The Determinants of Tourism Development in Thailand

M. Mohd. Rosli* Azhar Harun**

[ABSTRACT]

This paper aims at providing some insight into the determinants of tourism development in Thailand. Using multiple regression models, this paper reveals that the Thai domestic tourism development is significantly influenced by the income level of the population. Meanwhile, the development of international tourism is affected by the government’s tourism promotion and exchange rates. Apart from consolidating existing theory, this paper also alerts policy makers about the importance of considering the variables in the promotion of the Thai tourism development. This study is however constrained by a small sample size which is not possible to include more explanatory variables in the model. Future studies should take into account the flaws of this study for better estimates of tourism development in Thailand.

Key Words: Domestic Tourism, International Tourism, Tourism Development, Tourism Demand, Thailand

Introduction

The tourism industry has become an important sector to both developed and developing countries. According to the World Travel and Tourism Council, tourism in 2005 turned out to be the second largest industry, accounted for 3.8 per cent of global Gross Domestic Product (GDP). Tourism is the conduit for generating foreign exchange and, as a labour-intensive industry, it provides jobs for relatively unskilled labour (Williams & Shaw, 1992). More importantly, tourism has potential to foster economic growth, improve the standard of living, promote intercultural understanding and nurture world peace (Belk and Costa, 1995). Owing to its importance, many developing countries have taken initiatives to promote tourism development, particularly since the last two decades.

In Thailand, however, tourism has long been used as a vehicle for generating foreign exchange by means of international tourism as well as for promoting equal distribution of income through its recent focus on local tourism. As reported, the number of international tourists visiting Thailand has increased favourably over the last few decades. The period between 1987 and 1998 was termed as the “Golden Decade” of the Kingdom tourism...
industry since the number of foreign tourists increased markedly from about 3.5 million in 1987 to more than 7.8 million in 1998. As can be seen in the later part of this paper, the development of the Thai tourism is still favourable. Despite this positive development, studies on the determinants of Thai domestic tourism were hardly found; whilst studies on its international tourism were little. It is believed that different features and customers between these two may result in different factors determining their development. Therefore, this paper aims at providing some insight into the determinants of domestic and international tourism development in Thailand. This paper is important for two reasons. One, the results in this paper may provide a theoretical perspective on and an empirical understanding of tourism development in Thailand. Two, the experiences of Thailand could be learnt by other developing countries, especially for those who give considerable attention to this sector in their development agenda.

OVERVIEW OF THE THAI TOURISM INDUSTRY

Thailand’s vast natural and cultural attractions have indeed offered diverse opportunities for local and international travelers to explore the country. It is endowed with beautiful and wide ranging scenery: misty hills and lush rain forests in the North, flat rice fields in the Central Plains, white sandy beaches and marvelous islands throughout the South and along the Eastern seaside. This country also offers a wide variety of ecotourism products and sports activities (golfing, mountain biking, trekking, scuba diving, rafting, canoeing and kayaking), healthcare and spas, as well as wonderful cuisines.

More interestingly is that the Thai commitment to the development of the tourism industry also has a long interesting history. It started about 50 years back with the establishment of The Tourism Promotion Organisation (TPO) under the 1959 Tourism Promotion Organisation Ordinance. As a result of its success in attracting tourists during the two decades of its establishment, the TPO was upgraded to the Tourism Authority of Thailand (TAT) in 1979 as an effort to further support the expansion and the need of tourism services. This tourism agency showed encouraging impact on the development of the industry a few years after its establishment. The number of tourists visiting Thailand increased remarkably from 1.2 million in 1977 to 5.7 million in 1993. In fact by 1986, Thailand generated more incomes from tourism over other commercial activities, including its main exports, rice. It should be noted that, at the country level, the Thai domestic tourism is much more favourable than its international tourism. The actual number of domestic tourists in 1995 was 52.3 million, but increased to almost 68 million in 2004 resulting in total receipts (revenue) from US$5.9 billion to more than US$8.37 billion in the same period (calculated from http://www.tat.or.th/stat/web/static_index.php). At the regional level, Thailand ranked second behind Malaysia as the top destination for international tourists which accounted for 22.5 per cent of ASEAN international tourist arrivals in 2005 (Table 1). However, it ranked first in terms of tourism receipts with the total share of international tourism revenue amounted to 31.6 per cent in 2005 (Table 2). This reflects that foreign tourists tend to spend more in Thailand than in other countries.