

# Cambodia Outlook Brief\*

2010, N° 05

## Strengthening Key Sectors for Cambodia's Return to Growth, Sustainable Development and Poverty Reduction: Tourism<sup>1</sup>

“Tourism is a priority sector which contributes to socio-economic improvement, job creation and income generation. However, [it] is prone to the impact of both internal and external risks... Those risks can seriously affect [the] industry and have immediate and long-term effects on the [economy].”

*Mr Hoy Phireak, Deputy Director, International Cooperation and ASEAN Department, Ministry of Tourism*

“With or without crisis, issues remain.”

*Mr Luu Meng, President, Cambodia Hotels Association*

### Tourism: Resilience amid Crises

Tourism is one of Cambodia's growth sectors that has helped improve living standards and reduce poverty. It is an important source of revenues that have been used to boost economic growth and sustain the trade balance. It promotes national prestige and strengthens relationships, solidarity, cooperation and regional and international integration. When responsibly managed, it also contributes to natural and cultural resource conservation. Tourism, however, is vulnerable to internal and external risks such as political and economic uncertainties and natural

disasters. These risks can seriously harm tourism; the impact on tourism can then seriously hurt household incomes, investment and the economy in general.

The vulnerability of tourism to external instabilities was well demonstrated during the global financial and economic crisis from which the world is now just recovering. Economic recessions in developed countries and the rest of the world worsened unemployment and diminished incomes. With many people worse-off, international travel and tourist spending decreased.

Tourism in Cambodia indeed suffered from the global economic meltdown. At the same time, it was hurt by the political crisis in Thailand, the border standoff between Thailand and Cambodia, and the spread of the H1N1 influenza. International visitor arrivals declined year-on-year by as much as 9 percent at the end of 2008 (Figure 1). Even during the peak season, hotel occupancy rates reached just 10 to 20

<sup>1</sup> Outlook Brief 5 summarises the presentations and discussions in session 3B(ii) of the 2010 Cambodia Outlook Conference. Presenters for this session were: Mr Hoy Phireak, Deputy Director, International Cooperation and ASEAN Department, Ministry of Tourism and Mr Luu Meng, President, Cambodia Hotels Association.

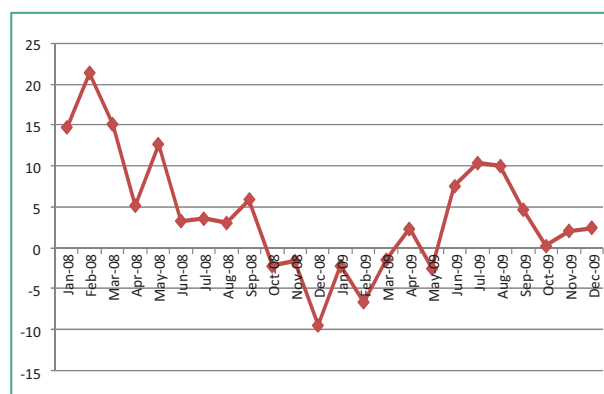
percent. Hotel closures were few but many businesses had to close some of their units or aspects of their operations. The sector still showed some resilience, however. In 2008, it grew by 5.5 percent relative to 2007, with international visitor arrivals totalling more than 2.1 million. While tourism from some markets weakened (the number of tourists from South Korea plunged by 19 percent), tourism traffic from other markets intensified (the number of tourists from Vietnam went up by 67 percent). Because of its limited budget, the government on its own would have been hard pressed to cushion the blow of the global shock and other aggravating factors to the tourism sector. Nonetheless, it was able to enact measures that were helpful in relieving the strain on the tourism industry. These ranged from launching the national airline carrier, Cambodia Angkor Wat, to the various promotional activities conducted by the Ministry of Tourism to boost tourist flows. With help from the private sector and the donor community, the industry still managed to grow by 1.7 percent in 2009. Signs of recovery were first spotted at the start of the second half of last year, when international visitor arrivals finally showed a positive increase in year-on-year growth of about 8 percent in June (Figure 1). Banks have also started lending again and the outlook by the ASEAN Tourism Forum is optimistic. Tourist arrivals in Cambodia are expected to increase by 3-7 percent in 2010 vis-à-vis 2009. Data already shows a 5 percent year-on-year increase in visitor arrivals by air in January 2010.

### Tourism: With or Without the Crisis

With or without the crisis, Cambodia's tourism sector would have needed to deal with the serious issues that imperil the sustainability of its growth. Leading these issues is the industry's lack of diversification in terms of tourist attractions and services. The sector's competitiveness is also held back by problems in travel facilitation, the high cost of airfare to Cambodia, inadequate promotion, and the higher cost of exploring the country in part reflecting the high costs faced by tourism operators. Overall, Cambodia's tourism competitiveness lags behind that of its neighbours, Thailand and Vietnam. In the 2009 travel and tourism competitiveness index ranking of 133 countries, Cambodia is placed 118th while Thailand and Vietnam are placed 39th and 89th, respectively.

The key challenge is to make Cambodia the destination and not simply an extension. Focusing

**Figure 1: International Visitor Arrivals, year-on-year percent growth**



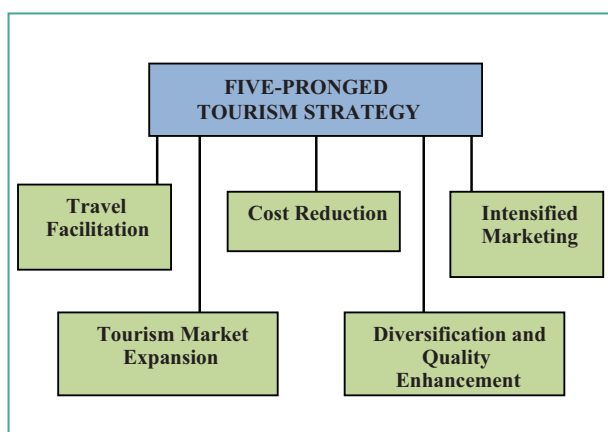
Source: MoT

on not only the quantity but also the quality of tourism will also strengthen the capacity of the sector to weather future shocks. Several hard questions are currently confronting the industry. How can the authenticity of cultural sites be preserved? How can the average length of visits be extended? How can repeat visitors be attracted? How can visitors have a better experience of Cambodia? How can more bigger spenders be attracted to visit Cambodia? How can more MICE (meetings, incentives, conferences/conventions, and exhibitions) be lured into being held in the country?

To address these questions and meet the challenges, the following five broad strategies, in turn supported by a number of specific measures, must be actively pursued: improving travel facilitation and cross-border transportation; reducing travel and visiting costs; diversifying tourist attractions and enhancing the quality of tourism products and services; expanding the tourism market; and ramping up marketing.

The first strategy, easing travel and cross-border transportation, can only be successfully executed with cooperation from neighbouring countries. Specifically, it requires the following: implementation of agreements on cross-border tourism; increase in the number of cross-border tourist vehicles; approval of the use of a border pass or other simple documentation for cross-border visits; reduction of visa fees by at least 50 percent on arrivals by land and sea to stimulate regional tourism more; trial removal of visa fees for tourists from Japan, China and South Korea; reduction in the cost of some travel services or inclusion of such cost in airfares; broadening of the open sky policy covering the Siem Reap-Bangkok

**Figure 2: Tourism Strategy**



route; increase in direct flights to Siem Reap, Phnom Penh and Sihanoukville and in the direct flights from Siem Reap to Sihanoukville; improvement in the services of the national carrier; enhancement of the quality of tourist transportation from the borders; improvement in the management and creation of an association of transport companies; improvement of hospitality and information services at border checkpoints; and dissemination of tourism information to locals in order that they can help in tourism promotion.

High travel costs, formal and informal, are major constraints to attracting tourists, especially frequent visitors and longer stays. The second strategy, decreasing such costs, requires reduction in the following: prices of tour packages; visa fees as already mentioned above; entrance fees and other charges during visits to tourist sites; and costs of accommodation, food and transportation.

Angkor Wat and cultural tourism in general have served as the key pillar of tourism in Cambodia. Promotion of such is well and good but certainly not enough if the growth of the tourism industry is to become sustainable. The third strategy, diversifying tourist attractions and enhancing the quality of tourism products and services, entails the following: promotion of eco-tourism, especially in coastal areas; preservation of natural and cultural resources;

redefinition of target from mass tourism to quality tourism; improvement of urban development and water and waste management in tourist areas; strengthening of security and the discipline of tourism police and other relevant authorities to ensure the safety of tourists and their confidence in the country's security; establishment of first rate culinary, hotel and restaurant management, and other relevant vocational schools; conduct of more hospitality trainings; introduction and enforcement of tourism standards in accordance with the tourism law; and promotion of food hygiene in accordance with the tourism slogan, "Clean cities, clean resorts and good services".

Even as tourism from its traditional Asian markets has faltered, visitors from other Asian markets as well as Europe have remained strong. Thus, the fourth strategy, diversifying tourist source countries, requires promotion of Cambodia as a travel destination in fellow ASEAN countries, Europe, Russia, and other non-traditional markets. Cambodian expatriates should also be targeted as a tourist market while more domestic tourism is also encouraged.

The fifth strategy, intensifying marketing, entails: conduct of more familiarisation trips (FAM trips); advertisements in specific target markets in the region; conduct of tourism activities at the borders; promotion of enterprises that are able to win tourism awards or international recognition; sending tourism representatives to other countries for information dissemination; advertisements using all types of media including the world wide web and such catchy campaign slogans as "Cambodia: Kingdom of Wonder"; creation of the Marketing and Promotion Board with the government allocating budget for promotion; and collaboration with professional promoting agencies in target countries.

The challenges are numerous but this does not eliminate the sense of optimism about the future of Cambodia's tourism sector. The country's unique beauty in terms of tourist attractions will in the end bolster the industry.

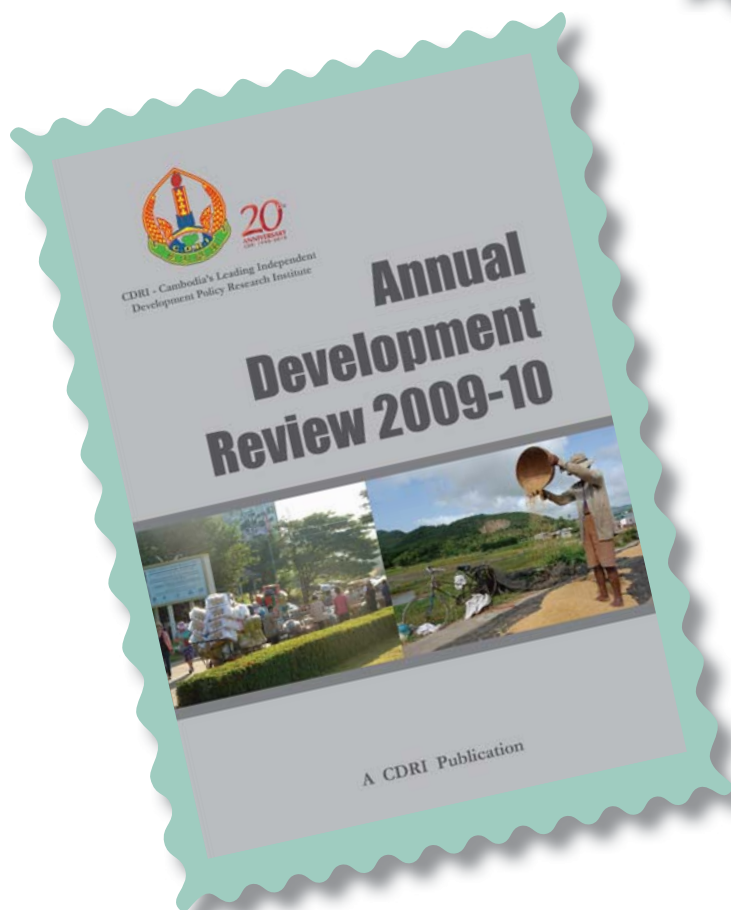


## Annual Development Review 2009-10

A CDRI Publication

The main contents of this fifth Annual Development Review are:

- Introduction.
- Cambodia in the sweep of the global financial and economic crisis.
- Cambodia's food security in the face of the food and economic shocks.
- How did Cambodia rural households cope with shocks from food and oil price increases?
- Informal risk management and safety net practices in economic crises in Cambodia.
- How managers manage in the Cambodian health sector.
- Searching for an improved path to civil society-parliamentarian interactions in Cambodia.
- Chinese investment in Cambodia.



- Service trade liberalization and growth in Cambodia: case of finance and telecom sectors.
- The political economy of regional integration in the greater Mekong sub-region.
- Farmer participation and the success of farmer-managed irrigation systems: a case study of the O-treng farmer water user community, Kampong Speu.

Like other ADR publications, this ADR 2009-10 contains very useful information on the most current issues facing Cambodia. There is also a shortened version of this document in Khmer.

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