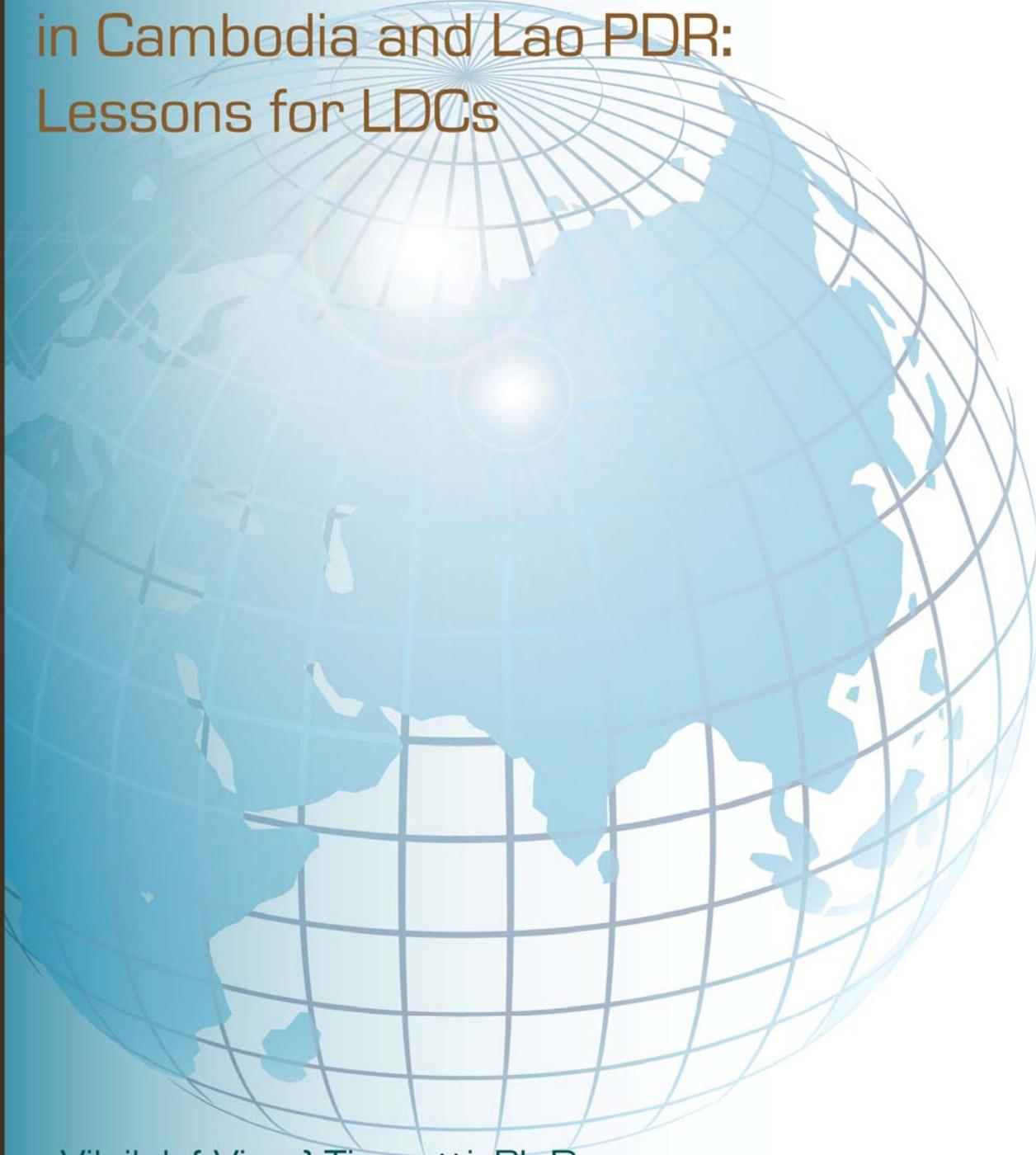


# Tourism Liberalisation and National Strategies on Tourism in Cambodia and Lao PDR: Lessons for LDCs



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# **Tourism Liberalisation and National Strategies on Tourism in Cambodia and Lao PDR: Lessons for LDCs**

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**Abstract**

Cambodia and Lao PDR are two less developed country (LDC) members of the Association of South East Asian Nations (ASEAN). While Cambodia has become a World Trade Organisation (WTO) member since 13 October, 2004, Lao is yet to accede to the WTO albeit the country's vigorous attempts to prepare itself for the accession in the near future. Apart from the WTO framework, services liberalization of both countries has also been scheduled and implemented under other free trade agreement frameworks, namely the ASEAN Framework Agreement on Services (AFAS), and the ASEAN-China Free Trade Agreement, of which services schedules were signed by all signatory parties (ASEAN members and China) in 2007, and the ASEAN-Korea FTA under which the services commitments were submitted and signed also in 2007 during the 11<sup>th</sup> ASEAN-Republic of Korea Summit held in Singapore. Among all scheduled services sectors, tourism is one of the most crucial services for both Lao PDR and Cambodia in terms of income generation, economic development, and poverty reduction. However, the approaches to tourism development in both countries vary greatly, according to differing national strategies designed for each economy. While Cambodia fully embraces tourism liberalisation especially in terms of foreign investment in infrastructure catered for tourists, with an objective of maximising the reaping of economic benefits generated by the tourism industry, Lao PDR opts for a more cautious strategy towards tourism management, having been aware of potentially negative socio-economic impacts on society caused by tourism. As a result, Lao PDR attempts to promote sustainable, community-based eco-tourism instead of the mainstream tourism liberalization approach undertaken by other developing countries. This paper will attempt to analyse the differences in national strategies of both countries' approaches to the development of their tourism sector, with the hope that lessons learned from the study can offer some useful insights to other LDCs in their policies towards the liberalisation of the tourism sector.

**Map of the GMS Countries**



Source: <http://www.exploremekong.org/site/destinations/explore-mekong-map/>

### Map of Cambodia



Source: [http://www.scottasia.net/2007/wto/cambodia/Cambodia\\_map.jpg](http://www.scottasia.net/2007/wto/cambodia/Cambodia_map.jpg)

### Map of Lao PDR



Source: <http://www.mapsofworld.com/laos/maps/laos-map.jpg>

## **Tourism Liberalisation and National Strategies on Tourism in Cambodia and Lao PDR: Lessons for LDCs**

### **Introduction: Trade in Services in the GMS Region**

Trade in Services is playing an increasingly important role in the global economy. For countries in the Greater Mekong Sub-region (GMS)<sup>1</sup>, services account for a significant portion of the countries' GDP, ranging from 25.7% for Lao PDR to 46% for Thailand in 2005<sup>2</sup>. The recent rapid liberalization of trade in services in the GMS countries has been a result of, among other things, regional integration within ASEAN (Association of Southeast Asian Nations) members themselves, which has led to the ASEAN Framework Agreement on Services (AFAS)<sup>3</sup>. In addition, the signing of free trade agreements between ASEAN and other economies such as China (ASEAN-China FTA: ACFTA), Korea (ASEAN-Korea FTA: AKFTA), and other FTA initiatives that are currently under negotiation (ASEAN-EU, ASEAN-Japan, ASEAN-India, and ASEAN-Australia-New Zealand) has also intensified services liberalisation in the GMS region.

This paper investigates the levels of tourism services commitments by Cambodia and Lao PDR, with a brief discussion on Thailand's levels of commitments under the GATS, AFAS, ACFTA, and AKFTA frameworks as a point of reference. It will then discuss the development of the tourism industry in both Lao PDR and Cambodia, and their differing strategies towards the tourism sectors. Lessons drawn from both countries will be worthy of note for other developing countries, especially those that depend heavily on the income generated by tourism and those that seek appropriate policies to make use of tourism while maintaining their levels of sustainable development.

### **Services Sector and Its Contribution to the GMS Economies**

The importance of the services sector in the GMS region is highly significant. Figure 1 presents the structure of Cambodia's, Lao's and Thailand's economies, and those of other GMS countries. For both Cambodia and Thailand, service is the most significant sector of their economies in 2005, accounting for 39.1% and 46.0% of their GDPs respectively. For Lao PDR, however, agriculture continued to dominate its economy, with services accounting for only 25.1% of the country's GDP, although this trend is gradually changing, as the number of tourist arrivals in Lao rises annually, leading to the growth of tourism-related businesses throughout the country.

Among all of the services sectors, one service industry that contributes a great deal to economic growth of the GMS region in recent years is tourism – one of the 3 principal service sectors apart from transport and commercial services. Comparing the 3 principal services, tourism takes a leading position in its contribution to GMS countries' services exports.

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<sup>1</sup> GMS consists of 6 countries namely Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam, and Southern province of China (Yunnan).

<sup>2</sup> The contributions of services to the GDP of other GMS countries are 39.1% for Cambodia, 39.9% for China in 2005, 33.1% for Myanmar, and 38.1% for Vietnam in 2000.

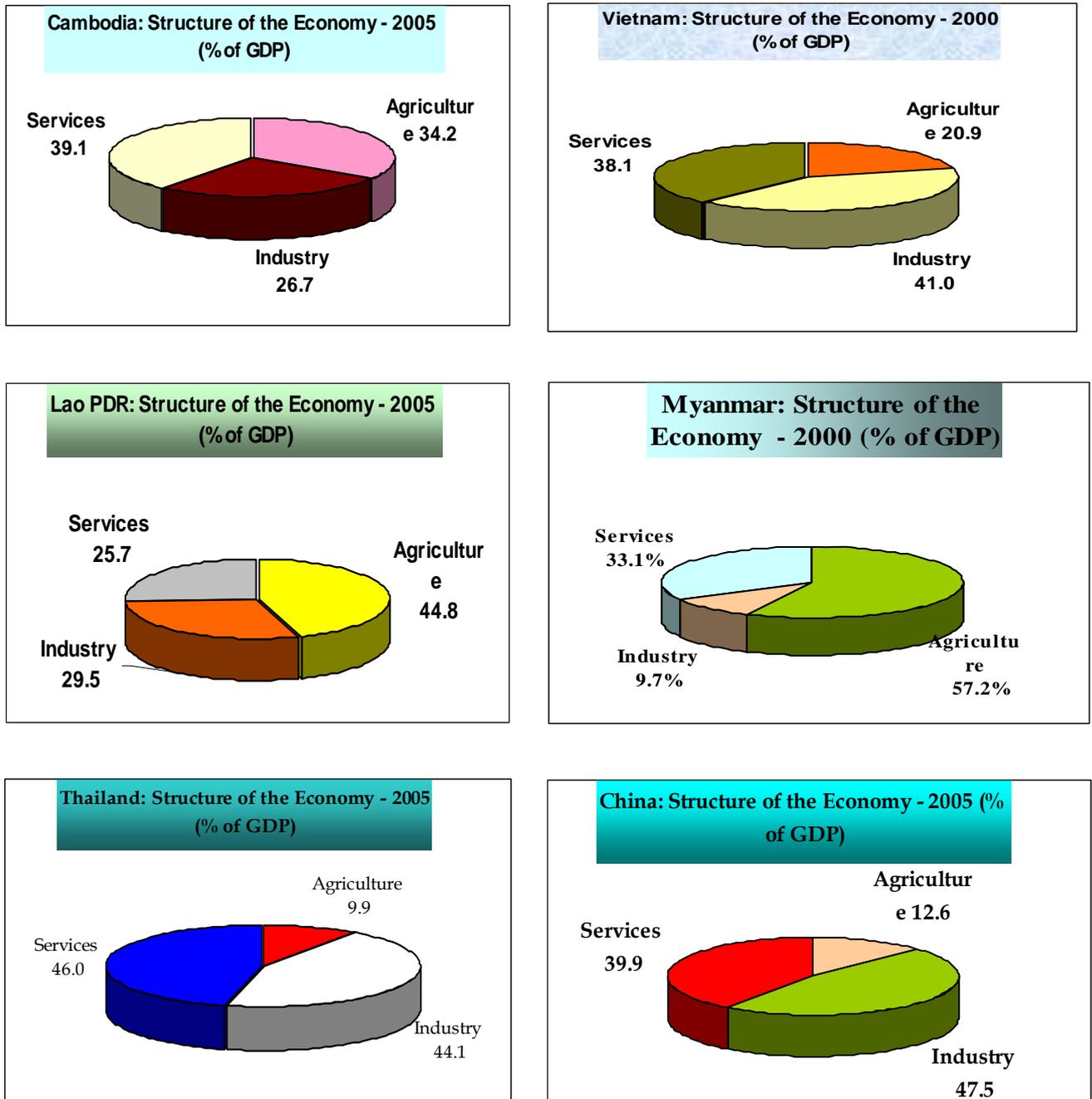
Sources: author's statistics compilation and calculation from the World Bank.

<http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=VNM>

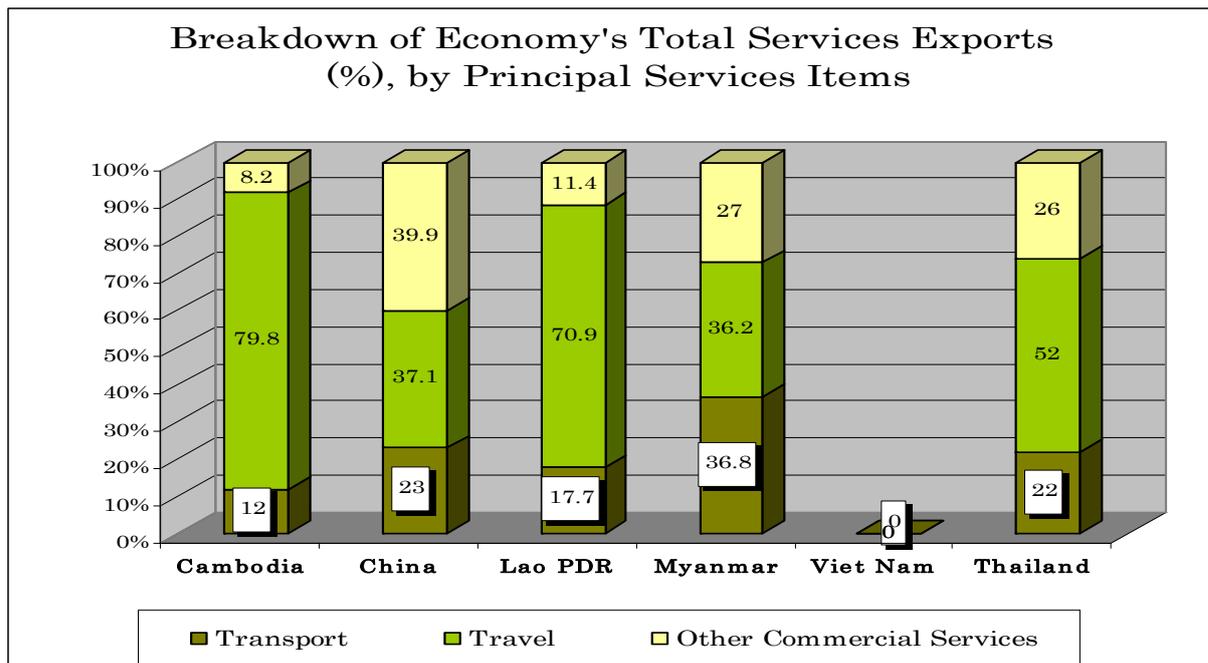
<sup>3</sup> The 6<sup>th</sup> package of Commitments under ASEAN Framework Agreement on Services were submitted by ASEAN members in 2007.

According to the World Trade Organisation (WTO), tourism accounts for 79.8% of Cambodia's export of transport, travel and commercial services combined. A similar pattern of services export can be found in Lao PDR, where tourism export takes up 70.9% of the total value of the above 3 services exports combined (See Figure 2).

**Figure 1: Economic Structure of GMS Countries**



**Figure 2: Breakdown of GMS Countries' Total Services Exports**



**Note:** No service export breakdown for Viet Nam available.

**Source:** WTO Trade Profile 2007

### **Regional Initiatives Towards Tourism Development in Asia**

The liberalisation of trade, investment and travel in GMS countries' borders in the early-1990s has led to economic, trade, and tourism growth in the border areas. The Asian Development Bank (ADB) estimated that foreign border area visitors account for 60% of all visitor movements to GMS countries, with their number reaching 24 million in 2004, or 19% rise from the previous year<sup>4</sup>. The level of border area visitor flows varies from country to country. China's Yunnan Province is the area that generated the highest flow of GMS border area visitors, amounting to 33% of the total border visitor flow to that region in 2004 (mainly to Eastern Myanmar and northern Vietnam), followed by Cambodia at 23% (mainly to Thailand), Thailand at 17% (primarily to Cambodia, Myanmar and Laos), and Myanmar at 16% (to Yunnan and Thailand)<sup>5</sup>.

As cross-border tourism plays a significant role in the overall expansion of the tourism industry in the GMS countries, sustaining its current level of growth and gearing the growth towards benefiting the poor and the socially and economically marginalised groups become a top priority policy for the governments. The ADB's Greater Mekong Sub-region Economic Cooperation programme which started in 1992 helps facilitate economic, trade and investment growth in the GMS region in a variety of sectors, tourism included. Under the Mekong Tourism Development Project

<sup>4</sup> 'Annex 2: Border Tourism' in *Greater Mekong Sub-region Tourism Sector Strategy (TA 6179-GMS) Volume II – Annexes*, Report submitted to the Asian Development Bank by Asia Pacific Projects, Inc., June 30, 2005.

<http://www.adb.org/Documents/Reports/Consultant/37626-01-GMS/vol2/37626-01b.pdf>

<sup>5</sup> *ibid.*

(MTDP), a Tourism Working Group (TWG) was established. Its members comprise representatives from the tourism authorities of the 6 GMS countries. The group meets bi-annually to discuss progress and strategic plans in the development of the tourism industry in the region. Issues discussed at the TWG include the facilitation of cross-border transport and pro-poor tourism. On cross-border transport, Cambodia – the lead country on the Southern Tourism Corridor Zone – initiated a consultation with Thailand on the single visa issue though details on procedures for the issuance of visas to foreign nationals and distribution of visa fees to each GMS country had to be further elaborated<sup>6</sup>. In addition, a website promoting tourism in the GMS region has also been initiated (<http://exploremekong.org/site/>).

On pro-poor tourism, the ADB outlines its poverty alleviation strategies in *The Greater Mekong Sub-region Tourism Sector Strategy* report whereby development of tourism should go hand in hand with the generation of income and jobs to both the urban and rural poor living in impoverished areas, as well as with local community empowerment, and with an increase in security in the areas of food self-sufficiency, health, land tenure, and the rights of women and children. To achieve this, the ADB sets out implementation plans that link natural, cultural, and historic tourist attractions to the location where poverty is prevalent, in order to offer members of poor communities opportunities for employment and new markets for their farm, handicraft, and other products. In 2005, the ADB initiated pro-poor tourism demonstration projects in all GMS countries. Considering the Southern GMS areas alone, the demonstration projects are being implemented in Stung Treng, Ratanakiri, and Siem Reap provinces in the case of Cambodia, Phongsaly, Houapan, and Xienghuang in the case of Lao PDR, and Ubon Ratchathani and Sisaket in the case of Thailand. The main objective is to lift 158,000 persons in the targeted area out of poverty by 2010 and up to 1.2 million by 2015.

In addition, a pro-poor tourism project was launched by the International Finance Corporation (IFC) under the Mekong Private Sector Development Facility (MPDF) programme. The project, ‘Stay Another Day’<sup>7</sup>, was implemented in the 3 GMS countries namely Cambodia, Lao PDR, and Vietnam, with an aim of drawing foreign tourists to spend additional time in the 3 countries after they have visited the countries’ main tourist attractions such as Angkor Wat in Cambodia or Luang Prabang in Lao. Tourists are encouraged to visit alternative tourist attractions such as remote rural communities, or non-profit organisations and socially responsible enterprises that conduct alternative tourism programmes that would benefit the poor. Such programmes include visiting Fairtrade-certified craft producers, visiting environmental NGOs to learn about their wildlife conservation activities, dining in hospitality training centres for the poor, or staying in a villager’s home-stay lodge. The purpose is to devise tourism as an income-generating tool for the poor and those who so far have not had an opportunity to enjoy what the growth of tourism has brought to certain sectors of the countries. The Mekong Private Sector Development Facility (MPDF) is a multi-donor initiatives financed jointly by various donor

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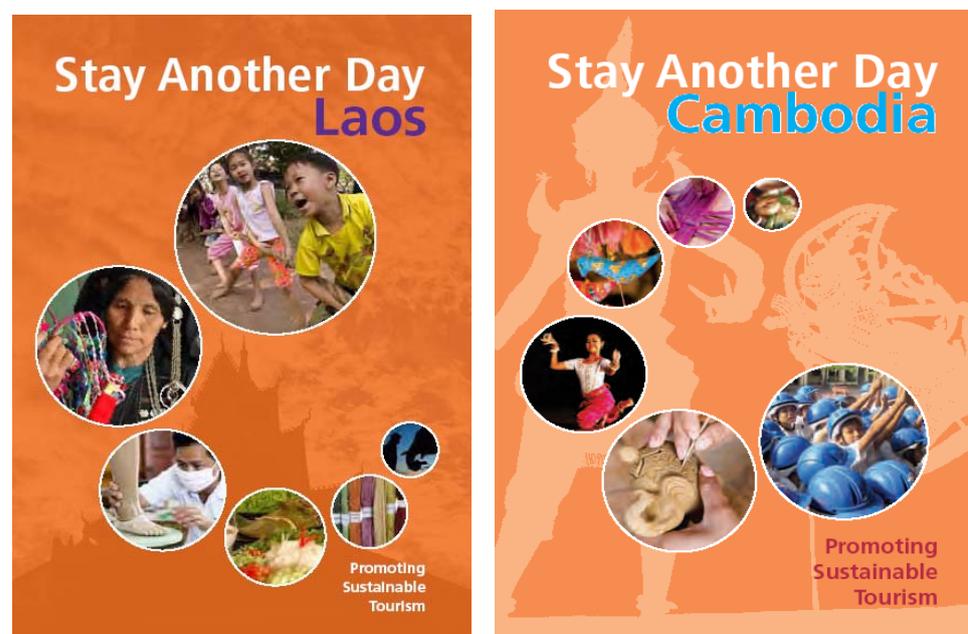
<sup>6</sup> Asian Development Bank Mekong Tourism Coordination Office (MTCO) ‘19<sup>th</sup> Meeting of the Working Group on the Greater Mekong Sub-region Tourism Sector Report’, 29-30 March 2007, Ho Chi Minh City, Viet Nam, p.12.

<http://www.adb.org/Documents/Events/Mekong/Proceedings/TWG19-Report.pdf>

<sup>7</sup> <http://www.stay-another-day.org/>  
<http://www.ifc.org/mpdf>

countries such as Australia, Canada, EU, Finland, Ireland, Japan, New Zealand, the Netherlands, Norway, Sweden, and Switzerland. Currently, the number of Stay Another Day member organisations are 52 in Cambodia, 45 in Lao PDR, and 17 in Viet Nam.

**Figure 3: Stay Another Day Booklets**



On a larger regional scale, a regional effort to jointly promote tourism has been launched by ASEAN member countries. In 2005, ASEAN Tourism Ministers have signed the Langkawi Declaration on ‘Shifting Paradigm – Prospering the Region’ to broaden and deepen their cooperation towards a complete ASEAN integration as part of the ASEAN Economic Community (AEC) plan by 2010, which includes close cooperation in the field of tourism among ASEAN members<sup>8</sup>. Member countries have jointly launched an ASEAN Tourism website ([www.asean-tourism.com](http://www.asean-tourism.com)) to promote the region as a travel destination for extra-regional tourists. Other cooperation is such as the ASEAN Tourism Association (ASEANTA: [www.aseanta.org](http://www.aseanta.org)) – a non-profit tourism association whose members are both public and private sector tourism organisations in ASEAN. One of the objectives of the association is to undertake marketing activities in promoting tourism to travellers around the world. These are but a few regional initiatives on tourism promotion to which both Cambodia and Lao PDR belong.

### **Tourism Liberalisation in Cambodia and Lao PDR**

With the intensification of trade liberalisation, more and more services sectors are included in most countries’ trade negotiations and liberalisation plans. Cambodia and Lao PDR are no exception. As their economies have gradually emerged from the centralised system where the state controlled most of economic activities towards a market economy, their services sectors are scheduled for liberalisation to be open for

<sup>8</sup> <http://www.aseansec.org/17089.htm>

foreign competition. This includes tourism, the major income-generating industry for both economies. The following section discusses Cambodia's and Lao's services commitments under several trade liberalisation frameworks.

### Cambodia

Cambodia has been an ASEAN member since 30 April 1999. The country has since submitted its services liberalisation commitments to other ASEAN members, as part of its obligations under the ASEAN Framework Agreement on Services (AFAS). The last AFAS package (the 6<sup>th</sup> package) was in 2007. Liberalisation of services under AFAS is a gradual effort for most of the ASEAN members, with more sub-sectors added over the period. This progressive process of liberalisation is in accordance with ASEAN's goal of becoming the ASEAN Economic Community (AEC) and to achieve 'free flow of services' by 2010. As part of this mission, tourism is one of the 12 priority sectors to be liberalised by 2010. As a result, AFAS has now become more comprehensive compared to other trade liberalisation frameworks to which ASEAN members have committed themselves, including the WTO GATS (General Agreement on Trade in Services). This is true at least in the tourism sector for Lao PDR, Cambodia, and Thailand. Appendix II presents the levels of tourism liberalisation and tourism sub-sectors committed for liberalisation by the 3 countries. It is clear that under AFAS, all 3 countries have made the highest level of commitments, compared to their commitments under GATS, the ASEAN-China as well as the ASEAN-Korea FTAs. Whereas Cambodia included 5 tourism sub-sectors in its AFAS schedule of commitments, the number of its tourism sub-sectors included in GATS is only 4. The sectors included in Cambodia's AFAS schedules are Hotels (CPC 64110), Restaurants (CPC 642, 643), Travel Agencies and Tour Operators Services (CPC 7471), Tourist Guide Services (CPC 7472), and Convention Centre<sup>9</sup>.

In general, Cambodia adopted a comprehensive approach to its services liberalisation. Most of the country's services scheduled for commitments under GATS openly welcome foreign investment, as the country scheduled 'None' for Mode 3 in most of its services sectors. However, no foreign equity holding limitation is specified in the Cambodia's Foreign Investment Law, the level of foreign equity limit in Cambodia's GATS schedule of commitment therefore varies according to the type of services under consideration. For example, foreign equity participation in the travel agencies service is limited to 51%, while in the case of convention centre, a 100% foreign ownership is allowed provided that the enterprise must offer services with the capacity to cater for at least 3,000 people. In addition, Cambodia also requires an economic needs test in certain sectors such as restaurants (CPC 642, 643), in which a permit to operate the business must be obtained and consideration for permit granting takes into account characteristics of the area which include a) the number of and impact on existing restaurants; b) historical and artistic characteristics of the location; c) geographic spread; d) impact on traffic conditions; and e) creation of new employment.

In the case of Thailand, the country's services commitments differ in some respects from those of Cambodia. Under AFAS, Thailand's level of commitment in tourism is

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<sup>9</sup> Note that under AFAS, Cambodia included 'Convention Center' in its tourism sector commitment whereas under the services sectoral classification used during the Uruguay Round, convention services was classified under the 'Other Business Services (CPC 87909)' and not under the Tourism sector.

relatively comprehensive, including 9 sub-sectors that mainly centre around accommodation businesses (Hotels, Motels, Holiday Homes, Caravan and Camping Sites etc.). The comprehensive list of sub-sectors included in its AFAS schedule reflects Thailand's confidence in its competitiveness among ASEAN members in the tourism industry. For most of the tourism sub-sectors under AFAS, Thailand decides to fully liberalise Mode 1, 2, and 3, allowing foreign investment from within ASEAN members to enter the market, with an exception of Travel Agencies and Tour Operator Services (CPC 74710) whereby an additional requirement on the number of board of directors being of Thai nationality is placed. Under GATS and ACFTA, Thailand commits 5 of its services sub-sectors, adding hotel management to its list. Throughout its tourism boom, Thailand has gained experiences over its restaurant and food catering businesses, as well as hotel management, spa, and other tourism-related industries. As a result, the country's bold commitments in tourism under AFAS reflect its strength in these businesses (For complete details of countries' schedules of commitments in tourism, see Appendix II.2-II.5).

One observation of Thailand and Cambodia's commitments lies in the tourist guide services. Cambodia included this service sector in its schedule of commitments under all of the 4 frameworks, although mode 4 of the tourist guide services is unbound except for executives and those in the managerial positions, as specified in the horizontal section. In addition, there is also a requirement for tourist guides to be of Cambodian nationality. Thailand, on the other hand, does not include tourist guides in any of its commitments in all of the 4 frameworks, since tour guides is included in List 3 of the Foreign Business Act which lists the types of business activities in which foreign enterprises are prohibited from engaging. In addition, tour guides is also one of the 39 professions reserved for Thai nationals. In the case of Cambodia, although the country specifies in its labour law the requirement that employers of any professionals must give first priority to Cambodian citizens (Article 263), no list stating which kind of professions are reserved for Cambodian nationals has been produced by the government<sup>10</sup>. As a result, tour guide service appears in Cambodia's commitment schedule and not in Thailand's. Another difference between the three countries is their approaches towards foreign investment. According to the Cambodia's Investment law, 100% foreign participation is allowed in all investment projects<sup>11</sup> including tourism<sup>12</sup>, although an additional requirement that foreign investment in hotels must be for the hotels of 3 stars or higher is added. Similarly, Lao PDR also grants foreign enterprises 100% participation in their investment in the country. On the contrary, Thailand's Foreign Business Act restricts foreign ownership in all business activities to 49% of the shareholding, which is seen by many as too restrictive and unwelcoming to foreign investors.

Among Least Developed Countries, Cambodia was one of the early WTO acceding countries since the organisation's establishment in 1995. A UNDP research investigated the issue of policy space in GATS and concluded that early WTO acceding LDCs such as Cambodia and Nepal may not have exercised their rights not

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<sup>10</sup> 'Labour Law in Cambodia' [http://www.cityu.edu.hk/searc/labourlaw/CM/html/CM\\_4.2.pdf](http://www.cityu.edu.hk/searc/labourlaw/CM/html/CM_4.2.pdf)

<sup>11</sup> 'An Interview with Ravy Khok, Secretary of State of the Ministry of Commerce, Royal Cambodian Government' Business in Asia.com <http://www.business-in-asia.com/interviews/Khekravy.html>

<sup>12</sup> 'Foreign Trade Barriers: Cambodia' United States Trade Representative (USTR) [http://www.ustr.gov/assets/Document\\_Library/Reports\\_Publications/2007/2007\\_NTE\\_Report/asset\\_up\\_load\\_file731\\_10931.pdf](http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/2007_NTE_Report/asset_up_load_file731_10931.pdf)

to liberalise their services sectors if they were not yet ready, as provided in GATS. Under GATS, LDCs are allowed to determine their levels of services liberalisation in order to meet their national development objectives. Article XIX specifies that the process of liberalisation shall take place with respect to national policy objectives and levels of development, while Article XIX.2 states that developing countries can open fewer sectors and progressively extend market access in line with their development situation. In addition, the Modalities for Special Treatment of LDCs adopted in the Special Session of the Council for Trade in Services on September 3, 2003 also grants further leeway to LDCs which are provided maximum flexibility in their liberalisation strategies, granted with the right not to remove market access (MA) conditions that are needed to achieve their development goals. Paragraph 3 and 9 of Annex C of HKMT mandates 'full and effective implementation of the LDC modalities, while Paragraph 26 of the Modalities also stated that LDCs are not expected to undertake new commitments under GATS) (Choudhary, ESCAP Research Workshop). Despite such provisions, Cambodia and Nepal decided to liberalise 11 of the 12 services sectors up for negotiation, with Cambodia being pressured to make concessions that were far deeper than the levels of commitments made by LDCs which were already members of the WTO. Choudhary further commented that the Market Access and National Treatment restrictions for both Cambodia and Nepal were mostly scheduled horizontally, leaving limited policy space for both countries. In addition, FDI (foreign direct investment) policies were not guided into priority sectors and activities with strong developmental effects. Choudhary's interpretation of Cambodia's services commitments was supported by a statement by a Thai MOC<sup>13</sup> official in charge of services negotiation, who told a story of how, at any ASEAN services negotiation meetings, Cambodian delegates would simply sit and wait for other ASEAN members to negotiate their requests and offers among themselves, since Cambodia has already made great concessions in its services liberalisation under GATS, and thus their services commitments are already quite comprehensive, making them more liberalised than other ASEAN members which continue to be highly protective of their services sector<sup>14</sup>. However, in its most important sectors such as tourism, Cambodia maintains its steady level of openness in all free trade agreement frameworks, since no additional commitments to cover new tourism sectors were scheduled by Cambodia in their offers under both the ASEAN-China and ASEAN-Korea FTA frameworks. Thus, the services sectors that Cambodia has liberalised to a large extent appears to be the sectors in which developed countries have comparative advantage, namely telecommunications, finance and banking,

### Lao PDR

Since becoming an ASEAN member in 1997, Lao has gradually expanded its coverage of services liberalisation including tourism. During the initial Package of commitments under AFAS (1997), Lao's first and only service sector that was scheduled for liberalisation was tourism. Later, the country added other services sectors such as financial services into its schedule of commitment, and modified its commitment in the tourism sector to better manage and attract good foreign

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<sup>13</sup> Ministry of Commerce.

<sup>14</sup> A comment from a Thai services negotiator during his lecture on services at the Training Course on "Enhancing Growth and Development in the Globalizing World", held at the International Institute for Trade and Development (ITD), Bangkok, September 1-12, 2008.

investment aimed to improve the country's position in the global tourism industry. Hence, while allowing all types of foreign investment in tourism, from joint venture (of which foreign investors must contribute at least 30% of total equity investment), to a wholly foreign-owned enterprise (100% foreign ownership), Lao has upgraded its requirements on foreign investors in the hotel business by specifying in its 6<sup>th</sup> package of AFAS commitments (2007) that hotels invested by foreign enterprises must be of the 3-star standards or higher, up from the 2-star standards specified in its 2<sup>nd</sup> package of the AFAS commitments (submitted in 1998). By doing so, the Lao government has created space for domestic investors interested in capturing a less capital-intensive market targeting lower-middle income tourists, while gearing foreign investment in tourism towards a more productive, skill-based, technologically advanced sector of tourism that would help upgrade services-providing skills of its local people, and to avoid putting local SMEs in head-on competition with more capitalised foreign investors.

As tourism development is part of the Lao government's promoted activities stipulated in Article 16 of its foreign investment promotion law, foreign enterprises investing in the tourism industry in a particular area of the country will be entitled to special investment privileges in terms of tax and duty exemption. The 3 promoted zones specified in the 2004 Law on the Promotion of Foreign Investment are entitled to the following tax benefits:

**Foreign Investment Promotion Zones and their Investment Incentives**

Zone	Description of Areas (Article 17)	Investment Incentives Related to Duties and Taxes (Article 18)	Other Duties and Tax Incentives
1.	Mountainous, plain and plateau zones with no economic infrastructure to facilitate investments	<ul style="list-style-type: none"> <li>• entitled to a profit tax exemption for 7 years;</li> <li>• thereafter, subject to profit tax at the rate of 10%</li> </ul>	1) During the tax exemption and tax reduction periods, the enterprise is entitled to an exemption of minimum tax.  2) Profits used for the expansion of licensed business activities will be exempted from profit tax during the accounting year.  3) Exemption of import duties and taxes on equipment, spare parts, vehicles directly used for production, raw materials which do not exist domestically or exist
2.	Mountainous plain and plateau zones with a certain level of economic infrastructure suitable to accommodate investments to some extent.	<ul style="list-style-type: none"> <li>• entitled to a profit tax exemption for 5 years;</li> <li>• thereafter, subject to a reduced profit tax rate of half of 15% for 3 years;</li> <li>• thereafter, subject to a profit tax rate of 15%</li> </ul>	
3.	Mountainous, plain and plateau zones with good infrastructure to support investment	<ul style="list-style-type: none"> <li>• entitled to a profit tax exemption for 2 years;</li> <li>• thereafter, subject to a reduced profit tax rate of half of 20% for 2 years;</li> <li>• thereafter, subject to a profit tax rate of 20%.</li> </ul>	

			but are insufficient, semi-finished products imported for manufacturing or for processing for the purpose of export; and  4) Exemption of export duty on export products
Profit tax exemption begins from the date of the foreign enterprise's commencement of business operations, except for tree plantation activities whereby tax exemption commences from the date the enterprise starts making a profit.			

The above law can be beneficial to foreign investors interested in developing facilities outside main city tourist destinations such as Luang Prabang or Vientiane, especially if the projects are geared towards eco-tourism, since this is the area of tourism that is being promoted by the Lao government. Foreign investment can be in the form of wholly owned enterprises or a joint venture with local entrepreneur, the latter of which requires at least 30% of foreign shareholding in the project.

As Lao PDR is not yet a WTO member but is expected to accede by 2010, its GATS services commitment is not available at present. The country, however, committed to liberalise 3 of its tourism sub-sectors under AFAS, namely Hotels (CPC 64110), Meal Serving Services with Full Restaurant Services (CPC 64210), and Beverage Serving Services without Entertainment (CPC 64310). Lao also maintains the same level of commitment in tourism under the ASEAN-Korea FTA, but does not include tourism as part of its commitment in the ASEAN-China FTA.

### **The Importance of Tourism in Cambodia's and Lao's Economies**

#### **Overview of Tourism in Cambodia**

Tourism and the garment industries are the two main lifelines of the Cambodian economy. Tourism generates income to a large portion of the country's population who are involved in all tourism-related sectors, from restaurants, hotels, to small and medium sized enterprises engaged in souvenir selling, tour guiding services, spa, and handicraft producing. The number of tourists arriving in Cambodia has steadily increased, from 118,183 tourists in 1993 to 2,015,128 people in 2007, or an almost 20-fold increase within the span of 14 years. The government expected the number of tourist arrivals to rise to 3.2 million people, and up to 5 million in 2015, with a rate of 20% increase on an annual basis<sup>15</sup>. The main destination for international tourists to Cambodia is Siem Reap. In 2006, the number of visitors to Siem Reap was 856,510 out of the total number of 1,700,041 visitors to Cambodia in that year, accounting for 50.38% of the total visitor arrivals in the country. In 2007, the figure has risen to

<sup>15</sup> Jiang Yuxia (2008) 'Foreign Tourist Arrivals in Cambodia to Increase by 20% on Annual Basis' *Xinhua*, January 7. [http://news.xinhuanet.com/english/2008-01/07/content\\_7377419.htm](http://news.xinhuanet.com/english/2008-01/07/content_7377419.htm)

1,120,586 visitors to Siem Reap out of 2,015,128 visitors for the entire country, or 55.61%<sup>16</sup>. The revenue generated by tourism also rose dramatically, from 100 million US dollars in 1995 to 1.4 billion US dollars in 2007 (See Table 1). Most tourists arrived from the Asia and the Pacific region, followed by Europe, America, Africa, and the Middle East (See Figure 5). The average length of stay in Cambodia for tourists is 6.50 days in 2007, a decline from an average of 8 days in 1995 (Table 1).

South Korea tops the list of the top 10 market arrivals in Cambodia in 2007, followed by Japan, USA, Viet Nam, and China. (See Table 2). Thai tourists ranked 7<sup>th</sup> in terms of the number of visitors to Cambodia while Viet Nam ranked 4<sup>th</sup>. The ACFTA and AKFTA are expected to bring an even greater number of tourists from China and Korea to ASEAN member countries, as trade between ASEAN and the two economies expands and more tourism-related services are created to cater for these emerging markets. The number of South Korean tourists to Cambodia has steadily risen in recent years, from 7,213 in 2004 to 33,702 in 2005<sup>17</sup> and jumped to 329,909 in the year 2007 (See Table 2). The surge in the number of South Korean tourists to Cambodia could be resulted from the launch of a direct flight between Seoul and Siem Reap in 2005, and the Seoul-Phnom Penh direct flight by South Korea's Asiana Airlines in 2006. Angkor Wat in Siem Reap is the main destination for South Korean tourists. The other activity that attracts a large number of tourists from South Korea is golfing. In 2008, Cambodia increased its number of golf course to 4 and expected to double it to 8 by 2010 to attract more high-end tourism to the country. In 2007, Cambodia opened two golf courses in Siem Reap near the Angkor temples. The third course backed by South Korean investors is expected to open in Siem Reap in 2009, while 3 other multi-million-dollar courses are under construction near Phnom Penh and along the border with Viet Nam, while another is also planned near a seaside resort of Sihanoukville<sup>18</sup>. Similar to Korean visitors, most Chinese tourists visit Angkor Wat in Siem Reap as the main destination. The Cambodian government Siem Reap's Angkor Wat, Phnom Penh City, and Sihanoukville beaches are the country's 3 main tourist attractions, while north-eastern provinces of Ratanakiri, Krajie and Stung Treng are promoted by the government as eco-tourism regions<sup>19</sup>.

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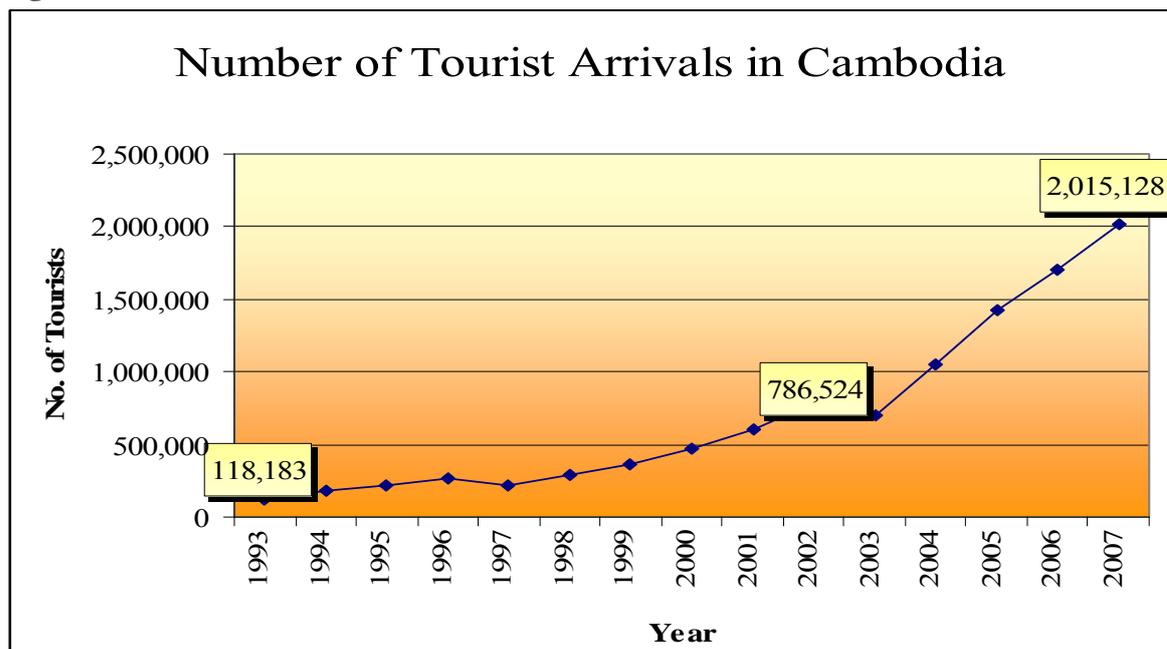
<sup>16</sup> 'Table V. Remark: Percentage Share of Visitor Arrivals at Destination from Jan.-Dec.2007' Tourism Statistical Report 2007, Statistics and Tourism Information Department, Ministry of Tourism, Cambodia. <http://www.mot.gov.kh/>

<sup>17</sup> (2006) 'South Korean Airline Starts Seoul-Phnom Penh Direct Flights' Asian Political News, May 30. [http://findarticles.com/p/articles/mi\\_m0WDQ/is\\_2006\\_May\\_30/ai\\_n26880548?tag=rel.res1](http://findarticles.com/p/articles/mi_m0WDQ/is_2006_May_30/ai_n26880548?tag=rel.res1)

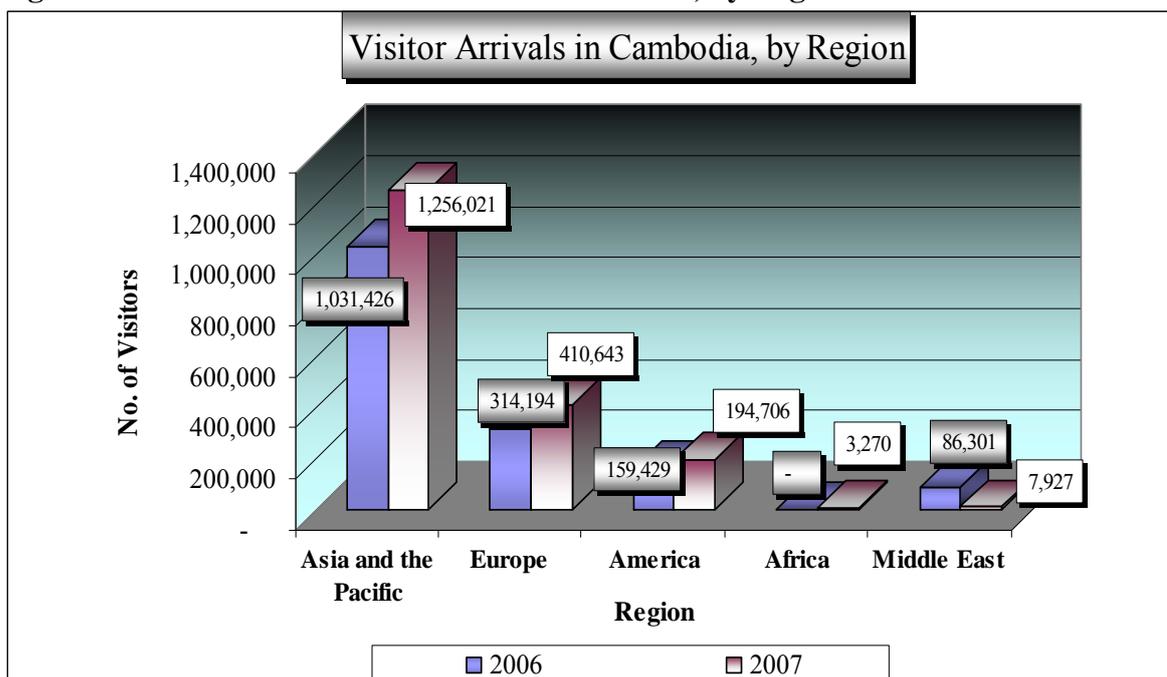
<sup>18</sup> (2008) 'Cambodia to Double Luxury Golf Course by 2010: Official Said' AFP, January.

<sup>19</sup> (2007) 'Cambodia Works on Access' TTG Asia, August 3, No. 1527. [http://www.ttgasia.com/index.php?option=com\\_content&task=view&id=13575](http://www.ttgasia.com/index.php?option=com_content&task=view&id=13575)

**Figure 4: Number of Tourist Arrivals in Cambodia**

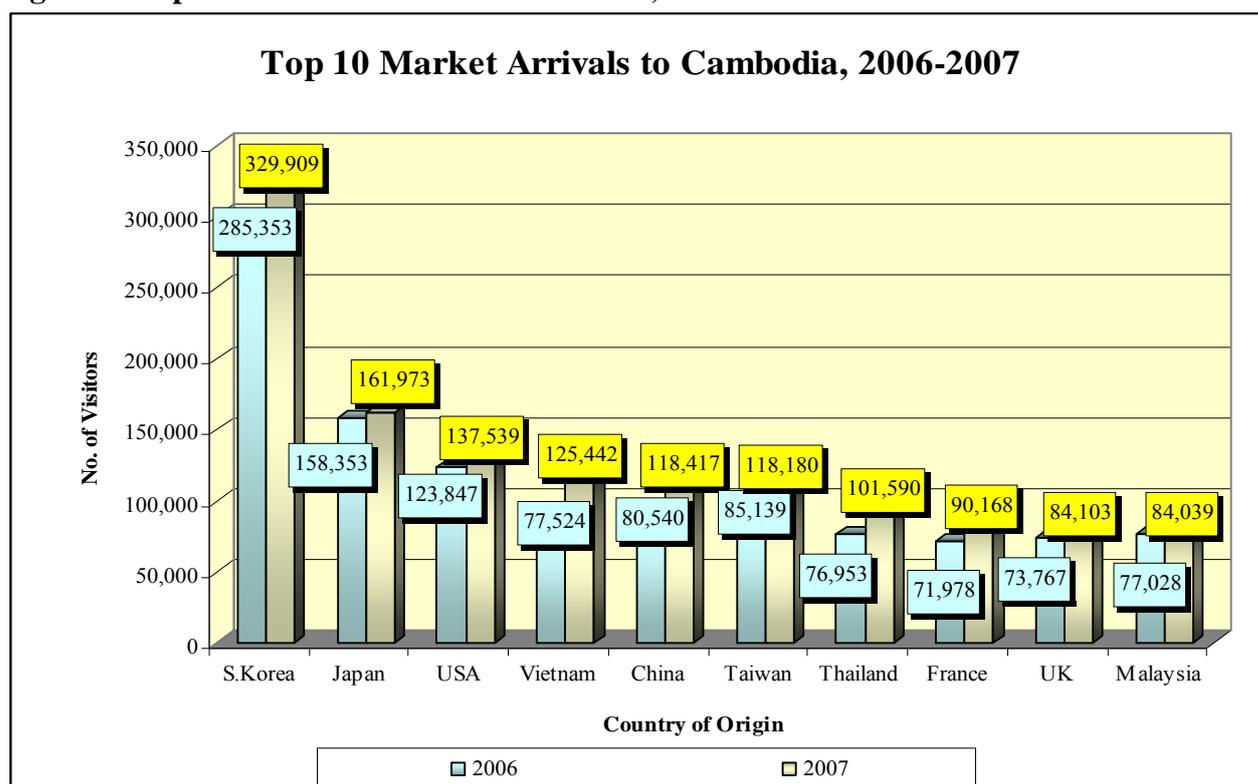


**Figure 5: Number of Visitor Arrivals in Cambodia, by Region**



Source: Tourism Statistical Report 2007, Cambodia's Ministry of Tourism

**Figure 6: Top 10 Market Arrivals to Cambodia, 2006-2007**



**Overview of Tourism in Lao PDR**

Tourism gained its momentum in Lao PDR after the country’s economic reform under the New Economic Mechanism (NEM) in 1986, which shifted the country away from the socialist system towards a market economy. As a result, the number of visitors to Lao has risen dramatically within the span of 15 years, from only 4,929 tourists in 1991 to 1.2 million people in 2006 (See Figure 7). Half of the tourist arrival is from Thailand. In 2006, Thai tourists accounted for 55.62% of the total number of tourists arriving in Lao. This was followed by travellers from Viet Nam, China, USA, France, UK, UK, Japan, Australia, Germany and Canada, although the figures of tourists from these countries remain small (See Figure 8).

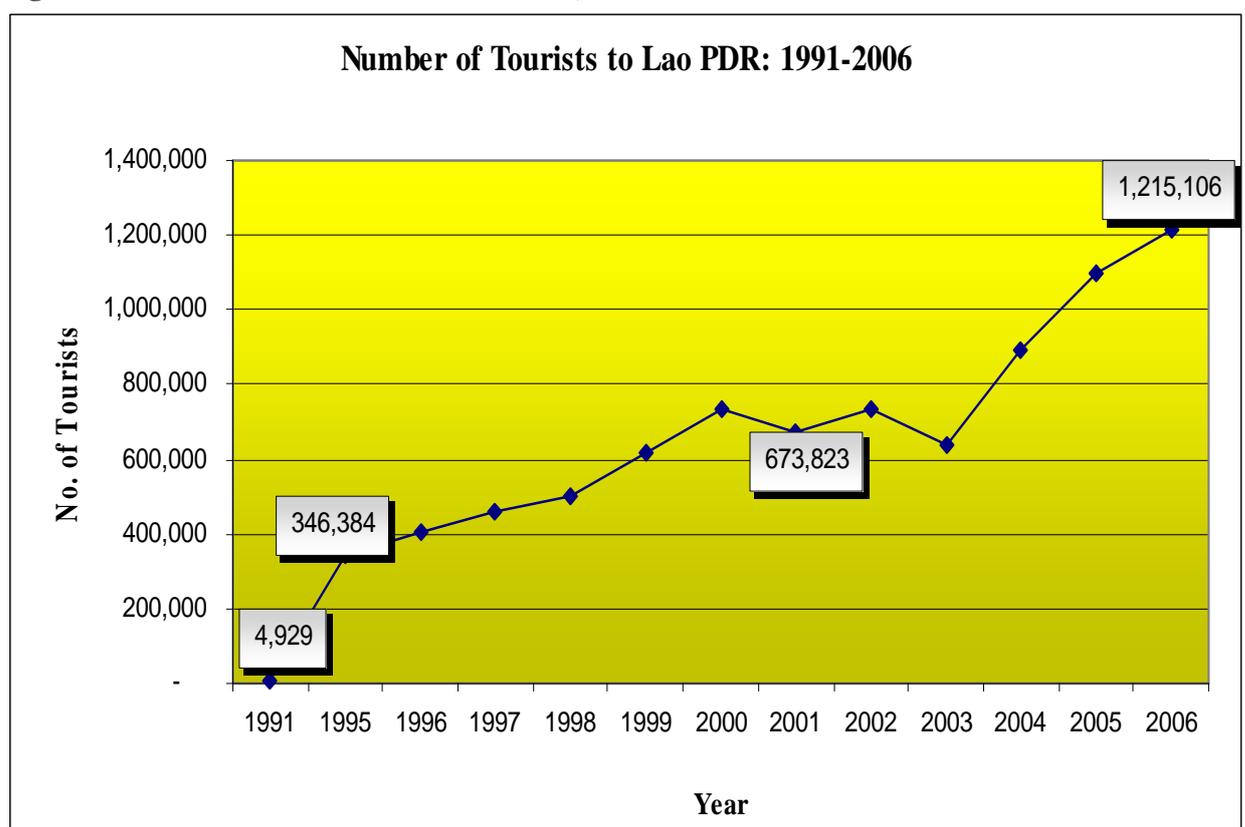
Tourism has become the highest revenue generator for the Lao economy since the year 2000. In 1999, electricity was the sector that generated the greatest income for the country, followed by tourism and garments. Since 2000, however, the position had shifted and tourism became the most important sector for Lao, generating the revenue of 113.8 million US dollars. In 2004, the figure rose slightly to 118.9 million US dollars (see Table 4). Garments was the second most important for the Lao economy in 2004, followed by electricity, which was mostly sold to Thailand.

In 2004, the capital city Vientiane was the main destination that attracts the highest number of tourists (544,253), followed by Savannakhet (118,821) – a border province connecting Thailand and Viet Nam – and Luang Prabang (105,513), a UNESCO World Heritage town which manages to maintain Lao’s traditional way and slow pace of life. Luang Namtha – the country’s eco-tourism destination – ranked 9<sup>th</sup> in terms of number of visitors, with only 41,658 tourists in 2004, although the number is

expected to have risen in the past few years (Table 3) as more tourists visit the country and as the province has become better-known among environmentally conscious travellers.

In terms of facilities for tourists, Vientiane the capital offered the highest number of hotels, guesthouses, and resorts catered for both business travellers and tourists, followed by Luang Prabang – the main cultural attraction of the country (Table 5). While Savannakhet had the second largest number of visitors in the entire country, the province was only a passing border point that connected Thailand at Mukdahan province and Viet Nam’s Dong Ha and Da Nang. Very few travellers stopped over in the city since it had few tourist attractions to offer and the choices of facilities catered for tourists such as hotels and restaurants remain limited. The construction of the Route 9 or R9 road initiated by the Asian Development Bank to be the East-West Economic Corridor for countries in the GMS region has not proven to benefit Lao PDR much so far, and Savannakhet felt the impact the most when it failed to retain tourists who have only used its city as a passing border point to other neighbouring countries without staying for more than a few hours. Thus, tourism-generated income in this area has been passed on to Thailand and Viet Nam with comparatively little benefits shared by Savannakhet.

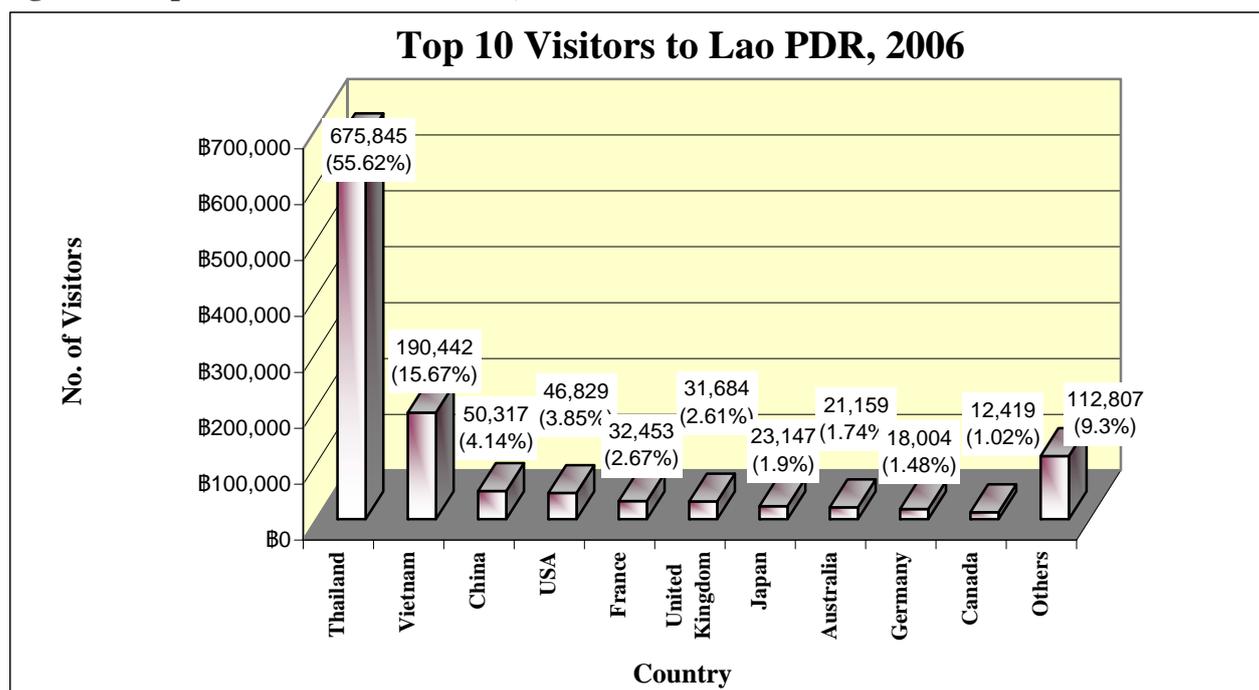
**Figure 7: Number of Tourists to Lao PDR, 1991-2006**



source: National Statistics Centre, Lao PDR

<http://www.nsc.gov.la/Statistics/Selected%20Statistics/Tourism.htm>

Figure 8: Top 10 Visitors to Lao PDR, 2006



## Tourism Strategies in Cambodia and Lao PDR

### Tourism Strategies in Cambodia

Since tourism contributes significantly to the Cambodian economy, the government of Cambodia has designated tourism as one of the crucial strategy for national development policy including (i) developing tourism for its socioeconomic benefits of earning foreign exchange, generating employment and income, contributing to Government revenues, and catalysing the expansion of other economic sectors, with the benefits of tourism accruing to local residents; (ii) developing various forms of tourism and dispersing tourism development widely throughout the country; (iii) developing tourism in a balanced manner, well integrated into the country's overall development policy, planning, and programming; (iv) using tourism to help conserve the country's historical, cultural, and environmental heritage and reinforce the sense of national identity; and (v) providing adequate training for personnel working in the tourism industry, and establishing an effective organisation and regulatory framework for tourism<sup>20</sup>.

To fulfil the country's tourism objectives, Cambodia has undertake several steps in the promotion of its tourism, both in terms of encouraging foreign investment in the country's tourism sector, and offering better services in the area of visa application. The following section discusses some of the initiatives taken by the Cambodian government, and their related problems.

<sup>20</sup> Asian Development Bank (2000) 'Technical Assistance (Financed from the Japan Special Fund) to the Kingdom of Cambodia for Building Capacity in Tourism Planning', June (TAR: CAM 33381).

*e-visa*

To accommodate its growing tourism industry, the Cambodian government has initiated several services to foreign visitors, one of which was an e-visa service which provides convenience to visa applicants. The project was introduced by Ministry of Foreign Affairs and International Cooperation in April 2006. Rather than physically submitting a visa application at a Cambodian embassy, travellers can apply for a tourist visa online by filling personal information and providing a valid passport with more than 6 months before expiration (as opposed to 4 months validity in the case of visa application at an embassy), and a passport-size photo in an electronic format. Payment is made online by a credit card. A USD 5 processing charge applies in the case of an e-visa, on top of a regular visa charge of USD 20. The process takes 3 working days. The Ministry of Foreign Affairs stated on its website that since its initial implementation, there have been 55,000 applicants of the Cambodian e-visa to date.

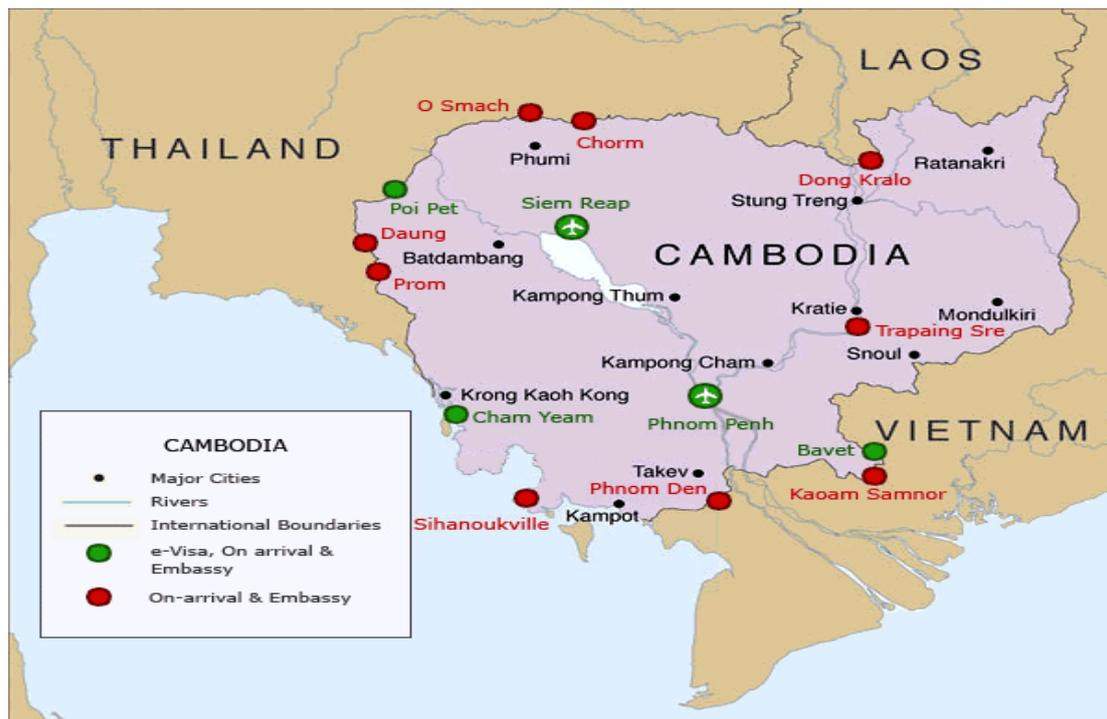
There are certain limitations to the current e-visa system of Cambodia. First, the e-visa does not cover all nationalities. As a result, citizens of certain countries namely Afghanistan, Algeria, Arab Saudi, Bangladesh, Iran, Iraq, Pakistan, Sri Lanka, Sudan, need to apply for a visa at their nearest Cambodian embassies. Secondly, the e-visa is not supported at all airports and border checkpoints in Cambodia. Only 2 most important international airports (Phnom Penh and Siem Reap airports) out of 11 civil airports (see Table 6 for a list of all airports) in Cambodia support e-visa. However, the current coverage is deemed sufficient at present considering other airports are small and mainly cater for domestic flights. It is expected that the e-visa facility will be improved and provided at other airports in the future once the airports are improved or rebuilt to facilitate the expected growth in tourist arrival, following the 200-million-dollar refurbishment of Sihanoukville International Airport and a reopening in January 2008 after having closed down since the early 1980s due to financial difficulties. The government expected that Sihanoukville will become Cambodia's largest international airport and a regional travel hub<sup>21</sup>. The fact that Cambodia offers an e-visa service reflects the country's progressive move towards enhancing its competitiveness in the tourism sector in Asia, especially in the GMS region, whereas a highly tourism-dependent country such as Thailand does not offer such tourist-facilitating services. The third limitation of Cambodia's e-visa is that it is applicable only for tourist visa and not for other types of visa such as Business visa, K-visa<sup>22</sup>, and Diplomatic visa, for which applicants must apply in person at a Cambodian embassy.

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<sup>21</sup> (2008) 'Cambodia's Largest Airport Planned for Seaside Resort: Minister Said' Radio Australia, January 12. <http://www.abc.net.au/ra/news/stories/s2137118.htm>

<sup>22</sup> Visa granted to persons whose original nationality was Cambodian and who hold foreign passports.

**Figure 9: Cambodia's Airports and Border Checkpoints Supporting e-Visa**



### *Visa Fees*

One of the problems that Cambodia may need to urgently rectify is the discrepancy between the on-arrival visa fees paid in Thai Baht and US dollars. Whereas the regular visa fee for entry to Cambodia is USD 20 per person, Thai tourists arriving at Cambodian airports or border ports are demanded by Cambodian immigration officers to pay THB 1,000, or an approximate equivalent of USD 29 per person<sup>23</sup> which is higher than what is normally charged to other visitors. Even though both Thailand and Cambodia are ASEAN members and are neighbouring countries, there is no visa exemption between the two countries. Whereas Filipino travellers can enter Cambodia visa-free, those from Thailand do not have such a privilege. An ASEAN-wide visa-free travel scheme for ASEAN nationals continues to be a vision without any effective implementation. Worse than being obliged to pay for a visa to enter a neighbouring country with histories of close economic ties, Thai nationals are overcharged a visa fee by Cambodian immigration officers. Such discrepancy creates confusion and unfairness to Thai tourists to Cambodia, and may affect Cambodia's tourism industry considering Thailand is the 7<sup>th</sup> largest market for tourist arrivals in Cambodia.

Not only Thai nationals but also long-term foreign residents in Thailand who need to leave the country to renew their visas on a regular interval basis (e.g. every 3 months,

<sup>23</sup> Using the exchange rate of USD 1 = THB 34, as of October 2008.

During the author's visit to Siem Reap in June 2008, several Cambodian immigration officers demanded that the author paid THB 1,000 for an on-arrival visa fee. When the author refused to pay in Thai Baht and insisted on paying USD 20, the immigration officers expressed dissatisfaction and annoyance but eventually allowed the author to pay only USD 20.

or what is often called a ‘visa run’), as well as foreign visitors travelling to Cambodia from Thailand, are also often demanded by Cambodian immigration officers to pay a higher visa fee in Thai baht at the rate of THB 1,000 per person. Many foreign tourists expressed discontent of such a practice on several Cambodian visa-related websites. Some wrote that when they refused to pay the differential fees, certain Cambodian immigration officers refused to grant them a visa to enter the country. Since Thai tourists and travellers visiting Cambodia from Thailand account for a significant proportion of the total visitors to Cambodia, unfair treatment such as this should be immediately removed if Cambodia wishes to maintain a steady flow of these groups of tourists to its country.

There have been talks between Thailand and Cambodia for an implementation of a common visa, leading to an agreement between both countries on the common visa being signed in 2007, but no concrete plan has materialised. It was originally hoped that if this bilateral scheme became successful, other ASEAN members such as Lao PDR, Viet Nam and Myanmar may join the project; however, no progress has been made since. One issue that has not been settled was how to divide the visa fee between participating countries. Another was the expectation that a single visa between Thailand and Cambodia would double the visa fee as it covered both countries, which may not appeal to foreign tourists who could already benefit from the free visa-on-arrival facility to Thailand (a 30-day free entry for selected countries). In January 2008, Malaysia urged all 10 ASEAN countries to adopt an ASEAN single visa for all 10 nations<sup>24</sup>. Later in the year in May 2008, Thailand once again urged the 10 ASEAN member countries to adopt a common visa, the idea which was welcome by Filipino President Macapagal Arroyo<sup>25</sup> but no concrete action has been implemented so far.

### ***Social and Environmental Problems Related to Cambodia’s Tourism Development Strategy***

Though liberalisation of tourism can bring great benefits to the country, the question of distribution of wealth and social-environmental sustainability is a major concern for Cambodia and any developing countries wishing to exploit its natural resources for the tourism industry. As Samnang and Hach have commented, Cambodia’s benefits from its generous commitments in the liberalisation of services and specifically in tourism are not very promising, considering major capital assets in Cambodia such as airlines, hotels, and airports are not owned by the Cambodians<sup>26</sup>. Many golf course projects planned to be constructed are either wholly owned by foreign investors or joint ventured between foreigners and a few rich Cambodians, such as the USD 100-million Cambodia-Vietnam Friendship Golf Resort along the two countries’ border which will be developed jointly by Cambodia’s Bada Investment Co. and a Malaysian firm – VXL. The project will also have a 450-room five-star hotel, with a helicopter service provided to carry tourists from Angkor Wat

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<sup>24</sup> Yusof Sulaiman (2008) ‘Malaysia Pushes for Single ASEAN Visa’ *eTurboNews*, January 22. <http://www.eturbonews.com/956/malaysia-pushes-single-asean-visa>

<sup>25</sup> (2008) ‘ASEAN/Tourism: Thailand Mulls ASEAN Visa’ *ASEAN Affairs*, May 25. [http://www.aseanaffairs.com/page/asean/tourism\\_thailand\\_mulls\\_asean\\_vis](http://www.aseanaffairs.com/page/asean/tourism_thailand_mulls_asean_vis)

<sup>26</sup> Chea Samnang and Sok Hach (2003) ‘WTO Accession for Cambodia: Opportunities and Challenges’ Economic Institute of Cambodia, November-December.

to the resort<sup>27</sup>. In 2006, the Cambodian government agreed to lease Snake Island (Koh Puos) off the coast of Sihanoukville to The Koh Puos Cambodia Investment Group – a branch of Vironia Enterprises Limited from Russia, for a period of 99 years in order to develop the island into a USD 300-million international resort<sup>28</sup>.

In addition, construction of large hotel chains and new residential and office units for foreign residents in Cambodia has driven up real estate prices, especially in the capital city where most business transactions of the country take place. As a result of the surge in the number of tourists and long-stay expatriates in recent years, land prices in Phnom Penh have risen at a phenomenal rate to USD 3,000 per square metre, up from merely USD 500 in the year 2000<sup>29</sup>. Long-term European expatriates prefer to stay along the chic riverside French quarter where traces of French architecture can still be found. This greatly drives the prices of the property market in the area: apartments along the riverside-French quarter starts from 49,000 British pounds, or approximately USD 79,286<sup>30</sup>. Rental prices have also increased 20 percent to 40 percent over the past year, according to Charles Villar, General Manager at Bonna Realty Group – the largest real estate agency in Cambodia. The rental cost of a large villa with five to seven bedrooms in a good location is approximately USD 5,000 per month, while the average rent for a two-bedroom place is ranged between USD1,300-1,500, depending on location<sup>31</sup>. These prices are considered phenomenal sums for the average Cambodians, 18.5% of whom live on less than \$1 per day and 34.7% of whom are below the national poverty line (in 2004)<sup>32</sup>. The UNDP's Cambodia Human Development Report 2007 expressed a concern of the sharp and rapidly widening gap in living standards between the large numbers of rural poor and urban elites, as well as the gap between the rural poor and a minority of rural rich<sup>33</sup>.

Many property projects are also planned to be developed by South Korean investors to cater for the growing businesses conducted by the South Korean population in Cambodia, the number of whom has rapidly risen from approximately 500 in 2002 to

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<sup>27</sup> (2007) 'Cambodia, Vietnam to Build Golf Course' *Reuters*, August 8.  
<http://www.smh.com.au/news/Sport/Cambodia-Vietnam-to-build-golf-course/2007/08/08/1186530450345.html>

<sup>28</sup> Amber Yao (ed.) (2008) 'Russian Company Builds Bridge for Cambodian Island Resort' *Xinhua*, July 6. [http://news.xinhuanet.com/english/2008-06/07/content\\_8325516.htm](http://news.xinhuanet.com/english/2008-06/07/content_8325516.htm)

In 2008, the Russian investor Alexander Trofimov, was sentenced to 13 years in jail by the Cambodian court for sexually abusing a 14-year-old girl. His lawyer argued that the court ruling sent a bad signal to foreign investors, as his client was a high-profile man and 'should not be sentenced by just one girl who pointed a finger at him.' See Ek Madra (2008) 'Russian Investor Gets 13 Yrs for Cambodia Abuse' *Reuters*, March 14. <http://www.reuters.com/article/worldNews/idUSBKK7921920080314>

<sup>29</sup> (2008) 'Tourist Growth Helps Boost Property Market in Cambodia' *Property Wire*, July 23.  
<http://www.propertywire.com/news/asia/tourist-growth-boost-property-cambodia-200807231361.html>

<sup>30</sup> Based on a rate of 1 British Pound equivalent to 1.61 USD.

<sup>31</sup> Sonia Kolesnikov-Jessop (2008) 'Openness to Trade is Transforming Cambodia's Capital' *International Herald Tribune* September 4.  
<http://www.cambodia.org/blogs/editorials/labels/Phnom%20Penh.html>

<sup>32</sup> 'Asian Development Bank and Cambodia: A 2008 Fact Sheet'  
[http://www.adb.org/Documents/Fact\\_Sheets/CAM.pdf](http://www.adb.org/Documents/Fact_Sheets/CAM.pdf)

<sup>33</sup> UNDP (2007) *Cambodia Human Development Report 2007: Expanding Choices for Rural People*, Ministry of Planning and United Nations Development Programme Cambodia.  
[http://www.un.org.kh/undp/index.php?option=com\\_docman&task=doc\\_details&Itemid=73&gid=43](http://www.un.org.kh/undp/index.php?option=com_docman&task=doc_details&Itemid=73&gid=43)

10,000 in 2008<sup>34</sup>. New shopping malls and apartments are being constructed in Phnom Penh, which will eventually change the city's landscape. Construction of a billion-dollar, 52-story 'International Financial Complex (IFC)' project is planned by the largest South Korean real estate developer – GS Engineering and Construction – in the heart of the Phnom Penh city and is expected to be completed by March 2012. The project will include a 52-story office block, a 32-story residential block with 275 units, and international school and a shopping mall with 1,064 units<sup>35</sup>. An even larger real estate project is planned by another South Korean company – World City Co. Ltd. – which is investing USD 2 billion to build a 'satellite' urban complex called Camko City on a 119-hectare land in the suburban area on the northwest side of the capital. The project is considered the single biggest foreign direct investment in Cambodia to date, and will include residential, commercial and public facilities: trade centre, convention and exhibition centre, financing centre, office buildings shopping centres, hotels, serviced residence, villas, condominiums, as well as public schools, hospitals, cultural centres and government offices. It is expected to be completed by 2018 (project period: 2005-2018)<sup>36</sup>. Another USD240-million condominium project 'Gold Tower 42' is planned by South Korea's DaeHan Real Estate Investment Trust. The prices of the units range between USD 460,000 to 1 million. Most of the buyers are Chinese and South Koreans<sup>37</sup>. The Korea International Trade Association reported that Cambodia became the second-biggest destination after China for Korea's overseas investment in 2007, with USD 1.3 billion's worth of FDI from South Korea going to Cambodia in that year<sup>38</sup>.

**Figure 10: Various South Korean Real Estate Investment Projects in Cambodia**

### 10.1 Gold Tower 42 in the heart of Phnom Penh



<sup>34</sup> Raphael Minder (2008) 'South Korean Investment Changes Cambodia' *The Financial Times*, September 23. <http://www.ft.com/cms/s/0/c246b518-88c1-11dd-a179-0000779fd18c.html>

<sup>35</sup> Long Heng and Xia Lin (2008) 'Cambodian Real Estate Market Heated up by S.Korean Projects' *Xinhua*, June 18. [http://news.xinhuanet.com/english/2008-06/18/content\\_8395369.htm](http://news.xinhuanet.com/english/2008-06/18/content_8395369.htm)

<sup>36</sup> From the World City Co., Ltd. Website. <http://www.worldcitycambodia.com/>

<sup>37</sup> Geoffrey Cain (2008) 'Korean Investors Reach for Cambodian Skies' *Asia Times*, September 16. [http://www.atimes.com/atimes/Southeast\\_Asia/J116Ae02.html](http://www.atimes.com/atimes/Southeast_Asia/J116Ae02.html)

<sup>38</sup> (2008) 'Cambodia, Laos See Surge in Korean Investments' *Arirang News*, June 25. <http://english.chosun.com/w21data/html/news/200806/200806250006.html>

## 10.2 International Financial Complex, Phnom Penh



## 10.3 Camko City, North-West of Phnom Penh



It is clear that the Cambodian government's strategy towards tourism development is to use mainstream growth-oriented approach rather than focusing on the environmentally sustainable and community-focused type of tourism, but the question of environmental sustainability amidst the growth of Cambodia's tourism industry cannot be avoided. Cambodia's main mission appears to be on the development of large-scale tourism facilities targeting at mass international travellers and upscale foreign residents, which if not carefully planned, can lead to adverse environmental impacts to local areas and nearby residents. The plan to develop several large-scale golf courses to cater for South Korean, Chinese, and other foreign tourists may come at the expense of the environment, as large area of land must be cleared for the construction of golf courses, which means changes of the natural landscape, destruction of the ecological systems and natural habitats of many species and destruction of biodiversity in the area. Maintenance of the golf courses also requires a large amount of continuous water supply, and relies on the use of fertilisers and pesticides to maintain green fields. On the social aspects, construction of luxurious golf courses on a vast area of land to cater for high-end tourists while the majority of the population remains poor and are in need of land, public space, and social services

seems to impede the country's human development agenda. This is also true in the case of urban development. An old hospital was pulled down and slum dwellers in the nearby area were evicted by the police and relocated to a rice field outside the capital in order to make way for the 42-story 'Gold Tower 42' project that is being constructed at the heart of Phnom Penh.

This leads to a more pressing issue of 'land grab' and forced eviction of local residents out of their land to make way for new property development projects in Phnom Penh, Siem Reap, and other tourist towns. The problem of land grab and eviction of Cambodian residents have long existed and is escalating, as more foreign investors flock to the country, and more of the new riches in Cambodia emerge as the country follows the route of capitalism through exploitation of their natural resources. In 2000, a Cambodian lawmaker Son Chhay discovered that the property he had owned for 5 years outside Siem Reap was declared by the Council of Ministers to be the area for a 'hotel development' zone. As a result, Chhay and other 150 families were ordered to leave the land and were offered between USD 30 cents and USD 2 per square metre, whereas the actual land's worth can easily be USD 50 per square metre, and after having been passed from the government-appointed Apsara Foundation to the Sokha Hotel Resort and later to the luxury Angkor Resort Hotel, the land is now worth 20 times more than that. The UNDP Cambodia Human Development Report 2007 voiced a concern of a sharp rise in land inequality in Cambodia. Between 1999 and 2003-2004, the share of land held by the poorest two-fifths of the population declined from 8.4% to 5.4%, while the proportion of land owned by the richest one-fifth has risen from 59 to 70%<sup>39</sup>.

Cases on forced eviction taken to the court by the villagers are distorted as corruption is widespread in Cambodia's justice system. An NGO - the Asian Legal Resource Centre (ALRC) estimated that the problem of land grab affected more than 5,000 Cambodian families in 2007, and another 150,000 Cambodians were at risk<sup>40</sup>. The Cambodians lost their land title in the 1970s when the Pol Pot government abolished land title and drove people off their land and forced them to work on rural communes. Many had died from starvation and war during the Pol Pot regime. In 1992, the new law was passed and land title was returned to war survivors, as the law stated that anyone who occupied land legally for five years could claim land ownership. However, as land prices rise due a large part to land speculation, the law seems to be ignored<sup>41</sup>. Part of the problem is the land ownership registration process, which is supposed to be free of charge but in fact small bribes ranging between USD 10-20 are needed at every step of the registration process. To have the registration legalised, for example, would cost USD 70, an amount of which most the average Cambodian cannot afford<sup>42</sup>. Another problem is the lack of the government's capacity to process land claim applications. In December 2006, only 0.57 million land titles had been issued under systematic titling (i.e. Government initiative), and 0.58 million under

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<sup>39</sup> Cambodia Human Development Report 2007, 48.

<sup>40</sup> Jo Baker (2008) 'The Great Land Grab' *South China Morning Post*, October 7.  
[http://groups.google.com/group/camnews/browse\\_thread/thread/140de69a686c2fb7/11df9edba6ba7f54?lnk=raot](http://groups.google.com/group/camnews/browse_thread/thread/140de69a686c2fb7/11df9edba6ba7f54?lnk=raot)

<sup>41</sup> Eric Campbell (2006) Cambodia Evictions' *Foreign Correspondent TV Documentary*, ABC Australia, 10 October. <http://www.youtube.com/watch?v=UEZb59cZUiY&NR=1>

For Transcript, see <http://www.abc.net.au/foreign/content/2006/s1764713.htm>

<sup>42</sup> Jo Baker (2008).

sporadic titling (i.e. client initiative), which are small figures compared to the 6-7 million land claims that had been filed. The lack of governance and fair decisions on land title had led to a rise in land conflict cases. In 2005, a total of 28,219 land conflicts were reported to the Ministry of Planning, compared to 26,353 cases in 2004, 25,442 cases in 2003 and 26,510 in 2002. The UNDP reported that conflicts emerged and persisted because authorities were 'neither fully geared for land registration and titling, nor for quick, fair and inexpensive arbitration of land disputes.'<sup>43</sup>

In addition, even though the resettlement to a new location was arranged for destituted villagers, many of the new sites have inadequate or none of on-site infrastructure provided to the villagers. Most have no running water, electricity, hospital or markets. In addition, since the new locations are far away from the city and few economic activities take place in the area, the job prospects for many relocated villagers are dim while food costs are higher than in the city as vendors claim that they must transport food from far away to be sold there, making them obliged to sell food at more expensive prices than the average costs in the city. In addition, most of the villagers must travel far to the city daily to earn a living, adding more to their daily costs of living. Lives for many of the displaced population are therefore worse off than when they lived in the city's slum area<sup>44</sup>.

While tourism and economic growth have lifted many Cambodians out of poverty, benefits from such economic growth are not always distributed evenly. More alarming is the fact that the poor and the underprivileged are marginalised by the course of this economic development resulted partly from the lack of a well-managed plan for the tourism sector. They are the ones that are left to bear its adverse consequences. Cambodia's aggressive tourism strategy which resonates Thailand's badly-planned tourism approach in its initial phase of tourism development may come at a high cost to the country's social and environmental stability. It may be worthwhile for Cambodia to rethink its tourism plan and better take into account other social and environmental factors that may hinder its long-term sustainable growth.

Unlike Cambodia, Lao PDR appears to have taken a different route for its economic development, by carefully crafting a pro-sustainable development plan for its tourism industry. The following section discusses Lao's strategy towards tourism and potential lessons that can be learned from its sustainable tourism experiences.

### **Tourism Strategies in Lao PDR**

Although the Lao government puts tourism as a flagship sector for economic development, Lao's strategy to use tourism as an income generation tool differs from those of many other countries that allow the tourism sector to exploit natural resources without paying attention to the costs of such development. Rather than going down the route of a trade-off between economic growth and environmental

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<sup>43</sup> Cambodia Human Development Report 2007, 56.

<sup>44</sup> (2008) 'Cambodia Land Grab' 101 East TV Documentary, *Aljazeera News*, 24 July. See <http://www.youtube.com/watch?v=JHJinljTkcc> or <http://english.aljazeera.net/programmes/101east/2008/07/20087231229542479.html>

degradation, Lao decides to devise tourism policies that are geared towards sustainable development based on the concepts of community-based and eco-tourism.

Tourism has been set as one of the 8 national priority programmes of the Lao government since 1996 when it was adopted by the National Assembly. The 8 priority programmes consisted of:

- Food production
- Commercial production
- Stabilisation of shifting cultivation and resettlement of shifting cultivators
- Rural development
- Infrastructure development
- Foreign economic relations
- Human resources development
- Services development (including tourism, trade, banking and finance).

The Lao government has been promoting tourism on the basis of its national culture and natural environment since the 1990s. The country's virtually untouched natural beauty and biodiversity, historical sites, and the historic capital of Luang Prabang – a UNESCO World Heritage site since 1995 – are main attractions that draw a large pool of tourists to the country. In the preparation for the launch of 'Visit Laos Years 1999-2000', the government had invested in the construction and maintenance of infrastructure such as roads, electricity, telecommunications, water supply, airports, hotels, restaurants, and tourist sites in order to accommodate arriving tourists. Since February 1997, the government has relaxed its immigration rules by issuing a 15-day arrival visas at 13 checkpoints. Visa processing from outside the country was also sped up. Requirement on travellers to first obtain entry permission before travel within the country was also removed in March 1994, which had enabled tourists to travel without joining package tours. In addition, Lao also joined its neighbouring countries such as Myanmar to promote tourism within the 'Golden Triangle' while also being a member of the Mekong Forum on Tourism. Cooperation with regional partners was aimed at boosting the number of tourists entering its country<sup>45</sup>.

The rich natural resources that remain in the country have attracted foreign investment to Lao PDR. Most of the FDI concentrates in the investment of hydropower and the processing of forestry products, although a growing number of projects in tourism is also witnessed. Most foreign investment in Lao PDR comes from Thailand. Between 2000-September 2006, Thailand topped the list of FDI projects in Lao, with 130 projects in total having been licensed, amounting to 1.269 billion US dollars. This was followed by Viet Nam (USD 745 million), China (USD 705 million), France (USD 428 million), and Japan (USD 414 million)<sup>46</sup>. During the same period, there were 45 FDI projects in hotels and restaurants businesses worth USD 102 million<sup>47</sup>. With foreign investment incentives and tourism being one of the flagship areas in the

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<sup>45</sup> Sayo Yamauchi and Donald Lee (1999) *Tourism Development in the Lao People's Democratic Republic*, DESA Discussion Paper No. 9 (ST/ESA/1999/DP.9), United Nations, June.  
<http://www.un.org/esa/desa/papers/1999/esa99dp9.pdf>

<sup>46</sup> (2006) *2007 Investment Climate Report: Lao PDR*, U.S. Embassy, Vientiane, Laos, December.

<sup>47</sup> Ibid.

national development agenda, investment in eco-tourism in Laos seems highly attractive. This is supported by the government's change of policy in FDI in tourism. Previously, tourism businesses are reserved only for Lao nationals, but when the VIII Congress Resolution of the Fifth National Assembly members adopted the Tourism Laws, restriction imposed on foreign investors was relaxed. Now, foreign investors are able to invest in the tourism sectors<sup>48</sup>, although a business license is required. For tour operators, a minimum investment of USD 200,000 with assets, demonstrable market share, and a detailed business plan are also required<sup>49</sup>.

To devise its tourism sector for sustainable economic development of the country, the Lao government has developed a Tourism Development and Promotion Strategic Plan 2006-2020. The plan aims to promote tourism businesses and activities management while engaging in advertisement promotion, tourism marketing, and human resource development, the areas in which the country lacks expertise. Moreover, the Lao government also developed the National Ecotourism Strategy and Action Plan and set its vision to 'become a world renowned destination specialising in forms of sustainable tourism that, through partnership and cooperation, benefit natural and cultural heritage conservation, local socio-economic development and spread knowledge of Lao's unique cultural heritage around the world.'<sup>50</sup> Through these strategies, the government hopes to share the benefits of tourism with local communities at all levels of societies, which will fulfil its mission of poverty alleviation.

As mentioned earlier, Lao's strengths in the tourism industry lie in its natural beauty, ethnic and cultural diversity, biodiversity, tranquillity, and political stability. Its weaknesses, however, are the lack of adequate public infrastructure such as roads, public transportation, telecommunication networks, and facilities to accommodate modern modes of transportation. The government's strategy, then, appears to be focusing on making use of the country's richness in natural assets to achieve sustainable development through community participation and environmental conservation. The Nam Ha Eco-Tourism Project in Luang Namtha Province is a case in point. The project has proven successful and demonstrates that devising tourism for sustainable economic and community development is possible, and mainstreaming tourism for short-term growth at the expense of long-term sustainability is not always the answer.

### ***Eco-Tourism and Sustainable Development in Lao: the Case of Luang Namtha***

Luang Namtha is a province located in the northwest region of Lao PDR and shares its border to the north with China and to northwest with Myanmar. The province has the area of 9,325 square kilometres and only 145,310 inhabitants who engage in subsistence agriculture such as rice, while growing some commercial crops such as corn, cassava, peanuts, sugarcane, peppers, and rubber. Within the province, there are

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<sup>48</sup> 'Lao PDR Tourism Strategy 2006-2020' (Unofficial Translation).

<sup>49</sup> Tara Gujadhur, Acksonsay Linphone, Ongeun Panyanouvong (2008) 'Report: Nam Ha Ecotourism Project Phase II. Final External Evaluation' 29 June.

<sup>50</sup> Lao National Tourism Administration 'National Ecotourism Strategy and Action Plan: 2005-2010'

20 different ethnic groups including the Akha, Tai Lue, Kmhmu, Tai Dam and Hmong, while the ethnic Lao comprises less than 3% of the provincial population<sup>51</sup>.

The Nam Ha Eco-Tourism Project was launched in October 1999 by the National Tourism Authority of the Lao PDR (NTA), with cooperation from the Ministry of Agriculture and Forestry, Department of Protected Areas and Watershed Management and the Ministry of Information and Culture. The project was financed by grants from the Government of New Zealand and the International Finance Corporation, with the UNECO office of the Regional Advisor for Culture in Asia and the Pacific as the executing agency providing technical assistance and monitoring the project. The principle implementation agency was the Luang Namtha Provincial Tourism Department. Phase I of the project lasted 3 years from 1999 to 2002. After its success, the project entered Phase II in March 2005.

Most of tourist activities in Luang Nam Tha province are related to ecotourism such as trekking, visiting ethnic villages, caves, waterfalls, camping, rafting, kayaking, mountaineering, and cultural shows. The number of tourists to the province has steadily increased, contributing to USD 5,166,405 in provincial tourism earnings in 2007 – a rise from USD 2,600,570 in 2001<sup>52</sup>. The rise in tourists to the area has improved employment conditions in the area: 300 workers are employed by the accommodation sector in the province, with 94 full and part-time guides, and hundreds and thousands of people working in tourism-related businesses such as restaurants, construction projects, tour agencies, transportation, handicraft production, and food supply.

One of the major achievements of the Nam Ha Project was its tourism revenue sharing scheme, the development of public funds for tourism management, village development and conservation activities. For example, the Provincial Tourism Office and the National Protected Area as well as other stakeholders jointly develop 10 small scale Integrated Conservation and Development Initiatives in Target Villages, monitor the management of the Village Development Fund, and set up 6 village CBE natural resource reserves. In the *Khao Rao Cave Development* project, a revenue-sharing scheme was enforced, which allowed villagers to retain 50% of the entrance fees, provided that they must ensure that the cave formations are not damaged, a local guide accompanies all groups into the cave, and the 200 metres of forest between the cave and roadside is not degraded. Moreover, to support private-sector businesses in ecotourism, the project also developed a 'Designing and Operating an Ecolodge in the Lao PDR' manual for those who are interested in starting an eco-friendly accommodation<sup>53</sup>.

Consultation of the activities with local communities has contributed greatly to the success of the project, although the study by Sitikarn, Srikam, and Jaima revealed that even though the Luang Namtha eco-tourism project seemed to conform to the community-based tourism concepts in respect to conservation and local income

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<sup>51</sup> Tara Gujadhur, Acksonsay Linphone, Ongeun Panyanouvong (2008) 'Report: Nam Ha Ecotourism Project Phase II. Final External Evaluation' 29 June.

<sup>52</sup> Ibid., p.4.

<sup>53</sup> (2005) 'Designing and Operating an Ecolodge in the Lao PDR: Suggestions for Local and International Investors' Mekong Tourism Development Project, Lao National Tourism Administration-Asian Development Bank.

generation, problems such as lack of local participation in decision making and planning due to the top-down approach were still faced by the community<sup>54</sup>. Nevertheless, many positive outcomes from the project has made it a model for CBE projects in other areas of the country, such as the Savanakheth Ecotourism Programme, the DED Ecotourism Programme in Phou Khao Kouay, the GTZ Ecotourism Programme in Muang Sing, and the EU Ecotourism Programme in Vieng Phoukha. It is this type of community-based ecotourism that developing countries should consider adopting, for it helps alleviating poverty in the area where tourism activities take place, as well as promotes environmental conservation, both of which are crucial for long-term development of developing countries.

### **Conclusion**

Although both Cambodia and Lao PDR are categorised as LDCs, currently are at the similar stage of economic development, and rely heavily on the tourism industry as their main income-generating sector, the approaches to tourism development taken by both vastly differ from each other. While Cambodia appears to have adopted a strategy that focuses on large-scale projects that cater for the mass of tourists to its country, Lao PDR seems more careful in the strategy it adopts, and is more selective of what type of tourists it wants. As discussed in this paper, Cambodia's pro-growth approach to tourism has destituted many of the poor and marginalised them from the process of economic development. Lao's policy, on the other hand, has taken the poor into more consideration, as it aims to make the benefits derived from the tourism industry trickle down to local communities while simultaneously protecting the environment.

Adverse consequences that are emerging amidst its booming tourism and other-related sectors in Cambodia are not necessarily the results of the country's trade and investment liberalisation policy. More likely is the issue of governance and the choice of policy adopted by the country i.e. how to manage economic growth without harming other sectors of society, and what types of investment it plans to attract. In fact, both Lao PDR and Cambodia continue to be somewhat protective of their tourism sector, having been fully aware of the importance tourism has on their economies, and their ability to take advantage of their national heritage and natural resources as valuable assets to attract foreign visitors and generate income from the tourism sector. Their protective policy on tourism is reflected in the limited list of tourism services sub-sectors included in both countries' schedules of commitment under GATS (in the case of Cambodia) and AFAS (in the case of both Lao and Cambodia). Furthermore, even under new trade agreements of which both Lao and Cambodia are members, namely the ASEAN-China and ASEAN-Korea FTAs, no further tourism liberalisation has been committed by both countries compared to their existing levels of commitments under GATS and AFAS. This is because no additional tourism sub-sectors are scheduled for liberalisation by both countries in the

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<sup>54</sup> Bussaba Sitikarn, Watcharee Srikam, and Siritattana Jaima (2008) 'Potentiality of Community Based Tourism in the Northern Economic Corridor of the Greater Mekong Sub-Region: a Case of Chiang Khong District in Thailand and Luang Namtha District in Lao PDR' Mekong Institute Research Workin Paper Series No. 04/2008, Mekong Institute, April.

ACFTA and the AKFTA. Hence, it can be said that tourism continues to be a protected service sector for both countries and therefore, adverse social impacts that take place in Cambodia cannot be said to be contributed by the adoption of a too-liberal approach to tourism. In addition, when comparing the investment law of Lao and Cambodia, it is discovered that the former appears to have a more relaxed FDI law compared to the latter. According to Lao's Foreign Investment Law, FDI is allowed to the country both in the forms of joint venture (up to 30% of foreign equity holding) and wholly foreign ownership (100%) for all services sectors. Cambodia, on the other hand, does not specify any foreign equity holding limit in its investment law. Instead, foreign equity limit is set at varying levels depending on the type of services being discussed, such as 51% foreign share holding in the cases of restaurant and 100% for convention centre services with 3,000-people capacity. Consequently, it can be concluded that despite Cambodia's more restrictive foreign investment law in writing compared to that of Lao PDR, in practice the country opts for a liberal but not so well-planned approach to attracting FDIs, which has led to problems of land conflict, destitution of the poor, and uneven distribution of wealth among its own population.

One question that has arisen is whether accession to the WTO will lead Lao PDR down along the same path as that of Cambodia, as pressure to liberalise is inevitable in the accession process. Although it is highly likely that Lao PDR will be heavily pressured by other existing WTO members to open up its economy for trade in goods and services, there are also provisions in the WTO that can offer protection to a less developed country like Lao to choose an appropriate pace for its services liberalisation. As mentioned previously, Article XIX and Article XIX.2 of GATS, as well as the Modalities for Special Treatment of LDCs adopted in the Special Session of the Council for Trade in Services on September 3, 2003 offer great flexibilities for LDCs to liberalise their services according to their levels of economic development and national strategies in order to achieve the countries' development goals. Hence, mechanisms to protect LDCs have been put in place under the WTO framework. It is then a matter of policy choice of a country with regards its adoption of an approach that best suits national development. And since Lao PDR has announced its strategy to promote eco-tourism long before its application to the WTO membership, and since eco-tourism has become the country's niche in the global tourism market, it is expected that even after the WTO accession, the Lao government's policy on sustainable, eco-tourism will continue. It is hoped that future tourism policies of Lao PDR will not resemble what is currently witnessed in Cambodia, even as external pressure for liberalisation mounts.

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## **Appendix I:**

### **Tables of Tourism Statistics Cambodia and Lao PDR**

### Appendix 1: Tables of Tourism Statistics

**Table 1: Visitor Arrivals to Cambodia, Length of Stay, Hotel Occupancy and Tourism Receipts, 1993-2008 (Jan.-Aug.)**

Year	Visitor Arrivals		Average Length of Stay (Days)	Hotels Occupancy	Tourism Receipts (Million USD)
	No.	Change (%)			
1993	118,183	-	N/A	N/A	N/A
1994	176,617	49.44	N/A	N/A	N/A
1995	219,680	24.38	8.00	37.00	100
1996	260,489	18.58	7.50	40.00	118
1997	218,843	-15.99	6.40	30.00	103
1998	289,524	32.30	5.20	40.00	166
1999	367,743	27.02	5.50	44.00	190
2000	466,365	26.82	5.50	45.00	228
2001	604,919	29.71	5.50	48.00	304
2002	786,524	30.02	5.80	50.00	379
2003	701,014	-10.87	5.50	50.00	347
2004	1,055,202	50.53	6.30	52.00	548
2005	1,421,615	34.72	6.30	52.00	832
2006	1,700,041	19.59	6.50	54.79	1,049
2007	2,015,128	18.53	6.50	54.79	1,400
2008 (Jan.-Aug.)	1,398,557	10.11	-	-	-

Source: Tourism Statistical Report 2007, 2008, Cambodia's Ministry of Tourism  
[www.mot.gov.kh](http://www.mot.gov.kh)

**Table 2: Top 10 Market Arrivals to Cambodia, 2006-2007**

Year	S.Korea	Japan	USA	Vietnam	China	Taiwan	Thailand	France	UK	Malaysia
2006	285,353	158,353	123,847	77,524	80,540	85,139	76,953	71,978	73,767	77,028
2007	329,909	161,973	137,539	125,442	118,417	118,180	101,590	90,168	84,103	84,039
Share (%)	16.37	8.04	6.83	6.23	5.88	5.86	5.04	4.47	4.17	4.17
Change (%)	15.61	2.29	11.06	61.81	47.03	38.81	32.02	25.27	14.01	9.10

Source: Tourism Statistical Report 2007, 2008, Cambodia's Ministry of Tourism

**Table 3: Number of Visitors to Lao, by Province: 1999-2004**

Province	1998	1999	2000	2001	2002	2003	2004
Vientiane Municipality	312,640	482,199	486,613	429,420	506,677	437,059	544,253
Savannakhet	144,840	90,910	109,033	113,287	98,962	64,050	118,821
Luang Prabang	44,538	61,034	165,222	51,207	94,846	99,150	105,513
Vientiane Province	N/A	N/A	N/A	N/A	30,480	47,899	82,521
Bokeo	19,002	21,120	25,286	42,561	65,045	45,469	79,006
Champasak	28,019	29,019	34,796	55,142	45,635	65,827	63,963
Bolikhamxay	13,388	29,734	35,681	23,900	30,758	34,418	55,087
Oudomxay	N/A	N/A	N/A	18,654	36,000	23,911	54,695
Luang Namtha	18,600	20,700	24,770	41,704	19,319	29,720	41,658
Xayabouli	8,300	6,200	7,446	9,014	10,840	6,728	16,005
Xieng Khoung	4,500	N/A	N/A	35,744	16,223	5,062	15,015
Khammoune	24,360	11,455	13,712	20,317	19,596	18,782	12,260
Attapeu	N/A	N/A	N/A	N/A	6,831	9,149	9,668
Phongsali	N/A	N/A	N/A	N/A	8,500	5,732	6,543
Saravanh	N/A	N/A	N/A	N/A	4,823	5,800	6,400
Sekong	N/A	N/A	N/A	N/A	574	2,242	4,232
Huaphanh	732	N/A	N/A	398	2,819	2,204	588

**Table 4: Revenue from Tourism and Major Exports – Lao PDR, 1999-2004**

Unit: million USD

Product	2004		2003		2002		2000		1999	
	Revenue	Rank								
Tourism	118.9	1	87.3	2	113.4	1	113.8	1	97.3	2
Garments	99.1	2	87.1	3	99.9	2	100.1	2	94.4	3
Electricity	86.2	3	97.3	1	92.7	3	91.3	3	107.0	1
Wood										
Product	72.4	4	69.9	4	77.8	4	80.2	4	71.3	4
Coffee	13.0	8	10.9	9	9.8	7	15.3	5	29.0	5
Agricultural										
Products	20.5	6	11.1	8	25.6	5	5.7	6	5.0	8
Minerals	67.4	5	46.5	5	3.9	8	4.9	7	6.0	6
Handicrafts	1.9	9	12.4	7	2.7	9	3.8	8	5.1	7
Other										
Industries	13.4	7	17.1	6	19.9	6	-	-	-	-

Source: 2004 Statistical Report on Tourism in Laos.

**Table 5: Number of Hotels, Guesthouses, Resorts, and Restaurants in Lao PDR, 2002 - 2006**

Name of provinces	Hotel					Guesthouse, Resort					Restaurant				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
Vientiane															
Capital	28	37	46	58	74	85	126	143	166	168	85	85	61	67	64
Phongsaly	3	4	4	4	4	16	25	22	32	34	15	15	20	29	33
Luangnamtha	1	2	3	3	3	29	63	67	47	61	18	18	18	10	44
Oudomxay	6	5	5	6	8	20	45	50	57	56	30	51	51	34	78
Bokeo	4	4	4	4	4	18	18	21	20	22	18	14	14	32	11
Luangprabang	14	14	15	17	18	102	123	105	146	155	43	65	32	102	104
Huaphanh	1	3	3	3	3	9	31	37	36	38	6	6	13	32	54
Xayabury	3	5	3	2	3	4	30	40	45	54	20	46	25	25	29
Xiengkhuang	3	10	11	8	9	10	20	22	24	34	16	16	12	28	46
Vientiane	3	3	4	5	5	49	83	95	110	133	15	161	87	92	163
Bolikhamxay	10	10	10	10	14	13	15	15	16	15	20	20	54	41	42
Khammuane	3	2	4	5	5	14	11	13	13	21	6	6	20	10	13
Savannakhet	9	8	11	10	10	21	45	49	57	62	14	47	47	53	53
Saravane	-	-	-	0	0	11	22	21	22	23	6	6	16	13	19
Sekong	1	1	1	2	2	-	7	7	15	14	6	6	15	20	16
Champasack	20	22	22	25	28	45	84	83	101	99	9	12	11	15	14
Attapeu	1	1	1	2	3	3	4	4	10	11	7	15	15	27	33
Xaysomboun															
SR	1	1	1	1		0	3	5	6		NA	NA	NA	4	
<b>Total</b>	<b>111</b>	<b>132</b>	<b>148</b>	<b>165</b>	<b>193</b>	<b>449</b>	<b>755</b>	<b>799</b>	<b>923</b>	<b>1 000</b>	<b>334</b>	<b>589</b>	<b>511</b>	<b>634</b>	<b>816</b>

Source: National Tourism Authority of Lao P.D.R

Remark: \*□ planned data

**Table 6: List of Civil Airports in Cambodia**

Civil Airports			
Battambang	VDBG	BBM	Battambang Airport
Koh Kong	VDKK		Koh Kong Airport
Kampong Cham	VDKC	KZK	Kampong Cham Airport
Kampong Chhnang	VDKH	KZC	Kampong Chhnang Airport
Kratié	VDKT	KTI	Kratie Airport
Mondulkiri	VDMK		Mondulkiri Airport
Phnom Penh	VDPP	PNH	Phnom Penh International Airport (Pochentong International)
Ratanankiri		RBE	Ratanankiri Airport
Siem Reap	VDSR	REP	Angkor International Airport
Sihanoukville	VDSV		Sihanoukville International Airport
Stung Treng	VDST	TNX	Stung Treng Airport

Source: wikipedia [http://en.wikipedia.org/wiki/List\\_of\\_airports\\_in\\_Cambodia](http://en.wikipedia.org/wiki/List_of_airports_in_Cambodia)

**Table 7: Name of Ports in Cambodia where e-visa is supported.**

Name of Port (View Map)	Border	Entry	Exit
Phnom Penh International Airport	-	Yes	Yes
Siem Reap International Airport	-	Yes	Yes
Cham Yeam (Koh Kong)	Thailand	Yes	Yes
Chorm (Oddar Meanchey)	Thailand	No	Yes
Daung (Kamrieng-Battambang)	Thailand	No	Yes
Poi Pet (Banteay Meanchey)	Thailand	Yes	Yes
Prom (Pailin)	Thailand	No	Yes
O Smach (Oddar Meanchey)	Thailand	No	Yes
Bavet (Svay Rieng)	Vietnam	Yes	Yes
Kaoam Samnor (Kandal-Mekong)	Vietnam	No	Yes
Phnom Den (Takeo)	Vietnam	No	Yes
Trapaing Sre (Kratie)	Vietnam	No	Yes
Dong Kralo (Stung Treng)	Laos	No	Yes
Sihanoukville	-	No	Yes

*Yes (Supports e-Visa); No (Does not support e-Visa)*

Source: Cambodia Ministry of Foreign Affairs and International Cooperation

(<http://evisa.mfaic.gov.kh/e-visa/vindex.aspx>)

**Table 8: Visitor Arrivals to Cambodia for 2007 and 2008 (Jan.-Aug.)**

Modes of Arrival	2007		2008 (Jan.-Aug.)	
	No. of Visitors	Share (%)	No. of Visitors	Share (%)
<b>- Air</b>	<b>1,296,513</b>	<b>64.34</b>	<b>840,474</b>	<b>60.10</b>
Phnom Penh International Airport	535,262	26.56	382,377	27.34
Siem Reap International Airport	761,251	37.78	458,097	32.75
<b>- Land ad Water Ways</b>	<b>576,054</b>	<b>28.59</b>	<b>513,939</b>	<b>36.75</b>
Land	532,366	26.42	466,939	33.39
Boat	43,688	2.17	47,000	3.36
- Same-Day Visitors	142,561	7.07	44,144	3.16
<b>Total</b>	<b>2,015,128</b>	<b>100.00</b>	<b>1,398,557</b>	<b>100.00</b>

**Appendix II: Schedules of Commitment in the  
Tourism Sub-Sectors of  
Cambodia, Lao PDR, and Thailand in:**

- GATS (General Agreement on Trade in Services)**
  
- AFAS (ASEAN Framework Agreement on Services)**
  
- ACFTA (ASEAN-China FTA)**
  
- AKFTA (ASEAN-Korea FTA)**

**Appendix II.1: Schedules of Commitments in Tourism – Cambodia, Lao PDR and Thailand**
**Table 9: Sub-Sector Commitments in Tourism: Cambodia, Lao PDR and Thailand**

Trade Agreements	Country		
	Cambodia	Lao PDR	Thailand
<b>GATS</b> <i>(General Agreement on Trade in Services)</i>	<b>4 Sub-Sectors:</b> (1) Hotels (CPC 64110) (2) Restaurants (CPC 642, 643) (3) Travel Agencies and Tour Operators Services (CPC 7471) (4) Tourist Guide Services (CPC 7472) <i>(WTO member since 2004)</i>	N/A  <i>(Not yet a WTO member. Expected to accede in 2010)</i>	<b>5 Sub-Sectors:</b> (1) Hotel Lodging Services (CPC 64110) (2) Restaurant Services (64210) (3) Catering Services (CPC 64230) (4) Travel Agencies and Tour Operators Services (CPC 74710) (5) Other: Hotel Management Services  <i>(WTO member since 1995)</i>
<b>AFAS</b> <i>(ASEAN Framework Agreement on Services)</i>  <i>(6<sup>th</sup> Package Submitted in 2007)</i>	<b>5 Sub-Sectors:</b> (1) Hotels (CPC 64110) (2) Restaurants (CPC 642, 643) (3) Travel Agencies and Tour Operators Services (CPC 7471) (4) Tourist Guide Services (CPC 7472) (5) Convention Centre	<b>3 Sub-Sectors:</b> (1) Hotels (CPC 64110) (2) Meal Serving Services with Full Restaurant Services (CPC 64210) (3) Beverage Serving Services without Entertainment (CPC 64310)	<b>9 Sub-Sectors:</b> (1) Hotels (CPC 64110) (2) Motel Lodging Services (CPC 64120) (3) Holiday Centre and Holiday Home Services (CPC 64192) (4) Camping and Caravan Site Services (CPC 64195) (5) Meal Serving Services with Full Restaurant Services (CPC 64210) (6) Catering Services (CPC 64230) (7) Beverage Serving Services without Entertainment (CPC 64310) (8) Travel Agencies and Tour Operators Services (CPC 74710) (9) Other: Hotel Management Services

**Table 9: Bound Commitments in Tourism: Cambodia, Lao PDR and Thailand (cont.)**

Trade Agreements	Country		
	Cambodia	Lao PDR	Thailand
<b>ACFTA</b> (ASEAN-China FTA)	<b><u>4 Sub-Sectors:</u></b> (1) Hotel Lodging Services (CPC 64110) (2) Restaurant Services (642, 643) (3) Travel Agencies and Tour Operators Services (CPC 7471) (4) Tourist Guides Services (CPC 7472)	N/A  Tourism Not Scheduled in ACFTA.	<b><u>5 Sub-Sectors:</u></b> (1) Hotel Lodging Services (CPC 64110) (2) Restaurant Services (64210) (3) Catering Services (CPC 64230) (4) Travel Agencies and Tour Operators Services (CPC 74710) (5) Other: Hotel Management Services
<b>AKFTA</b> (ASEAN-Korea FTA)	<b><u>4 Sub-Sectors:</u></b> (1) Hotel Lodging Services (CPC 64110) (2) Restaurant Services (642, 643) (3) Travel Agencies and Tour Operators Services (CPC 7471) (4) Tourist Guides Services (CPC 7472)	<b><u>3 Sub-Sectors:</u></b> (1) Hotel Lodging Services (CPC 641-643) (2) Beverage Service Services without Entertainment (CPC 64310) (3) Meal Serving Services with Full Restaurant Services (CPC 64210)	N/A  In the process of seeking approval from the parliament. Expected to be signed at the end of 2008.

**Appendix II.2: Tourism Liberalisation under GATS: Cambodia, Lao PDR, Thailand**

**Table 10: GATS Horizontal Commitments**

<b>Cambodia</b>		<b>Lao PDR (All sectors included in this schedule)</b>		<b>Thailand (All sectors included in this schedule)</b>	
<b>Limit. On Market Access</b>	<b>Limit. On National Treatment</b>	<b>Limit. On Market Access</b>	<b>Limit. On National Treatment</b>	<b>Limit. On Market Access</b>	<b>Limit. On National Treatment</b>
<p><b><u>Acquired Rights:</u></b> (3) The conditions of ownership, management, operation, juridical form and scope of activities as set out in a license or other form of approval establishing or authorizing the operation or supply of services by an existing foreign service supplier, will not be made more restrictive than those in existence as of the date of Cambodia's accession to the WTO.</p>	<p><b><u>Subsidies:</u></b> (3), (4) Unbound for subsidies, including for research and development.</p> <p><b><u>Tax Measures:</u></b> (1), (2), (3) None with respect to taxes</p> <p><b><u>Land:</u></b> (3) Non-Cambodian natural and juridical persons may lease but not own land.</p> <p><b><u>Acquired Rights:</u></b> (3) Non-Cambodian natural and juridical persons may lease but not own land.</p>			<p>(3) Unless otherwise specified, commercial presence in sectors or subsectors in this schedule is permitted only through a limited liability company which is registered in Thailand and which meets the following conditions:</p> <p>(a) Foreign equity participation must not exceed 49 per cent of the registered capital; and</p> <p>(b) The number of foreign shareholders must be less than half of the total number of shareholders of the company concerned.</p>	<p>3) Unless otherwise specified, national treatment for this mode of delivery is unbound.</p>

**Appendix II.2: Tourism Liberalisation under GATS: Cambodia, Lao PDR, Thailand**

<p><b><u>Investment Incentives:</u></b>          (3) Investors, seeking incentives under the provisions of the Law on Investment, shall have the obligation to provide adequate and consistent training to Cambodian staff, including for promotion to senior positions.</p>	<p><b><u>Investment Incentives:</u></b>          (3) None</p>				
<p><b><u>Presence of Natural Persons:</u></b>          (4) Unbound except for measures concerning the entry and temporary stay of a natural person who falls in one of the following categories:</p> <p><u>Business visitors</u>          A natural person who:</p> <ul style="list-style-type: none"> <li>- enters Cambodia for the purposes of participating in business meetings, establishing business contacts including negotiations for the sale of services and/or other similar activities;</li> <li>- stays in Cambodia without receiving income from within Cambodian sources;</li> <li>- does not engage in making direct sales to the general public or supplying services.</li> </ul> <p>Entry visa for business visitors shall be valid for a period of 90 days for an initial stay of 30 days, which may be extended.</p> <p><u>Persons responsible for setting up of a commercial establishment:</u></p> <p>Persons working in an executive or managerial position, receiving remuneration from an entity as defined below, who are responsible for the setting up, in Cambodia, of a commercial</p>	<p><b><u>Presence of Natural Persons:</u></b>          (4) Unbound, except for measures affecting the categories referred to under market access.</p>			<p>(4) Unless otherwise specified, temporary movement of natural persons is <u>unbound</u> <u>except</u> in the following categories.</p> <p>(a) A natural person who stays in Thailand for not more than 90 days for the purpose of participating in business meetings or contacts, entering into contract to sell or purchase services, visiting of business establishments or other similar activities;</p>	

**Appendix II.2: Tourism Liberalisation under GATS: Cambodia, Lao PDR, Thailand**

<p>presence of a service provider of a Member, that will support employment of persons described in a, b, and c below.</p> <p>The subject persons are not subject to a maximum duration of stay.</p> <p><u>Intra-Corporate Transferees</u></p> <p>Natural persons who have been employed by a juridical person of another member for a period of not less than 1 year and who seek temporary entry to provide services through a branch, subsidiary and affiliate in Cambodia and who are:</p> <p><u>a) Executives:</u> without requiring compliance with labour market tests, persons within an organization who primarily direct the management of the organization, exercise wide latitude in decision-making, and receive only general supervision or direction from higher-level executives, the board of directors, or shareholders of the business. Executives would not directly perform tasks related to the actual supply of a service or services of the organization.</p> <p><u>b) Managers:</u> without requiring compliance with labour market tests, natural persons employed by a juridical entity and who possess knowledge at an advanced level of expertise or proprietary knowledge of a juridical entity product, service, research, equipment, techniques, or management,</p>					
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**Appendix II.2: Tourism Liberalisation under GATS: Cambodia, Lao PDR, Thailand**

<p>and who primarily direct the organization or a department of the organization; supervise and control the work of other supervisory, professional or managerial employees; have the authority to hire and fire or recommend hiring, firing or other personnel actions; and exercise discretionary authority over day-to-day operations. They do not include first-line supervisors, unless the employees supervised are professionals, nor do they include employees who primarily perform tasks necessary for the supply of the service.</p> <p><i>c) Specialists:</i> Natural persons, within an organization who possess knowledge at an advanced level of continued expertise and who possess proprietary knowledge of the organization's services, research equipment, techniques, or management. Temporary residency and work permit is required for the natural persons in the categories defined under intra-corporate transferees. Such permits are issued for two years and may be renewed annually up to maximum of total five years</p>					
				<p>(b) A corporate transferee of the managerial or executive level or a specialist, provided that such person has been employed by the company concerned outside Thailand for a period of not less than</p>	

**Appendix II.2: Tourism Liberalisation under GATS: Cambodia, Lao PDR, Thailand**

				<p>one year immediately preceding the date of his or her application for admission and has satisfied the criteria for management needs<sup>1</sup> stipulated by the Department of Employment. Temporary entry is limited to a one year period and may be extended for a further two terms of not more than one year each.</p>	
				<p>(3), (4) Regarding acquisition and usage of land according to the Land Code of Thailand, foreign nationals or domestic companies which are deemed foreigners are not allowed to purchase or own land in Thailand.</p> <p>However, they may lease land and own buildings. Foreigners are also allowed to own part of condominium units under the laws and regulations governing the ownership of condominiums.</p>	

<sup>1</sup> In considering managerial needs, the following facts shall be taken into consideration by the relevant authority, namely: (1) size of fully paid-up capital; (2) employment creation; (3) extent of foreign investment; (4) export promotion; (5) transfer of technology; (6) special needs of the management.

**Appendix II.2: Tourism Liberalisation under GATS: Cambodia, Lao PDR, Thailand**

**Table 10: GATS Specific Commitment**

Sector/ sub-sector	Cambodia		Lao PDR		Thailand <sup>2</sup>	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
A. <u>Hotel Lodging Services</u> (CPC 64110)	(1) None	(1) None	-	-	1) Unbound	1) Unbound
	(2) None	(2) None	-	-	2) None	2) None
	(3) None for hotel 3 stars or higher <sup>3</sup> .	(3) None	-	-	3) None other than that indicated in the horizontal section	3) No limitations as long as foreign equity participation does not exceed 49 per cent
	(4) Unbound, except as indicated in the horizontal section.	(4) Unbound, except as indicated in the horizontal section.	-	-	4) As indicated in the horizontal section.	4) None
Restaurant Services (Thailand: CPC 64210)  (Cambodia: 642, 643)	(1) Unbound*	(1) Unbound*	-	-	1) Unbound	1) Unbound
	(2) None	(2) None	-	-	2) None	2) None
	(3) Permit is granted taking into account characteristics of the area <sup>4</sup>	(3) Unbound	-	-	3) None other than that indicated in the horizontal section	3) No limitations as long as foreign equity participation does not exceed 49 per cent
	(4) Unbound	(4) Unbound	-	-	4) As indicated in the horizontal section	4) None

<sup>2</sup> Thailand: from Thailand's GATS Revised Commitment 11 April 2003 (S/DCS/W/THA/Rev.1)

<sup>3</sup> 3 stars hotel is defined as in the Fifth Draft Hotel Rating Classification of March 2003 which will be implemented in December 2003.

<sup>4</sup> The main criteria are: the number of and impact on existing restaurants, historical and artistic characteristics of the location, geographic spread, impact on traffic conditions and creation of new employment.

\* Unbound due to lack of feasibility.

**Appendix II.2: Tourism Liberalisation under GATS: Cambodia, Lao PDR, Thailand**

Sector/ sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
Catering Services (CPC 64230)	-	-	-	-	1) Unbound	1) Unbound
	-	-	-	-	2) None	2) None
	-	-	-	-	3) None other than that indicated in the horizontal section	3) No limitations as long as foreign equity participation does not exceed 49 per cent
	-	-	-	-	4) As indicated in the horizontal section	4) None
<u>B. Travel Agency and Tour Operator Services</u> (CPC 74710)	-	-	-	-	1) Unbound	1) Unbound
	-	-	-	-	2) None	2) None
	-	-	-	-	3) None other than that indicated in the horizontal section and not less than half of the board of directors of the company must be Thai nationality	3) No limitations as long as foreign equity participation does not exceed 49 per cent
	-	-	-	-	4) As indicated in the horizontal section	4) None

**Appendix II.2: Tourism Liberalisation under GATS: Cambodia, Lao PDR, Thailand**

Sector/ sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
Travel agencies and tour operators services (Cambodia: CPC 7471)	(1) None	(1) None	-	-	-	-
	(2) None	(2) None	-	-	-	-
	(3) None, except foreign equity participation limited to 51% for travel agencies.	(3) None	-	-	-	-
	(4) Unbound, except as indicated in the horizontal section.	(4) Unbound, except as indicated in the horizontal section.	-	-	-	-
3. Tourist guides services (Cambodia: CPC 7472)	(1) None	(1) None	-	-	-	-
	(2) None	(2) None	-	-	-	-
	(3) None.	(3) None	-	-	-	-
	(4) Unbound, except as indicated in the horizontal section. Cambodian nationality requirement for tourist guides.	(4) Unbound, except as indicated in the horizontal section.	-	-	-	-
D. Other Hotel management services	-	-	-	-	1) Unbound	1) Unbound
	-	-	-	-	2) None	2) None
	-	-	-	-	3) None other than that indicated in the horizontal section	3) No limitations as long as foreign equity participation does not exceed 49 per cent
	-	-	-	-	4) As indicated in the horizontal section	4) None

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

**Table 11: AFAS Horizontal Commitments**

Cambodia		Lao PDR (All sectors included in this schedule)		Thailand (All sectors included in this schedule)	
Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
<p><b>Acquired Rights:</b> The conditions of ownership, management, operation, juridical form and scope of activities as set out in a license or other form of approval establishing or authorising the operation or supply of services by an existing foreign service supplier, will not be made more restrictive than those in existence as of the date of Cambodia's accession to the WTO.</p>	<p><b>Subsidies:</b> (3), (4) Unbound for Subsidies, including for research and development.</p> <p><b>Tax Measures:</b> (1), (2), (3) None with respect to taxes.</p> <p><b>Land:</b> (3) Non-Cambodian natural and juridical persons may lease but not own land.</p>	<p>(3) Commercial presence of foreign service suppliers can be in the following forms: - A joint venture with one or more domestic Lao investors, - A wholly foreign-owned enterprise (100% foreign invested companies) - A branch or representative office</p> <p>The commercial presence of foreign service supplier shall be subject to approval of the concerned competent authority and of licensing by the Foreign Investment Management committee of the Lao PDR.</p> <p>The joint venture is established and registered under the laws and regulations of the Lao PDR. It is jointly owned and operated by one or more legal foreign investors/service suppliers and</p>	<p>(3) Foreign service suppliers in the Lao PDR may lease land within the Lao PDR and transfer their leasehold interest; and they may own improvements on land and other moveable property and transfer those ownership interest.</p> <p>Foreign enterprises subject to the Law on Promotion and Management of Foreign Investment in the Lao PDR shall pay an annual profit tax, calculated in accordance with the provisions of the applicable laws and regulations of the Lao PDR.</p> <p>Other Lao taxes, duties and fees shall also be payable in accordance with the applicable laws and regulations of the Lao PDR.</p>	<p>(3) unless otherwise specified at the sector-specific level, commercial presence in sectors or subsectors in this schedule is permitted only through a limited liability company which is registered in Thailand and which meets the following conditions:</p> <p>(a) Foreign equity participation must not exceed 49% of the registered capital; and</p> <p>(b) The number of foreign shareholders must be less than half of the total number of shareholders of the company concerned, except in the following subsectors which this condition is not applied: - Accounting, auditing and bookkeeping services (CPC 862)</p>	<p>(3) Unless otherwise specified at the sector-specific level, for commercial entity incorporated pursuant to Thailand's laws and regulations with foreign equity participation not exceeding 49% of the registered capital: None.</p> <p>Others: Unbound, including subsidies</p>

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

<p><b><u>Investment Incentives:</u></b>  (3) Investors, seeking incentives under the provisions of the Law on Investment, shall have the obligation to provide adequate and consistent training to Cambodian staff, including for promotion to senior positions.</p>	<p><b><u>Investment Incentives:</u></b>  (3) None.</p>	<p>by one or more legal domestic Lao investors.</p> <p>The activities and relationship of its parties shall be governed by the contract between its parties and the Joint Venture's Articles of Association, in accordance with the laws and regulations of the Lao PDR.</p> <p>Foreign investors/service suppliers in a joint venture must contribute a minimum portion 30% of the total equity investment in that venture.</p> <p>The wholly foreign-owned enterprise is a foreign investment/service supplier registered under the laws and regulations of the Lao PDR. By one or more legal foreign investors without the participation of legal domestic Lao investors. The enterprise established in the Lao PDR may be either a new company or a branch or representative office of a foreign company. The incorporation and registration of a foreign investment shall be in</p>		<ul style="list-style-type: none"> <li>- Consultancy services related to the installation of computer hardware (CPC 841)</li> <li>- Database services (excluding those provided over public telecommunications network) (CPC 844)</li> <li>- Construction and related engineering services (CPC 511-518)</li> <li>- Maritime passenger and freight transportations (CPC 7211-7212 less cabotage transport)</li> </ul>	
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**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

		<p>conformity with the Enterprise/Business Law of the Lao PDR. The terms of operations of an enterprise with foreign owned capital and of a business cooperation contract shall be specified in the investment license of each project in accordance with the laws and regulations of the Lao PDR.</p> <p>The branch or representative office of a foreign company shall have articles of Association which shall be consistent with the laws and regulations and the Business Law of the Lao PDR and subject to the approval of the Foreign Investment Management Committee of the Lao PDR.</p>			
<p><b><u>Presence of Natural Persons:</u></b> (4) Unbound except for measures concerning the entry and temporary stay of a natural person who falls in one of the following categories:</p>	<p><b><u>Presence of Natural Persons:</u></b> (4) Unbound except for measures affecting the categories referred to under market access.</p>	<p>4) Foreigners who work in Lao PDR shall be subject to the law on Promotion and Management of Foreign Investment in the Lao PDR and the regulations on immigration.</p> <p>However, foreign enterprises have the right to employ skilled and expert foreign</p>	<p>4) Foreign service suppliers and their foreign personnel working within the Lao PDR shall pay to the Lao Government personal income tax, calculated in accordance with the provisions of the applicable laws and regulations of the Lao PDR.</p>	<p>(4) Unless otherwise specified at the sector-specific level, temporary movement of natural persons is <u>unbound except</u> in the following categories:</p> <p><u>I Business Visitor:</u></p>	<p>(4) Unbound, except as provided in the MA column.</p>

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

<p><u>Business Visitors:</u></p> <p>A natural person who:          - enters Cambodia for the purposes of participating in business meetings, establishing business contacts including negotiations for the sale of services and/or other similar activities;          - stays in Cambodia without receiving income from within Cambodian sources;          - does not engage in making direct sales to the general public or supplying services</p> <p>Entry visa for business visitors shall be valid for a period of 90 days for an initial stay of 30 days which may be extended.</p>		<p>personnel when necessary and with the approval of the competent authority of the Government of the Lao PDR.</p> <p>Facilitation for the entry into, travel within, stay within, and exit from the Lao territory of foreign investors/service suppliers, their foreign personnel, and the immediate family members of those investors, service suppliers and those personnel will be granted by the Government of the Lao PDR. All such persons are subject to and must obey the above mentioned laws and related regulations while they are on the Lao territory.</p> <p>Foreign investors/service suppliers have an obligation to upgrade the skills of their Lao employees, through such techniques as training in the Lao PDR or abroad.</p>		<p>A natural person who stays in Thailand for the purpose of participating in business meetings or contacts, entering into contract to sell or purchase services, visiting of business establishments or other similar activities and entering with a purpose to establish a commercial presence in Thailand. Such temporary entry will be permitted for an initial period of not more than 90 days and may be extended for a further period of not more than 1 year.</p>	
<p><u>Persons responsible for setting up of a commercial establishment:</u>          persons working in an executive or managerial position, receiving</p>				<p><u>II. Intra-corporate Transferee:</u>          A corporate transferee of the managerial or executive level or a specialist, provided that such person</p>	

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

<p>remuneration from an entity as defined below, who are responsible for the setting up, in Cambodia of a commercial presence of a service provider of a Member, that will support employment of persons described in a, b, and c below. The subject persons are not subject to a maximum duration of stay.</p> <p><u>Intra-Corporate Transferees:</u> Natural persons who have been employed by a juridical person of another member for a period of not less than 1 year and who seek temporary entry to provide services through a branch, subsidiary and affiliate in Cambodia and who are:</p> <p>a) <u>Executives:</u> without requiring compliance with labour market tests, persons within an organization who primarily direct the management of the organization, exercise wide latitude in decision-making, and receive only general supervision or direction from</p>				<p>has been employed by the company concerned outside Thailand for a period of not less than 1 year immediately preceding the date of his or her application for admission and has satisfied the criteria for management needs 1 stipulated by the Department of Employment. The temporary stay is limited to 1 year period and may be extended for a further 3 terms of not more than 1 year each.</p> <p>(3), (4) Acquisition and usage of land: according to the Land Code of Thailand, foreign nationals or domestic companies which are deemed foreigners are not allowed to purchase or own land in Thailand. However, they may lease land and own buildings. Foreigners are also allowed to own part of condominium units under the laws and regulations governing the ownership of condominiums</p>	<p>(3), (4) Acquisition and usage of land: Unbound, except as provided in the MA column.</p>
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**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

<p>higher-level executives, the board of directors, or shareholders of the business. Executives would not directly perform tasks related to the actual supply of a service or services of the organization.</p>					
<p>b) <u>Manager</u>: without requiring compliance with labour market tests, natural persons employed by a juridical entity and who possess knowledge at an advanced level of expertise or proprietary knowledge of a juridical entity product, service, research, equipment, techniques, or management, and who primarily direct the organization or department of the organisation; supervise and control the work of other supervisory, professional or managerial employees; have the authority to hire and fire or recommend hiring firing or other personnel actions; and exercise discretionary authority over day-to-day operations. They do not include first-line supervisors unless the employees supervised are professionals,</p>					

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

<p>nor do they include employees who primarily perform tasks necessary for the supply of the service.</p>					
<p>c) <u>Specialists</u>:          Natural persons, within an organization who possess knowledge at an advanced level of continued expertise and who possess proprietary knowledge of the organisation's services, research equipment, techniques, or management.</p> <p>Temporary residency and work permit is required for the natural persons in the categories defined under intra-corporate transferees. Such permits are issued for two years and may be renewed annually up to maximum of total 5 years.</p>					

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

**Table 11: AFAS Specific Commitments**

Sector/sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
Hotels (CPC 64110)	(1) None	(1) None	(1) None	(1) None	(1) None	(1) None
	(2) None	(2) None	(2) None	(2) None	(2) None	(2) None
Lao: CPC 641	(3) None for hotel 3 stars or higher <sup>1</sup>	(3) None	(3) Can be in the following forms: a) a foreign JV with one or more domestic Lao investors; b) a foreign partner in a joint venture must contribute at least 30% of total equity investment; c) a wholly owned enterprise; d) a foreign investment should be in conformity with the law and regulations on the foreign investment of Lao PDR; e) standard required for a hotel to be developed is 3 or higher.	(3) Unbound	(3) None	(3) None
	(4) Unbound, except in the horizontal section	(4) Unbound, except in the horizontal section	(4) Unbound, except for the following persons and subject to the approval of the competent authority of the government of Lao PDR: - General Manager - Food and beverage manager - sales and marketing manager - operator manager - congress manager	(4) Unbound, except as indicated in the Horizontal section	(4) As indicated in the horizontal section	(4) As indicated in the horizontal section

<sup>1</sup> 3-star hotel is defined as in the Fifth Draft Hotel Rating Classification of March 2003 which was implemented in December 2003.

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

Sector/sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
Motel Lodging Services (CPC 64120)	-	-	-	-	(1) None	(1) None
	-	-	-	-	(2) None	(2) None
	-	-	-	-	(3) None	(3) None
	-	-	-	-	(4) As indicated in the horizontal section	(4) unbound, As indicated in the horizontal section
Holiday Centre and holiday home services (CPC 64192)	-	-	-	-	(1) None	(1) None
	-	-	-	-	(2) None	(2) None
	-	-	-	-	(3) None	(3) None
	-	-	-	-	(4) As indicated in the horizontal section	(4) unbound, As indicated in the horizontal section
Camping and Caravan Site Services (CPC 64195)	-	-	-	-	(1) None	(1) None
	-	-	-	-	(2) None	(2) None
	-	-	-	-	(3) None	(3) None
	-	-	-	-	(4) As indicated in the horizontal section	(4) As indicated in the horizontal section

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

Sector/ sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
Restaurants (Cambodia: CPC 642, 643)	(1) None	(1) None	-	-	-	-
	(2) None	(2) None	-	-	-	-
	(3) Permit is granted taking into account characteristics of the area <sup>2</sup>	(3) None	-	-	-	-
	(4) Unbound	(4) Unbound, except as indicated in the horizontal section	-	-	-	-
Meal serving services with full restaurant services (CPC 64210)	-	-	(1) None	(1) None	(1) None	(1) None
	-	-	(2) None	(2) None	(2) None	(2) None
	-	-	(3) Can be in the following forms: a) a foreign JV with one or more domestic Lao investors; b) a foreign partner in a joint venture must contribute at least 30% of total equity investment; c) a wholly owned enterprise; d) a foreign investment should be in conformity with the law and regulations on the foreign investment of Lao PDR;	(3) Unbound	(3) None	(3) None
	-	-	(4) Unbound, the following persons are allowed for Market Access, but subject to approval of the competent authority in the Government of Lao PDR	(4) Unbound	(4) As indicated in the horizontal section	(4) unbound, As indicated in the horizontal section

<sup>2</sup> The Main Criteria are: the number of and impact on existing restaurants, historical and artistic characteristics of the location, geographic spread, impact on traffic conditions and creation of new employment.

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

Sector/ sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
Catering Services (CPC 64230)	-	-	-	-	(1) None	(1) None
	-	-	-	-	(2) None	(2) None
	-	-	-	-	(3) None	(3) None
	-	-	-	-	(4) As indicated in the horizontal section	(4) unbound, As indicated in the horizontal section
Beverage Serving Services without Entertainme nt (CPC 64310)	-	-	(1) None	(1) None	(1) None	(1) None
	-	-	(2) None	(2) None	(2) None	(2) None
	-	-	(3) Can be in the following forms: a) a foreign JV with one or more domestic Lao investors; b) a foreign partner in a joint venture must contribute at least 30% of total equity investment; c) a wholly owned enterprise; d) a foreign investment should be in conformity with the law and regulations on the foreign investment of Lao PDR; e) standard required for a hotel to be developed is 3 or higher.	(3) Unbound	(3) None	(3) None
	-	-	(4) Unbound, except for the following persons and subject to the approval of the competent authority of the government of Lao PDR: - General Manager - Food and beverage manager - sales and marketing manager - operator manager - congress manager	(4) Unbound, except as indicated in the Horizontal section	(4) As indicated in the horizontal section	(4) unbound, As indicated in the horizontal section

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

Sector/ sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
B. Travel agencies and tour operators services (CPC 7471 [Thailand: 74710])	(1) None	(1) None	-	-	(1) Unbound	(1) Unbound
	(2) None	(2) None	-	-	(2) None	(2) None
	(3) None, except foreign equity participation limited to 51% for travel agencies	(3) None	-	-	(3) In addition to that indicated in the horizontal section, not less than half of board of directors of the company must be Thai nationality	(3) None
	(4) Unbound, except as indicated in the horizontal section	(4) Unbound, except as indicated in the horizontal section	-	-	(4) as indicated in the horizontal section	(4) Unbound except as provided in the horizontal section
Tourist Guide Services (CPC 7472)	(1) None	(1) None	-	-	-	-
	(2) None	(2) None	-	-	-	-
	(3) None	(3) None	-	-	-	-
	(4) Unbound, except as indicated in the horizontal section	(4) Unbound, except as indicated in the horizontal section	-	-	-	-

**Appendix II.3: Tourism Liberalisation under AFAS 6<sup>th</sup> Package of Commitments (2007): Cambodia, Lao PDR, Thailand**

Sector/ sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
Convention Centre	(1) None	(1) None	-	-	-	-
	(2) None	(2) None	-	-	-	-
	(3) None, foreigners may own 100% capital share for investing in convention centre with more than 3,000 people's capacity	(3) None	-	-	-	-
	(4) Unbound, except as indicated in the horizontal section	(4) Unbound, except as indicated in the horizontal section	-	-	-	-
D. Other: Hotel Management Services	-	-	-	-	(1) None	(1) None
	-	-	-	-	(2) None	(2) None
	-	-	-	-	(3) None	(3) None
	-	-	-	-	(4) As indicated in the horizontal section	(4) unbound, As indicated in the horizontal section

**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

**Table 12: ACFTA Horizontal Commitments**

<b>Cambodia</b>		<b>Lao PDR (all sectors included in this schedule)</b>		<b>Thailand (all sectors included in this schedule)</b>	
<b>Limit. On Market Access</b>	<b>Limit. On National Treatment</b>	<b>Limit. On Market Access</b>	<b>Limit. On National Treatment</b>	<b>Limit. On Market Access</b>	<b>Limit. On National Treatment</b>
	<b><u>Subsidies:</u></b> (3), (4) Unbound for subsidies, including for research and development.	1) Borrowing from abroad by banks and enterprises shall be approved by the Bank of the Lao PDR	1) As indicated in the market access column.	-	-
	<b><u>Tax measures:</u></b> (1), (2), (3) None with respect to taxes	2) A resident of Lao PDR who intends to invest directly or indirectly in a foreign country shall be approved by the concerned authorised organisations. The transfer of fund to be invested abroad shall be approved by the Bank of the Lao PDR.  Bringing out of the Lao PDR the foreign currency more than 2,000 USD shall be approved by the Bank of the Lao PDR.	2) As indicated in the market access column.	-	-
	<b><u>Land:</u></b> (3) Non-Cambodian natural and juridical persons may lease but not own land.	3 Commercial presence of foreign service suppliers can be in the following forms: - A joint venture with one or more domestic Lao investors, - A wholly foreign-owned enterprise (100% foreign invested companies) - A branch or representative office  The commercial presence of foreign	3) Foreign service suppliers in the Lao PDR may lease land within the Lao PDR and transfer their leasehold interest; and they may own improvements on land and other moveable property	3) In the case of the supply of services through commercial presence, only juridical persons of another Party owned and controlled by persons of any Party may benefit from Thailand's commitments.	3) In the case of the supply of services through commercial presence, only juridical persons of another Party owned and controlled by persons of any Party may benefit

**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

		<p>service supplier shall be subject to approval of the concerned competent authority and of licensing by the Foreign Investment Management committee of the Lao PDR.</p> <p>The joint venture is established and registered under the laws and regulations of the Lao PDR. It is jointly owned and operated by one or more legal foreign investors/service suppliers and by one or more legal domestic Lao investors.</p> <p>The activities and relationship of its parties shall be governed by the contract between its parties and the Joint Venture's Articles of Association, in accordance with the laws and regulations of the Lao PDR.</p> <p>Foreign investors/service suppliers in a joint venture must contribute a minimum portion 30% of the total equity investment in that venture.</p> <p>The wholly foreign-owned enterprise is a foreign investment/service supplier registered under the laws and regulations of the Lao PDR. By one or more legal foreign investors without the participation of legal domestic Lao investors. The enterprise established in the Lao PDR may be either a new company or a</p>	<p>and transfer those ownership interest.</p> <p>Foreign enterprises subject to the Law on Promotion and Management of Foreign Investment in the Lao PDR shall pay an annual profit tax, calculated in accordance with the provisions of the applicable laws and regulations of the Lao PDR.</p> <p>Other Lao taxes, duties and fees shall also be payable in accordance with the applicable laws and regulations of the Lao PDR.</p>	<p>Under otherwise specified at the sector-specific level, commercial presence in this schedule is permitted only through a limited liability company which is registered in Thailand and which meets the following conditions:</p> <p>(a) Foreign equity participation must not exceed 40% of the registered capital; and</p> <p>(b) The number of foreign shareholders must be less than half of the total number of shareholders of the company concerned.</p>	<p>from Thailand's commitments.</p> <p>Under otherwise specified at the sector-specific level, for commercial entity incorporated pursuant to Thailand's laws and regulations with foreign equity participation not exceeding 49% of the registered capital: None</p> <p>Others: Unbound, including subsidies.</p>
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**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

		<p>branch or representative office of a foreign company. The incorporation and registration of a foreign investment shall be in conformity with the Enterprise/Business Law of the Lao PDR. The terms of operations of an enterprise with foreign owned capital and of a business cooperation contract shall be specified in the investment license of each project in accordance with the laws and regulations of the Lao PDR.</p> <p>The branch or representative office of a foreign company shall have articles of Association which shall be consistent with the laws and regulations and the Business Law of the Lao PDR and subject to the approval of the Foreign Investment Management Committee of the Lao PDR.</p>			
<p><b><u>Acquired rights:</u></b> The conditions of ownership, management, operation, juridical form and scope of activities as set out in a license or other form of approval establishing or authorizing the operation or supply of services by an</p>		<p>4) Foreigners who work in Lao PDR shall be subject to the law on Promotion and Management of Foreign Investment in the Lao PDR and the regulations on immigration.</p> <p>However, foreign enterprises have the right to employ skilled and expert foreign personnel when necessary and with the approval of the competent authority of the Government of the Lao PDR.</p>	<p>4) Foreign service suppliers and their foreign personnel working within the Lao PDR shall pay to the Lao Government personal income tax, at a flat rate of 10% of their income earned in the Lao PDR.</p>	<p>(4) Unless otherwise specified at the sector-specific level, temporary movement of natural persons is <u>unbound except</u> in the following categories:</p> <p><u>I. Business visitors:</u> <u>(BV)</u></p> <p>(a) Service sellers: Representatives of a</p>	<p>(4) Unbound, except as provided in the MA column.</p>

**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

<p>existing foreign service supplier, will not be made more restrictive than those in existence as of the date of Cambodia's accession to the WTO.</p>		<p>Facilitation for the entry into, travel within, stay within, and exit from the Lao territory of foreign investors/service suppliers, their foreign personnel, and the immediate family members of those investors, service suppliers and those personnel will be granted by the Government of the Lao PDR. All such persons are subject to and must obey the above mentioned laws and related regulations while they are on the Lao territory.</p> <p>Foreign investors/service suppliers have an obligation to upgrade the skills of their Lao employees, through such techniques as training in the Lao PDR or abroad.</p>		<p>service supplier who enter and stay in Thailand temporarily without receiving remuneration from within Thailand for the sale of goods or services or entering into agreement for such sale for that services supplier.</p>	
<p><b><u>Investment incentives:</u></b> (3) Investors, seeking incentives under the provisions of the Law on Investment, shall have the obligation to provide adequate and consistent training to Cambodian staff, including for promotion to senior positions.</p>	<p><b><u>Investment incentives:</u></b> (3) None</p>			<p>(b) Persons responsible for establishing a commercial presence: Representatives of a service supplier who enter and stay in Thailand temporarily for the purposes of:</p> <ul style="list-style-type: none"> <li>- participating in business meetings or contacts,</li> <li>visiting of business establishments or other similar activities,</li> </ul>	

**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

<p><b><u>Presence of Natural Persons:</u></b>                  (4) Unbound except for measures concerning the entry and temporary stay of a natural person who falls in one of the following categories:</p> <p><b><u>Business visitors</u></b>                  A natural person who:                  - enters Cambodia for the purposes of participating in business meetings, establishing business contacts including negotiations for the sale of services and/or other similar activities;                  - stays in Cambodia without receiving income from within Cambodian sources;                  Does not engage in making direct sales to the general public or supplying services.</p> <p>Entry visa for business visitors shall be valid for a period</p>	<p><b><u>Presence of Natural Persons:</u></b>                  (4) Unbound except for measures affecting the categories referred to under market access.</p>			<p>- entering with a purpose to establish a commercial presence of a service supplier in Thailand when the service supplier has no commercial presence in Thailand.</p> <p><b><u>Condition:</u></b>                  Representatives of such service suppliers or employees of such juridical person will not be engaged in making direct sales to the general public or in supplying services themselves.</p> <p><b><u>Duration of stay:</u></b>                  Temporary stay will be permitted and a work permit granted, when apply for, for an initial period of not more than 90 days.                  Representative of category (b) may be extended for a further period of not more than one year from the arrival date, provided that the criteria stipulated by the</p>	
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**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

<p>of 90 days for an initial stay of 30 days, which may be extended.</p>				<p>Immigration Bureau and the Department of Employment have been satisfied.</p>	
<p><b><u>Persons responsible for setting up of a commercial establishment:</u></b> Persons working in an executive or managerial position, receiving remuneration from an entity as defined below, who are responsible for the setting up, in Cambodia, of a commercial presence of a service provider of a Member, that will support employment of persons described in a, b. and c below. The subject persons are not subject to a maximum duration of stay.</p>				<p><b><u>II. Intra-corporate Transferees (ICT)</u></b> Employees of a company established in the territory of another Party who are transferred temporarily for the supply of a service through commercial presence in Thailand.  The employees refer to Executives, Managers, or Specialists as defined below.</p>	
<p><b><u>Intra-Corporate Transferees:</u></b> Natural persons who have been employed by a juridical person of another member</p>				<p><b><u>Manager is defined as:</u></b>  A person within an organisation who are primarily directs the organisation, or a</p>	

**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

<p>for a period of not less than 1 year and who seek temporary entry to provide services through a branch, subsidiary and affiliate in Cambodia and who are:</p> <p>a) Executives: without requiring compliance with labour market tests, persons within an organization who primarily direct the management of the organization, exercise wide latitude in decision-making, and receive only general supervision or direction from higher-level executives, the board of directors, or shareholders of the business. Executives would not directly perform tasks related to the actual supply of a service or services of the organisation.</p>				<p>department or sub-division of the organisation; supervises and controls the work of other supervisory, professional or managerial employees; has the authority to hire and fire or recommend hiring, firing, or other personnel actions (such as promotion or leave authorization); and exercises discretionary authority over day-to-day operations. Does not include first-line supervisors, unless the employees supervised are professionals, nor does it include employees who primarily perform tasks necessary for the provision of the service.</p>	
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**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

<p><b><u>b) Managers:</u></b>          without requiring compliance with labour market tests, natural persons employed by a juridical entity and who possess knowledge at an advanced level of expertise or proprietary knowledge of a juridical entity product, service, research, equipment, techniques, or management, and who primarily direct the organization or a department or the organisation; supervise and control the work of other supervisory, professional or managerial employees; have the authority to hire and fire or recommend hiring, firing or other personnel actions; and exercise discretionary authority over day-to-</p>				<p><u>Executive is defined as:</u></p> <p>A person within an organisation who primarily directs the management of the organisation, exercises wide latitude in decision-making, and receives only general supervision or direction from higher-level executives (the board of directors, or shareholders of the business). An executive would not directly perform tasks related to the actual provision of a service or services of the organisation.</p>	
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**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

<p>day operations. They do not include first-line supervisors, unless the employees supervised are professionals, nor do they include employees who primarily perform tasks necessary for the supply of the service.</p>					
<p><b><u>c) Specialists:</u></b>          Natural persons, within an organisation who possess knowledge at an advanced level of continued expertise and who possess proprietary knowledge of the organization's services, research equipment, techniques, or management.</p> <p>Temporary residency and work permit is required for the natural persons in the categories defined</p>				<p><u>Specialist is defined as:</u>          A person within an organisation who possesses knowledge at an advanced level of continued expertise possesses proprietary knowledge of the organisation services, research equipment, techniques, or management.</p> <p><u>Condition:</u>          Such employees must have been employed by the company concerned outside Thailand for a period of not less than one year immediately preceding the date of his or her application</p>	

<sup>1</sup> In considering managerial needs, the following facts shall be taken into consideration by the relevant authority, namely:  
 (1) size of fully paid-up capital; (2) employment creation; (3) extent of foreign investment; (4) export promotion; (5) transfer of technology; (6) special needs of the management.

**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

<p>under intra-corporate transferees. Such permits are issued for two years and may be renewed annually.</p>				<p>for admission; have satisfied the criteria stipulated by the Immigration Bureau and hold a Non-Immigration visa; and have satisfied the criteria for management needs<sup>1</sup> stipulated by the Department of Employment.</p>	
				<p><u>Duration of stay:</u> Temporary stay will be permitted and a work permit granted, when apply for, for a one-year period, and may be extended for a further 3 terms of not more than 1 year each subject to verification of ongoing employment with original employer and compliance with relevant Thai laws and regulations.</p>	
				<p>(3), (4) Acquisition and usage of land: According to the Land Code of Thailand,</p>	<p>(3), (4) Acquisition and usage of land: Unbound, except as provided in the MA</p>

**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

				foreign nationals or domestic companies which are deemed foreigners are not allowed to purchase or own land in Thailand. However, they may lease land and own buildings. Foreigners are also allowed to own part of condominium units under the laws and regulations governing the ownership of condominiums.	column.
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**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

**Table 13: ACFTA Specific Commitments**

Sector/ sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
A. <u>Hotel Lodging Services</u> (CPC 64110)	(1) None	(1) None	- Not scheduled in ACFTA -	- Not scheduled in ACFTA -	(1) None	(1) None
	(2) None	(2) None	-	-	(2) None	(2) None
	(3) None for hotel 3 stars or higher <sup>2</sup> .	(3) None.	-	-	(3) None	(3) None
	(4) Unbound, except as indicated in the horizontal section.	(4) Unbound, except as indicated in the horizontal section.	-	-	(4) As indicated in the Horizontal section	(4) Unbound, except as provided in the horizontal section.
Restaurant Services (Thailand: CPC 64210) (Cambodia: 642, 643)	(1) Unbound*	(1) Unbound*	-	-	(1) None	(1) None
	(2) None	(2) None	-	-	(2) None	(2) None
	(3) Permit is granted taking into account characteristics of the area <sup>3</sup> .	(3) Unbound	-	-	(3) None	(3) None
	(4) Unbound	(4) Unbound	-	-	(4) As indicated in the Horizontal section	(4) Unbound, except as provided in the horizontal section.
Catering Services (CPC 64230)	-	-	-	-	(1) Unbound	(1) Unbound
	-	-	-	-	(2) None	(2) None
	-	-	-	-	(3) None	(3) None
	-	-	-	-	(4) As indicated in the Horizontal section	(4) Unbound, except as provided in the horizontal section.
B. Travel Agency and	-	-	-	-		
	-	-	-	-		

**Appendix II.4: Tourism Liberalisation under ASEAN-China FTA: Cambodia, Lao PDR, Thailand**

Tour Operator Services (CPC 74710)	-	-	-	-		
	-	-	-	-		
Travel agencies and tour operators services (Cambodia: CPC 7471)	(1) None	(1) None	-	-	(1) Unbound	(1) Unbound
	(2) None	(2) None	-	-	(2) None	(2) None
	(3) None, except foreign equity participation limited to 51% for travel agencies	(3) None	-	-	(3) In addition to that indicated in the horizontal section, not less than half of the board of directors of the company must be Thai nationality	(3) None
	(4) Unbound, except as indicated in the horizontal section.	(4) Unbound, except as indicated in the horizontal section.	-	-	(4) As indicated in the horizontal section.	(4) Unbound, except as provided in the horizontal section.
3. Tourist guides services (Cambodia: CPC 7472)	(1) None	(1) None	-	-	-	-
	(2) None	(2) None	-	-	-	-
	(3) None	(3) None	-	-	-	-
	(4) Unbound, except as indicated in the horizontal section. Cambodian nationality requirement for tourist guides	(4) Unbound, except as indicated in the horizontal section.	-	-	-	-
D. Other Hotel management services			-	-	(1) None	(1) None
			-	-	(2) None	(2) None
			-	-	(3) None	(3) None
			-	-	(4) As indicated in the Horizontal section	(4) Unbound, except as provided in the horizontal section.

**Appendix II.5: Tourism Liberalisation under ASEAN-Korea FTA: Cambodia, Lao PDR, Thailand**

**Table 14: AKFTA Horizontal Commitments**

<b>Cambodia</b> (same as in AFAS)		<b>Lao PDR</b> (All sectors included in this schedule)		<b>Thailand</b> (All sectors included in this schedule)	
<b>Limit. On Market Access</b>	<b>Limit. On National Treatment</b>	<b>Limit. On Market Access</b>	<b>Limit. On National Treatment</b>	<b>Limit. On Market Access</b>	<b>Limit. On National Treatment</b>
<p><b><u>Acquired Rights:</u></b> The conditions of ownership, management, operation, juridical form and scope of activities as set out in a license or other form of approval establishing or authorising the operation or supply of services by an existing foreign service supplier, will not be made more restrictive than those in existence as of the date of Cambodia's accession to the WTO.</p>	<p><b><u>Land:</u></b> (3) Non-Cambodian natural and juridical persons may lease but not own land.</p> <p><b><u>Subsidies:</u></b> (3), (4) Unbound for Subsidies, including for research and development.</p> <p><b><u>Tax Measures:</u></b> (1), (2), (3) None with respect to taxes.</p>	<p><b><u>Commercial Presence:</u></b> (3) Foreign individuals or legal entities shall be registered their businesses in accordance with the Law on Promotion of Foreign Investment, Enterprise Law and other related Laws and Regulations.</p>	<p><b><u>Land Ownership:</u></b> (3), (4) Non- Lao natural and juridical persons are not allowed to own land but may own premises and lease land up to 75 years.</p> <p><b><u>Subsidies and Investment Incentives:</u></b> (1), (2), (3), (4) Unbound with respect to subsidies, investment incentives and other state support measures, eligibility for which may be limited to particular regions, categories of persons, or enterprises.</p> <p><b><u>Commercial Presence:</u></b> (3) Foreign investors shall have an obligation to provide training, upgrade professional skills and transfer of technology, as well as to promote Lao nationals to higher skilled and specialized positions, including managerial.</p>		

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<p><b><u>Investment Incentives:</u></b>                  (3) Investors, seeking incentives under the provisions of the Law on Investment, shall have the obligation to provide adequate and consistent training to Cambodian staff, including for promotion to senior positions.</p>	<p><b><u>Investment Incentives:</u></b>                  (3) None.</p>	<p>(3) Unbound for measures related to publicly funded services including with respect to national treatment.</p> <p>(3) NGOs are not covered in this schedule.</p>	<p>(3) Tax measures, generally pertaining to small and medium enterprises may result in a difference of treatment in favour of Lao services and service suppliers.</p>		
<p><b><u>Presence of Natural Persons:</u></b>                  (4) Unbound except for measures concerning the entry and temporary stay of a natural person who falls in one of the following categories:</p> <p><b><u>Business Visitors:</u></b></p> <p>A natural person who:</p> <ul style="list-style-type: none"> <li>- enters Cambodia for the purposes of participating in business meetings, establishing business contacts including negotiations for the sale of services and/or other similar</li> </ul>	<p><b><u>Presence of Natural Persons:</u></b>                  (4) Unbound except for measures affecting the categories referred to under market access.</p>	<p><b><u>Movement of Natural Persons Providing Services:</u></b>                  (4) Unbound, except for measures affecting the temporary entry and stay of natural persons who qualify under one of the following categories, and in all cases, total number of foreign natural persons, including higher management, of any establishment shall not exceed 10% of the total staff:</p> <p>A: Services sales persons</p> <p>A natural person who:</p> <ul style="list-style-type: none"> <li>- enters Lao PDR to be engaged in activities related to representing a services supplier for the purpose of negotiating for the sale of</li> </ul>	<p><b><u>Movement of Natural Persons Providing Services:</u></b>                  (4) Unbound, except for measures concerning the categories of natural persons referred to in the market access column. Unbound for all measures related to social insurance schemes including <i>inter alia</i> unemployment and pension benefits.</p>		

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<p>activities;          - stays in Cambodia without receiving income from within Cambodian sources;          - does not engage in making direct sales to the general public or supplying services</p> <p>Entry visa for business visitors shall be valid for a period of 90 days for an initial stay of 30 days which may be extended.</p>		<p>the services of that supplier; and          - stays in Lao PDR without receiving remuneration from sources within Lao PDR; and          - does not engage in making direct sales to the general public or supplying services.</p> <p>The temporary stay of the services sales persons is subject to a maximum duration of stay of 30 days.</p>			
<p><u>Persons responsible for setting up of a commercial establishment:</u>          persons working in an executive or managerial position, receiving remuneration from an entity as defined below, who are responsible for the setting up, in Cambodia of a commercial presence of a service provider of a Member, that will support employment of persons described in a, b, and c below. The subject persons are not subject to a maximum duration of stay.</p> <p><u>Intra-Corporate Transferees:</u></p>		<p><b><u>B. Intra-Corporate Transferees:</u></b>          Natural persons who have been employed by a juridical person of another Member outside Lao PDR for a period of not less than one year immediately preceding the request for transfer to Lao PDR, who seek temporary entry to provide services through commercial establishment of that juridical person in Lao PDR, who cannot be substituted by Lao nationals, and who fall within one of the following categories:</p> <p>a) Executives: Natural persons</p>			

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<p>Natural persons who have been employed by a juridical person of another member for a period of not less than 1 year and who seek temporary entry to provide services through a branch, subsidiary and affiliate in Cambodia and who are:</p> <p>a) <u>Executives</u>: without requiring compliance with labour market tests, persons within an organization who primarily direct the management of the organization, exercise wide latitude in decision-making, and receive only general supervision or direction from higher-level executives, the board of directors, or shareholders of the business. Executives would not directly perform tasks related to the actual supply of a service or services of the organization.</p>		<p>within an organisation who primarily direct the management of the organisation, exercise wide latitude in decision-making, and receive only general supervision or direction from higher-level executives, the board of directors, or shareholders of the business. Executives would not directly perform tasks related to the actual supply of a service or services of the organisation.</p> <p>b) <u>Managers</u>: Natural persons who possess knowledge at an advanced level of expertise or proprietary knowledge of a juridical entity product, service, research equipment, techniques, or management, and who primarily direct the organisation or a department of the organisation; supervise and control the work of other supervisory, professional or managerial employees have the authority to hire and fire or recommend hiring, firing or other personnel actions; and exercise discretionary authority over day-to-day operations. They do not include first-line supervisors,</p>			
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		<p>unless the employees supervised are professionals, nor do they include employees who primarily perform tasks necessary for the supply of the service.</p>			
<p>b) <u>Manager</u>: without requiring compliance with labour market tests, natural persons employed by a juridical entity and who possess knowledge at an advanced level of expertise or proprietary knowledge of a juridical entity product, service, research, equipment, techniques, or management, and who primarily direct the organization or department of the organisation; supervise and control the work of other supervisory, professional or managerial employees; have the authority to hire and fire or recommend hiring, firing or other personnel actions; and exercise discretionary authority over day-to-day operations. They do not include first-line supervisors unless the employees supervised are professionals, nor do they include employees who primarily perform tasks necessary for</p>		<p>c) <u>Specialists</u>: natural persons within an organisation who possess knowledge at an advanced level of continued expertise and who possess proprietary knowledge of the organisation's services, research equipment, techniques, or management and where there are shortages of Lao nationals with requisite skills.</p> <p>For the natural persons in the categories defined under intra-corporate transferees, temporary residency and work permit will be issued for 6 months which may be renewed for up to 1 year as long as conditions indicated for each category are satisfied.</p>			

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the supply of the service.					
<p>c) <b>Specialists:</b>            Natural persons, within an organization who possess knowledge at an advanced level of continued expertise and who possess proprietary knowledge of the organisation's services, research equipment, techniques, or management.</p> <p>Temporary residency and work permit is required for the natural persons in the categories defined under intra-corporate transferees. Such permits are issued for two years and may be renewed annually up to maximum of total 5 years.</p>					

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**Table 14: AKFTA Specific Commitments**

Sector/ sub-sector	Cambodia		Lao PDR		Thailand	
	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment	Limit. On Market Access	Limit. On National Treatment
Hotel Lodging Services (Lao: CPC 641-643) (Cambodia: CPC 64110)	(1) None	(1) None	(1) None	(1) None	Not available yet. Pending Parliamentary approval.	Not available yet. Pending Parliamentary approval.
	(2) None	(2) None	(2) None	(2) None	-	-
	(3) None for hotel 3 stars or higher	(3) None	(3) Unbound, except as indicated in the horizontal section, and standard required for a hotel to be developed is 3-stars or higher	(3) Unbound.	-	-
	(4) Unbound, except as indicated in the horizontal section.	(4) Unbound, except as indicated in the horizontal section.	(4) Unbound, except as indicated in the Horizontal section.	(4) Unbound, except as indicated in the Horizontal section.	-	-
Beverage serving services without entertainment (Lao: CPC 64310) (Cambodia: Restaurant – CPC 643)	(1) Unbound* (Due to lack of technical feasibility)	(1) Unbound* (Due to lack of technical feasibility)	(1) None	(1) None	-	-
	(2) None	(2) None	(2) None	(2) None	-	-
	(3) Permit is granted taking into account characteristics of the area	(3) Unbound	(3) Unbound, except as indicated in the horizontal section, and standard required for a hotel to be developed is 3-stars or higher	(3) Unbound.	-	-
	(4) Unbound	(4) Unbound	(4) Unbound, except as indicated in the Horizontal section.	(4) Unbound, except as indicated in the Horizontal section.	-	-

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Meal serving services with full restaurant services (Lao: CPC 64210) (Cambodia: CPC 642)	(1) Unbound* (Due to lack of technical feasibility)	(1) Unbound* (Due to lack of technical feasibility)	(1) None	(1) None	-	-
	(2) None	(2) None	(2) None	(2) None	-	-
	(3) Permit is granted taking into account characteristics of the area	(3) Unbound	(3) Unbound, except as indicated in the horizontal section.	(3) Unbound.	-	-
	(4) Unbound	(4) Unbound	(4) Unbound, except as indicated in the Horizontal section.	(4) Unbound.	-	-
Travel Agencies and Tour Operator Services (CPC 7471)	(1) None	(1) None	-	-	-	-
	(2) None	(2) None	-	-	-	-
	(3) None, except foreign equity participation limited to 51% for travel agencies	(3) None	-	-	-	-
	(4) Unbound, except as indicated in the horizontal section.	(4) Unbound, except as indicated in the horizontal section.	-	-	-	-
Tourist Guides Services (CPC 7472)	(1) None	(1) None	-	-	-	-
	(2) None	(2) None	-	-	-	-
	(3) None	(3) None	-	-	-	-
	(4) Unbound, except as indicated in the horizontal section. Cambodian nationality requirement for tourist guides.	(4) Unbound, except as indicated in the horizontal section.	-	-	-	-