

**Tourism  
&  
Economic Development in Vietnam**

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# Vietnam





**Abstract**

After going through 3 decades of war, it was only in 1975 that the war-torn Vietnam was finally reunified as one country. The early years after that were difficult and faced social and political challenges to try different reforms to the country. It was in 1986 that the government implemented 'Doi Moi' reform programmes which included market-oriented reform measures to help revamp her economy. The programme was successful and after 1990, her economy reported on the average 8 percent GDP growth annually.

The purpose of this thesis is to find out whether Vietnamese tourism industry is suitable as an economic growth engine in the 21<sup>st</sup> century. The current state, strength and weaknesses of her tourism industry were examined. In addition, new markets for Vietnam are recommended on the basis of the new trends of tourism and tourism marketing being researched. The previous studies were on the tourism industry in the 1990s, and thus a more thorough study, other than on marketing prospects is needed to provide detailed prospects of tourism industry in the 21<sup>st</sup> century.

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**Chapter 1***Introduction****1.1 Introduction***

Vietnam, situated midway in the continent of Asia, between China and Southeast Asia, is deemed to be a strategic location for trade. Due to historical political challenges, there has been major problems in the past regarding trade and economic development in Vietnam.

Vietnam has come a long way since the wars in different time of her history. After gaining independence in 1975, it has hoped that Vietnam can start anew and to establish herself as a worthy place to attract foreign investors to her economy. However, the economy did not pick up. At the same time, the command economy in which Vietnam was operating, was not working very well. The impoverished economy was further exacerbated by the conflicts between the USA, Russia, China and Cambodia.

Hence, they were desperate for a measure to revive the economy, and to stay in par with her neighbouring countries, which are already well established as medium-sized economic powers.

Vietnam went through a series of failed reforms programs till in December 1986, the reform economic program, known as 'Doi Moi' was inaugurated at the Communist Party's Sixth Party Congress. It has become clear that a simple slowing of the pace of collectivisation and heavy industrialisation was not going to be sufficient to get the economy going. There are convincing evidences from her neighbouring countries, that

private entrepreneurship was a more powerful engine of growth than the state enterprises that the party had been favouring (Morley 1997)

The Doi Moi reforms were successful, as according to statistics, the Vietnamese economy reported 8.6 percent GDP growth in 1992, and has experienced the increasing rate since. The mixed economy has come slowly into being, trade is expanding, the gross national product is rising, and the international globalisation process is welcoming Vietnam. Most importantly, the party has maintained its control, despite many disruptions caused by the changing economic policies. Vietnam's macroeconomic performance in the 1989 – 1992 period compares very favourably with the experiences of other transition economies. 'Doi Moi' was the saviour of the Vietnamese economy.

### **1.2 The turning point**

The turning point was during the economic downturn in Asia that started in 1997. The tiger economies Thailand, South Korea, Philippines, Malaysia and Indonesia came crumbling down. Vietnam was not spared with this turmoil, though not directly as the crisis did to the other countries.

A quandary was that Vietnam's own problems began to crop up, which are mostly not in relation to the economic crisis. Moreover, there are still persisting old problems that have not been solved.

'Doi Moi' has undeniably helped Vietnam to grow, and gain its place worthy for investors. However, in the new chapter of economic growth, Vietnam has yet other challenges to face.

### *1.3 Tourism after the implementation of 'Doi Moi'*

The opening up of the Vietnamese economy in the 'Doi Moi' programme has helped in the tourism industry in Vietnam. Vietnam National Administration of Tourism (VNAT) was set up in 1992 and since then the renewed international interest in Vietnam had led to a surge in visitor numbers, which increased more than four-fold between 1990 and 1994 (Cooper, sighted in Hall 2000).

The results were impressive. In 1995, overseas visitors numbered 1.3 million, producing a tourism industry turnover of approximately US\$540 million; a tenfold increase over 1990 (Vietnam News 1996; sighted in Hall 2000).

Despite the promising results, the development plans for the Vietnamese tourism industry have been blurred as the VNAT did not seem to have put their whole heart into the development plans. It was only in the new millennium that VNAT has ambitious plans, but how much can they realise?

A new tourism has now emerged in this new century: a tourism that is flexible, sustainable and individual-oriented. Also the new industrial practices for best productivity and most profitability will consists of customisation, market segmentation,

total quality management, employee empowerment, zero defection, yield management, diagonal integration and strategic alliances.

#### ***1.4 Purpose of thesis***

In 1996, the Communist Party of Vietnam initiated industrialisation and modernisation aimed at making Vietnam an industrialised country by the year 2020<sup>1</sup>. The purpose of this study is to examine that rather than become a full pledged industrialisation country, can Vietnam capitalise on the benefits of the tourism industry. This study looks into the current situation of the tourism industry and the future tourism and marketing challenges that may affect Vietnam's future tourism developments.

#### ***1.5 Structure of thesis***

There are seven chapters in this thesis.

Chapter 1: the introduction of this thesis

Chapter 2: this chapter will explore the events after gaining independence in 1975 to the decision to implement 'Doi Moi'. It is crucial to find out first of all, the state of governance, the nature of economic growth prospects, the demographics and overall developmental issues in Vietnam.

Chapter 3: This chapter will explore the different economic development models and theory that can match with the development of tourism in Vietnam. The theory of tourism and its impact on the economy is important initially. Also, the benefits of the tourism industry are stated here.

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<sup>1</sup> Embassy of Vietnam in UK, [www.vietnamembassy.org.uk](http://www.vietnamembassy.org.uk) , last accessed June 2003

Chapter 4: This chapter explores the history of Vietnamese tourism industry, and determines whether it can still serve as a growth engine for Vietnam.

Chapter 5: We also examine the new challenges in tourism and marketing that faced the industry.

Chapter 6: This is the chapter that new markets are recommended to add to the existing basket of Vietnamese tourism.

Chapter 7: The conclusion

## **Chapter 2**

### *Understanding Vietnam*

#### ***2.1 State of Governance***

The official long name for Vietnam is known as the ‘Socialist Republic of Vietnam’<sup>1</sup>

The country remains a Communist State, and their party is known as The Communist Party of Vietnam. In the website of the Embassy of Socialist Republic of Vietnam in the United Kingdom of Great Britain and Northern Ireland, they outline their role and goal for Vietnam:

"The Communist Party of Vietnam, the vanguard of the Vietnamese working class, the faithful representative of the rights and interests of the working class, the toiling people and the whole nation, acting upon the Marxist-Leninist doctrine and Ho Chi Minh's thought, is the force which leads the State and the society. All organizations of the Party operate within the framework of the Constitution and law"<sup>2</sup>.

Democratic centralism is the principle governing the organization and activity of the Communist Party. The supreme power is the National Congress, which meets every five years. The Assembly elects the Central Committee. The Central Committee elects the Politburo. The Politburo appoints the General Secretary. The highest position in the Party is the Party Chairman (which was held by Ho Chi Minh, but is not maintained today). General Secretary or First Secretary follows it. The present General Secretary is Le Kha Phieu. Every Vietnamese citizen if voluntarily joins the Party and has all qualities that the Party requires will be admitted.

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<sup>1</sup> www.cia.gov.vn last accessed March 2005

<sup>2</sup>Embassy of Vietnam, extracted from the Section 4 of their Constitution, www.vietnamembassy.org.uk , last accessed June 2003



The type of government in any country and economy is crucial part as they have the direct influence on how the economy works, which in turn affect the whole economic scene for Vietnam. We shall look into the brief history that unfolded in Vietnam.

### ***2.2 Vietnam in 1975: Reunification between North and South***

1975 was a crucial and yet contradicting year for Vietnam. For the first time in many decades, Vietnam was finally reunified as one country, but still the North and the south are politically and culturally divided. There have been several attempts since 1976 to 1985 by the Party to implement reform measures to re-develop the war-torn Vietnam. As much as they want to reform their economy as quickly as possible, Vietnam also have war and occupied Cambodia in the late 1970s, and these brought about strain in their financial resources and reform programs.

### ***2.3 Reform efforts***

#### **2.31 The 1st effort: 1976**

In these difficult times, the Party accelerated their plan to reform to help relieve the stagnating economy. Their first effort was embodied within the Second Five Year plan (1976- 80). However, the planned results and the achieved results are too much far behind one another. People's living standards deteriorated sharply and there were famine in several provinces in 1978. There are basically 3 reasons why it has failed in the first attempt<sup>3</sup>:

---

<sup>3</sup> Ebashi (1997)

1. The enforcement of the socialist reform of the economy in the South by collectivisation of agricultural farms and nationalisation of trade and industry completely damaged the people's incentive for production in the South.
2. Excessive bureaucracy, distorted prices, and the incentive system, and the wrong industrialisation strategy – all the products of a central command economy – greatly hindered its economic efficiency.
3. Vietnamese intervention in Cambodia since the end of 1978 had not only invited the China-Vietnam war but also resulted in diplomatic and economic isolation of the country, which further strained its resources.

### **2.32 2<sup>nd</sup> effort: 1979**

After the failed 1<sup>st</sup> attempt, the Party quickly launched the New Economic Policy (NEP). Thus, in the Sixth Plenum of the Central Committee in September 1979 called for encouragement in production by the non-state sector and relaxing the operation of distribution checkpoints. In 1981, the 'contractual farming system' was introduced with higher prices for agricultural goods, and greater freedom of management was assured for stated-owned enterprises.

Such economic liberation brought economic recovery, but such partial relaxation of economic system and partial price adjustment brought about huge inflation, budget deficit, income disparity and graft and corruption among party cadres.

In the Fifth Party Congress in March 1982, the conservatives grasped power and reintroduced the command economic system. However, such movement once again brought about stagnation of agricultural production and high inflation.

### **2.33 3<sup>rd</sup> effort & turning point: 1982 to 1985**

Reformists emphasised on drastic reform with an open policy and transformation of the economic management system to a market mechanism. Thus these two differing views caused tension between the reformists and conservatives. End of 1984, the reformist began to gain more power in the party. Nguyen Van Linh was restored to the Politburo, and in the Eighth Plenum of the Central committee, a drastic reform of prices, wages and currency' was adopted. It was implemented in September 1985, and that was intended to be a shock therapy, which aimed to stabilise the currency, reduce the budget deficit and control inflation.

However, the aim was not achieved, and there were worse results. It was during this 1985 crisis, the Vietnamese government came to realise that a market-oriented economic reforms would need to be a long and continuous process.

### **2.34 The adoption of Doi Moi: 1986**

In December 1986, the Sixth Party Congress elected reformist Nguyen Van Linh as general secretary of the party and adopted the policy of Doi Moi which has it all: economic, social, political and cultural objectives, listed out in Table 2.1 below:

What they plan to do	The reasons behind
Abandonment of the old central planning economic model by transforming Vietnam's economic management system into a market-oriented one	The reduced credibility of the party due to their inability to solve economic crisis
Adoption of an outward-looking policy in external economic relations,	The increased economic and technological gap between Vietnam and its neighbours
Encouragement of the non-state sector as the engine of economic growth	The rapid progress of China's economic reform and its economic development
Revision of the orientation of its industrial policy away from heavy industry	The indication of a reduction in Soviet aid, as implied in its 'New Thinking on Diplomacy,' which forced Vietnam to seek new development strategy without Soviet assistance.

*Table 2.1 Adapted from Ebashi (1997:40)*

The first attempt of Doi Moi has been gradual, however in 1987, a mini economic crisis arose. In 1988, the government enacted the Foreign Direct Investment Law and granted autonomy to state enterprises in exchange for cutting financial support from the national budget. They also permitted private ownership of assets. In 1989, they implemented measures recommended by the International Monetary Fund (IMF):

1. Total price liberalisation, except for a few items such as electricity, oil, cement, steel and transportation

2. unification of the foreign exchange rate after a significant devaluation of the dong,
3. Adoption of very tight fiscal and monetary policies to control excessive demand
4. Curtailment of all kinds of state subsidies
5. Reorganisation of the banking system.

This time round, they administered as a shock therapy over a short period, and were very successful in controlling the economy's problems.

### **2.35 The collapse of the Soviet Union and the aftermath: 1989 – 1992**

The period 1989 - 1992 was a critical year for Vietnam. In the past where Vietnam relied heavy on the aid on then Soviet Union and the former Council for Mutual Economic Assistance (CMEA) countries, they have now collapsed, causing political and economic chaos. Though Vietnam's aid from them has declined during the period before the collapse, Vietnamese economy was also adversely affected by the collapse, in term of export volumes. Vietnam withdrew troops from Cambodia in September 1989.

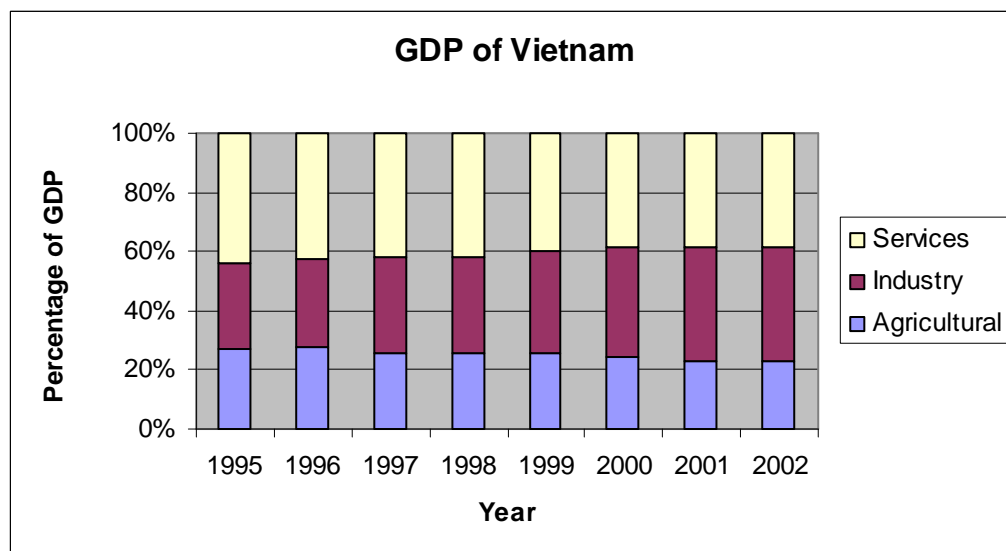
The state-owned enterprises are most affected by the events. They have lost access of cheap raw materials, and with no aid and struggling to survive in the dynamic market-oriented economy, they were forced to close down. During this period, Vietnam experienced agricultural problems, unemployment situations resulted from the massive layoff from state-owned enterprises, a drastic reduction of personnel in the military forces and the return of overseas workers from the CMEA countries and Iraq.

### 2.4 Vietnam's Economy Structure

In 1996, the Communist Party of Vietnam initiated industrialisation and modernisation aimed at making Vietnam an industrialised country by the year 2020<sup>4</sup>. The industrial sector quickly recovered starting in the latter part of 1991, and has become a leading sector of economic growth since then. From the graph 2.1<sup>5</sup>, through the years from 1990 to 2002, other than the industrial sector which sees positive growth, the service industry too, become another engine of economic growth. The agriculture, on the other hand, has seen recent slower rate of growth through the years.

In the year 2002, the industry sector stood at 38.55 percent of the GDP, the service sector and the agriculture sector stood at 38.46 percent and 22.99 percent respectively.

In 2005<sup>6</sup>, the figures are 40.9 percent; 38.1 percent and 21 percent respectively.



**Graph 2.1**

<sup>4</sup> Embassy of Vietnam last accessed June 2003

<sup>5</sup> Extracted from General Statistical Office, Statistical Yearbook 2002; World Development Indicators, World Bank 2001 - 2002

<sup>6</sup> [www.cia.org](http://www.cia.org) last accessed 13/03/06

Facing so many difficult years before, Vietnam has overcome all odds to become what they are today. In 1992, they registered an 8.6 percent GDP growth rate (refer to table 2.2) and achieved macroeconomic balance. They also enjoyed a trade surplus and the increase in revenue against GDP, all for the first time in its history. For the next 5 years, Vietnam went on to achieve GDP growth rate of more than 8 percent, where in 1995, they registered a whopping 9.54 percent, the highest ever on record and in its history.

<b>Items</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
Real GDP growth rate (%)	5.0	6.0	8.6	8.1	8.8
<i>Agriculture</i>	1.5	2.2	7.1	3.8	3.9
<i>Industry</i>	2.5	9.9	14.6	12.1	12.9
<i>Service</i>	10.3	8.3	7.0	9.2	10.2
Inflation rate (%)	67.5	67.5	17.6	5.2	14.4

<b>Item (%)</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
GDP Annual Growth	9.54	9.34	8.15	5.76	4.77	6.79	6.89
Agriculture	4.8	4.4	4.26	3.59	5.23	4.63	2.98
Industry	13.6	14.46	12.62	8.33	7.68	10.07	10.39
Service	9.83	8.8	7.18	5.04	2.25	5.32	6.1

*Source: Extracted from World Development Indicators 1995 – 2004, World Bank*

### 2.41 Agriculture

The agriculture sector has always played a big part in developing countries. In developing countries, such as Vietnam, resources are very limited. Most of the Vietnamese population are involved in the agriculture sector, even at the time before their independence and unification in 1975.

Out of the 77 million people who lived in the rural areas, out of every five people, four will be involved in the agricultural activities, be it personal or commercial. In 1997- 98, the combined sector of agriculture, forestry and fishery has created jobs for over 66 percent of national labour force<sup>7</sup>. This figure has dropped to 58.75 percent in 2004<sup>8</sup>

The agriculture sector after the reunification is important because this signified the beginning of a new era for Vietnam. The reforms started in this sector, and are a foundation for ‘general economic development and the implementation of modernisation and industrialisation’<sup>9</sup>.

There are mainly three different stages in which their agriculture sector evolved from the state – controlled style of management to the liberalisation of the process. The different stages of the progress of the Vietnamese agriculture sector were mostly fuelled by the problems faced in the economy, as shown earlier in the beginning of the chapter.

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<sup>7</sup> Ministry of Agriculture and Rural Development, Vietnam

<sup>8</sup> General Statistics Office, Vietnam last accessed 13/03/06

<sup>9</sup> Ministry of Agriculture and Rural Development, Vietnam 6/7/05



1. The Communal Stage : 1975 – 1980

These reforms started right after the unification between North Vietnam and the South Vietnam. And all the agricultural activities were subject to a compulsory collective regime in which the agricultural cooperative owned 95 percent of the land of its members and all other assets, including farm tools and draft animals.<sup>10</sup>

The prices and revenue was under the state control. The state would extract a lump sum tax from the farmers, and bought most of their produce at ‘state price’. The Communal stage is known as the collective regime, and trade were not permitted outside the local district, and at both domestic and international levels.

2. The Period of Output Contracts : 1981 – 1987

During this period, there were relaxations of the rules for the farmers. Indeed, this is the first and foremost step in the beginning of the liberalisation of trade, although the state was still in control of most of the activities, which included most commercial decisions.

It was in the early 1980s where Vietnam faced their first economic crisis after their unification in 1975. It was then the state decided to relax the rules, and thus began the process of de-collectivisation.

Although the rules were relaxed, the cooperatives still maintained the majority of the control. The farmers were allocated land and given property rights. They were able to organise the weeding and harvesting process, which previously were out of their

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<sup>10</sup> Suiwah Leung et al(1999), ‘Vietnam and the East Asian Crisis’

control. The farmers, though limited controls, were able to control the output and distribution of products for the first time, and thus this means a small responsibility for decision making. Such reforms were significant, and have made a pathway for further liberalisation.

### 3. The Gradual Freeing Up of Markets : 1988 – Present

This third stage was fuelled by the food shortages Vietnam faced in 1987, and thus further reforms. This stage also coincided with the Doi Moi. The state retained the control over the land and water resources and the sale of output, but the rest of the agricultural activities were delegated to the farmers. The state now allowed the conditional use of private land for a period of 10 – 15 years in 1988, and also the right to barter output for inputs.

The farm household can now own their own draft animals, farm tools and other equipment. They can also retain their income earned from production after paying taxes. Such reform measures were significant because there were no longer the '100 percent state- control', but a delegation of management to individuals and the private sector– the very tool to a market economy.

In June 1990, the state abolished the dual price system (one state and one market price).

This also means the removal of all limitations on domestic trade in agricultural products. In July 1993, the tenure of land was extended to 20 years, and for the first time, the farmers were able to exercise control over their land, be it lease, rent or sell. Thereafter, they were able to make more informed decisions on investments and land

management. Such reforms provide them with a more secure environment, the incentive to work harder and in return, a much more and stable income for their family.

#### **2.411 The main produce from Vietnamese agricultural sector**

There are basically two types of agricultural produces in Vietnam, namely produce for domestic demand, and the other for industrial and exports.

The livestock, sugar, fruit and vegetable, to name a few, are grown to meet the domestic market demand. Rice, coffee, cashew, rubber, pepper, tea, Soya beans, sugar cane, peanuts, just to name a few, are mainly grown for exports, in descending order of importance to Vietnamese economy.

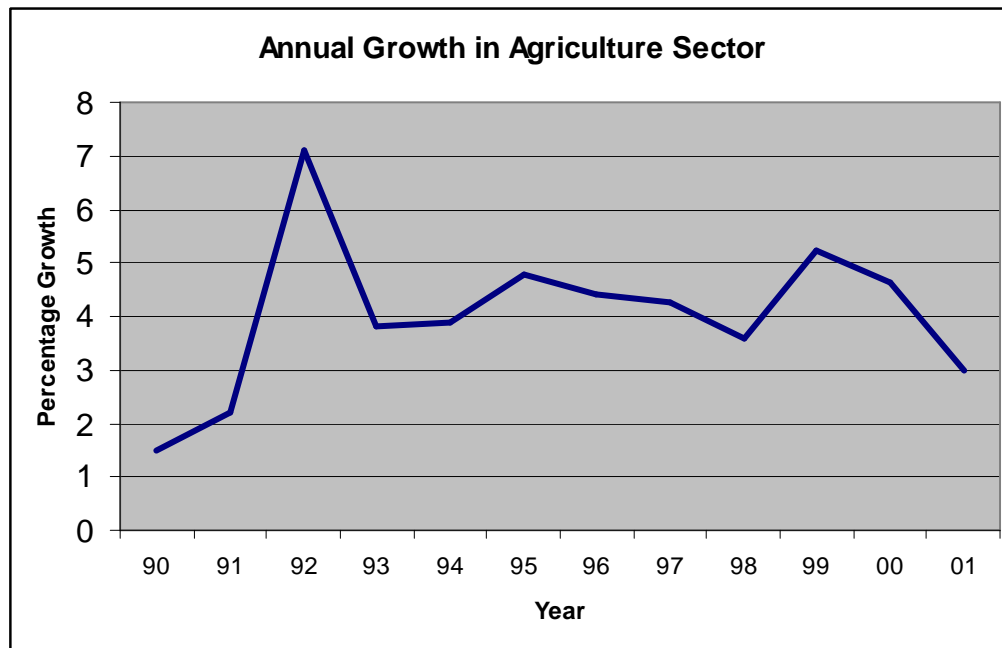
Vietnam has become the world's second largest rice exporter, the second Arabica coffee exporter, and the fourth cashew biggest exporter. In 2004<sup>11</sup>, the agricultural exports stand at US\$ 4550 millions.

#### **2.412 The decline of agriculture sector**

Since the days of 'Doi Moi' in 1986, Vietnam has made a significant progress in her economy. As shown from the graph 2.2 below, the growth of the agricultural sector has been gradual.

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<sup>11</sup> General Statistics Office, Vietnam last accessed 13/03/06



**Graph 2.2** *Extracted from World Development Indicators 1995 – 2004, World Bank*

From the graph, we can see that at the year 1992, the growth was at its peak, at nearly 7 percent. However, after the year 1999, there show that the agricultural sector was growing at a decreasing rate, at about 3 percent. This is a common phenomenon and considered one of the most obvious changes to happen in the economic development in growing economies (sighted in Anderson 1999). It is normal for Vietnam, a densely populated country, to show a decline in agricultural comparative advantages and put more emphasis on industrialisation.

Despite the decline in the overall growth in agriculture, the Ministry of Agriculture and Rural Development are making plans for a long term development of this sector. Below is the extract from their website<sup>12</sup>, what their goals are for this sector:

<sup>12</sup> [www.agroviet.gov.vn](http://www.agroviet.gov.vn), last accessed 06/07/2005

‘Long term development target of agricultural sector is building a diversified commercial agriculture, based on maximising comparative advantages, applying new technologies and improving competitiveness in domestic and international markets. It is also necessary to construct a new rural area with appropriate economic structure and the joint development of agriculture-industry and services. This area should be industrialised, modernised and urbanised to provide enough jobs for people, to offer them prosperous life without hunger and poverty.’

## **2.42 Industrialisation**

Vietnam has aspired to become a full pledged industrialised country by the year 2020.

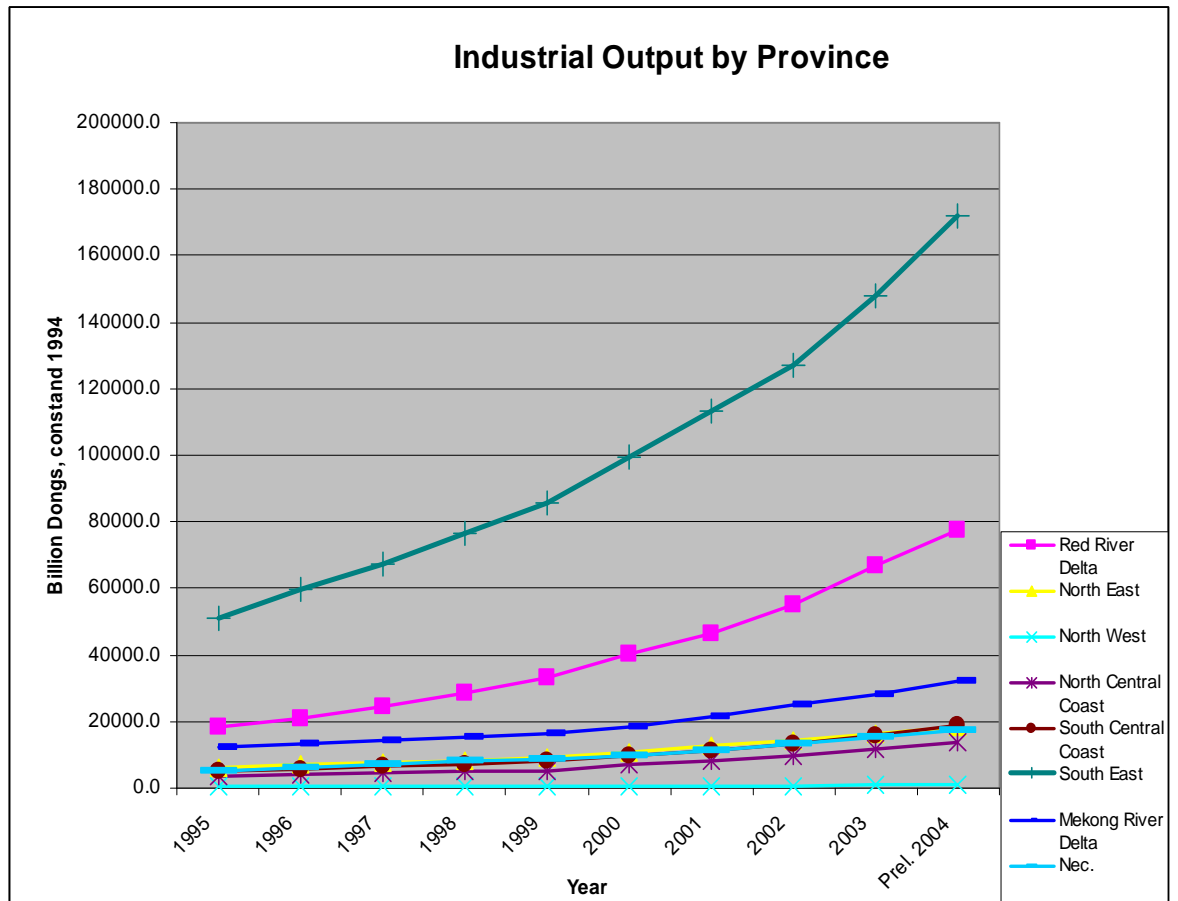
Even now, the industrialised activities are getting more and more active, in state, non-state and foreign production.

### **2.421 Industrial Output by Province**

Vietnam’s industrial output is concentrated in 8 geographic areas, according to the General Statistics Office of Vietnam. The graph 2.11 shows the output from 1995 to 2004 (estimated).

It is clear that the provinces in South East region stands out the most among all, and produced a whopping 147,813.70 billion dongs in 2003, and estimated 171,881.50 billion dongs in 2004. This province includes Ho Chi Minh City and the surroundings. Second in line are the provinces in Red River Delta, where they produced 66,632.10 billion dongs in 2003, and estimated 77,485.30 billion dongs in 2004. Vietnam is

ranked 8<sup>th</sup> with the annual production growth of 17.2 percent in the world, 3 places behind Cambodia and 6 places behind the Asian manufacturing giant: China<sup>13</sup>.



*Graph 2.11*

### 2.422 State Production

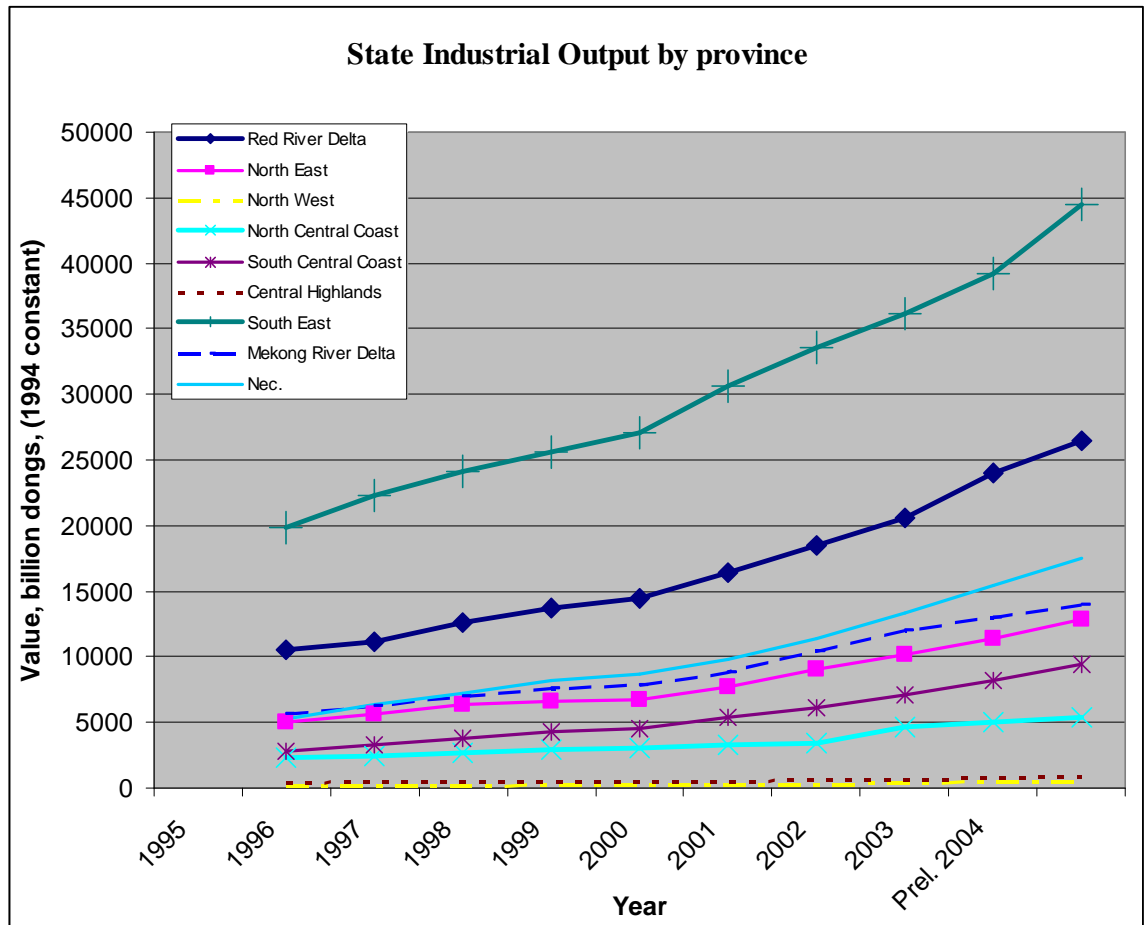
Vietnam is a Communist country with market oriented economy. This will implies that the state enterprises are still in co-existence with the non state and private enterprises.

The state enterprise sector in Vietnam is small compared to most socialist economies.

This was a reflection of its slow industrialisation, which is disturbed by a long war, and

<sup>13</sup> www.cia.gov last accessed 20/04/06

by incomplete socialist transformation of the South, which was under the capitalist system until 1975. The state enterprise sector has contributed about 50.29 percent of the industrial production in 1995<sup>14</sup>. The production volume contributed is steadily rising over the years. Below is the graph.



**Graph 2.12**

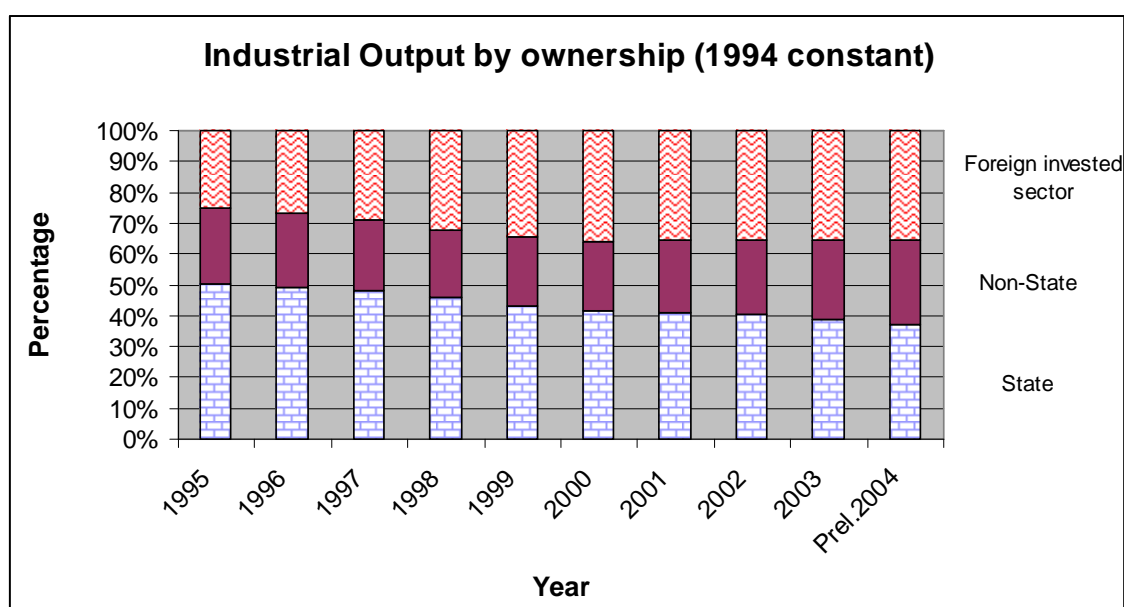
The state production lies parallel to the overall industrial production for Vietnam. In here, the state enterprises in the provinces of Southeast region stand out the most, with the value of 39165.1 billion dong in 2003. The ones in the Red River Delta produced 23,977 billion dong in the same period.

<sup>14</sup> General Statistics Office, Vietnam last accessed 13/03/06

This statistics on the state production are quite surprising. It is expected that most of the state production factories and enterprises would be found in the Northern region where the communists are based; however, the statistics revealed that the state enterprises in the southern region (a more liberal and market-oriented market environment) produced more than the northern region.

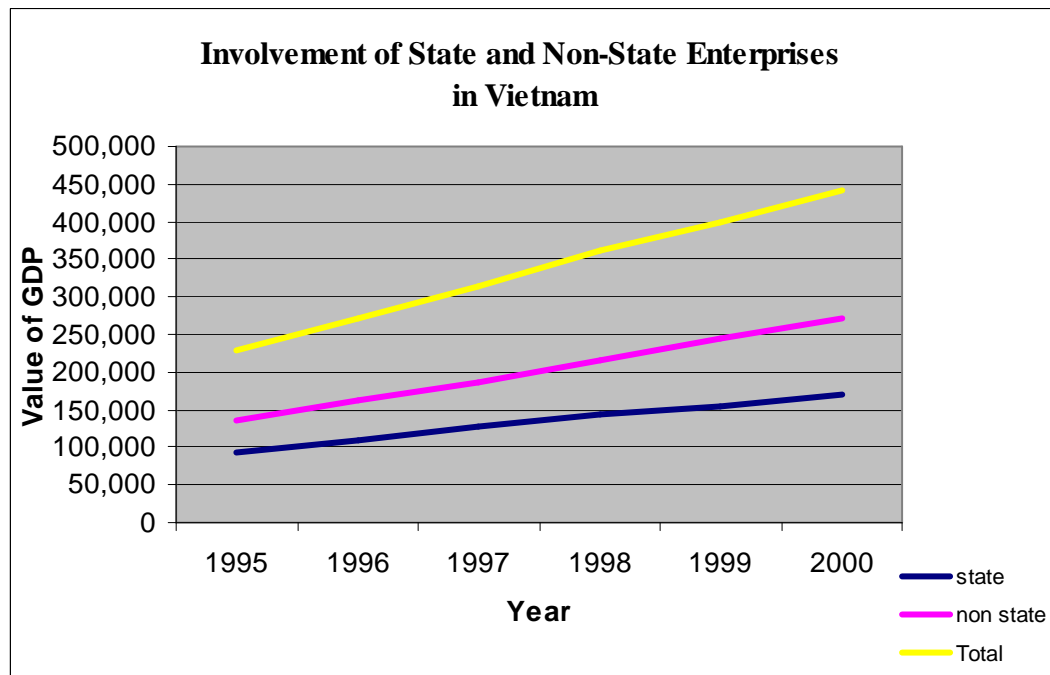
### 2.423 Industrial output by ownership

Being a communist country, it is vital to include all type of ownership. Here, we see that there are three type of ownership: state, non state and foreign invested sectors. The non state includes collective, private and households. The graph 2.13 shows the industrial output by the three ownerships. We can see that the state production is almost at par with the foreign investor sector's production volume.



*Graph 2.13*





*Graph 2.3*

Graph 2.3 shows the rate of increase between the state and non state enterprises. In the five years period from 1995 to 2000<sup>15</sup>, we see that while the non state is rising steadily through the years, the state enterprises are too rising at the same rate with the non state enterprise.

In Vietnam case, we can see that the state production is rising steadily over the years, and there are more to come. So, would that mean that the state enterprises are getting more efficient than before, or are they still heavily protected by the governments? These statistics do not reveal about the number of state enterprises and their production efficiency so it is not yet conclusive.

<sup>15</sup> General Statistics Office, Vietnam last accessed 13/03/06

In communist countries in transition, the usual scenario would be the implementation of market-oriented policies and slowly phase out any inefficient state factories or cooperatives there may have. Thus according to Ebashi (1997), he noted that this kind of phenomenon is only seen in Vietnam, when comparing with other countries also undergoing transformation to a market economy. He gave an example that 'In China, the share of the state enterprise sector industry decreased from 78 percent in 1978 to 48 percent in 1992.'<sup>16</sup> He concluded that the private sector in Vietnam has not played a significant role in Vietnamese economy.

### **2.43 Foreign Direct Investments (FDI)**

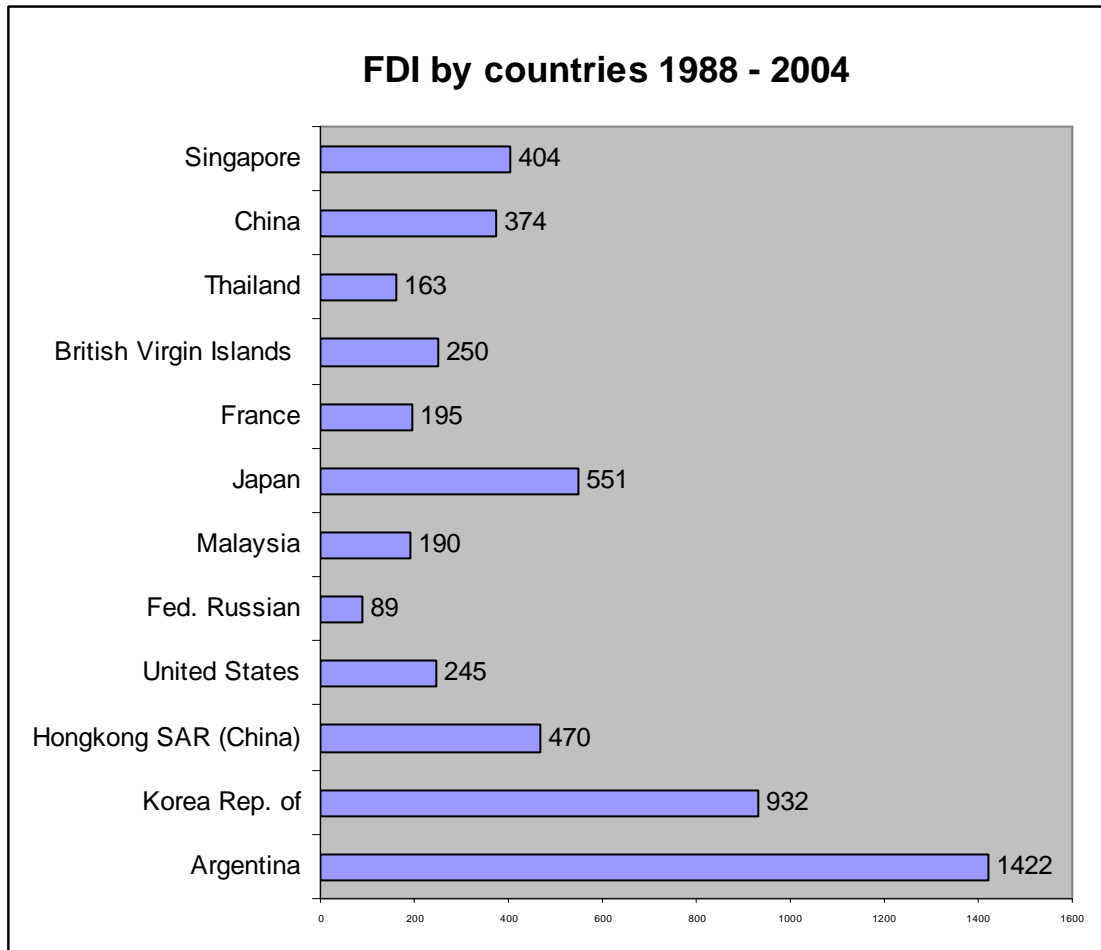
The graph shown next page is some of the most 'active' foreign investors among all others. These figures were for the 16 year periods from 1988 to 2004. This time frame includes the peak seasons in the 1990s, and so this may not portray the real picture of the current situation after 1997. Nonetheless, we could see that most of the investors were from the regional countries in Asia, some from Europe and North America. Argentina from South America stood out the most, bringing in 1422 projects to Vietnam.

In the stand-alone 2004 statistics shown on the graph 2.5, we can see that there are some who still invest in Vietnam. For example, Singapore, Republic of Korea and Japan stand out the most. However, Argentina is not on the list. Now, Taiwan tops the list with 167 projects.

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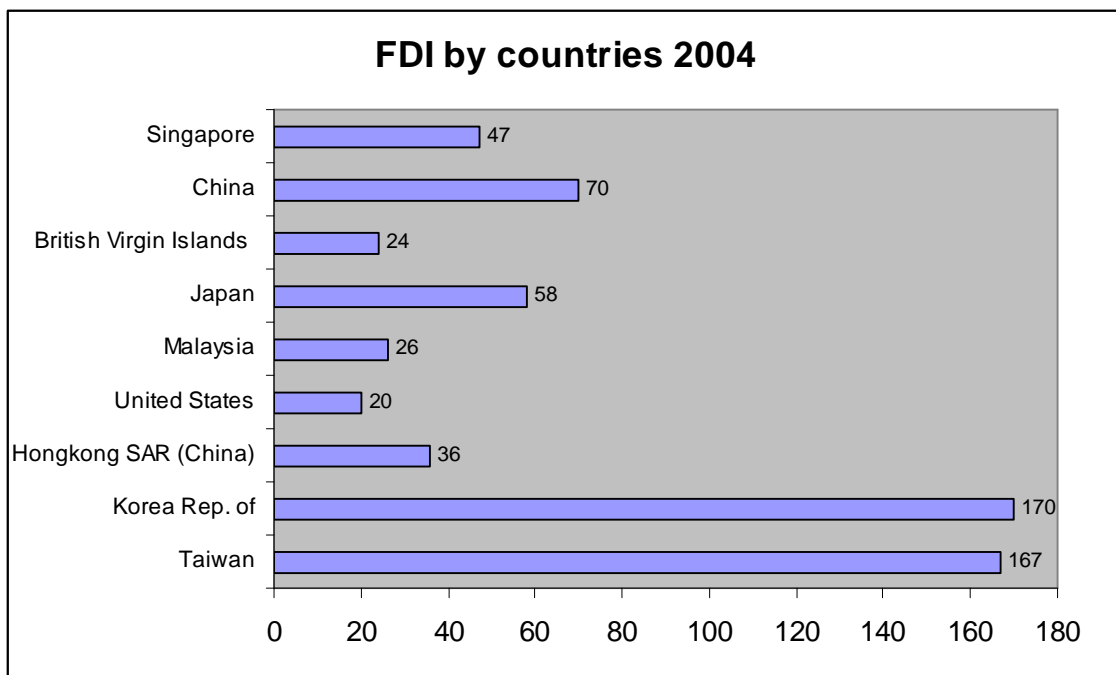
<sup>16</sup> Kuribayashi S (1994), sighted in Ebashi (1997)

Graph 2.4



Graph 2.5

Source: General Statistics Office of Vietnam, compiled by author



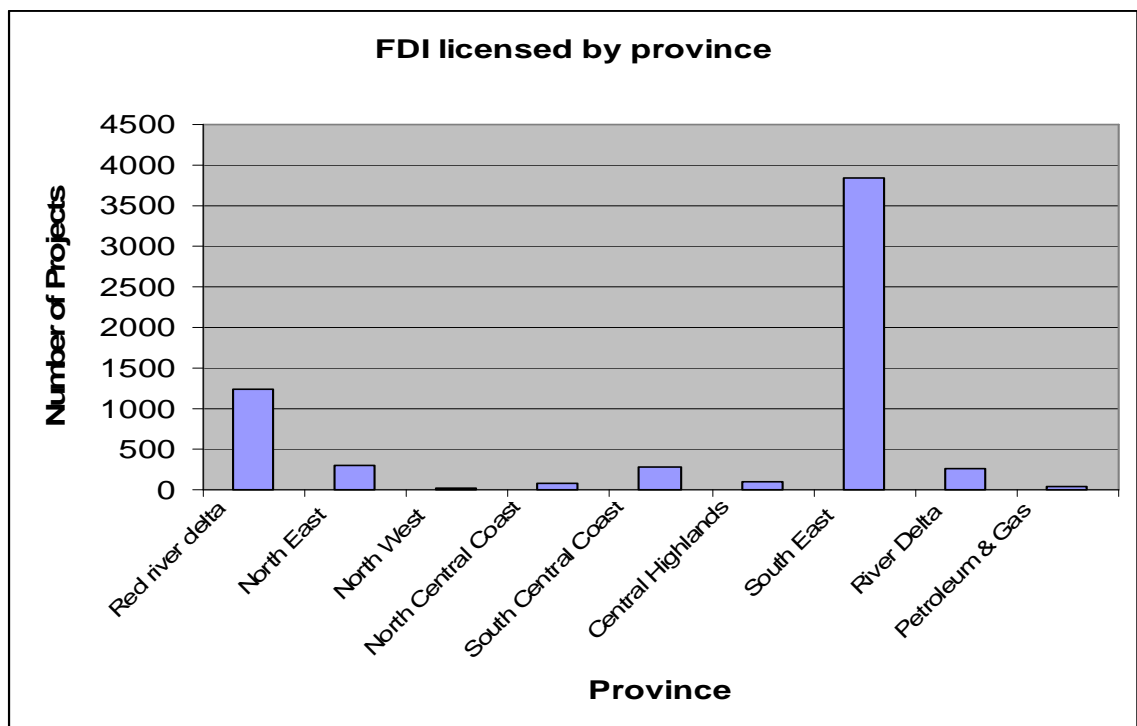
The increase of FDI to Vietnam is due to the following factors:

- improvement to soft and hard infrastructure, especially in the North
- cheaper and hardworking labour
- cheaper land
- access to government decision makers
- availability of suitable partners and engineers in the North
- its fast-growing potential market of 71 million people
- its relatively abundant natural resources (e.g. oil, gas and coal)
- its favourable geographical location

#### 2.431 The geographical concentration of the foreign investment

According to the statistics in the General Statistics Office of Vietnam, it is in the provinces of South East region that most of the foreign investments are situated, as seen in the graph below.

**Graph 2.6**



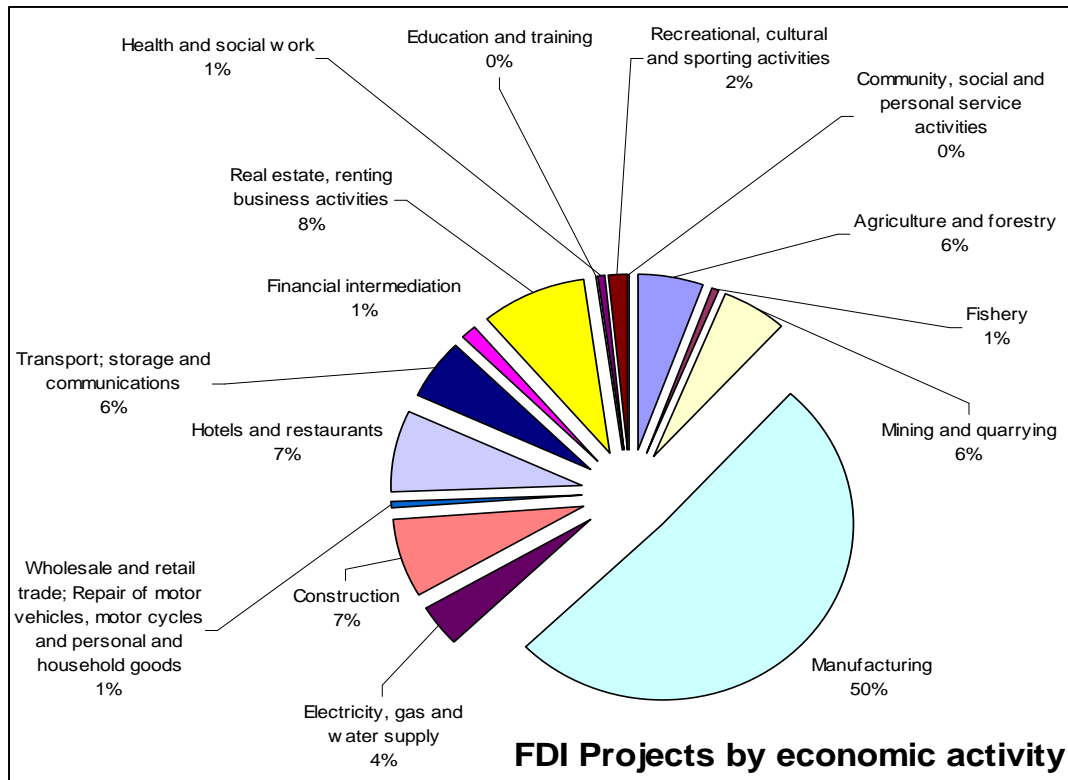
This is not a surprisingly picture, as it was expected most of the foreign investment would be in this region. This region is said to be the most developed in the country. In the early years, most of the FDI went to the South, mainly to Ho Chi Minh City and its suburbs; however the North is attracting more FDI lately.

It would be a bit of concern where there seems to be an uneven concentration of the foreign investment in the whole of Vietnam It was better if there are more evenly spread out so that the whole Vietnam population can benefit from it. Needless to say, it would need more so that they are attracted to other regions, for example the geographical suitability, infrastructure and government policies.

#### **2.432 Type of economic activities by foreign investment**

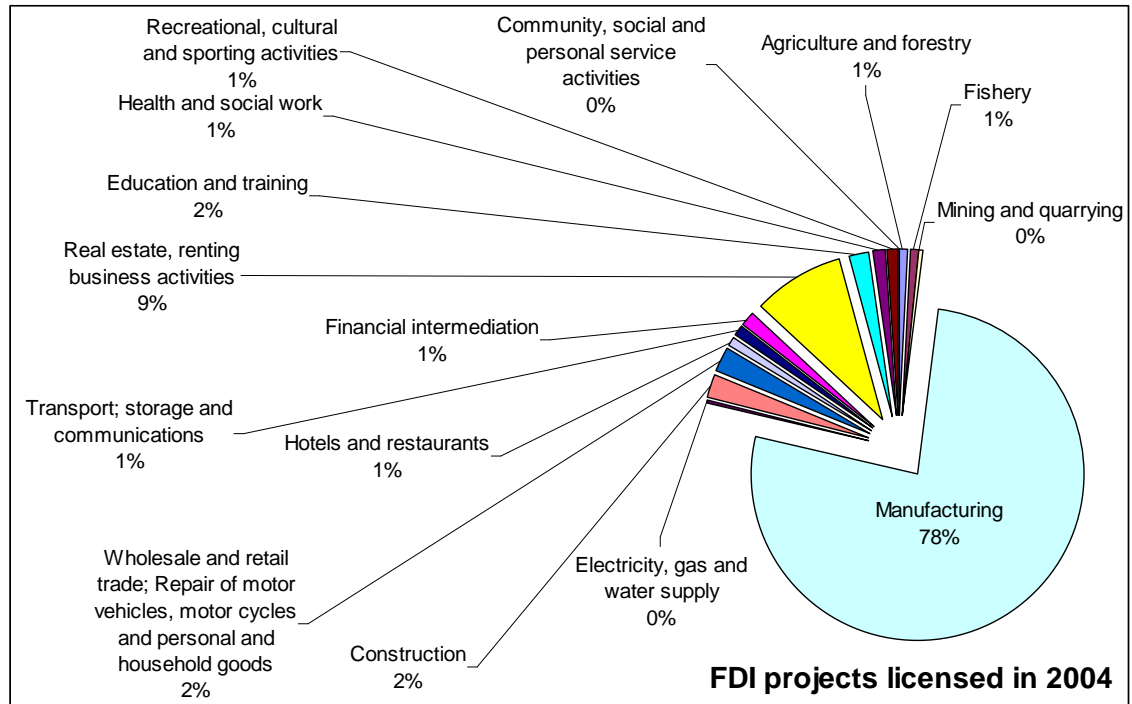
During the years from 1988 to 2004 (a sixteen year span), the manufacturing activities by the foreign companies stand at 50 percent of the pie chart next page. There are in total 3398 projects, and the total registered capital were US\$ 28,891.7 million, out of which the foreigners invested US\$ 24,905.3 million, a near 86 percent of the total.

This may means there were favourable conditions that attracted them to manufacture their products in Vietnam, be it the cheap labour, favourable government policies and strategic location that allow them to maximise their profits.



*Graph 2.7*

The sixteen year span statistics tell us about the summary of the FDI projects licenses. That do not tell us about the specific time which activities are licensed and how much registered capital they brought in. Thus, it can be a vague picture to tell us about the FDI situation. However, there do have one latest statistics available for 2004.



**Graph 2.8**

The pie chart above shows the FDI projects licensed in 2004, a total of 723. Here, the manufacturing sector still stands out at 78 percent, with 555 projects with total registered capital of US\$ 3110.2 million, out of which they invested US\$ 2791.1 million.

The type they invested in Vietnam is slightly different from the 16 year span statistics. The 'real estate, renting business' activities come second in line, but other than that, there are basically very little investment in other areas, compared to those shown in the other pie chart. This can mean such investments are not coming in 2004, but in earlier years.

### **2.433 Registered Capital**

The foreign investors bring in the registered capital much needed by Vietnam to help contribute to her economy. By the end of June 2002<sup>17</sup>, Vietnam had 3,348 effective FDI projects with a total capital of US\$38.58 billion, and disbursement reached more US\$20 billion, which contributed significantly to improving the efficiency and competitiveness of the economy. In the industrial sector, FDI has more than 2,100 projects with total capital of more than US\$20 billion. In 2002, FDI projects were producing about 13 percent of GDP and 36 percent of industrial gross output and employing 450 thousand workers.

In recent years, the amount of registered capital brought in by the FDI does not match with the increasing number of projects approved, as seen by comparing the two graphs above and next page. During the first peak in 1995, the total amount of projects approved was 408 (graph 9) and the registered capital brought in by foreign side was nearly 77 percent of the total, amounted to US\$ 5920.9 million (graph 10). The value of FDI approvals for Hanoi and Haiphong was only 3 percent of the total.

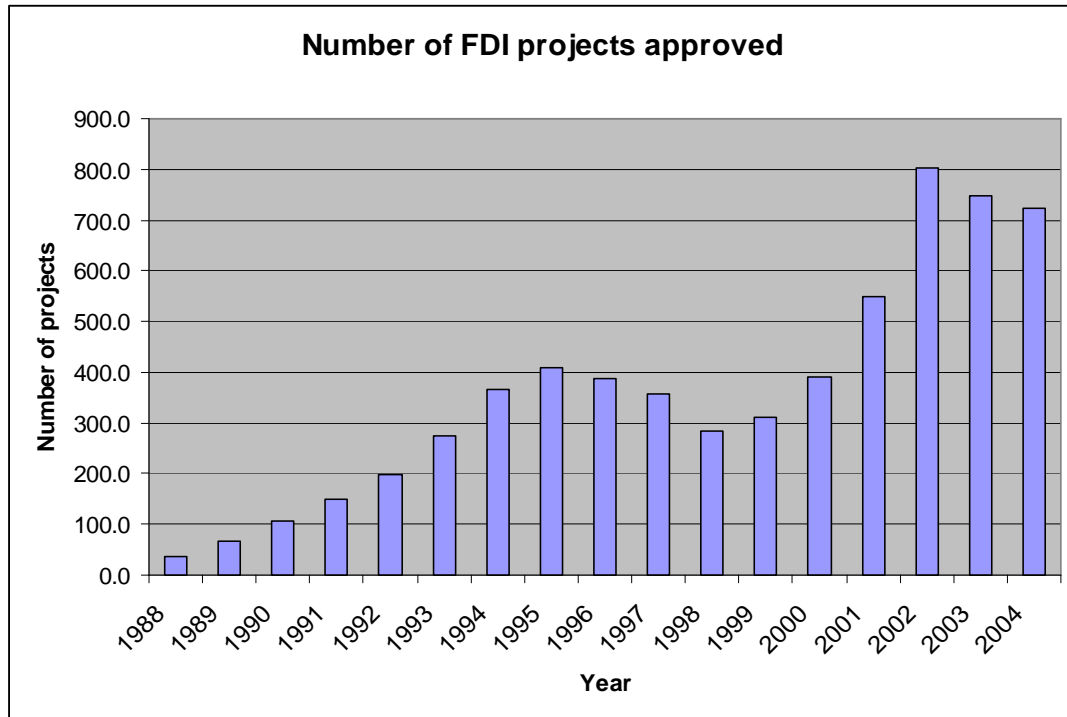
During the second peak in 2002, the number of projects was nearly twice as much, to 802. This peak figure exceeded the last peak figure in 1995. However, at the following year, it has decreased slightly. Though the foreign side invested nearly 91.7 percent of the total, the amount brought in was only US\$2717.8, a near 54 percent drop in the

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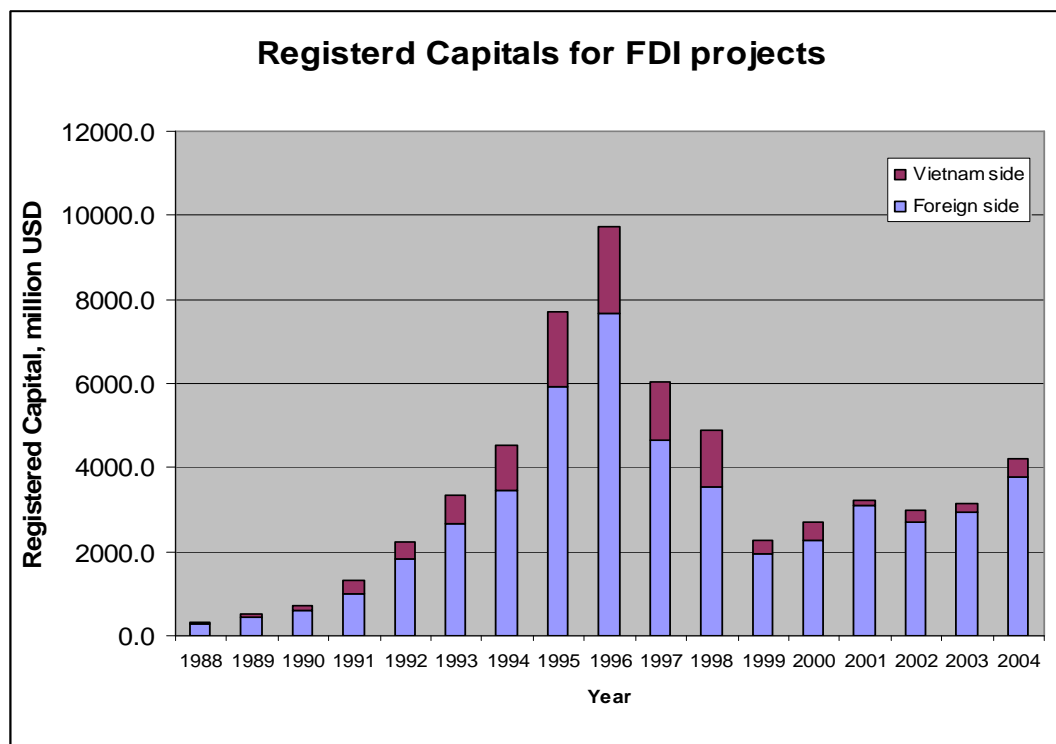
<sup>17</sup> APEC Economic Outlook for Vietnam 2003



investment. Moreover, the total registered capital brought in were US\$2963 million, a near 50 percent drop.



*Graph 2.9*



Graph 2.10

Source: General Statistics Office of Vietnam

According to the United Nations Conference on Trade and Development (UNCTAD), Vietnam is "entering a new era as host to FDI". In its annual World Investment Report 2002<sup>18</sup>, the UN body says Vietnam's attraction is enhanced by its bilateral trade agreement with the United States and the process of its accession to the World Trade Organisation. This is good news for Vietnam and for the whole Southeast Asian region as a whole, with a renewed confidence from the existing and the potential foreign investors.

The decreasing rate of increase of the inflows of FDI does not signify any good news as while the quantity of the FDI has increased, the quality and capital does not match with the quantity. Therefore, despite some renewed confidence, there are still remaining

<sup>18</sup> Anonymous, 'Vietnam favoured for FDI', Asia Today International, Sydney, Oct/Nov 2002. Vol. 20, Iss. 5, p. 9

problems such as red tape and bureaucracy that may hinder the smooth sailing of foreign investments in the economy. Vietnam thus has to make changes to make the environment more attractive to the foreign investors.

#### **2.434 Hurdles to slowing FDI**

Vietnamese government has great intention to attract more FDI, and thus introducing many attractive packages for them. However, despite that, there are still many hurdles that slow the foreign investment. Ebashi (1997:54) outlines the following major obstacles:

1. The lack of necessary laws and regulations and the lack of transparency in application of laws
2. Lengthy investment application procedures and bureaucratic red tape,
3. Difficulty in securing land and the high rental costs for land and offices,
4. Limited freedom to choose partners and the lack of suitable partners with appropriate management experience,
5. inadequate infrastructure such as electricity, transport, communications and accommodations,
6. a dual pricing system for public utility fees, which imposes higher prices on foreigners,
7. Unresolved debt to the foreign private sector, which is limiting the availability of investment finance from foreign commercial banks,
8. The lack of a long-term industrial policy vision and uncertain investment policy,

9. The lack of necessary information and statistics for project feasibility studies, and
10. The requirement to keep a foreign exchange balance in each foreign firm.

Foreign investors are refusing to kowtow to the Party<sup>19</sup>. In any controlled economy, Vietnam's opaque rules and regulations do accomplish one goal: They provide a lush stream of graft for the Vietnam Communist Party bosses. Vietnamese and foreign businessmen alike report that Vietnam's politicians are hopelessly corrupt, much like their counterparts in India and Indonesia. It becomes clear that three things are required in Vietnam: hard work, imagination and a good personal relationship with Prime Minister Vo Van Kiet or some other high-ranking official.

In one recent article, the foreign investors are not too sure whether Vietnam is keeping up to their promises as to 'welcome foreign investments'. As said earlier, Vietnam has set itself a deadline of 2005 to conclude negotiations to accede to the World Trade Organisation and implicit in that is a desire to integrate with the global economy and open Vietnam's economy<sup>20</sup>.

Vietnam is also committed to the ASEAN Free Trade Agreement (AFTA), which requires its 10 country members to gradually reduce tariffs to less than five per cent, and to open their markets to each other, yet Vietnam's attitude towards foreign investors is still described as 'schizophrenic'.

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<sup>19</sup> Forbes, 'Caged Tiger', 1996, NY

<sup>20</sup> Anonymous, 'Vietnam remains difficult for investors', Asia Today International, Sydney, Apr/May 2003, Vol. 21, Iss. 2, p. 15

Such commitments are one of the many important factors of attracting foreign investors in the economy. However, in recent months; foreign investors have encountered blatant protectionism and, more disturbingly, a trend towards sudden changes in policies on tariffs and quotas. It is a problem of wanting to be open and at the same time appeasing vested interests. Such confusing messages are risky and can cause dwindling confidence.

#### 2.44 Organisational Membership, Exports and Imports

Vietnam has joined various regional organisations in the 1990s. Regional wise, Vietnam officially joined ASEAN in 28 July 1995 and the APEC in November 1998. This move is an attempt to bring closer trading ties with their neighbouring neighbours, and of course, this will represent the capitalisation of goodwill shown by the neighbouring countries. Vietnam has also joined many other international organisations, just to name a few, listed in the table 2.3.

		<b>Organisation</b>
1.	ILO	International Labour Organisation
2.	IMF	International Monetary Fund
3.	IMO	International Maritime Organisation (Observer)
4.	UN	United Nations
5.	UNCTAD	United Nations Conference on Trade and Development
6.	UNESCO	United Nations Educational, Scientific and Cultural Organisation
7.	WHO	World Health Organisation
8.	WTO	World Trade Organisation (Observer)

*Extracted from CIA World Factbook*

**Table 2.3**

Vietnam handed in their application to join the World Trade Organisation (WTO) in July 1995<sup>21</sup>. Vietnam has planned to join the WTO by 2005. This membership will strengthen the government's hand for ensuring that the economic policy reforms contributing to the transition from plan to market are sound from a national viewpoint rather than just from that of special interest groups. And that will endorse further Vietnam's intention to re-join the world as a newly reformed country. As Hoang Van Dung, an executive vice – president of the Vietnam Chamber of Commerce and Industry said<sup>22</sup>,

‘If Vietnam is not a WTO member by 2005, this will be a disaster for our economy, a disaster for Vietnamese businesses, and also a disaster for foreign investment in Vietnam.’

It was in the early 1990s, where their reform programs really took flight, and their open door policy to external economic relations became effective<sup>23</sup>. In the past, the exports to and imports from the former Soviet Union consist of 34 percent and 63 percent. In 1991, it has dropped drastically to 10 percent and 13 percent. However Vietnam managed to change their trade partners fairly quickly. By then, neighbouring Asian countries, such as Japan, China and Newly Industrialised Economy (NIE), and the ASEAN states have taken over the former Soviet Union's share of Vietnam, which consists of 82 percent of Vietnam's imports and 60 percent of the exports in 1993. Out of which, Singapore is a major supplier of oil products; South Korea as a major supplier of steel and chemical fertilizers and Indonesia became a major supplier of urea. These also represent a significant growth in Vietnam's trade patterns. The exports grew from

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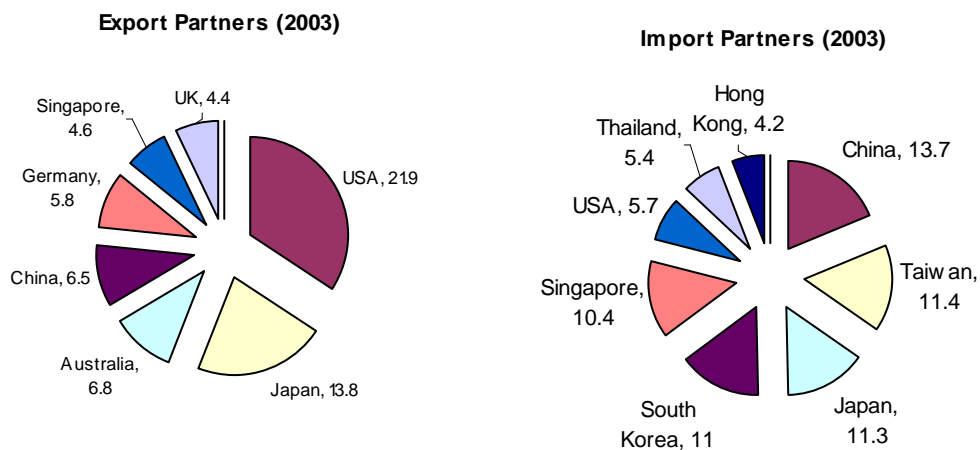
<sup>21</sup> Vietnam's Transforming Economy & WTO Accession

<sup>22</sup> Far Eastern Economic Review 2003, Vol 166, Iss 50, Pg 22 - 23

<sup>23</sup> Ebashi (1997)

US\$653 million to US\$2,234 between the year periods from 1986 to 1990 (sighted in Ebashi 1997: 48). In 2004, the exports were US\$23.72 billion, and were ranked 53rd in world exports. The imports were US\$26.31 billion<sup>24</sup>.

In 2003 (CIA), the major export partners are United States of America at 21.9 percent, next in line is Japan at 13.8 percent. The major import partners are China at 13.7 percent, next are Taiwan, Japan, South Korea and Singapore at more than 10 percent (see pie chart).

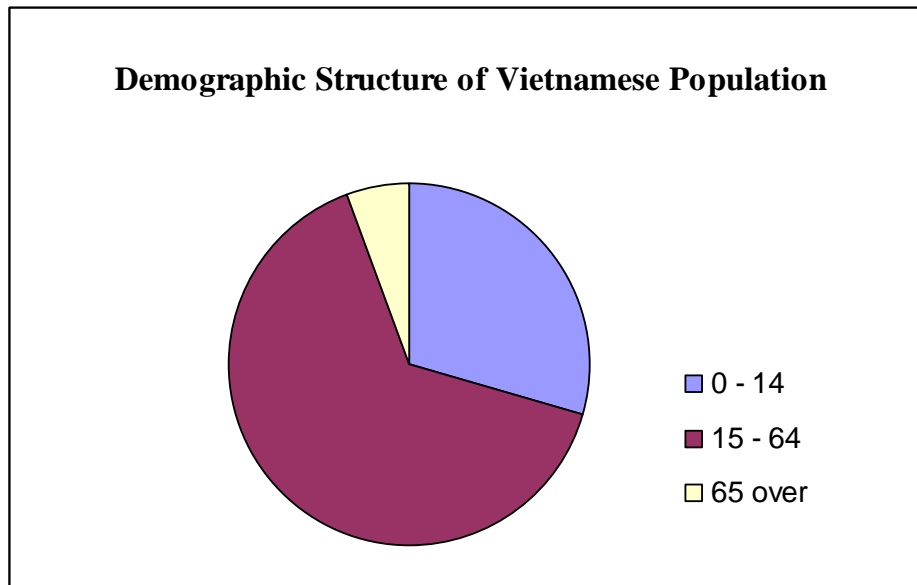


### 2.5 The Demographic Structure

The Vietnamese population at Jul 2005 stood at 83,535,576 (CIA). Out of these, 29.4 percent consists of year 0 – 14; 65 percent of year 15 – 64 and 5.6 percent of year 65 and over (see Pie chart<sup>25</sup>). This shows that Vietnam is a very young country with abundance of young people, more specifically, working population.

<sup>24</sup> www.cia.org last accessed 07/07/05

<sup>25</sup> www.cia.org, last accessed 13/03/06



*Graph 2.22 Extracted from CIA*

<b>Table 2.4 Structure of Vietnamese Population Male Vs Female ratio</b>			
Age Group	Male (millions)	Female (millions)	Ratio
0 – 14	12.5	11.8	1.05 : 1
15 – 64	26.5	27.23	0.97 : 1
< 65	1.93	2.71	0.71 : 1

*Source: extracted from CIA*

Out of the 15 – 64 age groups, we can see that the Male Vs Female ratio is at 0.97: 1 (see table 2.4). This slight imbalance between the sexes in this age group is obvious. The three decades of endless wars in Vietnam played a part. Most male in that age group were involved and most of them were killed in action.



### 2.51 Literacy Rates and Education

This is important as a tool to gauge the pool of human resources in Vietnam. The statistics above have shown a very interesting fact. Though Vietnam is a poor country, more than 90 percent of their 15 – 64 age group population are literate, and so are the youth in Vietnam. This is above the East Asia and Pacific average of 86 percent. The more striking fact is about the female's literacy in Vietnam. More than 90 percent of the female (both adult and youth) are literate, compared to the regional average of only 66

<b>Table 2.5: Literacy Rate</b>						
	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Female	88.98	89.33	89.66	90.00	93.92	..
Male	94.21	94.26	94.32	94.37	90.28	..
<i>Total</i>	<i>91.49</i>	<i>91.70</i>	<i>91.91</i>	<i>92.11</i>	..	..
Youth (Female)	94.31	94.54	94.76	94.99	..	..
Youth (Male)	94.43	94.54	94.65	94.77	..	..
<i>Youth (Total)</i>	<i>94.37</i>	<i>94.54</i>	<i>94.71</i>	<i>94.87</i>	..	..
<p><i>Source: World Development Report 1995 – 2000, World Bank</i></p> <p><i>Note:</i></p> <ol style="list-style-type: none"> <li>1. .. means data not available</li> <li>2. Female and Male = 15 years and older</li> <li>3. Youth = aged 15 - 26</li> </ol>						

percent<sup>26</sup>. If we were to compare by education attainment, Vietnam lose out to her regional neighbours. Based on the fourth-grade- age group in schools, Vietnam had 64 percent, compared to the regional average of 89 percent<sup>27</sup>. The latest statistics is not readily available, but the future does not look promising.

However, being literate and having the different level of education attainment mean a whole lot different. Being able to read and write simple sentences mean literate, but that does not mean being educated to be able put the skills forward in employment. If Vietnam were to concentrate in service industry, then a more educated workforce will be more desirable.

The liberalisation of the labour market has revealed a large discrepancy between the skills of graduates trained for the command economy and those relevant to the emerging market economy. An end result is growing graduate unemployment. The quality and relevance of the trained personnel in the new situation of Vietnam must be seriously questioned. The change from a command economy to a market economy involves a fundamental change in ways of thinking about product and productive processes, not to mention thinking about distribution and end uses. Some retraining is desirable in the short term, but new kinds of training are needed from ground up. It is urgent that Vietnam should begin promptly to narrow the gap of more than a generation that exists between it and its market-economy neighbours in the training of this crucial human resource.

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<sup>26</sup> Bresnan (1997) in Vietnam Join the world

<sup>27</sup> *ibid* pg 83

These demographic characteristics have several implications for Vietnam's economic and political development. Firstly, the imbalance between the sexes that has arisen as a result of the fighting has added implications for participation in economic and political life that challenge traditional assumptions of male and female roles. Secondly, the educational level for the population is less than desirable level, and this may implies about the unemployment faced by them. The 'Doi Moi' in 1986 has created a lot more opportunities and jobs, but will there be enough for them?

### **2.52 The urban unemployed**

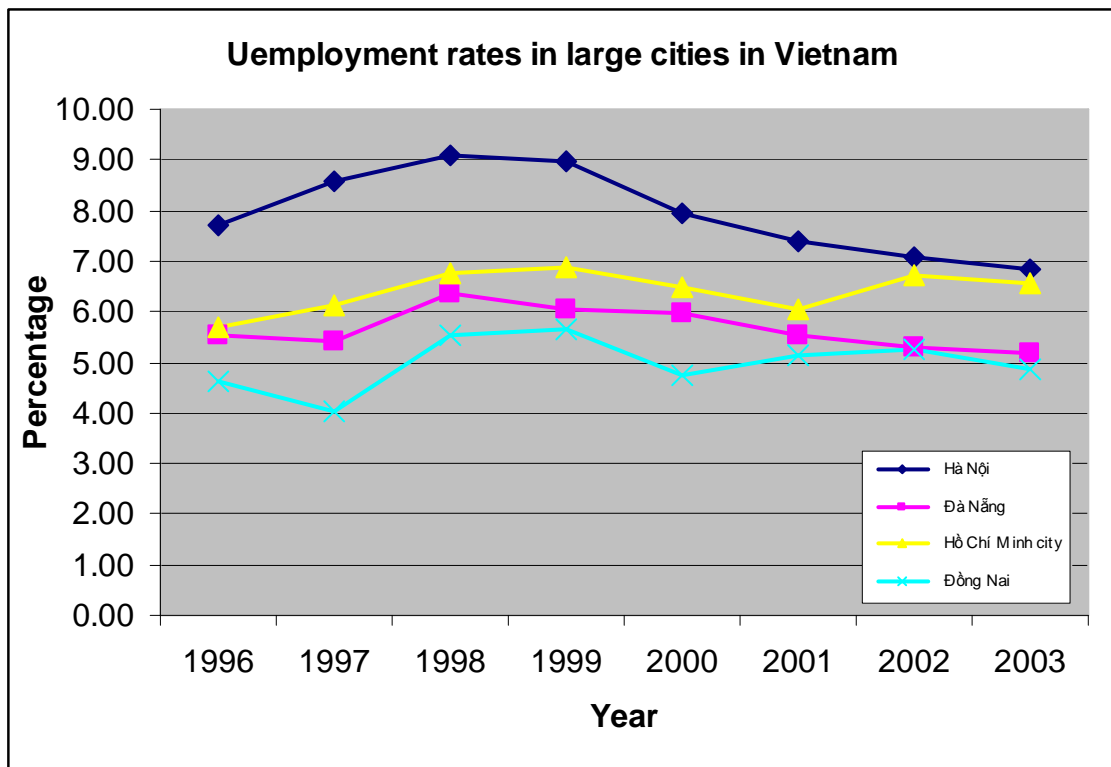
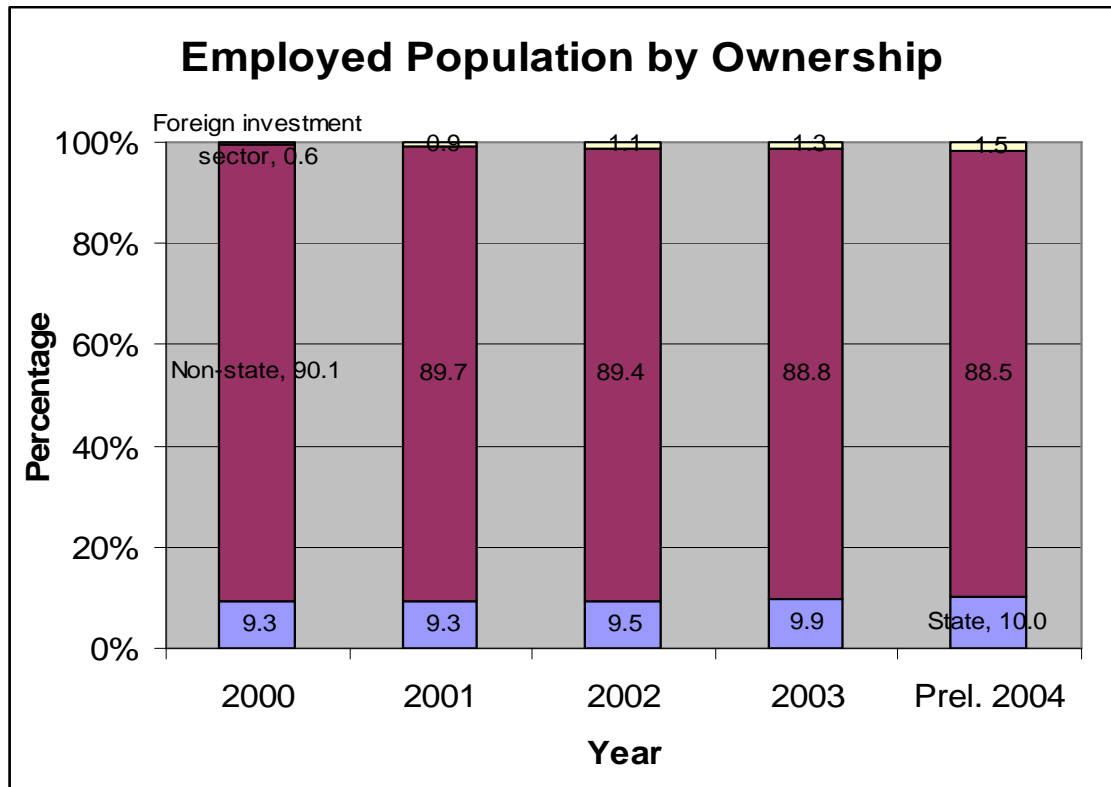
In the period of 1988 to 1991, Bresnan (1997) has noted that private employment in trade and commerce is a remarkable 22 percent per year. However, most private sector activity is very small in scale. The largest private firm in the country has been reported as employing only 3000 (World Bank, cited in Bresnan 1997: 79). More urban people are self-employed in some fashion than the number who earns wages. So it is not as though the private sector has been able to provide wage-paying jobs to many of the newly unemployed.

In the latest available statistics, the total employed population stands at 41.59 million in 2004<sup>28</sup>. The total working population in 2005 is at 55.43 million, out of which, a staggering nearly 89 percent are employed by non-state; 9.5 percent by State and a minimal 1.2 percent by the foreign investments.

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<sup>28</sup> General Statistics Office, Vietnam last accessed 13/03/06

Graph 2. 23



Graph 2.24

According to the statistics from the General Statistics Offices in Vietnam, the unemployment rate for the capital and Ho Chi Minh city stand at nearly 7 percent in year 2004 (see graph ?? next page). The unemployment rates have decreased by far in Hanoi, but have slightly increased for Ho Chi Minh City.

The statistics above are based only in large cities in Vietnam, and that means it may not include the rural unemployment rates. Thus if we were to translate that into the whole Vietnam situation, a simple calculation based on the total working Vietnamese population (15 – 64 years) at 56,670,494, and the total employed in Vietnam at 41,586,300 (all at year 2004), the difference would be 26.62% unemployment rate. Already in 1993 (cited in Bresnan 1997: 81), Ho Chi Minh City was able to generate 120,000 new jobs for the 300,000 individuals seeking them. Hanoi was able to provide employment for only 30,000 of the 180,000 seeking jobs there. The prospect of growing numbers of educated by unemployed youths is rightly a matter of urgent concern.

The graph next page shows the state sector employment in different economic activities. It is surprising to see that the employment is highest in the education and training sector, instead of the manufacturing sector which come second in line.

Bresnan (1997) has noted about the contrasting patterns of economic and social change in both Hanoi and Ho Chi Minh City. He is contrasting about (1) the state employment; (2) industrial production and (3) industrial employment. In Hanoi, employment in the state sector has been relatively high and holding steady, industrial production has been stagnant, and industrial employment has declined dramatically. In Ho Chi Minh City,

employment in the state sector has been relatively small and declining, employment in industry has remained more or less steady, and industrial production is booming. A significant factor behind the decline of state industry production and employment in Hanoi has been the closure of state enterprises.

He also noticed about the group whom are the formerly employed who are seeking employment for the first time. This group is caught in the 'twilight zone' of an economy that is no longer managed entirely by command but not yet managed entirely by market forces either. About a million young men and women reach working age in Vietnam each year, and the economy seems unable to provide jobs for them.

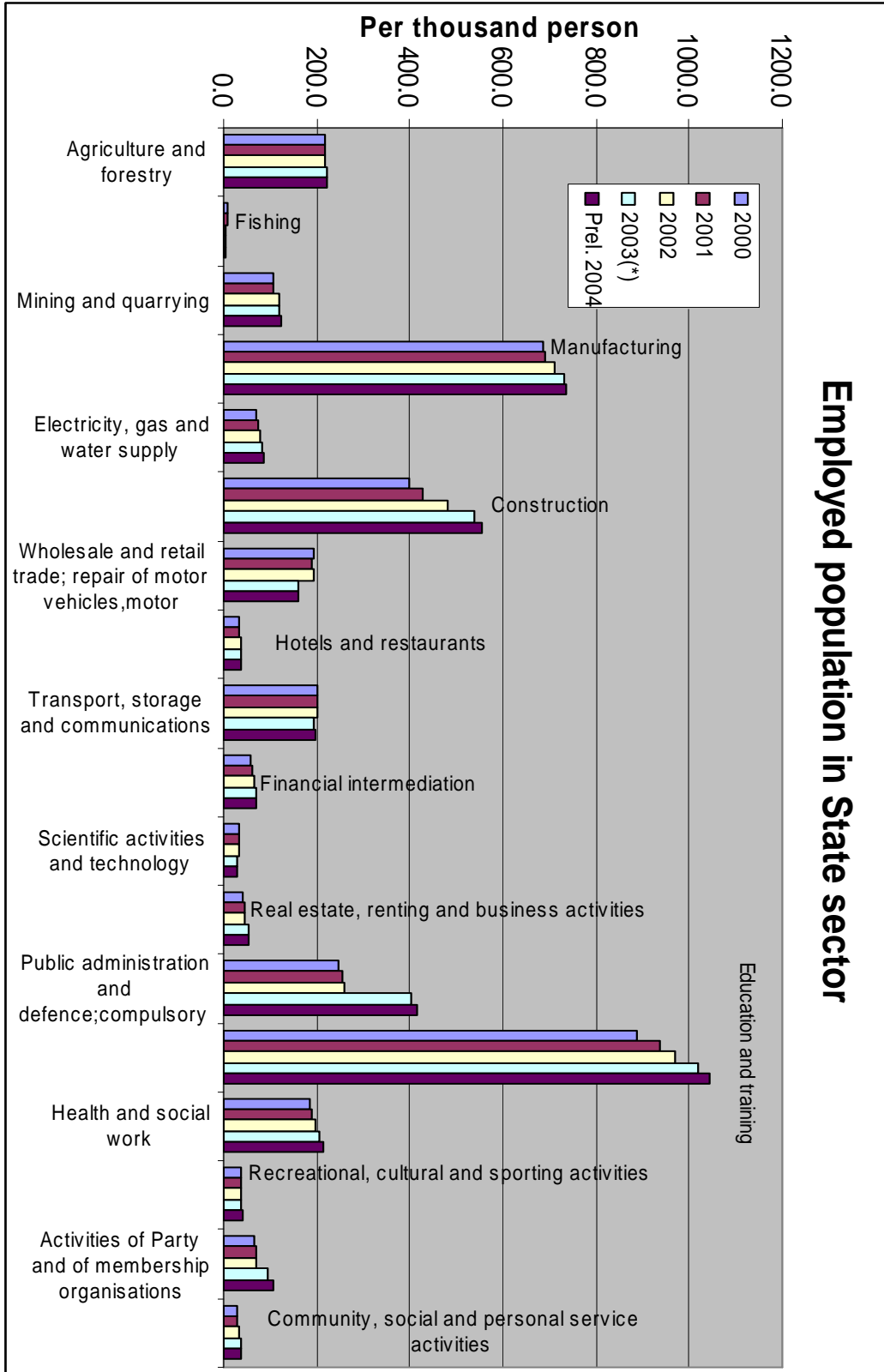
### ***2.6 Tourism Industry: a way to go?***

We have now seen the brief history of Vietnam before and after the time of the market-oriented reform 'Doi Moi'. Such reforms have brought Vietnam 'back to the future', where they projected more than 8 percent economic growth in their economy activities.

Troubles started to brew after the Asian Economic Crisis, which particularly bring out the old problems still existed but covered up and the new ones. After 1998, things grew much slowly, and registered approximately 5 percent economic growth.

Although the Vietnamese economy still registered a healthy economic growth, however those are the problems that Vietnam cannot ignore, and those problems have direct influence to the health of Vietnamese economy. The declining foreign investors'

Graph 2.25



confidence in the economy, the quality of the human capital and the political system are the most important factors.

In 1996, the Communist Party of Vietnam initiated industrialisation and modernisation aimed at making Vietnam an industrialised country by the year 2020<sup>29</sup>. There are many other efficient big players in the world market, such as China and India. Would Vietnam benefit more if she concentrates more on the industrial sector? What about the service industry?

We have seen much about the industrialisation scenario, now it is time to look into the tourism environment. Much has been said about Vietnam trying to benefit from the big tourism business in recent times. It was not sure exactly when Vietnam started to pay attention to their tourism industry, but it was assumed in this thesis that it was during the time when they initiated 'Visit Vietnam Year' in 1990.

The service industry in recent years has projected significant growth of approximately 5 percent in Vietnam, coming second in line after the industry sector, which has approximately 9 percent growth in 2000 and 2001.

Hence, instead of concentrating being an industrialised economy, can Vietnam also benefit if she were to switch to the service industry instead? She has several other options:

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<sup>29</sup> Embassy of Vietnam in UK, [www.vietnamembassy.org.uk](http://www.vietnamembassy.org.uk) , last accessed June 2003



1. Would she remain an agriculture based industry, as done before during the command economy?
2. Would she opt for an ‘agriculture – industry – service’ development strategy, which is similar to China?
3. Vietnam has taken off being an agricultural economy when they started their reforms. Would she opt for an ‘agriculture – service’ development strategy?

Several countries in the region have opted for the service industry as a catalyst to their economic growth and to solve many of the problems that Vietnam is currently facing. The service industry, namely the tourism industry to be more specific, seems to be a cure-all. There are many questions that Vietnam would have to consider when it comes to tourism planning. For example, what kind of tourism market would Vietnam want to attract visitors from all over the world? We shall look into more in depth in the next few chapters.

## CHAPTER 3

### *Economic Development and Tourism*

#### **3.1 Economics and Development studies**

In recent times, it is not sufficient to understand the traditional economics or political economy and engaged them into the development of any country. It is too simplistic and most likely not suitable to fit into the context of the developing world. Indeed, a new branch of economic term, economic development seems more likely to fit into the context of developing world. We shall look into more details of each term.

#### **3.11 Traditional economics**

Traditional economics refer to the classical and neoclassical economics of western context which are usually taught in American and British textbooks. They would deal with an

‘advanced capitalist world of perfect markets; consumer sovereignty; automatic price adjustments; decisions made on the basis of marginal, private-profit, and utility calculations; and equilibrium outcomes in all product and resource markets. It assumes economic rationality and a purely materialistic, individualistic, self-interested orientation towards economic decision making<sup>1</sup>.’

#### **3.12 Political economy**

Political economy involves the role of power in economic decision making, and hence is concerned with the relationship between politics and economics. Thus, this economic term has gone beyond the boundaries of traditional economics. The political elites will

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<sup>1</sup> Todaro (1994) pg 8

influence the allocation of scarce resources, either for own benefits or for larger population, in contrast with traditional economics, where they leave it to the hands of market forces.

### **3.13 Development economics**

This will have a greater scope. Efficient allocation of scarce productive resources still remains as the main priority. However, in addition to that, development economics also deals with economic, social, political and institutional mechanisms, both private and public, necessary to bring about rapid and large scale improvements in levels of living for the masses of poor developing countries.

There is a big distinction between the developed and developing world. More than often, the commodity and resource markets are highly imperfect, consumers and suppliers have limited information and have disequilibrium in the markets, unlike the developed countries, where their conditions are more perfect.

One of the most important differences between developing and developed countries is that of incomplete or missing markets. Consider the market for insurance. In principle, residents of a developed country can insure their assets or their lives subject to contingent risk under a climate of uncertainty. In developing countries the insurance market may be non-existent or not available for rural farmers who are most subject to risk and uncertainty. The market for credit is also incomplete. Thus developing countries create informal loan markets (loan sharks) where

the rate of interest is exorbitantly high.

Thus the essential components of development economics are the larger government role and some degree of coordination economic decision making, as they are needed, often desperately, to transform the economy. Thus, the study of development economics, as said by Todaro (1994), ‘must be sensitive to the uniqueness and diversity of Third World societies. (pg 9)’

#### Economies as Social Systems

Thus, for the developing world they must be analysed within the context of an overall social system of a country. Social system would mean the interdependent relationships between so-called economic and non-economic factors. The non-economic factors in Todaro (1994; pg 13) includes ‘attitudes towards life, work and authority; public and private bureaucratic and administrative structures; patterns of kinship and religion; cultural traditions; systems of land tenure; the authority and integrity of government agencies; the degree of popular participation in development decisions and activities; and the flexibility or rigidity of economic and social classes.’ These factors differ greatly between cultures and societies.

Thus, there is a need to go beyond the traditional and simple economics. There have been many failures of development policies in Third World countries<sup>2</sup>. It is often the case of non-economic variables listed above, were excluded from the analysis. This study agrees with Todaro that values, attitudes and institutions, both domestic and

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<sup>2</sup> Todaro (1994) pg13

international, play crucial roles in the overall development process. As Todaro (1993, pg13) has said:

‘Just as some economists occasionally make the mistake of confusing their theories with universal truths, so they also sometimes mistakenly dismiss these non-economic variables as ‘nonquantifiable’ and therefore of dubious importance. Yet they often play a critical role in the success or failure of the development effort.’

### ***3.2 Development***

The term ‘development’ in strict economic terms, means ‘capacity of a national economy, whose initial economic condition has been more or less static for a long time, to generate and sustain an annual increase in its gross national product (GNP)’ (Todaro 1994:14).

In the early days before 1970s, economic development would involve and concentrate on the implementation of development strategies of rapid industrialisation, often at the expense of agriculture and rural development. Thus, the main focus of the past is to create the necessary conditions for the wider distribution of the economic and social benefits of growth that the problems of poverty, unemployment, and income distribution were of secondary importance.

#### **3.21 The New Economic View of Development**

It was in the 1950s and 1960s that the Third World nations experienced contradictions in their economies. While they have met their economic growth targets, their levels of

living of their people still remained poor. This implied the traditional view of development was too narrow to define in Third World nations.

Thus, the new term of development in the 1970s is redefined in 'terms of the reduction or elimination of poverty, inequality and unemployment within the context of a growing economy' (Todaro 1994: 15). As Todaro has stressed,

'Development must therefore be conceived of as a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty.' (1994:16)

Not only has the development involved the economy as a whole, but for individuals as well. Professor Goulet (sighted in Todaro 1994:17) said that there are three core values to understand the inner meaning of development. They are (1) sustenance, which is the ability to meet basic human needs; (2) to have self-esteem for individuals and (3) freedom and have the choice to choose.

### **3.22 Objectives of Development**

It is important to know and understand the literature review of 'development' of Third World nations so that it can be applied accordingly, in this case, to Vietnamese context.

Vietnam currently is aggressive in turning her economy into an industrialisation economy as a tool of development. This study suggests that tourism can also be a tool of economic development for Vietnam, as she did have the resources and a big potential to join the ranks of Asia's tourist destinations. Nonetheless, the main objectives of

development, be it industrialisation or tourism industry, are the same. There are two objectives.

- To raise levels of living and provision of basic life-sustaining goods

Despite having experiencing high economic growth since the Doi Moi days, the majority of her population are still poor and some live below the poverty line. Thus, it is essential to narrow the gap and to raise the level of living. It has hoped that the economic development, fuelled by tourism, can help in rising the levels of living and will enhanced the material well-being of her people and thus increased the self-esteem in the long run.

- To help Vietnamese's economy grow and solutions to economic problems

Vietnam has experienced tremendous growth in the 1990s in her economy. Most of the results would come from the industrialisation and exports. Vietnam has targeted to become an industrialised country as the main priority, and perhaps tourism as second. Thus, this study may want to suggest that tourism can be shared on par of the priorities with industrialisation to help Vietnamese economy grow. One of the main economic problems is to create employment for her young populations. It has hoped that the jobs created as a result from tourism can get her people employed and thus able to earn a living for themselves.

### ***3.3 Theories of Development***

There are many development theories, and the four major development paradigms<sup>3</sup> are Modernisation, Dependency, Economic neo-liberalism and Alternative development.

These theories have different emphasis on the issues in how development affects one's economy. There are other paradigms also mentioned.

#### **3.31 Modernisation paradigm**

Modernisation was evolved after the Second World War in the 1950s and 1960s, as the very first development paradigm. This theory emphasised on the 'modernising' of a traditional society which involved a shift from rural to urban and from traditional agricultural to industrialisation. It was proven successful in war-torn Europe as they were able to rebuild and modernise their economies within a few years. Thus, it was thought that this can be applied to Asian countries too.

#### Rostow's Stages of Growth

One of the approaches of Modernisation goes into the country is going through different stages as they develop, also known as Stages of Economic Growth by American economic historian Walt W. Rostow (Todaro 1994: 69) . The stages are 'traditional society, pre-conditions for take-off, the take-off, the drive to maturity and the age of high mass consumption'<sup>4</sup>. It is assumed that the economy would follow according to these stages. Thus, the rich countries have attained the 'take-off' stage, while the underdeveloped countries are still at the 'traditional society' stage.

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<sup>3</sup> Telfer, D.J. (2002) 'Tourism and Development: Concepts and Issues'

<sup>4</sup> *ibid*, pg70



Modernisation theory has been criticised to be too ‘westernised’ and an ideology to justify western involvement and domination of developing world. This theory also does not offer any other alternative routes to development. Moreover, some tradition values are not compatible to modernity. This is especially true to many Asian developing countries, where their traditional values and cultures are entirely different from the Western ones.

### **3.32 Dependency paradigm**

This paradigm is developed as a critique to Modernisation paradigm, and is ‘best known neo-Marxist development theories’ (Schuurman 1993). The common factor underlying this theory is that, most developing countries had colonial past and thus are in dependent position in terms of political, economical and institutional structures, as compared to developed nations, or rather, modernised societies in the Western world. Therefore, these countries are indirectly dependent on the developed world.

The first approach is Neocolonial Dependence Model, where the Third World is still in the state of underdevelopment, due to ‘historic evolution of a highly unequal international capitalistic system of rich-poor country relationships’ (Todaro 1994:81).

The dualism-development approach (Todaro 1994: 83) is similar in the sense that, the dual society (rich and poor) is living together in existence. More than often, the rich is exploiting the poor by means of cheap labour, thus an unfair treatment to the poor.

Desjeux (1981, sighted in Sharpley 2002:43) has commented that this dependency theory also applies to culture. Most of the development projects, he noted are of western

philosophy and applying to local cultures. ‘Development projects tend more towards an attempt at normalising social behaviour on the basis of rules and scientific organisation of work or Western organisational models’. Thus, to them, there is one universal reality and such thoughts are not beneficial to developing nations who have weak cultures. There may be very little integration between local cultures and development projects as local population are not involved.

#### Political economy approach

This school of thought is closely associated with the work of Stephen Britton and tourism is developed along the line with the historical colonial past and economic dependency. The basis for discussion includes only the capitalist or free market economies, not the socialist states because of the large government involvement in business enterprises.

The argument of this school comes like this. Most tourists to the less developed countries are usually from the affluent or ‘richer’ countries. Hence, in order to cater to these tourists, the companies has emerged target at this ‘market’. The three main branches of the tourism industry – hotels, airlines and tour companies, have now become trans-national in their operations since 1980s, and as a result they have more or less monopolised the tourist market by offering successful marketing of tourist packages. This means a much larger volume of sales and economies of scales.

The less developed countries open their arms to these investors, especially the hotels to their home land, however, more than often, both the companies ‘invaded’ the country

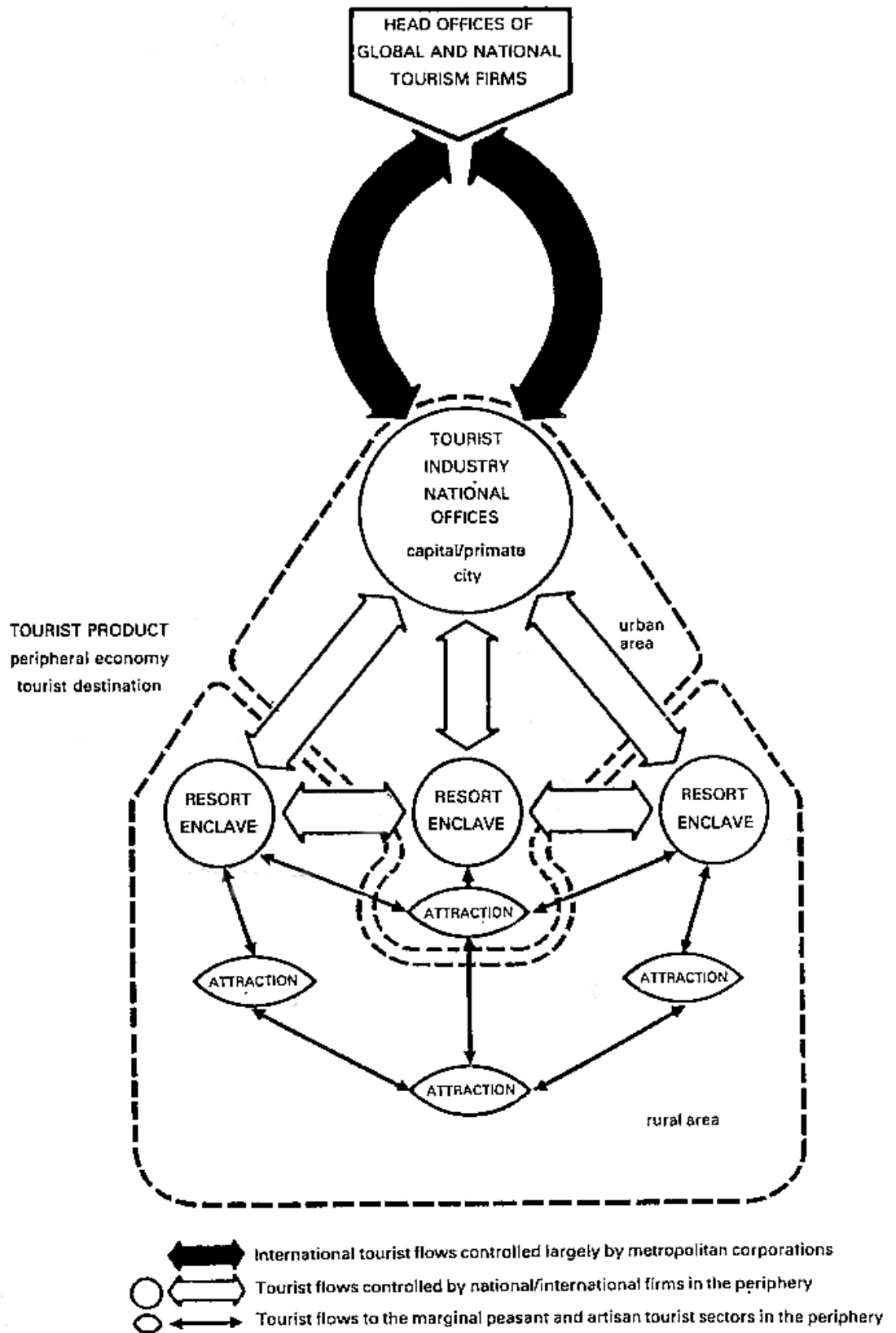
and offer some unfair trading conditions, and hence engaged with unequal trading relationship.

Britton has noted the inequality. First, the tourist expenditure would be retained by the trans-national companies, especially if the tour packages include both foreign hotel and airline, the money remained in the host country would reduced to almost twenty per cent. Second, tourists are mostly confined to isolated areas which are separated from the local population. Third, their packages offer are often substitutable and thus reducing the host countries' control over their own market.

This school of thought attempts to show how international tourism operates and flourished in a world economic system characterised by severe distortions and imbalances. All in all, this school of approach tend to be in a negative tone that tourism is developed 'at the expense of the less fortunate' (John Lea, 1988). The enclave model next page (figure 3.1) is designed to explain the political economy approach in a simplify way.

Although this dependency theory speaks out the voice for developing countries, it has been criticised to be pessimistic and cynical. More than often, the issues mentioned are too simplistic to be applicable to solve the practical issues currently facing the developing countries.

Figure 3.1: The Enclave Model



### **3.33 Economic neo-liberalism**

This theory supports on the free market structure. The theorists are all against the policies from strong government intervention. They believe that the problems of the developing world are caused by ‘irrational government intervention’, which includes foreign trade controls and price controls.

#### Free Markets and Privatisation

Instead, they believe the strong market forces and the comparative advantages will bring about the changes to the economy. They also favour the supply-side macro-economics, free competitive markets and the privatisation of state enterprises. Private investments from the developed world are strongly encouraged. Therefore, there should be a change in emphasis to ‘supply-side factors, private investment, market-led growth and outward development while turning away from older developmental policies based in demand stimulation, import substitution, state intervention and centralised developing planning’ (Brohmam, 1996).

#### Structural Change and Patterns of Development Model

In this second model, we see the economy transform from an agricultural based to a modern urbanised society, which involves new industries as the engine of economic growth. This may eventually resulted in the change in consumers’ demand to manufactured goods and services. Hollis B. Cherney has done extensive work on this model. His study included the cross sectional (among countries at a given point of time) and time series (over long periods of time), of countries at different levels of per capita income led to the identification of several characteristic features of development

process, which may include the change in demands from emphasis from food to desires of manufactured goods. In this approach, it sees savings and investments as necessary but not sufficient conditions for economic growth. Thus as Todaro (1994:79) has said:

‘In addition to the accumulation of capital, both physical and human, a set of interrelated changes in the economic structure of a country are required for the transition from a traditional economic system to a modern one. These structural changes involve virtually all economic functions including the transformation of production and changes in the composition of consumer demand, international trade, and resource use as well as changes in socioeconomic factors such as urbanisation and the growth and distribution of a country’s population.’

The structural change analysts have noted the constraints of both domestic and international on the country’s development. The domestic ones are for example, its physical and population’s size, country’s resources endowments and government policies. The international ones are access to external capital, technology and international trade that ‘make the transition of currently developing countries differ from that of now industrialised countries.’

The international bodies such as World Bank and International Monetary Funds (IMF) have come up with programmes to direct at policies changes to receiving countries. They are targeting at problems areas such as removing import quotas, reducing inflation, privatisation of public enterprises and export promotion (Mosely & Toye 1988, sighted in Sharpley 2002:45). The actions are related closely to this neo-liberalism theory, and recognised the fact that the developing countries are part of a highly integrated international system that can promote and hinder their development.

Despite its optimistic outlooks, this neo-liberalism theory also has their criticisms. One of them is that the financial solutions provided are of western influence and thus it may not be suitable for different receiving countries. Secondly, there is a threat that the disadvantage groups may face situations like low wages, removal of labour regulations, rising prices for basic consumption and cutbacks in social assistance programmes, while the advantages groups may have key contacts and power to gain at the expense of the disadvantage. Thirdly, they fail to recognise the individual and unique problems faced by different countries of the developing world. It is especially so in Asia, where each country has their own unique cultures, historical background, political structure and problems.

### **3.34 Alternative development**

Alternative development is developed as a result from the criticisms from the previous mentioned paradigms. In the early 1970s, due to the dissatisfaction to the mainstream development paradigms, people are looking for an alternative approach, a much more people-oriented one.

The first one is the basic needs, based on the problems of malnutrition, infant mortality, sanitation, to name a few. This believes to provide the basic needs to human races, so that they can fulfil the full potential to develop their physical, mental and social personality.

The second one is the grassroots approach, which involves the involvement of non-government organisations (NGOs) to play a vital role to communities. One good

example is charity organisations, where they are much closer to the problems to the local people and able to implement suitable solutions.

The third approach is the sustainability concept, as they bear in mind the limitation of resources available to human and society, and the previous mentioned paradigms do not include environmental factor into development process.

Needless to say, there are criticisms too. First of all, the basic need approach fails to recognise the importance of political environment, which are vital to every economy's development (Van Der Hoeven, 1988, sighted in Sharpley 2002:49). Also, this approach is seemed to be hostile towards development strategies that may be proposed by international organisations, and thus created barriers to participations that ironically, they may need (Brinkerhoff & Ingle, 1989, sighted in 'ibid'). As for the sustainability concept, they are too vague in their approach, for example, they are not sure what and which one to sustain, and how much to sustain. The environment impacts itself is difficult to quantified and qualified as well.

### **3.35 Emerging Approach: New Growth Theory (Endogenous growth)**

It was in the late 1980s and early 1990s that the Third World debt crisis escalated and as a result, the traditional theories could not explained the phenomenon and no longer can be applied to the Third World situations. Despite the numerous efforts from both the World Bank and International Monetary Fund (IMF) to help, the receiving countries still experience little or no growth and or failed to attract foreign investments.



It was then the New Growth Theory was introduced, where this theory, as Todaro said,

‘provides a theoretical framework for analyzing endogenous growth, persistent GNP growth that is determined by the system governing the production process rather than by forces outside that system’.  
(2003:147)

This theory still maintain the neoclassical theory roots, but ‘it represents a departure from strict adherence to the dogma of free markets and passive governments’ (Todaro 1994: 90).

This can help explain the wealth disparities between the First World and Third World. There are two main focus of this new theory. The first is the governments to play an active role to implement their public policies and promoting economic development in a long run. The second is the investment to the development of human capital and skilled labour, which can contribute to the productivity improvements that in turn can help the economy grow. Tourism industry has a vibrant environment that need human capital to run it and that requires many different specialised skills in their respective line of work, for example, foreign languages, culinary skills, and even training in hotel management. Thus, the available of human capital and a pool of skilled labour is important to tourism industry and according to new growth theory this channel of skilled labour is vital for technical progress.

The shortcoming of this theory is that, it has ignored the other important aspects of components in economic aspects, such as proper infrastructure, inadequate institutional centres and imperfect capital and goods markets. Though this theory is still at its

formative stage, it stills ‘represent a key component of the 1990s development theory’, and is in line with many authors’ thoughts of active government roles in tourism development for developing world in Asia.

### **3.36 East Asian Miracle**

This East Asian Miracle is unique to countries of East Asia. The ‘Miracle’ is actually a study of the success stories of the Newly Industrialising Economies (NIE) which includes Singapore, South Korea, Hong Kong and Japan. We can see many parallels of this miracle to the New Growth Theory.

One crucial point to note in this is that, there is no single explanation that fits the wide range of East Asian case studies because they are too diverse to yield one single recipe for success. Also, different countries have different approach to fit into their context.

Nonetheless, there are important commonalities in the East Asian Miracle. They are<sup>5</sup>:

1. a stable environment that encouraged investment and enterprise
2. powerful incentives to guide resources and initiative into efficient activities
3. some dynamic engine to provide leadership for high-speed growth.
4. large investment in human and physical capital (education and investment are critical).
5. market-oriented approaches as well as government intervention

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<sup>5</sup> Petri, PA (1998:27), *The Lessons of East Asian Success: A Primer for Transitional Economies*

### ***3.4 Tourism and the economic development***

The tourism industry was, and still is considered as an economic cure for countries who have limited primary resources and a small industrial base. This is especially so in the context of developing countries and that means big business. To them, the tourism industry is ‘a vital development agent and an ideal economic alternative for them to develop their countries’<sup>6</sup>.

Tourism is also known to ‘accounts for the single largest peaceful movement of people across cultural boundaries in the history of the world’ (Lett, 1989: 277, sighted in Sharply), that movement of people amounted to 662 million (Sharply). If they do include the domestic tourism figures, then the figure will estimate to be six and ten times higher.

It is not surprising that tourism is widely regarded both in practice and in academic aspects, as an effective means of achieving development. To both the industrialised and less developed countries of the world, tourism has become an important and integral element of their development strategies<sup>7</sup>.

It is widely believed that the benefits that brought about from the vibrant tourism activities can act as a catalyst to the economic development of the country. Many countries, including Spain and Thailand, have adopted tourism as a development tool. Since they implemented their aggressive advertising and promotion, scores of tourists

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<sup>6</sup> Tourism in Developing Countries

<sup>7</sup> Jenkins 1991: 61, cited in Sharpley 2001: 12

came to visit the countries, and bring into tremendous revenues (Oppermann & Chon 1997).

Found in their website, the World Tourism Organisation (WTO) supports the role of tourism as an economical development tools.

‘With its headquarters in Madrid, Spain, the WTO plays a central and decisive role in promoting the development of responsible, sustainable and universally accessible tourism, with the aim of contributing to economic development, international understanding, peace, prosperity and universal respect for, and observance of, human rights and fundamental freedoms. In pursuing this aim, the Organization pays particular attention to the interests of developing countries in the field of tourism’<sup>8</sup>.

Tourism acts as a ‘spill-over’ effect to the economy. Such ‘spill-over’ effect is beneficial to developing countries that are facing numerous economic problems. The common economic problems faced by developing countries, for example, are rapid population growth, high unemployment rate, increasing social and regional disparities, high trade deficits, mono-structured economies, and a general high dependency on the industrialised countries. Therefore, income generation, employment, increase in foreign exchange and tax earnings, reduction of rural-urban migration and balancing trade account are most often conceived goals of tourism development.

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<sup>8</sup> [www.world-tourism.org](http://www.world-tourism.org) last accessed 04/05/04

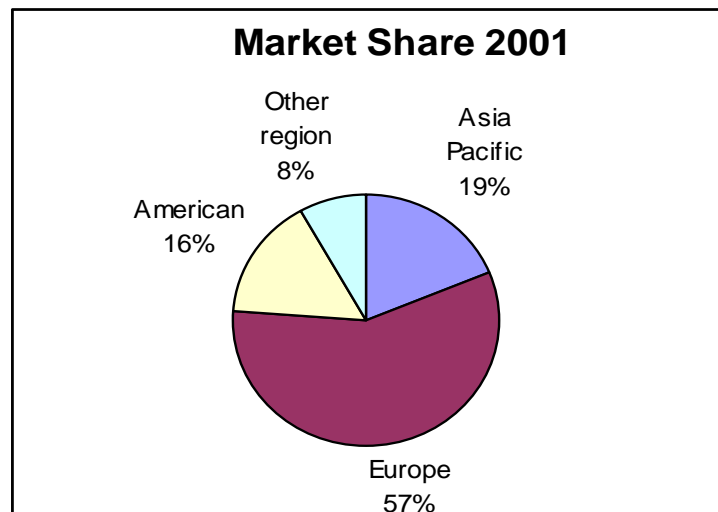
### 3.41 Tourism in East Asia and the Pacific region

According to the World Tourism Organisation (WTO), the East Asia and Pacific region consists of the following countries:

• Australia	• Cambodia	• China	• Korea	• Fiji
• Indonesia	• Japan	• Laos	• Malaysia	• Mongolia
• Philippines	• Thailand	• Vietnam	• Singapore <i>(not member state)</i>	

The region has become the most dynamic tourism market in the world, though it was only in the 1980s where the attention of tourism has shifted to East Asia and the Pacific. At the start of the new millennium, they are ranked second the market share of 19 percent, following Europe (57 percent), and after overtaking the Americas (16 percent) for the first time in 2001. (See the graph 3.1)

**Graph 3.1**



The rise of tourism market is not caused by tourism but rather tourism has benefited from the dynamic economic impetus<sup>9</sup>. The rise in the regional per capita income and cultural perspective of holidays and travel has played a big role in the growth of the tourism market in the region. In 1998, the region has attracted some 71 billion visitors<sup>10</sup>.

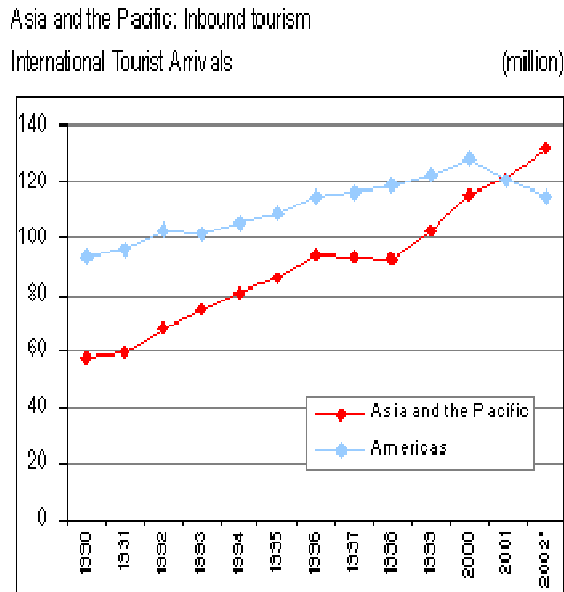
The East Asia and the Pacific region as a whole maintained and carried on its vigorous performance of the past years, and the international tourist arrivals has increased by 10 million to over 131 million. In the last ten years to this new millennium, the Asia and Pacific region has faced with ever increasing international tourism receipts amounted to nearly US\$ 95 billion, which is an increase by US\$ 6.7 billion in 2001.

Thanks to the strong intra-regional demand, the Asia and the Pacific region is experiencing strong growth. Japan, having been a traditionally major generating market, has now lost its lustre, and the whole region is not affected by the weak Japanese economy. There are new emerging markets such as China, Hong Kong, the Republic of Korea, Taiwan and Singapore who are more and more taking over the role as motor of tourism in the region. In the graph 3.2, we can see the inbound tourism to Asia and Pacific region has increased, whilst the inbound tourism to the America has decreased in the period 2001 – 2002. Likewise during the same period, the percentage growth to the Asia and Pacific region has rose sharply to 8.4 percent up from 5.1 percent in the previous period, whereas the world average growth only increased by a lesser percentage.

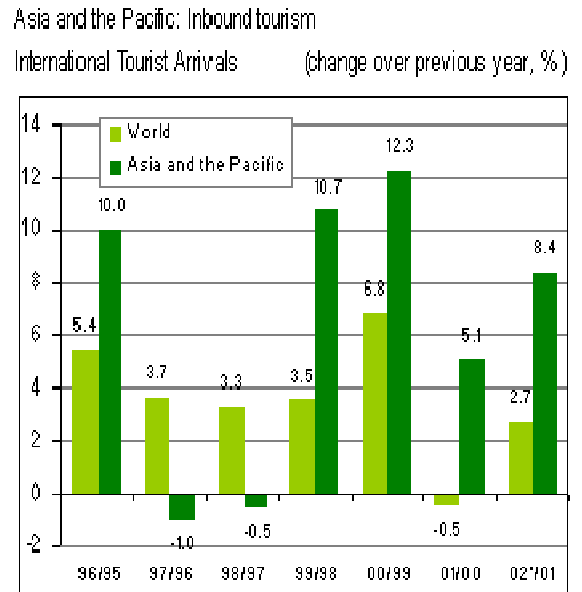
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<sup>9</sup> Tourism & Economic development in Asia and Australiasia

<sup>10</sup> Less developed countries and Tourism



Source: World Tourism Organization (WTO) \*



Source: World Tourism Organization (WTO) \*

Graph 3.2

It has forecasted that the figures are likely to grow further in the future. With such a positive trend, Vietnam can benefit from the tourism industry, preparing them now in order to benefit in the near future.

### 3.42 Why Tourism: the benefits

We have seen several benefits about what tourism can provide to the welfare of the economy. However, just the benefits alone do not justify why one country, namely, Vietnam would choose tourism as a development tool. Jenkins (1997) has outlined several reasons why countries and governments are persuaded to adopt tourism as their development option.

**A. Tourism is labour intensive and creates employment.**

Tourism is a service industry and service depends upon people. This is of particular importance in the developing world where the goal of employment creation is top priority. The youth of Vietnam of age group 16 – 35, stand the majority of the population, and therefore, one of the major political, as well as economic problems, is to absorb these people into the work force. Tourism has a relative low entry level skills threshold, so it can often employ people who require limited training and have limited skills.

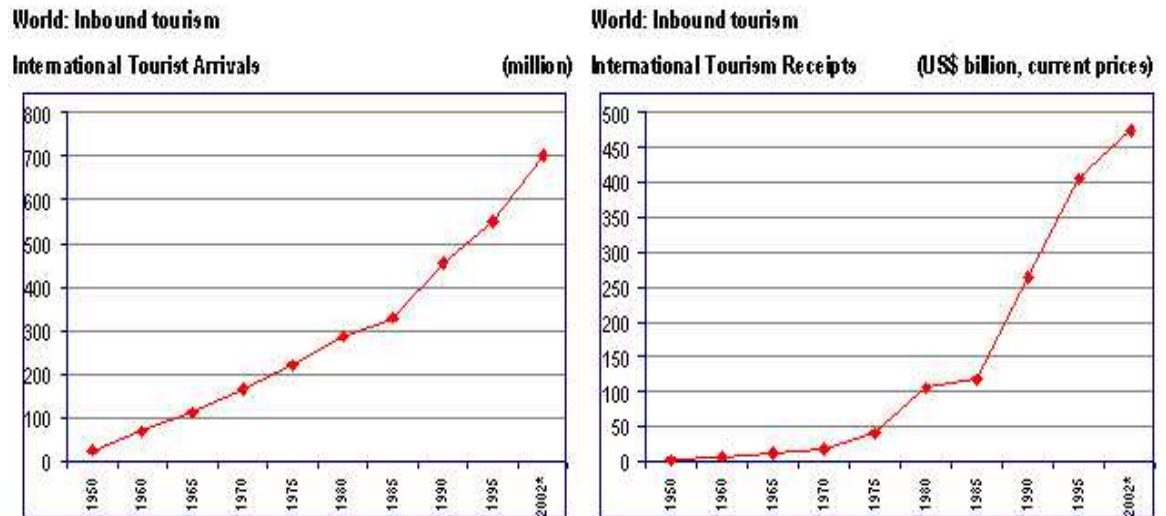
Therefore in many developing countries and Vietnam, many services are provided by human factor, a term known as ‘intermediate technology’. This means most services, are provided by human, such as shoe polishing or opening of the hotel’s entrance door. By contrast, in developed world, such services provided are done by machine or self service. This intermediate technology, where abundant and cheap labour substitutes for scarce and expensive capital, is often an appropriate type of development policy. This creates employment for the Vietnamese.

**B. Tourism contributes to the growth of economy**

Secondly, tourism is proven to be a growth sector. The number of international arrivals shows an evolution from a mere 25 million international arrivals in 1950 to over 700 million in 2002, corresponding to an average annual growth rate of 6.6 per cent. This can be shown in graph 3.3.



Graph 3.3



Source: World Tourism Organization (WTO) ©

The World Tourism Organisation (WTO) has predicted that by 2020, international arrivals are expected to reach over 1.56 billion. Of these worldwide arrivals in 2020, 1.2 billion will be intraregional and 0.4 billion will be long-haul travellers. No wonder many countries in the Asia and Pacific region faced with economic problems, find tourism industry a very attractive and safe option.

### C. Hard currencies

Thirdly, tourism brought in about the hard currencies, much needed by the developing economies. The major consumers of international tourism are from the developed countries, and they are the one who have hard currencies. Hard currencies are needed to buy development goods and expertise. In Asia, the 'Asian Dragons' have also become important generators of hard currency and many of intra-regional tourists are of leisure purposes rather than business travellers.

Tourism can generate foreign exchange earnings, and thus a very attractive option for those countries with limited reserves of foreign exchange and limited ability to earn foreign exchange. In countries like India and Thailand, tourism is now the most important net earner of foreign exchange. There are many countries in the Third World where tourism has occupied this particular niche and it is the main reason why tourism is supported by governments in the developing world.

#### **D. Relative absence of tariff barriers**

There is a relative absence of tariff barriers relating to international tourism, as compared to manufactured goods and other forms of exports. Very few developed countries nowadays limit either the outflow of their residents or how much money they take with them. These would imply the free flow of movement of people and thus increasing spending, and therefore beneficial to the inflow of revenue to host countries. Though there are no physical trade barriers to tourism, however, it is feared that the barriers can be created via another channel, notably by trans-national corporations. These corporations have bases in different countries, and hence hold the 'economies of scales' power in the market, which sometimes put many small and local companies into limbo.

#### **E. Environmental assets**

In each different developing countries, they have their own 'environmental assets' such as natural infrastructure, climate, beach and wildlife. More than often, visitors from developed countries are attracted to such places as they are either no longer found or do

not exist in their homeland. They have a good quality appeal and that has become the major attractions in their own right.

#### **F. Travelling and holidays part of people's lifestyles**

Tourism is no longer seen as an output of economic wealth. Travelling and taking holidays are part of the people's lifestyle. Research indicates that people will protect holiday expenditure even in deteriorating economic climates (Jenkins 1997). This is a very important factor because even after such a major event as the Gulf War, tourism in the Asia and Pacific region recovered very quickly. The term tourism holds very different meaning to both developed and developing world. As Jenkins (1997:54) said,

'Tourism in the developed world is a social activity with economic consequences, whereas in the developing countries, tourism can be regarded as being an economic activity with social consequences.

#### **G. Infrastructure**

Tourism, needless to say would need a good network of infrastructure, so that tourists can go to where they want to go with ease, and the companies and tour companies can operate with ease and efficiently to provide services.

Infrastructure<sup>11</sup> is an umbrella term that consists of not only of transport sectors (e.g. railways and airports), but also the public utilities (e.g. power, telecommunications and piped water supply) and public works (e.g. roads).

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<sup>11</sup> World Development Report (1994), pg 2

Infrastructure itself is vital to any economy, whether developed or developing. As stated in the World Development Report that 'infrastructure represents, if not the engine, then the 'wheels' of economic activity'. (1994:14)

Thus, alongside with the development of tourism industry come with the investment and improvement of the infrastructure, will also benefit Vietnamese economy as a whole. For example, a paved road from the city to the countryside served the purpose for tourists to visit the villages. But that same road can also be used to transport rural produce to the city. Also, on a larger scale, the improvements to the airport facilities do not only serve the visitors to Vietnam, but also to the cargo services used by freight companies for business purposes.

### ***3.5 Definition of terms***

The terms 'tourism', 'developing countries' and 'Third World nations' used in this chapter and in later chapters, 'tourists/ visitors' have various meanings to different organisations and people. Thus, it is vital to understand the different terms used in this thesis to get the whole picture right.

#### **3.51 Tourism**

Despite the growing influence of tourism as an economic development engine, there are still difficulties in defining 'tourism'. Tourism is involved in a very complicated network of different activities from different sectors. Such activities are the core of the

tourism market which is recognisable. Thus, tourism is still considered an industry as a result. One example given by Jenkins (1997: 50), he stated that

‘...one of the complexities of tourism is that it embraces huge developments such as EuroDisney and yet it can also include a very modest scale guest house or a pony trekking centre. It is a difficult sector to delineate but one which requires some analysis to understand its significance.’

According to the Tourism Satellite Account (TSA) from the World Tourism Organisation<sup>12</sup>, they define tourism as:

‘It comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.’

Statistics on tourism sometimes do not show a full picture of what is actually going on in the tourism market itself. This is especially in the viewpoint of international tourism. Oppermann (1997) has pointed out the bias towards the studying of international tourism. The most commonly and traditionally held idea was that, the tourist flows from the developed to the developing countries (Harrison 2001: 10). However, Butler and Mao (1995, sighted in Oppermann 1997: 2) argued that such perspective has not taken into account the ‘often larger domestic flows within developing countries’. Very often, the tourist flows are also within the domestic boundaries. As they has stated,

‘... in many developing countries domestic tourism is the primary demand generator and neighbouring developing countries often constitute the largest source of foreign tourist arrivals.’

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<sup>12</sup> [http://www.world-tourism.org/statistics/tsa\\_project/TSA\\_in\\_depth/index.htm](http://www.world-tourism.org/statistics/tsa_project/TSA_in_depth/index.htm) accessed 13 July 2005

For example, in Malaysia, domestic tourist receipts are rising at a rate estimated at around 15% a year<sup>13</sup>. Also, as said earlier, the intra-regional arrivals amounted to 1.2 billion<sup>14</sup>.

### **3.52 Developing Countries/ Third World nations**

There are many terms used to classify the different economies by different organisations. Similar terms such are ‘Third World’, ‘developing countries’, ‘less developed countries’ are commonly used.

The World Bank organisation classifies the economies by income and region. Basically, they have ‘Low-income’, ‘Middle-income’ and ‘High-income’ category, each category with upper and lower scale. It is stated in their World Development Report that ‘low-income and middle-income economies are sometimes referred to as developing economies’. It is out of convenience that they use such terms. For consistency, the term ‘developing countries’ would be used in this thesis in later chapters.

Based on the World Bank’s definition, most of the developing countries are to be found in the region of Asia, Africa and Latin America. The countries in each different region all possess an entirely different culture, language and people, and thus, it does possess a different degree of difficulties. Nevertheless, they do share some similar characteristics<sup>15</sup>.

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<sup>13</sup> Tourism and Economic development in Asia and Australiasia

<sup>14</sup> World Tourism Organisation, last accessed 23/06/06

<sup>15</sup> Lickorish et al (1997: 210)

1. They have narrow resource-based economies.

This means that their ability to sustain economic development, and particularly through exports, is limited.

2. They are dependent on the export of primary products for the generation of foreign exchange

3. The so-called Terms of Trade have moved against the developing countries

4. Some of the developing countries have severe population pressures.

These pressures of population are obviously major constraints on development efforts. They have to import many developmental inputs, particularly capital equipment and expertise, at world market prices, and therefore are forced to pay world prices to maintain any development impetus.

5. This particular event has affected many developing countries, which is the freeing of colonial links.

Even though there are criteria in order to match whether one's country or region, to be developing or developed, such terms are still very vague and sometimes do not hold a true picture. A very good example would be the newly industrialised countries (NIC) in Asia. Taiwan, Singapore, South Korea, Hong Kong belong to this group. Their per capita GDP stands at US\$25,300; US\$27,800; US\$19,200; US\$34,200 respectively. These countries have shown some similarities with the first world countries, however, as they are in the Asia region, which still houses majority of the developing countries, therefore the NIC would still be regarded as developing countries.

### 3.53 Tourists/ Visitors

What criteria are needed in order for one to be classified as a 'tourist' or 'visitor'? There are many doubts about what would be the best definition. And it has been a futile task to arrive at one agreeable term of definition. In this thesis, the term tourists and visitors are used interchangeably.

In the Tourism Satellite Account (TSA) from the World Tourism Organisation, their latest categories of visitors are as follows, based on their impact on the national economy of a country:

- International visitors: non-residents visiting the country of reference, or residents visiting a foreign country;
- Domestic visitors: residents visiting within their own country.

As for the doubts in whether the term 'tourist' or 'visitor' is correctly classified, the TSA has listed out the exclusions in the categories of 'International visitors' and 'domestic visitors'. Thus such exclusions cannot form part of the crowd of the respective group.

Even so, there are still questionable issues. Tourism and the people's activities is such a dynamic environment to understand, and it seems too superficial for such a simple definition and explanation to apply to the dynamic context.

One of the issues of concern is the data compatibility and availability. On a wide scale across the international borders, there are different methods used in collecting and evaluating data. Such differences seem innocent, but can posed a lot of problems when



it come to accurate reporting. Not only on the international scale do they face such problems, the problems on national scale are not spared either.

Oppermann (1997) has identified three simple but critical questions.

1. Who is a tourist?
2. Should land arrivals simply be discounted?
3. What data to use when none is available for a longer time period?

### ***3.6 Tourism as a tool for development***

It was after the Second World War that mass tourism has come into existence in the business world. However, it was only in the 1960s that the research on tourism was done more actively and in masses (Pearce 1989), and are used mainly as a tool for development by international organisations such as United Nations, for example.

During the 1960s, tourism is popularly put in line with the modernisation paradigm, due the huge amount of revenues and foreign exchange that may be earned and the tourists' expenditure that may led to large multiplier effect, which are essential to keep the economy going (Graburn & Jafari 1991). Theoretically speaking, it is easy and optimistic, but in reality, this may not be the case. A lower multiplier effects and a high level of leakages can add on the cost, rather than adding on benefits to develop the economy. This is especially a true case in countries like Vietnam where they may have to import many of their supplies as they don't produce themselves, or imports goods that match with the requirements of tourists from Western countries. In disciplines such

as anthropology and sociology, the negative impacts of tourisms in developing countries are increasingly noted (Graburn & Jafari 1991).

In the 1980s and 1990s, the neo-liberalism paradigm focus on tourism being an invisible export in the tertiary sector in the economy, and thus stresses on international markets and competitive exports, which can also bring in substantial revenues. In recent years, the concept of sustainability has adopted the Alternative development, which includes ecotourism (Smith & Eadington 1992).

Tourism has been gaining popularity with developing world, and often engages tourism as their development engine to stimulate their economy. However, despite the popularity, there have been very little studies that actually engage both tourism and development. More than often, both the tourism and development strategies appear parallel to each other and yet a separate issue. What most tourism studies include are the impacts of tourism (Pearce 1989). Many other authors though recognise the importance of tourism as development strategy, but very few actually make references to the development paradigms (Oppermann 1993, Harrison, 1994). Jenkins (1991, sighted in Sharpley 2002:12) also agreed with this point that there are insufficient materials on tourism development.

‘...within the tourism literature, the development and promotion of tourism is largely justified on the basis of its catalytic role in broader social and economic development. Importantly, however, relatively little attention has been paid in the literature to the meaning, objectives and processes of that ‘development’.

Thus, studies focusing more on the tourism development will be needed and beneficial to understand more on tourism's benefits, and therefore may be able to provide a better solution for individual countries.

**CHAPTER 4***Tourism in Vietnam****4.1 Tourism in Vietnam***

Vietnam lies in the south-eastern part of Asia, where she borders the Gulf of Thailand, Gulf of Tonkin, and South-China Sea. She lies along the eastern border of Laos, Cambodia, and the southern border of China. Vietnam's coastline stretched at the length of 3,444 kilometres<sup>1</sup> and there houses many of the wonderful beaches.

Vietnam has a low terrain, where she has a flat delta in the South and North; central highlands and hilly, mountainous in far north and northwest area. Spreading at 325,360 square kilometres from north to south, Vietnam gets to experience different type of climates conditions throughout her land. She is tropical in the south area; and yet monsoonal in north with hot, rainy season in mid-May to mid-September and warm, dry season in mid-October to mid-March.

Vietnam has a lot of natural resources which are of potential attractions to both existing and potential tourists. The unspoilt beaches, lakes, forests, mountain ranges and some rare species of flora and fauna are just some of the many natural resources she has. Her varied climates changes can also be one of the attractions too. Though Vietnam has experienced war last 30 years ago, she nonetheless still retained much of the rich history and culture that are of interest to visitors.

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<sup>1</sup> CIA, [www.cia.gov](http://www.cia.gov) last accessed 10/10/2005

## ***4.2 Brief History of tourism in Vietnam***

### **4.21 Before Doi Moi 1986**

Vietnam's tourism industry has come a long way since their reunification with North Vietnam in 1975. Then, Vietnam was faced with the mess and ruins from the numerous wars, and also cut off from the international flows of tourism. It was not surprisingly as tourism was not given the top priority in national planning. The only visitor to Vietnam at that time was from the members of Council for Mutual Economic Assistance (COMECON), such as the then Union of Soviet Socialist Republics (U.S.S.R, now Russia) and Eastern Europe. Then, Vietnam also played host to the then- Soviet Union. It was thus not surprisingly for Vietnam to earn meagre earnings from these visitors. As a result, the facilities and services to cater to visitors were all of poor quality as they might not have the incentives to improve on them. It was in 1986 when the ministers realised the potential of tourism industry to bring in about the much needed foreign earnings to Vietnam. And thus when Doi Moi was initiated, the tourism plans were also implemented within.

### **4.22 Tourism after 1986 and after 1989**

The beginning years were obviously not an easy task. Vietnam at that time lacked many essential and basic resources such as capital, infrastructure, experience and a trained labour force<sup>2</sup>. The conflicts faced by different political groups also hindered the implementation of policies. Despite a gloomy picture in the beginning, there were many investors at that time who poured in into Vietnam to look for investment opportunities.

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<sup>2</sup> Tourism In South and Southeast Asia: Issue & Cases C. Michael Hall 2000 pg 167

In 1988, US\$1.96 billion was invested in 104 hotel development projects (Harrison 2001).

After the collapse of the Soviet Union in 1989, ties between Vietnam and the remaining Communist countries have loosened. In 1990, visitors from all over the world had expressed their renewed interest in this country and thronged through Vietnam's doors. Thus, Vietnam initiated 'Visit Vietnam Year' in 1990. It was intended to promote Vietnam as a tourist destination to the world. This campaign is deemed to be not as successful as expected. Vietnam could not handle the sudden influx of visitors in large numbers, and had faced shortage in airline seats, hotel services and other tourism services. One of the major problems faced was the strict visa regulations that restrict visitors to Vietnam. Such contradictory policies must have frustrated many visitors.

Nonetheless, this very first campaign was significant as it was organised as part of the reform measures during the 'Doi Moi' period and signalled the re-emergence of Vietnam to the international tourism market. In 1995 and 1996, the Foreign Visitors' arrivals were at 1.35 million and 1.61 million respectively (Graph 4.1).

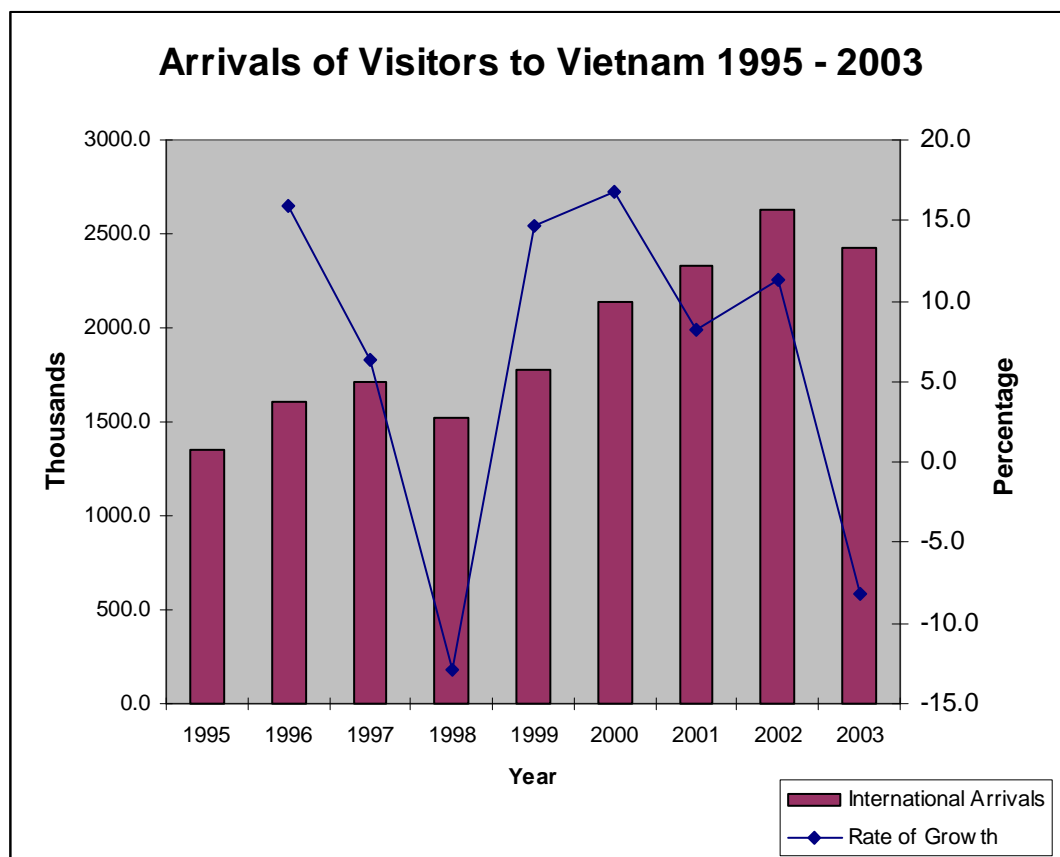
#### **4.23 Tourism after 1990s**

The Vietnamese government has realised the importance and potential of tourism industry, and thus put more attention in its development. The tourism is the growing significance to the Balance of Payments as they bring in the foreign earnings that are needed to buy everything from expensive machineries to local construction to infrastructure. The Vietnam National Administration of Tourism (VNAT) was set up in

1992, and was placed directly under the control of the Prime Minister. Their Resolution 45/ CP on the ‘Renovation of tourism management and development’ issued on 22 June 1993<sup>3</sup> have stressed:

‘Concentration on overall planning for tourism development in the whole country, and the setting up of tourist centres with outstanding and attractive products for drawing domestic and foreign investment capital’.

As such, the VNAT began to concentrate on ‘boosting tourism development and turning the traditionally passive business into one increasingly corresponding to the country’s great potential<sup>4</sup>’.

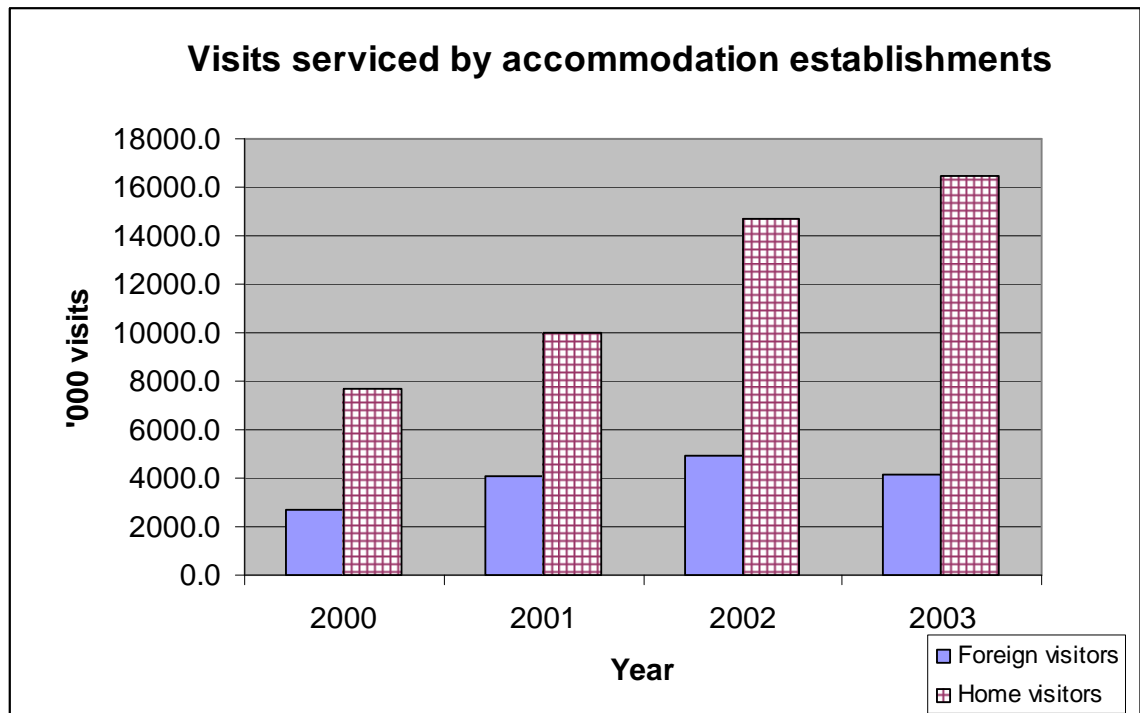


**Graph 4.1**

*Source: General Statistical Office*

<sup>3</sup> sighted in Michael Hall 2001: 175

<sup>4</sup> VNAT, 1995, sighted in ibid

**Graph 4.2**

Source: Extracted from General Statistical Office of Vietnam

It has not been clear about the statistics of the domestic travellers. However, based on graph 4.2, in 2003, there were nearly 16 million home visitors in accommodation establishments, compared to 4 million of foreign visitors. This is a substantial amount and it can be assumed that the home visitors stand a considerable pie of the tourist statistics in Vietnam.



Now, the government is very determined to make tourism one of the important industries in the country, and thus has stated goals that are beneficial to the development. For example, they have specified they want to have an open door policy and gladly welcome foreign investors to Vietnam and guarantee a fair and equitable treatment to all. The Vietnamese government encouraged foreign organisations and private persons to invest in these areas:

- Foreign exchange services such as tourism, ship-repair, airport and seaport services.
- Joint Ventures and foreign contribution to legal capital<sup>5</sup>.

They also want to relive government budget from the burden of subsidising the unprofitable state enterprises, thus increasing the ability to transfer the funds to other much needed development plans.

#### **4.231 The National Tourism Action Programme 2000 – 2005**

This is a new programme to further enhance Vietnamese tourism industry, the evidence that the government is starting to be serious about the tourism industry. This programme has been approved by the Prime Minister at the official document 406/CP - KTTH, issued on 20 April 1999<sup>6</sup>. The VNAT has conducted the National Tourism Action Program and Tourism events for 2000, entitled '*Vietnam - a destination for the new millennium*'.

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<sup>5</sup> <http://www.vietnam-tourism.com>, last accessed 04/06/06

<sup>6</sup> *ibid*

From the website, it is clear that the authorities are aware of what the problems lay ahead for Vietnamese tourism industry, for example, the proper infrastructure and skilled labour force; and what they want to do and achieve for the future of tourism. Their objectives are clear and simple in message, which is to be a 'developed tourism country by 2005, and turning Vietnam in to an attractive global destination.' One of their aims is to achieve 10 – 15 percent growth and 3.0 – 3.5 million international arrivals by 2005.

According to the website, the results have been achieved<sup>7</sup> that followed after the implementation were successful.

This is an impressive programme that Vietnam has implemented so far for her tourism industry. There are increasing numbers of international visitors to Vietnam since 2000. However there is a point to note. Referring back to Graph 6, we can see that in the period 2002 to 2003, there was a drastic drop of 15 percent in the international arrivals, though the authorities have rated this programme a successful one. As the reasons were not known, this paper cannot comment much on it but there is a need to find out the reasons behind the drastic drop.

Vietnam is now implementing a new action plan for the next five years from 2006 to 2010<sup>8</sup>. The objectives are similar to the one previously, with a new slogan, '*Vietnam – a hidden charm*'. As there were no such plans known to have done before in the 1990s, it

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<sup>7</sup> <http://www.vietnam-tourism.com>, last accessed 04/06/06

<sup>8</sup> <http://feeds.vietnamnews.net> last accessed 04/06/06

is heartening to see the authorities to turn their attention to her tourism industry which is full of potential to become a successful tourism industry.

The results and some of the positive statistics were known in the website. However, there were no more other information and statistics in regards to the tourism alone, as seen in the General Office of Statistics. For example, it has been said that good image of Vietnam has been achieved<sup>9</sup>. This is a subjective topic, and is there any evidence to support it? Under what circumstances do they say the good image has risen? Hence, a lot more proper statistics and proper reporting of results are needed in order to back up.

### **4.3 Tourist Zones in Vietnam**

VNAT split Vietnam into three zones for tourism development<sup>10</sup> (see figure 1), namely Northern, Central and South-central and Southern.

#### **Northern Zone**

The Northern Zone consists of 27 provinces surrounding the city of Hanoi, and is from Ha Giang to Ha Tinh. Hanoi is the centre of this zone and of the triangle growth rate: Hanoi – Hai Phong - Halong. In this zone, the seaside resorts and related activities are seen as an important focus, especially around Ha Long Bay. Other than the seaside attractions, the city focus on the historical sites and the centres catered to business travellers, including seminar tourism, conferences and sport events.

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<sup>9</sup> <http://www.vietnam-tourism.com>, last accessed 25/06/06

<sup>10</sup> Cooper pg 169 in *Tourism in South & Southeast Asia*

**Central Zone**

This zone consists of 6 provinces and has cities from Quang Binh to Quang Ngai, surrounding the ancestral capital of Hue and the town of Da Nang. Both are also the centres of this zone, and the development axis is Hue – Danang – Lao Bao. In this one zone, there are two different types of tourism packages cater to different interests. Sightseeing and heritage tourism are the focus of the northern area, which also includes Hue. The southern area would focus more on the nature and adventure tourism.

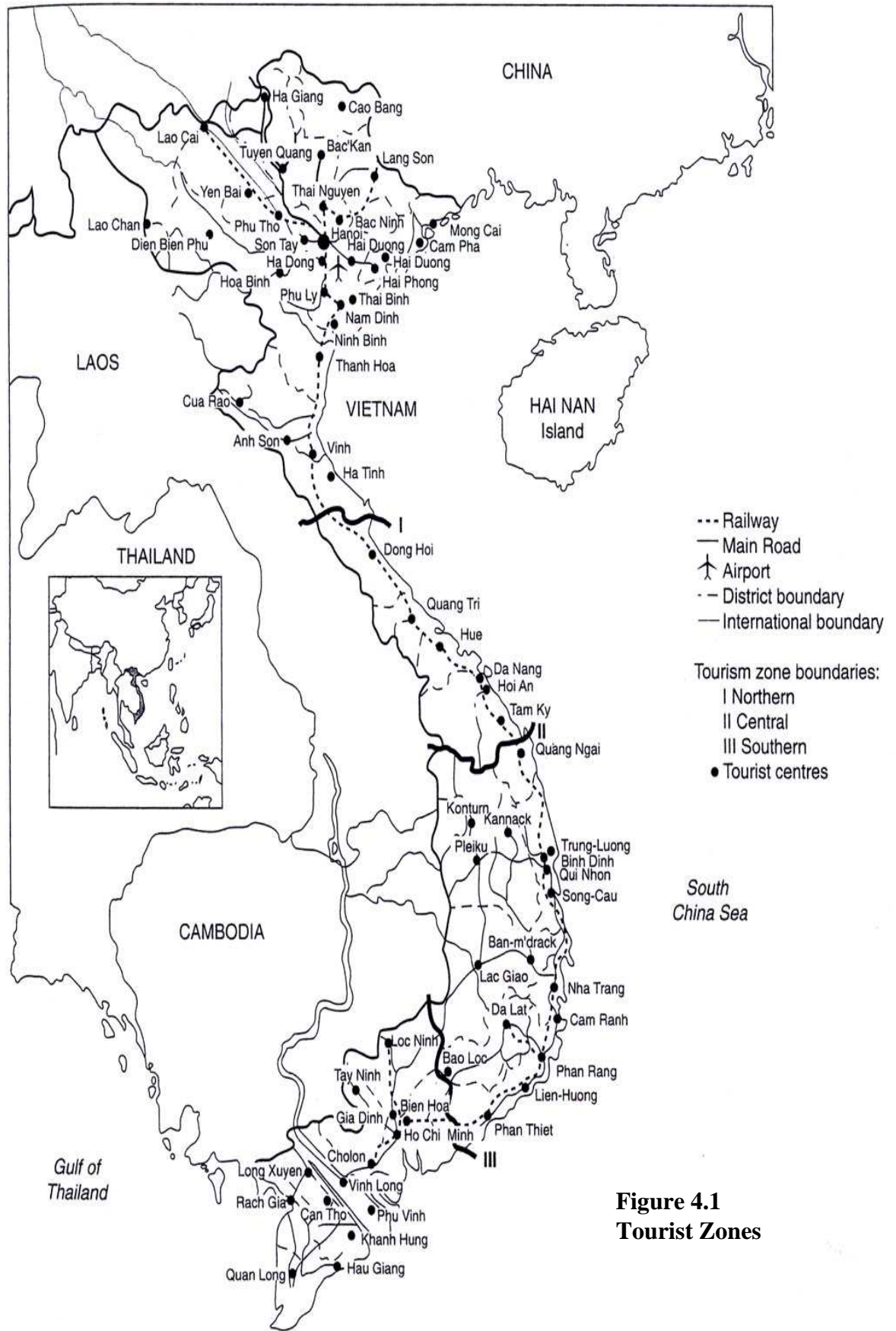
**South-central and Southern Zone**

This zone consists of twenty-eight 28 provinces and cities from Kontom to Minh Hai. Out of which, there are 2 sub-zones: the South-central zone (9 provinces) and Southern zone (19 provinces). Ho Chi Minh City (HCMC, used to be known as Saigon) is the centre of this big zone and have 3 triangle growth rates, out of which, the tourism triangle consists of Nha Trang, Ninh Chu and Da Lat:

1. HCMC - Nha Trang - Da Lat
2. HCMC - Can Tho - Kien Giang
3. HCMC - Bien Hoa - Vung Tau

HCMC is the most developed tourism region in Vietnam. Majority of the tourists to Vietnam would visit HCMC. In this zone, they have all range of tourism attractions ranging from historical and heritage in HCMC to cultural to nature trekking near Mekong River. This region is considered as the main important focus, as the ‘Greater Mekong sub-region is also the main focus of intensive tourism development, assisted by many international bodies such as Asian Development Bank, United Nations Economic

and Social Committee for Asia and Pacific, The Pacific Area Travel Association (PATA) and the World Tourism Organisation (WTO)' (Hall 2001).



**Figure 4.1**  
**Tourist Zones**

### 4.31 Prioritised zones for tourism development

VNAT has also divided Vietnam into 7 prioritised zones for investment<sup>11</sup> (see figure 4.2), in the hope to be able to fully exploit within reasonable means to bring out the potentials of the regions, and at the same, considerations to the environmental aspects are included.

1. Northern Zone: The Hanoi Capital and the surrounding areas (Bac Ninh, Ha Tay, Ninh Binh and Vinh Phu) consists of weekend resorts for locals and tourists. There will be projects which include ancient quarters, West Lake and Ba Be Lake in Cao Bang. Grottoes complexes in Tam Thanh, Nhi Thanh and Nhat Thanh; and cultural villages of ethnic minorities in Ha Tay are also considered.
2. Northern Zone: The priority here is the area consists of Ha Long Bay, Cat Ba Island and Do Son Peninsula near Hai Phong. It is said that the priority should be given to projects on Cat Ba Island and on the water surface of Ha Long and Bai Tu Long Bay<sup>12</sup>. However, it is not clear of what specific type of projects is.
3. Central Zone: The third prioritised area is in the central zone. The tourism projects concentrate on preserving and exploiting cultural and architectural heritages in Hue; revolutionary ones in Quang Tri and natural heritages along the coastal areas of Hue, Lang Co, Hai Van Pass, Son Tra and Da Nang. The ancient town of Hoi An nearby and the Phong Nha cave near Quang Binh are not forgotten too. The

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<sup>11</sup> VNAT, [www.vietnamtourism.gov.vn](http://www.vietnamtourism.gov.vn) last accessed May 2006

<sup>12</sup> Ibid

infrastructure development that links Lao and Thailand through Asian highway to Myanmar, Malaysia and Singapore is also considered in the future.

4. South-Central zone: Various investments should be out in Van Phong and Hai Lanh (the largest marine tourism areas) after the year 2000. The areas Van Phong bay, Nha Trang, Ninh Chu and Da Lat is where the marine tourism should be integrated with mountain tourism<sup>13</sup>. In transportation wise, the railway line between Ninh Thuan and Da Lat will be restored. There will be a construction of airport in Dong Tac (Tuy Hoa) to meet the needs of tourists travelling in southern central zone. In terms of cultural aspects, there will be cultural villages of Tay Nguyen Minority in Lac Commune in Da Lat and the re-establishment of tourist areas in HCMC, Da Lat and Nha Trang.
5. South-central zone: The coastal areas of Vung Tau and Phu Quoc coastal would have tourism projects which focus on weekend recreation sports on Long Hai beach. The replanting of Vung Tau coastal area is also in place.
6. South-central and Southern zone: Here, the project of a cultural village of minorities and an entertainment centre in HCMC and the surroundings are considered.
7. Southern zone: Ha Tien - Phu Quoc area is considered<sup>14</sup> to be the unique marine tourism area in the Western Vietnam. Hence there will be a investment project in Phu Quoc to enhance the attractiveness of the area.

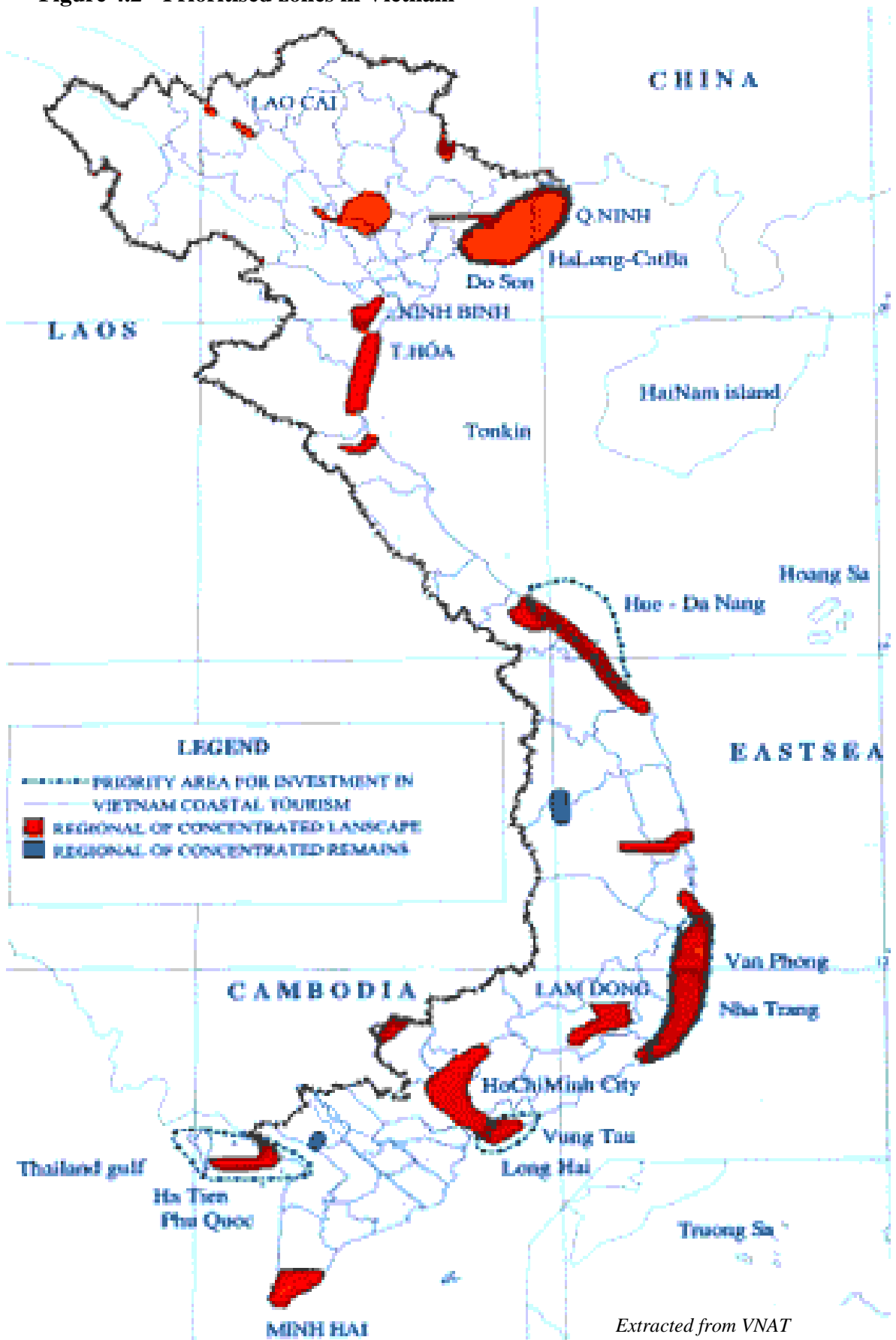
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<sup>13</sup> VNAT, [www.vietnamtourism.gov.vn](http://www.vietnamtourism.gov.vn) last accessed 9/6/06

<sup>14</sup> *ibid*



Figure 4.2 - Prioritised zones in Vietnam



Extracted from VNAT

### **4.32 Type of travel agents and packages available**

In the Pacific Asia Travel Association (PATA)<sup>15</sup>, there have been 19 travel agents from Vietnam registered as members. Among them, there is one state-owned company, named Ben Thanh Tourist Service Company; and the Vietnam National Administration of Tourism (VNAT). The rest are privately own companies by local Vietnamese.

The number of PATA registered travel agents in Vietnam is only the tip of the iceberg. There are still many more travel agents in Vietnam who do not registered. However, this tip of iceberg situation is significant because only one by far is state-owned and the majority are of privately own by local Vietnamese. The Vietnamese government has encouraged foreign investments to Vietnam, and there are local Vietnamese who has taken initiative to open up their own companies. Although the initiative is of personal advantage, this is of good to the country's growth and development.

The tour packages offered by these travel agencies are attractive and catered to people from all walks of life. For example, they have tours for 'relaxation', 'World Heritage', 'Soft Adventure' and 'nature trekking'. Indeed, Vietnam is the place where she has the 'all-in-one' packages. Below is the brief description of some packages adapted from various sources, which are worth mentioning.

#### Classic Tours

This is the most common tour package that offered in most countries. As the name implies, this type of tour offers the basic information of Vietnam, such as history and sightseeing. Almost all of the travel agencies have this tour.

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<sup>15</sup> Pacific Asia Travel Association (PATA) [www.pata.org](http://www.pata.org) last accessed 1/12/05

There is a different degree of such tour, ranging from 7 days to 18 days, and ranges from whole Vietnam; Southern Vietnam or Northern Vietnam. In Vietnam, she took advantage for her rich culture, traditional way of life, beautiful natural infrastructure and heritage. In these classic tours, Vietnam is eager to let tourists to get to know Vietnam's culture and way of lives. This choice of trips will catered to all people at all ages.

#### Soft Adventure Tours

In Vietnam, they introduced tour packages that termed 'Soft Adventure Tours'. This will include biking, diving, trekking, scuba diving, fishing and kayaking trips. The different trips will be in different places, some in Central Vietnam, and some either in the Southern or Northern Vietnam. These tours will also involve going to places where the local lives and the lodging are of the traditional or budget types. This kind of trip will catered to youth groups and those who are keen on adventure trips and is in Asia where the weather is just right for such activities.

#### Golfing tours

Vietnam now joins in the ranks to have golfing tours catered to businessmen and for other golf enthusiasts. The golf clubs concentrated in Southern Vietnam are advertised in the tour books. On the Vietnam tourism website, there are 8 golf clubs<sup>16</sup>, out of which 5 in the Southern Vietnam and 3 other in the Northern Vietnam.

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<sup>16</sup>[http://www.vietnamtourism.com/e\\_pages/tourist/travel.asp](http://www.vietnamtourism.com/e_pages/tourist/travel.asp) last accessed 14/06/06

### Indochina Tours

These travel agents also include tours that visit other countries of the Indochina region namely, Cambodia and Laos. However, there are not much information on the Vietnam tourism websites about the Indochina tours.

### Veteran Tours

Many countries in Asia do have history of war and occupation; none has actually had this tour outlined out as 'Veteran Tours'. This tour is catered to veteran, the old soldiers and other history enthusiasts. Of course, other tourists can visit these places of interest involving the war and occupations in her 30 years of war with different countries.

This is unique because, Vietnam do not see the 30 years of war that torn apart her country; as a barrier to success. The silver lining is that, she is making use of what she has on hand to attract tourists<sup>17</sup> to see these places, and 'be proud' of it

### **4.33 Conclusion**

It is heart-warming to see Vietnam's tourism industry to develop in an aggressive manner, based on their tours packages and enthusiasm of their local tour agents. Despite the many tours packages and travel agencies being aggressive in their marketing strategies, there are still rooms for improvement in many areas. For example, there is not much information about the Indochina tours. It can be beneficial for Vietnam if there are more integration between the tourism industries of both Laos and Cambodia.

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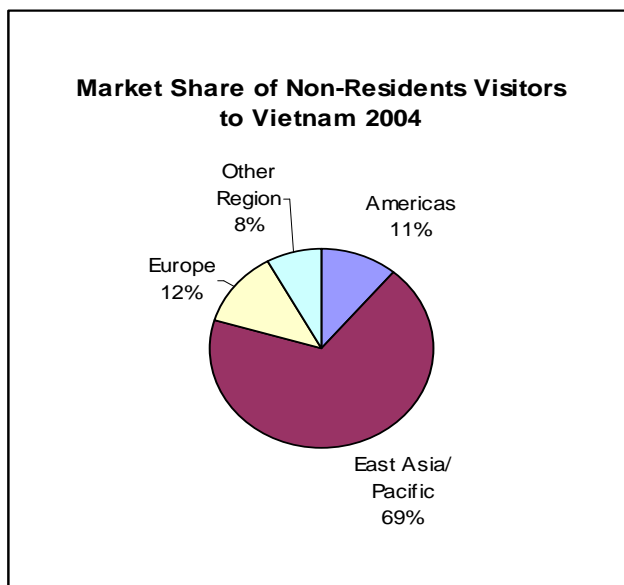
<sup>17</sup> Henderson, J.C. (2000)

We see from the above that the tourists will be lead by a tour guide, and obviously those tour guides will be more or less proficient in English or French languages. Other than that, the tourists may go to places where it is especially catered to them, for example the big cities, or to villages where there may be translators, whom most likely would be the tour guide. All in all, it is a good sign to see some tourists groups and the local Vietnamese people to mingle together, albeit in limited way, seeing them staying in host families or to visit their villages. It is not sure how big this group of tourists are while they are led by tour guides.

#### 4.4 Achievements so far

According to the statistics in the World Tourism Organisation (WTO) in 2004, the number of non-resident visitors to Vietnam is at 2.93 million, which is 20.55 per cent increase from the previous year. The East Asia / Pacific region has the highest market share of 69 per cent (to nearest figure, see graph 4.2).

**Graph 4.2**



Many of the local tour agencies are under the official bodies, but there are a few private agencies existing now in Vietnam. This is a good sign as it may indicate Vietnam is slowly opening to private investors.

#### ***4.41 Problems faced in the Tourism industry to date***

No doubt Vietnam is flying high with promising results from the tourism industry. However, there are still pressing problems of all kinds that are existence in the economy to date. Very often these problems faced are the very essences that are much needed in order for tourism to progress successfully. VNAT has also recognised these problems in their Master Plan<sup>18</sup>.

##### **A. Infrastructure**

First of all, Vietnam's physical infrastructure is either much lacking in quality or no infrastructure. Much of their infrastructure are either destroyed by war or built up without good quality materials, hence now have worn out by weather conditions.

Without a proper and quality infrastructure, tourists may not be able to get to places of interest with ease and safely. In places without infrastructure, there may be no way for them to visit at all, and thus may be a turn off.

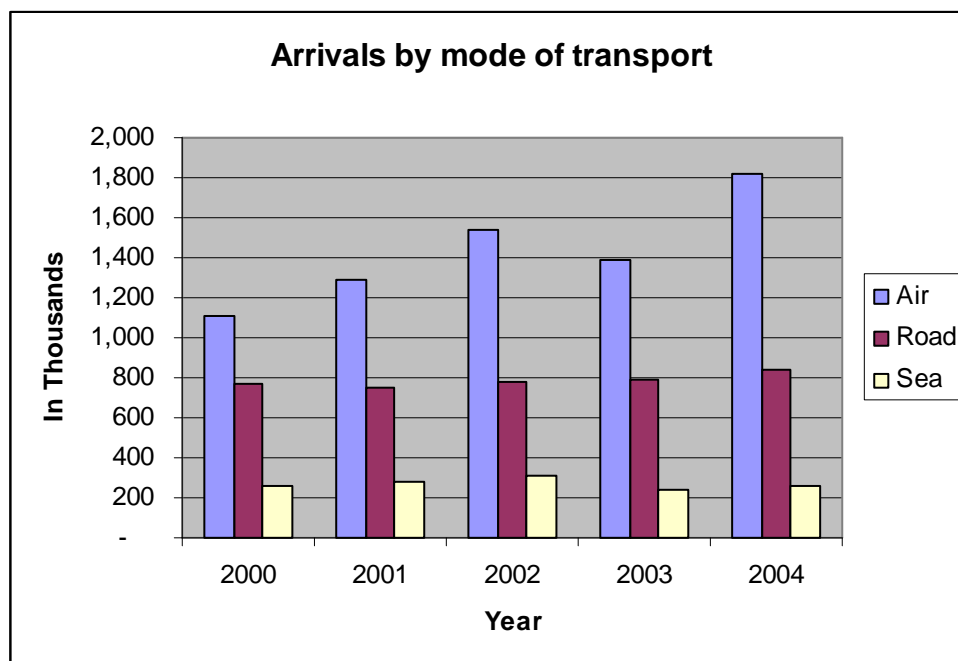
Tourism industry is a group of inter-related activities together, and hence, a good network infrastructure is also vital to for tourism to run efficiently in any economy, both developing and developed. The businesses and activities involved directly and indirectly to tourism will also benefit as they will be able to run their business more efficiently.

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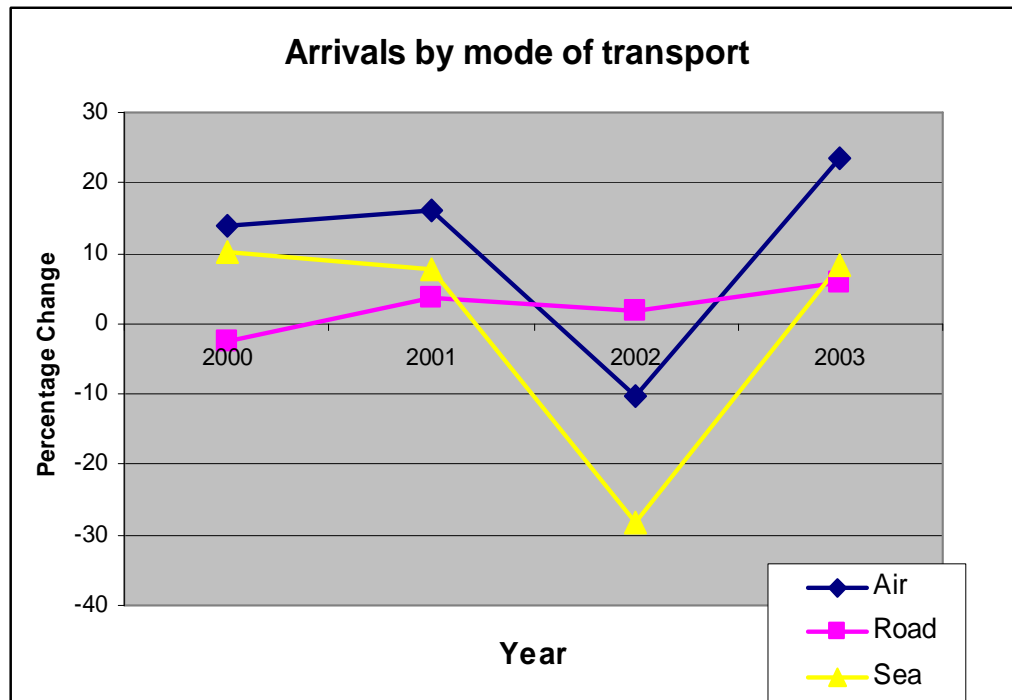
<sup>18</sup> <http://www.vietnam-tourism.com> last accessed 10/06/06

### B. Shortages of rooms and airlines seats

Secondly, there are shortages of rooms and airlines seats available to tourists to Vietnam. This problem is magnified in the campaign 'Visit Vietnam Year' in 1990. This is one crucial point as nearly 90 per cent of the tourists and visitors travel to Vietnam by air transport, as shown in Graph 8. Graph 9 shows the rate of change of the arrival by different mode of transport.



*Graph 4.3*



**Graph 4.4**

According to World Tourism Organisation (WTO) report on Vietnam, the latest figures at year 2001 was 74, 000 rooms under the ‘hotels and similar establishments’ category. Such figures are obvious that the hotels and other similar establishments may not be enough for the visitors. Moreover, it is not clear how the accommodations are spread out in Vietnam. For example, are the accommodations concentrated in Ho Chi Minh City or are they evenly spread out throughout Vietnam? Vietnam has now faced their biggest challenge, said WTO, that they may not be able to meet and have enough rooms to meet demand from business travellers in short term (sighted in Hobson et al 1994). Though the VNAT has forecasted 135 200 rooms by 2010, it is feared that it may not be enough. The existing rooms are also lacking in international standards.



**C. Shortage of skilled staff**

Thirdly, Vietnam lacks skilled staff. The 15 – 64 age group: Vietnam's working population, stand out the most in Vietnam, standing at sixty six percent. Despite that, twenty percent of the working population is unemployed, while 40 percent remained underemployed<sup>19</sup>. This is a pity because the working population is just the big advantage to Vietnam. As a result, most of them will not be suitable for employment in service sectors. So far, there is a lack of hotel and service trainings schools at all levels. Thus, it is feared that they cannot provide the most basic essential service to tourists, the type of service expected by receiving tourists. This is the most important point to note as it is contradictory. On one hand, Vietnam put tourism industry as top focus to their economy; on the other hand, they lack the most important resources to be on front line.

**D. Lack of experience and skills**

Fourthly, while the front line staffs lack experience and skills in providing services, the language barriers are also another obstacle faced by both front line staffs and tourists. Since most tourists do not speak Vietnamese, then the next common language to communicating will be either English or French (due to French colonisation). However, most Vietnamese serving front line speak little English or French, and thus they are not able to communicate smoothly. Therefore, there might be misunderstanding whereby the tourists thought the local Vietnamese are too proud to serve them, whereas the local Vietnamese do not understand what the tourists' requests or enquiries, and hence the confusion.

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<sup>19</sup> Oppermann & Chon (1997:33)

With this kind of confusion, the tourists will feel resented and frustrated and may not want to visit in the future. Vietnam cannot afford to lose these important tourists that can bring in foreign revenues to Vietnam, and also cannot afford to lose out in this highly competitive tourist industry, both internationally and regionally as the other countries have both experience and resources to serve.

### **E. Government**

The next important weakness to note is the government system in general. The Vietnamese government is keen to adopt market-oriented strategies to help revitalise their economy. This is of course, one of the most important reasons why foreign investors thronged through Vietnam's doors in the late 1980s and 1990s. Things were all right at that time. However, problems started to brew out after 1997, and though things are improving years after, the results has not been promising (>>>). Some constraints faced are primitive financial and banking system and weak legal system.

#### **I. Red tape bureaucracy**

One of the constraints is the red tape bureaucracy faced by foreign investors. The whole environment is still marred by the red tape and still implied that the Vietnamese economy and government are still not as open as the investors would have liked. Faced with such situation, frustration amongst investors is not surprising. There is much mistrust in the government and in order to make things fast, often lead to abuse to power and corruption. The investors have termed Vietnamese's bureaucracy as 'heavy, overlapping, costly and ineffective'

There are many articles that have spelt out such political problems in Vietnam. In the article *Asian Business* in 2000<sup>20</sup>, their study has shown about the red tape problem in Vietnam.

‘In the broader picture, Vietnam remains hampered by its authoritarian and capricious government, rampant corruption, a plethora of business licensing requirements, and complex and contradictory legislation interpreted by a weak judicial and administrative law system’

In another separate article at a later date in 2003<sup>21</sup> a similar article has appeared in *Asia Today International* regarding the Australian investors in Vietnam. The foreign investors has expected a certain degree of openness in the economy, however they do not like any type of sudden decisions and policies passed down by the government that caused confusion amongst investors.

## II. Land Ownership

The next issue to pinpoint is the landownership, the problem faced by hotel organisations. In Vietnam, all the land is owned by the government, and they do not allow private bodies to own. Thus, it is a complicated issue of ‘private versus state’.

## III. Construction materials

The earlier hotel building projects in the early 1990s has been built, however some new projects has faced problems of importing construction materials from other countries.

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20 All talk, no action Stephen W Mallory. *Asian Business* Hong Kong: Nov 2000. Vol. 36, Iss. 11, p. 57-59 (3 pp.)

21 Vietnam remains difficult for investors Anonymous. *Asia Today International* Sydney: Apr/May 2003. Vol. 21, Iss. 2, p. 15 (1 pp.)

They may be various reasons behind it. Whatever the reason is, the delay in the arrival of construction materials can cause many inconvenience and delays at a heavy price.

#### **F. Data collection**

Data collection involves the collections of feedback and statistics in this case, tourism of all aspects. For example, tourism arrivals, receipts, expenditure, number of hotel rooms etc. would all be needed. In Vietnam, the availability of tourism data from their General Statistics Office are ‘outcome of tourism’, ‘Average expenditure per domestic visitor’, ‘Average expenditure per foreign visitor’ etc.

There are people who have questioned the reliability of such data available on hand because of the inconsistency used in the methods to collect data and lacked transparency, and the inefficiency of the authorities. There have been a few collections of data which are either out of date or it is not completed.

VNAT has one official website; however, there are many four other informal websites that are associated with VNAT too. The website of VNAT being official is a representative of the authority on the internet, and this would be the first stop where visitors from all walks of life would look to. This may create uncertainty and confused image to any potential visitors who wish to know about Vietnam.

This is irony as while Vietnam is increasing putting tourism as one of their main engines of growth, but there were not enough data available to able to fully analyse the

whole market. Therefore, there is a need to improve as this form the basis for market research and planning.

#### ***4.42 Conclusion***

Vietnam is deemed to be the new money making place in Southeast Asia. However, both new and existing investors may have a different story now, especially facing with problems as above. All in all, there is lack of security in investment amongst investors. This is not a good sign as Vietnam needs such investments in order to allow their economy to grow. Moreover, the investors themselves cannot get enough funds for investment due to a risky environment. All these factors are unfavourable to Vietnamese economy.

#### ***4.5 Conceptualising theories into Vietnamese context***

The theories mentioned in Chapter 3 are developed in order to allow more understanding to the reality of the real world, and to take up plausible solutions that may be of use. This can be a difficult task because there are many different schools of thoughts that it may all be applicable to Vietnamese context, depends on what you are looking into. Nonetheless, since most models are developed based on the real life situations of tourism of different countries, Vietnam can also learn from there.

#### **Modernisation**

This school of thought has formed the underlying base for many tourism studies in developing countries. It emphasised on the ‘modernising’ of a traditional society which

involved a shift from rural to urban and from traditional agricultural to industrialisation, and also as ‘a development strategy to transfer technology, to increase employment, to generate foreign exchange, to increase GDP, to attract development capital and finally to promote a modern way of life with western values (Britton 1982; Cater 1987; Mathieson & Wall 1982 and Harrison 1992, all cited in Sharpley 2002: 52).

Thus, this helps us understand the initial steps that Vietnam had taken in 1986 where ‘Doi Moi’ was adopted to help revitalise the economy and ‘modernise’ the country and the results that come after that. However, in the early stages of ‘modernisation’ in the 1980s and 1990s, tourism industry did not take up much credit to help Vietnam to achieve high growth of average 9 percent annual in GDP. It was all due to the industrialisation and agriculture sectors act an engine of growth at the time.

As the emphasis of tourism industry only comes in during the late 1990s, this school of thought thus cannot explain the role of tourism as the main engine to modernise Vietnam. Moreover, the economy is just too dynamic to only focus on growth of GDP, increase employment etc. The history, culture and social aspects of Vietnam play a part too.

As the trend of tourism started to move into the new century of new tourism (chapter 5), Vietnamese tourism industry would need to be ‘modernise’ in order to adapt to the dynamic changes of the new tourism. This new idea of ‘modernisation’ involved would be more important as a tourism strategy rather than the traditional concept of modernisation where it only involves the growth of GDP and other economic indicators.

Thus this school of thought cannot help us understand fully about the Vietnamese tourism industry.

### Dependency

The common factor underlying this school of thought is that, most developing countries had colonial past and thus are in dependent position in terms of political, economical and institutional structures, as compared to developed nations, or rather, modernised societies in the Western world. Therefore, these countries are indirectly dependent on the developed world.

This school of thought may have explained Vietnam's colonial past and the history, as Vietnam was once a French colony. As for Vietnamese tourism, the Political Economy of tourism by Britton may explain the current situation.

According to Britton (1982, sighted in Sharpley 2002: 55), the third world economies often lack control over their tourism industry, and were indirectly control by the 'marketing system of comprehensive, standardised tourism packages organised in developing countries' and also 'tourist destinations rely on multinational corporations for tourism infrastructure and tourists.' As Vietnamese authorities may have lacked the skills, expertise and funds to build the appropriate resources (hotels and staffs, for example), they have to call upon the foreign investors, which are for example, the big hotel chains.

It was on the dependency of such corporations known as trans-national tourism corporations (TTCs). Hence, Brown (1998, sighted in Sharpley 2002:274) warns that *'a combination of oligopolistic corporate control by TTCs and ineffectual state intervention/ regulation continues to sustain an unequal model of tourism development whose benefits flow predominately to a privileged minority of state officials and TTCS.'*

Vietnam's goal towards a sustainable and efficient tourism industry lies heavily on FDI<sup>22</sup>. Out of which, there are a whopping 70 percent of the total projects now involves the hotel and services building, and 12 percent are of building entertainment-complex projects, and only 9 per cent involves developing tourism spots. Hence there is a risk for Vietnam to lose control of her own tourism industry to those TTCs.

Dependency theory is one of the many theories here that can explain about the past and present of Vietnam, in both economic, political and tourism aspects, even though it is of western influence. However, there are still some aspects that this school of thought cannot explain. For example, it stressed rather strongly about the dependency of the TTCs and the arrival of international visitors to the host country. However, they fail to recognise that there have been a few local private enterprises that are fast growing in the Vietnamese tourism industry too and also do not explain the existence of fast growth intra-regional visitors to Vietnam. Hence it is not entirely true that Vietnam only depends on the international visitors, i.e. from the developed countries, but also from the regional countries.

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<sup>22</sup> <http://www.vietnam-tourism.com/vietnam.gov> last accessed 14/06/06



Economic neo-liberalism

This approach emphasised on the changes to the economy structure which mean having new industries as the engine of growth and the usage of Structural Adjustment Lending Programmes (SALPs) (Mosley & Toye 1988; Chenery 1995, cited in Sharpley 2002: 45). And under tourism's context, the utmost importance as an economic activity is to earn foreign exchange.

This is just the very case in Vietnam as she is placing Industrialisation as her new engine of growth, and slowly moving away from agriculture. This study also recommends tourism industry be another new engine of growth, as it would be beneficial for Vietnam in the long run. Vietnam has understood the power of privatisation and market free forces to help revitalise their economy. Vietnam would be able to succeed if they are more open- minded and clear with their goals and approaches. Vietnamese tourism industry has also received numerous financial supports from several organisations both locally and overseas. For example, 30 domestic and overseas investors poured in US\$ 39 m to Southern province; American Technology Inc. (ATI) invests US\$ 6.6 m to northern resorts over 5 years. World Tourism Organisation (WTO) offers to lend technical assistance to Vietnam<sup>23</sup>.

Vietnam's primary aim when developing tourism extensively is to benefit from the foreign inflows of revenue received from international tourism, and then is to solve their economic problems such as unemployment. Vietnam being a socialist economy would

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<sup>23</sup> ibid last accessed 14/06/06

imply that there will be extensive governance interference, however, they do like free market mechanism to help develop their economy.

However, despite that this school of thought cannot fully fit into Vietnamese context. First of all, Vietnam is not a pure free market where this school of thought is based on, but rather a mixed economy, albeit a stronger government intervention. Secondly, it is of western influence and may not be suitable for Asian context. Thirdly their structural change means a total change from traditional agriculture to a 'modern' industrialisation or tourism industry. Vietnam though put less emphasis on agriculture, nonetheless, Vietnam still have three sectors in the economy to date. Lastly, it concentrates on the growth of economy as a whole, and thus does not talk much about other specific issues. For example, the social aspects of the country are also important to the running of the economy. Therefore, this school of thought can only help us understand about the adoption of market-oriented policies to tourism industry but cannot fully explain other aspects.

#### Alternative development

The whole idea behind the alternative development paradigm is all about sustainability, the very concept that tourism research has recently adopted. The types of alternative development strategies lie in the following as suggested by Brohman (1995, cited in Sharpley 2002: 59): 'small-scale, locally-owned developments, community participation and cultural and environmental sustainability.' He also cautioned that it is important to take into considerations of the changing conditions and the interests of individual countries before coming up with any strategies.

Vietnam does not adopt any sustainable tourism strategies as yet in the 1980s and 1990s. It was actually in the latest Master Tourism Plan that VNAT has looked into the sustainability of tourism in Vietnam. However it was not clear of how exactly Vietnam might want to sustain. It was stated briefly in previous sections that they are considering building a cultural villages of ethnic minorities in Ha Tay. Hence does this actually means the involvement of the local community?

Therefore, this school of thought does not readily explain the Vietnam tourism in terms of the sustainability as it is not clear about Vietnam's intentions.

#### New Growth Theory

This theory is all about the importance of human capital and public policies in the economy, and hence investment on human capital and appropriate public policies are crucial to the success of the economic development, and particularly to the tourism industry.

Since the early days in 1980s to 1990s, there was not much emphasis on the development on human capital as yet in Vietnamese tourism industry. What they did concentrate was the development of infrastructure and hotels chains for the arriving tourists by the foreign investors; and the total arrival of the tourists into the country. All these improvements on the physical aspects of tourism and the expenditure of the tourists were their main concern.

It was not till the latest Master action plan in 2000<sup>24</sup> that the VNAT started to concentrate to focus on the development of human capital and tries to enhance the public environment to create a favourable tourism environment in Vietnam. Hence, this theory does explain briefly about Vietnam's later plans on the human capital. However, as far as this study is concerned, there is no literature that integrates tourism and new growth theory, as compared to the integration of the conventional theories (modernisation and dependency) and tourism. As it is of western influence, there is a concern whether this theory is appropriate for Vietnam as she is of different political environment, or even whether this theory can actually integrate with tourism research in Vietnam.

By far, the closest literature that discussed about the development of human capital is Robinson & Yee (1997). They focus on the education and training (which are of western influence) that is already in existence in the front line workers in Asian's tourism industry. They are concerned about the diversity of the culture in each different country in Asia, and hence, 'how comfortably does Western vocational education fit into their lives and cultures? (Robinson & Yee 1997: 338)' Also, as they are too concerned that the initial intention to increase the employment rate for the local population is jeopardised by the import of their foreign counterparts into the host county as they are more experienced and can speak the language of the services in tourism industry.

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<sup>24</sup> VNAT <http://www.vietnam-tourism.com> last accessed 12/06/06

Nonetheless, despite the criticism that comes with this new growth theory, their emphasis on the importance of human capital can never be undermined. The success of the Vietnamese tourism industry relies also on the human capital, among all other factors. Thus, what is needed here is the adaptation of the new growth model and applies to the context of Vietnam.

#### East Asian Miracle

This approach is unique to East Asia, as the economies (specifically, Singapore, Hong Kong and Japan) are developed in a different wavelength as their western counterparts. As it has stated in Chapter 3, these are the success stories of the economies in the same region as in Vietnam. Thus there are many parallels and variations that may fit into Vietnamese context. Hence, it is worth looking into the context of the winning formula of the East Asian Miracle, shown in Chapter 3.

In the latest Master Action Plan, VNAT are aspiring to make Vietnamese tourism industry an attractive destination to visit in the millennium. As a result, the authorities are implementing many policies and objectives that are in line with the East Asian Miracle's commonalities mentioned above.

This approach looks into the economy as a whole, and hence it was not yet in the integration with tourism research as yet for Asian countries. Nonetheless, the basis of the active government intervention in implementing market-oriented policies may still be suitable because Vietnam remains as a socialist country where the government still hold the main power. The East Asian Miracle may well serve as a bottom line to create the stable environment for a successful tourism industry to be in.

However, it has to be reminded that the active government role is to for the best of the country's interests, and not towards the idea of corruption that may still exist rampantly in Vietnam. Also, as the countries mentioned in the East Asian Miracle are all of entirely different in terms of cultural diversity, political and economical aspects, the model has to be adapted accordingly to Vietnamese context.

#### **4.51 Conclusion**

Each of the theory mentioned above explains a certain aspect of the Vietnamese tourism industry. For example, while the dependency theory explains about the colonial past and dependency of TTCs and international visitors, the new growth theory explains about the importance of investment in human capital for the tourism industry. Hence despite the many criticisms that the theories may have, the adoption of the theories are still important to help us understand more of Vietnamese tourism. Having said that, the initial understanding of the Vietnamese tourism would help us move forward to the next stage.

#### ***4.6 What will be next?***

So far since the beginning of Doi Moi, things had been good: investors thronging into Vietnam and facing positive economic growth in the 1990s. Since 1997, the economic problems have crept out. As a result, either potential investors are not putting Vietnam

as their top choice for investment opportunities, or the existing investors are losing confidence when staying put in Vietnam. These are not what Vietnam would want.

It has been written that Vietnamese's plans for tourism development is considered to be optimistic, but only on paper. One very crucial and basis reason is that, Vietnam has yet to have resources to fulfil the plans. The questions poised below might have led Vietnam to be unclear with her path, especially with the strategic approaches:

‘should it seek to actively promote investment in tourism without being able to service such development properly, in which case the investor may decide to abandon the development, or should it restrict investment until conditions are more favourable, in which case investment capital will definitely be taken elsewhere?’

Now facing with huge intense competition from the global tourism markets, there is even more urgent need to for Vietnamese authorities to ‘wake up’ and be clear with what they want to do, and eventually what to do, and implement new strategies. It is never more than important for Vietnam to address the problematic areas faced by the tourism industry.

The Vietnam tourism industry in this chapter talked about basic issues and problems that exists to date and that are needed to be addressed before any kind of strategies, be it marketing or economic to be implemented successfully. Having born that in mind, it is also vital to look forward to the 21<sup>st</sup> century, where there is the existence of new trends for the global tourism industry that Vietnam must not ignore if she were to be the global destination of the new century. With that, there is a need for new marketing strategies too. We shall look into more details in the next chapter.

## CHAPTER 5

### *Tourism and Marketing Challenges in the 21<sup>st</sup> Century*

#### *5.1 Tourism in the 21<sup>st</sup> Century*

At the start of the new millennium, tourism is firmly established as the number one industry in many countries and the fastest-growing economic sector in terms of foreign exchange earnings and job creation.<sup>1</sup> International tourism is the world's largest export earner and an important factor in the balance of payments of most nations.

It is vital to make note of the new issues in this 21<sup>st</sup> century, which have big implications to tourism of the future. This was the period of when new breeds of consumers are rising and thus new trends and demands are emerging. This new breed of consumers set the pace and direction of changes to the tourism industry, while the new technology in the new century provides for the flexibility to move forward.

#### *5.2 New issues and their implications to tourism*

1. There will be an increasing affluence in the developed world

Despite any of the economic problems that may face the developed world now, nonetheless, they are still stable, at least for the next five years. The low interest rates, low inflation and low unemployment are the norm, as compared to many developing countries. This is seen in American and European market. Cetron (2001) believes that the developed world will have the affluence in the future too.

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<sup>1</sup> <http://www.world-tourism.org/aboutwto/eng/menu.html> last accessed 15/12/05



*Implications*

The majority of the tourists to the developing world will be from the developed world. The new Asian exotic tourism market will be the new attractions for the West in years to come.

2. Technology dominates the economy and society

The companies are well aware of the power of technology and have since included in their business for a much more efficient and fast operations for both themselves and their consumers.

Marketing practices are also becoming more sophisticated and these also allow marketers to produce a better product for their consumers as they have more access to more data and market trends. This is considered the most important change to the transfer of information and communication radically. It is shown evidently in examples of computer reservation systems, data processing, electronic networks such as Internet and email.

*Implications*

In years to come, technology changes the way how both consumers and suppliers would consume, in terms of tourism especially. The only factor slowing this process is the shortage in trained, creative scientists, engineers and technicians to exploit all the opportunities available to everyone. More of these are in the later sections of this chapter.

### 3. The population of the developed world is living longer

In many developed countries such as in United States or Europe, their population are aging and are living longer<sup>2</sup>. Out of the total population in the United States, the largest group is the baby boomers, the iconic name given to those who are born between the years 1946 – 1964. This group nearly accounts for 32.35 percent (77 million) of the USA total population in 2000<sup>3</sup>.

Baby boomers are now the targets of marketing activities for most industries due to their tremendous spending power of US\$2 trillion<sup>4</sup>. Their typical characteristics are: value and quality conscious, but not necessary price sensitive. They experienced hectic working lifestyle, and therefore are constantly seeking products that promote wellness, relaxation and stress reduction. Also, unlike their forefathers, the baby boomers are much more exposed to the world due to the globalisation and technological changes. As a result, their adventurous natures have been triggered and are keen on travelling to see the world. No wonder all industries, including the travel industry are eager to tap this resource.

#### *Implications*

With the knowledge of well being, and advanced medical services, these help the baby boomers and the rest of the population to live well and healthy. Having facing

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<sup>2</sup> Cetron, M (2001), *Tourism and hospitality into the 21st Century*, pg 22

<sup>3</sup> US Census 2000, [www.census.gov](http://www.census.gov) last accessed 23/05/06

<sup>4</sup> Morais, Robert J. , '*It's Time to Connect With Baby Boomers*', Brandweek, New York, Mar 6, 2006. Vol. 47, Iss. 10, p. 20

retirement and with some extra disposable income during this time, it can be good for tourism. Tourism packages with extra comfort for elderly are in high demand.

4. Time is becoming the world's most precious commodity

With the usage of technology which makes the whole work process more efficient, it was once hoped that there will be less time at work while more time at leisure. The time that was once would have been spent in shopping or household chores are now spent in factories and offices, and leisure is becoming scarcer. There is no sign of this trend slowing down in near future. Workers of all kinds nowadays are seeking ways to relax in this time tight environment.

*Implications*

Due to big changes in lifestyles which are hectic with heavy workload and stress, holidays abroad have become an essential therapy for revive the personal equilibrium. The demands for short breaks or weekend getaways are now getting very popular amongst the working population. There may be two groups of markets seeking different needs. Either they look out for brand names since they are the 'best' and can experience the luxurious satisfaction; or they look out for the 'cheap and good' holiday getaways.

5. Generation X and Generation Y will have major effects in the future.

Generation X and Generation Y, just like baby boomers, are iconic names given to those who are born within a specific time frame in America. The years 1964 – 1981 and the years 1982 – 2003 are for Generation X and Generation Y respectively. As these two terms are generally used in the United States, the same term may not apply to other

people born in the same period but in different places globally. For example, the Generation X cohort in the Western countries are different from the cohort in Asia, in terms of education levels, disposable incomes and political experiences.

Despite that, due to the globalisation and the fast changing in technological advancements, the differences between the cohorts from different countries have narrowed. This cohort grows up with technology, namely, computers, mass media and advanced telecommunications.

### *Implications*

Generation X and Generation Y are one who is shaping the future marketing strategies. They are more unpredictable and have different personalities to suit different occasions and so, these cohorts can be marketers' nightmares. However, it is their willingness to try new products and extremely experimental that the marketers are paying attention to them.

These cohorts will be the major customers for tourism in the future, and the industry will have to learn to market to them. This called for a light hand, with strong emphasis on information and quality. Brands credibly positioned as 'affordable luxury' will prosper.

### 6. Values and lifestyles are changing

Globalisation and technology work hand-in-hand to bring news and ideas all around the world. This current generation are exposed to all cultures of both Western and Asian.

Thus, very often, Western ideas infiltrate conservative cultures in Asia and triggered a fundamentalist backlash. Traditional values and lifestyles face the risk of being eroded.

Thus, in their place, Creton describe the new breed of people:

‘... A new, opportunistic, technology-oriented eclecticism is beginning to appear throughout the developed world, among the intellectual and economic elites of some developing nations, and especially among the under-40 generations.’

Next, the growing prosperity, especially of the middle class of the Asia Pacific region, is one of the contributing factors that lead to the increase of travel outbound and inbound. These markets, if married, are also going toward the trend of ‘no children’ or ‘children at later life’. Thus, with the increasing disposable income and free time at their hands, they are more likely to spend their income and extra time on travelling. Their extra time is also flexible, and does not necessary travel during peak seasons.

### *Implications*

This trend will be beneficial to any tourism market, as they do not have to face the slack off peak season, as seen in the previous tourism trends. If there is a consistency in the arrival of tourists throughout the year, it may thus be profitable. Those couples or singles with the highest disposable income may travel further distance for their vacations, due to their high curiosity and adventurous manner. Oppermann (1995, sighted in Cetron 2001) recommended that the developing countries should capitalise on these markets.

This changes in social and consumer's lifestyles is towards the trend of

‘ultra-high quality, authenticity and convenience-luxurious accommodations, fresh meals that seem like labours of love, and constant pampering of customers – all done at a price that will not make consumers feel guilty<sup>5</sup>.’

The Baby boomers and the Generation X have different characteristics and buying behaviour. For example, the baby boomers like to travel during off peak times, and be addressed as ‘Mr’ or ‘Mrs.’, and are expected to receive good service from people. The Generation X, on the other hand, are tolerant towards impersonal service, but want to be recognised and respected especially when they are regular customers.

#### 7. Concern for environmental issues continues to grow

The fast disappearing rain forests and the threats of what global warming have brought about huge attentions to individuals around the globe. The topics for attention include air pollution, acid rain, loss of forests, depletion of the ozone layer, waster disposal, toxic chemicals in our food and water, soil erosion, mass extinction of species and pollution of beaches, oceans, reservoir and waterways. Because the individuals are well aware of how these may affect us, the concern for indoor environment will continue to spread.

#### *Implications*

Demands to visit the forested areas are still rising as people are consistently looking for nature to take a break away from the ‘concrete jungle’. Thus, the tourists are also

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<sup>5</sup> Ibid, pg 24

consistently looking out for countries that are responsible for their environment and engaging in 'ecotourism'. Ecotourism is now, and will continue to be one of the fastest growing areas of the tourism industry.

8. Institutions are undergoing a bimodal distribution

In this new economy, either the big companies get bigger and become prosperous or the small companies become prosperous by providing specialised and high quality service in niche markets.

The middle size company are often squeezed out or absorbed by big companies. This kind of business trend is most powerful and still in existent after past 20 years. This trend is most seen among hotels, retail stores, restaurants, private banks, hospital and airlines.

*Implications*

This can come out as a threat as 'trans-national companies' (TNC), where they can absorb more of the tourism activities in their hands, and possess economic power over the smaller companies, and even in tourism host countries.

9. Service, service, service replaces location, location, location

Location itself has always been central to tourism. After all, it is about what other countries have, for example, unique and ancient monuments and other cultural events that may attract tourists to visit them. In recent times, the tourists are expecting more than just looking at the 'beauty' of the location they are visiting, but also wanting to get

to know the beauty behind the location and the services that come together with the location. That would mean the overall package they are expecting to get the good value out of their money and time.

The 'location' itself is dead, but that can bring to life. The visiting tourists whom are able to receive the good service from hotels, airlines, restaurants and even local amenities and have that 'feel-good' factor to know that they are well looked after, and are well worth for their money. That can reinforce their interest to know the location, either from tour guides who speak common languages as the tourists, or from understanding the local culture and people with common language. This can be a spiral effect.

Hence, it is not surprising that nowadays, the stiff competition in most aspects of tourism has made it difficult to distinguish the brand names of hotels or airlines. One company can offer one product or services that attract customers and the competitors can also make one and make improvements to it. The result is the higher standard in provision of goods and services. Hence, in order to differentiate, they all now emphasised on services they provide. This is the battleground where hotels and restaurants will fight the competitive wars of the early 21<sup>st</sup> century.

### *Implications*

The attraction of 'place' or 'location' now is no longer the only factor that tourist looks into when booking holidays. As said earlier, the tourists are also interested in the overall package can include many services, for example, the hotel or even hostel services, the



airlines and local transportation, the ease of language communications, the quality of tour packages and friendliness of the host country.

Thus, rather than just 'attractive location' or 'good service', it is now both attractive location and good service that are complementing each other. Therefore, there is advisable for authorities from host country to work hand in hand with the tourism service providers and local people to provide the wholesome experience to the receiving tourists.

### *5.3 New Tourism Defined*

In relation to the above mentioned new issues in tourism and with the dynamics changes to all aspects, including consumers' lifestyles and the country's economy, there will no doubt be changes to the travel habits of tourists of this new century. The new tourism has now taken over the tourism industry by storm, and is a

'phenomenon of large scale packaging of non standardised leisure services at competitive prices to suit the demands of tourist as well as the economic and socio-environmental needs of destinations.'  
(Poon 1993:85)

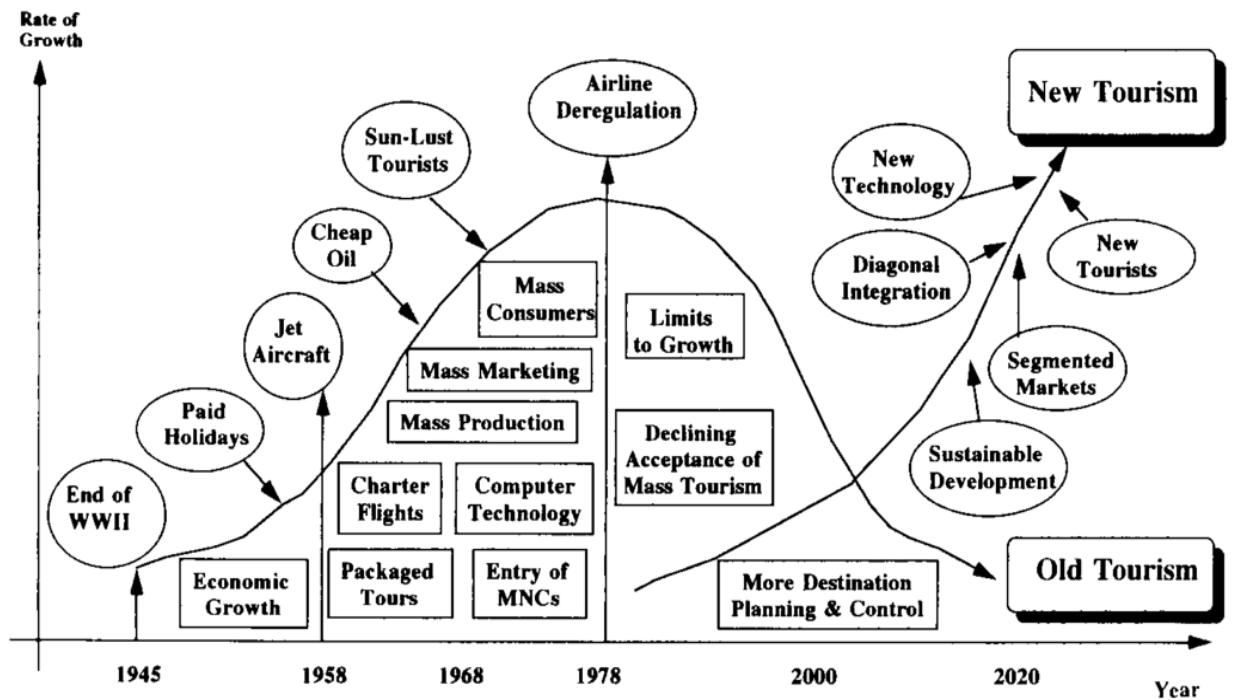


Figure 5.11 – The trend of New tourism VS Old Tourism *Adapted from Poon (1993)*

The figure above shows the time trend for both old and new tourism. The old tourism is slowly making way for the new tourism trends to come in. The new key of new tourism is *flexibility*, where they are flexible consumers, flexible services and flexibility of producers to move with the market. Technology allows the flexibility to take place and satisfy changing consumer needs at prices that are cost competitive with mass-produced holidays (Poon 1993). The new tourism has led to the changes in the demand and supply of tourism in the new century, and the whole tourism industry will be consumer-driven rather than producer-driven.

### 5.31 New Consumers and demand

The changes in lifestyle and values have led to the creation of a new breed of consumers. No longer is there the type of tourists that are homogenous and predictable, i.e. old tourists. While the old tourists preferred everything to be prepaid, prearranged and travelling in large numbers, the new tourists are spontaneous, unpredictable.

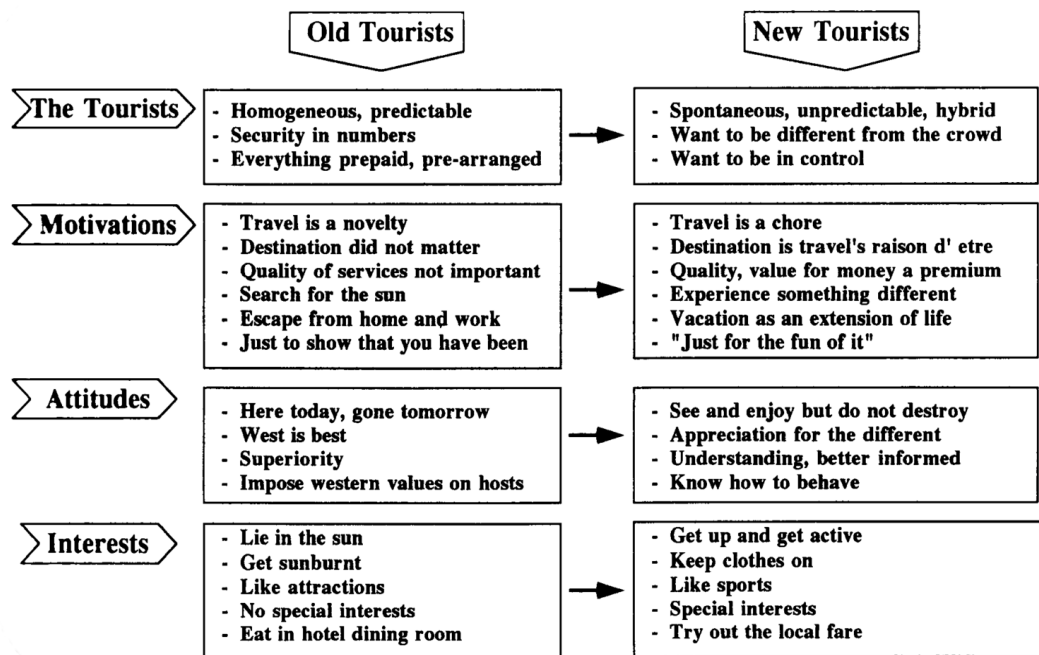


Figure 5.2 – The differences between the old and new tourists

*Adapted from Poon (1993)*

Figure 5.2 shows the differences between the old and new tourists. As Poon (1993:90) has implied, the new tourists are 'hybrid in nature and no longer consume along linear predictable lines. They may want to purchase different tourist service in different price categories for the same trip. They want to be different from the crowd.' The new tourists' motivations for travelling and vacation are also different from the old tourists. Their vacations' experiences are of a journey of discovery, for fun and an extension of

life. As V.L. Smith (2001: 201) has said *'the new age tourists demand for great travel diversity, including the search for knowledge, for self-identity and for fun.'*

Opaschowski (1995; sighted in Müller 2001:66) has described the holiday of the future, as follows:

- Attractive natural setting and clean landscapes are expected
- Sun, beaches and the sea continue to be the popular
- Holiday hopping ('here today – there tomorrow') will spread
- Vacations will become the ultimate adventure
- The holiday world of the future must be as exotic as possible
- More and more young families will discover indoor luxury bathing complexes
- Culture and study trips will develop into a stable market segment
- Holiday clubs will lose their attraction as something out of ordinary.

He also recognises the trend in the travelling and booking habits, as follows:

- *Trend towards adventure-oriented holiday behaviour:-* seeking a more intensive leisure experience
- *Trend towards going it alone:-* seeking even more independent holidays in line with personal ideas, with a preference for more flexible holiday products
- *Trend towards more sophisticated travel products:-* seeking trips that offer culture and education, as well as variety.
- *Trend towards more wellness during holidays:-* seeking forms of travel that offer overwrought modern man holistic relaxation, with a healthy diet, gentle exercise, beauty and body care and a wide variety of

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|---|---|
|   | therapies as the keywords   |
| • <i>Trend towards 'second homes':-</i>               | seeking cosy holiday accommodation as home-like refuges with a high degree of comfort.                                      |
| • <i>Trend towards sunny travel destinations:-</i>    | seeking holiday destinations with guaranteed sunshine – above all during cold, wet winters                                  |
| • <i>Trend towards cheaper travel:-</i>               | seeking cheap products that represent value for money: holidays at rock-bottom prices and growing market transparency       |
| • <i>Trend towards more frequent, shorter trips:-</i> | seeking products that offer occasional variety  |
| • <i>Trend towards spontaneous travel decisions:-</i> | seeking offers that can be booked at the last minute and which are not only cheap but also comprise an element of surprise. |
| • <i>Trend towards more mobile travel patterns:-</i>  | seeking products with frequent changes of location, with travelling as the major attraction.                                |

*Extracted from Müller 2001, pg 67 - 68*

Opaschowski (1995) has stated in his first point, where 'sun, beaches and sea continue to be popular'. Though it holds true for the old tourists where they are contented lying in the sea, and still holds true for some travellers of new age, nonetheless, Poon (1993:90) suggested that 'sun is still a necessary factor in the vacation pursuit; however sun is not sufficient to satisfy their expectations. With respect to the sun, the new tourists are more concerned about the effects of the overexposure to it and its link to health.'

Hence, for countries like Vietnam who are introducing their destinations and trying to make tourism as one of their core industries, especially so in this new century, it is vital for them to keep track with the new tourism trends, rather than ‘copy’ the old trends that were successful before. While the demands from the new tourists have changes, we should not forget that even the supply for tourism products and services has too changed.

### **5.32 New supply**

We also cannot ignore the changes that can affect the supply chain for the tourism industry. Fayos-Sola (1996)<sup>6</sup> also describes the new age supply of tourism

‘...characterised primarily by the super-segmentation of demand, the need for flexibility of supply and distribution, and achieving profitability through diagonal integration and subsequent system economies and integrated values instead of economies of scale’

In the new tourism, the technology advances much further and plays an important role in the value chain of the travel industry. It is no longer used solely by anyone, but all by of them in the industry, be it travel agents, airlines, credit cards etc. It has become a whole system of evolving computer and communication technologies that includes: computerised reservation systems, teleconferencing, videotext, airline electronic information systems, mobile communications (Poon 1993: 94).

The fixed ‘travel and tourism related services’ will now give way to more flexible products. Thus, now economies of scale while necessary will no longer be sufficient to guarantee success. Economies of scope where there is a range of items produced, are

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<sup>6</sup>sighted in Lumsdon, L (1997)

equally and increasingly important to tourism industry (Poon 1993). While horizontal and vertical integration once used to rule the world, diagonal integration is now the key word to flexibility in producing the tourist's products and services. This is process by which service firms move into new and different activities, with tremendous systems gains, synergies and scope economies to be had from integration (ibid). Hence, as Poon (1993:96) said,

‘competition in the new tourism will not be dominated by full capacity utilisation, cost-cutting, over-production and price-cutting. Diversification, market segmentation, diagonal integration and total innovation will increasingly become best practice for competitiveness.’

It is thus important too, to implement some of the requirements that may be of use to make the future tourism a probable one, as suggested by Müller (1995, pg 68).

1. Tourism must be more efficient

This is the following up from the previous session: point 9, where they emphasised on the service now more than the location of tourism. They have suggested that

‘...although tourism has achieved a high degree of development in our part of the world, structures in many destinations are still inefficient. Desperate efforts are made to create profiles for far too many brands in order to survive in a keenly competitive environment.’

Consumers are now looking for a comprehensive and well-coordinated package, instead of just location. Therefore, joint regional and interest-focus tourism ventures should be encouraged, as it is better and more cost efficient to work together rather than alone. Of course, the authenticity of the tourist attractions must not be undermined. What is

crucial here is, be natural, organic, unmistakable and authentic. Stand out from everybody else with these and good service.

2. Tourism must improve its quality

It is now a norm that quality is a must in developing tourism. However, it is usually easier to be said than done. The mindset of 'quality improvement' is there, but the action of implementation quality management at operational and destination level is not there yet at the satisfactory level.

3. Tourism must become more environmentally aware.

This is also the following up point from the previous section, point 7. The ecological danger in tourism development has been identified, and there is a need to preserve nature reserves to avoid further deterioration. Moreover, most tourism receiving countries are dependent on these attractions, and hence the more they need to implement measures to conserve. Consumers are too, looking out for countries that are environmentally protective and will shun those who do not. Hotels are now engaging more in recycling, waste reduction and energy conservation measures. It is also obvious in airline companies too, where they started to use quieter, more fuel-efficient aircrafts.

4. Tourism must allow greater participation.

Tourism development often took place in concentrated areas, and thus, many groups of people, especially the locals, are neglected from the activities of tourism. Therefore, in order to prevent the resultant defensive attitudes, it may be useful if those affected are actively involved. This way, there may also avoid any miscommunications between the locals and authorities when they implement tourism measures.



5. The speed of tourism needs to be adjusted accordingly.

Transportation is vital to all tourism activities, as ‘the more transport is available, the more tourism there will be’. However, it may turn out to be the victim of its own success. Hence there may be a need of adjustment of where it needs to be slowed down, where tourists can slowly enjoy the stroll or relax; or areas where it needs to be quick, for example, no unnecessary delays in reaching from point A to B where the distance is miles away.

6. Tourism must become more human

In this highly competitive business environment, people are often caught up in the rat race, and their priorities are often profitability and successful-ness. Receiving under these pressures and strategies of lean management and re-engineering, people tend to be more hard-hearted and strategic-focus even when it comes to the most basic human touch.

Sustainable tourism development is also based on human qualities such as emotions and empathy. Consumers nowadays are also looking for places and people who are ‘warm and friendly’. Thus, emotional values, human warmth and situational empathy should be nurtured and encouraged more. After all, when consumers want to relax while holidaying in the host country, the last thing they want to see is the same situation (i.e. hard-hearted) they see in their offices.

### 5.4 Culture (Heritage) Tourism

According to WTO, heritage tourism is known as a subset of cultural tourism. And it includes

‘movements of persons for essentially cultural motivations such as study tours, performing arts and cultural tours, travel to festivals and other cultural events, visits to sites and monuments, travel to study nature, folklore or art and pilgrimages<sup>7</sup>,’

Heritage is a powerful culture marker that provides a unique asset that can differentiate from others and unites nations, tribes, ethnic enclaves, or even neighbourhoods. Hence, it is crucial to be able to identify and develop the heritage assets to sustainable tourism. Vietnam has recognised this and hence markets their heritage strongly. Indeed, the travel industry all over the world recognised this and markets it as niche travel. It is now embraced as an important economic asset and a mechanism to preserve ethnicity.

It is the fear of threats to the future of culture that lead to the idea of culture tourism as a sustainable tourism concept, in order to preserve the local heritage and culture, and yet the tourists are able to learn about the heritage. A lot more are needed to be done in terms of joint efforts among all sectors in the tourism industry to make it work.

As stated in Cass and Jahrig (1998),

‘A key factor in developing heritage resources is to provide an authentic experience for the traveller, while maintaining the quality of life in the community. Ideally, heritage tourism projects are cooperative efforts, involving much of the community.’

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<sup>7</sup> WTO 1985, sighted in Zeppel 92: 47

### **5.41 Threats and Pressure on culture tourism**

Swarbrooke (1999) has listed out the threats and pressures that cultural tourism is now facing, as follows:

1. Pressure on cultural diversity

With the speed of globalisation and technology, the culture is now becoming more homogenous and virtually can see the same products in different places in different parts of the world. This type of standardisation is common for organisation as it is easier to promote the same products to the consumers. What come with it may be the eventual embracement of other culture, and thus the loss of local culture. It does not help when the emphasis of education now is geared towards more of commercial and technology, rather than about arts and history (Swarbrooke 1999: 308).

It put the pressure of cultural diversity, and may dampen the motivation to travel to experience other cultures. For example, Disneyland, originated in California, can now be found in Florida, France, Japan and Hong Kong.

In line with the emerging of trans-national companies (TLC) in the 21<sup>st</sup> century in tourism industry, MacCannell (2001:380) observed that ‘a culture of tourism has emerged on a global base, with the same hotels and the similar theme parks at every major destination.’ He stated that with every destination looking the same with each other, and that similarity in destinations has looked like home, the place tourists leave to travel in the first place. When the culture of tourism succeeds in replacing local culture of the host country, it becomes increasingly difficult to distinguish the differences

between destinations. Thus, he is concerned whether there is any more uniqueness in the host country and the ability to experience 'otherness' as required by the new age tourists.

His viewpoint should be taken into considerations, especially in Asia. Asia is well known for their unique heritage and cultures and should not become too westernised by incorporating too much of the western styles leisure activities such as theme parks. Hence it is important for Vietnam too. As there is a necessity for some western styles corporations such as hotel chains, too much of it will dominate Vietnam and the uniqueness of Vietnam will slowly be destroyed.

### 2. Competition from other leisure activities

Cultural tourism faces competition from the development of technological innovations, such as virtual reality. Swarbrooke argued that instead of going out for holidays with all the troubles when the tourists can enjoy the same in the comfort of the own home.

This is an irony towards the new trends as the tourists are actually seeking for fun outside home. Nonetheless, this point still gear to a particular target group who may like such virtual reality.

### 3. Danger of cultural tourism overload

Cultural tourism is now very popular, and many countries are trying to use it as their money earning opportunity and attract tourists from all over the world. However, there will a danger of overload, and reach a state of saturation.

#### 4. Poor quality

There may be some quality problem issues in cultural tourism where people are seeking good quality stuffs. There are always chances for entrepreneurs seeking short term benefits from exploiting the market. The examples are poorly trained guides in heritage sites or the poor management that lead to overcrowding and unmanaged growth. This will affect the experience of the tourists, and left a bad impression.

#### 5. Safety and security

This is the most basic and important for all forms of tourism. Tourists will only come where there is safety and security in the destinations. The petty crimes and terrorists attack in Egypt provides good examples of how cultural tourists are attractive targets for them.

#### 6. Over-commercialisation

The commercialisation of culture brings in extra income to those who are involved. However, over doing it may result in backlash by pressure groups that see it as over-exploitation.

### **5.42 The marketing mix for cultural tourism**

Van den Berghe (1994, sighted in V.L. Smith 2001: 112) has provided this insight that

‘...every community should draft its own tourism ethnography, as a description of the lifestyle and values of a group of people united by a culture. If done as a self-analysis, the ethnography elicits knowledge of local strengths and weaknesses in their tourism program, and identifies strategies for development of their tourist culture.’

Hence, the marketing mix for cultural tourism was born as a result. They are the 4 Hs, namely: habitat, history, heritage and handicrafts.

- Habitat

This refers to the physical landscape and the tourist attractions of the host country.

Every country has their own unique type of landscape or tourist attractions, but very often, there are critical questions. It is whether there are: (1) access of the area to tourist markets by reasonable (inexpensive) transportation; (2) visitor seasonality due to climate and (3) recreational and participatory activities available for the visitors.

- History

In Asian countries, their histories are usually involved with colonialism and the World War II, and that may predispose an interest in or success with modern tourism. Indeed, in case of Vietnam, it was colonialism and the numerous wars. However, despite the horrible experiences with the wars that nearly torn Vietnam apart, Vietnam has managed to put the history behind and even used it as an attraction to her tourism industry.

- Heritage

This refers to the analysis by the resident population of the traditional culture in terms of appropriateness for display and manner of display. Museums, folk villages, ceremonial events and festivals are among the options of heritage in different countries.

The elements of cultural heritage, including traditional knowledge, when commodified and publicly shared, have an obvious monetary value to the host culture, and these can

provide an income to the host country. For example, admission fees are imposed to visit any particular attractions and that can contribute considerably as tourist income.

- Handicrafts

Handicrafts depend a lot on the availability of raw materials and a craft tradition for production and sale. Some countries have their own craft traditions handed down for generations. For example, in Malaysia, the wax drawings on fabric, known as 'batik' is very popular amongst locals and tourists. It is the originality and the skills of the drawer that makes it so special. It is used locally in Malaysia as a 'sarong' for wrapping round the body.

The market demand now commonly generates heterogenisation of tourist art including miniaturisation of traditional forms and proliferation of new styles. For example, the 'batik' cloths are also made into many different new styles, such as shirts, dresses or scarves, all practical for tourists' usage. Thus all these activities of production and sale of handicrafts provide employment and income for the local people and for those who are involved.

### **5.43 Potential approaches to developing more sustainable cultural tourism**

Swarbrooke (1999) has suggested a few approaches to develop a more sustainable cultural tourism.

1. Encouraging local initiatives

The main idea here is the involvement of local community which is considered the 'key element of sustainable tourism ideology (pg 312)'. The local culture events can be

managed by the local community, and the incomes from the events can be used to help protect the area's heritage.

2. Celebrating emerging cultures

The future of cultural tourism depends on the recognising and promoting emerging modern cultures. This means the willingness to embrace 'low-brow' popular culture activities rather than continuing the high profile cultural activities. This is done in the hope to engage younger generation into cultural tourism as new consumers, rather than relying on older generation. This can help ensure the long term sustainability of cultural tourism.

3. Ensuring tourists pay a fair price.

For sustainable tourism to continue its existence, funds are needed to maintain it. Hence, it is important that the tourists pay the full price for it, though the value for money is important too.

4. De-marketing

De-marketing is a process to discourage tourists to the concerned attractions as a tool for sustainable tourism. This can come in the form of de-marketing places, time and people. More of de-marketing will be discussed in the next section.

### ***5.5 The Importance of Marketing in tourism industry***

Marketing has always plays an important part in any business organisation. When used appropriately and effectively, it can



‘enable an organisation to understand its customers and stakeholders better, address competitors’ activities and market developments and effectively harness its capabilities’, and the results be ‘customer satisfaction and retention, improved market share in key target markets and stronger financial performance’ (Dibb et. al 2006: 14)

Tourism industry, as already defined in Chapter 3, is a complicated system of inter-related activities from different sectors in the economy. Hence, it needs very careful planning of marketing strategies from all businesses involved in different sectors, involving both private and public sectors. The new trends in new age tourism industry demands even greater involvement in marketing strategies to continuously ensure success and looking for new opportunities. As Peter Drucker has said (sighted in Kotler et al 1999:1),

‘Marketing is so basic that it cannot be considered as a separate function. It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view... Business success if not determined by the producer but by the customers.’

### **5.51 Basic marketing theory**

The core marketing theory consists of the following<sup>8</sup>:

- The marketing concept
- The 4 Ps (Place, Product, Price and Promotion)
- Marketing Planning
- Consumer Behaviour
- Organisation Behaviour
- Market Research

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<sup>8</sup> Jobber, D (1998)

- Market segmentation and Positioning

The marketing concept is widely adopted by hospitality industry<sup>9</sup>. This concept, also known as business philosophy, holds that

‘...achieving organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors.’<sup>10</sup>,

The marketing theory and definition speak well of the modern products and service exchanges in the dynamic commercial world, that is still based on the traditional marketing values.

The traditional marketing strategy is about study of tangibles and manufactured goods and bringing the right tangible products to satisfying the consumers’ needs. There are basically no tangible products in tourism to bring to the consumers. Thus, it is obvious here that the traditional marketing strategy cannot fully apply to the marketing strategies of tourism, as tourism is of different nature and have different types of products and thus different type of consumers and needs.

Therefore, traditional marketing theory must be adapted to understand the needs of tourism marketing. It must also consider industry, consumer and societal and environmental interests in this context and require a much greater adaptation of marketing principles. Therefore, unlike in the manufacturing sector, tourism marketing approaches are marketed in a different form from classical marketing theory.

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<sup>9</sup> Kotler et al , pg 24

<sup>10</sup> Ibid, pg 24

**5.52 What is different about the products in tourism industry?**

The basic core product of tourism will be of entirely different form from the conventional products as recognised above. Hence, it is necessary to know the core differences of the products offered by tourism industry in order to implement the right marketing strategies.

**1. Intangibility**

Services and tourists' experiences from holidaying and travelling form the core of tourism industry. They are intangible, and hence cannot be handled and owned. The crucial point and problem here is that because the potential customers cannot judge before making the decision to buy, and that means what the customers experience throughout are the important process to judge. It is always beneficial for the customers to have good experiences and spread out to other people.

Also, because services are intangible and thus are perceived by customers as 'high risk', often the pricing strategy are important to link with assurances of quality (Hill 1996).

**2. Inseparability**

The usage of product and service are consumed in a different manner. While products are bought and used by consumer after manufacture, services are bought and consumed at the same time. This implies that the customers receiving the services are part of the service exchanges process. Thus, where and how the customers receive the services

serve as an important yardstick to evaluate the overall experience. In this case, a proper management and skilled workforce are crucial.

### 3. Variability

The experiences from that one service are not the same and are highly variable. There are many reasons behind the variability. It could be the fluctuating demand that may makes the delivery of the services inconsistent or even by how the service providers' attitude at the time. How they deliver may be affected by their emotional problems or not feeling well.

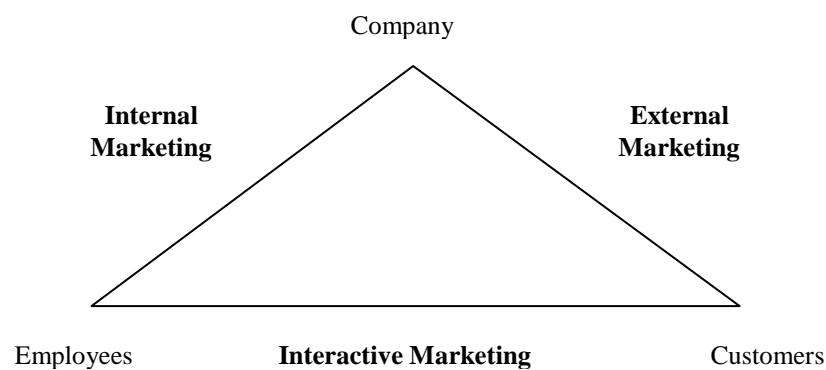
Despite that, because there is a high degree of contact between the service provider and the customers, this implies that product consistency depends on the service providers' skills and performance at the time of exchange. Therefore, it is important for any organisations to keep note and find appropriate ways to solve such problems. As Hill (1996:370) has said: '...corporate advertising and public relations are particularly important in the service sector.'

### 4. Perishability

Services are perishables, and that means once the opportunity to earn income is lost, it is lost forever. For example, in a 50 - room hotel, where 20 rooms are not occupied in one day, it cannot be stored to next day and sell again. It will be lost forever. This is one of the biggest problems faced by the tourist industry, especially so in off peak season. Hence, the pricing strategy of differential pricing is adopted (Hill 1996), where different prices are adopted for different seasons of the year, first to even out the demand and second, to maximise the income that can be earned.

### 5.53 Tourism marketing

The nature of new age tourism suggests that it may not be possible to adopt traditional marketing concepts fully into tourism marketing<sup>11</sup>. However, market segmentation still holds an important role in tourism industry, as this forms the core of the new age tourism. With the new emerging trends and new age of tourism, the traditional external marketing mix 4 Ps is not enough as a marketing mix for tourism marketing. What is needed, is a new 4 Ps adopted to fit into tourism; internal marketing (management and employees) and interactive marketing (buyer-seller interaction)<sup>12</sup>, shown in Figure 3 (adapted from Kotler et al 1999: 45).



*Figure 5.3: The three types of marketing in service industry*

<sup>11</sup> Mahoney 1987

<sup>12</sup> Kotler et al (1999), Marketing for hospitality and tourism, pg 46

### 5.531 External Marketing Mix

#### Product

The products in the tourism businesses will be different because they are intangible. Hence, the products here will be more of a quality recreational experience, rather than a beautiful beach, for example.

It is important to know that there are five phases that make up a good recreational experience<sup>13</sup>:

1. trip planning and anticipation;
2. travel to the site/area;
3. the experience at the site;
4. travel back home; and
5. Recollection.

By knowing the factors that influence the good recreational experience, it is crucial for businesses involved to look into the ways to enhance the quality of the overall experience during all phases of the trip. This could be accomplished by providing trip planning packages which include maps, attractions en route and on site, and information regarding lodging, food and quality souvenirs and mementos.

The whole travelling experience also includes other services such as food and beverages, accommodations, shops, entertainments and special events. It is very rare for

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<sup>13</sup> Tourism marketing

any one business to provide all of these services, but rather many businesses to provide each and every type of services, which may imply that the quality of service cannot be controlled effectively. Therefore, as what Mahoney (1987) said:

‘To overcome this hurdle, tourism related businesses, agencies, and organisations need to work together to package and promote tourism opportunities in their areas and align their efforts to assure consistency in product quality.’

Thus, the decisions on what facilities, programs and services to provide should be based on the needs and desires of the target market and should not be based on the preferences of the owner/manager or necessarily on what the competition is providing

The tourism products are not something that can be brought to the customers, but rather need the customers to go to the product, i.e. to travel to the host country. Travelling from one place to another requires time and money. Time and money is a precious commodity to the tourists, and therefore, whether it is worthwhile to spend time and money to able to get the good recreational and tourism experience will be the major factor in tourists’ decision.

#### Place (Location and Accessibility)

The meaning of ‘Place’ here will be different from the classic meaning, where the tangible products are to target their customers. In tourism marketing, it is more about the location and accessibility to the site.

More than often, the service for the tourists will only start when they arrived at the site. However, it is also equally important that the journey through and fro their sites are

trouble-free. As Mahoney and Warnell (1987) has said: 'A bad experience getting to or leaving a recreational/ tourist site can adversely affect a person's travel experience.' To avoid such unpleasant experiences to appear even before the tourists start their vacations, it is important to let the tourists have the access to the following to make their travelling more pleasant, such as providing the directions and maps, the estimated travel time and distances, and alternative travel methods.

### Pricing

Price is one of the most important and visible elements of the marketing mix.

Depending on the type of target market, will determine the type of pricing strategies, for example, whether they are price sensitive towards the pricing and the value.

Of course, when establishing prices, the recreational and tourism businesses should give attention to pricing strategies which may encourage off season and non-peak period sales, longer stays, group business, and the sale of package plans (combination of room, meals, and recreational facilities).

### Promotion

Promotion is important because it provides target markets with accurate and timely information to help them decide whether to visit your community or business. The information should be of importance, accurate and practical use to the potential or existing visitors. Misrepresentation often leads to dissatisfied customers and poor recommendations.



To develop a successful promotional campaign is difficult if there is no consistency with other Ps in the marketing mix, and also when there are no obvious goals when implementing the campaign. For example, the specified target groups are identified but promoted at a wrong place, or the wrong image portrayed due to the inconsistency in pricing or wrong media used.

### **5.532 Internal Marketing Mix**

Internal marketing involved the internal management of the organisations involving in the provision of services to the tourists. What is different in tourism marketing is that, it is equally important to attract the potential tourists to the site as well as paying much attention at marketing to that tourist once they arrived at the site and throughout their vacations. It is in this light that internal marketing is important because dissatisfied customers can effectively cancel out an otherwise effective marketing strategy.

The success of internal marketing is dependent on creating an atmosphere in which employees desire to provide good service and to sell to the visitors. To create such an atmosphere requires the following four important elements:

#### Hospitality and Guest Relations

The tourists are sensitive in the environment where they are receiving the services. Thus, it is important to create a 'people-oriented' and 'friendly' environment where the tourists will feel at ease and happy. In this case, it is not only the front line employees, who needed to be customer sensitive, but also the owner/ manager. Employees will emulate from the upper level, and if they are not customer sensitive, more likely the

employees will not. A customer oriented atmosphere usually results in customers that are more satisfied, do less complaining and are more pleasant to serve. This helps build employee morale, their desire to provide good service and their efficiency.

### Quality Control

Because service is intangible and thus difficult to control in physical sense, it is always important to come out with hospitality training for all employees who come in contact with customers, and a program which constantly look into the quality of service provided, such as feedback from customers.

### Personal Selling

Sales of products or services on site are also important to any tourism business. Thus it is important for the staffs involved are trained in the selling aspects of the company's products. This also includes rewarding them for their efforts. By being informed about the marketing objectives, and their role in accomplishing those objectives, they can help increase sales.

### Employee Morale

High employee morale is important to any business, if not even more important in tourism business. Having a high employee morale may implies low staff turnover and that means the staying staffs know their job area well, and no need for new comers to be trained which can be time consuming. Thus, attractive incentives, monetary or non monetary are usually involved.

### 5.533 Interactive Marketing

In Kotler et al (2001:45), interactive marketing is that *'perceived service quality that depends heavily on the quality of the buyer-seller interaction during the service encounter'*.

In this case of service provision, both technical quality and functional quality are equally important, as the consumers will base on these to judge service quality.

Technical quality will mean for example, the quality of the food, and the functional quality is the service provided in that respective restaurant. Thus, it is important to master these marketing skills.

This is a relatively new concept, as 'interactive marketing' is more commonly known as the multi-channel marketing in many journals, especially the Journal of Interactive Marketing. Hence, in this context it would mean the interaction between the front line employees interacting with the customers.

### 5.54 Place marketing

In addition to marketing mix in tourism, another important component in tourism marketing would be place marketing. Place marketing is important to any tourism industry, as *'destinations are places of interest to tourists, and through marketing, it could attract the attention of potential tourists.'*<sup>14</sup>

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<sup>14</sup> Howie (2003) pg73

Ashworth and Voogd (1990:6) termed place marketing as

‘...tourist destinations can indeed be treated as products. They are logically the point of consumption of the complex of activities that comprises the tourist experience and are ultimately what is sold by place promotion agencies on the tourist market.’

Nielson et al (2001, sighted in Howie 2003:142) says about the requirements for successful destination marketing,

1. the right mix of features and services
2. an image that is attractive to the target market
3. the products and services must be delivered in an efficient and accessible way
4. the destination’s values and image must be promoted effectively to ensure that potential users are aware of the place’s distinct advantages.

Place marketing can be beneficial to the economy as it indirectly influences the positive changes that can lead increase inward investment and tourism; develop new and innovative approaches to community development and social inclusion; give places a competitive edge in global market place and transform the local economy (Murray 2001). However, despite the promises that place marketing can bring, Murray is also concerned that with too much of the place marketing, places are now culturally homogenous, and not to acknowledge or recognise diversity and can alienates local community.

There are basically three branches to the strategy of place marketing. They are: (1) target group; (2) the approach to marketing and (3) the major actors in place marketing.

**Target group (market segmentation)**

Target group is important as this forms the core of marketing. Without the specification of a target market, there would be no yardstick and purpose to the country's marketing strategies. Of course, the countries are interested in the target market that can contribute to the growth of the economy and add value to the tax base. And because of that, the country must be sure of what they are targeting at. There are basically four main target markets, but only three are listed in relevant to tourism in Vietnam.

**A. Visitors**

This market is huge and important in Asia, as shown in the statistics in previous chapters. This market not only brings in the revenue, but also creates employment which is much needed in the host country.

There are basically two sub-groups in this market: business and non-business visitors, and are important to differentiate these two markets, and to meet their different needs accordingly. Business visitors may be in the country to attend meetings and the non-business visitors are in the country to visit the places of interest.

Unfortunately, there is no priority to target at specific markets. Rather than attacking at specific markets, the tourist promotion are usually targeted at mass market, as most travel brochures and advertisement are seen and sent everywhere.

Hence, the 'destination' must continuously create new value, which will include the development of new benefits to appeal to the targeted market group. Not only that, the

place must also create and send 'identity signals' that companies in the industry can recognise, understand and communicate to others.

#### B. Residents and Employees

This target market is popular in Asia. In the midst of economic development in 1990s, different countries such as Singapore and Malaysia recruited low skilled workers from neighbouring countries from Indonesia, Philippines and Vietnam. In recent years, these countries are also attracted skilled labour and knowledge workers, as the former are facing shortage of this labour amidst the booming economy. The examples are researchers, multilingual people and engineers.

The other trend is to attract the residents back to their home countries. The countries have hope for these new brains to come back and help create a miracle in the home economy.

The third trend is to attract rich senior citizens and families, where the marketing strategy is of the 'perfect lifestyle'. These groups can build their second home in other countries, and in return they can invest in financially in the host countries, and of course in construction industry, where they can build their dream homes.

#### C. Business and Industry

This third category was and still is the hottest target market to date. The benefits they bring in to the host country are huge and thus the countries in the Asian region are fighting to get the pie share to attract investors.

Usually, the business would take into consideration these factors: hard (economic stability, costs, local support services and networks, incentive schemes and programs etc.) and soft (quality of life, management style, flexibility and dynamism, professional and workforce competencies etc.). It is thus important for place marketers to understand how business makes their decisions on location and investment.

Needless to say, a place must maintain and strengthen its economic base. There are four ways in which they can do it (extracted from Kotler et al 2002).

1. It must retain its current business or at least the desirable ones
2. A place must devise plans and services to help existing businesses expand.
3. A place must make it easier for entrepreneurs to start new businesses
4. A place must try to attract strategically relevant development projects

These methods provide the basic core to the strength of the economic base. This is especially in this globalisation age, where companies have rootless base in the world.

They can move anywhere in the world where they seem fit to their benefits.

Bureaucracy and red tape continue to serve as a turn-off to all businesses due to the cost and time wasted.

### **The three approach to marketing strategies**

Having seen the potential three target markets, strategies are now needed to target so as to attract the correct market group. The three strategies are as follows:

### A. Image Marketing

Being in the fierce competition race to be unique, many countries are coming up with strategies to provide an image to target markets. It can come in a form of slogan, the strengths of the country, be it products or economic strength, or the history of the country. Sometimes, it may also include the situation happening in the host country overtime that it creates an identity. For example, in hotels such as Four Seasons Hotel, their tagline is 'Beyond Compare'; in countries like Malaysia and Singapore, their taglines are 'Truly Asia' and 'Uniquely Singapore' respectively.

It is not easy to project the intended message to the world, as slogans for example may not work in all cases. Thus, countries may fall in the traps of mistaken identity: be it overly attractive, weak, contradictory and negative.

### B. Attraction Marketing

Attractions are the key elements in destinations. Thus, it is important for places to invest in specific attractions to further enhance the physical attributes that they already had. These can come in the form of natural attractions such as beautiful beaches and mountain ranges; historical buildings such as temples, tombs and palaces, mostly found all over Asia; artificial attractions such as theme parks, or convention centres; and being a shopping paradise.



### C. Infrastructure Marketing

Infrastructure is the core to the success of the place, as this provides the transportation and network communication to make the whole business process work efficiently and effectively.

The quality of the infrastructure is one of the important factors considered by investors and foreigners. Thus, airports, motorways, roads, telecommunications are the most targeted areas. However, there are also other that need attention, for example, electricity, clean water and availability of land, as in Asian places, these are still not readily available.

### **Actors to implement strategies**

There are basically two types of actors: direct and indirect actors. The direct actors would be the deliberate efforts to implement strategies, and these are usually the public sector (tourist bureau, public information bureau, National tourist boards and embassies, travel agencies, transport companies etc.). The indirect actors, as the term implies, have an indirect effect to the marketing efforts to bring up the image of the place. These would usually be the private sector (individuals, leading enterprises, hospitality and retail industries, and media etc.)

It is vital for the both the private and public sector, be it national or international, to work hand in hand to market the place well and successful. Place marketing strategy frequently emerges as a process in which the local actors provide the driving force:

‘Think globally with your local place-marketing strategy – but work it out locally.’

(Kotler et al 2002:99).

### **5.55 De-marketing**

This is a relatively new concept<sup>15</sup> and lacks of literature and thus seems as ironic in this new age of business environment where marketing is an important function. However, according to Swarbrooke (1999:221), de-marketing involves ‘manipulating the marketing mix to discourage rather than encourage potential tourists to visit particular destinations’. Not many places have adopted this concept as yet, though Egypt and Cambridge in UK has adopted such practices. This concept is used for sustainable tourism.

There are 3 Ps to de-marketing. The first is Place where that place is believed to have received too many tourists. The second is Peak periods, where for a limited period; too many visitors are visiting that destination. For example, to avoid overcrowding of the visitors to the Great Pyramid of Khufu in Egypt, a maximum of 300 people are allowed to visit in a day. Also, in the Valley of the Kings in Luxor, Egypt, the authorities have resorted to high price to stop visitors from visiting the Tutankhamum’s tomb or totally close some tombs to avoid further deterioration of the fragile artworks<sup>16</sup>.

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<sup>15</sup> Swarbrooke (1999: 221)

<sup>16</sup> The Rough Guide to Egypt, Nov 2005

**5.551 Carrying capacity**

The concept of de-marketing runs parallel to the concept of carrying capacity, and consistently used in sustainable tourism. It is said that the need to de-market can only be determined by the capacity of the destination<sup>17</sup>.

There are few types of carrying capacity, as adapted from Swarbrooke (1999: 225),

- Physical capacity, where the number of tourists a place can physically hold,
- Environmental or ecological capacity, where a number of tourists that can be hold before damage begins to be caused to the environment,
- Social capacity, the number of people beyond which social disruption or irrevocable cultural damage will occur
- Perceptual capacity, where the number of people a place can welcome before the quality of the tourist experience begins to be adversely affected.

The criticism has it that it is difficult to put the concept into practice and is subjective, especially to the 'social' and 'perceptual' capacity. The damage to the destination is gradual and not a sudden phenomenon. As not all places are the same, the application of the concept cannot be the same and be forecasted. Therefore, while it is a useful concept to understand, but can be a very problematic to be used in the practice of sustainable tourism.

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<sup>17</sup> Swarbrooke (1999)

Overall, de-marketing can do good to protect the tourist destinations in the short term. However, there are also issues not to be ignored, as observed by Swarbrooke (1999:226),

- There are questions of social equity in relation of ideas such as using price as a de-marketing tool and labelling groups of tourists as ‘undesirable’ whose presence are not welcome.
- If too successful, it can have negative impact on local economy, especially for places dependent on tourism and that can lead to job losses and enterprises out of business.
- De-marketing measures can go out of proportion to the scale of problem.

Hence, de-marketing measures can be very expensive and complicated to implement. Tourists are of course welcome to visit the tourist destinations, but care must be taken not to be too overly engrossed with the implementation of de-marketing that it become anti-tourist and negative. The authorities must remember that tourism can only be sustainable where there are tourists, and so it is important to focus on the positive measures of de-marketing which can also enhance the quality of tourist experience.

## **5.6 Conclusion**

The key to a successful tourism industry does not only lie in the possession of physical attributes such as beautiful beaches, attractive landmarks and cheap prices. Tourism is basically a service industry, and thus, it is the whole travelling experience for the tourists to make it worthwhile of travelling.

The emergence of the new issues and trends in the tourism industry in the new century provides an insight to the future. That has led to the change in the demand of the tourists, and that the supply of the tourism products and activities must also adapt to meet the demands from the consumers. Not only that, there are many players in the tourism industry, and thus there are fierce competition among all to attract tourists to their destinations. All these changes have posed many challenges ahead, which can be contradictory to each other and difficult to implement in the short term.

The three marketing mixes: external, internal and interactive mixes are designed for most recreational/ tourism business, such as hotels, transportations or canoeing experience on sea provided for tourists. Having known the individual requirements for each element in both mixes, a consistency for all elements put together and for the three to work hand in hand together are needed in order to for the marketing plan to be successful.

The combination of the three marketing mixes forms the base of principles of competitive strategies needed to survive as the competition faced in the tourism industry throughout the world is getting more and more intense, and new tourists demand more flexible products and services. As Poon (1993:240) says,

- Put consumers first
- Be a leader in quality (internal marketing)
- Develop radical innovations
- Strengthen the firm's strategic position within the industry's value chain.

The importance of marketing in tourism can never be undermined, and required a lot of work put into the marketing efforts. It will be on a much larger and more complicated scale as it involved all business in the tourism business, and also not forgetting the governments and authorities in tourism industry. Therefore, while aggressive marketing approaches are needed, a much more integrated effort is also needed by all sectors and levels in the economy. Not just that, without a proper management, usage of modern technology used in tourism and clear goals still spell trouble.

Vietnam is considered a new player in the tourism industry, and she has aimed to become a global destination in the new century. Hence it is important to be aware of such new and challenging issues for the new tourism and also to solve their many fundamental problems stated in Chapter 4 so that they can compete with confidence and provide a wholesome experience for the tourists. The next chapter will provide with some new market recommendations for her tourism industry.

## CHAPTER 6

### *New Markets for Vietnam*

#### **6.1 Strategy for Vietnam**

Having examined the general points of tourism marketing and the new trends of the 21<sup>st</sup> century, it is time to implement into Vietnamese's context.

#### **6.11 Segmentation of tourism market**

Due to the shortage of scarce resources, it is logical to look out for the target market which can match with Vietnam's ability to serve with utmost attention and maximum profitability. The segmentation of the tourist market is a norm in marketing practice.

Tourist marketers must decide and distinguish between the actual and potential customers' needs and wants, determine which target markets to serve, and decide on appropriate products, services and programs to serve the market. There are two methods to identify and select the target group.

1. Analysis from data collection

The first approach is via the data collection from the current tourist flows to Vietnam.

The statistics are important as they can reveal some facts. For example, where does the tourist come from? What attracts them to Vietnam? How much do they spend? Are they happy with what Vietnam has to offer? Because of these reasons, there is even a much greater need to improve on the data collection on tourism in Vietnam.

## 2. Audit the attractiveness of the place's attraction

The second approach is to 'audit the place's attractions and then conjecture about the type of tourists who would have a natural interest in these attractions<sup>1</sup>.' The aim is to look out for new tourists, as Kotler et al (2002) has implied: 'one cannot assume that the current tourists reflect all the potentially interested target groups.'

After the identification of a natural target market, it is time for the tourist board to find out where to find the potential tourist. In the process of doing so, it may uncover either too many or too little potential target markets. Of course, when there are too many, then a detailed and careful selection is needed to choose which one will be more profitable. When there is too little, then the tourist marketers can take up the choice of investment marketing, where the money is allocated to infrastructures and man made attractions. This is also useful to recreate the attraction to mature markets.

Having seen the current markets Vietnam has to offer, it is all of heritage and adventure. Is it enough? This study believes that there are more potential than just heritage and adventure. Thus there are new market recommendations to Vietnam, to expand her range of attractions to the potential tourists. Vietnam should also be a country where you can do business and come for relaxation.

### **6.12 Positioning in the Tourist Market**

Positioning of any kind is very important in marketing. As positioning is known as

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<sup>1</sup> Kotler et al (2002), pg 300



‘...product defined by consumers on important attributes – the place the product occupies in consumers’ minds relative to competing products<sup>2</sup>.’

The key words here are ‘*occupies in consumer’s minds*’. The way consumers think are very dynamic and they see only according to their perception. Thus, it is crucial to plan for tourism authorities to plan the type of position they want that will give their product, i.e. Vietnam’s products and image, the greatest advantage in selected target market, then design a suitable marketing mix to create planned positions.

The question lies here: What does Vietnam want the world to know her as? As present, Vietnam is best known as ‘boat people’ country, due to the history of refugees fleeing at the time of wars. This image is firmly erected in people’s memory, despite this happened almost few decades ago. It is only when people has stepped foot to Vietnam then they see the big changes in the country. This is not enough. It is about time for Vietnam to come up with a new position that says something about the New Vietnam of the new century.

Kotler et al (1999) suggested a few, where this study deems three of it: *importance* of ability to deliver best value to consumers; *distinctive* where competitors do not offer the difference and where the difference is *communicable* and visible to buyers.

### **6.13 Communicating with tourist market**

A good communication system to voice out the positioning stand is just as important, as without it, the wrong message may be conveyed and face drastic results.

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<sup>2</sup> Kotler et al (1999), pg 256

A country's positioning stand is not at all an easy task to enforce and maintain. There is a time lag where as it would take years for a good position to come up in consumers' mind. Hence, the importance of integration on the industrial scale between the private and public actors involved is stressed here again to bring out the message in the communication system.

## ***6.2 New markets for Vietnam***

Vietnam is determined to be the new attractive place in Asia. Be it adventure, relaxation, beach or heritage, Vietnam has it all. Nonetheless, despite her efforts, there are needs to further improve on her existing facilities and introduce new markets to add to her attractiveness as a new exotic place in Asia. Below are few recommendations that Vietnam can undertake, given her potential in the long run.

### **6.21 Backpackers**

This group of tourists is a rarely studied segment market (Ross 1997). Despite this, backpackers often are not very welcome in, because of their characteristics: low spending rate. This is not what most tourism authorities want to see, as they want to see the ideal tourist: 'stay longer' and 'spend more' type.

Nonetheless, the backpackers are still the potential tourists that developing countries like Vietnam can capitalise on. They usually travel without tour guides and move around freely on their own using the domestic facilities, instead of those facilities

specially catered for high expenditure tourists. Also, they are also more likely to stay in budget, cheap or 'no-frills' accommodation and eat in local restaurants. They would be the tourists whose activities will be more integrated with the local mass population.

This study believes that Vietnam does not totally ignore this group of tourists. However, Vietnam should not totally ignore building the facilities meant for these tourists too. The irony is this. In order to satisfy the 'ideal tourist' who stays long and spend more, Vietnam may not have the resources at home to cater. Thus they may have to import much of the resources in order to cater to these tourists. Those resources could be hotel rooms from private and/or foreign investments or the type of food they are used to eat. While the ideal tourists spend in Vietnam, very often the expenditure is not enough to cover those imports, also known as leakages. This is not a vital sign to Vietnamese balance of payments.

On the other hand, backpackers expect no-frills facilities. Thus the investment needed to build facilities for this group of tourists may be a lot of lower, as the resources needed to build can be found at home. This can reduce the outflow of leakages. One plus point about backpackers is that, though they do not spend a lot in a day, they do spend a longer period in the host country and spend. Their expenditure is spread throughout their average stay of almost ten days. In the end, their expenditure may be even on par with the 'ideal tourist'.

According to literature, backpackers are the pioneers of tourism (Butler 1980, Oppermann 1993, Plog 1991). They are the one who are experiencing the tour by

themselves and inevitably set the future tourist routes through relating their experiences via word of mouth. Thus, the importance of backpackers as a segment market can never be ignored, and ‘to ignore these trendsetters of tourism development is imprudent.’

Wood (1979) has suggested that backpacker tourism is the bottom up strategy of tourism development, rather than the top-down strategy of modern mass and five-star tourism. The local population engaged in this tourism can also gain valuable working experience without having to involve foreign financial investments and management capabilities. In foreign resources-scarce Vietnam, this seems a very attractive option to consider.

### **6.22 Business Travel and Tourism**

Business travel and tourism is big business. Due to the globalisation and the opening up of travels and countries, we can see people travelling all over the world not only for pleasure and travelling purposes, but also for business trips. However, this phenomenon has not yet received much attention.

These days, we can see different business activities such as meetings, conferences, convention and exhibitions (to name a few) held in different countries. The largest market for convention tourism is in North America, shown in table 6.1. Nowadays this is gaining popularity in developing countries, and most of them are fighting to get a pie slice of these convention tourism.

The International Congress and Convention Association<sup>3</sup> (ICCA)'s latest statistics shows the 5,283 events which took place in 2005, a rise of 479 over 2004. These statistics are available due to the increase in research staff capacity and also due to the rising market for such events. The table below shows the statistics.

**Table 6.1**

Rank	Country	Meetings	Rank	City	Meetings
1	U.S.A.	376	1	Vienna	129
2	Germany	320	2	Singapore	125
3	Spain	275	3	Barcelona	116
4	United Kingdom	270	4	Berlin	100
5	France	240	5	Hong Kong	95
6	Netherlands	197	6	Paris	91
7	Italy	196	7	Amsterdam	82
8	Australia	164	8	Seoul	77
9	Austria	157		Budapest	77
10	Switzerland	151	10	Stockholm	72

*Extracted from ICCA 2006*

In Asia, Singapore is hailed as the most successful convention destination again for the seventh time in 10 years according to the Amsterdam-based International Congress and Convention Association's (ICCA) ranking<sup>4</sup>. Philippines, South Korea and Thailand are also rising fast to be one as well. Vietnam does have the potential to get his pie share. In recent years, we can see how much foreign investments have thronged in thru Vietnamese doors, and how vibrant the business environment is in Vietnam. Thus, Vietnam can consider hosting various conventions in their homeland to fit into the

<sup>3</sup> ICCA [www.iccaworld.com](http://www.iccaworld.com) last accessed 15/06/06

<sup>4</sup> <http://straitstimes.asia1.com.sg> 'S'pore: Asia's No.1 convention city for 7th time' last accessed 05/05/2006

business environment. At the time of writing, Vietnam has planned to build a new convention centre in the capital, and is due to be completed in 2007<sup>5</sup>.

Advantages of business travel and tourism for host countries (see figure 1)

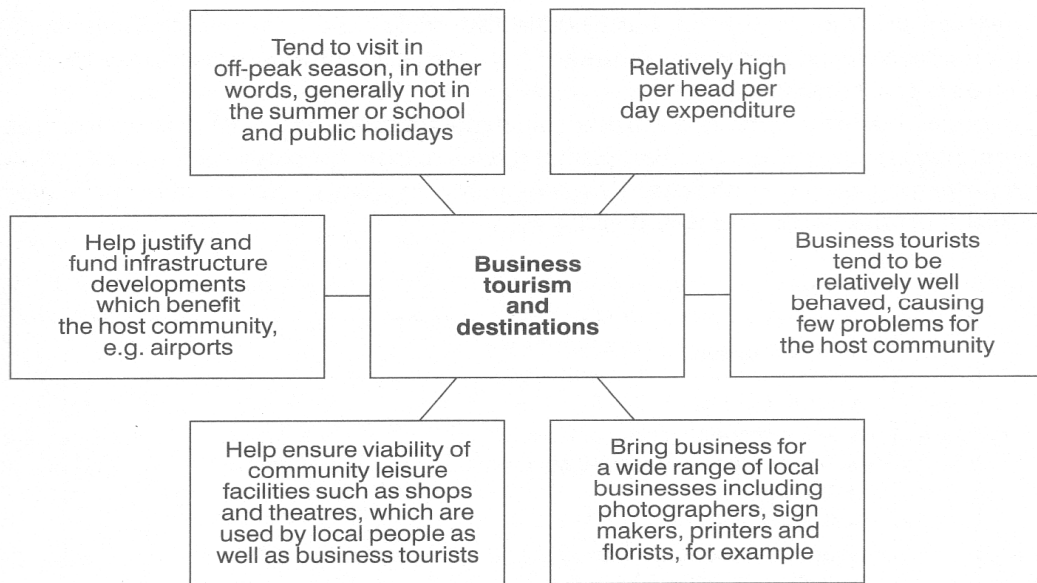
Such business events are usually held during off peak season, and thus their events can contribute to 'better occupancy in otherwise slack time'. These 'tourists' have a high-per-day expenditure, and may be beneficial to the tourism industry. Moreover, the people attending the prospective conventions can also visit Vietnam, and they can be converted from 'business tourists' to 'visiting tourists'. The business tourists can also play golf while keeping contact with business relations, or they can also visit other places in Vietnam. All in all, it can be a win-win situation for both Vietnam and the business clients.

Vietnam National Administration of Tourism (VNAT) has take note of such future trends to aid in their future planning. Such future trends are vital in order to stay in front line of the tourism competition, and it is pointless to engage in the 1950s marketing strategies for tourism where it may not work in the 21<sup>st</sup> century. However, the competition for hosting conferences events has intensified as the companies are seeking cost-savings strategies for their events<sup>6</sup>. Therefore Vietnam would also need to look into these new trends and fight to be able to offer a competitive value for her future customers.

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<sup>5</sup> Razak, Y (2005), 'Vietnam backs C&I growth with new convention centre', Conference and Incentive Travel, London, Jul/Aug 2005. p. 10

<sup>6</sup> Derrick, S. (2004), 'Corporate travel is on the up but clients prefer to pay less', Conference and Incentive Travel, London, Mar 2004, p. 8

**Figure 6.1: Benefits of business tourism to host countries**

*Extracted from Swarbrooke and Horner 2001*

### 6.23 'Second home' tourism

In these recent times, the idea of having a second home in other countries is getting popularity amongst the retirees, whom the majority are the baby boomers generations in the Western countries. This market is especially targeted at retirees and baby boomers.

Already, in countries in Europe, more than a million German, Scandinavian, Dutch and British citizens live most of the year far from home, mainly near the Mediterranean coasts of Italy, Spain and Greece. These are attractive to the retirees as they enjoy 'the benefits of a 'superstate' joining their nations under the European Union; retirees don't

require visas to resettle, and their insurance, pensions and bank accounts are portable across borders<sup>7</sup>.

In recent years, countries in Asia have targeted this segment group. Malaysia, for example, has initiated 'Malaysia, my second home'<sup>8</sup>. Despite the government's aggressive efforts in promoting it, unfortunately, there is no integration and proper communication between the local community, for example the building contractors and the government's efforts to build the homes for the Westerners.

Nonetheless, Vietnam has the great potential in targeting this segment group. Hopefully, in years to come, the land laws rule in Vietnam can be relaxed and people has the right to own their houses. This can be beneficial to any sectors in the economy as it is the inter-related activities: from the construction to labour to retail. The applicants will also have to bring in financial investments to banks, usually as form of fixed deposits at a certain amount of money for a specific amount of time. That would imply the financial inflow of investments to Vietnam.

#### **6.24 Eco-tourism**

The awareness of nature conservation is getting higher at each passing year, and because the nature reserves in most developing countries, including Vietnam are mostly untouched. Thus the attention is now on the developing countries, where they can both preserve their nature reserves while they still have it, and at the same time, able to offer

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<sup>7</sup> Millman J. (2005), 'The Economy; *THE OUTLOOK: Developing Nations Lure Retirees, Raising Idea of 'Outsourcing' Boomers' Golden Years*', Wall Street Journal (Eastern Edition), New York, Nov 14, 2005. p. A.2

<sup>8</sup> <http://www.malaysia2ndhome.com> last accessed 09/12/2005



the natural qualities and beauty to the adventurer seekers and improve the lifestyle of the people who depends on the nature reserves.

Vietnam has not fully embraces ecotourism as part of their major offerings in their traveling packages, but they did offer some adventure packages. Thus, Vietnam can now embrace this new market and engages in more active role in preserving her nature reserves.

### **6.25 Special Training schools**

Special training schools are meant to cater to provide training and basic information about the provision of quality service in tourism sector. This would mostly likely be useful to the ‘front-line’ local workers, as they are the one who would be interacting with the tourists the most, and more importantly, person-to-person interaction. This study will not include any training courses for the top level management as these skills and qualifications needed are mostly transferable to any industry, and do not have much interaction with tourists.

Such training programmes will be seen more suitably as vocational, as these training may be undertaken after the completion of the compulsory education. The quality of the skill and knowledge they bring to their vocational training will reflect the quality of any compulsory education the prospective students may have undertaken, and will vary between each country in the region.

It could be the result from historical events that Vietnam at that moment of time, there is a lack of quality higher education facilities and a culture with no history of ever having felt the need for vocational education. Men were either busy involved in war times, or engaged in farming activities, and more than often, do not have the financial means to go to school. Girls and women alike do not usually attend school as it was not culturally popular and were especially prevalent in rural areas. In recent times, there may be an increase in school going rate, and to higher education rates, there are not much.

As a result, most of the Vietnamese may not have the 'ideal manners' and common sense as in the same level as of the educated 'Westerner'. If any, they tend to be more hostile and do not know have any cultural frame for reference for tourism, and thus may not be able to fulfil their role ideally as a service provider. As Robinson<sup>9</sup> has said,

'People who have no notion of 'service' in the Western sense, let alone 'quality service', might not make the distinction between service and subservience.'

This idea of special school trainings is unique to Vietnam. The special school training's curriculum can involve a lot of valuable lessons to prepare one when he/ she wants to join the tourism sector. For example, courses like the etiquette of manners to greet tourists when at lobby and/ or the friendly attitude to process, i.e. to smile; is one of the many to be able to convey to the prospective students. This etiquette of manners may seem like common sense to the Westerns, but to many developing countries like Vietnam, such manners may seem alien and awkward to them. But still, these are the basic they need to learn from scratch. The special schools training will be the best place

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<sup>9</sup> Robinson, *tourism in Asia and australiasia* pg 346

to start to let them have the basic qualification and will be more prepared to face the tourists with ease.

Some literature text, for example, Withey et al (sighted in Robinson, pg 347) said that

‘...the ideal educator for front-line workers as the managers of the enterprises in which they work. They believe that the venue for education and training should be the place of work, to ensure that it is relevant and delivered in the context of the work environment.’

They believe in ‘on-the-job’ training and this study agrees too. However, there must be some criteria before these people can be recruited. Thus, if they showed up being rude and hostile, mostly likely they are not the candidate to choose from. But, if they were to attend the courses and absorbed whatever they were taught, perhaps they may have the higher chance to be recruited and can get more actively involved in the ‘on-the-job’ training. If anything, both the schools and companies can work together too.

As this quotation supports the idea of quality of service provider:

‘Managers do not control the quality of the product when the product is a service...the quality of the service is in a precarious state – it is in the hands of the service workers who ‘produce’ and deliver it’. (*Karl Albrecht, sighted in Kotler et al (1999), pg 39*)

In Singapore, SHATEC<sup>10</sup> (Singapore Hotel Association and Tourism Education Centre) provides education for hospitality training. It is one of the largest hospitality schools in the region. They have two beliefs: firstly they believe in nurturing the individual to

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<sup>10</sup>SHATEC, Singapore [http://sha.org.sg/shtc\\_abt\\_declare.htm](http://sha.org.sg/shtc_abt_declare.htm) last accessed 13/12/05

possess the right attitude and character. Secondly, they believe in providing the education to let the student acquire the basic hospitality life skills.

Thus, the special training schools in Vietnam would have the similar concepts, but perhaps of different variation, as after Singapore and Vietnam are two different countries with different education systems and human resources. What is important is to cater to the Vietnamese market, and not just to copy everything that may not suit Vietnamese context at all.

The problems now faced with this recommendation could be, (1) who will be the one leading and open this school? (2) Who will be qualified to teach? (3) Where would the school be? Nonetheless, this is a recommendation that can be considered.

### **6.26 Tourism offices in foreign countries**

The purpose of tourism offices is to help promote the country, to provide information for the local community of the host countries. By far, there were no known Vietnam tourist offices in any of the foreign countries. Hence, according to Vietnamese National Administration of Tourism (VNAT)'s Deputy Director Pham Tu<sup>11</sup>, 'tourism promotion in foreign countries has not been carried out regularly due to the lack of representative offices in foreign countries. Thus, visitors lack specific information about Vietnamese tours.' It has been planned that VNAT has proposed to the government for the opening of two offices in France and Japan, and to open five more offices in major tourism markets, specifically, in the USA, China, Germany, Singapore and Australia during the

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<sup>11</sup> 'VAT Hoping To Open Representative Offices In Major Foreign Countries', Info - Prod Research (Middle East), Ramat-Gan, Jul 5, 2005, pg. 1

2005 – 2010 period. This coincides with the National Action plan for Tourism. It has hoped that the new tourism representative offices will help Vietnam mobilise overseas Vietnamese resources for further tourism promotion and to introduce Vietnam's tourism to the world. It is good to see that Vietnam is striving to promote herself and already have plans such as the opening of foreign tourist offices, but none of it has gone according to plan as yet. For example, right from the early 2000, VNAT has planned to open the office in London<sup>12</sup>, but it has still not opened yet after nearly 6 years. Thus, it would be more beneficial if Vietnam can act according as plans.

### ***6.3 Difficult issues to address***

We all now can see how important the tourism industry is to Asia and Pacific region and to Vietnamese's. What adds to the flavour to Vietnam is that she does hold both the natural resources and rich cultures that can help spur on the Vietnamese's tourism industry. Vietnam has joined in the international trail of tourism industry and thus be able to tap the benefits of the flow of tourists to the region.

These positive results and benefits have given Vietnamese government the green light and confidence to support on the development of tourism industry on a much greater scale. Aggressive tourism promotions would usually be on the charts of strategic plans, and there are three aims. First of all, the promotional strategies would provide measures to increase visitor arrivals to Vietnam. Secondly, it has hoped that those visitors would be encouraged to stay for a longer period of time. Thirdly, the visitors would then be

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<sup>12</sup> Vietnam looks to open London office', TFG, Travel Trade Gazette, U.K. and Ireland, Tonbridge, Jan 31, 2000, pg. 2

'persuaded' to increase their expenditure in the host country. The final result would of course be the increase in receipts of foreign earnings.

Of the three, the first one is relatively easy to implement: design and create the strong promotion materials possible and implement probable aggressive marketing strategies. However, the second and the third one would not be as easy. While it is easy to attract tourists to the host country, it is not easy to maintain them and get them to spend, because these are highly dependable on the quantity and quality of tourism services. This is the main concern: which area and how will the quality and quantity come from?

Therefore it would not be easy to tap on the benefits of tourism if Vietnam still lacks some of the essential resources, albeit their natural resources and rich cultures. What will be successful in the beginning may not be successful again in subsequent periods if both potential and returning visitors do not come to visit Vietnam.

The main problems faced in Vietnamese history are stated in chapter 4. Of course, there is a necessity to find ways to improve on the problems on the short and long term scales. There are four issues that this study believes are important but difficult to address.

1. Common Language

Tourists like to visit places where there is a common language they can communicate with local people or understand the messages or history in tourist attractions. English is still the most common language used in any part of the world. This is crucial especially if Vietnam is keen to attract business travellers and be a business hub.

Vietnam has opened her doors to welcome visitors of all kinds to her shore. There are local English speakers, however there are not many. This may not be a problem in multi-national companies and hotels as the personnel are trained to speak English, but this may be a problem in the local level where the tourists mingle with the locals. The majority of the population are not able to speak English at the basic level<sup>13</sup>.

In September and November 2005, there are two different group of people I have personally known from Malaysia went to Southern Vietnam for travelling (Ho Chi Minh City) and Northern Vietnam (Hanoi) for business travel respectively. During the informal interviews with them, they had the same feedback. They are basically happy with what Vietnam has to offer to them: the service from the hotels they lived in, the place that they have visited and warmth and the friendliness of the people. However, there comes the main problem: majority of the locals do not speak English at all, with the exception of the hotel staffs, who spoke slightly better English. Thus, they have difficulties in communication for both groups. For the business traveller, there are translators when conducting business. But it is not convenient and has slowed down the whole process of business communication. Also there is a fear of loss of meaning in translation.

This will not be an easy task to get the majority of the population to speak English at least at a conversationally way. This may take a long time as first, language has to be learnt and practised and it may not be easy to learn a foreign language so different from

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<sup>13</sup> 'Tourism Sector Still Facing Many Challenges', Info - Prod Research (Middle East) Ramat-Gan, Feb 5, 2006. p. 1

Vietnamese language. Second, for children to learn language, it takes years for them to be able speak at a business level. Third, it will not be easy to integrate English language as part of the education curriculum as it is not a culture in Vietnam, and whether this is to change, it is still not known. Though the difficulties, it is still not an impossible task.

## 2. What to do first?

Vietnam is ambitious. She thrives to be an industrialised country, and also hopes to become the new tourism destination in the new millennium. However, there are still much to be done, and there will be priority of what to do first. Often, there may be contradicting views of what has to be done, as there are limited resources.

The timing has to be right and of course, careful planning is needed to get all the formula right. Vietnam is lucky in one sense that she has a lot of examples to learn from, as the countries have been through the modernising phases and can give insights to Vietnam.

## 3. Differing system and culture

The key to modernisation and to move Vietnam forward, is through decentralisation and perhaps democracy in political parties, and the ability to implement free market strategies and changes in the economy.

It is understandable as Vietnam is still ruled by Communist party, and therefore, there is a differing view of political control and culture in this sense. However, there is a need to think about how to change things around in the political sense, because the business,



especially the foreign companies are more used to democratic style of management and would shun away places which have a lot of red tape and bureaucracy. This is a difficult issue to address, but still it is not impossible to implement changes, though time is needed, but for how long?

#### 4. Time lag

For anything that is implemented on a large scale, be it a policy or strategy, there will always be a time lag of a few years at least. Thus, for Vietnam to implement any new strategies or policies there will be a time lag before she sees any desired results.

Thus, it is more important to plan more carefully, rather than to implement any shotgun strategies, just because she wants to be in line with the others fast. How long the time lag will be, will also depends on the teamwork between the government and the private sector.

#### ***6.4 Lessons to learn from Singapore***

Vietnam can learn a lot from Singapore. Singapore is a totally different country with Vietnam, in terms of political, location and people, but their economic goals, i.e. to modernise, provide employment to her people and attract foreign investors, are similar. That is why Singapore is chosen as an example.

Since independence in 1965, Singapore started out with no natural resources, but only human resources. Despite that, Singapore has since grew from a nation of uncertainty in

1965 to one of the richest and developed nation in the world. The Singapore formula to success is stated in the East Asian Miracle in Chapter 3.

What Vietnam can learn is that (1) investment to her people is just as important as to the ability to build huge and impressive infrastructure (2) openness of economy to foreign investors and (3) stable government. This study believes the first is the most important lesson to learn.

#### **6.41 Investment in people (human resource)**

The importance of having a good and resourceful human resource must never be undermined in any circumstances. This is in line with the New Growth theory which emphasised so much on investments to human capital (chapter 3). Thus, one common way to invest in human resource is via education. Singapore invested in education and subsidised fees to allow her citizen to have access to basic education. In Singapore, education is very much emphasised that in January 2003, Singapore was to make education compulsory for all children above aged 6, and have a minimum of 6 years in school.

The results are proven well. Singapore's pool of human resources is well educated and well versed with the common language of the world: English. Hence, the dynamics of Singapore's economy are attained within 25 years of independence, which is a great feat.

The whole world is now engaged in globalisation where there are already no boundaries for transfer of knowledge or information between countries. In this knowledge based world economy, only the educated or the aggressive and enthusiastic individual can benefit extensively. Therefore, there is even more an urgent for Vietnam to buck up their education and that would be a win-win situation for both the population and the economy. Thus, this study would urge the government to provide adequate primary and secondary education for their children in Vietnam.

### ***6.5 Conclusion***

Vietnamese tourism industry is gaining popularity in recent years and the new markets and marketing strategy can add to the new excitement and addition to the tourism industry. Nonetheless, she must not let lose and must further improve her infrastructure, physical resources and services as their short and long term goals. Also, other than the improvement towards the physical resources, human capital and services provision, Vietnam also need a new image in order for her to advance forward to the new century.

## CHAPTER 7

### *Conclusion*

#### *7.1 Conclusion*

The purpose of this study is to examine whether Vietnam can capitalise on the benefits of the tourism industry, rather than become a full pledged industrialisation country. Both types of industries are facing fierce competition regionally and internationally, but somehow there would be one which would be more comparative advantage than the other in Vietnam.

Vietnam has come a long way since, and has passed through two main hurdles in her history by far. The first hurdle passed was the events aftermath the independence and unification of North and South Vietnam in 1975. Those events caused uncertainty to the future of Vietnam at that time. It was after which, the Doi Moi reform programs were initiated in 1986, whose aims were to implement market oriented reform programs and to revitalise the economy. The next few years after 1986 saw the results and rapid changes to the vitalisation to the economy.

It was in the late 1990s where there were cracks appearing to the Doi Moi reform programmes. Foreign investors were moving out and those stayed on were not happy. This is the second hurdle that Vietnam is facing, and there are still a lot more needed to be done, in order to advance further to the future.

At the time of writing, Vietnamese Deputy Prime Minister Pham Gia Khiem has reaffirmed the stand of becoming an industrialisation nation by 2020 and entry to the World Trade Organisation<sup>1</sup>. As quoted from him,

‘Our goal in the next five years is to boost economic growth, step up the process of industrialisation and modernisation and develop a knowledge-based economy. This will create the foundation for Vietnam to become an industrial nation by 2020,’

It is good to have a clear mindset of goals for Vietnam in this case. However, it is worth reminding ourselves that China is now the world’s biggest industrialised country, and it would be difficult to compete with China with their low cost production and the vast availability of labour. Thus, this study suggests that Vietnam can be a complement to China rather than be competition to China in industrialisation.

As for tourism industry, each country will be unique with their environmental assets and that Vietnam do has some comparative advantages. Having seen what Vietnam has to offer and what the future holds for the both international and intra-regional tourism industry, it looks promising for Vietnamese tourist industry. At the time of writing, Vietnam has initiated the next wave of tourism development plans for the period 2006 – 2010. These new plans could be dubbed as Doi Moi II where this can be the other reason why tourism is beneficial for Vietnamese economy in the future.

It was the history of war times and the reforms to the economy in the 1986 that explained the late entry of Vietnam into the already highly competitive tourism industry. At the first glance, it seems Vietnam is not in a good position to compete with

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<sup>1</sup> [straitstimes.asia1.com.sg](http://straitstimes.asia1.com.sg) last accessed 21/06/06

other already successful countries that seems to have all: finance, brand name, stability, human resources and customers.

However, this may be a silver lining for Vietnam too. First of all, Vietnam is new in the market, and people are interested and attracted to this new place. Secondly, the challenges faced by other countries, for example, the conservation of the nearly depleted nature reserves, Vietnam can learn from them by implementing it now to their virtually untouched nature reserves. This can be part of the sustainable tourism management, as seem as part of the new market recommendations - ecotourism in Chapter 6. Thirdly, Vietnam has plenty of role models to look up to, and learn from any mistakes or good points that these countries has adopted or faced, as Singapore is given as a good example in Chapter 6 too. Of course Vietnam has to be clear of what she wants to derive from tourism, and then these lessons are valuable to her experiences.

### ***7.2 Limitations***

There have been few limitations in regards to this thesis. First of all, the tourism industry of Vietnam in this thesis is of marketing-oriented and touches briefly on the political and social issues. These issues are also important to the development of the tourism industry and the economy. Hence more in-depth study on these two areas is needed to understand their impacts on the tourism industry. Also, it is more useful if a more in depth research and field trip can be done in Vietnam to understand more of their tourism industry towards the 21<sup>st</sup> century.

Secondly, there is also a need to look into the Vietnam National Administration of Tourism (VNAT)'s goals and objectives for the tourism industry. They are ambitious and therefore there may be a need to revamp their image to portray a consistent message out to the people.

Thirdly, it is still not clear at this point of what the Vietnamese authorities plan for their economy<sup>2</sup>. As stated in Chapter 2, the routes of development are as follows:

1. Would she remain an agriculture based industry, as done before during the command economy?
2. Would she opt for an 'agriculture – industry – service' development strategy, which is similar to China?
3. Vietnam has taken off being an agricultural economy when they started their reforms. Would she opt for an 'agriculture – service' development strategy?

While they are keen of becoming a full pledged industrialised country, they are also keen on the big tourism development. While the statistics showed the decline of agricultural industry, the majority of the population are employed in this industry. Thus, there is beneficial to be clearer with their goals and development plans. No matter what their chosen paths are, consistency is the key to the success. Vietnam would have to work on these.

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<sup>2</sup> Cooper 2000

### 7.3 Last note

At the time of writing, Vietnamese Prime Minister Phan Van Khai<sup>3</sup> has stepped down and appointed Nguyen Tan Dung as the next Prime Minister<sup>4</sup>. He has been the one of the ‘two politicians from the south, the country's industrial growth engine, who are party loyalists but have voiced support for speeding up a two-decade-old process of market reforms<sup>5</sup>.’

Vietnam is determined to move further into the future and this event is timely as ‘a generational leadership change for the communist country heading fast into an era of closer integration with the world economy<sup>6</sup>’. This study hopes for the best to the future of the tourism industry.

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<sup>3</sup> ‘ST News: ‘Vietnamese PM to step down’, 17/05/06, Singapore Straits Times Interactive, <http://straitstimes.asia1.com.sg>

<sup>4</sup> ‘ST News: ‘Vietnam picks new reformist leaders’, 28/06/06, Singapore Straits Times Interactive, <http://straitstimes.asia1.com.sg>

<sup>5</sup> *ibid*

<sup>6</sup> *ibid*



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