Pro-Poor Tourism: 
How Fair Trade Tours Can Contribute to Poverty Alleviation in the GMS Countries

Introduction: Trade in Services in the GMS Region

Trade in Services is playing an increasingly important role in the global economy. For countries in the Greater Mekong Sub-region (GMS), services account for a significant portion of the countries’ GDP, ranging from 25.7% for Lao PDR to 46% for Thailand in 2005. With the currently moderate level of economic development, many GMS countries require much improvement in their services sector. Despite this, one service industry that makes great contribution to the economic growth of the GMS region in recent years is tourism – one of the 3 principal service sectors apart from transport and commercial services. Among the 3 principal services, tourism takes a leading position in its contribution to GMS countries’ services exports. According to the World Trade Organisation (WTO), tourism accounts for 79.8% of Cambodia’s export of transport, travel and commercial services combined. A similar pattern of services export can be found in Lao PDR, where tourism export takes up 70.9% of the total value of the above 3 services exports combined (See Figure 1).

Figure 1: Breakdown of GMS Countries’ Total Services Exports

<table>
<thead>
<tr>
<th>Country</th>
<th>Transport</th>
<th>Travel</th>
<th>Other Commercial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>12%</td>
<td>79.8%</td>
<td>8.2%</td>
</tr>
<tr>
<td>China</td>
<td>23%</td>
<td>39.9%</td>
<td>37.1%</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>17.7%</td>
<td>70.9%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>36.2%</td>
<td>36.8%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>22%</td>
<td>52%</td>
<td>26%</td>
</tr>
<tr>
<td>Thailand</td>
<td>9%</td>
<td>22%</td>
<td>70.9%</td>
</tr>
</tbody>
</table>

Note: No service export breakdown for Viet Nam available.

Source: WTO Trade Profile 2007

1 The contributions of services to the GDP of other GMS countries are 39.1% for Cambodia, 39.9% for China in 2005, 33.1% for Myanmar, and 38.1% for Vietnam in 2000.
Tourism as a Generator of Economic Growth

Tourism does not only generate growth within its own industry, but also spreads the growth to other related businesses including the hotel, restaurant, transport and communications sectors. Because of the expansion in the export of tourism services, countries such as Cambodia which rely mainly on tourism as a source of income generation enjoy a surplus in trade in services, while others such as China and Thailand that have a more diversified services composition and rely substantially on importation of other commercial services like finance and telecommunications, face a deficit in services trade (See Figure 2). The numbers of visitors in all GMS countries have also risen dramatically over the years, from 17,000 people in 1990 to 1.055 million people in 2004 in the case of Cambodia, or 6,105.88% growth. Lao PDR enjoys a similar pattern of tourism growth, with the number of visitors rising from 14,000 people in 1990 to 407,000 people in 2004 (See Table 1). For the overall picture of the entire GMS region, however, the number of international visitors from outside the GMS was estimated to reach 16.4 million people in 2004, representing 10.7% of total international visitors to the Asia and Pacific region and around 2.2% of international visitors worldwide in that year. Regarding economic contribution, it was estimated that international tourism to the GMS generated around USD 14.8 billion in total receipts, USD 22.2 billion in economic output, USD 18.6 billion in final income, USD 2.3 billion in government revenue, and sustained 3.8 million jobs².

Figure 2: Balance of Trade in Services in GMS Countries

Note: Statistics presented for each country are from different years: 2004 in the case of Myanmar, 2005 for Cambodia, and 2006 for the rest of the GMS countries.

Source: WTO Trade Profile 2007
http://www.wto.org/english/res_e/booksp_e/anrep_e/trade_profiles07_e.pdf

Table 1: Number of Arriving Visitors to GMS Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>1990</th>
<th>2004</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>17,000</td>
<td>1,055,000</td>
<td>6,105.88</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>14,000</td>
<td>407,000</td>
<td>2,807.14</td>
</tr>
<tr>
<td>Myanmar</td>
<td>21,000</td>
<td>242,000</td>
<td>1,052.38</td>
</tr>
<tr>
<td>China</td>
<td>10,484,000</td>
<td>41,761,000</td>
<td>298.33</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>250,000</td>
<td>2,928,000</td>
<td>1,071.20</td>
</tr>
<tr>
<td>Thailand</td>
<td>5,299,000</td>
<td>11,737,000</td>
<td>121.49</td>
</tr>
</tbody>
</table>

Source: UNCTAD Trade Statistics.

Cross-Border Tourism in the GMS Region

The liberalisation of trade, investment and travel in GMS countries’ borders in the early-1990s has led to economic, trade, and tourism growth in the border areas. The Asian Development Bank (ADB) estimated that foreign border area visitors account for 60% of all visitor movements to GMS countries, with their number reaching 24 million in 2004, or 19% rise from the previous year. The level of border area visitor flows varies from country to country. China’s Yunnan Province is the area that generated the highest flow of GMS border area visitors, amounting to 33% of the total border visitor flow to that region in 2004 (mainly to Eastern Myanmar and northern Vietnam), followed by Cambodia at 23% (mainly to Thailand), Thailand at 17% (primarily to Cambodia, Myanmar and Laos), and Myanmar at 16% (to Yunnan and Thailand).

As cross-border tourism plays a significant role in the overall expansion of the tourism industry in the GMS countries, sustaining its current level of growth and gearing the growth towards benefiting the poor and the socially and economically marginalised groups become a top priority policy for the governments. The ADB’s Greater Mekong Subregion Economic Cooperation programme which started in 1992 helps facilitate economic, trade and investment growth in the GMS region in a variety of sectors, tourism included. Under the Mekong Tourism Development Project (MTDP), a Tourism Working Group (TWG) was established. Its members comprise representatives from the tourism authorities of the 6 GMS countries. The group meets bi-annually to discuss progress and strategic plans in the development of the tourism industry in the region. Issues discussed at the TWG include the facilitation of cross-border transport and pro-poor tourism. On cross-border transport, Cambodia – the lead country on the Southern Tourism Corridor Zone – initiated a consultation with Thailand on the single visa issue though details on procedures for the issuance of visas to foreign nationals and distribution of visa fees to each GMS country had to be further elaborated. On pro-poor tourism, the ADB outlines its poverty alleviation strategies in The Greater Mekong Subregion Tourism Sector Strategy report whereby

4 ibid.
development of tourism should go hand in hand with the generation of income and jobs to both the urban and rural poor living in impoverished areas, as well as with local community empowerment, and with an increase in security in the areas of food self-sufficiency, health, land tenure, and the rights of women and children. To achieve this, the ADB sets out implementation plans that link natural, cultural, and historic tourist attractions to the location where poverty is prevalent, in order to offer members of poor communities opportunities for employment and new markets for their farm, handicraft, and other products. In 2005, the ADB initiated pro-poor tourism demonstration projects in all GMS countries. Considering the Southern GMS areas alone, the demonstration projects are being implemented in Stung Treng, Ratanakiri, and Siem Reap provinces in the case of Cambodia, Phongsaly, Houapan, and Xienghuang in the case of Lao PDR, and Ubon Ratchathani and Sisaket in the case of Thailand. The main objective is to lift 158,000 persons in the targeted area out of poverty by 2010 and up to 1.2 million by 2015.

Pro-Poor Tourism in Practice: The Cases of Fair Trade Tours and Eco-Tourism

One of the pro-poor tourism approaches centres around community development. Community-based tourism has received an increasing attention from international tourists worldwide. Often, this type of tourism incorporates elements of local cultural heritage and ecology preservation in the travel. ‘Fair Trade Tour’ is an example of community-based tourism projects initiated by civil society which aims to foster sustainable tourism development and income distribution in rural communities whose members are producers of fair trade craft products that are exported worldwide under the ‘Fairtrade’ label. In Thailand, ‘Phu Phiang’ is a fair trade tour operated under the umbrella of the ThaiCraft Association – an organisation that acts as an intermediary between producers and consumers of fair-trade products by buying the crafts from small artisans in Thailand at fair prices and promoting the goods directly to domestic and foreign consumers. A large portion of the crafts they buy is exported to their UK Fair Trade partner organisation named ‘TraidCraft’. Phu Phiang is established to be an alternative avenue for income generation for both the organisation and local communities that are members of their Fair Trade project. The idea is to raise an understanding of the concept of fair-trade to consumers by connecting them to fair-trade producers in both rural and urban areas. Tour operators also include residents of the communities being visited. Income generated from the tour is ploughed back into the communities. Fair trade tours also offer opportunities for craftmakers to access the market for their products by interacting directly with potential customers and those interested in the concept of community development and fair-trade. It is also a means to spread the concept and understanding of Fairtrade to a wider audience. Sales from crafts during the tour help support village artisans and preserve their cultural heritage. Examples of the tours include a weaving tour to Chiang Mai and Chiang Rai, where travellers can observe and gain hands-on experiences on how traditional, hand-weaving and embroidery fabrics are made. What distinguishes this tour from others is that a portion of income generated from the tour is put into community development projects, which is the essence of the ‘Fairtrade’ concept.

6 http://www.phuphiang.com/fairtrade02.htm
‘Phuphiang’ is neither unique nor original in its idea of community and social development. In fact, such ‘Fairtrade’ holidays can be found in several countries across the continents. One of the prominent examples is Fairtrade tours in South Africa, certified by an organization called ‘Fair Trade in Tourism South Africa (FTTSA)’ – a national scheme that has awarded the trademark to 30 travel companies in the country. Apart from common features found in any tour operations in South Africa, such as a safari tour at the Kruger National Park, or humpback whales watch off Plettenberg Bay, these Fairtrade tours guarantee that tour staff receive decent wages and work under good working conditions. It is also a means to give local people a fairer share of benefits generated by the tourism industry. Other examples of Fairtrade tours are those organised by Traidcraft - a UK non-governmental organisation (NGO) which offers tours to Cuba, India, Thailand and Peru, with a plan to extend the trips to Viet Nam, Ghana, Costa Rica and Nicaragua by 2009. Part of the itinerary is to visit local communities in each country that produce for Traidcraft Fairtrade products ranging from Fairtrade juice, to Fairtrade tea, coffee, and chocolate. A similar tour, though not Fairtrade certified, is a visit to Finca Esperance Verde Ecolodge – an organic coffee farm in Nicaragua. The farm is run by local residents while the tour is operated by volunteers from North Carolina. Their aim is to assist local coffee farm owners to earn an alternative income to the highly volatile crop – coffee. Sharing the same community-development mission as that of the Fairtrade concept, the project at Finca Esperance Verde allocates 10% of the lodge’s income to invest in rural water projects and local schools.

The Fairtrade model of equitable benefit sharing with local residents can also be replicated in the GMS countries. Some of the coffee plantations in Lao PDR have been Fairtrade certified. For example, the plantation in the Bolaven Plateau in Southern Lao, where the high-yielding Arabica variety is produced for both local roasters and export markets managed by another UK Fairtrade NGO – Oxfam. The price that the Lao farming members receive from Oxfam is double those of the commonly grown Robusta variety, which in turn contributes to the improvement of the Lao farmers’ incomes. In addition, Oxfam also works with farmer groups such as the Jhai Coffee Farmer Cooperative, which is the first Fairtrade-certified co-op in Lao, to provide training to the farmers in order to assure that the beans are processed according to specialty coffee standards. This is so that a premium price can continued to be received by the farmers. Following other Fairtrade tours, visits to the Bolaven Plateau Fairtrade coffee plantation can generate additional income to the Lao farmers and local residents, which in the long run can lead to sustainable development of the community in the area.

Fairtrade tours are not exclusively the only form of pro-poor tourism. Other examples that have been practised in the GMS region include the Nam Ha Ecotourism Project (NHEP) in Luang Namtha Province of the Lao PDR. Implemented by the country’s National Tourism Authority (NTA) with the help from the Ministry of Agriculture and Forestry and Ministry of Information and Culture and with the funding from the New Zealand Overseas Development Agency (NZODA) and the Japanese International Finance Corporation (IFC) Trust Funds Programme, the project aims to

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8 Ibid.
alleviate poverty in the Nam Ha National Biodiversity Conservation area and preserve the country’s natural and cultural heritage by providing skills to the locals in developing sustainable tourism practices and using tourism as a positive means to sustain people’s livelihoods. The project brings together various stakeholders, especially ethnic minorities, and generates a turn over of USD50,000/year.9

A crucial strategy for sustainable development of pro-poor, community-based tourism such as the cases of Phu Phiang, Fairtrade tours, and the Nam Ha Ecotourism project, is community involvement and the cultivation of ‘project ownership’ among community members. But to create such sense of ownership, local residents must feel that they are able to directly reap the benefits of tourism, not just awaiting the ‘trickle-down’ effects of tourism growth while large tour operators collect most of the generated profits. In addition, the needs of local residents must be taken into account and must be the primary base of the development of any community tourism projects. The Artisans d’Angkor (Cambodia) is a good example of how a project can be created to fulfill the needs of community people. To solve the problems of unemployment among the Cambodian youth, the Artisans d’Angkor project was established in 1998 and funded initially by the National Cambodian Institutions, the French Foreign Ministry and the European Union. The project offered free training apprenticeships in craftworks, with an allowance, to rural Cambodian youth aged 18-25 years old for a period of 6 months. The skills being offered include silk production, stone and wood carving, and lacquering and guilding. The aim is to revive Khmer cultural heritage and traditions among the young, while offering employment and guaranteed income to over 800 Cambodians. The guaranteed wage rate was set at USD 70/week. Other benefits include social and medical welfare and decent working conditions. Today, the workers have formed an association and hold a 20% stake in the project, which creates a strong sense of ownership among them. Artisans d’Angkor (AA) has since become a limited company and is financially independent. Craft sales have generated an income of USD 400,000 in the year 2000 to USD 3.2 million in 2003 throughout its 5 sales outlets across the country.10

In short, pro-poor tourism must contain 3 crucial elements: participation of local residents; a sense of ownership in the project; and the taking into account of local people’s needs. The means to create long-lasting community development is not through the raising of income alone. Poverty eradication and economic development must go hand in hand with the maintaining of community unity and preservation of local traditions. Only when these are achieved can pro-poor tourism bring about sustainable development that caters specifically to the needs of the people that the project aims to assist.

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9 Greater Mekong Subregion Tourism Sector Strategy (TA 6179-GMS) Volume II – Annexes, p.89.
10 Ibid., p.90.