



CAMBODIA 2040

CULTURE AND SOCIETY

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Chapter 10 | Tourism

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It is the 25th of May, 2040 and Mytha's smart watch rang in the early morning. Mytha and her family were ready to leave from Phnom Penh for their vacation. They left their home unburdened by luggage for the Phnom Penh International Airport to travel to Siem Reap province. As they lived up in Toul Kork they embarked on the sky train, taking 30 minutes to reach the airport. Their luggage was collected from their home the night before by BagGo, a logistics company who specialise in luggage transit for travellers who will be reunited with their possessions upon arrival. The family's itinerary for their vacation in the ancient heartland of the kingdom is typical of the modern family. They spend their first day exploring the ancient city of Angkor, taking in the virtual reality-assisted tour of the architectural splendor. On the second day they participate in a meditation retreat with many local and foreign tourists in a mediation center which is one amongst the biggest in the region. The next day, Mytha and her family take the interprovincial train along to Battambang; known for its ecotourism and beautiful scenery. On arrival they undertake a two-day guided exploration with the help of their local guide 'Rithy'; matched through the KhmerTour platform. With their holiday coming to an end, the family travel back down to Phnom Penh on the Kingdom Cruseliner, soaking in the splendor of nature on a six hour ride home.

I. Tourism: The Ideal Scenario

In 2040, the Cambodian tourism industry is a model of success in the region. With an increasingly dynamic and mobile population with growing disposable

income, domestic tourists have further fueled the sector's remarkable development. The further diversification of tourism products through avenues such as entertainment and vacation zones, alongside the development of a highly efficient transportation network, has increased accessibility to destinations such as Mondulhiri. The burgeoning Cambodian middle class is increasingly able to travel and views their heartland as a destination offering significant travel opportunities and experiences.

As well as appealing to a considerable domestic market, Cambodian tourism has built on its pre-2020 success in attracting international clients: growing to 12 million by 2030, and to more than 15 million by 2040. This rests on the kingdom's enriched cultural heritage, modern city ecotourism, and the development of coastal areas. The roadmap for tourism strategy has required joint cooperation between the public and private sectors and local people to enhance the awareness, identity, uniqueness, and reputation of Cambodia's tourism sector.

Future tourism has additionally taken shape in the interplay of global megatrends.²⁰ In particular, technological transformations through the Fourth Industrial Revolution have augmented visitor requirements. Technology has been incorporated into market strategies regarding the supply of tourism products. The smart use of technology has become increasingly key in enabling investment in start-up companies in Cambodia. Technological developments have allowed the government and private sector the opportunity to move to the next level in the development of the tourism industry, namely "smart tourism".

This has enabled such developments as a tour of the Angkor Archaeological Park using virtual reality (VR) technology as part of an exhibition. Additionally, technology has provided opportunities to access the "free independent travelers" market. This allows tourists either in small groups or individually to utilize technology to make travel bookings and arrangements, rather than depend on traditional tourism modes, i.e. through tour operators.

²⁰ An OECD report (2017) reveals the form of the megatrends, which are slow to form but once taken root exercise a profound and lasting influence on human activities, processes, and perceptions, including on tourism.

The Cambodian population has continued to grow to around 20.6 million by 2040 (World Population Review, 2019), with GDP per capita meeting forecasts to increase by 4.4% per annum by 2040 (Sarasy, 2016). A young population, together with a monied middle class, has resulted in new consumer pools and fresh approaches. Technology has impacted the desire to travel and the expectations of reaching a greater number of travel destinations. Cambodia's digital economy has grown steadily, and it is changing the way people live and do business, with online purchasing and e-payments becoming the norm. The kingdom has developed its desirability by looking at what tourists are demanding; such as being able to appreciate a strong national identity, biodiversity, a range of entertainment options, adventure parks, and trekking; and seeking to increase the opportunities for them to pursue them. This has increased Cambodia's relatively small share of this market regionally to one competing with Thailand and Vietnam.

Increased industrialization, coupled with a growing urbanized population, has also shape the future of tourism in the kingdom. In 2040, product diversification presents enormous opportunities for the industry. The capital has witnessed significant urban growth and has developed into a clean, green, and competitive city, offering its residents a safe environment and high standards of living. Experiences in best practice show that certain investments can have a substantial impact and help shape a city's opportunities for growth, while attracting visitors for both leisure and business.

Where tourism in 2040 has been shaped by globalization and urbanization, institutional quality-based government effectiveness has been necessary for ensuring quality and competitiveness. This has included the diversification of available tourism products, such as further developing community based-tourism (CBT) opportunities, upgrading ecotourism and agri-tourism, and further enhancing cultural tourism. A more effectively integrated transport system is key, with more bridges and further road, river, sea, and air connections proving essential to better connection between the provinces.

II. Scenario Space and Key Factors for Tourism

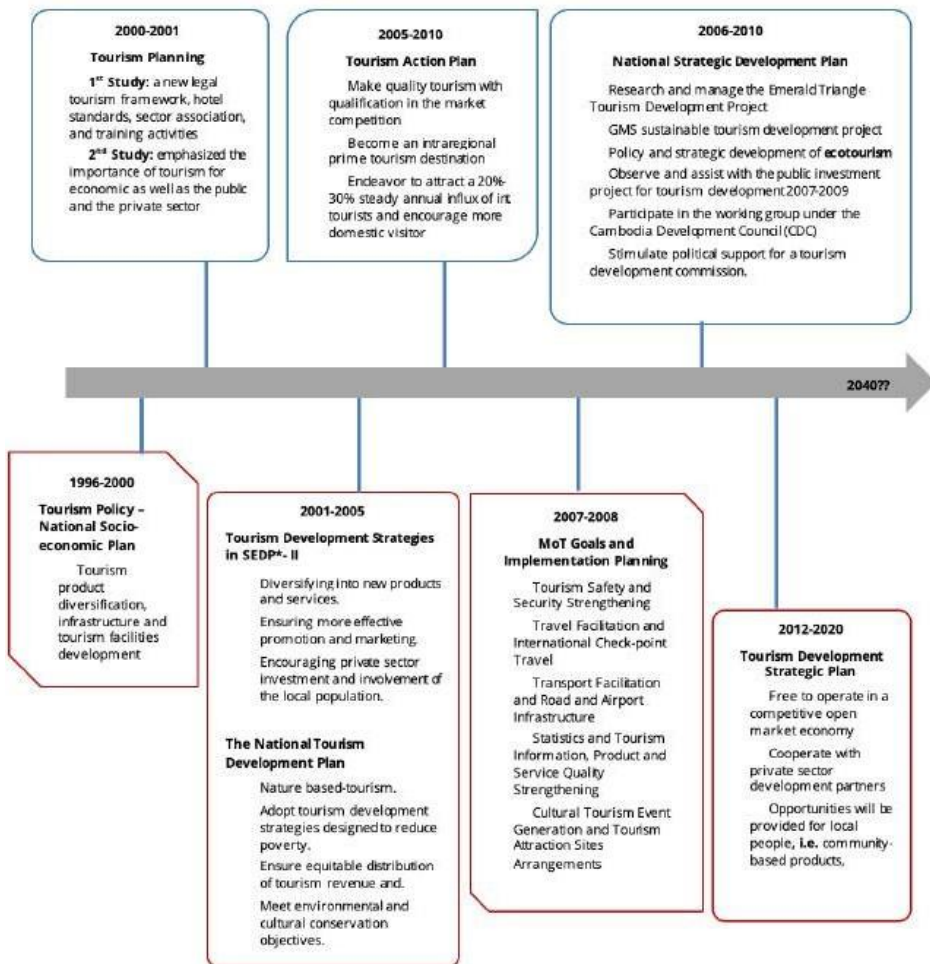
Over several years of sector reconstruction, capacity constraints have represented a serious obstacle to Cambodia's tourism growth, despite the kingdom's strong progress year-on-year. There has been significant growth in many sectors, including through public-private partnerships and direct investment, resulting in multiple high-end luxury hotels, shopping facilities and coffee shops. However, the basic systems for sector planning are not yet fully in place. The sector already has ample potential to attract not only international visitors, but also domestic tourists to explore every corner of the kingdom, through environmentally friendly ecotourism and celebrating the cultural importance of Angkor Wat. Unfortunately, the problems related to capacity constraints are severely compounded by many factors. The World Bank in 2005 made a call for action encouraging "strong directives from government", "better communication", and "guarantees that business is safe" to "secure the reputation of Cambodia", and to "take authority", which has contributed to the sustainable development of tourism in Cambodia, (World Bank, 2005). The government has worked closely with relevant international agencies and tourism units to plan for the growth of tourism in Cambodia. An outline of tourism strategy and policies since 1993 is detailed in Figure 1.

The ultimate success of development within the tourism space will be contingent on the following key factors: **Globalization, Economic Development, Public-Private Partnerships, Governance, and Technology.**

Globalization in tourism is a crucial area, bringing both promise and concern (Larry, 2015). Several important aspects of globalization have affected the progress of tourism in Cambodia. These include technology and economics, as well as social and political factors. Emerging new technologies continue to develop the market in the kingdom. These, coupled with the associated economic developments, are the keys to unlocking greater opportunities for Cambodia as a nation that has not utilized the full potential of these developments thus far. The digital era, with the introduction of the internet, mobile phones, social media, and digital transactions, has transformed Cambodian society. While ICT development was slow until 2008, the sector has grown remarkably since then. Household behavior has undergone rapid change, with the use of social media sites such as Facebook and YouTube increasing. The number of active internet

users has increased by 2.1 million, while active social media and mobile internet users has increased to 4.9 million and 4.4 million, respectively. Regarding tourism, this growth has manifested itself in an increase in the number of online reservations observed over recent years. Prior to investment in digital platforms and the adoption of technology, such as smartphones with tourism site connections, users may have missed the opportunity to access Cambodia as a destination. Advancements in tourism platforms gives the kingdom opportunities to promote itself more effectively.

Figure 1. Tourism Strategy and Policy Overview (1996-2020)



Simultaneously, social media platforms and campaigns have emerged that attempt to influence tourist choices, presenting another opportunity for Cambodia. Ramos and Rodrigues (2013) show that electronic distribution in tourism has facilitated the sharing, communication, and booking of products, while contributing to an increase in tourism demand and to the emergence of a new type of traveler: one who seeks more sophisticated travel experiences.

Competitiveness is another form of globalization, in this instance defined as a destination's ability to add value to products that sustain its resources while maintaining market position relative to competitors (Hassan, 2000). Considered a key driving force, it is an explicit way to show the level of socio-economic development of tourism destinations, with special attention being paid to the quality of life. The competitiveness of tourism is identified through comparing tour companies, hotels, transport, and other tourism services. Under tourism competitiveness, it can be seen that countries can take steps to increase tourist numbers. The Travel and Tourism Competitiveness Report 2017 ranked Cambodia 101st out of 136 countries—behind both Thailand and Vietnam—an improvement on 125th place in 2015. The kingdom scores well in categories such as the prioritization of travel and tourism (29th), price competitiveness (51st), and international openness (58th), but is weak in business environment (125th), human resources and labor market (110th), tourist service infrastructure (108th), health and hygiene (109th), safety and security, and environmental stability (130th). While diversifying the tourist base is a priority, Cambodia fails to generate a substantial number of second time-visitors, in contrast to neighboring Thailand and Vietnam.

Thailand has traditionally attracted tourists from its neighbors, and there is nothing to suggest that Cambodia cannot do the same. The recent significant economic development should provide the kingdom with the opportunity to do so. Like Thailand, the country has many different types of tourism that emphasize adventure and ecotourism. To build on this, the government should pinpoint the unique identity of each province and city and promote it as the core of tourist activities. For example, this could include emphasizing Battambang's special identity, i.e. the historical influence of the Siamese occupation and French administration, which is shown in the province's cuisine and architecture. The

provinces surrounding the Tonle Sap lake, meanwhile, could promote boat cruises. The government will need to focus on preserving the beauty of these areas, particularly the architecture, in order to attract visitors. Unique characteristics can draw more tourists to these areas while helping preserve their identity.

Inevitably, if investment is made through public-private partnerships, those making the investments will want to see returns. This can be achieved by understanding the country's untapped tourism potential. The Cambodian government has been making efforts to improve physical and institutional infrastructure to attract further foreign direct investment (FDI) and tourists. The demand for tourism services has attracted increased investment into the tourism sector, including in hotels, resorts, and casinos. FDI in the sector has helped increase the supply of hospitality services. The majority of the kingdom's investment has been from China. There has been some negative publicity around this, and the government will need to work on ways to improve this perception if it wishes to attract tourists from outside China.

Urbanization and infrastructure planning are also key to tourism development. Cambodia continues to rapidly urbanize: while 21% of people currently live in cities. Maintaining Cambodia as a desirable tourist destination while this takes place requires considered and sustainable planning. This ties in with smart city development, a key component of the kingdom's development vision.²¹ Infrastructure is one of the most challenging factors for Cambodia's economy, including the tourism sector. There is the opportunity to make the country more appealing to tourists and increase the kingdom's competitiveness. Effective improvements to tourism-related infrastructure will bring major social benefits to residents in and around urban areas through increased incomes, better transport systems, and improvements in associated amenities. Cambodian tourism needs a high level of government intervention. This involves multiple inter-relationships among numerous actors including the authorities, private companies, and the tourists themselves. Dupeyras (2013) stresses that the standard of

²¹ The vision follows the inspiration of the ASEAN Smart Cities Network (ASCN) established in 2018 with an aim to improve lives of the people, using technology as an enabler to capture visitor behavior and web-based promotion to the new strategies.

government plays a wider role in promoting the image and international perception of a country. Good governance can increase the desirability of a destination and bring additional benefits as tourists are attracted to secure and safe countries. Some studies also show that the institutional standards of a country play an important role in explaining inbound tourism demand and the behavior of international tourists. Both are more concerned with political stability, governmental effectiveness, regulations, laws, and corruption than voice and accountability (Tang, 2018). In 2017, the Cambodian government recorded effectiveness index scores of -0.66 out of 2.5 and an institutional quality index average of -0.75.²² Figure 3 shows the Cambodian government's effectiveness score in providing quality in public services and the civil service, and the degree of its independence from political pressures. This perception negatively affects the number of tourist arrivals. Accordingly, the Cambodian government and associated agencies should provide regulations and controls for tourism to ensure that the kingdom can compete with other countries on these measures.

Recognizing these key factors and their causal role in the development of the industry can boost growth in the sustainable tourism sector. While the northern part of Cambodia has the potential to attract more tourists through ecotourism, it is currently difficult to reach. Improved transportation links, reducing both travel duration and the number of accidents, would more effectively promote the area and increase its attractiveness to tourists.

III. Policy Initiatives to Achieve the Ideal Scenario

Cambodian tourism will have to undergo a significant transformation to achieve the desired number of tourists. The government should take the lead on effective strategic initiatives, in partnership with those involved in the sector. While some policies have been embraced, some locally and some nationally, these have often focused only on up-market visitors and a few cities, and been too domestically focused or not looked at attracting return visitors. The focus should

²² It measures different aspects of governance quality indicators, such as voice and accountability, political stability and absence of violence and terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption.

now move to a national strategy. With respect to who should drive the developments to make tourism more competitive and innovative, the kingdom should utilize two existing government mechanisms. First, the Ministry of Tourism, the governmental administrative office in charge of promoting and managing the tourism sector, and second, the Council for the Development of Cambodia (CDC), the organization in charge of improving, developing, and controlling investment activities. In order to achieve the 2040 target, the following proposed strategic policies should be employed.

Prioritized Strategic Policy 1: Center on Cambodia's themes, landmarks, and reputation.

The kingdom's tourism products are well known: history and culture, biodiversity, and French colonial architecture. With Cambodia having seen impressive growth in terms of foreign tourist arrivals in the past two decades, it is therefore possible to generate greater numbers of return visitors. The policies outlined previously would result in a more memorable experience, with visitors wanting to further explore the kingdom. Tourists would then more positively review their experience of Cambodia and encourage others to visit via word of mouth. Positive reports are hugely influential when people decide on destinations, whether shared via direct communication or online platforms. Cambodian tourism statistics currently show a short length of stay, with visitors not convinced to return. Policy makers should accordingly collect positive reviews and statistics to proactively harness goodwill for promotional measures.

Prioritized Strategic Policy 2: Employ data-driven analysis integrated with advanced technology to look into tourism competitiveness.

To be more competitive, the tourism sector needs to be more innovative and offer increasingly diversified products to connect travelers and destinations. Competitiveness in tourism should be a key driver for any destination when it comes to reviewing its performance. If a destination is performing well in the broad sense of sustainability, its competitiveness will be enhanced by what the visitor sees, experiences, and shares with their networks. Experts in tourism

development as well as policy makers should therefore explore employing data to address the weaker components in the tourism and travel competitiveness index. The data has a huge impact on a range of sectors, and it can be combined to support efforts to boost tourism in many different ways. These statistics can also improve the quality assurance of the supply side. While issues can be addressed through applying data-driven solutions, there will additionally be room to promote new ways of traveling for more meaningful getaways.

Prioritized Strategic Policy 3: Digitalize tourist-related businesses and establish social media channels.

There is currently a huge revolution in technology underway, which has led to thousands of online platforms offering greater accessibility and convenience for exploring tourism products and services. However, the need to go beyond this online model is increasing day by day due to customers wanting a more interactive and tailor-made experience. To address this, all tourism websites should include social media as part of their core offer.

Looking to Western tourists, for example, decisions on travel destinations are based largely on the experiences of others. However, priority is also given to researching tourism sites such as Booking.Com, TripAdvisor, Expedia, etc., to see the experiences of other travelers during a visit to a country. Currently, Cambodia's tourism industry lacks e-promotion and the use of social media. The kingdom needs to move toward a more integrated approach, which includes using web-based and mobile technologies to turn communication into an interactive dialogue between organizations, communities, and individuals around the globe. Blogs, content communities, videos, and social networking are sources of attracting tourists that should be prioritized. Targeted e-marketing, for example, could build good hospitality quality assurance and provide access to global market segments. While not targeting specific groups, promoting tourism through ICT adoption, e-marketing, and e-promotion is proving a popular tool to access the global market portfolio. These tools need further development to ensure increased tourist demand, such as video content that can shape travel destination choices. Marketing for the secondary provinces should be created to emphasize their unique identity.

Furthermore, rather than simply focusing on business/investment-based tourism, the relevant authorities should prioritize consumer-generated media as this can build further customer interest. However, if it is decided to use such online platforms for promotions or market segment updates, it is crucial to understand how to use social media to become more effective influencers. Tourism authorities should bear in mind that people have become resistant to direct social marketing and should therefore find other ways of influencing behavior change.

Prioritized Strategic Policy 4: Increase the awareness of popularity in secondary provinces, yet keep tourism focused on up-market customers.

As each of the kingdom's provinces has its own unique qualities and under-reported history, the secondary provinces should be promoted and developed to attract a greater number of tourists. To achieve this, the government should support areas with low visitor numbers by allocating money from the national tourism budget. Furthermore, local people and tourism authorities should closely collaborate to increase market segments and investment opportunities, either from local business operators or the government. While such provinces have hitherto received limited attention in spreading awareness of what they have to offer, this must change. By focusing on up-market tourists, these provinces could become attractive destinations. How would such an approach work? It must offer something different, emphasizing the traditional culture, the local people, and the positive impact of tourism on livelihoods. This also requires investment to ensure the destination can be easily reached.

In brief, these provinces can be made appealing to up-market tourists by:

- Addressing environmental and community safety concerns;
- Offering the attraction of visiting the “real, traditional Cambodia”;
- Linking Khmer life and culture through village tours beyond the main tourism areas;
- Improving tour services and operators, including but not limited to tourist information, as well as transportation to and from the district and village.

Prioritized Strategic Policy 5: Build an atmosphere of safety and security.

Visitors desire peace of mind and seek travel destinations that are safe and secure. Cambodia should continue to be heavily involved in regional policies to put an end to perceptions of the kingdom as being unsafe and not secure. Additionally, the government should continue working on activities and plans including but not limited to the following:

- Involving everyone in crime prevention programs as safety is the responsibility of all. This includes all related tourism suppliers, including hoteliers, airlines, the local population, transportation agencies, restaurants, bar tenders, and taxi drivers, to coordinate through appropriate planning and awareness campaigns;
- The government should invest the necessary budget;
- A special professional tourism force should be formed. It is crucial for tourism areas to have security professionals who can ensure safety and be sensitive to the needs of tourists.

Additional strategic plans should be put in place to ensure quality outcomes. These are as follows:

Followed Strategic Plan 1: Establish transparent systems for investment through public-private partnerships.

This approach is costly as it incorporates multiple investments from the government, the private sector, and the community itself. While the government budget needs to be ring-fenced, the strategy also identifies the need for developing a targeted portfolio of investment requirements. To absorb the increased capital flow from foreign investors, clear financial management policies should be linked. Additionally, to make the approach work effectively, existing visa policies²³ should be maintained.

²³ The visa policies are considered as a facilitative way for foreign investors:

- Open Skies Policy for travel by air, overland and water;

Followed Strategic Plan 2: Strengthen institutional quality and capacity-building based workforce development.

The quality of governance and local administration capacity in tourism has played a crucial role in accelerating the attractiveness and competitiveness of the sector. Government agencies must reformulate the role of the provincial governor to strengthen the tourism workforce and provide more short-term training, which is already a policy of the Ministry of Tourism. Developing the skills of the workforce is considered a key need in the sector,²⁴ because while the human element creates a competitive advantage, it can also ruin a tourist experience. Steps to building capacity are as follows:

- Develop a sustainable workforce through short-term and regional training;
- Implement appropriate educational policies for all tourism organizations and agencies. These policies should be designed by relevant tourism bodies working closely with the government and not by other

- Visa on Arrival;
- Visa Exemption for Cambodians living abroad policy (Visa K), which has been appreciated by the national and international Cambodian community

+ AMRO (2018) stresses an Open Sky policy has been implemented to increase connectivity between Cambodia and the regional aviation hubs. With the Open Sky policy, Cambodia has seen air capacity rapidly expand from seven aircraft operated by two domestic airlines in 2013 to a total of 30 aircraft owned by seven domestic airlines as of H1 2018. International airlines have also dedicated more resources to this booming market, helping connect Cambodia with other countries and increasing connectivity within the kingdom as well, with more than 260 flights per day. There are around 210 flights a day to and from Cambodia and 50 within Cambodia: Of this number, 140 flights are to and from Phnom Penh International Airport, 110 to and from Siem Reap, and around 10 to and from Sihanoukville.

²⁴ The World Economic Forum's Global Human Capital Report 2017 gave Cambodia the poorest score in ASEAN for educating and training its citizens to develop a competitive workforce and put their skills to productive use. Cambodia ranked 92nd out of 130 countries in terms of human capital development. While this was up from 100 in 2016, Myanmar and Laos both made comparatively bigger improvements. Myanmar jumped from 109th in 2016 to 90th in 2017, while Laos went from 106th to 84th. Looking at the breakdown of the overall rating, it was education where the country scored particularly poorly (Open Development Cambodia, 2019).

- entities. Some educational policies are set by the Ministry of Education, Youth and Sports, for instance;
- Create tourism assemblies or conventions in provincial areas that are relevant to workforce development and respond to future demands at both the local and national level.

Followed Strategic Plan 3: Promote city-based urbanization development and make it more sustainable through physical public infrastructure.

In view of harmonizing the city with both local people and foreigners, and improving standards of living, promoting sustainable urbanization is proposed as a strategic plan for tourism development. In this initiative, the government and investment partners play an important role. Any strategy to modernize a city should be guided by a clear master plan. A fundamental task is to establish a consistent, transparent, and strong framework in planning a city's development so that it can be visibly demonstrated it will enhance the attractiveness of the urban space for tourists.

- It is essential to balance a city's attractiveness to tourists with its sustainability. Promoting environmentally friendly transportation, coupled with green urban planning criteria, will be the norm and reduce pollution. Some provinces of Cambodia are already environmentally sustainable, which will add value to tourist destinations.
- With infrastructure to be used by both tourists and locals, investment-related infrastructure should have a clear master plan in place as it is the base of economic development. The development of sustainable tourism is dependent on the provision of public infrastructure, which supports the capacity for growth in the sector.

Followed Strategic Plan 4: Develop more community-based tourism to maximize local people's benefits from growing tourism demand.

The community-based tourism (CBT) model exists across the globe, particularly in neighboring Laos, Thailand, and Vietnam. The model focuses on supporting and developing local communities, while building awareness. The community continues to practice its living traditions, but additionally benefits from income from tourists. There are currently more than 10 CBTs in Cambodia, with the kingdom having much to offer those wanting a CBT experience. The number of these should increase, with the proviso that most of the revenue goes to local people and their communities. The development of CBTs would not only be attractive to tourists, but also provide local people with opportunities for development. Some key actions of the CBT model are:

- Supporting communities to engage in the tourism sector by overcoming knowledge barriers;
- Improving existing attractions to meet tourist visitation expectations and promoting local brands;
- Expanding and diversifying the available range of natural, cultural, and heritage products;
- Providing guidelines and training from tourism developers or experts, with coordination from local authorities, NGOs, and authorities; etc.

This popular approach would create employment and increase the awareness of local communities. It would also help integrate rural economies into the tourism sector by promoting CBT through products that could be incorporated into the tourism market.

Following Strategic Plan 5: Build international collaboration and joint global tourism associations.

Entire nations are connecting with the world increasingly close in the era of globalization. Being a part of such collaborations boosts reputation and identity, with more market segments reached and greater opportunities provided to increase awareness of the kingdom. The government agencies making tourism policy should collaborate internationally and regionally, and ensure that the gains made from tourism are inclusive and equitable.

Achieving 12 million visitors by 2025 and more than 15 million by 2040 must be modeled on global best practices, with clear leadership and substantial levels of coordination and cooperation, while utilizing the benefits of advanced technologies. A long-term view of Cambodian tourism will enable the kingdom to overcome challenges and achieve the target of doubling current tourism numbers.

IV. Tourism Under the Baseline Scenario: Business as Usual in 2040

While the Cambodian tourism sector is playing a crucial part in sustaining economic growth and broadening the growth base (AMRO, 2018), with a significant role in driving the national economy, the sector is still in need of modernization. Tourist arrivals have grown dramatically, with 118,000 visitors in 1993 increasing to 6 million in 2018 (Figure 2). The kingdom has reaped benefits from this, including increased income, employment, and investment. However, without action, such growth may stall.

The number of tourists visiting Cambodia has increased substantially over the years, with 12 million visitors expected by 2025 (Khidhir, 2018). However, the kingdom lags behind its neighbors in attracting high-income tourists, who tend to stay longer and have larger budgets. To hit the 2025 target, the sector will need to increase efficiency both to maintain its current market segments and increase the number of high-end Western tourists. Without such changes, the 2025 and 2040 targets will be difficult to achieve.

Against this backdrop, job creation in the tourism sector will remain strong, although high seasonal variations are expected to continue hampering skills development.²⁵ The tourism industry provided 2.6 million jobs in 2017, with this

²⁵ According to WTTC report, direct contribution of Travel & Tourism to GDP in 2017 was 14.1% of GDP and was forecast to rise by 4.2% in 2018. It is expected to grow by 5.9% per annum (12.1% of GDP) by 2028. The total contribution of Travel and Tourism to employment (including wider effects from investment, the supply chain, and induced income impacts) was 2,663,500 jobs in 2017 (30.4% of total employment). This is forecast to rise by 2.5% in 2018 to 2,729,000 jobs (30.5% of total employment). By 2028, it will support 3,642,000 jobs (35.0% of total employment).

forecast to rise to 3.6 million by 2028, when it will account for 28.3% of GDP²⁶ (Figure 6). Such a large fluctuation has also led to difficulties for businesses, and reduces the incentive to hire long-term contract employees and provide substantial training (AMRO, 2019).

Most tourism products, such as hotel and restaurant supply,²⁷ are import based. As a result, the sector does not benefit as much as it should. Some studies agree that focusing the sector using value chain analysis, with a particular focus on sustainable tourism, could help identify specific administrative and market-based barriers to create a more efficient sector and determine opportunities for improved backward and forward linkages. Moreover, tourism potential remains untapped. Diversifying tourist destinations remains to be realized, but could lead to an increase in benefits for local people.

The number of Chinese tourists has been growing rapidly in recent years, but there is still room for further increases (AMRO, 2019). China's structural shift from manufacturing to services is likely to boost demand for tourism. There has also been a huge increase in the number of investors in Cambodia, a large proportion of them Chinese. In addition, multiple-entry business and tourist visas

²⁶ WTTC (2018) defines economic impacts methodology as follows:

- 1) The direct impact to GDP reflects the 'internal' spending on Travel & Tourism (total spending within a particular country on Travel & Tourism by residents and non-residents for business and leisure purposes) and government individual spending - spending by government on Travel & Tourism services directly linked to visitors, such as cultural or recreational.
- 2) The indirect impact includes the GDP and jobs supported by:
 - a. *Travel & Tourism investment spending;*
 - b. *Government 'collective' spending; and*
 - c. *Domestic purchases of goods and services by the sectors dealing directly with tourists*
- 3) The induced impact measures the GDP and jobs supported by the spending of those who are directly or indirectly employed by the Travel & Tourism sector.

²⁷ According to the tourism authorities, the number of hospitality institutions has increased noticeably, to about 730 hotels with about 40,000 rooms, 2,405 guesthouses with 35,200 rooms, 2,440 restaurants, 410 massage centers, 682 travel agents, and more than 5,000 licensed tour guides. At the same time, to ease traffic congestion, especially in Phnom Penh, the tourism authorities have also increased city bus routes across the capital to 17 from 12 last year (AMRO, 2019).

has seen the number of visitors to Cambodia from China increase, with some local people reporting being negatively impacted by this. To meet the increased demand, the Cambodian Ministry of Tourism launched the “China Ready” policy²⁸ that targeted attracting 2 million tourists from China by 2020. More than 1.2 million Chinese visited Cambodia, equal to 22%, in 2017, rising 67.2% in 2018, followed by 15% from Vietnam.

Cambodia’s tourism competitiveness remains challenged and needs further assessment. The kingdom’s sector shares the combined number of tourists to three countries with Thailand and Vietnam, which together welcomed 50 million tourists in 2017, more than three times the Cambodian population. The kingdom’s tourism sector lags behind these two countries. Cambodia accounted for a mere 10%, and its share is trending downward. This small fraction reflects substantial untapped potential as the country has not been successful in luring across those tourists who visit its neighbors.

It is important to reiterate that more than 80% of foreign tourists to the kingdom are first-time visitors, with only around 17% returning tourists. This is compared with the more than 50% of tourists who return to Thailand (World Bank, 2018). Factors accounting for repeat tourist arrivals include, but are not limited to, satisfaction with accommodation, shopping, restaurants and food; security and safety; prices; and public infrastructure; as well as the attitude of local people in helping visitors enjoy their stay. In order to be more competitive, in comparison with Thailand and Vietnam, Cambodia should develop more diversified tourism products with respect to improving capacity constraints and improving on the weak points in the TPCI. Product development is another key factor prior to developing human resources in the tourism sector.

²⁸ The initiatives include special arrival gates for Chinese tour groups with easy visa services, language training for tour guides, and the “China Ready” accreditation system, which has provisions for food and beverages, accommodation, transportation, resorts, shopping, entertainment, and travel agents. By the end of 2017, 29 business institutes across the seven areas had been accredited as “China Ready” (AMRO, 2019).

Cambodia, although enjoying enrichment from natural and cultural assets, needs to extend its offer beyond the so-called Smiley Face²⁹ of the current popular tourism zones. The kingdom has to ensure that tourists across the world have greater awareness of all it has to offer. Engagement between the public and private sectors to deliver tourists a great experience with the services to match has to be embraced. While the focus should be on developing attractive and competitive tourism, change should not just be surface level, but to ensure longer term growth in both foreign and domestic tourism.

Moving the sector into the top tier of tourism- and business-oriented destinations is timely and conditionally attached to the roadmap to 2040, particularly regarding Industry 4.0. Current statistics show tourists from Western countries are decreasing, as are those from South Korea, with a further decline forecast. However, there have been rising numbers of tourists from Asia, particularly China. It would not be prudent for the sector to rely too heavily on one market, as this would make Cambodia vulnerable to shifts in the preference of that market.

Internal tourism should continue to increase due to Cambodia's rising middle class, but this opportunity could be missed if the kingdom does not become more competitive. Further challenges need to be addressed in order to ensure sustainability, inclusion, and seasonality. At the same time, competition will also increase, particularly from the ASEAN region, from the countries that offer more diversity in tourism products. In order to create higher-quality tourism, the public and private sectors have to collaborate to diversify their marketing strategies from the traditional forms to penetrate emerging markets and to seek new tourist market segments. Furthermore, with new technologies, the tourism customer will become more demanding, with the kingdom needing to keep up with untapped market segments. The sector also needs to be mindful of changes in

²⁹ The Cambodian priority tourism zones are referred to as the “Smiley Face” because that is what they resemble if you highlight them by location. The left “eye” refers to the cultural zone of Siem Reap and surrounding areas, while the right eye is the ecotourism zone of Ratanakkiri and surrounding areas. The nose is Phnom Penh, while the coastal zone, including Sihanoukville, is the mouth.

the political environment, which could affect the number of tourists wishing to visit Cambodia.

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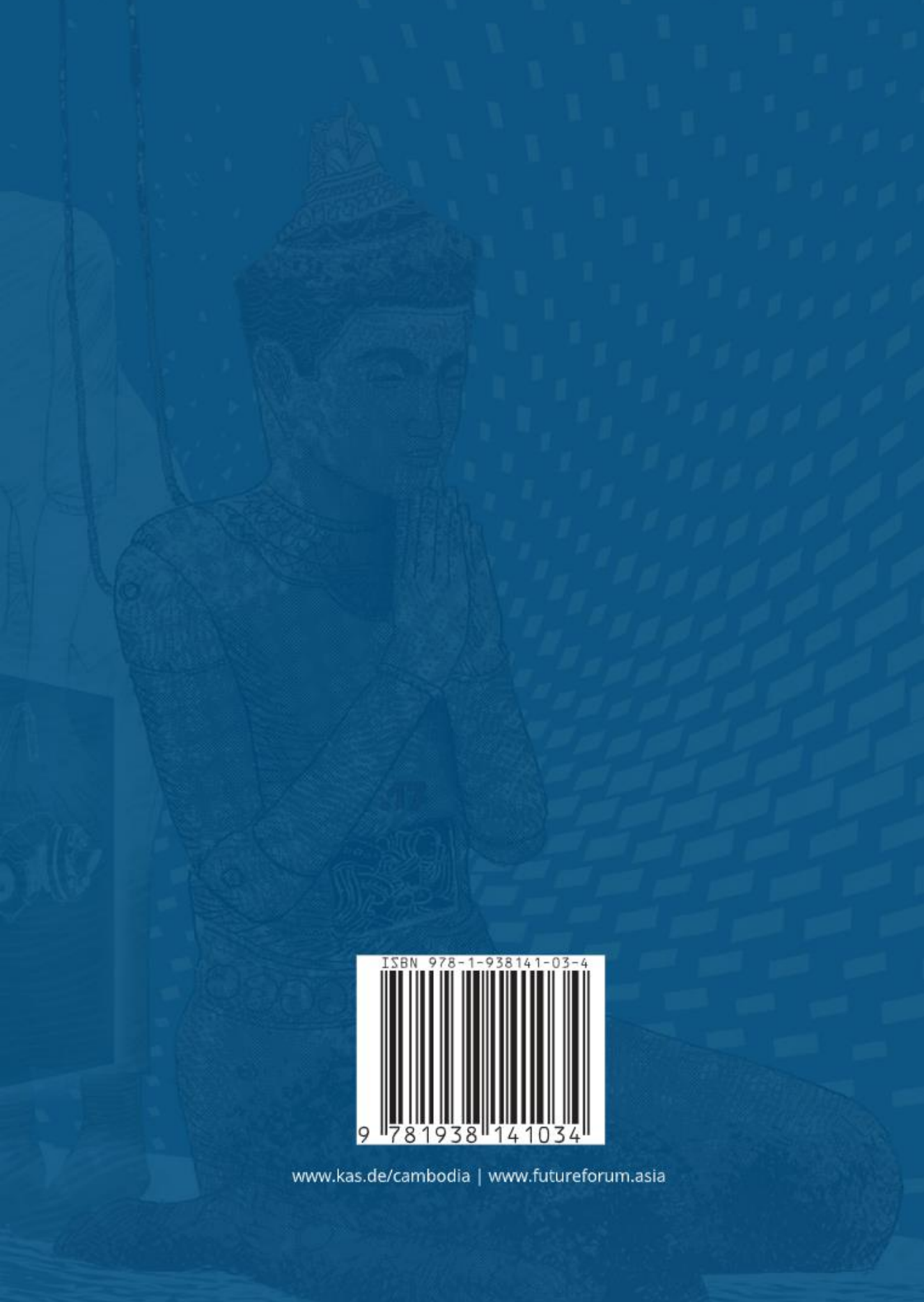
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