CIMB ASEAN RESEARCH INSTITUTE
DEDICATED TO ASEAN INTEGRATION

VOL 1 | PAPER 22 | 25 APRIL 2017

AEC BLUEPRINT 2025 ANALYSIS

AN ANALYSIS OF THE ASEAN COOPERATION IN TOURISM

Foreword

The following report is part of a series which attempts to provide a detailed analysis on the ASEAN Economic Community (AEC) Blueprint 2025. Each report will cover a single element of the blueprint, providing a comprehensive look at past achievements, present problems, and the future plans of the AEC. Special attention will be placed upon the strategic measures outlined in the AEC Blueprint 2025. This report aims to provide insight into the viability surrounding regional economic integration under the AEC.

ASEAN Cooperation in Tourism

Tourism has been one of the most "celebrated" sectors due to its popularity and importance in the AEC. The ASEAN cooperation in travel and tourism dates back to the 1970s with the formation of the ASEAN Sub-Committee on Tourism, who paved the way for a more intensified cooperation in tourism. This was followed by the establishment of the ASEAN Tourism Ministers' Meeting (M-ATM) in 1998. The cooperation aims at strengthening the ASEAN tourism industry so that it can become of the pillars of the ASEAN economy that contributes to the GDP and provides employment for many ASEAN nationals. While a lot has been achieved, many more can be done to improve the performance of the industry, particularly since the tourism sector is highly sensitive to political and economic changes, and to environmental damages caused by natural catastrophes.

In the previous AEC Blueprint (2009-2015), the tourism sector was not specified on its own but rather was fused under other related sectors such as infrastructure and services trade. The new blueprint for 2016-2025 provides greater clarity on the strategies and measures going forward. This report attempts to review the progress made in this sector, analyze the new strategic plan under the new blueprint, and make some recommendations that could improve the implementation side in the next period of the AEC.

A. Targets under the AEC 2015 Blueprint

The AEC 2015 Blueprint does not outline specific strategies and targets for the tourism sector, but instead it is mentioned under other sectors, with those sectors committing to support the development of the ASEAN tourism sector. Those sectors include:

A2. Free flow of services, where ASEAN is committed to remove substantially all restrictions on trade in tourism services by 2010

A6. Priority Integration Sectors, where ASEAN tourism has been identified as one of them, with a roadmap that combines specific initiatives of the sector and the broad initiatives that cut across all sectors (such as trade facilitation measures)

B4. Infrastructure development, in which ASEAN is committed to develop an efficient, secure, and integrated transport network that is vital for realizing the full potential of the ASEAN Free Trade Area as well as enhancing the attractiveness of the region as a single production, tourism, and investment destination.

C2. Initiative of ASEAN Integration (IAI), which gives the direction and sharpens the focus of collective efforts to narrow the development gap, not only within ASEAN but also between ASEAN and other parts of the world, covering many areas including tourism.

B. Significant Achievements To Date

- The ASEAN cooperation in the travel and tourism (T&T) sector has shown many significant progress. The table below provides some highlights of what ASEAN has achieved in promoting ASEAN as a single tourist destination.

Area	Progress
Substantial removal of all restrictions on trade in tourism services by 2010	• A report by the **World Economic Forum (WEF)** in 2012[1] analysed the competitiveness of ASEAN tourism sector through the **Travel and Tourism Competitiveness Index (TTCI)**. The TTCI is constructed based on 14 indicators categorized under three pillars: **(i) regulatory framework, (ii) business environment and infrastructure, and (iii) human, cultural and natural resources.** • Three indicators can provide an indication of how far ASEAN has liberalized the tourism sector, namely policy rules and regulations, prioritization of travel and tourism, and price competitiveness in the T&T industry, and member states are ranked under each indicator. Under policy rules and regulations, member states' ranks varied considerably with Singapore topping the list (rank 1) and Cambodia at number 132 globally. Singapore again topped the list for the second indicator (rank 2), with Brunei Darussalam at number 127. The third indicator on price competitiveness of the industry was topped by Brunei with Cambodia at rank 31. • The large gaps in the global ranks could indicate that member states have not really harmonized their tourism policies and substantially liberalized the sector by 2010 as indicated in the first AEC blueprint.
Roadmap for tourism integration that combines specific initiatives of the sector and the broad initiatives that cut across all sectors	• ASEAN developed its **Tourism Strategic Plan 2011-2015** and **Tourism Marketing Strategy 2012-2015** that guide the development and promotion of the tourism sector by 2015. The strategic plan comprises of three strategic directions, and under each direction there are several strategic actions to implement the direction. • The tourism marketing strategy outlines the strategic objectives of tourism marketing, the target market segments, strategic market development for each year between 2012 and 2015, as well as product development and implementation. The marketing strategy also aims at building ASEAN as a brand, including the tagline and logo.
Development of an efficient, secure, and integrated transport network that enhances attractiveness of the region as a single tourism destination.	• Infrastructure in ASEAN remains underdeveloped despite the large spending to develop the tourism sector[2]. Some member states have made large investments in infrastructure to attract more tourists, for example Thailand has invested in a new, bigger airport (Suvarnabhumi), Malaysian Airlines has purchased more aircrafts, and Singapore has extended the runways at Changi and Seletar airports. Nonetheless, the infrastructure readiness remains low. • The report also attempts to rank ASEAN among other economic regions in terms of infrastructure readiness to support tourism promotion in the region. The indicators involved include tourism (service) infrastructure, air transportation infrastructure, ground transportation infrastructure, health and hygiene, safety and security, and mobile phone penetration. The result is that ASEAN is only better than Latin America & Caribbean and African regions, and lags behind North America, East Asia & Pacific, Europe and Middle East.

[1] The ASEAN Travel & Tourism Competitiveness Report 2012 by the World Economic Forum (WEF)
[2] Travel & Tourism Investment in ASEAN by World Travel & Tourism Council (2016)

Area	Progress
Narrowing the gaps in the tourism sector among member states and between ASEAN and other parts of the world	• Tourism is a sector that is highly competitive, it is very easy for potential tourists to shift to other destinations, at will. Therefore, ASEAN has continued to implement measures to reduce the gaps, not only among member states, but also between ASEAN and other parts of the world. Some of the measures that ASEAN has taken[3] include enhancing the quality of tourism services, facilities and human resources, establishing a set of ASEAN tourism standards for green hotels, spa services, homestays, clean tourist cities, and public facilities, giving awards on green initiatives to promote environmental friendliness and energy conservation efforts. In addition, ASEAN has promoted agreements on transportation such as the open sky agreement for better flexibility for airlines in determining their routes and for efficiency for passengers in determining their itinerary. • According to the **United Nations World Tourism Organization (UNWTO)**[4], ASEAN has improved its position in the regional and global tourism markets. In terms of international tourist arrivals, ASEAN has progress very well from 1990 to 2015. Around 21.2 million international tourists visited the ASEAN region in 1990, 49 million in 2005, and the figure more than doubled at 104.6 million in 2015. That translates to an annual growth of 7.9 percent between 2005 and 2015, which is second highest globally, behind only South Asia. In 2015, the ASEAN's region share in the global tourism industry is 8.8 percent.

[3] Interview with ASEAN Secretary General H.E. Le Luong Minh on ASEAN's Progress in Tourism

[4] UNWTO Tourism Highlights 2016 Report

C. Current Issues and Challenges

- While the ASEAN tourism authorities have made much progress in developing and integrating the sector, there are still issues that need to be addressed. One important fact that needs attention is the large gap among the member states in terms of policy and regulation, infrastructure readiness, and as a result, international tourist arrivals and monetary receipts. The table below summarizes the progress of ASEAN member states in the tourism sector for the year 2015.

COUNTRIES	REGIONAL RANK	GLOBAL RANK	COMPETITIVENESS INDEX	INTERNATIONAL ARRIVALS (IN 1000s)	INTERNATIONAL RECEIPT (IN USD Million)
SINGAPORE	1	11	4.86	4.86	16,743
MALAYSIA	2	25	4.41	4.41	17,597
THAILAND	3	35	4.26	4.26	44,553
INDONESIA	4	50	4.04	4.04	10,761
PHILIPPINES	5	74	3.63	3.63	5,276
VIETNAM	6	75	3.60	3.60	7,301
LAO PDR	7	96	3.33	3.33	679
CAMBODIA	8	105	3.24	3.24	3,130
MYANMAR	9	134	2.72	2.72	2,092

Notes: (1) The sequence is based on the countries' rank, (2) Brunei Darussalam is not included due to insufficient data, (3) Ranks and Competitiveness Index are taken from the Travel & Tourism Competitiveness Report 2015 (WEF), while International Arrivals and Receipts are taken from the Tourism Highlights 2016 Report (UNWTO)

- The distance in the global ranks between Singapore and the bottom two countries is quite significant, showing that the top ASEAN countries have progressed much better in developing their infrastructure and enabling environment for tourism, compared to the younger members of ASEAN. Indonesia as the largest economy in the region only managed to attract less than half of the tourists who visited Malaysia and Thailand, meaning that the country still has a lot to work on in promoting their tourism industry.
- As mentioned above, in general ASEAN member states have not spent sufficiently for developing their infrastructure. The current tourism infrastructure in the region is way behind that in other parts of the world, particularly those in the more developed regions. A study by the WEF[5] on the T&T sector in the Asia-Pacific countries looked at the relationship between T&T infrastructure and the sector's contribution to the GDP. It found a positive correlation between the two with an R^2 of 0.427, which means that around 43 percent change in the contribution to GDP (dependent variable) is explained by the T&T infrastructure composite score (independent variable). In other words, the existence of proper infrastructure could significantly contribute to tourism sector's higher share in the GDP.
- While air transport may be the most significant means of transport in bringing in international visitors, development of the other means of transportation could also bring about positive impacts to ASEAN tourism[6]. This may be under the purview of the infrastructure and connectivity sectors but currently, the lack of easy and seamless multi-modal transport in many ASEAN countries has made it difficult to design a multi-country visitors package which could be beneficial for ASEAN tourism as a whole.

[5] Taken from Travel & Tourism Investment in ASEAN by World Travel & Tourism Council (2016)
[6] Lifting the Barriers Report 2015, by CIMB ASEAN Research Institute (CARI)

- The objective of creating ASEAN as a single tourism destination is not yet supported by a single visa that would allow tourists to visit all ten ASEAN countries at once. In comparison, the European Schengen Visa allows the holder to visit all countries that have signed the Schengen Agreement, allowing them to travel to several countries with only one visa application in their home country.

- The hotel industry, as an important part of the T&T sector, is highly vulnerable to any form economic and political shocks. Economic shocks, both domestic and global, could pose some risk that result in low occupancy rates. Domestic political shocks are quite frequent in emerging market economies, including ASEAN, which could seriously adversely affect the number of international visitors, resulting in a hit to the hotel industry.

D. Plans under the AEC 2025 Blueprint

- The AEC Blueprint 2025 outlines the framework for ASEAN tourism that focuses on creating the ASEAN region as a quality tourism destination that offers a unique and diverse ASEAN experience. The blueprint also strengthens the commitment to develop the tourism sector in a responsible, sustainable and inclusive manner with strategies and action programmes that address the main challenges in the sustainable development and integration of the sector, ensure better distribution of benefits, improve safety and security, and promotes cross-border movements of tourists across the region.

- The blueprint outlines the two strategic measures and the key measures under them, as follows:

  Enhance competitiveness of ASEAN as a single tourism destination through the following key measures:

  a. Intensify the promotion and marketing of ASEAN through its Southeast Asia campaign as a Single Destination
  b. Diversify ASEAN tourism products
  c. Attract tourism investments
  d. Raise capacity and capability of tourism human capital
  e. Implement and expand standards for facilities, services and destinations
  f. Improve and expand connectivity and destination infrastructure
  g. Enhance travel facilitation

Achieve a more sustainable and inclusive pattern of ASEAN tourism through the following key measures:

a. Mainstream local community and public-private sector participation in the tourism value chains at the destination level
b. Ensure safety and security, prioritizing protection and maintenance of natural and cultural heritage
c. Increase responsiveness to environmental protection and climate change

E. AEC 2025 Blueprint Analysis

- The new blueprint has rightly listed the necessary measures to further develop and integrate the ASEAN tourism sector, given the huge importance that the sector plays in introducing ASEAN to the global community and contributing to the ASEAN GDP. Despite the success, more work needs to be done, and the table below provides some analyses on the progress on each measure in the blueprint.

Issues	Current Status and Development
1 Competitiveness of ASEAN as a Single Tourism Destination	
a. Intensify the promotion and marketing of ASEAN through its Southeast Asia campaign as a Single Destination	• The ASEAN Tourism Strategic Plan 2011-2015 and Tourism Marketing Strategy 2012-2015 were formulated to guide the development and promotion of the tourism sector by 2015. While we have seen that the number of international visitors to ASEAN has improved significantly during the last ten years, it remains to be seen whether that is because of the regional initiatives or due to stronger domestic efforts.
b. Diversify ASEAN tourism products	• Individually, each member state has developed their own tourism products to support their T&T sector. Regionally, ASEAN has established the ASEAN Tourism Product Development Working Group (PDWG) which coordinates the cooperation to discuss the development of new products to promote ASEAN as a tourist destination. • The ASEAN Tourism Marketing Strategy 2012-2015 also covers the strategy to develop ASEAN tourism products in the form of circuits, clusters, trails and packages. The emphasis of the development process is on what is unique to the ASEAN region.
c. Attract tourism investments	• Investments in the tourism sector come from both the public and private sectors. Countries with the largest spending on the tourism sector (as a percentage of GDP) include Indonesia, Malaysia, Singapore, Thailand and Vietnam, and these countries have seen significant growth in the international arrivals in the last few years with the construction of new airports and public transportation facilities. • The private sector participation has focused on the transportation means (airplanes, rental cars, etc) and means of accommodation (hotels, hostels).
d. Raise capacity and capability of tourism human capital	• The ASEAN tourism industry employs more than 9 million people and supports 25 million other jobs. Given this importance, each member state has developed their human capital to varying degrees. The newer members of ASEAN (Cambodia, Lao PDR, Myanmar and Vietnam) have received support to enhance the capability of human capital to improve the quality of services provided. • ASEAN has conducted Training for Auditors/Assessors on the ASEAN Tourism Standards to ensure its implementation to improve the quality of tourism products and services. • The mutual recognition arrangement (MRA) for tourism professionals is now operational with the objectives of facilitating mobility of tourism professionals based on the tourism competency qualification/ certificate, enhancing conformity of the competency based training/education, improving the quality of tourism human resources (ready to work in the industry), and enhancing the quality of tourism services. Under the MRA, there are 6 divisions/areas, 32 job titles, 52 qualifications, and 244 units of competency involved.

Issues	Current Status and Development
e. Implement and expand standards for facilities, services and destinations	• ASEAN has issued a booklet on the ASEAN Tourism Standards which contains guidelines for certification of the standards. It covers major criteria and requirements on six different areas: green hotel, food & beverage services, public restroom, home stay, econ tourism, and tourism heritage. • These guidelines are expected to lead to uniformity and standardized tourism services that are important to establish ASEAN as a Quality Single Destination.
f. Improve and expand connectivity and destination infrastructure	• Some member states have prioritized greater investment in their T&T infrastructure[7]. Both Malaysia and Thailand have spent the amount of 1.5 percent of their GDP on infrastructure on average (2010- 2015), while Singapore's spending is even larger than that (percentage wise). As a result, the quality of infrastructure in those three countries are considered the best in the region. • Some examples include the new Suvarnabhumi airport in Bangkok, Langkawi cable car, Aquaria at KLCC, Universal Studios in Singapore, runway improvements and extensions at the Changi airport.
g. Enhance travel facilitation	• The ASEAN Tourism Strategic Plan 2011-2015 has mentioned that that to support tourism facilitation and connectivity, a single ASEAN visa would be very beneficial. However, the plan also notes that the initiative may not take place during the 2011-2015 period due to complications in terms of technology, political and sovereignty issues, and different visa systems. Member states have since been discussing to resolve these issues to be able to implement the single visa scheme in the near future. Currently some countries have allowed for visa on arrival for greater flexibility.
2 Sustainable and Inclusive Pattern of ASEAN Tourism	
a. Mainstream local community and public-private sector participation in the tourism value chains at the destination level	• This is basically a new initiative that aims to connect all the relevant stakeholders in the tourism industry, from the consumers (tourists) to the travel agents, accommodation providers, and local food and art producers. There are many MSMEs involved in the value chain and ASEAN needs to also look at their developments.
b. Ensure safety and security, prioritizing protection and maintenance of natural and cultural heritage	• The ASEAN Tourism Standards booklet mentioned earlier covers the procedures on how to ensure safety and security, particularly on eco-tourism sub-sector, and on maintaining cultural heritage (site tourism management, conservation and protection). This is very important considering that ASEAN is home to many biodiversity hotspots and UNESCO world heritage sites, which would require substantial efforts in the maintenance and development.
c. Increase responsiveness to environmental protection and climate change	• ASEAN has now moved towards green technology, and in the case of tourism, green hotels have now been introduced in ASEAN to support the efforts to continue to do business in a more environmental-friendly way. The ASEAN Tourism Forum (ATF), where the ASEAN stakeholders meet with their foreign counterparts, has committed to offer the same quality services, but with reduced reliance on natural resources that are non-renewable.

[7] Travel & Tourism Investment in ASEAN by World Travel & Tourism Council (2016)

F. Conclusion: Moving Forward with the AEC 2025 Plans

- In commemorating the 50th anniversary of ASEAN in 2017, the ten ASEAN national tourism organisations have jointly developed a regional tourism campaign: "Visit ASEAN@50: Golden Celebration[8]." This idea was warmly welcomed by the ASEAN Tourism Ministers during the ASEAN Tourism Forum 2016 in Manila, the Philippines. The campaign aims at further promoting the ASEAN region as a single and united tourism destination, as well as celebrating the important milestone set by the 50th anniversary of ASEAN. While many activities have been prepared for this, including more intensive promotion and marketing (through social media) and special tour packages, it would be more useful if ASEAN is able to finalize the single or common visa that would allow visits to multiple countries in the region. There is a multiplier effect to this compared to requesting potential tourists to apply for visa for each country they wish to visit. According to the UNWTO and WEF, there could be up to 6-10 million additional visitors to ASEAN if the common visa can be operational.
- The role of the ASEAN Travel Association (ASEANTA) and the national tourism organisations (NTOs) must be enlarged as they have the necessary resources and knowledge to implement the agreed measures and strategies. The ASEAN T&T industry will benefit from more intensive dialogues and cooperation among the relevant stakeholders (public and private partnership). In relation to that, ASEAN needs to strengthen its efforts in the areas of promotion, marketing and product development to realize the ASEAN region as a single tourism destination that offers a unique experience.
- The ASEAN tourism sector could cooperate with other relevant sectors, for example infrastructure and connectivity to develop a better transportation facilities (other than air transport) that can facilitate multi-country visits by non-ASEAN tourists. If the T&T sector can provide the push factors (e.g. figures on the number of international visitors to ASEAN and their intra-ASEAN travels), there will be a strong justification to expedite the development of the much needed transportation facilities across ASEAN. Member states will no longer "compete" with each other to attract visitors, but could create synergy in which a visitor to one country will most likely visit other countries as well.
- The younger members of ASEAN can benefit from more capacity building programs and technical assistance from the larger ASEAN economies in narrowing the tourism sector gaps. If the tourism industry in the CLMV countries can be improved, and if this can be combined with the single or common visa for ASEAN, the whole region will reap the benefits as larger international arrivals can be expected into the ASEAN region.
- The ASEAN tourism value chain must be further defined and strengthened so that all the parties involved can understand their roles, contribute to the chain, and benefit from their involvement. Currently, there is no clear guidance on this matter and the tourism authorities need to lay out what the strategy implies and how the relevant parties can create a synergy for the industry. This should also include strengthening the MSMEs that are part of the value chain.
- ASEAN should promote cross-border movements of tourism professionals as governed by the MRA for tourism professionals as this will encourage standardization of competencies, improve quality of tourism services, and facilitate mobility of tourism professionals across the region.

[8] Fact Sheet of Visit ASEAN@50: Golden Celebration 2017

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Related Publications

Lifting-the-Barriers Report
Tourism
2015

ASEAN Research Digest
Tourism

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