The Boxing Day Tsunami and its Effects on Thailand’s Tourism

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Introduction

Years before the 2011 earthquake and tsunami that devastated Japan, the country of Thailand experienced a similar event. On December 26, 2004 at 9:50 AM local time, a magnitude nine earthquake drove a tsunami that hit the six provinces of Thailand (Nidhiprabha, 2007). Giant forces that had been building up in the depths of the ocean were released generating a pattern of waves that swept across the coast line, causing massive damages throughout the southern region of Thailand (The deadliest tsunami, 2005). Unlike in Japan, there was no accompanying nuclear reactor crisis, but Thailand's massive losses and recovery experience are instructive regarding the impact of natural disasters on any nation.

The Thailand tsunami was the worst natural disaster in Thailand’s written history, with 5,595 confirmed deaths and 2,932 missing people. Phang Nga was the worst hit province with around 4,224 lives lost and 7003 ha of the land damaged. Takua Pa district was the prime tourist spot and it was the most affected area in the Phang Nga province (The deadliest tsunami, 2005). This Boxing Day earthquake is said to have released energy equivalent to 23,000 “Hiroshima-type” atomic bombs, according to the United States Geological Survey (The deadliest tsunami, 2005).

The effects of this tsunami were massive and the cleanup and rehabilitation were long and tedious. The enormous impact on Thailand’s tourism industry resulted in tremendous damage to the
country and its economy as a whole. Thailand relies heavily on tourism, especially in the southern regions, so it is important to look at how the losses in this major industry affected Thailand's national income and also to see how the country was able to rehabilitate its economy. This research will explore the damages caused by the Boxing Day tsunami and its long lasting effects on the country’s economy.

Community Damage

Communities at sea-level, often with poorly constructed homes, were completely washed away by the Boxing Day tsunami. The powerful waves had an extreme impact on these areas, washing away two thirds of their inhabitants, boats and gear, and destroying their fresh water ponds causing their water to become immensely polluted. At Pakarang Cape Ban Bangkaya, the water line increased by five to seven meters. This had the effect of causing a large amount of beach erosion, damage to the coral reefs in the surrounding area, and damage to the surrounding forests. The destructive wave made its way two kilometers inland, causing extreme damage (Thanawood et al., 2006).

In total, the Boxing Day tsunami affected 12,815 households, comprising more than 58,550 people. The total number of homes destroyed was 3,502, while 1,504 were damaged. Phang Nga had the most residential construction affected by the Tsunami with fifty two percent of total home destruction; the next most effected community was Phuket with twenty one percent, followed by Krabi with fourteen percent. Damage to business properties accounted for the majority of the damages in Phang Nga, Phuket and Krabi, while the other three provinces, Ranong, Trang, and Satul, were affected most by damage to their fishing industries. The variety of extent and type of damage meant that the recovery process and assistance for each province had to be unique. Phang Nga, Phuket, and Krabi needed help in restoring their business and tourism sectors, while livelihoods in Ranong, Trang and Satul depended upon the fishery sector, meaning that they needed assistance specifically in that industry (Nidhiprabha, 2007).
The total damages were estimated to be around $508 million, while losses were estimated at $1,690 million, totaling $2,198 million or one point four percent of national Gross Domestic Product (GDP). At the province level, the impact was severe, assessed at the equivalent of one half of the combined gross provincial product (GPP). Individually, it was observed that in Phuket province, damages and losses equaled as much as ninety percent of GPP; Phang Nga losses were around seventy percent (Nidhiprabha, 2007). Eighteen months after the Boxing Day tsunami, the incomes of the large majority of families (sixty eight percent) were below the pre-tsunami level, only fifteen percent experienced an increased income (Nidhiprabha, 2007).

At the time, warning systems for the tsunami were limited. There was detection of a massive earthquake that would trigger the tsunami however there was no official alert system in the regions that was able to reach out to all of the provinces, especially those located in more remote or desolate areas. Most of the fatalities in the southern regions of Thailand can be attributed to the government's failure to warn the citizens about the danger ahead. In fact, it is estimated that thousands of lives could have been saved, had there been a tsunami warning system in the Indian Ocean. Since there had never been a natural disaster of this magnitude, there had been no perceived need for a warning system (Flamm, 2005).

“The devastation was hard to assess. Piles of rubble were all that remained of houses where families once lived, where children once played. Torn clothing clung to trees, a child’s toy lay half buried in the sand, as well as a clock whose hands had stopped at 9:15, and there were photo albums with water-damaged pictures of a family in happier times. What was once a community had become a wasteland” (Flamm, 2005). This is a description of what was seen after the tsunami had hit the province of Phucket. This is one example of one section of the six provinces that were in ruins, and other areas suffered greater destruction than this.
The Tourism Industry

Prior to the 2004 tsunami, tourism, fishing, and agricultural industries were the major sources of income for the provinces along the Andaman Coast. Tourism was the biggest income generator for people in this area. Most of the beach front resorts were directly affected by the Boxing Day tsunami. The fishing industry was also impacted with losses that included fishing boats, ponds cages, and other aquatic necessities, which also negatively impacted local economies (Thanawood et al., 2006).

But it was the tourism industry that was most affected by the tsunami, with a huge negative effect on the overall economy. Figure 1 illustrates the impact of the tsunami on the tourist industry. The tourism industry is an important source of income throughout the country of Thailand, contributing around six percent to GDP in 2002 (Flamm, 2005). Any significant decrease of tourist activity can be expected to have a substantial economic impact on the country. Tourism is a major source of foreign exchange for any country and is an important component to a nation’s economic development program. However, tourism is also considered to be a risky business to rely on to bring in revenue (Birkland, 2005). This is because most tourist destinations are located in areas that are especially susceptible to dangerous weather elements that may cause harm, particularly to beach side resorts.

Figure 1: Tourism Revenue in the Three Most Affected Provinces (Millions of Dollars)

Source: Nidhiprabha, 2007
Compounding the risk is that the people who do vacation in these areas are usually unaware of the danger and more often do not speak the language in which a warning might be given. This means they are at a higher risk of being harmed by such events. Thailand is particularly advanced in its tourism promotion, and experiences regular tourism business year round, particularly at the time of year of the Boxing Day tsunami. Because this was a tourism intensive time of year, a much higher percentage of deaths from the event were of tourists (Birkland, 2005).

Another risk created by the reliance on tourism arose out of what had been done to the natural landscape to market to tourists. To build waterfront hotels, coastal lining forests and any other natural barriers that may have acted as a shield towards the tsunami, were stripped away. The unfortunate result was that the areas in which hotels were constructed, and the way that they were constructed, made these tourist filled buildings more vulnerable to a natural disaster coming from the sea. Again, since there had not been any natural disaster of this magnitude to hit Thailand, they were not prepared for it.

The tsunami came ten to twelve meters in-land in the province of Ban Banging, one of the most popular tourist destinations in Thailand. Khao Lak beach, another big tourist destination, experienced a run-up height of eight to twelve meters. At these two tourists’ spots there were approximately 200 guests staying in the ground floor rooms who perished. Deaths were caused mainly because of the pressure and force of the destructive waves that penetrated into these rooms Most of the damages seen were from water hitting buildings near the beach and the damage was worse where the waves were the highest. Out of the total 5,395 deaths from the tsunami, more than half were reported to be tourists (Thanawood et al., 2006).

The physical repair was not the only rehabilitation that the tourism industry required, after the storm, however. Tourism also took a sharp decline because of fear of this unfortunate event happening again. The emotional impact that the tsunami had on tourists, the uncertainty of the weather patterns in the southern region, and the high death tolls, kept
tourists from making plans to visit this area (Flamm, 2005). As the number of tourists declined, the hotels and restaurants that were not demolished in the tsunami had to close down because of lack of business. Figure 2 illustrates the change in hotel residence after the tsunami.

**Figure 2: Hotel Industry Six months after the Tsunami (Jan–June)**

<table>
<thead>
<tr>
<th>Province Impact</th>
<th>Phuket</th>
<th>Phang Nga</th>
<th>Krabi</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Hotels</td>
<td>457</td>
<td>616</td>
<td>-26</td>
</tr>
<tr>
<td>No. of Rooms</td>
<td>29,150</td>
<td>50,965</td>
<td>-6</td>
</tr>
<tr>
<td>Occupancy Rate (%)</td>
<td>27</td>
<td>63</td>
<td>-57</td>
</tr>
<tr>
<td>Duration (Day)</td>
<td>5.16</td>
<td>3.57</td>
<td>...</td>
</tr>
</tbody>
</table>

*Source: Nidhiprabha, 2007*

Many people that were employed in the tourism industry were forced to find work elsewhere while waiting for the damage to the hotels and beaches to be repaired. Alternatives available to the populace, however, consisted of little beyond the fishing industry also damaged by the tsunami, and very low income at the best of times.

This led to a large number of people without jobs in the southern Thailand provinces. Since the damage to the beaches and the hotels could not be restored immediately after the tsunami hit, there was a long period of vacant hotel rooms, leaving hotel workers, beach vendors, and employees of any business that catered to tourists’ leisure activities without work.

In some cases people accepted lower wages in order to maintain an income. Those who lost jobs needed to find a way to keep a steady flow of income, which meant that a lot of workers had to accept a job in a field in which they were not experienced. One outcome of this was that people who remained in the same jobs were forced to accept lower wages and only a few were able to remain at their original income level, albeit in a different occupation (Nidhiprabha, 2007).
While there was an overall decline in tourism, only the southern provinces were directly affected by the tsunami. The tourists who entered Thailand were still able to go to the Northern provinces, particularly on the gulf side and Bangkok area (Thanawood et al., 2006). This helped keep the economy afloat during this rough time period. With only six provinces being directly affected by the Boxing Day tsunami, some continued tourism meant that people in the rest of the country would be able to give help and support to the provinces that needed the most assistance.

The Impact on Thailand's Economy: The Data

After an initial analysis, JP Morgan projected a first quarter growth rate in Thailand of three per cent in 2005. Upon further evaluation, this growth rate projection was reduced to a zero growth rate. The Bank of Thailand projected a decrease in the annual growth rate by point three percent post tsunami, even after taking account the “growth momentum” that had been experienced in 2004, before the events has occurred. GDP was projected to decline by one point three percent in those areas where there was likely to be no tourist activity after the tsunami hit (Thanawood et al., 2006).

The real data turned out to be slightly, though not substantially, different. “The first quarter growth rate of 2005 turned out to be a robust 3.3 per cent, but the annual growth rate fell to 4.5 percent, significantly lower compared to the 6.2 per cent growth rate achieved in 2004, and much lower than what was predicted by analysis. The current account recorded a deficit of 6.4 billion in the first seven months of 2005, compared with a surplus of 3.4 billion a year earlier. Inflation rose from 2.7 percent in 2004 to 4.5 in 2005 and the trade deficit widened as well” (Nidhiprabha, 2007). Obviously, the impact of lost tourism revenues had a significant impact on the current account and trade deficit.
Reconstruction

The quickness and effectiveness of the responses to the Boxing Day Tsunami were different in every region. For instance in Koh Phi Phi, the community effort for rehabilitation was less unified then other regions. The population was scattered the first few weeks following the tsunami, and there was no clear strategies on how they were going to reestablish their communities. The states were more focused on cleaning the debris and establishing refugee camps in Krabi, rather than reconstructing the communities that were demolished. In the region of Phi Phi, donations from abroad and outside volunteers, helped make the reconstruction process go more smoothly (Flamm, 2005). This is an example of how diversified the cleanup and rehabilitation was in different parts of Thailand. Even with a wealthy country like Thailand, it was impossible for the government to give enough support to reach out to all six provinces.

However, thanks to the efforts from foreign donors and foreign governments, the road to recovery ultimately went smoothly (Rigg, 2009). Thailand acquired a large amount of relief from these foreign donors and governments. Foreign governments were mostly relied upon for technical assistance. The total amount of foreign aid was $131 million dollars, given in contributions ranging from $5,000 to $27 million dollars.

The corporate sector was another huge contributor to the relief of the Boxing Day tsunami, collectively coming up with $50-60 million in 2005. Individual donations from the corporate sector were quite large when compared to individual contributions from foreign donors. Statistics show that eighty percent of the total amount of donations coming from the corporate sector, were larger than $200,000 (Nidhiprabha, 2007).

Relief from the Thai Government

Immediately following the Boxing Day tsunami, relief became a nationwide focus. The overall government budget given for the tsunami reconstruction was $1.7 billion. A $75 million ten year recovery fund was set in place on February 2005. This was funded by the Government
Savings Bank, the stock exchange of Thailand, and the Banker’s Association. Business that needed assistance could get it in the form of loans or by sharing equity with the fund that was provided (Nidhiprabha, 2007).

The government addressed the amount of unemployment through different unemployment programs. An unemployment project estimated to be around $130 per person was put in place to compensate for the livelihood lost during this time period. As of November 2006 it had cost around $5 million and benefitted some 24,000 workers (Nidhiprabha, 2007). The amount of unemployment experienced varied by region.

The other program that was set in place to help workers deal with temporary unemployment was a job training program. Unemployment was seen as more of a short term phenomenon, and some believed that workers that were unemployed at the time of the tragedy would soon regain their positions after the reconstruction was completed, so the relevance of this program was questioned. This program was the most expensive per head, valued at $254 per person but could only accommodate 1,000 workers (Nidhiprabha, 2007).

Reconstruction activities increased the demand for people to help on these sites. This meant ultimately a rise in employment in these particular construction jobs and also more employment in construction related shops. Surprisingly this increase in demand for construction materials did not cause an increase in prices for these products. The reason behind this was because the reconstruction was small relative to the size of the economy (Nidhiprabha, 2007). There had been a surplus in the steel industry, which caused steel prices to be cheap when used in construction; the cost for wood increased by very little during this time period, as well. Over all the prices of raw materials stayed quite low which helped keep the construction prices down (Nidhiprabha, 2007).
Conclusion
The scale of the disaster in Thailand was relatively small in comparison to other countries who had also been hit with the tsunami, such as Indonesia and Sri Lanka. Generally, a natural event that hits a country is only expected to have a negative impact on the economy and unemployment for a short period of time. In Thailand, due to the efforts of communities, the cooperation and assistance from governmental groups like the military and police, assistance from outside sources and donors from around the world, and humanitarian efforts, the rehabilitation process went relatively quickly.

The tourism industry was able to come back, almost with a full recovery, two years after the Boxing Day tsunami (Nidhiprabha, 2007). Concern over the emotional trauma and fear based avoidance of the most affected areas, caused some analysts to assume that this recovery would not be complete. However, today tourism is 12.7 percent higher than it was prior to the event, suggesting a full recovery has been made. This rise in tourism numbers could be, however, because of growth in areas other than the Southern provinces where damage was most severe.

Tourists may have felt comfortable coming back to these, most affected, areas because of the quick apparent recovery from devastation, along with the new warning systems that have since been installed in the region. Also, no natural disaster of this extent has occurred since the Boxing Day Tsunami, making visitors to the region feel more safe than they might have directly after the event. With the steady post-recovery rise of tourism, the economy of Thailand has experienced positive growth since the event of Boxing Day 2004.
References


