Chapter - Two

“Tourism in Economic development of Thailand”
CHAPTER - II
TOURISM IN ECONOMIC DEVELOPMENT OF THAILAND

This chapter seeks to introduce some of the important concepts and concerns associated with the expanding the economic benefits through tourism in Thailand. Tourism has been accepted as an important mechanism for economic development in terms of its contribution to foreign exchanges, employment generation, incomes generation and output growth. Its importance as an economic factor is also evident from its being a multi-billion dollar activity. Apart from this it provides employment opportunity for sustaining trades like handicrafts and related small-scale industries. Like other industrial sectors, tourism as an economic sector represents contacts between the service provider and the clients which involve international forces and work according to the laws. Tourism in general perceived by government and development agencies as a quick economy which bring with it employment, exchange earning, balance of payments advantages and important infrastructure developments that benefit the local residents as well as serving as a catalyst for expansion of other economic sectors. The perception about tourism that it has only positive benefits for the country has lessened these days. It is said that tourism can also generate economic problems. Loss of economic benefits can occur, economic and employment distortions can also take place if tourism is concentrated at one or a few areas of a country.

The history has never shown such interdependency on economy as it is seen today and this has happened due to the globalization of products, services and capital market. The economic situation has changed and it has become interlinked with other countries with the help of globalization which has brought technological advancement in market, communication and trade. Tourism, one of the international trades in services, has become an important share in global market. According to the study of some cases and on the basis of observation it has been revealed that tourism not only provides socio-cultural and political benefits to the country but it has also considerable economic significance. It is said so, because this largest industry is a generator of quality jobs, increases gross world product and also produce goods and services for the country. Due to the rapid expansion of international tourism in Thailand the importance of foreign exchange
earnings has grown. Other benefits contributed by tourism include increasing income, investment and economic growth. Therefore, it can be said today that tourism has emerged as one of the largest and fastest growing industry in the global economy.

**Tourism and Economic Development**

Economic development is no longer considered synonymous with economic growth. It is a wider concept, which includes growth plus many other objectives necessary to ensure the upliftment of economy. To quote Michael Todaro, "Economic development must therefore be conceived as a multi-dimensional process involving major changes in social structure, popular attitudes and national institutions as well as acceleration of economic growth, the reduction of inequality and eradication of absolute poverty (Nanada, A. and P. G. Arul: 258). Economic development in Thailand is not a new phenomenon. The Thai economy has grown continuously for over half a century with more rapid and higher sustained rates of growth in the past decade, especially during the last three years of the 1980s. (Samudavanija ed., 1995: 235)

There are number of ways in which tourism is likely to promote economic development. **Firstly**, static gains from trade may be enjoyed by developing countries exploiting a comparative advantage through specialization in the production of a specific tourism product. Additionally, tourism may serve as a vent for surplus, allowing gains to be made from otherwise under-utilized resources. Furthermore, as an export, tourism may relieve some of the foreign exchange and balance of payments constraints facing developing countries. However, dynamic gains from trade may have the greatest benefits for economic development as the tourism sector facilitates the intangible flow of ideas across borders and cultures. In economic terms, this flow of ideas may result in higher productivity and positive inter sectoral externalities. In developing countries, the tourism sector may have higher marginal factor productivity than other sectors in the economy as it is often a leader in the use of modern technology and techniques, skilled labour, and internationally competitive management. **Secondly**, as an export sector, tourism is more susceptible to external competition and pressures for productivity improvements, leading to more investment, higher profits, and more rapid economic growth (Al-Yousif, 1997: 693-697). The competitive nature of this market induces innovation, adaptability, and more efficient management of firms' resources, resulting in higher productivity. The
spillover of these ideas from the tourism sector into the rest of the economy is a positive externality and may lead to higher productivity in the economy as a whole and serve as a catalyst for growth in other sectors (Feder, 1982: 59-73).

The process of globalization would continue to create enormous opportunities for the expansion of tourism, with the expectation that it would make a significant contribution to economic development. Tourism could help to diversify a country’s economic base, as well as spread development to regions that may not have benefited from other types of economic development. (ESCAP, 2005: 1) It can generate four different types of local cash income generally involving four distinct categories of people:

- Wages from formal employment.
- Earnings from selling goods, services, or casual labour (e.g. food, crafts, building materials, guide services).
- Dividends and profits arising from locally owned enterprises.
- Collective income: this may include profits from a community-run enterprise, dividends from a private sector partnership and land rental paid by an investor.

Tourism could contribute to poverty alleviation through job creation and productive employment by offering labour-intensive jobs and small-scale business opportunities that generally employ a high proportion of women and unskilled youth. Tax revenue from tourism could be used to improve education, health and infrastructure development. (ESCAP, 2005: 1) Many developing countries perceive tourism as a fast track to economic growth. They assume that tourism development requires less investment than other industries; and they believe tourism to be an effective means of creating job opportunities and increasing local income. This gives an impetus to national income as well as to individual’s income. This sector creates demands for services and consumer goods, which stimulate the production sectors bringing with it an automatic increase in national consumption. (Holloway, J. Christopher, 1985: 223)

The types of economic benefits and economic development that tourism can bring to the host country are very well discussed in the above paragraphs. These economic benefits and costs of tourism reach in the region in one way or another. Economic impact analyses provide concrete estimates of these economic interdependencies and a better understanding of the role and importance of tourism in a region’s economy. The strong
links that exists between tourism and economic development is also underlined by the
governmental responsibility. It is the government who has to take care of tourism
development which has the economic benefits for the country. Even, John Naisbitt, in his
best selling book “Global Paradox”, subscribes to the concept that tourism will be one of
the industries that will drive the world economy into the twenty-first century.

Growth and Structure of Thai Economy

Thailand's primary money earners in the late 1970s were the crops grown on its rich
land. Today agricultural products are produced in such quantities that in many commodities the
country ranks as the world's number on supplier. Thus besides being the world's foremost
exporter of tapioca and rice, it is a leader in the production of frozen shrimp, canned
pineapple, natural rubber and sugar. Moreover, Thailand's industrial sector produces a
wide number of goods ranging from textiles including the famous Thai silk and ready-
made garments to integrated circuits, plastics, jewelry, footwear, knocked-down furniture
and fiber-glass yachts. In recent years in fact, manufacturing has surpassed agricultural
products in Thailand's Gross National Product (GNP), while tourism has replaced
agricultural products as Thailand's largest source of foreign exchange (The National
Identity Office, 1995). The dynamic change of the Thai economy can be divided into
three stages:

- the beginning of industrialization,
- the period of economic crisis, and
- the current situation (Kantamaturapoj, Kanang, 2005).

The Thai economy is one of the most robust in Asia. In the 1960s it was a predominantly
agricultural economy largely dependent on its rich produce of crops such as rice, cassava,
maize, rubber, and sugar cane, along with its seafood production, primarily of shrimp.
The 1980s to mid-1990s marked its boom years and its emergence as a diverse, modern,
and industrialized economy. Thailand’s economy growth can be attributed to several
factors. First, Thailand has pursued a rational approach to industrialization. In the 1960s,
its first attempt at industrialization was characterized by the strategy of import
substitution which centered mainly on food processing. Hence, Thailand used the
produce of its agricultural sector to initiate a shift into industrialization. The availability
of local laborers, combined with abundant natural produce, enabled the country to increase production and shift to manufacturing or processing products for export purposes. The strategy was to gradually build upon existing resources in order to facilitate the development of the economy. The second important factor was Thailand's diversification of its economy. This is a pervasive trend in the development of the economy, which is rooted in the innate flexibility of the Thai people. Diversification was also aided by huge inflows of foreign direct investment geared towards a wide range of products, namely electronics, chemicals, property, and processed food. In the 1980s, foreign direct investment totaled US$8 billion, with US$2.5 billion coming from Japan and the rest from Chinese, Korean, and American investors. Third factor is government stability. The administration of Prime Minister developed a continuity in policies and programs that inspired the confidence of the private sector in both the government and the economy. This translated to a greater willingness to invest in the growing manufacturing industry and support further expansion of export activities. Fourth, the dynamism of the private sector propelled export production. In 1981, a landmark policy was implemented which facilitated the formation of the Joint Public-Private Consultative Committee on Economic Problems that enabled businesspersons to influence public policy through their associations. This, in turn, led to an increased participation of the private sector in the development of state enterprises. Economic development in the country was largely propelled by the private sector, which invested heavily in industrial growth. These factors have contributed greatly to the growth of the country's major economic sectors, namely agriculture and fishing, manufacturing and industry, and services, particularly tourism. (National Economies Encyclopedia: Thailand)

At the end of 1990, the country's long-term external debt stood at about US$16 billion. However, annual debt service payments were only equivalent to 10 percent of the total earnings from exports, which means that the debt payments were manageable. The 1997 Asian financial crisis reversed this situation as the combination of US$90.5 billion in debt in 1996-97 and high levels of non-performing loans caused the near collapse of Thailand's financial sector. The troubles of the financial sector spilled over to the other sectors of the economy which were dependent on the financial sector for credit. Banks had to set aside finances to cover loans which creditors were not able to pay, so they no
longer had any money to lend borrowers who were capable of paying. This forced the
government to increase its allocation for foreign debt payments to take the pressure away
from the financial sector. This resulted in a significant increase in public sector debt,
which was only equivalent to 4 percent of GDP in 1996 but rose to 18 percent of GDP by
mid-1999. Thailand thus found itself moving from general economic prosperity to severe
economic downturn with rising unemployment, increasing prices and considerable
uncertainty. There have been a number of bankruptcies and lay-offs as the economy
restructures and downsizes. However, although there have been some signs of popular
discontent, there have been few disturbances reported and the position of the government
has not been threatened (Joan C. Henderson, 1999: 294-302). The financial crisis has
directly affected four ASEAN member countries: Thailand, Indonesia, Malaysia and the
Philippines. Panic in the financial markets caused the exchange rates for these countries
to weaken and destabilize. (Suthad Setboonsarng, 1998: 27)

Before the financial crisis, the Thai economy had years of manufacturing-led
economic growth—averaging 9.4 percent for the decade up to 1996. Relatively abundant
and inexpensive labour and natural resources, fiscal conservatism, open foreign
investment policies, and encouragement of the private sector underlay the economic
success in the years up to 1997. To alleviate the effects of the crisis, the International
Monetary Fund (IMF) gave Thailand a US$17.2 billion assistance package in August
1997. With the help of these funds, reforms in the financial sector were implemented
along with the restructuring of the industrial and agricultural sector to increase
productivity. Due to the economic crisis in Thailand many enterprises folded because of
the financial collapse. The government was endeavoring to recover the national economy.
One method used as a reaction to the crisis was to promote the tourism sector. Following
the financial collapse in 1997 the government launched the Amazing Thailand campaign
which was launched at the end of 1997 and for which the government allocated 1.5
billion baht or approximately US$39.5 million. The campaign focused on the variety the
country has to offer, especially its food, shopping, health resources and culture. It also
seeks to upgrade standards and spread tourism in accordance with the goals of reducing
congestion in urban areas and ensuring a more equitable distribution of income. This
increased tourist arrivals dramatically, all keen to take advantage of the favorable
Arrival numbers peaked in 2002 but were down by 10 percent in 2003 with the occurrence of SARS. However, visitor numbers have improved steadily and were more than 13 million in 2005, over 2 million more than 2002. (www.iexplore.com)

As Thailand entered the 21st Century, the tourism industry continued to play a major role in the economic and social development of the kingdom. Due to the famous hospitality of its people, its ancient culture and to Thai cuisine, record numbers of tourists continued to take advantage of tourist destinations and products. The number of foreign visitors to Thailand has steadily increased over the last 10 years, resulting in a "Golden Decade" of Thai tourism during the period of 1987 to 1996. (The National Identity Board Report, 2000)

Recently, Thailand has experienced a growing importance of the tourism industry in its development process, augmenting traditional development strategies that emphasize import substitution and the promotion of manufactured exports. The growth of services in Thailand has been important not only for domestic income generation but also for foreign-exchange earnings and the absorption of a large portion of the rural force (Somchai Ratanakomut, 1995: 85). Tourism is hoped to be a major contributor to the economic recovery of Thailand. To come out from this trauma Government introduced many policies related to tourism. Such as:

- Promote the tourism industry to be an important instrument in tackling the country’s economic problem, creating jobs for people as well as increasing income for the country. Moreover, promotion should be done to make tourism play a vital role in the development of the quality of life in all regions of Thailand as per the policy of the government.

- Promote and develop the operation on proactive marketing strategies for increasing the new markets as well as the niche markets. This is in order to attract more quality tourists to visit Thailand. At the same time, domestic travel for Thais should be vigorously encouraged. The positioning of Thailand is to be drawn out clearly, too.

- Promote cooperation in all levels domestically and internationally on promotion for the development of tourism markets. This aims to get rid of all hindrances in
the tourism industry and pave the way for Thailand to be the tourism hub of Southeast Asia.

- Aim at organization and management development as well as development of the human resources' ability to create a capable driving force in the operation. Moreover, this aims at strengthening the potentiality on international competition under the good governance as well as developing the strength of the organization on its technical roles as well as knowledge on marketing.

- Accelerate the development of a tourism technological system for accommodating business activities information (E-Tourism) on the Internet and also the electronic commerce as well as applying information technology in marketing. The necessary mechanisms on controlling and protection have to be in place to ensure prevention of problems. (TAT, 2003)

The main objective of Thai policy makers are to promote tourism as a source to accelerate economic growth, create more jobs and increasing household incomes and also to improve the quality of life of the people. The promotion of the industry have led the linkages between the tourism and other industries like tourism relations with health, transportation, accommodation shopping, trade and many other local businesses also. The TAT has encouraged these industries to improve their quality of work, which will directly affect to the promotion of tourism and this has turned out to be successful effort for Thailand.

**Tourism: The Largest Service Industry in Thailand**

Tourism is known to be one of the largest and fastest expanding service industries and it is also vital for the economic development of the country. Tourism is different from other service sectors in this sense that the supplier stays where he is and the tourist himself comes to the supplier to give them the service. With this fact it is obvious that tourism plays a key role in poverty alleviation, bringing jobs for unskilled like jobs in hotels, resorts and many other sites of the country. These are important contributors for the developing economics.

Tourism is often considered as a ready avenue for income and foreign exchange generation. Thus, a substantial number of public campaigns and advertisements have
been expended to promote tourism. With such an objective, tourism resources should be used with four targets in mind. **First,** they should be used efficiently so as to generate the highest income at the least costs. **Second,** they should be utilized in such a way that most benefits generated would accrue domestically to local people. **Third,** the benefits should be distributed as widely as possible and not concentrated within a few groups only. **Fourth,** tourism resources should be used in a sustainable manner with proper conservation and maintenance so that they could be passed on to next generations. (Mingsarn Kaosa-ard and Akarapong Unthong, 2005: 2)

The tourism industry has played a major role in Thailand’s economic development for over 44 years. Thailand is said to have an advantage over many other South-East Asian destinations in having attractions of a historical, archaeological, architectural and cultural nature, as well as attractive resorts, a varied nightlife and unique gifts and souvenirs (Jackson, R. and L. Hudman, 1994: 545). With its well-known tourist destinations, and thanks to the variety and the abundance of its natural resources, distinctive and indigenous arts, unique culture and culinary delicacies, (TDRI, 2000: 273) Thailand is turning its tourism industry into a high-gear economic engine. Since an establishment of the Tourism Authority of Thailand (TAT) in 1976, the Thai government has incorporated tourism in each five-year National Economic and Social Development Plan (NESDP). Tourism has now become so large and important that in 2002 the government established the Ministry of Tourism and Sports (MOTS) (Wattanakuljarus, Anan, 2006: 8).

During the 1990s, tourism was a major economic force, job creator and foreign exchange earner. While other export industries fluctuated with global conditions (e.g. the Gulf War in 1991), Thailand enjoyed economic growth in tourism. During the Gulf War, the number of international tourists who visited Thailand decreased only 2 percent compared with 1990. However, the country regained international tourists in 1992 with a slight increase of less than 1 percent of the number of tourists but with a 23 percent increase in tourism revenue. Between 1993 and 1995, the number of international tourists and revenue continued to increase. In 1996, the country welcomed 7 million international tourists with a 15 percent increase in revenue over 1995 (TAT News Room, 2007).
However, Thailand also suffered from the negative impacts of tourism, such as pollution, traffic congestion, AIDS, competition in hotel room rates in urban destinations political unrest degradation of the environment, crowding, commercialization of culture, increasing prostitution, inadequate infrastructure, safety issues, and the negative image of sex tourism. These negative impacts severely affected the image of the country. As a result, the country has shifted the focus from mass tourism into quality, sustainability and ecotourism.

Thailand experienced growth in the economy and in tourism in the early 1990s until July 2, 1997, when the country faced the Asian economic crisis. This downturn was due to the imbalance of trade, unfeasible international currency policy and inflow of capital to the unproductive business sector (Bank of Thailand, 1998). During that time, Thailand faced a dramatic increase in unemployment as well as bankruptcies in the commercial and banking sectors, which led people to reduce consumption, which in turn affected tourism. This crisis affected the value of the Thai currency (baht). The exchange rate of Thai currency fell from 27 baht to 35 baht per US dollar and the revenue from tourism decreased by 31 percent. Although revenue from tourism has increased gradually since 1990, this growth was represented in the Thai currency, not US dollars or other major convertible foreign currencies. During the economic crisis, the Thai government encouraged Thais to take trips within the country (domestic tourism) to assist the Thai economy. After the crisis, Thai tourism regained its leading status as one of the top three revenue generators in Thailand. (Bank of Thailand, 1998)

Like the country's trademark rice exports, tourism is now a major contributor to the Thai economy. Its importance could not be more obvious than in 1997 – the year of the Asian economic breakdown. In an attempt to generate a quick recovery, the Thai government launched a series of tourism promotion campaigns, from “Visit Thailand Year” to “Thailand: the Gateway to Indochina” to a-talk-of-the-town “Amazing Thailand” and the ongoing “Unseen Thailand” (TAT, 1993). The outcome of the “Amazing Thailand” campaign was that in the year 2000, 9.5 million foreign tourists visited Thailand and the increase in the number of tourists during that period indicates that the tourism industry is a powerful tool to assist the revival of the economy, leading to
the fulfillment of Thailand’s economic goals. The WTO forecasts that there will be 37 million tourists arrival till 2020. (WTO, 2002) (Appendix: IV)

The importance of tourism to the Thai economy can be seen from national accounts data and Thailand’s Tourism Satellite Accounts (TSA). On average during 1998-2005 after the financial crisis and natural disaster Tsunami, Thai tourism directly and indirectly accounted for 13 percent of GDP (655 billion baht), 10 percent of employment (3 million jobs), 13 percent of exports (417 billion baht), 12 percent of investment (117 billion baht) and 3 percent of government budget (13 billion baht) (See Bar Diagram 2.1)

Figure 2.1: Tourism Impact on Thailand’s National Accounts: 1998-2005

According to TAT data, during 2000 to 2004, the tourism industry held the proportion to GDP around 7.7 percent at the current price, which comprised of the value contributed from tourism activity and non-tourism activity about 4.9 and 2.8 percent respectively. For employment, tourism industry has created employment directly and indirectly around 3.3 million jobs, 8.4 percent of the country employment during 2000 to 2004. (See pie chart 2.2)
World Travel & Tourism Council (WTTC) projects that tourism related employment of Thailand will grow by 9.5 percent in 2014 which increases from 8.4 percent in 2005. In addition, WTTC reviewed the importance of the tourism on Thai economy which was about 821.2 billion baht, or 11.7 percent of GDP, while that of other South-East Asia countries and the rest of the world were at 7.5 and 10.6 percent consecutively. Interestingly, WTTC estimates the proportion of tourism to Thailand’s GDP will increase from 11.7 percent in 2005 to 12.6 percent in 2014 which mean that the tourism industry will play more important role in Thai economy. (www.thailandoutlook.com)

Furthermore, WTTC ranked the tourism impact over its country’s GDP as following:

- Income (USD per GDP) => Thailand located at the 33rd place compared to the rest of the world.
- The proportion of income to GDP (percent) => Thailand located at the 73rd place compared to the rest of the world.
- The average growth rate in 10-year period => Thailand located at the 79th place compared to the rest of the world. (Source : TAT, 2006)
Characteristics of Tourism Industry of Thailand

Seasonality
The change in tourism sector is also impacted by the seasoning change. From empirical data, the number of tourists record peak during November to January, an average of 1,007 thousand tourists a month and then drop and touch the bottom during April to May with an average of 726 tourists a month; however, the rebound likely starts by June (TAT, 2006)

Table 2.1: International Tourist Arrivals to Thailand by Months 1997-2004 (%)

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<tbody>
<tr>
<td>1997</td>
<td>27.56</td>
<td>22.07</td>
<td>23.38</td>
<td>26.99</td>
</tr>
<tr>
<td>1998</td>
<td>26.31</td>
<td>22.09</td>
<td>23.87</td>
<td>27.73</td>
</tr>
<tr>
<td>1999</td>
<td>26.57</td>
<td>22.09</td>
<td>24.03</td>
<td>27.31</td>
</tr>
<tr>
<td>2000</td>
<td>26.20</td>
<td>22.67</td>
<td>24.16</td>
<td>26.97</td>
</tr>
</tbody>
</table>

Source: Immigration Bureau, Police Department, 2000, Bangkok.

Figure 2.3: Number of foreign Tourist by Seasoning 2000-2004

Source: www.thailandtourism.com

The seasonality for tourism is very important because it varies from month to month and country to country. There are significant seasonal variations in tourist arrivals to Thailand
throughout the year. According to the above graph it is clear that tourists arrive here throughout the year and the most suitable months are from January to March and October to December. During these periods the highest percentages of tourists arrive in comparison to other months. Therefore, the significance of economic benefit for Thailand can be seen during the winter season more than the summer and the rainy season.

**Sensitive to the Internal and external Imbalances**

According to empirical evidences, the change in the number of the tourists relatively relies on any unrest events such as natural disaster, terrorism, economic crisis and so on. In this case, it can be seen in the figure 2.4 which was the impact of unrest events over the number of tourists.

- The economic crisis in 1997-1998 decelerated the number of tourists from the year earlier by 3.1 percent.
- The tragedy of 9-11 in USA (2001) made the traveler reconsider traveling outside the country, which also dumped the growth rate of tourist numbers to Thailand from the growth rate of 10.8 percent in 2000 to 5.8 percent in 2001.
- SARS outbreak in China during the first quarter of 2003 influenced the travelers who considered Asian countries as travel destination which resulted in the reduction of tourist numbers to Thailand by 7.4 percent in 2002 (TAT, 2006).
Unexpected events related to political, socio-cultural, economic and environmental occurrences might affect tourism negatively and this will directly affect the arrival of tourists which can also hamper the economy of the country. So, therefore, an early warning system for tourism security and effective preventive measures are necessary which will guarantee tourist safety.

**Driving the Conservations to Environment, Local Tradition and Culture**

For Thailand, environmental abundance, beautiful tradition and culture are the magnets to attract tourists into the local nationwide. Nevertheless, the increase in the number of tourists may cause the damage to them as well which eventually results in the decline in the tourism revenue alongside with a worse environmental condition. To response to this fact, currently, many countries have been emphasized in how to develop sustainable tourism plan which refers to the balances amid the economy, the environment and the society. (TAT, 2006)

Thus, from above all the three characteristics of tourism industry in Thailand it is clear that all these aspects are very necessary to have a developed tourism industry in the country. So, careful measures and policies are needed to enhance this sector.
Performance of Thai Tourism Industry on Economy during 1997-2004

Tourism Condition

In the past, the facilitated factor over the industry growth was the promotional campaign named ‘Amazing Thailand’ which conducted under the cooperation among the government and the private sectors. As a consequence, the Tourism in Thailand has experienced a rapid growth particularly in the period of 1995 to 2004. Its growth increased faster than that of other countries and above the average rate of the world. In other words, Thailand obtains the better growth rate than that of United State of America, Europe and Africa, but except only the Middle-East. Thailand has gradually gained revenue from the tourism sector especially in the crisis time (1998-1999). While Thailand announced the currency floatation and experienced the sluggish business sentiment in every sector, tourism sector was expanded with a good rate. In 1998, the revenue from tourism in Thai baht grew by 9.7 percent compared to the previous year. (TAT, 2006)

For Thailand, the government has also perceived the potential contribution of tourism to the economy as witnessed by the inclusion of tourism promotion in every economic and social development plan, especially starting from the fourth economic and social development plan which devoted an entire separate section for tourism development. With regard to tourism situation in Thailand, in 1997, it stands in the third rank of top tourism destination in East Asia and the Pacific behind China and Hong Kong and the fourth rank of top twenty tourism earners in East Asia an the Pacific (NESDB, 1976: 2). Here comparison is shown only among six countries. (See Table 2.2)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Receipts (Million)</th>
<th>percent of Change</th>
<th>percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>12074</td>
<td>18.4</td>
<td>14.5</td>
</tr>
<tr>
<td>2</td>
<td>Australia</td>
<td>9324</td>
<td>5.8</td>
<td>11.2</td>
</tr>
<tr>
<td>3</td>
<td>Hong Kong</td>
<td>9242</td>
<td>-14.7</td>
<td>11.1</td>
</tr>
<tr>
<td>4</td>
<td>Thailand</td>
<td>8700</td>
<td>0.4</td>
<td>10.5</td>
</tr>
<tr>
<td>5</td>
<td>Singapore</td>
<td>7993</td>
<td>0.4</td>
<td>9.6</td>
</tr>
<tr>
<td>6</td>
<td>Indonesia</td>
<td>6625</td>
<td>5.0</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Source: World Tourism Organization (WTO)
In 1998, Thailand became one of the only two countries, another country is China, has enjoyed a positive growth of 7 percent in the number of foreign tourist arrivals despite a slump in Asian tourism in general resulting from the regional economic doldrums. This is the result from the baht depreciation against US dollar and political unrest in neighbouring countries, which have been major, delivers for the Thai tourism boom. Tourism meets very well the objective of income distribution set out in the NESDP. It also helps in spreading of modernization to the region. It is believed to help solve Thailand’s economic crisis, so the Amazing Thailand campaign is launched for such purpose (NESDP, 2002).

During the Amazing Thailand 1998 and 1999 campaigns, a total arrival to Thailand is 6,230,000 between January and October 1998, up 7.34 percent from the same period in 1997. The success of Amazing Thailand campaigns leads to the introduction of Amazing Thailand 2000, “the Enchantment in the New Millennium” campaign. 2000 is also the year Tourism Authority of Thailand celebrates its 40th anniversary. Another campaign, “Thailand as a shopping paradise”, is also introduced by refunding the value added tax (VAT) to international tourists. (TAT, 2001)

Resulted from the economic crisis Thailand has faced, revenue from tourism is one of the main categories the government used to bring in foreign currencies. Many countries, such as Malaysia and Korea have followed Thailand’s path and emphasize on their tourism industry.

In 2004, Thailand earned the revenue of 384.4 billion baht rising from 195 billion baht in 1995. The number of tourists visiting the kingdom stood at 11.65 million people in 2004 increasing from 6.9 million people in 1995. The country’s revenue and the number of foreign tourists grew with the average pace of 7 and 6 percent respectively in 10-year times. (TAT, 2006) (See Fig. 2.5)
According to these figures, the trend lines illustrate the increase of the tourism revenue and the amount of tourists. Nevertheless, in 2003 the SARS outbreak decelerated their growths by 4.4 percent and 7.4 percent, compared to the previous year. In 2004, when people have less concern over the SARS outbreak, the increase in the country revenue and the number of tourists occurred obviously greater than usual. The revenue in 2004
hiked by 24.3 percent, similarly, the number of tourists surged by 16.5 percent. Interestingly, the figure in 2004 increased two folds of the average normal growth rate which marked average at 9 percent of both the revenue and the figure of growth rates (www.thailandtourism.com).

But it was 26th December 2004 an earthquake measured 9.0 on the Richter scale took place in the island of Sumatra, Indonesia. This seismic shift resulted in Tsunami, where giant waves affected coastal cities of Indonesia, Malaysia, Thailand, Myanmar, Bangladesh, India, Maldives and Sri Lanka.

According to TAT, Thailand suffered losses of lives with damages to homes, infrastructure, schools, temples and businesses. The effects can also be seen on tourism of Thailand. Tsunami affected mainly the coastal areas of six provinces (Phuket, Khao Lak, Phi Phi, Krabi, ) in South Thailand; a major impact is represented in terms of losses of hotel and tourism businesses. Due to the effect tourism business was damaged and the hotel rooms became vacant. This showed the estimation of loss to the tourism industry. It has therefore been estimated that the reduction of tourism income will measure at 40,000 million baht or about 0.6 percent of GDP in 2004.

**In Long-Term Projection**

It is expected that the tourism industry of Thailand will expand continuously, but, in the diminishing rate because it will take one to two years to recover from the loss taken place in the major places of tourism due to tsunami. World Tourism Organization (WTO) projects the number of foreigners visiting the kingdom will increase from 11.65 million people in 2004 to 17.57 million people in 2010 and up to 36.96 million people in 2020, or increase in the average of 7.5 percent a year in the period of 2004 to 2020. (TAT, 2006)

Meantime, World Travel & Tourism Council (WTTC) foresees that the revenue from the tourism industry of Thailand will rise in the average of 5.5 percent within the period of 2004-2010. As above, even though the growth of Thailand’s tourism has showed the expansion signal, the government plans to boost it further and make Thailand the Tourism capital of Asia by 2008. The plan aims to enhance the quality and the competitiveness of the country’s tourism in order to compete with others in the world market. Under the plan, the foreign revenue is projected to surge by 15 percent during
2005 to 2008, accelerating from 5-6 percent during 2000 to 2004; moreover, in term of value, it is also expected to mark above 700 billion baht by 2008, compared to 400 billion baht in 2004. This task is very challenging one which requires not only a great preparation but also the excellent comprehension over the industry in both demand and supply sides. Once, Thailand can let the plan done, Thailand likely benefits in many terms such as higher employment within tourism and its linking industries as well as appealing more foreign revenue contribution, which is expected to be one source of finance to the country’s current account deficit in the future. (WTTC, 2007)

To accomplish the plan, it is very crucial to go on with some strategies, which not only increase the number of tourists but also protect any damages which may cost the economy, the environment and the local society.

**Famous Tourist destinations in Thailand**

It is true that the size of Thailand, is small but then also one crore tourists from abroad visit the country every year. There are number of places in Thailand which provide very rich resource for tourist attraction such as natural features, landscapes, climate, flora and fauna, sight seeing, trekking , shopping and business etc. Although the whole Thailand is a favourite tourist destination but few places like Phuket is the most popular and attractive place and is second only to the Bangkok region in its importance to the Thai tourism economy. Many southern provinces are attempting to emulate this destination, but have not reached to its level of tourism development. Other famous tourist destinations are Bangkok, one of the most exciting and exotic cities in the world without any doubts, Chiang Mai a potential substitute destination for Phuket, Pattaya, Phang Nga, etc. But due to the tsunami and its impact on tourism in Thailand is clearly discernible that there was a precipitous decline in the numbers of visitors in most of the destinations especially to Phuket, Phang Nga. *(Appendix: V)*

**Bangkok**

Thailand’s capital city Bangkok has changed into a modern, exiting and sophisticated city. It offers to visitors not only the cosmopolitan amenities they would expect from other big cities, but also a unique treasure trove of cultural attractions. Bangkok offers
visitors the opportunity to experience fascinating glimpse of Thailand’s gentle culture amidst the bustle of a great and dynamic metropolis.

For, tourists, Bangkok have a feast of attractions to offer. The city is doted with 400 glittering Buddhists temples of great beauty and fascination, magnificent palaces, classical dance extravaganzas, numerous shopping centers and traditional ways of life, especially along the Venice of the East, timeless canals and the Chao Phraya River of the River of Kings winding through the city. It is worth taking a trip along its waters before exploring further into different canals to take a glimpse of old Bangkok. (Hindustan Times, special issue on India and Thailand, Wednesday, August 1, 2007)

**Ayutthaya**

It is one of Thailand’s historical and majestic highlights. During 17th century, most foreign visitors to Ayutthaya, traders or diplomats alike, claimed Ayutthaya to be the most illustrious and glittering city that they had ever visited. The architecture of Ayutthaya is a fascinating mix of Khmer (ancient Cambodian Style) and early Sukhothai style. (Hindustan Times, special issue on India and Thailand, Wednesday, August 1, 2007)

**Phuket**

It lies off the west coast of Southern Thailand in the Andaman Sea, approximately 890 kms from Bangkok. The most beautiful beaches are found on the West coast, separated by rocky coves and headlands. Coral gardens full of exotic marine life dot the emerald waters surrounding the island, although much of Phuket’s coral has been disappearing due to environmental pressures and human activities. Phuket has second highest per capita income of any province in Thailand outside of Bangkok. Tourism has dominated the island’s economy for the past two decades. Each year, over 3 million visitors arrive to enjoy Phuket’s natural splendour and other many amenities, but it is the beaches that attract most visitors. (Hindustan Times, special issue on India and Thailand, Wednesday, August 1, 2007)

**Pattaya**

Thailand’s most lively resort is a veritable play ground. Every kind of water- based activity/ sport is arranged including diving, sailing and deep- sea fishing and the area is a
paradise for golfers with 18 courses with in one hour’s drive. There’s even the chance to swim with dolphins at the Sanctuary of truth. For a break from Pattaya’s hectic pace, one should visit Wat Khao Prayi, a quiet hilltop temple complex with incredible panoramic views. (Hindustan Times, special issue on India and Thailand, Wednesday, August 1, 2007)

According to statistics from the Immigration Bureau, the number of tourist arrivals to Pattaya in 2007 is over 4.48 million people — an increase of 9.61 per cent from the previous year. On the other hand, Phuket welcomed over 3.28 million international tourists in 2007, an increase of 14 per cent from 2006.

**Chiang Mai**

Chiang Mai is one of the most famous cities for tourism in Thailand. It is known for its friendly and serene people and the cultural events such as the Songkran festival, the traditional Thai New Year. Each year the city hosts about 3 million tourists’ one half of whom is international tourists. It is ranked the third after Bangkok and Phuket in terms of visitation number.

**Tourist Arrivals in Thailand**

Winter is supposed to be the high tourist season in Thailand when visitors from all over, but especially from the colder parts of the world, descend on the country in search of sunshine and warmth. The number of visitors has been steadily increasing since 1960 when Thailand began promoting itself as a tourist destination. Less than 100,000 foreign tourists visited Thailand in 1960, in 1990 the figure was 5.29 million (Noypayak, 2001: 1) and by 2006 the number of foreign tourists had increased to 13.5 million. (See, Fig 2.7)
Today, Thailand is one of the world's most favorite tourist destinations, with a world market share of 0.7 percent (World Travel and Tourism Council, 2007). Since 1990, Thailand has been ranked among the top 20 most popular tourist destinations in the world (Noypayak, 2001: 1). Tourism in Thailand is expected to grow at an annual rate of 5.3 percent in real terms between 2008 and 2017 (World Travel and Tourism Council, 2007). International inbound tourism generates a large inflow of foreign capital in economy of the country. Generally, inbound tourist expenditure in Thailand has been on an upward trend, as shown in figure 2.8.
Figure 2.8: Inbound Tourist Expenditure of Thailand 1995-2005

From this graph it is clear that the total numbers of foreign and domestic tourists are quite high during the year 2005 from the year 1990. During 1997-2004 also the inbound tourist expenditure rose from 220,000 million baht to almost 700,000 million baht.

In 1999 the revenue from international tourism was 253 million baht (Noypayak, 2001:1) and by 2006 the revenue from international tourism was almost the double, 482 million baht, which was also an increase by more than 31 percent since 2005. The contribution to GDP from the tourism industry in Thailand has increased from 5.4 percent in 1999 to 6.7 percent in 2007 and show signs of a continuous increase in coming years. (World Travel and Tourism Council and Noypayak 2001:1). Tourism export as a share of total exports in Thailand where expected to generate 12.6 percent of export revenues in 2007. (World Travel and Tourism Council, 2007) (See Fig 2.9)
Tourist Arrivals from Different Regions

In Thailand tourists arrive from different directions and regions. Thailand main market is ASEAN and Asian countries followed by European and American countries. The graph also emphasizes that the rate of expansion of international tourism to Thailand has tended to increase through time, especially from 1997. Explanation for this pattern can be as:

- The enhanced accessibility by low cost, long-haul air services from foreign markets particularly, Europe and North America.
- The increase cost in competing destination, making Thailand an affordable holiday choice.
- The reduction in the attractive of older destinations.
- The diversity and range of the Thai tourist products, including beach tourism, a distinctive historic-cultural heritage and sex tourism (Stephen, William, 1998: 64)

According to statistics by the TAT (The Tourism Authority of Thailand) Thailand received 10.3 million visitors in the year 2000. The country was ranked 21 in the world. The majority of visitors came from East Asia with 60.57 percent. Europe accounted for 22.19 percent and the Americas for 6.12 percent. (See pie chart)
Although there is a continuous growth rate in Thailand, the highest growth rate was registered in 1985, 1990 and 1995 when it was 23.1, 117.3 and 12.8 percent respectively. This is mainly due to persistent efforts of government to promote tourist destination in the overseas markets. That is why, within one decade (1981-91), there is 15.6 per cent increase in growth rate, while 1991-2000 growth rates are only 89.7 per cent. In 2000 growth rate has recorded 11.5 per cent over previous year 1999. Thai government is taking several initiatives to maintain this growth rate (Motiram, 2003: 27).

With the government’s continuous sales promotion and marketing, which supported Thailand’s tourism in a prospective direction the number of foreign tourists visited Thailand in 2002 expanded towards a good direction, exceeding the expected rate as we received a total number of 10.79 million tourists, which is a growth rate of 7 percent from the previous year (the expected number was 10.50 million tourists, an expansion rate of percent). (WTO, 2003)

The East Asian market had a growth rate of 7.71 percent, totaling 6,531,546 tourists. Thailand received a total number of 2,450,878 tourists from Europe with a growth rate of 6.35 percent. The overall situation of the Americas grew moderately with an expansion rate of 5.98 percent, an equivalent of 640,143 tourists. There was a rather
high expansion rate of 17.25 percent in the overall international arrivals from South Asia. In other words, Thailand received 309,745 tourists from South Asia. The Middle East enjoyed a satisfactory movement with an increasing expansion rate of 14.98 percent or 272,805 tourists. Despite the unstable situation of the global tourism industry, the year 2002 continued to experience an expansion in the number of international arrivals to the country at a rate of 7.33 percent, attracting 10.8 million visitors. (WTO, 2003) (See figure 2.11)

**Figure 2.11**

![Total Tourist Arrivals to Thailand 2002](image)

*Source: Tourism Authority of Thailand, 2002*

From the above graph it is clear that almost all markets enjoyed certain rates of growth. East Asia still maintained the largest market share with 6.53 million tourists. The average length of stay was 7.98 days, a slight increase from the previous year (2001) which was at 7.93 days. The length of stay was mostly due to the expansion of stay by tourists from the Americas, and the Middle East, resulting in a total stay of 86.14 million tourist nights, an increase of 7.95 percent. (WTO, 2003)

But in March 2003 due to SARS the significant drop in foreign arrival was 12.5 percent, again further drop from normal trend in April was 44.8 percent and in May it came to 54 percent. The 'Quick Recovery' case consigns the impact of SARS to the second quarter only. Arrivals then resume the normal trend in the last two quarters of the
year. This high case scenario leaves arrivals during the high season unaffected and results in the total arrivals of 9.95 million, falling 7.9 percent from the previous year. A total arrival loss of around 1.4 million visitors from the normal trend is incurred in the first two quarters representing the loss in tourism revenue of around 44.7 billion baht (US$ 1 billion). In the 'Slow Recovery' case, tourist arrivals are slower to pick up, gaining pace in July and reaching the normal trend by the end of Q3 just before the start of the high season. The total arrival loss in the first three quarters is around 2.5 million thus increasing the loss in tourism revenue to 72 billion baht (US$ 1.7 billion). The annual arrivals in this case are reduced to 9.1 million, 15.8 percent lower from the previous year. However, if the impact of SARS lasts into the fourth quarter before the number of daily arrival converges to the normal trend at the end of the year ('Year-Long Recovery' case), total tourist arrivals will be around 7.9 million, a fall of 26.8 percent year over year with about 3.4 million tourist arrivals being lost compared with the normal case. The loss in tourism revenue is increased to 110 billion baht (US$ 2.6 billion), around one-third previous year revenue. (Thailand Tourism Outlook: Archives, 2003) (See figure 2.12)

Figure 2.12
Tourist Arrival Forecast 2003 (seasonally adjusted)

Source: Tourism Authority of Thailand, 2003.
The WTO also estimated that the average growth of international tourists in 2005 would be 5.5 percent (lower than in 2004, when the growth of world tourism experienced a 10 percent expansion), with 808 million international tourists. In Thailand, the tsunami disaster and disturbance was key factor of Thailand's steady tourism growth in 2005, with 11.52 million inbound visitors, a 1.15 percent decrease from the previous year. However, this slowdown is not that severe, due to the attempt of the public and private sectors to stimulate markets and recover the attractions affected by the disaster as fast as possible.

During the crisis, the Americas and Oceania were only two main regions which still tended to continually visit Thailand in each quarter, because the affected areas were not popular destinations among Americans, who preferred cultural tourism, while Oceania was stimulated by the great successful sales promotion, especially to bring the market back to the Andaman rapidly. However, East Asia, which was the largest market of Thailand was quite sensitive to the crisis and experienced a sharp drop. Although there was a rebound in the last quarter, it had only a 1 percent increase. Therefore, the overview of the Asian market in this year experienced a rate of -5 percent, and this was the key factor of a slowdown of the Thai tourism situation. (WTO, 2006)

From the above detailed description of foreign visitors to Thailand makes it clear that tourism in Thailand has emerged as an important economic activity at the global as well as at the regional level. Due to its physical and cultural attributes, Thailand has a magnetic hold over attracting people from many parts of the world. It is expected that the market of foreign visitors will keep growing and the economy situation of the country will tend to have a good growth.

**Tourism as a Development Strategy for Economic sector in Thailand**

The impact of tourism on the economy varies depending on the tourism strategy undertaken by the government of the country. Tourism in Thailand is well developed and has contributed its potential towards foreign exchange, employment generation, infrastructure development, contribution to government revenues etc. But time to time, this sector has also faced with numbers of turmoil.

This section discuss about the sectors which have been influenced by the tourism industry. Tourism has played a significant role in Thai economy by appealing foreign
revenues of about four billion baht a year. The economic condition of the country is very favourable for tourism development. The country provides the tourists with all the necessary requirements from fooding to lodging to traveling from one place to another place with full safety and security and with complete hospitality. Therefore, tourism is the best alternative to solve all the problems that country is facing with like: unemployment, poverty as well as regional imbalances. Nowadays tourism has become Thailand’s highest income generator and it has occupied the top position. As a result, Thailand current account and balance of payment have been impacted positively. Tourism also leads to the expansion in some linking industries such as hotels, restaurants, transportation, retails, and souvenirs and so forth. All of these contributions cause the growth of GDP, employment, export, investment as well as the government expenditure.

Tourism increases employment opportunities. Additional jobs, ranging from low-wage entry-level to high-paying professional positions in management and technical fields, generate income and raise standards of living. Particularly in rural areas, the diversification created by tourism helps communities that are possibly dependent on only one industry. As tourism grows, additional opportunities are created for investment, development, and infrastructure spending. Tourism often induces improvements in public utilities such as water, sewer, sidewalks, lighting, parking, public restrooms, litter control, and landscaping. Such improvements benefit tourists and residents alike. Likewise, tourism encourages improvements in transport infrastructure resulting in upgraded roads, airports, public transportation, and non-traditional transportation. Tourism encourages new elements to join the retail mix, increasing opportunities for shopping and adding healthy competitiveness. It often increases a community's tax revenues. Lodging and sales taxes most notably increase but additional tax revenues include air travel and other transportation taxes, business taxes, and fuel taxes. New jobs generate more income tax revenues. (Kreag, 2001: 6-7)

When considering the economic impacts of tourism, it is essential to understand that tourism businesses often include a significant number of low-paying jobs, often at minimum wage or less. These jobs are often seasonal, causing under employment or unemployment during off-seasons. Labor may be imported, rather than hired locally, especially if particular skills or expertise is required, or if local labor is unavailable. Some
tourism-related businesses are volatile and high-risk ventures that are unsustainable. Greater demand for goods, services, land, and housing may increase prices that in turn will increase the cost of living. Tourism businesses may claim land that could have higher-value or other uses. Additionally, non-local owners and corporations may export profits out of the community. The community may have to generate funds (possibly through increased taxes) to maintain roads and transportation systems that have become more heavily used. Similarly, if additional infrastructure (water, sewer, power, fuel, medical, etc.) is required, additional taxes may also be needed to pay for them. (Kreag, 2001: 7)

The tourism industry generates substantial economic benefits to both host countries and tourists’ home countries. Especially in developing countries, one of the primary motivations for a region to promote itself as a tourism destination is the expected economic improvement. (WTO, 2001) In Thailand the key elements of economic change associated with destination tourism include foreign exchange, contribution to government revenues, employment, local income, economic diversification and regeneration. These are the features which are handled most importantly whenever tourism is discussed as development option in economic sense. But not all tourism impacts are necessarily positive in nature. There are also disadvantages of tourism development that might come along with the advantages. There are many hidden costs to tourism, which can have unfavorable economic effects on the host community.

Often rich countries are better able to profit from tourism than poor ones. Whereas the least developed countries have the most urgent need for income, employment and general rise of the standard of living by means of tourism, they are least able to realize these benefits. Among the reasons for this are large-scale transfer of tourism revenues out of the host country and exclusion of local business and products. (WTO, 2001) With this, tourism can lead to high levels of economic leakage and thus minimize local benefits, also impose high non-economic costs on poor people, such as loss of access to resources, displacement from agriculture and housing land. The focus of the study is based on the problems as well as prospects of tourism in economic development of Thailand.
The above table clearly demarcates the positive and negative impacts of tourism on the economy of the country. It expresses that tourism, contributes to income and standard of living but at the same point of time it increases cost of living also. It gives employment to the people in different sectors of the industry but because it is seasonal in nature, there is always a risk of unemployment. Tourism is favourable for the rich people or those who are engaged in big business but not much favourable for small business people and this increases the gap between the rich and poor people of the country. There are few areas where tourism has shown tremendous value for the country and there are also chances to enhance the value in other areas in the near future. Following are the areas in which economy has flourished by the impact of tourism of the country:

1. Foreign Exchange Earnings
2. Contribution to Government. Revenues
3. Economic Diversification and Regeneration
4. Employment Generation
5. Stimulation of Infrastructure Investment
6. Contribution to the local economies

(1) Foreign Exchange Earnings

Tourism expenditures generate income to the host economy and can stimulate the investment necessary to finance growth in other economic sectors. It has become a high-profile economic activity in many countries in the world. Some countries seek to accelerate this growth by requiring visitors to bring in a certain amount of foreign currency for each day of their stay.

Positive

Tourism is Thailand’s most important source of foreign-exchange earnings. In 1989 income from international tourists accounted for some 96,386 million baht, increasing to 110,572 million baht in 1990 and it became 384,360 in 2004. This was more than earnings from traditional exports as textile products, rice, rubber or tapioca. Over the last three decades tourism has been growing through an increase in the average length of stay of foreign tourists. The number of tourists fluctuates but the revenue derived is consistently on the rise. (Somchai, 1995: 90-91) This trade is an invisible export. The Government gains a substantial amount of money from taxes and duties on those things which tourists use in the country. This amount depends on the number of tourists, frequency of their visits, average length of stay, expenditure and price as well as level of that period. It is such an exporting trade the nation earns large amount of foreign currencies without exploiting and manufacturing any material goods or national resources. (Dearden, 1991: 460) (See Table 2.3 & Fig. 2.13)
Table 2.3: Revenue from Foreign Tourists and Gross Domestic Product at Current Market Price during Year 1997-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue from Foreign Tourists (Million Bahts)</th>
<th>Gross Domestic Product (Million Bahts)</th>
<th>Percentage of Revenue from Foreign Tourists on GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>220,754</td>
<td>4,732,610</td>
<td>4.66</td>
</tr>
<tr>
<td>1998</td>
<td>242,177</td>
<td>4,626,447</td>
<td>5.23</td>
</tr>
<tr>
<td>1999</td>
<td>253,018</td>
<td>4,637,079</td>
<td>5.46</td>
</tr>
<tr>
<td>2000</td>
<td>285,272</td>
<td>4,922,731</td>
<td>5.79</td>
</tr>
<tr>
<td>2001</td>
<td>299,047</td>
<td>5,133,502</td>
<td>5.83</td>
</tr>
<tr>
<td>2002</td>
<td>323,484</td>
<td>5,450,643</td>
<td>5.93</td>
</tr>
<tr>
<td>2003</td>
<td>309,269</td>
<td>5,928,975</td>
<td>5.22</td>
</tr>
<tr>
<td>2004</td>
<td>384,360</td>
<td>6,503,488</td>
<td>5.91</td>
</tr>
</tbody>
</table>

Source: 1. Tourism Authority of Thailand (2005)

Figure 2.13: Revenue from Foreign Tourists and Gross Domestic Product at Current Market Price during Year 1997-2004

- Revenue from foreign tourists
- Gross domestic product

Source: 1. Tourism Authority of Thailand (2005)
Tourism industry in Thailand during the recent years has become one of the top foreign exchange earner bringing millions of dollars per year. The receipt from international tourists provides a valuable source of earning for the country and the income from this in the form of foreign currency adds to the national income as an invisible export and reduces the loss in the overall financial positions. The invisible currency which come from transportation, accommodation, shopping, banking, insurance, foods and other services, income on investment etc. are utilised by the tourists in the country and destination areas. (J. Holloway Christopher, 1985: 226)

Figure 2.14

Number of Visitors to Thailand, January each year

Source: TAT, 2006

As it has been discussed earlier that foreign exchange earnings in any country depend mainly upon the number of tourist arrivals, their average length of stay and tourist's expenditures. It is believed that the higher the volume of tourist arrivals, the foreign exchange earnings will be also high. (Fig. 2.14) It is also believed that the longer the duration of stay, the expenditure will be low whereas the shorter the duration of stay, the expenditure will be high. Since, the average length of stay in Thailand is higher as compared to other Asian nations, therefore, per tourist's expenditure is low in the country. (See Table 2.4 & Fig. 2.15, 2.16, 2.17)
Table 2.4: Number of Foreign Tourists, Average Length of Stay and Average Expenditure at Current Market Prices during Year 1997-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Foreign Tourist (Million persons)</th>
<th>Average Length of Stay (Days)</th>
<th>Average Expenditure (Bahts/Person/Day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>7.22</td>
<td>8.33</td>
<td>3671.87</td>
</tr>
<tr>
<td>1998</td>
<td>7.76</td>
<td>8.4</td>
<td>3712.93</td>
</tr>
<tr>
<td>1999</td>
<td>8.58</td>
<td>7.96</td>
<td>3704.54</td>
</tr>
<tr>
<td>2000</td>
<td>9.51</td>
<td>7.77</td>
<td>3861.19</td>
</tr>
<tr>
<td>2001</td>
<td>10.06</td>
<td>7.93</td>
<td>3748.00</td>
</tr>
<tr>
<td>2002</td>
<td>10.8</td>
<td>7.98</td>
<td>3753.74</td>
</tr>
<tr>
<td>2003</td>
<td>10</td>
<td>8.19</td>
<td>3774.50</td>
</tr>
<tr>
<td>2004</td>
<td>11.65</td>
<td>8.13</td>
<td>4057.85</td>
</tr>
</tbody>
</table>

Source: Tourism Authority of Thailand (2005)

Figure 2.15: Number of Foreign Tourists during Year 1997-2004

Source: Tourism Authority of Thailand (2005)
Figure 2.16: Average Length of Stay of Foreign Tourists during Year 1997-2004

Source: Tourism Authority of Thailand (2005)

Figure 2.17: Average Expenditure of Foreign Tourists at Current Market Prices during Year 1997-2004

Source: Tourism Authority of Thailand (2005)

At the same time, while calculating the foreign exchange earnings from tourism, a country must take into account the imports made for tourism development. Otherwise the earnings will be overstated and far from actual figures. Out of the gross earnings the leakage has to be subtracted to have the real figures. The more the leakage the less is
foreign exchange earning and less leakage means more foreign exchange earnings. (IGNOU TS-1: 8)

**Negative**

The **direct income** for an area is the amount of tourist expenditure that remains locally after taxes, profits and wages are paid outside the area and after imports are purchased; these subtracted amounts are called leakage. In most all-inclusive package tours, about 80 percent of travelers’ expenditures go to the airlines, hotels and other international companies and not to local businesses or workers. In addition, significant amounts of income actually retained at destination level can leave again through leakage. A study of tourism ‘leakage’ in Thailand estimated that 70 percent of all money spent by tourists ended up leaving Thailand. (WTO, 2001)

**Figure 2.18**

![Diagram of Revenues and Leakages](Source: www.geointeractive.co.uk)
There are two main ways that leakage occurs:

Import Leakage
This commonly occurs when tourists demand standards of equipment, food and other products that the host country cannot supply. Especially food and drinks must often be imported, since local products are not up to the hotel’s (i.e. tourist’s) standard or the country simply doesn’t have a supplying industry. Much of the income from tourism expenditures leaves the country again to pay for these imports. The average import-related leakage for most developing countries today is between 40 percent and 50 percent of gross tourism earnings for small economies and between 10 percent and 20 percent for most advanced and diversified economies. (WTO, 2001)

Export leakage
Transnational Corporation’s (TNC) have a substantial share in the export leakage. Often, especially in poor developing destinations, they are the only ones that possess the necessary capital to invest in the construction of tourism infrastructure and facilities. As a consequence of this, an export leakage arises when overseas investors who finance the resorts and hotels take their profits back to their country of origin. (WTO, 2001)

Thus, from the above given facts of foreign exchange in both positive and negative form, it is clear that tourism development is playing a vital role as foreign exchange earnings in Thailand. Hence, an increase in foreign exchange earnings can be ensured by checking leakages and this depends on the types and forms of tourism promoted.

(2) Contribution to Government Revenues
Income in general comes from wages and salaries, interest, rent and profits. Tourism gives rise to numerous demands for goods and services, as for example, accommodation, food and drinks, long distance and local transport, entertainment, shopping, guides for sight-seeing etc. (IGNOU TS-1:7) There are two types of contribution. One is direct contributions which are generated by taxes on incomes from tourism employment and tourism businesses, and by direct levies on tourists such as departure taxes. Second is indirect contribution which comes from taxes and duties levied on goods and services
supplied to tourists. The WTO estimates that travel and tourism's direct, indirect, and personal tax contribution worldwide was over US$ 800 billion in 1998 - a figure it expects to double by 2010. (WTO, 2001)

**Positive**

It is assumed that tourism development requires less effective means of creating job opportunities and increasing national income. This gives an impetus to national income as well as individual’s income. This sector creates demands for services and consumer goods which stimulate the production sectors bringing with it an automatic increase in national consumption. (Holloway, J. Christopher, 1985: 223)

In Thailand it is believed that the money spent by foreign tourists in local services such as transportation, accommodation, electricity, shopping, foods and handicrafts in the country gives benefits to local people and raises their incomes. These incomes are generally derived from the four main categories i.e.

- Accommodation
- Handicrafts
- Transport
- Miscellaneous services. (Motiram, 2003: 112)

**Accommodation** constitutes a dominant source of income in most parts of the country. But income from accommodation is a function of the total number of visitors to the nation and their duration of stay as well as expenditure per tourist. Income from accommodation comes in million of dollars per year in Thailand. (Motiram, 2003: 112)

**Handicrafts** are another source of income in Thailand. Local artisans sell various types of beautiful and indigenous goods to the tourists. Most of the tourists used to purchase the items in the village which directly benefits the local people and enhance their income. In Thailand economic benefit of tourism has not only raised the national income but also developed the ethnic and rural tourism. (Motiram, 2003: 112- 113)

**Transportation** services i.e. mode of transport used by tourists riding, rafting etc. also generates substantial income in the country. For example, tourists who arrive in the country use various types of local vehicles to move from one destination to another and they have to hire the local transport on payment basis. This gives direct income to motor and car owners. During the past few years elephant rides and river rafting have become
integral parts of many trips in Thailand. Many tourist agencies have introduced elephant camps especially for this purpose which gives total income in thousands of dollars. (Motiram, 2003: 113)

TAT studies shows that income is also derived from miscellaneous services, which include foods, sale of opium, alcoholic and non-alcoholic beverages and drinks performance of dance, posing for photographs etc. Begging also provides substantial amount of income. (Motiram, 2003: 113)

From the above observation it has been identified that Thailand from the foreign tourism is earning from five sectors the most (See Table 2.5).

Table 2.5: Top five sectors earning the most from tourism in Thailand

<table>
<thead>
<tr>
<th>Rank</th>
<th>Sectors</th>
<th>Tourism receipts (thousand baht)</th>
<th>percent Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Restaurants drinking establishment, and hotels</td>
<td>159,751,603</td>
<td>18.7</td>
</tr>
<tr>
<td>2.</td>
<td>Air and ocean transport</td>
<td>141,582,832</td>
<td>16.6</td>
</tr>
<tr>
<td>3.</td>
<td>Road passenger transport</td>
<td>76,152,876</td>
<td>8.9</td>
</tr>
<tr>
<td>4.</td>
<td>Personal services</td>
<td>71,657,754</td>
<td>8.4</td>
</tr>
<tr>
<td>5.</td>
<td>Petroleum refining and distillation</td>
<td>59,841,16</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Source: 2005 input-output table, Office of the National Economic and Social Development Board

From above facts it becomes obvious that visitors spending not only affects wages and employment opportunities but generates income for both the public and private sector. For example,

- tourist enterprises, like all local business, pay taxes to the government and as tourism expands so too do these tax revenues;
- parking and admission fees collected from public sector facilities also bring in further general revenue resulting from tourism;
- if a local ‘bed tax’ or other form of ‘tourist tax’ is collected, this can represent further tourism revenue to a destination. (Clarke, Jackie & Kerry Godfrey, 2000: 20)
So, the money spent by the tourists permeates the national income in Thailand and this intensity is highly dependent on the amount of income from tourists and the mechanism of re-investments of that money into different segments in the country. (Vellas and Becherel, 1995: 239) Therefore, Thailand Government’s Sixth National Economic and Social Development Plan give particular focus and attention on the development of tourism in remote and backward areas, so that rural and remote area people can get direct benefits out of this. (Motiram, 2003: 115)

These additional funds contribute to the future promotional and development activity of the destination and can also be used for the maintenance of publicly owned monuments and facilities. The above explanation shows that tourism in Thailand not only raises the national income but also fuel the GDP of the country. (See Table 2.6 & Fig. 2.19)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue from Tourism Industry (Million Bahts)</th>
<th>Gross Domestic Product (Million Bahts)</th>
<th>Percentage of Revenue from Tourism Industry on GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>401,142</td>
<td>4,732,610</td>
<td>8.48</td>
</tr>
<tr>
<td>1998</td>
<td>430,074</td>
<td>4,626,447</td>
<td>9.30</td>
</tr>
<tr>
<td>1999</td>
<td>456,197</td>
<td>4,637,079</td>
<td>9.84</td>
</tr>
<tr>
<td>2000</td>
<td>495,788</td>
<td>4,922,731</td>
<td>10.07</td>
</tr>
<tr>
<td>2001</td>
<td>522,779</td>
<td>5,133,502</td>
<td>10.18</td>
</tr>
<tr>
<td>2002</td>
<td>558,821</td>
<td>5,450,643</td>
<td>10.25</td>
</tr>
<tr>
<td>2003</td>
<td>599,255</td>
<td>5,928,975</td>
<td>10.11</td>
</tr>
<tr>
<td>2004</td>
<td>701,584</td>
<td>6,503,488</td>
<td>10.79</td>
</tr>
</tbody>
</table>

Source: 1. Tourism Authority of Thailand (2005)  
Figure 2.19: Revenue from Tourism Industry and Gross Domestic Product at Current Market Price during Year 1997-2004

Source: 1. Tourism Authority of Thailand (2005)

**Negative**

Diversification in an economy is a sign of health, however if a country or region becomes dependent for its economic survival upon one industry, it can put major stress upon this industry as well as the people involved to perform well. Many countries, especially developing countries with little ability to explore other resources, have embraced tourism as a way to boost the economy. Over-reliance on tourism carries risks to tourism-dependent economies. Like, economic recession, the impacts of natural disasters such as tropical storms and changing tourism patterns can all have a devastating effect. (WTO, 2001)

Virtually all local destinations have to import some goods and services to provide for and satisfy their visitors’ needs and demands (i.e. food imports, souvenirs, secondary supplies). The cost of the import cannot be included in calculating tourism impacts, as this does not give a true indication of the overall net benefit of tourism activity. The greater the economic diversification of the destination area, the less leakage there will be in terms of import costs. (Clarke, Jackie & Kerry Godfrey, 2000: 21)
Economic Diversification and Regeneration

Positive
Relying on just one industry has proven to be problematic for many communities, particularly when that industry has gone into decline. Tourism is recognized as one industry which can help overcome the difficulties associated with the incumbent economic decline in these places, because

- towns and cities are 'natural, destinations for visitors,
- tourism is complementary to its other functions as a service centre, meeting point and seat of government,
- the tourism labour force is essential in place,
- tourism is relatively clean, particularly compared to more traditional manufacturing and extractive industries.

As such tourism tends to make a very attractive option in terms of local economic diversification and generation.

Negative
However, as tourism activity grows, it tends to place demands on what are often limited land and labour resources. One consequence of this local inflation, where:

- Wage demands may increase
- Physical space becomes a premium. (Clarke, Jackie & Kerry Godfrey, 2000: 21-22)
- Increasing demand for basic services and goods from tourists will often cause price hikes that negatively affect local residents whose income does not increase proportionately.
- This makes it more difficult for local people to meet their basic daily needs.
- Tourism development and the related rise in real estate demand may dramatically increase building costs and land values. (WTO, 2001)
- Increased property values may be good in one sense, however, they also lead to higher property taxes which some residents can ill-afford. This can lead to a change in the population structure, with fewer young people and a non-resident community. (Clarke, Jackie & Kerry Godfrey, 2000: 22)
Employment Generation

The rapid expansion of tourism has led to significant employment creation. Tourism can generate jobs directly through hotels, restaurants, nightclubs, taxis, and souvenir sales, and indirectly through the supply of goods and services needed by tourism-related businesses. In Thailand tourism generates following types of direct and indirect employment opportunities:

- **Direct employment**— as transport agents, guides, hotel entrepreneurs and workers at resorts.
- **Indirect employment**— as local transport, handicrafts and bank services.

The employment impact of tourism goes beyond employment in sectors in which tourists also buy goods and services from other sectors that generate employment in those sectors through multiplier effect.

To measure the amount of people employed in the tourism industry is difficult and the statistics available has divided up the sector in hotels and restaurants or the whole service sector. For this study, the data of hotels and restaurants has been used, hence, it is important to keep in mind that it does not cover the entire industry. Thailand has developed a flexible and well functioning labor market, making it easy for the labor force to migrate between the sectors. During the rapid economic growth that Thailand experienced before the financial crisis, there was a major employment change from agriculture into other economic sectors. The transition from agriculture started 1990, and between that year and 1997 there was a drop of employed in agriculture from 64 percent to 45 percent, or from 17.7 million workers to 14 million workers. (Warner, 2004: 4) The labor force in that sector has since then decreased by 300 000 workers, but are still the sector in Thailand where most people are employed. Manufacturing employs almost 5.2 million workers in the second quarter of 2006, which is an increase by around 48,000 workers since the first quarter of 2001. The number of people employed in hotels and restaurants do not compose a large employment share of total workforce, but it has increased by almost half a million workers since 2001 (http://web.nso.go.th). (See Fig. 2.20, 2.21 & 2.22)
Figure 2.20: Employment Share by Sectors 2001-2007

Employment share by sector

Source: http://www.nso.go.th

Figure 2.21: Number of people employed by sector 2001-2007

Number of people employed by sector

Source: http://www.nso.go.th
As we can see in the figures 5.4 and 5.5 the amount of people employed in the agricultural sector is declining, whereas there is a small increase of people employed in manufacturing and hotels and restaurants. The wage rates in the agricultural sector is the lowest of the three sectors, the wage rates in manufacturing and hotels and restaurants show an upward curve in Figure whereas the wage rate in agriculture is rather stable since 2004. The unemployment rate in Thailand is fairly low and has decreased to about 1.77 percent in 2006 from about 3.3 percent 2001 (Authors calculation from www.nso.go.th).

**Positive**

However, employment opportunities arise in other sectors of the economy which service and supply the tourism sector, such as agriculture, fisheries, manufacturing and transport services. This tends to mean that tourism-related business are quicker to establish and require less initial financial input upfront compared to many other sectors of the economy. (Clarke, Jackie & Kerry Godfrey, 2000: 19) When population growth is very high in the country, it makes a big problem of providing job and employment. Therefore tourism has evolved as a source to fulfil this problem. It becomes essential when creating
new employment opportunities for young people, the unskilled and others who may be looking to supplement existing family income.

**Negative**

In spite of the argument in favour of jobs in tourism sector, there are some unfavourable aspects also. Like, most of the jobs created by tourism are seasonal in nature. The problems that seasonal workers face include:

- job (and therefore income) insecurity
- no guarantee of employment from one season to the next
- difficulties in getting training
- employment-related medical benefits, and recognition of their experience
- unsatisfactory housing and working conditions

The industry is fairly labor intensive in operation, the expansion of productive capacity is rather capital intensive. Thus, tourism is not a very efficient means of creating employment. Further, not only does tourism require types of labor in short supply, but the work tends to be seasonal and low paid and creates social tensions.

At many destinations locals complain that their share of employment is limited to petty jobs as managerial jobs go to outsiders. The hotels, shops, restaurants, travel agencies etc. are owned by outsiders. Thus, the earnings from tourism do not come to locals. Even the prices of many essential commodities go up as a result of tourism demand during the season. This adversely effects the local population. (IGNOU TS- 1: 6)

A number of these jobs tend to be have limited career prospects, except in certain sectors, such as accommodations, have unsociable hours, with staff turnover relatively high compared to other economic activities.

It is difficult to argue that tourism sector do not represent a useful stepping- stone and strengthen the overall job market. Indeed, it is helping those who has little skill or experience into work, particularly where other employment opportunities are in short supply. With this discussion it is clear that in Thailand tourism lessen the burden of employment and underemployment. But it is also the fact that the employment share from tourism is not very impressive. In terms of total population share it is very low. So, it is
necessary to build up some schemes related to tourism industry by which more jobs can be generated, poverty will be eliminated and regional imbalances can be reduced.

(5) Stimulation of Infrastructure investment

One of the most significant factors enabling the development of tourism in most part of the world and particularly in Thailand requires tourism infrastructure. Tourism has influenced the infrastructure of the country on the large scale and the infrastructure itself has enhanced tourism industry. This type of reciprocity is essential in the tourism industry because without the give and take relationship none of the sector will flourish. For an ex: good hotel facilities for the tourist are needed, security of the tourist and their belongings are essential, health facilities and sanitation of the country is important aspects which help in enhancing the tourism industry. On the other hand, when tourism starts pleasing to the eye of the people, Government enumerate policies and course of action to develop more and more facilities relating infrastructure of the country.

Tourism, by definition, is centered upon travel and on staying away from home; hence the provision of both transportation and accommodation is an integral element of tourism development. (William, S., 1999: 71) Tourism also has tangible beneficial effects for the local population in the form of improved infrastructure, such as the provision of drinking water, sanitation, hospitals, electricity, telephones, roads and airports. (Clancy, M. J., 1999: 1-20)

Positive

Tourism is a complex industry. It can boost demand for goods and services- food, construction, transport- from other sectors; the tourism industries that sell goods and services to tourists can also sell products to businesses in other sectors. OECD analysis finds that tourism is linked in this way to more other industries than the average services sector, suggesting that tourism may be one of the most interconnected services sectors in many economies. Access to an adequate supply of goods and services can be vital to developing a successful tourism sector. If food, building materials, electricity supply or a trained workforce is in short supply or expensive, it can hamper the growth of tourism. (OECD, 2008: 4)
Infrastructure developments may have significant effects on the labour force, thus increasing human capital and resulting in higher productivity. As such, this improved infrastructure generates positive externalities for other sectors, which are likely to be at least partially captured as increased aggregate output. As far as Thailand's tourist infrastructure facilities are concerned, there is a spectacular improvement and development in the means of transportation, communication and infrastructure facilities during the last decade, rendering easy access to a vast number of tourist sites. At the same time, border towns linking neighbouring Indochinese countries have become new attractions. In order to facilitate private and public investments in tourism development, provinces in Thailand have been ranked according to their tourism potential. (Belinda, Fuller, 1997: 14-24) Specific areas of tourist infrastructure in Thailand are accommodation, transportation system, communication, recreation, park, health care, hospitality, amenities etc.

Tourism requires physical and social infrastructural development on a high altitude. It also needs a considerable economy support including food, transportation, lodging, electricity supply, water supply and other areas like security, recreational areas etc. The infrastructure of any country can be divided into two parts: 1) Physical Infrastructure and 2) Social Infrastructure.

1) Physical Infrastructure
   - Accommodations—Hotels, Guest house, Apartments
   - Transport-- Land, Air, Water
   - Energy (power)
   - Information, Technology and Communication (ITC)
   - Water Supply

Physical infrastructure is an internal facility of a country that makes business activity possible, such as transportation, communication, accommodation and distribution of networks, financial institutions, markets and energy supply systems.

Physical infrastructure, including airports, harbours, accommodation, electricity and water and sewage, also needs to be in place and periodically upgraded to meet the needs of increasing tourist arrivals. Telecommunications services are another increasingly
important driver for tourism development, with the IT infrastructure having a major impact on the structure of the tourism industry. (OECD, 2008: 5)

**Accommodation** developments in form of hotel, apartment, huts, and guest house, villa and tourist villages are very important which give life supports to tourism development. Large and starred hotels providing good services and facilities have played tremendous roles in the rapid development of mass tourism in Thailand. According to UN Statistical Report there are more than 220 starred hotels and more than 1,000 unstared hotels and Losmen. All the hotels are classified as 5 stars, 4 stars, 3 stars and 1 star etc. on the basis of prescribed standards of services and facilities. All the hotels are approved by the Department of Tourism Ministry of Thailand (Motiram, 2003: 63). Thailand provides a great tradition of hospitality with excellent facilities, excellent service in its hotels. Because of this at least one Thai hotel is always in the top ten in the world. Thailand hotel infrastructure is excellent and hotel accommodation is available in all categories, from the most basic, cheap guest house to hotels that range top by international standards. Accommodation can be found every where of all categories, right up to the top in provincial towns and tourist destinations as well. (Appendix: VI)

Usually luxury five star hotels are located in very expensive districts of Bangkok together with famous and popular property in Thailand around. There are many things to see and to do in Bangkok, such a great Metropolis that is also a great place for shopping. Bangkok offers you an extraordinary selection of Hotels, tourism infrastructure, Thailand property, Resorts and Serviced Apartments from budget Guest House and Cheap Hostels to 5 stars Hotels and Resorts. Thailand has international standard accommodation not just in the capital Bangkok and some popular beach resorts but almost all over the country that is not typical for most developing or newly industrialized countries attracting foreign investments in property in Thailand projects. Tourism in Thailand became the biggest business and reason for such fast development. Only 10 or 15 years ago tourists couldn't find international standard hotels, but today you will see them at far off places like Mae Hong Son which a few years back wasn't even accessible by road all year round. (http://EzineArticles.com/?expert=Christen_Richardson)

Foreign visitor can even experience both nature and the comfort in exotic luxury accommodations built right in the jungles, for example in Kanchanaburi province.
Among all Southeast Asian countries the Kingdom of Thailand draws the highest amount of visitors as this country has irresistible combination of breathtaking natural beauty, inspiring temples, renowned hospitality, robust cuisine and ruins of fabulous ancient kingdoms. Thailand has everything from the verdant limestone islands of the Andaman Sea and the stupa-studded mountains of Mae Hong Son, to the tranquil villages moored along the Mekong River and the pulse-pounding dance clubs of Bangkok and every type of traveler will find what the needs for great vacations. (http://EzineArticles.com)

Transportation is one of the most advanced factors, so far as Thailand’s development is concerned. Transportation in Thailand is pretty superior and can be compared to the advanced transport system of the European countries and US as well. The major modes of transport in Thailand are the railway tracks, bus service and the metro links. Since the country is one of the major tourist spots in the world, transportation in Thailand is constantly growing and developing.

Thailand is well connected with countries like Laos, Cambodia and Myanmar through the advanced railway service. Some of the minor railway tracks are under construction now. Most interestingly, there is a friendship bridge between Thailand and Laos, which is very popular among the tourists. The countries which are well connected through these broad railway tracks are Bangkok, Ratchaburi, Chumphon, Surat Thani and others. Surat Thani and Chiang Mai are the major junctions. In Bangkok, construction on five mass- transit rail lines, one so-called bus- rapid- transit line and the final section of the city’s outer ring road, which includes two soaring suspension bridges are currently on track. An additional 137 km of mass- transit trains are now in the final planning stages and if completed on time, would push mass- transit beyond central Bangkok into the suburbs by 2013. Road construction is preceding on the Association of Southeast Asian Nations highways links, including east- west and north- south corridors designed to interconnect the Indochina region with China and pave the way for more efficient regional trade. A vital piece of the east- west link opened with the completion of the second Thai- Laos Bridge. (Russell, Edward) Civil aviation is one of the modes which are very closely linked with the development of tourism. Majority of tourists coming to Thailand arrive and depart by air services (www.thailandtourism.com)
As far as transportation in Thailand is concerned, the **national highways** are the major attractions. Presently, the highways have stretched even to the smaller cities of Thailand. In Bangkok, the ramp styled U-turns are very popular. Recently, the undivided two lane highways have been formed as undivided four lane highways. Thus, the transport minister of Thailand has ensured complete safety and security.

The advanced **bus service** is one of the major concerns regarding transportation in Thailand. So far as long distance travel is concerned, buses are the major modes of transport. The VIP long distance buses are luxurious and tall, where as, the tourist buses are mostly colorful and bright looking. People say that, Bangkok is the city of buses. The buses are of different sizes and features. The categories are many; full size, half size, double length and open windowed.

Transportation in Thailand includes other useful modes like, **water ways**, canals, ports and harbors and the important heliports. The media of Thailand travel is thus varied and superior. The **airports** in Thailand are internationally reputed and highly advanced. The public lounges, the customs corner and most importantly the runways are quite updated and very well maintained. The major division which controls the airports in Thailand is known as ‘Airports on Thailand Public Company Limited’ (AOT). Earlier, it was known as ‘Airports Authority of Thailand’. Apart from the services done, the airports in Thailand are quite attractive too. There are beautiful golf courses prepared along the runways. When a plane lands on the runway, the passengers can enjoy the fantastic courses through the glass windows. If anyone takes a distant view, the runway looks lavish and beautiful. So Thailand travel is always special to the tourists. The airports in Thailand are thus, major causes of the country’s development and pride. (www.thailandtourism.com)

Therefore, it can be said that transportation facilities necessitate external linkages, like, airport, port and rail terminals etc. which allow tourists to have access to their destinations. In Thailand transportation plays a very crucial role in promoting tourism.

Energy Generating Authority of Thailand (EGAT) has played a progressive role in **energy** planning and management in Thailand and by example in Southeast Asia. For example, it is well known for its sophisticated demand management based on time of day (which now includes residential users, before it only encompassed industrial and...
commercial users) and type of user. It has also been involved, in conjunction with the Energy Conservation Promotion Fund (ECPF), in establishing subsidy programs for purchase of energy efficient (level 5) appliances. These, and related measures, improve EGAT's financial performance by reducing the need for new energy production and distribution facilities. Because of its excellent strategic planning process, EGAT is able to avoid too large reserves (which are financially disastrous both to the enterprise and consumers) without ever creating power shortages, such as China is currently suffering from, and Philippines has experienced in the past. (Webster Douglas and Patharaporn Theeratham, 2004: 30)

Thailand is still in a stage where the elasticity of electricity demand to GDP growth exceeds 1, it is currently approximately 1.2. Thus a major challenge facing EGAT is to work with agencies responsible for policy frameworks influencing industrial process technologies, building materials and technologies, urban form, vehicle specifications, etc., to use energy more efficiently. (Webster Douglas and Patharaporn Theeratham, 2004: 30-31)

The Telecommunication network in Thailand has 3,035 switch centers that operate on digital system. The core domestic telecommunication network operates on 670,000 circuits, which comprise of Cable Network, Microwave Network and Satellite Network. The International Telecommunication Network comprises of 3 junctions (International Telephone Switching Center I (ITSC I) at Bangkok, ITSC II at Nontaburi, and ITSC III at Sriracha) which operates on 6,997 international telephone circuits, 4,485 submarine cable system, and 2,512 satellite systems. The main cable services are operated under Fiber Optic Cable System Phase I (Thailand-Malaysia), Phase II (Thailand-Vietnam-Hong Kong), and Phase III (FLAG and APCN / SEA-ME-WE 2). For the satellite system, INTELSAT is the main satellite to contact with the countries such as USA, Europe, ASEAN, and Australia. According to the Network, the basic telecommunication service in Thailand has carrying capacity on 7.55 million lines or 12.09 lines per 100 persons. At present, the numbers has been occupied 5.10 million lines or 68 percent of existing lines. However, the line distributions between municipal and rural areas are still imbalance. According to the statistical figure on June 1999, the municipal areas occupied 4.38 million lines (53.77 lines per 100 persons) and the rural
area occupied 3.17 million lines (5.90 lines per 100 persons). Besides, the demand for other types of telecommunication services is strikingly increasing and highly competitive such as the cell phone services, internet services and etc. Therefore, the regulatory body needs to be originated to protect the consumer rights. For the public telephone services in remote area, there are 34,284 units diversify over district areas and villages. However there still have 43,000 villages without the public telephone services which include tourism attraction areas, and main transportation routes (NESDB, 2001: 12).

As a result of tourism strategy, Thailand received over 10 million international tourism arrivals in 2003. In order to achieve the goal of 20 million tourism arrivals by 2008, the TAT has set e-tourism as one of the main priorities of the Thailand Tourism Promotion Policies for 2003–2006. To that end, TAT proposed to accelerate the development of an information technology system that facilitates e-tourism; including online business transactions as well as IT based marketing operations and provision of security systems. The main objectives of enhancing the use of ICTs are to increase competitive advantage in the tourism sector, to generate income, to satisfy the needs of international tourists, and to maximize the efficiency and the effectiveness of tourism operations within TAT. www.tourismthailand.org was officially launched in 2003. The website provides information about the country and is supported by www.thailandebookings.com, which offers a selection of hotels, thematic tour packages searchable by key word, location and price, transport facilities and a booking system (provided by the Bank of Asia in partnership with Verisign). The website is available in 13 languages (www.thailandtourism.org).

The role of TAT is twofold: to centralize tourism information, public relations and tourism promotion into one database, including information on public and private tourism agencies locally and globally; and to use ICT to stimulate and support online business transactions to meet the needs of consumers and tourism enterprises. TAT focuses on the adoption of e-business practices by tourism providers, and encourages them to make use of the Internet in their businesses through many different initiatives. These include training courses to enhance the capacity of tourism providers to learn more about the Internet and e-commerce, and also their integration into www.thailandebookings.com (B2C) as well as the B2B trade portal.
www.thaitravelmart.com. This portal helps Thai sellers, in particular SMEs, and overseas buyers, of tourism products and services to identify trading partners. At present, a total of 530 Thai operators and 371 overseas tourism travel agents have registered; they belong to nine major tourism categories (travel agents, hotel and resort, restaurant, spa, golf, theme park, diving, health care and rental transportation). In order to foster the participation of tourism providers, the membership is free of charge for both buyers and sellers who register themselves on www.thaitravelmart.com. Search can be made by product or by company (overseas and Thai tourism directories are available) (www.thailandtourism.org).

In 2004, the number of Internet hits on www.thailandbooking.com was about 150,000 per month, and 3,000 and 5,000 e-mails were sent by consumers to get information on particular hotels and tours. About 1,000 online bookings were received every month (www.thailandtourism.org).

**Water Supply** in metropolitan area, are approximately 4.5 million per day supplied to people in service area. Metropolitan Waterworks Authority (MWA), a state own enterprise, has 19,138 kilometers pipeline network system covering 1,115 square kilometers. 6.4 million People, accounted for 88 percent of population in service area, have been served. In urban and suburban areas, there are approximately 3 million per day supplied to people in service area. Provincial Waterworks Authority (PWA), a state own enterprise, has provided water in major cities all over the country or accounted for 657 municipalities. 10 million People or 80 percent of population in service area are served. Moreover, the government has been emphasizing on developing water supply systems in rural areas. There are approximately 6,000 places built every year. At present, over 20,000 villages have their own water supply systems. Eastern Water Resources Development and Management Public Company Limited (East Water) was established to manage and operate pipeline system and to serve users in industrial estate in Eastern Seaboard. Water supply providers, especially MWA and PWA, have been facing water leakage problem, which is accounted over 30 percent of water sold. This problem occurs because of quality and age of pipeline system that are outmoded these days. Thus, investment in water supply system has to emphasize on increasing capacity, extension pipeline network and leakage prevention. Moreover, in order to increase efficiency in
water supply system and to reduce state’s burden, the government will increase private participation in the water supply projects along with the government investment. However, the government has to implement the privatization policy in a proper and correct way. (NESDB, 2001: 13) (See Fig 2.23)

Figure 2.23 Minimum water demands by Foreign Tourists 1990-2006

Source: www.thailandtourism.com

2) Social Infrastructure:
   - Sanitation
   - Health

Social Infrastructure is a system of social services, networks and facilities that support people and communities. Sanitation, Health, education, Safety, Recreation and Leisure etc. are the scopes of social Infrastructure. Overall development of physical infrastructure is not possible at the desired level if the social infrastructure is not simultaneously developed. Each and every area of the social infrastructure has to be developed to ensure proper social infrastructure.

Promotion of sanitation in Thailand can be dated back to about a century ago. The promulgation of Bangkok’s first sanitation law in 1897 aimed to curb the communicable diseases due to poor environmental sanitation the campaigns were then
targeted at garbage collection and building public latrines. Hookworm eradication project initiated in 1918, which emphasized on using pit latrine. In 1926 the Ministry of Interior issued regulations banning defecation in rivers and canals. All ramshackle latrines along the banks of rivers/canals were destroyed, while a bid was launched for educating the public on improving sanitation and hygiene. (Luong, T. V.; Chanacharmmongkol, O; Thatsanatheb, T.; 2000: 290)

The establishment of the Ministry of Public Health in 1942 led to the integration in Environmental Sanitation into the overall health development in the country. Rural Environmental Sanitation (RES) programme as a component of the National Health Development Plan was incorporated into the successive Government 5-year National Economic and Social Development Plans starting from the First 5-year plan in 1961 until the current Eight 5-year plan, 1997-2001. (Department of Health & UNICEF, 1985)

Travelers are rightfully concerned about diseases they may come into contact with while visiting parts of Thailand. It is the task of the Government to take care of the sanitation of the country and to implement few plans to keep it hygiene so that tourists come and stay comfortably in the country.

Health is another aspect which needs some concern. To develop tourism in the country it is important to have all types of health facilities so that the tourists do not hesitate in visiting the country. Good hospitals, doctors, nurses and chemist shops should be there so that when tourists fall ill they can easily consult the doctors, can buy required medicines etc. these facilities definitely help in enhancing tourism in the future. When the drop in rate of the tourists is high than it is very important to take care of things health related facilities.

Tourism’s economic impacts are therefore an important consideration in any country, state, region and community planning and economic development. Economic impacts are also important factors in marketing and management decisions. Communities therefore need to understand the relative importance of tourism to their region, including tourism’s contribution to economic activity in the area. Tourism depends on many factors at both origins and destinations. Economic impact studies provide information to help decision maker better understand the consequences of various actions on the tourism industry and also help us to better understand the size and structure of the tourism
industry in a given region and its linkages to other sectors of the economy. Such understandings are helpful in identifying potential partners for the tourism industry as well as in targeting industries as part of regional economic development strategies. (Stynes, 1997: 1-4)

Negative

- Tourism development can cost the local government and local taxpayers a great deal of money.
- Developers may want the government to improve the airport, roads and other infrastructure, and possibly to provide tax breaks and other financial advantages, which are costly activities for the government.
- Public resources spent on subsidized infrastructure or tax breaks may reduce government investment in other critical areas such as education and health. (WTO, 2001)

(6) Contribution to Local Economies

Positive

As the environment is a basic component of the tourism industry's assets, tourism revenues are often used to measure the economic value of protected areas. Other local revenues that are not easily quantified, as not all tourist expenditures are formally registered. Money is earned from tourism through informal employment (e.g. street vendors, informal guides, rickshaw drivers). The positive side of informal employment is that the money is returned to the local economy, and has a great multiplier effect as it is spent over and over again. The WTO estimates that tourism generates an indirect contribution equal to 100 percent of direct tourism expenditures. (WTO, 2001)

Negative

Local businesses often see their chances to earn income from tourists severely reduced by the creation of "all-inclusive" vacation packages. There will be smaller trickle-down effect on local economies.

It can also put a strain on local infrastructure and services, enhance social problems, increase pollution and lead to overcrowding and traffic congestion in different
environments. But with all these negative aspects of tourism on economic sector of Thailand, there several positive reasons of tourism due to which country’s economy are increasing day by day. Most places develop tourism because of its economic potential: it creates jobs, brings it new money, is relatively clean and has minimal start-up costs. Tourism is seasonal by nature and thus so is many of the jobs. It can lead to local inflation and profits can leak away to external suppliers and proprietors. Tourism impacts come in terms of the economy, social structure and physical environment of destination areas. Economic aspects concern issues of employment balance of payments and foreign exchange, social structure relates to issues of culture, lifestyle and human interactions.

Comparative analysis of positive and negative impact of tourism on Thai economy has been assessed which reveal that the ratio of positive impacts is much higher than that of negative impacts of tourism. Therefore, tourism promotion needs pertinent care so that tourism activities and infrastructures are planned on sound efficacies.

Findings

Tourism has become one of the major industries in the present world and has brought new revolution in the economic field. It is viewed as being a natural renewable resource industry with visitors portrayed as coming only to admire and not to consume the landscapes, customs and monuments of a destination area. Since long it has been viewed as a great force in promoting understanding among nations and facilitating emotional integration.

Thailand had made more money from tourism than from any other commercial activity. But the problem that tourism overall has created in Thailand is the tremendous growth of commerce centers such as Chiang Mai and Bangkok. This lead to an uneven distribution of financial benefits, in favor of large enterprises and the effect of this can be seen on the local people who have no direct gain from tourist promotion. From the study it has been revealed that Thailand has one of the most unequal distributions of wealth anywhere on the planet. New shopping centers and apartment blocks are crowding the whole city which helps the rich get even richer. Within the same sector, the benefits are concentrated in high income households rather than low income households. This is because an inbound tourism expansion benefits the owners of capital and labor in non-agriculture rather than the owners of factors in agriculture. Since high income households
in non-agriculture and corporations are the major owners of non-agricultural factors, these two institutions become the biggest gainers from an inbound tourism expansion. This substantial income allows high income households to increase supernumerary consumption and attain more utility than low income households. The gap between the poor and the rich, rural and urban is constant in Thailand.

The main reason of Thailand's inequality is that the social tension there is little visible. For the most part people appear to accept their lot without resentment. Some put this down to Buddhist concepts of fate and karma, others, to Thailand's deep-rooted sense of hierarchy, with the king at its apex. In this context many people have their own view like: social activist and former Senator Jon Ungpakorn sees more prosaic causes, he says that inequality is constant still in Thailand after having developed tourism sector which provide employment to poor and unskilled people, because the poor feel they are doing better than they would have done many years ago. They still see that they have opportunities ahead.

Most of the tourists wish to stay in cities so that they can avail the best of all facilities, which they can hardly get in rural areas of Thailand because most of the places are still in developing stage. Due to this all money coming from the foreign visitors goes straight to the rich and elite class and poor and local people stay behind. It is clear that the GDP of the country is increasing with the expansion of tourism industry but the gap between the rich and the poor has widened.

To avoid and to minimize these inequalities it is necessary for the government to provide some not all facilities like the cities to the rural areas where tourists can reach easily and can enjoy the natural beauty of the country, which is less possible in the urban areas due to the pollution and urbanisation. Rural standards of living are usually very different to urban, so there is a need to realize that the economic power is great and nobody should abuse it. So, therefore, tourists should be encouraged to buy locally made crafts and support local skills and services. They should also try to accept the custom like: the local food and specialties. Many rural areas around the world are under threat from a reduction in their agricultural base and by eating locally produced goods tourists will help the local farmers as well as the local economy of the country.
Thus, from the above discussion it is clear that tourism industry and economy are correlated. On one hand, economic growth drives the growth in tourism sector. On the other hands, tourism fuels growth of economy in light of larger employment and inbound revenue. In light of the financial difficulties faced by Thailand, increase in arrivals has come at just the right moment, providing crucial foreign exchange at a time when public credit and financial resources remain extremely limited. According to the TAT sources, Thailand's overall travel and tourism economy employed an estimated 4,110,000 people in 2007 or one in every 8.9 jobs (11.3 percent), and this is forecast to reach 4,767,000 (11.8 percent) by 2017.

When a country experiences economic growth, it also implies people are endowed with higher income; and consequently, higher spending capacity on traveling. In short, tourism industry is likely to benefit in the time of economic prosperity. Tourism generally had a positive effect on economic development, which shows that tourism may be worth investigating further as another avenue for raising the quality of life in developing countries. As it is shown above that in most cases, tourism appears to have higher marginal factor productivity than the other sectors of the economy which generally increases with the level of development. It can be straightforwardly confirmed that the tourism industry in Thailand has become a job generator; both service oriented and product oriented. Increased income by job generation has helped in raising the standard of living. In addition the diversification of various new economic activities can lessen the big social problem of unemployment. People of the area welcome tourism as they have realized its importance, particularly from the economical aspect.

Although it is difficult to measure the economic contribution of tourism, the calculations can be made sufficiently to indicate the general extent of tourism's economic impacts. The standard economic measurements include: income generation and contribution to gross national or domestic product; foreign exchange earned from international tourism; local employment generated by tourism; the multiplier effect; and contribution to government revenues (WTO, 1994: 29-31).

But where at one side tourism plays a prominent role in Thailand's economy and provides opportunities for employment and helping economic growth there on the other side, influx of mass tourism has caused great threat for country's physical, economic,
environmental, ecological and socio-cultural environment. Both positive and negative impacts of tourism in Thailand have been experienced. The development of handicrafts and cottage industries has positive correlation but when see on the other hand, the haphazard development of mass tourism has caused in spoiling the fragile environment resorts etc. The rapid growth of casinos, bars and prostitution, use of drugs in several tourist destinations are the declining signs of morality. Because all these tourists sites in the country are famous for accommodations and facilities for foreign tourists with wine, casinos and sex. Tourists not only bring money to region, they also carry along with them a strong and visible lifestyle. Their dress, food habits and merry making style all brings some newness and uniqueness to the area of their visit. By nature human adopts new thing or manners in which they feel comfortable. When done right, tourism development can promote sustainable economic development that benefits local residents and the nation as a whole.

Experiences from various countries have shown that tourism can have significant effects, both positive and negative, on an economy. It has been noted that the very process of developing tourism and the consequences of this development imposes social, cultural and environmental costs for the country. Sometimes, it becomes very difficult to say that tourism is a means of economic development or a means of modernization to improve living standards without changing the traditions and old customs of the host communities.

Thus, Thai economic conditions considerably depend on the performance of tourism sectors. More than half of the Thai industries are directly and indirectly interdependent with tourism sectors. Because of the interdependence, any changes in Thai tourism can affect Thai economy.