesthouses built close to rivers can pollute the water and cause erosion of the riverbanks.

The country has also become better connected to other countries in the region and to the world through the growth of transportation networks and labor exchange; this increased movement within Lao PDR could result in the faster transmission of diseases such as SARS, HIV, and so on.

Lao PDR currently has only very basic tourism infrastructure in terms of accommodation. The rate of expansion and development of accommodation is 21% in the municipality, 11% in Vientiane province, 15% at the UNESCO World Heritage sites in Luang Prabang City, 12% at Wat Phou in Champasak, and 6% in Savannakhet City. In total, this accounts for 65% for all accommodation establishments (Statistical Report on Tourism in Lao PDR 2009). Therefore, the tourism industry currently shows a somewhat limited scope for expansion and possesses enormous potential for further investment throughout the country, especially near tourist destinations.

In Lao PDR, it is still believed that tourism not only brings about development but also keeps alive the colonial tradition. Nevertheless, less-developed countries like Lao PDR, with the support of international organizations and aid agencies, continue to promote tourism as a tool for economic development and poverty alleviation. A study based on the socio-economic impacts of tourism in Lao PDR by the UN international trade and human development programme cited that in Lao PDR, the reason for the trickle-down effect of tourism is due to imports providing services for foreign visitors, which account for between 31% and 80% of the capital cost. The overall loss is about 56%, which means that for every USD 100 spent by tourists, only USD 44 stays in the Lao economy (Technical background paper for the third National Human Development Report, 2006:5).

However, amid the concerns and consideration regarding the type of tourist being attracted to Lao PDR, it is necessary to focus on CBT, which can attract higher-class tourists from regional and international markets who are more deeply interested in nature-based and cultural activities and can inject more revenue into the economy while minimizing the negative impacts of tourism. However, at the same time, the current condition of tourist facilities is better suited for those with lower budgets, such as backpackers, who can stay for a longer time and spend more money on local products such as handicrafts and souvenirs. Nevertheless, there is a need to conduct research on which type of tourist has greater influence on the Lao economy and culture, based on the perception of local people

and enterprises that directly deal with tourists.

7. Conclusion

This study examined the outcomes of international tourism in Lao PDR, ever since the industry emerged in 1989 (as mentioned in the first *National Tourism Plan* issued that year), and discussed the stages of tourism as well as tourism performance and its influences on the socio-cultural sphere, environment, and economy of Lao PDR. Tourism is considered to be a successful industry in Lao PDR; this success is largely measured on the basis of the continuous growth of visitors. In 1990, for instance, there were only 14,000 tourists visiting the country, compared to 2 million tourists in 2009, altogether contributing a revenue of USD 270 million to the economy. The average growth rate of this sector is 20.53% per year, and it contributes 7–9% to the national income or GDP of Lao PDR (LNTA, Statistical Report on Tourism in Laos 2009, 2009). Therefore, the Lao government regards tourism and its various forms — pro-poor tourism, ecotourism, and CBT — as a tool for poverty alleviation.

In Luang Prabang, CBT has become an important means of poverty reduction. Consequently, the family-owned tourism-related businesses are more like to directly benefit from this industry than family-owned farms. In addition, families who reside near tourist sites have better opportunities for benefiting economically than those who live farther afield. However, tourism is also part of a supply chain, with farmers cultivating agricultural products and supplying them to the tourism industry. Local people can make a variety of souvenirs and products to sell to tourists. Therefore, tourism helps to create job opportunities, generates income, and spreads wealth to local communities (DAN, 2007: 112). An example of a successful community-based ecotourism undertaking is the Nam Ha Ecotourism Project (NHEP), recognized by UNESCO and other organizations as a “best practice” project for poverty alleviation. Through this project, ethnic villages have been able to increase their income by assisting in the trekking activities of tourists; providing food, accommodation, and guiding services; selling locally made handicrafts; and supplying agricultural produce to restaurants and guesthouses. For instance, the income earned by Nam Ha Ecoguide Service has increased from USD 17,700 in 2001 to USD 31,700 in 2005, of which approximately 18% went directly to the villagers. Hence, the village fund increased from USD 3,186 in 2001 to USD 5,706 in 2005 (Harrison & Schipani, 2007:211).

Tourism has brought economic profit, repute, and prosperity to Lao PDR. At the same time, it has adversely affected Lao society in some aspects. In terms of the environment, tourism degrades natural resources and causes water and air pollution,

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garbage accumulation, traffic jams, and drainage problems in crowded areas, for instance, in Luang Prabang City. Moreover, tourism changes the social and cultural behavior of the locals, who, as society becomes increasingly modernized, begin to neglect their traditional dress and start wearing jeans, spaghetti singlets, shorts, and so on. Tourism can also give rise to social ills such as increased drug use, robbery, crime, and prostitution. Furthermore, tourism is characterized by a form of economic leakage, due to local enterprises purchasing goods and imported products in order to provide services to foreign visitors. The overall loss due to this trickle-down effect of tourism is about 56% for Lao PDR.

On the whole, this study concludes that even though the tourism industry in Lao PDR has newly emerged over the last two decades, it has demonstrated substantial success in terms of tourism development and continues to show much potential for growth in the future. Therefore, it is necessary to develop human resources in relation to the tourism industry for the further growth of the tourism sector in Lao PDR.

Notes

- 1) Tourism performances have been translated from various documents in the Lao version of the report, which cited an annual report of Lao tourism performance in 2008 published by the Lao National Tourism Administration (LNTA). They are also based on speeches made by LNTA representatives in regional tourism forums.
- 2) Reported by officers from the Provincial Tourism Office of Phongsaly at the Annual Tourism Seminar organized by the German Development Agency in Vientiane, on February 16, 2010, Vientiane, Lao PDR
- 3) The Development Analysis Network (DAN) is supported by the Rockefeller Foundation (2007). *Pro-Poor Tourism in Lao PDR: A Case Study in Luang Prabang Province*. Cambodia Development Resource Institute (CDRI).

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