

# Outward FDI of Thai MNEs in the Lao PDR in Tourism Sector

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NESSARA SUKPANICH

[nessara@econ.tu.ac.th](mailto:nessara@econ.tu.ac.th)

# Topics covered

- ▶ Needs for the study
- ▶ Objectives of the study
- ▶ Review of literature
- ▶ Conceptual framework
- ▶ Data and samples

# Needs for the study

- ▶ More open economy of the Lao PDR for trade and investment, especially in tourism sector
  - As a new member of **WTO** in 2013 (tourism is one of ten major service sectors the Lao PDR agreed to open)
  - As a member of **ASEAN**
    - ✓ Under ASEAN Framework Agreement on Services (**AFAS**)
    - ✓ Under ASEAN Tourism Agreement (**ATA**)
    - ✓ Under ASEAN Tourism Forum (**ATF**)
  - As a member of **GMS** (GMS tourism development program is one of eleven GMS flagship programs)
  - AS a member of **ACMECS** (tourism collaboration has been one of the eight priority cooperation areas and two additional issues under ACMECS Plan of Action 2013-2015 )

# Needs for the study

- ▶ Tourism sector is one of the investment promoted sectors in the Lao PDR
  - Since 1988, privatization in the Lao PDR in various service sectors (including tourism sector)
  - Under the **Foreign Investment Law 2004**, development of tourism industry is one of the promoted activities
  - Under the **Lao PDR Law on Investment Promotion 2009**, tourist town zone or **touristic city** is one type of specific economic zone promoted under the Specific Economic Zones)
  - Tourism Development Sector is also currently one of the Lao PDR “**Investment Calling List**”

# Objectives of the study

- ▶ Demonstrating **investment situation** of Thai MNEs in the Lao PDR in tourism sector in three key tourism industries including **tourist accommodations, tour operators and touristic sites development**.
- ▶ Exploring **investment opportunities** of Thai MNEs in the Lao PDR in tourism sector
- ▶ Providing **recommendations to related parties** including public and/or private organization involved in supporting outward FDI from Thailand and inward FDI in the Lao PDR, especially in tourism sector, and Thai MNEs already invested in or plan to invest in the Lao PDR in tourism sector.

# Literature review

## *Traditional MNEs theories*

- ▶ Dunning OLI Framework
- ▶ FSAs/CSAs Framework
  - Traditional FSAs/CSAs framework
  - Resource based theory
  - Institutional Theory
  - Transaction Cost Theory
  - Dynamic FSAs/CSAs

# Literature review

## *Service MNEs studies*

- ▶ Characteristics of “services”
- ▶ Discussion on conceptual, theoretical, and measurement issues of service multinationals
  - Define service multinationals
  - Explore whether mainstream theories of FDI could be applied to service MNEs cases to explain **organization structure, strategy and internationalization process** of various service MNEs such as
    - ✓ Telecommunication service (Laanti, McDougall and Baume, 2009)
    - ✓ Insurance market (Veugelers, 1992)
    - ✓ Hotel industry (Dunning and Mcqueen, 1981; Dunning and Kundu, 1995).
    - ✓ Several service industries (Li and Guisinger, 1992; Rugman and Verbeke, 2008; Aharoni, 1996; Kundu and Hsu, 2003; Capar and Kotabe, 2003)

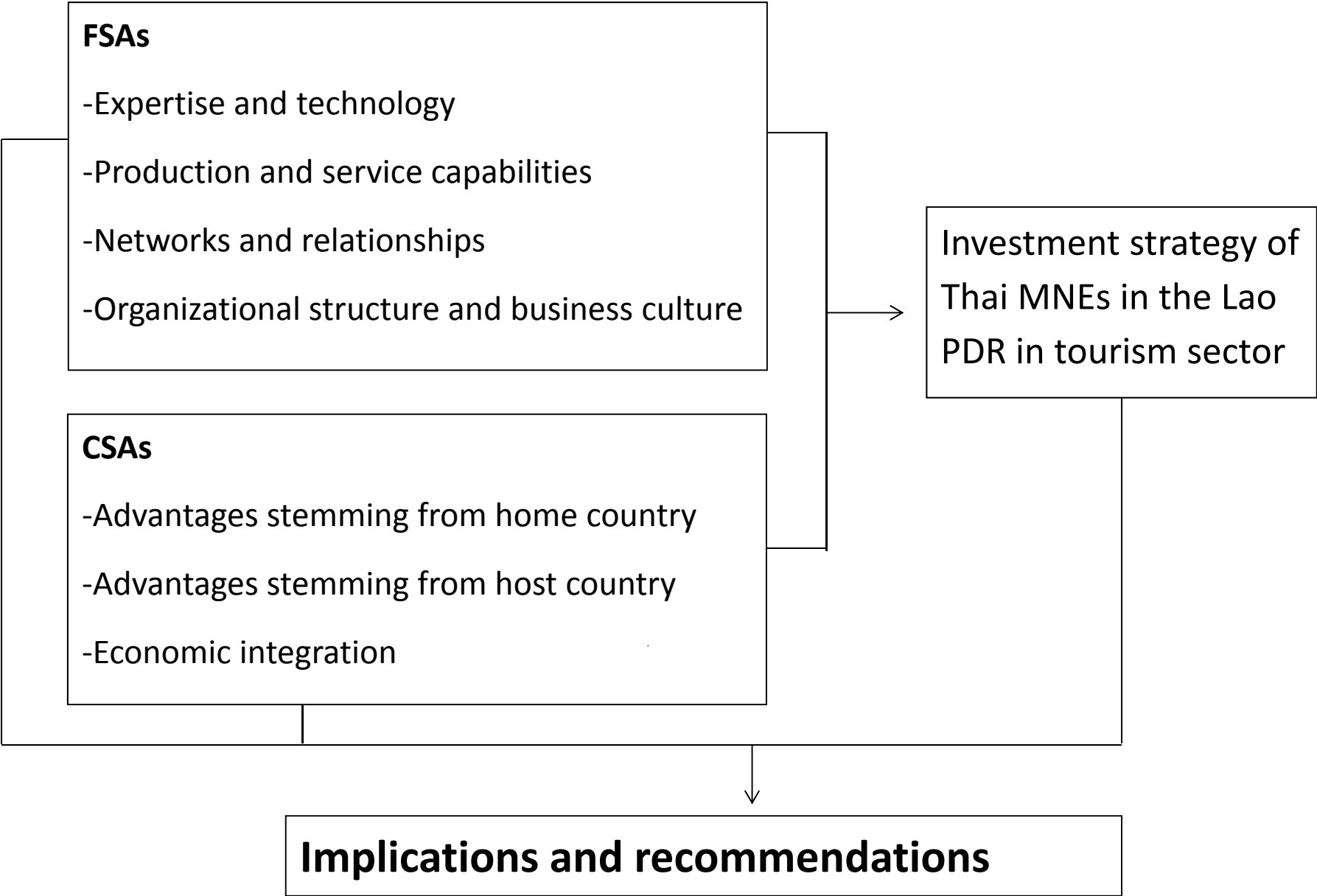
# Literature review

## *Studies related to the Lao PDR tourism sector*

- ▶ Tourism development in the Lao PDR (Yamauchi and Lee, 1999).
- ▶ Impact of tourism sector on
  - Economics and employment (World Travel & Tourism Council, 2014)
  - Social, cultural and environmental impact (UNESCO, 2004)
- ▶ Determinant of travel and tourism in the Lao PDR (Phakdisoth and Kim, 2007)
- ▶ Foreign investment opportunities in the Lao PDR in tourism sector (Schneider 1999; UNCTAD, 2010; Sukapnich, 2014)



# Conceptual Framework



# Data and samples

- ▶ **Secondary data:** from reliable sources such as from
  - the Ministry of Planning and Investment (Lao PDR)
  - Ministry of Industry and Commerce (Lao PDR)
  - Ministry of Information, Culture and Tourism (Lao PDR)
  - Lao National Committee for Special Economic Zones (NCSEZ) Secretariat
  - Lao National Tourism Administration (LNTA)
  - United Nations World Tourism Organization (UNWTO)
  - World Travel & Tourism Council (WTCC)
  - World Economic Forum (WEF)

# Data and samples

## ▶ Primary data

### ○ Direct interview from related parties

- ✓ Representatives from organizations related to inward FDI in the Lao PDR, especially in tourism sector such as
  - Ministry of Planning and Investment (Lao PDR)
  - Ministry of Industry and Commerce (Lao PDR)
  - Ministry of Information, Culture and Tourism (Lao PDR)
  - Lao National Committee for Special Economic Zones (NCSEZ) Secretariat
  - Lao National Tourism Administration (LNTA) either central agency or agency located in the province of interest.
- ✓ Representatives from Thai MNEs currently invest in the Lao PDR in three key tourism industries including tourist accommodations, tour operators and touristic sites development

### ○ **Phone interview or questionnaire (in case that direct interview cannot be arranged)**

# Data and samples

- ▶ Various aspects of Thai MNEs samples
  - ✓ Industry type: (tourist accommodations, tour operators and touristic sites development)
  - ✓ MNEs size: Large and small and medium size MNEs
  - ✓ Investment experience in different **regions of Lao PDR**
  - ✓ Type of investment: Wholly foreign owned and joint venture with Lao (domestic) investors
  - ✓ Form of investment: General business, concession business, activities for development of Special Economic Zones and Specific Economic Zones

# Materials planned to cover in the study

1. General tourism environment in the Lao PDR
2. Rules and regulations pertaining investment in tourism related industries
  - The Lao PDR laws and regulations regarding investment in tourism related sectors
  - Obligations under various international agreements of the Lao PDR with other countries
3. General investment situation in tourism sector in the Lao PDR.
4. Investment experience of Thai MNEs invested in the Lao PDR
5. Analysis of investment opportunities for Thai MNEs in the Lao PDR in tourism sector
6. Implications and recommendations to public and private sector

Note: 3, 4, 5 and 6 focus on investment in tourist accommodations, tour operators and touristic sites development.

**THANK YOU**

**Q & A**

