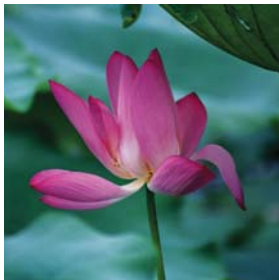


Development Needs of SMALL TO MEDIUM SIZE TOURISM BUSINESSES

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Asia-Pacific
Economic Cooperation



A Report Prepared for

APEC TOURISM WORKING GROUP

By



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 **Griffith**
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Foreword

The heart and soul of the visitor experience in every country in the APEC region is hosted by the thousands of small and micro tourism enterprises which quietly and un-noted provide services and experiences for visitors to a destination.

More than 85% of all businesses that are directly or indirectly dependent on visitor expenditure are SMEs, from small shops to tour operators. They provide much of what is different and distinctive about a destination. This ‘colour’ and ‘flavour’ are critical elements in creating the satisfaction levels of visitors for any destination and deliver on those promises and expectations that are so much a part of our industry.

SMEs in the tourism industry are mostly unrecognised for the part they play in delivering these important elements of a visitor’s experience.

By their very nature as small businesses, they often do not have the time and resources to contribute to discussions on industry issues or the broader issues that shape the business environment in which they operate.

Besides operating their businesses, they find it difficult to make time for training or business improvement measures. Compliance with regulations and other business standards is difficult both in the time required and the skills and knowledge necessary to successfully achieve required outcomes.

This study looks at all of these issues and more. It was designed to identify the issues that hamper the development of SMEs’ businesses, and provide a guide for governments and industry associations to address some of these issues in the interests of improving the operating environment for tourism SMEs.

We are both fortunate and grateful for the collaborative efforts of the academic researchers from the University of Colima in México, Rangsit University in Thailand, Shih Hsin University in Chinese Taipei and the Cooperative Research Centre for Sustainable Tourism in Australia, who have provided a broad and relevant picture of the many challenges for SMEs in the Asia Pacific Region.

We commend to policy makers in both government and private industry the adaptation and use of the outcomes from this research so as to benefit our small tourism enterprises, their destinations and particularly the products and services they will provide for our visitors.

Sir Frank Moore AO
Chairman
APEC International Centre for Sustainable Tourism



Executive Summary

Small and medium enterprises, including microenterprises with five or fewer employees, form the vast majority of businesses and the employment base in many economies. Tourism is a major source of foreign revenue and is seen as a pillar industry in many economies. The tourism sector is characterised by its global and cross border scope, information intensiveness, lower entry and employment barriers, applicability across a range of markets and potential for regional development. As an export and service based set of activities, ideally suited to Internet based transactions and other cross border flows, tourism also provides an engine for the liberalisation agenda evident in many economies making the transition to a market-oriented basis for competitiveness. The sustainable development of the businesses constituting this sector is therefore vital not only to economic development, but also as a vehicle for physical and electronic infrastructure investment and popular uptake, and in providing larger frameworks for managing and maintaining prosperity from the natural resource.

The issues of common national and international interest affected by tourism include environmental, socio-cultural and economic aspects: a “triple bottom line” increasingly recognised in policymaking and commercial activity. The development needs for a sustainable sector thus require cohesive attention to the natural resource, to the distinctive propositions of heritage areas, and to the economic arrangements and policies that facilitate or hinder the development of the component enterprises.

This report outlines the systemic context of tourism and then examines the business development needs of small and medium tourism enterprises (SMTEs), paying special attention to the needs of smaller scale and micro businesses; the sector’s prevalent type in developed and developing economies alike. The needs of women entrepreneurs were also of specific interest, since gender barriers preventing women’s full economic participation require particular address.

The study reports results from parallel studies conducted in Australia, Chinese Taipei, México and Thailand in 2003, based upon in-depth interviews with numerous SMTE operators and public sector experts. The development needs identified in these representative economies were subsequently, for all 21 APEC economies, related to the bodies, structures and programs addressing them at the international and economy level. The research drew on the SPAN framework developed within APEC relevant to five generically identified areas of business development needs, and covered:

- human resource development
- access to finance
- market access and development
- technology and technology sharing
- access to information

along with issues in the policy environment that impacted these. In addition to issues specific to each economy a number of general development needs emerged. These are listed below:



- the lack of a trained and professional workforce
- entrepreneurship development
- low entry barriers affecting service quality, growth and business viability
- lending arrangements or taxation regimes not conducive to SMTEs
- sustainable regional infrastructure requirements
- inconsistent and bureaucratic local authorities
- lack of government recognition of tourism value
- SMTEs failure to recognise importance of industry clusters and cooperation
- industry fragmentation and proliferation of membership organisations
- lack of technology and e-commerce skills
- e-readiness and e-commerce uptake
- research information scattered and irrelevant to SMTEs' forward planning

The subsequent review of activities and structures related to these areas, covering all APEC economies, was of necessity a much broader exercise. Every economy is unique in terms of its economic profile, status of tourism, stage of development, infrastructure provision and national priorities. A sketch of this context backgrounds a description of specific activities at economy level in each of the five generic areas of development need. Further studies would be required prior to any economy-specific program implementation, but several common interest areas are apparent. Exemplary programs developed in one economy may resonate with needs identified in another. Nonetheless, some general trends are evident across a wide range of economies.

Most economies are displaying interest in the potential of tourism to develop and sustain economic competitiveness. Policy coherence and efficient coordination across relevant ministries is becoming more evident in some economies. SMTE development is increasingly being structurally referenced to the global economy, and in the context of trade agreements affecting facilitating specific sets of cross border flows, infrastructure planning in common interests, standards harmonisation and in market-oriented policy frameworks. Education is increasing in emphasis, with international networks, qualification frameworks, accreditation and licensing and the diffusion of higher-level expertise all highlighted. Entrepreneurship development is a strongly indicated priority across economies, and women entrepreneurs are increasingly being recognised and catered for. An increased focus on quality, transparency and good reputation is also further professionalising and developing the industry.

Microfinance schemes recognising smaller businesses are increasingly provided by both government and private sector lenders. The trend towards market-oriented economies is shifting the balance between government and the private sector, and partnership arrangements are increasingly evident. The Internet opens new tourism markets, and e-tourism is widely recognised as a key direction for future development. Its widespread achievement is being enabled by initiatives at the various levels of infrastructure establishment, telecommunications regulatory policy, standardisation, e-readiness development and finally addressing uptake issues. Information sources are increasingly available, particularly electronically, but the relevance of research, and access to information for the industry could be improved in many economies. Finally, coordinating research and centralising the supply of industry information is widely indicated, as the global, systemic and cross-portfolio nature of tourism development is starting to become more widely recognised.



Background to Research

Sustainable Tourism and Business Development

Sustainable tourism cannot be considered in isolation, or as a simple industry sector, but requires understanding systemically. Systems are identified when a number of interrelated parts work together, and depend on each other for an effect to emerge. They operate in an environment, interchange with aspects of that environment and serve goals. There are useful theoretical models of tourism as a system to be found^{1#}, and in practice the concept is readily understood.

In Mill and Morrison's (1985, 2002) model², a systemic, chicken-and-egg like, relationship exists between a *consumer* decision to travel or to be a tourist, and the *destination* marketing back to those *consumers*. Good quality interaction among consumers and destinations is reinforcing, and sustainable commerce; livelihood and human enjoyment emerge as effects. Destinations can be considered at various levels, from local to regional and national. The attractions and services within the destination's mix are equally interdependent, and require policies that recognise how the parts work together.

The major parts that must work sustainably together at the level of an economy or regional jurisdiction are the *natural* environment, the *economic* environment and the cultural or *social* environment, a "triple bottom line" concept³ that also implies involvement of a range of agency

[#] Major academic and print sources consulted are detailed in the bibliography at the end of this document. All other sources are cited as endnotes to enhance document readability. Internet sources consulted are also available as hyperlinks listed on the electronic version of this document.

stakeholders, and policy integration across a range of portfolios.

A systems view also implies that the destination-hosting environment must first be environmentally sustainable, and that successful tourism development benefits the whole economy. For sustainability to occur, the relationship between the environment and the economy must be mutually reinforcing, rather than exploitative. Tourism development compromises the natural and cultural environment at its peril, but its success has downstream economic impact on a wide range of businesses in a given economy.

Sustainable development is generally traced back to the 1987 Brundtland report "Our Common Future", and the concept embraces a much wider notion than simply "making the poor richer" or "preserving the environment"⁴. The World Tourism Organisation (WTO)⁵ worked with the World Travel and Tourism Council and the Earth council to produce Agenda 21 in 1995, which emphasised environmental sustainability⁶. Since then the social and economic aspects of sustainability have also come into focus as a "triple bottom line" understanding has evolved. A thriving economy based around tourism must balance the "sustainable" with the "development" aspects, and, through recognition of both, should be better positioned to ensure its continuance through knowledgeable management of the resource, including avoiding development that threatens long-term interests. The WTO's definition of sustainable tourism captures this:

"Sustainable tourism development meets the needs of present tourists and host regions while protecting and enhancing opportunities for the future. It is envisaged as



leading to management of all resources in such a way that economic social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems.”⁷

The natural sustainability imperatives of ecological and indigenous niches however, meet the economic megatrend of globalisation in shaping tourism business development⁸. The context within which businesses, (and particularly tourism businesses), develop is shaped by developments in free trade arrangements, multinational corporation activity, information and communication technologies and changes in world markets. Localisation⁹ is an opposing force to globalisation, with a focus on indigenous, culturally defined identities, or “sociocultural specificity, in a limited space”¹⁰. This counterpoints global uniformities, serving to make destinations distinctive and exotic. In the general literature, Barber’s “Jihad vs McWorld”¹¹ i.e. a tribalism vs globalism analysis¹² indicates many of the underlying arguments. Both forces are shaping tourism development and its wider context.

Long-term, sustainable interests ultimately lie in the deep human values that tourism depends on, and which are often organising themes in the field. Such themes include the natural environment, cultural authenticity and otherness, quality and balance of lifestyle, unique experiences, identity, nostalgia and dreams. Keller¹³ conceptualised this in assessing a four-year cycle of tourism summits. Tourism is now progressing beyond the foundations of environmental protection and economic growth to a wider context in which the above themes are not

ends in themselves, but (sustainable) objectives that serve individual and community. Such themes go beyond individual commerce to embrace distinctive cultural contexts, increasingly sought by tourists even as mass tourism helps accelerate globalisation and homogenised experience.

Keller’s model resonates with the four elements recognised in the conception of APEC’s Tourism working group charter¹⁴, whose policy goal of sustainably managing tourism outcomes and impacts addresses environmental, social, cultural and economic development issues. Tourism as a business sector is distinctive here, as both private and government bodies have a stake in its success at levels of individual and national competition. It is also notable that the tourism sector almost always comprises micro, small and medium enterprises (MSMEs) which faces a distinctive set of issues compared to large businesses. Intergovernmental as well as a nation’s own economic and political measures impact on the possibilities for the industry’s future.

One research report relating sustainable development to business strategy found no shortage of sustainable development practices, but confusion in implementing an appropriate set given tradeoffs with other competing business demands¹⁵. General uncertainty as to level of responsibility, including addressing issues in silo fashion was noted. Useful work noted was by the Global Reporting Initiative¹⁶ on making sustainability reporting practices of comparable standard to financial reporting, and whose up to date definitions provide international standards for measurement and assessment. The next part of this section looks at the issues involved in a triple bottom line conception of sustainability.



Economic Transition of Regimes

Many economies are undergoing a transition towards market-oriented regimes, affecting the basis of their economic competitiveness, and are reassessing the appropriate balance between the roles of the public and private sector. The executive summary of the 2001-2 Global Competitiveness Report¹⁷ provides a useful analysis of development stages and critical transition junctures, and later annual editions update the rankings of economies on applicable indexes¹⁸. These embody general and specific indicators applicable to tourism enterprises, such as networked readiness and usage, and the time taken to start new enterprises given regulatory (e.g. licensing) requirements. Many economies have experienced rapid growth in the services sector in recent years. In many developing nations in the APEC region, MSMEs are the norm, and often reflect traditional rather than modern practices. Tourism businesses, with typically low entry barriers, can be an ideal vehicle for development and transition.

It is the nature of the tourism industry that both the private and the public sector are essential stakeholders. Political, economic and environmental reasons necessitate government involvement, although with emergence of a more advanced, mature and capable private sector, government's role is reduced¹⁹. Public sector roles include stakeholder coordination; development planning; laws, policy and regulation; and stimulation or lead entrepreneurial roles in tourism development²⁰. A global trend towards reduced barriers for international trade has, however, led to more market oriented policies and increasing privatisation for many economies, bringing some of these areas of responsibility under the influence of private sector motives.

Technological advances have facilitated increased cross-border trade in goods and services, such that the Internet allows information exchange, marketing, payment transactions and distribution on a global scale for SMEs as easily as for large concerns. It is recognised however that the erosion of domestic market protection by tariff reductions forces SMEs to become internationally competitive "even in domestic markets"²¹. Moreover, any business conducting web-based operations becomes, from its outset, subject to taxation and other compliance laws in any jurisdiction with which the business establishes a connection, or *nexus*, when transaction taxes, such as sales and use taxes, and others, may become applicable (Schneider, 2003).

Inasmuch as tourism attracts international visitors and associated investment and revenues a destination itself may be properly considered as an export. In developing countries with traditional dependence on primary production and commodity exports, if these subsidise and sustain diversification into service areas for SMEs or SME collectives, such as wine tourism, tariffs become an issue for the sector, and an economy's position in relation to multilateral agreements such as the General Agreement on Trades and Tariffs (GATT) applies.

In the services sector, trade liberalisation is less about tariffs, and more about "more transparent, less discriminatory and less trade restrictive legislation, about freer movement of personnel and easier offshore establishment, and about changing rules on foreign investment" (Drake-Brockman and Findlay, 2002). Standards recognition, international cooperation and research on policy and regulatory issues are some critical areas for global service industries, with priority given to identifying and



removing impediments to competitiveness in the world economy.²²

Non-tariff barriers, such as environmental certification, food safety, health related standards and other export quality standards are a major “hurdle” however, for developing country exports, (including the viability of related tourism products) with least developed countries (LDCs) particularly exposed. Such barriers may prevent entry to markets otherwise available, even under preferential conditions.²³ Divergent and non-transparent standards and technical regulations, requiring local testing and certification, are recognised as general impediments to free trade, and intellectual property rights are also implicated²⁴. Whilst such criteria apply to products and commodities, specific tourism-associated products and services may also be affected.

Simply imposing sophisticated financial, technological or business practice regimes from more developed nations may not suit all developing economies. It is worth noting that many economies’ indigenous management systems embody sophisticated understandings in regard to long-term knowledgeable management of their natural and cultural resource, and there are calamitous examples of well-meaning development interventions that deserve to be better known. Development pace, and an unfettered individualist orientation threaten long-term sustainability of communities and their resource. One successful APEC economy’s SME agency recently commented on traditional community values that had fuelled its success and growth and the new threat to sustainability by a modern tendency towards unethical and self-serving attitudes²⁵. In the “tragedy of the commons” concept²⁶, exemplified by cattle grazing on common land, (economic) incentives for an individual to increase his

or her own herd is shown to lead to overgrazing, famine and loss of livelihood for all. Short-term benefits are destroyed irrecoverably over the longer term.

A real example of this in a sustainable development context occurred in the Sahel (sub-Saharan Africa) in the 1950s, when aid was given to nomads who had lived sustainably in steady state for thousands of years²⁷. Their subsistence lifestyle was “aided” by new medicines and by digging deeper wells. This changed the system’s balance however, decreasing death rates, increasing population growth, increasing resource demand for cattle and humans, and longer term causing overgrazing leading to desertification, cattle death, and systemic unsustainability.

Analogously, ill-considered tourism developments can damage ecology’s or a culture’s sustainability – much of the Mediterranean (islands and coastal playgrounds) is dedicated to serving northern European lifestyles in terms of entertainment, food and drink options, and where local culture is often relegated to a show at best. An uneducated management or workforce also may do environmental, heritage or other damage (e.g. by dishonest practices, or environmentally exploitative development).

Even if short-term benefits appear to occur, as with the Sahel, policy and management must recognise the long-term systemic relations. Perhaps indigenous resource knowledge should be taken into account before development oriented interventions potentially affecting ecologies or cultures. Intellectual property rights associated with traditional knowledge however must be recognised and acknowledged, with genuine partnership, rather than consultancy



models being indicated, for example in developing Indonesian ecotourism¹²⁸.

Sustainable economic development is also vital to the industry, and engages financial and geopolitical systems. In many regional areas and in heavily agrarian economies, rationalisation of agribusiness promotes a need for new jobs and/or diversification of revenue streams, of which tourism is a key component. Its development however requires planning for sustainability, and mitigation of vulnerability to natural disasters and other crises when service industries suffer reduced demand, or foreign exchange rates become temporarily unfavourable.

Localised short-term micro-economic measures such as rate cutting by tourism operators during crises can damage brand reputation and make recovery to realistic and sustainable pricing levels more difficult, whilst at a macro level, the recent economic crises in several regions has been attributed to continuing deregulation in the global financial system²⁹. It is important for emerging economies to strengthen their markets sustainably: the International Monetary Fund (IMF) has a history of systemic failure associated with policies that promote for example, the overly rapid liberalisation of capital, particularly evident in recent Asian history.³⁰ Although the US representative proposed that market forces be allowed to determine exchange rates, the meeting of APEC finance ministers in September 2003 concluded “There is no single (exchange rate) regime that suits all economies at all times”.

The region also hosts economies sceptical about economic measures and development timescales imposed by

dominant players. It may not be reasonable to expect that some poorer countries establish the mature governance, literacy and business culture required to protect and sustain their own interests and indigenous development. Globalisation has not benefited many developing countries³¹. Furthermore there is a perception that the “escalation in Western tariffs on agriculture, steel, textiles ... seriously hinders the development of (developing countries)”³². Any issues identified as leading to recommendations would be implemented with reference to the wider trade context.

One trend affecting SMEs worldwide is industry clustering, outlined by Porter (1998)³³ and characterised by Blandy (2001) as “a regional concentration of competing, complementary and interdependent firms that create the wealth of regions through exports ... (forming) value chains that are the fundamental units of competition in the modern, globalised world economy”³⁴. Blandy cites the view that “Policy interest (in cluster development) appears universal” and indicates that many nations and regions have instigated programs not only to increase collaboration among firms in a regional industry, but also engagement with regional economic foundations related to infrastructure, capital, R&D and regulatory regimes. Some cluster activity in the South Australian Tourism Industry is reported by Blandy, noting issues of activity overlap, and delineation of roles appropriate to the public and to the private sector. Nordin (2003), from ETOUR’s tourism research organisation, presents a more extensive analysis of tourism clustering and innovation. This embraces a critique of the applicability of Porter’s concepts to the tourism sector and provides detailed case studies.³⁵



Another international politico-economic trend impacting sustainability, particularly affecting tourism infrastructure is the emergence of public/private partnerships.³⁶ Some relevant general issues are also summarised in relation to the current New Zealand tourism strategic plan which notes that the private sector is taking more control of destination marketing and recognises that in more mature tourism sectors government is more facilitative than developmental. Cooperation among interdependent stakeholders is considered vital, and public-private relationships are becoming more based on partnership models, which are proving successful in education and training, in joint marketing, in initial financial support and local approval processes³⁷. Technological innovation and policymaking are new areas for public/private partnerships highlighted in this document, which also notes that the current structure and funding arrangements have been inhibiting some important partnership developments in that economy. Part II of this report will further detail the arrangements specific to given economies, but particular successful examples may be instructive to economies considering structural reforms, or particular initiatives in areas such as destination brand development.

The Natural Environment

Environmental sustainability is a critical area for all economies, and is one of Australia's four national research priorities in other words, a peak theme towards which other research should be relevantly organised (ARC, 2003). The Commonwealth Department of Industry Tourism and Resources (DITR's) submission to the consultation phase of priority setting noted Australia's relatively greater need than many other economies in

this regard, and the need for a systemic perspective to underpin key tourism related objectives³⁸. A visioning and positioning exercise by the Canadian Tourism Commission originally also embraced city and cultural landscapes within the concept of environment³⁹, but the narrower concept of "nature" is now more prevalent.

Sustainable ecotourism is systemically related to environmental protection policy, and is a substantial market projected to continue significant growth. The LOHAS (Lifestyles of Health and Sustainability) market, which includes ecotourism, refers to consumers who take environmental and social issues into account in purchase decisions. It accounted for US\$230 bn in 2000, with increases projected, though scepticism about actual sales has been expressed⁴⁰. For ecotourism products though, decisions of green consumers to purchase or not purchase are more clearly made, and sustainable tourism development must be aware of the implications of a better-educated public and world best practice.

A report from the Economic and Social Commission for Asia and the Pacific (UNESCAP) notes also that ecotourism, whilst potentially spreading economic benefit, realistically consumes resources, creates waste and may lead to over-consumption. As the private sector (emphasising a profit-making motive) dominates investment, policies to ensure a balance in terms of local benefit and resource conservation are required. As ecotourism embraces activities more suited to smaller operators, government policies for support are also needed. Cooperative approaches and partnerships are indicated, and some community-based examples in the APEC region are described.⁴¹

Harris and Lieper (1995) examine a number of Australian cases of good or best



practice in sustainable tourism development, selected by excellence in the areas of infrastructure design, control of physical and social environmental impacts, technology, management systems or services. The cases they report cover industry organisations, accommodation providers, soft adventure, eco- and other tours, and natural heritage sites. They begin their book⁴² by observing the changing attitude in the industry towards the whole issue of environmental sustainability. A traditional position that viewed the environmental movement as unprogressive and anti-business has begun, since the late 1980s, to shift towards a view recognizing the value of unspoiled natural resources as a tourist attraction. Australia's peak association at the time, the Tourism Council of Australia, recognized this formally within its structures and introduced an environment code of practice⁴³. More recently APEC and PATA have developed an environmental code for sustainable tourism.⁴⁴ This encourages tourism commitments to conservation of the natural environment, respect for local cultures, and education and cooperation on these matters.

UNESCO's Asia and Pacific Regional bureau, based in Bangkok, also recognizes the downstream impacts of unplanned development and states:

"The tourism juggernaut has the power to destroy the landscape with inappropriate infrastructure, force the out-migration of indigenous populations and cause over-exploitation and deterioration of the fragile cultural and natural resources. This vicious downward spiral also undermines heritage tourism by degrading and devaluing the very resources on which the tourism is based".⁴⁵

Biodiversity underpins the ecological, and hence the related economical, viability of large areas of the world, particularly in the APEC region. Nature tourism, with niches related to unique flora and fauna is directly dependent on sustained biodiversity. In 2003 the United Nations Environment Programme (UNEP-WCMC) and the United Nations Development Programme (UNDP) partnered the Secretariat of the Convention on Biological Diversity to make progress on targets endorsed by world summits and ministerial declarations (UNEP_WCMC, 2003). At this time, Kofi Annan noted "Biological diversity is essential for human existence and has a crucial role to play in sustainable development and the eradication of poverty"⁴⁶, and it is widely recognised that related ecotourism (along with pharmaceutical and other nature related industries) holds an economic key for sustaining the population of such areas.

For the countries under immediate attention at present a few examples will suffice:

"The endless destruction of forests and jungles in México are not only causing extinctions and the dwindling of the numbers of species like the Jaguar, the Harpy Eagle and the Mexican Wolf. It also causes a disruption of "Ecosystem Functions", among others, the capacity of land to absorb water and its capacity to withstand environmental disasters, like floods or wildfires. By destroying biodiversity we threaten the livelihood of many Mexicans, mostly the very poor."⁴⁷

In Australia, a hectare of Queensland rainforest contains more tree species than North America.⁴⁸ Unique birds and animals depend on this habitat.



Deforestation threatens this, and impacts other ecosystems of touristic and economic value. Coral reefs throughout the APEC region are at risk for example, and are affected by sediment and increased nutrient loads caused by nearby deforestation and by infrastructure development, such as airports and resorts.⁴⁹ Not just tourism, but sustainable fishing is endangered by coral reef destruction, with downstream impacts on local product, and destination distinctiveness. With a “wave of extinction sweeping Australia”, which is now home to more threatened species than anywhere except the US⁵⁰, even iconic animals, such as the wombat and the koala are becoming locally extinct⁵¹, also losing key points of differentiation, potential branding symbols and significant touristic motivation.

In Thailand, the leader of an elephant village has recently observed that wild and domestic elephants are in danger of extinction, as their food sources had been destroyed. Illegal logging had harmed the forests where wild elephants lived.⁵²

In Taiwan descendants of immigrants from Southern China make a rare variety of oolong tea, using traditional methods and with “respect to their ancestors and attachment to their roots”. Production has dropped, and a younger tea maker proposes non-traditional methods for the tea-industry’s future⁵³.

This example brings us to the third category of sustainability: namely culture.

Cultural Sustainability

Equating development purely with economic and technical advance is too simplistic, and integrating cultural insight into development strategy is required. This understanding is also recognised by the

president of the World Bank, and by former UN Secretary-General Javier Pérez de Cuéllar.⁵⁴ Culture undoubtedly plays a significant role in economic development, and in providing diverse experiences for tourism markets. There is a need for policy work on socially sustainable tourism, including enhancing indigenous professional skills and engaging communities⁵⁵

The World Bank has described sensitive tourism development in specific relation to integrating culture with development, giving steps, lessons learned and prerequisites in advance of a specific project. Their document notes the common mistake of stressing “the potential for capital-intensive (hotel- or resort based) tourism in a region’s development strategy before a legal, regulatory and institutional framework is put in place, with local communities’ support, to prevent overbuilding and degradation of the area”. Various tourism subsectors, (such as bed-and-breakfast or ecotourism) have lesser impact, providing income opportunities, authentic pride and stakeholder ownership in the resource allowing partnership developments between local communities and entrepreneurs alongside zoning development⁵⁶.

In relation to tourism in the Asia-Pacific, natural attractions such as forests and coral reefs are significant for many developing economies: Cairns is one of Australia’s most visited destinations, and has steadily gained international visitor numbers for 20 years⁵⁷. Without the Great Barrier Reef the same level of success would be harder to imagine. Chinese Taipei, México and Thailand also have coral reefs, as do other APEC economies, although there are suggestions that Hong Kong’s⁵⁸ and other Chinese reefs have been somewhat compromised by development and other activity.⁵⁹ Burke, Selig and Spalding



(2002) make recommendations concerning sustainable reef tourism, and note that “(resort siting), source of construction materials, nature of sewage and waste treatment, use of mooring buoys, type and source of fish served, and type of souvenirs offered are many important factors determining whether tourism is environmentally sensitive and sustainable”.⁶⁰ They suggest development of certification schemes, accreditation and best practice initiatives in relation to this.

Indigenous and local knowledge generally adds value to tourism experience of a destination. The demand for authentic and unique experience sustains many niche markets not appropriate to mass tourism, both for regional SMEs and in cities with cultural and heritage attractions. Stories entrusted through oral traditions and associated with particular landforms and locations are threatened by homogenisation of culture, by insensitive developments and inauthentic promotions. Ensuring these are understood and preserved is therefore critical to sustainable tourism.

There is a parallel to the loss of biodiversity in ecological habitats in which cultural and subcultural diversity is endangered. Diversity is evidenced in (for example) different spoken languages, dance, film, music and craft traditions and cultural practices generally. Legal, medical, educational and other social institutions also differ both between nations and sometimes within them. Many of these forms are in danger of extinction: for example about 2400 of the world’s 6000 languages are endangered⁶¹, many of them Aboriginal Australian or Canadian, not only with fatal impacts on cultural identity but also jeopardising the possibilities for the uniquely creative artefacts of those who think using other concepts and expressions.

Elsewhere in the region, globalisation has been accused of endangering cultural identity and “killing” indigenous languages, due to the relationship perceived between business development, (through procuring employment and advance) and English. Although some areas have not yet been “overwhelmed” by development industries including tourism, the danger is seen as significant.⁶²

Free trade issues apply also to cultural sustainability: specifically when sovereign rights to cultural expression are not protected, and a nation’s intellectual property rights are not respected⁶³. For example, various cultural groups have asked the government to exempt the cultural sector from commitments under proposed free trade agreements with the USA which were due to conclude in December 2003 or January 2004. Failure to do so would prevent the government, (and all future governments), from freely developing cultural policy and objectives⁶⁴. Specifically, Australian stories and culture are at risk, and thus The Australian Writers’ Guild demanded, “that the Australian Government retains the right to regulate our market to ensure space for the development, reflection and unfettered growth of our own culture”. DFAT’s latest AUSFTA briefing (fourth quarter 2003) comments on this issue.⁶⁵ Many nations face cultural erosion due to the inability of locally produced content to compete effectively with dominant media players. Future wealth-creation is seen as increasingly dependent on an economy’s capacity to continually create content and thus grow its cultural sector⁶⁶.

Such concerns must be taken into account for sustainable tourism reliant on indigenous and heritage product. Rule of origin criteria are applicable, rather than simply product specific ones. Not just affecting sector-specific groups, the peak



business body representing 280,000 small businesses, the Australian Chamber of Commerce and Industry (ACCI), makes a similar point in broadly supporting bilateral Australian-US free trade within the primacy of the WTrO multilateral system⁶⁷.

Destinations and Economic Development

Tourism provides a vehicle par excellence for economic sustainability and development, but a number of barriers or obstacles have been noted. These include *infrastructure* and *investment* obstacles; *market* obstacles (related to fashion, relative costs and income levels, willingness to travel, and perception of a destination); and obstacles relating to the *environment* (balancing numbers, yield and resource protection); *community* (negative attitudes from labour force and financiers) and *education* (lack of, and access to specific training, with gender and other inequities in provision). Furthermore the sector is often fragmented, unprofessional and with low inter-industry cooperation, often combined with uncoordinated government support and poorly managed tourism activity.⁶⁸

Tourism businesses in this study are distinguished into regional and city destinations. Many issues will be common, but from a development perspective differences can be expected, impacting on the relevance of programmes. The value proposition of many regions lies in their appeal to unique and deeper experiences than the mass-market options available in many cities. Rural and remote regions have distinctive characteristics that impact on their potential sustainability in the absence of specific provisions. These are summarised by Loch and Moore (2002)⁶⁹

and include, *inter alia*, isolation from major service centres in terms of time and distance; accessibility issues; limited government, business and facility support due to small size; higher living and basic infrastructure costs; lower level of facilities and limited funding for research of direct relevance.

Whilst most cities can expect an established infrastructure in terms of an airport, utilities, roads, facilities and a wide range of accommodation, attractions and entertainment or food and beverage outlets, this cannot be assumed for many regions. Cities would also tend to attract the lucrative Meetings, Incentive, Conventions and Exhibition (MICE) demographic, and, incidentally as gateways, a wide range of other tourist business. Regions however, would normally have greater natural attractions, and attract specific demographics, often seeking deeper and longer experiences.

A list of factors relevant to the competitiveness of regional destinations is provided by Wahab and Cooper, adding to established literature⁷⁰, and is summarised below:

- Natural beauty and climate
- Cultural and social characteristics
- accessibility of destination
- attitudes towards tourists
- general and tourist infrastructure
- price levels
- shopping and commercial facilities
- sportive, recreational and educational facilities
- management and service quality
- market and organisational structures making for pleasant experience
- convenient factors of production
- safety and security



- successful and innovative change management through public private partnership

Emphasising market structures, demand conditions and government as most important, they also cite Smeral's guidelines for destination competitiveness⁷¹, which follow from his argument that development of competitive strategies for destinations are identical with known competitiveness issues more generally. The term destination here refers both to country and to regional locations. These action points and some of Smeral's indicative examples are now listed.

Factor conditions:

- Systematic research into trends and innovations
- Introduction of product innovations (e.g international events)

Structure and quality of suppliers:

- Fostering the building of cooperations and strategic alliances
- Quality investments
- Improving and controlling service quality

Market structures, organization and strategies:

- Image building within the context of global competition
- Increased product differentiation and special interest marketing
- Coordinating information between local, regional, national and international marketing units and/or tourist organizations
- Foundation of regional and international information and reservation centres

Demand conditions:

- Improving competitive position in fast growing and/or relatively low saturated markets
- Fostering the supply of season independent packages
- Holistically oriented local, regional or state-wide policy

Government:

- Systematic and comprehensive research into trends and innovation in the leisure and tourism sector
- Improving education to meet demand
- Improving the financing conditions of the SME in tourism

E-tourism

A critical issue for business development in the global economy is the new environment provided by the Internet. This has entailed dramatic changes for most businesses, and in particular travel and tourism sector, whose businesses are information intensive and electronic media friendly. As SMTEs and businesses associated with tourism pervade most economies, their development becomes intertwined.

Benefits include opening up new (global) markets, removing intermediaries from supply chains, new or more convenient direct marketing and customer relationship options, cost reductions through transactional efficacy gains, and enabling greater cooperation with allied businesses. Identified disadvantages include customer privacy concerns, customer preference for face-to-face transactions, disintermediation leading to job losses and inequalities due to access to technology.⁷²



The requirement for skills in the use of technology may be added to this, since this is where productivity and value is added, ignorance of compliance requirements when operating in overseas jurisdictions and the requirement for globally competitive infrastructure in terms of speed, connectivity, and languages for target markets. Ongoing capital requirements for technology upgrades, and compliance with technologies set elsewhere in the supply chain, maintenance of service quality, and currency of information provided, and security issues with the technology are all also applicable.

In addition, whilst within a given economy there may be a “digital divide”⁷³, between economies there are also different levels of readiness, and in levels of necessary infrastructure. Whilst billions of web pages and millions of users are on the Internet, current figures show this represents only around 10% of the world’s population,⁷⁴ and a UN development report suggests that productivity gains due to new technology might widen economic development levels, particularly in the Southern hemisphere.⁷⁵

According to numerous surveys however, travel and tourism product remains one of the largest (and still growing) sectors of online purchases, and potential tourists use the Internet extensively in accessing information on destinations and travel related products. In an industry which, by its nature, is substantially international, and in a economy increasingly characterised by global and cross border transactions, and in a society becoming increasingly accustomed to online activity both in work and leisure, the phenomenon of e tourism is central to economically sustainable development.

Prior APEC Initiatives and Research

APEC has published joint ministerial declarations, issued policy guidance and has formed a number of working groups, which have conducted research and activity relevant to the present report. The Tourism Working Group, (TWG) and the SME working group (SMEWG) particularly, have produced detailed reports in a number of areas, which are specifically referenced as applicable throughout this document, rather than summarised. In this section some of the key general themes from this work are indicated as reference points for the present study: the original reports should be consulted for further detail.

Other international bodies, including various UN agencies, and the OECD also produce corresponding reports, studies and policy guidance affecting development. The Bologna charter on SME policies⁷⁶ is relevant both to many APEC member economies and to sustainable development of the global tourism industry, since the sector is almost entirely composed of SMEs and micro-businesses. The recommendations, covering e-commerce, human resource development and others would be progressed cooperatively within international organisations.

Business and Human Resource Development

The lists of Wahab and Cooper, and of Smeral are largely accommodated by the SPAN report⁷⁷, which identifies five areas applicable to SME business development, namely, human resource development, finance, access to markets, technology and technology sharing, and access to information. The policy environment shapes programmes and the conduciveness



of possibilities in these areas. Many economies have adopted this framework, whose structure informed the present study, and is further detailed in later sections.

Human resources development in the tourism sector has been a concern both of APEC and of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Identified “problems and constraints (include):

- (a) shortage of qualified manpower;
- (b) shortage of tourism training infrastructure and qualified trainers;
- (c) working conditions in the tourism sector; and
- (d) lack of strategies and policies for human resources development in the tourism sector”.⁷⁸

Entrepreneurship development and growth of micro, small and medium enterprises (MSMEs) is viewed as “vital to the health of the global economy” and one of the “most significant developments in the American economy”.⁷⁹ A report referenced in the same document views capital markets; research and development and intellectual property (IP) protection; workforce quality, expanding markets and (dependable) infrastructure as important areas to the entrepreneurial economy. The correlation between entrepreneurship and economic growth is widely held.

SMEs have been called an engine for growth, and a help in poverty reduction, but research across 76 countries (Beck, Demirguc-Kunt and Levine, 2003) suggests that directly subsidising their development is not appropriate, and there is no causal relationship of the SME sector to these goals. Rather, policies that affect the conduciveness of the overall business environment to growth are somewhat

indicated, with investment climate, ease of entry and exit, effective contract enforcement and access to finance being key components⁸⁰. General stimulation of the entrepreneurial environment for all firms, and enabling SME activity by removal of specific barriers is therefore an appropriate direction for policy.

Entrepreneurship, conceptualised as a risk-taking individual, (not just a business owner) is seen as critical to growth in APEC economies, and entrepreneur development is to be encouraged. The entrepreneurial environment is however affected by: “regulatory and tax burdens; labour market legislation; competition policy and legal conditions. Removing these barriers is urged, and a focus on “developing networks among micro, small and medium enterprises (MSMEs) and promotional agencies, MSME banks and MSME associations” is also indicated.⁸¹

Access to Finance

Most tourism businesses are SMEs, and in many APEC economies, both advanced and developing, most of those are very small businesses (microbusinesses) with fewer than 5 employees. In Australia for example, over three quarters of the private sector employs five people or less⁸². This brings various issues related to finance, including collateral, cash flow, costs of training and technology and ability to ride out crises. Sometimes lenders also negatively consider recent unemployment or redundancy and a lack of credit history in entrepreneurs.

Access to finance, rather than total cost of loan, is often a barrier to business start-up, crisis handling, and expansion and development. In poorer countries, the issue can be compounded, and in Bangladesh Grameen Bank pioneered a new strategy,



microfinancing, to address poor borrowers without collateral, or who were otherwise disadvantaged. Based on “mutual trust, accountability, participation and creativity” the Grameen system uses conditional loan credit to managed small groups: in late 2002, 95% of these were women.⁸³

Microfinancing, and microcredit schemes, where small loans are made available to very small businesses, has also been a development strategy promoted by the World Bank to address similar access to finance issues in developing economies, and particularly for women entrepreneurs. Some specific schemes are detailed in the country breakdowns in part 2, and a dedicated website⁸⁴ provides useful background resources and research. A list of key gender issues related to microfinance along with eight relevant strategies is also provided on this site.⁸⁵

Access to finance is important for SMEs, but financial management skills, investment choices and viable incomes are also necessary for a sustainable tourism industry. In some economies poverty alleviation is applicable, and is related to economic development strategy more generally. The investment climate, external money markets and policies imposed by central banks or taxing authorities may also condition the potential for sustainable development in regional areas or developing economies.

Market Access

Although essentially a service industry, for market access considerations, tourism may be viewed as an export industry, with the destination as the product. It is a major source of foreign revenue for many economies, and as tourism-associated industries with a product focus, such as indigenous crafts, food and beverage

products become implicated, tariffs and taxes related to product exports are applicable. Markets related to cross border flows of labour, capital and other factors of production within trading regions also become applicable to sectoral and wider development.

Falling commodity prices affect economies heavily reliant on their export for revenue, and may motivate a diversification into tourism and other service industries. Environmental certification however is a non-tariff barrier that may impact on tourism development, and 40% of least developed country exports (compared to 15% for developing/transitional or developed economies) are subject to non-tariff barriers related to export quality standards⁸⁶.

Market based and privatisation policies are increasingly evident in many APEC economies, though have been widely critiqued as systemically unsustainable, and exploitative of national infrastructure, with examples in transport and utility sectors which can be readily cited⁸⁷. Market access rules in a global context relate to the potential for service suppliers to operate in a particular market. In tourism, without government regulation to limit this, the potential exists for unlimited numbers of providers to, for example, develop resorts, build hotels in beauty spots, or for other industries to process waste or hazardous material in remote and unspoiled locations. Licences to operate tours, and to operate soft adventures would be other relevant market barriers for some providers in the sector.

Tourism is a sector with both a domestic and an international market, and is often characterised both by low barriers to entry, and being ideally suited to marketing through information intensive and global channels, such as the Internet and



broadcast multimedia. This implies that tourism SMTEs and start-ups can be “born global”, i.e. international new ventures that achieve access to global markets rapidly after foundation and achieve significant export earnings⁸⁸.

Technology and Technology Sharing

Technology, and especially information and communications technologies (ICTs), is considered to be fundamental to prosperity in the knowledge economy, where the skills to transform knowledge and information into innovative products and services is a defining success factor⁸⁹. ICT “will play a key role in the future development of the whole of Asia.”⁹⁰ Recent statements on this matter from several government and major international organisations are available.⁹¹

Technology is a major issue for many developing countries in the APEC region, and applies particularly across construction, energy, environmental, health, (air) transport and tourism services⁹². All these sectors directly or indirectly affect tourism sustainability.

Information and communication technologies (ICTs) directly underpin much of tourism SME business activity, and provide a foundation for e-business, with travel and tourism already dominant in global e-commerce information seeking and transaction activity.

The intelligent use of technology is however, essentially a human capability, and thus technological development goes hand in hand with human resource development. New technology and related management training was a key need identified for sustaining the competitiveness of regional Spanish tourism in a recent study⁹³, and there is no reason to suppose that this widely differs

from many other regional tourism economies. In the APEC region, IT is seen at a high level as critical to sustainable development. The Awaji conference statement has noted that Asia leads mobile phone ownership and its IT development is already very close to that of the West⁹⁴. With little time lag involved in IT, continuing growth towards sector leadership would be expected, and unified standards; personnel training and education are indicated.

The knowledge infrastructure of a region or an economy has been widely seen as the critical developmental factor as regions and nations develop into a “new” or a “knowledge” economy. Industry clusters, use of ICTs, linkages between education and business, sharing best practice and enhancing organisational learning, innovation parks and incubators, and effective and rapid relevant research dissemination and commercialisation are aspects seen as key to maintaining competitiveness. Kennedy and Forman consider these in relation to infrastructure and regional development in Australia⁹⁵. Mathews considers Taiwan’s success with innovation alliances in detail⁹⁶. Taiwan’s rich linkages up and down the value chain, and horizontally with complementary providers, improve the competitive position of some or all of those involved. SMEs however often have particular difficulty with access to technology sources and to relevant R&D that can keep them “abreast of technological changes in the global economy”, impacting on their ability to innovate through knowledge input⁹⁷.

As an information intensive and global industry, the most relevant technologies in the tourism sector are ICTs, as a marketing channel, for record keeping, making bookings, information search, relationship maintenance, bill preparation, email and



electronic commerce functions. Environmentally sensitive technologies are also applicable for some operators.

E-readiness is a major and multidimensional concept underlying the ability of a country to develop, grow and engage through Internet channels⁹⁸. Emphases of definitions span policy and implementation aspects, for example “An ‘e-ready’ country has extensive usage of computers in schools, businesses, government, and homes; affordable reliable access in a competitive market; free trade; skilled workforces and training in schools; a culture of creativity; government-business partnerships; transparency and stability in government and an evenly enforced legal system; secure networks and personal privacy; and regulations allowing digital signatures and encryption.”⁹⁹ The APEC Electronic Commerce steering group’s definition is: “A country that is ‘ready’ for e-commerce has free trade, industry self-regulation, ease of exports, and compliance with international standards and trade agreements.”

These definitions are quoted by Sarkar and El-Sawy (2003)¹⁰⁰ along with several others from influential groups¹⁰¹, and they usefully consider e-business readiness as comprising 1. human capital formation, 2. local and international connectivity, 3. alliances for knowledge creation, 4. management culture for building long-term capabilities, and 5. government policy. These aspects address potential barriers applicable to tourism SMEs.

Several tools and self-assessment instruments for e-readiness are available, indicating development achievement levels on specific indicators¹⁰². APEC’s broad e-readiness indicators, embodied in its e-readiness guide¹⁰³ include

- (a) basic infrastructure and technology;
- (b) access to necessary services;
- (c) current level and type of use of the Internet;
- (d) promotion and facilitation activities;
- (e) skill and human resources; and
- (f) positioning for the digital economy.

Voluntary use of the APEC e-readiness guide is urged, and focusing on policy and trade aspects such use is exemplified by Hong Kong government, whose application of it indicated Hong Kong’s relatively advanced achievement, but also areas for possible improvement¹⁰⁴. More recent approaches incorporate impact metrics to establish global competitiveness in ICT networks. A consideration of various indexes of national competitiveness, and their relevance to specific policy areas is provided in the Global Competitiveness Report.¹⁰⁵

Whilst a basic level of technology capacity exists for many economies, e-commerce uptake has been slower, and needs to be seen in the context of wider e-readiness. Readiness should not be confused with accomplishment. A 2002 report¹⁰⁶ found several barriers to adoption among tourism SME operators, including limited knowledge, lack of awareness, cost of initial investment, cost of system maintenance, and lack of confidence in its benefits. That report also used prior research to divide APEC member economies into “leading” and “lagging” groups recognising different development levels in this regard. Of relevance to the present study, Australia and Chinese Taipei are in the first group (e-business leaders and contenders), and México and Thailand are in the second (e-business followers). APEC’s Industrial Science and Technology working group develops and implements initiatives in technology and technology cooperation.



Internet access varies widely across and within APEC economies. The “digital divide” concept recognises that many APEC economies have low teledensity and access to the information society compared to other developed nations and regions. Statistics indicating the extent of the digital divide are available, but lack of relevant data has been criticised as being unreliable¹⁰⁷ in measuring the impact of ICTs on development and for policy setting (ITU, 2003). Regardless of non-harmonised quantitative data collection, APEC TEL has noted that common factors determining level of access include “income, education, age, gender, disability and rural/urban location”.¹⁰⁸ This implies that before the Internet can be used for online booking, distribution and marketing, customer relationship management, reporting and other activity, basic infrastructure of communications networks, computers, affordable software packages and the necessary literacy are in place. Specific programmes to achieve this would generally be implemented at economy level.

Government can create demand by adopting “lead user”¹⁰⁹ activity. Successful policies for bridging the digital divide have been identified, with elements that focus on leadership, partnership, market focus, scalability and sustainability. A need for policy coherence is also clearly indicated¹¹⁰.

Environmental technologies are also relevant in numerous tourism locations. Without sustainable water, energy and carrying capacity generally, destinations’ lifespans are limited. In ecotourism, and for many regional locations and developing economies, such infrastructure is a more basic policy priority than value-adding services.

Access to Information

In general, access to information is vital to all, but particularly for less developed economies, as it enables appropriate and informed decisions to be made by the communities affected. The information content usually understood as broadly relevant to SMEs in the APEC region includes available sources of finance, training, technological and business opportunities, health issues, applicable legal frameworks, research of direct relevance and industry and market information, whilst distribution concerns online channels as well as through traditional media and relevant agencies.

Policies on information made available also condition levels of access to certain types of information, particularly in developing countries¹¹¹, and a gender dimension sometimes applies when lower literacy rates and access to education further marginalises women from the “global information society”.¹¹²

The concept of access covers both content and distribution, and has been conceptualised in detail as a “rainbow” by Clement and Shade (1996) and is freely adapted by Gurstein in his paper on rural development and informatics¹¹³. The model covers the purposes of access, the demographics of access, the channels and content, devices, tools and services aspects. Literacy, governance and provider aspects are also accommodated in the model.

Access has been highlighted as a particular issue for tourism operators in developing countries¹¹⁴ and SMTEs often face difficulties in terms of obtaining the content, or if available, sourcing it through known distribution channels. A similar problem exists generally in rural and regional areas of other economies, where



the digital divide applies. As information is increasingly electronically mediated, such regions can be left behind.

Women Entrepreneurs

In some economies many women are already active and successful entrepreneurs, and elsewhere women contribute to economic development in various other ways, for example in regional and developing areas through “involvement in agriculture, petty trading and wage labour activities”.¹¹⁵ Women are constrained from full participation however by barriers including low wages, and lack of access to capital, skills training, market facilities and appropriate technology. In some developed economies, leadership and entrepreneurial activities also apply as gendered issues.

Entrepreneurship generally is a key aspect of economic development, and is defined as “individuals who are innovative, visionary and ready to take the risk of starting-up new business”¹¹⁶. In 1998 APEC adopted a gender mainstreaming policy, targeting the empowerment and capacity building of women, and removing barriers that prevent full participation in the economy¹¹⁷. The issues of access to finance, training, technology and information faced by all entrepreneurs in many economies are often exacerbated for women. Women entrepreneurs are of particular interest in the study, since research shows their superior efficacy in business, and generally growing importance in the many economies. Some background research elaborating these general claims is now described in relation to some key development areas.

A report presented to the UN notes that “Increasing the number of women involved in starting new businesses is

critical for a country's long-term economic growth”¹¹⁸. Findings suggest that women entrepreneurs’ motivations differ between developed and developing countries, and also motivations differ between women and men in regard to growth. The report’s authors thus caution against a single policy approach, or simple transfer between economies of successful programs¹¹⁹.

The United Nations Department of Economic and Social Affairs has noted that in a number of OECD countries, including Australia, “small and medium-size enterprises owned by women are growing at a faster rate than the economy as a whole”¹²⁰. This paper also indicates that a majority of self-employed workers in several APEC economies, including Thailand, are women, and in México, 23% of entrepreneurs in retail and service sectors are women, possibly because start up costs are lower, and obtaining finance is harder. Microfinancing has shown examples of positive effects on empowering women as entrepreneurs, particularly in poorer nations facing short-term crises¹²¹. Useful resources pertaining to women’s access to finance are available from the Global Development Research Centre¹²².

Women reportedly also face barriers in access to markets, particularly corporate, and in both developed and developing economies. A recent study¹²³ found US women’s businesses only captured 4% of this market for outside goods and services, with reasons given including learning about opportunities, and reduction in the number of opportunities due to the bundling of smaller contracts into fewer large contracts. Many had formed joint ventures or strategic alliances to bid on opportunities with large corporations. Although yet to be specifically examined in some other APEC countries, any market access issues for women entrepreneurs



would be important to combat for development.

A study in México found that 64% of women entrepreneurs in México City used computers in their business¹²⁴. An increasing number of both men and women business owners are using the Internet in their businesses, and for both, 25% of those business owners with a computer and internet access also had a web page. Professor Gina Zabludovsky, the lead researcher, commented on the value of such research in raising government awareness of relevant training needs, especially for women. The study however did not extend to regional México, so these figures may be unrepresentative of the economy as a whole.

Gender mainstreaming is also informing task force activity in other spheres affecting the sector and its infrastructure. The International Telecommunication Union's development conference in 2002 considered the necessity for a gender perspective on issues such as rural development and universal service access, capacity building and partnerships, and noted that "Making better use of human resources and skills of women significantly adds to the pool of talent, which will be needed in the new information society"¹²⁵.

Relatedly, the Asian Development Bank (ADB) has produced gender action plans and related initiatives as part of its strategic development objective to increase the status of women. Their policy for addressing gender disparity is extensive, and informs the selection criteria, participation levels and operation of programmes and funded project work across a range of activity, and in developing gender-inclusive policy advisories, awareness activity and specific assistance¹²⁶.

Finally, many APEC economies are served through the Confederation of Women's Business Councils in APEC (CWBC-APEC), which facilitates exchange of best practice information, helps to establish networks, and operates convention events. A related group, the Women Leaders' Network, works to build alliances to ensure the relevance of APEC's agenda to women.¹²⁷ As a cross cutting issue, in this report women entrepreneurs' issues will be discussed within the SPAN category framework¹²⁸.



Scope of Research

Two policy goals for tourism embodied in APEC's Tourism Charter¹²⁹ directly relevant to this study are *removal of impediments to tourism business and investment*, and *sustainable management of tourism outcomes and impacts*. The Tourism Working Group (TWG) conducted a study related to the first policy goal, and found "relatively few significant impediments", and another on the second that confirmed the perceived importance of sustainable tourism to an economy, but also that only a third of tourism related enterprises had relevant training¹³⁰.

Economy specific impediments, however, in addition to training, such as access to finance, market barriers; information access and regulatory and other policies are frequently reported in relation to SMEs and especially MSMEs across APEC economies.

Although definitions of SMEs vary across economies, (usually based on number of employees, total assets or turnover) a business in the range of 1-500 employees has been used in some previous APEC studies to encompass a definition applicable across all economies, and a threshold of 20 employees used to distinguish small businesses. An official table, reproduced for convenience at the end of this section, gives the definitions for each economy provided to APEC in 1998, although it should be noted that some of these might be subject to change or fuller definition reflecting updated turnover or asset figures, or policy revision.

A very important subcategory of SMEs, accounting for about 74% of all registered businesses,¹³¹ is microbusinesses, and much micro-enterprise activity is not

recorded by the reporting mechanisms applicable to larger, registered businesses, nor accounted for in statistical categories, for example in smaller accommodation providers such as homestays. Equally, such businesses may not be eligible for government programmes designed for larger scale operations, and they face other barriers in relation to business development.

In many cases, the issues for microbusinesses or microenterprises (1-5 employees) are thus considered to substantially differ from those applicable to medium or relatively larger scale enterprises, and aggregation with such SMEs may be insensitive to detecting important concerns. It is recognised that most businesses in many economies are smaller scale SMEs, and that most tourism businesses fall into this category. In this study smaller scale MSMEs are therefore highlighted, and current economy specific definitions are given for the economies under investigation.

The informal sector's contribution is often centred around women-led households and operates outside the formal market system. APEC has recognised the differences from traditional SME characteristics, and has formed a subgroup of the SME working Group (SMEWG) specifically for microenterprises and provides a development action plan, whose work provides further detail and argument for specific policy development and research activity¹³².

Against this, and the other background literature, the present study sought to detail the barriers to business development, and other issues arising for tourism MSMEs, across an indicative range of four economies, and then to follow this by compiling an overview of policies, programs, initiatives and responses



addressing the areas of need covering the 21 APEC economies.

Australia	Services Manufacturing	< 20 <100
Brunei Darussalam	Manufacturing or services	<100
Canada	Services Manufacturing	<50 <100
Chile	Small	Annual sales of USD75, 000-780,000
China	Small	50-100
Hong Kong	Non-manufacturing Manufacturing	<50 <100
Indonesia	Small	Annual sales of <USD100,000
Japan	Services Manufacturing	<5 <20
Korea	Small and medium Services Manufacturing	<20 <300
Malaysia	Full time	<150
México	Micro Small	1-15 16-100
New Zealand	Small and medium	<50
Perú	Small	Annual sales <USD17 million
Philippines	Small	10-99
PNG	Manufacturing and services Very small Small	5-10 11-20
Russia	Small	1-249
Singapore	Services Manufacturing	<200 employees Fixed assets of <USD15million
Chinese Taipei	Services Manufacturing	<50 <200
Thailand	Small	<50
United States	Non-manufacturing Manufacturing	Sales <USD5million <500
Vietnam	Small	<30

Source: Profile of SMEs in APEC Economies 1998¹³³



Part I - Study in Four APEC Economies

The background issues raised in the preceding literature section shaped the general research inquiry, in recognition that any one issue could draw upon an extensive background of theory, literature and practice. The rapid changes in the industry due to technological advances and globalisation also meant that informed current and outlook literatures are particularly relevant. Accordingly the research was designed broadly to cover the significant issues identified from the sustainable tourism literature, and from the business development and competitiveness literatures.

These were structured into themes identified as being of common interest to APEC, by reference to APEC's own body of literature on related issues, to allow direct comparison, triangulation and extrapolation from other APEC studies and reports.

Depth was achieved by the methodology chosen, described in detail below. This used an intensive interviewing process, within a qualitative methodology, and a sampling strategy designed to converge quickly on essential issues as perceived by relevant stakeholders. Following a descriptive orientation to each economy, the study itself is detailed.

Description of Economies

Australia

Policy Environment

Australia is economically and technologically relatively advanced, is politically stable, with a small population and a large landmass. It is a federal democracy, a member of the WTrO, a signatory to GATT and, with a generally open and liberal philosophy, has recently been engaged in various bilateral trade deals. Commodities traditionally have been major exports; and Australia is now shifting towards a new economy with tourism and other services growing in importance as e-commerce uptake continues¹³⁴.

Policy relevant to tourism and small business is developed within the Department of Industry, Tourism and Resources (DITR), whose site provides factsheets and summaries of the contributions of these sectors and current funding and other priorities. Skills development, business incubators, referral and advisory services and reform activities are generally indicated.¹³⁵

The Australian government recently drafted the "Ten Year Plan for Tourism" and invited consultation submissions, available through its website.¹³⁶ This "green paper" specifies legislative and other outcomes that will shape the industry. The paper covers a range of issues, including, the requirement for policy on public private partnerships, a review of the relatively heavy taxation and imposed levies across the industry, improved infrastructure, research and



licensing and addressing the inadequate comparative funding levels perceived throughout the industry. Numerous key groups indicated their priority concerns, including issues for policies affecting SMEs. The Australian Tourism Export Council (ATEC) for example called for a comprehensive national approach to (relevant) research to inform business decision-making, and to prioritise industry education and professional standards fundamentals. Funding in particular was low compared both with other industries, and with other countries.¹³⁷

The green paper has since evolved to a white paper, and a significant set of reforms was officially unveiled in November 2003. The funding issue was addressed by a federal boost of AU\$235 million to lift direct expenditure on tourism to over \$600 million over the following four or so years¹³⁸. The initiative has been welcomed by the WTOO¹³⁹, and within the industry.

The importance of the natural environment is specifically enshrined in much of Australia's policy and legislation. Its national policy notes that "Sustainable development requires the maintenance of biodiversity, ecological integrity: and natural capital", (i.e. the underpinning stock of (resources). Loss of biodiversity, management of remaining forests and protection of areas of significance are among key issues.¹⁴⁰ However "Australia does not have laws to identify the environmental impacts of Free Trade Agreements, and lacks procedures to ensure adequate scrutiny in Parliament".¹⁴¹ One consequence of rushed free trade agreements is the possibility of allowing foreign corporations to challenge or weaken local laws designed to protect the environment, without due consideration of such impacts.

The leading policy environment for sustainability, nationally and possibly internationally, is that of the Western Australian Government, whose premier, Geoff Gallop, has tied his leadership to an extensive and deeply researched sustainability agenda. Professor Peter Newman, the director of Australia's largest research centre for sustainability issues, prepared a detailed report with guiding principles. This stressed how only small policy changes can be effective, and increased costs are not inevitable. Forty-two government departments were involved and the associated website¹⁴² has received global attention¹⁴³. Initiatives cover infrastructure, education, eco-loans, and indigenous management of land, legislation and energy, among others. Specific decisions on, for example, reef resort developments have been made in this light.

SME Environment

SMEs account for most Australian business, and are catered to through various agencies at different tiers of government. AusIndustry in particular assists Australian businesses to become "more innovative and internationally competitive". It is a Division of the Department of Industry, Tourism and Resources. Jointly with the Australian Tax Office (ATO) it administers an R&D tax concession, and R&D tax offset program for SMEs, and various training and specific grant programmes. Its initiatives are generally competitive and market driven in thrust, with a strong focus on innovation.

Brunetto and Farr-Wharton (2003) consider the effectiveness of policies aimed at microeconomic reform of Australian SMEs in response to globalisation impacts. Encouraging collaboration is a key feature of many of



these policies: they cite work by Enright and Roberts (2001); Marceau (1999), and Tonts (1999) specifically examining the effects of the business policy framework in this regard, and other literature on business growth from a regional development perspective (Roberts, (2000); Alexander (1994); Beer, Bolam and Maude, (1994). Their review identifies common criticisms of the programmes including lack of specific objectives, poor targeting, poor communication to client groups, and lack of coordination among agencies. Specifically on the issue of business collaboration, they cite the suggestion of both Marceau (1999) and of Enright and Roberts (2001) “that Australia lacks a general business policy framework”. Their own work looks at the engagement of government promoters of collaboration programmes with regional SMEs, and the factors affecting the SMEs’ uptake of them.

Tourism Industry

Tourism is a major contributor to Australian economy, employing 10% of the workforce and accounting for 4.5% of GDP. The Australian Bureau of Statistics introduced a tourism satellite account (TSA), helping to increase recognition of the industry’s importance, which was previously harder to measure¹⁴⁴. The WToO gives a general description of TSAs¹⁴⁵, which it considers a strategic instrument to analyse tourism’s economic importance.

The Australian Tourism industry is served by a variety of stakeholder bodies including federal and state ministries, city and local government offices or portfolios, peak and subsector specific national industry bodies and by local tourism bureaus and operator networks. Whilst coverage is ensured by such a structure,

duplications in certain areas and fragmentation of effort and costs can result. The marketing of Sydney for example until recently was fragmented across several independent bodies¹⁴⁶. Peak bodies exist for subsectors, and for general communities of shared interest, such as inbound tourism operators (ITOs).

Some consolidation of these within the industry is beginning to occur: for instance the New South Wales Bed and Breakfast associations merged with New South Wales Farm & Country Holiday Association in April 2003 and the Australian Bed and Breakfast Council and Farmstay Australia have agreed in principle to merge in July 2004.¹⁴⁷ These bodies are of course specific only to a subset of operators.

One national peak industry body is the Australian Tourism Export Council (ATEC). With over 1000 members and wider representation than other bodies, it works with other key bodies to coordinate lobbying activity and to facilitate business-to-business networking¹⁴⁸.

The Tourism Council Australia (TCA) is another peak body, and has addressed itself to, for example, cultural heritage tourism, launching an action plan for sustainable tourism in 1999. The requirement for standards and principles to provide a framework for sustainable development has been recognised, and has led to emerging guidelines for operators that relate their codes of practice to heritage management codes, (du Cros, 2000)¹⁴⁹. This is considered a pioneering initiative and suggests an effective three-way partnership model comprising government, private sector and community¹⁵⁰, allowing for a balance of public infrastructure, local impact and venture interests to be reached, and structured into development policy frameworks.



The Australian Regional Tourism Network is another national alliance of public and private sector specifically interested in regional tourism development, and founded in 2001. A major barrier they have noted is the lack of awareness by government and regional communities of the value and importance of tourism in regions. A related lack of quality research relevant to regions has also been found in a study this group cites.¹⁵¹



Chinese Taipei

Policy Environment

The history of the SME policy environment is characterised in the responsible ministry's (the Small and Medium Enterprise Administration Ministry of Economic Affairs- SMEA's) website.¹⁵² Stability, wealth equality and progress are highlighted policy priorities. A member of the WTO since 2002, Chinese Taipei has shown significant economic growth through manufacturing and technology businesses, although less so in tourism ones until recently. SME policies however commonly affect the economy, which has a very high proportion of SMEs, and common issues of lack of R&D capability, access to finance and human resources apply.

Recent policy to strengthen competitiveness aims to speed up integration of knowledge and industry, encouraging entrepreneurs and establishing a leading business start-up environment. Incubators have been set up in recent years, both publicly and privately funded and are an important element of SME development and "cultivation strategy". However these have tended to focus on high-tech SMEs, although a certain amount of tourism enterprises are represented: 11.8% of enterprises in incubators on 2001 were tourism or other service¹⁵³. Extensive and detailed annual reports on Taiwan's SMEs, that covers human resource, financial, marketing and other aspects are available from the SMEA's website, along with statutes and other resources.¹⁵⁴

SME Environment

The standards to define SMEs are specified by the Small and Medium Enterprise Administration, of MOEA,¹⁵⁵ and use criteria of legal registration, operating revenue and employment limits. A small-scaled enterprise refers to the subset with 5 or fewer employees. There were a total of 1,104,706 SMEs in Taiwan in 2002. There were 9,454,000 persons employed by all enterprises in 2002, with 7,361,000 of these being employed by SMEs (77.86% of the total). The number of persons employed by tourism industry (including hotel, restaurant, cultural, sports, and leisure service) was 671,000. This accounts for 9.12% of the number of employees of SMEs.

SMEs comprise 98% of enterprises with around 20% owned by women. This is a 5.5% increase within the last 10 years¹⁵⁶. The proportion of female employers is significantly higher amongst SMEs than large enterprises (15.80% vs. 11.86%). Looking at the gender structure of the self-employed, it can be seen that the share of the total number of self-employed accounted for by women has been rising steadily (21.41% at 2002). Clearly, more and more women in Taiwan are starting their own businesses, which is in conformity with global trends.

For most industries average salaries were in the range of NT\$25,000 to NT\$40,000; however, there were some exceptions. The average salary in the hotel and restaurant industry was NT\$23,126. Within the SME sector, the hotel and restaurant industry has the longest average hours, at 49.51 hours per week.

Current research suggests however that there are traditional social barriers to



development of women entrepreneurs in Chinese Taipei, which is “still lacking a friendly environment that fosters female entrepreneurship (and business establishment)”¹⁵⁷.

A return to the traditional Taiwanese qualities and ethical management style that led to successful SMEs is urged in SMEA’s latest analysis. There is a public level of self-serving materialist attitudes that requires address if globalisation’s benefits are to be realised. With specific reference to the developing tourism industry, intangible capital vested in entrepreneurs’ integrity, trustworthiness, diligence and kindness are related to the achievement of sustainable operations.¹⁵⁸

The funding for SME development is both public and private. Venture capital is generally seen as stimulating SME development, job creation and economic growth. Although government funds for venture capital is widespread across the APEC region, Chinese Taipei has no policy of special venture capital programs, but does have the region’s highest investment in technology and a robust venture capital market¹⁵⁹. The economy’s advanced technological capability helps SMEs online marketing, including to mainland China, where the language barrier is less significant.

Tourism Industry

A tourism satellite account (TSA) collects information on tourism supply and demand in order to measure the weighting of tourist activity in the overall economy and the influence of tourism on production, investment, and employment in related industries, as well as to express accurately the contribution of tourism to the national economy. For Taiwan, the 2002 TSA showed the following main results:

Tourism earnings totalled NT\$321.63 billion; with spending by foreign visitors being NT\$108.62 billion, spending on domestic travel by local residents being NT\$166.05 billion, and domestic spending by local residents travelling abroad accounting for NT\$46.96 billion. Tourism’s contribution to GDP was 4.2%.

Tourism supply for different tourism products showed shopping had the highest value of NT\$39.433 billion, followed by various figures for food and beverage, land transportation, air transportation, car rental, travel agency services, entertainment services and other tourism products.

Specific tourism weightings for tourism products and industries are also given, and tourism’s influence was calculated as having surpassed agriculture making tourism a major industry for Taiwan. The overall equivalent full-time job figure across all tourism industries was put at 221,974, with the food and beverage, land transportation, hotel, and retail industries the major components.¹⁶⁰

The Tourism Bureau commissions an annual survey on visitor expenditure and trends. Preliminary analysis indicates that overseas visitors to Taiwan in 2002 spent on average US\$204.15 per person per day. This includes 37.71% of hotel bill, 17.96% of shopping, 14.69% of meals outside hotel, 10.72% of entertainment, 8.57% of domestic transportation, and 10.36% of others. According to statistics on entry and exit supplied by the Bureau of Immigration, Ministry of the Interior, each visitor stayed in Taiwan for an average of 7.54 nights. Therefore, each visitor spent an average of US\$1,539.29 in Taiwan and their total spending for the whole year amounted to US\$4.2 billion (equal to NT\$145.1 billion).¹⁶¹



December 2001 saw regulations implemented for the Management of Home Stay Facilities. This was to help the different agencies revise related laws and to guide operators in the legal establishment of their facilities. On Oct. 2, 2002 the first legally registered host family opened for business.

in this business. Female owners or entrepreneurs are about 20%, reflecting the proportion in SMEs generally.

Classes on Home Stay Management were promulgated to increase home-stay service quality, with professional lectures on marketing, safety, management and operating concepts, and food and beverage with special characteristics. The Tourism Bureau has continued to assist counties and cities in holding homestay registration application seminars, and helping to register a number of home stay facilities¹⁶².

100% of homestay operators belong to SMEs. 90% of operators hire less than 5 employees. 5-10% of them hire 6-10 employees. 97% of homestays belong to individuals or families. Room numbers of most homestays are between 5 to 15.

65-70% of operators are female. Expert opinion suggests that this business is very suitable for female operators because they are considered more careful and attentive, even though they may have some difficulty in doing hard work such as gardening.

All of the homestay operators interviewed here hire less than 5 employees. All of the homestays belonged to individuals or families, and all of the homestays had 5 rooms. The interviewees have operated the homestays for 2 to 3 years. The ages of most of the operators are 31 to 40 years old. One of the operators is 41 to 50 years old. This sample is thus considered representative for Chinese Taipei.

There are about 2400 travel agencies in Chinese Taipei, 99% of them are SMEs. There are about 70% of female employees



México

Contemporary México may be summed up in two words: heterogeneity and transition. With respect to geography, the enormous northern deserts are a contrast to the tropical forests of the south and southeast of the country; with respect to the economy, the industrial centres along the U.S.-México border are a contrast to the communal pattern of land exploitation within some indigenous communities; with respect to culture, the cultural influence coming from the United States overlaps with México's historic pre-Hispanic heritage; with respect to socio-economic affairs, the wealthiest man in Latin America is Mexican while almost half the Mexican population live below the international poverty standards; from the educational point of view, several Mexicans have been awarded the Nobel Prize while more than 32 million people are immersed in under-education. In view of the above, the Mexican Republic could be regarded as an enormous mosaic full of diversity and contrast.

Policy Environment

México is a member of the World Trade Organization and has signed several free trade agreements with countries in several regions. México signed the North American Free Trade Agreement (NAFTA) with Canada and the United States. Similarly, México signed free trade agreements with the European Union and Israel, and a similar agreement with Japan is currently at the negotiating table. With respect to the economy, the primary sources of income of the country are oil exports, manufacturing, tourism and the transfers sent to Mexican families by migrants working in the United States of America.

With respect to politics, the country is currently going through a transition to democracy that has taken more than 20 years to consolidate. In the year 2000, for the first time in history, an opposition candidate defeated in the polls the official candidate of the political party, which had been in power for more than 70 years uninterruptedly. Three political parties, PAN, PRI and PRD,¹⁶³ dominate the national political environment and share the national congress, local congresses, gubernatorial administrations, local government and several ministries. Polarized votes and the lack of consensus among the three political parties have resulted in a legislative standstill which has hindered the development of urgent reforms needed for national growth: the tax reform, the energy reform, the labour reform, the state reform, the educational reform, and the health care reform are among the most important pending affairs.

In November 2001, the Government of the Republic announced the 2001-2006 Tourism National Program, a program created to act as a political instrument intended to guide the actions of several parties involved in the tourist activity during the administration of President Fox. An important factor, which had a positive effect on the formulation of the plan, was the initiation of 32 forums, which were held in every state of the country. Around 2602 people attended said forums. Moreover, 477 papers were presented suggesting proposals to be included in the program. There were 4 guidelines included in the six-year program: to make tourism a national priority, to accomplish total tourists' satisfaction, to maintain sustainable tourist destinations and to have competitive enterprises. These 4 guidelines were complemented by the creation of 15 sectional objectives. The document also expresses a long-term vision for the year 2025, which states that by that year,



México will be at the forefront of the tourist industry.

SME Environment

In regard to the economy, 99.7% of Mexican businesses are SMEs.¹⁶⁴ These businesses generate 42% of national GDP and 64% of employment in the country.¹⁶⁵ Most of these businesses lack an appropriate management structure and only show incipient business training. When this combines with the lack of competitive power, businesses are prevented from using enough resources to incorporate their workers to social security, a condition which leaves these businesses outside the legal and fiscal framework. Therefore, big businesses generate 56% of gross production capital in the country. At the regional level, 5 states possess more than 40% of productive units while the 5 states with the least number of businesses only have 3.7% of production units.

Among the most important factors which hinder the adequate development of businesses in México we can name the following: rising costs connected with policy frameworks and excessive regulation, the embryonic development of management skills, limited training and development of human resources, scarce information systems, poor understanding of the market and trading problems, isolation from the instruments of development and technological innovation, difficulty of access to opportune, adequate and competitive financing schemes.

With respect to environmental conservation, the Government of the Republic created the Ministry of the Environment, Natural Resources and Fisheries and the Environmental Protection Agency. Similarly, there are corresponding

agencies in state and municipal governments created to monitor and protect the environment. However, the natural environment in México has deteriorated and continues to worsen gradually.

México has shown that it has policy frameworks, a management structure, diagnoses, plans, policies and programs intended to enhance the socio-economic development of the country; however, seldom have these projects accomplished their objectives.

Tourism Industry

With regard to the tourism industry specifically, in the year 2000, more than 100 million international visitors travelled to México spending \$8,858 million dollars. More than 124 million people left México to spend \$6,060 million dollars abroad. This shows that there was a positive balance in the tourist industry, which equalled \$2,798 million dollars. With respect to domestic tourism, it represented 80.5% of total tourist consumption. While tourist foreign currency represented 50% of current account income of the Mexican balance of payments in 1970, it only represented 4.3% in the year 2000. According to estimates for the Tourism Satellite Account in México in the year 2000, tourist GDP represented 8.9% of total national GDP. According to the National Institute of Statistics, Geography, and Informatics (INEGI), the tourist industry has created 1.9 million jobs.

The Ministry of Tourism is the branch of the federal government responsible for the enforcement of the Federal Tourism Law and the promotion of tourism in the country. There are offices responsible for the same tasks in several states and the



most important cities in the country. These offices can be secretariats, coordinating departments or offices that belong to a bigger branch. The National Trust Fund for Tourism Development (FONATUR), a department within the Mexican Central Bank, is a public entity created to reinforce financing for businesses, projects and activities connected with the tourist industry.

The National Entrepreneurial and Tourist Council was created to act as a communication channel between the entrepreneurs of the tourist industry and the government. It comprises a group of entrepreneurial organizations representing hotels, restaurants, travel agencies, transport services, marinas, tourist developers, theme parks and organizers of conferences and conventions. There are some entrepreneurial councils of the tourist sector in some states and regions of the country.

Among the members of this council we can name the following: the Association of Hotel and Tourist Enterprises Investors, A.C.¹⁶⁶ (AIHET), the Tourism Developers Mexican Association, A.C. (AMDETUR), the Mexican Association of Hotels and Motels, A.C. (AMHM), the Mexican Association of Tourist Marinas, A.C. (AMMT), the National Association of Car Rental Enterprises, A.C. (ANAVAC), the National Association of Hotel Chains, A.C. (ANCH), the National Chamber of Passenger and Tourist Auto-Transportation (CANAPAT), The National Chamber of the Restaurant and Food Industry, A.C. (CANIRAC), the National Confederation of Travel Agency Associations of México, A.C. (CONAAV), the National Tourist Society, A.C. (STN), the Mexican Association of Tourist Suppliers, A.C. (AMAIT), the Mexican Association of Professionals on Fairs, Expositions and Conventions, A.C. (AMPROFEC), the

Mexican Waterpark Association, A.C. (AMPABA), the Coordinating Entrepreneurial Council of the Caribbean, A.C. (CETUR-CANCUC), the Entrepreneurial Tourism Council of the State of Morelos, A.C. (CETUR-MORELOS), the Entrepreneurial Tourism Council of the State of San Luis Potosí A.C. (CETUR-SAN LUIS POTOSÍ), and the Entrepreneurial Tourism Council of the State of Yucatán, A.C. (CETUR-YUCATÁN).

The National Institute of Anthropology and History (INAH), state universities, and national and state institutes for the promotion of culture and the Arts play a key role in cultural tourism in México. They are responsible for managing and preserving the extensive cultural and historic heritage of the country: innumerable archaeological sites, museums, monuments and traditions that have always been an essential part of the tourist attractions of México.

Created in 1994, the Mexican Association of Adventure and Eco-tourism is an institutional non-profit organization, which comprises enterprises and projects intended to promote alternative tourism including operators of adventure tourism, eco-tourism and rural tourism. The mission of this association is to promote and protect the eco-tourist and adventure destinations of México and make a contribution to their sustainable development by means of specific projects involving the active participation of several sectors of the community, placing emphasis on environmental conservation, always making sure these activities are carried out orderly and professionally, following international standards.

With the objective of encouraging the sustainability of tourist operations in the country, the Ministry of Tourism



announced the *Agenda 21 for Mexican Tourism* at the end of the year 2002. This is a program which contains strategies and actions for the short, medium and long term, intended to enhance the dynamics of tourist regions, include the local community in the development of economic activities, and ensure the conservation of the natural and cultural resources of the Mexican tourist destinations. The objective of Agenda 21 for Mexican Tourism reads as follows: “*to be a program designed to define the actions and measures to be taken to achieve the sustainable development of the tourist activity and the consolidation of human welfare, protecting the environment and optimising the social and economic benefits of the community.*” To sum up, the objective of *Agenda 21 for Mexican Tourism* is to provide a framework for the sustainable development of México’s tourist activity.



Thailand

Policy Environment

The Royal Thai Government has recently launched the Ninth National Social and Economic Development Plan with far-reaching political and economic implications. It particularly addresses the importance of SMEs in future sustainable economic development. It recognises that “Rapid globalisation has given rise to both opportunities and threats for sustainable development” referring to increased regional trade groupings, a more “knowledge based and technology driven” economy and an “urgent need to undertake necessary structural reforms and develop human resources” Implementation requires prioritisation of leadership capacity, change management, and collaborative processes.¹⁶⁷ Tourism is one sector specifically highlighted in the plan.

The government has established a new Tourism and Sports Ministry in 2002 and has a wider policy of increasing tourism income. In 1959, the Tourist Office under the Public Relations Department was reorganized into a separate independent body called “The Tourist Organization of Thailand” (TOT). Because its operations necessarily were involved with and dependent upon the operations of both the private business and government sectors, and in order to eliminate non-quality tourism services as well as to develop the industry more effectively, the status of TOT was upgraded to that of an authority in 1979, with a much wider base of role and power. The Tourism Authority of Thailand (TAT) thus came into being, and its fuller history is described on its virtual information centre.¹⁶⁸

TAT underwent a major restructuring in mid-2003¹⁶⁹ aiming to help make Thailand the “Tourism Capital of Asia” under its marketing plan for 2004, starting in the Thai fiscal year 2003/2004. Therefore, since 2001, the tourism policy has focused on sustainable development of the Thai tourism industry and on using tourism as a key mechanism to bring in more foreign exchange. The plan targets visitor arrivals of 11 million in 2004, up 13.4% over the projected arrivals for 2003, whilst domestic visitor targets are 67.12 million trips, up 3.10%. Revenue targets are also up, at 340,000 million baht from foreign visitors (+17.40%), and 362,500 million baht from domestic visitors (+20.07%).¹⁷⁰

TAT’s vision and policy is described on their website¹⁷¹ and it directly recognises the economic importance of tourism in relation to jobs, revenue and quality of life, as well as the development of sustainable tourism. Domestic, new and niche market promotion, international cooperation, human and technology capacity building are all recognised in specific policy statements. The tourism policy also attaches great importance to natural beauty and Thai cultural identity in tourism resource development. The policy also concentrates on the campaign to encourage more Thais to travel within the country.

As in other countries, related policies are also in play which impact on particular aspects of development generally, for example related to information and ICTs, to infrastructure and education, training and certification and financing. Consideration of these is deferred to part two, when they can be specifically related to tourism development.



SME environment

Since the recent outbreaks of national and regional economic crises, Thailand has put more emphasis on SME development with the hope that the national economic recovery will be powered by SMEs. Promotion and growth of SMEs is a priority issue for the Thai government, which has been examining ways to overcome obstacles including labour conflict, capital shortages, and marketing problems. In terms of participation rates in SMEs, no statistically significant difference was found to exist between men and women entrepreneurs in Thailand.¹⁷² Many efforts are currently ongoing to develop effective promotion strategies and program and to make the legal and regulative frameworks more favourable to SMEs¹⁷³.

Technical cooperation with partners such as Germany have already led to SME development activities in the automotive and food production sectors such as:

- “promoting the establishment of information and service networks, and thus the access to services,
- enhancing management competence of small and medium entrepreneurs,
- providing training for entrepreneurs and employees, promoting the transfer of relevant technologies and know-how,
- improving supply-chain management in selected sectors,
- introducing national and international standards for product

quality, production management and environmental performance”¹⁷⁴

These synergise with eco-efficiency considerations, and embody training in environmentally sound management techniques. Microfinancing, transport and other training initiatives are also underway.

Sevilla and Soonthornthada¹⁷⁵ (2000) refer to the accepted government definitions distinguishing three different categories of SMEs in the Thai economy:

1. Production Sector SMEs (includes agricultural processing, manufacturing, and mining). (28.9%)
2. Service Sector SMEs. (28%)
3. Trading Sector SMEs (includes wholesale and retail) (43.1%)

The latter two categories would encompass tourism businesses. In 1998, there were 311,518 SMEs or 92% of total enterprises, distributed as shown. Authors have noted the lack of a single definition of SMEs in Thailand, and use of different criteria by various agencies. Criteria include sales per annum, net fixed assets, number of employees and registered capital. Although the number of employees' criterion (i.e. fewer than 200 employees) has remained constant, the assets definition has been upgraded to reflect changing economic conditions. The net fixed asset level has been used to distinguish small, from medium and large organizations. In September, 2002, the Minister of Industry set up new definitions of SMEs. The latest available criteria are tabulated below in table 1.



Table 1: Definition of SMEs by Total Assets Value: (Million Baht)

Sector	Medium		Small	
	<i>Total Asset Value</i>	<i>Number of Employees</i>	<i>Total Asset Value</i>	<i>Number of Employees</i>
Production	More than 50 Million Baht but not more than 200 Million Baht	More than 50 but not more than 200	Not more than 50 Million Baht	Not more than 50
Service	More than 50 Million Baht but not more than 200 Million Baht	More than 50 but not more than 200	Not more than 50 Million Baht	Not more than 50
Wholesale	More than 50 Million Baht but not more than 100 Million Baht	More than 25 but not more than 50	Not more than 50 Million Baht	Not more than 25
Retail	More than 30 Million Baht but not more than 60 Million Baht	More than 15 but not more than 30	Not more than 30 Million Baht	Not more than 15



Tourism Industry

The two crises of the Iraq-US war and SARS (Severe Acute Respiratory Syndrome) had a severe impact on Thailand. Arrivals significantly declined during the first six months of 2003. Millions of travellers stayed at home, stalling the tourism industry. The decline led the Tourism Authority of Thailand (TAT) to lower 2003 visitor arrival forecast to a figure 13.7% less than in 2002. The compensation campaign boosted domestic tourism to generate a growth of 5.64% over 2002 with assistance from the government funding of 500 million baht. It was hoped that the campaign would stimulate travellers' desire to travel domestically and also to increase their desire towards selecting Thailand as their preferred destination. A review is available with more details¹⁷⁶.

The crises have pushed the industry into a new paradigm, emphasizing the need for strong crisis management plans, rapid response mechanisms and effective cooperation and collaboration between the private and public sectors such as TAT, the Association of Thai Travel Agents (ATTA), the Thai Hotels Association (THA), various Airlines, and other industry associations.

Small and Medium-sized Tourism Enterprises (SMTEs) experienced the worst effects from the crises. With government approval they were given special low interest loans via the Industrial Finance Corporation of Thailand (IFCT) and the SME Development Bank of Thailand. In addition, the Pacific Asia Travel Association (PATA) launched a

multicountry programme to restore public confidence in travelling.¹⁷⁷

Although there were significant crises, Thailand still has enormous tourism potential due to two significant assets. Firstly Thailand is the air centre of Southeast Asia. It is on the principal air travel route that runs between Europe and India and Hong Kong and Tokyo. Numerous air routes converge in Bangkok, and a majority of air travellers to Southeast Asia are routed through Thailand. Additional airlines, often Chinese, are reportedly planning new routes that include stops in Bangkok. Secondly, Thailand has the raw materials to develop tourism. People are friendly with a colourful way of life is. Bangkok, the country's tourist centre, has numerous attractions: spectacular temples, outstanding museum, good shopping, exceptionally interesting classical Thai dancing, boat trips through the Klongs (canals), floating markets, and life on the Chao Phya River. All have great tourist appeal.¹⁷⁸ The islands and beaches are also significant enough to feature in dedicated guidebooks, such as in the Lonely Planet series¹⁷⁹. A recent overview is detailed in relation to current initiatives in the national public relations department's promotional magazine's website¹⁸⁰. In addition, specific niche markets are emerging.

Spa

Niche market pursuit is a major part of strategically positioning Thailand as the Tourism Capital of Asia. Niche markets include health and wellness, medical tourism, long-stay retirees, golfers and film-makers.¹⁸¹



The spa and health business is a particularly fast growing niche market. A recent survey by Intelligent Spas PTE Ltd,¹⁸² showed that Thailand's spa industry is worth US\$85 million, having grown 64% in three years. Thai spas had approximately 3.3 million visitors during 2001/2002, 80% being international tourists. Massage services generate about half the revenue.

Most spa facilities are based in hotels and resorts, but quality is variable. There are also day spas, destination spas, medical spas and consultants, trainers and equipment suppliers associated with the industry. An association, the Thailand Spa Association unites these members and aims to ensure high standards, and client awareness of quality services¹⁸³.

Ecotourism

Another significant niche market is ecotourism. In 2002 Thailand's first dedicated show displaying its range of ecotourism and adventure tourism products took place, marking the World Tourism Organisation (WTO's) International Year of Ecotourism

The acting governor of TAT noted "Ecotourism and adventure tourism are very important niche products for our industry because they focus on promoting tourism with care and sensitivity for our fragile environment and ecosystems. They attract a different kind of specialised clientele, including many supporters of nature, wildlife and heritage conservation causes. As such, we hope that by developing a better understanding of our forests and marine resources, they will help us protect and preserve it."¹⁸⁴

The Tourism Authority of Thailand is implementing an ecotourism strategy to

attract visitors to poorer, more rural regions of the country, which offer historical, cultural, ethnic, ecological and agricultural diversity, but have fewer tourists. Ecotours encompass visits to wineries, fruit or cattle farms, rubber plantations and ranches, and 54 locations have been identified for agri-tourism development. Soft adventure activities with potential to harm the environment are also recognised by the Thai Ecotourism & Adventure Travel Association (TEATA), which aims to develop a relevant standard of control.¹⁸⁵ Other obstacles identified in a draft ecotourism strategy for hill tribe villages cover social and economic impacts, such as intrusiveness and greater revenue for tour operators than the villages, inequities within and between villages, and interpretation and language limitations¹⁸⁶.

One village that uses local fruit to produce cotton dyes for locally made clothes has led to a rise in tourism-visitation, but also an investment offer from Japan. The offer, to mass-produce the cloth for the Japanese market, was rejected, as villagers did not wish to become cloth dyers as their primary business, preferring to see it as adjunct to their agricultural way of life. The Thai Ecotourism & Adventure Travel Association considers it important to educate villagers that rural tourism is both of intrinsic interest, and can provide income that sustains their lifestyle.¹⁸⁷



Methodology

The research reported here aims at identifying developmental issues for tourism business sustainability from an understanding both of the operators and industry professionals involved. Because the research is international in scope, research partners from a range of APEC economies took part, and conducted simultaneous parallel studies in each of four economies. The research design, instrumentation, protocols and data recording requirements were agreed in advance, with partner inputs, in line with best practice for cross cultural research.

The following approach was taken for phase I. The work began with a literature review, including relevant documents from industry and government bodies, both national and international in focus. This was supplemented by an ongoing contemporary document analysis of promotional and industry literature, and especially websites to validate the currency of information within regions.

This was supplemented by a series of face-to-face interviews and focus groups/joint interviews with tourism operators across the economies of Australia, Chinese Taipei, México and Thailand. This was done in parallel with key representatives of national, state or province and regional tourism bodies responsible for developing the industry, and with some academics researching in the relevant areas.

The interviews were semi-structured and addressed key areas of business development. An introductory phone call or email with a letter of introduction typically preceded the interview. A factsheet outlining the research aims and an associated consent form was also

provided before the interview. To ensure international relevance, the categories were sourced from prior research conducted through an APEC working group on SMEs (SMIDEC, 1998). The broad categories embraced the five identified priority areas for SME development, namely:

- Human Resource Development
- Access to Finance
- Technology and Technology Sharing
- Access to Markets (and Market Development)
- Access to Information

with a sixth, the policy environment, conditioning possibilities for a given economy. These areas were in line with similar categorisations identified earlier in the initial literature review. An interview schedule is attached at Appendix 1. This was agreed across the research partners, translated and applied to guide the content of the interview sessions themselves.

Within each category several specific items were covered, and these became the prompts for specific questioning. An indication of the relative importance of the items was also sought. Other issues specific to the tourism sector were added as they contextually applied, including issues of land ownership, custodian activity and title, cultural readiness and attitude, indigenous issues and sacred sites, priority zonings and designations, infrastructure (airports, transport, signage, access) environmental impacts, preservation, conservation and heritage, health and waste management, and water usage. The timing of the study (early-mid 2003) coincided with global issues significantly affecting the industry, including SARS, terrorism, drought and the war in Iraq. Disaster recovery questions were included to allow this



aspect to be considered. A general catchall question concluded each category and another overall question caught any perceived omissions.

Not all questions applied to all interviewees, and it was recognized that some applied more to manufacturing and product, than to service based industries. For tourism businesses that sell or export merchandise or product (such as wine), or who import health or sports related products for example, retaining these categories was applicable, and they were ignored in other cases. To cut down the amount of information asked of interviewees each prompt was allocated a code identifying possible sources of information on the item – for some aspects literature and/or documents were either sufficient, or supplemented the information supplied by operators and industry experts.

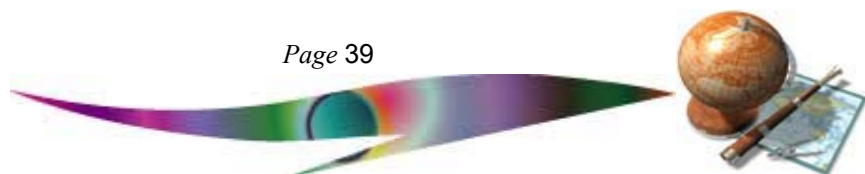
Some rapport was built by a general introductory phase in which demographic information was informally sought, the research was broadly introduced and some warm up questions asking generally about the interviewee, their background and current business. The idea was for the interviewee to talk around the issues they saw, in their own words, in relation to the five broad categories. This led on to the specific areas, which were covered more conversationally, and in the order they naturally occurred in the interviewees' account, rather than necessarily the order in the protocol, which acted rather as a checklist for completeness and probing afterwards. This allowed expression of issues in the participants' own words, rather than in preconceived categories. Interviews normally lasted about one hour, and were tape-recorded by permission in some cases. Participating operators were generally owner/operators of small to medium sized enterprises with an established or emerging tourism presence.

Participating officials generally had a portfolio relevant to business development or infrastructure support for tourism in a region. Knowledgeable academic experts, some with industry backgrounds were also interviewed as appropriate.

In some cases mini-focus groups were used for participants' convenience and to save time. These comprised a few operators or officials with a shared interest, typically a group of sector-specific tourism operators within a geographical region. These followed the same general protocol, with comments being supplemented by other in the group, and provided similar content to the interviews, although some digression into generic areas was noted. Focus groups can provide more depth and richness of understanding, however and this technique was considered useful.

In all cases care was taken to ensure the participation of women in every sector and in each economy studied. The authors have retained a full list of interviewees, and an indicative extract from this is provided at appendix 2. Issues identified as relating particularly to women are indicated as applicable within the results reported for each economy. Including other equity groups directly was not part of the terms of reference, and was beyond the scope of the project to include in the sampling. Some equity groups, (for example aboriginal communities, who are the traditional owners / custodians of their specific regions of Australia, and who have equivalent groups in various other economies) were acknowledged in interviews and these are reported on a case basis within the research findings.

An approach generally analogous to convergent interviewing¹⁸⁸ was used to guide the interview data comparisons. Here, the issues raised across interviewees are compared, and points of difference or



similarity noted, and looked for in subsequent interviews. The number of interviewees was guided by the norms for this type of methodology normally ranging between 4-16 respondents per identified sample demographic¹⁸⁹, and aiming for convergence of response content (redundancy), or an indication of the range of opinion on an issue.

Once an issue is established as generally applicable through content-equivalent recurring themes, extra interviews begin to obey the laws of diminishing returns. Hence validation of the issue becomes more applicable, and this was generally conducted by follow up face-to-face or telephone interviews with demographically similar respondents. This approach ensures an analogue to statistical power, whilst providing information of richer quality. When opinion varied extensively, and could not be attributed to only localised conditions, this was accepted as the actuality of the issue, and noted accordingly.

Any ambiguous findings would normally be subject to increased sampling or a separate study, particularly if they were critical to a recommendation. Although in some sectors under study here, interviewee numbers were sufficient to justify reporting statistically valid outcomes, the intention rather was to get broad qualitative data, to flesh out or motivate other, perhaps statistically focussed surveys and specific studies. The blend of *literal* replication, occasioned by interviewing similar operators (e.g. different backpacker hostels) and the *theoretical* replication offered by interviewing operators targeting different markets, however, gives confidence in the generalisability of the findings¹⁹⁰.

The studies in each economy also covered a major city and one or more key regional

or rural areas. This was intended to ensure that the different needs of tourism businesses across an economy were detected, and that destinations relevant to significant current and future visitor demographics were represented. These were as follows:

Australia:

- Sydney (gateway and largest city)
- Gold Coast/Sunshine Coast (major regional centres for Tourism near Brisbane, Queensland)
- (South West) Western Australia (significant rural and eco tourism growth/potential, representative of some other states and specific markets)
- South Australia (similar to WA, also not mass tourism focused)¹⁹¹

Chinese Taipei

- Taipei (Capital and the major city)
- Nantou County (regional area located in the middle of Chinese Taipei island, rebuilding as an ecotourism destination since an earthquake in 1999)

México

- México City (Capital and the major city)
- The Pacific coast states of Colima, Nayarit, Baja California Sur and Guerrero, including Acapulco, Puerto Vallarta, Ixtapa, Los Cabos and Manzanillo and others among the most important tourism destinations

Thailand

- Bangkok, (capital and largest city)



- Phuket (significant regional centre in Southern part of Thailand)

As the tourism industry spans many sub-sectors, some key areas of SME activity were selected for detailed interviewing. These were considered representative of small business development issues generally, and comprised businesses in areas critical to a sustainable industry. The selected subsectors were:

- Accommodation providers
- Tour providers (including soft adventure, ecotourism and heritage)
- An area of key interest to the particular economy studied

The research partners identified these latter areas as follows:

- Australia: rural – especially wine and gourmet tourism
- Chinese Taipei: travel agencies
- México: food and beverage sector
- Thailand: health and spa tourism

This structure allowed both general and specific results of interest to emerge, facilitating direct comparisons and points of differentiation, as well as allowing a wider range of businesses to be examined.

In part II, current government programmes and initiatives related to the research categories and the findings from the primary data are examined. This was based on document analysis, and on other published sources, including relevant interviews available in the public domain. These findings were validated by reference to industry and government experts for the four economies under specific consideration, and used as a model for indicating analogous activity and programmes in the remaining APEC economies.

The ethical issues were identified in advance of the research, and cleared through the coordinating university¹⁹². All participants were advised in writing of the nature of the research, and signed informed consent forms, which have been retained. Assurances were given and understood that business-in-confidence information was not being sought, and that personal identifications would not be made. The views described in the results section are therefore not attributed, and only generic descriptors are used to indicate the source of a view expressed by a participant.



Research Findings

Area of Development Need

The five generic areas of development need shared by all economies, and characterized within APEC by SMIDEC (1998) are as follows:

- Human resource development
- Access to finance
- Technology and technology sharing
- Marketing and access to markets
- Access to information

These are elaborated by the indicative issues listed in Appendix 1, and form the overall structure for reporting the specific findings. Within each category a breakdown by economy, then tourism sector is reported, with expert and operator views distinguished as appropriate. General conclusions and summaries follow the outcomes from the primary data collection.

Human Resource Development

Australia

Expert comments were drawn from a range of state government officials, industry association leaders and relevant academic sources. These had both specific state based issues and wider comments that spanned the whole sector.

Training in hospitality aspects was seen as necessary, and generally in quality of service. Training volunteers had problems: a “train the trainer” method was better, and needed to be locally customised. Improvement in grassroots empowerment, building knowledge capacity and decision

making ability was needed, and engagement of the tourism workforce as a critical stakeholder in avoiding duplication and cross-purposes in direction of stakeholder energy.

The nature of “management rights” resulted in unskilled operators in the industry, identifying another training need. The (state based) Residents and Managers Association made some effort here but was underfunded. A lack of perceived or admitted need for training was a barrier, even if such was available. Low or unregulated barriers to entry were an issue and accreditation was a possible solution to this.

Several experts supported an “extension officer” approach, though noting resource implications. These are trained or expert fieldworkers used in some industries, such as agriculture, to convey government information on best practice and policy to operators, and to provide support, advice and guidance on management, technology and other issues consistent with their job profile. Appointments may be made within government agencies, funded through local council cooperation, or in public/private partnership arrangements. A coaching role, particularly in early stages of SMTE start-ups was indicated, but credibility was a consideration – mentoring from other successful operators was possibly more productive in this regard.

Accommodation Providers

Many operational human resource issues applied similarly across city and country areas. Larger hotels in Sydney were often part of chains, and enjoyed the benefits of shared systems, best practices and transfers of professionalism. Leading Sydney Hotels took seven of the top ten positions in the Conde Nast Traveler’s “Best Pacific Rim



hotels” category in 2003¹⁹³. This category was not therefore examined in much depth, as SME criteria often did not apply.

Backpacker hostels in Sydney achieved high occupancy rates, and built a lively community around their events, encouraging longer stays. Their managers typically had degrees in hotel management: despite a casual image senior staff were well qualified and experienced businesspeople. Aspects of finance, planning, management, web design and entrepreneurship are covered by professionalism of senior staff, quality recruiting, internal initiatives and parent or affiliate company brands and resources such as hostel chain memberships.

Most backpacker resorts employed a few full time staff and outsourced cleaning services. Using local people reduced turnover and ensured local knowledge. Casuals travelling as a lifestyle would move on regardless of retention strategies or conditions. Backpackers would sometimes be employed on a short-term basis, usually at peak periods. Operators noted that they had to be careful here, and compliance with relevant laws was required. Competence and motivation of staff was another reported issue for some operators. Casual staff would be trained on the job, but many others came with experience from other hotels.

One caravan park had a training programme established, and links to a local Tertiary and Further Education college (TAFE), which was considered beneficial. Family businesses were often too busy to extend their education. Small operations and partnerships saw little or no need for staff development.

Tourism Business Operators

This category covered businesses, including agencies, directly targeting soft adventure, eco-tours and other operations, such as tourist product retail, primarily aimed at tourist markets.

Industry professionals noted that many operators started businesses as hobbies, with four wheel or motorcycle drive tours common examples, and lack of training evident, often leading to failure or curtailed growth. Even medium size water cruise operators lacked some professionalism, and managing, marketing and strategic capability. The failure of ventures and disappointed tourists was not in anyone’s interests and the need was seen for compulsory training for individuals entering tourist SME businesses. The example given was the Australian Hotels Association, who had a similar measure introduced after many failures in motels and hotels.

A “head in the sand” approach to technological advances and to the benefits of integrated computing was expected to lead to the demise of many operators in tour and retail businesses. Most new operations were sole trader or small partnerships, with few larger start-ups, due to the prevalence of “the individual with a dream” mentality.

Many adventure operators had indeed started as a hobby and had migrated to full time businesses. Few originally had formal training before entering the business. Most were self-taught in terms of marketing and business skills. This echoes the views of industry professionals in terms of entry modes and expertise in relation to all tourism SMEs.



Human resource management knowledge among operators was at a modest level. Most eschewed full time or permanent employees and relied on themselves to be the mainstay of the operation, augmenting with seasonal or casual staff as required. Training was generally ad hoc, on the job and generally not well documented. Sales technique, distribution and other technology systems particularly required training. Sometimes the need for training was not even perceived. Websites were brochure ware only or hosted, and often designed primarily to induce phone contacts.

Some tour operators required specific as well as general training, to get hands-on, and first hand region-visitation knowledge especially. Time was an issue for some here, plus inadequate staff levels to allow release for this purpose.

Staff turnover meant wholesalers were using inexperienced staff, although experienced employees were particularly sought for soft adventure tours. Some had learned by working with partners who had business experience. Many operators perceive that it is difficult to fire unsatisfactory employees if they have been placed on permanent staff. Thus the casual employment mode seems less risky to them.

Niche adventure tour operators and hot air balloon ventures had specific licensing requirements to meet, making staff alternates hard to find or retain, which was a barrier to expansion beyond a micro business set up. Many themed motorcycle tour operations grew from hobbies, and further growth was not planned. One start-up hot air balloon operator did not advertise in competitor areas to develop goodwill for borrowing of backup equipment. One husband and wife team had both the relevant pilot's licences and

formal managerial training and experience gained in another sector. A pilot's licence was a cost barrier for training someone other than the owner. Few had financial training and much business knowledge was self-taught. Marketing knowledge particularly was lacking, leading to expensive failed campaigns.

Crisis management was "ride it out" or there was some limited cash flow management for lean times. The presence of SARS elsewhere, and the lack of any SARS cases in Australia however enhanced the market for some businesses who were sanguine about this issue.

The picture is generally of an industry that people frequently enter without business skills or appropriate training. Retirees, who did not know what to expect, often entered small-scale ventures. Hobbyist predominance led to subsistence ventures with little awareness of networking, attracting inbound tourists, cross-selling or innovation. Sustaining a lifestyle of hobbyist competition participation was the apparent incentive for some businesses.

Above all the lack of strategic management, marketing and product design skills were lacking in the majority of cases. Often business initiators are better at operational delivery than management. One operator found a small business management course (undertaken voluntarily) at TAFE very useful.

Wine and gourmet

Few operators reported significant issues with human resources. Some had links with local Tertiary and Further Education colleges (TAFEs), who provided a stream of internship students, and subsequent recruits. Some winery owners had trained also in winemaking at TAFE, and required



such qualifications of their employees, though tourism knowledge was secondary and self-taught. Staff retention was seen as an issue of work atmosphere and turnover due to dissatisfaction was not a problem.

For wineries with restaurants, there were reports that the Australian lifestyle and premium quality foods was an attraction for quality chefs from overseas to ply their trade. One reported that it has gone from one staff member to 22 within a month, including 2 interstate employees. Recruitment of quality and trained staff was not generally seen as a problem in Australia.

Some wineries reported that they hired consultants, along with other wineries in the area. These particularly addressed the technical aspects of winemaking. TAFEs and vocationally oriented universities in wine areas were offering degree courses. Some of these include tourism and marketing related aspects as well as viticulture itself.

One young winery owner reported that a family member was “paying attention” as a consultant winemaker went about her business, and was engaged in a self-learning programme. Although recognizing that this was not a qualification, this was seen as a start to bring expertise into the family business.

Some winery owners had emerged from traditional agricultural backgrounds, and were well established in their locales. A need to diversify, and changed market conditions for traditional crops had led to a shift into wine production. This sometimes developed from a tradition of making home made wines for domestic consumption. Some cellar door staff were not full time, but family members available “on demand”. Employing others was perceived for some as entailing an extra

burden of compliance with workplace legislation and the “headache” involved would not justify the increased scale of business.

One group of regional winemakers was just launching a joint marketing campaign but realized that this could not be too ambitious at first, since there was not enough capacity (including in terms of staff), to sustain an overly successful result. One state tourism official noted the inappropriateness of the local wine regions for mass tourism and saw targeting tourists seeking “deeper” experiences as the relevant market.

A traditional means of bringing city tourists to country Australia has been festivals of various sorts. Their timing can also mitigate issues of seasonality. These have traditionally been organized and run by volunteers from the rural community. More than one operator saw this as unsustainable however, both in terms of the labour and time demands involved, and in the legal or local authority requirements for liquor licences, “café collection licences” and public liability insurance. Insurance bills in particular are jeopardising festivals’ sustainability: the Kuraby multicultural festival in Queensland faced a \$10 000 insurance quote, and even though organisers went offshore to insure, this was still its major annual expense.¹⁹⁴

One state tourism official noted a potential issue of perception of service quality by international visitors, due to lack of professional staff, although this comment applied across a range of tourism businesses. If certain operators are essentially family or lifestyle businesses, they may “shut up shop” at peak times, and casual visitors may be disappointed to find a planned winery stop closed. This reflects the product rather than market focus



identified, and visitors relaying disappointment by word of mouth would not help promote a desirable image. On the other hand, it was also suggested that this very informality is part of the charm and experience, and, as long as it is only occasional, it may not have as detrimental an effect as this seems to imply.



Chinese Taipei

Accommodation Providers

Expert views

Homestay operators definitely lack skills in management and quality control. This is because they don't have related management training or previous experiences before they start the business.

Employees' educational level is not important in running homestay accommodation. However, homestay operators or employees should have enough language skills (internationalisation), knowledge of local environments, good communication and interaction skills, strong intentions and computer knowledge to be effective.

Homestay operators usually do not hire a lot of employees other than their family members and friends. They believe that they if treat their non-family employees like their own family members, they should be able to retain their employees.

Different operators may spend different amounts of time or money on employee training. Although views of different operators may range on this, experience suggests this is a worthwhile investment.

Training on financial management, website designing or technology, government or legal regulation, tourism knowledge and tour-guiding training, marketing knowledge, entrepreneurship, small business planning, innovation and creativity, crisis management, good leadership and visions are all very important. But in general these trainings are either lacking or not enough in the subsector.

In addition, though some training on environmental protection or ecotourism is available for homestay operators, this kind of training is very important and still needs to be improved.

Support programmes for this subsector are available through private industry associations or clubs including (1) Taiwan Country Lodging Association, (2) Taiwan Agricultural Strategy Coalition, and (3) Taiwan Leisure Farming Association, and also government institutions including (1) County Tourism Bureaus and (2) Council of agriculture, Executive Yuan, and (3) Council of indigenous people, Executive Yuan. Universities were another source.

In general, the training courses or counselling provided by industry associations or government are very helpful but not considered to be enough.

Operator views

Except for one interviewee, most operators agreed with the expert perception that they lack skills in management and quality control.

Two interviewees thought that employees' educational level is not important in running a homestay. Two considered junior high school levels sufficient, and one that high school level was required. They thought that homestay operators or employees should have good communication and interaction skills, and could make guests feel at home.

Some operators spend a lot of money on employee training. One even paid for employees' to stay at five-star hotels to let them learn the service. Operators do not generally think that they spend a lot of money on employee training, though most



of them believe that they spend a lot of time on employee training.

All operators agree that they provide training on tour guiding and interpretation. Most operators believe that they have skills or training on environmental protection, homestay planning and management. Some of them think that they have skill and training on government or legal regulation, and quality improvement.

The operators generally thought that they needed training on web design and Internet knowledge, financial management, marketing and promotion, legal regulations, and crisis management.

Small business development support programs/institutions listed above were generally but not fully known. Most operators indicated that the government has helped them provide training courses or counselling, and one operator indicated that government has helped their operation to become legal.

Tourism Operators and Travel agencies

Expert views

Although travel agencies are not a new business in Chinese Taipei, they still lack skills in management and quality control. This is because in early times travel agencies' main jobs were to process passport and visas for the customers. These works took about 40% of travel agencies' manpower. But now the operations and business of travel agencies have become more complicated. After marketing, the second most difficult development area is human resources development. This is because the profits are very little in travel agencies, so they

cannot spend a lot of money in attracting and training good people.

Employees' required education level high school or two-year college degrees. Previous experience is not required. Usually 3-6 months of on-the-job training is necessary for new employees. The expert view was that there were low barriers to entry, and no difficulty or barrier for women to enter into the business.

In addition the issue of quality was raised. One interviewee suggested that government should raise the entry barriers for travel agencies in order to keep the qualities of travel agencies.

The retention rate for trained staff only is 30-40%. This is because of the lower basic wages. Most operators do not have specific budgets for employee training. But training is always running during the work. Therefore, training costs a lot of time but not necessary a lot of money.

Since finance is relatively simple in travel agencies, small operators probably do not need financial management trainings. Larger operators usually do the financing by themselves or they will hire special managers to do the job.

Most website designing or technology jobs are done by computer companies, not by travel agencies. Training on government and legal regulations is insufficient. But if they have questions or problems, they know where to ask for help.

Travel agencies do have tourism knowledge and tour-guiding training, but only larger travel agencies have marketing knowledge. Smaller travel agencies use advertisement agencies to help them design. Most travel agencies do not have



knowledge or training on entrepreneurship.

Training on small business planning is very important for travel agencies. But this kind of training is still seriously lacking. Most of this training depends on the courses provided by industry associations.

There is no special training on environmental protection or ecotourism. But now some travelling products are themed with ecotourism.

No matter of the size of travel agencies, each travel agency must have a team to handle crisis. They regularly practice crisis scenarios and the way to handle those situations. But travel agencies do not have the capabilities to handle crises such as SARS, earthquakes etc.

In addition to the above lists, travel agencies also need knowledge and training on innovation and creativity, especially for travel agencies who do the incentive tours for the companies. Travel agencies also need to have leaders with good leadership and vision. For a long time the pressures and limitations from airline companies decreased the creativity and innovation of travel agencies.

A variety of small business support is available. Private associations or clubs include (1) Travel Quality Assurance Association, (2) Taipei Association of Travel Agents, (3) Tourist Guide Association, (4) Association of Tour Managers, and (5) Certified Travel Councillor Association. Government institutions include (1) Tourism Bureau and (2) Ministry of Foreign Affairs.

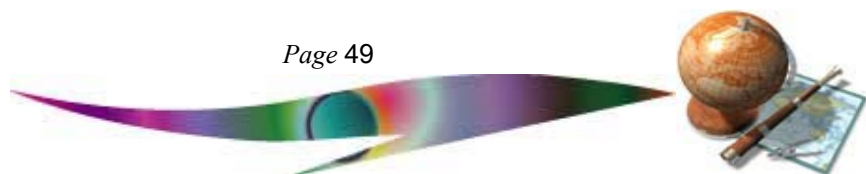
Operator views

The views of city operators (owners and managers) of travel agencies reflected much of the expert perception. Most of the interviewees believed that they lack skills in management and quality control. This is because for small to medium travel agencies, most of their business lies in the product selling and marketing areas, not in the management areas.

The expert view was that there were low barriers to entry, and no difficulty or barrier for women to enter into the business. However, female interviewees had different opinions. The female interviewees indicated that although there is no barrier for them to enter into the business, they still faced some difficulties. They found that if they get married or get older, it is difficult for them to lead tours. Their physical capabilities may decrease with their age. In addition, they think that working hours are too long. They have difficulties in balancing their time during work and family. One interviewee indicated that although the situation is not serious, discrimination still happens in some travel agencies.

In addition the issue of quality was raised. One interviewee suggested that government should raise the entry barriers for travel agencies in order to keep the qualities of travel agencies.

Most interviewees thought that employees' educational level should be at least a high school degree. However, one said that he would ask for college degrees, and another one didn't think that the educational level was important. This may be related to each interviewee's own experience and education.



Although most interviewees thought that previous experience was not important to work in travel agencies, it is better to either have some previous working experience or graduate from related departments or schools. They would like to hire people with good language, computer, and selling skills. They also like new employees who have strong intentions to work in this business and a good personality.

Most interviewees believed that it is still difficult to retain people. However, one indicated that the turnover rate is not very high at this time because of the economic situation.

Most operators did not have specific budgets for employee training. But on the job training is constant. Since financial structure is relatively simple in travel agencies, most operators did not have a financial manager. Usually they would hire an accountant to do the accounting and financial jobs. But one interviewee thought that if they have some knowledge or skill in this area, they can better plan and use their money.

Most website designing or technology jobs is outsourced to computer companies, not done by travel agencies. Some interviewees considered that they should have this kind of employees or skill, but others thought there was no need.

Training on government or legal regulations is lacking. Operators themselves or other high-ranking employees do most of this activity. Although most of the interviewees don't think that it is necessary to have this training, one operator thought that this knowledge or skill was important. Operators usually learn the regulations through their experience.

All interviewees agreed that they have tourism knowledge and tour-guiding training, but most don't have marketing knowledge nor do they hire specific employees to do this job. They use advertisement agencies to help them. Only one interviewee believed marketing skill was important, the rest of the interviewees thought that marketing skill was not important for them, based on their current business.

Similarly, most travel agencies do not have knowledge or training on entrepreneurship, but training on small business planning was perceived as very important for travel agencies. This kind of training is still for the most part lacking. Most such training depends on the courses provided by industry associations.

Interviewees agreed that there was no special training on environmental protection or ecotourism for travel agencies, nor was it seen as necessary. Although most operators believe that they have the ability and training to handle some emergency situations, they do not have the capabilities to handle crises such as SARS, earthquakes etc.

The support for small business was known, and most of the interviewees thought that some training courses provided by industry associations were very helpful. Although government usually does not offer these courses directly, it will provide some financial assistance.



México

Both public servants specialising in tourism and various classes of tourism entrepreneur were interviewed on the various categories of development barrier. Respondents who were directors, managers and executives from tourism related government agencies, industry associations and education facilities were interviewed and cross-referenced with information provided by the Secretariat of Tourism of the Government of the republic. Entrepreneurs from travel agencies, the accommodation, food and beverage, tour operation and tourism retail sectors were interviewed.

Experts considered managerial knowledge and skills the most important area for human resource development. Manager's knowledge on quality control, investment in staff training and knowledge and understanding of the tourism industry were presented as the next most important areas. Education provision funding was the area found to be the worst in the current situation. Environmental protection, crisis and disaster management and education time were also indicated as current problem areas. Comparative analysis of responses on these issues did not show significant differences between males and females.

Lack of qualifications was the most frequent response from expert respondents when asked what they thought were the main problems companies faced in field of human resources. Lack of practical experience and customer service skills were also regarded as significant problems in human resources. Some suggestions to overcome the problems in human resource were investment in qualification initiatives and update of education programs. It was proposed that support for these initiatives

should come from both government and private sources. Interchange of experience with other companies and improvements in wages, benefits and incentives were also proposed.

The main area of training needed was generic customer service. This included presentation of personnel and the provision for customers with foreign languages. Training in the use of tourism systems (e.g. global booking systems) and in the use of relevant software was also indicated by interviewees. Furthermore, education in geography and history was also proposed.

A range of views was once again expressed for the amount of time and money companies would be willing to invest to train personnel. Two weeks per year, 2 annual courses and \$4,000 - \$5,000 4 times per year were some of the measures expressed. It was communicated that the size of the investment would be dependent on the available resources of each company and the training requirements.

These professional representatives of the tourism sector believe small and medium tourist enterprises on the Mexican Pacific must reserve time and financial resources for staff education and include in their training those issues connected with environmental protection and the management of crises and disasters.

The interviewees believe that the aspects of human resources in tourist SMEs whose situation is adequate are marketing, brand and patent registration, programs and institutions intended to support small enterprises, relevant legal aspects, and the knowledge and understanding of the tourism phenomenon.



Accommodation Providers

Managerial knowledge and skills was perceived as less satisfactory than its importance warranted. A large majority of accommodation providers agreed it was maximally important, but less than half were satisfied with the current situation. Similarly managerial knowledge of quality was highly important, but less than half felt the current situation matched this priority. Other important categories were staff retention and knowledge of the tourism industry, with half or less assessing the situation as satisfactory to its importance.

On the issue of investment in training, this was slightly less important, and marketing and trade mark knowledge were lesser priorities too, along with environmental protection, and crisis and disaster management knowledge. Again the current situation was correspondingly unsatisfactory. Business planning was not considered so important, nor was legal knowledge and available support programmes. The current provision of these however was also perceived to be lacking by men and women alike. The provision of education funds, and time for education were considered least satisfactory by these operators, although they were both of moderate importance.

The main HR problems faced were lack of qualified and/or professional staff, turnover, dishonesty, few economic resources for qualification development, many unions and lack of specialisation of education providers, lack of interest by some government agencies and of staff in service quality. There were mixed views on willingness to learn – (some who wished to were not empowered to develop skills), English language barriers, and the general lack of a service orientation. Lack

of qualifications was the dominant recurring theme.

Many specific solutions to overcome the identified problems in HR were proposed by operators. These included education both at school and tertiary qualification levels, advanced training courses, good wages and incentives, staff development measures, cultivating a culture of honesty, a de-bureaucratized and liberal hiring policy. Education and qualifications clearly emerged as leading areas requiring address here, for men and women alike.

A substantial list of areas for training emerged, including computation, security, maintenance and cleaning, administration, service quality, tourist information, languages, (especially English), leadership, food handling, human relations and handling of crisis and disasters. Service quality was clearly the theme that recurred most frequently. The vast majority of the operators who appreciated this need were women.

A range of views was expressed on the appropriate budget allocation for education and training, and the time allowed, generally around one hour per week or three weeks in the year, but only tied to needs, and if the benefits gained were clear. Few economic resources were available for this function.

In summary, the lodging providers interviewed to assess human resources in their field stated that strengths could be seen in the development of profiles needed for positions in several areas of their business, quality control expertise in the management department, expertise of managers, and knowledge and understanding of the tourist phenomenon and relevant legal issues.



On the other hand, limitations or deficiencies could be found in these aspects: the lack of a fund intended for personal education and lack of investment in training, lack of information concerning financing programs and institutions to support small enterprises, lack of information concerning methods and technologies intended for environmental conservation, and lack of training in the management of crises and disasters.

Tourism Business Operators

Entrepreneurs from travel agencies, tour operations and tourism stores were interviewed, with managers and owners of travel agencies being the primary interviewees within the Travel Agency sector.

Issues that were considered by *travel agents* to be of the highest importance in human resource development were managerial knowledge and skills, manager's knowledge of quality control and retaining trained staff. They identified sporting programmes and institutions, environmental protection (the range of rating among females was considerably dispersed) and crisis and disaster management to be of the least satisfactory in the current situation. However, the largest gaps identified between perceived importance and the current situation were investment on staff training, time for education which was significant among females and following close behind were environmental protection and the manager's knowledge of quality control.

A lack of qualified personnel working within the industry was the most consistent direct response by interviewees concerning what they considered to be the main problems that companies in the industry faced in the field of human resources. It

was also expressed that there is a lack of training programs to gain relevant qualifications. Hence, the desire for training programs was clearly communicated. In addition, low wages and commissions were expressed as problems facing the industry.

When asked how much money and time would companies in the industry be willing to invest in training personnel, the answers varied quite considerably. The responses ranged from 3 hours every year to 2 hours every day and from \$3,000.00 to \$50,000.00 annually.

Travel agencies generally believe they must invest much more in staff training and reserve enough time for said training. The aspects they believe this training must comprise are environmental conservation on the one hand, and, in the case of managers, quality control on the other hand.

They believe the situation of their human resources is good enough concerning managerial knowledge and expertise of managers and owners, knowledge and understanding of the tourist phenomenon, marketing, and the ability to formulate business plans and projects.

Tour Operator proprietors and managers generally had rated HR development as a relatively lower priority. However, within the human resource development issues, managerial knowledge and skills was once again given the highest importance and females than males considered this more important. Investment on staff training was the next highest area of importance. Knowledge and understanding of the tourism industry and job description availability were also ranked high in importance.



Of the current situation responses planning and development of business initiatives was considered to the worst by a significant margin. Crisis and disaster management was the next worst ranked equally by males and females and this issue also showed the greatest gap between importance and the current situation. Time for education had the next biggest discrepancy.

Lack of qualifications within the industry was once again a consistent response by respondents when asked what they considered to be the main problems that companies in this industry faced in the field of human resources. This was also cited as a problem due to deficiencies with student education and lack of vision.

To overcome these problems, greater emphasis on tour operator education within universities and training facilities and promotions commensurate with qualifications was suggested to stimulate growth in this area. The main areas communicated that personnel require training in were service quality (attention to clients). This included the learning of relevant languages and first aid knowledge. Furthermore, learning to use specialised equipment effectively such as tourist information systems and web pages was another area where training was required.

On the issue of investment in training, only two women tour operators had high satisfaction, and most women assessed this as fairly important but at a low or unsatisfactory level.

When asked how much time and money companies would be willing to invest to train personnel the responses varied from 48 hours to 1 week per year to indefinite or training when necessary. In regard to student education, a one semester of qualification was suggested. Figures

suggested for the annual budget of this endeavour were \$20,000 and \$30,000 but it was rightfully stated by 3 respondents, that the figure would be dependent on the requirements of each company.

Tour operators believe their situation is good enough concerning qualified staff retention, marketing, knowledge of relevant legal aspects and profile formulation for positions in relevant enterprises.

The human resources aspects they believe they must work on are investment in staff training, time for said training, planning and development of business initiatives, and the management of crises and disasters.

The sample from the *tourism store* group was made up of proprietors and managers with approximately 77 per cent of interviewees being male. Of the specific issues within human resources development, managerial knowledge and skills was considered the most important issue and it was relatively well provided for. Crisis and disaster management was the next most important area but it was not well catered for, being the worst issue nominated in the current industry situation and it showed the biggest discrepancy between the two poles (i.e. importance & current situation). Education time was another area that was considered currently deficient.

Direct comments from interviewees revealed that the lack of qualifications was again considered the main problem in the industry. Respondents found that employees were lacking in knowledge of other languages, cultural aspects of tourism products, administrative skills and inadequate customer service skills. To overcome these problems it was suggested that formal training programs and education



be developed. It was proposed that training programs should educate potential employees in relevant languages, accounting, administration, customer service, technology, geography, history and culture. In regard to time and budget companies would be willing to invest to train personnel the responses varied but 10 per cent of annual profits was the most consistent response.

This group of the tourist sector believes that the issues they know less about are those connected with environmental protection and management of crises and disasters; they also believe they need to invest more in staff training and work on the definition of profiles for relevant positions.

Among the strengths found in human resources they named qualified staff retention, knowledge of relevant legal aspects, managers' knowledge of quality control, and the ability to formulate and develop business plans and projects.

Food and beverage

Among the restaurant interviewees were proprietors, managers, administrators, accountants and kitchen managers. Seventy eight per cent were male and 22 per cent were female. The specific areas that were highlighted within human resources development were managerial knowledge and skills, which was considered the most important issue. Moreover, job description availability, knowledge and understanding of the tourism industry and environmental protection were the next most important issues and these latter items were given a similar ranking in importance.

Crisis and disaster management, time for education and the protection of the environment were each perceived to be

inadequate in the current situation. Trademark registration was also an area that was perceived to be currently deficient and males identified this issue to be more of a problem.

Similar to the previous sectors discussed, a lack of qualifications for personnel was the most frequent response when asked to identify the main problems faced by companies in the industry. Furthermore, the rotation of personnel within the industry and lack of job permanency and continuity were identified to be a problem for companies. To overcome these problems it was suggested that training and education for professional certification be devoted to the public relations, gastronomy, languages, regional history and the technical and administrative aspects of this sector. In addition, respondents proposed that the training should be available for personnel at various levels, beginners, intermediate and advanced. State support was suggested as a means for the development of training programs. The suggestions for the time and budget companies would be willing to invest to train personnel varied from 5 hours daily (\$15,000), 60 hours per year (\$20,000), 12 hours weekly (\$100,000) and from 1 per cent of annual profits to 20 per cent of program costs. It was also proposed that tax exemptions should be made available to companies.

In the context of human resources, the operators of food and drink establishments believe their staff know enough about relevant legal aspects, qualified staff retention and marketing, and planning and development of business projects.

On the other hand, they believe they must place emphasis on crisis and disaster management training, information concerning methods and technologies intended for environmental conservation,



and the brand and patent registration processes. They believe it is also necessary to work on the definition of profiles for relevant positions and reserve time for personal education.



Thailand

Expert views

Experts interviewed included high-ranking officials in government offices related to SMEs and to tourism authorities. They had many years of directly relevant experience and an overview of the range of portfolios covered by the research categories. Referrals to specific portfolio managers allowed further details in particular areas to be established.

In regard to education and training, a need for knowledge and understanding about the travel industry and tourism internationally, and especially in relation to the environment was seen as needed to sustain tourism. The industry was seen as potentially damaging the environment in both natural and cultural aspects. Some operators already were aware of ecotourism and the importance of environmental protection: others required training, and responsible agencies could readily address this.

Secondly, fundamental management knowledge on investment, business planning, service quality, business management, and information technology was required. Along with related skills, knowledge and understanding in doing business efficiently in the sector, especially in marketing and ethics was needed. Many Thai SMTE entrepreneurs had failed because they didn't know about the market. The incorporation of ethical content into education and training was seen as an issue, since there was an unsolved problem of deceiving tourists. Various officials restated the value of education on principles of cleanliness, honesty and endurance.

Other personal qualities seen as areas for improvement in industry personnel included, risk taking, decision-making, planning and patience. Improved general knowledge and awareness of current national and international politics, legal requirements and of international visitors languages and homelands would be good for operators and consumers would benefit. Blending quality modern business knowledge with unique Thai traditional culture would be ideal.

Financial management, including awareness of foreign exchange issues, and website design and maintenance were seen as other areas for improving education and value adding to staff, both being critical to successful operations.

Financial management information was readily available however, and of lower priority, although new information on finance, particularly exchange rate risks would be useful.

Website skills ought to be developed in tourism industry personnel, because of rapid technology advancement, and the relevance of this to the dynamic and volatile tourism industry. Hotels were probably more advanced, but ecotourism and spas required more development. Apart from improved consumer access to information, travel agencies could be *disintermediated*, and suppliers would avoid third parties in the distribution channel through direct electronic communication. Another expert however, saw IT training as more important for daily operations, whilst website development could be outsourced.

Knowledge of branding and business planning was considered important, and again environmental education was a priority for a sustainable industry.



Marketing was seen as the soul of the business operation, and for some experts the most important aspect. The theme of advertising and public relations is the 'brand' of the product and service itself. This activity was required to create distinction, colours, emotions, and to spur an image that projects understanding and trust in a quality service of international standard, without neglecting the local custom, traditions, and culture. The capacity to create sustainable niche markets would be particularly useful.

Business planning education was required, and operators with prior SME experience would be at an advantage, also reducing investment risks. Systematic business planning was seen as helping operators to achieve success faster. Planning engendered clear direction setting, which was useful.

Environmental protection and ecotourism education was important because the environment and ecology system are essential factors for sales promotion. These also give the consumers, i.e. the tourists, confidence in the quality of the product (i.e. tour destinations and service). Operator's knowledge levels varied.

Because of the sensitivity of the industry to unexpected crises, affecting marketing and confidence, crisis management measures would also be valuable, for example establishing a permanent working group within the tourism industry that can solve situations in a timely manner. It was considered necessary to have a crisis management task force that can group together whenever there is a crisis. Awareness of operators would help them act in a preventative capacity, but this was seen as requiring overall government coordination, and a lower priority for operators.

Some experts also saw a role for centralized or coordinated business education and development programmes around the industry. This was because of the associated benefits to other businesses in an economy, including food and beverage and souvenir businesses. Good business management training was a top priority for training. Projects and institutions providing support for the development of small business enterprises would be particularly helpful, especially in the areas of management and marketing promotion, although it was considered that enough institutions already existed. This kind of support would result in an increase of new groups of small business enterprises. It will also help expand the economic base from family level to the community, and build up quality staff who are prepared for growth. The tourism industry has the characteristic of being a multiple-subsidiary business, with a huge amount of associated businesses in the general economy. Tourism industry human resources development needed to realise this, and further knowledge development on global current awareness in this area was also required.

Overall also there was a need for various subsectors, including health and ecotourism, to develop along distinctive Thai lines, and draw on indigenous wisdom rather than to copy Western ideas. Tourism industry personnel should improve knowledge of their own cultural roots and local wisdom. This knowledge can be applied to each sectoral group in order to create new selling highlights and distinction that do not exist or cannot be found in the western world.



Accommodation Providers

One industry expert had seen a need for hotels, resorts and lodging to develop their staff to have all-round management knowledge of international standards, environment, energy conservation, as well as a profound understanding of the Thai characteristics and distinctiveness, which are important selling points.

Bangkok resort managers interviewed also perceived a lack of management skills, particularly in the area of customer service, as most staff were local and had not been trained. In house and on-the-job training was seen as a beneficial investment, and not very costly, but did not guarantee staff retention. Management problems controlling large numbers of staff were reported, and retention achieved through building loyalty and fair salaries. Hiring was not a problem, but seen as an essential investment in good quality and efficient staff. Extra part time staff were hired during high season or other peak times. Business planning was seen as necessary in the longer term. The level of external training did not appear to be significant.

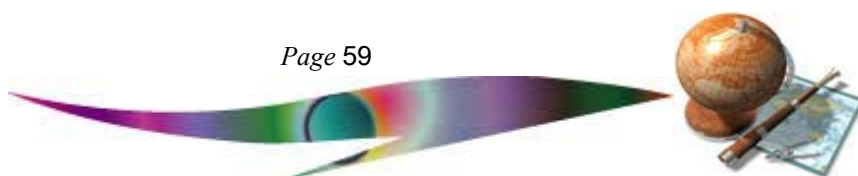
Skills in website maintenance were seen as vital, and sometimes managed in house, and tour guiding knowledge or provision of correct tourism information was also seen as an important staff requirement by operators, as were marketing skills, (and sometimes, but not always, entrepreneurship). Training was sometimes done for these aspects, but also sometimes outsourced. Legal requirements were also generally outsourced, so no significant training issue arose, although a working knowledge of basic issues would be expected or trained for, such as leaving bags at the hotel.

Some resort operators trained in financial management and foreign exchange issues, due to large numbers of international visitors involved. Environmental knowledge was also considered particularly necessary, since the surrounding natural environment was abundant, and the local staff were already aware of the importance of environmental protection. Ecotourism training was considered helpful and necessary, even if the business was an accommodation provider.

Business planning was considered essential, particularly in promotional activity during the low season, and a certain amount of knowledge and capability relating to managing unforeseen crises was also considered necessary. The general issues raised concerned ensuring the necessary capability and responsibility for the different areas identified.

Equally in regional areas, operators recognised their lack of formal management knowledge and identified areas for improvement. These included operating more like a family than a company, lacking a quality control system and a management practice based on the owner's experience. Lack of a service standard was another issue for several operators.

Such companies typically lacked any training facility, budget or policy, and did not participate in external training. If they wanted a website, or considered it necessary (which some did not) they would outsource, and so did not consider such training necessary. Views varied however, and the vital role of computers in globalised business was recognised by some entrepreneurs. Priority was given to language training for accommodation providers.



Although some operators saw the value in having staff knowledgeable about tourism and able to serve guests better by making recommendations, training in tourism knowledge and tour guiding was generally nonexistent, though some operators provided limited training, in recognition of its value in impressing customers. Government or large companies providing free training generally would help operators, given their lack of training budget.

A majority of women managers saw the value in entrepreneurship training. Exceptions were when the owner typically handled most of the management, when it was not considered necessary. The view attributed to one owner who considered training unimportant was that “if the staff are good, they would move to a larger company”. Another regional operator however saw on the job training as an essential cost, because trained staff would be efficient and have a quality orientation. In terms of risks to the business, some operators gave training in specific areas, for example: (i) how to identify counterfeit bank notes, passports and travellers checks; (ii) knowledge of currencies and rate of exchange and (iii) observation of irregular guest behaviour.

Staff retention was considered to be subject to several factors. It is not only because a company is good, but also is up to whether the staff would wish to stay on in the same company, or there are other factors that could change their mind. There was competition within the private sector for skilled labour. On the part of the company, good management, good welfare, suitable remuneration and impartial treatment based on a logical reciprocal support were key areas to fulfil. One operator saw the value of providing training for increased knowledge and job enjoyment as a staff retention measure also.

The importance of marketing generally, and specifically branding, (understood as an image and profile mnemonic) was widely recognised, and consistently identified in relation to good customer memories that encouraged repeat business, and for distinctive memorability at presentations. Similarly, several women entrepreneurs (in separate locations) considered a business plan necessary, for growth and service quality development particularly, but also for sales promotion and communication with customers.

Although no management training was generally provided, crisis management ability, for some on the spot problem solving, e.g. for floods or serious injury prevention was considered useful and necessary. Likewise knowledge of legal requirements, though its usefulness was accepted, was not generally provided, since lawyers were available if required for advice.

Knowledge regarding environmental protection was considered necessary though, and ecotourism training would be particularly helpful. One operator in Patong, which is considered a popular tourist destination, observed that her staff are still able to give information concerning ecotourism, but implied that education is required before “more damage is done and before the next generation would not have even a chance of seeing it”. Various operators considered maintaining an area’s natural balance and cleanliness critical to sustainable development, and ecotourism training was seen as leading to a love of the areas’ nature that would attract more tourists.

The main Human Resource (HR) issues were seen by one operator as relating to inexperience of staff, and short periods of job tenure, with some issues of age and



gender noted in relation to HR development.

Tourism Business Operators

An industry expert saw a particular need for those involved in ecotourism, cultural, and adventure tours to develop their people to have an all-round knowledge and a true understanding of the meaning of ecology system and ecotourism. Importantly, developing the ability to create ecotourism relating to local wisdom was required, rather than just following the western concept similar to various spas or health clubs.

City based operators generally considered their staff had adequate skills and experience, had learned from training or experience and provided good service quality.

Training, along with good benefits and welfare provision helped staff retention, though naturally some people would move to better paid jobs. Training provided free by TAT was appreciated, and operators would select staff to attend functions. Cost of on the job training was not generally a vital cost, attracting a low budget, though those operators who considered it important would set budgets accordingly. TAT provided assistance in foreign exchange issues and financial management, supplemented in house by a minority of operators. Sales planning and customer service was rather the training focus of operators. Website training provision varied widely: Operators spanned the range from full in-house IT and website training, through some in-house supplemented by TAT's assistance (over the last two years) to none, on the view that this was a task for website specialists only. Only one operator said they hoped to introduce training in management and legal requirements.

Tour guiding training was provided, largely in house and in compliance with the requirements to have operator licences. Some operators in addition to mandatory licences were registered with official tour and guide bodies, and one operator had input from a related committee to improve this aspect. The tourism industry society also provided advice on legal aspects. Some operations, depending on the nature of their business, had access to an association, which took care of various training and always provided knowledge in finance, related law, and tourism. This was the Thai Ecotourism & Adventure Travel Association (TEATA), which had units for these aspects.

Marketing training was generally perceived as essential, particularly knowing about current market conditions. The emphasis of the local market was mostly focused on pricing, not on the quality of service. Branding was seen as important to any business, and these operators were no exception, but not all operators saw entrepreneurship knowledge as particularly useful.

Business planning's perceived importance varied with the size of business, with one business not considering it necessary due to the small size operation. Others had for example a one-year plan for marketing and finance, and now projects, and another saw a need for a business planning focus on "green tours" and environmental protection, as essential for sustaining Thailand's own resources.

All operators saw the value of staff having ecotourism knowledge, particularly in dealing with customers for whom this was a major interest, and such was a major client group in the sector. Crisis management skills were also seen as necessary, although there was recognition that this was a national issue, and scope



was limited. Human resource development was not generally seen as an issue, with satisfactory staff programmes in place already: the comment was made however, that educational institutes could take a lead here, that studying only theory was of limited value, and practical knowledge and experience was required.

Regionally, operators reported good customer service overall, but also noted some areas requiring development. Language ability in a range of foreign languages was an issue for some operators, and combined group training sessions was suggested. Languages identified included Japanese, Korean, Russian, and Spanish. Self-development of staff was another, some staff lacked ambition or the desire to work efficiently. Increased employee honesty and trustworthiness was sometimes needed, and increasing the service focus on friendliness and confidence was also desirable in staff development.

Staff retention was largely seen as making them feel part of the family, as well as remuneration commensurate with their ability. Trained staff should be able to work without restraint, under clear regulations and limits. Sending staff on regular training sessions would increase efficiency, but training was not guaranteed to retain staff, as there was a demand for well-qualified staff. If the training however, was linked to a career development plan, such as promotion or increase of salary, within the family context however, some operators believed employees would feel more valuable to the company work more productively, and would remain longer.

Some companies organised in house language training, and women entrepreneurs particularly were keen for

systems of mutual help to be set up. They saw staff development as vital to the business, a morale booster and a necessary budget item. Selection of training areas was required, and efficient staffing would help business grow. Not all operators however had a training budget, though they would announce opportunities, e.g. for financial management, if it was relevant. Some mentored staff, through e.g. bringing staff along on a conducted tour as followers, then changing roles in the next tour.

Website development training was not provided at all, and a range of perceptions of its value was evident. Some saw its potential for Internet marketing and were beginning to consider this aspect, but another operator saw no present necessity. One operator was aware of the ability to conveniently make cost effective changes on a website, as well as its general global marketing potential.

No operators provide training in management or legal aspects, except one, and then only for the most senior executives. If it was specially targeted at the tourism business this would be desirable to some, but another operator considered there was no need.

All operators considered tour guiding training was necessary, and most provided this in house. Although one operator did not provide training at all, another provided daily training sessions through department heads after work hours.

This same operator also provided marketing training by having department heads debrief staff after meeting a customer. Others did nothing formally, but all operators saw it as necessary. Branding was important, to distinguish the product and aid customer memory to encourage repeat business. One operator was of the view that “with



branding, we can set our target customers more clearly and know our positioning and that of competitors". Having more entrepreneurial staff was useful to have creative, progressive, problem-solving employees who could take initiatives and develop as professionals, but some operators did not see a value in training entrepreneurs, and individual capacity had to be considered.

Business planning was seen as necessary, particularly in relation to the internet, image projection and global marketing, and for efficient internal systems and staffing. Dynamic ongoing planning also was a recognised need as things changed.

Environmental protection and ecotourism knowledge was essential, and through outreach of trained staff into the community, effective coordination would result. This was the first priority for one operation, who also recognised the ongoing need for cultivating conscience and practice, but such training was not a priority for operations who were only selling agents.

Crisis management was not generally necessary for operators, other than understanding the business adjustments to be made, and to ensure (adventure) equipment was maintained and clean to retain customer confidence.

The main HR development issues for one regional operator concerned improving the breadth of vision of staff and their attitude towards work and advancement, (although it is hard to tell how generally applicable this issue is).

Health and Spa

Spas are a developing SMTE area, and some utilise imported products. Staff currently still lack skills and caution in the ordering of products, the advantages and disadvantages in the ever-changing rate of exchange, and customs formalities and tariff, resulting in high costs (plus transport), which in turn results in expensive product prices. This is not good for the market, and time to accumulate recent experience is now needed.

Otherwise in general, present employees are quite experienced and very satisfactory in customer service, which is a business priority. They must, however, regularly receive new information to apply to their work, so that the customers can be given the most accurate and most up-to-date information. Training across a variety of skills would reduce staffing requirement. While customer service was good, management and operations skills were somewhat lacking, particularly in a family business. Sometimes environmental awareness was also lacking.

Training was important, but did not guarantee staff retention. Individual factors such as having a child, getting married, job satisfaction, conflict with colleagues, working near home, etc were more critical. Staff who agreed with how the company works, the work objectives, the company's quality and expectations, and what promotion they could expect when they stayed for a long time and developed themselves would be happy. Given the choice, knowledgeable and skilful workers would be selected, to be a part of the business, but otherwise selecting and supporting good people to develop their knowledge and skills. A skilful manager was important here.



If employees had prior experience it was helpful, but training was at an early stage, reliant on existing experienced staff. Few skilful employees however, knew gratitude (called Boon-koon). Competition for skilled labour was an issue. With a perception that experienced staff have a tendency not to stay long, one operator's policy was not to hire all very experienced staff. They had a range from very good, to average and beginners, who will be coached by those with good experience and preferred to develop their own people and create loyalty in them so that they will cooperate with each other and work for the common goal. The shareholding idea was recurrent, and a culture of employee participation was encouraged, to instil an attitude that employees were "partners of the business".

Working like a family with staff encouraged to speak up and discuss either work or personal matters with either the boss or colleagues, while maintaining respect for each other was another practice. Treating workers like one's own family fostered a closer relationship and better understanding, and reduced problems in the company, but could not guarantee retention, although it helped. It was also generally understood that salaries and welfare must also be reasonable and commensurate with their ability and responsibilities. Human resources are "the soul of the business", and some operators invested in regular staff training to help develop and grow the business. They saw that taking good care of staff, in their career path, welfare, or giving them the possibility of holding company shares was a high, but worthwhile investment in human resource development.

Staff retention was seen as depending less on training than on incentives relating to i) Career path ii) Profit sharing in addition to a regular salary iii) Shareholding iv) A

salary that is commensurate with qualifications and position.

On the job rather than external training was normal, and mentoring was sometimes used, including in one instance by a ticket agent the company used. Cost was a concern for some, particularly those who invested in a good trainer. Occasionally, management and selected staff might get specific external training, e.g. on financial management, but external training was generally seen as an investment rather than a cost. Hiring trained staff helped, as did those who could learn skills on the job.

Some saw website training as necessary for business development, but readiness varied. Outside companies were used (outsourced or on consultancy basis), some in house expertise or self-learning was evident for a minority, but several had no website yet. One operator was doing nothing on the grounds that after graduation the children would continue the business.

On management and legal aspects only the management and professional (e.g. accounting) staff would be trained, and basic training for others, if at all. Knowing the law in relation to dealing with different nationalities was also seen as an issue for some, as were issues concerning international business conflicts, breach of agreement or conditions, loss or damage of goods, etc. Appointing a law firm as company lawyer was one solution to ensuring legal aspects were managed. Operators requested more support for this aspect, who saw an understanding or working knowledge of business law as required for ensuring ethical and legal operations.

Training on tourism knowledge and tour guiding varied, as did perception of its importance. One operator regularly



organized training and seminars for its tour guides as well as regular exchange of ideas and opinion between the tour guides and the management. It also assigned staff from every department to visit various destinations in Thailand on the company account to obtain first-hand experience, which they felt was absolutely necessary so that staff recommendations were knowledgeable, and their information accurate. Although they saw its value, others did nothing, as they have no support for this, or cost was an issue. One said, "TAT should organise various trainings to promote domestic travel and how to be a good guide". One operator felt the level of staff knowledge was satisfactory, and it was important to know about tourist target groups, since it impacted on tourism associated businesses, such as spa product importers.

Marketing knowledge and branding were seen as useful areas to develop, being critical to business success. Though cost was a concern, one operator was setting up a training programme in this area, others trained in house. One operator saw marketing not as a focus, but a result of good service, which would spread by word of mouth. One brand name had been developed, connoting provision of good quality, high standard and reliable service; others had their own registered brand names for memorability, sales promotion, advertising, and public relations.

Entrepreneurship training was seen as valuable, for one operation developing franchises and a new branch, and for cover and business promotion when the boss was not available. It should be available within the company, particularly if employees were seen as partners, and was certainly necessary for the owner, who should know how to manage and grow the business, while creating staff loyalty.

Business planning was seen as essential, to developing services and their quality, personnel, marketing and managing the organization, account and finance systems, and to develop and improve products to reach a wide range of customers. Products must be varied, and business planning must be focused on knowledge and understanding of the use of the products. Planning for the low-season and high-season months was also required, and some operators reported reviews every 3 months. With numerous competitors a need for centralised strategic planning was identified, and some operators would like to see the government getting more involved in checking and taking care of issues that have a lot of influence on this sector.

Environmental and ecotourism knowledge in employees was valuable, and may help spa business in relating back to nature. One operator saw a possible business focus on nature therapy). Although staff received specialised training, every citizen would benefit from this knowledge, not just tourism employees. Environment and ecology were seen as important elements for quality living. Employees must understand and seek knowledge in order not to inadvertently affect the overall environment and ecology adversely. "Such training will make them more careful and responsible for any actions that can be detrimental to the environment, ecology, as well as the local wisdom." First hand experience of ecotourism would create conscience about nature and environment. Such awareness was often a low priority in the mind, but would help advise tourists and sustain the natural environment.

Some crisis management knowledge was needed, for reservation and operational staff to advise customers confidently, though this was low priority, and a matter for individuals in small organisations to be



informed by mass media. One organisation produces a newsletter for customers. Knowing the issues would inform problem solving and decisions to seek domestic markets for example.

In general there was a view that human resource development must be ongoing. Some managers treated staff as they had wished to be treated by management when they were staff. Operation specific issues included a need to develop in areas such as adaptation to the business environment conditions, more profound understanding of the products, employee mindset and attitude, employees' skills in distribution channels, service psychology, etc. The need for a good and inexpensive training company was identified.

Regionally, employee's customer service skills were considered good, evidenced by repeat business. Staff retention was based on human factors of friendly and sincere work environment, maintaining a reliable and secure business with good working standards and providing training to create interest. Supporting staff in training with a modest training budget was one reported practice, and other establishments helped in the training function, reducing costs.

Rather than training on finance and international business aspects, senior staff with relevant experience were consulted on major decisions. Management training would improve service but was not generally provided, other than in communicating with foreigners. A company lawyer, rather than staff handled legal matters.

Website training was not currently provided, due to a manual operation other than email for customer contact. One operator saw this as necessary for operating to an international standard, and

for attracting travellers. Easy and convenient access was required.

Basic knowledge on tourism and tour guiding was essential for staff, with the benefits for customers as the staff could give clear and correct information, including in foreign languages, and sometimes gained first hand on tours they travelled with. When the spa business also acted as a tour agent, this thereby also created more confidence for the clients both now and in the future.

Marketing knowledge for staff was limited, and branding was not an issue or non-existent for the regional operators interviewed. One operator's staff were welcome to acquire entrepreneurial knowledge with a view to eventually starting their own business.

Business planning was needed, due to global changes, but appeared to be poorly understood. Knowledge of ecotourism was vital to give correct advice, and to sustain the environment as an attraction to foreigners. Knowledge of crisis management was mainly needed for personal safety of employees and giving correct advice to guests.

The main HR problems reported by regional spa operators were more understanding and enthusiasm among staff in relation to customer service, along with more access to industry news.



Access to Finance

Australia

Experts noted that, especially in regional areas, councils did not understand the value of tourism. As benefits are spread across industries, measuring it is difficult. One state noted that too much money was spent on marketing and promotion, rather than on information to increase visitor satisfaction. Lobbying against punitive taxes and charges was required for industry development.

Finance was usually self-secured, and awareness of conventional sources was evident, but planning was poor. In the past development grants had been available, but many failures were due to under capitalisation. Governments would not now provide support to mitigate bank risks, nor support start-ups and banks were negative on unsecured loans. Seasonality affected cash flow, and operators did not often have an alternative. Understanding of legal and insurance obligations, particularly in relation to liability was poor, and relevant training was rarely evident. Business activity statements were resented, possibly related to lack of computerised operations for many.

Accommodation Providers

A get-rich-quick element in business start-ups was undercutting demand, and low barriers to entry exacerbated this. Regional operators saw increased regulation as desirable here. Too few backpacker beds were available in peak season however, due to local council restrictions, stemming from ignorance of value of backpacker market. Rescue package funds went to larger operations meeting eligibility

criteria for grants, rather than “mum and dad” businesses.

Family businesses sometimes had a legal standing that limited expansion, for example status as a body corporate at maximum legal density. Owners would vote on financing for upgrades etc at Annual General Meetings (AGMs). Upgrades were vital for competitiveness, but expansion was related only to sustainable demand projections, or land availability. Finance access was generally not considered to be a barrier.

Some backpacker places were established to support property investment by investors with a real estate development agenda. The hostel’s operation covered standing costs, particularly in inner city areas. Management companies would oversee the running during this phase. Managers were not involved in this aspect so access to finance was not an issue for them, but cash flow, which was healthier in the city than in the country establishments sampled, was. Qualified professionals, more evident in the city, were aware of legal and insurance aspects too.

Tourism Business Operators

Contrary to accommodation provider views, access to finance is more of a problem for tour operator start-ups. Only existing equity and good previous employment records helped loan eligibility, and many had modest wealth gathered elsewhere to allow pursuit of hobbyist interests. Since many such self-secured operations existed, access to finance might not be seen externally as a barrier, but finance was not generally secured on sound business models and plans. Few unconventional sources of finance were known. Although some banks had vision to support new businesses,



branches were more supportive when they had *no* previous record there.

All operators lamented the lack of support from government or tourist agencies in the vital period between the birth of an idea for a venture and its up and running state some two years on – a stage at which everyone wants to sell them something or offer joint promotions – often at considerable expense. Checklists or development or extension officers to coach at set-up would be valuable, but some recognised that hard advice may not fit with their dream, and it would be “like criticising their babies”.

One operator had excellent skills in business plan preparation from previous professional life with cash flows, scenarios, and other predictions built in. However, despite equity and initial collateral, without his partner currently having full time employment, the bank would not have been interested. Others reported that though a plan was required, the determining issue was personal security.

Public litigation is an issue for operators and authorities alike under current Australian legislation, often travel agents and tour operators bear the risk, and currently changes in the handling of credit card transactions are going though. An example was the Ansett airline collapse in September 2001, when agents had to provide compensation for supplier failure. Agents would protect themselves by dealing only with adequately insured businesses. One motorcycle tour operator had “lost everything” due to inappropriate insurance coverage, related to public liability. Others were concerned with occupational health issues, which was a time bomb for some organisations. Some operators obtained favourable insurance through their industry association.

Internet channels are disintermediating Australian agents, but consumers lack awareness of the safeguards entailed by dealing through agents. Travel agents are recognised under the Australian government’s tourism compensation fund, protecting consumers from losing money.

One tour operator had learnt good money management and the uneven demand and hence revenue due to seasonality was budgeted for. Relevant skills had been learned in a short TAFE course on business management. Accessing finance was not generally a problem, but many operators had significant equity and collateral already.

Employment costs were preferably targeted towards casual workers, and the chef for one tour operator who provided breakfast was found to be an uncompetitive cost compared to outsourcing catering to a major hotel chain. The primary market was domestic for many operators, who were affected little by exchange rates other than equipment import costs.

One operator believed that visitor information centres often had to be self-financing, and thus were mainly working “to keep their own jobs” rather than providing a service.

Equipment costs applied for tour operators, and sometimes import duties applied. One motorcycle operator had a dealership, ensuring supply of business inputs and a medium for turning over equipment, whilst a balloon operator turned over equipment every three years, ensuring incremental upgrades, quality kit and higher resale values.



Rural

Wineries have been a recent success story with numerous start-ups and boutique wineries emerging through diversification of traditional farm businesses. The capital associated with starting a winery was seen as significant by a number of owners, and one figure mentioned was a full five years before break even was projected. Not everyone could carry such a burden it was felt. Banks require collateral; typically a farm or family home would be the case here, which would be a significant issue for many rural operators.

Investment in rural tourism businesses has traditionally not been good, and possibly only some superannuation funds might be interested. The general quality of investment consultancy was questioned by some – bad advice, or overoptimistic return figures did not help in the long term and some regulation might be appropriate, especially for foreign investors who rely on a consultant.

One operator reported a significant investment of personal funds in a farm diversification initiative. He noted that if he had started 2 years later, half of it could have been claimed back through a government rebate scheme. Competitors “may have got that money”. An often-expressed view was that government funding was “the problem, not the solution”, and it was left to private enterprise to take risks, and incentives needed to be better handled, such that risk takers can risk/keep capital gain.

Tax was a constant issue raised, particularly the WET (Wine Equalization Tax), which does not discriminate between volume producers and boutique wineries of the typical wine-tourism SME. Legislation recognizing the nature of the product as

tourism related, rather than under mass production of “food and beverage” might mitigate this.

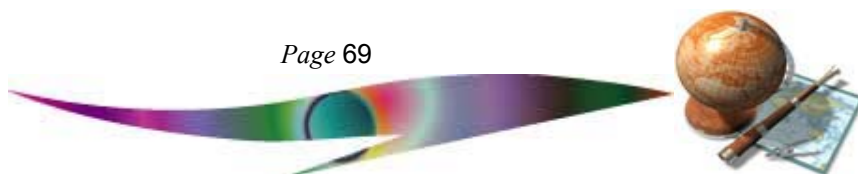
Small grants were not seen as worth having, and one anecdote was recounted noting how the media event associated with the gift of a small grant to one initiative cost more in lost time than the grant was worth.

An “addiction to tax raising and user-pays policies” was seen as crippling small businesses – opposition was voiced to one state’s plans to reconceptualise water as an assetable service provided by government and charged for as such. Arbitrary levies introduced by some jurisdictions were an obvious disincentive. The spectre of public liability insurance was another disincentive noted by operators and officials alike.

One emerging area saw itself as always being primary production, but recognized the need for value added (service) industries. However, the need for attractions other than wine was seen as critical for developing a sustainable regional tourism economy. One disincentive with this was prohibitive insurance requirements on “risky” attractions, such as horse rides for children.

Some focus group members saw a danger to sustainability from trends in supermarket and multinational companies purchasing behaviour. This had affected the fruit industry and wine could be vulnerable in the same way. Excessive reporting requirements from government were not seen as helpful to developing the industry.

One principal had a financial background and saw an opportunity in the Australian context that currently emphasizes tax driven investment. A need for an investment driven product, with tax



benefits retained could be met by a wine-tourism product, with the managed investment industry seen as an ideal government tool for reallocation of wealth from city to country. Blocks due to stringent policy interpretations by the Australian Securities and Investments Commission (ASIC) and Australian Tax Office (ATO) are a problem for investment, since the terms upon which forecasts are required to be made are not practicable in the wine tourism industry. The current product marketing regulatory system is seen as a problem that is more likely to deter new players and contract the industry. Despite government blocks this principal had issued a highly successful prospectus, netting several million dollars, which is developing that business, essentially a new premium winery with restaurant in an established area.

superior premium wine industry would be threatened.

The current taxation regime includes a Wine Equalisation Tax (WET) of 29%, and a general Goods and Services tax (GST) at 10%. Premium wines of low volume are disadvantaged by the taxation regime, especially since GST is charged on top of the WET tax – a double tax, making a \$100 bottle of wine cost \$141.90. Since boutique wines are the most likely form in a wine tourism context, this impacts on sales viability, and thus projected revenue streams. A number of operators commented on this disincentive to move into premium wine production, and current rebate schemes were inadequate for the sector. Taxing by volume rather than value would be fairer, as in the UK.

Although many of the finance aspects apply in the areas of wine production and export, if these are not viable, the sustainability of the wine-tourism aspect would obviously be terminally compromised. Furthermore a global brand perception of Australia that drew on a



Chinese Taipei

Accommodation Providers

Expert views

In general, homestay operators find it difficult to get access to financial assistance. There are little financial resources for homestay operators, and bank attitudes are very conservative. Without previous experience, homestay operators usually do not know how much they need in order to run a homestay. Operators must also provide some accident insurance for customers.

The lack of financial loans for homestay operators is considered a serious problem, and operators could develop much more given more assistance.

Operator views

Homestay operators do not generally know of any public or private financial assistance. Except one interviewee who used bank loans, the other interviewees either use their own financial resources or borrow money from their relatives and friends.

There are few financial resources for homestay operators. Banks require them to provide big-business like detailed plans and collateral in order to get loans. In contrast to the expert view, homestay operators think that they know how much they need in order to run a homestay, and are aware that they must provide some accident insurance for customers.

Tourism Business Operators

Travel agencies

Expert views

In general, travel agencies find it difficult to get any access to financial loans. There are little financial resources for travel agencies. Bank attitudes are very conservative. Banks also require travel agencies to provide big-business like requirements for collateral.

Travel agencies spend about 55-65% in employee salaries and benefits. They also need some foreign exchange and cash. Travel agencies must also provide travel insurance for customers.

There are about 12-13 travel agencies invested in by foreign companies. Some local big companies and enterprises also invest in travel agencies for different reasons.

In general, the financial structure of travel agencies is quite simple. The barrier to enter into this business is small.

Operator views

All interviewees agreed with the expert that travel agencies find it difficult to get any access to financial loans; however, most interviewees thought that their financial structures are good and didn't think that they need financial assistance.

There are few financial resources for travel agencies, but banks are also willing to provide loans if travel agencies have good credit.

One interviewee indicated that most travel agencies don't consider the cost of risk.



México

Both tourism entrepreneurs and experts (public servants) were interviewed. Public servants viewed the area of governmental funding as the most important financial factor in the industry. Credit risk, availability and access to finance, taxation burden and defining and articulating financial needs were all perceived to be of high importance and for these areas there was not much disparity between male and female responses. Government schemes to mitigate bank risk was seen as the least satisfactory area in the current situation and males were less satisfied with this than females. Bank attitude to lack of collateral was another subject where satisfaction with the current circumstances was considerably less than the importance it warranted.

High cost of financing programs, high interest rates and taxes, excess bureaucracy, limited knowledge of financial schemes and few financial programs available for small companies were the responses stated for the main problems suffered by companies in this industry in the field of finance. To overcome these problems, the need for more flexible rules in the acquisition of finance was identified, support from government and private sources and better fiscal policies including a reduction in taxes were recommended.

Seventy eight per cent of female respondents who answered the question: "Do you think the companies in your industry would request finance if it were made available?" all answered yes. However, of the 88 per cent of males who answered this question, 73 per cent answered yes and 20 per cent answered no. Many also emphasised that favourable

conditions (e.g. lower interest rates) would be a deciding factor.

New equipment and technology was the primary purpose stated for which financing would be used. Extension of the business and infrastructure, improvements in facilities and services and the development of new products were other purposes stated.

In summary, from the answers provided by this group of interviewees, the most outstanding problems related to financing access are: credit availability and access, lack of government mechanisms intended to mitigate currency risks, and lack of government funds and credit risks.

The aspects that this group regards as relatively less problematic for SMTEs are: currency risks in international operations, the cost of compulsory insurance, and the cost of tax returns.

Accommodation Providers

Accommodation providers viewed defining and articulating financial needs as the most important factors among the financial areas researched and the ability to access finance was the next most important. Limited object financial societies (SOFOLES) and guaranteed funds were considered to be the least satisfactory areas in the current situation. The provision of guaranteed funds was perceived to be the most deficient area in comparison to the importance it warranted.

The main problems communicated by respondents in the field of finance were the stringent requirements of financial institutions, a lack of information and knowledge on financial schemes, high interest rate for available financing and a



lack of financial government support. It was also expressed that modest tourism demand during the low seasons caused a lack of liquidity for companies. To overcome these problems it was suggested that greater flexibility was required of banks, the government should develop support programs and eliminate unnecessary taxes. Furthermore, economic instability and diminished sales could be countered by improved knowledge of financial schemes, marketing and strategic management.

Over 70 per cent of respondents said that if financing was available that they would use it and many added if the interest rates were acceptable. The reasons given for accepting finance were to sustain the company during slow times, to improve infrastructure (facilities & technology), enhance services and expand the enterprise. In addition, the finance would be used to obtain personnel qualifications and improve marketing research.

Tourism Business Operators

This group comprised travel agencies, tour operators and tourism stores. In the *travel agency* group, the availability of access to finance and the reporting of overheads were the two most important factors. Government schemes to mitigate bank finance risks was the least acceptable current situation and had the greatest discrepancy between importance and current circumstances. This issue was given a much lower rating by male respondents than female. Bank attitude in response to companies' lack of collateral and the issue of limited object financial societies (SOFOLES) was also considered deficient areas in the current situation.

Limited capital due to slow business, high commissions from airlines, high taxes and

interest rates were cited as the main problems for travel agencies. This is further hindered by limited access to financial schemes and a lack of marketing information and knowledge. To overcome these problems it was suggested that there needs to be more access to finance with acceptable terms and more flexibility to terms. The government needs to be more supportive in the matter of finance by establishing effective policies and lowering taxes. In addition, the simplification of administration policies and procedures was called for.

Over 64 per cent of respondents said that companies would request finance if it was available but many said it would be contingent on the terms. The uses of the finances cited were, for the improvement of infrastructure, products and services, technology, publicity and marketing and for business extension, the purchase of vehicles and for general work capital.

The greatest problems reported by the travel agents who participated in our interviews were the lack of government mechanisms intended to mitigate banking risks, lack of government funds to support their enterprises, banking attitudes when applicants cannot offer collateral, and lack of availability and access to financing.

At the other extreme, they stated they had no problems concerning the cost of compulsory insurance, currency risks in international operations and cash flow.

Insurance obligation was the subject of highest importance perceived by *tour operators*. The next most important areas were reporting overheads and defining and articulating financial needs. Big-business-like loan requirements were the least satisfactory area in the current situation and men perceived this to be more of an issue than women. A Development bank



(state owned) was the next most unsatisfactory area and men also perceived this as less satisfactory than did women. Awareness of resources, public and private also revealed a high discrepancy gap between importance and the current situation.

The problems in the field of finance suffered by companies that these interviewees stated were the stringent requirements of financiers, a lack of understanding or appreciation by financiers of the difficulties or fiscal load faced by tour operators and limited opportunities for finance. To overcome these problems it was suggested that the requirements of financiers to obtaining finance needs to be made easier which could be assisted by government support and effective regulation of the industry. All respondents who answered the question as to whether companies would use finance if it were made available said they would use it. They stated that they would use the finances to enhance technology, publicity and marketing and improve service offerings, for example purchase new transport and repair current company vehicles.

The operators who took part in these interviews stated that the financial aspects in which they see fewer obstacles are: the availability and access to financing, the expertise to define and establish their financial needs, the cost of tax returns and currency risks in international operations.

The aspects in which these operators unquestionably face problems are credit risks, the cost of compulsory insurance, banking attitudes when applicants cannot offer collateral, and the lack of government funds intended to support their enterprises.

Finally, the *tourism store* interviewees generally perceived the tax burden to be

the most important issue facing the industry. Defining and articulating financial needs was considered the next most important matter and male and female respondents gave these 2 areas similar credence. The greatest area of dissatisfaction was with private banks and this subject had a significant gap between current situation and perceived importance. Similarly, bank attitudes to lack of collateral was also a low area of satisfaction in the current situation.

When discussing the main problems suffered by tourism stores in the field of finance the areas that were expressed were, a lack of available financing and relevant information and overly stringent demands on finance, including high interest rates. In addition, due to a prior tremor much merchandise was lost but there was a lack financial relief afforded to those affected. Strategies suggested to overcome the current problems were, more information from financial institutions on financing solutions, less stringent demands to obtain credit, lower interest rates and greater government support.

All 92 per cent of respondents who answered the question, if financing was available do you think companies would request it, answered in the affirmative. This acceptance was conditional for some who included the rider that this would occur only if interest rates were acceptable. The reasons given for accepting finance were to grow or extend the business, to implement new technology, to improve services and to introduce new products.

These entrepreneurs thus regarded the following as problems: credit risks, credit institutions requiring detailed investment projects and guaranties similar to those required from big businesses, the tax burden, and the null response of private banking. In general, they regard access to



financing as a very problematic aspect for the enterprises in their field.

The representatives of these enterprises believe that their knowledge of available financial resources, public and private, is about adequate. They also stated that the cost of credit operation does not represent a problem for them.

Food and beverage

The taxation burden was once again perceived as the most important matter in the field of finance for the food and beverage sector. Defining and articulating financial needs was the next most important area and this was given slightly higher importance by male respondents. The subject of government schemes to mitigate bank risks was perceived to be the worst area in the current situation. Respondents were also pessimistic about the current situation regarding the area of government funding with the area of guaranteed funds running a close third. Females viewed these last 2 areas as less satisfactory.

In regard to the main problems companies face in the field of finance the answers provided a similar pattern to those above. Stringent demands by financial institutions, a lack of available financing within the reach of companies, high interest rates and taxes, a lack of government support and a slow down of business were additional responses to this question.

The impact of these problems appeared to be felt more by small companies. To overcome these problems, fiscal reforms such as governmental and private aid, lower interest rates and the provision of improved information on financial schemes were suggested. The majority of respondents said that companies would

accept financing if it were made available, many with the proviso, if interest rates were lowered. The purposes given for the use of financing were, to improve facilities which included equipment and technology upgrades, repair of disaster damage, and to improve product offerings and the quality of services.

In the financial context, the entrepreneurs of this line of business regard the following as obstacles: lack of availability and access to financing, taxation, lack of necessary government mechanisms to mitigate banking risks, and lack of guarantee and government funds to support their enterprises. The entrepreneurs of food and drink establishments stated that the aspects in which they find fewer problems are credit operation risks, cost of tax returns, knowledge of sources of public and private financial resources, and exposure to currency risks in international operations.



Thailand

Expert views

A greater recognition of the nature of the industry by financing institutions is required: operators will still need financial support, as the yield in tourism business is not only low, but also subject to possible cheating or breach of agreement. The finance institutions should also extend consideration and understanding of this aspect.

Various sources of financing were available, from both local and foreign financial institutions depending on their business operation. Professional lenders would make their own financial judgments, and good projects with convincing feasibility studies might obtain approval without collateral, (other than perhaps the project itself), and would ensure their own risks were low. Loan service was the typical form of financing, and any banks oriented towards SMEs imposed numerous conditions, generally including legal and insurance obligations, and there was no need for direct government involvement in this. Loans were reportedly often not approved due to lack of clarity in the management aspects. Bank/operator joint venture arrangements would be an area for improvement. Greater support from banks for helping tourism operators establish their businesses would help.

These arrangements were generally considered adequate, and not particularly a development barrier, nor a matter for government assistance. One official however thought government assistance on business planning and management would mitigate lenders risks, and an institutional guarantee to reduce risks could be considered. During crisis periods, the

government and financial institutions have provided assistance or guarantee measures under some special conditions in terms of loan interest rate and extension of interest payment period.

The level of business activity records kept was an individual matter, but a view was expressed that profit making should also be based on responsibility towards society and the country. A view expressed considered the level too low, and continuous improvement was required.

In an increasingly globalised environment, currency fluctuations can have greater impact than previously. Operators would require to stay up to date, and to inform themselves from various sources before making any risk-laden decision. Avoiding speculation and paying off loans quickly would be appropriate for operators.

Business communication costs are still high, with high risks, particularly if dealing with any business partners lacking responsibility and ethics, such as some tour operators or hotels not forwarding commissions to partners. Despite global e-business reducing (transaction) expenses considerably, the hospitality industry, which should focus more on 'High-touch' than High-Tech would not be changed by this. Risks were high also because of interdependence with industries operating beyond the tourism system, and the incompleteness of data available for assessing loan risk fully. Revenue proportions from tourism related businesses should be returned into tourism development if the industry's finance base is to be sustained.



Accommodation Providers

Bangkok resort owners generally considered there were not enough outside investment resources available for business loans, and awareness of various available financial resources, both governmental and private, varied. Operators suggested greater clarity was needed regarding the regulations and schemes for financial assistance to the industry. This applied both to government and private sector sources.

As with most SMEs cash flow was always a vital issue to continue operating, but complex loan processes with extensive document investigation caused delays in cases of urgent financial need. Banks would not approve loans without collateral, due to risk but no view was expressed regarding any change to this system. Operators did not consider business transaction costs to be high generally, and investment risk was low due to the requirement for solid prior planning prior to investment decisions. One operator considered that a big-business like requirement for detailed plans was always required by lenders but did not indicate whether or not this was a barrier. Beneficial legal and insurance obligations built into loan conditions were seen as appropriate.

Organising improved business activity statements and financial reports was seen as desirable, as they were considered to probably help manage expenses better, but operators had this aspect under sufficient control not to require an improvement. Costs associated with hiring were seen as investment decisions, and essential, but no view was expressed concerning foreign investment, or exchange rate volatility as an issue other than the potential volatility noted by operators with a predominantly international clientele, and the requirement for staff to understand foreign currency issues.

In regional areas, most finance was typically done through the operator's bank, and awareness of, and involvement with, other sources was not of interest. One view was that sometimes loan approval conditions were seen as excessive, and this might limit opportunities for operators.

Some operators saw a high level of investment required for a sustainable industry, and too few outside resources were available. Greater clarity on regulations for financial assistance were required, though an awareness of assistance sources was generally known. As in the city, operators interviewed typically kept good records on business activity so awareness of details allowed effective operation. This was seen best handled as an individual matter.

Big business like requirements for detailed business plans were necessary to obtain loans, but some operators thought that consideration for small business should be given. Although collateral was required for bank loans, some alternatives might be suggested, and this was not identified as a development barrier. Alternatives for lenders to consider included a guarantor, applicant's loan history, valuation of the business potential, projected income and the location and environment of the business. Loan delays in cases of urgent need however, were again reported, depending on the amount of loan requested. Legal obligations were best built into loan conditions, but an improvement in insurance obligations was desirable.

Transaction costs were considered high, as operators must deal with both customers and agents. The risks were also considered high since operators must rely on both internal and external situations. At another level though, risk was low, since medium class guests and room rentals were



understood risks. Hiring staff was seen as the most critical cost involved in the business. It was a necessary cost, and all contracts had to be clearly specified.

Globalisation was also seen as having an impact regionally. One women entrepreneur observed that “if the Baht value drops, more tourists would be attracted, otherwise the competition will be very high, be it price reductions, the services, contrary to the costs, which are quite static”. Government and financial institutions should try to control exchange rates in the industry’s interests. One regional operator also made the comment that “Tax law should be improved in terms of doubled taxes applicable for shops or hotels.”

Tourism Business Operators

City operators’ views differed on the issues of availability of outside investment resources, with some considering there were not enough, and that it was harder to get with SARS or other crises. The belief was that finance sources were available if sought, and there was recognition, despite lack of promotion, that TAT and the SME department provided support for loan relief during crises, helping e.g. through the SME oriented banks.

All operators who expressed a view felt that government and financial institutions still had to be further developed for more clarity in terms of regulations and conditions in cases where the operators need to seek financial assistance to improve their tourism industry business. In particular, government and banks must let the tour and travel agents know about the policy clearly.

Obtaining a loan without collateral was more of an issue for this subsector- banks

were tough, and would not even negotiate without collateral, though each case would be considered. Business transaction costs and operational risks were high, as was cost of trade shows. Loan risk varied: when consumers considered price over quality a high product investment was risky, loan risk for adventure tours was considered low though.

Cash flow was always seen as important but obtaining loans urgently when needed was a problem – slowness was normal and evidenced by the number of SMEs that collapsed during recent crises. Banks always required project plans and collateral using big-business like processes during approval decisions, though this was accepted as necessary. Improving business activity statement organisation was desirable, but smaller organisations with only a few staff did not see the need.

Legal and insurance obligations were covered either by specific units in larger organisations, or by conditions from interested financial institutions. Hiring varied in proportion to the work available. Low cost student trainees, e.g. staffing an information booth, or temporary employees were used, though generally more permanent employees were hired, especially in very small organisations. This cost was necessary, as qualified staff with specialised skills were needed for adventure and ecotours.

Exchange rate issues varied within the subsector – some operators had a predominantly domestic market and were not affected, others noted a significant impact.

Regionally it was generally felt that enough resources for investment were available, and these were identified as SME banks or other banks. However some operators noted that banks would provide



loans to hotels, but not to tour businesses, (reflecting perhaps a loan security issue) and high rates applied to outside loans. Government and private banks were also sufficiently available in cases of financial need, though conditions were sometimes unclear. This lack of clarity impacted business development, since “if the operators are clearly aware of the regulations and conditions, they can adjust themselves accordingly. It is important so that we can plan clearly in advance on making loans or expand the business, if we know such loan would be possible”.

Loans without collateral however, (unlike the city operators’ perception) were less of an issue, since apart from various bank alternatives that should recognise the nature of the sector and its potential, there was now the Small Industrial Finance Corporation (SIFC) of Thailand to guarantee a loan request. Urgently needed loans however, encountered delays, and loans requested during SARS (needed for survival) were reportedly delayed by banks using a wait and see strategy. Numerous loan companies were now becoming available, and this reduced the expectation of delays in future.

Risks and transaction costs were both high. SARS and seasonality had impacts, and tour businesses that required transport also had those costs and risks. Risk and cost was mitigated by judicious combination of family (flexible) and corporate (regulated) systems during crises – for example reducing salaries across the board temporarily to ensure survival in one instance. Risk reduction by not making investments in uncertain or poor economic times also applied to some operators. Cash flow was essential to all businesses, and typically depended on number of customers. Difficulties on payment collection, and slow payers generally had an impact. All operators saw that improved

business activity reports would help, especially for accurately analysing finances and quality.

Big business like plans and collateral requirements were necessary from the bank’s viewpoint, but while a detailed business plan was accepted as being crucial for the feasibility analysis, the need for collateral was a development barrier. In the words of one operator “collateral is the least necessary, because if the importance is given to collateral, those who have ideas but no collateral will not be able to use their ideas to develop the business or the country.”

An improvement in clarity of legal and insurance obligations would help dispute resolution and identifying burdens of responsibility. A need for more risk coverage for the benefit of the insured was perceived, and “the sum insured could increase in case the business is good, which will be beneficial to both sides”

Employment patterns varied, with some operators assigning work and responsibilities to suit the time and capability of each individual, instead of hiring per position. Whilst hiring was an essential cost seen by all, if the company’s profit was small, a balance would be required between permanent and temporary staff. The view was that permanent employees could be controlled and developed for the business, but the cost was high. Costs could be controlled on temporary staff, but their work could not always be controlled or managed as desired.

Like the city, operators with primarily domestic markets were not affected by foreign exchange fluctuations caused by global business, but felt there should be some provision for unforeseen crises.



Health and Spa

City operators felt there were enough outside investment resources, but conditions could be improved. Some operators felt there could be more outside investment arrangements than simply the bank loan system. The service and the types of loans are still not varied enough. Approval was extremely difficult, since all lenders are afraid of lost debts and they use the fact that Thailand economy is still not stable (in fact unpredictable) as their reason. Requirements of lenders were tough for beginning firms. Those belonging to parent groups had it easier. Sometimes the approval is not very hard to get, but the interest rate is very high.

In cases of urgent financial need, information from parent or group companies was available, and operators were generally aware of funding sources within or outside the system, though small organisations were less aware. Banks and media publicised such resources. Government sources were first choice for some, but had many conditions and steps attached. Banks and other private sector lenders were more convenient. Delays were sometimes reported, but not always. One company had a reserve from the operation, and if this was insufficient, their bank would happily give them a loan fast. With equivalent collateral for the loan amount, loans were not a problem. Associated legal obligations were complicated, and could be loosened for SMEs. Insurance and legal aspects were sometimes covered by the parent company. A specific improvement regarding loan insurance would be a guarantee for the business operation in case of an emergency, which is not due to any fault of the loan recipient.

Operators sought greater clarity on financial assistance regulations, and clear, far reaching and understandable regulations would be beneficial to facilitate business loans. The spa business was important for the country, but had little need for heavy investment. Expanding spa businesses would help the country, but a lack of understanding by finance institutions was often noted. "Government and financial institutions should consider the feasibility and possibility of the project to help the entrepreneurs who have no collateral but they have good projects. Government and financial institutions should support to form a group of spa entrepreneurs. When they have a group, they will have an opportunity to help each other and grow together."

Loans were hard to obtain without collateral, despite good project plans, a major problem for some operator. As a service business, management and their abilities, and their staff "are our capital, which cannot be calculated into any figures. Therefore, they should let us use our "Contract" or "Confirmed business" as collateral." Personal guarantees based on good credit history were possible, and some banks may approve a loan if "the project in question is very good, with a good potential, a well-prepared feasibility study, and a short period for return of investment, and by using the project itself as collateral."

One operator made a suggestion for greater financial support than before for cases traditionally considered high risk. "Banks should give an opportunity for SMEs in borrowing some money. Loans will help SMEs to develop their products (use 40% of total loan) and 60% (of total loan) to develop their services. This is because expenses to train our staff and expenses for renting are high. Furthermore, if we have more money, we will bring the money to



develop new products. However, if our performance is not good enough, banks will not approve loans. “Big-business like plans were necessary for bank loans by some, and while seen as good discipline by some, were only done when required by the bank by others. Financial institutes could usefully provide some training to business operators.

High costs were involved in operating a spa business, and high to medium risk levels were typical, especially for renting particular assets in a good location. Investing in a health and spa centre was costly, particularly with low customer numbers. Communication costs were also for businesses required to contact overseas agents by e-mail/fax/phone and travel to see clients in their countries, or to attend trade shows. Having substantial amounts of money mitigated risk. Spas based in hotels, especially in good locations, had lower costs and lower risks. Spa product importers had high (import) costs and associated risks too. The investment risks were high, since the products are costly due to the transport, customs duties, marketing and advertising.

Good cash flow was vital. For product importers advance payment for the products ordered, the transport (by air if urgent), customs duties, marketing and advertising were all required. Processes of regular bill collection and optional tour sales helped. Poor cash flow hindered business expansion, particularly hiring and buying raw materials. Business activity statements were good and under control, but could be better managed by some, though assistance was not required.

Fixed costs for permanent employees were high, mitigated by employing part time staff. Job descriptions were not always clear. Parent companies sometimes managed the employment function. One

operator was hiring full time and part time staff because turn over rate is high. Full time employees were fewer than part time employees, and labour expenses were less for this operator than asset rental. Labour law is strict, and concerned with staff conditions. A four-month probation period applied to those becoming permanent. Casuals were recruited mainly at rush periods, and staffing levels were determined by business plans and projections. One operator hired only permanent staff. Human resource development investment was seen as high, but worthwhile.

Foreign exchange fluctuations due to globalisation had some impact on this sector, mainly those imports that could not be sourced locally, and in crisis periods. Those that perceived risk quoted prices only in Thai Baht, and one operator suggested that a guarantee system of the Baht value could, if possible, be introduced to allow a fixed and stable rate of exchange.

Regionally, sufficient sources of investment existed, but the required conditions were obscure, and financial institutes had complex processes. For industry improvement loans, clear processes were very important, as any crisis will have an impact on tourism, such as hotels, tour agencies, and airlines. Improvements that can be made by state or other financial institutions in terms of clear, precise conditions, and prompt service would help facilitate the process. Resources for cases of financial need, such as the Phuket tourist association, government banks and other lenders were available.

Collateral was required by banks, who would refuse help without it, and urgent requests would encounter delays. Big-business like conditions applied, due to



banks' fear of lost debt, so the financial institution would carefully study the business plan and the collateral. Having a detailed business plan and good collateral means that the company requesting the loan is capable and efficient. More flexible conditions of repayment would be an improvement if financial assistance was required for some reason.

Both business transaction costs and risks were seen as high, partly due to high competition level, and the requirement for advance payments on for example room reservations, air tickets, or tours, necessitating a financial reserve. Organised business activity statements were required to prevent corruption but were fairly basic in smaller companies.

Investment in staff was important, with most staff being permanent for operators who reported details. Hiring qualified staff was important, and salary was subject to knowledge of foreign language(s), computers, and personality. Foreign exchange rates impacted the spa business, and with many overseas customers, staff had to be aware of exchange rates before accepting payment in foreign currency.



Technology and Technology Sharing

Australia

This aspect embraced e-commerce, environmental, e-readiness and industry linkage and clustering issues.

Technological readiness is generally severely limited. Marginal e-readiness, limited computer use, minimal security and limited application and technical knowledge were seen as typical by experts, despite easy access and modest costs involved. Larger enterprises were expanding into e-commerce, and human resource development generally followed a strategic decision to use computers in business, rather than existing technical skills driving the change.

Seminars and adult education were available, but costs and time involved, as well as failure to appreciate payoffs and technology-enabled innovative extensions to businesses militated against take-up. No gender barriers to take up were indicated.

While web sites may be seen as essential the level of Web site use is very modest. Most sites are at the brochure ware level only, and /or externalised. Consumer information search, findability and purchasing decision were not typical considerations. The smaller businesses have only just adopted PCs and it appears that has been influenced by GST and the Business Activity Statement (BAS) requirements leading small operators to adopt packages offering financial and business management software, such as Mind your Own Business (MYOB), an Australian product with versions applicable to other countries¹⁹⁵.

Experts perceived a general air of competitive secrecy. They were aware that

individuals sometimes develop good networks, but may comprise similar service providers in other geographic area. Thus alliances are industry-based not regional-based, as all other regional tourism SMEs are seen as competitors. A short-term outlook among operators also limited networking.

The R&D culture in SMEs was very limited. New product development was generally handled poorly by new entrants and often even by large and established players who by contrast have the financial resources to develop new products. New product development was also limited by a lack of marketing/strategic appreciation.

Accommodation Providers

Experts noted the number of family and lifestyle businesses in this area who did not use technology nor saw a need to do so. When information from tourism bodies was being increasingly disseminated through direct email, CDs, or which referenced Internet sites such groups were disenfranchising themselves.

Sydney backpacker operations were aware of technologies due to hotel management training and of their costs, benefits, scope and their use in reservation and operational systems. Country hostels were a bit more ad hoc in this regard.

Backpacker networks of hostels pooled knowledge formally through parent associations or informally through contacts. Linkages existed, through mutual referrals within a chain, then more widely in the network. Backpacker portals were increasing in importance, and PC use for booking was already at a high level in city establishments particularly.



Only one or a few PCs to run the business were required, and medium level skills sufficed, generally picked up from previous professional employment. Some older hostels ran manual systems.

Uptake issues for the Australian Tourism Data Warehouse (ATDW) remained, although this enabled an e-presence for subscribers at minimal investment. Listings were free on other national portals for subsectors, e.g. [winediva.com](#)¹⁹⁶ for wineries, and [OzStays](#)¹⁹⁷ for accommodation. This latter offers a web page and free listing, but receives payment on booking.

Web workshops were facilitated but generally not operated by state tourism commissions. It was not cost effective to run these in remote areas, so such programmes had limited durations. Sending industry information by email was cheaper and more convenient, but remote areas lacked adequate infrastructure.

Operators' technology needs were only basic, and local expertise was sufficient. The technology was adequate, with different systems for different aspects. Personal computers were adequate; training only applied to newly installed software.

Tourism Business Operators

Industry experts found that Internet and mobile technologies were enabling rapid changes in travel plans, which entailed adjustment issues for agents and package providers. Some agents were being disintermediated by the Internet. Travellers were perceived to be increasingly using the Internet to find information and deals. The issues arising for operators across different subsectors were generally equivalent and have been aggregated here.

Many operators had sufficient IT training or aptitude to learn to fashion basic websites and newsletters, and would outsource more advanced aspects. There was a technology training issue with volunteer staff, and for some medium size enterprises, some management choice issues on hardware and software applied. Scanners and direct publishing software were available on the market, but were neither procured nor deployed. Learning business software packages entailed an adult education course for some operators, and while the increased BAS load was significant for several, business packages had helped.

Technologies related to sports equipment or adventure activity were known through personal hobbyist interest, community of practice information sharing, and from training required to obtain specialist licences. Ballooning was environmentally friendly

Australia generally has a high technological awareness, with significant penetration of technologies such as home Internet access and mobile phones. Even in regional areas, where infrastructure is less advanced, the wineries sampled had Internet presence and email contacts. Most wineries approached responded rapidly to electronic enquiries, so it is assumed these facilities are in regular business use.

Within this general picture however, a range of activity levels was apparent. Some wineries had their own websites, set up with full e-commerce functionality, such as online ordering, whereas others outsourced this aspect as part of a cooperative marketing strategy. One winery had an Internet site at their vineyard location, (some distance away) and had no plans to introduce one at the cellar door operation. This substantiates the recent review of Australian winery



websites by Sellitto, Wenn and Burgess (2003)¹⁹⁸, which details classification criteria and statistics to show that smaller wineries are not just less likely to have websites, but are below the small business average. However those small wineries that adopt websites are more likely to offer e-commerce functionality than are larger ones, and are more innovative generally than other small businesses.

Some operations with externalised web hosting would nonetheless initiate and update content themselves, or in co-design ventures. Being findable by search engines was becoming recognised, as was the need to be found via tourism directories such as the Queensland Tourism Industry Directory¹⁹⁹.

Tour operators also almost always had at least “brochure-ware” websites, which were seen as a credibility issue as well as reducing brochure production and postage costs. Technical knowledge associated with balloon gas burners and motorcycles was known by owner/operators, who tended to have strong personal interest.

One tour operator used technology to log all contacts and to record statistics on which media sources had been effective in attracting custom, with a quarterly review to determine promotional activity.

Industry linkages across tour operators were poor, though some saw the value of complementary industry networks, and others had informal associations for equipment sharing type purposes. One balloon operator had good personal relationships with other balloon operators in other regions as contingency for the sharing of expensive, and slow delivery of specialist equipment in the event of mishaps, damage etc, but this was across sufficient distance to have geographic segmentation, and no formal basis applied.

Alliances were generally for tour selling purposes, and a need for sharing in relation to knowledge about public liability and other matters was indicated.

One operation concerned primarily with a wine export function was aware of technology options and was increasing its web investment, though not yet with a back end tie in, and was processing web orders manually. His staged approach to adoption was typical – an increase in e-trading was seen as a compensation for a drop in passing tourist trade.

A wine expo in one state was attended and an educational session on Internet marketing, which was fairly well attended, was presented by the principal of an Australian wine portal site. Examples of good practice were demonstrated, and this aspect of technology sharing seemed to be becoming understood within the industry. Some state governments would facilitate, but not operate, educational sessions on e-commerce, which private providers would offer. Such events were difficult to run effectively outside the metropolitan areas in some states due to large distances, and the time and costs involved for potential attendees, so a ‘digital divide’ type issue applied.

A number of industry groups had already formed in each state surveyed. One group was in the process of formation at the time of the study, and one new winery in another state was not affiliated to any group. In one state with a relatively recent tradition of wine tourism, a group of wineries had formed to share all aspects of their expertise, and saw a critical mass of new ideas benefiting all in the region rather than as a competitive advantage at local level.



Established regions, such as the Swan Valley and Margaret River in Western Australia had websites embracing several wineries in the region, some of whom had their own sites in addition. These portal sites charged memberships but all members would benefit from a brand identity. A website with national scope, set up by an organization with indexing experience also provided a database of Australian wineries and contact details. Indexing on the site was free, and revenue was obtained by extra advertising, roughly along a “yellow pages” model.

The Australian Tourism Data Warehouse also provides extensive listings, but State Tourism officials noted some uptake issues.

Other industry linkages were evident in more established regions. These addressed products associated with wine, particularly gourmet foods. Producer associations were to be found, in which food and wine producers would meet, debate local issues of common import, and work on shared promotional packages. Master classes by gourmets matching local seasonal produce to stylish local wines are related events that add value to regional festivals.²⁰⁰ Tours are also well established in more mature regions, including coach and classic Australian car services, which serve wineries and complementary attractions. Some wineries have a “back to basics” approach to cellar door operation, based around a vernacular architecture of tin sheds, which have proved a popular attraction in themselves. SME breweries, some themed, are also prevalent in some regions, offering complementary product and experience.

Such groups recognized complementarity among their products in marketing an experience to the wine tourist. Premium coffees, chocolate and wines would be

available to specific restaurants in the area, sometimes on an exclusive basis. The general idea was that the wine tourist would also enjoy the complementary product and then order through the Internet or by mail.

Environmental technologies in this context primarily apply to wine production, but are also critical for sustainable tourism. Unrestrained growth in wineries, with a new winery appearing every three days, naturally impact on the land and water. Salinity and wastewater in wine regions are major issues, and education sessions at expos, plus the trade press are mechanisms for sharing technological know-how. Currently sustainable and indigenous practices including permaculture approaches are considered by some to be an important part of sustaining Australia’s environment. Genetically modified foods and other practices aimed at global markets were viewed with suspicion, although not ignorance. State Tourism authorities can also facilitate help in this regard. Local governments also have environmental requirements, which are imposed through approvals of plans and inspections, although, in more than one state, it was reported that there were inconsistencies in this application.

Although an active and educated green lobby kept some planned developments honest, an objection to plans from local environmental activists was another bugbear reported by one new winery in an emerging region. Despite having a sound and informed environmental impact case, loud voices from such lobby groups hindered his development. While the winery owner fully understood the attraction of the area was its unspoilt and undeveloped nature, and was sympathetic, the development in question was considered extremely low impact.



Other wineries in neighbouring regions, which were at a more advanced stage of development, believed the balance was “about right” and would not be seeking further development due to the impact on the area’s established natural attractiveness. Boutique wineries tended to handpick grapes, larger operations machine picked, a technological difference that would correlate with growth. Grapes such as Pinot Noir are considered to require handpicking since machine harvesters “turn the fruit to mush and release coarse flavours into the resulting wine”.²⁰¹ (The criteria for the Champagne appellation also prohibit machine picked grapes).²⁰²

Gender based impediments to technology acquisition were not evident, but the perceived lack of an R&D culture in the industry, and SMEs more widely, was seen as regrettable by more than one operator. Secrecy regarding wine production techniques precluded some sharing of, and further joint R&D, though larger companies had this function. Tourism specific research was not indicated for such concerns.



Chinese Taipei

Accommodation Providers

Expert views

An estimated 70% of homestay operators have the skills to work on basic computer technology, but depending on different business styles, they may need different technologies. Homestay operators do not however generally have technology on website design, maintenance, and operation.

Homestay operators have some environmental protection technologies and skills. If they need help they can ask “Environmental Protection Administration” for assistance.

Currently homestay operators have not used electronic commerce. But using e-commerce is seen as necessary for them in the future. Programs such as counselling and training on computerized management and e-commerce are very important for homestay operators.

Operator views

Although some operators think that they have the computer technology they need, some still think that they don't have. Homestay operators do not have technology for website design, maintenance, and operation, and they have not used electronic commerce.

Homestay operators have reported some environmental protection technologies and skills.

All interviewees thought that programs such as counselling and training on

computerized managements are very important for them. But only some of them think that training on e-commerce is necessary.

Tourism Operators: Travel agencies

Expert views

Travel agencies have the skills and human resources to use the basic and necessary computer technology in travel agencies. Most travel agencies use computers in their management. For example in customer relations software, tour planning, Internet marketing, billing, product design, email, and connection between companies and their branches.

In general, travel agencies are aware of available technological capabilities. Some travel agencies have invested in the electronic commerce, but many also have failed. Because there are many travel agencies in Chinese Taipei, consumers have a lot of direct accesses to travel agencies. Therefore the need for electronic commerce is not necessary for most travel agencies. The big travel agencies may gain some advantages to have electronic commerce.

Travel agencies do not have environmental protection technologies, and they don't think that they need these technologies.

There are some kinds of mechanisms of pooling resources across industry clusters. For example, some travel agencies share their software systems.

The government already has programs to provide counselling and training on computerized management for travel agencies.



Operator views

All interviewees considered the skills and human resources base to use the computer technology adequate. Some travel agencies have used computers in their management more than others. These may include consumer database, human resources, payrolls, internal document management, etc.

A few interviewees indicated that their travel agencies have used electronic commerce, but other interviewees thought that the need for electronic commerce is not currently necessary for their business.

Mechanisms for pooling resources across industry clusters were reported, for example, sharing information and software systems.



México

Public servants perceived the area of environmental protection technologies was the least adequately provisioned item in the current situation. A research and development culture in SMEs was the next most deficient area in the current situation. Females viewed both of these issues as being even less adequately provisioned than did males.

Attitude toward computers and Internet was another main area of importance perceived by public servants. Skills required to use technology was the next most important subject and awareness of available technological capabilities. All three of these items were given slightly more importance by males.

Public servants perceived the main problems facing companies in regard to the issue of technology availability and use as being a lack of finance, adequate financing, knowledge and qualified personnel. Furthermore, indifference to technologies was given as another major reason for company problems in this matter. Suggestions to overcome these problems were financing schemes with adequate terms, the development of technology training programs and education on financing as well as information on appropriate technologies.

Of the 92 per cent of respondents who answered the question, if there were available means would companies acquire and utilise technological systems 92 per cent said they would. Those that said no implied that some companies are not aware of the added value that technologies may bring. The reasons given for the acquisition and use of technologies were to confront competition, increase sales,

improve service quality and work efficiency. The main technological resources that public servants perceived companies would be interested in were information systems, energy saving technologies (water & electricity), global reservation systems, Internet related technologies, electronic sales, statistical controls (e.g. calculation & accounting) and telephony technologies.

In summary, this group of interviewees stated that the most important technological issues for tourist SMEs along the Mexican Pacific are the adoption of technology for environmental protection, the promotion of exchanges and links among enterprises, training in design, maintenance and operation of websites, and the promotion of a culture of research and development among relevant enterprises.

On the other hand, academics, tourism authorities and representatives of entrepreneurial organizations stated that those technological issues thought to be less important for the development of tourist SMEs are familiarity with the latest available technological innovations, the need to have financial resources to invest in technology, protection against computer viruses and hackers, and staff's readiness to use computers and the Internet.

Accommodation Providers

Awareness of available technological capabilities was perceived as the most important issue within the 13 technology related factors investigated among accommodation providers. Males gave higher importance to this area than females. Web site design, maintenance and operation (2) and environmental protection technologies (3) were the next most important areas and again these were given



higher importance by males. Both females and males gave pooling resources across industry clusters the lowest ranking for the current provision. The research and development culture in small/medium enterprises (SME) was also considered inadequate in the current situation.

Lack of economic recourses and qualified personnel were the most consistent responses concerning the main problems that companies of this industry faced regarding the issue of technology availability and use. Since financing was considered one of the main hurdles to adopt new technology, low cost financial schemes from government and private sources was suggested to overcome the problem. Furthermore, programs and education to train personnel in the use of relevant technology was another solution suggested.

A large majority of respondents said that companies would acquire and utilise technological systems if they had the means to do so. The reasons given for why they would utilise them were to improve operations through more efficient administration and processing and raise service quality thus, increasing companies' competitiveness. The main types of technical systems they would adopt were hotel systems for administration, calculation and telephony, web-enabled reservation systems, internet (i.e. web pages), databases and closed circuit security. In addition, energy economisers (e.g. electricity & water) and industrial hardware for washing and drying was suggested.

Interviewees in this kind of enterprises stated that among the aspects that need to be attended to in the context of technology are financing for technological resources, the adoption of technology for environmental protection, the promotion of

a culture of research and development among relevant enterprises, and the creation of a mutual fund for technology among relevant enterprises.

The technological aspects regarded as less important by the interviewees are protection against computer viruses and hackers, readiness of entrepreneurs and staff to use the Internet, marketing, online sales, and the use of several kinds of software.

Tourism Business Operators

Travel agency interviewees perceived attitude toward computers and Internet and awareness of available technological capabilities to be equally the most important areas of those investigated. Computer security against viruses and hackers was the next most important subject. A comparison between male and females responses to these 3 areas showed similar weightings. Males perceived pooling resources across industry clusters as the least adequate area in the current situation placing a lower rating on this aspect. The matter of environmental protection technologies was the next lowest in the current situation and it received a marginally lower rating by females.

The main problems expressed by respondents regarding the issues companies face with technology availability and use were the lack of economic resources and skilled personnel. However, some respondents did not consider there to be any major problems. In response to what must be done to overcome problems, the respondents suggested training programs for personnel and access to financing which included government support. Furthermore, increased sales to obtain the necessary finance for new technology via a more



productive tourism market was also mentioned.

The majority of respondent said that if they had the means, companies would acquire and utilise technological systems. Those who said no were put off by the perceived high costs. Those who said yes commented that technology would assist in providing better service quality, improve company productivity and that it has become a requirement of going concerns. The main technological resources that companies in this sector would be interested in were travel agency software and software for Internet enabled reservations and web pages and any systems that are relevant to improve operations.

With respect to technology, travel agents thus generally believe that the most important technological issues are the design, maintenance and operation of websites, the creation of a mutual fund among several relevant enterprises intended to invest in technology, the promotion of exchanges and links among enterprises, and the adoption of technology for environmental protection.

The technological issues believed to be less important among travel agents are protection against computer viruses and hackers, staff's readiness to use computers and the Internet, and the implementation of measures intended to enhance the use of technology.

Attitude toward computers and Internet was given the highest rating for importance by *tour operators*. Computer security against viruses and hackers was next in importance and males gave a higher rating to this matter. Skills required to use technology and awareness of available technological capabilities were the third highest in importance. Across the range of researched subjects, the perception of

current situation was quite high for this sector. However, pooling resources across industry clusters was perceived as the least provided for area and this was given a significantly lower ranking by males. Fostering interaction relationships was the next lowest matter and again males rated this significantly lower than females.

The main problems cited for the issues faced by companies regarding technology availability and use were the lack of economic resources and a slow economy, lack of skilled personnel, and the competitive advantage of those with contemporary technology. To overcome these problems interviewees suggested that education and training programs were required. Access to financing and financial support and improved state promotion were also proposed.

In responses to whether companies would acquire and utilise technological systems respondents said they would. Only one respondent stated that he had little demand for technological systems. Interviewees purported that they would use systems to improve service quality and facilitate business growth. The main technological resources reported that companies would be interested in were Internet, communication (e.g. reception), security, calculation and environmental protection technologies.

Currently then, tour operators believe that the primary issues concerning technology are the adoption of technology for environmental protection, the creation of a mutual fund among relevant enterprises intended to invest in technology, the promotion of exchanges and links among enterprises, and the promotion of a culture of product research and development among relevant enterprises.



The issues this group of interviewees believes to be less important in the present are familiarity with the latest available technological innovations, the development of skills among staff to make better use of technology, and staff's readiness to use computers, the Internet and a variety of kinds of software.

Use of different kinds of software was however the area given the most importance by *tourism store* respondents. Attitude toward computers and Internet was the next most important area and females placed more importance on this matter than males. Females particularly gave high importance to skills required to use technologies.

Website design, maintenance and operation was perceived as the most inadequate area in the current situation with slightly less satisfaction displayed by females. Fostering interaction relationships was the next worst subject, which was perceived as significantly more inadequate by males.

The main problems faced by companies regarding the issue of technology availability and use were the unreliability of technology, a lack of economic resources and high costs associated with implementation and obtaining personnel qualifications. To overcome these problems it was suggested that financial incentives, access to financing and training programs would be helpful.

If the means were available to acquire and utilise technological systems, most interviewees stated that companies in this industry would make use of them. The reasons given for acquiring and utilising systems were to improve company infrastructure, productivity and competitiveness. Inventories control, sales (i.e. bar coding), Internet marketing and

graphical design technologies were the main resources perceived by respondents that companies would be interested in.

The group of business people involved in this category believe that, concerning technology, the primary issues in this field are training in the design, maintenance and operation of websites, the promotion of a culture of research and development among relevant enterprises, the adoption of technology for environmental protection, and the use of several kinds of software.

The issues these business people regard as less important are staff's readiness to use computers and the Internet, the need to have financial resources to invest in technology, the implementation of measures

Food and beverage

Restaurant interviewees perceived environmental protection technologies to be the most important technology area. Males gave this substantially higher value than did females. Attitudes toward computer and Internet was the next most important area and males valued this higher than females.

Awareness of available technological capabilities was perceived as the most inadequate factor in the current situation. Skills required to use technology was the next worst area. Pooling resources across industry clusters and research and development culture in SMEs were equally the third worst area in the current situation and females perceived all four areas as less adequate than did males.

The main problems facing companies in this sector in the availability and use of technology was a lack of finance, unskilled personnel and a lack of knowledge or information on appropriate technologies.



To overcome these problems respondents suggested that affordable training courses and more financing be made available to companies.

Once again a large majority of respondents claimed that if the means were available for companies to acquire and utilise technological systems they would take advantage of them. Interviewees reasoned that these would be used to facilitate improved productivity, increase processing ability, raise the quality of service and enhance competitiveness. The major types of technologies proposed that companies would be most interested in were machinery for kitchens (cleaning, stoves, coffee pots etc), administrative systems (human resources, invoicing, calculation & inventories), sound, video and telephony.

Those operators of tourism-oriented restaurants and bars who were interviewed believe that, in the context of technology, the issues that need more attention today are familiarity with the latest available technological innovations, the development of skills needed for the use of technology among staff, adoption of technology for environmental protection, and the readiness of staff to use the Internet.

This group of interviewees also claimed that the technological issues that seemed less important were the adoption of marketing and online sales, protection against computer viruses and hackers, a culture of research and development among relevant enterprises, and the implementation of measures intended to enhance the use of technology.



Thailand

Expert views

Technology was viewed as an essential part of daily life in the globalisation era, and it was imperative for industry sustainability that tourism operators develop their skill and competence in current and emerging technologies. This would play a large role related to the industry's human resource development, as any operation would be affected if the human resources were not technologically developed. Improvement is required where the human resources are slow or have language problems, and particularly in technologies related to marketing, such as communicating marketing data and market research.

Technology speeds up the work and helps save costs, but it would not significantly affect job creating or hiring. In developing countries where there are unemployment problems, technology should increase job opportunities.

In particular, such developing countries, most of which receive tourists from other developed nations, must improve their communication systems and equipment to be able to respond quickly or provide service. IT applications were a priority, but not training as computer programmers. Other areas requiring development for efficiency were reservation systems for airlines, cruising, and hotels. Knowledge of the latest technology should be improved, especially in connection with equipment and know-how for the reservation systems, whether for airlines, cruising, hotels, or any other tourism business. This was generally a key area for potential government assistance, although without government assistance, operators

could still improve their own effort in this area.

Environmental technology should be integrated with tourist education and development, and was necessary for some operators, though many were already aware. The environment is clearly the important key to quality of the destinations and their sustainable development, so environmental protection must be done at the same time as developing and promoting tourism. Technology in handling waste and garbage, energy saving, temperature and pollution control, etc. must be used. The cost of developing environmental protection technology is high, and whether the government or some agencies were ready to pay for that was an issue.

As exists elsewhere, there may be individuals who are prejudiced about others' ability, especially women, younger generation, or the elderly. No expert though, saw gender as a hindrance in the Thai tourism industry's use of technology.

Operators in Thailand still operate very much on an individual basis, with the good ones more successful than those who may be less qualified. This was not seen as healthy for the overall industry and would have an adverse effect in the long run. A higher level of interaction was needed, because tourism resources are limited, and redundant and careless use of these resources will create a long-term effect.

An increased role for clusters of entrepreneurs was thus also seen as very important to create capability and to provide a networked platform for information exchange, problem solving, mutual help and development generally. Tourism operators needed to cooperate in retaining and improving these aspects for future generations, and little coordination



was the norm at present. Enough opportunity for this to occur was available currently, through the “Tourism Council” body, although it is only just beginning this activity, and does not have an inter-industry remit, but focuses on the travel industry. There are now laws controlling the operation and cooperation of private tourism business or the operators, which should be put into useful practice.

Most operators at present learn from experience and routine practice, which may not be a good pattern. Research & development and use of proven R&D would benefit both medium and small enterprises. Positive support was given across experts for creating an R&D (Research & Development) culture for SMEs’ technology development, perhaps through assigning related entrepreneur associations and making those responsible. Such a culture was seen as necessary by senior figures, and while SMEs would not normally do research; they could apply its results.

Accommodation Providers

In the typical Bangkok resort, technology costs were not considered high, since those currently in use were necessary for normal business practice. In fact operators consider there was almost no difference with other SMEs or larger establishments (other than perhaps complexity) in technology terms. Knowledge and skills in technology came from practice and additional individual learning. Developing staffs’ technology knowledge was beneficial in human resource terms, and improving their operational skills was seen as both necessary and desirable particularly for managing data effectively and efficiently. Some operators however,

saw this more as a future possibility, rather than a current need.

Financial support schemes for new technology investments were sometimes, but not always known. In terms of technological assistance packages only one comment, (that financial skills and new technology knowledge were areas for improvement) was specifically made.

Increased use of technology was seen in the areas of improving customer and other communications, making contact easier and faster. No comment was made regarding environmental protection technologies, but sharing technologies across a tourism industry cluster was seen as desirable. There was also a general desire to see more interactions among operators in a cluster, and more opportunities for linkage of operators. This was seen as strengthening the relationships and synergy, as well as the location itself.

The implementation of an R&D culture in IT for tourism SMEs was invariably seen as useful for awareness and problem solving.

Gender was not seen as an impediment to technology acquisition, as specialized skills are not gender specific. Updating website information was seen as critical now in business, and development in the area of website design and associated operations would be desirable. Operators showed awareness of the increased potential as a marketing channel. Similarly, further development in E-readiness, computer security, and use of computers would be welcome, and seen as leading to higher operational efficiency and effectiveness. The other outstanding problems in this area were that insufficient attention was being given to technology development, and the lack of financial assistance to develop this aspect. Lack of



practical experience was another hindrance for city operators.

In regional centres, technology was reportedly limited, or not used at all, though funding resources could be identified for this if it was considered an operational improvement, and budgeted as an operational cost. The cost of technology use was, where it was reported, considered to be about right, and knowledge and skill would develop through experience.

Development of websites was usually seen as valuable, for increasing the distribution channels, and some women entrepreneurs also saw staff development in this area as desirable. Larger establishments were seen as having a better system and better financial resources for staff and technology improvement. They would also benefit from economies of scale, and companies identifying themselves as small sometimes thought their own need for technology was therefore lessened, and existing technology was sufficient.

Present staffing, sometimes including owners, was generally not receptive to contemporary technology, and training would also be required. In relation to developing e-readiness and computer usage, a computerised control system would be good, but unprepared staff made it unrealistic. The range of views mirrored those of the city operators, some of whom saw this as a future more than a current concern. If technology were brought in, the staff would either be enthusiastic to learn, or else would “goof off”.

Regional operators also noted that gender was not an impediment to technology acquisition, but age was. Technology acquisition was seen as dependent on individual readiness and aptitude. It would relate closely to human resource development initiatives, impacting work

flow and also keeping up to date. Technology acquisition was seen as providing up to date information conveniently, and also being of customer benefit.

Greater opportunities for industry linkages would be welcomed by some, but were also considered difficult to achieve, and one operator was opposed. Although one operator didn't see it as a priority, an R&D culture for tourism SMEs would also be very welcome, as would appropriate consideration of technology use for environmental protection. Technology in relation to drainage and garbage was an issue for one regional operator, and a joint industry group effective action in cleanliness, recreation areas, rest areas for bus passengers and public utilities was seen as a regional developmental requirement.

The salient issues in technology development were rather seen by regional operators as lack of funding and unready staff. One regional operator saw assistance packages in communication, IT and transport as desirable.

Tourism Business Operators

Technology costs for city operators were not considered to be significant. Personal computers (PCs) and website only was typical, and the requisite knowledge obtained from external experts. Most, but not all, operators were aware of funding sources for investment in new technology, though no plans were reported to avail themselves of these. The very small organisations were those who appeared not to know of these sources.

All operators desired to improve staff know-how in ICTs, with some providing training, and IT's centrality in modern business being widely recognised. Making



work more efficient, not being behind the times, or the competition, and communicating with customers, particularly overseas were some stated requirements. All saw a need for assistance packages, with specialised experts hard to find, and IT and communication packages most essential. One view was that TAT should improve the technology to be more up-to-date and readily applicable with market requirements and changes that may occur. Capital investment assistance was also considered important.

SMTEs would like to have the same efficiency and capabilities as in large establishments, because the objectives are always speed and accuracy, be it in a large or a small company. They saw only a distinction in quantity and complexity of technology compared to large organisations, and very small organisations would probably not be interested in the technology of large ones. HR development would accompany technology acquisition, and more skilful staff would benefit the company.

Environmental protection technology was also seen as necessary to avoid environmental deterioration (which would also damage business sustainability), and companies in this subsector gave particular importance to its use.

Combining use of technology resources across other tourism industry clusters was seen as helpful in giving the up-to-date and correct information to customers, and exchanging knowledge and opinion among people in the same industry. Some cooperation existed already through the industry association, and some operators regularly collaborated among various sectors (hotels, travel destinations, or tour agencies) for the purpose of further developing the tourism industry. Support for greater interactions among firms was

less positive – operators were too busy for an extra burden, and so ad hoc meetings as necessary would suffice, in line with existing levels through industry groups. Existing levels of meetings and get-togethers between the government and private sector as well as within the tourism industry group were adequate, and more would be a burden for some. Industry linkages took the form that normally operators would cooperate with each other in the beginning, and compete with each other afterwards.

All operators wished to see an R&D culture for tourism SMEs. Research should be developed rather than staying on the shelf, and it would lead to better industry conditions, including individual businesses. It would also raise the level and set a higher standard, regulations and direction for the tourism industry in the view of operators.

Respondents were categorical that gender is not an impediment in technology acquisition for the tourism industry, and as gender equality was the present case, it should not cause separation in technology matters.

All operators wished to see development in website design, maintenance and operation of technology. One operator noted the importance of the web medium and regularly updated his website. Those operators who currently outsourced wished to be self-reliant in this regard, and a desire to learn and extend current levels of learning was expressed by others to present the business effectively. Similarly e-readiness and computer use, data and security was seen as a very useful direction for further development.

Regionally low levels of technology use were reported, typically only for communication (email) and for documents.



Staff were adequately qualified for this, with skill developing thorough on the job practice. Few were aware of resources for new technology investments, nor saw much need, but one would like to see a central service to provide knowledge on new technology use.

The level of technology investment was seen as a difference between larger and smaller companies, with associated risks and benefits. This was a developmental issue to consider for companies planning to grow. SMEs have only a certain level of investment, with an appropriate return and a more limited clientele. Basic technology used by a few people e.g. for bill preparation and information collection applied in SMEs: larger companies would require databases and systems that sped up the work for many staff. If the target customers increase, then the SMEs will need to invest more. Larger companies have higher investment and the return is worthwhile if the business is successful. The risks are also high and the market is wider. The business owners must have the knowledge, and they must always keep themselves update on situations and new technology in order to be able to reach the maximum number of clients, besides having to be in contact with several small organisations.

Most, but not all, operators saw a necessity for staff improvement in computer skills in internet communication and online business, and to increase work efficiency, but only one specified a required improvement in technological assistance packages: for speeding up internal processes, such as accounting. Increased use of technology impacted on HR, developing staff, improving their communication skills, with customers and other organisations, and keeping up to date with (industry) news.

Operators' current levels of technology use were not seen as having environmental impact, and, valuing the environment, would plan for environmentally sensitive alternatives. Pooling of resources across an industry cluster was desired, and should be promoted and supported. All operators desired a greater level of general industry group interaction, to directly or indirectly increase market, and to set up aligned systems and regulations for mutual benefit. More opportunities for this to occur would help achieve these benefits. The sector was seen as no longer solitary and mutual cooperation and assistance was required.

Implementation of an R&D culture for SMTEs was seen as useful to guide operations, understand clients better and develop work related to tourism. Technology ability was an individual matter, and gender was no impediment to its acquisition.

All wished to see website activities developed, and this featured in some operator's current plans. Computer use, e-readiness and security were invariably seen also as useful to develop, at least to medium level, and outside bodies offering short courses would be a practical mechanism. Personnel and capital were the typical barriers to further technology development for these operators.

Health and Spa

Generally only basic technologies were used, if at all. These were used to save costs, with self-learning though practice the norm. One had a particular software system, for higher accuracy. This was seen as expensive, but necessary in a globalised era.

Government support through the SME bank was known to be available for technology investment, but most operators



were not interested, and one did not know this. Improved staff skills however were seen as necessary to facilitate the operation, to remain competitive, or if business expanded beyond present levels. In particular emphasis on quality, servicing, and promptness in answering communications was required. Once a need for technology was established, acquisition could follow and then required training. Assistance in computer *use*, communications technology, internet and e-commerce technologies, and better and more accurate information more than hardware assistance was required. Transport technology was another area for assistance identified by one operator.

Larger companies were seen as requiring modern technology more, and SME technology investment was low. Some small companies considered technology use would reduce the gap, allowing competition with larger or foreign companies. A clear relation between human resource development and technology was indicated, to improve service quality, reduce errors, become modern and increase efficiency.

Environmental protection technologies, including paperless operations, were important, but equipment for mixing Thai herbs in the spa business are not harmful to the environment.

A combined use of technology resources across industry clusters was very desirable, providing convenience, accuracy and precision. Further expanding the use of technology would increase the number of both service providers and users, and the cost of service would decrease. Investors would not have to incur too much expense. In principle, a lot of expenditures are required for tourism industry development in terms of environmental and ecological protection. The interdependence of

businesses within the industry was also recognised.

Increased interaction among the industry group was desirable, to exchange ideas and experience. This would help firms within the same sector to grow together in order to increase the standard of quality in this industry, share marketing strategy directions identify business differentiations and complementarities, form negotiating blocs and improve outside perceptions.

More linkage opportunity across the industry was desirable, such as cooperation with travel agents. A certain amount existed already, concerning cooperation for the development of tourist destinations and marketing. Costs might also be reduced by cooperation. Meetings and seminars on development would be welcome.

An R&D culture would be useful and even necessary, given the large number of SMTEs now operating for best solutions to common problems. It would also help professionalise learning, which at present is from trial and error, or family based. Again gender was no impediment to technology acquisition since “everyone is equal”.

Website development and use was seen by all as important. Easy and quick access to global markets would result, and costs would be reduced. Maintenance and use were considered more important than design, since not everyone would be involved in design aspects. Another operator wished to see ongoing development, since many attractive websites now existed, and good design also conveyed messages about the country. Hiring a knowledge worker was one operator’s proposed solution.



Some operators recognised they were not ready in computer and internet use, and wished development in this area. Communication technologies saved time and traffic jams. Some had regular training in place, others saw it as a future concern, or irrelevant to a small firm. Operators saw a need for expert advice, support and coaching, and were not aware of what all the issues were.

Other issues raised included interorganisational systems and language. One operator linked directly to online air ticket reservations so was locked into that system. Language was a barrier in the sense that those who are proficient in English could understand and make good use of technology. Notwithstanding appropriate national pride, the need remained to communicate in English, the dominant language of business technology, and improvement in terms of English learning and teaching in Thailand was suggested.

Regionally, only low use of technology was reported, and use of new technology was not expected, so little consideration had been given to finance sources for this. If required, finance would have to be developed before any investment. Despite this, operators saw a need for staff skill development in computing and internet technology as necessary, because technology can be used for various services such as making room reservations, selling rooms to customers all over the world. Improved assistance packages in this were seen as a requirement, as well as informing overseas markets better.

Larger competitors would have a different scale and operation of technology that could not be compared with SMEs, and a barrier to development of technology was lack of relevant staff skills, so these developments went together. The

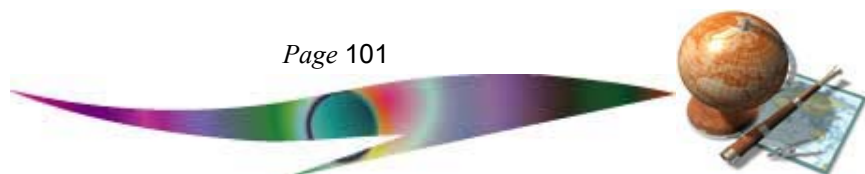
importance of the environment meant that any technological development should be sensitive to this.

The interdependence of tourism businesses, such as through computerised reservation systems implied more shared use of technology resources would be appropriate. Building up inter-industry interactions was seen as a good way to build up “good relations and thereby facilitate communication, exchange of viewpoints, suggestions, and problem solving, thereby creating a better vision and further development and efficiency of the business.” Increased linkage opportunities was preferable to staying alone in business, however it depended on the companies involved, as operators would not wish to join with bad companies.

Developing an R&D culture would be good, were it practicable, but seemed to be the duty of government agents, and was hard to understand. Gender was no impediment to technology acquisition, as both men and women could very well use technology. Developing a website was a priority for one operator, who was looking to source this expertise, and along with it, a further development in computer usage and e-readiness.

Market Access and Development

This category refers to all aspects of marketing of tourism products and services, embracing domestic and export consumer markets as applicable. Destination marketing issues at provincial, economy or wider regional levels are relevant. Tariff based trade barriers are less applicable in much of the sector, but do apply in some cases. The WTrO’s extended definition of trade²⁰³ in GATS “covers not only the supply of services



across national borders but also transactions that involve the cross-border movement of factors of production (capital and labour)". This may not directly affect most tourism suppliers, who have concerns more related to immediate consumer markets. Although commercial marketing is generally not a traditional issue for government interventions, issues identified for the SME operators can potentially impact on economic and other policies. Under GATS, foreign companies opening hotels or resorts for instance, would be regulatory, not market access issues²⁰⁴. Infrastructure, (transport, but also finance, training and technologies) also impacts on market access for tourism operators, and is covered separately in other sections. Questions asked thus primarily addressed marketing and market development strategies.



Australia

Experts viewed marketing skills, like managerial skills, in SMTEs as limited, with notable exceptions. Knowledge of markets was poor, and not often sought, and awareness of niches was low. Low market entry barriers other than licensing for specialised tours applied, but the introduction of GST, had hampered some established costing regimes. Experts across states also considered that market information was under-utilised.

Qualifications in management and marketing clearly help in everything from day to day management to an appreciation of strategic issues, more evident in larger businesses. Many operators are self-taught, and many have learned the hard way from inappropriate promotional media. Some operators also failed to recognise a need for marketing skills and brand equity was generally low. Business matching databases were mistrusted due to secrecy emphasis, limiting benchmarking activity even by trade associations.

The typical profile of many operators of developing a tourist attraction from a hobby led to niches not necessarily focussed on marketing concepts or market demand analysis. Understanding of brand and positioning was poor and an inhibitor

Market development and promotion was ad hoc, piecemeal and limited and experts considered most operators were hampered by lack of marketing knowledge and ability to analyse data. Secrecy, limited marketing skills and a stand-alone mindset ensured even trade associations had limited success in developing co-operation. Inappropriate and expensive promotional schemes absorb already limited SME resources. Trade fairs were common for vendor development, but poor marketing

skills limited choice of effective campaigns and promotional media.

A lack of strategic appreciation was generally evident in operators, and the modest cash flows and emphasis on short-term goals means that many operators do not seek growth or to develop new products and markets. There is also a dearth of contingency planning, rarely more sophisticated than scaling back as best one can and hoping to 'ride out the storm'.

Market information access, even when sought was problematic. Information was available but often in inapplicable formats and requiring considerable skill to understand or adapt to SMTE's business situations. Consequently information was often not sought and was under-utilised. Centralised resourcing and extension officer roles were indicated, and some investment prospectuses would benefit from greater professionalism.

Experts saw a general need for better informed investors entering the tourist industry, better trained operators, improved market offers and fulfilment and an industry much more attuned to consumer needs and focussed on the development of new products and services to enrich the array of market offers thus attracting more Australian and overseas tourists.

Accommodation Providers

City operators promoted through their parent group, and locally, though promotion at airports and other gateways was contentious. In house social activities were also a drawcard and were internally promoted, and by referrals.

Industry associations and web portals were well developed, and these also provided market analyses and demographic details.



The global backpacker word of mouth network and brochure exchange arrangements was also effective. Branding and positioning was determined by the unique personality and opportunities afforded by the accommodation (farmstay, backpackers) which had values of friendliness, informality, unique activities, parties, security, 24/7 services and other features providing a specific offer as applicable.

Market barriers were low, set up costs, compliant and suitable buildings being the major considerations. Variable council regulations applied, and local hostility from civilian neighbours and other hotels, as well as councils were an inhibitor. However the success of the sector was leading to upgraded provision, and driving hotel competitors towards competitor products.

Most operators reported competition within the sector and being required to react to the changing nature of the market. Backpacker accommodation in the regions was competing with cut-price bed and breakfast accommodation. Also complete houses hired by the week were a better proposition for up to four couples than commercial alternatives.

In rural areas that neighboured fashionable and popular tourist regions, booked visitors might default if they decided to go to the major destination directly. This was particularly the case with backpackers, who had flexible itineraries. Backpacker accommodation providers in regional areas now offered self-catering for couples and rental car markets. Occupancy for some rural providers was below breakeven, in contrast to city operations.

Regional operators noted problems with short stays, and some tried to compensate with suggested daily itineraries for a week-

long stay, or an extra night free or discounted on short breaks. The incurred costs on an extra night were marginal, making such marketing an attractive proposition; conversely the reduced profit margin from single night stays was “a killer”. Newsletters, (including emailed versions), were also a marketing channel, sourcing some content from local events and attractions and advertising through those.

Choosing distribution channels was critical – one operator was listed on a national budget accommodation network, but was not receiving sufficient referrals to justify the continuing membership. Instead, aligning with the neighbouring (successful tourism) region was better, as his location was not otherwise largely marketed. Some national and international budget accommodation networks were considered more progressive than others, and were being considered as alternatives. Some targeted rental car offices and local and regional tourism bureaus but one found that his brochures were missing upon ad hoc inspections.

For one operator who had dropped out of a membership network, a deal had been struck to keep the sign and to honour the discount, without paying an ongoing membership fee. Targeting the domestic short-break couples market from the nearest state capital was relevant to more than one operator. This market is growing, but is part of a global trend towards shorter break tourism generally.

Backpackers had been segmented into six categories and some hostel operators analysed and targeted those separately. Backpackers were web savvy and information seekers, so web presence was important. Ecommerce adoption was accordingly higher, with online booking



and email common, and payment options becoming available.

Considerable promotional resources were available for some backpacker hostels in membership networks but little commercial advertising occurred. Travel agents and brochure exchange to other hostels was a main target, and traveller oriented and similar location guides offered opportunity for favourable editorial and contact details publicity.

Longer stay backpackers can find private accommodation at competitive prices on short rental type contracts in furnished apartments, which are perhaps awaiting sale, and which may not be generally advertised. In Sydney one particular beachfront precinct is a major tourist area but has a shortage of accommodation. The council has recently banned short-term holiday letting of apartments in a beachfront block, although zoned for approved tourist activity, possibly setting a state-wide precedent that would close down some locations.²⁰⁵ There has been a level of concern recently about illegal hostels tarnishing the image of the sector and more widely in some states.

Accommodation linked to the tour and adventure side of one operator's business was a staple (see below) and that hobbyist network was also engaged. Accommodation was perhaps seen as becoming an entry level and/or subsidiary business for operators developing within the tourism "pyramid", as infrastructure for a concentration of larger events and attractions.

A public misperception of backpackers was a major inconvenience, reported by city and country operators alike. The industry understands that backpackers stay longer, spend more, and often comprise highly educated and affluent youth, as well

as seniors and professionals funding longer stay visits. A section of councils and the public unfairly associates hostels with crime and damage, and there is widespread ignorance about the size and importance of the backpacker market, which often leads to inconsistent, hostile and unconstructive council decisions, and negative media coverage set by other agendas. Despite this the "wheel of retailing" concept suggests that the sector's continued growth and improving service quality may progress to merge with the economic hotel subsegment in time.

Tourism Business Operators

As experts suggested, many operators were untrained and self taught (badly taught!) in marketing. Many mistakes in advertising and commission arrangements with large operators had been made and market development was generally at very modest levels. In addition the limited marketing budgets available leave little for developmental or remedial marketing after a crisis such as a balloon crash.

One motorcycle tour operator on the other hand had researched the Japanese adventure tour market thoroughly, and targeted that market when the Yen was very strong against the dollar and demand was booming. When some hard adventure tourists died (elsewhere) his soft adventure guided tour business benefited. His superior market research also allowed him to position his business activity in relation to market and economic cycles.

Limited knowledge of markets was however more typical, but some operators had no plans to develop this, citing primarily a domestic market of no particular demographic for their product.

Balloon flights were inherently visible to many locals in their operational region,



and this generated interest in itself, but conversely, quiet periods reinforced invisibility, requiring compensatory activity to stay in public awareness.

Positioning for many tour operators was not a factor, except geographically to some extent, service differentiation was minimal, and a “me-too” approach prevailed. A relatively more sophisticated website for one hot-air balloon operator was a differentiator, with online booking being the specific difference for one. This difference was not sustainable, but the operator had only subsistence ambitions.

Heritage attractions were not perceived as a primary motivation for the majority of international visitors to Sydney, although they played an increasing role in repeat visits in the domestic market. The beaches, icons and nightlife and hedonistic attractions are more dominant. Australia’s coastal population concentration is also reflected in the availability of water-related activities, including harbour tours and boating generally.

Another example is SCUBA diving, which is popular throughout coastal Australia. One accommodation provider linked to SCUBA adventure activity in this area found benefit from hosting the editor of an Asian based hobbyist magazine, and other key figures and targeting dive clubs through magazines and for events. Good editorial or even advertorial in key outlets provides sustainable benefit, as glossy magazines continue to work for years beyond their nominal issue date.

Though rarely connected with Australia, skiing is another, inland activity, and offers the unique potential to ski through gum, rather than pine trees, and during the months of the northern summer. This is a niche market for some states, and links to seasonality options for specific locations.

Whale watching is an iconic attraction, but is seasonal.

One operator in a remote location was targeting uncovered and generally inaccessible attractions. Licensing was required, but this was considered a better alternative than discounting on conventional options. The package would undercut independent travel using taxi services, and avoid the operator having to wait during planned activities.

One hot-air balloon operator had a well developed marketing plan and made maximal use of regional tourist bodies for promotion. However the market information from these was considered only marginally relevant and aggregated inappropriately for his business purposes, so he did his own research, and used a computer to analyse customer and promotional media statistics.

His main advertising came from a synergistic sponsorship deal related to a newspaper. This placed the sponsor’s brand on the balloon, “the more (the operator flies), the more people see the sponsor’s name, the more enquiries they get for flights, and the happier their sponsor is”. The sponsor backfills space in the newspaper with their adverts, which is worth a considerable dollar amount in advertising per year. With a primarily local market this adds to the intensity, and sustainability, of the sponsor relationship. This operator and his partner had formal marketing training and their logo was part of a strong branding effort rare in such operators. The logo and trademark IP was protected, and their website remained brochureware, to instigate personal contact.

One motorcycle tour operator had become successful with the Japanese market for adventure tours prior to that economy’s



recent downturn. AusTrade advice had helped market development and the Australian Tourism Council data on dealing with Japanese culturally had been sought. Befriending Japanese tourists and considerable self-research coupled with strong exclusive positioning helped success. Japanese ITOs and Japanese motorcycle / adventure enthusiast magazines were relevant outlets for vendor development, and becoming an expert on the Japanese motorcycle tour market first; wider marketing knowledge became learned. This enables foresight of the downturn and appropriate business adjustment. Despite initially limited resources, one year the advertising budget was expanded to > A\$30000 to qualify for a 50% Austrade grant. This proved very useful and was repeated in the next year. Ecommerce uptake was just expanding beyond brochureware to online booking.

Rural

There was a general perception among many state tourism officials of a lack of market focus among tourist business operators. Some states reported that the low barriers to entry often meant a lifestyle choice dominated planning, and that no market research was conducted upfront. The “if we build it, they will come” mentality applied, and there was a general lack of awareness that the state tourism authority could provide market information, particularly likely visitor demographics. Not all states however saw their role as proactively informing would-be operators of this facility. One suggested that the attraction of a free country was the freedom to fail within a market economy, and that businesses with survival nous should prevail. A general absence of initial business plans, growth and exit strategies were considered typical.

Without a (State based or national) accreditation requirement to operate, a State tourism authority could not enforce the requirement for a business plan, and the relatively high numbers of failed tourism businesses was seen as consequence of these factors.

Wine tourism operators however are probably less likely to fall into the category of failed tourism businesses, due to the initial capital requirements probably requiring a bank approved business plan, or collateral already gained from having run a successful business previously.

Exporting was a concern for some wineries, and in Western Australia export also refers to interstate markets. Australia Post has provided some business parcel contract schemes that make the postage surcharge less onerous, so that wines can be ordered online at reasonable prices. Winery operators and tourism body officials alike recognise the value of a good experience in the region, followed up by mail order purchases. Some wineries relied totally on cellar door and/or restaurant sales, and had no plans to export. Although not extensively examined, few cellar doors had other merchandise for sale.

Although traditionally a small percentage of the alcohol market compared to other economies, China is a potentially huge market for wine, and duty has been, and is being, reduced by successive WTrO agreements²⁰⁶. This has potential impact on the economics of regional suppliers, and whether a production or service approach dominates.

Tourist accommodation at one winery was important to encourage initial sales leading to repeat business and overseas sales. Relatedly, advertising in glossier, connoisseur-oriented magazines for quality



wine products was indicated, especially for overseas markets. One operator noted that advertising in overseas wine journals was extremely expensive, and the WET tax impost did not help competitive pricing, while “acquiescence” by the wider industry was hampering boutique wineries.

Knowledge of customs was an issue – exporting wine to “dry” US states or similar markets had to be considered, and generally entering the superior wine market had significant barriers, but these were less applicable to many other enterprises. Editorial or advertorial is relevant to some such operations, but branding is inherited from the reputation of Australian wine generally.

The scale of the tourism business was variable among wine tourism operators with many seeing it as an adjunct to a primary production business, and, in emerging wine regions there was a range of operators, only some of whom were concerned with export markets. Shared marketing initiatives would thus be conditioned by individual marketing strategies.

One emerging wine region was in the process of forming an industry group, and the launch of this was attended during the study. The joint aim was to gain recognition that there were a number of wineries in that region, which was not generally known. Once the destination was “on the map” the expectation was that the group would return to individual marketing initiatives.

Branding was also a concern for some regional wineries. The Margaret River brand is now globally known, as are other established regional areas in other states. Such brands have become established in a relatively short space of time, and emerging wine regions recognise the value

of branding. The naming of the brands however can be contentious – a region may already have a brand that has some recognition, though not for wine, or a winery may be on a borderline between regions. Some cynicism was expressed regarding branding per se, since a tourist region’s viability depends on the “things to do”, which has to be in place first.

The branding of a wine region may overlap with other branding initiatives. State branding is inherited through a registration process giving usage rights. A particular concern is when a named wine region is part of a larger tourist region. The Geographe wine region in WA is part of the larger Tapestry region. Although planned as a time-limited campaign, the Tapestry brand has now gained some recognition. A perception that the wine tourist is a different market impacts on cross tourism industry promotions, yet wine tourists “must stay somewhere, and eat somewhere”. With limited funds for marketing, and for membership of promotional organizations, some choices are required, and for many operators this remains unclear.

The importance of attractive wine labels was generally understood, and one winery’s boardroom had a large original work of art matching its label design. Copyright protection and other IP would apply to labelling and bottle shapes – most Australian wineries have invested in attractive label designs.

Tourist radio stations are seen as potential outlets for shared marketing efforts, and cross promotions. In one state, the local Tourist Radio has regional broadcast licences, and signage advertising frequencies around a significant tourism-oriented area of the state. The advertising fee schedule is highly competitive compared to television, and is more



localized. Other tourism operators report individual rates are not competitive, which argues for packaged proposals, a development seen as desirable by one tourist radio proprietor. Packages advertising destinations, which encompass things to do, places to see, eat and stay are suggested, but have not largely been taken up yet by groups. As a business however, tourist radio is not eligible for government support, although such a channel could provide significant publicity for destinations. To publicise the service one state authority however did give advertising space in its “winter breaks” brochure: a directory of regional accommodation providers and their seasonal offers. A partnership arrangement might be indicated here.

Some State Tourism officials’ experience suggested that few tourism operators knew their customers. A lack of customer databases and customer analysis, follow up letters or emails to gain repeat business was noted. A lack of marketing skills among some tourism operators was also freely admitted. Others however were beginning to consider innovative customer relationship marketing initiatives.

Limited resources for marketing were normal, and word of mouth and repeat business due to product quality were common. Typically tourists would enjoy the wine in Australia, then order more from overseas. Market development often had a product focus, and thus wine shows and expos were targeted, some international, but this was expensive. These were for more mature businesses, cellar door and word of mouth was typical early stage activity. Winery websites are covered elsewhere in this document, but email linked to manual order fulfilment is typical.



Chinese Taipei

Accommodation Providers

Expert views

An estimated number of more than 60% of homestay operators have the knowledge of markets and their branding or positioning.

None of the homestay's products have passed ISO standards or other standards, but these standards should be pursued in the future.

Some homestay operators have cooperated with farmers, other homestay operators, and local individual workshops, etc. to promote their products jointly. Also some homestay operators have used travel exhibition, or strategic alliance with leisure farming association promotion to advertise and promote their products. But most customers are mainly from word of mouth of their other customers. They do not use e-commerce to sell their products at present.

Operator views

Some operators think that they have the knowledge of markets and their branding or positioning. But some of them don't think they have.

Only one of the interviewees indicated that his products have passed some quality standards, and the rest of the interviewees don't think that their products have passed such standards.

Operators have used media, the Internet, word of mouth, and industry associations to advertise and promote their products. But some operators did not have any

promotions and none presently use e-commerce to sell their products. Most operators have however cooperated with farmers, other homestay operators, and local individual workshops, etc. to promote their products.

Tourism Operators: Travel agencies

Expert views

For travel agents, in these five areas, the expert considered that marketing is the most difficult area for small and medium sized travel agencies in development, because that cost is the highest.

Travel agencies have the knowledge of markets and their branding and positioning. Travel agencies usually have marketing skills, and use newspapers, Internet, and boards in public places and on buses to promote their products. Alternatively they will sponsor activities, and rely on word of mouth from their customers to advertise and promote their products. An expert estimate is that 48% of customers are from word of mouth, and about 18% of customers are from newspapers.

In terms of the quality of products, travel agencies used to emphasize ISO 9000. But now they think that standard of operation (SOP) is more important, because pursuing ISO 9000 standards takes a lot of manpower, money, and time.

Some travel agencies have used e-commerce to sell their products, and some have cooperated with several different travel agencies, airline companies, banks, insurance companies, schools, and travel bureaus to promote their products.



Operator views

Two interviewees indicated that they had collected their customers' information for a long time. Therefore, they have the knowledge of markets and their branding or positioning. But one of the interviewees indicated that his travel agency did not know their markets.

None of the interviewees' products have passed ISO standards or other standards.

Depending on different travel agencies, some travel agencies use newspapers, the Internet, direct marketing and email to advertise and promote their products. Others do not use any method to promote their products, but all of the interviewees agree that their customers are mainly from word of mouth from previous customers.

Most travel agencies do not use e-commerce to sell their products, and some travel agencies reported that they have cooperated with other travel agencies or with airline companies to promote their products.

Government has also invited managers from travel agencies to different tourism destinations in Chinese Taipei to promote local tourism.



México

Of all the areas investigated in access to markets, mechanisms and programs to gain access to markets was the most important matter for public servants, and provision was generally good. Males placed a much higher importance on this than did females. Branding and positioning (2) and competitiveness strategies adoption (3) were the next most important areas with both given higher importance by males. Database use was perceived as the least provisioned area and quality of services (introduction of standards) was the next most poorly serviced area particularly perceived as such by males.

The major issues respondents perceived concerning the problems faced by companies in adopting contemporary marketing techniques were finance, unskilled personnel, inadequate commercialisation, and resistance to change. Respondents cited that the main problems faced by companies to gain access to markets were inadequate electronic means and the lack of participation in education programs, hence limited knowledge of information sources.

To overcome these problems public servants recommended that a catalogue of lenders be developed to help with the acquisition of finance. Increase regulation of market entrance to ensure that business operators have the appropriate skills and qualifications to operate effectively. The development of advanced training courses in contemporary marketing techniques and the use of professionals in the development of marketing strategies.

Public servants were more pessimistic about whether companies would use contemporary marketing techniques if they

had the necessary means. Some stating that companies would first have to see the advantages before they would use contemporary techniques and that there would be resistance due to the current culture. Others stated that companies would use contemporary techniques to promote growth or if they were fundamental to business operation.

According to public servants, the main techniques companies would be most interested in to improve access to markets were the design of new products and services, sales technology (e.g. bar coding), publicity, positioning and market intelligence.

Tourism authorities and the representatives of entrepreneurial organizations state that they have diagnosed a limited use of databases, lack of branding and positioning, a limited adoption of effective strategies for competitiveness, and problems in identifying target market segments and niches among tourist SMEs.

On the positive side, academics, tourism authorities and the representatives of entrepreneurial organizations believe that the mechanisms for market access are good, as is the knowledge of the market. Public relations are also regarded as beneficial for SMEs while the promotion of SMEs is regarded as their greatest strength.

Accommodation Providers

Interviewees from the accommodation provider sector perceived competitiveness strategies adoption to be the most important factor among the 16 market related subjects investigated. This was considered somewhat more important than customer service and promotion, which were equally the next most important



areas. Males rated all three areas slightly more important than did females.

Like the public servants' perception, database use was perceived to be the least provisioned area in the current situation. The next worst areas in the current situation were, e-marketing adoption and the quality of services (introduction of ISO 9000). Furthermore, females rated all three of these areas lower than did males.

The main problems expressed by respondents in regards to companies adopting contemporary marketing techniques were, a lack of financial resources and a lack of knowledge and/or qualified personnel in the use of technology and marketing research techniques. The main problems expressed in regards to access to markets were, a lack of promotional capacity (budget & expertise), high tariffs and a lack of resources to conduct effective market research and implement competitive strategies.

To overcome these issues it was suggested that the development of programs to train personnel in marketing, market research and related technology was required. The availability of financing to purchase relevant equipment would be advantageous and the support of the government for hotels and small businesses particularly during the low seasons would assist. All of the 94 per cent of women who answered the question "Would companies use contemporary marketing techniques if there were the necessary means to employ them?" said yes. Ninety four per cent of the 91 per cent of males who answered this question also answered yes. In order to improve access to markets respondents considered the main areas companies would interested in improving were niche market detection, publicity, competitor analysis, training in the use of technology

(e.g. web page development, discounting & publishing) which are all for the purpose of increasing service quality and sales

With regard to market access, lodging providers reported weaknesses in branding and positioning, use of databases, online sales and the introduction of quality systems in their service.

On the other hand, the representatives of lodging establishments perceive strengths in the following aspects: client service, public relations, promotion and knowledge of the market.

Tourism Business Operators

Travel agency interviewees nominated customer service as the most important matter in regard to market access. Public relations and market knowledge were also rated high in importance with mechanisms and programs to gain access to markets and sales running a close third place. Males and females were in close agreement for each of these areas nominated. Scores for respondents' perception of the current situation were marked quite high, meaning that there was a high relative level of current satisfaction across the 16 areas investigated. However, the lowest area was quality of services and the introduction of standards such as ISO 9000 or equivalent service standards.

The main problems that companies in this industry face in adopting contemporary marketing techniques were the lack of knowledge of marketing techniques, skilled personnel and the economic resources to develop effective marketing and marketing research. The main problems that companies face in gaining access to markets were a lack of resources (economic & personnel) and lack of market research ability to identify potential markets. To overcome these problems it



was stated that finance, diffusion of marketing consultants, development of personnel, and marketing research programs including training for related technology.

All 75% of respondents who answered the question “If there were the necessary means, do you think the companies in your industry would use contemporary marketing techniques?” said yes. The main reasons given for using these contemporary techniques were to provide better customer service and increase sales. Respondents identified sales, knowledge of markets and market promotion as the main marketing skills and techniques that companies would be interested in to improve their access to markets.

According to the results these interviews yielded, the representatives of travel agencies believe they do well when it comes to marketing and market access; they claim they are confident about client service, public relations, knowledge of the market and sales.

The aspects they believe they are not so confident about are: availability of resources to promote and advertise their products, market research, adoption of electronic commerce, and identification of target market segments and niches.

Tour operators, in regard to market access regarded customer service as the most important topic. E-marketing adoption and market knowledge were perceived as the next most important matters and for each of these there was little disparity between males and females. E-marketing adoption was perceived as the worst provided for area in the current situation and males viewed this considerably worse than females. Quality of services (and introduction of standards) was also perceived as an inadequate area.

The main problems that companies faced to adopt contemporary marketing techniques were a lack of resources (time & money) and little private or governmental support. Responses concerning the main access to markets problems were a lack of available market information. To overcome these problems it was suggested that there was the need for the provision of improved information, to develop mechanisms to improve research capabilities and to introduce initiatives for financial support.

The majority of respondents said that companies would use contemporary marketing techniques if they had the necessary means. The reasons given for the use of contemporary techniques were to improve sales, to help position the company and improve competitiveness. The main marketing skills and techniques to improve access to markets that would be of interest to companies were sales, promotion, marketing research and relevant technology.

In regard to the market access aspect, the representatives of enterprises which operate land tours, eco-tourism and adventure tours stated they felt weak in the following aspects: use of databases, adoption of electronic commerce, identification of target market segments and niches, and service quality.

Similarly, these operators of tourist tours stated they believe they are competitive enough concerning client service, public relations, product design and the adoption of strategies for competitiveness.

Respondents from *tourism stores* regarded customer service as the most important factor for their industry. Promotion was the next most important and on average males placed slightly more importance on these factors. Database use was considered the



least satisfactory area in the current situation particularly by males. Market research was another low area but females perceived this as less satisfactory than did males.

Respondents considered the main problems companies faced in adopting contemporary marketing techniques to be: the lack of financial resources (this was a consistent response) and a lack of technique knowledge. The main problems companies faced to gain access to markets were high prices and inadequate promotional channels. To overcome these inadequacies interviewees cited the need for government support in general and for the establishment of effective information systems and improvements in policies of trade. Furthermore, the development of in-house promotional capabilities and increased promotion of the industry in general were also cited.

All respondents bar one who answered the question (85%) as to whether companies would use contemporary marketing techniques if they had the necessary means said yes. The reasons given for why companies would use contemporary techniques were to increase competitiveness and sales volume and improve company capabilities. To improve access to markets the marketing skills and techniques that companies would be interested in acquiring were promotion (i.e. press, radio, television, internet & international) market segmentation, and improved technological skills.

Those entrepreneurs interviewed in this line of business believe it is necessary to implement mechanisms and programs intended to grant them access to the market and enable them to identify target market segments and niches they must focus on. Similarly, they stated they had been left behind concerning the adoption of

electronic commerce, and the definition of branding and positioning in their enterprises.

On the other hand, they pointed out that their knowledge of the market is good enough and that they offer good client service. They also stated that they do not have problems to sell and that they have properly used strategies for competitiveness.

Food and beverage

Customer service and promotion were perceived as the most important market access subjects in the food and beverage sector. Female respondents attributed both of these areas with higher importance. Database use was perceived as the worst area in the current situation. The level of resources to promote products was the next worst area in the current situation and this issue was perceived to be in a worse state by females than males.

The main problems cited by respondents concerning the main problems faced by companies in adopting contemporary marketing techniques were market intelligence and skills in market research. High costs particularly related to publicity and lack of resources (finance, skilled personnel & technological capacity). The main problems faced by companies to gain access to markets were once again market intelligence, elevated costs and promotional inadequacies. To overcome these problems education in market research was suggested. In addition, governmental review of established monopolies and improved products and service were proposed.

A high majority of respondents answered yes to whether companies would use contemporary marketing techniques if they had the necessary means. It was proposed



that these techniques would be used to improve promotion and research capabilities and enhance service quality by investing in more effective equipment. The main techniques companies would be most interested in to improve access to markets were publicity, service, positioning, market intelligence and technology.

In the context of market access, the representatives of food and drink establishments thus presented a situation quite similar to the one of hotel business people. They do not believe they have strengths in the introduction of quality systems in their service, the use of databases, the adoption of electronic commerce and availability of resources to promote and advertise their products.

Interviewees believe they do better when it comes to aspects such as sales, public relations, promotion and use of strategies for competitiveness.



Thailand

Expert views

There is a good level of market development and promotion in Thailand, which can be seen in an increase in the number of arrivals each year. The essence is not in the number, but quality. All operators are well aware that the focus is how to bring in a lot of travellers who stay several days, spend a lot of money, and do not create problems for the host country.

The market development and promotion conducted by some tourism industry operators however, was considered insufficient, and training was required, including developing marketing skills in promotion, branding and positioning. Ecotourism particularly was not widely enough marketed. Market access for health packages, religion and culture, sports, spas, and ecotourism for instance, was perceived as not yet be very clear or adequate. Not all entrepreneurs have knowledge and skill in the tourism business. Furthermore, although long-time operators would have more data than newer ones, many operators did not do enough to update their market information (such as customer demand and demographics). A cooperative approach, with establishment of local and regional data centres was seen as a way forward here.

In Thailand, the operators have access to information from the Tourist Authority of Thailand, which is important for marketing and market expansion, and which is analysed for marketing strategy planning every year. What could be improved upon are constant information update, convenient access, and a wide-ranging dissemination. Associations in the private sector, or supporting and developing

agencies in the government sector could supply information consistently by conducting training or running seminars for example.

Regarding market barriers, the trade and marketing blockade is not clearly visible. Currently there is competition for market share, which leads to inappropriate practices such as rate cutting. While this benefits consumers, such practices may result in problems of quality. Another potential market barrier concerned indigenous population areas, which had reserved careers, such as tour guides. Legislated protection would operate outside a totally free market.

Some tariff measures had an impact on the industry, and the view was that they shouldn't. For the three industry sectors under present consideration these included the following:

- i) For hotels, there are still problems in the import of certain material such as food and beverages, particularly wine, which is still subject to high customs tariff.
- ii) For soft adventures, equipment for diving and some sports, or import of coaches, for example, are still subject to high tariff measures.
- iii) For spas, the tariff measures on import of essential oils are extremely high.

Current measures relating to trade and investment facilitation were considered sufficient, but, while mostly satisfactory, any problems may be due to conflicts with law or other regulations, such as constructions that do not conform with city planning, environment, or public health



rules, and would be considered under infrastructure. Regarding investment, operators require low-interest loans, with a long pay-back time as well as a grace period in the beginning. The only major concern reported in this area was the limitations on eligibility for investment promotion schemes, with small or retail enterprises excluded.

Some experts saw assistance in government procurement in relation to SMEs as desirable, in particular relating to provision of free counselling, flexibility in customs tariffs for necessary imports, and special assistance conditions applicable to strategic business loans.

Intellectual property protection was considered a significant issue for the industry, with more relevance than might first appear. Examples in the identified sectors include:

- i) in accommodation businesses, the use of music with copyright for guest rooms must comply with the intellectual property law.
- ii) for health packages, consideration should be given to the intellectual property of Thai herbs, Thai food, as well as essential oils produced from Thai herbs. The real indigenous knowledge and expertise in Thai massage was another case in point.

Applying quality standards to improve products and services was needed, as quality required development for sustaining positive customer perception. Although few were convinced of ISO9000's necessity, in relation to

developing and sustaining the Thai tourism industry, a quality and standard control system should be further developed for Thailand itself. This may involve more details than the ISO 9000 or others, and be applicable to hotels, ecotourism, soft adventures, or spas. Developing an indigenous standard that was more locally relevant and inspiring than simply adopting ISO9000 was seen as both feasible and appropriate.

Many operators have limited scope for advertising and promotion (unless they are multi-nationals). In Thailand, government bodies in charge of tourism support are providing regular help in advertising and sales promotions, and the private sector can benefit through their participation, while the government pays for almost all the costs involved. Increased customer profiling and shared promotion campaigns were desirable. Marketing data and market analysis was generally seen as the key area for further development.

Internet marketing and e-commerce generally could usefully be further developed to solve some expense issues. Further e-commerce development was inevitable, since currently many travellers contact the suppliers directly via different websites, without having to go through the tour operators or travel agents. This may create problems for those operators in the future. Most customers in foreign countries search and buy products and services from websites. Ecotourism and spa operators were seen as lagging here.

Establishing a business-matching database was also important for operators. Some data can be shared, but confidential information would have to be observed and evaluated through marketing and strategic exercises. Knowing about competitor's data was seen as critical to develop a correct selling strategy. This included



improving knowledge relevant to international competition for market share across all tourism sectors. It is against business etiquette to steal a competitor's secrets, but if done carelessly, there was a danger of standing to lose market share. A leading role for the government was seen for this aspect.

Branding and positioning is vital, but too many brands of product and service had the potential to confuse consumers. A common brand should be used, or a brand developed to represent each relevant group, e.g. overall lodging business, ecotourism, Thailand spas, etc. Product positioning in a context of regional branding would be an improvement, and a direction to consider.

Other expert recommendations relating to market access for the tourism industry included:

- i) more R&D reports on marketing in different formats.
- ii) More survey reports on the viewpoints and requirements of different nationalities.
- iii) A summary of expert opinions on tourism marketing available at a location or an institute, or in an easily-accessible central website.

Accommodation Providers

Some Bangkok resort operators saw a large need for marketing, particularly during the low season, and increasing awareness of possible niche positions. Some operators however had a prime location with many foreign customers and this reduced their own priority in this area.

Such organizations would already conduct demographic and market profiling in relation to their goal setting activities.

A strong need for developing marketing knowledge and skills, although not for branding and positioning was identified. One operator wanted to develop this area, but "did not know how to". An improvement in the resource itself would help promotions, increase customers and operators' incomes.

A desire to see further e-commerce developments was expressed, and some are already using it, and would do so more. Operators also saw an essential need for a customer database that is convenient, up-to-date and quick for establishing contacts, and for another database applicable to business matching, as such information was required for their own organisation's development, and for intra-sector comparison. There was a mixture of views, for and against, on the issue of government assistance for SMEs in such procurement however.

These operators did not see market barriers such as tariffs, quality standards and vendor development (which are often more relevant to products in manufacturing SMEs) as applicable in this sector, and one admitted he knew little about ISO9000. The issues raised by the expert interviewees were not mentioned by the city operator sample.

Regionally, recognition of currently fierce competition necessitated a perceived need for further development in marketing and promotional activity. This was also considered dependent on government and industry tourism association, who required to be kept informed, and would be marketing on a bigger scale. One operator suggested that TAT should give importance to SMEs through public



relations or otherwise reach out to small entities so that the SMEs can survive

Good branding, (again understood as impacting customer memory positively) for customer attraction and retention was considered useful, but obtaining market information on customer demographics was not always seen as necessary, other than (for example) seasonality levels, since “most of our customers make their decision based on pricing”. Improved marketing knowledge was seen as desirable, and regular improvement in service quality fed into developing a position and brand for specific operators.

In relation to tariff items, (generally understood in a local, rather than an international export sense by operators), there was a regional perception that too many (municipal) duties were payable for too little benefit. They were complicated, unequal, high and should be rationalised into a single payment.

Quality programmes, particularly ISO9000 were seen as unnecessary, and also complicated, although one operator saw its advantage in communicating a message of trust in service quality to customers. Equally vendor development of associated tour companies with contractual relationships could be improved on the finance arrangements side.

Governments could assist SMEs in specialised software procurement, since much software was expensive, and large business oriented. This help was seen as keeping SMEs competitive, and not polarising them away from larger businesses. Assistance in the low season would also be useful.

The perceived value of e-commerce was mixed – some thought e-commerce could help profits, but would have problems in

staffing terms. While an improvement in marketing knowledge and skills was desirable, the issue of who would provide training, to whom, and at what costs would require specification.

A business-matching database would indicate that most hotels compete on service, and one regional operator noted a general problem with dissemination of tourism information in relation to the issue of market access. A database of competitors (such as the ATDW) was not generally seen as desirable.

On the general issue of market access, a view was expressed that “small companies cannot compete with bigger companies due to technology and other facilities as well as credit. TAT should give assistance in terms of public relations and sales promotion”.

Tourism Business Operators

Market development and promotion was seen by all city operators as important, though one small business felt the need was not less than before, now the operation was firmly established. Promoting green tourism concepts, and increasing customers were areas to target.

Improving information on customer demographics was seen by some as helping to improve service, but as a low priority by others who were surviving well without it, although they wouldn't turn down fee external help. Tariff issues were not seen as relevant, and contract manufacturing and vendor development likewise inapplicable.

Some operators said ISO9000 would be good if they were larger, but not necessary otherwise. Another noted that it is



culturally not normally considered, as Thai's prefer "good but cheap" over "expensive but good". A cheaper product would be taken first, then assessed for quality.

Developing niches and markets were an area of projected activity for all operators. Cost, personal connection and time to do this were essential issues, but otherwise more emphasis on ecotourism would be desirable. Improving the resource and advertising in appropriate media applied also. Generally operators recognised they could not stay still, and must promote what they have to increase customers and sales channels. One operator saw the main problems as being how to promote the business, and how to impress customers with an efficient and quality service. "To be accepted in the tourism market, we must first develop and improve ourselves."

Branding was not a perceived issue for this subsector, unless it increased customer base. Operators felt they had recognition already, and consumer selection was based on price and product.

A business matching database was not perceived as important for all operators, and databases were seen as aiding in making competitive decisions. Government assistance for SME procurement, particularly in relation to IT and website products would benefit the sector.

One operator saw e-commerce as "still not quite necessary for tourism service. Customers will not be able to get a lot of information and not very much to the point required. Maybe it could be more useful in the future". Others saw it as helping to expand their market, and one already gave importance to website selling, which was seen as fast, convenient and cost-effective.

Regionally, mainly business specific issues only were reported in relation to market development and promotion, such as commission to selling agents, high competition in the subsector, (though less so for sightseeing tours), poster display requirements, and extra costs involved for customers staying in accommodation some distance from the (tour) operator. Control measures were considered unclear, and a general problem for all. Another general problem was large agents reportedly not giving much opportunity to new operators, even with a different product. Operators in competitive markets saw a need for improved market information to improve service format and increase sales channels. Market information would also help identify target customers and company directions, and increase the efficiency of planning.

Improving marketing knowledge was desirable, for overseas marketing, although staff skill levels were already quite good. Training on sales and marketing would help, but was not a budget priority, and government assistance in this area would be welcome. All operators saw an area for improvement was knowledge of which promotional media reached the required targets, particularly locally.

All operators understood the importance of brand, and this had occurred, but brand positioning could be improved. One operator had established a difference from her competitors, with an emphasis on the difference in the product, quality and service. Another wanted to expand into the right markets and customer groups, and another had an established name, with themed sub brands, and an expansion plan for the business.

A business-matching database was seen by regional operators as desirable to increase competitiveness and inform differentiating



strategies, aiding regional development. Ecommerce development was desirable, but most operators interviewed had not yet developed a website. One saw it as increasing her own sales channels, enabling reservations through the Internet, and possibly allowing sales at reduced rates. If some had it all would require it to remain competitive.

Tariff measures were generally not known, or considered relevant by operators. However government procurement assistance processes could help SMEs, such as reducing duties for imported adventure sports equipment. Government could also assist SMEs by encouraging procurement of their services and facilitating laws to allow their expansion. Reduction of tourism-related and income taxes for fairness were also mentioned.

Quality standard planning varied with size and ambition: small companies thought they could set their own standard, and ISO would be a distant goal, while others saw it as upgrading image to compete at an international level, but expensive. Present contracts were generally satisfactory but an overseeing body to enforce compliance would help in some areas.

Health and Spa

Market development and promotion was mainly at domestic level for operators interviewed in this subsector. Alliances linked to discounts, packages and reduced fares for tour coaches and accommodation in Chiangmai were in place for some operator's clients, and most operators saw further development in distribution channels, logistics and promotion as necessary given the high competition levels. For beginning operations, in the spa product area, this activity was critical on an ongoing basis, to create consumer

confidence and provide expansion potential.

The need for staff to understand markets more deeply was expressed. Marketing channels were currently narrow, and some operators' sales promotion and business expansion channels were inefficient. Obtaining a balanced market was necessary: operators could not rely on any one market alone, and one gave the example that if she worked with tours, it was necessary to deal with those in several countries, otherwise if any one country was in trouble the impact would be felt.

Market information on customer demographics was one clear need expressed by operators. A proprietary database, or a shared one among entrepreneurs would allow product improvement to meet client requirements. Operators could not afford to stay still and saw a need for a marketing database also to improve their product to meet various market requirements. Operators recognised that gender requirements differed, and different age, income level and others related to different shopping habits. A central database and associated consulting services from TAT or the National Statistical Office would be used if such a database for marketing existed.

Although most spa operators did not import directly or were unaware of tariff issues, spa product importers were strongly affected by tariff issues. Customs tariffs should be clearly set for items such as products brought in for training purpose, for curing, health, or general use. A perception that foreign products incurred high tariffs, led one operator to suggest that the government decrease import taxes or otherwise support investors to invest in producing products in the country.



Purely service businesses considered ISO9000 was inapplicable to measure quality, but most saw the value of an internationally recognised quality accreditation, and of conveying a quality image. Something that addressed dishonesty in the industry would help, as this impacted on credibility of tourism and the country. Products imported from suppliers of recognised high quality mitigated operators' own need for ISO9000, which was generally seen as irrelevant to customer perceptions and to health services.

Vendor development was in hand for most, and making samples and recommendations available to operators would be an improvement. Some operators felt that their practice of selling discount packages of bulk coupons could be enhanced, and contracts could be increased and developed to a more formal legal basis. Contract manufacturing of spa related products and associated vendor development was being improved, and this was desirable.

Development to improve the resource for advertising and promotion was seen as useful, and would facilitate and speed up the operation. A lack of data was one reported barrier here, and it was needed for effective marketing plans. Development in branding and positioning was also required, to create franchises, to position distinctive products, and to help promote new product developments, (even though traditional products might satisfy a majority of customers). Branded products for one operator were sold only in the centre, but for expansion of sales, developing a brand position would be required.

A business matching database was seen as very necessary to remain competitive, and several operators noted the lack of competitive information available to them,

e.g. regarding business expansion channels and new target markets that differentiated them from competitors. Knowing competitors' weaknesses allowed positions of strength to be identified, but this was presently hard information to discover.

Government procurement could help in various ways – operators complained about lack of start up capital as a greater problem than material support. Government action for poorly managed or degenerated attractions, and overseas promotion generally would be more important than product procurement from SMEs. In the case of product importers though, help to produce spa equipment locally would be useful, as imported equipment was expensive and cost more than its market value. At a minimum, flexibility on importation and consideration of customs tariffs on health related equipment would be welcome.

One operator used e-commerce already, another was taking steps to do so, and the others generally saw it as of future value, for increasing sales, and for saving staff costs.

Miscellaneous problem in relation to market access included reaching and educating consumers. Currently customers don't know about the spa business, massage, and health centre, and therefore, customers don't come to use these services.

Many customers have an uninformed conception regarding spas, and go to find cheaper massage stores. General massage stores are widespread and essentially cheap operations, this subsector is different from them, but requires to promote the business and to help people to know the differences. The consumer market does not yet understand the importance of quality and standard of the products, and still cannot properly distinguish the difference and the



use of the products. Staff themselves may not have the skills to reach the target market, and overseas promotion would help.

Regionally a lack of customers was reported, and all staff should be well trained in this aspect. Knowing customer demographics was vital for targeting appropriate service and improvement here was a stated need. Tariffs were not seen as relevant, nor was ISO9000, unless future international growth demanded it.

Although current marketing knowledge was adequate, improvement was desirable; to understand customer psychographics, and to improve sales channels awareness. Marketing plan quality impacted by market changes would be helped by improved information that was more up to date, including on the competition. For operators with an established brand, help in brand positioning would help, to target appropriate customer groups.

Everyone in the sector would benefit from a business-matching database, as few had knowledge of their competitors or other businesses generally. Government could aid start-up SMEs in the subsector by reducing tax on some equipment and materials. An imminent need to embrace e-commerce was also reported, since tourism operators around the world were perceived to be doing so.



Access to Information

Australia

This aspect comprised both content and dissemination mechanisms. Market and other industry information was known to state tourism authorities, and disseminated through bulletins, magazines, emails, CDs and industry events. Some agencies preferred to convey information electronically for cost and convenience reasons, but recognised that many operators would not be able to, or would not try to access this, particularly in regional areas with poor infrastructure, and CDs and print media were also required.

There was also an issue with operator awareness, with available information not being actively sought, although it was plentiful. Some experts suggested that many operators do not understand how much the world has changed around them, and are ignoring technology at their peril. They are thus not aware of why they might be losing ground to opponents.

There was a general perception by experts that customer records were not being analysed, and indeed full IT/PC integration is required to even enable such an analysis. Market trend analyses were available but some interpretation skills may be required, dependent upon the level of strategic skills available to the business. The limited penetration of PCs in the smaller businesses and the lack of knowledge of what PCs can do for a business is a related problem. Technology information available was often sales-driven. A head in the sand attitude by operators hoping the e-era would pass was evident in some locations.

Information acquisition was also complicated by large number of tourism

bodies within a state (eg in New South Wales (NSW) there are something like 24-46 NGO bodies – whose roles are unclear). Industry associations were also plentiful, overlapping and confusing. Inconsistency, gaps and duplications or overlap of research along with operator or consumer survey fatigue would all follow from such a structure.

Some experts perceived that the form of information might not suit individual operators. Information on legal and government information was piecemeal and acknowledged as often not being user friendly, as with industry outlook and alternative financial sources. Acquisition of such information required effort, and higher-level skills and knowledge. Training provision was ample and obvious, but voluntary.

Some operators would also share expertise within their industry groups. There was a feeling that research activity could be more directly relevant to, and usable by, operators. Membership of tourism boards and of regional or national groups was another avenue, not just for marketing but also for sharing information. Several operators noted however that there were many candidate groups for the membership dollar and selecting those of value was unclear, and the effectiveness of distribution channels was hard to assess.

Accommodation Providers

Operators rarely saw access to industry information as a problem, but their evaluations of it varied. Newsletters and trade magazines were typically subscribed to, and there were several around, depending on the type of provider. Some considered they knew their market without further information search required.



State offices provided useful and timely (e.g. monthly) statistical services, which some operators knew of and used. Queensland's voluntary online survey "the Queensland Regional Tourism Activity Monitor" (RTAM²⁰⁷) and Western Australia's pilot "Tourism Monitor Western Australia" (TMWA) are two examples²⁰⁸. These were considered better than ABS statistics, which were less timely and not localised as usefully.

State bodies also provided chat services and newsgroups, which were sometimes useful, mainly for awareness and were sometimes engaged casually. Local tourism organisations, for example Cape Naturaliste²⁰⁹, provided information services and promotional activity.

Industry and subsector specific associations also provided information, such as the various state based Caravan Parks associations, who had various services for their members, and from the Australian Farm and Country Tourism (AFACT) industry association²¹⁰. This provides member benefits including information on movements within the tourism industry, "updates and reports on government actions, statistics and research into the rural tourism industry" and more.²¹¹

The Backpackers Organisation Association (BOA) also provided market information for that sector, along with industry and international trends and information. The relevant operators saw this as a better source than the government, and meetings with that group were the most effective dissemination mechanism for one city hostel operator.

A perception that ABS required data but didn't provide useable outputs was evident in some operators, and legal information

was considered to be too technical to be sensible for most.

Most operators interviewed had email and Internet access. Both city and regional operators typically had their own domain name and website or at least hosted web pages with email contact, and many maintained this themselves, having picked up the basic skills as they went. Others were linked through professional bodies such as the Youth Hostels Association (YHA), who had more sophisticated systems in place, and both farmstay and hostel operators had access, as members, to disseminated information in hard or soft copy.

Tour operators

Some adventure activities required considerable engagement with bureaucracy, and significant time involved in obtaining all relevant permissions. A one-stop-shop for licensing in one state was a good idea, but had been found not to be as useable as it might be in one operator's experience.

Sharing information with competitors within industry was common practice, as in some segments there was a perception that all stood to benefit by a stronger industry presence, higher quality product and a critical mass of supply. Marginal advantages gained temporarily by keeping information on (more efficient processes) did not outweigh this in the view of some operators.

The classification of operators involving transport as not being primarily tourist operations led to application, and accounting, to inappropriate industry standards. Hot air ballooning for example came under civil aviation requirements, not all of which were appropriate to an



essentially touristic activity, and coach tours around wine trails were not structurally recognised as proper industry members. This meant data they collected and reported was often not relevant to the sector.

Regional marketing organisations can supply some information but typically the most useful selection of data is available from the relevant industry association. Some memberships were expensive and may not survive cost benefit analyses. Lobbying through industry associations was the normal way to engage public private sector dialogue for all operators.

Research skills are not common in the industry and secondary data is not often in the form most useful to the operators. Various operators mentioned market information was available but often inapplicable to them. A need for interpretive skill development was indicated.

Tourism body seminars on credit card fraud had proved useful to one operator and generally only a few operators recognised their responsibility to keep informed beyond industry association flows.

Regional information infrastructure was a barrier due to poor coordination among a proliferation of tourism bodies and NGOs, stymieing advertising campaigns for one operator. The structures were considered to be confusing, overlapping, and regionally blinkered, with their own agendas hampering progress. Some industry associations were considered to have poor corporate governance, few performance measures with board positions seen as sinecures in one region.

Government's role and its perceived activity was also criticised by more than

one operator. For example there was a perception that government agencies have little interest in promoting new events and have unrealistic expectations, such as wanting a sponsor signed up and contractually committed some 4 years before event before government support would even be considered. Operators saw such an approach as unrealistic and growth-inhibiting.

There was a perceived lack of government appreciation of the vital role of tourism to Australia. A general lack of government imagination was seen in operating techniques of tourism NGOs, and politician's views of rural industries, and a vote garnering agenda all combine to deny tourism its appropriate level of government support in the perception of affected operators.

For attractions related to activities such as ballooning, surfing and SCUBA diving information through those networks maintained awareness, with websites and specialist magazines readily accessible. Access to specific items of equipment related to adventure activity was known and shared within the relevant community, and even with applicable tariffs, it was a business decision to import a superior product when this made sense. Access to information in most categories was not a significant issue for operators, though most agreed with experts that it was poor, piecemeal, not useable and that self directed and association based mechanisms were most useful in practice

Rural

In primary production areas moving to diversify, some cynicism was expressed regarding the information from the Agriculture department, and in one anecdote it was reported that taking that department's advice had failed, but doing



the opposite had worked. Clearly when State advice is based on a bigger picture view taking into account balance of supply, sustainable carrying capacity and long-term market demand, some reconciliation with a narrower market oriented perspective is required. Although some Tourism Business Operators would start up without doing the necessary research on markets, licensing and environmental requirements, this was not reported in the case of wine tourism businesses.

Although some tourism regions were considered by state tourism officials to have a more parochial focus on local competition, wine region operators interviewed saw the value of competing as a region, and the more attractions, even among similar businesses in a region, the better it would be for all. Sharing market information was thus not a competitive issue in some wine regions. Some regions had a tour bus service that went round a range of wineries and avoided the issue of drink driving, or of navigating country roads. This also provided a “rainy day” alternative in regions with sun and beach attractions.

Some boutique winemakers obtained information on markets and technology from mentors, and through experience and their guild. Local government and agriculture department information was not well provided and seen as unsupportive, and of limited relevance to boutique winemakers’ interests. This group had little lobbying power, and it was recognised that the parent industry (wine making) was two tier, with some information relevant to boutique and tourism operations, but not their “main game”.

This category also covered physical infrastructure, signage and the dissemination of local and state

government regulatory information. Some state tourism authorities saw partnership and mentoring arrangements as an effective way forward. Some communities had the local knowledge, the stories and interpretations of the region to communicate, but were unsure where to start. Regional development officers could facilitate the design of a themed tourist route, and ensure appropriate signage. Equally, in emerging regions bordering successfully established ones, mentoring processes facilitated by the State authority through regional development officers could bring about a culture change. It was felt that word of mouth and exemplar operator presentations would be more useful than a formal presentation of good practice principles by educators or “suits”.

At local levels in several states, signage was perceived as an issue for operators, with several anecdotal examples given of ongoing annoyances. The balance between visual pollution and information was recognized, but a clear need for concessional signs for tourists in particular regions was stated. Some regions have beautiful, unknown roads and these could become recognized in wine route designs. The cost of signs, the overcrowding at key points, and the refusal of some local authorities to allow any signage at key locations were familiar issues. Some centralized planning and hierarchical direction aimed at tourist needs was suggested. In one region the approaching main road was considered poor quality and a disincentive for touring visitors. The local authority involved also refused to allow, and actively removed, signs advertising the winery, and made life difficult in other ways that adversely affected tourism development.

Operators also noted the interdependence of wineries with other attractions in an area. One region had several wineries but



hardly any accommodation – it bordered a region that had lots of accommodation however, and the distances involved were only a short drive apart.

One accommodation provider in the winery region observed that visitors don't go to the region particularly to stay in his accommodation, but for the attractions, (primarily wineries) and was championing joint promotions and destination oriented packages. Research had noted visitor flows on the ground between the “accommodation” region and the “attraction” region, and this could inform wine route designs – this had not yet occurred however. By definition many places will border two regions and there were also issues relating to which region a particular destination would identify with, with future marketing implications. This was an ongoing concern in one locality.

Dissemination of information relevant to SMEs was considered to be poor in regard to various development aspects, including regulations, financing, technology and market development, and businesses interested in growth, (rather than lifestyle subsistence), saw that forming their own alliances with like minded self starters was the only way forward, since a proliferation of ineffective bodies was not considered to be working.



Chinese Taipei

Accommodation Providers

Expert views

Experts advised that homestay operators get information on market from their customers, industry associations, media, and the Internet. They get information on suppliers from their friends of other homestay operators or hotel operators and industry associations.

Homestay operators were also thought to get information on technology and technical services from friends and training courses or conferences. However they have difficulty in getting information on sources and types of financing available, industry developments, and legal regulations.

Operator views

Some operators get information on the market from their customers, industry associations, media, and the internet, but one interviewee indicated that they don't know these information sources.

Some operators get information on suppliers from their friends of other homestay operators or hotel operators, travel magazines, and suppliers. Operators get information on technology and technical services from friends, books, and training courses or conferences.

Some operators get information on sources and types of financing available, industry developments, and legal regulations from media, Internet, and government.

They generally think that they can get the information easily and are satisfied with the information.

Tourism Operators: Travel agencies

Experts considered that travel agencies get information on the market from their own experience, and the Internet. They get information on suppliers from airline companies, hotels, restaurants, restaurants, theme parks, or bigger travel agencies.

Travel agencies also get information on technology and technical services from internet, customers, media, travel exhibitions, and from suppliers, but they hardly get any information on sources and types of financing available.

Travel agencies get information on industry, regional, national and international outlook from government websites, industry associations, and academic sources.

Finally, travel agencies get information on government or legal regulations from government websites, and from industry associations. They do not however regularly share information unless they are members of the same industry associations or clubs.

Travel agency operators stated that they got information on markets from their own customer database, other travel agencies, customer interaction, industry associations, media, and the Internet. They also get information on suppliers from airline companies, ticket centres, and industry associations. Otherwise the sources of information are the same as those reported by the experts in the preceding section.



México

Public servants perceived that there were 3 main subjects of the highest importance in the access to information areas. These were industry and trade associations (1), information on technology and technical services (2) and training sources (3). Females rated the latter two areas more important than did males.

Technology was the area of lowest satisfaction in the current situation. Training sources was the next worst area and market trends and development was the third worst area. Females weighted each of these three areas lower.

The biggest problems perceived by public servants that companies face due to lack of information were low incomes and high fiscal loads, erroneous decision-making and strategic management, inadequate access to successful enterprise models and insufficient technological development. Public servants suggested better facilitation of information, better qualifications for personnel, improved communication between government agencies, greater investment in technology, greater use of the mass media and improved relationships between universities and the government to overcome these problems.

In regard to the specific question, “If more information was available on industry activities, would companies use it?” public servants in the majority said yes but there were many qualifying comments. It was noted that there are few personnel dedicated to the collection and facilitation of information and that companies would have to be impelled to change their current culture toward innovation. Furthermore, it was suggested that if the information were easily obtainable it would be used. Respondents proposed that the information

would be utilised to enhance decision-making, and it would enable companies to be more competitive and increase niche market entrance by helping to identify opportunities.

The particular types of information of crucial importance to companies that is currently hard to find was legal requirements, financing, business improvement, new technologies and products, market behaviour, profiles of demand (i.e. market studies & statistical indicators), client tastes and preferences and available training courses.

This group of interviewees believes that tourist SMEs on the Mexican Pacific need more information concerning technology, sources of training, market trends and evolution, and official regulation and policy frameworks.

On the other hand, academics, tourism authorities and representatives of entrepreneurial organizations think that SMTEs possess a greater amount of information concerning markets, government offices connected with their activities, mechanisms of dialogue and agreement with the public sector, and information related to organizations and associations of their field.

Accommodation Providers

Within the 12 access to information factors investigated among accommodation providers information on markets was perceived as the most important subject. Information on suppliers was considered the next most important area and more importance was accorded to these by male respondents.

Information on financing was perceived as the least satisfactory area in the current situation and had the greatest gap between



perceived importance and current satisfaction. Access to information on technology was the next least satisfactory area in the current situation and both of these areas were perceived as less satisfactory by females than by males.

Respondents articulated that the main problems facing companies due to lack of information were: deficient market and financing knowledge, lack of effective industry promotion, and damaging tourism information. To overcome these problems it was suggested that improved access to information and the consolidation and centralisation of information would assist. This could be achieved the development of an association to facilitate this task and distribution of information by electronic means.

In response to the question, if there were more information available on the activities of this industry would companies make use of it; only one interviewee responded with no and did not explain his answer. The reasons given for the use of information were: that staying informed is a business necessity, accurate market knowledge helps with effective strategic management and improved service quality. Respondents advised that information that is of crucial importance to companies which is currently hard to find was, information on small hotels and companies, the various government institutions, relevant legal and regulatory and available financiers. It was added that the dissemination of information is currently very poor.

With respect to accommodation enterprises, the information aspects showing greater limitations are those concerning financial matters, sources and kinds of available financing, technology, and market trends and evolution.

People in this category believe they have more information about markets, providers, and communication channels with the public sector and organizations in their field.

Tourism Business Operators

Travel agencies interviewed considered information on markets and information on suppliers to be the most important subjects. Male and female respondents gave a similar rating for these 2 areas. Public – private sector dialogue mechanisms was perceived as the worst area in the current situation and males saw this as less satisfactory. Financing was the next most deficient area and males were significantly more dissatisfied with the current situation. Both males and females were also similarly dissatisfied with the information on sources and available types of finance.

Interviewees expressed that the main problems faced by companies because of lack of information were: loss of clients and sales, ineffective promotion, diminished opportunities, limited market positioning and bad information, and this is reflected by inferior customer service. To overcome these problems respondents suggested that improved administration of this source is required, and that more effective regulation of the sector, improved communication channels with information sources and relevant qualifications of personnel would be beneficial.

All respondents acknowledged that they could see a use for more information on the industry activities. They reasoned that the information would be used to provide better customer service and thus increase sales and for better company positioning and planning. Interviewees stated that this could be achieved by improving communication and communication



channels between the relevant agencies and associations. The type of information that was considered of crucial importance to companies but is hard to find was airline promotions, tourism information in general is not provided well by agencies, economic services, immigration data and business requirements.

Travel agents stated that the information aspects they believe they are more familiar with are those concerning providers, technology and technical services, government offices connected with activities, organizations and associations of their field.

According to travel agents, the information aspects whose knowledge is limited are those related to sources and kinds of available financing, mechanisms of dialogue and agreement with the public sector, providers of services and training, and information related to market trends and evolution.

Public - private sector dialogue mechanisms were perceived as the most important information area for *tour operators*. Males placed higher importance on this matter than did females. Information on markets and information on suppliers were the next most important areas and again males gave these considerably more importance.

Information on sources and available types of finance was perceived as the least satisfactory area in the current situation. Financing was the next worst area in the current situation and males rated both of these significantly lower than females.

Respondents reported that the main problems companies faced due to lack of information were low sales, less competitiveness due to limited information on new technologies and deficient

financial support. Respondents thought these problems could be overcome, and that a web presence with accurate current information, improved public and private tourism promotion would assist.

All interviewees said companies would utilise more information on industry activities. They stated that it would be used to better position a company, to reach more clients and provide a higher quality service. Information that was considered crucial for companies that is currently hard to find included financing, sudden changes in laws, airline tariffs, suppliers and training courses.

The operators of tourist tours stated that they needed more information concerning finance and sources and kinds of available financing; similarly, they stated that they wished to know more about mechanisms of coordination with the public sector, and also that they wished to know more about government offices connected with their activity. These operators believe they have more information concerning markets, technology, technical services, and official law and regulation.

Financing was perceived as the most important issue for *tourism stores* by proprietors and managers. Training sources (2) was the next most important area and information on markets (3) was also considered to be high in importance. Females rated information on markets more highly by males but males and females closely weighted the other 2 areas.

Industry and trade associations (1) and technology (1) were perceived equally as the least satisfactory areas in the current situation. Financing (2) and training courses (2) were also equally weighted for the second most dissatisfactory area. Males perceived all 4 areas as less satisfactory than did females.



The main problems that interviewees perceived facing companies due to lack of information were: inadequate market research, high risk of initiating a business without appropriate information, inadequate information on suppliers, financing and information on available support mechanisms. Solutions suggested to overcome these problems were to develop an effective source for information (e.g. magazine, meetings &/or web site). In addition, information sharing could be encouraged and investment in personnel qualifications could assist.

Most respondents thought that if more information on industry activities were made available companies would use it. Respondent purported that this information is critical for the success operations. The type of information that was crucial to businesses but hard to find was market research, tourism regulations and foreign laws.

The business people of this field believe their information is more limited when it comes to those aspects related to financing, mechanisms of dialogue and agreement with the public sector, providers of services and training, and market trends and evolution.

On the other hand, the aspects they believe they are more familiar with are those concerning providers, markets, official regulation and policy frameworks, and government offices connected with their activity.

Food and beverage

Information on markets, and information on legal regulations were perceived as the two most important areas for the food and beverage sector. Males gave a slightly

higher rating for these than females. Information on suppliers was considered the next most important area and females rated this higher. Information on technology was perceived as the least provided for area in the current situation with females rating this area lower than males. Furthermore, information on market trends and development was also perceived as less satisfactory than its importance warranted but more so by males.

Fiscal problems such as financing, high costs of production and lack of local suppliers, and excess bureaucracy were the main problems companies face because of lack of information. To overcome these problems it was suggested that greater information is required, improved communication with associations, product quality control, investment in the personnel qualifications, more available financing and increased public and private sector dialogue.

Most respondents agreed that if more information was available on industry activities that companies would use it. It was proposed that this information would be used to keep the company up-to-date thus increase the quality of service. It would help to avoid financial hardship through more productive operational processes.

The type of information of crucial importance to companies that is hard to find was financing and financial incentives and legal requirements. In addition, information on general business elements such as building maintenance, suppliers, technology, reinvestments and personnel qualifications was perceived as crucial but hard to find.

In summary, operators in the food and drink sector believe they need more information concerning sources and kinds



of available financing, technology, law and official policy frameworks, and market trends and evolution. Interviewees in this field believe they have enough information about markets, providers and technical services.



Thailand

Expert views

Regarding information content operators were seen as lacking information in various areas, and not seeking it enough. These areas included market information, financing, technology and technical services, and regulations.

Further information on markets was available through the government, and industry associations. Seeking help from these would be appropriate. Marketing information needs to be improved all the time. The government can help with information of an overall picture or a destination. The individual operators themselves would however have to concentrate on their own sources of business, which may require some investment. On financing information, a wider network should be arranged to create awareness and this information should be easily accessible, quick, and widely publicised.

Improved information on the necessary technology and technical services was required to progress into the e-commerce era. This would require resourcing. Government agencies or the tourism business association should from time to time put together budget resources to bring in experts or specialised companies to transfer knowledge to the operators.

Provision for updating information on regulatory aspects was also required, though of lower priority. Changes in situations, environment, new international practices, obligations, or free trade, may render it necessary to improve or adjust some rules and regulations or even the law

itself. Operators were considered generally to be unfamiliar with these aspects.

On the general issue of the future of Thailand's tourism industry and international tourism outlook the onus was on the government sector to point out relevant policies and policy changes, and businesses would then fall into line. The outlook of the Thai tourism industry must be adjusted in accordance with the trends each year. The target of future tourism can be a standing objective, so that ability in the areas of development and marketing can be focused towards its achievement. Views differed on how high a priority improving this aspect was.

Information dissemination was an area for improvement, as there is no data distribution system currently for the industry. More dissemination of necessary marketing information particularly would increase the efficiency of marketing promotions. What was specifically needed was to know how such dissemination could be improved upon.

Expert views differed regarding information on (physical and economic) infrastructure aspects and government plans. Data is easily available and dissemination is at a good level, but a view was also expressed that this is currently not effectively advised, affecting tourism promotion. This criticism also applied to other agencies that would have relevant plans, so that proposed tourism developments might be aware of planned infrastructure issues. Decision making was protracted, and required improvement.

The dissemination of information on regulations, financing opportunities, technology, market trends and training sources were not considered adequate to keep operators fully aware. This was partly because there was no "principle practice"



from the government, i.e. the government did not initiate this dissemination, and some regulations were out of date. Operators often did not know of training sources.

It was considered however, that financing organizations would be appropriate to take the lead on any improvement required to that particular aspect, and that a project owner was required for technology dissemination. This could be the national technological institute or an SME institute. Whilst training locations are mostly known, the missing link is that operators are unclear as to what specialised trainings are offered and on the standard and quality of the programmes organised. Again there should be a project owner or coordinator, e.g. the training department of the Ministry of Tourism and Sports. A responsible project owner was a common recommendation for aspects that did not have such.

The frequency of dissemination of information on market trends should be increased, as situations do change quickly and the relevant information must change too. The data collection unit must closely keep abreast. The direction of improvement is therefore to increase the efficiency and ability level of the data collection unit.

The communication mechanisms between government and industry, and within and among trade and industry associations, generally were considered in need of improvement, although views again ranged between experts. Types of businesses directly or indirectly related to tourism are varied, and several government offices are involved as contact. An information centre here would be beneficial to the operators, and different experts independently suggested this. Information dissemination among various industry associations and

operators should be improved, as the information is presently disseminated mostly only to members of particular associations. The private sector was seen as scattered. Grouping in the form of associations is still lacking, or the existing associations are not focusing on the activity of distributing information among each other. The Association of Thailand Tourism Industry set up in 2002 should take a role in addressing this.

Dissemination of regulatory information could be improved. Tourism-related businesses are numerous and presently the operators are to find their own information from different sources. The Association of Thailand Tourism Industry should also take the initiative to organise the dissemination of information on the various rules and regulations. Moreover, the authorities follow the established laws and regulations, which are not necessarily relevant to today's business operations in many circumstances. A lot of improvement is needed in the business law involving, for instance, hotels, spas, immigration and customs.

A general comment recognized that information in the tourism industry at both major and minor levels is massive and a lot is incomplete. Examples include the tourism satellite account, multiplier effects, direct and indirect amount of hiring, economic and social impacts, and marketing data at international, domestic and regional levels. Improvements in market and customer data were a recurring theme.

Accommodation Providers

On information content, Bangkok resort operators wished to see further improvement of market information, particularly information on overseas



clients, which was seen as necessary so that promotional information could be forwarded. Similarly more information on material suppliers for the business would be welcomed, as a basis for price comparison. An improvement to information on the industry future and international outlook would be helpful, as a base for contact with domestic and international customers.

The information available on technology and technical services for business, sources and types of financing services available, and government and legal regulations were not seen as issues, for the city accommodation providers interviewed, other than any general improvement would be beneficial.

A similar pattern emerged from regional accommodation providers. Whilst improvement of information in all areas would be welcome, (although information on finance sources was considered adequate) the practical question one woman entrepreneur raised concerned from where this information would be obtained, and would it be scattered around? And if the source were the Internet, how often would it be updated?

Market information on the different markets across hotels would be useful to regional operators, as would information on service developments. One operator suggested TAT should supply this, as should information on the industry and international outlook. Private companies charge significant sums for such information, and this is a barrier. One operator, for comparison of options, saw a database on various available financial services as useful.

Regarding information dissemination, information on financing and required conditions relating to the business, new

technology development, and training sources for staff were always particularly identified as issues, other than any general improvement would be beneficial. Some operators however considered that any information should be accessible and timely, and was up to the government to provide.

More specific up to date information on rules and regulations was however sometimes seen as necessary, and one operator suggested this should be supplied by email. Similarly one view expressed supporting the general desire for increased dissemination of information on market trends and development in the tourism industry was its impact on effective planning, "if it can be done".

In the regional areas, a clear need was expressed for a marketing database to allow direct contact, rather than go through sub-agents or rely on their own limited one. An improvement in information on the tours available would also help coordination and adaptation, and give options for low season. All operators would benefit from greater knowledge of technology options and services, including e-commerce, to make informed selections. Sufficient information on finance sources was available.

Operators would like to see development of information on both Thailand and international tourism, to improve and adapt their business to changing and new situations. For example, the development of a database on Thai tourism for destinations like Phuket, Samui, and Krabi for the Scandinavian market, (particularly the elderly, who normally stay longer) would be useful. All operators saw increased dissemination of market trend information as necessary for effective adaptation, and to increase markets and long-term sales.



Improved knowledge on regulations was desirable also, to adapt the business and facilitate expansion. A particular area for improvement was regulations “to control the agencies (middlemen), who are presently using a lot of price-cutting tactics. As a consequence, the operators must also reduce their rates and the quality will unavoidably be affected. The image of tourism will suffer in the end.”

Better dissemination of regulations affecting the business was generally seen as beneficial to the industry, and likewise with financing conditions, for compliance and protection. It was the same with information on new technology developments, which was an area of general lack of knowledge, and the time to catch up with it. Areas such as e-commerce, Internet use, office productivity applications and, in one case, sales were key areas where training sources were not known. If government or the private sector organised and effectively publicised such courses, staff could be assigned for training in areas key to business development.

One operator saw a lack of knowledge of information sources generally, as a problem. An information centre might redress this.

Tourism Business Operators

City based operators on the aspect of information content generally would like to see improvement of databases on the whole range of aspects, but considered that first they should develop themselves. “If we ourselves are not good enough, we will not be efficient in competing with others. Then we can make use of other data (external) afterwards.”

Any help to improve knowledge of available information generally would be

beneficial. Areas identified included technology, financing, tourism outlook and legal aspects, though few specific needs were detailed. One operator saw a need for a “proper list of countries requiring no visas. Some tourists would rather check with official sources rather than from the newspapers.”

Specific areas operators mentioned to know about, and to develop in regard to market information, concerned a need for accurate statistics from reliable sources on the numbers of tourists, and the countries that visit Thailand most. Also there was a need for a list of reliable travel agents in each country (which would inform operators on which website to use).

Dissemination of business information was generally seen as critical for effective operations, especially up to date and reliable information. The most critical areas identified by operators who distinguished the categories concerned sources of training, to allow effective selection, and market trends and development. A specific problem for operators was not knowing which websites were most reliable.

Regionally, more improvement on technology and services was desirable, although operator’s present databases were adequate. Improvement should not be costly though. Improved knowledge on international outlook and the industry was desirable too.

There was an awareness that some of the outdated laws cannot be applied in certain cases, especially in relation to electronic issues and internet. Those involved in E-commerce cannot be well protected, and this engendered a need for improved information on legal aspects.



Better information dissemination in all aspects was desirable, for general business improvement.

Health and Spa

Information on the market for this sector was required. There were few databases about the spa business, though in one operator's view, TAT's was nowadays generally excellent and WTOO databases should also be made available also. Operators own information was not far reaching enough, and a government supported customer database would help Thailand promote the spa business. Technical and operation information on marketing management would also help one operator.

Information on material suppliers and associated entrepreneurs would help each firm to promote its own business, and increase transparency. This would allow realistic evaluation of marketing possibilities, proposals to customers, and comparisons allowing cost reductions and pricing strategies. Knowledgeable suppliers would also enhance the available product base, increasing quality.

Technology and technical services information was seen by a majority of operators as useful to improve, and a similar response applied to improved information on finance. Relevant information to improve service efficiency and to inform decisions that obviated the need to invest in technologies to obtain information available centrally was highlighted. More technology information was a secondary consideration for some however, compared to finance, which required greater clarity on options available beyond banks, and reducing the steps required in business planning

Information on international outlook was an area for perceived improvement, to know where Thailand stood, and to effectively target overseas markets. Presentations from entrepreneurs would help here, as would being able to get information immediately on demand. Adjusting business and marketing plans based on such knowledge was important. The dissemination of Thai information through government initiatives to international travellers would help.

This subsector was one area where increased regulation was perceived as a requirement. More than one operator noted unethical behaviour by some spa owners, impacting negatively on the perception of the whole sector, and some investors were losing out to illegal, unlawful or unconstitutional operations. Such increased regulation should not cause confusion by being overly complicated or complex however. Government supported agreements and free trade obligations were perceived as constantly changing, and improved information in this regard was needed.

On information dissemination, some operators and their employees were not always clear about applicable laws relating to spa and health businesses and improvement was a perceived need, while others found there was too much information that "gave them a headache".

Several operators also wished to know more about sources of finance, and clarity on financing conditions. It was proposed that both the government and the financial institutions should make it their role and responsibility to provide such a service in a clear and timely manner, Other operators however considered themselves aware of this aspect without further action.



Clear accurate and complete information on technology and related services would be welcome to all operators, particularly to increase management efficiency, and raise the perception of the spa business internationally. Training sources generally were not well known, and employees would be motivated to find these to develop their own job mobility, but was not an issue for some small operators.

All operators wished to see more, and more frequent, information on market trends disseminated. This would increase the scope of service, ensure competitiveness, and promote upcountry tourism and other destinations not known to travellers. A perceived changing market was a typical motivation behind this requirement. An efficient data collection unit disseminating up to date information would be a way forward.

It was widely perceived that there is still a lot of information necessary for the development of products and marketing. Distribution of information via flyers and brochures was still lacking in some central locations, and some operators had problems using computers, and without the Internet lacked access to current data. An easily accessible information centre would be very useful to the operators, or those wishing to start in the business.

Regionally, access to market data was considered limited, as with suppliers of materials. More information on e-commerce and website technology was a perceived need, and although some finance sources were generally known, information on others would be welcome.

All operators felt there was a lack of information on the future of the industry and the international tourism outlook. Operators saw this as needed in order to set business directions and also to improve the

environment and to be able to plan ecotourism at an international level. "If we are aware of the environment situations and the destination resources, we will be able to turn this business to be more creative and protect the destinations at the same time."

More up-to-date information disseminated on regulations relating to the business was seen as beneficial, as with financial and technological information. Training sources was another aspect about which little was known, and searching was time consuming. Information on market trends was vital, but it was felt that insufficient was available.

The final word is left to one of Thailand's female entrepreneurs, who said "*Be it technology, human resources, environment, or whatever, all this can be very well coordinated if every party joins hands together. It can be built up in every organisation. A good organisation is an efficient management, and it does not necessarily have to be a big establishment.*"



Overall Development Needs Identified

The four economies investigated present a range of development needs to which specific address can centrally be made. Although naturally priorities varied across operators and economies, there were also areas of general agreement. There was also a widespread sense obtained in interviews with operators that the industry was largely at an early stage of development, and that more effective support in almost any area would be welcomed. Issues related to the maturity of the industry and development stage of each economy tended to influence the urgency of perceived priorities.

In *Australia* the issues were more related to the phenomena of an advanced market economy. The lack of licensing or accreditation requirements in some segments meant that barriers to entry were low, and numerous SMTEs failed, and at a higher rate than in other industries. This was seen as the natural operation of the market, and propping up poorly planned ventures was not appropriate. With many operations emerging from hobby ventures, and secured on otherwise established collateral, business planning, including for sustainability and growth was generally not highlighted for many ventures, and indeed many such operators did not seek growth, nor further training, but rather lifestyle sustainability. This attitude sometimes translated into an unskilled and amateurish approach to service quality and management.

Weak central government intervention and industry protection, along with perceived lack of real recognition of the industry's value as an economic category in official statistics meant that it was widely perceived as underfunded, and in cases

misclassified (although note that recognition is now beginning to occur with the white paper's release- see part II). Many schemes for business development were not scaled for, or did not apply to, microbusinesses but small grants were not considered a useful alternative either. Many Australian operators disparaged the idea of a "handout mentality" and were happy for to the government to leave business development to the market, and interference was resented. Inconsistent and officious local government regulations, and lack of signage and infrastructure recognising tourist activity was a widespread complaint.

Generally staff issues, access to finance and technology were not seen as significant barriers, with avenues for these resources well known and effective. Information could be found, and there was sufficient entrepreneurial spirit evident from interviews that help in achieving this was not usually needed. Taxation and financial classifications designed for volume products disadvantaged boutique and low volume product designed primarily for a tourist market, corroborating views expressed elsewhere that structures were inappropriately set up in relation to big business criteria.

Building knowledge capacity at grassroots level, with the tourism workforce as an engaged stakeholder was indicated as a desirable direction for government activity. Operators' knowledge of management and service quality, along with effective business planning and a better market awareness were weaknesses perceived by experts. It is the effective use of technology, not simple access or ownership that drives productivity, and uptake and use are critical, no matter how technically functional a system may be. The ATDW is a leading service



technology, and continuing uptake and deployment is indicated.

More importantly, the industry suffered from a proliferation of membership organisations, and a fragmentation of effort in marketing, branding, segment identification and unity in destination supply. This also led to a weakly unified industry voice in lobbying activity. Some areas were over-represented or oversupplied in accommodation provision, and less obviously served by the presence of, or a perception of their attractions. Regional attractions were not marketed consistently, or as packages addressing markets such as short break, wine tourists or others, and some “border disputes” did not help this effort. Overpromotion was evident, taking resources away from quality infrastructure development and targeting the drivers of visitor satisfaction.

An awareness of some operators in regard to the value of destination management and marketing was evident, but parochial attitudes to competition, cynicism about the value of some advertising forms and the lack of effective cross industry forums militated against coherent destination marketing activity. Tourism bureaus requirement to be self-financing took resources away from significant leadership in destination management and promotion, although some destinations were beginning to coalesce through partnership efforts. Their success however was causing inequities in neighbouring regions, which were increasingly bypassed by a neighbouring destination’s success, established by its first mover advantage, increased investments and dominant branding.

In *Chinese Taipei* (Taiwan) management and service quality were issues widely highlighted for training and development, with language skills to service

international visitors identified as a specific area. Available training was good, but inadequately supplied, and sometimes not known about, especially in professionalised areas such as technology, management and legal aspects. Raising entry barriers might help increase quality, and women already faced a number of barriers

Access to finance was hard, due to bank attitudes and collateral requirements. Private networks were a compensating alternative for the resourceful. Ecommerce was not generally used, despite a high level of e-readiness and everyday computer use. It was not considered necessary by most at this stage. International quality standards such as ISO9000 were culturally familiar from the manufacturing sector, and had been applied but were now considered less relevant than indigenously developed standards and operating procedures.

The culture of industry clusters was strong, and information would be shared within these, though not generally otherwise. Cooperation in some marketing was also evident, but market related knowledge was an area perceived as lacking, and in specific need of development.

In *México*, both public servants specialised in tourism, encompassing directors, managers and executives from tourism related government agencies and education facilities, generally perceived technology to be the most important issue for the industry. There was also a perception that access to markets and access to information were very important. Financial access was the least provided for in the current situation and technology was the next worst developed area of the sector.

As well as these, operators and other experts from industry associations and the public sector were interviewed, and cross-



referenced with information provided by the Secretariat of Tourism of the Government of the republic. HR and marketing issues were generally perceived as more important than finance and technology ones. However these issues were also perceived as being relatively better provided for. Public servants were generally more pessimistic about the level of support here than were operators, and in all cases the perceived importance of the issue was matched by a lower assessment of satisfaction with the current situation.

Those lodging providers interviewed to assess human resources in their field stated that strengths could be seen in the development of profiles needed for positions in several areas of their business, quality control expertise in the management department, expertise of managers, and knowledge and understanding of the tourist phenomenon and relevant legal issues.

On the other hand, limitations or deficiencies could be found in these aspects: the lack of a fund intended for personal education and lack of investment in training, lack of information concerning financing programs and institutions to support small enterprises, lack of information concerning methods and technologies intended for environmental conservation, and lack of training in the management of crises and disasters.

Within the travel agency sector access to markets was rated the most important issue. Technology issues and access to relevant information were considered the next highest in importance. Finance was rated as the worst area in the current situation with access to information and human resources development the next worst areas.

Tour Operator proprietors and managers also ranked access to markets to be the overall most important concern for their industry with technical and financial issues rated the next highest areas of importance. On average, these interviewee responses revealed that human resources development was the least important out of the five areas investigated. The lowest ranked assessments for the current situation were found for finance with access to information the next lowest and technology third. Accordingly, issues related to finance showed the greatest gap between ranking of importance and current situation.

Within the tourism retail sector access to information was generally considered to be the most important factor within the industry with human resources development running a close second place. However, finance was once again marked as the worst issue in the current situation and technology was also one of the least provisioned areas.

Data from these respondents showed that human resources development was the most important industry issue with access to markets and access to information not far behind. However, finance and technology were the least provided for areas of the five issues investigated. All areas thus could be improved in regard to the specifics mentioned by different groups.

In *Thailand* a need for knowledge and understanding about the travel industry and tourism internationally, and especially in relation to the environment was seen as needed to sustain tourism. The industry was seen as potentially damaging the environment in both natural and cultural aspects. More provision of fundamental management knowledge on investment, business planning, service quality, business



management, and information technology was required. Related skills, knowledge and understanding in doing business efficiently and especially in marketing and ethics was needed. A clear need was for centralized or coordinated business education and development programmes around the industry.

A strong international outlook was evident, and increased awareness of international standards and language ability was required. A majority of women managers also saw the value in entrepreneurship training, and women entrepreneurs particularly were keen for systems of mutual help in these areas. Staff retention was considered to be subject to several factors, including potential for better jobs once trained.

Financial arrangements were generally considered adequate, and not particularly a development barrier, nor a matter for government assistance, and although some subsectors noted that obtaining a loan without collateral was an issue and much greater clarity in procedures was needed, (both for government and private sector sources) the Small Industrial Finance Corporation (SIFC) of Thailand was now available.

It was considered imperative for industry sustainability that tourism operators develop their skill and competence in current and emerging technologies. IT applications were a priority, but not training as computer programmers. Knowledge of the latest technology should be improved, especially in connection with equipment and know-how for reservation systems. Technology use development was generally a key area for potential government assistance, although without government assistance, operators could still improve their own effort in this area.

Computer use, e-readiness and security were invariably seen also as useful to develop, at least to medium level, and outside bodies offering short courses would be a practical mechanism. Gender was not an impediment to technology acquisition, but age was. Combining use of technology resources across other tourism industry clusters was seen as helpful, and some cooperation existed already. In some regional centres, technology was reportedly limited, or not used at all, though funding resources could be identified for this if it was considered an operational improvement.

Environmental protection must be done at the same time as developing and promoting tourism. Technology in handling waste and garbage, energy saving, temperature and pollution control, etc. must be used. Quality standards applicable to hotels, ecotourism, soft adventures, or spas would be useful, and developing indigenous standards more locally relevant and inspiring than simply adopting ISO9000 was seen as both feasible and appropriate.

Areas that could be improved upon were constant information update, convenient access, and a wide-ranging dissemination. Associations in the private sector, or supporting and developing agencies in the government sector could supply information consistently by conducting training or running seminars. Creating an R&D (Research & Development) culture for SMTEs' technology and wider development, perhaps through designating responsible entrepreneur associations was seen as necessary by senior figures, and most operators.

Market development and promotion conducted by some tourism industry operators was considered insufficient, and training was required, including



developing marketing skills in promotion, branding and positioning. Specific needs identified were more R&D reports on marketing in different formats; more survey reports on the viewpoints and requirements of different nationalities and an accessible summary of expert opinions on tourism marketing

Operators were seen as lacking information in various areas, and not seeking it enough. These areas included market information, financing, technology and technical services, and regulations. A business-matching database was widely seen as necessary to remain competitive

Improved information on the necessary technology and technical services was required to progress into the e-commerce, and dissemination of regulatory information could be improved. Existing industry associations required development and are not focusing on the activity of distributing information

One operator saw a lack of knowledge of information sources generally, as a problem and a woman entrepreneur raised a concern about from where information would be best obtained, and would it be scattered around? And if the source was the Internet, how often would it be updated? An information centre might redress this.

Summary

The findings from this phase suggest a number of areas that imply direct address by government programmes in specific economies. Across the four economies surveyed, the chief issues that are generally applicable, to a greater or lesser extent, are as follows:

- the lack of a trained and professional workforce
- entrepreneurship development
- low entry barriers affecting service quality, growth and business viability
- lending arrangements or taxation regimes not conducive to SMTEs
- sustainable regional infrastructure requirements
- inconsistent and bureaucratic local authorities
- lack of government recognition of tourism value
- SMTEs failure to recognise importance of industry clusters and cooperation
- industry fragmentation and proliferation of membership organisations
- lack of technology and e-commerce skills
- e-readiness and e-commerce uptake
- research information scattered and irrelevant to SMTEs' forward planning

Economy specific issues are not rehearsed further here, but are considered in more detail in part II in relation to the structures and programmes that may service them.



Part II – Government programs relevant to SMTEs

Introduction

The analysis of the primary data reported in section I identified a number of issues that have generality beyond their own economy. Although arising in local contexts, and varying in specific emphasis across economies, some areas for which provision is required have been highlighted. The four economies studied in phase 1 span the APEC region widely in terms of geography, but also in terms of cultural context and language group, phase of development, governance, readiness, law, population, and size. While the phase I results cannot be assumed to apply directly to other economies without further study and individual analysis, this extensive representativeness may find specific resonances with development issues paralleled in other economies. The purpose of this section is to examine the provision of government infrastructure and availability of specific assistance priorities related to the needs in each economy, and to extend the analysis to other economies in the APEC region.

Specific solutions are applicable at all levels of government: local, regional, national and international. Although individual jurisdictions necessarily work within their own structures and cultures, there are possibilities for learning and transfer or adaptation of good practices in areas of common or similar concern, and for international initiatives in areas of mutual interest.

Tourism crosses a range of traditional portfolios, and depending on their general level of development, economies will have varying priorities with respect to these.

APEC economies cover a range of maturity in which, for some, value adding service industry clusters and innovative product development are highlighted priorities, through to basic prioritisations regarding poverty alleviation, and infrastructure requirements for sustainable water, environmental and communications for others.

In this section, programmes and schemes relevant to SMTE needs from the 21 APEC economies are identified and considered, with reference to international initiatives as appropriate. A sketch of each economy's characteristics and an indication of the major statutory bodies that initiate or implement such programmes are also provided. For convenience, these are mapped to the development areas used in phase I. This section is thus structured alphabetically by economy, then within that by the areas of development need, and with due reference to the policy frameworks that affect each area. A final section recounts some relevant international bodies and initiatives addressing the areas of concern.

It is understood that infrastructure, physical or electronic, applies across not only the tourism sector, but is central to the economy as a whole. Broader issues of infrastructure that impact on specific areas (e.g. transport, access to, and provision of service capacity for, tourist markets, e-readiness etc) are variously addressed within the five particular sections, as applicable to each economy. Infrastructure programmes primarily handled by other government agencies (e.g. environmental, main roads) are therefore only included as reference points inasmuch as they impact specific tourism concerns, but in acknowledgment of their systemic relationships.



Australia

As with every other economy under consideration in this study, useful background notes profiling the economy are available through APEC sources. The APEC Centre for Technology Exchange and Training for SMEs (ACTETSME) site for example gives economy profiles, and considerable detail on SME organisations and statistics²¹². Another profile summarising Australia is provided by the US Department of State, and notes detail on geographical, demographical, political, economic and other relevant characteristics, including travel advice information. A more detailed general description of the above categories and including communications, infrastructure, military, transnational issues and participation in international organisations, annually updated, is also available²¹³.

From a US perspective, market research including market reports and a Country Commercial Guide detailing business and economic climate for Australia, and for other APEC economies, is also available through export.gov's portal²¹⁴.

Development organisations, environmental profiles, sectoral and other information on Australia and other countries is provided by Eldis,²¹⁵ an organisation funded by Danida, NORAD and SIDA, and in past receipt of specific funding from other international organisations²¹⁶. Non-political organisations such as major international banks and media groups also provide profiles and relevant sectoral information for designated countries. Data tables relating to relevant ICT, education, gender and other indicators are also available through the World Bank²¹⁷.

A website of pages linking to national government institutions and structures has also been unofficially compiled for a wide range of nations²¹⁸, and specifically lists those agencies responsible for the tourism function. This source, whilst not guaranteed to be fully up to date, is particularly useful as an access startpoint for the relevant authorities in each APEC economy.

APEC's website itself also provides detailed economy reports and outlook for each member economy, indicating trade and economic policies and major appropriate indicators. Material from these sources is not reproduced in detail here, but provides a reference context for possible tourism trade and development initiatives, and frames the scope for economy level initiatives.

In Australia, the most directly relevant department for tourism is the Department of Industry, Science and Resources (DISR: now DITR, Department of Industry, Tourism and Resources), within which Small Business and Tourism, and Industry, Tourism and Resources are ministerial portfolios.²¹⁹ Considerable policy information is provided on the site, including Australia's involvement with APEC, particularly addressing issues of standardisation and regulatory practice. As the third largest export earner, tourism is a significant contributor to the Australian economy, accounting for 11% of export earnings, 4.5% of GDP and 10% of the workforce, with visitation and foreign exchange earnings projected to continue growth.²²⁰

Human Resource Development

This section looks at some of the provision for the HR requirements of SMTEs. A mentoring organisation's recent survey



reported in the Australian Financial Review (AFR)²²¹ found that development and management of staff is considered the most important factor for successful SMEs, with a good business plan also fundamental.

AusIndustry provides several programs and grant schemes for Small Business, such as the Small Business Enterprise Culture Program²²², aiming to develop and enhance the business skills of owner-managers and is part of a broader Small Business assistance program.

Tourism is a year 11 and 12 option in Australian secondary schools, with year 11 generally emphasising local tourism and year 12 moving to global issues. Queensland has provided a year 10 level introductory online module orienting students to the field.²²³ Syllabuses typically also cover hospitality aspects and related skills. The most populous state, New South Wales, has mandated computer skills as a compulsory year 10 School certificate subject from 2005, in recognition that this is now as critical a part of working life as English and maths²²⁴.

Short environmental awareness courses for school groups and visitors are available on unspoiled Rottneest Island, a major tourist attraction in Western Australia. Structuring such education into school curricula is clearly desirable when many potential operators may not receive further non-compulsory training.

Australia is largely sourcing its chief executives from overseas: this could imply relevant skills are not being developed indigenously, and the country needs to do more to cultivate and keep entrepreneurs. Although lagging behind the USA and Canada, most Australian universities now teach entrepreneurship, albeit developing “traditional corporate executives”.²²⁵

Provision of entrepreneurship in school and MBA core curricula would reflect a change from traditional negative academic attitudes to this area. The skills of entrepreneurship, if they can be taught, are applicable not just to business leaders, but more widely, for example, to start-up ventures, and to industry cluster coordinators. The course “Entrepreneurship in Tourism and Hospitality”, offered at Griffith University and which is run in conjunction with the YAA Business Skills 2003 Program²²⁶ collected 6 awards in the 2003 Young Achievement Australia Awards²²⁷. Private providers also supply information and resources on entrepreneurship, and business development, e.g. the Entrepreneur Business Centre (EBC) in Perth and Sydney.²²⁸

Most universities have Schools or programmes in Tourism, leisure and hospitality. Specialist courses are also available in Australian universities, relevant to their own regional tourism, but offering potential for academic exchanges and twinning arrangements. For example in the Wet Tropics World Heritage area of North Queensland, James Cook University offers a degree in rainforest science that “imparts the knowledge and skills needed for rainforest interpretation”²²⁹ and in both South Australia and Western Australia, courses in wine making with tourism aspects included, or potentially includable, are available. Edith Cowan University plans to offer a course in wine tourism and marketing. Flinders University offers a Bachelor of Technology (Ecotourism) that includes a work placement program. Murray TAFE in South Australia offers a diploma in wine and food, directly relevant to wine tourism careers, and the South West regional College in Margaret River offers cellar door sales and wine tourism courses. The Tourism College of Australia runs short training programmes in summer



offering, for example, hand on skills for bartenders and coffee shop baristas²³⁰.

For some time the CRC for Sustainable Tourism has run an annual executive development course (7 days residential intensive) to meet the executive education needs of the Asia Pacific industry²³¹. Industry experts and leading academics take part. In 2003 it was awarded federal funding to establish an International Centre of Excellence in Sustainable Tourism Education, which will build and promote the export of tourism education and training services, bringing together all Australia's education providers in travel, tourism and hospitality under a common brand.

Accreditation is a key issue for many aspects of tourism. Specialist accreditation is available, for example in ecotourism, and accommodation providers, tour operators and attractions are all eligible to be accredited though processes determined by both regional and national accrediting bodies. Typically accreditation assures visitors of quality service and environmentally friendly management practices. Using accredited tour operators, who have a vested interest in protecting the resource, ensures that sites are subjected to fewer vehicles, and reduced damage due to unplanned off road explorations²³². There are however "no training, qualifications or licensing requirements to work as a guide in Australia"²³³.

The National (Nature and) Ecotourism Accreditation Program (NEAP) is an industry joint initiative of the Ecotourism Association of Australia and the Australian Tourism Operators' network. Accredited products may display logos implying different levels of operator's environmental management practice. A sister program is the industry run EcoGuide certification program

recognising best practice in guiding, and running parallel to the formal qualification framework²³⁴. WA is the first state to offer an award for excellence in tour guiding, the FACET golden guide award²³⁵, aimed at encouraging operators and enhancing both tourism product and visitor experience.

One membership association for interpreters of natural and cultural heritage is Interpretation Australia²³⁶. Various bodies, including partnership arrangements, provide interpretation training. For example the Interpretation Unit of Southern region Parks and Wildlife Commission in the Northern Territory has combined with Environment Australia staff to run its annual "introduction to interpretive techniques training course.

Indigenous groups, the traditional owners of many tourist regions, have sophisticated knowledge about, for example, rainforest plants, animals, foods and medicines and can offer authentic interpretations and unique experiences. Aboriginal knowledge of the land has ensured its sustainability for the duration of human history. Ensuring this wisdom is not lost is essential, and reconciling this with contemporary development plans is a crucial activity across all of Australia's regions.

The relevant national body, Aboriginal Tourism Australia, notes caution in relating culture to tourism, and has a "Respecting Our Culture" tourism development program²³⁷ endorsed by the Indigenous Tourism Leadership Group (ITLG) as "the national accreditation program for the Indigenous sector" This has also been endorsed as a national program by the Australian Tourism Accreditation Association (ATAA)²³⁸. One of its key objectives is "To do all things necessary to advance the development of



Indigenous tourism and enhance economic development opportunities for Aboriginal people and Torres Strait Islanders in the tourism industry”²³⁹.

The State of Queensland has, from 1/12/03, effected legislation on tourism services to regulate inbound operators and tour guides, to eliminate rogues and to enhance reputation quality of its \$14 bn/year industry. The tourism services act, in line with a proposed federal emphasis on greater accreditation, is welcomed by the industry, and targets those few operators who exploit inexperienced tourists²⁴⁰, potentially jeopardising word of mouth advertising in significant growing markets. Background, provisions for registration of operators and a code of conduct that complements the industry code of conduct are described in a Queensland parliament publication²⁴¹. Other states may follow.

Green Globe 21 is based on Agenda 21, and is “the worldwide benchmarking and certification program which facilitates sustainable travel and tourism”²⁴². It is now run from Australia and is a subsidiary company of CRC for Sustainable Tourism. The website describes the application process for communities (destinations) to become accredited at different levels, and provides case studies of destinations, in Australasia, Europe and elsewhere which have successfully achieved accreditable practice on various indicators, concerning conservation, energy consumption and the like.

Access to Finance

Various programs aim to serve the finance needs of SMEs, administered typically by AusIndustry, and any relevant partner agencies. These include pooled development funds, venture capital

partnerships and competitive grants towards commercialisation of services and products, e.g. Commercialising Emerging Technologies (COMET). Sectoral programmes include the regional tourism program to boost capacity to deliver higher quality tourism products and services in the regions. Funding levels, funded projects and other details are provided on the AusIndustry website.²⁴³

The Australian Bureau of Statistics (ABS) introduced Tourism Satellite Accounts (TSA) during the 1990s, a device that allows a better picture of the economic value of tourism than for example visitor numbers. These indicate the real value of the industry, since, for example, coach tour operators are often traditionally only counted under the transport sector. In turn, funding levels that better reflect economic value may be set. DeLacy et al²⁴⁴ note how Computable General Equilibrium (CGE) models can embody TSAs to go further as an economic forecasting tool - such as determining the impact on GDP of a 10% increase in inbound tourism for example.

Policy and education wise, Australia has traditionally been less encouraging to entrepreneurs, and is not considered to be doing enough, with economic reforms required to compete internationally²⁴⁵. The journalist Skeffington suggests the “dead hand of regulation and protectionism was a disincentive,” and reducing legislation around business start-up and operation and lowering taxes to encourage risk taking is needed. Some tourism intensive regions, such as Queensland, have favourable tax regimes in this regard. The qualities of successful women entrepreneurs are described in Meltzer (2003).²⁴⁶ Common factors identified suggest women have a caring, holistic and longer-term approach, seeing the “big-picture” as well as finer details. The book reports experiences of



gender discrimination, particularly with regard to access to finance²⁴⁷.

Australia introduced the Goods and Services Tax (GST) in 2000, citing benefits for tourism businesses²⁴⁸, including reduced transport costs, particularly for marine and coach operators; abolition of the Wholesale Sales Tax (affecting tourist purchases and operator's business purchases, such as TVs and furniture), some State-specific measures and no GST on international transport. Although some inbound tourism expenditure is affected, tourism shopping is exempt, and the measures originally proposed for small wineries suggested low volume sales would be effectively WET free. 47% of Victoria's wineries have diversified into wine tourism (Sellitto and Martin 2002), who report interview responses indicating the incentive to use the web for direct (wine) sales, particularly where tourism is underdeveloped. Direct customer sales, applicable to smaller wineries, and either at cellar door or via the Internet not only allow wineries to recoup intermediary's margins, but also to qualify for a WET rebate.²⁴⁹

Following introduction of the GST an academic and a business policy officer conducted an analysis of the impact of the tax on cash management in rural SMEs²⁵⁰. Poor cash flow management, record keeping problems and lack of use of computers for cash flow management, are frequently identified reasons for small business failure. They cite work that describes how the Australian Tax Office (ATO) tried to encourage computer use. The ATO provided a free software package "E-record" and wrote off GST related software for businesses below an AU\$10 million turnover threshold. It also provides field officer assistance for new businesses. The view from small business is however that compliance with the current reporting

regime is adding costs and slowing operations. Even before the GST SMEs spent 4 hours/week on government paperwork, 3 of which were on tax, and the reportage burden has grown²⁵¹. The burden of compliance, and the complexity of understanding taxation language are well known disincentives for many operators to stay in business.²⁵²

The Farm Management Deposit Scheme is a risk management tool that addresses cash flow issues during poor seasons²⁵³. Pre-tax income can be invested during good seasons for later withdrawal in bad ones. Interest is earned at market rate, and although tax is assessed when money is withdrawn, reduced income means the sum is lower. Extending this (Federal) scheme to other rural businesses could be considered. One think tank has proposed a reassessment of rural subsidies in the interests of transition to sustainable practices, and improving environmental and economic outcomes. Redirecting money from "handouts to farmers" would aid export potential of industries of greater economic significance, and could be used for transition programmes in non-viable industries.²⁵⁴

Wine tourism in rural areas is likely to align with sustainability of the primary wine production business. Agribusiness has high barriers for new entrants, and research has shown an operator perception that wine has more to offer tourism than vice versa. However agribusiness is a tax effective investment and \$360 million was channelled into this sector through tax schemes last year, with wine one of the better performers, attracting \$43.5 million in investment.²⁵⁵

Public liability insurance cover is a deterrent, particularly to adventure tourism and events, with some experiencing premium increases of over 1000%. The



state of Queensland has examined law reform, and assists with risk management, while the industry has re-emphasised risk avoidance and management practices, and group cover schemes.²⁵⁶ A need for education in this area is noted. The Australian minister for Small Business and Tourism during the time of the study is active in this debate, and has said, “People have to go back to the days where they accept personal responsibility for their actions”²⁵⁷. This comment is similar to those of several operators interviewed during phase I.

The actual risk however is less than it is generally perceived to be, running at less than 5% of microbusinesses experiencing a claim, (when theft is experienced by one in three). Few use business continuity planning, or have business continuity insurance, which covers against damaging losses of stock or money²⁵⁸. This finding, although from an insurance company’s research, is consistent with the human tendency to perceive greater risk for events that are publicised or otherwise dramatic. (Tversky and Kahneman, 1973). Relatedly, fraud protection is inadequate for most Australian SMEs, with one in four experiencing fraud in the last two years, most commonly by employees, but also some Internet fraud.²⁵⁹ This latter may have implications for risk perceived concerning e-commerce uptake.

Access to finance for indigenous potential business start-ups is available through the Federal Aboriginal and Torres Straits Islanders Committee (ATSIC) who also provide an information kit²⁶⁰. They require: a certificate of Aboriginality; a credit check; security; a basic business plan; and a contribution by the applicant (equity for most loans).

The Australian Conservation Foundation has successfully campaigned to reform the

Corporations Act to increase environmental regulation, and is working on environment tax reform, emphasising a “polluter pays” approach²⁶¹. Waste management and energy efficiency apply to all businesses, and while costs of “going green” may be perceived as a barrier by SMEs²⁶², tax policies, as well as financial incentives or subsidies, can ensure good practice. In a policy aimed at sustainable growth, Queensland gives tax breaks to landowners and local councils that reach agreement with the Environmental Protection Agency to turn some or all of a property into a nature refuge. Land tax and stamp duty refunds are expected to cost \$435 000 a year.²⁶³

Resorts, which are generally regional, and regional accommodation generally, incur much higher fixed and operating costs than city hotels (Tourism Task Force, 2003). Lower yield, and higher labour, energy, marketing, administrative and operational costs make achieving and sustaining profitability harder²⁶⁴. A range of areas for government response are identified in the Tourism Task Force (TTF’s) analysis, including encouraging cooperation, e.g. with nature tourism activity in National parks, targeting international markets more effectively, supporting training subsidies for resort employees, and informing better on eligibility for the Export Market Development Grant scheme²⁶⁵. Specific labour costs may be reduced by measures such as expanding the working holiday program, selectively relaxing the 3-month working visa requirements, and increasing remote area tax incentives.²⁶⁶ Several other measures applicable in this subsector are detailed in relation to case studies provided in the report.

Development approvals for large coastal resort complexes that were granted up to 20 or 30 years previously, potentially threaten relatively pristine environments



and ecologies. Although governments may not be able or willing to buy out all such approvals, extra permits to ensure compliance with contemporary standards would often be required, and sunset clauses might require consideration²⁶⁷.

The Tourism Task Force has noted that “(tourism only attracts a tiny amount) of the \$300 billion worth of new capital available through superannuation, and argues that getting the industry structure right is critical for sustainability. Noting that accommodation is the biggest component sector, but also an immature asset class, the TTF makes several recommendations aimed at ensuring sustainable returns on investment. These include reviewing legislation to ensure the economic impact of supply of tourism accommodation is understood at planning levels; reduction of taxes that distort investment decision making, particularly affecting payroll and land taxes, and reducing take up costs. Non-market based policy responses are specifically not recommended, and bed licensing, for instance, was rejected²⁶⁸.

The Government provides various grants and advice through its Business Entry Point website²⁶⁹. The grants cover small business in general and some are sector specific, but the Regional Tourism Program (RTP) which “aims to develop tourism potential for regional Australia is relevant to many SMTEs, and successful projects are listed on the site. “The RTP provides funding for the development of tourism attractions, facilities, special interest markets, cultural and heritage attractions that will develop regional tourism. RTP is a competitive grants program that provides funding of \$25,000 to \$75,000 for successful projects.”²⁷⁰ Lack of awareness of such schemes, the overhead of work in applying, and

disillusionment have all been mentioned as relevant considerations by researchers²⁷¹.

Other schemes related to export assistance and additional state based schemes are detailed, as are new schemes which provide SMEs access to finance for R&D. The Small Business Assistance Programme provides competitive grants for skills development and other support services, and is worth \$60 million over 4 years²⁷². Other grants are available in the sector, accessed via the Grantslink portal²⁷³. These include the Regional Tourism grants program mentioned above, and the Regional Online Tourism Grants Program which aims to develop regional tourism web sites”, available through the Tourism Division of Commonwealth Department of Industry, Science and Resources²⁷⁴. The department of Transport and regional services also provide tourism related grants under the Rural Transaction Centres scheme, providing needed services for communities, which has now amalgamated with the wider Regional Partnerships programme²⁷⁵. This differs from the Sustainable Regions Programme mentioned elsewhere. Regional grants programmes also facilitate indigenous tourism and other community development, for example the Community Benefit SA Scheme in South Australia and the funding and advice programmes offered through Western Australian Indigenous Tourism Operators Committee (WAITOC)²⁷⁶.

The current Federal Minister for Tourism’s philosophy is to help people help themselves, and he cites one operator who asked for financial assistance to compensate for business downturn due to seasonality.²⁷⁷ This epitomises an handout-mentality attitude also condemned by some operators interviewed in phase I. The suggestion given was to collaborate to initiate (winter) events, and the minister



refers to Jindabyne, a community that did this successfully.

Asked about the role of government in the tourism industry, the Chairman of Australia's largest hotel operator suggested legislation to ensure tax-deducted superannuation funds are invested more in Australia and in its interests. Investing outside Australia increases Australia's tourism competition. The argument that involvement in sectoral policy is inappropriate doesn't hold up, since governments inevitably affect sectoral policy by their tariff setting, taxation, regulatory and budget allocation decisions²⁷⁸.

Access to finance for SMEs is now being targeted by second tier banks and other lenders, with products that compete with the traditional major banks, who traditionally have charged large fees²⁷⁹. A new "green bank" is being established which "will work with private financiers to establish a portfolio of investments in agricultural projects that deliver long term commercial and environmental benefits" This investment fund has received \$1.5 million catalytic funding from Australian governments and is a "unique community-business venture"²⁸⁰. Tourism investments, particularly in the eco-tourism sector that provided environmental management solutions could be expected naturally to relate to this fund.

Market Access and Development

Since 1967 the Australian Tourist Commission (ATC)²⁸¹ has been the Statutory Authority that promotes Australia as an international tourism destination. It was responsible for the "Brand Australia" concept, which integrally guides all its communications.²⁸² Recognising low growth in domestic tourism and with significant amounts of

accrued holiday leave not being taken in Australia, *See Australia* was a national initiative with government and industry partners to boost domestic tourism²⁸³.

A new body, Tourism Australia, established in the white paper reforms of November 2003, now encompasses the ATC functions, along with *See Australia*, The Tourism Forecasting Council and the Bureau of Tourism Research. Tourism Events Australia and Tourism Research Australia are new units specified in the reforms.²⁸⁴

Leveraging from successful events, (such as the Rugby World Cup whose final week coincided with the white paper announcement), new international markets are targeted, such as South Africa and India, and increasing general awareness of regions and their attractions²⁸⁵.

Marketing programmes also address contemporary themes, both national and international, such as the (Australian) year of the outback or the (UN designated) International Year of Ecotourism (IYE) 2002²⁸⁶. For the latter, the Federal Department of Industry and Resources provided funding to conduct nationwide workshops to identify proposals and to raise consumer awareness. Numerous conferences, festivals and events emerged, including a UN sanctioned world conference. Coupling these with targeted publicity and market activity, a final report on achievements is available through the Ecotourism Association of Australia. Such a high-profile programme allowed SMTEs extra leverage via events like the Australian Tourism Exchange, where IYE representatives were "swamped with (requests regarding) commissionable product by overseas buyers"²⁸⁷.

Increased emphasis on the marketing of Australia as a destination, and particularly



including regional areas is highlighted from the first half of 2004, in part as recognition of the active measures taken on tourism by other economies in the Asian region. A major rebranding exercise is indicated, promoting some of Australia's distinctive characteristics, and, via official partnerships, flexibly relating the tourism "message" to export products such as wine.²⁸⁸

The Australian Tourism Data Warehouse (ATDW)²⁸⁹ has been called "the most important strategic marketing initiative happening in Australian tourism", and is a world-first initiative. Using a common format it details tourism product for use in tourism websites, and by resellers. Covering all states, it increases market access for operators, while minimising the effort and cost needed to maintain an e-presence.²⁹⁰

Cultural tourism such as Aboriginal tourism is predominantly attractive to international visitors to different states and territories.²⁹¹ Cooperative marketing is the key objective of the Aboriginal Tourism Marketing Association in Victoria. Attractions commemorating the industries and heritage of more recent settlement are widely considered to be adequately supplied.²⁹²

The high-yielding backpacker market has generally held up in 2003 despite SARS and other crises and expansion, including international, is planned by some operators.²⁹³ Increasing numbers of "grey nomads", i.e. retirees or dropouts from professional life, sustain this demand, leading to upgraded and occupied caravan parks and hostels, and a steady workforce during harvest season, but also in seasonal tourism related jobs. *Workabout Australia* is a club providing job information and a guide to the seasonal work is available²⁹⁴.

Such seasonal work is significant to regional areas, such as those detailed earlier in part I, contributing many person-hours and dollars to most businesses in an area. However, these workers are taxed at 29%, which may be illegal under ILO terms, and one incorporated group for this has expressed concern²⁹⁵.

In phase I of this research, operators diversifying into tourism from farming noted that big players can set low prices forcing smaller rivals out and making, in their particular case, fruit farming unsustainable. Business networking by SMEs, as a strategy to address abuse of market dominance, is being structurally encouraged through the reforms to the Trade Practices act outlined in the Dawson Review²⁹⁶. The recommended Dawson reforms mean that small businesses that share a single supplier can collectively negotiate with that supplier of goods or services, competing for deals on price, matching the purchasing power of large players. Industry associations or other representative groups could lead here to make technology, internet services, insurance as well as industry specific commodities more affordable.²⁹⁷ The recommended legislation however also makes it "impossible to prosecute for predatory pricing or improper use of market power" serving big business interests instead.²⁹⁸ A variety of views on this issue emerged during the consultation phase but the government was of the view that guidelines should be developed, and that no amendment to that section of the act be recommended²⁹⁹.

At local level regional tourism bureaus are "getting smarter". The Gold Coast Tourism Bureau, the largest regional tourism operator in Australia, sees an increased focus on collaborative destination marketing, and on coordinating strategies with neighbouring regional bureaus.



Although neighbouring regions are in competition in the same market, there is a need for a more focussed restructuring recognising the larger issues.³⁰⁰

The Chairman of Australia's largest hotel operator also notes a need for better, more selective, tactical and targeted marketing for Australia. In response to the issue that the branding of hotel chains may be undermined by third party distributor brands, he notes that his chain's (retail) site competes with those, and the aim is to ensure customers cannot buy a room cheaper elsewhere. Although some price-driven consumers will use the Internet to search alternatives, this is a smaller part of the market, who rather seek quality and convenience³⁰¹.

The recognition and effective promotion of tourism assets is not well served in regional areas with entrenched politics and traditional industry priorities. For example, Tasmania's Styx valley, with the world's tallest hardwood trees and flowering plants, and containing specimens of the tallest tree ever recorded, have the reported potential to rival California's Redwoods National park. Instead, many 400-year-old trees are being logged, primarily to supply cheap woodchips, and destroying potential for ecotourism activity. Recommendations and actions related to effective promotion of such unique tourism assets are described³⁰². 15000-year-old Aboriginal cave art of international significance has also been discovered in another, not fully explored, Tasmanian area earmarked for logging just outside a world heritage boundary.³⁰³

The Australian Tourism Exchange is the nation's largest convention for suppliers and international buyers. Despite the sector's challenges in 2003, numbers of buyers similar to previous record numbers attended, and there is a level of cautious

optimism that international tourism wholesalers continue to view the market favourably³⁰⁴.

Australia concluded a bilateral free trade deal with Thailand in October 2003, with implications for wine particularly, and downstream on wine tourism sustainability.

The SMTE sector comprises many family and microbusinesses. Family firms represent 70% of all Australian business, but are often risk-averse, and unlikely to target export markets. Those that do, however, perform competitively. Furthermore, only 18% of family businesses engaged in business networks. Economic prosperity could thus be affected. Providing export expertise might help, and research is ongoing to understand how family businesses become successful exporters.³⁰⁵

First Business Finance first offered microfinancing in Australia in the mid-1990s, using a community-networking model based around, and guaranteed by, Business Enterprise Centres in NSW coordinated by the state government. It addressed the loan requirements for microbusiness entrepreneurs who would not typically be considered by major banks³⁰⁶.

Recent years have seen extensive closure of rural and regional branches by major banks in Australia. Bendigo Bank is Australia's only regionally based bank and since 1998 has operated a "community banking" model, emphasising sustainability and deterring export of capital from regional communities to urban centres. In the model, a local community can establish a bank branch by investing approximately \$400000-\$500000 through a local, publicly-owned company. Over 100 branches have been established in the



last five years, with \$3bn of business committed. Revenue sharing, capacity building and capacity focussing in terms of local education, skills, management and governance are implicit in the approach. SMEs are specifically aided through a Regional Investment Fund, targeting superannuation investment, and other funds are expected to follow.³⁰⁷ Regional tourism operators interviewed in phase I suggested this was a promising development for their community, which was seeing its capital draining.

Technology and Technology Sharing

E-readiness and e-business development is generally well advanced in Australia, with high levels of technology uptake, available education and private and government facilitated awareness and training events. Ecommerce uptake among SMEs is slower, and there is also some “digital divide” between the major urban areas and the more remote regions. This is partly infrastructural, to do with limited bandwidth and the greater costs for rural economies, and partly social, related to the lifestyle choices of some providers.

The government has established the National Office for the Information Economy, (NOIE) which is the peak agency for information, support and resources related to e-commerce, e-government and the information society. Material on its extensive website indicates cognisance of the issues involved in migrating from an ‘old’ commodities heavy economy to a ‘new’ economy with tourism indicated as a key area for sustaining employment and prosperity in rural and regional areas.

Programmes tend to be initiated at regional levels of government, and have a wider remit than SMTEs, addressing SMEs

generally. The Small Business Development Centre in WA provides e-commerce, e-trade and e-marketing learning materials with a free e-start disc³⁰⁸. In regional Australia, the Bendigo bank has also generated an initiative, “Community Telco Australia”, to help communities coordinate their telecommunications and technology planning, and use their combined buying power to get better deals³⁰⁹.

The general findings from part 1 concur with previous literature for SMEs that government cares more about big business, paperwork is a chore, and finding quality staff, workload and cash flow are constant issues. Successful SMEs were often early adopters of technology, and introducing systems or solutions, can address these issues.³¹⁰

Although strategy-planning software is traditionally not usually affordable nor considered by SMEs, research and development addressing this aspect is underway in a current partnership between one Australian university and a private company³¹¹. This is likely to be applicable to networks and clusters where multiple stakeholders are involved and a critical mass is needed for progressing specific activities.

Research has indicated cautious e-commerce uptake by rural operators³¹², and other research, from IDC Australia, shows lack of e-business engagement by SMEs generally³¹³. This indicates operator comfort with Internet access, email and website ownership, but show “apprehension” about interactive and transactional e-commerce. Other factors mentioned in the IDC research are SME’s fear of time and money investment in a rapidly changing context, speed of obsolescence of decisions, and fear or isolation if there is no critical mass of other



users. Many are adopting a “wait and see” watching brief, while those that take up e-commerce tend to be innovative, have access to technical skills and a broader strategic vision. Education, proof of return on investment and competitive threats are seen as helping convince SMEs of its benefits.³¹⁴

A study investigating the use of e-commerce in furthering Australian SME’s export capability was reported by Castleman and Cavill (2001), and notes experiences relevant to many other economies. It identifies three broad approaches, adhoc/gradual adoption, outsourced provision and strategic in-house management, along with key obstacles and lessons learned. Information infrastructure improvements along with consolidated and impartial advice provision, as well as training and skills development are considered particularly helpful developments.

Victoria’s AU\$7.8million e-business initiative in 2001 attracted little interest from tourism operators. Operators were also reluctant to register with cooperative websites. Reasons were investigated, identifying that a “one size fits all” approach did not work, and that basic skill and literacy levels required address prior to e-business adoption. There were also issues with support structures and processes, which once amended led to increased uptake. Tourism training package redesigns followed.³¹⁵

Specifically in the winery sector, a series of studies surveying Australian winery websites has shown that the smaller wineries³¹⁶ are more likely to be innovative and use a wider range of internet technology. Other recent research indicates e-business usage, although variable, is increasing steadily. Significantly, such usage is heavily externally influenced by

powerful stakeholders in the supply chain, such as large supermarkets and the federal government. Major retailers are “dictating” adoption of EANnet as an Internet mechanism for transferring standardised product information and images, obliging wineries to follow suit. Wineries report that this affects their B2C strategies, effectively locking out direct online sales, explaining apparent lack of innovation and absence of online sales for many larger wineries³¹⁷. Consolidation among smaller wineries and cluster technology sharing initiatives may face similar issues in future, and in general it is possible that the technology choices mandated by major distribution organisations may be expected to drive e-business adoption more than perceived intrinsic benefits.

Sustainability and preservation of the natural resource is critical for rural tourism in Australia, and for regions that address deeper niche experiences rather than mass markets. As indicated previously aboriginal peoples have an extensively developed understanding of the resource and the stories of the various areas to which they are indigenous. This situation is not of course unique to Australia.

Policies in Australia however must contend with issues of native title to land, and effective co-existence. Farmstay, permitted camping and other accommodations are probably more acceptable developments to communities than, say mining, but tourist witnessing of certain cultural practices and artefacts is problematic. In 2003 local Aboriginal people in the Northern Territory successfully opposed Government compulsory land acquisition proposals under the Lands Acquisition Act. These were mainly for tourism development projects³¹⁸. A forum, hosted by the Human Rights and Equal Opportunity Commission to “initiate a process by which Indigenous



people may develop principles, based on human rights, addressing resource development on Indigenous land”, took place in 2002, and principles related directly to sustainable development are described.³¹⁹

Partnership would seem to be indicated, and tourism is an area where model agreements and exemplary partnership practices may be developed. South Australia is a leading state in this regard³²⁰, with established programmes for tourism and land management in aboriginal owned areas such as Yalata Indigenous Protected Area³²¹. This was assisted by the Department of Environment and Natural Resources, who supported Yalata Community’s employment of a land management officer³²². Trust has been built in stakeholder partnerships involving federal and state bodies, and community, educational and other local groups. Appropriate infrastructure and economic developments have resulted, such as a power station to service aboriginal communities³²³.

Other infrastructure for e-readiness is also occurring. New packages “to help remote Indigenous communities achieve improved community and economic development outcomes (have been) funded through the Government’s \$8.3 million Telecommunications Action Plan for Remote Indigenous Communities (TAPRIC)”. This programme is aimed at improving telecommunications access and opportunities for remote Indigenous communities by supporting the establishment of public Internet access facilities. Other related initiatives are also described under the programme.³²⁴ An indigenous multimedia company and its ISP spin-off also plan to network across Australian communities to help sell tourism and other product.³²⁵

Local government decisions may need to be more informed by appreciation of the touristic value of heritage and cultural attractions. Equally other aspects of tourism infrastructure require consideration in local planning, such as provision or accreditation of low budget quality accommodation. Sydney’s current lord mayor is aiming to sanitise the Kings Cross red-light district, and has also controversially begun “remodelling” of public toilets of heritage significance.³²⁶ Whilst these are only topical examples of normal local government decisions, they potentially impact on the infrastructure and destination attractiveness for a sustainable tourism industry, and affect various SME operators both directly and downstream if not referenced to centralised tourism policies and strategies.

The Tourism Futures Simulator³²⁷, developed by CSIRO is an innovative initiative with export potential. It uses computer simulation technology to predict likely impacts of various scenarios, environmental, economic and social. Particularly in regions, it allows modelling of visitor patterns, helping planning and management activity. A description of its application in one of the regions studied in part I is also available³²⁸.

Cairns, in Tropical North Queensland (TNQ) is Australia’s second most visited destination, and has a leading tourism cluster program, with collaborative marketing and industry development strategies important in developing its economic position³²⁹.

Sharing other technologies impacts on tourism: particularly environmental. Programmes directed at reducing pests and feral animals and land care programmes in regions of tourist significance are administered through relevant agencies. For example the Commonwealth



Department of Primary Industry and Energy funded training in land care of three Aboriginals through the Aboriginal Rural Resource Initiative³³⁰. This gives accredited and marketable skills relevant to, for example, a proposed development of Wardang Island as a tourist resort. Feasibility studies, environmental impact studies, Aboriginal impact studies and Aboriginal heritage assessments have given support to the Island being developed as a tourist resort subject to the undertaking of revegetation programs³³¹. Such cultural and environmental sustainability requires appropriately knowledgeable assessors and managers.

Marine tourism generally is significant in Australia with “an estimated direct value in excess of \$1 billion.”³³² A pioneering environmental programme, the Fish Unlimited Wetland Repair project, aims to give incentive payments to Australian coastal farmers to restore fish habitats on marginal wetland near the Gold Coast. Partially funded through the Federal Sustainable Regions Program, 90% of farms already use laser technology to avoid acid-sulphate water running into major rivers³³³. In the medium term fish and seafood yield will exceed commercial catch levels, and gourmet seafoods would continue to be a sustainable feature of the region. This programme also directly funds tourism, such as development of a regional strategy at Macarthur³³⁴ and a development officer at Tasmania’s Cradle coast.³³⁵

A major tourist attraction, but with an ageing infrastructure, is the pristine island of Rottnest in Western Australia, with heritage buildings, unique fauna and unspoilt environment. Rottnest has a long-term goal of sustainability with its own environmental advisory committee, and access to available expertise at nearby Murdoch University. The Federal government provides grants via its

Renewable Energy Program, which Rottnest can target for a windpower solution to its energy and sustainable water supply requirement.

Tourist routes and clusters of attractions are argued to provide a successful model for rural development (Briedenhann and Wickens, 2004), who draw lessons from practice in South Africa, and give “heritage trail” examples in the USA and Queensland. The Queensland government’s current Premier has called for the private sector to contribute to improving land transport infrastructure suggesting that it is they who benefit from the ongoing population growth³³⁶. One implication, assuming this reflects a more general intention to share cost and risk in partnership arrangements, and to continue “user-pays” policies, is that regional or “uneconomic” roads may become neglected, or require tolls, impacting for example, drive tourism, and wine and other tourist routes.

In many rural and remote areas of Australia, biodiversity is very high, bringing opportunities for niche tourism based around unique experiences. Some Australian native flora have already been picked up for industrial exploitation by other countries, and the increased production of native foods is an area of current research³³⁷. Like wineries, these rural industries promise a potential base of unique products and experiences for a sustainable tourism industry in the regions, and one woman entrepreneur has created a small distribution business, website³³⁸ and email discussion group.

The carrying capacity of any region must be recognised and managed. This is true for “developed” as much as developing countries: indeed along with other participants, regional Australian operators as well as officials recognised the



infrastructure limitations, including water, roads, utilities, and staffing levels, and the fact that changing a region's unspoilt nature would destroy a key element of its attractiveness.

Despite a perception that visitation is negative for Australia's Great Barrier Reef, a review has found that tourism actually plays a key role in preservation of the resource³³⁹. Operators can act as watchdogs, and have a vested interest in sustainability of the resource. Bodies such as the International Coral Reef Action Network, and the U.S. Coral Reef Task Force (CRTF) provide support programmes, education, and other leadership in this regard. Coral reefs are thus singled out here as one area of ecotouristic development of widespread applicability to APEC economies, and which points to possibilities for other ecotourism sectors to share knowledge and programmes internationally.

Access to Information

Research and industry information services are widely provided in Australia. Plenty of general business advice websites and resources are available: one compilation of links is at a leading SME business magazine website³⁴⁰. The Australian Tourism Commission provides industry news, market briefings, image resources, advice and other services. It operates under a "statutory obligation under the Australian Tourist Commission Act (1987) to promote the principles of ecologically sustainable development and to raise awareness of the social and cultural impacts of international tourism in Australia." This translates into a plan emphasising partnership initiatives, knowledge base development and focussed marketing among other activity.³⁴¹

The Bureau of Tourism Research (BTR)³⁴² is a key national body for data, trend information and other reports. The Tourism Council of Australia in conjunction with American Express provides industry expectations and forecast summaries in quarterly newsletters. The Australian Tourism Research Institute provides a quarterly serial compiling current content provided by major organisations, such as State Tourism bodies, and by university sources. The CRC (Cooperative Research Centre) for sustainable tourism (CRCST) established in 1997, hosts this, and provides research, publication and other information relevant to the industry. CRCs are a successful Australian program that encourages collaboration among a national network of experts and stakeholders in a priority competitive area. Academics, government agencies, research organisations and relevant industry sectors work closely together towards relevant outcomes. The CRC Reef is another network, relevant to coastal management issues, including aspects of marine tourism³⁴³. Such organisations facilitate or run conferences, seminars and events, including industry education.

Industry is also served by business expos³⁴⁴, which apart from exhibitors have government department representation on advice and services available. In WA for example, the WATC's regional managers attend and provide advice on starting a tourism venture, or developing a business, giving details on market assessments, regulations and product development³⁴⁵. The Business Incubators Association provides advice, and accommodation with flexible leasing, with some shared administration infrastructure that could be applicable to clusters of SMTE operators. WA's Small Business Development Centre sponsors the WA event and provides many services, including e-commerce learning



materials³⁴⁶. SMEs are generally served under the Small Business Answers program³⁴⁷, which has located a Small Business Answers Officer in regions across Australia to provide information and advice.

Many states have information kits for tourism businesses, available via their websites, or on CD as well as in hardcopies. The Western Australian offering was mentioned in phase I: Victoria's kit, regularly updated electronically, includes information, advice, contacts, and factsheets with research information and recent data, such as visitor profiles and market surveys³⁴⁸. Other states make similar provision. A useful kit is published by ATSIC³⁴⁹, applicable to indigenous business start-ups but containing much general advice. These are generally free, but other specialist publications may cost.

Subregional authorities may provide customised publications: for example, the Tourism Operator's Handbook, published by the Great Barrier Reef Marine Park Authority, shows zoning maps, how to get relevant permits, best practice information and more, supplemented by a free updating service. Western Australia's Department of Conservation and Land Management (CALM) has published a guide for newcomers describing how to set up successful nature based businesses that sustain the environment³⁵⁰. Tourism Queensland provide several affordable analogous publications, such as their Tour Operator Tool Kit, and a Best Practice Ecotourism book. Some operators have been perceived as being unaware of some of these issues, and the publications are aimed at assisting development.

The membership association for interpreters of natural and cultural heritage Interpretation Australia Association

publishes a regular newsletter. There is also a free information service, COOEEads³⁵¹, advertising jobs, grants and scholarships in this broad area. This group has noted the issue of the potential impact of competitive neutrality on interpretation work³⁵². Paraphrasing, Federal policy requires that government should not enjoy competitive advantages in their business activities by virtue of public sector ownership. For interpretation work, in the absence of a specific formal policy, government agencies and private interpretative contractors may compete for work on a potentially unfair basis.

Women entrepreneurs in remote and regional areas are catered for by government supported networks, such as the Rural, Remote & Regional Women's Network Western Australia³⁵³, with website and print resources to provide information and share experiences. Although broad in scope, small business and tourism relevant content is provided through an extensive and searchable library.



Brunei Darussalam

Brunei Darussalam's aim for tourism is targeted at promotion as a unique tourist destination as a "gateway to tourism excellence in South East Asia". Although Brunei's economy much depends on crude oil, petroleum products, and natural gas, the government has moved to promote non-oil and gas businesses as significant contributors to GDP. Brunei began putting tourism as a national priority in 1996. Tourism is a main contributor to its national GDP, foreign exchange earnings, and employment generation³⁵⁴. Visitor arrivals were projected to increase to 1,000,000 by 2003.

Tourism is currently in the early stages of promotion to the outside world and the government is strategising tourism as a part of more general economic diversification. Tourism is one of the key industries that is a part of the overall diversification program. The Eighth National Development Plan (2002-2005) stated the implementation of economic diversification policy to accelerate the development of non-oil sector³⁵⁵. The 8th National Development Plan aims towards the balanced socio-economic development, the rapid development in human resources, the development of SMEs and value-added activities, and the encouragement of the service sectors including tourism and financial services³⁵⁶. The government has put much effort in making tourism of Brunei as a favourable tourist destination to the global community, extending beyond an image of major businesses of crude oil, petroleum products, and natural gas.

The Ministry of Industry and Primary Resources (MIPR) is responsible for tourism affairs under its Industrial

Promotion and Tourism Section. However, Brunei's Tourism Board will likely to take over the tourism tasks from MIPR to widen promotional and operation of all tourism activities. The Board is an independent body solely responsible for the coordination and promotion of Brunei's tourism. It has been expected to have its own budget but being financed by the government and will be expected to get start up funds in running the business³⁵⁷.

In 2001, the restaurants and hotels sector grew 2.5%, attributed to the "Visit Brunei year 2001" campaign³⁵⁸. In 2003, Brunei's tourism industry is expected to generate 2.5 per cent of GDP and create 5,526 jobs, while the broader travel and tourism economy is expected to generate total 9.2 per cent of GDP and create 15,750 jobs. The forecast for travel and tourism demand is expected to total 2.6 per cent real growth in 2003, and 4.6 per cent real growth per annum between 2004 and 2013³⁵⁹.

Brunei's National Development Programs focus on improving level of productivity, quality, and management capability of SMEs. The local SMEs increase opportunities in tourism and hospitality industries. Brunei is preparing to be a services hub for trade and tourism in the sub-regional areas of BIMP-EAGA (Brunei Indonesia Malaysia Philippines-East ASEAN Growth Area)³⁶⁰.

SMEs make a significant contribution to the economy. In 1994, SMEs contributed around 66.2 percent to the nation's GDP (see the 7th National Development Plan). Brunei's SMEs also provides at least 70 percent of employment in the private sector. In the service sectors, the contribution of SMEs is 68% percent.³⁶¹

The present policies on SMEs were announced in the Industrial Development



Plan Report of 1995³⁶². The 7th National Development Plan (1996-2000) was further recognized to have a pivotal role for SMEs in terms of economic growth and diversification, because the government plan acknowledged that Brunei SMEs would drive the country's economic growth and development in the next decade. The Resource and Standards Centre under the Minister of Industry and Primary Resources (MIPR) was established as a nerve centre for the growth and entrepreneurship development of Brunei's SMEs³⁶³. In addition, the Brunei Darussalam Economic Council (BDEC) was organized as an economic policy making body of the government, which also impacts on SME development. The newly established division in the Ministry of Industry and Primary Resources is the Industrial Promotion and Tourism Development Division and it has 2 units, namely the Industrial Promotion Unit and Tourism Development Unit³⁶⁴.

SMEs in Brunei accounted for approximately 98 percent of all active business enterprises. SMEs contribute 92 percent of employment in the private sector and a little over 66 percent of the country's GDP in the non-oil sector of the economy. The majority of businesses in Brunei are micro-enterprises (between one to five employees) and small enterprises (between six to 50). Micro-enterprises account for 43 percent of SMEs, while small enterprises account for 53 percent and lastly medium enterprises account for 4 percent of them³⁶⁵.

Human Resource Development

The main focus of economic development is also to widen the industrial base through SMEs by focusing on activities that create a large scale of employment for locals,

which include high technology industries, tourism, financial services, and exports.

A comprehensive tourism plan has been formulated, related to the Eight National Development Plan to strengthen the development of the tourism industry. The plan outlines many strategies including the human resource development strategy. The strategy focuses on the needs of increasing skilled labour through training and upgrading educational quality.

The Resource and Standards Centre provides entrepreneurship training programs for new potential and existing entrepreneurs. The programs objectives are to guide new potential entrepreneurs on how to set up their businesses and prepare a business plan, provide the necessary business and management skills to entrepreneurs already in business, reduce the failure rate of new entrepreneurs, and accelerate the formation of new businesses. The other organizations, which offer training programs for SMEs development are the Department of Technical Education (DTE) of the Ministry of Education, LiveWire Brunei- a Business Program for Young People, the Universiti Brunei Darussalam (UBD), the ASEAN-EC Management Centre and SEAMEO Voctech³⁶⁶.

For SMEs, Human Capacity Building Programmes includes short courses, seminars, workshops, technical advisory programs and other skills development activities or programs for SMEs and/or their employees. The Resource and Standards Centre offers courses in Basic Computing and Basic Internet for SMEs that improves productivity and SMEs' access to information. There are plans to offer courses in Basic Computerised Database Management and Financial Management. MIPR is an active partner in the drive to use e-commerce for SMEs.



Most of these courses and services are offered to SMEs free of charge³⁶⁷.

Access to Finance

The Brunei economic development board has prioritised hospitality and tourism as a cluster for investment, stressing eco-tourism, sports tourism and medical tourism³⁶⁸.

The Ministry of Finance- through the Currency Board, the Financial Institutional Unit and the Brunei Investment performs the functions of a central bank of Brunei. Islamic banking law has several properties that affect financial operation and investment³⁶⁹. The Islamic Development Bank of Brunei (IDBB) is responsible for providing financing to corporate and SMEs. It is also a commercial bank acting as a fully-corporatised government-owned financial institution³⁷⁰.

The financing schemes for Brunei's SMEs are Schemes of Ministry of Industry and Primary Resources (Enterprise Facility Scheme and Micro-credit Financing Scheme) and Scheme of the Brunei Darussalam Economic Development Council (Working Capital Credit Fund for SMEs).

The Enterprise Facility Scheme is an agreement between the Islamic Development Bank of Brunei and the Ministry of Industry and Primary Resources. This financing scheme covers only 4 sectors, namely agriculture, fishery, tourism and manufacturing In tourism it covers transport, eco-tourism facilities, accommodation in interior areas, souvenirs, recreational areas, and public facilities.

The Ministry of Industry and Primary Resources and the Islamic Development Bank of Brunei Berhad introduced the Micro-credit Financing Scheme in 2001. It aimed at existing micro enterprises with 5 employees or below or family operated business, which also covers food services -hawker, restaurant, catering, handicraft and tourism related products³⁷¹.

The Brunei Darussalam Economic Council (BDEC) was organized in 1998, which is responsible as an economic policy making body of the Government. Under the Eighth National Development Plan (2001-2005), the government, through the Resource and Standards Centre, is taking several measures, such as designing the business facility scheme focusing on agriculture, fisheries, manufacturing and tourism sectors for the development of SMEs. BDEC also recommends that the Government to provide a special allocation budget to assist SMEs. This allocation is to be used to create the financial credit fund scheme implemented by the eight appointed locally established banks. The scheme provides for a government guarantee of up to 75 percent of loans granted to SMEs by the participating banks³⁷².

Market Access and Development

Brunei tourism's theme for 2003 is "Discovering a Different Side of Asia- a Kingdom of Unexpected Treasures." The marketing and promotional campaign for 2003 focuses on educating people about the "hidden aspects of Brunei." After SARS (Severe Acute Respiratory Syndrome) had ceased in mid 2003, The Tourism Development Department of Brunei has started to promote Brunei tourism in the Chinese market. It has targeted the tourists and families who want



clean-image holidays from the countries in East Asia such as China, Japan, and Korea and just opened tourism's representative office in Korea³⁷³.

Brunei's tourism is growing slowly since the government controls the rapid growth of tourism to ensure that it will not become a problem for people and the country³⁷⁴. Tourism in Brunei focuses on three key market areas-- ecotourism, national heritage, and sport tourism. Bandar Seri Begawan has excellent potential for development into a successful ecotourism market. As the government pays much attention to the development of country's economy, they will make Brunei as a heaven of ecotourism. Its rainforests and national parks have become a key attraction. The Water Village of Brunei, the world largest water village, will be focused on the niche markets for honeymooners, golfing break players, nature lovers, and eco-tourists. As a part of Borneo Island, Brunei can pay much attention to potential ecotourism market by focusing on the oldest untouched rainforest areas in the world and products of adventure tours. Brunei's recently appointed "tourism expert" assisting with product and market development describes other attractions and context.³⁷⁵

The potential business opportunities for SMEs and foreign investors in the Brunei's tourism sector are in the following activities: tourism infrastructure, ecotourism, vacation, sports, adventure, musical, and cultural. Visitors to Brunei are mostly aged 35 and above. Brunei is now targeting its tourist markets on the East- China, Japan, and Korea, while Eastern Europe, Russia, and Thailand tourist markets have been identified as up-and-coming markets and some tourism operators are doing charters from these countries. Some agents are looking at the possibility of developing the country as a

major cruise lines stopover destination³⁷⁶. The growth in the Brunei's tourism industry has been attributed to the extensive marketing campaign in Singapore, Thailand, and Indonesia³⁷⁷. Although the website, visitbrunei.com, however, apparently has not been maintained, some leading hotels and other private operators provide extensive tourist related content.

Technology and Technology Sharing

SMEs in Brunei are encouraged to take advantage of Information Technology by engaging their business through e-commerce as it would help to expand their business locally and abroad³⁷⁸.

The technology development support activities to SMEs may be broadly grouped into 6 key areas: Human Capacity Building Programs, Funding and Incentive Schemes, Legal and Regulatory Framework for Product Quality and Environmentally Friendly Practices, Research and Development Activities, Laboratory and Scientific Activities, Dissemination of Information on New Technologies³⁷⁹. A readiness self-assessment in 2000 shows average capacity at the macro level, but low at the micro. This is due to SMEs' wait and see attitudes, risk aversion, lack of incentive and lack of customised local support³⁸⁰.

In terms of infrastructure, Brunei is a wealthy and stable country. It has an excellent infrastructure to assure the investors come to the country. The country has two main ports, at Muara and Kuala Belait. The road network is modernized and a highway runs the entire length of the country's coastline and links all major towns and ports. For telecommunications, Brunei has one of the most advanced



telecommunications systems in Southeast Asia. Fibre optic cable links and packet switching exchange provide for high-speed access to regional networks and the Internet³⁸¹. Brunei International Airport has computerised passenger and cargo handling facilities and is served by four international airlines, which are Royal Brunei Airlines (RBA), Singapore Airlines, Malaysia Airlines and Thai Airways International, flying from 22 destinations in Asia, Australia and Europe, about 100 flights a week³⁸².

Access to Information

Brunei's government related tourism agencies have strengthened their websites on tourist destinations and prepared for interconnection with the websites of other countries. This is also to interconnect the websites of all 10 ASEAN member countries, which would strengthen Brunei and the whole region in promoting their various tourism industries³⁸³. The websites always provide updated information to ensure that the country is safe for tourists.

Brunei Darussalam Brunet Home Page is the official government website that gives the government agency information such as business, government, tourism and news, passport and visa requirements. It also contains a list of places to go and a short description of the social customs, traditions, and a list of travel agents. The Brunei Tourism website provides basic information the tourists need regarding trips to Brunei Darussalam and travel links to inbound and outbound operators³⁸⁴.

The Resource and Standard Centre provides the following information support services to SMEs to facilitate the exchange of business related information among APEC member economies. It contains the

business environment and opportunities in Brunei, training opportunities for entrepreneurs as well as a database of participating SMEs. The Resource and Standards Centre website is the official website of the government agency responsible for the growth and development of SMEs in Brunei. The Business Directory Data Base contains information on business sector, name and address of company based on the information available in the telephone directory yellow pages. The Entrepreneurs Clinic Data Base contains information of the entrepreneurs that come to the Centre's business counselling services. The Entrepreneurs Training Data Base contains information of the entrepreneurs that apply to, attend and complete the seminars and workshops organised and conducted by the Centre. The Library and Media Services contains references on entrepreneurship, business, management and technology and are available to the SMEs and provides support in training and promotion programs of the Centre³⁸⁵.

For the dissemination of information on new technologies, the Ministry and its departments and units have websites that provide information to SMEs. They can be accessed through the main MIPR website³⁸⁶. These websites will be updated and improved regularly to deliver information and knowledge that are relevant and important to SMEs and potential investors.

Publication of pamphlets, journals or news items or articles is available to SMEs free of charge. Exhibitions are occasionally organised by departments and units of the Ministry to promote the use of new technologies and at the same time promote the products of SMEs. Some departments and units operate libraries of varying capacities that are open to SMEs.



Canada

A useful background note on Canada is provided by the US Department of State³⁸⁷. The Canadian Tourism Commission (CTC) is a Crown Corporation mandated to sustain the tourism industry, market Canada as a destination, support cooperation between private sector and government bodies, and provide information.³⁸⁸ This source provides useful context and statistics relevant to Canada's tourism industry and market position.

Human Resource Development

Canada has a specific agency, Human Resources Development Canada, which operates various strategic activities related to long-term skill development, aiming to ensure social and economic sustainability in the new economy through developing a skilled and adaptable workforce. Their website details equity provisions, milestones and ways for the government to contribute.³⁸⁹ The "Red Seal" program facilitates mobility of skilled workers, where successfully trained apprentices who pass an exam are endorsed to practice in other jurisdictions that recognises the program. Of the 45 trades included at the time of writing, none were directly in tourism, although "cook" was designated, and the occupation has a comprehensive document analyzing its scope and requisite skills³⁹⁰

Tourism is catered for however with the "Ready to work-tourism careers" program. A mix of formal and on-the-job training, it helps youths from 18-29 develop skills for sustainable employment in the industry. This is administered through the Canadian Tourism Human Resource Council (CTHRC), which offers training, certification, research and other

products.³⁹¹ Their site details occupational standards for a range of jobs in the industry³⁹², and links to training providers and certification schemes.

HRDC also incorporates a Gender analysis and policy directorate, which addresses differential gender impacts of proposed policies³⁹³. International bodies such as the UN, World Bank and the International Labour Organisation have also issued gender analysis guidelines and statements³⁹⁴.

Dishonest or rogue operators affect perceptions of service quality for tourist destinations. Background research to Queensland's response (detailed earlier) to this noted that "Three Canadian provinces (also have legislation) that requires registration of travel agents and wholesalers which may be suspended or cancelled or have conditions imposed. A compensation fund is provided and there are provisions allowing claimants to seek reimbursement."³⁹⁵

Access to Finance

Many programs operate at provincial level, for example, the Ministry of Tourism and Recreation in Ontario has an Investment and Development office, which offers several specific programs related to tourism development³⁹⁶. Links to various sources of finance, including aboriginal business funds, community investment plans and the small business bank are provided on this site.

The Business Development Bank of Canada offers information, consulting and flexible financing relevant to SMEs, and embraces e-commerce, quality (ISO), export, start-up and other resources including business plan templates and other tools³⁹⁷.



The Ontario Trillium Foundation works in partnerships for strategic investments, with culture, services, and environment projects highlighted³⁹⁸, while the Ontario Tourism Marketing Partnership helps to fund marketing of selected showcase events through its Tourism Event Marketing Partnership Program (TEMP)³⁹⁹.

This group also offers an industry partnership program, and programs addressing needs in developing regions such as Northern Ontario. This links to another agency, the Ministry of Northern Development and Mines, via the Northern Ontario Heritage Fund Corporation (NOHFC) programs. These include capital, marketing and research projects under announced “flagship” tourism programs⁴⁰⁰. An archive of news releases⁴⁰¹ describing numerous specific tourism investment projects indicates the nature and level of activity in this region.

As part of a larger development mandate, and within Industry Canada, the Federal Economic Development Initiative for Northern Ontario (FEDNOR)⁴⁰² offers programs related to tourism and SMEs generally, aiming to improve access to capital, markets and information. It operates a specific fund, the Northern Ontario Tourism Fund, supporting cooperative marketing, skills development and specific research activities⁴⁰³.

A guide (for subscribing members) to government grants and loans is available online, along with other free information, such as preparing a business plan. The principal has experience as development officer and government programmes consultant. Subscription is competitively priced, and is tax deductible. Programs for women entrepreneurs and equity groups are specifically indicated.⁴⁰⁴

Recognising that access to finance is a development issue for SMEs, due to the risk aversity of lenders in this regard, a Canadian SME research institute has developed software called eRisC, currently in operational use. This identifies, measures and facilitates management of risk factors for SME development projects, including expansion, export and innovation aspects⁴⁰⁵.

Market Access and Development

Smith (2003) describes the historical context and vision for the Canadian Tourism Industry, noting that marketing has been a constant feature of a succession of federal agencies leading up to the present Canadian Tourism Commission, and stating, “From the start, the CTC was envisioned as a public-private sector partnership” (p125)⁴⁰⁶. Government departments at provincial level operate their own strategies and positioning activity. For example New Brunswick is building on recent tourism growth to strengthen its image in traditional markets, and expand reach through a new strategy that includes market-driven research, unique and compelling positioning, and leveraging technology for competitive advantage⁴⁰⁷. This strategy, which empowers the industry to develop and grow, has been welcomed by the industry association as another successful partnership between industry and government⁴⁰⁸.

Canada’s product club program operates within the Canadian Tourism Commission’s industry and product development strategy and provides “partnership funding for tourism consortia to develop (market-ready) tourism products.” This is aimed at increasing international market share, expanding the



limited range of offerings currently perceived, and overcoming seasonality effects. Clubs may also be awarded contracts for market oriented purposes, such as exploring successful initiatives elsewhere, and developing a marketing strategy.⁴⁰⁹

Technology and Technology Sharing

Canada is generally high on network readiness indicators, improving rank from 12th to 6th between 2001-2 and 2002-3.⁴¹⁰ Canada scores even higher on the environment and readiness component indices, but lower on the usage component index, with 48% of businesses using e-commerce.

Sustainable development is the subject of various federal commitments, and the intention is that 47% of funding for infrastructure be for environmental improving infrastructure. Tourism is one area targeted by federal programs on infrastructure, and increasing Canadian's capacity to develop and use eco-efficient technologies is an objective⁴¹¹.

Language extinction threatens both location identity and cultural sustainability. In late 2002, the Ministry of Canadian Heritage provided \$172.5 million over 11 years to "establish and operate a new Aboriginal Languages and Cultures Centre". Details of the programme, which operates on a shared governance and community infrastructure targeted basis, are available⁴¹².

Access to Information

Canada's "largest business information website" is *strategis*⁴¹³, under the government department of Industry Canada, with general resources to help SMEs assess new venture risks, find partners, identify and discover new markets, technologies and processes, and legal, financial and other information.

As part of Canada's wider approach to innovation, considered one of the world's leading programmes, the National Research Council's Industrial Research Assistance Program (NRC-IRAP) "provides Canadian SMEs with value-added technological and business advice, financial assistance and a range of other innovation assistance". Sustainable development in relation environmental technology innovation, technological innovations and innovation addressing indigenous traditional knowledge of managing a regional environment⁴¹⁴ are showcased on the site.⁴¹⁵

Industry information is available centrally, through the Canadian Tourism Commission and at provincial level, broken down into relevant subsectors by provincial organisations and government departments. A stated aim of the Product club program is to stimulate information integration and sharing. Apart from new product development, contracts are awarded to conduct research and seminars, develop newsletters, and attract more partners⁴¹⁶. These activities would be expected to build a club's knowledge base and access to information. Since program inception in 1996, several clubs now exist at different stages of maturity, including Graduated Product Clubs, who remain to provide example and experience.⁴¹⁷



The CTC also runs a research program including key studies on National Tourism Indicators; the Canadian Travel Survey; the International Travel Survey and the Tourism Satellite Account, and research partnerships and strategic research programs to inform industry decisions. An information resource centre, The Tourism Reference and Documentation Centre (TRDC) responds to requests about the Canadian tourism industry and has considerable resources in its collection. Finally, the Canadian Tourism Exchange (CTX) is a membership organization that fosters information sharing, online collaboration and other benefits⁴¹⁸.

Provinces also provide business information relevant to tourism SMEs. For example British Columbia Business Services Society provides a sample business plan for adventure tourism⁴¹⁹, among numerous resources relating to export, market information, e-business and aboriginal business⁴²⁰.



Chile

Following overthrow of the government in 1973, economic policies have progressively led to growth in recent years. Varied terrain and a range of climate zones but some deforestation and pollution, characterise Chile's geography. Chile now has a very open economy, participating in a wide range of free trade agreements, and with a modern telecommunications system.⁴²¹

SMEs, especially micro enterprises comprise a significant majority of businesses, and SME policies are characterised by increasing competitiveness and modernisation.⁴²²

Human Resource Development

The National Tourism Service (Sernatur), a public organization within the Ministry of Economics of the government of Chile, offers a training program for tourist human resources. This mechanism is a tax franchise targeting micro and small tourism enterprises. The objective of this program is to enable these enterprises to access training. The investment in this activity will be given back to the enterprises with their tax return. This program is offered in coordination with the National Training and Employment Service (SENCE).

The mechanism previously described comprises several operational systems. The enterprise can carry this program out directly with a domestic course. In order to do this, the enterprise prepares the presentation to SENCE and carries out the training program. It is also possible for two or more enterprises to offer training jointly provided one of them carries out the approval processing by SENCE. SMEs can benefit from training organizations

accredited by SENCE. In these cases training is given by an external organization following the requirements of the enterprises and the enterprise itself carries out the processing before SENCE. The government of Chile also offers training programs intended to encourage the development of rural tourism projects.⁴²³

Chile was third on a multicountry index on entrepreneurial activity prevalence in 2002⁴²⁴. Chile also has the highest current rank in the region on the Growth competitiveness index.⁴²⁵ The Ministry of Economics has established a national program for entrepreneurship development and recognises a containing role for the government in this area, to help viability and longevity of enterprises to contribute to GDP growth. Strategically including entrepreneurial skills and education from basic school level upwards is developing this, with state financed schemes to train schoolteachers in this, and advanced programmes for modernising microbusinesses⁴²⁶.

Research and policy description papers describing entrepreneurship development initiatives in Chile, (and for other economies) are available on the ILO web site⁴²⁷.

Access to Finance

The Economic Development Agency (CORFO), created in 1939, is the organization of Chile responsible for promoting national productive activities⁴²⁸. This organization promotes the economic development of Chile through the promotion of competitiveness and investment. Its actions focus on the following areas: technological innovation and development, modernization of enterprises including partnerships towards becoming more competitive, enhancement



of entrepreneurial management, the financing and development of financial instruments to meet the requirements of the enterprises, regional productive development and the development of emerging sectors. CORFO has made available several instruments offering joint long-term credits and financing for enterprises.

With regard to Investment for medium and small enterprises, this institution offers mechanisms to finance physical investments in the long term. Enterprises require physical investments for the development of their productive activities through credits given by commercial banks using the resources of CORFO. Credits are given through banks enterprises and usually operate with any of the commercial banks in Chile.

The amount offered in a credit could reach US\$ 5 million, including even 30% for working capital, 2-to-10-year maturity, grace periods of 24 months or less, given in dollars or promotion units (unidades de fomento) with a fixed or variable interest rate. The range of productive activities this institution covers includes industry, agriculture, animal husbandry, forestry, harvest fishery, mining, tourism, education, health and engineering services. Financing could be invested in machinery, facilities, building, public works, plantations, cattle, and engineering and assembly services including associated working capital and investment required for environmental decontamination and improvement. This institute does not finance the purchase of corporate stocks or equities, real estate, land vehicles or real estate projects.⁴²⁹

The Institute of Agricultural Development promotes the creation and operation of rural tourism enterprises in Chile offering technical, financial and training support. In

addition, this institute has a website to promote projects. More than 100 rural tourism projects began to operate between 1995 and 2000.⁴³⁰

An IDB loan funded program to support community based tourism development in Chile's southern lake district is the first ever for an international agency in the tourism sector, and will improve tourism infrastructure and services, as well as sanitation and environmental protection. Heritage church restoration is planned, and the program is expected to serve as a model for public/private cooperation in sustainable tourism development, in environmentally and culturally sensitive areas.⁴³¹

Market Access and Development

In 2002 Chile welcomed 1,412,315 foreign visitors, most of whom came from the American continent, specifically from South America. Around 17% of tourists in Chile come from Europe. Beaches, mountains, and the cities of Santiago and Valparaíso are among Chile's main tourist attractions. In 2001 international tourist currency income represented 4.5% of total export value. Most visitors travel to Chile for leisure purposes.⁴³²

The international promotion of the tourism attractions of Chile is an important part of Sernatur's institutional management. This is an activity that is carried out jointly with the Corporation of Tourism Promotion (CPT). This corporation comprises organizations, enterprises, chambers of commerce and other tourist sectors, and other institutions such as municipal institutions. This promotion task focuses on the diffusion of natural and cultural attractions. A Marketing Plan (1990-2003) is designed every year for this purpose, which includes business rounds, press



trips, fairs and encounters with tourist wholesalers abroad.

At the national level, Chile intends to develop domestic tourism by making people aware of the benefits of this action and to break the seasonal cycle of the tourist demand. In other words, the objective is to make Chileans take advantage of natural attractions and tourism services throughout the year and not only during the summer.

The Tourism Promotion Corporation of Chile (CPT) is a non-profit organization whose mission is to promote the tourism industry of Chile in the international arena. This institution combines the effort of the public sector, (SERNATUR) and a group of partners in the private sector in order to promote the country worldwide. This organization has a well-structured website⁴³³ and has promotion offices strategically located in the United States and Spain. Its newsletters report activities, and gives pointers to market intelligence sources⁴³⁴.

The Institute of Agricultural Development and the Chilean Association of Rural Tourism have created their own promotional website. Other tourist regions and organizations have created their own websites as well, such as Patagonia and Coquimbo. There is a section in Sernatur's website which enterprises may use to display their advertising.

Among Sernatur's plans, it was not possible to identify specific policies intended to support tourism SMEs

Technology and Technology Sharing

In the Global Competitiveness Report published by the World Economic Forum for the year 2002, Finland was first in the list of the most competitive nations. The

second, third and fourth nations were the United States, Sweden and Denmark respectively. In the list of 102 nations Chile was ranked 28th, which means that it has done much better than its closest competitors in this hemisphere, México, with the 47th place. Brazil was ranked 54th and Argentina was ranked 78th.⁴³⁵ However, with regard to technology Chile holds the 42nd place with 1,155 Internet users and 49 hosts for every 10, 000, people and 8.55 personal computers for every 1,000 inhabitants.⁴³⁶

One study by the Corporación de Investigación Tecnológica (Intec) shows a traditional ICT investment emphasis on manufacturing, internal resistance to change and a business preference for "made to measure software solutions"⁴³⁷ Other studies and information on e-business and its uptake are available through Intec's technology and information portal.⁴³⁸

Specific government policies to provide tourism SMEs with technology were less obviously evident than private, development and donor organisation arrangements. With the Multilateral Investment Fund (MIF), the Inter American Development bank (IDB) runs the ICT4BUS⁴³⁹ program in Latin America to develop ICT access and e-business capacity to improve SME competitiveness⁴⁴⁰. In addition an offer of technology for micro and small entrepreneurs in general called *CORFO Project*. In this project, Compaq, the Economic Development Agency (CORFO) and the Central Bank of Chile work together to finance the acquisition of a technological solution which comprises a multimedia PC, an older generation windows interface with word processing software, a spreadsheet and a database administrator, a presentations program, browsing software, electronic mail, a pre-



activated Internet access account through Telefónica Empresas, and a colour printer. This financing is intended for micro and small enterprises and can be settled in 36 months.⁴⁴¹

The World Bank in 1997 instigated a 5-year program, now concluded, called World Links, to prepare youth in developing countries to compete in a networked economy, largely by facilitating globalised school networking. In Chile, the education ministry “negotiated a deal with (a prominent telecommunications firm), to provide free Internet connectivity (and associated services) for up to 6,500 schools for ten years”. Some other general lessons reported from this program note that “technology empowers girls”, wireless technologies overcome antiquated telecommunications infrastructure, and community involvement and public-private partnerships are essential to building infrastructure capacity in developing countries.⁴⁴²

As for other Latin American countries, the B2B database of mercantile.com⁴⁴³ indexes over 1.5 million companies and their websites, across sectors and listing over 163000 tourism and entertainment organisations and their contact details. Its portal posts business opportunities and aims to give freer access to markets and help economic development.

Access to Information

In *Agenda del Turismo 2002-2005: La “Guía Turística” de las Pymes* (Tourism Agenda 2002-2005: The Tourism Guide of SMEs), the National Tourism Service suggests the implementation of a National System of Tourism Information offering public and private information concerning technical and tourism affairs. The objective of this document is to prevent users from

crowding into tourism information centres and to encourage the use of long-distance information technologies.

In order to accomplish the same objectives, an Information System for Tourists has been established comprising a website, a toll-free number and Tourist Information Offices throughout Chile. In addition, this initiative intends to offer reliable information access to the tourist sector and the general public (statistics, studies and analyses), just like the Tourism Satellite Account and the Estudio del Gasto.⁴⁴⁴

There are two websites created by the government of Chile targeting SMEs which provide important information concerning their operation and development in areas such as markets, technology, training, financing, government support, statistics, news, among other. These websites are Sitioempresa⁴⁴⁵ and ChilePyme.⁴⁴⁶

CORFO include five specialized research institutes, one of which is INTEC, mentioned earlier, and an affiliated organization is the Servicio de Cooperación Técnica Sercotec (Technical Cooperation Service), specialising in technical support to SMEs.⁴⁴⁷ In addition, Consejo Superior de Turismo de Chile (CONSETUR)’s website provides extensive industry and market information and some statistics⁴⁴⁸.



China

The People's Republic of China is the world's fourth largest, and most populous, country. It has diverse climate and terrain, numerous minority nationalities and an ancient civilisation, all being conducive to tourism developments. It has moved over the last 25 years more towards a market-oriented system, within a centrally planned framework, with significant and sustained growth in GDP now making it the world's second largest economy. Telecommunications are somewhat limited, with 3 ISPs, and environmental deterioration and utility infrastructure are indicated issues, both of which would affect sustainable tourism.⁴⁴⁹

In 2001 China had more than eight million SMEs, employing 3 in four workers, and accounting for 99% of total enterprises and 60% of the country's gross industrial output and export value.⁴⁵⁰ New Tentative Classification Standards on the Small and Medium-sized Enterprises designed in accordance with the SMEs Promotion Law indicate criteria based on employee levels, annual revenue and assets, distinguishing between small and medium, and differentiating across various sectors. Hotel and restaurant SMEs, and transportation and posts are identified sectors of particular relevance to tourism.⁴⁵¹

In the 8th APEC SME Ministerial Meeting, several leaders of Chinese SMEs attended a business forum on the development of SMEs and noted potential for a more open domestic market following China's WTO accession. However, all the SME representatives indicated that Chinese SMEs in general were not competitive enough. Whilst expecting transition to a time where an open capital market is available, some SMEs appealed for more

government support in terms of management, technology and equipment, and product quality. The State Economic and Trade Commission Minister said the Chinese government would take policy measures to encourage the SME development but that it would ultimately depend on enterprises' own efforts to compete with foreign companies under the market rules, and in a fair legal environment.⁴⁵² A Closer Economic Partnership Arrangement (CEPA) with Hong Kong affects trade in good and services and essentially opens the Mainland market to eligible Hong Kong companies, with tourism one sector specifically affected by liberalisation of trade in services as detailed in the CEPA itself.⁴⁵³

A new "China Tourism Development Program for the 10th Five-Year Plan and the Program Outline by the Years 2015 and 2020" was completed by 2000. This program reviewed the achievements made and experiences gained in tourism industry development during the Ninth Five-Year Plan. It also outlined the tourist development targets and major projects during the 10th Five-Year Plan, and systematically puts forward important strategies for realizing the "grand blueprint".⁴⁵⁴

In 1978 China was ranked 48th in terms of the number of inbound tourists and 41st in terms of foreign exchange earnings from tourism. However, by 1999 the global rank had jumped to fifth in terms of the number of inbound tourists (72.8 million), and sixth in terms of foreign exchange earnings (US\$15 billion) in WTO rankings. It was estimated that China will be the world's top tourist destination by 2020, and will draw about 130 million annual visitors⁴⁵⁵. Tourism growth is attributed to three main factors: more disposable income, three long "Golden week" holidays annually and



“various entertainments”.⁴⁵⁶ In 2001, the top five countries or regions of tourist arrivals increases were from Asia and the Pacific (12.5%), Japan (8.4%), South Korea (24.8%), Russia (10.7%), and the US (5.9%).⁴⁵⁷

The China National Tourism Administration (CNTA)⁴⁵⁸ is the national body for tourism administration and policy, regulation and promotion, reporting to State Council, and operates tourist offices in some major international cities including Sydney and Los Angeles. The CNTA has moved to ensure tourism’s sustainable development, through developing eco-friendly tour products and promoting public consciousness of environmental protection. In 1999 the CNTA issued provisional regulations on the Management of the Development Program of Tourism. This was a CNTA-guided program aiming to prevent environmental pollution and protect natural resources, embodying a five-year plan to establish the industry’s role within the national economy, and its scale, structure and rational distribution.⁴⁵⁹

There is still much room for growth in tourism business, and CNTA can expect more funding to meet ambitious targets. The targets of the new 20-year tourism development program include national tourism revenue of 3.3 trillion renminbi (US\$399 billion) by 2020, or 8 percent of gross domestic product (GDP), and a total of 135 to 145 million visitors from overseas annually⁴⁶⁰. In the mean time, China National Tourism Administration (CNTA) expects that outbound travel would enjoy slower growth because of restriction on exit visas and passports.

By 2003, around 30 countries and regions, more than double the number in 2000, had been granted the “approved destination status” by the government, with Hong

Kong being the most popular destination. The CNTA had expected to add more western countries in the outbound travel list as China entered the World Trade Organization in December 2001. It was estimated that 100 million Chinese tourists would travel abroad by 2020⁴⁶¹. Outbound tourism is growing, with over 16 million Chinese tourists travelling abroad in 2002, (up 37 percent from the previous year) and Cuba, Croatia, Hungary and Pakistan all recently becoming approved destinations for Chinese tourists.⁴⁶²

Human Resource Development

According to Buon (1999), the *Survey of China’s Working Class* (China Workers Press, 1993) indicated that only about 50% of work-time is used for production, and thus over-staffing or under-employment is a major problem in China. With a huge population, the issue is exacerbated into unemployment by the structural shift from state owned enterprises towards a private sector employment base. A recovering and strengthening service industry sector may alleviate some pressure on employment⁴⁶³. Meanwhile, the lack of adequately trained management has also been identified as a major problem in achieving modernization and implementing industrial reform by the Chinese government.⁴⁶⁴

By December 2000, 5.6 million people were engaged directly in China’s tourism industry (an increase of 10.2%). In addition, there were a total of 28 million people indirectly engaged in the industry. In 2000, there were 252 colleges and universities (including those with tourism departments or offering tourist specialty courses) and 943 secondary tourism vocational schools. Of the 252 tourism



colleges, 96 offer tourism management courses.⁴⁶⁵

In 2000, more than 780 thousand employees in the tourism industry received various training programs of different levels. These included professional ranking training for technical workers, on-the-job qualification training for administrative personnel, adaptation, adult schooling and overseas training. Among the trainees, 71% were from tourist hotels, 21.4% from travel agencies, 2.5% from tourist bus and shipping companies, 1.6% from tourist administrative departments, 3.5% from other personnel, respectively.⁴⁶⁶

Private entrepreneurs with tertiary education qualifications have more than doubled in the ten years until 2002, according to a survey by the All-China Federation of Industry and Commerce⁴⁶⁷.

In 2000, 9,138 persons across China took part in qualification authentication for travel agency managers, with 6,528 receiving certificates. There were four types of qualification certificates granted:

1. the general manager qualification certificates of international travel service
2. the department manager qualification certificates of international travel service
3. the general manager qualification certificates of domestic travel service; and
4. the department manager qualification certificates of domestic travel service.

CNTA also issued the "Suggestions on Reform the Qualification Examination of Tourist Guides, Professional Ranking Examination and the Manager Authentication Work of Travel Agencies." In 2000, more than 100,000 persons took

the national guide qualification examination and the professional ranking examination, an increase of 50%.⁴⁶⁸

Ethical behaviour of operators is addressed by China's Outbound Travel Administration Law, which started in July 2002. Dixon (2003) notes "its key elements are that outbound travel agents must protect tourists' legal rights, give precise and reliable information, and must not engage in false advertising or under-cost pricing"⁴⁶⁹.

As with Australia, certification is contentious in China, as that country transits between a market economy and a "feudal" bureaucracy⁴⁷⁰. Massage therapists and property managers are included as requiring professional certificates. Although posts bearing on the public interest traditionally require certification, development of the Chinese job market is stemmed by a "rampancy of certificates" required by administrative departments, who may be effectively increasing barriers to job entry, contrary to China's constitution. Passing proficiency tests confers an edge in the job market, and employers hiring uncertified workers would be censured. Developed nations have largely limited authentication, and China has the issue of whether government or accountable and competing intermediary professional bodies, best ensures legitimacy.

Several widespread disaster recovery measures were put in place in China after the SARS outbreak of early 2003⁴⁷¹. An impact assessment found losses to tourism and related services as 2% of GDP (US\$25.3Bn), and also further impacting new job creation. The form of the business revitalisation program of the Central government's National Development and Reform Commission has been adopted and supplemented at all local levels, and



consists of tax relief (cuts, exemptions, subsidies), and more flexible credit arrangements. Some cities temporarily reduced rental rates for taxi drivers, or exempted tourism sites from land use charges, since sustaining jobs in the service sector is critical for China's economic future.

Access to Finance

The World Bank's private sector lending arm is the International Finance Corporation (IFC), who considers small businesses to be the most important part of China's economy. Small- and medium-size enterprises will generate most of China's employment growth as China shifts from a state-controlled economy to a free-market system, with new jobs crucially important to the country's social stability. However, China's entrepreneurs face many taxes and bureaucratic obstacles and small firms still remain cut off from many of the resources, in particular bank loans. A recent IFC survey of 600 private companies in Sichuan, identified access to financing as the major problem, far ahead of unfair competition and corruption.⁴⁷²

The IFC in mid 2002 began an initiative, the China Project Development Facility (CPDF) to develop the private sector in Sichuan province. Emphasising SMEs, access to finance is a key area, since bank denial of credit, interest rate controls and other financial barriers apply. Attracting outside investment is problematic, since the province's SMEs are characterised by high informality, opaque financial reporting, weak corporate governance and inappropriate ownership and management structures⁴⁷³.

The Chinese Tourist Delegation, composed of State Development Planning Commission and CNTA representatives,

took part in the Fourth China International Fair for Investment and Trade (CIFIT) in 2000. Of 211 tourist projects 97 projects were for scenic areas, 13 for accommodation facilities, and 82 for modern entertainment, representing a total investment of US\$ 4.28 billion. CNTA introduced 77 priority investment projects, of which 53 projects were in middle and western regions.⁴⁷⁴ For the first time in 2000, the State brought the construction of tourist infrastructure into line with the state debt investment plan. The State had allocated state debt funds of 1.3 billion yuan to 113 projects in 30 provinces and five cities⁴⁷⁵

China's indebted banking system still lends primarily to state-owned enterprises but not private companies. "China's four biggest banks are technically insolvent because they are owed an estimated \$500 billion in non-performing state-enterprise loans". Yet, since state firms continue to receive about 70% of all loans (according to the ADB), small business owners have had to turn to private networks and lenders to get loans. Equally, official lending institutions also have problems in offering credit to entrepreneurs. The government restricts the annual interest rate that the banks can charge to only 6.6% "barely compensating them for their risk". Even though small companies typically lack land or similar assets, banks are barred from accepting sales contracts or inventory as collateral. It is also hard to value an operation against unethical or unprofessionally presented plans.⁴⁷⁶

The recently enacted law for promotion of SMEs addresses issues including in relation to SME financing, "difficulty in obtaining loans, slow accumulation of original capital and lack of powerful policy orientation in investment"⁴⁷⁷. The law helps promote SMEs in part by creating a huge fund to expand a nationwide network



of loan-guarantee offices, and having the government co-sign loans to creditworthy companies, a guarantee that reduces bank risk, similar to loan-guarantee schemes that have worked well in other countries.⁴⁷⁸

Tourism investment in Yunnan province is being encouraged through preferential policies with tax exemptions and reductions in the first five profitable years, reduced or removed levies, and a permanently reduced rate for investment in the Kunming Holiday resort and some other designated areas. Other measures are also indicated, including expedited approval processes⁴⁷⁹.

Market Access and Development

CNTA's website provides market analysis information, indicating strong and recovering demand from Japan, a major market⁴⁸⁰. Southeast Asia, particularly Malaysia, Singapore, the Philippines, Thailand and Indonesia is another significant source of tourists and return visits, all five seeing recent double digit growth in visitation to China, with short distances, small cultural differences, among factors helping here.⁴⁸¹

Cultural and ecotourism markets are structurally also beginning to be catered for in planning and publicity. With 56 nationalities within China, coupled with seasonal festivities, a wide range of cultural and other festivals both for domestic and international markets is constantly available.⁴⁸² At the first National Seminar on Scenic Area Management and Development, the government launched a program to improve the country's scenic area management and planning⁴⁸³.

Western China's remoteness and poor infrastructure has led to tourism being

underdeveloped, but in 2000 the government issued Rmb 600 million (US\$72.6 million) in bonds to develop tourism infrastructure construction in the region, bringing resources to the area, and diversifying tourism away from city-based cultural and heritage sites towards natural tourism resources.⁴⁸⁴

Both hard and soft infrastructure is developing in the Greater Mekong Subregion (GMS), an area with 250 million people comprising the current APEC economies of Thailand, Vietnam and southern China (Yunnan Province) along with Cambodia, Laos, and Myanmar. Tourism is seen as a pillar industry in Yunnan, and its development strategy targets a green economy and well-developed ethnic cultures since about 1/3 of Yunnan's population is comprised of 25 ethnic nationalities.⁴⁸⁵

China, in cooperation with the other Greater Mekong (Lancang) Subregion (GMS) countries, is working on transport infrastructure to make GMS cooperation smoother, to facilitate the emergence of a free trade zone between China and ASEAN, and to develop tourism. One project is the new Kunming-Bangkok road: another is the upper Mekong river navigation channel improvement project. The Agreement for Facilitation of Cross-Border Transport of Goods and People, aimed at simplifying cross border procedures, is at framework stage and details will become clarified. The GMS has had an economic cooperation programme since 1992, coordinated by the Asian Development Bank. Successful implementation will increase flows in the region, helping tourism development⁴⁸⁶.

Rural women's access to markets and social services is expected to improve by other development projects funded by the Asian development bank, such as the



Shaanxi Road, the Guangxi Road and the Southern Yunnan Road projects.⁴⁸⁷

The CNTA and the Ministry of Foreign Trade and Economic Cooperation, in late 1998, issued interim procedures allowing foreign-invested travel agencies to participate and partner in China's travel agency business. However, such joint ventures were not approved to service Chinese that travel abroad.⁴⁸⁸ The number of travel agents franchised by the CNTA to deal with outbound services increased from 67 to between 200 and 300 in 2000.

Since July 2003, travel firms can be set up and wholly owned by foreign businesses. Japan's JTB intends to open in Guangzhou and Shanghai, and Japanese Airlines Travel International (China) Co Ltd has already started tourism market operations⁴⁸⁹. American Express has also established a Business Travel management centre in China and is planning network expansion to 40 Chinese cities by March 2004, providing financial and travel service to a market comparable in value to France or Germany⁴⁹⁰.

Technology and Technology Sharing

The telecommunications regulatory framework adopted by China in late 2000 is considered "more transparent and competitive, and a step towards future liberalisation of the sector" though not yet permitting foreign investment in telecommunication services.⁴⁹¹

Lu and Lu (2002) have researched online tourism services in China, and its development barriers. Low Internet access speed is frequently cited as a barrier, and the lack of e-commerce development technology and expertise, particularly in the security area. Financial barriers,

relating to cost of development, training, operation and maintenance also apply. A lack of planning for market focus, coupled with consumer trust issues are noted.⁴⁹²

E-tourism is being progressed through CNTA's focus on the construction of e-business projects in tourism industry, known as the "Gold Tour Project". Based on the existing computer network, new inputs have been added, thus forming a new E-business network for tourism.⁴⁹³

Green technology is implied in CNTA's environmental strategies. CNTA has continued efforts in environmental protection and sustainable development, announcing in 2000 that during the 10th Five-Year Plan period (2001-2005), China's tourism would popularise green management, carry out green development, produce green products, and build green systems making the tourism industry into an environment-friendly sector.⁴⁹⁴

A study conducted during preparation of a loan application for an ADB project has shown that wind powered energy development has potential benefits for women by reducing housework, improving health conditions and providing greater access to education for girls⁴⁹⁵.

Access to Information

As a central agency CNTA and its website acts as an industry resource for policy, statistics and market research information, as well as providing links to regional sites.⁴⁹⁶

The China Tourism Association (CTA) is a "comprehensive" travel trade association, which also conducts research and representational activity on behalf of the industry⁴⁹⁷. Established as the first tourism



trade organisation in China in 1986, it was re-registered in 1999, operating under CNTA.⁴⁹⁸ It provides consultancy and support to local tourism bodies, and has established good relations with its counterparts elsewhere. It has also joined the Universal Federation of Travel Agents' Associations (UFTAA) and has some related affiliations.⁴⁹⁹

An Internet portal for Asian tourism services and tourism investment opportunities was developed in partnership between the CNTA and Sun Hung Kai aiming to put tourism services online, boosting tourism by making it easier for foreign tourists to plan trips. The site, aiming to become Asia's biggest tourism web site will also develop B2C and B2B e-commerce. Meanwhile, to help tourists access information the CNTA, jointly with the State Statistics Bureau, have begun to set up a statistics and forecasting system.⁵⁰⁰



Chinese Taipei

Social, historical, economical and political information is provided in a useful online background note by the US State Department⁵⁰¹. A detailed country report for this economy covering key economic indicators, general and specific policy frameworks, workers' rights and some investment figures is also available.⁵⁰² This notes that services accounted for 65.5% of GDP in 2000, and increased recent expenditure on education science and culture. SMEs are a major part of the economic landscape.

Some policy guidance relating to SMEs is currently indicated, with the responsibilities of various agencies forming the existing business service network requiring adjustment for more effective division of labour, helping ensure best use of government resources. Specific areas noted include:

- (1) A clear definition of the appropriate contact and coordination role to be played by SME service centres, in the local business service network at county and city level
- (2) Giving responsibility, at county and city level, to chambers of commerce and professional associations for the implementation of SME services in the local community.
- (3) Coordinating the participation of local colleges, universities, and research institutes in SME guidance work
- (4) Making effective use of volunteers

- (5) Effective integration of the service resources provided by different government agencies

In relation specifically to tourism, in 2002, the government of Taiwan has placed more emphasis on tourism development than ever before, with the "revitalization of tourism" as one of the administration's five key tasks. Not only including within its "Challenge 2008 - National Development" Plan⁵⁰³ the aim of doubling tourist arrivals (with concrete accompanying measures for future tourism development goals and the integration of the resources of different ministries and commissions), but it has also expressed its determination to carry through with the plan by upgrading the level of the Tourism Development and Promotion Committee.⁵⁰⁴

Human Resource Development

In regard to entrepreneurship development Chinese Taipei has designed market-oriented policies to create a favourable environment, with associated reforms of education, and regulatory environments, and several other measures. The goal is to establish the "Asia Entrepreneurship Development Centre"(AEDC)⁵⁰⁵.

In 2002, the most common organizational form for SMEs was sole proprietorship (58.28% of all SMEs) followed by limited corporations (27.67%), then corporations limited by shares (9.98%). These three organisational forms thus accounted for roughly 96% of all SMEs. Human resources have been important in developing Taiwan's SMEs. Taiwan's SMEs are characterised by "vitality, flexibility and adaptability, and their team members are diligent, honest and loyal". These are the elements that will be important as Taiwan develops its culture



and innovation industry, industries with local characteristics, and the tourism industry⁵⁰⁶.

Recent lack of change in labour demand forecasts suggests SMEs have ongoing future needs for specialist talent (50%), management talent (25%), and e-commerce talent (9.5%). The figures are from a Northern region survey and show SME perceptions of relative need. Southern Region SMEs felt that the most important training areas related to strengthening language skills, cultivating international marketing capability, and strengthening R&D and innovation capability. Central Taiwanese respondents reported that they felt computer and information management courses to be the most important (90%). The next most important types of courses related to marketing management (83%), human resource management (83%), financial management (82%), international trade and transnational operations (78%), and production and operational management (75%).⁵⁰⁷

The SME Lifelong Learning Passport System promoted by SMEA aims to encourage SMEs to upgrade their human resources quality, and SMEA has been collaborating with other agencies on manpower cultivation. Quality management, project management and marketing management are the most common types of courses given. Since 1998 the number of employees participating in professional training in Taiwan has increased annually, with just over 1/5 of participants from SMEs: training expenditure however remains low, accounting for only 0.02% of operating costs both for SMEs and large firms in 2001 figures⁵⁰⁸.

Some of the specific training of tourism industry personnel provided by the government and industry associations includes the following:

1. The Tourism Bureau carries out qualification testing and training of professional guides every year.
2. Numerous 60-hour long training programs for travel agency managers were held in five locations.
3. On-the-job training was provided for travel agency personnel, tour managers and tour guides, and for eco-tourism training. Educational materials for travel agency personnel were also compiled in order to upgrade the capability for tour guiding.
4. Cooperation between schools and industry was developed through Tourism Personnel Scholarships offered to outstanding students in tourism and catering departments of universities, colleges, and vocational high schools, with eighty awards in 2002.
5. On-the-job training for tourist hotel employees aimed to enhance employees' service quality and professional abilities. Other training provided included English and Japanese language training, aboriginal cultures and prevention of illegal behaviour. The Tourism Bureau also assisted county and city governments as well as hotel associations in carrying out Hotel Manager Training Seminars and classes. This was aimed at strengthening the training of hotel personnel, improving hotel operating systems, and upgrading the overall level of service.



6. To promote the MICE sector, the Tourism Bureau also assists private-sector groups in bidding to host international conventions in Taiwan. Since the development of professional convention organizers (PCOs) is a key factor in the industry's successful progress, the Tourism Bureau has moved to upgrade the MICE industry standards by holding a "2002 Meetings and Exhibitions PCO Training Class" in late 2002, training about 80 seed PCO personnel.⁵⁰⁹

Foreign worker schemes may not be indicated. While Singapore now permits Thai workers in health and spa resorts, the operator of a spa chain has called for this also to apply in Taiwan to maintain cost efficiency: an estimated halving of labour costs in a sector whose workforce is expected to grow about 50% within 2 years. The Tourism bureau has observed though that minimum wage requirements apply to foreign workers, and communication could be an issue. A focus on quality is seen as more important, with service quality training essential.⁵¹⁰

Foreign training sources are also being considered. A delegation including 12 members of Taiwan's tourism industry discussed relationships⁵¹¹ with Hawaii, proposing 5 concepts. These included for example: a one-stop window for tourism exchange; Hawaiian training for the Taiwanese tourism industry; and having government agencies invite their Hawaiian counterparts to sightsee outside Taipei.

Taiwan's original "Touch your heart Taiwan" programme was designed on the principle that "rest facilitates even greater productivity" and used an incentive scheme based on vacation travel subsidies for civil servants, in contrast to previous incentive schemes that rewarded *not* taking

holidays. This evolved into targeting off-peak travel times to boost domestic tourism, although some bureaucrats who view the scheme as a generic bonus, rather than to aid a specific sector require some education on the intentions⁵¹².

Access to Finance

Taiwanese SMTEs, like SMEs elsewhere, tend to lack financial resources so the ability to secure working capital and ready access to finance is essential. Useful and detailed information on SME financing is provided in the 2003 White Paper on SMEs in Taiwan from the Small and Medium Enterprise Bureau of the Ministry of Economic Affairs.⁵¹³ The amount of financing secured by SMEs fell dramatically in 2002. Foreign banks provide NT\$16.8 bn to SMEs (combined market share of 0.59%) of a total of NT\$2.8trillion in financing to SMEs. This is down on previous figures, indicating less willingness of banks to provide finance, although handling of bad debts is also a possible explanation of the decline. Though tourism is not identified, the social and personal services industry has the lowest ratio of assets, but a higher ratio of liabilities to net worth. This sector is thus considered to be "excessively dependent on short term loans", and potentially vulnerable to a credit crisis⁵¹⁴. Policies targeting SME growth are described in various areas, including new regulations for start-ups, such as government subsidies and encouraging venture capital investment⁵¹⁵.

Several special loans for SMEs, given for specific purposes, and at reduced interest rates, are provided directly from government funds, or provided jointly by government and bank partners. Some



various types of special SME loans are described below:

1. In August 1989, the SMEA, working with the Executive Yuan Development Fund, instituted the SME Upgrading Loans to help SMEs to improve their management structure.
2. The Executive Yuan Development Fund also provides loans for fast tracking equipment upgrade: in tourism businesses, business automation and computer software purchases would be eligible.
3. Small cashflow loans to tide SMEs through periods of economic crisis or upheaval are available. Working with banks to provide short-term cash loans using the banks' own funds, the government's SME Credit Guarantee Fund and the SME Development Fund provide these, which have been welcomed by SMEs. Rapid financing has eventuated by simplifying credit checking and lending procedures, Initiated in 1999, by December 2002, 50,915 cashflow loans had been handled
4. To overcome problems faced by young entrepreneurs, six banks (including the Taiwan Small and Medium Enterprise Bank) were commissioned to collaborate in the provision of Young Entrepreneur Loans. This scheme has served over 15000 young entrepreneurs and has run since 1968.
5. The SME Credit Guarantee Fund, launched in 1974 addresses "the problem of inadequate collateral or a lack of guarantors". In addition, banks could request the a financial diagnostic service by the SME Joint Guidance Centre, "the aim of which was to develop a comprehensive financing

function integrating financing, guarantees and guidance" (p286).

6. In early 2003, the government introduced 'Micro-enterprise Start-up Loans' aiming to make these loans available to middle-aged and elderly entrepreneurs, hoping to revitalise entrepreneurial spirit and help micro-enterprises secure financing otherwise difficult for them to obtain.

In addition, there are three categories of government resources to support SMEs. Resources for funding, subsidies, guidance and incentives for SMEs totalled NT\$21.6 billion in 2002. Elements of government procurement outsourced to SMEs; totalled NT\$643.2 billion in 2002. Finally government spending on SME project loans totalled NT\$27.4 billion in 2002⁵¹⁶.

In relation specifically to tourism industry finance the typically small size of tourism related SMEs puts them at a disadvantage position to start with. Other problems include the fact that most of them are run as family businesses, and the weakness of their internal accounting systems prevents them from producing detailed financial statements or demonstrating their debt repayment ability. Several sector-specific programs assisted by the government are as follows:

1. For the hotel industry, guidance and extended loans were provided in obtaining investment tax credits to procure automated equipment and also anti-pollution equipment or technology under relevant Statutes and rules. In addition, "Preferential Loan Guidelines for Encouragement of the Tourism Industry" were established. Improved facilities and high-quality accommodation are intended.



2. A fund of NT\$6.5 billion for the provision of medium- and long-term financing at preferential rates for upgrading the hardware and software family of general hotels.
3. For tourist amusement enterprises, guidance was provided to operators in applying for tax and financing incentives under the relevant statutes and rules. In addition, to help private organizations obtain government-owned land for the development of tourist recreation facilities, such as the Hualien Ocean Park project, coordination was carried out with agencies administering public land to persuade them to lease out the land under the statutory provisions.⁵¹⁷

From the data provided by the government, it is clear that the government has provided several different types of financial resources to SMEs. Nonetheless, the tourism related SMEs hardly feel that they have been given much financial assistance. One of the reasons is that perhaps most of the governmental financial resources went to other types of SME industry such as high-tech industry but not tourism-related industry. The other reason is that tourism related SMEs did not secure much information about the access of financial assistance from government. This indicates that communication channels between government agencies and tourism related SMEs are still insufficient.

Market Access and Development

If SMEs do not sell their products overseas indirectly, (through trading companies) they sell directly, through international trade fairs or through negotiations with

overseas buyers. Strategic alliances, both domestic and international are an important method of overseas marketing by SMEs. Although the strategic alliances are often used in manufacturing sector, there would have the same competitive advantage when it is applied in the service sector of SMEs.

The SMEs generally make use of the assistance provided by industry associations and specialized magazines in marketing their products or services. They also participate effectively in trade fairs. However, in general, SMEs lack up-to-date knowledge of consumers' needs, and their understanding of the distribution channels also tends to be limited.

With the Internet, direct selling possibilities are enhanced for tourism SMTEs. For SMEs, there are clear benefits to be had from making use of the services provided by electronic marketplaces, including the opportunity to make use of product sourcing databases, order tracking, and so on. The establishment of a firm's own corporate Website can also clearly help to maximize the benefits. For many SME operators however, they don't think that there is a need for SMEs to establish their own electronic marketplaces. Especially with the continuing economic downturn, many enterprises have been cutting the budgets allocated to e-commerce⁵¹⁸.

Regarding the specific market for International tourism, the "Doubling Tourist Arrivals Plan" is one part of the government's "Challenge 2008- National Development Plan". Implemented in August 2002, the goal is to reach 5 million international tourist arrivals in 2008 building Taiwan into an "Island of Tourism". Consequently, some of the international tourism advertising and promotion include the following:



1. To show Taiwan's ambition to develop tourism the Tourism Bureau has expanded its participation in major international travel fairs. Domestic tourism enterprises were organized to 11 major travel fairs. In addition, in their local areas, the Tourism Bureau's overseas offices participated in approximately 100 medium- and small-size travel fairs⁵¹⁹.
2. To establish Taiwan's image and to strengthen awareness and exposure, invitations to visit Taiwan were issued in 2002 to media representatives and travel operators from major tourist source markets for reporting and familiarization. Considerable print and TV coverage resulted⁵²⁰.
3. An International Advertising and Promotion Task Force was set up. Industry and academic representatives joined representatives from various agencies including the Ministry of Foreign Affairs and Government Information Office, to consider international tourism advertising and promotion⁵²¹.
4. The Tourism Bureau planned and conducted advertising and promotion programs in relation to the characteristics of the different target markets with an international tourism advertising and promotion budget of NT\$200 million. For example, the theme for Japanese market is "Exhausted in Japan, rest up in Taiwan", and the "Mr. Tea" character, and the "Tea family" was designed as the spokespersons for Taiwan tourism.

For the Hong Kong and Singapore markets, the theme of "Taiwan - Beyond Your Imagination" was chosen and matched to the appeal of experiencing native culture and promoting Taiwan's natural and cultural beauty. Also, "Taiwan, Touch Your Heart" was chosen as the promotional focus for the European and American markets, with the aim of moulding Taiwan's image as an "island of tourism"⁵²². These efforts have achieved excellent results, with increased desire to visit, and brand recognition evident from a survey following "Mr Tea" advertising, and translating into higher visitor arrivals from Japan in the following quarter⁵²³.

Increased international recognition for Chinese Taipei has however been compromised by the mainland's alleged view that its tourism promotional slogan "Taiwan touch your heart" was an effort to promote independence. The slogan was painted in English on jets of its largest air carrier, China Airlines, but the scheduled unveiling ceremony was cancelled. Taipei also recently issued passports with the word "Taiwan" on the cover, angering Beijing.⁵²⁴ Although political motivations for both issues are disclaimed, the Hong Kong SAR does not recognise such passports.⁵²⁵

To encourage operators to participate in the work of international promotion, regulations were established for "Governing Investment Tax Credits for Participation by the Tourism Industry in International Tourism Advertising and Promotion in Coordination with the Government"⁵²⁶ In addition, foreign travellers spending in excess of NT\$3000 will now be refunded the 5% VAT under a revised statute for tourism development.⁵²⁷



With IYE, 2002 was designated as “Eco-tourism Year” in Taiwan. In order to promote eco-tourism in Taiwan, the project had six strategies:

- establishing eco-tourism policies and management mechanisms,
- developing an eco-tourism environment,
- strengthening eco-tourism education and training,
- advertising eco-tourism activities,
- organizing eco-tourism promotion activities, and
- continuing implementation of eco-tourism.⁵²⁸

The “Touch your heart Taiwan” programme itself, drafted by the Council of Economic Planning and Development introduced a travel-related credit card programme for civil servants. This credit card would allow discounts and benefits at certain stores, and encourage civil servants to travel, and spend, during weekdays, boosting tourism. Initiated in 1997 and modified in 2001 and 2002 it has been reassessed to ensure tourism related eligibility criteria are met.⁵²⁹

In 2003, in order to increase the domestic tourism market, and address the problem of the “excessive gap” between peak and off-peak demand, and also to channel government employee travel towards the domestic tourism industry, the Council for Economic Planning and Development made a policy decision to implement a “National Travel Card” program beginning in 2003, with the Tourism Bureau being responsible for coordinating related operating procedures⁵³⁰. Following screening, five leading banks were selected to timeously issue the card and 11 banks to serve as billing agencies. The requirements for participating retailers were established, and a large and increasing number of

participants was reported by December 2002⁵³¹.

The Tourism Bureau has promoted the Twelve Major Festival Activities festivals as a package with surrounding tourist sites, and has provided assistance in the holding of festivals since 2001. The aim is to reinforce the content of local festivals, (which attract many satisfied visitors and substantial revenues) and to leverage them for international promotion. Accordingly, particular emphasis is given to the commercialisation, tourist development, and internationalisation of the local festivals⁵³².

As mentioned earlier, to promote the MICE sector, private-sector groups bidding for the right to host international conventions in Taiwan are assisted by the Tourism Bureau, with incentive subsidies for various aspects implemented since late 2002. The Taipei International MICE Exhibition and Conference was held at the Taipei International Convention Centre in November 2003, and determination to expand this sector is evident.⁵³³

Technology and Technology Sharing

An SMEA survey indicates that 63.56% of enterprises have computerised their operations, particularly in regard to financial management, although the proportion is significantly higher for large enterprises. Saving time and simplifying operations were key perceived benefits. Within the commercial sector, computerisation is highest in the foreign trade segment, followed by the wholesale then the retail segments, with the restaurant business in last place. Moreover, 42.97% of restaurant operators have made no plans to computerize their business in the near future.⁵³⁴



The potential of e-commerce is not yet being exploited, with most internet transactions being only emailed information. Fewer than 37% of businesses receive Internet orders; online purchasing of products and services was engaged by 18.29% and fewer than 7% used the Internet for receiving payments.⁵³⁵

Regarding research and development, the three most frequently reported problems for SMEs were:

- lack of development capability due to the small enterprise size
- lack of technical talent and
- shortage of funds

The first problem was most significant for smaller enterprises.⁵³⁶

The government has sought to provide assistance and guidance in the areas of “legal framework, manpower, provision of information and funding” relevant to technology upgrade and innovation. Assistance with R&D funding, tax breaks, enhanced information provision and human resource development were of strong interest to enterprises, with the first two of most concern to small enterprises.⁵³⁷

According to a statistical report, 69.1% of Taiwan’s Internet users use e-mail; the highest in Asia. “E-enterprise” is signalled by the government, whose ‘Challenge 2008 National Development Plan’ notes various plans including ‘SME Knowledge Management,’ ‘Broadband to the SMEs,’ ‘Enterprise Management Service Networks’ and ‘SME Online Learning.’⁵³⁸

A significant level of government resourcing is encouraging SMEs towards e-enablement, and activity in online marketplaces. For example, the Small and Medium Enterprise Administration

(SMEA) continues to provide relevant guidance to help SMEs in various ways related to technological development. These include:

- helping establish industry-specific online databases
- using the existing multi-node remote learning system to provide remote learning to cultivate IT talent in SMEs
- establishing e-enablement service teams to enhance the current level of e-enablement in industry
- helping cultivate e-enablement talent, consultants and management guidance personnel in SME’s⁵³⁹

In relation specifically to tourism industry technology, innovation and development, service industries “products” are intangible, and it can be difficult to build brands or achieve innovation. Government incentives have traditionally targeted manufacturing, but Taiwan is now developing into a service economy. The service sector, accounting for over 60% of GDP however, offers considerable potential for achieving differentiation, segmentation and specialization. Enormous opportunity would follow from the service sector integrating new technologies and business models. Successful incubator models from manufacturing are not yet paralleled by equivalent models and mechanisms for the service industries⁵⁴⁰. A recent APEC Incubator forum, the first, was hosted by Taiwan in August 2003⁵⁴¹.

E-government and travel information systems are both being promoted and developed. In line with this, an Internet reporting system has been established, covering “tourist hotel room rates, operating statistical reports, hotel operations data, changes in managerial personnel, and other data”.⁵⁴² In addition, several funds and loans are available for



hotel industry to improve their automated equipment and technology.

The economies industry cluster strategies have been highly successful, though traditionally focussed on the manufacturing and technology sectors.

Access to Information

It is widely recognized that SMEs' small size and the limited resources available to them make it difficult for them to achieve endogenous growth. The growth has to be exogenous. The important question is thus how to provide SMEs with information on relevant government policies and to ensure that SMEs are able to make effective use of external resources.

The small size of SMEs often puts them at a disadvantage when it comes to securing access to market and technical information, so the formation of strategic alliances can help provide a solution. Forming strategic SME alliances can help to strengthen the competitive advantage of all the parties involved. The Ministry of Economic Affairs' Industrial Technology Information Services (ITIS) project, the Market Intelligence Centre of the Institute for Information Industry and CETRA (External Trade Development Council) are all involved in providing guidance for this sort of alliance formation.

The government has implemented several programs to strengthen the functions of the SME service network. These programs include for example⁵⁴³:

- The SME Troubleshooting Centre, established in 1996, which handles a wide range of SME inquiries and requests for help. It also collaborates in the implementation of SME investment as well as

upgrading and transformation guidance work, including matters relating to the purchase of industrial land, access to market and technology-related information and taxation. Because SMEs are small, and have difficulty finding funding, more than 80% of problems that the Centre deals with relate to financial aspects

- to facilitate the extension of services provision to SMEs, the SMEA has worked through the Industrial Development and Investment Promotion Committees to establish local SME service centres throughout Taiwan. The aim is to provide each county and city's SMEs with prompt and efficient service, and centres are involved in "arranging training, conferences, educational visits, referrals, telephone consulting service and interviews".
- Modelled on Japan's SME management diagnostics system, in 1996, the SMEA began the SME Honorary Instructor System. Comprising successful enterprise managers, and retired government officials and experts, these serve as instructors. and as a bridge between government and business. Honorary Instructors provide consulting in various areas including "production technology, marketing, human resources, R&D, finance and accounting, information management, strategic planning, (and) cross-strait business operations".
- The government has, since 1997, guided for organizations regarding the establishment of SME incubator



centres. The aim is that incubator centres provide SMEs with the services that they need during business start-up, including “(office space), laboratory facilities and support in the areas of technology, human talent, commercial operations, information, administration and funding”. (p273)

In relation to SMTEs, the tourism environment in Taiwan is changing rapidly; therefore, besides helping tourism related SMEs to explore their own characteristics, they must also be helped to organize themselves, and to explore opportunities for the formation of strategic alliances. This includes intra-industry collaboration, and cross-industry alliances. If SMEs can collaborate effectively with one another, then they can benefit from economies of scale, sharing technology, production, sales, information and other resources to compensate for their own individual weaknesses, and thus make themselves more competitive. Travel agencies, lodgings, restaurants, and transportation industries have used this kind of strategic alliances in package tours for a long time. Currently, some forms of industry clusters have been operated very successfully. For example, leisure farming, homestays, eco-tourism guides and interpreters, local personal workshops, and so on, are able to take advantage of some forms of industry clusters.

The Tourism Bureau has also initiated several programs to improve the access to information for travellers as well as tourism industries. These programs include.⁵⁴⁴

- *Integration of Travel Information and Establishment of Diversified Travel Consultation Services.* This initiative combines printed

publications and electronic information services. Information collected from the private tourism sector and central and local government agencies is integrated resulting in a national information centre. This “(provides) domestic and overseas travellers with convenient, accurate, and comprehensive travel information services”.

- *A Glance at Taiwan” Photographic Slide Collection.* A photo contest was held in 2002 with the aim of collecting domestic photographic slides that illustrated scenic spots, cultural festivals, and tourist activities. This resource is available to all producing Taiwan tourism publicity materials, under condition detailed on the website⁵⁴⁵. In the interest of international promotion, a slide library has been established and placed on the website.
- *Reorganising the Tourism Administration Information System.* The framework for Tourism Administration Information was reorganized for the Tourism Bureau's website, providing a channel for online operation to the tourism industry, government, and academe. Integration the Bureau's operations with the Internet it also serves the public with a means of inquiring about a range of tourism information and statistical data.

Development of industries with local characteristics is a government value, given SMEA's appreciation of the traditional Taiwanese entrepreneurship skills underlying its successful growth.



New types of SMEs have been established throughout Taiwan over the last three years, through government funding stimulation. Culturally oriented leisure, eco-tourism, and development of local specialties were included in the business areas in which these new SMEs are engaged. In most cases, the enterprises would not have come into being without government subsidies. The main objective of this kind of SME is to create jobs while also contributing to the development of the local community.⁵⁴⁶

The government also implemented an “Employment Reconstruction Program” over the period 2000-2001 to help those who had lost their jobs in the severe earthquake of 1999. The aim was to renew vitality in affected areas, strengthen the roots of local industry and achieve comprehensive community building. The program initially included: local work reconstruction activities, local home reconstruction activities, local partnership activities, and local industry revitalization activities (e.g. the provision of guidance for the revitalization of the tourist industry). However its objectives extended to stimulate local development, addressing imbalances and changes due to globalisation, and some successful examples are indicated. Such successes argue for subsidy provision beyond hi-tech industries to other sectors⁵⁴⁷.

Through various SME related organizations, the SMEA uses government funds to guide industries with local characteristics, helping them to upgrade, transform and enhance their competitiveness. The SMEA has provided enterprises in various tourism related industries with assistance in “R&D, strategic alliances, enterprise diagnostics, manpower cultivation, resource surveys, tourism planning, image-building, display

and sales promotion”. Such work in relation to tourism business includes:

1. the hot spring *spa* industry in Hsin Peitou, Taipei, the *vegetable dyes* industry in Chungliao Rural Township, Nantou County, the *traditional ceramics* industry in Miaoli County, the *lotus flower* industry in Kuanyin Rural Township, Taoyuan County, the *taro* industry in Tachia, Taichung County, and the *stone-carving* industry in Hualien County⁵⁴⁸.
2. In addition, SMEA has worked to improve the business environment for community enterprises, helping these enterprises build consensus to make effective use of community resources, and strengthen their local community’s vitality. Aboriginal, cultural industry, ecotourist and various other completed tourism development projects are described. The SMEA assistance involved provision of “resource surveys, organization establishment, education and training, management diagnostics, display and sales promotion”⁵⁴⁹.



Hong Kong

Hong Kong returned to China in 1997 following 150 years as a British colony. It operates as a Special Administrative Region (SAR) of China until 2047 under a “one country two systems” formula, recognising that it has an established free market economy, but exists in relation to a socialist regime. It has excellent telecommunications infrastructure, with several ISPs and high mobile phone and Internet penetration⁵⁵⁰.

With minimal trade barriers, a liberal foreign exchange regime and no restriction on capital flows in either direction, Hong Kong is committed to a favourable environment for trade and investment. With no nationality restriction on company ownership, and a simple and low tax regime, the Hong Kong economy is attractively positioned in this regard.⁵⁵¹

There are over 300 000 SMEs in Hong Kong, providing over 1.4 million job opportunities, (roughly 60% of the workforce) and representing over 98% of the total companies. By taking advantage of China in terms of land, manpower and other resources, Hong Kong SMEs have managed to reduce their companies' operating costs increasing global competitiveness. Conversely Hong Kong serves as a bridge to integrate China and the world economy, increasing job opportunities in China and fostering an externally oriented economy. In addition to manufacturing, Hong Kong SMEs have latterly developed into services sectors including tourism, with relative advantages in internationalisation experience and professional competence⁵⁵².

Government schemes for SME support of \$HK1.9 billion (\$US0.24 billion), to help secure loans, open markets, boost training

and support research are available to applicants, including from the tourism related sector.⁵⁵³

Tourism has been an important source of foreign revenue to Hong Kong for some time and employs around 10% of the workforce across such sectors as “hotel, travel agent, airline, land and sea transport, retail, restaurant, theme park, attractions and trade conferences/exhibitions.”⁵⁵⁴ A recent change in the basis for calculating tourism receipts, (in line with the WTO system) has moved towards a more refined picture of constituent estimates, and is critically analysed by Brown (2003)⁵⁵⁵.

The HK Tourism Board is a subvented statutory body marketing Hong Kong globally as a destination. It works with the Tourism Commission, established in 1999 by the Economic Services Bureau, which also covers development aspects.

Human Resource Development

Hong Kong is generally well provisioned in education relevant to tourism, with government-supported courses at various levels in the secondary and tertiary system, including a full degree in hospitality management. Subsidised training programmes for all serving tour guides is underway, and lifelong learning supported through a continuing education fund is promoted, with tourism a targeted sector. A Tourism Orientation Program with training and intern placements is currently run by the HKTb: all being initiatives aimed at developing a high standard workforce.⁵⁵⁶

Hong Kong recognises the role of entrepreneur development in economic development and the Hong Kong University of Science & Technology (HKUST) has introduced The High-Tech



Entrepreneur Program (HTEP) program to develop relevant skills. Although designed for the hi-tech sector, generic business and market evaluation skills are trained, and the program could easily be expanded, for example to tourism.⁵⁵⁷

Hong Kong has considerable experience in international trade, strength in professional areas, and has developed a strong network into mainland China. With WTO accession and a maturing market, Hong Kong will be positioned to provide value adding and professional services to China, and also to act as a trade conduit for companies entering the Chinese market⁵⁵⁸.

Service quality is a comparative advantage for Hong Kong, and this image is reinforced by Tourism Board activities. In 1999 the HKTb launched a Quality Tourism Services scheme that accredits retailers and restaurants, who are entitled to display the QTS decal, and encourages others to follow suit.⁵⁵⁹ This will be administered by a relevant industry association, the Association of Better Business & Tourism Services (BBTS)⁵⁶⁰. The “Be a good host campaign” also promotes service quality, as hospitality is considered important, and a kit to promote this awareness in young people has been designed⁵⁶¹.

Hong Kong’s laws require licensing of outbound travel agents, but inbound tour operators have not in the past been similarly regulated (Dixon, 2003). Regarding operator ethics, she notes the tourism “industry has asked the Government (to introduce) a training and industry entrance examination and, in the meantime, tourism associations are developing codes of conduct for members.”⁵⁶² The Travel Agents Amendment Ordinance 2002 became operational in late 2002 to “set in place a licensing scheme for inbound travel

agents”. This scheme is also expected to be supported by a training and certification scheme for tour guides, enhancing standards⁵⁶³.

Access to Finance

Because of their small profit margin, Hong Kong SMEs have generally exhibited a higher degree of dependence on tax or fiscal incentives. However, China is in the process of implementing National Treatments on Foreign Invested Enterprises (FIEs), and the implementation of a national treatment, though beneficial in the long run, could cause short term problems among Hong Kong SMEs in relation to previous enjoyed trade benefits. As SMEs, including a growing portion of private enterprises, also dominate China's economy, for mutual benefit, Hong Kong SMEs can establish complementary partnerships and strategic alliances with their Mainland counterparts in the areas such as exploring domestic markets, promoting brand names, developing new technology, and even taking part in the reform of the Mainland's State-owned Enterprises (SOEs).⁵⁶⁴

Private sector investment is being actively considered by Hong Kong. Foreign investment, such as the joint venture with the government in developing a Disneyland park, and the Cable car project, with a 30-year franchise are current examples.⁵⁶⁵

Relaxation policies allow increased levels of capital export from the mainland, but few tourists from Mainland China currently plan to invest in Hong Kong, either in property or the stock market. Domestic confidence has begun to improve though, and a gradual increase is expected in property purchase from mainland



buyers, benefiting the accommodation luxury market. It should be noted that there is not a free market in Hong Kong Hotel rooms, since the government owns superior title to all land, and operates individual lease agreements⁵⁶⁶. Prospective hotel developers, after buying land and gaining planning permission then also have to negotiate a special payment to reflect the higher value use, impacting the development as an economic proposition, and slowing the process down. The administration has adopted a standard tariff in converting industrial leases for office use, and Brown suggests this is required for all lease conversion requests, to speed up supply side reaction.

Economic development of the west bank of the Pearl River lags that of the east bank by 5-10 years. A proposed bridge linking Macau, Zhuhai and HK would aid tourism, through promoting mutual exchanges, but weaken HKs property market, whose average house price is 10 times that of Zhuhai. This would affect the SAR's ability to export capital. Tourism will continue to feature prominently on the Government's agenda, and new attractions are being developed with a view to making Hong Kong the events capital of Asia⁵⁶⁷.

Numerous government schemes for supporting SMEs are listed, including funds for export marketing, training and SME development, as well as a loan guarantee scheme, research assistance and new technology training⁵⁶⁸.

Market Access and Development

Although it is Asia's most visited destination, tourism accounts for less than 8% of HK's GDP.⁵⁶⁹ Policies on travel between Mainland China and Hong Kong SAR have recently relaxed along with the Closer Economic Partnership Arrangement

(CEPA). In 2002 it accounted for 40% of arrivals, in 2003, possibly nearer 70%. Half of "inbound" mainland visitors travel on group tours, and shopping, mainly for clothes, followed by sightseeing are most popular. Compared to the previously predominant international market, staying in upmarket hotels, mainland visitors "prefer basic accommodation, and have little brand awareness".

Under a free trade deal between the China and Hong Kong economies, travel restrictions have loosened and the Mainland market is now surging, accounting for increased retail sales, record arrival numbers, and impacting on employment across the sector.

Hong Kong operates a visa regime favourable to international visitation, with nationals of over 170 countries able to visit visa free for designated periods. Group your arrangements have also been liberalised⁵⁷⁰.

In 2002, the total number of visitor arrivals was 16.6 million, increasing from 20.7% in 2001. The top countries or regions of visitor arrivals were from China (6.8 million), Taiwan (2.4 million), South East Asian countries (1.6 million), Japan (1.4 million), Europe (1.0 million), U.S.A. (1.0 million), Australia and New Zealand (0.4 million), Canada (0.3 million), and others (1.6 million). Outbound travel figures show that the total number of Hong Kong resident departures in 2002 was 64.5 million, increasing by 5.6% over 2001. The destinations of the departures include China (55.6 million), Macao (4.2 million), Taiwan (0.54 million), Japan (0.52 million), USA (0.19 million), and others (3.5 million).⁵⁷¹

Although hit more by SARS than some other destinations, tourism has begun to recover, with nearly a 10% increase in



August visitor numbers over the previous August figures⁵⁷². A global TV campaign with Jackie Chan begun in September 2003 aims to consolidate the recovery.

Hong Kong has also developed several other marketing campaigns in recent years connected to its positioning as “Asia’s world city”, and promoted a “Youth Design Contest for Souvenir Cover on Asia’s world city” which attracted over 4700 entries and led to the issue of two souvenir covers by Hong Kong Post in January 2002⁵⁷³. Hong Kong’s image has however, been castigated as sending confusing messages and lacking a single uniting symbol, such as a swastika, which epitomises a visual brand identity rather than a fragmentation of imagery⁵⁷⁴.

The HK government announced a \$2.3 billion budget for building up tourist attractions and development as a tourism hub during the current five-year period. The Hong Kong Monitor, (a joint publication of the Hong Kong Trade Development Council, (HKTDC), the Hong Kong Economic and Trade Office (HKETO) and the Hong Kong Australia Business Association (HKABA)) describes this new emphasis on tourism in early 2002⁵⁷⁵.

A range of attractions for all markets is strategically planned, with for example, Disney Corporation planning a joint venture theme park built on Lantau Island, to open in 2005, and a cable car to access the Great Buddha. In addition, Kowloon Peninsula was targeted for the development of a cultural, arts, and entertainment district, and major waterfront infrastructure plans are indicated, with the West Kowloon reclamation area now becoming an iconically canopied arts and recreation area, and a cruise ship terminal is also planned to service this growing market.

Cultural heritage and historical preservation activity is officially recognised, and heritage tourism promotion is being strategically considered.

Cooperation with wider interregional organisations, and cooperation with immediate neighbours, locally in the Pearl River Delta region, and regionally with Thailand and Singapore aims to increase visitation through joint promotion campaigns.⁵⁷⁶ Partnet is another HKTDC initiative providing information and resources for other tourism service providers (currently restricted to Hong Kong based operations) to sell Hong Kong⁵⁷⁷.

Technology and Technology Sharing

Hong Kong, as a regional trading and services hub, has an auspicious environment for the development of the Internet and electronic commerce. The first commercial Internet Service Providers (ISPs) was established in 1993. Currently, 61% of households have personal computers (PCs) in Hong Kong and 80% of household computers are connected to the Internet. In addition, 44% of businesses have Internet connection.

Hong Kong China was one of the first APEC economies to apply the e-readiness guide, a self-assessment tool indicating the competitiveness profile in relation to electronic trade and highlighting areas for development. Hong Kong’s self-assessment is available on the Hong Kong government’s website⁵⁷⁸. This was conducted in relation to the Digital 1 Strategy of positioning Hong Kong as the Asia Pacific Internet hub.



Even though Hong Kong has an excellent telecommunications and information technology infrastructure, e-commerce is still at an early stage. Although the e-business receipts from selling goods, services or information online amounted to HK\$ 22.1 billion in 2001, (up 185% from 2000) only 1.5% of Hong Kong companies had sold goods, services or information electronically, accounting for 0.43% of their total business receipts in 2001⁵⁷⁹

Reasons for slow e-commerce uptake have been identified, including lack of knowledge and understanding, preference for interpersonal business dealing, comfort with existing markets, limited resources and general scepticism and mistrust among SMEs. A sector specific strategy to encourage e-commerce uptake has been detailed for the tourism sector⁵⁸⁰.

The HKTB's consumer website⁵⁸¹ provides extensive information for visitor and intending visitors, and has links for online booking to events, and different language options. Aviation technology and regulatory compliance are also active commitments, impacting on tourist safety⁵⁸².

Environmental protection is vital to Hong Kong, which has considerable, though less well known natural resources, and hosts hiking festivals and other nature oriented events. One ecotourism initiative is the Make The Waters Smile campaign "to protect and sustain Hong Kong's natural heritage of waterways and shorelines". Launched in late 2002 and designed by Suzie Money, a Hong Kong Goodwill Ambassador, based in Western Australia, such initiatives promise Australian expertise and sponsorship for natural resource based tourism.⁵⁸³ The Government also embraces sustainability through the tourism industry's adoption in 2000 of the Environmentally Sustainable

Development Strategy, and legislation requires environmental impact assessment prior to permitting construction. Other specific ordinances cover ecologically valuable sites.⁵⁸⁴

Access to Information

Prior to its current global destination promotion mandate, the HKTB was formerly the HKTA, an association substantially concerned with its members' own interests and serving to provide industry information and linkage. The HKTB is still tasked with collecting data on arrivals, occupancy and spending, and publishing those in various ways. A TSA has been piloted and is being assessed by the government's Census and Statistics Department⁵⁸⁵.

The HKTDC has since 2002 operated a business matching service, relating buying and selling, matching agency with distributorship, partner search for joint ventures and more. The service was launched at SME market day in June 2002, and international aspects are indicated.⁵⁸⁶

A website on country and marine parks has been set up to promote public awareness of conservation issues, and green tourism development is being examined.⁵⁸⁷ Pedestrian and information signage has been improved to help visitors and was completed in 2003.⁵⁸⁸

A range of industry associations also operates in various tourism subsectors, such as the Hong Kong Association of Travel Agents (HATA)⁵⁸⁹, the Travel Industry Council of Hong Kong⁵⁹⁰. The Association of Better Business & Tourism Services (BBTS)⁵⁹¹, which was formerly known as Association of Retailers & Tourism Services (ARTS), and the Hong Kong Association of Registered Tour



Coordinators (HARTCO).⁵⁹² These provide specific resources to members, including codes of practice advice, training facilitation and publications.

The Hong Kong General Chamber of Commerce (HKGCC) is also an active source of information for SMEs and tourism is well represented in its activities and publications⁵⁹³. It organises symposia, for example on e-commerce adoption⁵⁹⁴, and advises regarding CEPA and other activity affecting SMEs, including tourism.



Indonesia

Indonesia is the world's largest archipelago, comprising 17 508 islands inhabited by 365 ethnic and tribal groups with diverse cultures and languages. It has a population of about 235 million, and land borders with Malaysia, Papua New Guinea and East Timor. Governance, financial reforms and poverty alleviation are currently indicated issues, and investor confidence is likely to be low under current economic circumstances⁵⁹⁵.

Some background material from the Singapore Productivity and Standards Board on SMEs in selected ASEAN economies is available. This notes that, in developing countries such as Indonesia, most enterprises are smaller in scale on capital and labour use levels, and furthermore are traditional rather than modern enterprises.⁵⁹⁶ Typically more flexible, innovative and unbureaucratic, Indonesian (MSMEs) face specific but familiar problems identified by a survey by the Central Bureau of Statistics, including shortage of capital, marketing difficulty, competition, and lack of managerial skill. Credit programmes were a major problem at the time of the survey (1997).⁵⁹⁷

For some time, and following rapid growth in the 1990s, the Government has aimed to form policy and legislation conducive to a fair, productive and competitive business environment for SMEs, which had been relatively neglected in the past. Financing for SMEs, and relevant interim measures during banking sector revitalisation, along with efforts to streamline licensing and trade procedures have been actively considered or implemented⁵⁹⁸.

An overview of tourism in Indonesia, using government information although now slightly dated, gives a good

orientation to tourism's role in the economy's development. Programs indicated cover both tourism and tourism products, and relate to environment, education, training and tour guiding, R&D, infrastructure and development of arts and culture, generating many new jobs⁵⁹⁹.

Indonesia, along with Malaysia, Brunei Darussalam, and the Philippines, work together in the East ASEAN growth Area (BIMP-EAGA) on development issues, such as more attractive investment incentives and trade facilitation arrangements. The ADB and other APEC economies are supportive and interested in partnering towards development of this region. Tourism cooperation is specifically highlighted, along with transport infrastructure development conducive to tourist and other flows⁶⁰⁰.

The culture and tourism portfolios reside within a single ministry, with separate state ministers for cooperatives and SMEs, Women's empowerment affairs, environment and others. A rich array of flora and fauna, with specific flowers and plants related to cultural rites and traditional herbal medicine, is also described on the tourismindonesia.com website.⁶⁰¹

The Department of Foreign Affairs and the Culture and Tourism Ministry are specific agencies relevant to tourism and provide information, statistics and current awareness for the sector. SME policies are progressive, and are outlined in an online document.⁶⁰²

Sustainable Indonesian tourism development is discussed in the context of a four-year partnership initiative from 2003-2007. ASEAN, individual government, community, tertiary and industry organisations are working towards sustainable tourism objectives, embracing



environmentally friendly technologies, increasing awareness, infrastructure and human resource capacity, with ecotourism prominent⁶⁰³.

Particular issues in the Indonesian context are noted, including the role of conservation policy and practice, but the lack of knowledge of farmers, and indeed local governments in neighbouring areas that deteriorate the overall ecosystem. The potential for tourism to fail to benefit the poor, through revenue being captured by richer groups, and the associated displacement, increased local costs, loss of access to resources and social and cultural disruption tourism has potential to bring.⁶⁰⁴

Human Resource Development

Poverty reduction is a feature of development applicable in various parts of Indonesia, which has 4.3 million poor households, with one in ten women-headed households being poor. Poverty should be distinguished from subsistence, which is sustainable, and to which economic indicators do not generally apply. Prerequisite to wider development is increasing incomes above poverty level and “empowering the rural poor to plan and manage activities that affect their livelihoods.”⁶⁰⁵ Ecotourism related to environmental management has such a potential, and following the WTO’s (2001) Development of Community-Based Tourism initiative, much tourism planning is referenced to community-based development.

The General Guideline of National Development, in regard to ecotourism, mandates ecotourism development as a goal that relates directly to sustainable community development. Participation in decision-making is seen as helping to

achieve such sustainability, given the ineffectiveness of top down approaches. Nonetheless capacity building through training is required, and partnership, and perhaps international assistance is indicated⁶⁰⁶. Relevant Indonesian case studies are provided through this source.

A research program aimed at providing knowledge relevant to entrepreneurship promotion and small business development took place during 1999-2000 across different Indonesian contexts, covering the low-budget tourism sector, and acknowledging gender and ethnicity aspects⁶⁰⁷.

Gender issues were also structurally recognised in an ADB project to empower rural communities in Indonesia. This revolved around participatory village planning (involving women’s groups), and forming community based savings and loans organisations, with women comprising half of the membership of such organisations, half of the project facilitators and half of those undergoing leadership and capacity building training.⁶⁰⁸

The ILO provides description of government programmes related to increasing the role of women in small industries, and to training women entrepreneurs. Initiated under the Department for Industry, cooperative enterprise groups (including small scale businesses) are funded by the (government owned) commercial bank BRI, and coordinated under the Minister of State for the Role of Women⁶⁰⁹.

The Bali Hotel and Tourism Training Institute is Indonesia’s national focal point for the Asia-Pacific Education and Training Institutes in Tourism (APETIT) network. The purpose of this network is “to strengthen the institutional capabilities



of various countries' tourism training, education and research institutes, to encourage cooperation among them and to overcome the quantitative and qualitative shortages of human resources in the tourism industry”⁶¹⁰.

The island of Bali has been a popular international tourist destination for some time. Two nightclubs frequented by tourists in Kuta in Bali were bombed in October 2002, severely affecting the tourism industry. The Kuta Small Business Association (KSBA) has recently partnered with two US organisations to develop entrepreneurs and thus establish an economy basis that is less heavily reliant on tourism alone⁶¹¹. One partner, the National Foundation for Teaching Entrepreneurship (NFTE) has a track record of teaching entrepreneurship to disadvantaged youth.

Access to Finance

Both women and men in Indonesia “have the right to seek loans credit and mortgages”. Low interest loans may be obtained from the Government’s Indonesian People’s Bank, guaranteed by a certificate of business training from the Ministry of Trade and Industry. Microcredit schemes, offered by the government, are also available to both genders, with the rural poor, and poor women being targets for specific schemes⁶¹².

Poverty reduction is one of the UN’s millennium development goals set in 2000. Microfinance has been shown to help in this regard with 90% of households graduating out of poverty and 112% average income increase for Bank Rakyat Indonesia (BRI) borrowers in Lombok.⁶¹³ UNESCAP’s transport and tourism division coordinates relevant project activities related to poverty alleviation

through sustainable tourism development and promoting cooperation both in sustainable tourism and in human resources development⁶¹⁴.

Protected areas are important in helping conserve unique nature tourism propositions. Indonesian peoples in and around Indonesia’s national parks and in forest areas currently being dispossessed by (e.g. logging activity) may be able to manage their land using traditional methods (suitable regulation permitting), and in time appropriately develop sustainable cultural or ecotourism product. Debt-for-nature schemes buy and cancel parts of national debt in exchange for conservation commitments, and have been applied in Thailand, Perú and other economies. Their possible applicability in Indonesia has been considered, but government policy on development has traditionally emphasised large-scale exploitation of the natural resource⁶¹⁵. Newer financial models for such management are described by Haeruman (2001)⁶¹⁶.

IFC operates several financial capacity building initiatives in Indonesia, including seminars and symposia to help local bankers lend to small businesses profitably, and also offers credit bureau programs.⁶¹⁷

Social Investment schemes, funded through the World Bank, relate to financing for sustainable income sources through cultural production, e.g. traditional Indonesian textiles, and other craft activities. Microfinance schemes provide direct support to artisans, and to the consolidating marketers of such products.⁶¹⁸

Women entrepreneurs are catered to through the Women’s Business Centre, both at startup and expansion. Access to



finance and credit, business matching and export are some provided services, and a lending window for women in SMEs program was launched in 1999⁶¹⁹.

Indonesia is the lead country for one of ASEAN's initiatives in tourism investment promotion for its wider region, namely, the Indonesia, Malaysia, Thailand, Growth-Triangle (IMT-GT)⁶²⁰.

Market Access and Development

In the past domestic tourism has been encouraged by Pokdarwis, group tourism activities designed to promote awareness of Indonesia's charms, and in 1997/8 the government introduced tours for senior citizens. Tourism awareness campaigns were aligned with national themes for a given year, such as the Year of Art and Culture. National festivals also have helped domestic tourism to increase in recent years⁶²¹.

Indonesia is Australia's immediate neighbour, and Bali province in particular has for many years been a major destination for Australians and many other tourists worldwide. Tourism in Bali took a downturn following the bombings in 2002, but has recently been recovering. The American Express Company is paying much current attention to promotion of Bali as a destination, and also engaging in cultural heritage conservation activity⁶²².

The VIP (Visit Indonesia Program) Welcome Card is a collaboration between the Ministry of Tourism and the private sector, supported by the Hotel and Restaurant Association of Indonesia (PHRI), the Indonesia Tourism Promotion Board (ITPB) and the Indian Ocean Tourism Organisation (IOTO). This gives

discounts on over 300 tourism-related products across Indonesia⁶²³.

Since 1989 the Indonesia Tourism Promotion Agency (BPPI) has developed new markets, operated tourism promotion centres in major cities in significant markets, and participated in travel expos in international locations. Cultural festivals, MICE events, and sporting events also promote international visitation.⁶²⁴

Close cooperation within ASEAN on tourism promotion has been implemented, both investment in and marketing and promotion activity.⁶²⁵ The ASEAN Tourism Forum in 2002 was held in Indonesia, and attracted 380 buyers from 47 countries, along with international press and others.⁶²⁶

An Indonesian company, Web Pacific Indonesia designed the visit ASEAN website⁶²⁷, helping to promote ASEAN as a single destination. Prior to signing, the ASEAN Tourism Agreement (ATA) indicated a number of areas agreed by a high level task force, including market access, facilitation of transport services, Intra-ASEAN and international travel, and joint marketing and promotion.⁶²⁸ This was signed in November 2002, and an implementation program has since been endorsed.⁶²⁹

China is becoming a significant market for Indonesia, growing more than 33% annually between 1999 and 2001, and continuing to rise meantime. 2000-year-old cultural links and well-preserved Chinese attractions are one drawcard.⁶³⁰

Technology and Technology Sharing

E-tourism will be facilitated through effective telecommunications, which are



generally good in Indonesia. The government has planned to liberalise the sector, and has set up an independent regulatory body with broad powers⁶³¹.

Indonesia participates in the e-ASEAN Initiative, which makes commitments to a favourable policy environment for ICT uptake and use, and involves intra-ASEAN liberalisation in ICT products, eliminating duties and non-tariff barriers. E-commerce is facilitated also in the bloc by a “system of mutual recognition of digital signatures; secure electronic transactions, payments and settlements; protection of intellectual property rights arising from e-commerce; measures to promote personal data protection and consumer privacy; and dispute settlement mechanisms”, along with supporting human resource development.⁶³²

Nationally, a coordinated emphasis on e-commerce development is planned, in the context of global trends and recognition of the convergence among computing and information processing technologies, with network infrastructure and telecommunications and new media, with content from creative and publishing industries. Forming the national information infrastructure, the Archipelagic Superlane Backbone (ASB), a Multimedia City (MMC) centre with other Multimedia Community Access centres, and present and future physical infrastructure arrangements are indicated⁶³³.

One current technology is Wireless local loop (WLL)⁶³⁴ which allows deployment of basic telephony and also broadband, relevant to access speeds and convergence with media distribution. Pilots are underway in Indonesia and some other locations⁶³⁵.

Indonesia still has large tracts of the worlds remaining tropical rainforests, but leads the world in loss of forest habitat⁶³⁶, endangering its iconic species, including the orang-utan, Asia’s only ape and a major tourist and scientific attraction. Tourism entrepreneurs unable to survive market downturns illegally clear forestland to live, compromising entire ecosystems and long-term sustainable solutions.⁶³⁷ Private sector financing related to sustainable forest management has been examined, and a book is available online covering key issues.⁶³⁸

At a local level, sharing ideas and promotional efforts among tourism businesses and other stakeholders is now increasingly happening in Bali following the 2002 bombing. Hotels in Bali have cooperated to sell Bali as a single destination and traditional business competitors have combined forces to mount events and to engage in dialogue with other tourism stakeholder groups.⁶³⁹

Access to Information

TourismIndonesia.com provides a central resource for the industry, with an extensive links page to official and commercial sites.

In Bali in 2000 ASEAN member states agreed that a regular journal, The ASEAN Tourism Journal, would strengthen the “communication network and facilitate scholarly and academic activities in the ASEAN tourism sector”. The journal was launched in 2002 in Indonesia at the ATF⁶⁴⁰. It is published by the Tourism Research and Development Centre at the Institut Teknologi Bandung, Indonesia, and aims toward creating a “tourism-related knowledge development and professional institution that is needed to develop a reliable tourism industry in ASEAN countries”. Recent articles examine for



example, the potential for developing ecologically sustainable tourism, and Computable General Equilibrium (CGE) modeling of Australian tourism⁶⁴¹.

The Centre itself supports tourism growth, and cooperates with the Ministry of Tourism, local governments and the private sector. It provides consultancy in management, policy and planning areas, offers relevant training and also publishes and researches.⁶⁴²



Japan

Japan advanced rapidly in the second half of the C20th to become the world's third largest economy, though has slowed significantly in recent years. Technologically highly advanced with an excellent telecommunications infrastructure and high Internet penetration, and covering varied terrain but with some environmental degradation, Japan has a "time-honoured culture" with a negligible level of minority ethnic groups.⁶⁴³

Small and medium enterprises make up 87.2% of the total number of enterprises in non-primary industries. In food service industries, the figure rises to 89.4%. Under the Small and Medium Enterprise Basic Law, the term "small and medium enterprise" (SME) refers in general to enterprises with capital stock not in excess of ¥300 million or 300 or fewer regular employees, and sole proprietorships with 300 or fewer employees. However, SMEs in the wholesaling industry are defined as enterprises with capital stock not in excess of ¥100 million or 100 or fewer employees, SMEs in the retailing industry are defined as enterprises with capital stock not in excess of ¥50 million or a workforce of 50 or fewer, and SMEs in the service industry are defined as enterprises with capital stock not in excess of ¥50 million or a workforce of 100 or fewer. Small, as opposed to medium, enterprises are defined as enterprises with 20 or fewer employees. In the commercial and service industries, however, they are defined as enterprises with five employees or fewer. This would be equivalent to standard microenterprises definitions, and applicable to many tourism SMEs⁶⁴⁴.

Small enterprises account for only 18.4% of employment in non-primary industries,

though the food service industries accounts for somewhat larger shares (27.7%)⁶⁴⁵. The business performances of SMEs indicated some recovery in the first half of 2002 before levelling off in the rest of the year. However, a performance gap expanded between manufacturers and non-manufacturing industries⁶⁴⁶.

An index showing relative deterioration or improvement in business conditions (the Business Conditions DI) is calculated by subtracting the percentage of enterprises that said business had "deteriorated" compared with the same period a year earlier from the percentage that said business had "improved". Among enterprises of all sizes, the Business Conditions DI fell rapidly from the first quarter of 2001. The business conditions DI for SMEs has however changed more slowly than that for large enterprises. This reveals the improvement in business conditions brought about by the recovery have been more limited among SMEs than large enterprises. Among small and medium manufacturers (SMMs), the recent downturn in business confidence has occurred at a similar pace as the downturn during the previous recession, known in Japan as the "financial recession"⁶⁴⁷.

The economic impact from the tourism business may include ¥20.6 trillion of tourist consumption sales, ¥48.8 trillion of induced production, and 3.93 million of total job creation. It is a composite sector that encompasses a variety of activities in addition to travel and accommodations⁶⁴⁸.

Japan, however, has not yet become a country that is fully open to the world in terms of the acceptance of foreign tourists as well as domestic foreign direct investment in Japan. For example, there are approximately 16 million Japanese that travel overseas each year, but the number



of international visitors to Japan remains only around 5 million.

The Japanese translation of "tourism" is *Kanko*, where "*kan*" means "to see" in general, and "*ko*" means "light." Therefore, the meaning of tourism is not only in merely "seeing the highlights" of famous spots or landscapes, but also in "showing the highlights" of a country or region. Japan is an island filled with charms. These are:

1. "Coexistence with nature and the pursuit of beauty"
2. "Coexistence of tradition and modern"
3. "Coexistence of industrial vitality and cultural beauty"
4. "Harmony with Japanese and Western styles"
5. "Enveloped in bountiful nature"
6. "Stable society safety and order"⁶⁴⁹

In Japan, tourism has tended to be viewed as simply a matter of sightseeing. Therefore, tourism has received markedly less priority compared to other areas of industry in terms of improving the industrial environment, the policies, and systems for and attitudes toward tourism development. This view is now changing, and tourism should be positioned as one of Japan's leading industries and the one whose international competitiveness must be strengthened⁶⁵⁰. It would be necessary for the government to ease regulations to the greatest extent possible and strengthen the market functions. It would be desirable to provide a variety of services to meet the needs of international visitors, across a broad range of prices and choices.⁶⁵¹

The Ministry of Land, Infrastructure, and Transport was established in January 2001. The Tourism Department of the new Ministry's Policy Bureau should give

better coordination functions so that tourism policies can be developed laterally across the various ministries and avoid the problem of lack of consistency. Meanwhile, the appointment of a special tourism advisor reporting directly to the prime minister is a recommended consideration⁶⁵².

Human Resource Development

Looking at the medium to long term as well as the short term, it is chiefly the small-scale enterprises that have a high level of job changes and contribute to the net growth and stimulation of employment. In contrast, large-scale enterprises have lower job creation rates and higher destruction rates, as a result, they make a smaller contribution to employment⁶⁵³.

Looking at the job changes by industry, it is found that while there was a net decline in employment in all industries in the short term, employment is growing in the retailing and service industries over the medium to long term. Job creation is particularly high in the service industry, and destruction is highest in manufacturing. The job creation rates vary widely depending on the industry, with the creation rate highest in services (63.6%) and lowest in manufacturing (26.1%)⁶⁵⁴.

If Japan wants to revitalize its economy and strengthen the international competitiveness through the development of its tourism industry, the right human resources with appropriate ability will be the decisive factor. The government should collaborate with the private sector to improve such human resources. The government can also consider training professional leaders in tourism by promoting tourism education at higher education institutes. They can train people with an understanding of the essential



characteristics and ideals of tourism, including tourism marketing and management. In addition, industry and government can encourage greater participation by nonprofit organizations and similar groups engaged in community development.⁶⁵⁵

In order to support the development of human resources for start-ups, the government support centres for SMEs will organize “start-up seminars” (¥39 million) to help people acquire basic knowledge about start-ups. The commerce and industry associations and chambers of commerce and industry will organize “start-up courses” (¥491 million) for small numbers of participants (around 10) in order to help solve specific problems encountered leading up to start-up. The Central Federation of Societies of Commerce and Industry and the Japan Chamber of Commerce and Industry will each organize “start-up classes” (¥565 million) that teach practical skills required for start-up over a period of around 10 days⁶⁵⁶.

Women play an increasing role in Japan’s workforce. There are more and more young, educated Japanese women now taking professional, career track positions such as in law, entertainment, finance, etc. Part-time work is not new for women. Many women have returned to the part-time workforce after they have raised their children. The number of part-time workers has almost 12 million, 70% of which are women. Another growing trend is the use of contract workers. Many of contract workers are women. On the other hand, more women and men as well neither pursue further education nor regular, full-time employment. It is estimated that there are more than 3.4 million young population or 5% of Japan’s workforce only work in part-time, low-skilled jobs while pursuing personal interests in their

free time – these are called the “freeters”⁶⁵⁷.

Entrepreneurship is also being encouraged, and Japan is making some efforts on structural reform of the economy. One is the bad-debt disposal on the financial system. The other is the industrial structural reform, promotion of business start-ups, and management reforms. Japan thinks that it is important to establish policies to help create powerful and innovative SMEs, and encourage entrepreneurship. In order to promote start-ups and entrepreneurship, the government has taken several measures. For example, The Hiranuma plan will establish 1000 university-launched ventures (through joint research by the industry and the university) by 2004 and increase the present number of annual start-ups to 360,000 by 2006.⁶⁵⁸

The Hiranuma plan has four parts. In the first part, a project called “Stand up, Japan! Dream Gate Project” was developed. The contents of this project include: (a) fostering momentum for start-ups and independence, arousing people’s desire for start-ups; (b) providing 300,000 users or more with a new online start-up support service; and (c) conducting intensive educational activities for university students including interns. Secondly, in financing terms, an exceptional provision to decrease the “minimum capitalization requirements” in the Commercial Law was established. This can lower the obstacle for start-ups and make their establishment easier. About 2,900 ventures have been established using this special measure. Thirdly, loans and guarantees for SMEs are implemented through venture capital, public financial institutions and public credit guarantee systems. In particular, it does not use real estate as collateral, but based on the business plan to provide loans. Fourth, in human resource development, entrepreneurship education



projects are being developed to train human resources with an enterprising spirit, creativity, and negotiation capability. In addition, training courses for start-ups are also provided to support entrepreneurs in acquiring the practical capabilities needed for start-up⁶⁵⁹. Japan's Overseas Vocational Training Association (OVTA) also supports the APEC Vocational Training Project in Cooperation with Enterprises program, helping strengthen SMEs by selecting participants from developing economies for onsite training⁶⁶⁰.

SMEs do not necessarily maintain the same size and provide the same limited products. They can grow from family enterprises to non-family enterprises and develop more complex technologies to meet their markets. Therefore, SMEs with such strengths are expected to lead the revitalisation of the Japanese economy through the creation of innovations to society and provision of jobs⁶⁶¹.

The top five sectors in terms of start-up rate (from 1999 to 2001) included telecommunication ancillary services (61.7%), software development (27.9%), aged people's welfare (25.4%), used goods retail (24.1%), and daily life-based services (19.1%). Tourist information providers were included in the sector of daily life-based services. Obstacles to start-up of entrepreneurs include the issues of finance, marketing and technical/expertise knowledge. Young people especially face financial problems and shortages of technical/expertise knowledge⁶⁶².

It is important to foster environmental awareness when promoting tourism, and recognition or accreditation becomes applicable. One aspect of Japan's sustainable tourism is "green" tourism, in which the tourism is based on experiencing nature or trying out agriculture, forestry, or

fisheries. While it is necessary to conserve scenic areas and other resources, it also needs to review all the regulations that affect green tourism. For example, a system of official recognition for hotels and inns that minimize the burden on the environment would be publicly designated as "model establishments"⁶⁶³.

Access to Finance

SMEs depend on borrowing more than large enterprises. However, the smaller the enterprise, the more difficult it is to borrow the requested amount from banks and the higher the interest rate is. For example, according to a survey in 2002, 18.2% of enterprises with 0-20 employees failed to get loans, while only 2.8% of enterprises with over 301 employees failed to get loans⁶⁶⁴.

Because financing is the biggest problem faced at start-up, several methods will be actively pursued in order to diversify and facilitate financing for entrepreneurs. These include: (1) new start-up loan program- this program was established and entered operation in January 2002 under which the National Life Finance Corporation provides loans of up to ¥5.5 million to businesses without the need for collateral, guarantors or personal guarantees, provided that an entrepreneur has a proper business plan; (2) Investment in investment enterprise partnerships; and (3) Guarantee program for entrepreneurs.⁶⁶⁵

The financial position has deteriorated for SMEs over the long term. Outstanding loans to SMEs declined at large private financial banks, while those to SMEs remained rather steady at government financial institutions.⁶⁶⁶ Financing is very difficult for SMEs, especially since owners



cannot ask for financial support from anyone except their relatives or friends (private networks) after bankruptcy. 43% of owners of failed enterprises are bankrupt, but about 14% of them have restarted. Therefore, facilitation and expansion of flexible responses by financial institutions is indicated as a policy issue⁶⁶⁷.

The important factors for SMEs successfully to borrow money and get lower interest rates may include: (1) to actively provide company information and, (2) to build continuous long-term relationships with their banks where they can communicate more than just financial data to their banks. It is also important for SMEs to diversify partner banks. In such cases, regional banks and government financial institutions could play important roles. Knowledge of interest rates is also important for SMEs. On the other hand, banks tend to look at financial statements and security package to determine the lending. An analysis of financial data from 250,000 SMEs shows that, even if SMEs had been experiencing ordinary losses or liability overflows, many of them would have achieved profits or solved problems in a few years. Therefore, financial institutions should develop their capacity to identify the underlying business strengths and weaknesses of SMEs, growth potential and other aspects that do not necessarily appear in financial statements of SMEs.⁶⁶⁸

The government has made several efforts to expand new means of financing to provide a secure financial safety net and diversify the financing options open to SMEs. These include: (1) Development of safety net guarantee and loan programs; (2) Active use of receivable-backed loan program; (3) Expansion of special bond guarantee Program; (4) Further relaxation of repayment terms for past debt under the

special guarantee program; (5) Enhancement credit support program; and (6) Lending plans of government-affiliated financial institutions⁶⁶⁹.

In 2003, the SME Agency has implemented the diversification of financing for SMEs. For example, it has provided the “guarantee system for loans backed by trade account receivable” since December 2001. The Credit Guarantee Association guarantees the loan that a financial institution provides to an SME which transfers trade accounts receivable as collateral to the Association and the institution. Also it has supported the “securitisation of accounts receivable” in cooperation with government financial institutions since February 2003. This process makes it easier for investors to get funds by securities. It is important for SMEs to make use of these new financing methods⁶⁷⁰.

Technology and Technology Sharing

Japan, as the world’s number one technology supplier, hasn’t exactly approached e-commerce possibilities as its western counterparts. Extended use of computers is just emerging. For e-commerce to succeed in Japan, many economic and social barriers must be overcome. For example, elderly CEOs still resist using e-commerce, and telecommunication companies still charge excessively for calling rates⁶⁷¹.

There are several policies implemented to promote the acquisition of information technology skills for SMEs. These include: (1) Implementation of seminars and training programs such as e-learning program (¥200 million budget), IT seminars and IT training (¥459 million budget), and IT festivals (¥36 million budget). Training for IT experts such as



development of IT-based teaching materials and remote training program (¥506 million budget), and dispatch of IT experts; (2) Support for business innovation using IT- support will be provided for the development and introduction of collaborative network systems between enterprises capable of serving as regional models. (¥652 million budget); (3) Promotion of information provision using IT such as e-SME Agency and network project, Portal site management (J-Net21), Internet-based information exchange program, and Support for regional IT promotion councils⁶⁷².

As economic globalisation progresses, the advantage of a vertical or horizontal alliance among enterprises shifts from stability of work to the elimination of risks and getting technical guidance. The reasons for service industries to develop such alliance include: cost reduction (60%), sales channel exploration (51%), development of new services for existing businesses (50.5%), enhancement of education (46%), collection of customer information (41%), advancing into new areas (36%), promotion of information (33.5%), enhancement of advertisements and campaigns (9.5%), and others (5.5%)⁶⁷³.

In order to support regional industrial clusters and local industries, the following methods are currently planned: (1) Subsidization of the establishment of small rented offices and factories and test and research facilities (¥36 million); (2) Subsidization of projects to develop new products (¥503 million); (3) Subsidization of operations to support local SMEs by support organizations (¥420 million); (4) Subsidization of projects to develop new products and open up new markets by entities such as associations to revitalize local industries (¥358 million); (5)

Subsidization of projects to develop new products and open up new markets by local SMEs in order to start up in new businesses using local resources (¥356 million); (6) Subsidization of the necessary cost of the activities of groups such as research groups led by inter-industry and inter-field voluntary groups contributing to regional revitalization (¥586 million); and (7) Organization of national local industry fairs to open up new markets for local industries (¥161 million)⁶⁷⁴.

SMEs that participated in “inter-industry exchange programs” tend to try business cooperation activities. Therefore, inter-industry exchange programs can work as a seedbed for business cooperation. In addition, corporate-academia collaboration is highly effective in the absorption of knowledge and the establishment of new technologies for SMEs. It was found that the smaller enterprises benefit more from corporate-academia collaboration, but they lag behind larger firms in collaboration⁶⁷⁵.

Market Access and Development

Based on the “Basic Policies for Economic and Fiscal Policy Management and Structural Reform 2002”, the Ministry of Land, Infrastructure and Transport has formulated “The Inbound Tourism Initiative of Japan”, and designated 2003 as “the inaugural year of the Inbound Tourism Initiatives for Japan”. The target for the number of inbound visitor per year is focused at 8 million by the end of 2007⁶⁷⁶.

In order to reach the goal, a strategic policy package for promoting inbound tourism to Japan was designed through joint collaboration between the public and the private sector. The four strategies are: (1) **Promotion of inbound tourism**: this



includes a “visit Japan Campaign”, the development and marketing of tourism products that can be flexibly fitted to specific needs, and simplification of visa acquisition requirements and positive review of visa-applicable country/area; (2) **Improving visitor reception structure**: this includes improvement to international airports, seaports, and means of local access, developing multi-functional IC cards honoured in multiple countries, creating tourism destinations that are truly attractive to foreign visitors, and streamlining CIQ control formalities; (3) **Sophistication of the tourism industry**: this includes planning and development of tours custom fitted to foreign visitors by travel agents, development of entertainment facilities, and strengthening of private-sector coalitions; and (4) **Promotional measures**: these include pushing forward the coordination of measures and programs, and set up of a “strategic board” for collaboration and coordination between the central government, local government, and the private sector⁶⁷⁷.

In addition, promoting exchanges through tourism with nearby Asian countries and the United States through numerous events were implemented. For example, the “Japan-China Friendship, Culture and Tourism Exchange Ceremony commemorated the 30th anniversary of the diplomatic relation between the two countries.⁶⁷⁸

Two way tourist exchanges with China, such as the Sino-Japanese Cultural Exchange Conference helped to affirm China as an outbound market, and the government decision to implement “three consecutive days off” for some festivals, increased the number of opportunities for tourism and short breaks domestically or in the region.⁶⁷⁹

Access to Information

Although many countries have used various diverse media, in Japan the websites targeted at foreign viewers are still at an early stage of development. It is perceived that the government and the private sector need to work harder in this matter. The websites can provide tourism information that is updated regularly, as well as a function that allows reservations to be made directly by Internet. It would also be desirable that the websites are displayed not only in English but in Chinese and Korean as well⁶⁸⁰.

Japan's airports, including Narita Airport, are still inadequate in terms of the “software” aspects of their infrastructure, such as foreign language signage and information panels. Urgent steps should be taken to provide signs and other facilities that meet the needs of foreign tourists in tourist-related facilities, such as airports, seaports, and railway stations⁶⁸¹.

The Japan External Trade Organization (JETRO) has extensive resources of relevance including for developing the tourism industry, and records of market information and trends. For example domestic resort facilities have been analysed and trends in accommodation preferences detailed.⁶⁸² Business matching, trade show advice, helpful articles, databases and business information resources are all available.⁶⁸³

The Japan National Tourist Organization (JNTO) is the national tourist board, and has 13 overseas offices⁶⁸⁴. This is considered low by international standards by a Japanese tourism professor, who also suggests that installation of multilingual travel phones, offering free advice to tourists in a range of languages would be a foreigner-friendly innovation.⁶⁸⁵ Its website however is multilingual and



though externally focussed, provides considerable trade information and links for various professionals in the industry, including for example lists and contacts for licensed travel agents.



Korean Republic

A detailed monograph, as of 2001, on Korean tourism in relation to policy, investment and development is provided by ESCAP, with several national reports also provided concerning other APEC economies.⁶⁸⁶ An industry overview, emphasising Korean ecotourism is the subject of another useful report⁶⁸⁷. Tourism is a significant industry for the Republic of Korea that affects production, employment, personal income, and foreign exchange earnings. It also has a significant impact on the national economy. Korea's economic growth rate however, was forecast to slow to average 5.3 percent in 2003 because of contraction of the current account surplus and slowing consumption in private sector⁶⁸⁸. The deficit in the tourism account, hit \$3.7 billion in 2002, (the world's fifth largest deficit) more than doubling since 2001 because of the larger number of people studying abroad and travelling over the past few years. Outbound traveller numbers have increased by 17.1 percent to 7.12 million since 2001, while inbound foreign visitor numbers was up 3.9 percent to 5.34 million⁶⁸⁹.

Some laws and regulations do not support foreign investment such as labour and land regulations, financing regulations and infrastructure⁶⁹⁰. Korea also has higher labour costs compared with other Asian countries, except Japan and Singapore. However, the 2nd National Tourism Development Plan has proposed that the government needs to expand the investment of tourism resource development and tourism facilities construction both through an increase in public funding, and supporting incentives for business. The government will accordingly strengthen the administrative

services and reform tourism related regulations⁶⁹¹.

The Ministry of Culture and Tourism (MCT) of the Republic of Korea is a central government body, responsible for the areas of culture, the arts, religion, tourism, sports and youth⁶⁹². The Tourism Bureau, one of the bureaus of MCT, carries out policies to increase the number of foreign visitors, expand sightseeing chances for domestic people, and promote tourism industry for both local and international interests⁶⁹³. The Tourism Bureau of MCT has its subsidiaries such as Korea National Tourism Organization (KNTO) and The Korea Tourism Research Institute (KTRI).

The KNTO was established in mid 1962. Its responsibilities include tourism promotion (both overseas and domestic tourism), tourism resource development, and tourism training and education⁶⁹⁴. The Korea Tourism Research Institute (KTRI) is a research and study centre to support the formulation of governmental tourism policies and to propose policy alternatives and pursue basic researches to formulate general tourism policies and specific measures by providing the tourism industry with implementable results of the research⁶⁹⁵. A newspaper interview with KNTO's president in 2001 indicates the tourism industry context and some recent priorities⁶⁹⁶.

There are seven tourist service business groups in the private sector, which constitute their own associations. They are travel agencies, tourist accommodations, tourist entertainment facilities, professional convention organizers, casinos, amusement parks, and tourist convenience facilities⁶⁹⁷. The Korea Institute for Industrial Economics and Trade (KIET) is a government established research institute. For Korea's SMEs, the Small and Venture



Business Division is the relevant division responsible for assisting SMEs to improve production, marketing, financing, technology, human resource management, and information processing capabilities⁶⁹⁸.

The Small and Medium Business Administration (SMBA) is the body responsible for Korean SMES, and its website provides standard definitions, and links to legal, assistance, and statistical resources. It also describes its general policy direction, which takes a forward looking view of the new economy characteristics, and a shift away from “old-fashioned support” towards helping build competitive capacity, by structural measures, and reducing competition-restrictive systems⁶⁹⁹.

Human Resource Development

The government has played a significant role in the development of human resources to meet demand for tourism and has laid a firm foundation for the promotion of the country’s tourism industry⁷⁰⁰. The management and owners of SMEs can take part in educational courses established by the government or several public organizations. These courses develop entrepreneurial capabilities relevant to a knowledge-based economy characterized by information, knowledge, internationalisation and globalisation, and address the ways to improve competitiveness without governmental assistance in the future⁷⁰¹.

There are a number of large projects to develop tourism resources and facilities such as accommodations, transportation, tourist services, national parks, museums, golf courses and casinos. Increasing a large number of tourist guides, proficient in

English, Japanese, Chinese and other languages, are being trained and deployed.

The new infrastructure development projects of the government in constructing parking lots, water and sewerage systems, along with accommodation, recreational facilities, food and drink vendors and shopping areas is also expected to create jobs for SMEs and improve local welfare of residents⁷⁰².

Labour is seen as an impediment for foreign and domestic SME investment in tourism infrastructure because tourism industry is a labour-intensive service industry. The labour costs in Korea are much higher than other countries in the region, except Japan and Singapore. Rigidity and other problems in the labour market have also been noted.⁷⁰³

A policy environment favourable to SMEs has also facilitated women’s participation. Relatively though, women still lack expert knowledge in the technology field, and greater availability of science and ICT education to women is needed. Traditional prejudices have forced women to work in service areas, where their different modus operandi has developed a unique business culture. A need for policies that enhance women’s status is indicated, along with more partnerships between women’s organisations and agencies. Culture, (and by implication cultural tourism), is one area where “women can play a principal role (as) suppliers and creators”.⁷⁰⁴ A private organisation, the Korea Venture Business Women's Association (KOVWA) aims to promote cooperation among women-led venture businesses, and contains members from tourism related sectors such as restaurants⁷⁰⁵.

Korea has now legislated to gradually reduce the working week from 44 to 40 hours, eliminating the requirement to work



half day on Saturdays. This concerns some SMEs, who expect reduced productivity and increase labour costs and so the government is introducing support measures, including labour cost subsidies⁷⁰⁶.

Access to Finance

Following the Asian economic crisis, in 1998 the government aimed to expand the fund supply and ease financial difficulties facing SMEs. In 1999, the financial conditions have improved with the completion of the first phase of restructuring of financial institutions and enterprises. Fund availability has improved in terms of financing through the direct money market and loans from financial institutions. The banks also apparently changed their lending policies, expanding credit to SMEs, rather than to big companies with higher credit risks. The restrictions on extending credit to big companies are likely to have contributed to the SMEs' increase. The government's efforts to reform bank credit practices led to the banks using credit techniques in terms of the credit screening and credit evaluation systems, which probably contributed to the expansion of SMEs' credit⁷⁰⁷.

Equity financing is described as "the most appropriate capital to finance SME growth" (Snow, 2002), who also provides a case study of financing Korea's SMEs. However, Korea's SMEs mainly rely on debt financing because of the difficulty in obtaining equity financing⁷⁰⁸. Since the crisis, most commercial banks have aimed at SMEs, promoting their retail banking services and easing the financial difficulties facing SMEs. The Korea Development Bank (KDB) provides preferential loan system for SMEs. Loans to SMEs are in lower rate prior to large

companies⁷⁰⁹. Lower bank interest rates for SMEs can be attributed to the government's rate policy aimed at stabilizing the financial market, and to competition between banks to secure superior SMEs⁷¹⁰.

The Industrial Bank of Korea is also party to a recent Memorandum of Understanding on financial cooperation among APEC financial institutions dealing with SMEs, where details on collaborative areas of financial and technical cooperation are outlined.⁷¹¹

An infrastructure conducive to business start-up will be continuously expanded to improve the investment environments for SMEs in Korea.⁷¹² The Korea Exchange Bank describes a Tourist Promotion Funds Loan raised by the Tourism Promotion Fund of the Korea Development Bank to support tourism promotion businesses. Eligible tourism companies, which can apply for the loan, must follow the tourism promotion act and other conditions. The borrowing purposes must be the operating funds for international conferences and events, foreign tourist attraction activities, and sale of tourist products⁷¹³.

An urgent need to enhance women's access to credit in RO Korea was seen by Jung in late 2001, who also saw ICTs as reducing costs, and through greater participation in society, would increase their access to capital, and opportunity for higher incomes⁷¹⁴.

Investment in the Korean tourism industry has been traditionally hampered by complicated and vague regulations, especially relating to tax, and to import procedures, although latterly the government has been streamlining investment arrangements.⁷¹⁵



Market Access and Development

The government of Korea allocates the tourism budget (US\$330 million in 2001) and supports various tourism projects and plans to attract foreign visitors⁷¹⁶. The Ministry of Culture and Tourism (MCT) is launching several tourism projects, each with specific subprojects over 5 years, which are as follows:

- “expand international level of Korean tourism resources
- develop Korean-style tourism products
- develop internationally competitive tourism infrastructure
- expand systematic tourism advertisement activities
- modernize tourist receiving system
- successfully hold millennium tourism events
- realise general tourism for Korean nationals and
- international cooperation and expand exchange tourism program between south and north of Korean peninsula”⁷¹⁷

Although legally still in a state of war⁷¹⁸ this latter project potentially opens a new market.

For some time the composition inbound tourists’ nationality has been shifting. The second largest groups of visitors, from Japan accounted for 46.2 percent of the total, followed by visitors from China at 9.4 percent, while visitors from the USA comprised 8.3 percent of the total, a reversal between major markets⁷¹⁹.

The government’s vision of tourism policy to influence decisions on investment of SMEs and non-SMEs includes

international events such as 2000 ASEM, 2001 Visit Korean Year, the 2002 World Cup, travel between North and South Korea⁷²⁰, and also a governmental legal and funding system for tourism development⁷²¹.

Women entrepreneurs have achieved greater access to markets, domestic and global, through the internet, but access to market opportunities still requires some enhancement.⁷²²

Technology and Technology Sharing

The republic of Korea has one of the most advanced telecommunications infrastructures in the world, and one of the highest percentages of mobile phone subscribers.⁷²³ Detailed current figures and analysis are available⁷²⁴.

The republic of Korea has various initiatives for SME capacity building in e-commerce, directed through the Ministry of Commerce, Industry and Energy (MOCIE), detailed in a ministry presentation in a UNESCAP document⁷²⁵. Korea has steadily built infrastructure in terms of the number of internet hosts and subscribers, and shown increases in B2C, B2G and B2B activity, with these markets doubling between 2000 and 2001. Issues and problems in each of these areas have been identified: figures are available relating to lack of standardisation, shortages of experience, lack of industry cooperation, market and financial considerations and the lack of a regulatory structure. The government has a maser plan to promote e-commerce and to be active in e-business globalisation. Policies on regulatory framework, infrastructure development, public sector e-commerce, including e-procurement, B2B network establishment and strengthened



cooperation for globalised e-commerce are covered.⁷²⁶

Women have gained more access to ICTs in recent years, and women entrepreneurs utilise email and the web for business, networking information and communication. It is considered that there is still a lack of training, and some prejudice on the part of partners, acting as a development barrier⁷²⁷. Human capacity building to match infrastructure capability is implied, but numbers are increasing, with female internet user numbers growing somewhat faster than males in recent counts⁷²⁸.

Information Technology for e-business is very important in the modern business community for SMEs. The government has formulated the High-Speed Information Communication Network Advancement Plan to complete the construction of the information superhighway by 2005 to cope with the demand for e-business professionals expected to exceed 290,000 by 2005. This demand also implies the need for an e-business labour force analysis.⁷²⁹

The Ministry of Information and Communication⁷³⁰, and the thinktank, Korea Information Strategy Development Institute (KISDI) are also both active in research and activity toward the knowledge economy. KISDI's white paper details the IT support for SME ventures⁷³¹.

Internet activity is popular in Korea's e-trading and tourism sectors. The government expects that 95 percent of all Korean households will have high-speed Internet access by 2005. South Korea's Internet user base could increase to 36 million users in 2004 (or 73% of the population)⁷³². Although written from a specific developing country perspective (Nigeria) South Korea is internationally

benchmarked on some indicators, and various lessons applicably relating ICTs to development are described (Soyiba, Olayiwola, and Bankole, 2002).

The Korean government spending in 2002 on the development of e-commerce application technology was put at US\$4.9 million. The government also extended support to 30,000 SMEs for their IT projects. The government supports to build an ebXML framework, standardization of e-documents and an e-catalog, and international standardization activities for the development and dissemination of e-commerce standards⁷³³.

An e-marketplace for SMEs website⁷³⁴ provides information on SMEs in Korea, focusing on international trade and joint ventures, with in-depth profiles of companies, for finding business partners, and general statistics and policies. It offers free listing of homepages of Korean SMEs and their e-catalogues, classified by industry, and a free bulletin board system to buy or sell⁷³⁵. This website, supported by the Small and Medium Business Administration of Korea and operated by the Small and Medium Industry Promotion Corporation is also customised for international markets.

Access to Information

An important factor for success of SMTEs is how they receive and use information on technologies and new markets, the quality of the infrastructure and national climate for technology. The government utilizes the budget to encourage investment in the private sector both by expanding public facilities and by improving tourist information systems. For the tourism industry, a whole system of interrelated computer and communication technologies is employed. The components consist of



airline electronic information, computerized reservation system, teleconferencing, and telephone network etc.

Major problems for SMEs include difficulties in finding new markets and lack of information. The government provides support information for opening up new overseas markets. The overseas exhibitions and road shows are held to provide information on Korea's SME tourism products to enter overseas markets. The advertising activities through Internet websites have also been strengthened in response to an increase in cyber trade⁷³⁶.

A number of Internet sites provide information targeted at SMEs, and for Korea's tourism SMEs the Internet allows rapid access to information, and Korea has "by far (the world's) highest rate of broadband access"⁷³⁷. For SMEs tourism information reached the important users, intermediaries such as suppliers, business organisations, municipal authorities, social groups, are also necessary⁷³⁸.

Both government and non-government agencies have enacted policies in recent years to promote women's roles in society, however women's "access to information, know-how and resources has been limited (and gender equality has) not fully materialised"⁷³⁹.

The Korea Culture and Tourism Policy Institute (KCTPI) is poised to play a significant role in tourism development. Established from a recent merger between the Korea Cultural Policy Institute (KCPI) and the Korea Tourism Research Institute (KTRI) it will continue previous functions of research, consulting, and publishing, but will also "expand its research and policy development linking culture and the arts with the culture and tourism industry"⁷⁴⁰.

Some R&D including IT information and library links is also centrally provided through the Korea Institute of Science and Technology Information (KISTI), with science and technology information of possible relevance to tourism, supplied by the Korea Research and Development Information Centre (KORDIC), described as a government supported non-profit research institute.⁷⁴¹ KISTI also plays a role in innoNet, a comprehensive business information portal service, with industry databases including tourism business subsectors⁷⁴².



Malaysia

The Eighth Malaysian Plan (2001-2005) shows that the federal government considers the tourism industry is very important to the country. Almost all the projects under the Ministry of Culture, Arts and Tourism were SME in the form of tourism infrastructure and facilities. The government has allocated about US\$630 million under Eighth Malaysian Plan (2001-2005), compared with US\$184.94 million in the Seventh Malaysian Plan (1996-2000).⁷⁴³

Prior to the Asian Crisis, economic growth exceeded 8 percent per annum⁷⁴⁴. Following this, and September 11, policies pursuing domestic sources of growth and sustaining demand were implemented, and during 2002 GDP registered a growth rate of 4.2%. In May 2003 the “New strategies towards simulating the nation’s economic growth” package was introduced, comprising 90 measures, largely focussing on SMEs as a catalyst of growth⁷⁴⁵

Tourism accounts for over 8 percent of Malaysia’s GDP growth, and is increasing, with good future growth potential⁷⁴⁶. By 2001 Malaysia’s tourism industry was the 3rd most important industry earning foreign exchange (after palm oil and manufacturing industries), and in 2003 the tourism sector was “the second biggest foreign exchange earner” for Malaysia after manufacturing⁷⁴⁷. Tourism impacts the national economy in terms of foreign exchange earnings, revenues from taxation, and employment generation, and particularly the services, agriculture, handicraft and fisheries sectors⁷⁴⁸.

To draw 15 million tourists by 2005 is the target set for the Eighth Malaysia Plan (2001-2005). Malaysia had 12.77 million arrivals visitors in 2001 and achieved a

record of 13.28 million tourist arrivals in 2002⁷⁴⁹. A midterm review has been released⁷⁵⁰ noting achievements, including tourism and human resource development.⁷⁵¹

The allocated budget for investment in tourism infrastructure comes from the federal and state governments and the private sector. The Malaysia Industrial Development Authority (MIDA) licences all new tourism infrastructure investments, and incentive schemes have applied to this aspect. Due to the economic downturn after 1997, the government and private sector programs and plans for tourism infrastructure development slowed down.

Sustainable tourism development is a priority in all tourism planning. A large portion of the budget has been spent on improving the accessibility of tourist destinations and developing new tourism infrastructure and existing facilities⁷⁵².

The Ministry of Culture, Art & Tourism issued the Malaysian Tourism Policy which aims to make the tourism industry a sector with stable, culturally developed and of quality in providing to the Service Agreement for the national expenditure balance, the country's socio-economic development⁷⁵³. Malaysia Tourism Promotion Board, (official name for national tourist office) or Tourism Malaysia (brand name)⁷⁵⁴, is a government body established under the Malaysia Tourism Promotion Board Act 1992 to promote Malaysia as an outstanding tourist destination and to increase the number of foreign tourists, extend the average length of tourists’ stay, increase the country’s tourism revenue, and develops domestic tourism⁷⁵⁵.

Borneo Tourism Institute works with both public and private partners, international and national, for sustainable development



of Tourism in Malaysia. It is involved in the national development of the guiding profession linked to tourism in general and nature tourism particularly⁷⁵⁶.

Human Resource Development

The eighth plan gives priority to human resource development and provision of quality services in the tourism. Tourism employment has grown, and the National Tourism Human Resource Development Council (NTHRDC) provides relevant development policy and strategy planning. It also works with training institutions that offer tourism-related courses and recently 52 private training institutes licensed by the NTHRDC along with government bodies have conducted tourism courses.⁷⁵⁷

The development of HR required by tourism-related industries is indicated in the following areas- the development of basic infrastructure facilities, the review of national tourism policy so as to meet the new challenges, the provision of financial facilities to local investors who will invest in tourism infrastructure, the requirement of research and development of infrastructure, and the review of current fiscal and monetary policies on the development of the tourism industry⁷⁵⁸.

Malaysia intends to develop its competitive edge further, by reducing costs, developing human resources, improving logistics, enhancing public service delivery, and developing SMEs⁷⁵⁹. Borneo Tourism Institute (BTI) also has the task in the development of human resources of tourism in Malaysia and targets a higher quality in human resources through structured training and certification. It has two major areas, which are tourism related profession and its specialisations (tourist guide, nature guide,

localised guide and interpretation) and enhancement programmes, such as strategic management⁷⁶⁰.

ESCAP also has the Human Resources Development Program to assist member's countries in human resources development in the tourism sector with emphasis on regional cooperation in tourism education and training⁷⁶¹.

A specific agency, Majlis Amanah Rakyat (MARA)⁷⁶² is responsible for entrepreneurship development and the Small and Medium Industries Development Corporation (SMIDEC) also provides relevant services.

Access to Finance

The Malaysia economic package announced in mid 2003 by the government contains measures to enhance credit facilities for SMEs and accelerate new areas of growth development and domestic investment. SME development is seen as the catalyst to enhance economic growth of the country and one bank is being restructured as a micro-credit bank⁷⁶³. Several other specific measures are detailed in this report.

The government supports SME growth through providing accessibility and sufficient funding sources, particularly softer loan conditions with respect to collateral requirements, low cost borrowing, accelerative loan approval, and flexible repayment schedules. Financial institutions have been driven to support the development of SMEs. Bank Negara Malaysia (BNM) is responsible for ensuring compliance of the client charter by financial institutions⁷⁶⁴.



In 2003, the Malaysian authorities announced an economic stimulus package to boost the economy. The package aimed to promote private investment in new growth areas and to promote SMEs through lower interest rates, tax exemptions and other fiscal incentives, reduce financing cost, and facilitating easier access to micro credit scheme. Relief measures in respect of the SARS impact were also included. Bank Negara Malaysia lowered the three-month intervention rate. The lower cost of borrowing was expected to encourage new investments. This also supported the other related policies to boost domestic economic activities and strengthen growth prospects. The bank's special funds allocation with privileged financing facilities for the SMEs was tremendously increased. A SME Special Unit was established at Bank Negara Malaysia to facilitate loan applications, address difficulties, and providing advice relating to SMEs financial requirements⁷⁶⁵.

A government program, "Malaysia My Second Home"⁷⁶⁶ allows financially and otherwise eligible applicants to stay in Malaysia as long as possible and is seen as of touristic impact.⁷⁶⁷

Various specific funds are also administered in relation to technology acquisitions, some of which are tourism related, such as souvenir manufacture, and agricultural produce processing. The Malaysian Technology Development Corporation's Technology Acquisition Fund and the Technology Acquisition Fund for Women (TAF-W), which allows greater access to finance for women entrepreneurs, are examples⁷⁶⁸.

Market Access and Development

Malaysia is a member of WTO, ASEAN and of the ASEAN Free Trade Area (AFTA). This makes it a party to progressive services liberalization and intraregional cooperation over and above its WTO obligations. Tourism is one of the service sectors identified for preferential market access "in the establishment of services entities and employment of professionals"⁷⁶⁹

The domestic tourism sector for Malaysia is still very small. Culturally, Malaysians do not travel in their country for leisure⁷⁷⁰. All relevant government agencies and SMEs travel agents are exhorted to mobilize their available resources so as to promote tourism programs through road shows, exhibitions, multimedia, documentaries, and advertisements⁷⁷¹. The Cuti-Cuti Malaysia promotional programme in 2001-2 heightened interest in domestic tourism. Introducing a second national airline also helped.⁷⁷²

The top markets in 2002 were Singapore, Thailand, Indonesia and China.⁷⁷³ The Kuala Lumpur international airport (KLIA) opened in 1998, and an express rail link (2002) are infrastructure initiatives reflecting tourism market development priorities.

In 2002, Malaysia secured a total of 557,647 tourists from China, a 23 percent increase from the year before. This has made China Malaysia's fourth most important tourism customer. The China tourism opportunity is so great that it may soon be necessary for Malaysia to make an even more special effort to attract tourists from China⁷⁷⁴.

To enhance the visibility and position of Malaysia as a tourist destination in



international markets, a Brand Imaging Campaign under the theme Malaysia Truly Asia was started in 1999. This affirms Malaysia's unique mix of Malays, Chinese, Indian and other great Asian cultures. The Government, through the Ministry of Culture, Arts and Tourism has planned a comprehensive annual calendar of events with the objective of promoting Malaysia as a tourism country and maximizing the benefits of tourism for both SMEs and non-SMEs.⁷⁷⁵

The Internet enables access to global markets. E-Tourism, is described as “a modern business methodology (addressing) the needs of investors, organizations, and consumers to cut cost while improving the quality of products and services”, and more specifically “using Internet technologies to transform tourism-promotion, resort management support and group marketing. Its most visible form is online purchasing, either group (or individual) packages. E-tourism also covers use of computer networks for search and retrieval of tourism information.⁷⁷⁶ One tourism portal provides such information and sectoral backgrounders on Malaysia. Through this portal, potential tourists can access information and Malaysia can reach more and different groups of tourists and gain exposure in new markets. It offers the visitors one-stop information on travel, shopping, interesting destination and information services⁷⁷⁷ .

The Meeting, Incentives, Conventions and Exhibitions (MICE) market has also been identified as a significant niche for Malaysia's tourism industry⁷⁷⁸. Malaysia also took steps to position itself as a premier destination for health tourism and provide quality and affordable health and medical services in the region⁷⁷⁹ .

Education tourism, cruise travel, ecotourism and related markets were the subject of initiatives in the eighth national plan, with successes highlighted in the midterm review.⁷⁸⁰

Technology and Technology Sharing

Malaysia is positioning itself to become a knowledge-based economy, with strategies to address digital divide issues⁷⁸¹. Affirmative action policies are indicated, along with some figures showing relative internet subscription levels by regions. Affordability is a precondition for e-readiness, and some regional areas have this problem, along with infrastructural issues of electrification and telephone penetration, motivating specific ICT infrastructure and access policies and recommendations.⁷⁸²

Ethnic and gender issues in relation to digital divide are noted, including higher female illiteracy rates, and lower enrolment in technology courses, lower income and representation in managerial positions. Females are also underrepresented online, although this is true also in Japan, Russia and other economies⁷⁸³. Gender dedicated programmes are recommended for transition to the knowledge economy, with provision for ICT skilling and redress of inequities proposed⁷⁸⁴ .

Internet penetration is growing with projected compound annual growth rate of 13% between 2001-2006. A recent research study on Malaysia's Internet Market describes the development of this market and also the characteristics of Internet users.⁷⁸⁵

The Multimedia Super Corridor (MSC) aims to revolutionise conduct of business in the region, and be a world-class



environment for IT and multimedia companies. The Multimedia Super Corridor Research and Development Grant Scheme (MGS) aims to help local companies or joint ventures to innovate and develop multimedia technologies and applications contributing to this⁷⁸⁶. Tourism businesses are relevant to the categories for the Asia Pacific ICT Awards (APICTA): the Asiatravelmart.com⁷⁸⁷ won in 2002. The Menara Kuala Lumpur Tower is the world's fourth tallest telecommunication tower, and also serves as an icon and tourist attraction⁷⁸⁸.

The government has placed great emphasis on tourism product development by continuously upgrading the quality of existing infrastructure and technology to boost a large share of world's tourism market. The new Kuala Lumpur International Airport (KLIA) and new Express Rail Link started operation to provide convenient connection from KLIA to the City for the people and foreign tourists. Kuala Lumpur Central provides check-in facilities at its City Air Terminal located within the station. Kuala Lumpur Convention Centre will be a world class-facility to attract regional and international conventions, trade shows, public exhibitions as well as private functions for SMEs and non-SMEs. It is equipped with wireless, telecommunication and digital audiovisual facilities, plenary hall, theatre, exhibition halls, ballrooms, meeting rooms, and other additional facilities⁷⁸⁹.

SMEs have been a key driver of the Malaysian national economy, but are still lagging behind in terms of IT infrastructure and deployment. In 2000 Microsoft increased its number of business divisions to focus on Asian SMEs, setting up a Small Business Group to work with government agencies and SME associations to introduce Internet-based technologies and licensing models that

help SMEs maximize business potential. SMEs across all sectors have common questions on how technology can help them. The government has financial support for SMEs to speed up their IT resources by providing various grant and funding programmes. Microsoft also works closely with telecommunications service providers and operators to facilitate Internet access for SMEs⁷⁹⁰. SMEs accounted for 35% of Malaysia's total IT market of US\$2.2bn in 2001⁷⁹¹.

In rural Malaysian communities, Internet access and telephone service are limited. Recognising digital divide issues, the Asian Development Bank supports projects that address such disadvantaged regions. The Internet bus delivers technology to "its poorest, most remote schools on a 40-foot bus loaded with 20 personal computers"⁷⁹².

The government sponsors a e-commerce grant to encourage SMEs to integrate quickly into the global economy, but to date this seems to have been primarily restricted to manufacturing industries only.⁷⁹³ Ecommerce use however is evident at one tourism agency, selling tourism merchandise including cuddly toy orang utans. A component of the purchase price goes towards conservation efforts, systemically linking environment, technology and tourism sustainably.⁷⁹⁴

At ASEAN level Malaysia is actively involved in the development of trade and tourism portals, Internet exchange and e-learning under the e-ASEAN initiative.⁷⁹⁵

Access to Information

The Small and Medium Industries Development Corporation⁷⁹⁶, though traditionally focussed on manufacturing, provides information and services on financial assistance, market access and



other areas. Its website has many specific links and resources, including an awareness service.

One of the Borneo Tourism Institute (BTI) tasks is a resource centre for management of information for future tourism development of SMEs. A wide range of information and reference materials relating to tourism are maintained and kept in the Institute's Resources Unit to expand tourism business and knowledge. The institute also publishes tourism-related articles with emphasis on nature tourism⁷⁹⁷. BTI has a tourism research & development team, which SMEs can utilize. They emphasise niche positioning, product assessment and development, human resources assessment, quality assurance, occupational standards development, database management⁷⁹⁸.



México

México is recovering from severe economic crises in the recent past, and in 2000 saw the first change to a freely elected government, ruled by the National Action Party, since 1910. Varied terrain has been compromised in places by pollution, desertification, deforestation and other environmental issues, with lack of clean water a key issue. Its free market economy is increasingly private sector dominated, and more than 90% of trade is under various FTAs. Tourism is a key industry, but underemployment is widespread. The telecommunications infrastructure is indicated as having potential for development.⁷⁹⁹

SME policy is coordinated through the Entrepreneurial development plan 2001-6, and highlights competitiveness as a priority through bottom up sustainable growth.⁸⁰⁰ Mexican policies to develop SME competitiveness are described in a presentation given at the 10th APEC Ministerial Meeting for Ministers Responsible for SMEs. Developing venture capital funds and other financial facilities, opening new incubators, training and linking to information on market opportunities, along with IT use in accessing information are indicated.⁸⁰¹

The Ministry of Tourism (known as *SECTUR*) is the branch of the federal administration responsible for guiding and consolidating the development of national tourism through planning, offer development, support for the operation of tourist services, and promotion. This is done in compliance with the priorities outlined in the National Development Plan.

The 2001-2006 National Tourism Program is the instrument of the tourist policy of the federal government. The objectives

proposed by this plan, intended to promote tourism development in the country, are the following: to declare tourism a national priority, to accomplish total tourist's satisfaction, to maintain sustainable destinations and to have competitive enterprises.⁸⁰² In the Fifth Chapter, *Estrategias y acciones*, Eje Rector 4: *Empresas competitivas* (Strategies and Actions: competitive enterprises), the sectional objective No. 14 reads as follows: *To enhance the modernization of small and medium tourist enterprises (SMEs)*. In order to accomplish this, the program suggests three strategies: to implement programs intended to improve quality in tourist SMEs, to encourage promotion among tourist SMEs, and to give access to financing schemes.⁸⁰³

In 1992, in the framework of management modernization, the functions carried out by *SECTUR* in the 32 states of the Mexican Republic were transferred to state governments with the autonomy to structure and operate their own offices for tourism promotion. In this respect, it is important to point out that the operation of national policies depends to a large extent on the priorities and efficiency of state tourist policies, even though *SECTUR* defines the guidelines of national tourist policies.⁸⁰⁴

The most important tourist offer currently in the Mexican Pacific is the rather traditional: sun and beach. Despite having an enormous potential concerning cultural, eco-tourist and adventure attractions, this potential has only had an incipient development. It is necessary to remember that most of the enterprises involved in eco-tourism, adventure tourism, cultural tourism and rural tourism, are micro enterprises which are managed, in most cases, by young staff with little expertise in tourist operation and very limited financial or material resources. Due to their



dimensions and characteristics, several institutions, the National Trust Fund for Tourism Development (FONATUR) and the commercial banks pay little attention and support to these enterprises.

An indicated gap is therefore the implementation of an institutional program intended to provide these enterprises with comprehensive support including such aspects as training, marketing, technology and finance. Contemporary tourism trends towards recognition of the importance of the tourism sector should also apply to México but are not taken into account in traditional support programs. Therefore, it is necessary to design a program comprising enough resources to strengthen SMTEs.

Even though the Ministry of Tourism of the federal government has excellent programs and projects, seldom do these proposed policies reach tourist destinations and states. It is important to remember that the development rate among several states and destinations in México is highly unequal. An appropriate solution to this problem would require federal SECTUR to devote its effort to support those states and destinations that have been left behind. Usually, the dynamics of developed tourist states and destinations becomes the centre of attention of the central authorities. At the same time, the shortage of initiatives coming from the developing regions widens the gap between them and the developed regions. Tourist attractions can be found in all the states along the Mexican Pacific. However, these resources are not properly taken advantage of in all states.

Human Resource Development

Although tourism was recently declared a national priority in the general constitution of México; a few weeks later, the Ministry of Tourism of the federal government was given a tighter budget. This kind of attitude is also reflected in the budgets of the tourism authorities of the states. Mexican politicians regard the tourist activity as a secondary, complementary or frivolous issue; and so do the education and scientific research communities. This has had repercussions in the development of tourism professionals and, eventually, in the quality of tourist services. Therefore, it is necessary for politicians to change their perception of the tourist phenomenon.

The Ministry of Tourism (SECTUR) of the federal government has been making a concerted effort to promote the development of tourism in the country through recruiting highly qualified staff. However, in the states and destinations found along the Mexican Pacific, it is quite common that the key positions within the government departments responsible for the promotion of tourism and the corresponding entrepreneurial organizations comprising several lines of businesses, have political objectives rather than technical or entrepreneurial objectives.

Usually, the selection of tourism officials is based on political criteria rather than their knowledge or expertise in this field. On the other hand, the leaders of entrepreneurial organizations are often more interested in having government positions than in the development of the members of their organization. Even though the tourism career civil service was recently implemented at the federal level, this measure has not yielded the expected



results. This is the reason why it is important to recommend hiring staff with the profile that will enable them to perform properly in government positions of the tourist sector. Additionally, tourism authorities should encourage tourist organizations to play a more proactive role towards the development of their members.

One of the lines of action of the General Department for the Development of Tourist Culture is to encourage the participation of micro, small and medium enterprises in order to incorporate their processes and operation into quality and modernization schemes, thereby certifying their service.⁸⁰⁵

There is a Training Department within this General Department, whose objective is to contribute to the professionalism of the human resource participating in the tourist sector with a training program in accordance with lines of business and product. This program is based on the Technical Norms of Labour Competence and is intended to give added value to Mexican tourist products and enhance competitiveness in this sector while improving the quality of life of workers and their families. This department has a catalogue of training resources and the tourism offices of the states structure their own training programs.⁸⁰⁶

One of the training programs targeting food and drink establishments is called *Distintivo "H"*. The fundamental objectives of this program are the following: to mitigate the occurrence of diseases transmitted by food among national and international tourists, and improve the image of México worldwide with respect to food security.⁸⁰⁷ Another central program offered by this department is the Labour Competence Certificate Program. The main objective of this program is to facilitate access to

information required for official accreditation, thereby endorsing the expertise, knowledge and capacity of service providers.

The Department of Tourist Modernization is an office intended to promote small and medium enterprises. The current tourist policy of the Mexican government recognizes that small and medium enterprises represent an important proportion of tourist establishments in the national context and that these enterprises have traditionally been faced with obstacles that have hindered their full entrepreneurial development. This is the direct result of low competitiveness in the market, limited management and organization expertise, use of obsolete technology, complicated processes, lack of training, limited entrepreneurial approach and other factors.

In view of the above, the Ministry of Tourism implemented the Modernization Program for Small and Medium Tourist Enterprises (SMEs) with the following strategies: to implement programs intended to enhance quality in tourist SMEs; to encourage promotion of tourist SMEs and facilitate financing access. Taking into consideration the fact that most tourist MSMEs are not interested in entrepreneurial consultation due to high costs, long instrumentation periods and usually unreliable results, the Ministry of Tourism, through the Modernization Program, developed a program called MODERNIZA. This program is defined as a "system intended to enhance the service quality of micro, small and medium tourist enterprises." The objective of this program is to support tourist entrepreneurs to lead their business to modernization through the adoption of management systems, quality standards and world-class service. This approach will enable entrepreneurs to meet the requirements of internal and external



clients and increase their earning power and competitiveness.

MODERNIZA is mainly intended to improve and find solutions to 4 basic aspects of entrepreneurial management: the management system, processes developed within the enterprise, the human development of staff and the development of an information and diagnosis system which could enable them to familiarize themselves with the situation of their surroundings and their internal condition. In the year 2002, 180 tourist SMEs from 9 states of the Mexican Republic participated in this program.⁸⁰⁸

In part I of this study, with respect to human resources, tourist SMEs reported concerns about time and resources to train operational and management staff. This indicates a need for the authorities work together to detect training needs and plan and operate training events to support tourist SMEs. This would result in the federal and state authorities' realization that financial resources for this purpose are needed.

The fact that tourist SMEs claim that their human resources need more training in environmental protection and management of crises and disasters, could also be regarded as an opportunity for tourism authorities to organize training campaigns in this respect, working with the state and federal environmental protection authorities and civil protection authorities and taking advantage of the readiness of tourist SMEs.

Access to Finance

The National Trust Fund for Tourism Development (FONATUR), a branch of the Mexican Central Bank, is responsible

for the management of finance for tourist enterprises in México. FONATUR has been highly successful in the design and construction of tourist destinations, which have modified the national economic geography. FONATUR was responsible for the development of Comprehensively Planned Beach Centres, which have become popular in the international arena. Among these centres are Cancún, Los Cabos, Ixtapa, Huatulco, Loreto, etc. However, this is an institution which has focused on big projects, such as *resorts*, tourist marinas, golf courses, big hotels, time-sharing and joint ownership. Its institutional performance has been positive, but it does not represent an answer for SMEs or micro enterprises involved in eco-tourism, adventure tourism and rural tourism; neither does FONATUR represent an answer for those enterprises with limited earning power such as those involved in cultural tourism.

This situation has reproduced, to some extent, the official policy concerning tourism: undivided attention to big investment targeting mass tourism and little attention to micro and small enterprises. While it is not wrong to pay attention to big tourist developments, which will generate numerous jobs, taxes and economic apportionment, the government must remember that big enterprises least need support. Research recently conducted in Cancun and Los Cabos, two destinations developed by FONATUR and regarded as very successful, shows that the socio-economic impact of its operation has the features of an enclave rather than a regional development.

Just like the so-called Mexican development banking, FONATUR is like a second tier bank; with the first tier commercial banking being the one that actually operates and approves loans. In



the last 8 years, a very restricted loan policy has characterized first tier commercial banking. The proposal suggests that FONATUR pay attention to a different kind of parties in the tourist sector, such as tourist SMEs; if this were not possible, another organization must be created for this purpose.

According to the research conducted among tourist SMEs found along the Mexican Pacific reported in part I, financing is their main problem. Even though there is a comprehensive structure offering financing for SMEs in general and tourist SMEs specifically, resources do not flow properly due to several reasons.

One of the three strategies suggested to accomplish the sectional objective No. 14, (*To enhance the modernization of tourist SMEs*), in the National Tourism Program of President Fox's administration, intends to facilitate financing access by processing financing schemes before the development and commercial banking for tourist SMEs. It also intends to promote financing for quality programs and provide this kind of enterprises with information and assistance concerning available financing instruments and schemes leading to their modernization.⁸⁰⁹

Working jointly with the Ministry of Economics, the National Trust Fund for Tourism Development (FONATUR), the Mexican Foreign Trade Bank (BANCOMEXT) and Nacional Financiera (NAFIN),⁸¹⁰ SECTUR has published a 107-page document called "Alternativas de Financiamiento para Pequeñas y Medianas Empresas Turísticas" (Financing Alternatives for Small and Medium Tourist Enterprises).⁸¹¹ This document outlines financing for fixed assets, working capital, modernization, training and guarantees, combined with a methodology to assess projects.

In addition, the Ministry of Economics, the ministries of economic development of the states and the Ministry of Social Development offer financing for SMEs in general including tourist SMEs. Considering the amount of financing offered to SMEs, it might seem surprising that these enterprises claim that lack of financing is their primary problem. One possible explanation offered by the commercial banking is the lack of a financial culture among SMEs; in other words, accounting practices are not being properly conducted in several productive units in this category, they have a negative credit background in the Credit Bureau, or they just do not have the expertise to develop an investment project or a business plan like those required by credit institutions.⁸¹² After more than 5 years of credit stringency, now that the commercial banking has resumed its credit offer, they find that many Mexicans do not want it.

Unreliability could be another explanation. In the last three decades, brutal six-year crises have characterized the economic evolution of México. Numerous enterprises in México have gone bankrupt due to these crises, which have left the Mexican population in poverty. Commercial banking has had at least three different owners in that period of time and ended up in the hands of foreign management. The exponential increase in interest rates, inflation, flight of capital, the devaluation of the national currency, massive bankruptcies, insolvency and default on payment of credits have characterized said crises. Therefore, commercial banking would not take risks and give credits to SMEs, but nor would entrepreneurs dare to apply for credits for fear of losing what they have if an event leads them to default on obligations. The current legislative standstill does not suggest a favourable economic scenario either.



Another interesting mechanism intended to support tourist enterprises is the Mexican Market for Tourism Investment.⁸¹³ This is an annual event organized by FONATUR to make investors meet with project promoters. Apparently, this mechanism has been successful. However, an acquaintance who presented his project in this event stated that the representative of a well-known American corporation became interested in his proposal but they wished to invest 50 million pesos at least, something which is far beyond the projects created by most tourist SMEs, otherwise, they would no longer be considered SMEs.

The Ministry of Tourism has published a comprehensive finance manual with information connected with finance offered by public and private organizations for tourist SMEs. This manual presents finance options for asset procurement, working capital, payment to suppliers, product development, consultation and training. This manual is a high quality document that thoroughly covers all the aspects related to a loan. But the problem derives from its scarce publicity and implementation.

The same happens with the excellent programs intended for the improvement and development of tourist SMEs implemented by the Tourist Modernization Department in SECTUR, such as MODERNIZA and Distintivo H. The coverage of these programs is very limited due to budgetary restrictions. The proposal suggests that a greater effort be made to implement in tourist destinations and states the programs and resources that come from central SECTUR. This does not mean that quality programs intended to foster tourist development are not being developed in the states; neither does this mean that the central authority is expected to do everything. But unfortunately, resources and capabilities have been historically

concentrated around México City. As evidenced by the situation previously described, tourist SMEs suffer from the lack of information access. Additionally, there is evidence that enterprises, state and federal tourism authorities, and entrepreneurial organizations have an inarticulate connection. The proposal suggests that efficient communication campaigns be designed among different tourism parties and levels, and effective cooperation mechanisms be implemented.

Data concerning tourist SMEs located along the Mexican Pacific clearly show that the most serious problems are related to access to finance in aspects such as lack of collateral, lack of government support, investment risks and lack of expertise to define their financial needs and develop projects and budgets. Nothing could be more real concerning tourist SMEs in México. However, it is important to point out that if these enterprises were only given financial resources, it is highly likely that they would be over geared in the medium term.

A viable approach would be to grant them finance after conducting a thorough diagnostic process, long-term planning, training and the introduction of quality and technology systems. The proposal then suggests designing a measure of support comprising the diagnosis of the situation of the enterprise, strategic planning, the introduction of quality systems, training, trading programs and the introduction of technology. A program that does not include all these elements is doomed to fail.

Market Access and Development

In 2002 México welcomed 100,152,200 international visitors, out of whom



19,666,700 were tourists and 80,484,500 were excursionists. These visitors spent \$US 8,858 million. Oil export and manufacturing are the only areas whose currency income is higher than tourism's. In the international context México was ranked 8th in international-tourist arrivals. Domestic tourism reached 47,258,000 hotel arrivals.⁸¹⁴

The Tourist Promotion Council of México Inc. is a state majority shareholder intended to design and operate tourist promotion strategies in the national and international arena, including all the parties involved in the tourist activity. Among other marketing activities, it operates 16 tourist promotion offices in North America, Latin America and Europe.⁸¹⁵

There are several mechanisms to access tourist markets. SECTUR has two websites: one of them has official information concerning policies, programs, offices and statistical information. The other website contains information concerning Mexican tourist attractions. With this website it is possible to log on to the websites of tourism offices of the states and find information concerning what local tourist service enterprises offer, big or small. Enterprises are not charged for this service.⁸¹⁶

Tourist promotion trust funds, jointly managed by the government and tourism entrepreneurs, have been created in the states and the primary tourist destinations in the country. These trust funds are a direct result of a 2% tax on lodging. These funds are invested in campaigns for promotion, fairs, exhibitions, television shows, pamphlets and different kinds of publications.

There are a significant number of websites which specialize in Mexican tourist information, and several tourist service

enterprises have their own website. In most cities with tourist attractions, and in the most important tourist destinations especially, there are printed publications designed for visitors, many of which are bilingual.

A feature of tourist destinations found along the Mexican Pacific is the fact that most are still seasonal destinations; with times of the year when they are oversold and times when they are completely empty. This is a direct result of the fact that Mexicans want to go on vacation at the same time and there is little institutional sensitivity in this respect. Certain mechanisms should be implemented to provide flexibility for the holidays of students and workers. The objective of these mechanisms should be to accomplish a more homogeneous distribution of tourist demand throughout the year. The implementation of organizational measures in this respect would not result in monetary costs and it would have a positive impact on tourist destinations.

The results of the Tourism Satellite Account report that the biggest percentage of expenses made by Mexicans correspond to transportation, (29.2%). There are several reasons that explain this:

- Petróleos Mexicanos (PEMEX) sells all the fuel sold in México. PEMEX is a state enterprise and a monopoly whose fuel prices are higher than the price of fuel in the United States and Canada, México's main trading partners.
- Only 10% of Mexicans can afford to travel by plane. In this respect, CINTRA, another corporative state enterprise, plays a key role. CINTRA comprises the most important airlines in México and,



for many years, used to be a monopoly in control of several routes in México. Recently, politicians and workers unions of CINTRA have opposed proposals to deregulate air transport and sell the enterprises of CINTRA, companies which operate with huge losses that must be paid with public funds.

- A significant part of highways in the country have toll booths, which makes this kind of travel more expensive.
- Automobiles bear a huge tax burden at the time of the sale and annually.

In view of the above, it is important to consider how these factors affecting transport hinder the travel of Mexicans throughout the country due to high prices, and impact on the domestic tourism market.

Most of the tourism offerings in the Mexican Pacific basically targets three market segments: the American and the Canadian markets in the international context, and socio-economic classes with high and medium-high purchasing power in the national context. There are few tourism offerings targeting the medium and popular classes of México. Even though their purchasing power is not very high, they are a sizable number of people. According to a survey conducted by SECTUR in the year 2001, more than 40% of interviewees stated that they were not able to travel due to the lack of money. More tourist services must be designed targeting these market segments and, when possible, finance offers must be included for service consumption.

Technology and Technology Sharing

According to a study reported by SECTUR's Centre for Higher Studies in Tourism (CESTUR), tourism services are what the American public log on to the most in the goods and services category on line.⁸¹⁷ In contrast, there is a high index of computer illiteracy in México due to the fact that 80% of the Mexican population do not know how to use a computer. The rate of computer penetration (number of computers/1000 people) is 66.2. Therefore, México was ranked 40th in a list of 49 worldwide. In addition, according to statistics published by The World Competitiveness Yearbook 2001, considering the number of computers used in the world, México was ranked 16th only using 1.24% of computers.

The low computer penetration rate and the scarce number of computers in the country evidence the incipient use of the Internet in the country. Most people who log on to the Internet in México do so in the workplace, since only 9% out of almost 22 million homes have a computer. Therefore, with a population over 100 million people, only 2.3 million people have Internet access in México. But beyond technological matters, the truth is that poverty and the income gap remain significant obstacles that hinder the development of the Internet in México.

The study conducted by CESTUR shows that tourist SMEs are at a disadvantage when compared with big enterprises. Financing and costs stand out as the primary obstacles or disadvantages (48% each). Technological disadvantages are regarded as the second obstacle (40%). Enterprises have bought technological equipment with their own resources (48%) while only 12% of enterprises have been granted some kind of commercial financing. Therefore, financial factors and



technological disadvantages affect the efficient operation of enterprises and weaken their competitiveness in the market. Financing and increased interest rates inhibit the acquisition of technology. The shortage or insufficiency of infrastructure represents an additional inhibitor, which prevents these technologies from being implemented promptly and permanently. This situation has greater repercussions on SMEs than on big enterprises.⁸¹⁸

In response to the findings of the study related to the impact of communication and information technologies (CIT) on tourism, CESTUR has been working on a series of recommendations to find solutions to the problems which have been identified. Among these solutions we can name the creation of a centre, headed by the Ministry of Tourism, intended to promote and implement new technologies. This centre would be responsible for offering consultation to the tourist industry concerning ICT. This centre is also intended to develop national relevant competence standards and develop strategies for small and medium enterprises concerning the use of new technologies.⁸¹⁹

There are several enterprises which have focused more on finding solutions to management problems, such as maintaining good accounting practices, having funds for the payroll or paying taxes, than buying technology. This situation becomes more acute in SMEs. The government is currently trying to reverse this situation. The project called e-México intends to serve as a catalyst for Internet and computer access among individuals and enterprises.⁸²⁰

Any person or company in México can afford to buy a computer with software and Internet access paying \$35 USD monthly.

However, the use of this equipment raises certain problems. Most SMEs do not have qualified staff or do not have the software they need to take full advantage of communication and information technologies. Having websites, e-marketing or online sales and booking systems is a technological level which remains out of the reach of most Mexican tourist SMEs.

SECTUR's Centre for Higher Education in Tourism has a Technology Department intended to promote the introduction of communication and information technologies in the Mexican tourism sector. Jointly working with some of the best-known enterprises in this field, such as Hewlett Packard, IBM and Intel, this department has sponsored events to display the latest technological innovations, which tourist enterprises can incorporate into their entrepreneurial activities. The most important annual event is called *e-turismo*.⁸²¹ However tourist-SMEs-oriented programs have not yet been designed in this respect.

Even though there are several tourist enterprises in México with websites, in general terms, most tourist SMEs do not have a website, nor do they take full advantage of communication and information technologies.

With regard to technology, tourist SMEs in the study reported in part I described the need to encourage more mutual support to make better use of their resources. This is an indicator that proves how entrepreneurial organizations focus their attention on their political objectives rather than their entrepreneurial objectives. It would be appropriate to make leaders of entrepreneurial organizations more aware of the need to devote their effort to developing in the entrepreneurial context rather than the political context.



In response to the needs reported by SMEs, it would be convenient to promote national and state programs intended to introduce technologies that could be shared by several enterprises in the same line of business. In this regard, actions must target finance for software acquisition, and training in online marketing. It would also be convenient to respond to the needs of SMEs by encouraging a culture of research and development among these enterprises, a currently nonexistent phenomenon.

Access to Information

Any integrated proposal to coordinate access to finance with quality, technology and other development issues raises the question of who will perform these tasks in the field on a daily basis. Consideration must be taken of the fact that there already exist information, programs and support tourist SMEs do not know about. Therefore, a role for promoters of tourist SMEs to act as a link between enterprises and the state and federal authorities is indicated. Whether this role is private or public sector such promoters would take information and initiatives to the work field and support the management of programs and resources.

It is the case that tourist information currently abounds in México. Every tourist organization within state governments has a State Tourist Information System (SITE). This system comprises basic tourist information such as the number of visitors, stay, average spending, estimated economic apportionment, etc. Every state SITE sends this information to SECTUR to store it and create national statistics. It is also possible to find tourist information in the annual reports of the governors of the states, ministers of tourism and the President of the republic.

The National Institute of Statistics, Geography and Informatics (INEGI), has cartographic, demographic and economic information of the country and every state. Its website contains information connected with the Tourism Satellite Account of México.⁸²²

In this administration SECTUR has made significant progress concerning the diffusion of tourist information. It has an online publications site which deals with diverse tourist issues such as investment, financing, sustainability, competitiveness, etc.⁸²³ FONATUR's website contains statistics concerning tourist indicators in comprehensively planned centres, some of which are regarded as the most important tourist destinations in our country, such as Cancún, Los Cabos, Ixtapa, etc. This website also contains information concerning projects which are currently being developed and are equally important.

But undoubtedly, the Under-Ministry of Tourist Planning, through Datatur and CESTUR has made the greatest contribution in terms of tourist information.⁸²⁴ Datatur disseminates information in electronic format and in print, presenting updated tourist statistics concerning states, destinations and trends. Similarly, Datatur presents the annual national results and research on issues such as tourist employment, Mexican tourist consumption, indicators of competitiveness, financing and bulletins with tourist news of México and the world.⁸²⁵

CESTUR has played a key role in several contexts. First of all, CESTUR has conducted research on several market segments such as eco-tourism, social tourism, tourism for retirees, hunting tourism, cultural tourism, golf, sports fishing, congresses and conventions. CESTUR has also conducted research into



the profile and degree of satisfaction of international tourists who come to México and the travel expectations of tourists. With respect to opinion studies, CESTUR has researched tourist juncture issues such as sustainability, family tourism, spare time, excursions, short trips, etc.⁸²⁶

CESTUR is also responsible for the implementation of information and communication technologies in the tourist sector. It is also responsible for SECTUR's document centre and coordinates the Network of Tourism Researches of México. This network comprises researchers and academics from several universities and research institutions that study the tourist phenomenon. Every year, CESTUR sponsors a national convention of tourist research and disseminates the findings. It is a regrettable fact that an initiative is currently being discussed in Congress which suggests to eliminate CESTUR and other national scientific research centres.

Finally, it is fair to say that small and medium enterprises in México have access to plenty of information, which can be used to update them on the most important facts and trends in the tourist sector in order to plan their entrepreneurial activities.



New Zealand

The NZ policy environment for tourism is targeted at price stability, sustainable development and economic growth. Tourism contributes almost 10% of GDP directly and indirectly and supports nearly one in ten jobs.⁸²⁷ The NZ economy is trade-oriented, with exports accounting for about 1/3 of GDP. Tourism accounts for about 1/5 of foreign exchange earnings, and the industry has in recent years been substantially deregulated.⁸²⁸ This evolution from the government to the private sector leading service delivery “has resulted in some inefficiencies, overlaps and gaps”.⁸²⁹

The industry comprises 10 public-listed companies and between 13500-18000 SMEs depending on definition, but generally employing less than 5 people. The Tourism Industry Association New Zealand (TIANZ) is the lead industry body- a membership organisation representing over 3,500 businesses across the industry; other organisations also represent specific sectors.

The Ministry of Tourism is one of six units in the Industry and Regional Development Branch of the Ministry for Economic Development⁸³⁰. Its larger policy priorities translate into tourism specific initiatives represented below under the category heads. A Growth and Innovation Framework helps ensure alignment across departments. Tourism is currently in the early stages of a ten-year sustainable tourism strategy until 2010. This strategy has already fostered greater alignment in the industry, role clarifications, some funding boosts and better communication between national and regional bodies⁸³¹.

Human Resource Development

SME upskilling is critical to NZ’s current tourism strategy but reducing the number of training providers is also recommended.⁸³² A formal skills qualification policy, targeting future needs is being developed. A backpacker hostel training programme is also planned, as is a tour guide accreditation scheme, aiming for a quality standard endorsement. Partnerships with Maori groups in tourism planning have also been increased to develop increased participation, build capability and provide opportunities consistent with Maori rights under the Treaty of Waitangi.⁸³³

The international Green Globe 21 sustainable tourism certification has already been promoted to industry towards the strategic objective of long-term sustainability, and the number of certified operators has increased. Certification requires operators to adopt environmental planning and management systems, independently audited against environmental performance targets⁸³⁴

Viewing tourism as an increasingly ingrained national competency, extending the native values of hospitality, welcome and friendliness is a desirable strategic outcome. Tourism training is being refined to better meet SME needs in various ways. Appreciation starting in school is indicated. New tourism apprenticeship places have been funded, and a new training course on customer service has been introduced.⁸³⁵

Access to Finance

New Zealand’s current strategy recognises that some regions have high tourism flows



but a low ratings base, and a policy on sustainable core infrastructure funding is needed⁸³⁶. A variety of stakeholders are affected, and sharing responsibility would be expected, though probably controversial.

The large number of SMEs in the NZ tourism industry, as elsewhere, have limited ability to invest in the sector's development – the NZ strategy addresses this challenge. Additional funds are required to achieve strategic aims, sourced from efficiency gains, redistribution from other portfolios, private sector infrastructure investment and local authority prioritisations. More effective public-private partnerships that commit beyond one year funding cycles, and involve greater sums are also indicated⁸³⁷.

SMEs and others who invest in Green Globe certification membership must see a return on investment if this mechanism is to sustain its intended value. Although recently started in NZ, greater uptake is required and these are all identified challenges.

Projects by TIANZ address financial templates for tourism awards, to encourage operators to consider and use effective pricing and yield management strategies. The peak bodies have also emphasised holding pricing firm during crisis periods.

Various agencies have also traditionally provided assistance in key business development areas. The Ministry of Commerce has a Business Development Programme comprising a network of business development boards and three grant schemes. These cover feasibility investigation, expert consultancy in specialised areas and growth initiatives e.g. new market research. Loans under an Enterprise Assistance Package are sometimes available, and specialised

programmes include the Tourism Joint Venture Programme, assisting innovative marketing. The Department of Labour's community enterprise group provides advice to equity groups, including women's and community organisations in several areas including tourism strategies, along with part funding and other assistance related to creating jobs and projects.⁸³⁸

Market Access and Development

An online tourism facility project began in July 2003, with a similar rationale and scope to the ATDW and led by TNZ.

Increased priority is being given to cultural product, for both domestic and overseas markets. Relationships between regional tourism organisations and culture and heritage are to be enhanced to achieve quality product delivery in regions⁸³⁹⁸⁴⁰. Ignorance about cultural tourism products could be a concern for a sustainable tourism industry, with a study showing knowledge levels were lower than those of international visitors. Domestic tourism is also affected as New Zealanders, averse to being mistaken for tourists, avoid activities they considered touristic, and had a negative perception of their events and places⁸⁴¹.

Wider adoption of distinctive branding, along with a mark of authenticity for Maori tourism products and experiences have been introduced. TNZ has secured newzealand.com to increase presence in distribution channels⁸⁴²

Greater integration between destination management and destination marketing is indicated as a strategic need to ensure long term sustainability.



Technology and Technology Sharing

Technology is seen as a key enabler of sustainable tourism development strategy, but SMEs tend not to access or leverage this to the same extent as larger players – developing greater capability is thus indicated⁸⁴³. Customer databases and relationship marketing developments need to be understood better in relation to SMEs' ability to reduce costs, inform decisions, understand markets better and convey New Zealand. Strategic activities developed in liaison with the eCommerce Action Team would be designated.

A national hut online booking system is being investigated. Sustainable infrastructure is an identified critical issue, and public sector, non-governmental and environmental capacity requirements given increasing tourist demand is being researched⁸⁴⁴.

Like Australia, where computerised record keeping by small businesses has increased due to the requirement for frequent business activity statements, many SMEs in New Zealand found the GST too complicated for manual record keeping, so shifted to computerised accounting packages⁸⁴⁵.

Access to Information

Rationalisation of agencies supporting tourism delivery was seen as a critical success factor for the current strategy⁸⁴⁶. The strategy identified areas with excessive players, and notes the additional costs, weakening of voice and dilution of expertise entailed. Better communication and alignment are now occurring under the current framework.

Applied tourism research funding is to increase, to better reflect tourism's economic importance. The TRCNZ website is to be the primary access point to research and data, and will be marketed as such to sector stakeholders⁸⁴⁷. Managed by the Ministry, the complete government funded data set and access to underlying source data are included, along with personalised pages.

A single organisation accountable for the core tourism data set, and R&D programme development was strategically recommended, and projects implementing this have been achieved, led by the Ministry and the TRCNZ.

Resource kits and business assistance support for Maori tourism operators have been prepared and distributed⁸⁴⁸. NZ has addressed the issue of inconsistency across local government authorities, noted as a barrier both in the present study and their own research. Their approach entails communicating the economic importance of tourism, achieve commitment to the strategic responsibility, if not all its implementation, establish partnerships and develop more effective processes.

Although the NZ strategic initiatives in the identified areas are led by different agencies, they are coordinated within the larger strategy framework.



Papua New Guinea

Papuan New Guinea (PNG) has high tourism potential, including mountain, beach, coral island, nature, marine and dive aspects. It is known as the “Land of a Thousand Cultures, (and has) over 800 distinct languages spoken throughout the country.”⁸⁴⁹

Although successive governments have recognised the potential, tourist figures over the 10 years until 2002 showed an increase of only 3.8 per cent, and PNG has lacked the “support to become a major income earner”⁸⁵⁰. Tourism currently contributes around 2.5% of GDP, but is becoming a more important sector⁸⁵¹. PNG has a high degree of poverty also, and, despite statutory equality in the country’s constitution, several gender related inequalities. Figures from a 1996 study show approximately 37% live below the poverty line, and, despite an overall literacy rate of 52%, 31% of males and 49% of females have not completed primary school.⁸⁵²

A certain level of social, political and climate volatility exists, and the Asian Development Bank reports useful annual assessments of current economic, strategic and policy issues⁸⁵³. Details of projects, partnerships and programs are provided also on this website.⁸⁵⁴ Due to the high poverty levels, basic infrastructure and education, finance public management and governance issues are generally highlighted in project prioritisation.

Recent statements from the prime minister show a resolve to become free of aid dependency, and an associated complacency. Abjuring the policy of privatisation, the intention is to “engage the private sector through the policy of public private partnership (PPP) in adding

value to our assets and increasing benefits to the shareholders. The state entities will remain a source of revenue under public private partnership.”⁸⁵⁵

Human Resource Development

Management culture is seen as critical to PNG’s sustainable development, and although PNG has relevant institutions in place, some slippage from professionalism into corruption has occurred in recent years, although this is changing back again. As a new nation, coherent national identity can be expected to take time to develop, but new ideas are emerging from the post-Independence generation. For example, ideas relevant to developing an indigenous management culture may come from experience gained through secondments to other countries⁸⁵⁶.

Iae Technical College is Papua New Guinea’s node in the APETIT network⁸⁵⁷, and is positioned to provide and facilitate relevant training in tourism and its management.

The Asian Development Bank has supported employment oriented skills development for women in PNG, across both rural and urban areas, with a target of 40% women trainees from a total of 16000 unemployed and underemployed women and youth⁸⁵⁸.

The culture and tourism minister of PNG now chairs an international committee to draft a law to protect traditional knowledge and cultural expression. In September 2003 a group met to consider a Draft Regional Model for the Protection of Traditional Knowledge and Cultural Expressions, and several other APEC economies participated, including Australia and New Zealand⁸⁵⁹.



The Business Export Australia Program, and the Pacific Investment Program provide training in PNG, focused on business development and export.⁸⁶⁰

PNG, like other Pacific Island nations, has an office for women. “Gender awareness training to various government departments and community groups are common (in this region) PNG has produced a National Policy on Women and a programme on human resource development”⁸⁶¹.

Access to Finance

A large amount of aid is supplied to PNG from Australia, and both Australia and Malaysia are heavy investors in PNG. Others also provide aid, including New Zealand, whose program emphasises basic education and sustainable development.⁸⁶² A culture of aid dependency is not seen as a good thing⁸⁶³, and can engender resentment⁸⁶⁴. Malaysia, a nation with a recent history of successful modernisation, has offered to share its experiences with PNG in finance and banking⁸⁶⁵.

PNG presents an emerging and growing economy for investment, rich in natural resources and with a liberal investment environment for FDI. Fiscal and sectoral incentives, efficient licensing, and various bilateral and multilateral arrangements are in place. The forestry sector, with added value opportunities is one investment area relevant to sustainable tourism businesses⁸⁶⁶.

As a developing nation in the region, PNG’s development finance institutions (DFIs) face the critical issue of sustaining themselves, while meeting the credit needs of rural SMEs. The ADB, which provides technical assistance and support for many

such institutions, notes a regional difficulty in this, attributed to the “absence of mechanisms to collateralise communal land” and seeks a common solution. A report suggests that future ADB assistance to such DFIs will not be efficacious without “conditions that permit (such collateralisation and) transfer of land use rights”⁸⁶⁷.

The Asian Development Bank has supported a revolving fund for sustaining the micro finance institutions that service poor women, with a major goal of poverty reduction by integrating the poor into mainstream development⁸⁶⁸.

Other agencies provide expertise and assistance in obtaining finance to PNG SMEs. For example AusAID, and the International Finance Corporation, the World Bank’s private sector lending affiliate are both involved through the South Pacific Project Facility. Indigenous borrowers face 25% or more interest rates on loans, a clear deterrent. The IFC is a substantial investor in managed development funds, and is considering an investment in PNG’s 2nd largest bank. MIGA, the Multilateral Investment Guarantee Agency is also active and has facilitated significant foreign direct investment⁸⁶⁹.

The South Pacific Project Facility (SPPF) recognises the difficulty in meeting the lending criteria set by financial institutions, but does not fund business ventures. Instead they may be able to source finance or advise on alternative funding options. Their services are not free however.⁸⁷⁰ They have helped in projects that aid SME sustainability, including specifically in the tourism sector: for example, cooperating with Papua New Guinea’s Rural Development Bank, the SPPF worked with 10 SME’s who had a risk of becoming non-viable. SPPF provided “assistance



with the formulation and execution of "corrective" measures. Loan rescheduling/restructuring proposals were prepared and submitted to the Bank."⁸⁷¹

Although microcredit schemes have helped empower women entrepreneurs, particularly in poorer nations facing short term crises⁸⁷², studies suggest that this strategy has limitations, and will not work for economic and social development in locations which are "(without) sufficient cash based market activity, are isolated and with low population densities, or are largely self-contained". The analysis continues by noting that several Pacific islands fit this profile and in countries with structural causes of poverty, microcredit schemes alone will not have transformative power.⁸⁷³

A microfinance scheme, the Liklik Dinau/Abilore trust was set up by the UNDP in the mid 1990s to work with disadvantaged women in the eastern highlands, and envisioned to be self-sustaining after five years. This case study, and an earlier one targeting women in Simbu but which failed, are reported in UN documentation.⁸⁷⁴

Cornford argues that transplanting "best practice" models for microcredit, (and microfinance generally), from Asian to Pacific contexts is an inappropriate substitute for proper market analysis, and may be stifling alternative innovative solutions. In the PNG context, the Liklik Dinau Abitore trust, which replicates the Grameen model, has not been considered to be a sustainable success, operationally or financially.⁸⁷⁵ Cornford's paper also points out other analytic frameworks related to provision of financial services that suggest the inappropriateness of various indices and economic indicators to a country level analysis.

In the Pacific, revolving funds are a widespread source of microfinance, but have generally not been successful. Reasons cited that militate against their sustainability include "lack of accounting and management skills, dwindling motivation, and lack of real business opportunity". The Grameen model is again considered to be of limited application in the Pacific region⁸⁷⁶.

Another study (Kavanamur and Turare, 1999)⁸⁷⁷ reviews policy issues surrounding PNG credit schemes, detailing the Rural Development Bank, the Women's Credit Scheme, the SBDC's Small Business Guarantee Facility, and the PNG Credit Guarantee Scheme, amongst others, both formal and informally provided. The failure of many schemes suggests policy issues to address identified problems. These include poor record keeping, politics, high cost of service delivery networks, negligible provision of relevant management training and a handout mentality towards public funds. Financial intermediary capacity building, creation of a database and information centre, library and internet access facility related to credit provision are suggested. A policy to regulate credit schemes is also required. Whilst this review is still useful, some schemes and agencies are now disbanded, and the first author, (Kavanamur, 2002) has provided a more detailed and updated treatment since⁸⁷⁸. He notes continuing past difficulties with government-backed guarantee schemes, managed in partnership with commercial banks, but a new book expresses optimism for PNG's future⁸⁷⁹.

Perhaps one example of this is the establishment of commercial statutory authorities that execute policy within the Ministry of Trade and Industry framework. These include the Industrial Centres Development Corporation, Small Business



Development Corporation (disbanded in 1999) and the Investment Promotion Authority, which specifically links its investment mandate to the tourism authority website, among others. On their website the IPA describes numerous attractive incentives, encourages joint ventures, and is active on investment security issues, being a member of MIGA. One description of recent policies relevant to investment and the private sector is provided on PNG's High commission website in Canberra⁸⁸⁰, which also notes that tourism is a priority area targeted by the government.

Market Access and Development

PNG is a member of the Pacific Island Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER): framework agreements allowing for cooperation in for example, marketing, promotions and research⁸⁸¹. These have been examined by the Pacific islands network on globalisation (PANG), whose response describes impacts on Pacific island nations of, for example, a shift from communal tenure and access to land to a regime of private investment⁸⁸². Though not primarily tourism focussed, these would accommodate tourism related aspects.

The PNG Tourism Promotion Authority officially promotes tourism, and a private tour operator has also constructed an unofficial but complementary website which provides useful information, opinion and resources updated in early 2002⁸⁸³.

The PNG Tourism Promotion Authority launched a new corporate logo on August 22, 2002⁸⁸⁴. As part of a wider promotional push, new uniforms and website have also been designed⁸⁸⁵. The country is also being

promoted through inclusion of the Authority's contact details on the business cards of participating partners in other agencies and businesses.

The PNG Tourism Promotion Authority has also endorsed PNG's first Tourism exhibition, the inaugural 'LUKIM PNG NAU' Tourism Exhibition in March 2004, with all operators invited to exhibit⁸⁸⁶. Analogous to Australia's Tourism Exchange (ATE), it will provide a point of entry to international markets. PNG was also active in the 2003 JATA fair in Japan and a budding relationship with the Japan Travel Association is reported⁸⁸⁷.

Tourism is an important revenue earner in several parts of the South Pacific, and although currently dominated by Australian and New Zealand markets, domestic and regional markets in future may become more significant.

Visitor figures are reported for the first quarter in 2002 in the first newsletter of the PNG Tourism Promotion Authority.⁸⁸⁸ Figures show business arrivals accounting for over 2/3 of visitation followed by holiday and VFR, dominated by the Australian and USA source markets.

Technology and Technology Sharing

PNG is considered to be among the laggard countries in terms of information infrastructure, with less than 500 internet hosts and 135000 internet users in a population of 5 million (compare Singapore, with a similar population, but 1.2 million users and nearly 180 000 hosts in 2000.⁸⁸⁹ It was unranked in e-readiness survey of 60 countries conducted by the Economist Intelligence Unit and Pyramid research, which defined a laggard country as in danger of being left behind, and



facing major obstacles to e-business growth.⁸⁹⁰

With little internet penetration and low e-infrastructure density, policy priorities would first address the prerequisites for e-business. The World Bank has previously noted that telecom privatisation is needed for development of information infrastructure⁸⁹¹, but current policy directions favour partnership arrangements over sale of national assets. An ESCAP document notes that PNG Telikom, while it has a monopoly has been corporatised, and currently moving to a digital system, is relatively advanced for the region.⁸⁹²

Access to Information

The SPPF provides information and advice on finance, business and marketing planning, admin, reporting and market studies, but for a fee. It “is managed and partially funded by the International Finance Corporation (a member of The World Bank Group) with additional funding from the governments of Australia, Japan and New Zealand and support from the Asian Development Bank”.⁸⁹³

Herbertshohe Bisnis Services evolved from the disbanding of the Small Business Development Corporation as part of government reforms to better service the private sector. This groups aims to continue to provide service to indigenous businesses previously serviced by the SBDC, including: general business advisory services; bookkeeping, tax and accounting; business registration and planning, and management training.



Perú

Perú is a republic, with varied climate and terrain, a “megadiversity” of species⁸⁹⁴ a young and mostly literate population of about 27 million, an “adequate” telephone system but over 3 million Internet users, and widespread underemployment and poverty. Strong economic growth in the mid 1990s was followed by some years of poorer results, largely due to external factors, but reinvigoration is now indicated with recent growth estimated at around 4.8%.⁸⁹⁵

The Commission for the Promotion of Small and Micro-Businesses (PROPYME in its Spanish acronym), an agency that forms part of the Ministry of Labor and Job Promotion of the Peruvian government, promotes, coordinates and sets up the actions needed to help increase the competitiveness of small and micro-businesses in the different markets where they operate. Its purpose is to promote the development of small and micro-businesses (PYMES) and their effective integration into the markets. PROPYME attempts to encourage business growth that will allow people to generate wealth on their own, without depending on welfare policies that in the long term serve to perpetuate their impoverished condition.⁸⁹⁶

Tourism is one of Perú’s major economic activities, representing the second largest source of foreign revenue, 13% of service sector jobs and generating new job growth⁸⁹⁷. Tourism in Perú benefits from major enduring and ancient attractions, both natural and cultural, but had been in decline at the start of the 1990s.⁸⁹⁸ A certain amount of political and civil volatility has also affected tourism in some areas in recent years⁸⁹⁹, and some environmental degradation has been

indicated. The eradication of the Shining Path during the 1990s led again to a boom in international tourism numbers⁹⁰⁰.

In 2002, Perú received a total of 1,052,991 foreign visitors, which represented 0.15% of total tourist arrivals in the world and an increase of 4.3% over the number of visitors the country received in 2001. This result can be considered positive if we compare it to the 0.6% reduction in arrivals registered for the entire American continent in the same period. Most tourists visiting the country come from the same continent, mainly from the United States, Chile, Ecuador and Bolivia, although the proportion of English, French, Spanish and German tourists is also considerable. The main reason for travelling is vacation; the activities that draw tourists the most are visits to pre-Hispanic and colonial archaeological sites, as well as alternative tourism such as hiking and nature-watching.

In 2001 a national Program of Sustainable Tourism, was promulgated, in relation to the International Year of Ecotourism (2002) and to relevant legislation on Sustainable Ecotourism. An ongoing body composed of major public and private sector agencies is active in implementation aspects for this sector, including Ministry of Industry, Tourism, Integration and International Commercial Negotiations (MITINCI); the Ministry of Foreign Relations (RREE); the National Council for the Environment (CONAM) the Commission for Promotion of Perú (PROMPERU), the National Institute of Natural Resources (INRENA), the National Institute of Culture (INC), the National Chamber of Tourism (CANATUR), the Peruvian Association of Travel agencies and Tourism (APAVIT), the Peruvian Association of Adventure and Ecotourism (APTAE), the Peruvian Association of Tourism Operators



(APOTUR), the Peruvian Society of Environmental Rights (SPDA) and some others.⁹⁰¹ The current administrative structure is not considered to be as efficiently coordinated as it might be for successful tourism development⁹⁰².

Human Resource Development

In schools, visits are organized to instil identification with, and valuing of, tourist attractions, and science and environment classes also help awareness of nature and its conservation. The Tourism Training Centre or Centro de Formación Turística (CENFOTUR) offers training and specialized courses in tourism, diffused through agreements with various providers. Tourism degrees are becoming established, with one university offering an ecotourism speciality.⁹⁰³

In terms of training, PROPYME offers courses, seminars and workshops on a wide variety of relevant topics for those starting up a new business, including accounting, taxes, adult education, legal aspects of business, financial analysis, credit, bill collection, negotiation, computer technology and e-business, among others. It also offers consulting and orientation tailored to the businesses' needs. However, the training offered is not specific to businesses in the tourist sector.

CENFOTUR is a decentralized public agency of the Ministry of Foreign Trade and Tourism (MINCETUR), with the mandate to plan and implement the country's policies for training and perfecting personnel engaged in tourism at all the different job levels, following the guidelines of national and sectoral policy.⁹⁰⁴

CENFOTUR trains professionals in Tourism Management, Hotel Management

and Official Tour Guides. It also trains operations personnel and all those wishing to enter the tourism labor market in a short time, offering job-training courses such as Kitchen, Bar, Restaurant, Housekeeping, Reception and Reservations, Tourist Information Booth and Airlines.

In recent years, a policy of educational decentralization has been carried out, giving rise to branch offices in Cusco, Cajamarca and Chiclayo, where the program in Hotel Management is offered. Job training courses are also given by contract in Arequipa, Huancayo and Ica.

One of the most significant achievements in educational initiatives is the TedQual Quality Certificate, given by the World Tourism Organization, thus becoming the first educational institution in all of the Americas to obtain this recognition. While CENFOTUR does not focus specifically on SMEs, it can still be considered an important support mechanism for businesses wishing to train their personnel.

One important factor that has stimulated CENFOTUR's development is the collaboration with the Inter-American Development Bank (IDB). The Technical Cooperation Agreement ATN/MH-6377-PE "Development of National Standards for Skills Measurement and Training Programs for the Tourism Sector" was signed on April 28, 1999 by CENFOTUR, and the IDB. The objective is to increase information, improve the quality of service, and raise the competitiveness of the tourism sector, by establishing the framework corresponding to a system of national standards of competence-based aptitudes.⁹⁰⁵

The Project is implemented in two components: the elaboration of national aptitude and instructor-training standards and project promotion. US\$ 1,800,000.00



has been budgeted, of which US\$ 1,080,000.00 was put up by the IDB and US\$ 720,000 by CENFOTUR. The project's activities got underway in mid 1999, and the first disbursement of the IDB's contribution was requested on October 25 of that year. In April, 2001, the project's intermediate evaluation was carried out, under the direction of an international consultant retained by the bank.⁹⁰⁶

In Perú, both college and university training in tour guiding are offered, and are in rivalrous relationship distinguished by their relative emphasis on a) practice in the field (achieving group management visitor orientation and communication skills) and b) subject knowledge and a "rigorous training (in) culture, history, archaeology and architecture". Complementing these two forms of official, local guides also operate. These typically live near tourist sites, and serve independent tourists who are otherwise without their own guide. (McGrath 2003)⁹⁰⁷

McGrath's research describes the different types of tour guide working in Perú and concludes, "Allowing local guides access to appropriate training will ensure deeper participation in the tourism system." McGrath also recognizes that shaman guides also service a niche known locally as "spiritual tourism" or "mystic tourism" although this form has a different purview. Considering that Perú's unique offering ensures sustainable demand, largely independent of service quality, beyond a simple improvement in this aspect, McGrath sees tourism providing regional development options, and that greater integration between the Ministry of Tourism and the INC would benefit industry development.

Access to Finance

PROMPERU is responsible for promotion of investment in Perú. Investment in hotels is widespread currently, with new hotels opening, embracing international chains and also hotels emphasising local architecture, traditional styles and indigenous gastronomy.⁹⁰⁸

The IDB has in 2003 approved a loan to promote Perú's national competitiveness. Aspects include addressing the framework for public private cooperation, improving the climate for public sector investment, expediting start-ups, and creation of linkages and business clusters.⁹⁰⁹

Environmental conservation, and with it habitat of unique and rare species of touristic value has been facilitated by a clever financial arrangement. With support from Conservation International, the Nature Conservancy and the World Wildlife Fund, the US government forgave \$6.6 million of Perú's debt in exchange for a pledge from Perú to commit \$10.6 million to conservation activity over the 12 years from 2002. Debt-for-nature exchange details are described in more detail online.⁹¹⁰ This overcomes the unsustainable exploitation of natural resources sometimes undertaken to pay off foreign debts.⁹¹¹

Although it does not focus specifically on financing tourism SMES, the Commission for the Promotion of Small and Micro-Businesses includes among its range of services a list of financial institutions that do offer financing for SMES. These institutions are grouped in three categories: Development Companies for Small and Micro-Businesses (EDPYME), Rural Savings and Loan Associations and Municipal Savings and Loan Associations. At first glance, they operate as private



financial institutions, but with technical support and funds from national and international financial organizations, such as the Agency for International Development (USAID), the Inter-American Development Bank (IDB), the Micro-Business Program of MITINCI, and the Bank and Insurance Oversight Commission of the Government of Perú. In addition, several commercial banks in the country also offer financing for SMES.⁹¹²

Market Access and Development

Perú's national master plan envisages an annual increment of 60 000 tourists for a total of 1 300 000 tourists in 2005. 58% of tourists are a major sector that is driving Perú's tourism growth.⁹¹³

To address the issue of market access, in December 2002, the government of Perú created the National Tourism Promotion and Development Fund, which was raised with a special tax paid by all tourists entering the country by air, plus contributions from private companies and the federal government. The Perú Promotion Commission (PROMPERU) is the agency in charge of managing the promotional resources raised within the framework of the fund. During the first fiscal year, the fund's resources were allocated for two main purposes: the improvement and development of strategic tourist sites and regions in Perú, such as the Amazon, Machu Picchu and Lake Titicaca; and marketing projects such as market research, distribution channels, and promotional activities such as trips for specialized journalists, introductory trips for travel agents, participation in trade fairs and expositions, distribution of printed material and a massive communication and promotion campaign in priority markets.⁹¹⁴

As a part of this same program, the web page *Perú, el país de los inkas* (Perú,

country of the Incas) was inaugurated, with versions in Spanish, English, French, German and Portuguese.⁹¹⁵ This page offers tourist information about each of the departments or political entities that make up Perú, and also information about tourist service providers, such as hotels, restaurants, travel agencies, transportation companies and night clubs, as well as support services such as petrol stations, medical services and auto mechanics. Each of the businesses listed has a "file card" showing its category, address, telephone number, fax number and web page. This means that many tourism SMES have market access through this channel.

Regular delegations participate in expos in major markets, advised and reported through PromPerú's official newsletter, *Kilca Perú*.⁹¹⁶ PromPerú and CANATUR jointly organise the annual Perú Travel Mart, an "important event for the promotion of tourism in Perú" that brings together Peruvian Tour Operators and worldwide buyers⁹¹⁷.

Language barriers are a frequent disincentive to travellers, and a development issue for tourism intensive economies. An imaginative arrangement is for enhancing demand side attractiveness in Perú and elsewhere, is provided through Australia's Tucan travel, who package all-found homestay with local families with language classes provided by local tutors.⁹¹⁸

Technology and Technology Sharing

Bernstein (2000) has researched Perú's IT sector and provides useful background on its status in regard to liberalization and deregulation, amongst other details. The telecommunications market has been opened, with an office, the regulator, OSIPTEL, overseeing privatisation



activity, and now several providers, including foreign owned are in this market. Although the Internet has only been widely operational in Perú since the mid 1990s, E-commerce is projected to grow rapidly, as Internet hosts have increased and access costs have dropped.⁹¹⁹

The Ministry of Transport and Telecommunications established policy and grants concessions to operators. OSIPTEL runs the universal access fund (FITEL) and promotes investment. FITEL finances telecom service provision in rural and disadvantaged areas. Fixed and mobile market growth is currently projected at a higher level than Latin America. Major foreign entrants are focusing on corporate clients for telephony services. Students are the majority of Internet user, which is mainly used from public centres.⁹²⁰

Although the telephone infrastructure is such that most Peruvians do not own a telephone, the millions of Internet users find the provision of the service through cooperative and co-financing arrangements, where using the net is cheaper than phoning. This is due to a business model pioneered in Perú by Red Científica Peruana since 1991.⁹²¹ Red Científica Peruana, (RCP) is now Perú's largest ISP and most popular portal, and is fully self-financing. RCP set up a national network of 27 telecentres computers that "provide computer rentals, training, personal email accounts, World Wide Web page development and other services". Its fee structure successfully covers costs and allows growth while retaining profits). With a US investment fund, RCP has recently agreed to form a new communications company, which will expand Internet services, and then towards long distance telephony and television programming⁹²².

Some sites of touristic significance have been identified as being in environmental danger. Capacity building for regional sustainable development through sharing of environmental expertise is occurring in the Paracas National Reserve in partnership with the Fundación Pro-Naturaleza (FPCN). A PiP project⁹²³ aims to strengthen the management and conservation in the areas based on "promoting a high degree of stakeholder participation ... (and) promoting planning and regulation of the use of natural resources." The continuing coordination with local organisations is paving the way for their more formal association in future.

As a "multicultural, intercultural, multiethnic and multilingual nation, (Peruvians have) developed valuable technologies for management of their ecosystems". The government recognises the value of the natural asset, and has established various environmental institutions to balance the conservation need with private investment and development, and sustainability is noted in national policy.⁹²⁴

The global report on competitiveness for 2002 – 2003, published by the World Economic Forum, lists Perú in 64th place on the technological index, in 50th place on the information and communication technology (ICT) sub-index, and in 37th place in terms of Internet users, with close to 1,150 users per 10,000 inhabitants. As for personal computers, it is listed in (*sic*) place, and in 61st place in terms of Internet hosts.⁹²⁵

One indicator of access to technology on the part of Peruvian tourism SMES can be found on the PromPerú web page. There it is pointed out that most of the businesses listed do not have web pages; by categories, the type of business that has proportionally the most web pages is the



transportation industry, followed by travel agencies (including tour operators), and then lodging. The types of businesses that have the fewest web pages are eating and drinking establishments and nightclubs.⁹²⁶

Access to Information

In terms of statistics, the information available can be considered scarce. On the page of the National Institute of Statistics and Information Technology, there is no section on tourist statistics, nor has the Tourism Satellite Account been implemented. On the page of the Ministry of Foreign Trade and Tourism there is a section dedicated to statistics, with information on certain indicators such as arrivals at the international airport, distribution of hotels by category, national monthly reports and statistics for the year 2001, which cannot be considered sufficient for providing information to a national tourism sector.⁹²⁷

The most relevant body of information on tourist activity is probably the series of market studies done by the Perú Promotion Commission. They include 48 documents with information on profiles of international, national and business tourists, by place of origin and destination, level of satisfaction of national and foreign visitors and by occasion and reason for visit.⁹²⁸



Philippines

The Republic of the Philippines is an archipelago lying east of Viet Nam with a population of around 85 million, 40% of whom are estimated to be below the poverty line. Agriculture and light industry, supported by a service sector, dominate the economy, with services contributing an estimated 54% to GDP, though about 40% of the labour force works in agriculture, double the figure for services⁹²⁹.

With GDP growth around 4-4.5% currently, comparatively in SE Asia, the Philippines has shown only weak industrial growth, and the main contributor to output growth will be the services sector. Managing its fiscal deficit presents challenges as market access becomes more costly, and reform efforts related to finance and infrastructure are ongoing.⁹³⁰

A detailed description of SME policy and strategy is recorded at ASEAN's website.⁹³¹ A small and medium enterprise is any business whose asset size is between 3-15million PhP (Small Enterprise) or 15-100 Million PhP (medium). The University of the Philippines - Institute for Small Scale Industries (UP-ISSI) has also proposed that a Small Enterprise have in the range 10-99 employees and a Medium Enterprise, more than 100 employees⁹³².

In 1999, more than 99% of the total of Philippine businesses were MSMEs comprising the vast majority of establishments, (predominantly manufacturing) and contributing almost two thirds (66.21%) of employment in the country, almost 31% of the total sales and contributing 32% in added value to the economy.⁹³³ However most SMEs are concentrated in the capital and

neighbouring provinces areas. The government has for some time aimed to spur growth of SMEs, including programmes for rural industrialisation leading to economic growth and development⁹³⁴.

The Congress has recently (2002) enacted the Barangay Micro Business Enterprises (BMBEs) Act to encourage microbusinesses (defined by total asset level) through "income tax exemption, exemption from the coverage of the minimum wage law, priority to a special credit window and technology transfer, (training) and marketing assistance programs."⁹³⁵

With support of the WTOO, the Philippine government expounded its Action Plan for Philippine Tourism 2003-2010, in which it established diverse instruments of tourist policies for the development of the sector. Tourism development had been perceived to be lagging. The main priorities outlined in the plan for the tourism sector are to maximize its capacity for bringing in foreign currency, maximize the generation of employment outside the capital and to promote, with emphasis, the expansion of small and medium enterprises.⁹³⁶

Human Resource Development

The quality of the service provided by the labour force in the tourism sector to visitors is considered crucial so as to develop a highly competitive tourist destination. The short term policies in this sense must be orientated towards improving the skills of the sector's human resources, promoting the collaboration between the public and private sector (so as to invest in personnel training) and improving the training of the graduates of the tourism schools establishing region



training advice. The Plan for the Development of Human Resources must look towards maintaining itself on a par with the changes in tourism trends and to continually improve the skills of the staff.

In coordination with the Hotel and Restaurant Association of the Philippines, the Department of Tourism operates the Hotel and Tourism Institute of the Philippines in a refurbished building with 25 rooms located in the historic centre of Intramuros. The institute's mission is to develop professional staff in the operation and administration of businesses involved in tourist services. The study plan is theoretical, practical and offers programs of one and two years, just like those of bachelor degrees and masters. Grants are offered for students who do not have sufficient funds to cover the cost of their studies.⁹³⁷

Although no information was found about any specific development program for human resources directed specifically towards tourist SMEs, several current programs relate to HRD and entrepreneurship training, including a compendium of training programs; a business counselling service, with 95 counsellors deployed in SME centres in the DTI's regional and provincial offices, and business counsellor accreditation for graduates of the Business Management System course of the Philippine Trade Training Centre⁹³⁸.

The Women's business council formed in 1997 following sessions organised by the Office of the Special Concerns of the Department of Trade & Industry (OSC - DTI). This identified needs specific to Filipino women entrepreneurs, and acts as a "voice of women in business", on issues including continuing education and training, as well as finance and market

issues. Entrepreneurship development is a stated objective⁹³⁹.

A three-year UNESCO project concluded in 2002, which aimed to develop and test models for the cultural heritage management and tourism sector. Vigan in the Philippines was one of eight pilot sites, and opportunities for women and youth were emphasised in models for community education and skills training directed towards employment in the sector. Models for conflict resolution among stakeholders were also developed.⁹⁴⁰

For human resource development for e-services, the Philippines has three strategic objectives

1. increase the supply of IT professionals and graduates
2. improve the quality by directing the talent pool towards high-end IT skill sets.
3. retain its graduates to promote the country as an e-services business-outsourcing hub⁹⁴¹.

Access to Finance

The National Plan for the Development of Small and Medium Enterprises presents a very well structured program for the support of SMEs. The Small Business Guarantee and Finance Corporation and the Bureau of Small and Medium Business Development present numerous programs of financial support.⁹⁴²

In the Republic Act 6977, known as the Magna Carta of Small Businesses, the obligatory assignment of 8% of their credit resources or a part of the total loan portfolio to the small companies is demanded to all credit institutions. In addition to financing and securities, the program deals with the training of human



resources, a marketing plan and the introduction and development of technologies. It includes various types of credit, with variations of payment terms, interest rates and flexibility in the presentation of securities interests. The procedures and the negotiation plans required are not complicated. The program is not directed specifically towards tourist related companies, but these are not mentioned in the list of businesses that are excluded, those trading in imported goods, liquor, cigarettes and extractive industries⁹⁴³.

The abovementioned UNESCO project piloted in Vigan⁹⁴⁴ also successfully developed municipal level models for “fiscal management of heritage conservation, maintenance and development” and also developed models for “involvement and investment by the tourism industry in the sustainability of the culture heritage resource base and supporting infrastructure”, where education as to the value of this was instrumental. Other economies including China, Vietnam and Malaysia also ran pilots in this project, and others played a role in associated workshop events.

At the 10th APEC SME Ministerial meeting in mid 2003, the Philippines noted the accomplishment of a one-brand SME financing program using simplified and standardised procedures. Target and actual figures from this, the SME Unified Lending Opportunities for National Growth Program are given, indicating its success.⁹⁴⁵

BIMP-EAGA state heads have recently tasked their ministers with developing more attractive regimes for trade and investment, and are specifically encouraging private sector and government cooperation in tourism, among other sectors⁹⁴⁶.

Microfinance has been supported by policies such as the Barangay Micro Business Enterprises Act of 2002, but this “populist credit program” has been likened to the failed government subsidised credit programs of the past, whereas adopting market based financial credit policies has been seen as successful in recent times. The sustainability of microfinance institutions (MFIs) and borrower discipline must also be considered.⁹⁴⁷

Market Access and Development

The Department of Trade and Industry (DTI) and the Export Development Council guides this activity generally, and strategically the Philippines engages in multilateral agreements such as APEC, WTrO and the ASEAN Free Trade Area (AFTA). Electronic commerce is one strategy to expand market presence, and industry clustering also applies.⁹⁴⁸

In the year 2002 the Philippines received 1,933,999 international visitors, those of whom spent nearly 1,741 million dollars.⁹⁴⁹ Tourism is one of the economic activities that contribute to the country most in terms of foreign currency, investment and employment. In a study carried out by the World Tourism Organization at the request of the Philippine government, it was found that despite having numerous tourism attractions (natural as well as cultural), and being in the centre of the world’s fastest growing socio-economic area, the country is still finding itself dragging behind compared with the development of tourist activities in its neighbouring countries such as China and Thailand⁹⁵⁰.

In the marketing area, the National Action Plan proposes the continual participation in fairs and national and international



exhibitions in collaboration with the private sector. Although no information was found about any marketing program directed specifically towards the tourist SME, SMEs are provided for via trade fairs, business matching and an SME database, buying and selling missions, though these currently apply more to the manufacturing sector.⁹⁵¹, with tourism trade fairs are more at ASEAN level.

The Market Encounter Program aims to strengthen the supply base and showcases the skills and resources of regional producers to develop market linkages.⁹⁵² The Philippine Tour Operators Association (PHILTOA) runs an annual travel mart, and as a body, recognises the value of cooperation, since loss of market share is attributed to a lack of industry cohesion⁹⁵³.

A fund must be established for the design and operation of a long-term marketing plan. The idea of twinning Philippine towns with those of other countries is also being recommended, with the purpose of making the marketing more effective. To regain public trust, emphasis will be put on security and it will be highlighted that any previous terrorist attempts have been crushed. Regarding marketing, the idea is that policies continue to be concentrated in the niches of the special interest market, ecotourism products and mass products just like those of sun, beach and sightseers.

The countries to which the marketing should be directed are: Japan, South Korea, the USA, Taiwan, Singapore, Australia, Germany and the United Kingdom. So as to increase the opportunities of small and medium businesses, maximum advantage should be taken of information technologies and communication in key tourist markets.

Technology and Technology Sharing

The policy of the Philippine government regarding small and medium enterprises looks towards enhancing productivity and competitiveness through the effective and judicious application of technology. They will look towards developing systems of data bases regarding technologies and put in order technology requirements, matching them with existing resources and programs. In this way they will be able to conduct benchmarking activities.⁹⁵⁴

The Philippines already leads the region in SMS and potential also to lead in Internet access is evident. A thorough analysis by the International Telecommunication Union (ITU) in late 2001 indicates that technology is being given high priority, with an e-commerce law passed as early as 2000, based on the model UN law, and schemes for rural and remote access are underway although uptake statistics are less clear. The report notes that market deregulation began before large-scale Internet development, benefiting the ICT industry, which displays innovation, competition and ease of market entry and exit.⁹⁵⁵

An e-readiness assessment study took place in 2002, funded by the Information for Development program of the World Bank, and focussing particularly on SMEs. Enactment of an e-commerce law in 2000 was a positive move, but infrastructure is still developing, and other strengths and weaknesses are noted.⁹⁵⁶ Further useful context is provided by Bagaman (2002).

In 2002, the country was ranked 30 in the over-all results of the 2002 Global Technology Index, standing out due to its high proportion of professionals dedicated to information technologies.⁹⁵⁷ There is an enormous number of Philippine web pages



relating to tourism and tourist services. No specific programs were found however relating to the promotion of technology use in tourist SMEs.

'Strengthening SME Competitiveness through IT and E-Commerce' was the theme of the 2nd National E-Commerce Congress and Exhibit held by the Philippine Internet Commerce Society (PICS) in December 2003.⁹⁵⁸

A commercial e-business product targeting SMEs has been available since 2000. The Philippine Internet Business Exchange (PhilBX) is a business-to-business e-commerce portal connecting Philippines-based producers and SME's, serving as an Internet-based procurement system, allowing registered suppliers to do various business functions online. It will link to regional internet exchanges and eventually globally.⁹⁵⁹ By 2002 250 companies were registered on the exchange, more SMEs were expected to join and partnerships with internet cafes were being forged to increase access.⁹⁶⁰

Olango Island is just one less celebrated region that has leapfrogged more established tourism areas through the use of the Internet. Lakbay TV is a cable travel channel and operates an online travel website, Lakbay.net⁹⁶¹. This has made its e-commerce platform available to destinations lacking resources or expertise to market themselves. Its e-travel program promotes via TV and allows information search, booking and payment online. This achieves a potential indicated in a cited UNCTAD report on e-tourism.⁹⁶²

Lakbay.net built alliances with travel agencies, resorts operators and others "to provide its target market with a one stop site", while other groups mentioned focus on servicing the industry's web requirements through hosting and

transaction activity on behalf of SMEs⁹⁶³. PHILTOA also developed, with an e-business development company, Philippine Travel Source, a B2B reservation system acting as an e-marketplace for the travel industry.⁹⁶⁴

RosettaNet is a global non-profit organization of information technology companies, including major players, which develops open standards for adopting and conducting B2B e-commerce⁹⁶⁵. In November 2003 RosettaNet Philippines Inc launched, following similar consortia in other economies. This initiative is expected to develop SMEs adoption of e-business, and the DTI has expressed interest in setting up a hosting facility for smaller businesses, an entry-level option that avoids infrastructure costs for SMEs. Tax cuts and other relief from import duty measures for SMEs will be allied to this to further promote uptake.⁹⁶⁶

Access to Information

There is an enormous quantity of Philippine web pages relating to tourism and tourist services, and commercial information is abundant. No mechanism however was identified specifically promoting the generation and use of information between tourist SMEs.

There is a section on the Tourism Satellite Account in the National Statistical Coordination Board,⁹⁶⁷ as well as a section relating to statistics in the Department of Tourism's web page⁹⁶⁸. Information can also be found regarding tourist activity in the Philippines in the web pages of the World Tourism Organization, in the pages of the Pacific Asia Travel Association (PATA), Association of South East Asian Nations, (ASEAN) and the Asia-Pacific Economic Cooperation (APEC). The



statistical information found in these pages may be considered poor, but APEC's pages are particularly useful regarding investigations into the matter of tourism.

SME centres provide a range of counselling and business services, as well as office facilities for startups and established SMEs. The DTI partners either the private sector or local government to provide this service⁹⁶⁹.

The Small and Medium Enterprise Development Council, is the main agency responsible for SME promotion and growth. Some initiatives include aligning databases according to SME needs, hyper linking databases and expediting website developments. Holding financing fairs also provides relevant information, and promoting active industry associations for sector specific activity. Matching SME requirements with available programs is another service it conducts.

The APEC Centre for Technology Exchange and Training for SMEs (ACTETSME) has been an ongoing program for increasing SME competitiveness through technology exchange, which is in line with the Philippine priorities for development in this area. This entails "linking the SME databases of APEC economies and all other interested parties into a master database; providing sector-specific services; facilitating business and entrepreneurial exchange visits and missions; and conducting productivity improvement, small business consultancy and management training programs for SMEs". Working with the Small Enterprises Research & Development Foundation (SERDEF) in the Philippines relevant technological information and assistance is made available to SMEs.

Relevant R&D is made available through the Philippine APEC Study Centre Network (PASCN)⁹⁷⁰, and the Philippine Institute for Development Studies (PIDS), which also provides a research portal and resources for policymakers and legislators⁹⁷¹. A recent research paper on sustainable development in the Philippines is available from this source (Cruz, 2003).⁹⁷²

The DTI is the central point for trade, including e-commerce, and its MIS group develops trade-related databases. This includes enhancing the Philippine Trade Information Network System (PHILTINS), which is a database of Philippine exporters and trade statistics. The enhanced PHILTINS allows online business matching and includes "more directories of exporters and domestic buyers"⁹⁷³.

The DTI's EXPONET also provides relevant assistance related to export issues, e-commerce and IT.⁹⁷⁴



Russia

Russia is the world's largest country, with diverse terrain, undeveloped tracts, fourteen land borders and miscellaneous minority ethnic groups. Dominant during the Soviet Union era, it has taken time to establish the foundations of a market economy.

Telecommunications infrastructure has progressed though a number of remaining economic problems, including poverty and a dilapidated industrial base, have been identified. Confidence in the economy has risen however due to renewed efforts on structural reforms and better recent GDP figures, though business climate remains generally poor.⁹⁷⁵

On the 5th July 2000 the Department of Tourism was created as a dependency assigned to the Minister of Economic Development and Trade. Previously, the State Ministry of Physical Culture, Sport and Tourism was in charge of the country's tourism policy. In 2002 the document entitled "*The Concept of Development of Tourism until 2005*" was published, in which it was established that the central objective of the state policy for the tourism sector in the Russian Federation is the establishment of an up-to-date efficient and competitive tourist complex securing ample opportunities for meeting the requirements of Russian and foreign citizens for various tourist services.⁹⁷⁶

SMEs represent 85.6% of total establishments; of which 52.7% are small enterprises and 32.9% are medium enterprises. They provide 33.5% of the total employment in Russia, the medium ones offer 25% of the jobs and the rest are offered by the small ones.⁹⁷⁷ Up until recently the business environment was not

very propitious for Russian SMEs, but lately support to businesses in these categories has risen in importance on the Russian Government's agenda. In accordance with data from the USA embassy in Moscow, small and medium businesses' share of the economy accounted for 12 % of the gross domestic product of Russia.⁹⁷⁸

The Russian agency for small and medium business support (RA) has an established network of SME development agencies (SMEDAs) in 52 regions of Russia. Its formal status, as with the regional agencies is "a nongovernmental commercial organization, a joint stock company."⁹⁷⁹

SIORA is the Russian network for SME support, and "covers all aspects of cooperation with private businesses in Russia".⁹⁸⁰ Business, legal, and management services, and marketing research are provided, along with statistics and data, backgrounders and investment information. These were all free to access at the time of writing. It links NGOs and regional agencies, managed by the Russian Agency of SME support

The Russian SME Observatory report is a thorough analysis of the SME sector in Russia, covering data and demographics, markets, finance, technology, policy and regulatory issues in detail.⁹⁸¹ However, no information was found about specific support programs for tourist related SMEs.

The Russian Government feels that the potential of tourism in Russia is not being profitable enough as it receives only 7.4 million tourists a year, (which represents about 1% of the world's tourism), while it is estimated that it should be receiving about 40 million.

The causes that provoke such an enormous difference between the actual flow of



tourists and the potential number include the following: the image of Russia being an unknown tourist destination, excessive procedures to get a visa, insufficiently developed tourist infrastructure, damaged and obsolete tourist facilities, low quality lodgings, lack of experience in ways of attracting tourist investment, non-existent official campaigns for promoting the international tourist market, low quality in all tourist services due to the lack of skills and the lack of experience in the performance of a market economy—all of this together with prices which do not match up with the quality offered.

Russia however is expected to “make great strides” in the industry as tourism moves towards 2020. As technology access and use levels out, environmental consciousness grows, and customers’ rapid online access to destination information and booking deals becomes the norm, lesser known destinations and cultures may experience resurgence, enjoy vogue markets, and serve both comfort and adventure preferences.⁹⁸²

The agency for tourism in Russia is the Tourism Department, based in the Russian Federation Ministry of Economic Development and Trade. In 2002 a three-year tourism development concept was adopted, targeting the establishment of a modern and competitive industry, and set of priorities and an update to existing legislation on tourism is indicated.⁹⁸³ Access to Russia for tourists is now welcomed, in contrast to the Soviet era policies, and tourist flows have increased, with environmental tourism; cultural and educational tourism; cruises and specialized tourism particularly indicated as promising segments.⁹⁸⁴ Cosmic tourism is another future segment for which Russia, who pioneered this niche in 2001, is well positioned, along with the USA⁹⁸⁵.

Numerous private providers, often based outside Russia also provide information in English and other languages relevant to tourism.

Problems for Russian women during transition were identified during a UNIDO workshop in 1996. These included “

- exclusion of women from holding property during the privatization of enterprises;
- obstacles to and loss of guarantees in labour activities as a result of splitting the social and manufacturing spheres;
- increase of number of unemployed;
- increase of discrimination concerning gender and age in employment;
- lack of financial and legal knowledge of women as regards small businesses;
- exclusion of women from socio-prestigious economic activities, especially from the financial and banking sphere; and
- lack of gender- and ecology-oriented expertise in entrepreneurship⁹⁸⁶

Eleven recommendations relevant to this were made and an association of successful women entrepreneurs, the Association of Women and Business in Russia (AWBR)⁹⁸⁷ is active and linked internationally to the FCEM, the worldwide network of women business owners.⁹⁸⁸

Human Resource Development

The Ministry of Economic Development and Trade (MEDT) is responsible for promoting tourism, including internal training. Technical assistance has been provided by Tacis through the Ministry of Economic Development and Trade, including an extensive good practice guide



for tourism training. This handbook allows international benchmarking activity and covers loan guarantees, accommodation classification and marketing and promotion work⁹⁸⁹.

Like other transitional economies, a need for management and technology and knowledge are generally indicated, and partnership search arrangements can help this. One example is provided for a prospective tourist exchange enterprise in Chuvash⁹⁹⁰.

Amongst the measures that the Russian Government proposes to improve the quality of human resources there is the elaboration of a collection of academic options which include professions, guidelines for training and specialization which will allow improved tourist education to be achieved, as well as the improvement of quality standards of the main sites of tourist industry. Also, it is proposed that the creation of a data base which will provide data regarding educative institutions that are specialized in the training, retraining and improvement of staff within the tourism and hotel sector. Few government programs as yet appear to be geared specifically towards human resource development in tourism SMEs

Tourism entrepreneurship development however is being mentored through a USAID partnership, between the neighbouring provincial areas of Chukotka⁹⁹¹ and across the Bering strait, Alaska. The Alaska-Chukotka Development Program brings Alaskan resources and experience to Chukotka to meet local needs and to provide essential social services and infrastructure. In particular, enhancing the skills and knowledge of indigenous entrepreneurs towards strengthened bilateral ties, and continuing Alaska-Chukotka collaboration. Tourism entrepreneurship and removing

obstacles to tourism has occurred during the project, with completion date August 2004⁹⁹².

The Citizens Development Corps, an American private volunteer organization also reports some success stories in relation to tourism training, such as a two-day seminar on sales training and product promotion for tourism business managers in Novgorod, funded by USAID⁹⁹³. Other seminars in hospitality have also been conducted in Russia.

Indigenous SME and specifically some tourism training is also widely available through traditional educational channels. Russia belongs to the Black Sea Tourism Education Network, which “coordinates efforts of tourism education communities in the Black Sea region to enhance academic potential and improve human resources, to promote sustainable tourism development and to stimulate preservation of the physical, cultural and social environments in the region”. Its charter, conferences and information sharing activity, and links to academic contacts are listed.⁹⁹⁴

Russian tertiary education is now becoming modelled more on Western structures⁹⁹⁵, The Sochi State University for Tourism & Recreation (SUTR) offers a range of specialised courses up to PhD⁹⁹⁶. The Russian International Academy of Tourism has a wide network of branches. For example the Konakovo branch offers specialised qualifications through its faculty of Tourism Management⁹⁹⁷

The Russian Agency for small and medium business support provides training for women entrepreneurs and general consulting for beginning and advanced entrepreneurs in various areas such as business planning and management.



Access to Finance

A fund exists for Small Businesses in Russia (RSBF), which works jointly with the European Bank for Reconstruction and Development (EBRD). The principal objective of this bank is to support the economies of central and western European countries who find themselves in the transition of moving from being centrally planned economies to market economies. Nearly 20% of the funds of this bank have been used in the support of Russian businesses. Credit can be requested for businesses dedicated to production, to services and to commerce. Financing for work capital can be obtained and fixed assets can be acquired as well as support of such. A credit line exists for micro businesses with less than 20 employees and for small businesses that have less than 100. Between 1994 and 2003 the fund has granted more than 118,000 credits in nearly 120 towns in the Russian Federation. It is estimated that in 2003 the amount of credit will reach more than 1,200 million dollars. The major part of financing has been directed towards micro businesses.⁹⁹⁸

In 2002 Tacis (an EU technical assistance programme for Russia and other economies) published “an overview of the financial instruments and available resources for SMEs, including microfinance, venture capital, credit guarantee schemes, leasing and more”.⁹⁹⁹

In the ministerial introduction to this report it was noted that the Federal Programme of State Support to Small Business in the Russian Federation provides for Small business financial support since 2000, and in 2003-2005 the Ministry of Antimonopoly Policy and Support of Entrepreneurship of the Russian Federation (RF MAP), jointly with Federal Fund of

Small Business Support, will continue executing the tasks set in the Federal Programme of State Support to Small Business. SME lending risk is seen as low, with experience indicating that 99% of borrowers paying back loans.¹⁰⁰⁰

Microfinance initiatives are underway across Russia, and in September 2003 the Russian Microfinance centre opened its website¹⁰⁰¹. This offers news, a library, a link to training programmes, discussion forums and more.

Market Access and Development

Spanning huge areas in Asia and Europe, and being in transition to a market economy, Russian tourism displays both a centrally planned and a market orientation in different regional areas. A report prepared for prospective investors and partners details potential tourism products along with background information for the beautiful and unspoiled Krasnoyarsk region in central Siberia. This market assessment notes that tours organised by two SOEs in the Soviet era have been replaced by a local industry with 89 registered tourism companies: mostly microbusinesses specialising mainly in medicinal and sports tourism, but also other types, and catering to several international markets. Historic or cultural sites, hunting and unexplored peoples with traditional lifestyles and inimitable handicrafts provide other unique tourism niches. An annual trade show in the region provides a forum for market development, and opportunities to invest and share marketing expertise.¹⁰⁰²

In the light of the discrepancy between hope and arrivals, the most important task that must be achieved for developing Russian tourism is the formulation of a tourist promotion strategy based on



modern marketing directed towards both the international and internal market.¹⁰⁰³

To achieve this, information must be elaborated and publicity programs created to be directed to both the international and internal markets, including radio and television programs, permanent publicity campaigns in the large mass media, as well as the publication of catalogues, leaflets, maps and other information and publishing resources. Along with this, Russia's presence must be felt in fairs and international tourist exhibitions; official web pages must also be constructed for tourist information on the Internet. In addition, tourist information networks should be organized in the main tourism broadcasting centres towards Russia, and travel should be organized for the press specialized in such branches.¹⁰⁰⁴

The analysis also mentions that there is a need to carry out marketing researches regarding the demand for tourist services within Russia as well as outside it. Some market research reports relevant to tourism and tourism investment are provided by SIORA. For example a forecast report on potential development of the leisure market in the Moscow region, indicates demand and other characteristics.¹⁰⁰⁵

Technology and Technology Sharing

E-tourism will be constrained by telecommunication policy and costs. Russia's accession to the WTO entails a negotiating position that imposes a 49% limit on foreign ownership on new telecommunications providers, and investment in telecommunications may be further hampered by legislation retaining a lot of powers within central government¹⁰⁰⁶.

Various tourism companies in some regions are already online, either with their own domain name or hosted, and with basic email contact details (e.g. hotmail addresses) or full websites. Small business Ecommerce use and a paper on the market for internet payments and e commerce development have been researched by the Russian Agency, though details are not freely available in English¹⁰⁰⁷.

SIORA-net is an inter-regional network linking some more advanced SMEDAs, and this is also being connected internationally to facilitate intercompany partnerships and technology transfer¹⁰⁰⁸.

Despite a great many web pages concerning information and Russian tourist services, no specific information was found regarding the use of technology in tourist SMEs. In a country of 144 million inhabitants, the number of people who own a computer has risen by 150% in the last three years, reaching 13 million, while the number of Internet users has increased by 39% in the last year, making a total of 12 million. In 2002 the information technology market grew by 9%, in which 450 million dollars corresponded to software production.¹⁰⁰⁹

Access to Information

The Russian Agency (for small and medium business support) "provides consulting and information support for small and medium sized enterprises (and) arranges cooperation links between Russian and foreign entrepreneurs". It also assists foreign firms in the promotion to the Russian market.¹⁰¹⁰

SIORA operates relative to a framework of the Russian ministry of Antimonopoly policy and entrepreneurship support, and the Russian Agency for small and medium



business support, with some EU guidance indicated. It provides a range of communication and information for SMEs, including news, access to finance, and various documents and data.¹⁰¹¹ It facilitates business contacts throughout Russia.

As a member of INSME Russia also has online access to the ASK INSME service¹⁰¹², providing expert answers on a range of topics. This is particularly relevant to a country in transition, which requires internationally competitive knowledge base and entrepreneurial capacity to be built from an historically low base. Likewise access to technology assistance is available through ACTETSME.

The Russian SME resource centre provides extensive resources including a newsletter, SME statistics, awareness, and publication and document access services¹⁰¹³

The Department of Tourism in the Russian Federation has proposed the creation of a formal system for the collection and processing of statistical information in accordance with proceedings set out by the Tourism Satellite Account that is proposed by the World Tourism Organization. There is a large quantity of official and unofficial web pages that promote tourist services offered by the Russian Federation. Among such pages is the Department of Tourism, which later on will be converted into a portal that will include tourist information of the tourism agencies of the varying regions of the federation. These will be able to continually update themselves. It is hoped that this portal will be available in five languages. A central information network in the most important tourist regions of the country is also planned.¹⁰¹⁴



Singapore

Since independence from the Malaysian Federation in 1965 Singapore has become a leading economy on several classes of indicator, with high industrialisation, continuing export-led growth and advanced e-readiness.

Its philosophy may be termed an “assisted planned economy” with numerous government initiatives targeting modernisation and economic growth, promoted through the Trade Development Board (TDB) and the Economic Development Board (EDB). The Productivity and Standards Board (PSB) and the Enterprises Promotions Centre (EPC) provide operational support relating to consultancy, certification and training. For SMEs they also provide help in gaining financial assistance.¹⁰¹⁵

SMEs have contributed to its economic development as a major trading hub, employing about half the workforce.¹⁰¹⁶ SMEs are defined as having 30% or more local equity, employment not exceeding 200 workers and fixed productive assets of not more than \$15 million.¹⁰¹⁷

Singapore has recently begun to strategically position itself as a tourism hub, with a vision that recognises tourism as a central economic force, rather than its previous conceptualisation as essentially only a destination promotion activity. This is reflected in a programme comprising 6 strategic thrusts, attention to new nomenclature and branding issues, and specific activities, indicated under the specific heads below¹⁰¹⁸.

Human Resource Development

Sustainability of the SME sector’s prevalence in Singapore and the economy’s strength is being referenced to a 6Cs strategy, where an entrepreneurial culture, capability, (pro-business) conditions, connection, capital and catalysts (government assistance schemes) are all active factors in developing entrepreneurship¹⁰¹⁹.

The STB’s strategic vision calls for “developing a competent tourism workforce by nurturing a pool of creative, capable and internationally-oriented managers, development of a comprehensive skills and attitudinal training programme, and encouraging automation and re-engineering of work processes which can improve efficiency”. There is also a perceived shortfall of labour and quality entrants so some industry image building is indicated.¹⁰²⁰

A well-trained, flexible workforce with high learning capacity is seen as strategically sustaining competitiveness, and Singapore has a national framework, the National Skills Recognition System, for establishing skill competencies and accreditation¹⁰²¹. A range of tourism-relevant courses, both academic and skill based, is offered by the Tourism Management Institute of Singapore (TMIS), a subsidiary of the National Association of Travel Agents Singapore (NATAS). Aiming to become a regional training institute with national certification it already caters for training in regional countries including Indonesia, Viet Nam and the Philippines.¹⁰²²

Tour leaders are (optionally) registered through NATAS for an annual fee, and are required to undergo a training programme



from TMIS. The government provides training incentives through various schemes, including its Skills development fund, and most recently the SME Upgrading for Performance Fund.¹⁰²³ An incentives package is also offered for tourism business development through the STB.¹⁰²⁴

Tourism shopping accounted for about 30% of tourism receipts, and Singapore is taking a strong line on errant retailers¹⁰²⁵, which shows commitment to quality in the sector.

Access to Finance

Singapore reported its experience in creating venture capital markets and financing SME growth at the 10th APEC SME Ministerial meeting in August, 2003 in Thailand¹⁰²⁶. The Singapore Exchange has two trading boards, with the SGX Sesdaq (with less stringent regarding listing requirements than the main board) enabling SME fundraising from the public. Venture capital measures, including the startup enterprise development scheme (SEEDS) in 2001, where the Enterprise Development Board matches dollars from third party investors, have shown success. Angel capital and investment rates have also increased, partly thanks to tax incentive schemes in the technology sector. The “deal flow connection” initiative by the Action Community for Entrepreneurs (ACE) links entrepreneurs with financiers, investors and intermediaries.¹⁰²⁷

A portal site for Singapore’s SMEs links to a number of government grants and assistance schemes. It indicates that over 60 schemes are applicable to businesses aligned with government priorities, but that a rationalisation may be occurring. Schemes are identified that apply to skills development funding, to SME operational

upgrades, (e.g. the Local Enterprise Technical Assistance Scheme (LETAS)) and to Ecommerce, e.g. JumpStart and the E Strategic Business Programme (ESBP), both of which draw upon LETAS.¹⁰²⁸

Governance transparency and disclosure environment is a factor seen as important in attracting investment. Hong Kong’s high level of transparency is seen as a competitive advantage in this regard.¹⁰²⁹ A composite measure of transparency developed by Kaufman, Kraay and Zodial-Lobaton¹⁰³⁰ was used to compare Singapore with Australia and with Malaysia. Both Singapore and Australia are high on the transparency measure, and Malaysia is relatively low. Higher national transparency levels were found to correlate with companies’ communicative disclosure of business information, with implications for making markets more transparent at global levels¹⁰³¹.

The STB aims to attracting world-class investment in Singapore by “putting in place an attractive tax and incentive structure in order to encourage companies to invest and upgrade, (and) reviewing the mechanism for land sales and licensing procedures”¹⁰³². Measures taken in response to SARS included higher property tax rebates for gazetted tourist hotels, training grant support, and a short-term bridging loan programme for SMTEs. This enabled working capital loans similar to an overdraft facility to be taken, and, through government subsidy, had favourable interest rate and payment terms.¹⁰³³ Eligibility criteria for SMTEs are also detailed along with the dollar impacts.



Market Access and Development

The STB aims to create strong Singapore branding and to sustain a notable presence in cyberspace, thus expanding its market base¹⁰³⁴. Ambitious TV and print media advertising to China was initiated in late 2002, starring Singaporean Fann Wong as image and brand ambassador, a role she also later played on behalf of Queensland.

A review summarising the industry's annual statistics for visitor arrivals and market trends is provided through the government's business portal¹⁰³⁵. China, a targeted market, has registered strong growth, as has India, possibly due to visa restrictions elsewhere.

ASEAN provides an analysis of market access and other economic barriers, including the tourism sector. No barriers in terms of cross border supply, consumption abroad or commercial presence are indicated for hotel lodging, meal with full restaurant services, or beverage services without entertainment¹⁰³⁶.

Technology and Technology Sharing

Singapore is technologically relatively advanced, and aims to leverage this in its strategy, by promoting greater IT use and electronically networking within the industry. Greater business networking is also indicated by the planned adoption of cluster development, aiming to ensure a higher-level industry perspective, new product and service development and greater competitiveness. New infrastructure including an exhibition centre and an expanded international cruise passenger terminal is also intended.¹⁰³⁷

The Productivity and Standards Board (PSB) offers the Jumpstart Program to

provide SMEs with financial assistance for "consultancy, hardware and software acquisitions, first-year subscription fees to ASP services, systems familiarization, and certification for credit worthiness". This is in relation to the PSB's "SME 21" targets for e-commerce adoption, encouraging SMES to join an e-marketplace linked to global online trading networks.¹⁰³⁸

Singapore is also leading wireless developments, whereby tourists can access information via mobile phones and personal digital assistants, leveraging from Singapore's advanced telecommunications infrastructure to enhance tourist experience¹⁰³⁹.

Access to Information

Industry information and news is available on national peak body websites such as the National Association of Travel Agents Singapore (NATAS), reporting arrivals, occupancy rates and market breakdowns and trends. This body comprises travel agent and operators as members, with associate membership for other travel related companies.¹⁰⁴⁰



Thailand

Thailand's tourism industry creates job opportunities, foreign exchange earning, and economic growth contribution. Its economy is highly dependent on the tourism and related industries, which attract high levels of foreign exchange. Thailand receives some 10 million visitors almost every year. Although expenditure per foreign tourist lags Hong Kong and Singapore where the prices are much higher, international tourism accounts for a much higher proportion of contribution to the economy in Thailand when compared with any other Asian country. Thailand's major foreign tourist markets are East Asia including Japan, China, Taiwan and South Korea¹⁰⁴¹.

Thailand's economy contracted during the Asian economic crisis and it made loan repayment to the IMF until mid 2003. Thailand registered GDP growth of 4.9 percent, spurred on by domestic private consumption and government spending in 2002¹⁰⁴². Thailand's 9th National Social and Economic Development Plan has launched a comprehensive plan for political and economic reforms that emphasises the importance of SMEs in the country to ensure sustainable economic development¹⁰⁴³.

The Ministry of Tourism and Sports was established in 2002 as a new Ministry to take in charge of all issues related to the development and operations of the Thai tourism industry and sports. This has left the Tourism Authority of Thailand (TAT) solely in charge of marketing campaigns and pursuing its objective of making Thailand the "Tourism Capital of Asia". The Tourism Authority of Thailand (TAT) restructured in mid 2003 into five main departments largely focussed on this portfolio. TAT's goal stated in its

marketing plan for 2004 targets at drawing of total 11 million foreign visitors, more than 2003 projection about 13.4 percent. It also emphasizes the domestic visitors market totalling about 67.12 million trips, up 3.10 percent over 2003 projection¹⁰⁴⁴.

The Office of Tourism Development, under the Ministry of Tourism and Sports, is responsible for tourism standard development, tourism and tourism destinations services, tourism business and tour guides supports so as to meet the standard requirements, create benefits for national economy, social, and culture, and sustainable tourism development¹⁰⁴⁵.

The Association of Thai Travel Agents (ATTA) is a non-profit private sector association of travel and tour companies. It promotes and supports the Thai travel industry for the benefit of its members, global travellers as a whole, and the country at large¹⁰⁴⁶. The Thai Hotels Association (THA) composes of leading hotels in every part of Thailand. It serves arrival tourists to find the most suitable accommodation on their first step into the country. THA has two counters at Bangkok International Airport's arrival lounge and Domestic Airport's departure lounge¹⁰⁴⁷. The Pacific Asia Travel Association Thailand Chapter (PATA Thailand Chapter) is a non-profit travel trade association serving government tourist offices, and other travel-related companies throughout the Pacific Asia region. PATA Thailand Chapter has more than 150 tour operators, travel agencies and other travel-related businesses. It grants student scholarships, organises a variety of workshops and seminars, and promotes environmentally conscious tourism projects in Thailand¹⁰⁴⁸.

Foreign investors can invest in four tourism-related areas: accommodation; transportation; supporting activities such as



leisure, sports and environmental protection, and recreational activities that promote tourism. The Board of Investment (BOI) is the government body responsible for encouraging foreign investment in Thailand in all sectors, while the Tourism Authority of Thailand (TAT) is responsible for tourism product development, tourism promotion, and providing BOI with advice on tourism investment.¹⁰⁴⁹

SMEs account for more than 50 percent of the country's GDP and more than 75 percent of in the real sector¹⁰⁵⁰. Tourism accounts for about 6 percent of Thailand's GDP and generates more foreign exchange earnings than many exported industrial products¹⁰⁵¹. In 2002 Asia Cooperation Dialogue (ACD), human resource development, promotion of Asian culture and tourism, development of SMEs, transportation and communications linkages, and infrastructure development are some of the key areas of strength consolidation with in the region¹⁰⁵².

The Office of Small and Medium Enterprises Promotion coordinates SME policy implementation and promotes SMEs with a view to creating more entrepreneurs in Thailand, enabling SMEs to reach international standards in strength and stability and becoming the major instrument in the general economy and community.. The Office of Small and Medium Enterprises Promotion targets the growth of SME businesses at a level of 50 percent of GDP by 2006, an increase in the SME workforce at an average of 181,700 persons annually, and an increase in the number of new entrepreneurs by 50,000 per year¹⁰⁵³.

The Association for the Promotion of Thai Small and Medium Entrepreneurs (ATSME) is a non-profit and non-government organization (NGO) set up by entrepreneurs for supporting and

promoting their SMEs. SME members are diversified in different parts of the sectors throughout the country, including trade, industry and service sectors. ATSME has membership of 2,300 entrepreneurs from 28 provinces with the support from the Department of Industrial Promotion (DIP) of the Ministry of Industry¹⁰⁵⁴.

SMEs and People Financial Advisory Centre is a free of charge financial advisor for Thai SMEs and people. Its mission involves advising on debt restructuring for NPL debtors, on sources of financial assistance, general business administration issues, and other related matters¹⁰⁵⁵.

The Institute for Small and Medium Enterprise Development (ISMED) is responsible for implementing the policies to support and activate the information networks and training to new and existing SMEs in order to strengthen their competitiveness. ISMED conducts the research and development and compiles a database for SMEs. It also organizes specialized training related to tourism such as the training program in souvenir making for tourists in Bang Saen, Choburi, Thailand¹⁰⁵⁶.

Human Resource Development

Thailand still has insufficient operator interest and long-term planning in investing in HR development, which can affect its ability to expand tourism activities and areas. Training and education in tourism-related areas are mostly located with the education institutions with the purpose of supplying enough workforce to the tourism market.

UNESCAP provides an instructive case study of women-run community groups, supported in a coordinated way by various government agencies to nurture



entrepreneurial ability. These groups successfully manufacture tourist craft products, and have found both domestic resort and export markets, with a consequential effect on community employment¹⁰⁵⁷.

SME businesses are the major sector that has been directly affected by economic crisis in both the short-term and long-term. SMEs survival is critical to the country's recovery and sustainable growth. The Industrial Finance Corporation of Thailand (IFCT) has established the "Small and Medium Enterprise Development Centre" (SMEDC) in 2000 aiming at strengthening entrepreneurs' potentiality which is a key to the revival of the economic prosperity and reinforcement of the country's competitiveness¹⁰⁵⁸.

The Association for the Promotion of Thai Small and Medium Entrepreneurs (ATSME) provides various types of services such as training, consultancy, information services, and marketing assistance so as to produce high calibre entrepreneurs who can run competitive SMEs¹⁰⁵⁹.

Thailand also is positioning itself to share relevant expertise, and has offered technical training to the Organisation of American States (OAS) in areas including "Managing a market economy in a globalised world; revitalizing higher education; international trade promotion; and tourism management"¹⁰⁶⁰.

In 2000, the ASEAN's first meeting of Task Force on Tourism Manpower Development held in Jakarta, the ASEAN National Tourism Organizations (NTOs) set up ASEAN Tourism Training and Education Network (ATTEN)- the networking arrangement among ASEAN tourism training centres and educational institutions offering formal and tertiary

programs in tourism. ATTEN will publish a tourism training centres and educational institutions directory nominated by the ASEAN National Tourism Organizations (NTOs) member countries¹⁰⁶¹.

The ancient Buddhist craft of making alms bowls is dying out as cheaper machine made bowls have threatened its viability, and only three family producers survive in a single village in Bangkok. A district tourist office has however promoted the location as a tourist attraction: trade is picking up, and potential apprentices have expressed interest.¹⁰⁶² Cultural heritage and employment is thus sustained.

Access to Finance

Investment policy reform is indicated in a recent presentation to an APEC meeting by the Secretary general of the Board of Investment.¹⁰⁶³ Shifts from capital and labour intensive to knowledge intensive industry, from providing tax incentives to providing facilitation and investment services, and customisation of investment packages are indicated. Related high value services, such as retirement and long stay tourism, and dedicated health centres related to tourism are possible specific areas for investment.

The Small and Medium Enterprise Development Bank of Thailand (SME Bank) provides financial assistance, loans with and without collateral, guarantees, finance counseling and management and marketing advice to assist businesses in the SME sector, improve their processes, capacity, product quality, effectiveness and marketing skills so that they can become the driving force behind Thailand's economic development¹⁰⁶⁴. Some temporary measures have also applied in relation to recent crises.



The Thai baht's devaluation made SMEs and local tour operators as well as foreign travel agents worried that they would have to absorb higher costs after contracts were signed¹⁰⁶⁵. In addition, for SMEs affected by the SARS epidemic in the Asian region during the beginning of 2003, the government offered special low interest loans via the Small and Medium Enterprise Development Bank of Thailand (SME Bank) and the Industrial Finance Corporation of Thailand (IFCT)¹⁰⁶⁶.

The Industrial Finance Corporation of Thailand (IFCT) is a development finance institution with a realization of the importance of SMEs as a driving force of the country's economic development and fundamental platforms of large-scale enterprises¹⁰⁶⁷.

SME Venture Capital Fund (SMEVC) is a government initiative to explore effective means of providing equity financing to strengthen the financial position of targeted SMEs, promote good corporate governance for SMEs, and help create more robust and resilient structure for the Thai economy by promoting strategic SMEs. The Fund is a closed-end mutual fund with 10-year maturity and will invest in shares of suitable SMEs with long-term objectives to help the invested-in SMEs improve their business capabilities and efficiency, in preparation for entering a wider capital market¹⁰⁶⁸.

The Small Industry Credit Guarantee Corporation (SICGC) is a state-owned specialized financial institution under the Ministry of Finance and was established in 1991. SICGC is responsible for strengthening the confidence of financial institutions in providing credit to small industries, accelerating the dispersal of credit extension to small industries throughout Thailand, and promoting

industrial development to achieve the target of the National Economic and Social Development Plan¹⁰⁶⁹.

The Small Industry Finance Corporation (SIFC) was established under the Small Industry Finance Corporation Act 1991 as a government mechanism to respond to the government policy and provide financial support and advisory services to SMEs. SIFC supports SMEs in terms of loans with fewer conditions, venture capital funding and advisory services for business management and administration¹⁰⁷⁰.

A useful analysis of Thailand's approach to trade and investment post the Asian economic crisis of 1997, and in view of e-commerce growth has been published by UNESCAP¹⁰⁷¹. This noted, among other observations, specific agency priorities on the issue of tariffs and a requirement for a unified approach to tariff structure rationalisation, and a further requirement for policy and responsibility on the rapidly growing trade in services.

An assets conversion program allows non-property assets, (such as IP rights) as collateral, aiming to make loan applications easier and wipe out poverty by 2009. The SME bank decided to grant loans of only 30% of appraised price on intellectual property rights, due to their volatility¹⁰⁷². Mr. Prapat Pothivorakul, Chairman of the Federation of Thai Industries (FTI) recently confirmed that SMEs in Thailand still have a serious problem in getting financial loans from the banks. The banks still emphasize the collateral requirement much more than the business opportunities of SME owners. Many SMEs could not continue their businesses because the access to the financial sources is difficult, which is not easy as stated in the advertisement and promotion SMEs news.¹⁰⁷³



Thailand aims to attract investment from Taiwan for SMEs, but China is very competitive for Taiwanese investors. Foreign investors are allowed to buy some residential Thai land.¹⁰⁷⁴

Market Access and Development

The executive director of the Thailand Trade and Economic Office also raised other relevant points in his recent published interview¹⁰⁷⁵. A free flow of trade in the region is generally welcomed, and the ASEAN countries should be recognised as a common market by 2010. Thailand is also negotiating a free trade zone with India and other South Asian countries. Thailand would like to partner Taiwan in knowledge-based industries, to which it brings human and natural resources to support research. Taiwan is a big tourism market for Thailand, and currently Taiwanese golfers and spa-goers are being targeted as a low cost niche market.

A strong point in staying competitive compared with other countries is the diversity and attractiveness of Thailand's tourism products. TAT has a big marketing role to emphasize most of all tourism-related activities. It also originates alternative new tourism market for SMEs such as cultural tourism, health tourism, ecotourism, and so on to attract more tourists.

Public and private partnership as well as SMEs and the cooperation of the TAT with the public sector is a key factor contributing to the success of Thailand tourism. Pooling of their resources yields to maximizing the tourism marketing promotion budget. As tourism links with many other industries, TAT can create a win-win situation for SME tourism

operators by integrating all stakeholders into promotional campaigns¹⁰⁷⁶.

The promotion of Meetings, Incentive, Conventions and Exhibition (MICE) is a new opportunity for Thailand to make revenue from its existing infrastructure. MICE delegate markets tend to generate a higher expenditure than an average international tourist spending. The cruise market is another high-value market but the volume of customers in this region is limited. However, joint investments in sea ports of major tourist spots by ASEAN members will be forward looking for the industry. Ecotourism does not usually bring in a high tourism income in total, or per capita, since it is not suitable for large volumes of tourists and emphasizes economical use of resources. However, the encouragement of ecotourism is significant to the tourism resources sustainability in the long run, as this type of tourism educates tourists, students and tourism businesses to care for the environment¹⁰⁷⁷. Moreover, high-income earners, golfers, health and spa tourists, family groups, diving tourists, youth and honeymooners, senior citizens, ladies, soft adventure, medical tourism, long stay, Buddhist meditation, film-makers and education trips are also the target niche markets of TAT. The spa and health business is a rapid growing niche market in Thailand¹⁰⁷⁸.

The target markets for promotions are mainly in the Asia-Pacific region: other markets identified for more effort include the U.K., Italy, Russia, Spain, Finland and the U.A.E. Together, these countries and regions accounts for about 80% of total visitor arrivals. TAT also has a plan emphasizing attraction of "quality visitors," those with high purchasing power and potential for longer stays¹⁰⁷⁹



TAT is boosting the image of Thailand as a “quality destination” by building and enhancing brand image. TAT has also established more overseas offices and joint marketing with SME tour operators and airlines to create unique selling points for the various products and increase marketing promotion through various media¹⁰⁸⁰.

“Unseen in Thailand” is the newest TAT campaign, which targets the domestic tourist market, and also the MICE sector. It features destinations of which Thai people are possibly aware but have not yet seen.¹⁰⁸¹

Forging alliances is another strategy to become the tourism capital of Asia, particularly with China (for inbound visitors), Japan (for MICE) and Australia (for ecotourism)¹⁰⁸².

Technology and Technology Sharing

Thailand’s IT policy links IT with social and economic development. The national policy, IT 2010, is being enacted and entails building human capital, promoting innovation and strengthening information infrastructure¹⁰⁸³. Public internet booths, analogous to phone booths, in service offices ensure equal access, naturally including women. Readiness and uptake is further enhanced by charging ISPs and educational institutes for internet gateway services at cost¹⁰⁸⁴. The current e-commerce policy is described in both Thai and English¹⁰⁸⁵, and related documents are also available¹⁰⁸⁶.

E-commerce is burgeoning in Thailand, with a survey by the e-Commerce Resource Centre/NECTEC showing recent exponential growth in the numbers of websites with full e-commerce functionality. Tourism was the top sector

for this activity, although at the time of the survey (2001), the absolute numbers were relatively small.¹⁰⁸⁷

It is claimed that Thailand has the region’s most developed tourism infrastructure, and the standard of hotels and other services and amenities are now also rapidly improving throughout the region¹⁰⁸⁸. A number of major infrastructure projects will enhance the quality of the visitor experience in Thailand and transport links to the Greater Mekong Subregion (GMS) countries. The new Suvarnabhumi Airport has finally got a tentative opening in 2005, which will play a major role in boosting Thailand as a regional aviation hub. The airport can be accessed from five major surrounding expressways and major roads, a direct rail network similar to Hong Kong and Kuala Lumpur. The subway, Bangkok’s second major mass transit system, will be opened in 2004. The subway will run from the main railway station linking several hotels, shopping centres, and business areas. The existing BTS elevated train company will extend its lines and stations to suburb of Bangkok. All infrastructures will help improve the quality of the visitor experience, facilitate tourists, business travelers, and convention delegates with safety and convenience. This can also help boost the length of stay of visitors and make them to enjoy many attractions¹⁰⁸⁹.

TAT is fast tracking a law for enforcement with regard to information systems and e-commerce in recognition of forces of information technology and globalisation. TAT launched its portal site, www.tourismthailand.org, which has provided extensive Thailand tourism information and online bookings since 2001¹⁰⁹⁰.

According to a survey conducted by Bangkok’s Brooker Group, the growth of



online travel bookings can substantially increase revenues for Thai hotels and tourism-related operators. The visitors to Thailand are increasingly booking online, particularly in higher-value niche markets. For example, 10 percent of international ecotourism tourists book their hotel in Thailand online. Brooker is preparing a prospectus for investors interested in one dotcom's venture as online booking provider for SME hotels throughout Thailand. The market research was conducted to validate the expected returns to investors and consisted of interviews with 342 international tourists in various provinces, which have more than a hundred SME hotels frequented by both Thai and foreign travellers¹⁰⁹¹.

The Internet is an ideal medium to source and gather information about tourism destinations, and is also an intermediary, with new and better ways to improve the services of SME hotel operators, tourism suppliers, and so on, by using push and target market strategies via email and online marketing¹⁰⁹². The tourism technology of eBusiness infrastructure is considered one of the most significant opportunities for Thailand's economic growth and sustainable human resources development. The eTourism of TAT's Tourism Master Plan has been set up as a priority mission to turn Thailand into a world-class eTourism destination by developing online tourism information and commerce projects¹⁰⁹³. The need to adopt strategic eTourism plan is to take advantage of technology advances and tourist changing behaviours¹⁰⁹⁴.

Access to Information

In relation to health tourism, a major sector, the Ministry of Public Health provides relevant R&D, and a national strategy for sustainable growth in this

sector is in place, with quality, certification and compliance mechanisms planned¹⁰⁹⁵.

Thailand does not have a specific Centre of Tourism Investment Information to assist foreign investors and SMEs to obtain guidelines and necessary information on tourism investment. However, in line with the rapid growth of information technology, the TAT Tourism E-Marketplace and E-Magazine are Business to Business website designed to help tourism agents worldwide conduct business more effectively and efficiently¹⁰⁹⁶.

The Industrial Finance Corporation of Thailand (IFCT) cooperates with government sector to disseminate knowledge and developing entrepreneurs' potentials such as set up of "Preparation for SME Business" training session under the New Entrepreneurs Creation Program¹⁰⁹⁷. This IFCT E-library has been set up as a source of reference for interested people with the selection of articles and information which cover a broad range of subjects collected from IFCT review, IFCT outlook, interesting articles and news related to activities of various agencies such as trade show as well as the business directory of interesting industries¹⁰⁹⁸.

The dissemination of tourism information in foreign countries can also help Thai SME tourism operators through TAT's 15 overseas offices, Royal Thai embassies and consulates, and international trade shows. Information of tourism dissemination through the use of the latest communication technology generates maximum coverage of the target markets. This includes the development of a TAT website with daily information updates, the provision of a tourist information service through audio text' and fax on demand and



the dissemination of tourism information in print brochures via the Internet¹⁰⁹⁹.

The Thailand Institute of Scientific and Technological Research (TISTR) transfers R&D to Thai Industry, including to the tourism sector, with ecotourism and environmentally relevant technologies, and associated training programmes¹¹⁰⁰.



United States of America

The USA has the world's "largest and most technologically powerful economy" with an advanced telecommunications infrastructure. It is a highly privatised, market-oriented economy, with lower barriers to entry for foreign firms to US markets than vice versa. A "two tier labour market" has gradually developed, attributed largely to the "onrush of technology". Some specific long-term economic problems, including inadequate investment in economic infrastructure and trade deficits are indicated¹¹⁰¹

Employing 53% of the workforce and accounting for 99% of all U.S. businesses, "small business is the engine of economic growth". With in excess of 22 million small businesses currently, numbers are growing rapidly¹¹⁰².

The tourism portfolio was vested in the United States Travel and Tourism Administration until 1996, when USTTA was abolished and responsibility shifted to the International Trade Administration (ITA)¹¹⁰³. The Office of Travel and Tourism Industries (OTTI) is part of the ITA and coordinates policy and statistics. It also provides export assistance and industry information.

OTTI has a Tourism Industries' Policy Coordination Program¹¹⁰⁴ that progresses activities related to agency and program coordination, an electronic network to communicate industry information, data and assistance, and facilitate specific programs.

Human Resource Development

The USA's Department of Labor coordinates workforce development at federal level. The 21st Century workforce

initiative is targeted at the new economy, and aims to ensure that structural changes in the nature of the economy "do not leave workers behind". Regular conferences and summits for women entrepreneurs are organised from this office, and share information on access to finance, marketing and technology for example. Transcripts are available with further detail.¹¹⁰⁵

The Small Business Administration (SBA) is the federal body that has supported entrepreneurship since establishment from predecessor bodies in 1953.¹¹⁰⁶ Entrepreneurship development in the USA is the subject of a report giving practical observations and case studies based on experience with the Small Business Development Centres program run by the SBA¹¹⁰⁷.

The US has highlighted entrepreneurship and SMEs in a recent stimulus package through measures including tax incentives for job creating investments, better healthcare options for SMEs and regulatory barrier reductions, with supporting activities at state level. The US also plays a leading role in offering voluntary visitors programs focussing on US policy and program developments and sharing best practices with APEC member economy officials.¹¹⁰⁸

Entrepreneurship is taught to disadvantaged youth through the National Foundation for Teaching Entrepreneurship (NFTE), which also operates its programs in other countries, including now Bali in Indonesia. It offers online and creditable products of relevance as well as other resources on its website.¹¹⁰⁹

The National Skills Standards Board Institute provides a unified framework for industry skills, including Tourism industry skills standards. Its federally supported



resources, innovative ideas and knowledge base in this regard have been made available to the public¹¹¹⁰. A sunset provision has meant that in mid 2003 a successor structure of this body was created, to progress activity in “specific enterprise, regional or sub-industry sector”. Three related elements, a membership foundation for various communities of interest, a research institute and a global skills exchange have been established, with a view towards creating a market driven system.

The National Laboratory for Tourism and eCommerce (NLTeC) offers degree courses specialising in tourism and IT, with an e-commerce track, and runs workshops to allow dialogue with the tourism industry. Many other universities also offer tourism programmes¹¹¹¹.

Tourism specific training is typically provided through state agencies. Maryland provides one example, with Maryland Office of Tourism Development’s site¹¹¹² being the official public sector portal. For the purposes of this report Maryland will be considered representative of the type of structure and activity representative of many other states. Maryland’s 2004 Tourism development plan notes objectives and strategies to develop the tourism workforce.

There are also membership organisations, with regional, state or national focus. For example the Maryland Tourism Council, has alliances with different tiers of government, the business community and other tourism organisations, and provides educational services, legislative information and alerts and promotes partnership and recognition¹¹¹³.

Access to Finance

The U.S. Small Business Administration’s mission is to “Maintain and strengthen the nation's economy by aiding, counselling, assisting and protecting the interests of small businesses and by helping families and businesses recover from national disasters¹¹¹⁴”. Now 50 years old, it operates numerous programmes¹¹¹⁵, including finance oriented, to serve this mission, relating to loans, assistance investment and international trade. Its primary role regarding loans is a guarantor rather than lender, and unguaranteed micro loans are also available. Some of its exemplary programmes are described in an UNCTAD publication¹¹¹⁶, including the Community Express Loan Program¹¹¹⁷, a partnership providing finance and technical assistance to particular equity groups. Venture capital stimulation programs, e.g. Capital Across America¹¹¹⁸, again targeting women, are examples of Small Business Investment Company (SBIC), privately organized, privately managed investment initiatives licensed by the SBA.

As with Canada, grants and loan information is also provided on a subscription basis by the Business Guide company¹¹¹⁹, again with sources for women entrepreneurs and others referenced, including venture capital and assistance sources. One example given on a partner site¹¹²⁰ describes one company receiving a \$49,937 grant to develop a hiking trails web site.

In the USA, 38 % of small enterprises are owned by women and contribute 51% of private sector output. Low default rates in self-help microfinancing schemes, where women form the majority are also noted.¹¹²¹ Women entrepreneurs receive only 12% of all credit, and microlending is seen as required¹¹²². One non-profit online



lender, Count Me In¹¹²³ provides schemes to address this, providing loan access, education and networking.

A survey at the Women's Entrepreneurship Summit¹¹²⁴ in September 2003, conducted by Marianne Hudson of the Ewing Marion Kauffman foundation indicates that cash flow is the biggest challenge to women entrepreneurs in the USA, followed by sales and financing. Access to financing/capital was the biggest barrier on starting up, and personal savings and credit cards were the sources most relied upon for necessary capital. Eliminating such infrastructure barriers was seen as making the biggest difference for women entrepreneurs¹¹²⁵.

Market Access and Development

The US's national export strategy involves, in part, working with developing countries to build their trade capacity, specifically their commercial infrastructure. A US export programs guide is published by the Department of Commerce to help US firms enter or expand in overseas markets¹¹²⁶.

Established industry associations, particularly the Travel Industry Association of America (TIA), provide marketing development and coordination, and market information and research¹¹²⁷. Current and launching domestic and international marketing campaigns are detailed through the website.

International Pow Wow is an online B2B marketplace, related to an annual physical event for international and domestic buyers of tourism product, similar to the Australian Tourism Exchange and other trade shows. In 2004 5500 attendees are expected from over 65 countries¹¹²⁸.

“In the absence of a federally-funded national tourism promotion agency” the TIA developed the brand SeeAmerica, which is gaining recognition through cooperative (domestic) marketing in conjunction with federal agencies such as the US postal service¹¹²⁹. A related portal site¹¹³⁰ lists all TIA members, and map based links to official state tourism portals and other destination links.

A “visit USA committee” supports inbound travel to the USA from the country in which it is based or covers. The committee represents stakeholders in US tourism and travel product and currently 39 countries are recognised by TIA, listed on the website.¹¹³¹

The Native Tourism Alliance has supported American Indian business and economic development through tourism for some time.¹¹³² Its 2004 conference publicity notes, “Native peoples, using ancient knowledge and traditions supported by modern skills can effectively create attractive tourism programs that are culturally, ecologically and economically sustainable.”¹¹³³ Interesting articles on native American tourism entrepreneurs are also available on the site.

TIA uses a tool, also available online, the Market Share Indicator (MSI) to report international travel flows and other related statistics. Customised reports e.g. by country or year can be generated for 25 reported countries. The “primary data source is Global Insight's Global Tourism Navigator (GTN)”¹¹³⁴ an organisation which sources and checks data more widely for economic forecasting¹¹³⁵. OTTI also provides relevant data.¹¹³⁶



The US government's Department of Commerce offers outreach and links to market development potential in various ways. In relation to the new market of Russia (and other former Soviet states) a partner search facility, Business Information Service for the Newly Independent States (BISNIS) is provided, along with other information relevant to those markets. Some notified potential developments are specifically in the tourism sector.¹¹³⁷

Technology and Technology Sharing

The USA is the recognised leader in e-commerce, pioneering many of its technologies and indeed the Internet itself. Business models have also been developed, though the dot.com crash in 2000 demonstrated that e-commerce was not a get-rich-quick scheme for everyone.

The State department provides an information service on e-commerce with links to national and international resources¹¹³⁸. The Census bureau also reports annual snapshots of e-commerce activity in relation to economic indicators. In the latest available report US e-commerce revenues in a range of service industries for 2001 were around their 2000 value, with travel arrangement and reservation the largest component of that figure, though e-retail sales overall have risen during 2003.¹¹³⁹

STAT-USA is part of the Economics and Statistics Administration in the U.S. Commerce Department. It publishes a newsletter with articles on trade, the digital economy and related issues. One article notes that U.S. e-commerce policy was first set in 1997 with *A Framework for Global Electronic Commerce*.¹¹⁴⁰ This landmark document, with World Wide

Web Consortium (W3C) annotations, is archived electronically.¹¹⁴¹

Although international bodies agree the technical standards and protocols for international use, the USA is active in driving this field, and established the organisation responsible for its management. There is currently some conflict on the management of the Internet, with some economies opposed to the idea that the UN should take a leading role¹¹⁴²

The USA's Michael Porter (1998) has characterised clusters as the new basis for competitiveness. He cited the California wine cluster as one example of how a range of diverse businesses, (but also universities, government bodies and other stakeholders) can work together. Wine country tourism, and the food and beverage sector generally, can be mutually sustained through clusters in a regional area, and gain values from their synergies. This model has generated significant excitement and action at policy level in many economies, and numerous tourism related business clusters now operate across America, allowing sharing of technologies and expertise.

Initiatives around tourism clusters, but also many programmes related to e-commerce and technology transfer tend to operate at State level. Several states have economic profiles analogous to economies elsewhere, and their programs provide models in this regard, provided through state bodies or private sector associations such as Chambers of Commerce. North Dakota is one state that has been progressive in activities to support entrepreneurship in its tourism sector, with a tourism cluster focussing on better use of technology in tourism businesses, amongst other development issues¹¹⁴³.



The Small Business Environmental website¹¹⁴⁴ provides assistance on compliance with environmental legislation, and many resources on small business assistance generally, including technical. Searchable databases and expert systems are also linked within the site¹¹⁴⁵.

Access to Information

The Small Business Development Centre National Information Clearinghouse (SBDCNET) aims to “meet the information needs of the SBDC community in the United States and its territories” It provides “timely, relevant research, web-based information, and training to SBDC counsellors and their small business clients”¹¹⁴⁶.

It provides extensive links to the tourism industry, including industry associations, links to industry reports and surveys, and information for start-up businesses and eco-tourism, including sample business plans for a wide range of Small businesses, tourism related and otherwise.

States also have specific agencies, for example the New Mexico Small Business Development Centers (NMSBDC) is “a partnership of the US Small Business Administration, the state of New Mexico, the New Mexico Association of Community Colleges, the private sector... and YOU!”¹¹⁴⁷ It provides specific assistance, including to women entrepreneurs, and links to federal resources, national organisations, articles and library resources¹¹⁴⁸. Private providers are also active in most areas, providing comprehensive resources on a free, sponsored or subscription basis.

Access to information in relation to standards, testing and certification requirements for target markets is provided through various information services, such

as “export alert”¹¹⁴⁹. Such would be relevant for some health products, and perhaps education and training services related to tourism.

Women entrepreneurs are catered to through local chapters of the National Association of Women Business Owners (NAWBO), such as the Los Angeles chapter, whose site has extensive information and other resources¹¹⁵⁰. “NAWBO University”, an annual conference developed women entrepreneurs and presents information to attendees.

A Virtual University for SMEs is also available on line, based in the US but with global scope, and providing modules relevant to building profitable businesses.¹¹⁵¹ Strategic partners have made some courseware available free on the site.



Viet Nam

Viet Nam has been described as a poor country that has had to recover from “war, loss of financial support from the old Soviet Bloc and the rigidities of a centrally planned economy”. Structural reform is proceeding slowly, privatisation is controversial, foreign investment is taking time to become efficient and the private sector struggles for finance and access to markets.¹¹⁵²

Viet Nam’s GDP had a rapid growth until 1997, when it slowed down temporarily: World Bank data suggested rapid recovery however, and their growth rate projection was borne out by some actual subsequent figures¹¹⁵³. Although the external environment remains uncertain, the economic outlook for Viet Nam continues to be favourable. In 2003, real GDP is expected to grow by around 7.0 percent as projected by World Bank¹¹⁵⁴, against 6.2 percent by the International Monetary Fund (IMF), and 6.9 percent by the Asian Development Bank (ADB)¹¹⁵⁵.

SMEs have played a significant role in Viet Nam’s economic development. Tourism development has been shaped by several factors, particularly the environment, politics, and government involvement¹¹⁵⁶.

A comprehensive development strategy towards a “multi-sectored market economy (promulgating new legislation towards more favourable) SME and private sector development” is occurring. Investment promotion, credit guarantee, export and market expansion, information provision and other government programs developing SMEs are underway. The Enterprise Law, passed in 2000, has led to a rapid increase in SME numbers, with

SMEs currently accounting for 98% of all enterprises, though access to finance and business administration capability remain issues.¹¹⁵⁷ This speeded up business set up time and removed licence requirements in some 160 business categories¹¹⁵⁸.

Viet Nam’s development of sustainable tourism contributes to socio-economic development by generating a large number of new jobs and improving the local economy and living standard of about 1 million people. Viet Nam’s tourism industry is on the way to development. Several policies have been revised to sharpen tourism as a forefront industry, significantly contributing to the country’s economic development. About 90 percent of tourism revenue yields social income through spending in entertainment, foods, transportation, and trade services. The total revenue from tourism sector yields US\$2 billion, one of the highest revenue economic sectors of the country¹¹⁵⁹.

The tourism sector accounts for only 7-8 percent of the country’s GDP¹¹⁶⁰, but had an average 10 percent growth rate during 1999-2002 and rose to 12 percent in 2003. This was among the world’s best results. After the economic reform, Viet Nam tourism started to develop, particularly after the Viet Nam Tourism Year in 1990. Viet Nam had 2.3 million foreign visitors in 2001 and 2.6 million in 2002 and the government set a target of 4 million visitors in 2005¹¹⁶¹.

The poor infrastructure in Viet Nam is a major constraint to tourism and hotel growth¹¹⁶². The government has put much effort in promoting and investing in personnel training, infrastructure, and international cooperation. In 2003, Viet Nam allocated about US\$70 million from the State budget to developing tourism infrastructure in addition to local resource provisions.



The Ministry of Planning and Investment has established the Department of Small and Medium Sized Enterprises and is preparing to set up the SME Association and Small and Medium Enterprise Promotion Centres (SME-PC) throughout the country¹¹⁶³. SME-PC sponsors activities of SMEs in the whole country with their offices in Hanoi, Ho Chi Minh City, and other locations. In addition to their own staff, Vietnamese and foreign experts in various fields help these centres. Viet Nam's National Administration of Tourism (VNAT) is a government agency, which exercises the state management function over tourist operations and activities throughout Viet Nam. It has full control in terms of business development, planning, public relations, personnel training, conducting research, instructing and inspecting the implementation of policies and other regulations in the tourism sector¹¹⁶⁴.

Viet Nam was a founder member of the Asian Development Bank in 1966, and enjoys a strong continuing relationship, which has resulted in progressive economic development and reform. The ADB's current country strategy focuses on sustainable growth through rural and private sector development, inclusive social development, e.g. by mainstreaming gender into relevant assistance areas, and is cognisant of market access benefits through expansion of tourism development in the GMS.¹¹⁶⁵

Human Resource Development

Continuing demand for jobs is indicated, and expanding the private sector is seen as vitally important to drive job creation in a country that has over 1/3 of its population under 15.¹¹⁶⁶ SMEs, rural businesses and groups with traditionally limited access to government assistance, such as women and

minorities are targeted in a joint project between the government and UNDP. The project will also identify constraints to business development, and will suggest legislative amendments in various areas¹¹⁶⁷.

According to a UNDP Report of 1994, Viet Nam's human resource development ranked 153rd among 173 countries in the world¹¹⁶⁸. To facilitate the investment for implementing development strategies of Viet Nam tourism and maintain the sustainable tourism environment, Viet Nam has made endeavours in education and training of the tourism human resource, aimed at enhancing tourism knowledge and satisfying the growing demands of tourists. However, SME Training Centres for tourism industry may now be inadequate for upgraded service standards.

Viet Nam has also recently passed a decree limiting the employment of foreign workers to a maximum of 3% of the workforce.¹¹⁶⁹ This may negatively impact Foreign Direct Investment.

The World Tourism Organisation has pledged help in HR development for Viet Nam, inviting Vietnamese tourism workers to international training courses. Financial and technical assistance will complement the strategies already developed by the industry¹¹⁷⁰

Viet Nam's National Administration of Tourism developed the strategies for human resource development for tourism. The strategies focus on retaining and training at home or abroad so as to meet the required standards¹¹⁷¹. The improvement of tourism qualities in service behaviours is still necessary. Moreover, as the environment is a significant factor for sustainable tourism development, the government has tried to



elevate education and training in sustainable tourism development since the awareness of this issue is still low¹¹⁷².

Viet Nam does not have a large national budget. However, if Viet Nam concentrates on the combined forces of SMEs tourism, the state, and its people and raise social awareness on tourism, the country's tourism may be expected to meet a high growth rate¹¹⁷³. In addition, because Viet Nam is a member of Association of South East Asian Nations (ASEAN), the other country members provides considerable assistance to Viet Nam in forms of manpower training and HR development, financial support, promotional activities. These help to encourage ASEAN-bound visitors to extend their trips to Viet Nam¹¹⁷⁴.

The SME Development Centre of Viet Nam provides relevant, practical training that Vietnamese entrepreneurs can use and apply in their businesses. The SME Development Centre also supports SME development by conducting research and providing studies that support positive public policies. SME managers can attend practical training programs to develop essential skills and knowledge to start and develop their businesses. The programs assist SME entrepreneurs to develop necessary skills which are not only used in day-to-day business operations, but can be used to approach banks and other financial institutions for financing.

Cleaner production policy was required following environmental degradation due to industry growth. Training and awareness was a highlighted priority, and for sustainability, was introduced into the university curriculum of engineering and management, along with train the trainer programmes.¹¹⁷⁵ Such a capability could be expected to transfer into the tourism sector.

Viet Nam has also asked the World Tourism Organisation for help in building a tourism law, expected to pass in 2004. The WTOO has updated its database on tourism laws around the world¹¹⁷⁶. International support has also come from Germany though a seminar on the topic of quality management. Within a framework of co-operation between the German Association for Quality and Vietnam's Productivity Centre specific information on, and further resources for, human training programs in quality management was provided.¹¹⁷⁷

Viet Nam's Confederation of Labour and Singapore's National Trades Union Congress have met in 2003 to exchange knowledge on HR development, including issues of cooperation and in relation to women¹¹⁷⁸. A project for HR development scholarship was also implemented, and the Japanese government takes a number of Vietnamese students, (typically young administrators, teachers and practitioners) into Japanese universities, to study subjects including IT, economics, business, law and infrastructure management. Such students are likely to be responsible for transition to a modernised and market economy.¹¹⁷⁹

Access to Finance

Doi Moi, (renovation) an economic reform policy approved by the congress of Viet Nam in 1986, and the Foreign Investment Law issued in 1987 were designed to reduce the investment restrictions of the private sector and restructure the banking system¹¹⁸⁰. This helped the tourism industry since foreign investors started going to Viet Nam. A number of tourism project investments in 18 provinces and cities have enormously increased. Ho Chi Minh City has the largest number of projects, which represents about 42.41



percent of all funds invested in tourism industry. There are about 27 countries investing in Viet Nam's tourism industry. ASEAN member countries have invested about 21.46 percent of the total capital invested in Viet Nam tourism industry. The government utilises the tourism industry so as to promote foreign investment in construction of huge tourism complexes, entertainment and trade centres, and tourism infrastructure. However, until recently there have remained a number of hindrances and constraints to Viet Nam's tourism investment, for example, poor infrastructure, inadequate accommodation facilities, bribery, lack of skilled workers, a slack legal system, and inadequate qualified management personnel¹¹⁸¹.

A description of the investment environment, covering tax, labour and other aspects related to Danang and Viet Nam's World Heritage Road tourism initiative is provided on the Danang government web site¹¹⁸².

Although Viet Nam is currently under developing process of the basic infrastructure to support a modern banking system and financial markets, the government has expressed its intent to maintain central control over the financial system. The central bank, the State Bank of Viet Nam (SBV) enhanced regulatory functions in 1998 and supervises 140 State-owned banks, 200 rural credit cooperatives, 48 joint-stock banks, 3 joint-venture banks, and more than 50 foreign banks. The four specialized state-owned banks dominating the domestic banking activities are the Bank of Foreign Trade (Vietcombank), the Viet Nam Industrial and Commercial Bank (Incombank), the Viet Nam Bank for Agriculture, and the Viet Nam Bank for Investment and Development (BIDV)¹¹⁸³.

The European Commission (EC) and the government of Viet Nam recently signed an agreement to finance a "Vietnamese small and medium sized enterprise (SME) development- institutional assistance to lending organisations" project. The project aims at improving competitiveness and production capacity of SMEs in Viet Nam. To implement the project, EC has provided a financial package of US\$1.079 million¹¹⁸⁴.

The Mekong Project Development Facility (MPDF) was launched in 1997 and managed by the International Finance Corporation (IFC), and is financed by a number of donor countries and institutions including: Asian Development Bank (ADB), Australia, Canada, Finland, Japan to support the development of domestically-owned and private SMEs in Viet Nam, Lao PDR, and Cambodia. MPDF assists SMEs to structure their financing plans and to obtain financing on appropriate terms. It also provides advice on overall business strategy, marketing plans, feasibility studies, and technical and operational matters. MPDF's operations help strengthen and expand the capacity of local financial, training, and consulting institutions to provide high quality services at affordable prices to SMEs¹¹⁸⁵.

Continuing support has been pledged by the IMF, the ADB and the World bank,¹¹⁸⁶ coordinated and facilitated through the state bank (SBV). Economic reform, poverty reduction, improvement on social indicators and more open trade in some sectors are noted in leader missives. Specific programmes include for example the IMF's technical assistance in macroeconomic and financial sector management, loan facilities and the Poverty Reduction and Growth Facility (PRGF) between 2001-2004, related to the government's strategy in this area. Separately, the IMF also maintains policy



dialogue with Viet Nam. Programmes on tax self-assessment (pilot stage), training of officials and national account statistics are currently underway also. World Bank and Asian Development Bank programs relating to finance and infrastructure are also outlined in the release.¹¹⁸⁷

Access to credit and various forms of capital for SMEs, have always been one of their constraints in starting up and expanding their businesses. According to the International Finance Cooperation (IFC), 85% of Viet Nam's private enterprises use their own savings or borrow from friends and relatives for capital. The State Bank of Viet Nam (SBV) announced that the whole Viet Nam's banking industry has put much effort to increase the share of lending to the private sector from 55% of total lending in 2000 to 58% in 2001 and 62% in 2002¹¹⁸⁸.

The IFC has "a broad range of assistance projects underway to increase local financial institutions' focus on the SME market—whether via loans, equity investments, or other alternatives such as leasing and credit guarantees." Bank training, credit bureaus and institution building categories are highlighted initiative categories in Vietnam¹¹⁸⁹.

The recently booming industrial sector has "caused a severe environmental degradation", and policies addressing cleaner production, with tax incentives and credit policies have been introduced, with numerous international or nationally funded projects conducted.¹¹⁹⁰

SMEs are still facing numerous constraints in their access to credit due to collateral requirement, the bias and negative attitudes against private enterprises, and "information asymmetry". There is a gap between the banks and SMEs because of

the lack of business support services provided between them. Viet Nam still has limited financial systems for SMEs such as leasing, and start-up and venture capital funds¹¹⁹¹.

The Mekong Enterprise Fund is a private equity investment fund, launched in April 2002 and invests in various sectors, including export-oriented services, particularly SMEs. Managed by Mekong Capital, investors include the ADB and some European backers¹¹⁹².

Women are catered to through microfinancing projects, often linked to business and literacy training. UNFPA supports advocacy "aimed at providing access to credit and capital for micro-enterprises... In Viet Nam, (UNFPA) has helped train rural women to set up savings groups eligible for bank credit for agricultural production".¹¹⁹³

Market Access and Development

The ASEAN region has a tourist arrivals rate double the world average, and a tradition of cooperation in tourism. A member of ASEAN since 1995, Viet Nam has been actively involved in bilateral and multilateral cooperation, with agreements on cultural and information cooperation signed with all ASEAN members, except Brunei. Numerous projects bringing distinctive cultural identities into play have occurred within the regional framework, with greater cross border people flows¹¹⁹⁴. Vietnam's tourism strategy targets 60 countries and territories, with China the major market followed by ASEAN and Northeast Asian region.¹¹⁹⁵

Viet Nam tourism markets are small but growing and have recently begun to attract more tourists. Most of tourists are from



Europe, North America, Korea, Taiwan, Australia, Japan, and especially China, with whom Viet Nam shares a land border, and about 1 million Chinese tourists visit Vietnam every year. The rate of return visits is rather low and length of stay is short compared to other countries in the region such as Thailand, Malaysia, and Singapore. Viet Nam's outbound tourism is growing but it is still small¹¹⁹⁶.

Viet Nam, and in particular Danang, in coastal central Viet Nam, however stands to benefit from development in the Greater Mekong Subregion, with deep sea ports under development, greater trade links with historical markets, and with reduced red tape around cross border people flows, giving access to a larger tourism market.¹¹⁹⁷

Tourism resorts have no market access barriers other than any commercial presence must be a joint venture company with a Vietnamese partner, operating under Vietnamese law and with a foreign equity participation of at least 30%.¹¹⁹⁸

According to foreign investors, Viet Nam is considered a high-risk place because of a vague regulatory regime and its economic vulnerability¹¹⁹⁹. But after Viet Nam's Foreign Investment Law was passed in 1987, foreign investment on tourism projects have increased rapidly since 1997¹²⁰⁰ helping Viet Nam become an attractive newly emerging tourism market. Both ASEAN's member countries and another 27 countries have invested in Viet Nam's tourism infrastructure, complexes, and construction such as trade centres and entertainment complexes. Although there has been a large scale of foreign investment in Viet Nam, Viet Nam has had only a small scale of interesting activities, which attract a small scale of markets¹²⁰¹. The tourism activities are diving, mountain climbing, hunting, and auto racing.

Furthermore, Viet Nam still lacks sizeable national and international tourism resorts, high quality and attractive tourism products, and high service quality¹²⁰². Weaknesses of the industry are recognised in relation to "physical infrastructure, knowledge of the staff, the inconsistency in the mechanisms and rules, bureaucratism coupled with loopholes in immigration, temporary residence, purchasing procedures, and so on"¹²⁰³

After Viet Nam signed bilateral tourism development agreement with Laos, China, Thailand, Singapore, Indonesia, Malaysia, the Philippines, and Myanmar, their citizens can travel freely and allow SME tourism companies to sign joint venture contracts. Most of these companies are members of the Japanese Tourism Association (JATA) and the American Society of Tourism Associations (ASTA)¹²⁰⁴. Indonesia, Malaysia, Thailand and Singapore are seen as intermediary tourist markets for Viet Nam, and cooperation through ASEAN is built into national and regional plans for tourism development¹²⁰⁵

The tourism promotion activities and tourism strategic marketing planning are required to improve Viet Nam's international market share and its public image. Viet Nam's National Administration of Tourism has passed the National Tourism Action Program for 2002-2005 entitled "Viet Nam- a friendly and safe destination."¹²⁰⁶ By the end of 2005, the government will complete the investment in infrastructure for many national tourism resorts. Viet Nam's National Administration of Tourism also developed strategies for the improvement and diversification of tourism products to meet the world markets, for example, health tours, cave tours, golf tours, sport tours, fishing tours, cultural tours conference tours, and festival tours.



Cultural product exports, including handicraft and fine arts are included in a wider program of assistance for companies that don't have access to markets, or who wish to expand into new markets, provide by the Finance Ministry. Other trade promotion ideas, including opening representative offices, sending and receiving delegations and assistance for overseas participation is indicated. One provincial trade and tourism department's particular focus is on policy in relation to export, website development and strategy.¹²⁰⁷

The Small and Medium Enterprises Promotion Centre (SME PC) assists SMEs marketing in several ways. It supports SMEs in Internet-advertising their products on the SME PC web site, providing SMEs with marketing planning service, supporting SMEs in regular display of their products, sponsoring small and medium industrial enterprises in stand rental fees, assisting SMEs in organizing common stands at large trade fairs, and supporting the organization of SME Weeks. SME Weeks have activities including product exhibitions, meetings between enterprises, and providing consultancy free of charge. SME tourism promotion has been enhanced through exhibition fairs, Vietnamese cultural days, and seminars in Asian and European countries. Several tourism events in Viet Nam have succeeded, for example, Hue Festival and adventure tourism programs¹²⁰⁸.

Technology and Technology Sharing

Despite the infrastructural constraints and difficult conditions, a number of SMEs are engaging in e-business. Initiatives are underway to improve the national environment for e-facilitated trade and to provide support and encouragement to

companies taking advantage of this. The E-Trade bridge for Viet Nam's SMEs is part of an international initiative by the International Trade Centre to address the realities of E-commerce by developing, in partnership with the public and private sector at national level, solutions to maximize the opportunities and minimize the risks of trading internationally in the digital age.

In Viet Nam, this initiative is implemented in conjunction with VIETRADE. The first national events are two expert meetings bringing together the private and public sector to assess the current state of e-trade in Viet Nam and to develop some concrete action points.

SMENET is the only online information service geared to the needs of SMEs in Viet Nam. They are operating directly from Hanoi under the supervising of Viet Nam's foremost agency for the development of non-state SME. SMENET is offering a wide range of services. They serve enterprises as a platform for information access, inter-company communication, and as a channel for delivery of services (e.g., e-consulting, e-learning). SMENET offers tools and materials for consultants and trainers to improve their services to SMEs.

Telstra is Australia's largest investor of Viet Nam international telecom network¹²⁰⁹. By the end of 2002, there were 252,400 Internet subscribers and over 1,000,000 Internet users. Internet subscribers account for only 1.2 percent of the total population of 79 million. Viet Nam technology and underdeveloped infrastructure are not sufficient to satisfy foreign tourists' high expectations¹²¹⁰.

A UN programme, implemented by UNCTAD, is developing a modern communications network in remote areas,



allowing farmers and home based businesses to access the internet, increasing access to markets and information. The selected pilot areas have high tourism development potential, and if successful the programme will be extended.¹²¹¹

WTO accession implies environmental, as well as other obligations, and Viet Nam's environmental requirements could impact market access and trade in certain areas, such as ecotourism development. UNCTAD and UNDP have supported projects in these areas, in conjunction with Viet Nam's Directorate for Standards and Quality (STAMEQ) and other agencies. A study of records of, and issues with, traditional knowledge on biodiversity, along with capacity building, implementation and awareness raising in relation to the impact of environment on trade are among project objectives.¹²¹²

Access to Information

The Viet Nam tourism website was launched on the Viet Nam Internet by the Viet Nam Tourism Administration (VTA). The Tourism Information Technology Centre always keeps the information on Viet Nam's tourism up to date, while also creating new information services for the Internet and setting up a service centre for the Viet Nam tourism industry.

The official website¹²¹³ of Viet Nam travel and tourism information and some other Vietnamese travel and tourism websites provide information in Vietnamese, but also sometimes English and French languages. Ho Chi Minh City Web (in Vietnamese), Ministry for Information and Culture (in Vietnamese), Sai Gong Giai Phong Website (in Vietnamese), Viet Nam Airlines (in English, French, and Vietnamese), Viet Nam National Administration of Tourism (in English,

French, and Vietnamese), and Viet Nam Information (in English) are examples.

The ADB disseminates knowledge products via its resource centre in ADB's Viet Nam Resident Mission (VRM) in Hanoi. Public users can also access information here on line, and the VRM also conducts some research relevant to SMEs.¹²¹⁴

The Viet Nam Chamber of Commerce and Industry (VCCI) provides useful information and news on a range of areas through its website¹²¹⁵. E-commerce¹²¹⁶, taxation, gender, IP, business law and several others are provided, along with a forum for frequently asked legal questions, business matching opportunities and trade promotion sections on both SMEs and on tourism¹²¹⁷.

An organisation specifically oriented to SME development information contributes to the development of SMEs in Viet Nam through its website¹²¹⁸. It has been developed with contributions from SME development specialists currently working at local universities, international organizations, projects in SME development, and consulting firms. The website is still at its early stage of development but can be a gateway to get some information on SME development in Viet Nam. The information contains the legal and policy frameworks for SME development, a profile of SME in Viet Nam, a facilitator directory introducing existing SME development organizations and projects, the library for searching legal documents, studies, research and reports which are about, or related to, SMEs in Viet Nam. News and events are updated in the website on SME development policies, workshops, works, events, and projects. The website also has a forum to discuss issues related SME and private sector development. SME Promotion Newsletter



is a periodical newsletter that contains the news and events of SME promotion¹²¹⁹.

The Small and Medium Enterprises Promotion Centre (SME PC) assists SMEs by providing information of SMEs at a privilege fee for collecting information. SME PC provides information for SMEs on business opportunities, business partners, markets and technologies depending on the demands of the customers. The information is collected from the following sources- a database of Vietnamese enterprises updated regularly by the SME supporting network, SMELINK, records of development of different industries in Viet Nam, and information on Internet. SME PC also cooperates with other related departments, agencies, and international institutions to provide SMEs with information on different world markets¹²²⁰.

The demand of access to information of tourism becomes more necessary than ever. Those needs are now facilitated by the application of information technology. Viet Nam Tourism Network (VTN-L) was created to facilitate the exchange of information, references related to tourism between people having common interest in tourism development in Viet Nam. This is the most convenient and cost-saving way to exchange information of tourism field, exchange opinions on some controversial issues in tourism, and search study and research and conference opportunities in Viet Nam tourism. The network becomes a useful place for people of tourism industry, and for people with the common interest to develop Viet Nam tourism. In addition, Galileo International, a provider of Electronic Global Distribution Services (GDS) for the travel industry, opened offices in Ho Chi Minh City and Hanoi. Galileo is providing GDS for the travel industry in 18 markets in Asia Pacific including Viet Nam¹²²¹.



International

In addition to economy specific programmes, international bodies, such as the UN, APEC, and the World Tourism Organisation (WTO), also coordinate activity. The WTO promotes sustainable tourism by measures including “awareness creation policy documents, methodological guidelines, planning and management principles and techniques, monitoring instruments and (country specific initiatives)”¹²²².

The WTO provides a compendium of best practice case studies from 49 different countries, and notes factors leading to success in sustainable development. These include local community involvement, cooperation among partners, environmental commitment and continuous performance monitoring.¹²²³

Country profiles are prepared by various sources, including APEC, international banks, the United States Central Intelligence Agency (CIA)¹²²⁴ and media sources. These often give background information relevant to investment and education levels. Country reports specific to Asia Pacific infrastructure and tourism are available from UNESCAP’s website¹²²⁵.

Another useful reference work is also provided by the Instituto del Tercer Mundo (IteM)¹²²⁶, producers of the biennial World Guide, which offers a Southern hemisphere perspective that “doesn’t ignore women, environment, culture and indigenous peoples” and provides a complementary source for information relevant to sustainability. Women entrepreneurs are networked and informed through the FCEM: the worldwide network of women business owners.¹²²⁷

Standardisation generally is another area for international involvement, in terms of ICT standards, protocols and interoperability, environmental understandings, recognition of qualifications, quality expectations and financial protocols and regulations amongst others.

Moore (2003), former Director-General of the WTrO, considers the relationships among global economic development, poverty alleviation, the environment and free trade negotiations, which impact on tourism business development. He suggests (p89) that trade and environmental protection “should be complementary” and refers to research showing that poverty is the greatest threat to the environment. Moore also notes that rising living standards correlate with better environmental outcomes. If trade-facilitated economic growth lifts people from poverty, countries should be more able to address longer-term sustainability issues. A Global Environmental Agency may be indicated¹²²⁸.

Human Resource Development

International bodies also serve the industry by leading policy and strategic management directions, such as publishing crisis management guidelines and joint projects with APEC-CRC and IATA - International Air Transport Association (IATA) to address the sector’s recent difficulties at global level¹²²⁹.

A recent in depth OECD conference report addresses strategies to develop and promote human resources in the tourism sector and makes recommendations providing detailed policy guidance.¹²³⁰

The network of Asia-Pacific Education and Training Institutes in Tourism (APETIT) centrally addresses some human resource



development issues.¹²³¹ This network is a response to the recognition that a shortage of skilled personnel in many parts of the region “may threaten the overall development of tourism (and) where tourism is a relatively new phenomenon, lack of managerial capability exists at all levels of the industry”¹²³². The WTOO promotes its TEDQUAL¹²³³ methodology to develop education leading to quality service and product.

Multi-country research has identified both the importance of women's entrepreneurship, and differences across economies that argue against a single policy approach. A “focus on policies that create and guarantee the existence of underlying, systemic conditions favourable to an entrepreneurial environment” is recommended. Furthermore “Policies that promote equal opportunity and well-defined property rights will serve to create an environment where women entrepreneurs can flourish.”¹²³⁴ The United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) is one leading initiative that addresses women's rights. 174 countries have ratified it to date, although not the USA¹²³⁵.

As well as national level initiatives, women's opportunities for fuller economic participation are internationally promoted through, for example UNIFEM, and APEC's Women Leader's Network (WLN). At the 10th APEC SME minister's meeting in mid 2003, the WLN made recommendations including to promote equitable access to financial services, and to facilitate “collection and dissemination of more extensive data on women's contribution to the informal sector” as well as specific points on HRD, research and ICT issues.¹²³⁶

Access to Finance

Access to finance is provided through various schemes and programmes operated by (e.g.) the World Bank and the Asian Development Bank, as examples above in relation to specific economies. Indicate. Specific to SMEs is the Small Enterprise Assistance Funds,¹²³⁷ now “an international venture fund management firm focusing on SMEs in emerging markets”. A breakdown of investment by sector is available on the website, and whilst generally not targeting tourism SMEs directly, growth and export development related aspects of IT, farming and food processing are common. Its aim is “to help stimulate strong and sustainable growth by SMEs in developing and transition countries, thereby speeding up their integration into the world economy, while providing both a reasonable return to its investors and much needed revenue and employment generation in the countries of operation”¹²³⁸.

For sustainable tourism projects, the International Finance Corporation – (IFC) invests across many countries, primarily in hotels, but also in other tourism activities, such as nature and cultural heritage, and in private sector tourism infrastructure. IFC is “committed to investing in environmentally and socially sound projects”, so investments are also evaluated in relation to environmental and social issues, using World Bank guidelines¹²³⁹. The Institute for SME Finance is another “global association for practitioners and investors in SME finance” and targets developing and transitional economies.¹²⁴⁰

Financial leakages, where tourism revenues do not remain in the local market, have been identified as a hindrance to development for poorer countries¹²⁴¹.



Disproportionate use of expatriate labour and foreign owned concerns contribute to this, exacerbating financial divides. WTO has been working with UNCTAD to address this through the ST-EP (Sustainable Tourism – Eliminating Poverty) project framework implemented in 2003.

The taxation of e-commerce also provides a major related challenge for developing countries, and affects those economies disproportionately. The consumption tax component of purchases, with many purchases zero-rated due to suppliers providing from outside a trade zone, together erode an economy's tax base. If compensated by greater direct taxation, the poor are more highly impacted,¹²⁴² and e-commerce uptake could be slowed, particularly among SMEs.

Transparency is important inasmuch as it directly affects investment in an economy. Transparency International reports on perceptions of corruption using an internationally recognised index, the TI Corruption perceptions Index (CPI), which identifies perceptions of the corruptness of government officials. The most recent index (2003) covered 17 surveys across 133 countries. and developing countries generally score worse on this index. Practical support from rich countries, not penalisation is urged.¹²⁴³

Market Access and Development

The World Trade Organization (WTO) is “the only global international organization dealing with the rules of trade between nations”, aiming to break down barriers between peoples and nations through lowering trade barriers. Most members are developing or least developed countries, some being in the APEC region. It organises numerous technical cooperation missions to these and trains officials from

countries in transition to market economies.¹²⁴⁴ “Predictable and growing access to markets for goods and services is an essential principle of the WTO”¹²⁴⁵

APEC's SMEWG provide an overview of some government and other bodies in each economy relevant to SMEs in the areas of access to markets, and also finance, technology etc, and pointers to market access relevant resources and databases.¹²⁴⁶

ITC have developed a Market Access Map to assist policymakers and the business community in developing countries with regard to international trade issues. Covering over 160 countries this database of market access barriers covers tariff information, preference schemes, and scenario building options for modelling changes under “different multilateral liberalisation approaches and formulas” and is available in different product forms¹²⁴⁷.

Technology and Technology Sharing

The contemporary world is being transformed rapidly through ICTs, motivating a need for global discussion on issues affecting the future of the human family. The World Summit on the Information Society (WSIS) has been planned for two phases, in December 2003, when a Declaration of Principles and Plan of Action will be adopted and a second phase in November 2005. The website¹²⁴⁸ provides extensive relevant content on this, and the outcomes are expected to shape the global environment for information and knowledge sharing.

IT policy, particularly in a climate when global standards are being developed is an issue of international interest. Cultural factors, infrastructure priorities and other local factors will be implicated. A



compendium of learned considerations, article references and links to web pages relevant to national information infrastructure crossing many APEC economies is archived on a 2002 ISworld (a global network of Information Systems researchers and practitioners) posting¹²⁴⁹.

The executive director of the Asia Oceania Electronic Marketplace Association recently presented a framework for cross-border SME e-commerce within APEC, making several recommendations, largely around standardisation and international trust and understanding¹²⁵⁰.

Women's participation in ICT training and use has been relatively low in some economies, who have specific schemes in place to address this. In 2003 the U.N. Development Fund for Women (UNIFEM) announced joint task forces (with UN ICT) and capacity building initiatives in this regard.¹²⁵¹

International cooperation is required to deal with international problems. Global warming, even slight, would wipe out species of flora and fauna in heritage areas such as the Wet Tropics¹²⁵². This means that existing national-level measures banning for example hunting, poaching, logging and off-road exploration are insufficient.

Cluster development is a theme for many nations, and, whilst policies will be locally tailored, some best practice sharing can be expected. The Clusters Asia Pacific Inc group aims to improve industry and locality competitiveness in the Asia Pacific region, and shares useful information through its newsletter. A summary of some salient points from a recent conference included the following:

- “Many clusters start off as a network, sharing know-how and access to information.
- Boundaries of the cluster need to be defined by the members themselves.
- Need an organisation to sustain it, and a cluster leader who will ensure the ecosystem evolves.
- Need to continuously challenge the cluster's organisation and structure.
- Clusters that fail to undertake brand building are more likely to fail.
- Clusters are ecosystems, living organisms relying on interest-based cooperation, and are spawned over time. They are different to hard and soft networks.”¹²⁵³

Trends and emerging themes noted in the same piece included a “greater attention to innovation as a factor of competitiveness, increasing reference to HR development and skill training, renewed focus on ‘local’ cluster issues (as opposed to virtual clusters), and the short term focus of companies vs long term focus of government.”

Access to Information

Local and international SME networking, covering information exchange, but also technology transfer and other business activity, operates within and between APEC economies, with government, tertiary, NGOs and international development organisations all involved¹²⁵⁴. Details of some specific activities for APEC economies are available at this site, along with other relevant resources.

Major information resources for SMEs generally are linked through ACTETSME¹²⁵⁵, the International Network for Small and Medium Sized Enterprises (INSME)¹²⁵⁶ and for tourism



specifically, through the APEC Tourism Information Network, whose site has content contributed from all APEC economies¹²⁵⁷. The ACTETSME E-Newsletter is a free information service useful to SMEs in the APEC region.¹²⁵⁸

International statistical collection standards for tourism have been promulgated by the WTOO¹²⁵⁹ and incorporated into reporting formats adopted by economies, such as Australia, whose national office, the ABS provides specific detail. This means consistency of reporting for (e.g.) predictive modelling but the categories may also miss information useful at local levels, where aggregated figures are not readily translated into SME activity. Since the ABS definition of accommodation provider only recognises accommodation providers with 15 or more beds, many micro-enterprises are excluded, and an accurate picture is hard to obtain.

Access to information is increasingly electronic, and in developing economies, and in rural areas generally, is subject to significant digital divide issues. Gurstein (2001) makes a useful contribution on a community informatics approach to sustainability. Telecentre networks, extension workers who can translate development support needs into internet research queries and interpret results into useable local forms, and community access facilities are discussed, with implications for (e.g.) e-commerce development, market access and learning networks. The sustainability of such models, and effective revenue and business models, particularly with the resource limitations applicable in many economies remain as issues. A coordinated network of telecentres acting as rural development delivery nodes is seen as a possible way forward for developing countries.¹²⁶⁰

Local governments generally implement specific programmes of infrastructure, development, zoning, signage and so on that affect the tourism industry. Inconsistency and ignorance of tourism's value have been identified as development barriers. The WTOO has produced a guide to the issues, approaches, techniques and principles for tourism planning, and covering city and region, various kinds of tourism and local tourism management¹²⁶¹. Complementary guides addressing national and regional levels are also available.

Local signage arrangements were a common complaint of operators. The WTOO has presented a guide for all responsible for tourism communications that identifies an international set of potentially standard symbols to facilitate universal communication regarding tourist attractions¹²⁶².

A book by the International Institute for Sustainable Development provides a useful resource for businesses to apply sustainable development concepts within their own practices. In terms of responsibility for environmental issues, it cites a European survey that found tourism businesses had the lowest involvement at board level. It provides a seven-step plan for managing a business using sustainable development principles, and, noting that SMEs face extra challenges in relation to this, suggests some generic sources of information and expertise¹²⁶³.



Summary and Conclusions

Tourism is an industry sector that is generally composed of microenterprises and SMEs. Tourism applies in all economies, is essentially international in focus, is information intensive, covers a range of directly and indirectly associated businesses, and often has low entry barriers. As such it provides an ideal vehicle for developing an economy's capacity, its cross border flows and free trade in services and promises a sustainable base for competitiveness and prosperity.

At the 10th APEC SME Ministerial meeting in Thailand, in August 2003, the head of the Philippines delegation noted that "Many economies have adopted the strategies and concepts outlined in SPAN", and saw a need now to share accomplishments, issues and concerns pertaining to its implementation¹²⁶⁴.

It is clear from the literature, from the primary research, and from the survey of economies that governments across the region are indeed highly active in addressing business development generally, and MSME needs in particular, with many exemplary experiences to share.

The preceding survey has indicated a range of initiatives at economy level, which other economies may relate to their own contexts. Rather than rehearse details here, or single out particular examples, it suffices to note some trends evidenced across economies, moderated by the priorities applicable at the development stage of each.

Virtually all economies are showing a surge of interest in the potential of tourism to develop and sustain economic

competitiveness. Tourism is becoming formally recognised as a pillar or strategic industry for many economies and is centralised in national or regional development plans, or targeted for increased budget share. Policy coherence and efficient coordination across relevant ministries is not evident for all economies. Education for tourism is increasing in emphasis, with international networks, qualification frameworks, accreditation and licensing and the diffusion of higher level expertise all currently highlighted activities. Structurally, relevant material is also being brought into school curricula by forward thinking economies. Entrepreneurship development is a strongly indicated priority across economies, and the needs of women entrepreneurs in particular are increasingly being recognised and catered for. An increased focus on quality, transparency and good reputation is also further professionalising and developing the industry.

Traditional bank attitudes are changing, or are being changed by the increasing provision, by both government and private sector backers, of microfinance schemes tailored to the needs of smaller businesses. A global trend towards market-oriented economies is shifting the traditional balance between government and the private sector, and negotiating areas of responsibility and partnership arrangements are increasingly evident. The Internet opens new tourism markets, and e-tourism is widely recognised as a key direction for future development. Its widespread achievement is being enabled by initiatives at the various levels of infrastructure establishment, telecommunications regulatory policy, standardisation, e-readiness development and finally uptake issues. Information sources are increasingly available, particularly electronically, but the



relevance of research, and access to information for the industry could be improved in many economies, and coordinating research and centralising the supply of industry information is widely indicated.

It is apparent that tourism small business development is being structurally referenced to the global economy, and in the context of bilateral and multilateral agreements affecting facilitating specific sets of cross border flows, infrastructure planning in common interests, harmonisation of standards and in policy frameworks increasingly directed towards market economies. A shifting balance between government and private sectors is evident, in many economies, with public-private partnerships being highly applicable to tourism industry development, due to the dual requirements to macro-manage the economy in the public interest and to encourage a vibrant entrepreneurial sector.

Economies in the APEC region cover a range from some of the world's most highly developed nations to some of the world's poorer regions. Within given economies, there are also rural vs urban divides, both in wealth and digital uptake aspects, and although the extent of this is unclear, with suggestions that the gaps may not be as significant as previously thought, unmanaged inequities would imply a region of haves and have nots, and uncompetitive economies or provincial areas.

Developments in all areas are however rapidly occurring throughout the region, and increasing transparency and liberalisation are evident for a number of economies. The adoption of business models and practices from highly mature market economies needs to be tailored to the wider development and cultural

attitudes of less development economies, who have capacity building, and other infrastructure priorities to put in place first. Furthermore, even economies that are fully e-ready face uptake issues and slowing growth in e-commerce adoption. This may, in the medium term, level the playing field across the Asia-Pacific.

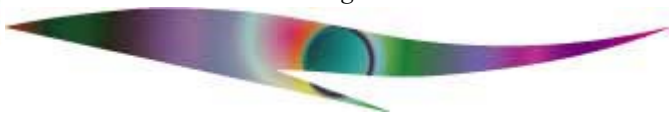
Many governments have not structurally recognised tourism as an industry sector, and the industry's voice has been weak due to the range of sectors under which it is classified. This is now changing, and a wider reclassification of industry categories may be indicated, allowing funding levels and policy coordination to reflect more accurately the sector's true importance. With the proliferation of micro enterprises seen in many economies, formal recognition of this sector, both in policy and statistics can be expected to become increasingly evident, since the "blunt instrument" of traditional SME classifications may not adequately reflect the majority of current enterprises.

A consequence of this tendency towards a micro-enterprise driven economy is likely to be increased emphasis within economies on clusters and other cooperative ventures, geographically based, and both within and across industry sectors. Ongoing technology costs for example, are a typical barrier for smaller enterprises, but such clusters may effectively form larger enterprises, sharing technologies and expertise, and pooling specific budgets for agreed ventures, such as marketing or specific technologies mandated within their supply chain. Purely tourism clusters will have common concerns in relation to destination management and marketing: and competitive focus will be more global than local. Economic and technological globalisation must balance local cultures and destinations' distinctive touristic propositions.



Tourism, as an export, as a service industry and for many consumers, a non-essential luxury purchase, however is sensitive to sustainable market demand and other external factors, including currency fluctuations, and to political and other crises. Poverty is considered one of the greatest threats to a sustainable environment. In many cases tourism's sustainability will thus be linked to the wider regional economy, whether primary production, industrialised, or advanced, and dependent on the infrastructure in terms of transport and other facilities budgeted for that.

The development needs of SMTEs must therefore be considered as a system, which operates in relation to yet more complex systems of sustainable environments, sustainable technologies, sustainable cultures and sustainable economies. Exemplary programmes exist in each of these areas that build SMTEs' capacity to operate viably within larger systems. The tourism industry everywhere embraces primary and systemic activity in relation to environment, to culture and to commerce. Its development will be interesting to watch.



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Appendices

Appendix 1 – Questionnaire instrument used in interviews

Appendix 2 – List of Interviewees

Appendix 3 – Abbreviations used in report



Appendix 1 – Questionnaire topics used in interviews

The following list was used in interviews, with specific content areas as detailed below used directly as prompts or in follow-ups questions to areas not spontaneously covered. Rapport building, catchall and other questions arising were included. A key to primary and supplementary sources used (literature, documents, operator and expert is shown for each category.

Human resource development

- SMEs' lack of skills in management and quality control [L,D,O]
- Education and training
 - Qualifications framework [E,D]
 - Education provision [E,D]
 - Retaining trained staff [O]
 - Training costs and on the job training [O]
 - Financial management training (esp. exchange rate risks) [E,O]
 - Website design/technology training [E,O]
 - Management and legal education [E,O]
 - Tourism knowledge and tour-guiding training [O]
 - Marketing and branding [E,O]
 - Entrepreneurship [O]
 - Small business planning [E,D,O]
 - Environmental protection / ecotourism training [L,E,D,O]
- Small business development support programmes/institutions [E,D]
- capabilities related to crisis management (SARS, earthquake...) [E,O,D]

Financing

- Availability and access to finance [E,O]
- Awareness of resources (public and private) [O]
- Defining and articulating financing needs [O]
- Bank attitudes due to lack of collateral [E,O]
- Government schemes to mitigate bank risks [E]
- Types of financing available [E,D]
 - (equity financing, venture capital micro-lending, government guaranteed loan restructuring ...)
- High transaction costs and other high loan risk issues [E,O]
- Delays in financing [O]
- Cash flow [O]
- Big-business like requirements for detailed plans and collateral [O]
- Reporting overheads (business activity statements) [E,O]
- Legal obligations [E,O]
- Insurance obligations [E,O]
- Employment of permanent, seasonal and casual workers [O]



- Exposure to foreign exchange volatility due to globalisation [E,O]

Technology

- Awareness of available technological capabilities [O]
 - Knowledge of costs and expertise sources [O]
- Financial resources required to invest in technology [O]
- Skills required to use technology [E,O]
- Assistance packages [E,O]
- Diversity from low tech to high-tech enterprises [O]
- Relation to human resource development [E,O]
- Environmental protection technologies [E,O]
- Pooling resources across industry clusters [L,O]
- Fostering interacting relationships among firms [E,O]
- Opportunities for industry linkages [D,E,O]
- Research and development culture in SMEs [E,O]
- Gender base impediments to technology acquisition [L,E,O]
- Website design, maintenance and operation [L,O]
- E-readiness, computer security, computer use [D,O]

Market access

- Market development and promotion [E,O]
- Market information (demand, demographics...) [E,O]
- Trade and market barriers [E,D]
- Impact of tariff and non-tariff measure reductions [D,E,O]
- Trade and investment facilitation measures [D,E]
- Customs procedures [D]
- Intellectual property protection [D,E]
- Quality of marketable products – ISO 9000 [E,O]
- Contract manufacturing and vendor development [O]
- Knowledge of markets, including awareness of niche [O]
- Marketing skills [E,O]
- Resources to advertise and promote products [E,O]
- Branding and positioning [L,E,O]
- Databases on business matching [E,O]
- Government procurement from SMEs [D,E,O]
- Adoption of electronic commerce [L,D,E,O]

Access to Information

Information content

- Information on markets [E,O]



- Information on material suppliers [O]
- Information on technology and technical services [D,E,O]
- Information on sources and types of financing available [E,O]
- Information on industry, regional, national and international outlook [E,O]
- information on learning government or legal regulations [E,O]

Information dissemination

- Effective outreach [D,E]
- Physical and economic infrastructure [L,E,D]
- Institutional structures [D,E]
- Public-private sector dialogue mechanisms [D,E]
- Industry and trade associations [D,E]
- Disseminating information to SMES on:
 - Regulations [D,E,O]
 - Financing [D,E,O]
 - Technology development [D,E,O]
 - Training sources [D,E,O]
 - Market trends and development [D,E,O]

Key for Information sources:

L – published academic literature

D – documents referred to by or available from industry/government bodies

E – expert representative from industry/government body

O – operator (owner/manager, entrepreneur) of an SMTE



Appendix 2 List of interviewees

This list is indicative but not exhaustive. A complete list is available from the authors.

Australia*

Sunshine Coast (Qld) Backpacking Hostel- Noosa backpackers
Sunshine Coast Booking Agent and Information Centre - Palm Tree Tours Noosa
Sunshine Coast Caravan Park -Coolum Caravan Park
Sunshine Coast Local tourism organisation - Tourism Caloundra (Cath Stewart)
Sunshine Coast Local Tourism Organisation - Tourism Maroochy Ed Baekker
Sunshine Coast Travel Agent in regional town –Travelworld (Leesa Assailit)
Sunshine Coast Self-contained accommodation Como, Noosa
Fly Me to the Moon, Brisbane, Qld
Floating Images, Ipswich, Qld
Australian Motorcycle Adventure Tours, Brisbane, Qld
Gold Coast (Qld) Linny Baker winery manager Heritage Winery
Gold Coast Mt Tamborine vineyard (Michelle Saunders)
Gold Coast Canungra valley vineyards (Howard Mitchell)
Gold Coast Springbrook mountain vineyard (Paul Williams)
Western Australia Christine Storer farmstay
Western Australia Barry Green Boronia Farmstay
Western Australia Jane Seman WATC
Western Australia Paula Turner WATC
Western Australia Steve Crawford WATC
Western Australia Alex Kok Yahava Coffee works
Western Australia Barry Green Tourist Radio
Western Australia Geoff Barrett Watershed wines
Western Australia Peter Lilley Dunsborough Inn
Western Australia Garry Grainger Gallery dono arte
Western Australia Jan Pederson Edith Cowan Univ
Western Australia Keith Barnes Brookhampton estate PO Box 410 Nedlands, WA
Western Australia Angelo and Maria Logiudice Paradise heights Winery, South West Highway Kirup WA
Western Australia Kiruvale Vineyard c/o Butler Electrics Cundinup Road, Kirup WA
Western Australia Steve Trigwell Old Goldfields Orchard & Cider Factory Donnybrook
Western Australia 6239
Western Australia Barrecas sweetwater winery, po box125, Donnybrook WA 6239
Western Australia Richard Knox Byramgou Park P.O. Box 163 Donnybrook WA
Western Australia Terry Foster Thomson Brook Wines Lot 1 Thomson Road, Donnybrook
NSW Carolyn Colton WineDiva P. O. Box 529 Thirroul, NSW Australia, 2515
South Australia Craig Grocke, Tourism Infrastructure Officer SATC GPO Box 1972, Adelaide SA 5001, South Australia
South Australia John Evans Manager Executive Services GPO Box 1972, Adelaide SA 5001, South Australia



South Australia David Rowe Business development advisor SATC GPO Box 1972, Adelaide
SA 5001, South Australia
New South Wales Sandra Chipchase SHFA
New South Wales Lawrence Franklin TNSW
New South Wales Mike Upfold Australian Wine Centre
New South Wales Bob McGleish McGleish Wines, Hunter Valley NSW
New South Wales Rachel Manson Maze Backpackers, Sydney

*Also notes were taken at (national) Tourism Futures Panel Discussion, Queensland
Made up of unidentified CEOs, product, policy and research managers from state and
territory tourism authorities.*

Thailand*

Mr. Atthapol Anuruthikorn	Similana Resort
Mr. Somchai Visetmongkolchai	Open World Internatnl. Travel Service Co., Ltd.
Ms. Nantaporn Suparek	Greenchat Ayurveda Co., Ltd.
Mrs. Cholakorn Chainarong	Bahn Sukaparp Co., Ltd.
Mrs. Pornthip Samerton H. (Addie)	Destination Asia Co., Ltd.

Chinese Taipei*

Mr. Cannon Chen *	Travel Agency
Mr. Pu-Cyuan Chen	Travel Agency
Mr. Chen Shen	Travel Agency
Ms. Siao-Yan Fan	Travel Agency
Ms. Heidi Cheng	Travel Agency
Ms. Sophia Tsai	Travel Agency
Mr. Brotten Wu **	Homestay
Mr. F. C. Lin	Homestay
Mr. Ming-Huan Liou	Homestay
Mr. Yu-Fu Guan	Homestay
Mr. Hong-Chih Chan	Homestay
Mr. Fu-Tian Ciou	Homestay

- other interviewees are not identified here



México*

ALMA ALCARAZ DE SILVA
ANDREA CEBALLOS PARRA
AURELIO HERRERA GARCÍA
BERTA VELASCO MARQUEZ
CARLA ALEJANDRINA PEÑA LÓPEZ
CARLOS ELÍAS TORRES LARA
CLAUDIA E. HERNANDEZ PIMENTEL
CLAUDIA LILA AGUILAR GONZALEZ
DALIA COSIO / FERNANDO GARCÍA
DEIDA ARACELY NAVA CARDENAS
ENRIQUE CARRILLO RIVAS
ENRIQUE CASTILLO GTZ
FELIPE RIVERA SÁNCHEZ
FERNANDO HERNÁNDEZ
FIDEL ROBLES SARELLÁN
FRANCISCO BUENO RAMIREZ
GABRIEL MARTINEZ CAMPOS
GABRIELA DE LA PAZ SEVILLA BLANCO
GERMAN LANGARICA MUÑOZ
GUILLERMO DÍAZ ZAMORANO
HECTOR ALIOSHA MIRANDA MONTAÑO
HECTOR FELIPE LUNA GARCÍA
HECTOR JIMENEZ ARIAS
HILDA LILIA ZENDEJAS ARANDA
HUGO A. PARRA MEDINA
HUGO VALDOVINOS SALAZAR
IRMA DIAZ LAUREANO
IZCÓATL FLORES PEÑA
JANET PAZ CERVANTES
JAVIER LLERENAS COBIAN
JESUS AVILA VELAZQUEZ
JORGE DE LA TORRE ESCOBOSA
JOSE ALBERTO REYES OCHOA
JOSÉ AYALA VARGAS
JOSE CARLOS AHUMADA VIVEROS
JOSE DE JESÚS MUÑOZ NOVELA
JOSÉ FCO VIERA BARRAGÁN
JOSE GARCIA BUENO
JOSE LUIS DE LA VEGA MEILLON
JOSÉ LUIS MARTÍNEZ VILLEGAS
JOSÉ REMIGRO ALTAMIRANO
LAURA PATRICIA LARA
LILIANA SANTOS VIRGEN
LUIS FDO AMEZCUA SANDOVAL
LUIS JORGE ALVAREZ PRECIADO
MA DE LOS ANGELES SÁNCHEZ PÉREZ
MANUEL CEBALLOS RAMOS
MARICELA COSÍO
MARGARITA GARCIA LLERENAS
MARIA MOLINA ESTRADA
MARICELA CERNA MICHEL
PATRICIA CÁRDENAS ÁLVAREZ
RAYMUNDO CABRERA CRUZ
ROCIO TORRES ESPINOZA
ROGELIO RODRIGUEZ R.
ROSA LAU CHAM
SALOMÓN ROSAS BARAJAS
SALVADOR CARDENAS M.
SAÚL SOSA CHAVEZ
SERGIO CARLOS CRUZ VELAZQUEZ
GABRIELA ZEPEDA
FERNANDO SALDIVE GUADARRAMA
DICY DE ALES
HUMBERTO NAVARRO
JOSE LUIS BASILIO TALABERA
VICTORIA MOYADO DIAZ
ADRIANA MARTINEZ MARTINEZ
ALFREDO PIZÓN CALDERAS
CRISTOBAL CASTAÑEDA ZAVA
OMAR SOLIS RESENDIZ
HECTOR GALAN AGUIRRE
LUCIO ALEMAN CASTREJON/ JOSE CHAVEZ
ADRIANA VEGA PACHECO
ANTELMO MIRANDA BRITO
EDELMIRA SALINA PEREZ
RAUL INFANTE ESPINOZA
ANA MARÍA DOMINGUEZ DE LA C.
ISAI PALACIOS VAZQUEZ
RAMÓN LUJAN
AMÉRICA MARTÍNEZ SÁYAGO
JESÚS ARELLANO GUADERRAMA
FRANCISCO JAVIER LEPE BECERRA
SERGIO RODRÍGUEZ
AÍDA ROBLES URIBE
DANTE OROPEZA HERNÁNDEZ
ROSARIO FLORES PINTOS
DOMINGA CISNEROS PÉREZ
JAVIER RÍOS VELA
ALEJANDRO GONZÁLES
JESÚS ROJAS MEDINA
CARLOS PÉREZ APANGO
ALEJANDRA MENA ZUZUAREGUI
JORGE MARIO ROSAS PINEDA
MARLENE ESTEVEZ H.
JORGE VÁZQUEZ CASTREJON
CARMEN ROMERO
GUSTAVO SANTOS RAMÍREZ
MARIA DE LOS ÁNGELES VALLE ÁLVAREZ
JAVIER PIZA
MARIA DOLORES AGUILAR SÁNCHEZ
DANIEL CISNEROS
ROSARIO HERNÁNDEZ DELGADO
GERALDINA TORREBLANCA
MIGUEL ARAUJO AGUILAR
ENEDINA MAYREN
JORGE LAUREL
NANCY GOMEZ
JOE LUCCIANO
PAOLA NAVARRETE VICTORINO
OLIVIA DILANES VALVERDE
BONIFACIO MIRANDA BLANCO
SANTIAGO ENRIQUE RAMOHE COTA
JUAN ALBERTO UNZON SANCHEZ
MARIO HURTADO DE MENDOZA
ERIKA CIANCI
PEDRO GÓMEZ
MARÍA ESTER GARCÍA RUIZ
JOSÉ LUIS ANGULO MARTINEZ
EZIO COLOMBO
VICTOR MAUNUEL MARTINEZ DE ESCOBAR
GOBELA
ROLANDO MARTINEZ
DORA BURGOIN
BRAD BAER
ALEJANDRO ENRIQUEZ
IKER ALGORRI CAMACHO
JUAN CARLOS HERNANDEZ
MICHELLE ALIGHERI CARBAJAL
JOHN STUART
SVETLANA BONCHEVA
JOARMIN SERMEÑO LIMA
RICARDO CURIEL NAVARRO
GEORGINA VILLA CONDE
JESUS MARIA CORRAL
ARTURO CHAVEZ
JOSE IGNACIO LABANDERA VILLANUEVA
ANTONIO LUEVANOS
GRACIELA TREVIÑO SAIZA



MARGARITA DÍAZ
VÍCTOR HUGO CHACÓN
VIDAL MARTÍNEZ GARCÍA
ROSA MARÍA MALDONADO GARCÍA

ERNESTO GÓMEZ RIVERA
* other interviewees not identified



Appendix 3 - Abbreviations

ABS	Australian Bureau of Statistics
ACCI	Australian Chamber of Commerce and Industry
ACE	Action Community for Entrepreneurs (Singapore)
ACTETSME	APEC Centre for Technology Exchange and Training for SMEs
ADB	Asian Development Bank
AEDC	Asia Entrepreneurship Development Centre (Chinese Taipei)
AFACT	Australian Farm and Country Tourism
AFTA	ASEAN Free Trade Area
AHORA	Asociación Peruana de Hoteles, Restaurantes y Afines
AGM	Annual General Meeting
AICST	APEC International Centre for Sustainable Tourism
AIHET	Association of Hotel and Tourist Enterprises Investors, A.C. (México)
AMAIT	Mexican Association of Tourist Suppliers, A.C.
AMDETUR	Tourism Developers Mexican Association, A.C.
AMF	Asian Monetary Fund
AMHM	Mexican Association of Hotels and Motels, A.C.
AMMT	Mexican Association of Tourist Marinas, A.C.
AMPABA	Mexican Waterpark Association, A.C.
AMPROFEC	Mexican Association of Professionals on Fairs, Expositions and Conventions, A.C.
ANAVAC	National Association of Car Rental Enterprises, A.C. (México)
ANCH	National Association of Hotel Chains, A.C (México)
AOEMA	Asia Oceania Electronic Marketplace Association
APAVIT	Asociación Peruana de Agencias de Viajes y Turismo-
APCTT	Asian and Pacific Centre for Transfer of Technology
APEC	Asia-Pacific Economic Cooperation
APICTA	Asia Pacific ICT Awards
APOTOUR	Asociación Peruana de Turismo Receptivo e Interno (Perú)
APPTUR	Asociación Peruana de Profesionales de Turismo (Perú)
APT	Asia Pacific Telecommunity
APTAE	Asociación Peruana de Turismo de Aventura y Ecoturismo (Perú)
ARTN	Australian Regional Tourism Network
ASEAN	Association of South East Asian Nations
ASB	Archipelagic Superlane Backbone (Indonesia)
ASIC	Australian Securities & Investments Commission
ASTA	American Society of Tourism Association
ATA	ASEAN Tourism Agreement
ATAA	Australian Tourism Accreditation Association
ATC	Australian Tourist Commission
ATEC	Australian Tourism Export Council
ATDW	Australian Tourism Data Warehouse
ATE	Australian Tourism Exchange
ATF	ASEAN Tourism Forum



ATO	Australian Tax Office
ATSIC	Aboriginal and Torres Straits Islanders Committee (Australia)
ATSME	Association for the Promotion of Thai Small and Medium Entrepreneurs
ATTA	Association of Thai Travel Agents
ATTEN	ASEAN Tourism Training and Education Network
ATRI	Australian Tourism Research Institute
ATTI	Association of Thailand Tourism Industry
AWBR	Association of Women and Business in Russia
B2B	Business to Business (e-commerce)
B2C	Business to Consumer (e-commerce)
BAS	Business Activity Statement (Australia)
BBTS	Association of Better Business & Tourism Services (HK)
BIDV	Viet Nam Bank for Investment and Development
BIMP-EAGA	Brunei Indonesia Malaysia Philippines-East ASEAN Growth Area
BISNIS	Business Information Service for the Newly Independent States (USA)
BMBE	Barangay Micro Business Enterprises (Act) (Philippines)
BNM	Bank Negara Malaysia
BOA	Backpackers Organisation Association (Australia)
BOI	Board of Investment (Thailand)
BPPI	Indonesia Tourism Promotion Agency
BRI	Bank Rakyat Indonesia
BTI	Borneo Tourism Institute
BTR	Bureau of Tourism Research (Australia)
CALM	Conservation and Land Management (Western Australia)
CANAPAT	National Chamber of Passenger and Tourist Auto-Transportation (México)
CANATUR	Cámara Nacional de Turismo (Perú)
CANIRAC	National Chamber of the Restaurant and Food Industry, A.C. (México)
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women (UN)
CENFOTUR	Centro de Formación Turística (México)
CEPA	Closer Economic Partnership Arrangement (Hong Kong/China)
CESTUR	SECTUR's Centre for Higher Studies in Tourism (México),
CETRA	External Trade Development Council (Chinese Taipei)
CETUR-	Coordinating Entrepreneurial Council of the Caribbean, A.C.
CANCUC	(México)
CETUR-	Entrepreneurial Tourism Council of the State of Morelos, A.C.
MORELOS	(México)
CETUR-	Entrepreneurial Tourism Council of the State of Yucatán,
YUCATÁN	(México)
CGE	Computable General Equilibrium (cf. TSA)
CIA	Central Intelligence Agency (USA)
CIFIT	China International Fair for Investment and Trade
CITs	Countries in Transition



CONAAV	National Confederation of Travel Agency Associations of México, A.C.
CNTA	China National Tourism Administration
CPDF	China Project Development Facility
CPI	Corruption Perceptions Index (Transparency International)
CRC	Cooperative Research Centre
CRCST	Cooperative Research Centre for Sustainable Tourism
CRTF	U.S. Coral Reef Task Force
CTA	China Tourism Association
CTX	Canadian Tourism Exchange
CWBC	Confederation of Women's Business Councils in APEC (CWBC-APEC)
DANIDA	Danish Agency for Development Assistance
DFAT	Department of Foreign Affairs and Trade (Australia)
DFI	Development Finance Institution
DISR	Department of Industry, Science and Resources (Australia)
DITR	Department of Industry, Tourism and Resources (Australia)
DTE	Department of Technical Education ((Brunei)
DTI	Department of Trade and Industry (Philippines)
EBC	Entrepreneur Business Centre (Australia)
EDB	Economic Development Board (Singapore)
EPC	Enterprises Promotions Centre (Singapore)
ESBP	E Strategic Business Programme (Singapore)
ESCAP	Economic and Social Commission for Asia and Pacific (UN)
FACET	Forum Advocating Cultural and Eco Tourism (Australia)
FCEM	Les Femmes Chefs d'Entreprise Mondiales (The worldwide network of women business owners)
FDI	Foreign Direct Investment
FEDNOR	Federal Economic Development Initiative for Northern Ontario (Canada)
FIE	Foreign Invested Enterprise
FONATUR	National Trust Fund for Tourism Development (México)
FPCN	Fundación Pro-Naturaleza (Perú)
FTI	Federation of Thai Industries
GDP	Gross Domestic Product
GDS	(Electronic) Global Distribution Services
GATS	General Agreement on Trade and Services
GATT	General Agreement on Tariffs and Trade
GMS	Greater Mekong Subregion
GNP	Gross National Product
GST	Goods and Services Tax (Australia)
HARTCO	Hong Kong Association of Registered Tour Coordinators
HATA	Hong Kong Association of Travel Agents



HDI	Human Development Index
HKABA	Hong Kong Australia Business Association
HKETO	Hong Kong Economic and Trade Office
HKGCC	Hong Kong General Chamber of Commerce
HKTDC	Hong Kong Trade Development Council
HKUST	Hong Kong University of Science & Technology
HR	Human Resource
HRDC	Human Resources Development Canada
HTEP	High-Tech Entrepreneur Program (Hong Kong)
IATA	International Air Transport Association
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFCT	Industrial Finance Corporation of Thailand
ILO	International Labour Organisation
IMF	International Monetary Fund
IMT-GT	Indonesia, Malaysia, Thailand, Growth-Triangle
IOTO	Indian Ocean Tourism Organisation
IP	Intellectual Property
IPR	Intellectual Property Rights
IDBB	Islamic Development Bank of Brunei
INAH	National Institute of Anthropology and History (México)
INEGI	National Institute of Statistics, Geography, and Informatics (México)
INSME	International Network for SMEs
ISMED	Institute for Small and Medium Enterprise Development (Thailand)
ISO	International Organization for Standardization
ISP	Internet Service Provider
IT	Information Technology
ITA	International Trade Administration (USA)
IteM	Instituto del Tercer Mundo
ITIS	Industrial Technology Information Services (Chinese Taipei)
ITLG	Indigenous Tourism Leadership Group (Australia)
ITO	Inbound Tourism Operator
ITPB	Indonesia Tourism Promotion Board
ITU	International Telecommunication Union
IYE	International Year of Ecotourism
JATA	Japanese Tourism Association
JETRO	Japan External Trade Organization
JNTO	The Japan National Tourist Organization
KAIST	Korea Advanced Institute of Science and Technology
KCTPI	Korea Culture and Tourism Policy Institute
KDB	Korea Development Bank
KERIS	Korea Education and Research Information Service
KIET	Korea Institute for Industrial Economics and Trade
KINITI	Korea Institute of Industry and Technology Information
KLIA	Kuala Lumpur international airport



KNTO	Korea National Tourism Organization
KOBIA	Korea Business Incubators Association
KOVWA	Korea Venture Business Women's Association
KSBA	Kuta Small Business Association (Indonesia)
KTRI	Korea Tourism Research Institute
LDC	Least Developed Country (ies)
LETAS	Local Enterprise Technical Assistance Scheme (Singapore)
LOHAS	Lifestyles of Health and Sustainability
MARA	Majilis Amanah Rakyat (Malaysia)
MCT	Ministry of Culture and Tourism (Korea)
MEDT	Ministry of Economic Development and Trade (Russia)
MGS	Multimedia Super Corridor Research and Development Grant Scheme (Malaysia)
MICE	Meetings Incentives Conventions and Exhibitions
MIDA	Malaysia Industrial Development Authority
MIGA	Multilateral Investment Guarantee Agency
MITINCI	Ministerio de Industria, Turismo, Integración y Negocaciones Comerciales Internacionales (Perú)
MOCIE	Ministry of Commerce, Industry and Energy
MPDF	Mekong Project Development Facility (Viet Nam)
MSC	Multimedia Super Corridor (Malaysia)
MSI	Market Share Indicator
MSME	Micro, Small and Medium Enterprise
MTDC	Malaysian Technology Development Corporation
MYOB	Mind Your Own Business (Australia, SME software package)
NATAS	National Association of Travel Agents Singapore
NAWBO	National Association of Women Business Owners (USA)
NEAP	Nature and Ecotourism Accreditation Program (Australia)
NECTEC	National Electronics and Computer Technology Centre (Thailand)
NFTE	National Foundation for Teaching Entrepreneurship (USA),
NGO	Nongovernmental Organization
NLTcC	National Laboratory for Tourism and eCommerce (USA)
NMSBDC	New Mexico Small Business Development Centers (USA)
NOHFC	Northern Ontario Heritage Fund Corporation
NOIE	National Office for the Information Economy
NORAD	Norwegian Agency for Development Cooperation
NRC-IRAP	National Research Council's Industrial Research Assistance Program (Canada)
NRCP	National Research Council of the Philippines
NSW	New South Wales (Australia)
NTHRDC	National Tourism Human Resource Development Council (Malaysia)
NZ	New Zealand
OECD	Organisation for Economic Co-operation and Development
OTTI	The Office of Travel and Tourism Industries (USA)



OSC -DTI	Office of the Special Concerns of the Department of Trade & Industry (Philippines)
OVTA	Overseas Vocational Training Association (Japan)
PACER	Pacific Agreement on Closer Economic Relations
PASCN	Philippine APEC Study Centre Network
PATA	Pacific Asia Travel Association
PCO	Professional Convention Organiser
PEMEX	Petróleos Mexicanos
PEZA	Philippine Economic Zone Authority
PhilBX	Philippine Internet Business Exchange
PHILTINS	Philippine Trade Information Network System
PHILTOA	Philippine Tour Operators Association
PHRI	Hotel and Restaurant Association of Indonesia
PICTA	Pacific Island Countries Trade Agreement
PIDS	Philippine Institute for Development Studies
PiP	Parks in Peril
PNG	Papua New Guinea
PPP	public / private partnership
PRGF	Poverty Reduction And Growth Facility (Viet Nam)
PSB	Productivity and Standards Board (Singapore)
R&D	Research and Development
RA	Russian Agency for small and medium business support (Russia)
RBA	Royal Brunei Airlines
RF MAP	Ministry of Antimonopoly Policy and Support of Entrepreneurship of the Russian Federation
RTAM	Regional Tourism Activity Monitor (Queensland, Australia)
RTP	Regional Tourism Program (Australia)
SAR	Special Administrative Region (Hong Kong, China)
SARS	Severe Acute Respiratory Syndrome
SBA	Small Business Administration (USA)
SBDC	Small Business Development Centre
SBDCNET	Small Business Development Centre National Information Clearinghouse (USA)
SBIC	Small Business Investment Company (USA)
SBV	State Bank of Viet Nam
SCUBA	Self Contained Underwater Breathing Apparatus
SECTUR	Ministry of Tourism
SEEDS	Start-up Enterprise Development Scheme (Singapore)
SHFA	Sydney Harbour Foreshore Authority
SICGC	Small Industry Credit Guarantee Corporation (Thailand)
SIDA	Swedish International Development Cooperation Agency
SIFC	Small Industrial Finance Corporation (Thailand)
SIRIM	Standards and Industrial Research Institute of Malaysia
SMBA	Small and Medium Business Administration (Korea)
SME	Small and Medium scale Enterprise, (also includes microenterprises)



SMEA	Small and Medium Enterprise Administration (Ministry of Economic Affairs, Chinese Taipei)
SMEDA	SME development agency (Russia)
SMEDC	Small and Medium Enterprise Development Centre (Thailand)
SME-PC	Small and Medium Enterprise Promotion Centres (Viet Nam)
SMEVC	SME Venture Capital Fund (Thailand)
SMEWG	Small and Medium Enterprise Working Group (APEC)
SMIDEC	Small and Medium Industries Development Corporation (Malaysia)
SMTE	Small and Medium Tourism Enterprise
SOE	State-Owned Enterprise
SOP	Standard of Operation (Thailand)
SPAN	Integrated Plan of Action for SME Development (APEC)
SPPF	South Pacific Project Facility
SSP	Singapore Science Park
STAMEQ	Directorate for Standards and Quality (Viet Nam)
STB	Singapore Tourism Board
SUTR	(Sochi) State University for Tourism & Recreation (Russia)
TACDPAP	Technical Consultancy Development Programme for Asia and Pacific
TAFE	Tertiary and Further Education colleges (Australia)
TAF-W	Technology Acquisition Fund for Women (Malaysia)
TAPRIC	Telecommunications Action Plan for Remote Indigenous Communities (Australia)
TAT	Tourism Authority of Thailand
TBT	Technical Barriers to Trade
TCA	Tourism Council Australia
TDB	Trade Development Board (Singapore)
TEATA	Thai Ecotourism & Adventure Travel Association
TEDQUAL	Tourism Education Quality (WToO)
TEMP	Tourism Event Marketing Partnership Program (Canada)
THA	Thai Hotels Association
TIA	Travel Industry Association of America
TIANZ	Tourism Industry Association New Zealand
TIKHK	Travel Industry Council of Hong Kong
TISTR	Thailand Institute of Scientific and Technological Research
TMIS	Tourism Management Institute of Singapore
TMWA	Tourism Monitor Western Australia
TNQ	Tropical North Queensland
TOT	Tourist Organization of Thailand
TPM	Technology Park Malaysia
TRCNZ	Tourism Research Council New Zealand
TRDC	Tourism Reference and Documentation Centre (Canada)
TRIPS	Trade Related Intellectual Property System
TSA	Tourism Satellite Account
TTF	Tourism Task Force (Australia)
TWG	Tourism Working Group (APEC)
UFTAA	Universal Federation of Travel Agents' Associations



UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific (also referenced as ESCAP)
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNFSTD	United Nations Fund for Science and Technology Development
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UP-ISSI	University of the Philippines - Institute for Small Scale Industries
USAID	United States Agency for International Development
USTTA	United States Travel and Tourism Administration until
VCCI	Viet Nam Chamber of Commerce and Industry
VFR	Visiting friends and relatives
VIP	Visit Indonesia Program (Welcome Card)
VNAT	Viet Nam National Administration of Tourism
VTA	Viet Nam Tourism Administration
VTN-L	Viet Nam Tourism Network
W3C	World Wide Web Consortium
WA	Western Australia
WAITOC	Western Australian Indigenous Tourism Operators Committee
WCMC	World Conservation Monitoring Centre (UNEP)
WET	Wine Equalization Tax (Australia)
WSIS	World Summit on the Information Society
WToO	World Tourism Organisation
WTrO	World Trade Organization
YAA	Young Achievement Australia
YHA	Youth Hostels Association



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AICST was established in mid 2002 by the APEC Tourism Working Group and the Tourism Ministers of the 21 economies of APEC. Its role is to identify and research the major issues that are likely to impact on tourism in the Asia Pacific region in the next 10–15 years. AICST is a cooperative organisation of Economies, Universities, and the Tourism Industry. From its research projects, it aims to deliver high quality information to guide Government policy development and Industry decision making to enable tourism to grow sustainably and to deliver positive outcomes for Economies, Communities, Visitors and Tourism Industry Operators.

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