

DEPENDENCY AND DEVELOPMENT IN  
NORTHERN THAILAND'S TOURISM INDUSTRY

A Thesis

by

RICHARD GEOFFREY LACHER

Submitted to the Office of Graduate Studies of  
Texas A&M University  
in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE

May 2008

Major Subject: Recreation, Park and Tourism Sciences

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## ABSTRACT

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Tourism in the rural areas of developing countries is expanding at a rapid pace and is often a primary means of income in these areas. While the WTO (World Tourism Organization) and local developers encourage the expansion of this industry, others criticize tourism's use as a tool for development in poor regions. Critics frequently use the core-periphery framework to examine how external control and high external leakages often result in the destination area remaining underdeveloped despite the large expenditures by tourists. Several studies have used the dependency framework to examine the core-periphery relationship on the international scale, but due to dependency's traditional confinement to the international scale, the dependency framework has not been employed on smaller spatial scales. This study will examine the utility of the dependency framework on a regional scale in a rural area of a developing country by examining the distribution of income between the core and periphery. Additionally, while this economic problem of leakage, a major symptom of dependency, is well documented, there is a paucity of research on the methods to reduce leakage out of peripheral areas. Strategies that can be employed on the village level may be especially useful, as they do not require the cooperation of outside stakeholders who may profit from the leakages.

By conducting informal interviews with key stakeholders, consulting informants, and surveying tourism businesses, this study seeks to understand the issue of dependency in Northern Thailand's rural tourism industry as well as to identify and evaluate the strategies currently employed in these villages to reduce leakages. The four case studies of rural villages determined that in all cases, the urban areas profited more from rural tourism than the villages; however, the amount of leakage out of the villages was highly

varied. This variation appears to be largely due to the different strategies that each village employed. The villages, which employed a proactive economic strategy, had more success in reducing leakages than other villages. These findings support the unorthodox dependency framework.

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## CHAPTER I

### INTRODUCTION

The tourism industry frequently touts tourism as a development strategy for less developed countries (LDCs), as it has the potential to generate significant employment opportunities and foreign exchange. The World Tourism Organization (WTO) states that international tourists spend US\$203 billion in developing countries, and that “tourism was the primary source of foreign exchange earnings in the 50 least developed countries” (UNWTO 2007:4). However, many critics have asserted that these numbers dramatically overestimate the development potential of tourism, partly due to an exploitative core-periphery relationship between the developed and the developing world. Scholars have noted that the tourism industry is often foreign owned and that there tends to be few linkages between the tourism industry and the local economy (Britton 1982; Brohman 1996; Khan 1997). This foreign ownership results in little of the expenditures made by international tourists actually accruing to that country’s citizens and thus little real development taking place (Britton 1982; Khan 1997; Mbaiwa 2005; Milne 1987).

Some scholars have argued that alternative forms of tourism such as backpacking, adventure tourism, cultural tourism, and ecotourism are better suited to fulfill the development aims of LDCs (Boo 1990; Brohman 1996; Hampton 1998; Scheyvens 2002). These forms of tourism place emphasis on local development, which is lacking in mass tourism (Buckley 1994; Lindberg, Enriquez, and Sproule 1996), and possibly result in greater economic development (Brohman 1996; Kontogeorgopoulos

2005). The WTO concurs, asserting that tourism can reduce poverty, augment social development, and promote sustainable development (UNWTO 2007). Critics have countered that despite its idealistic goals, alternative forms of tourism still suffer from high leakages and external dependency (Campbell 1999; Walpole and Goodwin 2000).

Many researchers have emphasized the importance of core-periphery relationships in either advancing or constraining the economic impact of the tourism industry in less developed areas. Those employing the modernization or life cycle perspective have argued that the relationship is beneficial as the core's investment and expertise brings more tourists and more money to the destination (Bulter 1980; Sharpley 2003; Tooman 1997). In contrast, researchers employing the dependency perspective have concluded that the core is able to use its economic, geographic, and educational advantages to ensure that the majority of tourists' spending goes to the core, which helps in sustaining the economic inequality between the core and periphery (Britton 1982; Mbaiwa 2005; Walpole and Goodwin 2000; Weaver 1998). Dependency theory has been traditionally confined to analyzing the unequal relationship between core and periphery at the international scale (Britton 1982; Corbridge 1986). This framework has not been applied in tourism research to analyze this relationship at lower spatial scales, despite the fact that those conducting research at lower scales have come to similar conclusions as the dependency theorists (Walpole and Goodwin 2000; Weaver 1998). Furthermore, these papers have suggested that future studies of core-periphery relationships and dependency should focus on smaller spatial scales, with Walpole and Goodwin (2000) stating that "the existence of core-periphery relations within the local economy, which is itself peripheral to regional core" (2000:573), and Weaver (1998) adding that "the global core-periphery dynamic decried by the dependency theorists seems to have been reproduced at a regional scale" (1998:308). These authors observe that an exploitative core-periphery relationship occurs not only at an international scale (as frequently examined by dependency theorists), but also at national and regional scales. While several authors have examined the core-periphery relations in the tourism industry from a dependency perspective at an international scale (Britton 1982; Khan 1997; Mbaiwa

2005), the existence and effects of dependency at a national and regional scale is not well documented.

Part of dependency's current unpopularity in tourism and in other fields is due to its belief that development is impossible with dependency. This belief has led dependency theorists to suggest that severing the ties between the periphery and core is the only solution to dependency (Baran 1957; Dos Santos 1970; Frank 1969). Another school of thought known as unorthodox dependency, asserts that while an exploitive core-periphery relationship may hinder development, it does not prevent it; this situation has been called "associated-dependent development" (Cardoso 1973). This difference in perspective allows the unorthodox dependency theorists to suggest a much wider array of solutions for developing countries.

In an effort to analyze the usefulness of dependency theory in examining core periphery relationships on a regional scale, this paper will examine the tourism industry in four peripheral tourism destinations to address three questions: 1) How are tourists' expenditures on trips to the rural peripheries distributed between the periphery and the core?; 2) How much of the tourism revenue earned by the rural villages is immediately leaked out of the village?; 3) What specific disadvantages does the rural periphery face when competing with rural gateways?; 4) Is orthodox dependency or unorthodox dependency a more suitable framework for evaluating core-periphery relationships in tourism destinations in rural peripheries?

## CHAPTER II

### DEPENDENCY AND LEAKAGE

Dependency theory rose to prominence in the 1960's as scholars attempted to understand why development seemed to occur so slowly in the developing world. The dependency theorists re-invented Marxism by building on traditional Marxist idea of capitalism creating inequity between classes, and attempted to analyze how capitalism on an international scale causes inequity between nations (Baran 1957; Cardoso 1973; Cardoso and Faletto 1979; Dos Santos 1970; Frank 1969; Prebisch 1950). The focus of dependency theory centered on the ability of wealthy industrial countries in utilizing their technological, political, and financial advantages to force the developing countries' economies to grow in a manner that is advantageous to the wealthy countries. This usually entails the wealthy countries siphoning off the economic surplus made in the developing country and resulting in the latter's impoverished state (Baran 1957; Dos Santos 1971; Frank 1969).

While dependency theory traces its roots to the Marxist view of political economy, it is distinct in at least two ways. First, dependency analyzes the unequal and exploitative relationship between different areas, while Marx analyzed the relationship between classes. Second, dependency theory has examined inequality in exchange relations, not in terms of production as Marx did. The unbalanced exchanged relations occur because the world economic system favors the rich industrialized countries due to their ability to control and manipulate the world economy through capital accumulation, control of foreign investments, and political influence (Baran 1957; Dos Santos 1971; Frank 1969).

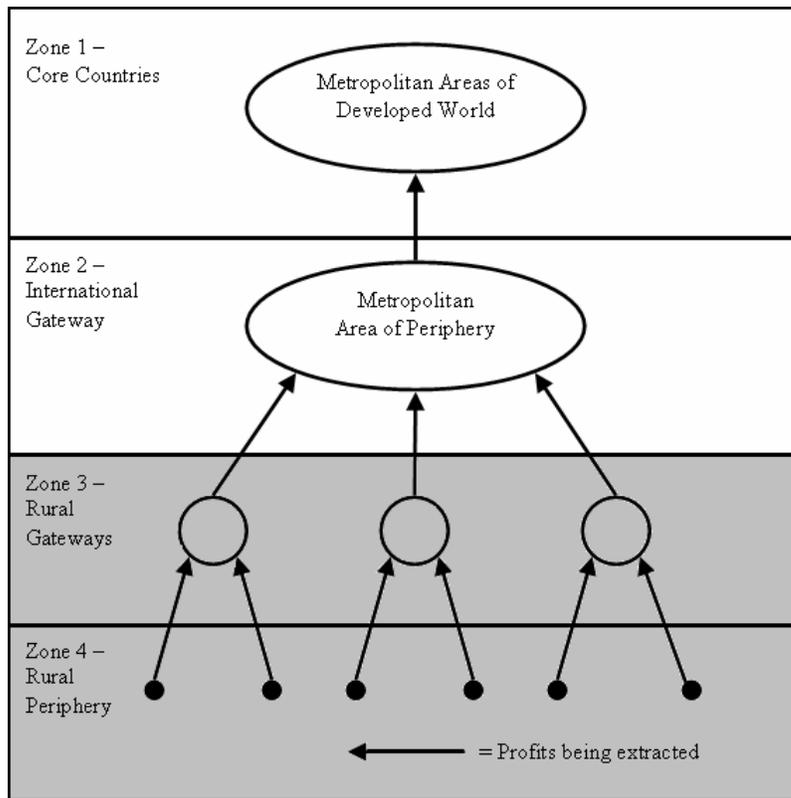
These unfair exchange relations can be created in a variety of manners. Foreign powers may use military might and colonial rule to expropriate wealth for the developing country (Baran 1957). Foreign investment may lead to many of the companies in the periphery being owned by the core, and those companies can siphon much of the economic surplus out of the country quickly (Dos Santos 1971; Frank

1969). Peripheral countries may struggle to develop an industrial sector, as they are out-competed by the industrialized countries (Dos Santo 1971). This makes their industry reliant on exporting primary products, which according to many dependency theorists, constantly lose value (when compare to manufactured goods) on the international market (Prebish 1950).

Throughout the 60s and 70s, dependency theorists have attempted to unseat modernization theory as the dominant paradigm of economic development in developing countries (Packenham 1992). The two theories agree that the world is divided between developed and less developed nations, but they view the relationship between the different nations in nearly opposite ways. Modernization theory holds that all nations are on a linear path headed towards more development, with the developed world helping the developing nations move forward along this path through international trade and foreign investment (Rostow 1960). Dependency theorists reject these notions and believe that the developed nations use their political and economical advantages to exploit the less developed, thus enriching themselves and leaving the periphery countries impoverished (Baran 1957; Dos Santos 1971; Frank 1969). While modernization theory encourages developing nations to open their markets to international trade and investment, dependency theory suggests that developing nations must either weaken or sever their ties to developed world to stop the exploitation of their resources (Baran 1957; Frank 1969; Hunt 1989; Wallerstein 1979).

Dependency theorists have frequently cited Latin America's fast development in the first half of the twentieth century (when the developed world was occupied with two world wars and a depression) with the relatively slow development in the post WWII era (when international trade again picked up), as evidence to support their policies of discouraging free trade (Packenham 1992). However, through the 60s and 70s, the developing countries that were most open to foreign exchange and investment tended to develop more rapidly. This led to the dependency school being largely discredited by the 80s, and thus modernization theory remained the dominant paradigm of development (Hunt 1989).

According to Frank (1969), dependency occurs on multiple spatial scales, as he states that the “exploitative relationship... in chain-like fashion extends the capitalist link between the capitalist world and national metropolises to the regional center (part of whose surplus they appropriate), and from these to local centers, and so on to large landowners or merchants who expropriate surplus from small peasants” (1969:7). However, the debate and empirical evidence concerning dependency have traditionally focused on an international scale (Corbridge 1986). Much has been examined about the unequal relationship between core (developed) countries and peripheral (less developed) countries (or how zone 1 relates to zones 2, 3, and 4 in Figure 1), but there is a scarcity of research at dependency on a regional scale, i.e. the potentially exploitative relationship between a rural gateway and the surrounding hinterland. Dependency theory has only rarely been applied on regional or national scales (Dannhaeuser 1981; Dow 1973; Smith 1978). Political, economic, and technological advantages that more developed areas possess can also manifest themselves at a regional scale as readily as at an international scale. The exploitation of a rural periphery by a rural gateway can be measured and analyzed in similar ways.



**Figure 1. Spatial scales of dependency. The shaded area is this study's area of interest.**

### *Dependency in the Tourism Literature*

Britton (1982) examined the political economy of international tourism and drew similar conclusions as the dependency theorists. It remains the most influential and widely cited article on dependency in the tourism industry. Britton concluded that "the superior entrepreneurial skills, resources, and commercial power" (331) of the core (developed) countries allow them to siphon off most of the profit made in the peripheral (developing) countries. Tourism companies in the developed world generally have the first contact with tourists, and this gives them a decisive advantage in the industry. He observed:

A series of feedback loops is thus evident within the international tourism industry. The promotion and advertising strategies of metropolitan

tourism corporations plays a significant role in shaping tourist expectations. Tourists expect and appreciate the type of tourist product and travel experience that suits the priorities of tourism firms. These priorities in turn are the key determinants of the type of tourist facilities developed in Third World tourist destinations. These are often luxuriously appointed, capital and energy intensive hotel resorts: the type that poor countries can least afford to build and operate because of their import requirements. Not surprisingly, since such facilities are best planned, constructed, and managed by those tourism firms with international experience, there is every incentive for metropolitan corporations to invest in, and of course profit from, Third World tourism. (Britton 1982: 341)

Britton further argued that by actively working to shape the tourists' perception of Third World vacations, the metropolitan tourism companies succeed in empowering themselves to be the main developers and owners of the Third World tourism industry. While Britton believes that the national metropolis within the periphery country played a major part in making the rural periphery dependant, his analysis is limited to international scale.

Although there have been numerous articles relating to issues on dependency, such as cultural dependency (Erisman 1983), investment and local economic development (Andriotis 2002), foreign ownership and multipliers (Milne 1987), lack of local employment (Farver 1984; Tosun 2000), rural peripheries and high leakages (Dearden 1991; Dedina and Young 1995; Panos 1997, Walpole and Goodwin 2000, see Lindberg 1998 or Smith and Jenner 1992 for more examples), and core-peripheral relationships on a national scale (Weaver 1998), with the exceptions of Khan (1997) and Mbaiwa (2005), very few have based their work on dependency theory.

While not engaging in dependency theory directly, several authors who have examined the failure of tourism to provide substantial development in rural and

peripheral areas using the core-periphery framework, have come to similar conclusions as the dependency theorists (Walpole and Goodwin 2000, Weaver 1998). However, despite the appropriateness of the dependency theory at a lower scale, it has not been fully utilized in tourism. The solution to this disconnect may be in utilizing works of some of the less frequently cited dependency theorists. Dependency theory can be separated into a number of closely related frameworks and beliefs (Packenham 1992). Two major schools of thought include orthodox dependency and unorthodox dependency. The latter separates itself from the former by asserting that development can occur despite dependency; this assertion leads to several key differences. While Baran and Frank, the prominent orthodox dependency scholars, believe that development is impossible with dependency, Cardoso, the most prominent unorthodox dependency scholar, employs the term “associated-dependent development” to emphasize that development is possible despite dependency (Cardoso 1973; Cardoso and Faletto 1979).

The unorthodox dependency theorists' belief in the possibility of development have led them to analyze the internal structures of the periphery's economy and government in order to prescribe a variety of solutions for dependency and underdevelopment (Cardoso 1973, Cardoso and Faletto 1979). Unorthodox dependency theorists have even used the dependency framework to analyze great developmental success stories, such as Taiwan's (Gold 1986).

### *Economic Leakages*

Leakages from peripheral regions to the core are of particular interest to dependency theorist as they demonstrate that the core is extracting a majority of the revenue from the periphery (Britton 1982). Their concern is well warranted, as many researchers have found leakage from tourism in peripheral areas to be over 90% (Britton 1982; Dearden 1991; Dedina and Young 1995; Panos 1997; Walpole and Goodwin 2000; see Lindberg 1998 or Smith and Jenner 1992 for more examples). This is problematic as tourism development that results in the majority of funds being siphoned

off to developed areas will not result in effective development, or alleviate poverty in the tourism destination.

In his criticism of traditional tourism development, Brohman (1996) notes that “in the absence of well developed linkages between the external sectors and the rest of the economy, a limited and polarized form of development takes place that cannot act as a stimulus for broadly based development” (1996:3). This criticism is frequently echoed in the tourism literature (Britton 1982; Dearden 1991; Dedina and Young 1995; Panos 1997). Linkages between the tourism industry and the local economy are crucial because of the multiplier effect, which refers to how additional rounds of spending (such as indirect and induced spending) continue to impact the local economy after the money is initially spent. The absence of linkages leads to a high percentage of economic leakage and a limited impact on the local economy (Hemmati and Koehler 2000). To maximize the economic impact of tourism, it is suggested that the region in question should strive to increase the linkages between tourism and local businesses rather than depend on imported goods and services.

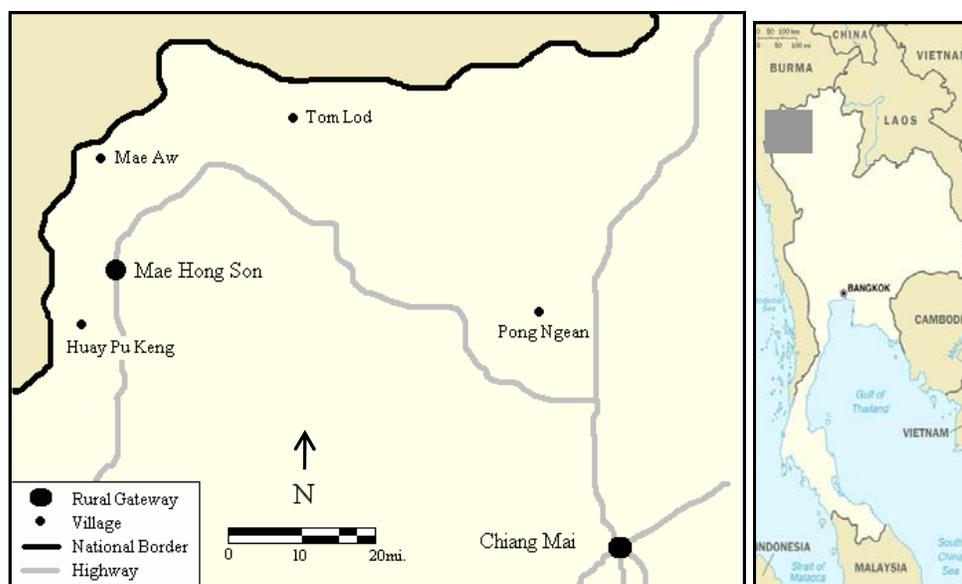
#### *Tourism and Dependency in Northern Thailand*

Northern Thailand is predominately a rural agrarian region. It is less developed than Southern Thailand, which includes the large metropolis of Bangkok. The region has long been known as a major source of opium, and the Thai government has worked with a number of western nations to reduce the opium production (Renard 2001). This has been one of the primary reasons for the numerous development projects in Northern Thailand (Dearden 1995). Some critics, noticing a connection between the placement of royal projects and the location of the major opium producing regions, have argued that the real purpose of the projects is not to develop the area, but rather to stop opium production (Kampe 1997). In addition to substituting other cash crops for opium it is hoped that tourism can help replace the income generated by opium (Renard 2001).

Tourism in Northern Thailand tends to focus more on ecotourism and cultural tourism than other regions (Tourism Authority of Thailand 2007). This mountainous

region provides many different types of recreation and tourism activities including trekking (Weaver 2002). Much of the cultural tourism relies on the hill tribes of Northern Thailand. “Hill tribes” is a name given to an assortment of approximately 20 culturally distinct ethnic groups that inhabit the highland of Thailand. Because of their linguistic and cultural differences, as well as their naivety, they have previously been taken advantage of by urban Thais, and the government has previously used the hill tribes as scapegoats for a variety of problems including drug production, environmental degradation, and water shortages (Delang 2002, Renard 2001).

The main destination in Northern Thailand is Chiang Mai; a city of 170,000 inhabitants and the second in population after Bangkok’s 7,000,000 residents. Chiang Mai is the political, economic, and cultural center of the region. Mae Hong Son, is another major tourism hub in Northern Thailand and despite having only 7,000 residents is the political, economic, and tourism capital of its province. Although located only 75 miles (by air) from Chiang Mai, it is an eight hour drive away due to the mountainous topography (Figure 2). It serves as a gateway to outlying regions which are home to ethnic minorities and natural attractions.



**Figure 2. The study area.**

### *Research Methods*

This study is focused on fieldwork conducted in Northern Thailand between September and December of 2006, with the assistance of two translators who were familiar with the area and had served as tour guides in the villages for many years. The rural villages of Pong Ngean, Huai Pu Keng, Tom Lod, and Mae Aw were chosen for this study because they are among the most popular destinations in the region. Each of the villages receives over 7,000 visitors per year (Table 1).

**Table 1. Summary of the different villages.**

Village	Pong Ngean	Tom Lod	Mae Aw	Huay Pu Keng
Ethnicity	Karen (hill tribe)	Shan	Chinese	Kayan (hill tribe)
Population	50	500	1,300	120
Main Source of Employment	Tourism	Agriculture	Agriculture	Tourism
Number of Local Tourism Businesses	10	10	14	34
Estimated Yearly Tourists	7,000	46,000	15,000	32,000
Main Tourist Attraction	Trekking and Bamboo Rafting	Cave Trips	Culture and Food	Longneck Women
Most Tourists Stay Overnight	Yes	No	No	No
Majority of Trips Leave From	Chiang Mai	Mae Hong Son	Mae Hong Son	Mae Hong Son

**Source: Fieldwork, 2006.**

The fieldwork consisted of four major steps: 1) conducting informal interviews to understand the history of tourism in the area as well as the current state of the core-periphery relationship, 2) determining the number of tourists that visited the various villages, 3) performing a census of the businesses in the villages to determine the revenue and leakages for villages, and 4) interviewing key informants to understand where the money spent on trip actually went.

With the assistance of a translator, informal interviews (n=42) were conducted with village officials (including mayors and shop owners), Mae Hong Son officials (including the provincial governor, head of the tourism development office, and head of the economic development office), and local travel agents. The interviews averaged thirty minutes in length and ranged from 15 to 90 minutes. On some occasions, individuals were interviewed twice in order to clarify earlier responses. Each interview focused on understanding the history of tourism in the area, the obstacles to participation in the tourism industry faced by local people, the complaints with the tourism industry, and the hopes and predictions for the future of the tourism industry. The results of these interviews and their relevance to the formation of dependency on a local level are discussed in a qualitative manner (Table 2).

**Table 2. Surveys and interviews conducted in the different villages.**

	Pong Ngean	Tom Lod	Mae Aw	Huay Pu Keng	Mae Hon Song and Chiang Mai
Key Informants	0	0	0	0	3
Informal Interviews	5	10	6	5	16
Businesses Surveyed	10	9	14	10 <sup>a</sup>	NA

(a) – ultimately a survey of the tourists was employed instead

The number of tourists visiting the villages was estimated in different ways, according to the information available. Tom Lod and Huay Pu Keng both kept daily records of tourist visitation; these were summed to give a yearly total. In Pong Ngean, no visitation records were kept. However, as guides and villagers indicated that it was extremely rare for a tourist to visit without staying the night, all of the homestays (n=8) were asked to give estimates of yearly visitation to their facility, and these numbers were summed to give a yearly total. Mae Aw's visitation numbers were most difficult to obtain as no records were kept and most visitors only stopped there for a few hours. Local businesses in Mae Aw and travel agents in Mae Hong Song were asked to estimate the number of tourists that visited Mae Aw yearly. Estimates from Mae Aw varied wildly, from 2,000 to 100,000. Estimates from the travel agents were more consistent, with most estimates ranging from 10,000 to 20,000. It was decided that 15,000 would serve as a rough estimate since finding a precise number was not of primary importance for this study.

To estimate the amount of local revenue generated by tourism, village income, and the amount of leakage that occurs in the village economy, an attempt to gather data from all the businesses in the villages (n=72) was made. Burmese owners who did not speak enough Thai to adequately complete the survey operated 24 of these businesses, and one business declined to participate. Four businesses were not included in the final data set, as they had been operating for less than one year. These subtractions yielded a data set of 43 businesses. Respondents were interviewed in person with the aid of translators who had served as tour guides to the villages for a number of years. Business owners were asked to estimate their total revenue from tourists, as well as their total expenses over the past year; secondary sources, such as accounting records, were consulted when available to ensure accuracy. The respondents were then asked to estimate the percentage of their expenses paid to local people or businesses. The remaining expenses were considered leakage. The revenue, expenses, and leakage figures for the individual businesses, were then summed to calculate the revenue, expenses, and leakage for the entire village (Table 3).

**Table 3. Summary of data gathering techniques.**

	Pong Ngean	Tom Lod	Mae Aw	Huay Pu Keng
Tourist a Year	Survey of Homestay Owners	Village Records	Estimate from Business Owners	Village Records
Total Revenue	Survey of Business Owners	Survey of Business Owners	Survey of Business Owners	Survey of Tourists
Percent Leakage	Survey of Business Owners			
Total Village Income	Total Revenue X (1 – Leakage)			
Per Trip Costs	Interviews with Key Informants			

While economic impact studies frequently use input-output analysis to measure total economic impact, these techniques are usually better suited for larger spatial scales than the village level due to the difficulty of finding appropriate data (Kottke 1998). Instead the census relies on a study of leakage was employed to measure the direct and indirect economic impact, but neglects further rounds of spending.

In Huay Pu Keng, collecting relevant data was difficult. While records were available for the main source of income (entrance fees), the majority of the shop owners were Burmese and did not speak Thai, which made completing the census impossible. Instead, visitors leaving the park were asked to estimate their expenditures in the village (N=304). By calculating the average spending per tourists and multiplying that figure by the total number of tourist that visit Huay Pu Keng, the total expenditure was estimated. The leakage estimate given by the business owners who spoke Thai (N=12) was then used to determine the village leakage. This was considered a reasonable assumption since all of the businesses in Huay Pu Keng were small scale craft stores that sold similar (often the exact same) products, and thus may have had similar leakages.

It should be noted that the data collection focused only on businesses that were located in the village; this census did not include payments made by tourists to tour agencies. In an attempt to understand the percentage of money spent on hill tribe tourism that reaches the villages, two tour guides and one tour agent served as key informants to determine the percentage of the money paid by tourists to travel agencies for trips to rural villages. As two person trips were considered most common by the informants, these trips were analyzed. For every village, the trip's price and the expenditures of the trip were recorded. These expenditures were categorized as either village expenditure, core expenditure, or other expenditures. Village expenditures not covered by the trip cost (such as souvenirs bought by the tourists) were also included. These were estimated by dividing the revenue from souvenirs obtained from the business survey by the total number of tourists that visit the villages to give a per tourists average. This was not viable in Mae Aw as the number of tourists that visit Mae Aw is not well documented; here the informants were asked to give an estimate of tourists average spending. In Pong Ngean, the trip cost as well as the amount spent on the agency fees, gas, and guide fees were halved as that trip is a three day/two night trip that spends one night at Pong Ngean and one night in another village. This data is presented graphically, and in addition, one trip is presented visually in a spending flow chart. This data is somewhat less rigorous than the survey data, but does illustrate the disparity between a trip's cost and the income received by a village.

The study encountered several limitations that are typical of peripheries in the developing world. Businesses often kept no financial records, so in these cases estimates made by the owners and operators had to be in the analysis. The data collected were analyzed in the field to determine values for expenditures per tourist in the different villages so that key informants and other tour guides and travel agents could evaluate their validity. For instance, based on the survey of Tom Lod restaurateurs, it was calculated the tourists on average spent \$1.32 on food. This number roughly corresponded to the price of a meal and a drink, and since it was unusual for a tourist not to eat there, this number was considered valid. These interviewees found the figures to

be reasonable considering their experiences with tourist and their evaluations of the villagers' wealth. On two occasions, the data did not meet the informants' expectations. In Huay Pu Keng, the revenue data collected from the business owners was considered too low. This, in addition to the poor Thai language skills of the villagers, led to the reliance on the visitor survey. In Pong Ngean, the revenue data collected from two masseuses was considered too low, an informant reasoned that the masseuses were trying to elicit sympathy, and therefore revenue collected was adjusted upward based on his estimate for their actual earnings. This new estimate still comprised less than 2% of the village total, so the estimate had little effect on the village data as a whole. Also it should be reiterated that this data only reflects direct and induced spending, but not further rounds of spending that an input-output analysis would calculate.

### *The Villages*

Pong Ngean is a Karen village of about 50 people and is located about 60 miles north of Chiang Mai. The Karen people are considered one of the hill tribes of Thailand. The village was formed in the early 1980's mainly to host tourists. The main attraction of the village is the hill tribe culture and bamboo rafting. Most people here work in the tourism industry, as there is little agriculture in the village. There are no roads leading to the village, which is only accessible by hiking or rafting.

Tom Lod is a Shan village of about 500 people located about 2 hours northeast of Mae Hong Son. The main attraction in the village is a large cave with a river running through it. Most people still practice agriculture but almost every household has one man and one woman working in the tourism industry. The village has formed a cooperative of workers who serve as guides for tourists and are successfully able to maintain a high price for their services. The women guide the visitor through the cave on foot, while tourists can ride deeper into the cave on a bamboo raft piloted by a man for an additional fee.

Mae Aw is a Kuomintang (KMT) village which is a two hour drive north of Mae Hong Son. At one time the KMT were part of the Chinese political party and military

force led by Chiang Kai-shek. When they were defeated by the communist party in 1949, most of the KMT fled to Taiwan, while others were cut off from the main retreat and fled to Southeastern China, then Burma, and finally Thailand. Because of their Chinese heritage, they remain culturally distinct from the Thais. The Thai's generally thought that the villagers of Mae Aw were shrewd businessmen, a characteristic often noted amongst the Chinese in foreign settings (Dannhaeuser 2004). Currently farming rice and growing tea are the primary occupations in town, but numerous restaurants, stores, and guesthouses cater predominately to tourists. While there is no official estimate for the number of tourists that visit Mae Aw, most estimates place it at over 10,000 a year. Their culture and cuisine serve as the main attraction for tourists who typically have lunch in the village then shop for souvenirs before departing back to Mae Hong Son.

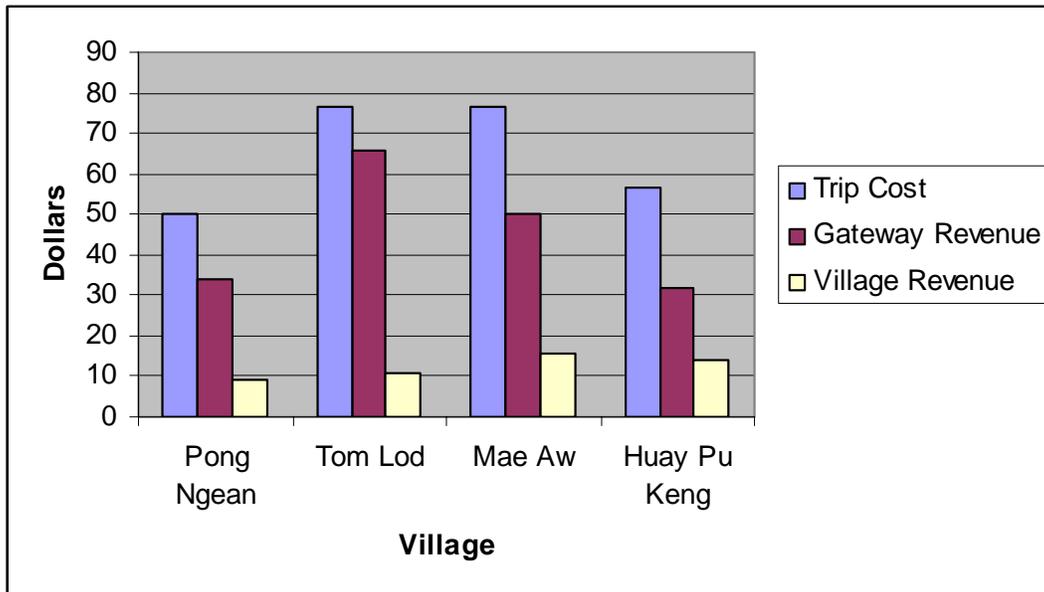
Huai Pu Keng is a Kayan village of 210 people located about 15 miles southwest of Mae Hong Son. The villagers are primarily war refugees and do not possess Thai citizenship. While most of the men perform day labor, most of the women sell souvenirs out of their homes. This is one of three villages populated by "longneck" women. These are women who place brass coils around their neck to deform their shoulders and give them the appearance that their necks have been elongated. The village is a very popular destination, receiving over 30,000 tourists a year. The villagers make money by charging an entrance fee to foreign tourists, who make up about one-fourth of the tourists, and by selling souvenirs. A homestay has recently been created, but it has not been popular thus far.

The village was first created in the mid 1980s as a way to make money for both the KNPP (Karenni National Progressive Party) and the local Shan residents. The Kayan people were brought from Burma (now Myanmar) to serve as a tourist attraction. Despite their long tenure in Thailand only those born in Thailand are Thai citizens and only 30% have a resident green card, which lets them legally travel outside their village. The local residents generally appreciate the Karen's presence because they make money delivering tourists to the village by boat and share the entrance fees they collected from

tourists. Despite the boost they provide to the local economy, the villagers remain fearful that they may be deported at some point. The village mayor said that the children are still taught Burmese (the primary language of Myanmar) as they fear the Thai government may deport them in the future. The treatment of the villagers is also somewhat controversial as critics often refer to it as a “human zoo” where the longneck women are constantly on display and tourists exhibit rude behavior (Mydans 2001, Leepreecha 2005). While this characterization has some truth to it, others believe that this is the best possible life for these individuals, who might otherwise meet a worse fate in the ongoing conflict in Myanmar or a Thai refugee camp (Cummings 2002).

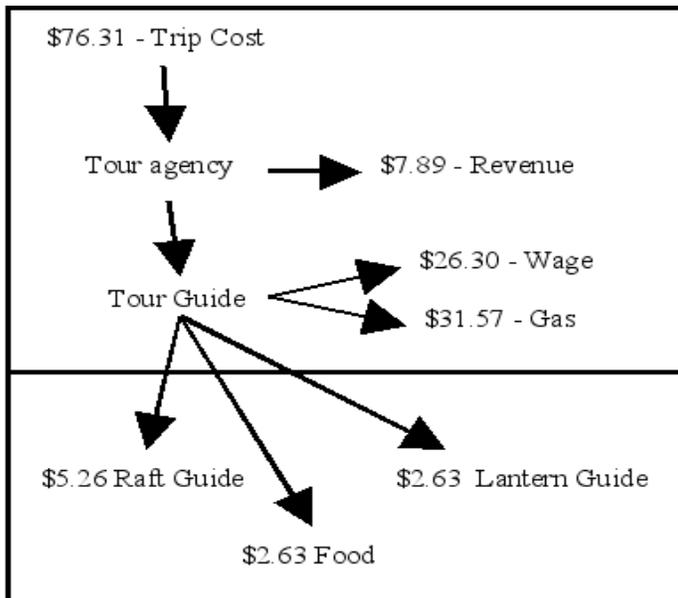
#### *Leakage of Trip Expenditures*

The result of the villages’ geographical location combined with their lack of capital and education is that the villages capture only a small proportion of the income that is spent on the trip (Figure 3). On a typical two person trip, Pong Ngean captured only 19% of the trip’s total cost, Tom Lod 14%, Mae Aw 21%, and Huay Pu Keng 24%. The main conclusion to be drawn from this data is that in all the trips the rural gateways captures more money than the periphery. Thus, the evidence offers strong support for the dependency perspective, as the majority of tourism revenue is leaked away from the periphery. The Tom Lod trip is the most extreme example with 86% of the revenue leaking out of the village. The rural gateways capture most of the revenue through guides (23% of expenditure on average), gasoline (19%), and travel agencies (8%).



**Figure 3.** Trip cost, core income (consisting of travel agency fees, tour guide income, and gas) and village income for a two person trip. The trip cost is not necessarily equal to the sum of the core and village income as some of the money may go to businesses not located in the village or the core.

The rural villages' shortcomings in capital, geography, and familiarity result in the core siphoning profits away from the periphery. Geography is perhaps the primary reason that the rural villages suffer from leakages. The rural gateways of Chiang Mai and Mae Hong Son both have airports, major highways, and modern hotels which make them the center of tourism in their respective provinces. Since the tourists usually spend the night in these rural gateways, businesses that guide and transport tourists to the peripheral villages are mainly located in the rural gateways. This is of great importance because most of the money that the tourists spend never reaches the village, but rather stays with individuals and businesses in the gateways, especially with the tour agencies, tour guides, and gas stations (Figure 4).



**Figure 4. Spending on a two person Tom Lod trip. The transactions in the top section take place in Mae Hong Song, the transactions in the bottom half take place in Tom Lod.**

A lack of capital results in the villagers being unable to invest in the tourism industry as intensively as they would like. Lack of capital was frequently given as a reason why businesses could not expand, or had not previously operated. While loans are generally available, villagers are afraid that they could not pay them back. Capital plays a key role in capturing revenue as the businesses that capture the most revenue, such as travel agencies and tour guides, are relatively capital intensive requiring offices in the middle of town and cars. The percentage of money spent by tourists on tours that goes to businesses owned in the rural gateways is generally much higher than the percentage that goes to peripheral villages. The problem may be cyclical as the lack of capital is in part due to the relative lack of income from tourism, and the lack of income leads to a lack of capital. The lack of income from tourism is evident when the peripheral villages are compared to Mae Hong Son (Table 4). This disparity suggests that Mae Hong Son will continue to overshadow the surrounding villages in terms of capital well into the future.

**Table 4. Number of tourists and total revenue in the different villages and Mae Hong Son.**

	Pong Ngean	Tom Lod	Mae Aw	Huay Pu Keng	Mae Hong Song
Tourists per Year	7,000	46,000	15,000	32,000	279,000 <sup>a</sup>
Total Revenue (USD)	85,447	181,079	115,105	120,447	39,637,368 <sup>a</sup>

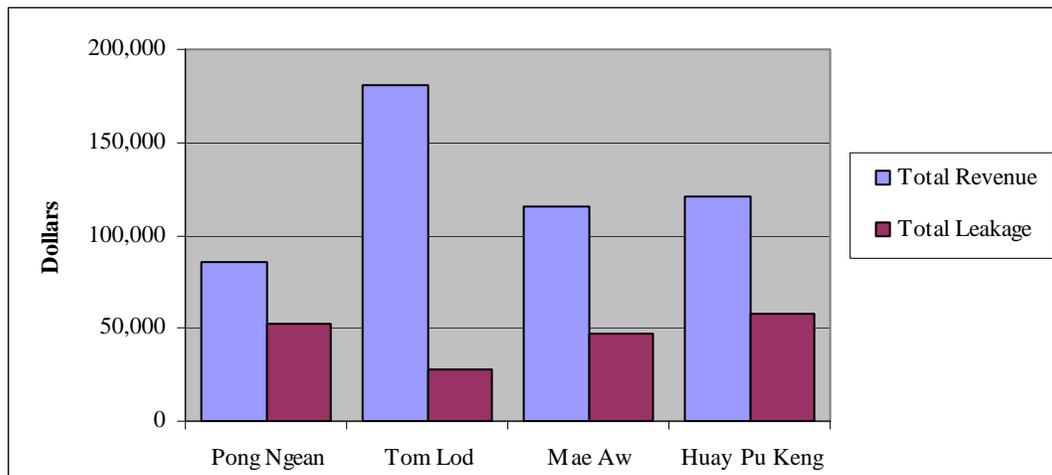
<sup>a</sup> (Thailand Environmental Group 2005)

A lack of familiarity makes working in the tourism industry very difficult for the villagers. Locals showed an acute lack of knowledge in terms of advertising; even attractions located next to the highways lacked advertisements. When signs were present, they often included poor English and at worse were incomprehensible, such as a horse riding service to visit the Myanmar border that was advertised as “THAI BORDER HIRE BURMA”. English language skills are a great asset for the core areas as it helps the locals communicate with a majority of the tourists and earn higher paying jobs such as guides and agents. Out of the four villages, only one villager worked as an English speaking tour guide for the urban businesses. While students are able to learn English in Mae Hong Son and Chiang Mai, English is not offered in two of the village schools, despite its obvious utility. This problem is compounded by the fact that children in remote areas frequently have trouble receiving education beyond the elementary level because most of the secondary schools are located in urban areas (Office of the National Economic and Social Development Board 2005).

#### *Leakage of Village Revenue*

In contrast to the similarity of the leakage of trips' cost across the four villages, the villages' ability to avoid leakages varied greatly. It was found that 61% of revenue was leaked in Pong Ngean, 15% in Tom Lod, 41% in Mae Aw, and 48% in Huay Pu Keng (Figure 5). This difference creates a great loss of income for Pong Ngean, if it

were able to reduce its leakage to Tom Lod's level, it would increase its income by nearly \$40,000 which more than doubles their current income. This indicates that some villages are quite adept at retaining the revenue while others are not. This disparity likely depends on the villages' different sources of income, economic strategies, and local environments.



**Figure 5. Total revenue and leakage in different villages.**

This disparity is in large part due to their sources of income. Tom Lod gains most of its income from wages, which go directly into the pockets of its citizens. Pong Ngean, in contrast, earns a majority of income by selling goods such as drinks and souvenirs which originate in the core. Huay Pu Keng also earns most of its income by selling goods produced in the core, but reduces its leakage by charging entrance fees that accrue to the locals. Mae Aw earns most of its income by selling souvenirs. Leakages from core-produced souvenirs were usually over 50%, while locally produced goods often leaked less than 10%.

The environment may also provide potential to reduce leakages by providing opportunities for manual labor, which is a low leakage source of income. The caves near Tom Lod provide their main source of income as they are a very labor intensive

environment. Pong Ngean manages to earn a large portion of its income by guiding trips down the river. Huay Pu Keng and Mae Aw currently offer little in the way of locally guided tours but both are working on adding such programs.

The disparity may also be due in part to the different economic strategies the villages employ. Tom Lod had formed a cooperative involving all of the village households. This allowed the villagers to set the price of the guiding services at a high level instead of having to compete against one another to attract customers (and thus likely lower their wage). This strategy also ensured that the benefits of tourism were spread throughout the whole community instead of being held by only a few families that participated in the tourism industry. Huay Pu Keng charged an entrance fee to the village, ensuring that they captured at least some of the tourists' revenue. Mae Aw focused on selling locally made products, which has helped linkages between the village's economy and the tourism industry. Pong Ngean was apparently the one village that lacked a strategy (although this could be considered a *laissez-faire* strategy), and it was the worst at preventing leakage out of the village, and the second worst at capturing trip expenditures.

### CHAPTER III IMPLICATIONS

This study, as other before it (Milne 1987, Walpole and Goodwin 2000), shows that tourism revenue is not an accurate reflection of economic impact as core-periphery relationships result in revenues being distributed in a spatially uneven fashion. The findings also offer some support for the orthodox dependency theory. In all cases, the villages captured much less of the trip expenditures than the core. The features that define a periphery (rural geography, poverty, and isolation from the outside world) make attempts to capture more of the trip expenditures difficult if not impossible. All of the villages appeared to have made little inroads into the higher income jobs of the tourism industry such as serving as English speaking guides or operating travel agencies. Particularly troubling was the apparent lack of progress that Pong Ngean had made. Of the four villages, it is the most isolated and seems to have made the least progress in developing economically despite over two decades of involvement in tourism. In some ways, Pong Ngean has actually fared worse over time as they have been unable to replace income previously earned from locally harvested bamboo and opium. The challenges faced by peripheral regions in the developing world cannot be underestimated. Mae Aw is working to establish a horse trekking tour that would provide a great deal of leakage free income, but it first must remove land mines that have been planted along the Myanmar border. Meanwhile, the residents of Huay Pu Keng must make economic concessions to their Thai neighbors simply to remain in Thailand.

The dependency aspect of the core-periphery relationship appears to be alive and well, even at a regional scale. The rural periphery of the developing world faces similar disadvantages when competing with urban areas of the developing world to those developing countries face when competing with developed countries. Interestingly, the village mayors spoke of the guided tours of their villages originating in Mae Hong Son in a very similar manner to that of the governor of Mae Hong Son province speaking of guided tours to Mae Hong Son originating in Bangkok. While they all appreciated the

business that outsider owned operations bring, they lamented that most of the money is siphoned away from their destination. This similarity indicates that Frank's idea of dependency extending in "chain-like fashion" (1969:7) through numerous spatial scales is accurate and relevant.

Dependency theorists often assert that the core actively manipulates the peripheral economy to ensure the core siphons off more profit. This dynamic appeared to be taking place in several locations. In Huay Pu Keng, the villagers were increasingly selling more and more goods that were manufactured in the core instead of locally manufactured goods. They were also strongly encouraged to continue the longneck tradition which is increasingly unpopular in Myanmar. This encouragement is done by both giving a salary to the coil-wearers as well as verbal encouragement. In Mae Aw, a businessman struggled to promote a locally owned horse riding company after travel agents in Mae Hong Son refused to promote his business, saying it would not be popular. This was unfortunate as the business would likely have low leakages, however it provided no means of profit for the tour agencies and tour guides so they have no reason to support it. As the rural gateways control the flow of tourists to these villages, they have substantial influence on their development, and can largely dictate how the village will develop as a destination through their interest, or lack thereof, for different businesses.

While this study has applied dependency theory as a means of examining the core-periphery relationship in Northern Thailand, it must caution against the solution prescribed by some of dependency theory's major contributors (Baran, Frank, etc), namely withdrawing from the regional economy. While the periphery does leak a large proportion of tourism revenue, revenue that does stay should prove beneficial to development. Even in Pong Ngean, perhaps the poorest and most exploited village, the villagers were eager to engage in the tourism business, as the lifestyle is less taxing than farming, even though the income is similar. In Mae Aw, the villagers have embraced tourism; some businesses have become quite large and apparently prosperous, despite high levels of leakage.

The fact that some development is taking place in the peripheral villages is incongruous with the orthodox dependency framework. Additionally, while orthodox dependency theory views the periphery as a hopeless victim of the core, this study found that not to be the case. The disparity in leakages out of the villages appeared to be at least in part due to the economic strategies that the villages employed. This finding reflects the unorthodox dependency viewpoint and the idea of associated-dependent development, as the periphery appears to be able to actively work towards development despite significant disadvantages. The unorthodox dependency perspective also advocates the use of intelligent strategies to counteract the effects of dependency, which some of the villages are already utilizing. In a way, the unorthodox dependency perspective serves as a compromise between dependency theory and modernization theory. It acknowledges the disadvantages the periphery faces, but at the same time supports the idea that the disadvantages can be overcome with time and intelligent development strategies. This seems to be an accurate reflection of the core-periphery relation in the tourism industry of Northern Thailand.

When comparing the similarity of the leakages from trip revenue to the disparity of leakages from village income, the natural conclusion to draw is that villages should focus on reducing village leakage as reducing trip leakage seems difficult, especially in light of the fixed costs of gas and tour guides. Fortunately some of the villages already have strategies in place to combat dependency and reduce leakage. The key for the future then is in analyzing what strategies can be employed by the peripheral to reduce leakage and strengthen development. While previous studies have focused on the factors that may contribute to high leakages in peripheral tourism destinations (Andriotis 2002, Britton 1982, Milne 1987), there has been little research done on strategies that can reduce leakage. Village level strategies may prove easier to implement than strategies that require participation from both the village and the urban core. These strategies may face resistance from the core who possibly see the tourism industry as a zero-sum game, in which the strategy may benefit the periphery at the expense of the core. Implementing such strategies may be vital to making tourism in peripheral areas sustainable.

## CHAPTER IV LEAKAGE AND ECONOMIC DEVELOPMENT

Over the past decade tourism in the developing world has expanded at a rapid rate and will continue to do so into the foreseeable future. In 2005 alone, the WTO (World Tourism Organization) estimates that international tourists spent \$203 billion in the developing world (UNWTO 2005) and that “tourism was the primary source of foreign exchange earnings in the 50 least developed countries” (UNWTO 2007:4). The popularity of ecotourism ensures that many of these tourists visit the rural areas of the developing world and encourages the industry to expand into new and ever more remote destinations. The WTO actively promotes this expansion of tourism as a boon for the local economy that can make contributions in “poverty alleviation, economic growth, [and] sustainable development” (UNWTO 2005:1). These contributions are particularly important in rural areas of the developing world which often have few alternative options of generating significant income. Policy makers frequently concur and work to draw more tourists into developing countries (UNWTO 2007). While these projects often succeed in drawing tourists and their money, the literature has provided numerous examples of instances in which tourism has failed to promote local development and improve the lives of locals (Britton 1982; Freitag 1994; Lindberg et al 1996; Khan 1997; Mbaiwa 2005; Nyaupane, Morias, and Dowler 2006; Walpole and Goodwin 2000; Weaver 1998). This failure appears to be particularly common in peripheral areas of less developed countries (LDCs), which are generally ill-prepared to take advantage of this new revenue stream. As the local people in the periphery typically do not have the capital to create substantial businesses or the expertise to gain upper-level employment, they are often largely excluded from the tourism industry with their only option being menial labor or selling cheap crafts. This lack of local involvement often results in high external leakages that hinder economic development (Britton 1982; Lindberg 1998; Lindberg, Enriquez, and Sproule 1996).

Some scholars have asserted that ecotourism and other alternative forms of

tourism may resolve these problems, as these tourists are typically more interested in experiencing local conditions and are thus more willing to patronize locally owned establishments (Hampton 1998). However, critics have pointed out that the problems still persist, perhaps in part because of the use of the ecotourism term as a marketing strategy rather than a development strategy (Goodwin 1996) and in part because of an exploitative core-periphery relationship (Walpole and Goodwin 2000).

Reasons previously cited for high levels of leakage include a lack of local ownership (Milne 1987), local employment (Hemmati and Koehler 2000; Mbiawa 2005; Oppermann and Chon 1997), and lack of linkages with the local economy (Belisle 1983; Telfer and Wall 1996; Torres 2003). While instances of high leakages and the underlining reasons for them have been well documented (Lindberg 1998; Rodenburg 1980; Torres 2003), this information is of little practical use unless it can be translated into effective economic strategies for the peripheries of the developing world. There is currently a lack of focus on strategies that can be employed at the local level to reduce leakage from the tourism industry. These types of strategies are important as they require no input or cooperation from outsiders who may have no interest in spending time or resources on such strategies.

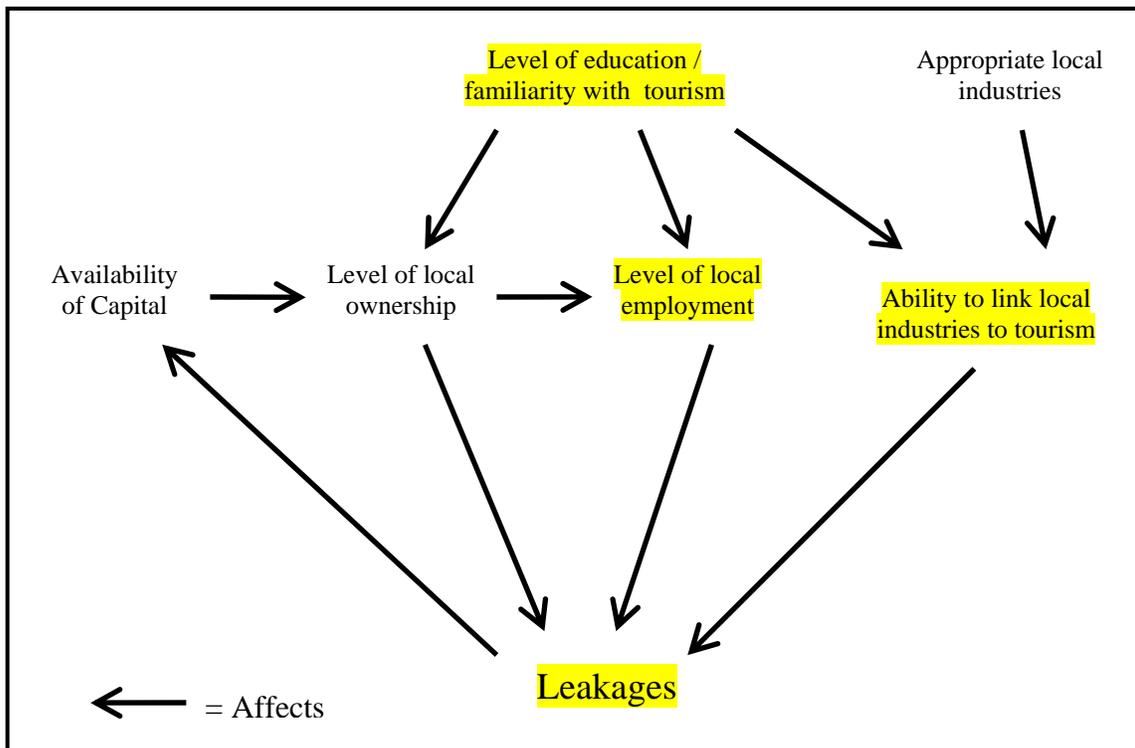
By drawing on research conducted in the Chiang Mai and Mae Hong Son provinces of Northern Thailand, this study will seek to document and examine strategies that can be employed in peripheral regions to reduce leakages. Northern Thailand is largely rural and poor, but it has become a popular tourist destination because of its natural and cultural attractions. Outside of a few major tourism hubs, numerous rural villages serve as destinations for ecotourism, cultural tourism, and adventure tourism. While tourism has been promoted as a means of developing the region (Thailand Environmental Group 2005), the results have been mixed, especially in the most rural and impoverished regions (Dearden 1991). Using four villages as case studies, this paper will 1) identify strategies employed by villagers that may reduce leakage, 2) evaluate the strategies' effectiveness along with their strengths and weaknesses, and 3) discuss their potential to be replicated in other locations.

## CHAPTER V

### REDUCING LEAKAGES WITH VILLAGE-LEVEL STRATEGIES

Economic leakages are often cited as a primary reason that tourism does not produce the desired level of economic development in peripheral regions (Britton 1982; Dearden 1991; Dedina and Young 1995; Panos 1997). Tourist destinations that do not promote high multipliers and levels of linkages will not produce substantial economic development and may even foster resentment of the industry in locals (Cohen 1982). While revenue that is leaked makes no impact on the local economy, linkages between the tourism industry and the local economy are crucial because of the multiplier effect. The multiplier effect refers to how additional rounds of spending (such as indirect and induced spending) continue to impact the local economy after the money is initially spent. The absence of linkages leads to a limited impact on the local economy (Hemmati and Koehler 2000). Enclavic tourism destinations are frequently cited as having extremely high leakage. In these destinations most assets are foreign owned, and goods are imported from overseas (Britton 1982; Freitag 1994; Mbaiwa 2005). Economic exchange between the locals and the tourists are thus kept to a minimum. In some instances, the resorts have gone so far as to ban the tourists from purchasing goods outside the resort (Freitag 1994). To maximize the economic impact of tourism, the region in question should strive to increase the amount of connections between tourism and local businesses rather than depend on imported goods and services.

The reasons for the high leakage in peripheral tourism destination are multifaceted. Some of the main proximate reasons are the lack of capital, local ownership, local employment, and inability to link tourism to the local economy. The ultimate reasons are primarily caused by the nature of peripheral regions because they tend to be poor, uneducated, and unfamiliar with the tourism industry (Figure 1). The relationship is cyclical as high leakages lead to a dearth of available capital to invest. A review of the proximate factors that can contribute to high leakages follows.



**Figure 6. A framework for leakages. Each of the four strategies that will be addressed in this paper corresponds to one of the items in this frame. The items to be addressed are shaded.**

### *Availability of Capital and Lack of Local Ownership*

Local ownership is crucial to development as the owners of the major businesses keep a great deal of the profits. In addition to keeping the businesses profit from becoming leakage, locally owned enterprises typically reduce leakage by employing more locals and buying more locally produced goods, creating strong linkages to local industries (Kontogeorgopoulos 1998; Milne 1987). Unfortunately locals frequently lack the capital (Cheong 2003; Forsyth 1995), education (Fuller, Bultjens, and Cummings 2005), and experience (Holder 1989; Nyaupane, Morais, and Dowler 2006; Tosun 2000,) needed to run a business oriented towards tourists. As a result, profits are kept by the outsiders who own the largest firms. As peripheral areas, especially those in the third world, are poorer than the more urban areas, they generally lack the capital to run all but the most basic of services (Scheyvens 2002). In peripheral regions, as little as \$40 may constitute a significant barrier to entry (Forsyth 1995). Management and marketing may

also be a major problem for local ownership (Holder 1989; Torres 2003). Locals typically do not have the experience or education to market products to foreigners, and their ability to educate themselves in the matter is often limited (Holder 1989).

#### *Lack of Employment.*

Perhaps the most obvious benefit the tourism industry provides to the rural community is jobs. Local employment will have a strong effect on decreasing leakages as wages are generally not leaked (Hemmati and Koehler 2000). While there are often numerous jobs created, local residents are often not ideally suited for the jobs as they lack the proper education, experience, and language skills. Large franchises frequently import more skilled labor from urban areas to fill these positions (Britton 1982; Oppermann and Chon 1997; Hemmati and Koehler 2000; Mbiawa 2005). This is especially true for the highest paying jobs. Mbiawa (2005) cites Ndubano (2000) and Mbiawa (2003) who found that in the rural villages of the Okavango Delta of Botswana, the majority of locals worked as unskilled laborers and earned less than the poverty line, while expatriates were typically employed in management positions and earned several times what the locals made. Full time employment may be particularly difficult to obtain for locals, as tourism is often seasonal in nature; this seasonality frequently leads to employment that is also seasonal (Farver 1984; Keith and Fawson 1996; Seckelmann 2002). Farver (1984) reviewed the Gambian tourist's industry and found that hotels would cut over half their workforce in the low season, and this resulted in many employees being no better off than they were farming. Similarly, Seckelmann (2002) found that tourism in Turkey caused a migration of laborers to the coastal resorts during the summer months, but at the end of the summer they would move back to the larger cities to look for new work.

#### *Ability to Link Local Industries to Tourism*

Rural areas are typically unable to supply the tourism industry with the goods it needs to sustain itself at a competitive price. This requires goods to be imported from other areas. Increasing the amount of locally produced goods is critical to development

because of the multiplier effect. However, even in areas where linkages would appear simple, such as agriculture, they often do not occur, and local development suffers from high leakages (Belisle 1983; Telfer and Wall 1996; Torres 2003). The following table (Table 5) compiles factors cited by different authors as contributing to a lack of linkages into categories previously used by Torres (2003). While many authors were referring to agricultural linkages, their findings are often applicable to a variety of local industries.

Some of the more complex factors include the economies of scale enjoyed by larger companies, and the competition between agriculture and tourism. By utilizing economies of scale, large corporations are usually able to deliver products at a lower price than local suppliers, despite the fact that local suppliers may seemingly have advantages in terms of proximity and low labor costs (Belisle 1983; Brohman 1996; Holder 1989; Torres 2003). These local suppliers may even suffer from tourism development as the two industries must compete for land, labor, and natural resources (Telfer and Wall 1996). This may result in a decrease in local production as inputs become more expensive (Torres 2003). However, tourism can also invigorate the agricultural sector by increasing sales and developing new markets (Cox, Fox, and Bowen 1994).

Linkages may also vary with the types of tourists attracted. Brohman (1996) predicted that backpacker tourists' spending patterns generally result in more linkages as they are more apt to try local products, and Torres (2003) believed that Cancun's transition from a luxury resort to a mass tourism destination caused linkages to decrease as the mass tourists desired the cheapest available products. The synthesis of these two opinions is that linkages are best created when tourists are either high-end or very low-end, but this issue has not been fully explored.

**Table 5. Factors contributing to low levels of local linkages. Compiled from Belisle 1983, Britton 1982, Freitag 1994, Healy 1994, Holder 1989, Telfair and Wall 1996, and Torres 2003.**

Type of Factor	Characteristics		
Supply-Related Factors	Poor local growing conditions Lack of local production of types of food demanded by tourists Lack of high-end or value added products Price of local products is too high Local farmers do not want to change traditional production techniques Inconsistent quality of products Poor economies of scale Wage increase due to tourism decreases production Property value increase due to tourism decreases production Undercapitalization of local industries Uncertainty of future land tenure Necessary natural resources are increasingly rare		
	Demand-Related Factors	Tourists' preferences for familiar products Tourists' fear of illness from food Tourists' desire for cheap products Seasonal variation in demand Chefs' desire for more sanitary products Chefs' inexperience with local food	
		Market-Related Factors	Locals inexperience in marketing Locals failure to cooperate with one another Locals are unable to purchase from large wholesalers Locals cannot educate themselves in marketing technique Locals inability to create strategic alliances with tourism industry Foreign corporations have strong links to overseas suppliers Predatory intermediaries Enclave tourism destination desire to keep expenditures in enclave Inability to compete with larger corporations Kickbacks paid to chefs by large corporations Local producers inability to provide receipts Poor local infrastructure results in difficult transportation

### *Potential Strategies for Reducing Leakages*

The literature suggests a variety of potential methods for reducing leakage. These include increasing local ownership (Milne 1987), reducing the size of firms (Andriotis 2002; Rodenburg 1980), eliminating enclave tourism (Freitag 1994), increasing domestic tourism (Seckelmann 2002), increasing the level of host involvement (Nyaupane, Morais, and Dowler 2005), and promoting backpacker or alternative tourism (Scheyvens 2002; Brohman 1996,). Unfortunately, these factors are generally outside the periphery's control and are more likely to be determined by travel agencies and tourism companies located in the urban areas (Britton 1982). Other studies have discussed strategies that involve both the rural tourism destinations and the urban centers (Telfer 2000; Telfer and Wall 1996; Torres 2003), but implementing these strategies can prove problematic as trying to reduce leakage from the rural area may decrease earnings in the urban area, and thus face resistance from the stakeholders that will not profit from the strategy (Cohen 1982). Torres (2003) found that such partnerships were difficult to create in part because the importing companies would pay large kickbacks (in this case to chefs) to ensure that their products were purchased. Telfer and Wall (1996) discuss the difficulties in linking a four star hotel's food supply to the local community. They noted that this was a difficult match as the locals were not accustomed to providing the quantity, quality, and variety of foods needed by such a hotel. While the locals were able to provide the necessary seafood to the hotel, they found providing herbs and vegetables difficult and the project was abandoned. Strategies that involve only locals may prove easier to implement as fewer stakeholders are required to participate. Unfortunately, little research has been done to identify and evaluate the types of strategies that can be employed to reduce leakage. This paper will use four villages in Northern Thailand as case studies to identify strategies that may reduce leakage, evaluate their success at reducing leakages, and discuss the potential of replicating these strategies in other locations.

### *Study Area*

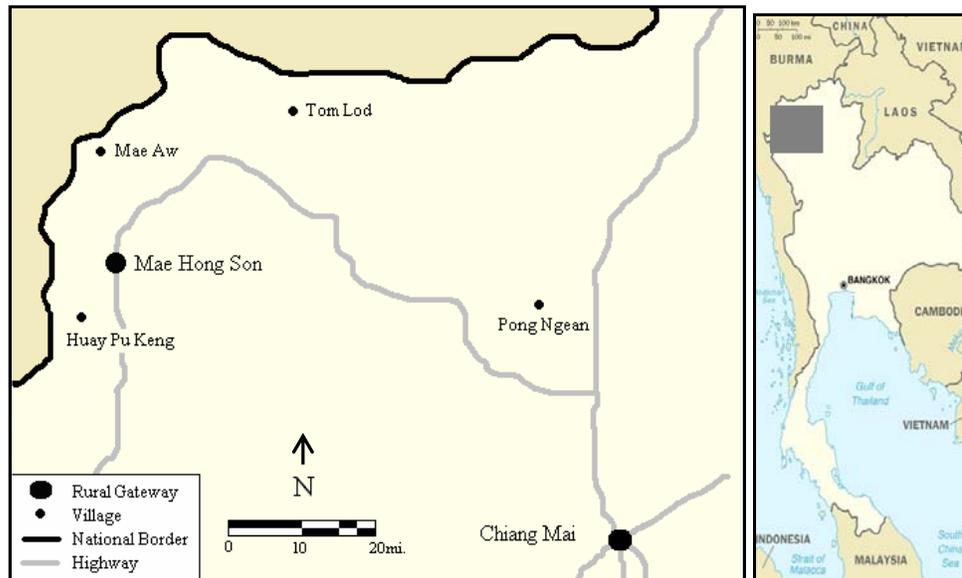
Northern Thailand is predominately a rural agrarian region. It is less developed

than the South, which includes the large metropolis of Bangkok. The region has long been known as a major source of opium, and the Thai government has worked with a number of western nations to reduce the opium production (Renard 2001). This has been one of the primary reasons for the numerous development projects in Northern Thailand (Dearden 1995). Some critics, noticing a connection between the placement of royal projects and the location of the major opium producing regions, have argued that the real purpose of the projects is not to develop the area, but rather to stop opium production (Kampe 1997). In addition to substituting other cash crops for opium it is hoped that tourism can help replace the income generated by opium (Renard 2001).

Northern Thailand tourism tends to focus more on ecotourism and cultural tourism than does tourism in the south (Thailand Authority of Tourism 2007). The mountainous nature of the region provides many opportunities to enjoy the natural world especially trekking. Weaver (2002) describes this trekking as a combination of “elements of adventure tourism, cultural tourism, and ecotourism – a combination that Fennell (1999) describes with the acronym ‘ACE tourism’” (160). Much of this tourism relies on the hill tribes of Northern Thailand. “Hill tribes” is a name given to an assortment of approximately 20 culturally distinct ethnic groups that inhabit the highland of Southeast Asia. Because of the hill tribes' linguistic and cultural differences, as well as their naivety, they have previously been taken advantage of by urban Thais, and the government has previously used the hill tribes as scapegoats for a variety of problems including drug production, environmental degradation, and water shortages (Delang 2002, Kampe 1997).

Chiang Mai is the main tourist destination in the north, as well as the second largest city in Thailand with 170,000 inhabitants. It dominates the regions in terms of politics and economics. Mae Hong Son lies in far Northwestern Thailand and despite having only 7,000 residents, is the political, economic, and tourism capital of the province. Even though Mae Hong Son is located only 75 miles (by air) from Chiang Mai, it is an eight hour drive due to the long meandering highway (Figure 2). It is visited predominately as a gateway to see the hill tribes and natural wonders in the region.

Tourists visiting Chiang Mai and Mae Hong Son frequently hire tour guides to take them on tours of nearby villages.



**Figure 7. Study area.**

### *Research Methods*

This study relies on the case study method. Four separate strategies currently employed were identified early in the study and served as major topics of discussion during the interviews. While the villages are culturally diverse, they are fairly similar in that they all have small populations, receive thousands of tourists a year, and specialize in ACE tourism. With the assistance of a translator, informal interviews (n=42) were conducted with village officials (including mayors and shop owners), Mae Hong Son officials (including the provincial governor, head of the tourism development office, and head of the economic development office), and local travel agents. The interviews averaged thirty minutes in length ranging from 15 to 90 minutes. On some occasions, individuals were interviewed twice in order to clarify earlier responses. Each interview focused on understanding the strategy employed by the villages, the history of tourism in

the area, the obstacles to participation in the tourism industry face by locals, the complaints with the tourism industry, and the hopes and predictions for the future of the tourism industry. Once strategies were identified by the author, individuals responsible for either forming or maintaining the strategy were interviewed to learn more about how the strategy was created and how it currently operates. To judge the success of these strategies, this paper will examine the villages ability to reduce leakage of tourism income earned in the village. The strategies of the villages' with smaller leakages will be considered more successful. Leakage is not necessarily the only indicator for successful economic development. In fact, a village could make more total income with in a high revenue, high leakage income condition than in a low income, low revenue condition. However, low leakages are generally viewed as a failure of the community to take full advantage of the opportunity offered by the tourism industry (Lindberg 1998; Mbaiwa 2005; Scheyvens 2002; Smith and Jenner 1992; Torres 2003; Walpole and Goodwin 2000; Weaver 1998). This study, as others have before it (Mbaiwa 2005; Torres 2003; Walpole and Goodwin 2000; Weaver 1998), will rely on a study of leakage to indicate solid economic fundamentals and strong engagement in the tourism industry. This data on leakages was collected by the author during the same fieldwork, and the methodology behind the collection of the data is more thoroughly discussed in Lacher (2008). In light of the data collected on leakages and the qualitative interviews, this paper will discuss the relative strengths and weaknesses of the villages' strategies along with their applicability to other locations.

### *The Villages*

Four of the villages (Pong Ngean, Tom Lod, Huay Pu Keng, and Mae Aw) were chosen for this study because they are among the most popular destinations in the region. Each of the villages receives over 7,000 visitors per year. There are other villages that receive a comparable number, but they are similar in nature and location to villages already listed (Table 6). There are two other longneck villages close to Mae Hong Son, and several other villages in the Pong Ngean area that specialize in adventure tourism

(though these are less popular destinations). Initially, it was hoped to only survey the villages around Mae Hong Son, but Pong Ngean, which is closer to Chiang Mai, was eventually added as it employed a strategy that was not found in the Mae Hong Son area.

*Pong Ngean.* This is a Karen village of approximately 50 people located about 60 miles north of Chiang Mai. The Karen people are considered one of the hill tribes of Southeast Asia, which means they are culturally and linguistically different from the Thais. They live predominately in the higher elevations and are agriculturalists. The village was formed in the early 1980's purely to host tourists. The main attraction of the village is the hill tribe culture and bamboo rafting. Most people in the village work in the tourism industry, as there is little agriculture in the village. There are no roads leading to the village and the village is only accessible by hiking or rafting from the village upstream.

*Tom Lod.* This is a Shan village of approximately 500 people located about two hours northeast of Mae Hong Son. The main attraction is a large cave with a river running through it near the village. Most people still practice agriculture but almost every household has one man and one woman working in the tourism industry. The village has formed a cooperative of workers that serves as guides for the tourists in the area and are successfully able to maintain a high price for their services while minimizing their effort. The women guide the visitors through the cave on foot, while tourists can ride deeper into the cave on a bamboo raft piloted by a man for an additional fee. There is one guesthouse in the village that is operated by an Australian expatriate who has been living in the area for over twenty years.

**Table 6. Summary of the different villages.**

Village	Pong Ngean	Tom Lod	Mae Aw	Huay Pu Keng
Ethnicity	Karen (hill tribe)	Shan	Chinese	Kayan (hill tribe)
Population	50	500	1,300	120
Main Source of Employment	Tourism	Agriculture	Agriculture	Tourism
Number of Local Tourism Businesses	10	10	14	34
Estimated Yearly Tourists	7,000	46,000	15,000	32,000
Main Tourist Attraction	Trekking and Bamboo Rafting	Cave Trips	Culture and Food	Longneck Women
Most Tourists Stay Overnight	Yes	No	No	No
Majority of Trips Leave From	Chiang Mai	Mae Hong Son	Mae Hong Son	Mae Hong Son

*Huay Pu Keng.* This is Kayan village of 210 people located about 20 miles southwest of Mae Hong Son. The villagers are primarily war refugees that do not possess Thai citizenship. While most of the men perform day labor, most of the women sell souvenirs out of their homes. This is one of three villages populated by “longneck” women. These are women who place brass coils around their neck to deform their shoulders and give them the appearance that their necks have been elongated. This custom makes the village a very popular tourism destination, receiving over 30,000 tourists a year. The villagers make money by charging an entrance fee to foreign tourists, who make up about a fourth of the tourists, and by selling souvenirs. A homestay has

recently been created, but it has not been popular thus far.

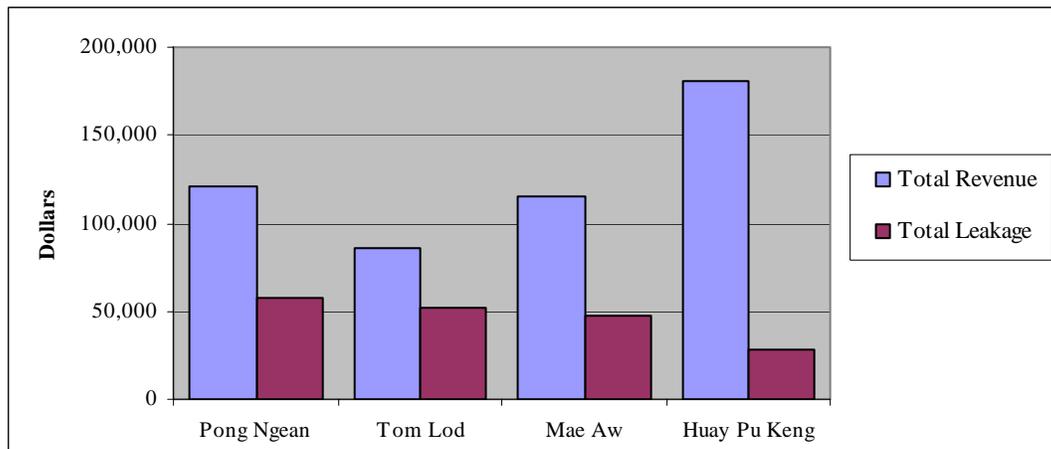
The village was first created in the mid 1980s as a way to make money for both the KNPP (Karen National Progressive Party) and the local Shan residents. The Kayan people were brought from Burma (now Myanmar) to serve as a tourist attraction. Despite their long tenure in Thailand, few are Thai citizens and only 30% have green cards, which let them legally travel to Mae Hong Son. The Kayan are subject to whatever decrees the local government makes. The local residents generally appreciate the presence of the tourists because they make money delivering the tourists to the village by boat, and because the villagers share the entrance fees they collected from tourists with the local residents. Despite the boost they provide to the local economy, the villagers remain fearful that they may be deported at some point. The village mayor said that the children are still taught Burmese (the primary language of Myanmar) because “In the future, no one knows what will happen to us”. The treatment of the villagers is also somewhat controversial as critics often refer to it as a human zoo where the longneck women are constantly on display and tourists frequently exhibit crude behavior (Mydans 2001, Leepreecha 2005). While this characterization has some truth to it, others believe that this is the best possible life for these individuals, who might otherwise meet worse fates in the ongoing conflict in Myanmar or a Thai refugee camp (Cummins 2002).

*Mae Aw.* This is a Kuomintang (KMT) village which is a two hour drive north of Mae Hong Son. At one time the KMT were part of the Chinese political party and military force led by Chiang Kai-shek. When they were defeated by the communist party in 1949, most of the KMT fled to Taiwan, while others were cut off from the main retreat and fled to Southeastern China, then Burma, and finally Thailand. Because of their Chinese heritage, they remain culturally distinct from the Thais. The Thais generally thought that the villagers of Mae Aw were shrewd businessmen, a characteristic often noted amongst the Chinese in foreign settings (Dannhaeuser 2004). Currently farming rice and growing tea are the primary occupations in town, but numerous restaurants, stores, and guesthouses cater predominately to tourists. While

there is no official estimate for the number of tourists that visit Mae Aw, most estimates place it at over 10,000 a year. Their culture and cuisine serve as the main attraction for tourists who typically have lunch in the village then shop for souvenirs before departing back to Mae Hong Son.

### *Leakages and Strategies*

The census of village businesses revealed that the villages' ability to avoid leakages varied greatly (Lacher 2008). It was found that 61% of revenue was leaked in Pong Ngean, 15% in Tom Lod, 41% in Mae Aw, and 48% in Huay Pu Keng (Figure 3). This indicates that some villages are quite adept at retaining the income while others are not. This likely depends on the villages' economy as well as the strategies they employ to prevent leakages.



**Figure 8: Total leakage and income in different villages.**

The strategies observed in the villages were 1) laissez-faire, 2) forming a cooperative of tourism workers, 3) charging substantial entrance fees to the village, and 4) focusing on selling locally made products (Table 7). The strategies correspond to specific items in the leakage framework (See Figure 1) in the following manner.

**Table 7. The four strategies and the items they relate to.**

Strategy	Item the strategy relates to
Laissez-faire	Level of familiarity with tourism
Forming a cooperative of tourism workers	Level of local employment
Charging substantial entrance fees	Leakages
Focusing on selling locally made products	Ability to link local industries to tourism

### *Laissez-Faire*

The first strategy relies on the belief that over time linkages with local suppliers will be formed and locals will gain more familiarity with the industry and find ways to link tourism expenditures to the local economy. While the villagers in Pong Ngean did not verbalize a strategy, it was decided to consider this a laissez-faire strategy, whereby the villagers may become more adept at doing business with the passage of time and are able to lower leakage as they adapt their economy to meet the needs of the tourists. This decision comes from a largely etic viewpoint as the villagers do not describe this effort as a strategy themselves. While all of the villages can adapt their economies over time to meet the needs of tourists, a laissez-faire strategy advocates a passive approach while the other villagers advocate a more active approach, interfering with the free-market.

Pong Ngean has the highest leakage of all of the villages surveyed. There are several reasons for this. One is that there are no linkages to the local economy, in part because tourism is the only source of income for the economy. The village was created solely to serve tourists, and the locals only do a bare minimum of farming and raise a few chickens. The work was attractive to the villagers because the work is much more enjoyable, even though they do not earn much more money.

One major problem is their inability to make much money from their homestay. They only receive \$0.53 per night which is low even when considering the sparse accommodations (mat on the floor and a mosquito net). Similar accommodations in the other villages cost more than \$0.53 and up to \$7.89. Additionally, they rely on the tour guides to provide the meals so they make no money serving dinner or breakfast. The one reason that the prices are so low that the tourists do not pay the homestay owner, the tour guide does. In cases where the tourists pay the homestay owner, the owners will generally state a high price that is open to negotiation. Some tourists will not even bother to negotiate, and those that do will generally agree to pay more than \$0.53. The tour guides are more effective negotiators and have effectively set the price at \$0.53 per person.

The villagers have lost two of their important sources of income in the past decade: bamboo rafts and opium. Since 2002, the Royal Forest Service has banned the villagers from harvesting bamboo in the surrounding forest as bamboo has become depleted locally. The villagers once made bamboo rafts in the village, but now have to buy bamboo rafts that are built upstream and then floated down to Pong Ngean. In 2005, law enforcement officials visited the village and demanded that the opium dealer in town stop his business. He once had some success selling lumps of opium to tourists for about \$13. However, the opium was not locally produced so the revenue may have been minimal. As these sources of revenue disappeared, there has been little to replace them.

The patience strategy appears to have produced little results in Pong Ngean, but perhaps could work in other locations. A successful *laissez-faire* strategy would have to produce new avenues for income over time, but that is not apparent in Pong Ngean. Perhaps the main deficiency is the lack of any other economic activities beside tourism. If they grew more crops or made souvenirs the villagers might begin to form linkages to the economy at large. But since everyone works in the tourism industry, there are no products to sell to tourists. In other villages with more diverse economies this strategy would be more likely to succeed. Additionally, as the village is not accessible by motor vehicle, it is difficult to both bring supplies into the village and communicate with the

travel agencies in the urban areas. While most goods are hiked into the village, certain goods such as large wood beams and metal roofing must be brought in by raft from the village upstream; this adds a great deal to the price of establishing businesses and thus may hinder new development. Since they cannot easily communicate with travel agencies, they have a hard time negotiating new deals. Pong Ngean may experience better results in the future as villagers become more involved in the higher paying jobs in the tourism industry. There is currently only one person from Pong Ngean serving as a tour guide, but several children and teenagers have expressed interest. Obtaining several of these high paying jobs will hopefully reduce leakage in the future.

### *Forming a Cooperative*

The second strategy consists of bringing villagers together to form a village wide cooperative. This strategy may help reduce leakage as the villagers are able to set a standard wage rate for everyone, instead of competing against one another. This reduces leakages out of the village by increasing the number of individuals that are employed in tourism and increasing the wage rate for workers in the industry.

This strategy is employed in Tom Lod. Every household is allowed to have two people work in the cooperative: one woman who will take visitors on a tour of the cave on foot while holding a lantern, and one man who can be hired in addition to the woman and will take visitors on a more extensive tour on a bamboo raft of the cave which has a large river running through it. All of the 84 households have a woman working in the cooperative, and all but three households have a man working in the cooperative. The participants in the cooperative take turns guiding their trips in a prescribed order, which is repeated once everyone has had a turn guiding a trip. The guides serve up to eight tourists and are paid \$2.63 for the trip, regardless of the number of tourists he or she accompanies. The guides keep 95% of their earnings and give the remainder to a village fund. This fund is used by the villagers to buy supplies for celebrations and religious festivals. Both the lantern guides and the raft guides have elected presidents and regular meetings in which they discuss their work. The cooperatives have occasionally had to

discipline members for being rude to tourists by suspending them for a period of time, but the work is so desirable that the disciplined worker usually causes no problems in the future.

The strategy appears to be successful for three reasons: it helps the villagers increase their wages, it reduces the amount of work the villagers do, and it gives the villagers more bargaining power. Participation in the village cooperative was very popular because of the wages paid to guides. The guides are able to earn \$2.50 for working between one and four hours a day (depending on how much the tourists want to see) and are free to spend the rest of the day working or relaxing.. The villagers reported that traditional laborers averaged a working wage of \$3.82 a day. While this is more money, it requires a longer day and harder labor than working with tourists. Villagers are able to guide one trip during the day and provide traditional labor for the rest of the day.

The cooperative has also helped the villagers minimize the time they have to spend working. When the villagers began working, they waited by the entrance to the village all day and hoped that a tourist or a tour guide would choose them to guide the trip. Now because the cooperative has a prescribe order in which the villagers guide trips, the villagers can come to the cave when they are needed, and spend the rest of the day working in rice fields, which greatly increase the productivity of the village.

By forming a cooperative, the villagers are now in a stronger bargaining position as they argue in a large group instead of a series of individuals. In the past they have come together to confront the Royal Forestry Service. The Royal Forestry Service once discussed charging tourists \$10.53 for entering the cave, which is on forestry service land. This would significantly increase the price of trips in the cave and have a detrimental effect on tourism. The forestry service has been successful in enforcing these fees in other locations such as Pong Ngean in the past. However, they have not yet imposed these fees on Tom Lod. The villagers' ability to act as a large cooperative has likely played a large role in this. In the past, the villagers have argued that the fees will cut into the cooperatives revenue, and threatened that they would all quit the tourism industry and instead gather valuable plants and animals from around the local forest. The

forest service has backed off their proposal since then. In addition to this action, the lantern guides were able to raise the price of their tours, and the cooperative is the primary reason they are able to do so. The cooperative has consulted with the travel agents and guide, who believed that a price increase would not significantly decrease the number of tourists that went on tours. Though this was not investigated it seems logical as the \$1.32 increase would represent a price increase of less than 2% to the entire price of an average day's tour when transportation, meals, lodging etc are included. If the new pricing strategy does not result in demand being lowered, the women would increase their revenue by 50% and their income by 66%. The women are able to successfully set the price because they act as a group. If they acted individually, the travel agents would work to keep the price down by only hiring the women with the lowest price.

While this strategy appears effective in Tom Lod, it may not be applicable in all situations. To be most successful, the destination must require a great deal of unskilled labor that virtually everyone can perform. The cave is ideal for this as it requires only walking or guiding a simple raft and serves thousands of tourists a year. It is also important that such a system be established early in the development of the tourism industry. The village does not technically own the cave, and the urban tour guides could take the tourists into the cave without assistant from the villagers. However, since this system was established from the outset of the area's tourism industry, it is firmly entrenched, and the urban guides do not want to anger the villagers. If the villagers tried to impose this system after decades of not being involved in the industry, they might not be successful. Finally, it is important that the cooperative remain on good terms with the urban tour guides. If the cooperative demands become too extravagant, the guides may shepherd the tourists towards other villages and leave the cooperative without enough customers.

#### *Charging Substantial Entrance Fees*

Perhaps the simplest strategy for reducing leakages is charging an entrance fee. This strategy can insure that tourism expenditures will go directly to the village without

outside interference, thus reducing overall leakage out of the village. Additionally it makes large amounts of capital available for investment in new businesses. The village of Huay Pu Keng employs this strategy but does so in a rather complicated way. To understand the strategy one has to remember that Huay Pu Keng is a “longneck” village full of Kayan people who are war refugees from Myanmar and not Thai citizens. The way they employ their strategy is largely a reflection of their precarious political situation. The village only charges the entrance fee (\$6.58) to foreigners and states that this is their way of thanking the Thais for allowing them to stay in the country. This is sound reasoning because of their wish to remain in favor with the Thais, and also because Thai tourists may be more price sensitive than foreign tourists. The money is collected not by the Kayans but by the Thais that take the tourists to Huay Pu Keng by boat. It amounts to about \$52,000 a year. From these fees, the Thais give the Kayans \$38,000 a year. This figure is fixed and does not fluctuate based on the number of tourists. The remaining money, \$14,000 is split between the Thai from the village that transports the tourists and the KNPP (Karen National Progressive Party). The KNPP is an organization of Karen still living in Myanmar. This payment is made to the Thais in an effort to keep everyone happy with the current situation (the Thais could force the Kayan to move back to Myanmar) and to the KNPP because it was in part their idea to set up the village.

This strategy is very effective in reducing leakage out of Huay Pu Keng because the leakage from the entrance fees is very low. While the villagers receive more revenue from selling souvenirs (\$68,000), 64% of this is leaked, thus leaving only \$44,000 in the village. Only 27% of the entrance fees are leaked which makes the total leakage out of the village 48% (Figure 4). If the Kayan were not in an uncertain political position they would be able to keep even more of the entrance fee. It could even be argued that 0% of the entrance fees are leaked because the money they send to the Thais improve their political standing and that the payment to the KNPP is sent willingly to help their fellow Karen. This money has proven to be a source of capital which has led to new businesses in Huay Pu Keng. The villagers recently used some of this money to create a

guesthouse in the village. While the guest house has not yet attracted many visitors, it demonstrates that reducing leakages can lead to more capital in new, locally-owned businesses.



**Figure 9. Revenue sources and their leakage at Huai Pu Keng.**

While effective at reducing leakage, this strategy may not be suitable for many tourist destinations. Destinations risk driving away tourists and thus possibly lowering total income by charging entrance fees. For this strategy to be effective, the location must be significantly unique and interesting enough to charge entrance fees. If the site is not interesting, tourists will avoid the destination, and if it is not unique tourists will choose instead to go to similar destinations that do not charge entrance fees. The longneck women certainly can be characterized as interesting and unique and thus make the entrance fee strategies reasonable.

#### *Selling Locally Made Products*

The final strategy observed was selling locally made products. All of the villages employed this strategy to some extent, but Mae Aw had done it most effectively. As the

KMT are ethnically Chinese, they are very fond of green tea and have made tea a popular souvenir for tourists. Most of the stores in Mae Aw sell some locally grown tea. The leakage from the locally grown tea is very small as the main cost is labor, which is all locally provided. Only a small percentage of the total cost goes to packaging and fertilizer. By selling locally made products, the village is able to keep most of the revenue in the village whereas most of the money spent on outside produced goods leaves the village. The villagers of Mae Aw sell both locally grown tea and tea grown in other regions of Thailand. The locally grown tea has a leakage of 22% while the foreign grown tea has a leakage of 66%. Currently, foreign grown tea makes up about half of tea sales. One problem appears to be that many tourists cannot distinguish between locally grown tea and tea grown elsewhere due to the similar packaging. The strategy might prove more effective if they could work to distinguish local tea from other tea to encourage tourist to buy more locally grown tea.

While this strategy may appear to be the simplest to implement, the villagers must find a desirable product that they can manufacture locally. In villages that focus on growing rice, such as the other villages in this study, this can be difficult. In addition to having a viable industry already available, Mae Aw also has the advantage of being culturally distinct. Their Chinese ethnicity gives them instant credibility in selling green tea. Other villages had burgeoning handicraft industries, but lack the skill needed to manufacture anything but simple cloths and woodcarvings. Having the proper education and tools to make crafts equal in quality to the outsider produced crafts could help reduce the sale of outside goods and decrease leakages. Even in a larger village such as Tom Lod, which has been hosting tourists for decades, the locals have been unable to market locally made products to tourists on a significant scale. This may point to a lack of suitable industries in the village or may point to the lack of a cohesive marketing strategy.

It may also be possible that villagers may suffer from a “tragedy of the commons” or Nash equilibrium style problem in which all villagers would be better off not selling foreign goods but selling foreign goods is the best strategy on an individual

level. When one villager chooses to start selling foreign goods he may see an increase in profits as more tourists purchase souvenirs from his store, as these goods may be of higher quality. However, when other villagers follow this example, they could severely reduce the sales of locally produced goods. If the foreign goods do not cause tourists to significantly increase their purchases, but only replace the sales of local goods, then the village will lose income due to higher expenses. Even if the foreign goods cause village income to decrease, it would prove difficult to eliminate them from the village as selling the foreign goods may be the best strategy on an individual level.

## CHAPTER VI

### CONCLUSION

The potential for creating linkages between rural villages and the tourism undoubtedly exists; however, it is not often realized. This study suggests that having a suitable village level strategy can greatly increase the economic impact of tourism in peripheral areas. The diversity of the levels of leakage point in the four different villages indicates that by using proper strategies the villages can reduce economic leakages, increase local economic development, distribute tourism income throughout the region, and turn more locals into stakeholders in the tourism industry. The three active strategies appear to have been more successful than the passive strategy (Pong Ngean's laissez-faire strategy). However, the laissez-faire strategy seems to be poorly suited for the village of Pong Ngean, as they have no appropriate local industries to connect to tourism. The other villages have seemingly adopted strategies that complement their situation. Tom Lod's cooperative is effective as there is a great need for local unskilled labor, Huay Pu Keng's culture is unique and interesting enough to draw tourist despite the high entrance fees, and Mae Aw has a local industry that is easily connected to tourism. The three active strategies each targeted a different aspect of their village's economy in an effort to increase the village's income from tourism, all with success. These different successes suggest that leakages can be reduced in a number of different ways, and that villages attempting to implement a strategy should focus on creating a strategy that suits their unique environment.

A possible weakness of these strategies may be the potential to make the destinations more expensive. The entrance fees of Huay Pu Keng and the cooperative at Tom Lod certainly raise the price of a trip to these areas. If the villages became too greedy with their fixed price, they could drive tourists away. In these villages the strategies add a relatively minor cost increase to the trip. Demanding too much from the tourists may not only drive tourists away but make adversaries of the core stakeholders, who may choose to direct tourists to other locations. Due diligence must be taken by the

villages to ensure that their destination is both unique and desirable enough to support such strategies.

The larger question is in part, what is the distribution of costs and benefits between the core and periphery? The periphery tends to bear the larger portion of the costs, altering its economy and enduring a stream of gawking tourists walking through its village. Further Research may investigate the distribution of revenue on a village scale. While this study has examined the issue of the distribution of tourism revenue on a regional scale, revenue may be inequitably distributed within the village between various stakeholders. Several studies have emphasized the importance of distributing tourism income amongst the entire peripheral villages. Additionally, the distribution between the genders could be examined. Tom Lod's strategy is fairly unique in that it involves women in the tourism industry to a degree that is unusual.

The power dynamic between the tour guide/travel agency and the villagers should also be thoroughly investigated. The guides, having been raised in a society used to negotiating and knowing the "fair" price, generally prove to be much more effective negotiators than the international tourists who are not used to negotiating, are unaware of the fair price, and often do not even bother to negotiate. This results in rural villagers earning less on transactions performed by the tour guides. This asymmetric power relationship between these stakeholders has a strong influence on the manner in which the villages develop and prevents the villagers from taking full advantage of the tourism revenue.

Further research might focus on the local culture's and environment's effect on leakage. Certain environments and cultures may be predisposed to creating low leakages out of an economy, such as Huai Pu Keng's longneck women or Tom Lod's expansive cave. These features help generate local income that might otherwise be out of the reach of locals. Being able to identify what types of features lend themselves to certain strategies is crucial for future developments. Research has previously examined strategies involving government programs or core-periphery alliances. This paper suggests that wider involvement is not essential as villages can implement successful

strategies that do not require the cooperation of other stakeholders. Attempting to implement strategies that involve both the rural tourism destinations and the urban centers can prove problematic as trying to reduce leakage from the rural area may either require extra effort from the urban stakeholders or decreased earnings in the urban area. These costs could lead to resistance from the urban stakeholders and doom the core-peripheral partnership.

If tourism (and in particular ecotourism) is to deliver on its promise of economic development in peripheral areas, fostering linkages between the rural economy is crucial. This is often difficult as the periphery frequently does not produce the high quality goods or skilled services that the tourism industry demands. Nevertheless, this study shows how by using intelligent village-level strategies, can increase the economic impact of tourism in rural peripheries by reducing leakages.

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