

# ASEAN Research Digest

## SPECIAL EDITION

Research Partner:



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VOLUME 3 | ISSUE 2 | SEPTEMBER 2016



## STRENGTHENING THE ROLE OF THE PRIVATE SECTOR IS KEY FOR ASEAN TOURISM INTEGRATION

Lifting-the-Barriers Report 2015: Tourism

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## OVERVIEW



RETAIL



HEALTHCARE



INFRASTRUCTURE



AIR  
TRANSPORTATION



FINANCIAL  
SERVICES &  
CAPITAL MARKETS



TOURISM

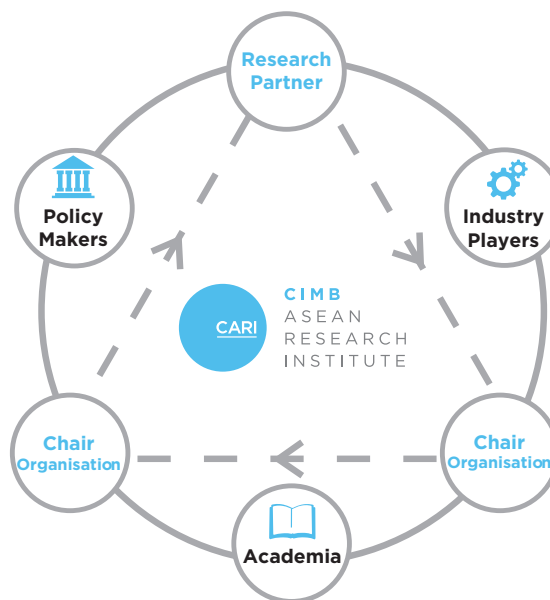
### Research objectives:

The CIMB ASEAN Research Institute (CARI) in collaboration with the ASEAN Business Club (ABC) launched the Lifting-The-Barriers Initiative (LTBI) in 2013 as an integrated year long research platform involving core research as well as stakeholder engagement.

The objective was to adopt a vertical approach by means of identifying bottlenecks and barriers hindering free trade of prioritised sectors in the context of the ASEAN Economic Community (AEC).

The LTB Initiative 2015 targets six identified sectors which have pressing relevance to the business landscape in ASEAN and will play a major role in the successful formation of the AEC. The six sectors were Retail, Healthcare, Infrastructure, Air Transportation, Financial Services & Capital Markets and Tourism.

## RESEARCH STRUCTURE



Two leading **ASEAN corporations** were selected to champion each sector, providing the direction and experiential insight into their industry. The input from these champions, or chair organisations, were key to understanding the issues faced by industry stakeholders and to develop the recommendations as part of the discourse.

CARI's Research Working Committee and its Strategic Advisors also worked closely with each of the six nominated Research Partners in producing these reports.

The Research Partners were either top management consulting firms or academic institutions who provided the technical knowledge and quantitative analysis required.

## METHODOLOGY

The Lifting-The-Barriers Initiative (LTBI) is divided into four phases.

### PHASE I

#### PRELIMINARY RESEARCH

Core research and compilation of qualitative and quantitative input from targeted sectors.

### PHASE II

#### ABC FORUM



LTB Roundtables



Plenary Sessions

### PHASE III

#### LTB REPORTS

The final outcome, a set of white papers, for ASEAN policy makers and community to effect real changes in the region.

### PHASE IV

#### FINDINGS SOCIALISATION

The findings from the LTB reports will be prioritised and presented to various stakeholders including policymakers.



# STRENGTHENING THE ROLE OF THE PRIVATE SECTOR IS KEY FOR ASEAN TOURISM INTEGRATION

**Title of Study:** Lifting the Barriers Report: Tourism  
**By:** ASEAN Tourism Association (ASEANTA) **Published by:** CARI, May 2015



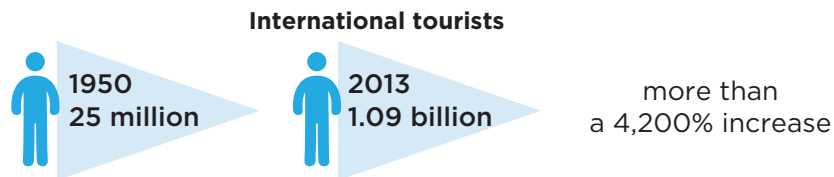
## BACKGROUND

### Research objective:

To explore barriers to integration of the ASEAN tourism sector and possible solutions.

### TOURISM IN THE GLOBAL AND ASEAN LANDSCAPE

- Tourism is an ecosystem that encompasses a broad spectrum of different industries, including familiar client facing entities such as:
  - Air, land and sea transport
  - Accommodation facilities
  - Travel and tour operators
- Tourism however also builds on several support service providers that make tourism a channel for inclusive growth, including:
  - Financial services
  - Water, energy and waste management system operators
  - Food and other service providers.
- The tourism sector is becoming one of the fastest-growing economic sectors in the world, with the number of international tourists growing from 25 million in 1950 to 1,087 million in 2013.



- Tourism accounted for 9% of global GDP, 10.1% of global employment, and 29% of global services exports in 2013.



Source: UNWTO Tourism Highlights 2014

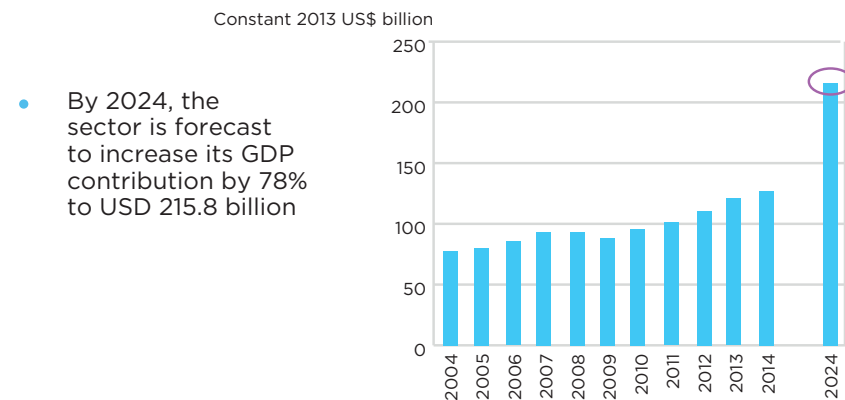
- Tourism can bring socio-economic growth to less developed areas.
  - In ASEAN for example, a significant proportion of total tourism activity occurs in destinations outside the capital cities making it one of the few economic sectors able to bring income opportunities to less economically advantaged local communities.
- In 2013, the ASEAN tourism sector contributed USD 121.2 billion to ASEAN GDP, employed around 28.7 million people, and generated USD 112.6 billion in visitor exports.

### Travel and Tourism Economic Impact in ASEAN

	2013	2024 Forecast
<b>Direct Contribution Gross Domestic Product</b>	US\$121.3 billion	US\$215.8 billion
<b>Employment</b>	28,661,500 jobs	37,785,000 jobs
<b>Visitor exports</b>	US\$112.6 billion	US\$204.6 billion
<b>International tourist arrivals</b>	96,013,000*	172,814,000

Source: World Travel and Tourism Council (WTTC) 2014 Travel and Tourism Economic Impact Report  
\* 2014 forecast

### Direct Contribution of Tourism to GDP in ASEAN

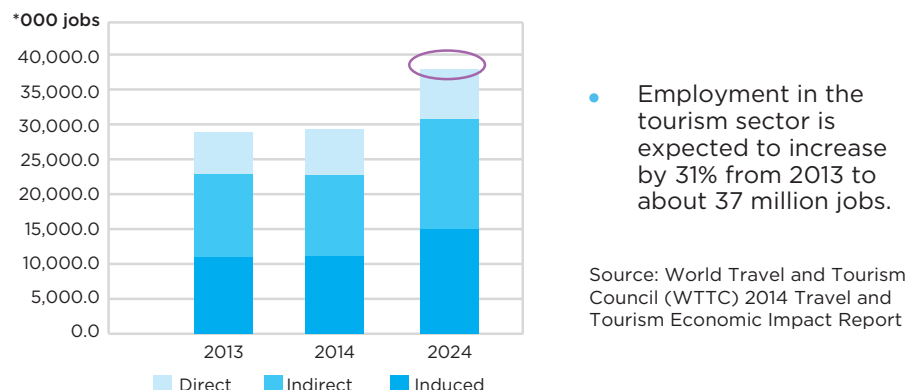


Source: World Travel and Tourism Council (WTTC) 2014 Travel and Tourism Economic



# STRENGTHENING THE ROLE OF THE PRIVATE SECTOR IS KEY FOR ASEAN TOURISM INTEGRATION

## Total Contribution of Travel and Tourism to Employment in ASEAN



## Foreign visitor Exports and Tourist Arrivals

- Foreign visitor exports are expected to increase by 82% to US\$204.6 billion in 2024.
- Over this period, total international arrivals within ASEAN are forecast to increase from around 96.03 million in 2013 to 172.8 million by 2024.
- Visitors from East Asia alone comprises roughly 25% of the total arrivals in ASEAN.
- Based on 2013 data:
  - Japan accounts for 4.72 million arrivals
  - China accounts for 12.64 million arrivals
  - South Korea accounts for 4.87 million arrivals
  - India accounts for 2.92 million arrivals
- ASEAN Member States (AMS) recognise the importance of the tourism sector and have priorities it as a catalyst for contributing towards the goal of building the ASEAN Economic Community (AEC).
- One of the main goals of the regional plans for the tourism sector is to create more sustainable and inclusive outcomes for the more than 200 million ASEAN residents living below 2 US\$ a day.



## THE ASEAN TOURISM STRATEGIC PLAN (ATSP) 2011 – 2015

- The ATSP 2011 – 2015 was formulated to address existing constraints in the tourism sector and aimed at optimising the quality of ASEAN's tourism industry through sustainable, responsible, and inclusive development.
- The figure below illustrates how the plan laid out directions and actions in achieving its vision:

### Vision

By 2015, ASEAN will provide an increasing number of visitors to the region with authentic and diverse products, enhance connectivity, a safe and secure environment, increased quality of services, while at the same time ensuring an increased quality of life and opportunities for residents through responsible and sustainable tourism development by working effectively with a wide range of stakeholders.

### Responsible and Sustainable Tourism Development

All strategic direction and actions in the ATSP are guided by responsible and sustainable tourism principles recognizing the significant role that tourism plays in poverty reduction, climate change gender and minority issues, capacity building, cultural preservation and natural conservation

### Strategic Directions

1. Develop Experiential Regional Products & Creative Marketing & Investment Strategies

2. Strategically increase the Quality of Services & Human Resources in the Region

3. Enhance and accelerate travel facilitation and ASEAN Connectivity

### Strategic Actions

1.1 Develop and implement a tourism marketing strategy for the ASEAN region

2.1 Develop a set of ASEAN tourism standard with a certification process

3.1 Advocate for a single visa for the ASEAN region

1.2 Develop experimental and creative regional/sub regional circuits & packages together with investment strategies

2.2 Implement the MRA on ASEAN Tourism Professionals and its requirements

3.2 Work with other ASEAN bodies to expand connectivity through air, water, rail and ground transportation

1.3 Enhance the external relation policies and procedures of ASEAN tourism

2.3 Provide opportunities for increase knowledge and skill development

Source: ATSP 2011 – 2015



# STRENGTHENING THE ROLE OF THE PRIVATE SECTOR IS KEY FOR ASEAN TOURISM INTEGRATION

- In the scorecard prepared by the ASEAN Tourism Integration and Budget Committee in 2015, it was noted that 82% of all activities under the ATSP had been completed or are still ongoing.
- Some of the notable milestones are in the aspects of:
  - ▶ regional marketing,
  - ▶ product development of experiential regional products,
  - ▶ standards development and certification procedures for key tourist facilities, destinations, and for climate change issues,
  - ▶ hospitality services.
- While significant improvements have been made in the abovementioned areas, the absence of quantitative measures between these improvements and the expected outcomes in the vision for 2015 makes it difficult to assess whether these were the result of the strategy or some other factors.



## KEY FINDINGS

### KEY BARRIERS OF TOURISM INTEGRATION IN ASEAN

- Despite the success in several areas briefly mentioned above, a number of major barriers remain to be dealt with that have a profound impact on the capacity of the private sector to be an effective partner in achieving a borderless ASEAN and to contribute towards ASEAN economic integration.
- The future integration and growth of the ASEAN tourism sector is contingent upon developments in a number of key policy areas controlled by the member states that act either as barriers or facilitators to the integration of tourism in the ASEAN economy. Of these, the most important are:

#### Most important policy areas

1	Removing residual barriers to trade in tourism services, investment and consumer protection.
2	Removing barriers to cross border transportation services.
3	Adopting a more effective approach to regional destination and product development and marketing.
4	Further developing and implementing the harmonisation of standards for tourist facilities and services, tourism human resources and approach to environmental protection.
5	Removing unnecessary restrictions on the movement of tourists across ASEAN borders and strengthening and harmonising approaches to tourist safety and security

- The most salient features of each are discussed below.

### 1. Trade in Tourism Services, Investment, and Consumer Protection

- Key areas that remain to be addressed include establishment of competing tourism businesses, tour guiding services, business set up and regulatory procedures, and other procedural requirements that in effect reduce barriers to entry of tourism enterprises between ASEAN countries.
- Investment regulations and support policies differ significantly between AMS making it costly to deploy an ASEAN-wide tourism business strategy.
- Existing consumer protection regulation of the member states need to be strengthened and harmonised if ASEAN is to be marketed as a single destination.

### 2. Developments in Transportation Infrastructure and Connectivity

- Transportation is vital to the growth and development of the tourism sector.
  - ▶ Several pillars of the Travel and Tourism Competitiveness Index Report by the World Economic Forum (WEF) are dedicated solely to infrastructure.
  - ▶ The development of convenient, safe and affordable intra-ASEAN travel will make it easier to attract higher spending international visitors.
- The creation of a single aviation authority and regulatory body for ASEAN will also be beneficial to the tourism industry as it will facilitate the movement of tourists.
- Transportation infrastructure is not just limited to airports and seaports but also involves the quality of thoroughfares leading to the airport, available modes of transportation to places of interests, etc.
- Except in cities such as Singapore and Kuala Lumpur, a comprehensive transportation system continues to be a need in the region.
- The development of a more convenient, safe and affordable intra-ASEAN multi-modal travel system will make it easier to create multi-country packages.
  - ▶ One example is how easily tourists can go between Singapore and Malaysia, making twin city tours featuring these two destinations is a breeze.

### 3. Harmonisation of Cross Border Formalities – Customs, Immigration, and Quarantine and Security

- The WTTC estimates that the ASEAN region stands to gain 6 to 10 million international tourist arrivals by 2016 if appropriate improvements are made, providing between US\$ 7 billion and US\$ 11.7 billion in additional visitor exports within ASEAN at 2013 prices.
- Similarly, improvements to ease customs, immigration and security processes and procedures would further boost market demand and induce further investment on the supply side.





# STRENGTHENING THE ROLE OF THE PRIVATE SECTOR IS KEY FOR ASEAN TOURISM INTEGRATION

- While in principle, ASEAN residents can travel to any other ASEAN country without visa requirements, much has yet to be done to fully implement this long standing agreement as some countries continue to require additional formalities for ASEAN residents moving across their borders.
- Moreover, as the largest potential high-yield markets for ASEAN comprises non-ASEAN residents – East Asians, Europeans, Middle Easterners, North Americans, and South Asians (e.g. India) – and the confusing mix of visa requirements and visa prices, notwithstanding visa exemptions applied to some countries by some member states, is a major barrier to expanding these high-yield markets.
- In this context, it is noted that the concept of a **Single ASEAN** visa has been promoted within the ASEAN, wherein a visitor would only need to secure an entry visa from one of the 10 member states granting access to the entire region. The progress of this initiative has been slow due to security, procedural, and financial concerns.
- The challenge now is to formulate and implement policies designed to move ASEAN towards becoming a border-free region and in this context, there is a need to hold a high level summit to address cross border barriers in tourism and to develop new strategies and programs to facilitating the movement of high-value non-ASEAN tourists to and within the region.

## 4. Alignment of Standards and Mutual Recognition of Certification for Tourism Products and Human Resources

- There is a need to introduce mutual recognition of certification for tourism product standards, and to implement and expand the coverage of the existing MRAs to include qualified manpower and other new occupations within ASEAN.
- In effect, facilities in all ASEAN destinations – restrooms, hotels, attractions, etc. should be at par with each other.
- Having skilled employees across the board subsequently aids in achieving the AEC goals of the free flow of skilled labour.
  - ▶ A front office operator in Myanmar who has acquired certification should be able to work the same job elsewhere within ASEAN.

## 5. Approach to Destination and Product Development and Marketing of ASEAN As A Single Destination

- Through the ATSP, product development and promotion programs designed to promote ASEAN as a single destination are being implemented.
- It is considered best to bundle multi-country tour products/destinations based on themes (i.e. nature based, culture, heritage, cruise, adventure, etc.) but only a handful of tour operators are involved in developing, marketing and operating multi-country destinations and products even as a large volume of medium and long haul tourists organise their own multi-country tour programs.

- Given the size of this business opportunity, much greater participation and cooperation needs to be given to developing, marketing and operating multi-country destinations and products.
  - ▶ The LTB roundtable discussed the lack of awareness of tourism marketing campaigns, such as the “Feel the warmth for Southeast Asia” campaign.

## RECOMMENDATIONS FOR ACCELERATING REDUCTION OF KEY BARRIERS

- The above mentioned issues are some of the key barriers that need to be removed or reduced in order to realise the goal of the economic integration of tourism in the ASEAN economy.
- The impact of reducing these barriers could be substantial in terms of visitor exports and employment generation, especially in the less economically developed destinations of the region such as the Mekong Sub-region.
- The LTB roundtable noted the **private sector’s limited participation** in formulating the strategy for 2016-2025, which was also the case of the ATSP 2011-2015 when the private sector’s input were only taken into account midway through the process.
- This shows both the **weakness of the tourism private sector to organise itself** and deal with regional issues and the fact that the **public sector views the private sector as an actor in the tourism sector** and not a key driver of its development. As a result, the primary recommendation of this report is:

### Primary Recommendation:

Strengthening the private sector’s capacity to organise, advocate, and finance its stance to removing key barriers to the integration of tourism within the ASEAN economy and full participation as a driver of tourism economic integration in the ATSP 2016 – 2025 formulation and implementation process

- The involvement of the private sector in the formulation and implementation of strategies, programs and projects to address key barriers is discussed below.

## 1. Research and advocacy for reductions in barriers affecting transportation, cross border, and mutual recognition of certification standards

- It is within the private sector’s purview to introduce concepts, programs, and ways to improve the status of tourism related undertakings.
- With all the barriers in mind, there is a need to mobilise the full range of private sector organizations operating in ASEAN to come together as one to resolve the pertinent issues.



# STRENGTHENING THE ROLE OF THE PRIVATE SECTOR IS KEY FOR ASEAN TOURISM INTEGRATION

## 2. Strengthening the Capability of the Industry in ASEAN Regional Affairs

- There is also a need to strengthen the representation and role of existing regional private sector organizations like the ASEAN Tourism Association (ASEANTA) in the affairs of the region.
  - ASEANTA is a non-profit tourism association comprising both public and private tourism sector organizations from within ASEAN that was formed more than 40 years ago with the goal of helping shape tourism development growth and policies.
- The strengthening of private sector representation and regional presence and capability would make the private sector a strong partner to the ASEAN public sector tourism organisations to help develop strategies and implement breakthrough projects.

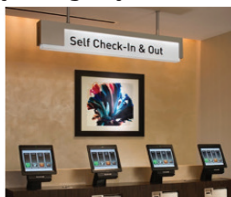
## 3. Inter and Intra-regional Transportation

- One of the **key barriers is transportation** and therefore much greater attention needs to be given to the harmonisation of security regulations and moving to a single international transportation market.
- The private sector, as the main provider of transportation services in the region, given its ability to lobby the political process, can play a crucial role in working to remove barriers in this area.
  - For example: the “Pathfinder Initiative” to bring about specific policy changes at the member state level in line with regional priorities.
- There have been numerous technological advancements pioneered by the private sector to ease travel that are already in use in all over the world.

**Self Service Bag Drop,  
Schiphol Airport, Amsterdam**



**Self Check In and Out  
Hyatt Regency New Orleans**



**Self Boarding using Near Field  
Communication Technology**



**Airport E-Gates for Immigration  
Clearance, Taiwan**



- Ideally, an ASEAN Single Visa should be made available for tourists, starting with the nationals of ASEAN Dialogue Partners China, Japan, South Korea and India.
  - In 2014, these four countries had 157 million outbound travellers.
  - Together they account for 25% of arrivals in ASEAN.
  - China now ranks as the world's biggest international tourism spender.
- Moreover, if the Single ASEAN visa cannot come into fruition just yet, countries are moving into visa-free access.
  - For example: Indonesia has just recently waived visa requirements for tourists from 30 more countries, for stays up to 30 days.
  - By improving international openness, the rankings of the member countries will fare better in the WEF Competitiveness Index.
- The private sector can also lobby for the introduction of technological advancements such as the Advance Passenger Information System (APIS).



Source: IATA and ICAO

- This should help to resolve the area of security as it allows the border control to pre-process arrival and departure manifest data on all passengers and crew members. The information can then be checked against warning lists and used for immigration processing, security, and customs processes. It also inadvertently fast tracks passenger processing upon arrival.

## 4. Quality Standards

- There is a great disparity in terms of the standards of goods and services in the region especially in less developed member states.
- The MRAs need to be fully implemented to ensure the supply of a quality manpower in the region.
  - The qualifications and skill set required can be best identified by the private sector.
  - Later on, training and monitoring of the level of accomplishment can be undertaken by the same body.



# STRENGTHENING THE ROLE OF THE PRIVATE SECTOR IS KEY FOR ASEAN TOURISM INTEGRATION

## 5. Marketing ASEAN as a Single Destination

- The private sector needs to take a stronger position going forward, which can be effected through the creation of public private sector working groups at the national and ASEAN level.
- The private sector is best placed to contribute to improve travel services as it is at the front line of product packaging, pricing, promotion, and operation.
- ASEAN brand awareness is a prerequisite to the successful marketing of ASEAN as a single tourism destination.
  - ▶ The tourism players in the region – both public and private – need to work together for an aggressive and sustainable branding campaign, including clear brand messaging and the aid of publicity tools such as TV, radio, print, and social media.
- Given that the “Southeast Asia: Feel the Warmth” is not well-known, there is a need to boost marketing efforts in all areas.
  - ▶ There should be an easily accessible market orientated website as a database of all the regional destinations, possible activities, basic information, etc. for all the ten AMS. All the multi-country itineraries and packages should also be available.
  - ▶ The web site should also be easily accessible to the market by keying in phrases including the term ‘Southeast Asia’ because ‘ASEAN’ is a much less known concept to the world’s travel market and changing the world’s perception of ‘Southeast Asia’ to ‘ASEAN’ would be a very costly and needless exercise. Europe promotes itself on a website called “visiteurope.com” not “visitEU.com” or as in the case of ASEAN.
- One way for the public and private sector to work together is to create a Public-Private Sector ASEAN Tourism Working Group to discuss, implement, monitor and evaluate strategies, plans and programs designed to reduce barriers and promote ASEAN as a single destination.

## 6. Further Identify What Is Needed From the Public Sector To Raise the Competitiveness of ASEAN as a Global Destination

- With the private sector being in the forefront of the tourism industry, there are still some concerns and issues that can only be dealt with in cooperation with the public sector, such as regulations, taxation, and infrastructure.
- If the direction of both sectors are coordinated, it will be easier to actualise plans that would benefit the economic integration of the ASEAN tourism industry. Through effective collaboration in the formulation of the ATSP, this is possible.

## CONCLUSIONS

- These are just some of the recommendations on how barriers in the tourism industry can be lifted and its integration within the ASEAN economy enhanced.
- The impact of reducing these barriers could be substantial in terms of visitor exports and employment, especially in the less developed member states.
- The authors’ primary recommendation is to strengthening the private sector’s capacity to organise, advocate, and finance its stance to removing key barriers to the integration of tourism within the ASEAN economy and full participation as a driver of tourism economic integration in the ATSP 2016 – 2025 formulation and implementation process.
- In the dawn of the ASEAN Integration it is timely to address these hindrances and fully realise what it means to have a united region.



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