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**A REVIEW OF VIETNAM TOURISM  
DEVELOPMENT POLICY**

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**Abstract:** Tourism is one of the largest and the fastest growing economic sectors in the world. In many developing countries, tourism is considered a strategic economic sector, as this is one of the important sources of foreign exchange. Tourism creates business, trade and investment opportunities for the economy and protects the heritage and cultural values of the nation. Moreover, the tourism industry is labor intensive, tourism development can create jobs in society. And finally, tourism is a smoke-free industry, so it's development does not affect the environment and it is likely to stimulate economic growth.

In Vietnam, the tourism industry has exploded since the early 2000s, with the rapid growth of both international and domestic tourists. The Vietnamese government regards tourism as a spearhead economic sector, and the development of tourism can promote economic development. Therefore, Vietnam has had many policies for tourism development in the past two decades. This paper looks at the development of Vietnam's tourism sector in the period 2000-2016, analyzes Vietnam's policies for tourism, compares them with policies of other regional countries such as Thailand and Malaysia in order to find the solutions for Vietnam tourism development.

**Key words:** *Tourism, Vietnam, Policy, Tourism economics.*

**JEL classification:** H11, H30, H54, L52, L83

## **1. Introduction**

Vietnam has great potential for tourism development. Vietnam covers an area of 332,698 km<sup>2</sup> and is located at the easternmost point of the Indochina peninsula in Southeast Asia. With an estimated population of 92.7 million by 2016, Vietnam is the 14th most populous countries in the world and the ninth largest countries in Asia. Vietnam borders China to the north, Laos to the northwest, Cambodia to the southwest, Thailand through the Gulf of Thailand to the southwest, the Philippines, Malaysia and Indonesia to the east and southeast. The variety of natural beauty, from beaches to mountains to the Halong Bay Archipelago and Hanoi, the capital of Vietnam as well as other cities, provides interesting insights into history of Vietnamese colonialism and feudalism. With its well-preserved cultural heritage and pristine natural habitats, Vietnam has become a popular tourist destination for Chinese, Russians, Japanese and tourists from other countries. Every year, millions of people visit the country to experience beautiful landscapes like stretched coastlines, dense jungles and peaceful mountains. Vietnam, as a tourist destination, is characterized by safety and accessibility, hospitality and low cost services.

According to the UNWTO in 2014, Vietnam ranked 40th in the world in terms of international arrivals, behind Indonesia (34th), Singapore (25th), Thailand (14th) and Malaysia (12th) and stayed at rank 36 in the world in terms of revenue from international tourism, behind neighboring countries like Indonesia (32th), Singapore (16th), Malaysia (13th) and Thailand (9th). The increase of international tourists to Vietnam is understandable because attracting international tourists is an important objective in the tourism development strategy of Vietnam

## **2. Vietnam tourism development strategy**

Before the Renovation (1986), Vietnam tourism development was not received much attention. The tourism industry has only really got the Government's attention since the early 2000s with the issuance of the Vietnam Tourism Development Strategy for the period of 2001-2010. At this stage, the Government of Vietnam has set a target to define tourism development as a spearhead economic sector, but does not set a time frame to achieve such goal. In addition, Vietnam has set a target that Vietnam will be classified as a country with a developed tourism industry in the region by 2010. In order to achieve

these objectives set out in the development strategy, a number of solution orientations have been proposed such as: developing tourism areas across all provinces and at the same time enhancing tourism cooperation; rearranging state-owned enterprises operating in the tourism industry, carrying out policy of equitisation , leasing, selling and contracting state enterprises; administrative reform, decentralizing and simplifying procedures related to tourists and tourism businesses.

The tourism development strategy for the period of 2011-2020 set a target that: tourism must become a key economic sector, with a growing proportion of GDP by 2020. To achieve this goal, the Government of Vietnam focuses on solutions related to the diversification of tourism, focusing on green tourism and, especially, the international market segmentation.

In addition, in order to realize the goals set out in the tourism development strategy for the period of 2011-2020, the Government has also promulgated the National Tourism Promotion Program for the period of 2013-2020 and the Tourism Development Strategy of Vietnam by 2025 with a vision for 2030, which focuses on promoting tourism, building and promoting the image of Vietnamese tourism in the eyes of international visitors.

**Table 1: Outstanding tourism development policies in the 2000-2016 period**

| <b>Tourism policy</b>  | <b>Targets</b>  | <b>Solutions</b>   |
|--|---|--|
| The tourism development strategy for the period of 2001-2010 | <ul style="list-style-type: none"> <li>- Annual growth rate : 10-11,5%</li> <li>By 2005: International tourist arrival : 3-3,5 millions; Domestic tourists: 15-16 millions.</li> <li>- By 2010: International tourists: 5,5-6 millions; domestic tourist: 25-26 millions</li> </ul>   | <ul style="list-style-type: none"> <li>Mobilizing state, private and foreign investment in tourism.</li> <li>- Developing tourism areas.</li> <li>- Improving coordination and international cooperation in tourism</li> </ul> |
| The tourism development strategy for the period of 2011-2020 | <ul style="list-style-type: none"> <li>- By 2015: International tourists 7-7,5 millions , Domestic tourists: 35-37 millions.</li> <li>- Direct tourism contribution to GDP: 5,5-6,0%.</li> <li>- By 2020: International tourists: 10-10,5 million; Domestic tourists: 47-48 millions. Direct contribution to GDP 6,5-7,0%.</li> </ul> | <ul style="list-style-type: none"> <li>- Priority is given to attracting foreign tourists</li> <li>- Diversifying types of tourism</li> <li>- Developing green tourism</li> </ul>  |

|   |   |   |
|---|---|---|
|   | - Tourism would become a key economic sector by 2020  |   |
| National tourism promotion program for the 2013-2020 period       | - Organizing the 3-4 tourism promotion activities in each key international tourism market (North East Asia, Southeast Asia and Pacific, North America, Western Europe and East of Europe) by 2020.<br>- Building a portal for promotion and professional travel deals by 2020. | - Enhancing tourism promotion at home and abroad<br>- Developing electronic marketing<br>- Diversifying tourism funding sources                           |
| Vietnam tourism brand development strategy to 2025 vision to 2030 | Developing and promoting a number of prominent tourism areas to locate destinations for tourists in Vietnam.<br>- Strengthening linkages and support localities to promote tourism  | - Vietnam's tourism slogan: Vietnam-Timeless charm<br>- Lotus – Vietnam's tourism logo.<br>- Developing the local tourism brands, tourism business brands |

*Source: Vietnam National Administration of Tourism*

In addition to these programs, Vietnam has also enacted the 2005 Tourism Law with key contents such as regulations on tourism resources and tourism activities; the rights and obligations of tourists, organizations and individuals engaged in tourism business, other organizations and individuals engaged in tourism-related activities. The law applies to all Vietnamese and foreign organizations operating in tourism sector in Vietnam. The application of Tourism Law has facilitated the development of better and more sustainable tourism and avoided many problems. The regulations on business conditions, rights and obligations of business organizations and individuals in each field of business are specified in details by the Law. A new content specified in Tourism Law is the regulation on purchases of insurance for tourists. This is in line with international practices and helps to make the operation of tourism companies more stable and create trust for domestic and international tourists.

### **3. Investment and development of tourism infrastructure**

Infrastructure is a necessary condition to lay the groundwork for the exploitation of a tourist destination as tourists want to easily and conveniently

travel to the tourist destination where they can stay and receive tourism services. However, the construction of infrastructure requires a large amount of investment capital, so the mobilization of investment by all public, private and foreign sectors is necessary.

***Transport Infrastructure:*** Since 2007, after entering the WTO, Vietnam's air, land and sea transportation infrastructure has attracted large investments.

- *Airway:* Airports in Da Lat, Ho Chi Minh City, Nha Trang, Da Nang, Can Tho and Hanoi have been upgraded. Currently, there are 21 airports in operation, including 9 international airports: Noi Bai, Tan Son Nhat, Da Nang, Cat Bi (Hai Phong), Phu Bai (Hue), Cam Ranh (Nha Trang), Can Tho, Phu Quoc, Vinh. Over 50 foreign airlines and 2 Vietnamese airlines operate about 70 international flights to and from Vietnam. The number of visitors coming to Vietnam by air accounts for nearly 80% of the total number of international arrivals to Vietnam. Some other international airlines such as Thai Airways, China Airlines, China Southern Airlines and Asiana Airlines have cooperated closely with tour operators to offer tour packages at preferential rates.

- *Highways:* In order to develop the economy in general and tourism in particular, Vietnam has built and put into operation many highways such as Dau Giay - Long Thanh, Hanoi - Thai Nguyen, Hanoi - Hai Phong expressways with international standards to connect local, key tourist areas. In addition, Vietnam has also participated in tourism development projects with countries in the region such as Development of tourism infrastructure supporting the comprehensive growth of the Greater Mekong Subregion. It is an investment project for regional tourism development, with the participation of four countries including Vietnam, Cambodia, Laos and Myanmar.

- *Seaway:* Located at the heart of Southeast Asia, on a convenient shipping route between North and South Asia, Vietnam is considered as a destination with many advantages for sea ship tourism. Vietnam is located close to the modern seaport centers in the world such as Hong Kong, Singapore, Shanghai ..., so it is convenient for tourists to engage in short and long journeys between destinations in the Asian region and with other regions. Vietnamese seaports have been planned to develop into specialized seaports for ships of 50,000 to 100,000 GT, and such seaports are Hon Gai port (Quang Ninh port) and Chan port Thua Thien Hue Port, Tien Sa Port (Da Nang Port), Dam Mon Port (Northern Van Phong Bay - Khanh Hoa), Nha Trang Port (Khanh Hoa), Sao Mai - Ben Dinh Port (Ba Ria - Vung Tau). Saigon - Nha Be (Ho Chi Minh City), Red Earth (Phu Quoc Kien Giang). The seaport system, infrastructure

and tourism technical infrastructure have been upgraded to meet the demand of landing of some major cruise ships in the world. Many world shipping lines with large tonnage ships have docked in Vietnam such as Royal Caribbean Cruise Lines, Star Cruises, Costa Crociere.

- *Railway*: The national railway network has a total length of 3,143 km, with 2,531 km of main roads, 612 km of road and branch roads. The network is divided into five main routes: Hanoi - Ho Chi Minh City; Hanoi - Hai Phong; Hanoi - Dong Dang; Hanoi - Lao Cai; Hanoi - Quan Trieu. In addition, there are some branches and links. Although railway is one of the main means of transportation in Vietnam, but investment in this area is still limited. The proportion of investment capital for railways is very low in comparison with the entire transport sector. Investment sources focus on renovating and upgrading existing railway network, while investment capital for developing new routes is very low. In addition, investment capital is mainly from the state budget, but not mobilized from other sources, and it is small and ineffective. Restrictions on investment have hindered the development of railways as well as made negative impacts on tourism in Vietnam.

- *Infrastructure for accommodation, entertainment for tourism*: Accommodation facilities have been invested, built and initially meet the needs of visitors. If in 2000, the country had only over 3.2 thousand accommodation with 72 thousand rooms, by 2015, the number of accommodations increased to 18.8 thousand with 355 thousand rooms. Investment in tourism infrastructure has increased in quantity and quality with many big projects from strategic investors such as SunGroup, VinGroup, Muong Thanh, FLC, Vina Capital. Also, efforts have been made to associate and cooperate in developing and building a number of new tourism products in order to attract tourists.

#### **4. Some types of tourism in Vietnam**

Due to the advantages of geographical location, natural conditions and historical traditions, Vietnam has many forms of tourism such as leisure travel, sightseeing tours, history tours. Many international tourists come to Vietnam for business purposes, or visiting friends and relatives. In addition, in the development strategy of tourism, Vietnam wants to diversify types of tourism, recently ecotourism and community tourism are relatively developed.

##### ***Sightseeing and leisure***

Sightseeing and leisure are the most popular types of tourism in Vietnam, accounting for 60.5% of the total tourist. Vietnam has the diversity and abundance of natural elements with landscapes spreading throughout 64 provinces across the country. Popular tourist destinations are Ha Long Bay, Phong Nha Cave, Da Lat, Sa Pa, Nha Trang ... Especially, in the coming time, the demand for tourism in general and sea tourism in particular tend to increase strongly. A number of complex resorts in Vietnam have been established and developed such as: Tuan Chau International Amusement Park, Vinpearl Ha Long, Cat Ba Island Resort & Spa (North), Lang Co Laguna, Ba Na Hills, Life Heritage, Nam Hai, Vinpearl Nha Trang, Whale Island Resort, An Lam Ninh Van Bay, Sea Link (Central); Six Senses, The Grand Ho Tram Strip; Sunset Sanato, Vinpearl Phu Quoc (South) ... These resorts have good infrastructure and services. Quality of some resorts is comparable to that of resorts in Southeast Asia such as The Beaches, Laguna Phuket (Thailand); Genting, A'Famosa (Malaysia); Thansur Bokor (Cambodia); World Sentosa, Marina Bay (Singapore), RIMBA Jimbaran Bali (Indonesia).

### ***Cultural tourism***

Cultural Tourism is also popular in Vietnam at the presents which attract both domestic and foreign visitors from many countries. Tourists can find out culture of each region in Vietnam by visiting and joining in activities of traditional handicraft villages, markets, festivals, ancient town and so on.

Firstly, there are traditional handicraft villages such as Bat Trang Ceramic Village, Dong Ky carving wood Village, Chuong Conical Hat Village, Van phuc Silk Village in Ha Noi, Phu Cam Conical Hat, Thuan incense stick making Village, Sinh Painting Village, Phuong Duc Bronze Casting in Hue, Thanh Ha Ceramic, Kim Bong Carpentering in Hoi An, etc. Products of these villages leave deep impression on tourists.

Secondly, there are traditional and modern festivals, such as: Nha Trang Sea Festival, Hung King Temple, Festival Hue, and so on. Especially, Festival Hue let tourists get different cultural values when taking part in. Coming Hue, tourists will enjoy the reappearance of unique royal festivals, colorful cultural community's activities.

And finally, tourist can find out interesting facts about long history of Vietnam, rooted thousand years by visiting history museum in Hanoi, Hue and Ho Chi Minh city.

### ***Ecotourism***

Recently, nature tourism has become a common trend not only in Vietnam but also in the world. This form of tourism can promote the role of a natural element and the natural advantages of a country. Vietnam is considered one of Southeast Asia's richest in biodiversity and ranked 16th among the highest biodiversity in the world. This has given Vietnam a great advantage in developing ecotourism. However, Vietnam's ecotourism is still only in the early stages of development. Investment in this type of tourism is still spontaneous and without clear planning. In particular, the conservation of biodiversity in ecotourism development has not been properly considered.

### ***Other types of tourism***

In addition to these traditional types of tourism, Vietnam has a potential to develop other types of tourism that bring high economic value, including:

- MICE Tourism: As a country with high economic growth in the region and being an attractive destination for foreign investors, Vietnam can absolutely develop MICE tourism (Meetings, Incentives, Conferences, and Events). The revenue from this sector is 6 times higher than normal tourism. On average, each European MICE traveler spends about \$ 700-\$1,000 per day and each Asian traveler spends about \$ 400 per day. Although there are many potential MICE tourism has not really developed in Vietnam. By 2015, only 10% of tourists visit cities of Vietnam for business purposes so it can be seen that MICE tourism is still an abandoned market.

- Culinary tourism: Cuisine is an important factor to attract tourists and with a variety of dishes, Vietnam has all factors to become the kitchen of the world. Vietnamese cuisine has both its own famous dishes and dishes that combine the sophistication of France and China because Vietnam was influenced by French and Chinese culture in the past. However, this type of tourism in Vietnam has not been received enough attention and investment.

- Health tourism: Vietnam has a great potential for medical tourism but this type has not been exploited. Vietnam has a developed traditional medicine and the Vietnam Central Institute of Acupuncture is recognized worldwide. This center is capable of curing 53 pathologies, with low prices for medical services. Beauty centers are growing in tourist destinations, resorts. Vietnam is also well-known in the region with two strengths: infertility treatment with artificial insemination for high success rates, high quality cosmetic and aesthetic services

at low cost. Moreover, Vietnam has many hot springs, mineral water sources, special climate sub-zones such as Tam Dao, Ba Na, Da Lat, Sa Pa is suitable for health care tourism. However, medical tourism in Vietnam has not been planned for investment.

### ***5. Discussions and conclusion***

Thanks to its natural diversity and favorable geographic location, increasing national incomes and long-term tourism development strategy, Vietnam tourism has achieved a good growth in the last two decades. Recent data on tourism shows that almost all of the tourism goals set by the government in tourism development strategies are achieved: the number of tourists, revenue from tourists, and the contribution of tourism to GDP is increasing. So far, Vietnam is considered as a safe destination by foreign tourists.

**Table 2: Comparison of objectives and results of Vietnam tourism development in 2000-2015**

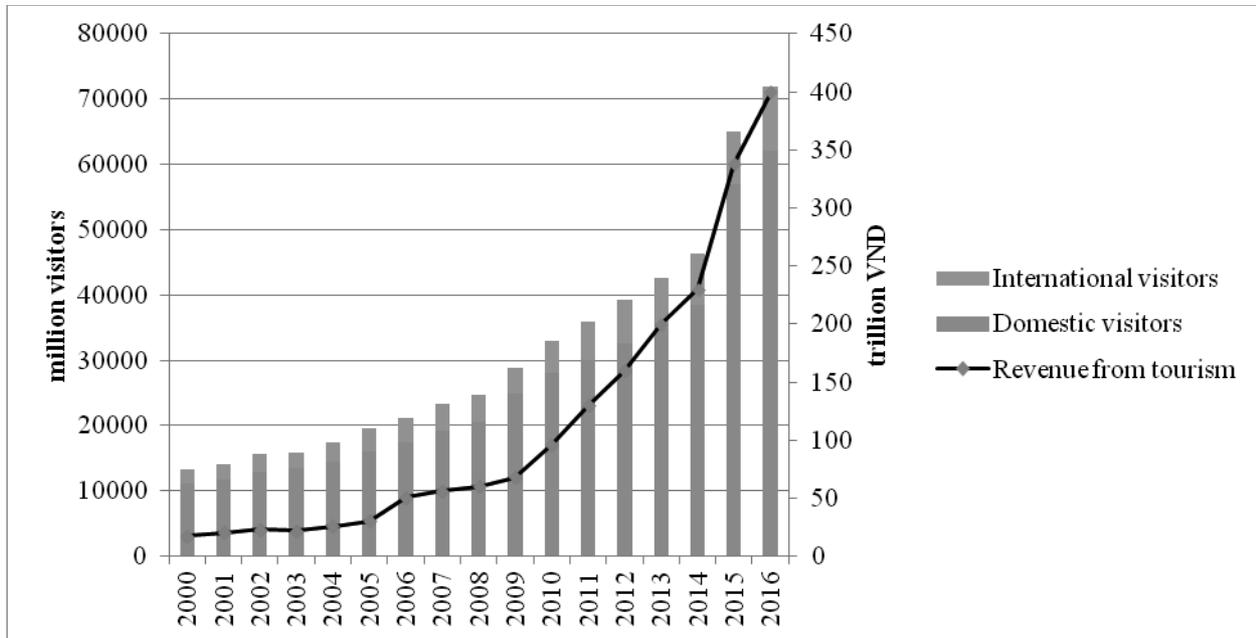
| Year        | Target performance         |          |                       |                 | Real performance           |          |                       |                 |
|-------------|----------------------------|----------|-----------------------|-----------------|----------------------------|----------|-----------------------|-----------------|
|             | Tourism arrivals (Million) |          | Revenue (Billion USD) | Revenue/GDP (%) | Tourism arrivals (Million) |          | Revenue (Billion USD) | Revenue/GDP (%) |
|             | International              | Domestic |                       |                 | International              | Domestic |                       |                 |
| <b>2000</b> |                            |          |                       |                 | 2,140                      | 11,2     | 1,228                 | 3,94            |
| <b>2005</b> | 3-3,5                      | 15-16    | >2,0                  |                 | 3,477                      | 16,1     | 1,891                 | 3,28            |
| <b>2010</b> | 5,5-6,0                    | 25-26    | 4-4,5                 |                 | 5,05                       | 28       | 5,16                  | 4,45            |
| <b>2015</b> | 7-7,5 I                    | 36-37    | 10-11                 | 5,5-6,0         | 7,9                        | 57       | 15,57                 | 8,05            |

*Source: Vietnam National Administration of Tourism and World Bank*

In the period 2000-2016, Vietnam's tourism industry is constantly growing with an average international visitor growth of 10.2% / year and domestic tourism growth achieving 11.8% / year. In 2016, the number of international tourists reached 10 million, increasing by 4.6 times compared to 2000; Domestic tourists reached 62 million, up 5.5 times compared to 2000; Turnover from tourists reached VND 400 trillion (equivalent to USD 17.6 billion), accounting for 9.09% of GDP (in 2000, revenue from tourism reached VND 17.4 trillion, equivalent to only 3, 5% of GDP).

In 2016 tourism generates more than 6 million jobs, or 11% of total employment. The development of tourism sector has been contributing to economic restructuring and local export; preserving and promoting the value of cultural and natural heritage; creating more jobs, improving people's living standard; promoting the process of international integration, promoting the image of the country and people of Vietnam.

**Figure 1: Number of international visitors, domestic visitors and revenue from tourists to Vietnam in the period 2000-2016**



In the tourism development strategy of Vietnam, international tourism is prioritized for development. However, compared with other countries in the region such as Thailand and Malaysia, international tourism in Vietnam is far behind both in terms of number of tourists and revenue from tourism. In 2016 foreign tourists coming to Vietnam is 10 million, while Thailand is 32.6 million and Malaysia is 25.7 million (2015). This can be due to many reasons:

Firstly, the promotion of Vietnam tourism abroad is limited. In the early stages of tourism development, Vietnam did not focus on marketing and tourism promotion. Until 2013 Vietnam promulgated the National Tourism Promotion Program for the period 2013-2020 and in 2014 the *Vietnam National Administration of Tourism* issues the Tourism Marketing Strategy up to 2020. However, Vietnam's promotion spending overseas is very low, about \$ 2 million per year, a tiny figure compared to other countries in the region such as Singapore (\$ 100 million), Malaysia (\$ 98.2 million), Thailand (80 million USD) and South Korea (56 million USD). Moreover, in most cases, in order to promote the national tourism in the region, the National Offshore Tourism Offices are opened. Thailand has 28, Singapore has 23, while so far Vietnam has no representative office abroad.

Secondly, by comparing the expenditure structure of foreign tourists in Thailand and Vietnam, it was found that 25% of foreign tourists in Thailand spend 25% of their total travel expenditure on shopping and leisure activities. Entertainment accounts for 13% of total travel expenditure (in 2015), which is much higher than that of foreign tourists in Vietnam with figures equivalent to 13.3% and 4.2% (2013)<sup>4</sup>. Foreign tourists in Malaysia also spend 28% of their total spending on shopping. The differences in spending in these countries may come from the fact that unlike Thailand and Malaysia, Vietnam does not have a chain of tourist service stores, the number of leisure and entertainment destinations for tourists are also less than in Thailand and Malaysia. It is shops selling tourist items and recreational activities that are one of the reasons for foreign tourists to return.

Thirdly, the tourism infrastructure in Vietnam is far behind countries in the region and in the world. Tan Son Nhat Airport, Vietnam's largest airport, is overloaded and public transport in Vietnam in general and in tourism cities in particular are underdeveloped, making the travel of tourists difficult and expensive.

Fourthly, there is a lack of tourist managers tour guides especially international guides. According to the Vietnam National Administration of Tourism, by 2015, Vietnam has about 2.25 million people working in the tourism industry (about 4% of the country's workforce). There are 750,000 people working directly. To meet the evolving needs of the tourism industry by 2020, the workforce in the industry must increase by about 20% per year. The quality of labor in the industry is still limited. The number of trained workers at primary, secondary and college level accounts for about 20% of the total human resources. The number of trained and under-graduated laborers is about 7.5% of the tourism professionals (3.2% of total tourism labor force). While the number of workers undergoing vocational training (less than 3 months) still accounts for more than 45% of skilled workforce, and nearly 20% of the workforce in the sector. The number of laborers who can speak foreign languages employs about 60% of the total human resources (42% in English, 5% in Chinese, 9% in French).

Finally, in the development strategy of Vietnam, tourism has been identified as a spearhead economic sector and has a spillover effect on other sectors. However, up to now, there has been no scientific study on the relationship between tourism and Vietnam's economic growth. International practices suggest that there are three types of relationship between tourism and economic growth: (i) the hypothesis of growth in tourism that promotes economic growth is supported by the course of Balaguer and Cantavella-Jorda, Dritsakis, Durbarry and Oh; (ii) economic growth promotes tourism growth, which means that tourism can only develop if the economy develops; Shan, Wilson and Kim argue that tourism growth and economic growth are mutually reinforcing. Identifying the relationship between tourism and the economy of Vietnam can help policymakers develop more appropriate policies.

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