TRAVELLING AND EXPENDITURE PATTERN ANALYSIS OF TOURISTS IN BRUNEI DARUSSALAM

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DECLARATION

I hereby declare that this thesis is the result of my own apart from the references that I used in my writings.

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Acknowledgment

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Rasydan bin Haji Nokman
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Abstract

The Government of His Majesty Sultan Haji Hassanal Bolkiah Mu’izzaddin Waddaulah, Sultan and Yang Di-Pertuan of Brunei Darussalam, has put a lot of effort in diversifying the economy through various industries. One of the most important industries to be developed is the tourism industry, which has a promising prospect. Brunei Tourism Development Board is the leading agency that was given the responsibilities to promote, facilitate and develop the market for tourism in Brunei Darussalam. This paper attempts to study the travelling and spending/expenditure pattern of the tourists in Brunei Darussalam. A total of 200 respondents were selected for the purpose of this study. The study reveals that the major tourists’ attraction in Brunei is eco – tourism which usually within the extensive tropical forests in Brunei. The results also identify that local and traditional handicrafts are the most purchased goods. Although tourism industry in Brunei Darussalam can help the diversification of the Brunei’s economy, to achieve the sustainable tourism industry, a lot of studies and researchers need to be done.

Key words: Brunei economy, Tourism industry, tourist expenditures, travelling pattern
Abstrak


Kata kunci: Ekonomi Brunei, Industri Pelancongan, perbelanjaan, corak perjalanan
الملخص

قد وضعت حكومة صاحب الجلالة السلطان الحاج حسن البلقية الكثير من الجهد في تنوع الاقتصاد من خلال الصناعات المختلفة. واحدة من أهم الصناعات المتقدمة، أن تكون صناعة السياحة، التي لديها احتمالات واعدة. ومجلس التنمية السياحية البروناي هي الجهة التي أعطيت المسؤولية في تشجيع وتسهيل وتطوير سوق السياحة في بروناي دار السلام. تحاول هذه الورقة دراسة نمط السفر وإنفاق السياح في بروناي دار السلام. وقد تم اختيار مجموعة 200 المستجيبين لهذه الدراسة. وتكشف الدراسة أن الجذب الرئيسي لدى السياح في بروناي هي السياحة البيئية التي عادة ما تكون داخل الغابات الاستوائية الواسعة في بروناي بينما الحرف اليدوية التقليدية هي أكثر السلعة تشترى. وعلى الرغم من أنه يمكن أن يساعد في تنوع اقتصاد بروناي، فإنه يتطلب الكثير من الدراسات والبحوث لتحقيق التنمية المستدامة للصناعة السياحية ببروناي دار السلام.

كلمات البث: اقتصاد بروناي، الصناعة السياحة، نقاط السياحة، نمط السفر.
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CHAPTER 1

INTRODUCTION

Brunei's economy depends on its oil and natural gas deposits, which are mostly offshore, and its investments. Although these are not extensive by world standards, Brunei's small population enjoys a very high standard of living. The government has made recent efforts to diversify the economy, mainly by providing tax concessions on foreign investment; timber, paper, fertilisers, petrochemicals and glass are the most promising candidates for development in the growing industrial sector. However, these have been fairly limited to date. Some 15 per cent of the land is under cultivation, with rice, cassava and fruit as the main crops. Japan, which takes half of the oil produced by Brunei, is the country's largest single trading partner, followed by Korea, Singapore, Thailand and Australia. Brunei also belongs to the Association of South East Asian Nations (ASEAN) and subscribes to its major projects, including the plan to establish a free-trade zone among member states in around 2010/2015. In 1995, Brunei joined the IMF and World Bank, making available the technical and consultative advice from those institutions as it hardly needs their financial support. The Asian financial crisis in 1997 had little effect on Brunei, because of the country's lack of indebtedness. However, it has since become apparent that a substantial proportion of the country's financial resources, which are under the exclusive control of the royal family, have been dissipated through individual profligacy.

Being a small and rich, the sultanate is located on the northern coast of the Borneo Island. Brunei Darussalam has been one of the major producers of oil and gas within Southeast Asia, and the export activities of oil and gas make up for about 40 percent of Brunei's gross domestic product (Government of Brunei Darussalam, 2001). Apart
from that, with an estimated population of 401,890 in 2011 the country ranks at the fifth highest GDP per capita in the world and second in Asia after Singapore (IMF, 2010). Brunei’s economy enjoyed moderate growth in the mid-2000s, primarily due to high world oil and gas prices. However, Brunei’s growth has fallen sharply in recent years. In 2009, GDP shrunk from U.S. $15.6 billion (BND 20.4 billion) to U.S. $12 billion (BND 15.6 billion). Brunei continues to have one of the lowest GDP growth rates of any ASEAN nation; however, Brunei is also ranked as having one of the highest rates of macroeconomic stability in the world and the highest in Asia. Brunei’s conservative economic policies insulated it from much of the global financial crisis in 2008-2009.

Brunei is the fourth-largest oil producer in Southeast Asia, averaging about 175,000 barrels a day in 2008. It also is the ninth-largest exporter of liquefied natural gas in the world (according to the Brunei Economic Development Board). Like many oil-producing countries, Brunei’s economy has followed the swings of the world oil market. Economic growth has averaged around 2.8% in the 2000s, heavily dependent on oil and gas production. Liquefied natural gas output averages 895 million cubic feet/day. Overall oil production has declined in recent years, and growth rates have fallen significantly. Brunei’s oil reserves are expected to last 25 years, and natural gas reserves 40 years. However, potential new onshore fields may add to the lifespan of the reserves (www.state.gov)

Gunn (1993) considered Brunei as a “rentier economy” as the country depends substantially on earnings from oil and gas exports, relies heavily on imports and it also is a recipient of substantial foreign revenues and relies far less on taxes as a source of income.
However, with the emerging competition from neighbouring countries that have other means of economic development that could uplift their economies, Brunei economy’s high dependency on oil and gas and the instability of world oil prices during economic downturn could cause considerable fluctuations in the level of Brunei’s GDP. There is no doubt that government, construction, services, retail and some light manufacturing are the other major sectors in Brunei’s economy, as the government is currently working towards economic diversification in which tourism plays an important role in order to encourage tourists and foreign investment into the country and develop education and human resources.

Moreover, Brunei Darussalam is aiming for widespread recognition of its people, a top-rated quality of life and a dynamic and sustainable economy with an income per capita that ranks among the world’s top 10 by the year 2035. This is envisioned in the ‘Wawasan Brunei 2035’ that was unveiled in January 2008. The Government of His Majesty the Sultan has recognised the needs of the future generation and identified the numerous demanding challenges that will be faced in their efforts to fulfil the people's hopes for the future development of the country. Although Brunei enjoys one of the highest standards of living in Asia, a number of challenges must be overcome to ensure the continuation of this accustomed standard of living. The country's economic growth is one challenge which, on the whole, has not kept pace with the population growth, in spite of the oil and gas resources which contribute much to the nation's prosperity.

Although the oil and gas sector makes up approximately half of the economy and 90 per cent of export earnings, it employs less than three per cent of the work force. The public sector, the main employer of a majority of citizens and residents, is unable to adequately absorb the increasing number of young people who wish to enter the work force each year. The gap between expectations and capabilities of the nation’s youth and
employment opportunities currently being created are widening. Local business community also continues to be weak and is unable to create employment opportunities now required. These social and economic facts must be taken into account in order for these challenges to be met by the year 2035. In accordance with this, the council has formulated an integrated and well-coordinated national strategy that needs to be developed and implemented as follows:

1. An education strategy which will prepare the nation's youth for employment and achievement will be needed to meet the requirements of the changing economy.

2. An economic strategy will be implemented to create new employment for the people and expand business opportunities through the promotion of investment, foreign and domestic, both in downstream industries as well as in economic clusters beyond the oil and gas industry.

3. A security strategy is another key element needed that will safeguard our political stability and that links our defence and diplomatic capabilities and our capacity to respond to threats from disease and natural catastrophe.

4. An institutional development strategy will enhance good governance in the public and private sectors, high quality public services, modern and pragmatic legal and regulatory frameworks and efficient government procedures that entail a minimum of bureaucratic "red tape".

5. A local business development strategy that will be needed to enhance opportunities for local SMEs and an infrastructure development strategy that
will ensure constant investment by government and through public-private sector partnerships.

6. A social security strategy will ensure that all citizens are properly cared for as the nation prospers and an environmental strategy will ensure the proper conservation of our natural environment and cultural habitat. These strategies will need to be developed and implemented by both government and private bodies to reach the goals of Wawasan Brunei 2035. In implementing these goals, the nation will uphold the values upon which have been the foundations of its political stability, social harmony and prosperity.

**Problem Statement**

Brunei aspiration to improve its tourism sector is welcomed and lauded. Brunei, through its Tourism Board, has put a lot of effort in stimulating the growth of this industry. However, the viability of tourism sector as the supplement of Brunei’s economy needs to be addressed accordingly. This includes the detailed study of the significance of the contribution of tourism sector in the overall annual Gross Domestic Product (GDP) of the Sultanate. In addition, Brunei needs to identify the main source of contribution in the tourism industry through tourists’ expenditure. This is to ensure that every stage of the tourism industry, from the planning, market segmenting, promotion and policy making are being tackled carefully. The study of the demographic profile, travelling pattern as well as the expenditure could give the relevant authority insights of the prospective tourists/visitors. These insights would provide useful indicators on the strength, weaknesses, potential and those areas of the current tourism industry that need to be improved.
Research Questions

This research addresses the following questions

1. Who constitute the tourists in Brunei? What are their demographic profiles? Are there a significant number of people with similar demographic characteristic who visited Brunei?

2. Secondly this study will uncover the travelling pattern of the respective respondents which includes countries they have visited and will visit in the future, their activities while in Brunei, accommodation and mode of transportation while in Brunei as well as the duration of stay.

3. Lastly, this paper is also intended to study the expenditure pattern of the respective respondents. The type of goods purchase in Brunei, and the average spending on various items such as accommodation, food and beverage, transport and so on will be examined.

Objectives of the study

The overall objective of this research is to examine the demographic profile, the travelling pattern and the expenditure of the tourists. While the specific objectives are:

1. To analyse the demographic profile of tourists in terms of age, gender, country of origin and occupation of the respondents. This would be beneficial for identifying prospective tourists in the future.
2. To examine the travelling and expenditure pattern would be useful in understanding the spending, activities, as well as the attraction on which the respondents are going for.

3. To provide some useful suggestions that can help relevant bodies to plan strategically in order to improve this sector.

**Significance of the study**

This study is important as it will help in identifying the areas of the tourism that need to be improved. It is also important because this can be a reference for future research in the same sector. The findings will hopefully be beneficial to future research and as a reference for further investigation. It is an empirical study based on recent information and that can help to understand the current situation and suggest suitable policy recommendations.

**Scope and limitation of the study**

Time and study period are two of the limitations of this study. The study was conducted in a period of a month and this may not give an exact picture of the tourism sector as compared to study conducted in longer time period (a whole year or half a year). Moreover, the study is carried out in the month of March to early April, which is considered as the ‘off season’ for tourism. In addition, due to time and financial factor, this study only focuses on areas around Bandar Seri Begawan and other districts/areas are not covered. With sufficient time and resource, a more comprehensive research could be done to give more in-depth understanding of issues addressed in this paper.
BACKGROUND OF BRUNEI TOURISM INDUSTRY

Although there are about 40 licensed Travel Agencies in Brunei, only a handful are actively engaged in inbound ground handling operations for foreign tourists. Most licensed Travel Agencies deal in ticketing and outbound travel, with the occasional service to inbound clients.

Competition in the inbound tourism sector is thus limited, and with the aggressive promotional efforts by the Ministry of Industry and Primary Resources, the number of inbound leisure tourists is targeted to increase on an annual basis. As a division within the Ministry of Industry and Primary Resources, Brunei Tourism Development Department is in charge of tourism development, marketing and promotion, as well as licensing of tour companies. Headed by the Director, Sheikh Jamaluddin bin Sheikh Mohamed, the division has been actively engaged in the promotion of tourism to Brunei since the mid 1990s. It was then that tourism gained recognition as a rising industry capable of greatly contributing to the Kingdom’s economic diversification efforts, as well as becoming a significant generator of future employment opportunities for Brunei’s citizens.

With recent increases in manpower and expertise, including the hiring of international tourism consultants, and a clear strategy with ambitious but feasible goals, Brunei Tourism is working to market its undiscovered tourism potential in the competitive regional tourism market. Brunei Tourism has also recently launched a fresh new identity to carve a face for Brunei in the competitive and dynamic regional tourism market. Brunei Tourism is committed to working closely with both local and overseas industry partners and the media to position Brunei Darussalam as a distinctive, exciting and undiscovered travel destination in Asia.
It is undoubtedly that Brunei Tourism is targeting at the up-market, discerning and mature segments in tourist source markets such as the South East Asian countries like Singapore and Malaysia, as well as other parts of the world, for examples United Kingdom, Korea, China, Japan, Australia, Germany and Netherlands, which positioned Brunei as a destination for ecotourism, relaxation, wholesome family trips, honeymoons, golfing and even for stop-over programs on the Australia / New Zealand / Bali to Europe or the Far East routes and tour programs covering Northern part of Borneo island.

In order to support this positioning, Brunei Tourism has actively participating in several tourism trade shows in these key markets, providing advertisement in consumer and trade publication, hosting regular media and industry familiarization trips as well as projecting quality promotional material based on the themes of Nature, Culture, Heritage and Contemporary Asia. Furthermore, such efforts have been greatly supported by the Government and the industry with an increasing number of tour operators featuring Brunei in their programs.

With that, Brunei, being a small country that is rich in natural beauty and heritage, has divided its tourism activities into five main areas, which are Ecotourism and Leisure Tourism, Agro/Aqua tourism, Health & Wellness Tourism, Cruise Tourism and the recent introduction of Islamic Tourism. For years now, Brunei is fast gaining popularity as the premier South-East Asian travel destination. In the past, not much is known about this tiny state with a small population, but Brunei has been touted as one of the most peaceful kingdoms in the world. Brunei boasts of a high standard of living and a relatively low crime rate, making it an ideal place to live in, if not to travel to. Due to its sizable deposits of oil and gas, Brunei is deemed a country rich in resources and culture (Mohamed Sharif and Annisa Sarbini, 2010).
As shown in Figure 1, the contribution of travel and tourism industry to gross domestic product (GDP) of Brunei has increased from BND2027.1 in 2006 to BND2031.6 million in 2009, while the contribution to employment has risen from 22400 jobs in 2006, which accounts to 13.3% of total employment, to 23300 jobs in 2009. The export earnings from foreign visitors and tourism goods are estimated to have generation of 12.3% of total country’s exports in 2009 which accounted at BND 458.3 million compared to BND 430.1 which was 11.3% of total country’s exports in 2006. (Refer Table A1 & A2)

![Figure 1: Major Indicators of Tourism Industry in Brunei](image)

*Source: World Travel & Tourism Council (2010).*
Ecotourism and Leisure Tourism

With the country's 75% of land is covered by pristine, flora and fauna rich tropical rainforests, ecotourism is understandably one of the main attractions for tourists visiting Brunei. This will further be strengthened through the feedback that the researchers have obtained via questionnaires. Currently, ecotourism activities available in Brunei consist mainly of visiting nature areas, spotting wildlife and walking along trails, plank and canopy walks maintained by the Forestry Department.

Outdoor activities such as canoeing, kayaking, mountain biking, rock climbing and tree climbing are some of the examples that can be conducted in rainforest areas as well as other sport and leisure activities conducted in both coastal and inland areas such as diving, paragliding, water sports, sand sailing, motorbike rentals and tours, 4WD tours and yachting (Mohamed Sharif and Annisa Sarbini, 2010).

Agro/Aqua tourism

Agro/Aqua tourism is a fast growing concept in the regional tourism industry as Brunei offers visitors a range of activities related to the agricultural, marine and plantation sectors. With year round good weather and constant land and sea temperatures, Brunei offers good opportunities for the production and processing of an array of fruits and vegetables, as well as aquaculture, for both domestic consumption and export. Being located at what is considered to be the epicentre of marine biodiversity; Borneo is well known as a diving paradise. With well preserved coral reefs and shipwrecks, Brunei is one of diving's new frontiers offering opportunities for agro-aqua enthusiasts (Mohamed Sharif and Annisa Sarbini, 2010).
Health and Wellness Tourism

Brunei has excellent medical facilities, both at public service level and in private healthcare. The exclusive Jerudong Park Medical Centre and Gleneagles JPMC, located near the Polo Club, Golf Club, Theme Park and Empire Hotel in the posh Jerudong area, offer high quality treatment, especially in the cardio-vascular departments, to both local residents and foreign patients.

In addition to the medical care that can be provided for tourists, Brunei, with its rainforests, clean air, absence of tropical diseases and healthy and wholesome lifestyles, lends itself very well for the development of wellness centres, spas, Ayurvedic treatments, and Yoga retreats utilizing the many peaceful rainforest locations available alongside rivers or lake shores, or by the seaside, using natural products harvested from the forests, with massage and treatment techniques derived from the Borneo as well as other Asian traditions. Since alcohol is not sold in Brunei, the country could also provide the perfect environment for detoxification clinics and other centres treating alcohol or drug addiction problems, especially for those seeking to undergo such treatment in anonymity, as the privacy of visiting celebrities is traditionally respected in Brunei (Mohamed Sharif and Annisa Sarbini, 2010).

Cruise Tourism

With its central location at the Southern edge of the South China Sea, Brunei is strategically positioned to take advantage of the emerging cruising centre taking place along the shores of the South China Sea. With port of calls such as Hong Kong, Vietnam, Cambodia, the Gulf of Thailand, Malaysia’s East Coast, Singapore, Sarawak, Brunei, Sabah and the Philippines, the cruising industry has the opportunity to develop
a new centre for cruises to rival the Mediterranean and the Caribbean, especially with the future huge Chinese market fuelling its growth. These increasing popularity ports offer excellent connections to the region and beyond, and are likely to be the main centres from which passengers will embark and disembark to start their cruises (Mohamed Sharif and Annisa Sarbini, 2010).

**Islamic Tourism**

Islam has a long history in Brunei which dates back to the 15th century. Since then, Islam has been growing and implemented fully in Brunei. This has made Islam as the king pin of the national Philosophy of Brunei Darussalam, the ‘Melayu Islam Beraja’ (Malay Islam Monarchy). According to Sheikh Jamaluddin Sheikh Mohamed, the Director of Brunei Tourism Development board, Brunei’s aspirations to become a "Zikir Nation" as envisioned by His Majesty the Sultan, its national ideology of Melayu Islam Beraja (MIB - Malay Islamic Monarchy) and its combined historical and modern prevalence of Islam were the reasons why Brunei is heading towards the Islamic tourism market. The launch of the Islamic Tourism & Exhibition was officiated by His Majesty Sultan Haji Hassanal Bolkiah Mu’izzaddin Waddaulah, Sultan and Yang Di-Pertuan of Brunei Darussalam, on March 16 2011. The Islamic tourism will complement Brunei’s existing tourism drives of eco-tourism, sports and cultural tourism.
Brunei’s Visitor Spending

Statistics on Brunei’s tourism industry are few and data that does exist is not very reliable (WTTC: 2010). According to WTTC and Oxford Economic Forecasting figures, visitor exports in Brunei dollars have grown by 32.8% from 2001-2009. Figure 2 has shown Brunei’s visitor spending from 2001-2006. See Table A2 for original source.

Figure 2: Brunei’s Tourist Spending

Brunei’s Tourist Spending from 2001-2009
(BND million)

Source: World Travel & Tourism Council (2010).
CHAPTER 2

LITERATURE REVIEW

This chapter reviews the relevant literatures that have been written on the particular subject. There have been a lot of studies in this area especially by western researcher. However, studies published on the detailed travelling and expenditure pattern of tourists is very minimal. This chapter will be divided into five main topics namely the importance of tourism industry, its growth and development, the challenges that face the industry as well as the tourism industry in ASEAN countries and tourism in Brunei Darussalam.

Importance of Tourism industry

The officially accepted definition of Tourism by the World Tourism Organization is ‘The activity of persons travelling to and staying in places outside their usual environment for not more than one consecutive year, for leisure, business and other purposes’. Tourism is an activity which, in some form or other, mankind has undertaken for a very long time. The terms ‘tourism’ and ‘travel’ are sometimes used interchangeably. In this context, ‘travel’ has a similar definition to ‘tourism’, but implies a more purposeful journey. The terms ‘tourism’ and ‘tourist’ are sometimes used negatively, to imply a shallow interest in the cultures or locations visited by tourists (www.arizonaguide.com). Sethi (2005) described in details the history of Tourism which dated back to the ancient civilization. Sethi also added that only a handful of study in the recent pasts have been done regarding the history of Tourism
and in turn the study of the prospective development and advancement of this particular industry.

Only in relatively recent times has tourism been recognized as an important social and economic phenomenon. Its effect is increasingly being felt both at the individual level and through its impact on society. At the World Tourism Conference of 1980 in Manila, the effects and importance of Tourism was acknowledged. It was stated that tourism is considered an activity essential to the life of nations because of its direct effects on the social, cultural, educational and economic sector of national societies and on their international relations (World Tourism Organization. 1995). The revenue generating potential is huge in the tourism industry. It could provide a valuable source of earnings for many countries both developed and developing. It was estimated that tourism industry contributes to 10.3% of the world’s GDP and is responsible for the creation of more than 200 million job opportunities (economywatch.com). This billion dollar industry is expanding at a very rapid rate and has become very competitive (Moutinho, Curry & Rita, 1996).

Murphy (1985) stated that Tourism has become one of the world’s major industries since the Second World War. Post-war era has seen the rapid growth and development of this industry and its significance cannot be ignored. Tourism comprises both domestic and international travel. Kamra (1997) pointed that in today’s world that tourism is like any other normal consumer product transacted through ‘retail outlets’, ‘wholesalers’ and ‘even departmental stores/ of many countries. Its economic impact is felt across many sectors in the economy as it involves the consumption or purchase by tourists of any goods or services (Year Book Australia, 2002). Trade, i.e. buying and selling, has to be the most obvious consequence as well as benefits of tourism. Trade in general enables a nation to specialize in those goods/services that it can produce more
efficiently and sell such goods that are surplus to its own requirements. Trade also enables a country to consume more than it would be able to produce if it depended solely on its own resources, encourages economic development by increasing the size of markets (Husted and Melvin, 1993).

Apart from the consumption and spending, the major economic benefit of tourism has to be the earning of foreign exchange (Bhatia, 2001). He added that the income from the foreign exchange could counterbalance the losses in the national account and it is critical in the overall financial reckoning. The benefit of this is more prevalent in the developing and non-producing countries where it can provide with a more reliable source of income.

**Growth and Development of tourism**

World Travel & Tourism is expected to generate close approximately US$15 trillion over the few years. Despite the slowdown in the annual growth rate, this industry is averaging a growth rate of 4.4% per annum (www.wttc.org). The tourism industry has experienced an uptrend over the last few decades. These transformations are brought about by the maturing of tourists and the development of technology. Tourists, nowadays, are more better off financially, more considerable leisure time, well educated, have classy tastes, well informed and more demanding (Macleod, 2004). Tourism, in the present days, is not as stereotype and typical as it was in the past. There are many types of tourisms such as eco-tourism, health and wellness tourism, educational tourism, sports tourism, and so on. Industry players have identified these different types of tourisms and tourists’ preferences and are tapping to the trends. The tourism industry has ‘given birth’ to many sub-industries in the economy. Consumer
demands better quality products, which has resulted in a fragmenting of the mass market for beach vacations; people want more specialised versions, quieter resorts, family-oriented holidays or niche market-targeted destination hotels.

The advancement in the technological world and transportation has made tourism more affordable to regular people. It is estimated that up to 500,000 people are on planes at any given period of time (www.guardian.co.uk, 28th April 2009). There have also been changes in lifestyle, such as retiree-age people who sustain year round tourism. This is facilitated by internet sales of tourism products. Some sites have now started to offer dynamic packaging, in which an inclusive price is quoted for a tailor-made package requested by the customer upon impulse.

Challenges in Tourism Industry

Although tourism has a huge potential, there are some challenges and obstacles that need to be faced and resolved (Wahab & Pigram, 2005). The first is the nature of the non-conventionality of tourism as an industry. This is because industry is defined by the products it produces. According to Wahab & Pigram (2005), some analysts have trouble accepting tourism as an industry due to the fact that it lacks the production of generic goods and services. However, to some, even though there is no generic and homogenous goods and services there is a typical products and processes that are involved in supporting the industry.

Tourism business, just like any other service industry, tends to have a problem with the intangibility of the service. The only cue to the quality of service offered is the customer’s satisfaction and this is highly subjective from a person to another. This adds
other challenges to the industry because the collection of reliable, unbiased and accurate data is so difficult. Important data and information is needed so that industry players can make informed and correct decisions on how and where the market is going (Buhalis & Darcy, 2011).

In addition, tourism can be a very volatile industry which is very sensitive to minor changes in the host country. Therefore in achieving a sustainable tourism sector, many researches have been conducted to see the response of tourists and tourism to political, cultural, social, safety as well as environmental changes. There have been a few setbacks in tourism, such as the September 11 attacks and terrorist threats to tourist destinations, such as in Bali and several European cities (Horner & Swarbrooke, 2004). Also, on December 26, 2004, a tsunami, caused by the 2004 Indian Ocean earthquake, hit the Asian countries on the Indian Ocean, including the Maldives (Holden, 2008). Thousands of lives were lost and many tourists died. This, together with the vast clean-up operation in place, has stopped or severely hampered tourism to the area.

Another challenge facing the industry is the shortage of financing supply. Due to the volatility of the industry, financing the development of the industry is quite difficult. This is because investors are not willing to put their money into this sector directly. However, in order to develop this highly potential industry, huge capital and infrastructural investment is desired (Gautam, 2007). Thus, the government plays an important role in supplying the adequate financing or passing favourable policies so that it stimulates the growth of the industry. Kandari & Chandra (2004) described how the government of a country could give incentives to the private sector who involve in the industry in the form of subsidy, tax exemption, and financial grants.
Tourism industry in ASEAN countries

Most of the countries in the Association of Southeast Asian Nation (ASEAN) are rich in natural resource endowment and they are also heavily dependent on export earnings from primary products such as timber, rubber, tin and other mineral and agricultural products. The region is also a net energy exporter and manufacturing industry has grown quite rapidly. Because of the lack of earlier emphasis on tourism, the development of the industry is lagged far behind those of western countries in the 1960s (Tan Siew & Rosnah, 2008). However, in the 1970s, ASEAN members faced problems of declining terms of trade for agricultural products, high levels of protection against manufactures and plummet of oil prices, which swiftly resulted in the decline of the ASEAN and world economy. The export earnings from the main commodities have now becoming less reliable. Thus, majority of ASEAN countries have resorted to tourism as a possible alternative source and supplement to boost the economy. Governments have started to understand the necessity of promoting the tourism industry on a bigger scale.

The late 1980s showed that the governments of some ASEAN countries were strongly committed in developing the travel and tourism industry. By 1990s, the efforts were proven to be fruitful as the tourism had become the leading industry in many ASEAN countries. Some of the countries that benefited the most from the rise of tourism industry were Thailand, Philippines, Singapore and Indonesia (Hitchcock, Victor, and Parnwell, 1993). For example, they stated, that tourism is the main source of foreign exchange in Thailand, while in the Philippines tourism has become the nation’s second largest industry. In Singapore and Indonesia tourism is among the top earner of foreign currency alongside the trade of rubber and coffee. Presently, ASEAN as a bloc is already recognized as one of the world’s major tourism destination.
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