
Gary Bowerman
Check-in Asia

**Industry Perspective: Vietnam Confronts Dual Forces in Tourism Development:
Sustainable Initiatives Versus Megaproject Investments**

This article assesses the challenges of creating and delivering small-scale sustainable tourism initiatives while private investors fund expansive tourism service megaprojects. These challenges are highlighted in Vietnam, where the government is eager to reinvigorate its travel industry after a two-year pandemic shutdown of international travel. The nation's transport and tourism infrastructure deficit was evident before COVID-19. Domestic and international investment flows will be forthcoming as Vietnam strives to expand all three pillars of its travel sector: domestic, inbound and outbound. A proliferation of tourism megaprojects will raise tough questions about the compatibility of large-scale tourism sector growth with achieving vital greenhouse gas reduction targets and preserving Vietnam's diverse natural environment.

Key words: Vietnam, tourism investment, travel infrastructure, airport development

Gary Bowerman
Director, Check-in Asia
Founder, Asia Travel Re:Set
23a-07 Mont Kiara Bayu
Jalan Kiara 2, Mont Kiara
Kuala Lumpur 50480
Malaysia
Phone: [60] 1235 17116
Email: gary@check-in.asia

Introduction

The return of international tourism to Vietnam from 15 March 2022 marked the embarkation of a defining, and highly uncertain, new journey. Emerging from a two-year hiatus, Vietnam must confront two polarizing forces: investing in the expansion of a potentially high-growth economic sector and supporting sustainable initiatives that combine the joys of travel with protection of Vietnam's fragile eco-systems and natural resources.

Worldwide, the climate crisis and ecological degradation will assume a greater focus in the coming years. Tough questions will frequently be asked about the compatibility of tourism industry growth and achieving greenhouse gas reduction targets. These questions will be particularly challenging in Vietnam, which is eager to resurrect the tourism boom it enjoyed before the airport gates were shuttered in March 2020.

Eighteen million foreign visitors arrived in 2019 (Vietnam National Tourism Administration), tripling the 5.9 million arrivals recorded in 2011. Also in 2019, 85 million domestic tourists explored their own country, and outbound travel was expanding fast. Homegrown airlines such as Bamboo Airways and Vietjet prepared to launch new international routes. For a relatively young travel economy, the three pillars of inbound, outbound and domestic travel were each thriving, and forecast to continue their upward momentum.

An enforced two-year interregnum followed, and while domestic travel flourished for parts of that period, it will take time to rebuild inbound demand in particular. Vietnam's Ministry of Culture, Sports and Tourism does not expect to match the 18 million arrivals of 2019 until 2026 (The Saigon Times, 2021). For 2022, the projections are circumspect. Vietnam is targeting five million inbound tourists and 60 million domestic travellers (Vietnam Net, 2022).

Paradoxically, this sluggish pace of recovery offers both hope and concern for diversifying sustainable tourism in Vietnam. The element of hope is that the perils associated with over-tourism, such as land degradation, littering and plastic waste, traffic jams and air pollution, might not return immediately giving space and time for ethical travel projects to develop.

An overriding concern is the outcome of fierce competition. Two years of border closures decimated travel industry infrastructures in Vietnam and other South East Asia nations. As countries race to welcome back visitors, competition will intensify to attract not just tourists and the money they spend – but the foreign investment that hints at a more lucrative future.

The Macro Challenges in Tourism

Having been one of the few Asian economies to record positive GDP growth in both 2020, and 2021, Vietnam is set to return to its high-growth path of the past decade. The World Bank forecasts Vietnam's economy to grow at 5.5% in 2022 (The World Bank, 2022), and inbound investment will play a decisive role. However, the World Bank notes that Vietnam's growth has been "carbon-intensive and polluting". A priority is to incentivize green foreign direct investment. A recent report by the International Union for Conservation of Nature, for example, revealed that 335 plant and animal species in Vietnam (VN Express, 2022) are endangered due the impact of air pollution.

Green investment is a priority for the travel and tourism sectors, but this will prove challenging because of the different driving interests. Innovative startups and community travel operators will develop small-scale sustainable tourism initiatives in rural and remote areas. Meanwhile, large conglomerates will invest in tourism megaprojects. The objectives and business models will be highly differentiated, but the societal outcomes will overlap.

Take, for example, Vietnam's aviation market, which is a vital driver of travel expansion. Most tourism projects will rely on air travel to some degree to bring visitors. Even without significant international traffic, the nation's 1.7 million available airline seats in the first week of March 2022 made it the world's 19th largest air market (OAG, 2022). The expected scaling up of international flights might improve that position, but also impact air quality across the nation.

And with big numbers come higher expectations. Investment in new airport infrastructure is pending. In February 2022, Vietnam's Ministry of Transport proposed the construction of 6 new airports nationwide by 2021. This would raise the national total to 28, of which 14 will be international airports. By 2030, annual capacity would increase to 283 million passengers (Vietnam Investment Review, 2022).

To meet those targets, and to fill those planes, Vietnam will scale up investment in all aspects of travel and tourism capacity. In the lead-up to Vietnam reopening to tourists in March 2022, articles and editorials in local media lamented the small portfolio size of tourism products for inbound travellers and tourism branding in global markets. In short, we are moving back to the pre-pandemic obsession with visitor numbers. Vietnam will not be alone in seeking new ways to attract more visitors without factoring in the environmental consequences.

Investment-based Tourism Megaprojects

Three recently proposed investment projects represent the diverse environmental challenges Vietnam's tourism sector would face if they are completed.

In 2021, news emerged of a lotus flower-shaped artificial island constellation housing a luxury resort on land claimed from the sea in Phu Quoc's Dam Bay. The vast project would reportedly occupy 290 hectares of land and sea. The developer, TTC Land, calls the Selavia hotel, resort and entertainment complex a "VND30 billion megaproject" (TTC Land) that will deliver "a high-class tourist resort ecosystem." Environmentalists point out the potential hazards of coastal erosion and construction pollution and their impacts on marine life.

And how about space tourism? Whether space tourism is or isn't going to take off in Phu Quoc, there will be heightened ecological concerns. In December 2021, a Thai hydroelectric power and real estate firm said it was seeking planning permission for a USD1.3 billion (VN Express, 2021) space tourism resort and rocket launch site in Phu Quoc by 2026. The company is currently building a large resort on the island.

The UNESCO World Heritage waters of Ha Long Bay also face new challenges. In February 2022, Vietnamese media reported the commissioning of two 110-meter luxury cruise ships to sail in the area (Maritime Executive, 2022). Jointly operated by Viet Thuan Group shipping firm and Elegance Hospitality Group, the first sailings are slated for late 2023. Each superyacht will host up to 160 guests and feature a helipad. The ships have the potential to visually dominate the waterways, and contribute to noise and sea pollution. Other cruise operators may also invest in similarly large ships in a location prone to over-tourism before the pandemic.

Slow Travel Initiatives

By contrast to the megaprojects, a more soulful side to Vietnam's tourism sector revealed itself early in the pandemic. In September 2020, the annual bloom of long-stemmed lilac 'purpletop' flowers caused a viral buzz. Young couples and groups of friends flocked to the Long Bien plateau (Tuoi Tre News, 2020), which became a coveted backdrop for day-

trippers to frame social media photos and even marriage proposals and pre-wedding shoots. The fields of flowers draw large volumes of local travellers each year, but had a particularly positive symbolism in the early months of the pandemic as a reflective escape for people coming to terms with a ban on international trips and new health concerns about domestic air travel.

Youthful Vietnamese consumers are constantly seeking to integrate new leisure, dining and travel experiences into their lifestyles. In recent months, a small vegan diner overlooking a paddy field became a hot destination for urban residents seeking a healthy getaway amid nature (Tuoi Tre News, 2022). The meat-free open-air diner is located in Vietnam's beautiful Mekong Delta. Diners sit on low plastic stools to eat freshly cooked vegan noodles and snacks set against a colourful backdrop. This combination of low-impact cuisines and countryside landscapes proved popular with young urbanites taking a drive into the interior from Can Tho City and Ho Chi Minh City. Although the diner opened three years ago, customer numbers increased notably after the easing of COVID-19 lockdown rules.

Eco-bombing also emerged as an offbeat and purposeful activity. The undulating landscapes of Dak Lak and Lam Dong provinces suffer from drought and deforestation. In 2021, social enterprise volunteers took to the hills to throw "seed bombs" packed with soil, organic fertilizer and rice husks. The project to help reforest parched eco-systems was pioneered in India, and adapted in Vietnam. Student volunteers for the Central Highlands Association for the Protection of Natural Resources and the Environment (Tuoi Tre News, 2021) trek the hillsides to spot areas where regeneration is needed. Participants say the "seed bomb" project enables them to make a meaningful contribution to nature preservation. It has inspired similar initiatives in other rural areas, and could be adapted for tour groups.

Reframing regenerative travel and promoting a sustainable tourism conscience is not only focused on spearheading new initiatives, but also pointing out harmful behaviours. This

was evident when a well-known Vietnamese singer and YouTube vlogger sparked online outrage by sharing photos of himself sitting on bleached coral while snorkelling (Saigoneer, 2020). The controversial footage was shot off the coast of Phu Quoc, and viewers challenged him online for sitting and stepping on recovering reefs.

Soulful & High-Yield Tourism – Are they Incompatible?

Vietnam will not be alone in seeking to drive investment-based tourism as a means to generate employment, revenues and deliver shareholder returns. Unquestionably, the country offers significant tourism opportunities for domestic and international investors.

At the same time, younger consumers are rethinking the meaning and purpose of travel. Critically, the channels of travel communication have become less formal and more user-driven. Young travellers turn reflexively to social media apps to research and share ideas for fun weekend getaways in nature, cool cafes in remote locations, and inventive camping, glamping and eco-dining adventures.

Studying these informal off-track adventures, which are stripped of travel industry gloss, will reveal a great deal about how mindsets have been reshaped over the past two years. By delving deeper into the methods of transport, preferred activities and lengths of stay, we can learn more about how young Vietnamese couples, families and groups of friends will express their desire to travel at home and abroad in future.

There have been some inspiring tourism products that help people to better understand their own diverse nature and wildlife, and take lighter carbon footprints along the way. Yes, the insights to be gleaned might simply be transient. Perhaps, this was a unique era of travel adapted for specific and troubling circumstances. Alternatively, the travel experiences forged during COVID-19 might prove to be a priceless barometer or how young Vietnamese consumers will travel once they take flight overseas.

As Ho Chi Minh-City-based Outbox Travel (Outbox Consulting, 2022) notes in its 2022 Vietnamese Travel Sentiment Survey: “Under the impact of Covid-19, the perception and behaviour of travellers changed to adapt and build the “new normal” in all activities in life. These changes take place in short and continuous cycles following the evolution of the pandemic. Therefore, tracking changes in behaviour and mindset of travellers over time helps businesses better understand the changes and readiness of travellers in this new normal period.”

Recommendations

The message is clear. Travel industry players must listen closely to the aspirations and to the fears of youthful travellers, and rely less on the data that tells us only about their past actions. Encouraging young people to interact with nature in fun and rewarding ways will help raise awareness of meaningful tourism development. Meanwhile, unprecedented new challenges will result from government infrastructure development policies and large tourism investment projects. Finding effective ways to navigate through the environmental risks these projects present will help shape the future outlook for Vietnam’s sustainable tourism sector.

Self Drive Escapes – Reflective Lake Landscapes – Camping

Fragrant Travel Adventures – Perfume Brand Travel Competition

References:

- Vietnam National Administration of Tourism (2019). International Visitors to Viet Nam in 2019. Available at <https://vietnamtourism.gov.vn/english/index.php/statistic/international?txtkey=&year=2019&period=t12> (December 2019).
- The Saigon Times (2022). Local tourism sector may be set back seven years due to pandemic. Available at <https://english.thesaigontimes.vn/local-tourism-sector-may-be-set-back-seven-years-due-to-pandemic/> (13 February 2022).
- VietnamNet (2022). Vietnam aims to welcome 5 million foreign visitors in 2022. Available at <https://vietnamnet.vn/en/business/vietnam-aims-to-welcome-5-million-foreign-visitors-in-2022-818249.html> (23 February 2022).
- The World Bank (2022). Vietnam's economic growth is expected to accelerate to 5.5% in 2022 and greening its trade would offer new opportunities. Available at <https://www.worldbank.org/en/news/press-release/2022/01/13/vietnam-s-economic-growth-is-expected-to-accelerate-to-5-5-in-2022-and-greening-its-trade-would-offer-new-opportunities-> (13 January 2022).
- VN Express (2022). Pollution threatens 33 species in Vietnam. Available at <https://e.vnexpress.net/news/news/pollution-threatens-335-species-in-vietnam-report-4437645.html> (12 March 2022).
- OAG (2022). Global Airline Capacity Overview. Available at <https://www.oag.com/blog/global-airline-capacity-overview?> (8 March 2022).
- Vietnam Investment Review (2022). Nearly \$17.4 billion needed for Vietnam's airport network towards 2030. Available at <https://vir.com.vn/nearly-174-billion-needed-for-vietnams-airport-network-towards-2030-90413.html> (5 January 2022).
- TTC Land (2021). TTC Group invests VND30,000 billion for the Selavia Phu Quoc, Megaproject. Available at <https://ttcland.vn/en/news/tin-thi-truong-1/-613.html>
- VN Express (2021). Thaicorp wants to build \$1.3-bln space tourism center in Phu Quoc Available at <https://e.vnexpress.net/news/business/companies/thaicorp-wants-to-build-1-3-bln-space-tourism-center-in-phu-quoc-4409703.html> (28 December 2021).
- VN Express (2022). Ha Long Bay set to get a pair of giant luxury cruise ships. Available at <https://e.vnexpress.net/news/places/ha-long-bay-set-to-get-pair-of-giant-luxury-cruise-ships-4430957.html?s=09> (22 February 2022).
- Tuoi Tre News (2020). Tourists lured to Hanoi's first purpletop farm. Available at <https://tuoitrenews.vn/news/society/20200918/tourists-lured-to-hanois-first-purpletop-farm/56816.html> (18 September 2020).
- Tuoi Tre News (2022). Vegan food stall next to a rice field a new sensation in Vietnam. Available at <https://tuoitrenews.vn/news/ttnewsstyle/20220206/vegan-food-stall-next-to-rice-field-a-new-sensation-in-vietnam/65581.html> (6 February 2022).
- Tuoi Tre News (2021). In Vietnam's Central Highlands, 'bombs' revive deforested hills. Available at <https://tuoitrenews.vn/news/ttnewsstyle/20210616/in-vietnams-central-highlands-bombs-revive-deforested-hills/61527.html> (16 February 2021).
- Saigoneer (2020). Vietnamese influencer sparks outrage for sitting on coral reefs in Phu Quoc. Available at <https://saigoneer.com/vietnam-travel/18917-vietnamese-influencer-sparks-outrage-for-sitting-on-coral-reefs-in-phu-quoc> (3 July 2020).
- Outbox Consulting, 19 January 2022, Vietnamese travel sentiment report. Available at <http://outbox-consulting.com/research/> (19 January 2022).

