

Tourism in Burma: Behind the Controversy

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Since 1995 I have been engaged in the promotion of tourism to Burma. I have quite successful in doing this and have sent several thousand travellers on voyages on the rivers of Burma. The majority of these travellers were British. I have been involved since the country supposedly 'opened up' to tourism and seen a keen new industry there excitedly develop and since slowly stagnate. There are lots of good things to say about the advantages of tourism and just as many bad things. As an insider I am perhaps more aware of the bad things. Most travellers come away from a fortnight in Burma aglow without realising the other side to the tourist story there. The main question I seek to address in this paper are who exactly are the winners in the tourist game in Burma, and, moreover, who are the losers.

It is hard to imagine there are any losers. Here is the perfect tourist destination. Burma with thousands of kilometres of white sandy beaches could rival Thailand or Bali. With trekking in lost Himalayan valleys it could be the new Nepal. There are ancient cities like Pagan with its 3000 monuments which challenge Angkor Wat in Cambodia as the most important historic site in South-East Asia. Great rivers flow through spectacular scenery from the near deserts of the Dry Zone to the tropical rain forests of the highland areas. Bustling cities like the Rangoon, the 'Pearl of the Orient' or the palace city of Mandalay are far more exciting than the high rise monotony of Singapore or KL. Delightful hill stations such as Maymyo or Kalaw are far prettier and less spoiled than their more famous Indian cousins. Inle lake, with its extraordinary water based culture, is one of the most unique eco-paradise on the planet. But above all, the principal attraction of Burma lies with the Burmese people who are amazingly warm and friendly and eminently suited to work in the hospitality sector.

Tourists have been going to Burma for a long time. The first tourists were the early British envoys like Symes (1795), Crawford (1827) and Yule (1855) all of whom wrote heavy tomes on their travel experiences. These remain valuable sources of information on the country to this day. By 1900 Thomas Cook had a Rangoon office and the Irrawaddy Flotilla Company marketed their first class decks to the imperial traveller. Travellers included various Viceroys of

India, successive Princes of Wales, the poet Rudyard Kipling, who immortalised the IFC in verse, and the novelist Somerset Maugham, who wrote a charming account of his stays with various Shan princes. By the 1920s Burma had become an essential part of any tour of the Orient. There is a colossal travel literature on the country from the Edwardian period onwards. 1942 and the Japanese conquest put a stop to all this.

Through the 1950s, with civil wars and insurrection, travel around the country was severely restricted. With the 1962 Revolution visas were restricted to a 72 hour transit visa – mainly to facilitate air travellers who flying BOAC would make an overnight stop here on the way to Hong Kong. In the late 1970s it was decided that tourism revenue would help fill the hole in the countries foreign exchange coffers. A seven day visa was allowed and travel within the country strictly controlled by a state monopoly called ‘Tourist Burma!’. Hotels were owned by the Hotels and Tourism Ministry who had a monopoly on ticketing and most tourism related services. The hotels were dirty and the service hopeless. By the 1980s the ‘Burmese Road to Socialism’ had lost its way: nothing worked very well. Travel to Burma was for the adventure tourist. Yet there developed a busy back packer sector. Privately owned guest houses were licenced to take foreigners and private car owners, often with a wartime Willys jeep, would offer a seven day road tour from Rangoon to Pagan, Mandalay and Inle and back and all for a bottle of Johnnie Walker Black Label and a carton of 555 cigarettes. In 1987 the country had 40,000 such visitors. I lived at Pagan that year and have fond memories of a happy community prospering well on this back packer trade.

The people’s power risings and their brutal suppression in 1988 put a stop to all this. Right through to 1990 the country was under martial law. However by 1993 the political situation was changing. General Khin Nyunt emerged as the dominant figure in the junta. The hard liner General Saw Maung who had been responsible for the worst military excesses of the 1988-89 days, was retired in a palace coup orchestrated by Khin Nyunt. Khin Nyunt was keen to open up the country to investment and tourism. In 1993 when I returned to Burma after a five-year absence there was a buoyant and optimistic atmosphere in Rangoon. Incoming flights were crammed with foreign investors sent in to buy up property, build factories, and sign deals for various joint venture projects. These included over a dozen 4 or 5 star hotels for Rangoon, or Yangon as we now had to call it.

It was not just the foreign investors who were getting excited about Burma’s prospects as a new mass-market tourist destination. The Burmese themselves were keenly looking forward to a new prosperity from tourism. During the early 1990’s over 200 private hotels opened in Yangon alone. Most of these were family enterprises converting the family home installing, at

considerable expense, adding western-style bathrooms and air conditioning. Most of these ventures were destined to fail. Firstly, because, as tourist numbers despite the offer of 30 day tourist visa, were minute and secondly, because, by the time tourist numbers did pick up in the mid-90s several brand new 4 and 5 star hotels opened and as a result of room over supply hotel rates crashed – you could stay in 4 star luxury for as little as \$25 a night.

Many families invested in buying buses and cars, then easy to import, in anticipation of the tourist gold rush. Over 300 travel agencies registered themselves. Two private airlines opened with new French turbo prop planes. Hotel opening parties became a repetitive part of the Yangon social calendar. The old state owned hotels like the Inya Lake or Strand were refurbished. Upmarket joint venture hotels included the Sedona, Traders, Kandawgyi, Nikko, Summit Park View, Nawarat. In the boutique hotel category the very smart Pansea and Savoy hotels opened in old colonial houses. For several years the Central Floating Hotel was moored on the Rangoon River (since sailed away to East Timor to act as troop ship!). All in all something like 10,000 beds were on offer at the top end. Curiously with only two or three international flights a day how the investors hoped to fill all these hotels remains a mystery. The other incredibly silly thing was that all this activity was concentrated on Rangoon and other than two hotels in Mandalay (Novotel and Sedona) nothing was planned for Pagan or Inle, the real destinations for travellers to Burma. In fact Yangon is really just a staging post for tourists on their way in or out. The city's attractions are limited and a one night stay more than enough for most travellers. It should be noted that the larger hotels were constructed as kits – everything right down to the soft furnishings like fabrics and decorations was imported. Very little, other than the odd antique as a lobby feature, was sourced locally. Burmese craftsmanship with its tradition of woodcarving or weaving were bypassed for machine tooled products shipped in by container from Singapore.

By the mid 90s an exciting variety of travel products were on offer: we started offering river cruises on a local ship we chartered called the *Irrawaddy Princess* and went on to build our own ships in the unique Pandaw style. Orient Express came in just after we started with an old German Rhine cruiser carried out on a barge following a lavish refit. Trekking businesses were set up at Mount Popa and more recently at Putao in the Kachin State. One entrepreneur set up a ballooning business at Pagan. Diving and sailing trips are available in the Mergui Archipelago. Up country, with the exception of the three joint-venture hotels in Mandalay, hotels tended to be locally owned: rustic but not without charm. Such so-called resorts around Pagan or Inle tend to be more user-friendly than the twenty story monsters down in Yangon. They are well managed and, ironically, command far higher room rates than the fancy hotels in Yangon. Built with local

materials by local craftsmen: the investment was little but atmosphere large; it is atmosphere that sells hotel beds not mini bars or satellite TVs.

Another area of excellence in the newly emerged Burma travel sector is that of tour services run by local companies called 'ground handlers'. Ground handlers are contracted by overseas tour operators to arrange guides, transfers, reservations, itineraries etc whether for individuals or groups. When the country was supposedly opening up in the early 90s something like 300 'travels and tours' companies were launched. To date about 20 serious players survive of which four are JVs or branded and controlled by international ground service companies, mainly based out of Bangkok. Here the story is similar to the hotels. The smaller locally owned agencies offer a very high level of service, with good guiding and very personal care. (Most people who visit Myanmar are amazed at the care level, probably the highest in the world. UK tour operators often comment that though Burma is their least destination in terms of numbers it is the highest in terms of client satisfaction, indeed praise.) The local-owned companies concentrate on individuals and small groups offering bespoke or tailor-made itineraries. On the other hand the big JV ground handlers, like the JV big hotel operators, looked to a mass tourism based on low margins and high numbers. Service quality is poorer as constantly costs are trimmed in a competitive fight over a very small number of mainstream European tour operators. Needless to say the mass tourism they invested for never materialised.

The Ministry of Tourism statistic for tourist visitors for the year 05-06 is 660,000 but they openly state that 427,000 of these were cross border tourists. It is important to differentiate between cross border tourists who are 'recreational tourists' and mainly Asean or Chinese and visitors to Pagan, Mandalay and Inle who are 'cultural tourists' mainly from Europe, the Americas, Australasia and Japan. For cultural tourists the real figure is in the region of 25,000 which is the annual average for Pagan Zone Fee tickets sold by the Archaeology Department there. The other so-called tourists who 'fly in' are friends and family visitors and businessmen who all travel under a tourist visa as it is quicker and cheaper to obtain than a business visa. Then there is a class of 'recreational tourist' who only visits Rangoon – many are sex tourists and this aspect of the industry will be discussed below. So Burma gets about 25,000 cultural tourists a year – which is the same number of visitor arrivals Bangkok gets in a day!

Cross border tourists are thus the largest numbers with nearly half a million border passes issued and no doubt many more visitors who do not bother with border passes (the border being very fluid). Whilst some of these cross border tourists may be friends and family visitors, there are close linguistic and cultural ties between the Thais of the North-East and the Shans of Kengtung state, many are gamblers. Both Thailand and China have banned casino developments

within their own countries so numerous casinos have sprung up along on the Burma side of their borders. From the Aman Island Resort near Ranong in the south of Thailand to the Golden Triangle casino, on an island in the Mekong River in the north, these are not inconsiderable operations with luxury 4 star hotels attached. Along the China border casino cities have sprung up: little Las Vegas complete with show girls, nightclubs, massage parlours and all that high rollers need. Connections between the Shan-Wa-Chinese drugs cartels and these casinos, clubs and prostitution are close. Drugs profits are actively laundered through these outlets.

These same cartels are active in the cities of Burma Proper. The 'Pat Pong' area of Rangoon is Wa controlled and the Burma police would not dare venture in. The Wa under the Khin Nyunt regime enjoyed a privileged position. They were above the law to such a degree that whilst they could carry guns, the police could not (the police sided with the democracy movement in 1988 and have never been armed). Here specialist travel agencies offer package sex tours for Thai, South Korean, Chinese and Taiwanese groups of men. Entire floors of prestigious 4 star hotels are knowingly given over by expat general managers to these groups. Many of these girls have been sold by their impoverished and near starving families into white slavery. Some can be as young as twelve or thirteen.

The sad fact is that bulk of Burma's tourism revenue comes from gambling and prostitution, both controlled by drugs cartels and their attendant mafias. Money laundering also extends into the 'cultural tourist' sector. The largest and most prestigious hotel in Yangon, managed by an internationally famous brand, is owned by one notorious cartel. One of the three domestic airlines is owned by the same cartel as are various travel agencies, bus companies, restaurants, etc.

The prospects for cultural tourism by the mid-90s – prior to the descent into casino and sex tourism that dominates today - looked good. Burma was set to be the new Thailand or Bali, only better with far more on offer. The hotels and services were in place. All was set to go. What went wrong? Essentially the government shot themselves in the foot by declaring 1996 as 'Visit Myanmar Year'. This gave the growing body of activists in the UK and America a handle to grasp. Visit Myanmar Year was turned round into 'Don't Visit Myanmar Year'. There were hate mail campaigns and even demonstrations outside the offices of tour operators engaged in Burma tourism. Going to Burma became a chattering class taboo. Those who went were vilified. Those who refused to go became sanctimonious.

The most decisive moment for the Don't Goers was when the Nobel Peace Prize Laureate Daw Aung San Suu Kyi told John Pilger in a TV interview that tourists should stay away as "we must starve the generals into submission". In one sentence the prospects for tourism development

in Burma were killed and a decade later that mantra still rules and there are still no prospects for developing a strong tourist industry. Alas, the generals have not been starved into submission but rather have grown considerably fatter. Alas, the direction of tourism changed from pagodas and museums to gaming rooms and massage parlours.

When the Asian Crisis struck in 1997 inward investment dried up. There were no more opening, ground breaking or indeed signing ceremonies. Gigantic hotel projects like the Rose Garden near Kandawgyi or the Novotel on Sule Pagoda Road still to this day lie abandoned, vast concrete skeletons used by the army as camps for out of town battalions. Then by the year 2000 came the sanctions and embargos. Cultural tourism did not die, it just never grew. Numbers visiting Pagan have remained consistently the same over the past 5 years. Such cultural tourists tend to be well informed and seriously interested in Myanmar history and culture. They are the brave who defy government advisories and the politically correct dictates of press and opinion. They tend to fall in love with Burma and revisit on a regular basis.

What are the pros and cons of tourism for the Burmese people? There are economic benefits – tourism sector salaries are the highest in the country. Whilst a worker gets \$1 a day a tour guide can make \$50 a day. A waiter in a local Chinese restaurant does not get paid – he gets a corner to sleep in and left over food. A waiter in a prestige development can top \$200 a month. Then there are the spin offs and trickle downs. Each of those waiters can be supporting an extended family in the home village of a dozen people. Then there are the suppliers, market gardeners, taxi drivers, etc, etc, all dependent on tourism. If the guesstimate for Burmese people working in tourism is 5,000 then perhaps 50,000 benefit through spin off and trickle down. That is only .01% of the population but anything helps in so impoverished a country.

Workers in the tourism sector receive skills, language and management training. This is a great success story for Burma. So excellent are Burmese hotel staff and managers they have become a significant export. Whether in Dubai or Phnom Penh you will find smart young Burmese managers, with excellent English, trained within their own home industry. In our company operating on the Mekong River between Vietnam and Cambodia we had over a dozen Burmese captains, engineers, managers, housekeepers and barmen over to train up Cambodian and Vietnamese staff. Working overseas they earn several times what they would earn at home.

Charity is another area where tourism benefits the country. Many visitors are shocked by the poverty and lack of basic educational or welfare facilities. NGOs and aid agencies in Burma are few because again Aung San Suu Kyi asked them to stay away in order to starve the generals into submission. It is the people who are the victims of this policy not the military elite. (The military

do not want aid agencies telling them what to do or not do.) Conditions in the villages are terrible, compared with just five years ago one now sees widespread malnutrition and disease. Several miles long shanty towns of displaced people have sprung up along the river banks at Mandalay. Tourists see this and want to help. In our own company several schools, orphanages and hospitals have been endowed with the donations of tourists.

On the downside, a big hotel can cost up to US\$10,000,000 and employ around 300-400 staff (i.e a ratio of one staff member per guest). If you spent ten million on a factory you could employ three or four times that number of people. This is an academic point: ironically most of the factories that did open in the mid-nineties have now shut down as a result of sanctions or because the JV investors could not take any more extortion from the government (the government have been far more effective in terminating investments than the action groups). Nevertheless, big hotels, compared with same cost value infrastructure or industrial projects, are of limited benefit or significance to the general development of a country.

An argument for such projects is that there is an economic trickle down. But the orbit of prosperity around a project can be very limited. Take Pagan, the new village with its many guest houses, restaurants and souvenir shops is clearly prospering. People can afford cars and air conditioning in their houses. Yet go a couple of miles out from the village to villages like Minnanthu and Pwasaw and the people have nothing. They are living in a medieval subsistence economy. They cannot even afford the \$10 enrolment fee to get their children into the local government school.

Even in Pagan there is a downside. One family I know invested in a used car to hire to tourists. They spent their life savings on it. Every time a VIP like a general would come up to Pagan they had to 'donate' the car to help with the transport arrangements (most generals are accompanied by at least 100 aids and body guards on any trip – the top generals have even bigger entourages). Not only would they lose the car for the day but they had to provide a driver and the fuel. On one occasion the family driver was beaten up by soldiers. Not much of a trickle down for that family. In the end they sold the car.

There is a trickle down through suppliers etc but even this is limited as international hotels tend to fly in a lot of their food stuffs. One cruise company even flies in lettuce from Singapore. It is logistically easier for them to tick boxes on an order form than go out and source things locally. They use the excuse that it is more hygienic or that local supplies are erratic. The reality is these hotel managers are not really interested in supporting the local economy.

Mass tourism spoils people and places. We have seen this everywhere. Even in Burma, which does not yet have mass tourism, its impact is evident. At Mingun hundreds of children

await the tour boats arrival so they can hassle or implore tourists into giving away loose change or buy them bottles of soda in the shops (which they then sell back to the shops!). At Pagan tourists lurk in temples selling tracings of paintings (one of the main causes of mural painting deterioration). With exposure to foreigners morality changes, traditional values disappear in the face of easy money, dignity is lost. At Pagan the divorce rate is high and alcoholism a big problem. Places change: the wonderful beach at Ngapali once supported vibrant fishing communities, at sunrise one would watch the boats coming in laden with fish, the women bringing the bullock carts down onto the beach to cart off the catches, the children playing in the surf, the buzz and hum of centuries old fisherfolk life. This has gone now. The fishermen and their villages banished by the government who have carved up the land for upmarket resort hotels. Of course this happened 40 years ago along the Mediterranean coasts and 20 years ago along the Thai coasts. It is shame that so little is learned.

Then there is the environmental downside. Each of these big hotels has its own private power station as the government power supply is almost non existent. You can not open the windows in these modern hotels, its all sealed up plate glass. Even though they are empty they have to keep the air conditioning running all the time. Otherwise these tropical hotels will rot with the humidity. A 1000KW generator consumes about 500 gallons of diesel a day. When you consider that most of the city including hospitals are browned out for much of the day the decadence of powering up empty hotels is shocking. These hotels get diesel at subsidised government prices whilst the fuel for ordinary people is at the black market rate several times more than the hotels pay.

So who are the winners financially? Not the foreign investors – they are all well out of pocket. Not the people who have been re-located losing homes and livelihoods to make way for resorts. Not the people drafted in as unpaid corveé labour to build roads that go to these resorts. Perhaps the biggest winners are the casino and nightclub owners. Then there are the businesses owned or linked to military families who enjoy protection from the usual extortions that ordinary people suffer daily. They get cheap fuel and other privileges, which gives them a competitive edge. Some of the smaller up country resorts around Inle, Bagan or Ngapali prosper as, built with local materials, the investment was small and they can charge higher rates than the big hotels in Rangoon. At the end of the day there seems to be no clear winner but one very clear loser: the government.

Contrary to the propaganda of the ‘don’t go’ lobby the government makes very little out of tourism. The government incurred huge infrastructure costs providing basic services like new airports, roads to airports and resorts, water, power and sewage. Yet the return is almost nil. This

is because very few enterprises in Burma actually pay taxes. The big hotels all run at a loss so have no tax to pay. The smaller companies negotiate with tax 'brokers' to have their liabilities reduced to tiny amounts. Most tourist-related revenues get paid into bank accounts in Hong Kong or Singapore so as to avoid exorbitant Myanmar bank taxes. Any profits do not even enter the country. There is a 10% tourism tax but this has never been collected from the big hotels. They claim they would be bankrupted if the Ministry of Tourism enforced this tax.

The only revenue the government makes is probably the visa fee (\$25) which goes to consulates overseas, the airport departure tax (10%) and the Pagan Zone Fee (\$20) which is collected by the Archaeology Department. No one uses the state-owned airlines (too dangerous) and travel on the state railways is rare. There are no significant state-owned hotels or other tourist concerns left – they were all sold or hired off the private sector. Even the rents on state-owned land used by big hotels is uncollected.

Tourism is the most vulnerable and fickle of industries – take the mass cancellations across South-East Asian when Sars struck in 2002 and then again with Bird Flu in 2003. Likewise, the slightest hint of civil unrest and tourists will not come. So much investment has gone into so vulnerable industry. Thailand has a huge tourism sector; when Sars struck the hotels emptied and staff were laid off, yet the factory assembly lines, which form the bulk of the Thai economy carried on unperturbed.

The failure of tourism to raise anticipated billions has resulted in a complete disinterest in tourism matters on the part of the government. Tourism is viewed as a thorn in their side. They would rather do without it. They are not going to close these projects down, that would be bad for face, but they are not interested in developing the industry further, certainly not through foreign investment. In the new political and economic climate since the demise of the Khin Nyunt administration, foreign investors are unwelcome. The thrust of the economy is towards generating cash from energy exports, whether offshore gas, hydro on the rivers or even nuclear. Burma is developing as the power hub of Asia, exporting power to Thailand, India and China. The money is huge, and has financed the acquisition of a flight of Russian MIG fighters, a fleet of Chinese navy corvettes and a re-equipping of the army. On this scale of income and expenditure tourism revenue is risible.

Ethical tourists like to try and plan their trips to Burma around not using state-owned services and thus not giving money to the government. It would be impossible to visit Burma and not use state services. All the big hotels are built on state-owned land and some are JVs with the ministries. Airports are state-owned as are the railways. However, as said, the benefit to the government is minimal. Ethical tourists should perhaps consider more the benefit that their visit

may bring to the drugs cartels and money launderers. Several large projects including big hotels, river cruises, travel services companies are controlled by these cartels. Everyone in Burma knows who *they* are. When planning a trip from outside it is not so easy to understand who owns what. Maybe there should be an ethical Burma website explaining who owns what.

A number of enterprises are owned by military connected people, so though the state receives no benefit, their elites do. There is one major tour company who, as a front, offer cultural tours to their European tour operator clients whilst their real business is sex tours for East Asians. Responsible tour operators should check the credentials of their local partners.

The tourism sector is a dream for money launderers. Though the big hotels make no real profit and thus have a limited economic impact locally they can be used to shift large sums of cash into offshore bank accounts. We know of one tour services company who specialise in the Italian market, who actually make a loss per person carried. Why? Because they are interested in showing a high flow through of passenger numbers and capturing these passenger numbers from their competitors whom they undercut at a loss. They are not interested in the tiny profit margins of tour services, they are interested in getting cash into overseas bank accounts and showing a passenger number flow to corroborate this.

There are also considerations of environmental sensitivity. Good travellers should be appalled when local guides wheel out Palaung giraffe neck women like exhibits in the zoo. They should desist from handing out sweeties or cash to the kids as it causes stampedes and future expectations which inevitably leads to harassment. Buddhist codes of dress and manners should be respected, particularly when visiting temples. We should support local suppliers, i.e. enjoy local foodstuffs and not indulge in the Australian steaks and New Zealand lamb on offer at the big hotels. Thus we should try and make sure our dollars stay in Burma and do not get spent importing things to make our trips more comfortable.

The direction of tourism in Burma is intimately tied up with the general direction of the country. Policy is now as xenophobic as it was back in the Ne Win era and its 'Burmese Road to Socialism', and, as said, the economic emphasis is on highly profitable energy exports. The new regime is nationalistic and fiercely proud: it advocates a 'Burmese road to Capitalism', believing they can sustain economic growth from their own effort, expertise and capital without foreign assistance or foreign investment.

Htoo Trading, a massive conglomerate of dozens of companies operating in several sectors is emblematic of this policy. They are owned and managed by only Burmese people. Htoo have diversified into hotels, building several up market resorts at Bagan and on the beaches. They recently opened a new airline, Air Bagan, with a brand new fleet of French ATRs. They have

transport and tour companies. Gradually they may come to dominate the tourism sector and resemble the old state monolith 'Tourist Burma'.

One wonders if perhaps it is a good thing that Daw Aung San Suu Kyi asked people to stay away. Mass tourism would be a terrible thing for so lovely a country. Angkor Wat in Cambodia is now a mass destination with a dozen inbound flights a day. You have to queue to climb the temples. Everywhere great hoards of people clamber about wearing and tearing the great monuments. At Angkor the more hotels they build the lower the rates go so the less the benefit per person. It would be terrible to see Pagan like that. It would be terrible to see the Indian Ocean seaboard lined with high-rise hotel blocks like in Thailand. It would be even more painful to see Inle Lake transformed into a Disneyesque theme park. This is what the government and their JV partners had hoped for. They were foiled by Daw Aung San Suu Kyi and her movement of international supporters internationally who persuaded western governments and main stream tour operators not to engage in Burma. Ironically this campaign to 'starve the generals into submission' failed, yet, fortuitously killed mass tourism.

One day, with wise and good government, it might be hoped that an ethical and environmentally sensitive tourism policy might be adopted to protect the country from the worst excesses of mass tourism. This has worked for Bhutan. It would be good to keep Burma special.