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PATA LDCs Hold Out Red Carpet For Tourism Investors

SOME OF the less developed countries (LDCs) of the PATA region are competing aggressively to create better conditions for investment in their tourism industries. While they possess a wealth of natural attractions and rich cultures, converting those "assets" into something that will mean a higher quality of life for their people is involving a bigger challenge.

Attracting investment is not easy in today's demanding high-stress, high-competition climate. The investor's wish list is long. It involves, amongst other things, a host of legal, financial, social and economic requirements, ranging from the stability of the national currency to protection against nationalisation, access to a reasonable pool of skilled labour and ability to get work permits for expatriate staff. Investors are also leery about lengthy procedures, unclear regulations, political instability and protectionism for local industries.

It also requires the countries to have strong infrastructure, especially in terms of transportation networks that bring visitors to the countries seeking investments. While groupings like the Asian Development Bank are willing to fund infrastructure projects, they too need to feel that the tourism industry is getting priority and that the appropriate policies and projects are in place. These interests have to be matched with those of the countries themselves, viz., creating jobs, especially in the rural areas, boosting foreign exchange reserves, facilitating transfer of technology, boosting human resources development.

While there is more than enough recognition of the importance of tourism to national economies, governments have to prioritise tourism in relation to other economic sectors and budget allocations. They are all are short of capital. Many countries are also in the throes of privatisation plans of their major state enterprises, especially airlines and airports.

Tourism industry delegates had an opportunity to assess each other's investment promotion strategies at a May 16-18, 2000, seminar in Seoul, Korea (ROK), organised by the UN Economic and Social Commission for Asia and the Pacific. Entitled "Expanding the Economic Benefits of Tourism Through Promotion of Investment in Tourism Infrastructure," the seminar was supported by the Korean Ministry of Culture and Tourism and was attended by private and public sector participants.

Here is a brief synopsis of the presentations from the less-developed PATA countries.

Bangladesh

The Bangladesh Parjatan Corporation, established in 1973, is following a master plan for tourism development prepared by the World Tourism Organization with help from the UN Development Programme. Bangladesh plans to develop its hill tracts, coastal areas and the peripheral areas of Mymensingh, Bogra, Dinajpur and Sylhet. The emphasis will be on the preservation of heritage and archaeological buildings and renovation of old buildings of historical significance.

The policy is to set up more four- and five-star hotels in Dhaka and Chittagong. One or two coastal islands will be leased to private companies for development as exclusive tourist resorts. Non-governmental organisations (NGOs) will also be encouraged to develop and run tourism sites and other facilities. The government is putting a major emphasis on the preservation, conservation and development of the Sundarbans as a unique international wildlife resort area and which given the ever increasing interest and demand for such experiences, promises to be a productive strategy in the long term.

Cambodia

Home of the famous temples of Angkor Wat, one of Asia's most prominent visitor attractions, Cambodia has moved ahead rapidly to consolidate its tourism potential. Investment promotion measures include a corporate income tax of only 9 percent; tax holidays for up to eight years depending on the nature of the project, no export tax, free repatriation of profits, no withholding tax on dividends, use of land up to 70 years renewable, land ownership with 51 percent Cambodian interest and no nationalisation and price controls.

Millions of dollars worth of investment have already poured in, mainly from Malaysia, Chinese Taipei, Singapore and Korea (ROK), with many investors vastly pleased by the considerable support coming from the industrialised countries and aid agencies. An open sky policy adopted for Siem Reap has further encouraged investors.

One ambitious plan involves developing a tourism zone at Siem Reap covering more than 1,000 hectares. More than US$1 billion in foreign investment is expected to pour into the project which will comprise several hotels, a commercial centre, a culture centre, conference centre, sports facilities, a residential area, hospital and ultimately a museum of contemporary art.

Cambodia, the country which has made perhaps the fastest move towards economic recovery, says that the advantages of a strong tourism industry are quite clear and self-perpetuating. Foreign exchange earnings from tourism allow the government to:

- **Maintain macro-economic stability**
- **Allocate resources to those areas that need them most**
- **Achieve economic growth**
- **Ensure sustainability of the economic activities on the environmental front**
- **Achieve an equitable distribution of economic activities by region**
- **Balance the geographical distribution of the population**
- **Achieve an equitable distribution of economic benefits per capita**
- **Maintain a low and acceptable rate of inflation**
- **Maintain currency stability**
- **Achieve a balance between consumption, saving and investment**
- **Fund a budget to enable the public sector to fulfil its roles**
- **Provide an adequate educational and vocational training system**
- **Provide an adequate public health system**

Lao PDR

Tourism projects come under the foreign investment law which was announced in 1994 and allows investment either in the form of joint ventures or wholly owned enterprises. Some tourism ventures can now actually be fully owned by foreigners. Many of the same conditions that allow for repatriation of profits and tax-holidays apply.

The land-locked country has come up with a number of new initiatives to encourage investment, such as granting visas on arrival to citizens of all countries, reducing the visa fees from US$50 to US$30, opening a new international airport at Vientiane and facilitating access through the Friendship Bridge. It is projecting that 1 million visitors will enter the country in 2000.

Maldives

Tourism has now replaced fishing as the primary industry on this archipelago of 1,200 islands and today contributes up to 20 percent of the country's GDP, 70 percent of total foreign exchange earnings and 40 percent of government revenues. By the end of the second Tourism Master Plan period 1996-2005, it hopes to increase bed capacity to 20,000 beds, up from 14,956 beds in 1999.

The island nation is making a major effort to diversify the source of its visitor arrivals and reduce dependence on the European market. One of the key issues is to reduce dependence on expatriates in the workforce, which currently number about 40 percent. The government is conscious this adds to the leakage of tourism revenues in the form of wage remittances.

While the main gateway to the Maldives remains Male International Airport, plans are under way to develop the four regional airports which are currently utilised only for domestic transfers. This is because more tourist resorts are being built on islands further away, meaning more time in transferring visitors there from Male. It also raises the cost of sending supplies to the various resorts and of course, removing certain wastes, as is done by some airlines currently.

Mongolia

Mongolia is a relative newcomer in making the transition to the market economy and admits that it requires "a whole new mindset" among the businessmen and policy-makers who have "to change their attitudes, style of thinking and behaviour." One of the primary requirements is to set up a new legal basis for the entire development process, not just tourism.

The formation of a national tourism council was only approved by the government in October 1998 and is designed to set up a national tourism policy as well as implement it by coordinating efforts with the relevant ministries and professional industry associations.

It estimates that tourism generated only about US$29 million of total export earnings of US$424 million but projects rising to about US$232 million by 2015. One major development will be the expansion and upgrading of Ulaanbaatar's international airport with the help of a US$36 million loan from the Asian Development Bank. The government is also investing in the upgrading of some of the 21 regional airports and the road system connecting the three urban centres.

To ensure a more orderly development, Mongolia is building designed tourism zones within which companies will be provided investment privileges. The country is also dotted with hundreds of Buddhist monasteries which, under the new political system, are allowed to flourish freely. Currently they lack the investment to be rebuilt and restored, despite being a critical component of the tourism development programme.

Myanmar

The doubling of the visa-stay period from seven days to 14 days in the early 1990s led to a sharp rise in visitor arrivals in Myanmar from about 60,000 in fiscal year 1993/94 to nearly 200,000 1999/2000. The pace of arrivals growth has slowed due to the Asian economic crisis. "Once the crisis is over, the Myanmar government is hoping to get the visitor arrivals up to 500,000." The visa stay has now been extended to 28 days.

Since the opening of the economy to foreign investment, tourism attracts more foreign investment than any other sector. As of 1999, there were 41 hotel, apartment and commercial complex projects with a total investment of over US$1.18 billion. Of that, 25 projects were completed, providing 4,326 rooms. Some were delayed due to the Asian economic crisis.

The government admits that its investment and development efforts are being seriously constrained by the lack of offshore funds from international lending institutions like the World Bank and ADB. Even so, it is relying on other sources to fund the development of a new international airport near Mandalay and another one near Bago. This of course is the trend of the future.

The government would like to see more investment in golf courses, beach resorts, tourist villages and recreational centres in the urban areas. Under a 1988 investment promotion law, investors are offered tax holidays of up to three years, no tax on profits ploughed back into the business within one year, accelerated depreciation of capital assets and a number of other tax- and duty-payment concessions. However, the government admits "the bad image created by foreign media also discourages many tourists and investors from coming to Myanmar." This could take some time to counteract.

Nepal

Under the tourism policy enacted in 1996, a clear demarcation is implemented in the responsibilities of the public and private sectors, with the former responsible for infrastructure development and the latter for tourism diversification. The duties of a Tourism Council, the Ministry of Tourism and Civil Aviation and the Nepal Tourism Board are also identified.

Foreign exchange earnings from tourism were estimated at US$152.5 million in 1998. Employment is estimated at 257,000 people. The importance of tourism to the national economy is well understood by international donor agencies, about 15 of which extend straight grants to Nepalese infrastructure development projects, especially in civil aviation. A new industry policy enacted in 1992 identifies the potential areas of foreign investment as being hotel resorts, golf courses, air services, hot-air ballooning, cable car complex and amusement parks with others possibly appearing as the distinction develops further.

Promoted businesses will not be taxed more than 20 percent on income, and see no tax on dividends and export earnings. Further concessional tax rates will be offered for operating in less developed areas of the kingdom and a further 50 percent reduction on taxable income will be extended for investments in pollution control measures. Full repatriation of profits and dividends is allowed, along with a number of visa privileges for investors. For its part, the government says it is doing all it can to clean up the procedural and bureaucratic issues.

The government notes that due to the very special problems it faces, investors in the aviation industry have to understand that pricing controls are necessary on "social routes." Moreover, hotels do not all qualify for tax breaks, only those located in remote and undeveloped areas, which, in Nepal, still covers a wide area.

Pakistan

Pakistan is home to the world's oldest architectural remains at Mohenjo-daro and has extensive potential for mountain tourism, but as the government admits, "the tourism potential of Pakistan is largely untapped." The main reason simply is the lack of investment in converting tourist attractions into finished and utility-oriented tourist offerings."

In spite of the constraints, the Pakistan Tourism Development Corporation has managed to get quite a lot done. Work permit restrictions, for example, have been waived for foreigners and accelerated depreciation is being allowed for income tax purposes for tourism projects. In various parts of the country, 170 plots of government land have been earmarked for investors on soft terms for tourism projects.

Under an open sky policy, private airline companies have been allowed to operate on domestic/foreign routes. Helicopter services are allowed to operate commercially for tourism promotion.

As a matter of priority, the PTDC feels there is good potential for development of neat and clean two- and three-star accommodation along three major tourist paths; summer and hill resorts; winter and ski resorts and coastal areas and beaches.

Sri Lanka

One of the oldest tourism promoters in Pacific Asia, with the establishment of the Ceylon Tourist Board in 1966. That year, there were only 820 hotel rooms, a number which had risen to 13,520 rooms by July 1999 with projections for 17,500 rooms by 2001.

Its main strength, apart from the rich and diverse tourism attractions, are a very high level of literacy, a professional US$6.5 million Ceylon Hotel School and School of Tourism and strong aviation links, which have been further strengthened by the new management of SriLankan Airlines. The government is targeting one million tourists in the year 2004 and is now in the final leg of its 1992-2001 tourism development master plan.

The range of investment privileges are very much the same as those of the other PATA countries. But the government is making clear that it is not just seeking investment in tourism development without a corresponding investment in environmental management and human resources development. One of the major issues is the need to settle the long-standing ethnic conflict so that the efforts can be stepped up to create and sustain a positive image of the country.

Vietnam

Tourism is being both fast-tracked and raised to the highest possible levels of priority. The government recently passed the Ordinance on Tourism — the highest legal document on tourism development. A national tourism steering committee has been set up and is headed by a deputy prime minister and includes seven deputy ministers, city and provincial authorities plus senior experts from related bodies.

A master tourism plan for 2005 to 2010 has also been approved. The government is hoping for 2 million visitor arrivals in 2000. By the end of 1998, direct foreign investment capital in Vietnamese tourism totalled US$11 billion with 273 projects. However, the government says it is now conscious that an imbalance has emerged with an overemphasis on hotel projects and less investment in infrastructure and recreation zones. Efforts will now be made to rectify that.

One of the country's strong points is that it has vastly upgraded its statistical and data collection related to tourism investment. All the major tourism indicators are pointing upwards and investment is ready to take off in the wake of the country's normalisation of trade relations with the USA. This latter of course has enormous implications for travel – with business routes opening and functioning, leisure travel normally follows at a fairly rapid pace.

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