

**THE ROLE OF TOURISM IN REGIONAL
DEVELOPMENT: A CASE STUDY OF
YUNNAN CHINA**

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industry. The evidence primarily suggests that tourism can play a stimulating and enhancing role in underdeveloped areas where development is needed as part of the process of modernisation. This study concludes by supporting the contention that tourism has made a substantial contribution to development in Yunnan.

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List of Contents

Authorship Statement	I
Abstract	II
Acknowledgements	IV
Table of Contents	V
List of Tables	XII
List of Maps	XIII
Chapter 1	1
Introduction	
1.1 Background to the Research	1
1.2 Research Problems	5
1.3 Tourism Development in China: an Overview	8
1.3.1 Rapid Growth of the Tourism Industry	9
1.3.2 Inbound Tourism	12
1.3.3 Domestic Tourism	15
1.3.4 Outbound Tourism	18
1.4 Choice of Yunnan as a Case Study	20
1.4.1 The Signification of Development in the Western Region	20
1.4.2 Tourism and Western Region Development	22
1.4.3 The Importance of the Tourism Industry in Yunnan	25
1.5 Research Objectives and Thesis Structure	28
1.6 Summary	32
Chapter 2	34
Development Theory and Issues of Development in China	
2.1 Introduction	34
2.2 The Meaning of Development	34

2.2.1 Development as a Process	36
2.2.2 Development as a State	38
2.2.3 Development as a Choice	40
2.3 Theories of Development	42
2.3.1 Marxism and Development	43
2.3.2 Modernisation Theory	47
2.3.3 Dependency Theory	52
2.3.4 Neo-Classical Theory and Economic Neoliberalism	55
2.3.5 Sustainable Development	56
2.4 Objectives of Development in Developing Countries	59
2.4.1 Reviving and Sustaining Economic Growth	60
2.4.2 Raising Living Standards	61
2.4.3 Eradicating Poverty	63
2.4.2 Reducing Development Imbalance	64
2.5 Issues of Development in China	65
2.5.1 Chinese Menu to Development	65
2.5.2 Deng's 'Opening-Door Policy'	66
2.5.3 Reform and Development of China	68
2.5.4 Current Problems of Development in China	71
2.6 Summary	72
Chapter 3	75
Regional Development in China – Changing Perspective	
3.1 Introduction	75
3.2 Region and Regional Development Models	75
3.2.1 Meaning of Region	75
3.2.2 Characteristics of Region in China	77
3.2.3 Regional Development Models	79

3.3 Imbalance of Regional Development in China	82
3.3.1 Nature of Regional Disparity	82
3.3.2 Main Trends of Regional Disparities in China	85
3.4 Choice of Regional Development Strategy	87
3.4.1 The Early Balance Growth Strategy	88
3.4.2 “Step ladder” Strategy for Unbalanced Growth Strategy	90
3.4.3 Adjustment of Regional Development and Western Region Development Strategy	91
3.5 Changing of Policy and Regional Development	94
3.5.1 High Degree of Centralizing Economic Policy for Regional Development	94
3.5.2 Economic Reform Policy and Regional Development	95
3.5.3 Opening-up policy and Regional Development	96
3.6 Summary	101
Chapter 4	102
Tourism in Development: an Evaluation	
4.1 Introduction	102
4.2 Tourism in Development	102
4.3 Potential Advantages of Using Tourism as a Development Strategy	102
4.3.1 National Perspectives	105
4.3.2 Regional Perspectives	106
4.4 Possible Disadvantages of Using Tourism as a Development strategy	110
4.4.1 Economic Leakage	113
4.4.2 Social-Cultural Consequence	117
4.4.3 Environmental Problems	120
4.5 Current Issues Relating to Tourism and Development	124
4.5.1 Tourism and Modernisation: Social Change	124

4.5.2 The Danger of Over-Dependency in the Regional Economy	126
4.5.3 Regional Comparative Advantages and Tourism	129
4.5.4 Tourism and Rural Regeneration	132
4.5.5 Sustainable Tourism and the Local Community	134
4.6 Summary	138
Chapter 5	140
Methodology	
5.1 Introduction	140
5.2 Research Paradigms and Methodologies	140
5.3 Case Study as Research Strategy	143
5.4 Case Study Design for the Research	146
5.4.1 Suggested Steps in Research Process	148
5.4.2 Selected Research Methods	150
5.4.3 Methodological Alternatives	153
5.5 Conducting the Case Study	154
5.5.1 Data Collection: Documentation and Archival Records	154
5.5.2 Data Collection: In-Depth Interviews	158
5.5.3 Analysing the Case Study	162
5.6 Summary	165
Chapter 6	167
Tourism as a Pillar Industry in Yunnan	
6.1 Introduction	167
6.2 An Overview of Yunnan	169
6.3 Regional Advantage of Tourism	171
6.3.1 Tourism Resources Advantages	172
6.3.2 Locational Advantages	176

6.4 The Rapid Growth of Tourism	178
6.4.1 The Growth of Tourism Demand	179
6.4.2 The Expansion of Tourism Facilities and Services	183
6.5 Economic Effectiveness of Tourism Expansion	186
6.5.1 Tourism and Economic Growth	187
6.5.2 Change of Economic Structure	189
6.5.3 Special Benefits to Peripheral Regions	192
6.5.4 Tourism and Poverty Alleviation	194
6.5.5 Danger of Over-Dependency and other Concerns	197
6.6. Tourism as a pillar Industry: Policy Implications	200
6.6.1 Policy Formulation and Establishment of Industry Position	198
6.6.2 The Priority Growth Strategy for Tourism	205
6.6.3 New Dimension of Policy and Western Development Strategy	207
6.7 Summary	211
Chapter 7	213
Development and Modernisation: Tourism and Development in Lijiang, Yunnan	
7.1 Introduction	213
7.2 An Introduction to Lijiang: Comparative Advantages for Tourism	213
7.3 The Change Begins for Tourism in Regional Development	215
7.3.1 Tourism and Opening-up of Lijiang	215
7.3.2 Modernisation of Infrastructure	221
7.4 Transformation of Social-Economic Structure	225
7.4.1 Industrial Structural Change	225
7.4.2 Occupational Structure transformation	228
7.4.3 Human Development with tourism	230

7.5 Social Change: the Effects on Culture through Tourism	233
7.5.1 The Commercialisation of Naxi Culture	234
7.5.2 The Change of Social Behaviour	236
7.6 Community Involvement in Tourism: Reflections on Huangshan Village	239
7.6.1 Ethnic Tourism in Huangshan	240
7.6.2 The Economic Benefits: Tourism and Rural Development	242
7.6.3 Rural Tourism and Sustainable Development	244
7.7 Other concerns for Tourism and Development in Lijiang	245
7.8 Summary	250
Chapter 8	251
Conclusions and Implications	
8.1 Introduction	251
8.2 Research Outcome	252
8.3 Limitations of the Study	265
8.4 Thesis Contributions and Implication	266
8.5 Recommendations for Further research	268

References	270
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Appendices

Appendix I Annual Inbound Visitor Arrivals 1978-2002	295
Appendix II International Receipts 1978 - 2002	296
Appendix III 20 Top Tourist Generating Countries to China in 2004	297
Appendix IV A list of main Interviewees	298
Appendix V Questions Asked in Each Interview	300
Appendix VI The role of tourism in regional development in Yunnan as perceived by the respondents	306
Appendix VII Introduction Letter	315

List of Tables

Table 1.1: Top Ten World Tourist Destinations in 2002	10
Table 1.2: Top 10 Regions of International Tourism Receipts in China	27
Table 4.1: Some Negative Impacts of Tourism on the Environment	121
Table 5.1: Case Study Research Process	147
Table 5.2: Documents and Archival Records Name and Years	157
Table 5.3: Interview participant Profile	160
Table 6.1: List of Tourist Resources by main Tourist Region	173
Table 6.2: Overseas Arrivals and International Tourism Receipts in Yunnan, (1978 –2002)	180
Table 6.3: Domestic Tourists Arrivals and Tourism Revenue in Yunnan, (1990 –2002)	181
Table 6.4: Hotel Room Number and Distribution in Yunnan – 2000	185
Table 6.5: Tourism’s Total Revenue in Yunnan 1992-2001	189
Table 6.6: Structure of the Yunnan Economy, 1990 and 1999	190
Table 8.1: SWOT for Tourism Development in Yunnan	254

List of Maps

Map 1.1: Map of China	5
Map 1.2 Position of Yunnan Province in China	26
Map 6.1: Yunnan Province Map	169
Map 6.2: Position of Yunnan in Southeast Asia	177
Map 7.1: Lijiang and its Position in Yunnan Province	214

CHAPTER 1

INTRODUCTION

1.1 Background to the Research

China had started its reforms and opening-up policy from the late 1970s and since then great changes have taken place in China's outlook. For the economic reforms, in 1979, the household contracted responsibility system with remuneration linked to out-put was promoted in the rural areas, and the farming households were entitled to full autonomy in arranging their production. In 1984, China made a decision to reform its economic system. In October 1992, China made it explicit that the objective of its reforms was to establish a system of socialist market economy (COC, 2004). In this process of economic reforms and the implementation of the opening-up policy, the biggest achievement has been the attraction of a larger amount of foreign funds to China, including tourism investment from many countries. In 2002, the 16th National Congress of the Communist Party of China proclaimed to the world that China had established a preliminary system of a socialist market economy, was improving it continuously, and was opening-up to the outside the world (CDI, 2004).

Over more than 20 years of effort, China's economic achievements have attracted worldwide attention. Now, it is recognised as one of the most noticeable countries for rapid economic development in the world. From the early 1980s to the mid-1990s the economy grew at an average rate of over 10%; it was closer to 8% in 1995 – 2000 and 9.5 % in 2003 (CSY, 2004). During this time, the influx of foreign funds into

China brought many benefits: more jobs, restructuring of industries, improvement of the infrastructure, rapid urbanisation and a bigger external stimulus for economic performance. With more than twenty years of economic growth, China's macroeconomic condition has changed, especially the combination of economic development with low inflation; and China's economy is stronger than ever.

In the process of high-speed economic development, China's social and economic development also faced a number of serious problems. The most important matter, which is of great concern, is the imbalance of development in China, the main aspects include:

- with the rapid economic growth over the years, China is facing an imbalance between economic and social development. Although China should maintain a long-term economic development with a relatively high growth rate, it should not solely stress the speed of economic growth;
- in such a vast country, a widening gap has occurred between urban and rural areas, and there remains an imbalance in development among different regions especially between the eastern and western regions;
- as the social-economic structure is unbalanced, China needs to identify new economic growth points and change the economic structure;

- the escalation of conflicts between economic development, the ecological environment and natural resources, has led to poor performance and low competitiveness in the overall economy.

One way for China to solve some of these problems is to adopt a scientific concept of development, which has been stressed by the new generation of Chinese leadership. Chinese Premier Wen Jiabao made his remarks in support of the new concept of development. That is “co-ordinated development between urban and rural areas, among different regions and between economic and social development, harmony between human beings and nature, and coordination of domestic development and opening to the outside world” (Wen, Beijing Time, March 1 2004).

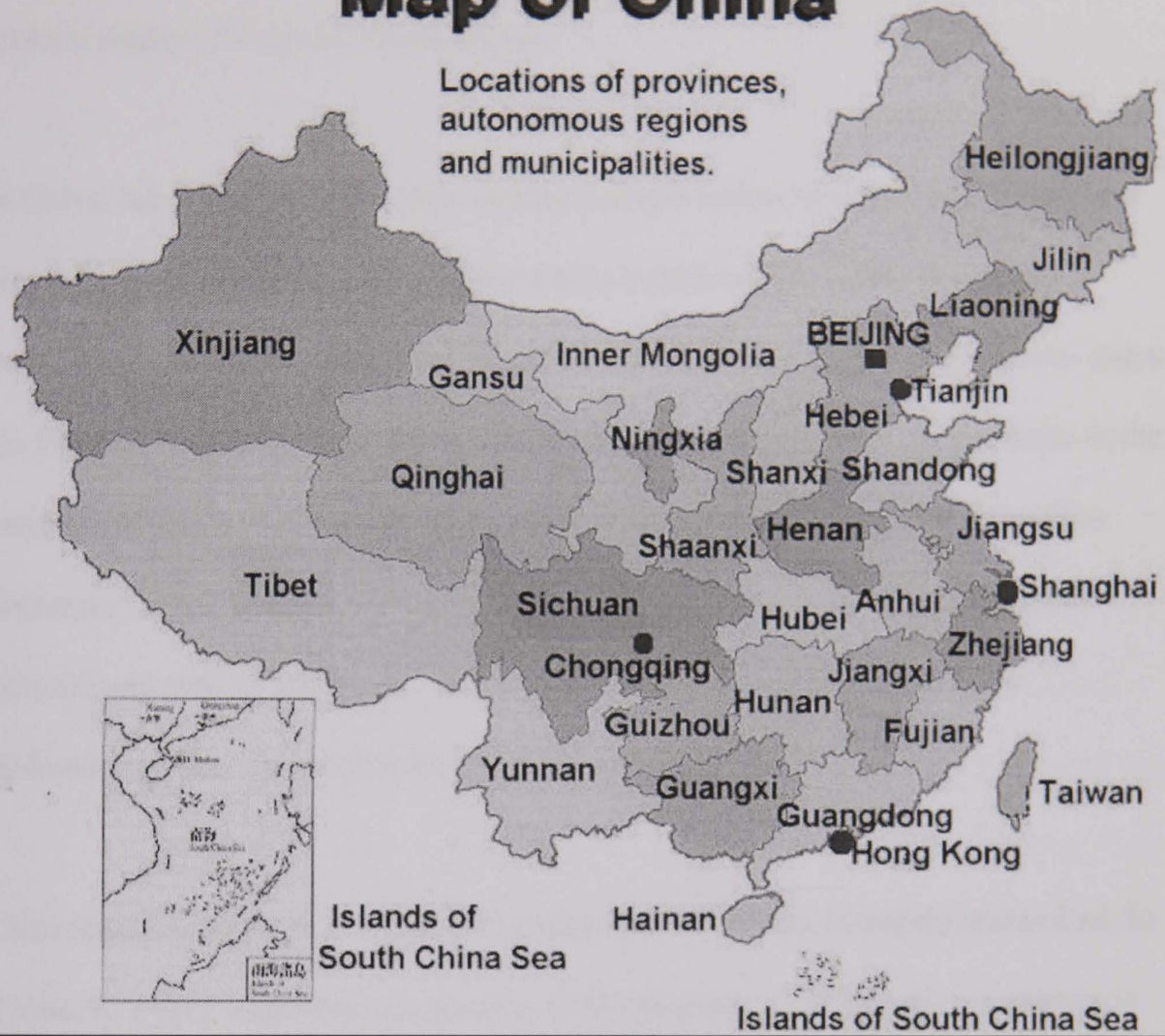
As one part of the new development concept, an important strategy in China is promoting the rapid development of the western region of China to achieve a co-ordinated development among different regions and to reduce the development gap between the eastern and western regions which has been widening since the beginning of the 1990s. The western region of China consists of 6 provinces and 5 autonomous regions, namely, provinces of Yunnan, Guizhou, Shaanxi, Gansu, Qinghai, Sichuan and the autonomous regions of Inner Mongolia, Ningxia, Xinjiang, Tibet and Guangxi, and a municipality directly under the Central Government - Chongqing (Map, 1.1). The region covers 5.4 million square kilometres, 57 percent

of China's land area, and has a population of 285 million people, 23 percent of the total population of the nation. More than half of the country's identified natural resources are in the western region.

For a very long time, there was a serious development problem in this region such as very slow economic growth compared with the eastern region, the backwardness of economic structures, and with low living standards and social development levels. Since the middle 1990s, the inequality of development has been noticed from various angles. For example, in 1995, the eastern region accounted for 40 per cent of China's population and produced about 58 per cent of its GDP on 14 per cent of the nation's land area (CSY, 1995). And then, Zeng (2004) noted the gap between the eastern and western regions has continued to grow in recent years. In 2004, the per capita domestic product in the western region was less than half that of the eastern region, and if it grows at an annual rate of 8 percent, the western region will take at least 11 years to catch up (Zeng, 2004).

Map of China

Locations of provinces,
autonomous regions
and municipalities.



Map 1.1 Map of China

1.2 Research Problems

It has been recognized that tourism has had an important impact on China's economy including on regional economic growth. Also, China's government and many western regional governments have recognised tourism as a main approach and an important element in China's economic development and a new growth point of the

national economy with the potential to help overcome regional imbalance and achieve targets of regional development.

In China, the western regions lack managerial and technical personnel, investment and infrastructure. This creates unfavourable conditions for development of manufacturing industry and it is still difficult for other industrial development due to the limiting condition of transport and the competing power of other products in the market. But these regions have quite distinct features with considerable tourism resources, rich heritage, cultural traditions, and natural resources offering both cultural and natural attractions. Therefore, the western regions often have endowments that are suitable for the development of tourism.

Understanding the role of tourism in regional development is poorly researched. In China, in a very long time, the concept of development centred only on economic growth. Therefore, the studies of tourism in development often noted the impact of tourism on economic growth arising from both international and domestic tourism in China (Oudiette, 1990; He, 1999b; Wu *et al.* 2000; Zhang *et al.* 2000; Wen and Tisdell, 2001; Yan and Wall, 2001; Zhang and Lew, 2003; Wang and Qu, 2004); and the policies affecting tourism development and management (Chow, 1988; Sofield and Li, 1998; Sun, 1999; He, 1999a; Zhang, *et al.* 1999, 2002; Gu 2003). As in many countries, these initial studies noticed that the growth of tourism contributed to government revenue and employment opportunities from economic development.

For the role of tourism in regional development, recent studies from an interregional geographical perspective have appeared (Telfer, 2002). Two new edited books on tourism in peripheral or frontier areas (Brown and Hall, 2000, Krakover and Gradus, 2002) concentrated on case studies or special types of tourism and provided some insight into the geographical disparity issue (Krakover, 2004). In China, some researchers focused on the evaluation of tourism resources and regional distribution of international tourism development (Luo, 1996; Tian, 1996; Tao *et al.* 1997; Deng *et al.*, 1997; Wen, 1998; Wen and Tisdell, 1997, 2001; Zhang, 2002; Li, 2004).

If a region's government decisions are taken to use local resources in the tourism industry, it will reflect the positive role of tourism in the development process of the region. This means that there is a link between tourism and regional development not only in economic growth, but also the expanded notions of an overall development process based on the concept of development announced by China's government. However, the above studies have ignored the role of tourism in the regional development process. No systematic studies of tourism as a regional development option in China have been done. In this study, some research problems are raised regarding the role of tourism in regional development – why tourism has been identified as a mainstay industry for regional development in Yunnan; and how it has been used in the region as a development strategy? Further important questions are:

- Why is tourism important as a major industry in regional development and why has it been supported by special policies at this level?
- How is tourism related to the regional development and modernisation process?
- How can local government decisions relating to tourism help facilitate in the resolving special development problems in local areas?

Because of the rapid growth of tourism in China, tourism has been recognized as a main industry in many regions especially in western regions. The main considerations in this study are the identification of the critical factors in regional development process, the role of tourism in this process, and through a case study of Yunnan, examining these issues some detail.

1.3 Tourism Development in China: an Overview

Tourism and regional development in China are closely linked in that “it is a strategic industry in China’s development toward a socialist market economy” (Zhang and Lew, 2003:3). Tourism as a new industry in China is still a new phenomenon. In the past 20 years, especially from 1978 to 2002, as the outcome of economic reform and the policy of opening-up to the outside world, the tourism industry has experienced unprecedented growth and has become a new growth point in the national economy. China’s tourism was one of the fastest growing industries

and the most active sector in the national economy, and has now become one of the important elements in China's social and economic development policies including formulating regional development strategy.

1.3.1 Rapid Growth of the Tourism Industry

Along with the change in Chinese policies for the political and the economic systems, the tourism industry has grown and experienced progress from rapid growth to steady development (Zhang *et al.*, 2000). In the early 1980s, China was not prominent on the world tourism stage, both in terms of international tourist arrivals and of international tourist receipts, ranking lower than 40th among the major world destination countries (Zhang *et al.*, 2000). Since the 1990s, international tourist arrivals (the number of tourists from abroad) and international tourism receipts grew from respectively 18th and 34th in the world in 1980 to the 6th and 7th in 1998 (Appendix I). From 1999, China has become the fifth largest international tourist destination and it is second only to France, Spain, USA, and Italy (Table 1.1).

Table 1.1 Top Ten World Tourist Destinations in 2002 (in int'l tourist arrivals)

Rank	Country	Int'l Tourist Arrivals (millions)	Growth (%)
1	France	77.0	2.4
2	Spain	51.7	3.3
3	United States	49.9	-6.7
4	Italy	39.8	0.6
5	China	36.8	11.0
6	United Kingdom	24.2	5.9
7	Canada	20.1	1.9
8	Mexico	19.7	-0.7
9	Austria	18.6	2.4
10	Germany	18.0	0.6

Source: World Tourism Organisation (WTO, 2003)

The period 1978 to 2000, was the fastest for tourism industry growth. In 1985, the “total tourism receipts” (including foreign exchange receipts and domestic tourism receipts) amounted to only 11.7 billion RMB. But, in 1998, the “total tourism receipts” amounted to 343.9 billion RMB. Between 1985 and 1998, statistics from the *Fifty Years of China Tourism Development* for 1999 showed that the total tourism receipts increased by more than 29.4 times, and achieved double-digit growth over the last 13 years (He, 1999a). According to statistics released by the China National Tourism Administration (CNTA) in 2000, total tourism receipts reached 451.9 billion RMB (US\$ 54.5 billion), including 317.5 billion RMB (US\$ 38.3 billion) from domestic tourism and US\$ 16.2 billion from overseas tourists, an increase of 12.1 percent and 15 percent over 1999 respectively (CNTA, 2002).

As a result of rapid growth, the impact of tourism on the economy of China has increased. Sun Gang (1996), the Vice-Chairman of China National Tourism Administration, pointed out that the growth of the tourism industry was racing ahead of gross domestic product (GDP) and was expected to outpace it by a large margin until at least the turn of the century. He said, "I think the speed of tourism development is certain to overtake that of the national economy" (Sun, 2 March, 1996). Since then "tourism has become the most active sector in China's economy" (Sun, 21 September, 2001). In fact, in 2002, the growth rate of GDP was near 9% in China; but, in this year, China's total tourism receipts were 556.6 billion Yuan, an increase of 11.43 % over 2001 (CNTA, 2003). In 2002, the total tourism receipt contributed 5.44 % to the value of Gross Domestic Product (GDP), making tourism one of the most significant components of the national economy (He, 2003).

A number of factors are responsible for the rapid growth and development of the tourism industry in China. These include the policy of opening up to the outside world, strong economic growth, increasing income of residents and focused marketing campaigns. But, the key to the success of tourism development in China is strong support by the government. Prior to 1978, tourism in China was not thought of as an industry but considered as 'a part of foreign affairs', as the government's main objectives on international tourism were political rather than commercial. Since the 1980s, the government of China noted that the tourism market of China had great potential and that the tourism industry should play an increasing role in the Chinese

economy. In 1986, for the first time ever, tourism as an industry was included in the national plan of economic development – the Seventh Five-Year Plan 1986-1990 (He, 1999b).

At present, many provinces or autonomous regions have attached importance to the role of tourism in regional economic development and put forward policies or measures supporting tourism development. Until now, there are 20 provinces where tourism foreign exchange receipts are over to US\$ 100 millions in 2003 and there are over 10 provinces where tourism receipts are up to 5% of GDP (CNTA, 2004). In the period of the 10th Five-Year Plan(2001-05), the government of China has pledged to give greater support to the tourism industry and has vowed to make full use of its scenic and cultural resources to develop the tourism industry into a new economic growth pole.

1.3.2 Inbound Tourism

In China, inbound tourism is concerned with any overseas visitor (including China's Hong Kong, Macao and Taiwan), who being permanently resident in a country or China's special regions outside the China's mainland, visit China for a period of less than one year, including day trips. "Tourist arrivals" or "inbound visitors" coincide with the concept of "the number of tourists from abroad" including foreigners and overseas Chinese who are also termed "Compatriots" (He, 1999a).

With the opening up policy implemented in 1978, visitors from abroad suddenly flooded in (Zhang, Pine and Zhang, 2000). According to the statistics released by the China National Tourism Administration (CNTA, 2002), in 2002 about 97.91 million inbound visitors have visited China, including 13.44 million foreigners from other countries. Tourism Receipts were US\$ 20.41 billion, a 14.6 percent rise from the previous year. In 1978, inbound visitors only total for 1.81 million and tourism foreign exchange receipts were US\$ 0.26 billion. During the 1978-2002 period, inbound tourism receipts rose faster than any other sector and became a major source of foreign exchange earnings in China. Now, China has become the first tourism destination in Asia, and the one of main tourism destination in the world. Paralleling the growth in arrivals, International Tourism Receipts also showed significant growth for China (Appendix II).

In the past 20 years, greater changes have also taken place in the structure of China's international tourism market. One of the major changes is the proportion of long-haul markets such as Europe and North America countries which has been shrinking, while that of the short-haul markets such as Asia and other neighbouring countries and regions has been expanding greatly (Zhang *et al.*, 2000). In general, the inbound visitors's market of China is made up of two major parts. One part is visitors from China's Hong Kong, Macao and Taiwan; another part is visitors from other countries. In 2004, the number of the "other country" visitors reached 16.39 million. There are 20 countries that generate main inbound visitors to China, which were

ranked in order: Japan, Korea, Russia, USA, Malaysia, Singapore, Mongolia, Philippines, Thailand, U.K., Australia, Germany, Indonesia, Canada, India, France, Vietnam, Kazakhstan, Italy and Netherland. The top 20 tourist generating countries to China, all had showed rapid growth trends and had a two-digit growth rate, especially in Italy (85.9), Kazakhstan (81.2) and France (80.1) (Appendix III). With the change of international tourist demand and increasing domestic supply, China's international tourism has turned from a seller to a buyer's market.

In the development process of inbound tourism, the period of the 8th Five-Year Plan (1991-95), was the most important period of tourism development in China. In this period, China's inbound tourism had experienced unprecedented growth. In 1995, the international tourist arrivals and receipts in China hit 46.39 million arrivals and reached US\$ 8.73 billion compared to the levels of 27.46 million and US\$ 2.22 billion in 1990, five years before (Appendix I and II). During the same period, China's tourism foreign exchange receipts rose at an average annual rate of 31.4% and which surpassed greatly the average annual growth rate of 5.47% for the rest of the world (He, 1999a).

In the 9th Five-Year Plan (1996-2000) period, China's inbound tourism has always showed a higher rate of growth than any other country in the world. In 1996-2000, tourist arrivals and foreign exchange receipts reached from 46.38 million and US\$ 8.73 billion to 83.48 million and US\$ 16.2 billion respectively, the arrivals ranked 5th

in the world and China was regarded as one of the biggest overseas visitor destinations in the world (WTO, 2002). In 2002, China handled 97.91 million people across its borders, including 13.44 million foreign tourists, which brought in US\$ 20.39 billion in International Tourism Receipts (CNTA, 2005). China will be the focus of the worldwide tourism industry in the new millennium, particularly as it hosts the Olympic Games in 2008.

1.3.3 Domestic Tourism

China's domestic tourism, which first began in the middle of the 1980s and has rapid development since the late 1990s, has blossomed in the last decade. According to Wen (1998) the Chinese government was hesitant in giving clear encouragement to the development of domestic tourism because it was not considered to be a contributor to the foreign exchange earning but a competitor for the supply of transportation and accommodation for inbound tourism tourists. International tourism was given priority for development in the 1980s owing to the limited supply of infrastructure and little demand for domestic travel. However, a national tourism conference held in Tianjin in 1987 emphasised the importance of domestic tourism and recommended its further development (Gerstlacher *et al.*, 1991, cited in Wen, 1998).

In 1992, the Central Committee of the Chinese Communist Party and the State Council made the important decision to increase the relative size of the tertiary industry in the Chinese economy. After this, a series of positive policy measures were adopted to encourage domestic tourism development. For example, with the implementation of a specific state policy for the new national holiday system (the seven-day holidays including the Spring Festival, National Holiday and International Labour Day) and improvement of tourist facilities, domestic tourism has outpaced international tourism in recent years (Wang and Ou, 2004).

Although domestic tourism is a new and recent phenomenon, it is expanding fast. It was reported from CNTA (2003), that China's domestic tourism income reached 3,845 billion RMB and the volume of domestic tourist trips accounted for 870 million trips in 2002. China's domestic tourism market is now the biggest domestic tourism market in the world. From the statistics, domestic tourism has always achieved double-digit growth over the last 15 years. Between 1985 and 2002, domestic tourism income increased by more than 39.7 times. In this period, the number of domestic tourist trips has increased almost 3.8 times. In terms of tourism expenditure by domestic tourists, per capita expenditure has grown year after year.

According to Wu *et al* (2000), three factors can be mainly identified that has greatly encouraged the fast growth of China's domestic tourism: growth of income per capita; increase of leisure time, particularly in cities; and the structural adjustment of

the national economy. In fact, the boom in domestic tourism is linked directly to the growth of income per capita and the emergence of a new, urban middle-class, based on the growing consumption of tourist products. For example, in 1990, GDP per capita was 1,645 Yuan (more than US \$400), and the income of urban citizens increased significantly, which stimulated the growth of mass tourism in the country. In 1996, GDP per capita reached 5,634 (about US\$700), doubling that of 1990 (Wu, Zhu & Xu, 2000). With the steady growth of income, the resulting satisfactory growth of domestic tourism has taken place in China. According to predictions, the number of domestic arrivals in China will keep growing by more than three times and tourism income by nearly five times from 1997 to 2010 (C NTA, 1998).

In the past years, as Chinese citizens, especially urban citizens, get much more free time for leisure, China's holiday tourism has boomed. In the past, major holidays such as Chinese New Year (Spring Festival) were simply a time for Chinese people to relax and celebrate the nation's achievements. However, now China has three week-long national holidays that occur around Spring Festival, May Day (International Labour Day) and October's National Day called "Gold Weeks" that provide a boost to the domestic tourism industry. In 2002, in the three "Gold Weeks", the number of trips for domestic tourism reached 220 millions and tourism income was about 86.5 billions Yuan, up 19.7 % and 17.5 % respectively, accounting for 25.3 and 22.5 percent of total trips and income of domestic tourism respectively (He, 2003).

Domestic tourism has provided the added dimension of being an effective way to stimulate the domestic economy. It has contributed in many areas of China's economic and social development. Significantly, it makes a large contribution in promoting regional economic growth, improving local industrial structures, driving the development of related industries, enhancing employment and activating domestic demands (Wu *et al*, 2000). China has great potential and an excellent prospect in developing its domestic tourism, which can play an important role in the national economy, and improving the living standards of Chinese people.

1.3.4 Outbound Tourism

In China, outbound tourism is concerned with any China resident (excluding China's Hong Kong, Macao and Taiwan) who leaves and returns to China within one year, including day trips. For a long period before the reform and opening policies, China developed only inbound tourism, but outbound tourism was tightly restricted. Until 1990, travel of Chinese abroad was mostly limited to visits for official or commercial purposes rather than for holiday or recreation.

In recent years, with the improvement of the Chinese people's living standards, their citizens have an increasingly strong interest in travelling abroad. From 1990, China has begun to relax its policies on outbound travel, and visits to some Southeast Asian and European countries were allowed for tourism purposes. Foreign travel agencies

are now opening offices in China to attract Chinese to travel abroad. The total number of Chinese outbound travellers was 8.4 million in 1998, of which 5.2 million were for business and the rest for private purpose. In 2002, the total number of Chinese outbound travellers was 16.6 million persons, an increase of 36.84 % from last year. Among them, 6.54 million travelled for business and 10.06 million for private purposes, which rose 44.87 per cent from last year (CNTA 2004).

The ability to travel outside China depends on two essentials: income levels and permission to do so. First, the average living standard of the Chinese population has steadily improved, especially for the residents of the coastal provinces, cities and special economic zones, such as Shanghai, Beijing, Guangdong and Liaoning. Therefore, people living in these areas are most likely to represent the bulk of the potential market for outbound travel. By comparing the actual number of outbound travellers and the population for the past two decades, there are more Chinese people travelling overseas. It started with 0.3 percent of the total population in 1984 and increased to 2.4 percent of the total population in 1999 (Zhang, 2002).

Second, a determinant factor for Chinese to be able to travel overseas is that they are allowed to do so. A major policy breakthrough occurred in 1991, when Chinese nationals were allowed to join tours organised by the China Travel Service to Hong Kong and some neighbouring countries such as Malaysia, Singapore and Thailand. Now, in 2004, there were almost 90 countries identified by the Chinese government

as approved destinations for Chinese outbound travellers. It is predicted, in 2005, the total number of Chinese outbound travellers will be 28.50 million persons, increased by 41 % and 72% over 2002 and 2003 respectively; these numbers will exceed 10 million of Japan's outbound travellers (He, 2005). With a huge population of over 1.3 billion, China will become a major outbound source country.

Because outbound tourism from China is not a significant focus of this study, the research will pay attention to development of inbound tourism and domestic tourism and its implication for regional development policy.

1.4 Choice of Yunnan as a Case Study

1.4.1 The Significance of Western Regional Development in China

In the past 20 years, for many reasons, such as natural conditions, infrastructure inadequacy and government policies, economic development in the western regions was lagging far behind that of the south-eastern regions. The regional disparity and imbalance of economic development has increased in China. In 1998, Guizhou had the lowest per capita income in China – RMB 2,342 (US\$ 260.5), while Shanghai had the highest – RMB 28,253 (US\$ 3,416), approximately 12 times larger (Yabuki, 2004). Until now, this economic gap between the eastern and western regions continues to grow. By the end of 2003, China's poverty-stricken population, most of

whom live in the western region, was estimated to be 29 million, although down from 250 million before the reform and opening drive started in 1978 (Zeng, 2004).

In an effort to close this economic development gap between the western and eastern regions, the rapid development of the western region is still top of the agenda for economic and social development in China and its leaders are vigorously planning the development of western China. In the 1980s, Deng Xiaoping put forward the strategic concept for China's modernisation drive, featuring "two development situations". One situation is that the south-eastern coastal areas will speed up their opening to the outside world and the other is that China should concentrate its strength to speed up the development of its central and western regions (Hwei, 1999). At the turn of the new century, while continuing to promote the opening up of the inland regions, in 1999, Chinese government publically announced its official plan to develop western China. Its goal is to try to achieve a satisfactory level of economic development in the western region of the country in a five-to ten year time-frame and establish a "new western China" by the middle of the 21st century (Glantz, *et al.*, 2001).

The new strategy, the Western Development Strategy, was launched by central government in January 2000. Its aims were to attract and allocate money and other resources for the development of the central and western regions. Chinese Premier Zhu Rongji laid out the major objectives of the plan at the March 2000 session of the

National People's Congress. The strategy focuses on five areas: (1) infrastructure development; (2) the environment; (3) local industry; (4) science, technology, and education; (5) and the investment environment (Business Alert – China, 2002).

Under this strategy, the majority of China's government spending will shift from coastal to western China to support development at a faster speed. It seeks to afford more financial support and investment in this region in order to reduce the gap between the eastern and western regions, and realize the goal of a balanced development between these two regions to raise the level of development of the entire country.

1.4.2 Tourism and Western Regional Development

To carry out an overall development of West China, using the comparative advantages of local resources is at the heart of the 'Western Region Development Strategy'. Chinese former Vice-Premier Qian Qichen (3 January 1999, China Tourism News) said that China's vast western region should take advantage of its abundant tourism resources and develop a healthy industry. He also pointed out that the protection and improvement of the western region's environment plays a crucial role in the development of the tourism industry. Because the western region of China abounds with diverse tourist resources, unique historic and natural scenery, it is different from the eastern region, offering tremendous development and market advantages for the tourism industry (Huang, 2000).

The implementation of the Western Development Strategy will ensure the improvement of infrastructure facilities and shape favourable conditions for tourism development in western China including Yunnan Province. In the past 20 years, although the western regions had rich tourist resources and great market potential, its development was still lags behind coastal areas. Factors that led to under-utilization of tourism resources in the western region include the dispersed location of tourist spots, underdeveloped transport facilities, poor supporting infrastructure, inefficient management and a lack of acceptable local tour services (Tang, 2001).

Obviously, the conditions have been changed with the Western Development Strategy. China's government in 2000 decided to invest RMB 5 billion in the re-development and extension of 20 airports in western China. From 2000 to 2004, a total of 850 billion Yuan (US\$ 100 billion), of which 400 billion (US\$ 49 billion) came from the central government, was marked for water conservation, communications, environmental protection, compulsory education and healthcare over the past five years (*China Daily*, 19 November, 2004). Some of the funds were spent on preserving the natural ecology and historical and cultural legacies providing auxiliary tourist facilities in the western region (Hong Kong Trade Development Council, 2000). At the same time, the introduction of overseas capital and management has helped China's hotel industry make a big leap forward, reaching or closely approaching world standards in terms of both hard-and softwares (Zhang *et al.*, 2000). Therefore, "The serious shortage of accommodation and transportation

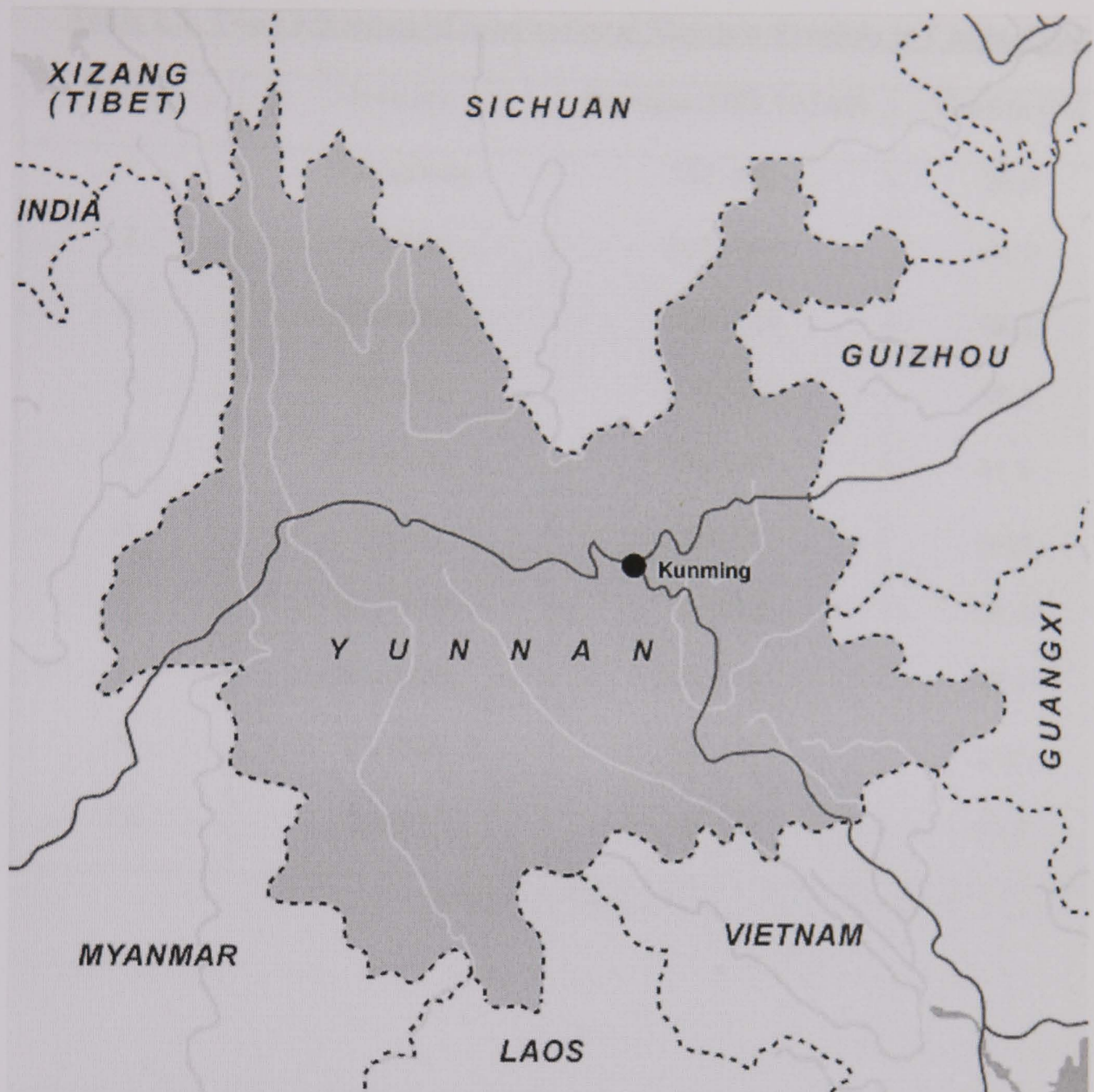
which once bottlenecked China's tourism development have been basically removed, and the problems of lack of tourist attractions and recreation activities have been resolved by and large" (Zhang *et al.*, 2000:285).

Because of the above actions and natural advantages, the tourism industry has become a new growth point and it has been identified as a key industry in many areas of the western region. Under these circumstances, tourism and western regional development has attracted the attention of a number of local researchers and policy makers. They have stressed the role of tourism in the development of the western regions that should create new conditions to develop tourism as a pillar industry in western region development. A number of writers, for example Sun (1996, 1999), Luo (1997), Zhao (2001) and Shao (2000, 2003) defined and explained tourism as a pillar industry is a pole of regional economic development with higher economic growth rate and the mainstay of regional development, and as the engine of growth in a region. First, it has become one of the fastest growing sectors as the engine of economic growth and as a catalyst of favourable structural change within the local economy. Second, the industry is based on the local resources endowment with comparative advantages over other economic sectors and the development of tourism has also emerged as an important promoter of the regional overall development process. For example, for some time now, tourism in Yunnan has replaced few primary products of the traditional industries including agriculture and mining and

has become one of the fastest growing sectors in Yunnan's economy to engender growth and development in this region

1.4.3 The Importance of the Tourism Industry in Yunnan

The choice of Yunnan as the case study in this research is based on the fact that it is the most important area in western China and it is also one of China's renowned tourist centres. Yunnan Province is situated in south-western China and borders Guizhou, Sichuan Province, and Guangxi and the Tibet Autonomous Region. It is the sixth largest of China's 32 provinces that encompasses 394,000 square kilometres and the total population was estimated at 41.9 million in 1999 (Figure, 1.2). Over recent years, tourism has been a new source of economic growth in Yunnan. Statistics show that the number of overseas and domestic tourists visiting the province witnessed a year-on year growth of 10.9 and 16.6 percent respectively. During the 1995 to 2000 period, the revenue from tourism accounted for an average of 8.2 percent of the province's GDP. In 2002, tourism total revenue accounted for 28.99 billion Yuan and tourism's contribution to GDP accounted in 12.8 percent in this year (Yunnan Province Tourism Administration, YPTA, 2003).



(Map 1.2 Position of Yunnan Province in China)

In 2004, the international tourism receipts in Yunnan reached almost about US \$ 422 million and ranked 9th in China's 32 provinces or areas in international tourism receipts by locality (Table, 1.2). In the top 10 regions, only Yunnan Province is located in the western region.

Table 1.2: Top 10 Regions of International Tourism Receipts in China, 2004

Position	Locality	Receipts (US\$ 10,000)	Growth (%)
1	Guangdong	537, 822	26.0
2	Beijing	317, 343	66.7
3	Shanghai	304, 124	48.2
4	Jiangsu	176, 344	55.8
5	Zhejiang	130, 047	41.9
6	Fujian	106, 507	16.4
7	Liaoning	61, 281	35.0
8	Shangong	56, 655	53.1
9	Yunnan	42, 245	24.2
10	Tianjin	41, 253	25.2

Sources: CNTA, 2005

Therefore, the development of tourism in Yunnan requires regional government to focus on its role in the regional development strategy. Yunnan has realised that the region should turn out products with unique characteristics and comparative advantage in order to cultivate its base for economic self-development. At the beginning of the new millennium, Yunnan had decided its new development strategy. Using the opportunity of the Western Development Strategy to improve infrastructures facilities and environment and adjust its economic structure to

develop four pillar industries including the tobacco industry, biological industry, mine industry and tourism industry (Western Development, 2001). According to the strategy, that means that these industries including tourism have been designated as the key growth sectors and as the engines of economic growth and poles of regional development in Yunnan (YPTA, 2000).

The choice of the case study also reflected the fact that Yunnan had formulated a series of special strategy and policy initiatives for tourism development (He, 1999b). At present, Yunnan's government is working hard to carry out its development strategy and wants to become a major tourism province in the country. Also, many local governments in Yunnan, such as Dali, Lijiang and other areas have identified tourism as their target development area and provide the best support they can. The successful policies and strategies were recognized as the important measures for encouraging the rapid development of tourism at regional level.

1.5 Research Objectives and Thesis Structure

The purpose of this research is to offer a wider understanding of the role of tourism in regional development. To this aim, the role of tourism in regional development is examined with particular reference to Yunnan Province. The main objectives of this study are:

1. To identify the role of tourism as a major strategy in regional development, and consider the main issues through examining the present regional development practice in the western region of China;
2. To explore the comparative advantages of tourism development and the special economic contribution of tourism to regional development, and why the tourism industry has been identified as a pillar industry in regional development in Yunnan;
3. To evaluate and examine the influence of tourism on the process of development and modernisation in Yunnan;
4. To consider and identify how tourism can provide an option in the peripheral and poorest areas for social and economic development and explore the role of tourism in the local areas and local community development in Yunnan.

These objectives are based on the two major research hypotheses in the concept of a regional development model. Firstly, as a development strategy, the tourism industry in the western region of China will be the main force to achieve the rapid development of the regional economy. Second, the tourism industry might be developed quickly by government to play a leading role, especially, in a developing

country like China, where the government occupies the leading position in regional development.

In order to meet the objectives of this thesis, its structure is as follow:

Chapter 1: Introduction

Provides a broad overview on the background of the study, and identifies the research objectives. Based on these objectives, it presents a rationale for tourism development in China, and the reasons of choosing Yunnan as a case study.

Chapter 2: Development Theory and Issues of Development in China

This chapter looks at the evolution of development theories to present the new view of development concepts and core values. It explores the special process of development and related to issues in the context of China.

Chapter 3: Regional Development in China – Changing Perspective

Provides an overview of the theories of regional development and emphasises the influence of the change of China's policies on regional development within the existing condition of regional inequality in China.

Chapter 4: Tourism in Development: an Evaluation

This chapter examines the interrelationship between tourism and development both in theory and practice. Within the theoretical framework, attention is given to the use of tourism as a development strategy.

Chapter 5: Methodology

Presents the research methodology to explain and reflect upon the rationale for choosing research paradigms and the choice of a case study approach for this research.

Chapter 6: Tourism as a Pillar Industry in Yunnan

Presents evidence to support the contention that tourism is a main industry for Yunnan Province, and how tourism has been identified as a pillar industry in regional economic development.

Chapter 7: Development and Modernisation: Tourism and Regional Development in Lijiang, Yunnan

This chapter presents the findings, exemplified by reference to tourism and development in Lijiang, Yunnan province. It presents an in-depth view of the role of tourism in the process of regional development and modernisation.

Chapter 8: Conclusion and Implications of the Study

A discussion of the results of this study is presented in this Chapter. Furthermore, the implications of this study and its key conclusions are made, and recommendations for further research are identified.

1.6 Summary

The economic development process in China has created and intensified new imbalances between the western and eastern regions with the latter having higher rates of economic growth, increases in living standards and growing evidence of modernity in the society. This imbalance has been and continues to be concern to the Chinese government. After the ‘opening-up’ process started in 1978 and the consequent increase in foreign investment and participation in the national economy, from the mid 1990s, the imbalance has increased. In 2000 the Chinese government published its Western Regional Development Strategy aimed at reducing the imbalance.

In reflecting the important role of tourism in economic development at the national level, the government has recognised that the natural and cultural endowment in western region provides a good base for the development of tourism. It has made available funds both to improve the infrastructure in the western region and to enhance environmental quality, both measures aimed at supporting the implementation of the Western Regional Development Strategy. The World Tourism

Organisation's prediction (2000) that by 2020 China will become the world's main international tourist generating and receiving country has not found many challengers. The increase of regional per capita incomes in China, together with the huge growth in domestic tourism and international arrivals in China, offers the prospect of the development of a sustainable tourism industry. There are many advantages to be derived from the use of tourism in regional economic development, which will be discussed in Chapter 4. However, it is also recognised that tourism growth can be disrupted by a range of political, economic and other factors including natural disasters, which can have short to medium-term repercussions. These factors will also be considered in Chapter 4.

Yunnan, the case study province, as one of the most important provinces of the western region, has already established itself among the top ten provinces receiving international tourists in China and is being positioned within a growing market sector based on its rich tourist resources and as such tourism has been designated as one of the Province's four pillar industries. In this sense, its development, economic, social and in the context of modernisation, has been noticeable. The thesis, and through the specific case study, aims to understand how this process has evolved and in particular, to evaluate the role of tourism in the process.

CHAPTER 2: DEVELOPMENT THEORY AND ISSUES OF DEVELOPMENT IN CHINA

2.1 Introduction

The problems of development have always been treated as being among the most important issue in many countries, in particular for the poor and developing countries. As one of the major social and economic phenomena of modern times, it is not surprising, in practice, tourism may be proved to be one of the most effective roles for development in many nations. But “the term of development may mean different things to different people” (Todaro, 2000: 13). Therefore, looking for tourism’s role in developing countries, especially in China, must be viewed in a broader perspective of development from theories to practice. This chapter analyses the meaning of development as a term in order to provide a new view and core values of the development phenomena. Development theories and the main development paradigms are discussed as are the objectives of development in developing countries. These issues are then reflected to the process of development in China.

2.2 The Meaning of Development

Development means different things to different people, and these meanings have changed over time (Wall, 1997). Within the development theory literature, the

“meaning of development” has been used in many ways and it is still a developing concept, which continues to be dealt with by many authors (Seers, 1969, 1977; Unwin, 1983; Thirlwall, 1983; Welch, 1984; Yah, 1991; Todaro, 2000; Sharpley and Telfer, 2002). The meaning of development is commonly viewed as a changing and complex concept. As Cowen and Shenton (1996) argued, development seems to defy definition, although not for want of definition on offer. In fact, development implies a positive transformation or good change (Thomas, 2000) and can be discussed at various levels. According to Sharpley and Telfer (2002: 23), “in short, development can be thought of as a philosophy, a process, the outcome or product of that process, and a plan guiding the process towards desired objectives”.

Perhaps one of the limitations of the term development is that it has too often been identified with the single concept of economic progress, especially in many developing countries. Economic development at its simplest is a statistical increase in Gross Domestic Product usually reflected in changes in GDP per capita. However, as the creation and regular publication of the Human Development Report (UNDP, 1990) indicates, the term also embraces social changes such as access to medical care, education, longevity factors and many other aspects of what is now generically referred to as ‘quality of life’. Although tourism, to be justified as a development strategy, needs to meet the criterion applied to other development sectors, it has one quite distinctive feature – it is based on a massive inter-action of people on a global scale. It is this interaction at a personal level which essentially differentiates tourism

from other development strategies. It is particularly associated with the availability and improvement of human capital and where culture is often the core attribute in the development paradigm (Harrison, 2001). These aspects will be further discussed in Chapter 3.

2.2.1 Development as a Process

Development is a process of change through which societies move from one condition to another. Friedmann (1980:41) noticed that “we also tend to think of development as a process of change or a complex of such process”. However, we may define development as a dynamic and cumulative process (Yah, 1991).

Therefore, development has usually been treated as a process, a particular kind of social change process.

Development as a process of change, in its early formulations, has been defined in terms of western-style modernisation achieved through economic growth (Rostow, 1967; Redclift, 1987). According to the traditional economic measure, development has meant the capacity of a national economy, whose initial economic condition has been more or less static for a long time to generate an annual increase in economic growth (Todaro, 2000). “That is, as the national economy grows, the national productive capacity increases and, as long as output grows at a faster rate than the population growth rate, then development is assumed to be the inevitable

consequence” (Sharpley and Telfer, 2002: 24). However, development is not an inevitable consequence. The growth increment may be diverted by government to general uses or to perceived priorities such as rearmament, or to schemes of political importance without in any way improving the well being of quality of people.

At the same time, the development process through economic growth is also a process of industrial structural change from the production of commodities to service sectors. The majority of development economists appear to accept that industrialisation is a key element in development. As a result, the process of social structural change was related to industrialisation. After this, “Development, still in the sense of economic growth, came to be seen as part of a much wider process of social change” (Pearce, 1989:8).

Obviously, the change process to the social-economic structure is a very important transformation in developing countries or regions; it is also the change process of spatial reorganisation for socio-economic development. For example, the relative change of social occupational classes, the change in the distribution of income, the interrelationships between regions with developed metropolitan centres and the underdeveloped peripheral regions (Pearce, 1989:9), and the difference of both rural and urban productive areas of a country. Therefore, it is the change in the total society which includes social, cultural, political, and environmental changes. Tourism has the possibility of inducing or at least, in contributing to all these factors.

It is to prevent stop – and start or cyclical growth that attention over the last ten years or so in the tourism literature (Mowforth, M. and Munt, I., 2003; Hall, C.M. 2000) Sustainability is essentially a long(er) term view of development and as much of tourism is facilitated by natural and cultural attractions, the balance between development and depletion of resources is critical. In tourism, as distinct from many other industries such as manufacturing, sustaining of resources, particularly cultural resources, requires some foresight derived often from other countries experiences and careful management strategies. In the context, tourism development fully justifies the description as a process rather than being regarded as a single development decision.

2.2.2 Development as a State

Development is also a state or condition, which derives from the process of change. For a country or region, the development process in a society, may result in achieving the state or condition of development (Sharpley and Telfer, 2002).

Development as a state has been used to illustrate and analyse the present condition of development in the broader categorizing such as developed and underdeveloped, the reduction of widespread poverty, unemployment, and regional imbalance and equilibrium development. Therefore, Seers (1969) asserted that questions to ask about a country's development are: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all

three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems has been growing worse, especially if all three have, it would be strange to call the result “development”, even if per capita income had doubled.

By the late 1960s, many countries had already realised economic growth was not effective to solve all the problems of social development especially in developing countries because the levels of living for masses of people remained for the most part unchanged (Todaro, 2000). As a result, many economists and sociologists have noticed that economic growth as measured by gross national product per capita can occur simultaneously with increases in poverty, unemployment and inequality (Binns 1995). Jenkins (1997) argues that economic growth is a quantitative measurement of increases in GNP and or GNP per capita. It is a relative and comparative figure and tells us nothing about how the GNP is distributed within the country. It is a statistical measurement of economic change. Economic development, on the other hand, has a much wider interpretation. It attempts to see how economic growth has actually been used to improve the general living standards and well-being of the people in a country.

Obviously, in its most basic form, development is more concerned with human betterment through improvement in lifestyles and life opportunities (Wall 1997).

Goulet (1968) had identified that development can be properly assessed only in terms

of the total human needs, values and standards of the good life and the good society perceived by the very societies undergoing change. He emphasised the three goals of development for this good life, he called life-sustenance, self-esteem and freedom. Therefore, economic development may be defined as an increase in social welfare where social welfare is a function of the welfare of all the members of a given society (Poulson, 1994). For human development, the basic need and social indicators that are measures of well-being in a society including current health, nutritional status, literacy rates, educational attainments, as well as other aspects of social and human development. These quantitative indicators are important. Without them it is difficult if not impossible to evaluate any movement towards achieving the 'good life' which it may be a constantly shifting target (UNDP, 1990; Oppenheimer, and Chon, 1997).

2.2.3 Development as a Choice

When people are beginning to try to take mastery of their own destinies in their countries, development is also a choice. As a choice, it is contentious as to how this is to be done and so the term has come to have strong political underpinnings (Wall 1997). In the *Human Development Report 1990*, (UNDP) human development was defined as a process of enlarging people's choices. In principle this choice can be infinite and change over time. Wall commented (1997) it is firstly a philosophy that development refers to perspectives concerning appropriate future states and the

means of achieving them. Then it was called the shift in development thinking in the *2000 World Development Report*. Secondly, development is a plan and it has many objectives. A development plan sets out specific steps through which desirable future states are to be achieved, such as raising per capita income, which is only one among many development objectives. In short, development can be thought of a philosophy, a plan and a policy guiding the development process towards desired objectives.

Clearly, the choice of development has changed through time and the choice of development model is often different in many countries including the development ideology and the development strategy, especially for developing countries. It is clear that there are many paths to development although some no doubt are more circuitous than others (Griffin 1992). For example, in regional development, two paths may be complementary. One path is through the connection or linkages with the exterior, including flows of goods and services, capital, information, and foreign exchange earnings. The second path is through internal differentiation, including specialization or division of labour, skills improvement, and organizational development. As government plays a vital role in development, any country can adopt a development strategy or policy depending on the capacity, capabilities and level of development, external condition, and a host of other factors (Trainer, 2000; Sharpley and Telfer, 2002).

There is of course, no free choice of development policy. It will be influenced by many internal and external factors as noted above. Normally, change is driven by political priorities and a recent example would be the very different paths chosen by the Russian and Chinese governments in seeking to modernise their economies. In both countries policies were essentially top-down directives backed by the release of appropriate investment resources. There is very little evidence of the bottom-up approach favoured by those more used to a Western-style democracy.

2.3 Theories of Development

Since the Second World War, the development paradigms have evolved over time. After the classical economists, during the past fifty years, a wide range of theories reflecting aspects of economic, social, environmental and political issues have influenced the theory of development. These concerns have been informed particularly by the writing of Goulet (1968), Yah (1991), Gillis and Perkins (1996), Ingham (1993, 1997) and Todaro, P. (2000) as development economists. The evolution of development theory “will discover how each offers valuable insight and a useful perspective on the nature of the development process” (Todaro, 2000:77). However, there is still no consensus on what constitutes a ‘stage of development.’ Rostow’s (1967) pioneering study, which suggested five stages of progress to development, was indicative rather than predictive of the development process. The various stages of development would themselves be influenced by a range of social,

economic and political factors, which would vary between and within countries.

China is an example of a country with rapid economic growth, but growth, which has been highly skewed on a regional basis. Although the many development studies give us insights into this process, as Todaro suggests, we are still a great distance from a unified and recognised theory of development.

2.3.1 Marxism and Development

As is widely known, China's development, for a long time, had some relation with Marx's theory of development. When the People's Republic of China was established in 1949, China remained faithful to Marxism, and since then it has still influenced China's development. Since the end of 1980s, Marxist arguments have been given a renewed interpretation. However, in the Marxist paradigm, not much is related to today's development in China, especially for economic development.

Obviously, the last fifty years of China's development experiences were concerned with Marxist development theory based on the choice of socialism as a special paradigm.

Marx, like many other economists of his day (Smith, Malthus, and Ricardo), living in the early stages of the industrial revolution, was concerned with the long-term growth and development of capitalist societies (Poulson, 1994). For the development of capitalist societies, on the one hand, Marx and even Lenin believed that the

expansion of capitalism would be associated with the spread of economic development because the capitalist mode of production encouraged the expansion of forces of production (Mandle, 1980). On the other hand, in a number of ways, the significant economic growth was concerned with the process of capital accumulation which lay behind industrialisation, and that was accompanied by increasing inequality. In Marxist theory, including the theory of wages, labour theory of value, variable and constant capital, absolute and relative surplus value, all contained many of the classical assumptions and it was noticed that changes in the distribution of wealth and inequality were associated with capital accumulation.

Therefore, in the Marxist paradigm, development is seen as a process in which the rate of advance depends upon wide institutional and ideological considerations. As Elliont (1984) summarised, the Marxist focus on society's institutional structure in studying development as below:

“First, both capitalism's progressive and contradictory qualities are rooted deeply in its socio-institutional structure. Second, socio-economic change under capitalism is a qualitative alteration in the technological, institutional, and attitudinal structure of the economic system, arising endogenously out of the developmental process of capitalism itself. Third, the qualitative changes to and in late-stage capitalism, through themselves products of progressive and contradictory properties rooted in capitalist social-institutional relations,

tend to elicit the growing obsolescence of those relations and thereby by capitalism itself’ (Elliott, 1984:383).

In the theoretical framework, Marx developed a quite different message regarding the future of the capitalist system. A society’s relations of production – broadly, its class structure – play a causal role in the development of productive forces (Mandle, 1980). To Marxism, the change in the “model of production” brings about the change in the “social relations of production”, such as political, social and cultural change, they provide the seeds of destruction of the capitalist system and its replacement by a new system (Yan, 1991). According to Marx, capitalism is characterized by economic contradiction, social conflict, human degradation and the system in a sense creates the basis for its own destruction (Elliott, 1984).

In the views of the western economists, Marxist opinion was virtually unanimous in agreeing that integration into the world capitalist economy would ensure the continued underdevelopment of the Third World (Mandle, 1980). Since the 1960s, Marxist writers such as Samir Amin (1974), Arghiri Eminentuel (1972) and Ander Gunder Frank (1969, 1979) have been in firm agreement that capitalism is unlikely to generate economic development in today’s poor countries. The one central issue is the relationship of production in poor countries today are not the same as the capitalist relations which promoted expansion in the now developed countries (Mandle, 1980).

Some classical economists dealt with many of the concerns of modern-day development economics: transitional economies with predominantly agrarian features, such as institutionally determined real wages, Malthusian population pressures, high rates of urbanization, and increasing poverty and inequality (Ingham, 1997). For example, Kuznets (1973) defines economic development as “a long-term rise in capacity to supply increasingly diverse economic goods to its population, this growing capacity based on advancing technology and institutional and ideological adjustments that it demands” (Kuznets, 1973: 165-166, cited in Mandle, 1980).

Of consequence to the former Soviet Union and China, the tradition to which Marx contributed was, and remains, socialism. The main issues for Marxism and development today are as Samuels (1993:45) noted:

“The historic meaning of socialism as a movement resides not in public ownership of the means of production, not in central planning, but in efforts to extend economic and political power to vast numbers of people – notably the working class – even if it needed to be done at the expense of the ancient landed property (business) interests”.

The critique of capitalism dealt with capitalism as a system of domination, exploitation and alienation with certain fundamental inherent contradictions. In China’s development experiences, Marxism has to be understood, not in narrow and

doctrinaire terms, but in the light of the further development of social theory and of history (Samuels, 1993).

A Marxian analysis of China's economic development is outside the remit of this study. It is noted here that centralism – the role of the state in development – remains an important aspect of China's development strategy. The destruction of the capitalist system expected by Marx to be a pre-requisite of economic, social and political change has not happened. What has happened has been the introduction of flexibility into the economic and social systems – a Chinese form of socialism - , which retain many of the features of the centralist system but with a greater recognition of the role of the market. The open-door policy is probably the best generic example of this while specifically in the tourism sector; the encouragement of joint ventures with foreign investors is another.

2.3.2 Modernisation Theory

Modernisation has been defined as a process of socio-economic development, which follows an evolutionary path from a traditional society to a modern society such as seen in North America or Western Europe. Obviously, developing countries were seen as being underdeveloped or a traditional society in the sense of lacking development. The modernisation process was based on the “developed” societies which are distinguished by their economic, social, cultural and political modernity,

which contrasts markedly with traditional values in developing societies (Hodder, 2000).

Rostow's (1967) Stages of Economic Growth posited that for development of an underdeveloped country to occur, it passes through a series of development stages similar to those experienced by many western countries: traditional society, the pre-conditions for take-off into self-sustaining growth, the take-off, the drive to maturity and the age of high mass consumption. It was argued that developing countries were still in the traditional society or were in the pre-conditions stage. Harrison (1992) identifies modernisation as the process of westernization, whereby the internal structures of "developing" societies become more like those of the West allegedly by emulating Western development patterns. In relation to tourism, the word 'modernisation' has a particular relevance. The modernisation process in undeveloped countries may pass through two main stages of development.

First, developing countries must keep economic growth at a fast rate to accrue capital for modernization. In the 1950s and early 1960s, theories of development viewed the process of development as a series of successive stages of economic growth through which all countries must pass (Todaro, 2000). Development thus became synonymous with rapid, aggregate economic growth. Comparing the classical economists with modern economists, the major factors of economic growth still are capital accumulation, division of labour and technological progress. They also note

that growth can be promoted through foreign trade, the extension of market institutions and the activity of competition. Development is more usually defined as the rate of growth of per capita income within the modernisation process (Sharpley and Telfer, 2002).

Modern economists are also concerned with the theory or policy analysis of economic growth. The term economic development constitutes an increase in real income per head as a desirable objective and the development policies emphasised the maximisation of GNP through capital accumulation and industrialisation based on import substitution (Meier, 2000). In these theory and policy analyses, they dealt with a general development model, where capital accumulation and savings play a strategic role in the development process. The Harrod-Domar Growth Model described that there is some direct economic relationship between the size of the total capital stock and total GNP, “in order to grow, new investments representing net additions to the capital stock are necessary” (Todaro, 2000:72). The facilitator of economic growth and development was the mobilization of domestic and foreign savings in order to generate sufficient investment to accelerate economic growth. In China, the decision on the distribution of investment funds is a central function. The main change in state thinking has been to focus on how these funds could be supplemented and complemented from foreign sources and its attendant expertise.

Second, the change of economic structure is a “typical” process that a developing country must undergo. During the late 1960s and early 1970s, many of the new development theories noticed that growth in GNP is not a sufficient condition for the removal of special development problems such as poverty and inequality that were increasing in many developing countries. The development literature turned from an emphasis on general growth theory to hypotheses to explain theories and patterns for structural change and adjustment (Lewis 1955, Rostow, 1967). For example, the process of development has been from a heavy emphasis on traditional subsistence agriculture to a more modern, more urbanised, and more industrially diverse manufacturing and service economy to transform domestic economic structures.

Therefore, the transformation of economic structure is often predicated on ‘industrialisation’ as a part in the modernisation process. The “two-sector surplus labour theoretical model” of W. Arthur Lewis is one of the best-known early theoretical models of development that focused on structural transformation (Lewis, 1954). The pattern-of development and empirical analysis of structural change was later extended by Harvard economist Hollis B. Chenery, who examined patterns of development for numerous developing countries for the sequential process of structural change during the post-war period (Chenery, 1979, 1989). In the 1980s to 1990s, structural adjustment theorists placed emphasis on economic liberalization and the removal of trade restrictions which appears to open up the peripheral economies for imports from the developed world (Sindiga, 1999). The major

concepts include exchange controls; removal of trade restriction and privatisation. In some countries, particularly the group of small island economies such as in the Caribbean and Pacific regions, industrialisation as a form of development is difficult or impossible to achieve. Dis-economies of scale including population, size of available markets, natural resources etc, and often permits only limited import-substitution industrialisation to occur. Export opportunities are often circumscribed due to tariffs, quota barriers and trade blocs. For these among other reasons the term 'industrialisation' has been replaced by 'modernisation' and is something reflected in the growth of tourism and the services section in general.

Following from high economic growth and the structural changes of some developing countries, modernisation approaches were viewed, however, as being in transitional of transforming from traditional to modern (Clancy, 1999). Developing countries will have further needs of inputs of capital, technology and knowledge from Western countries to kick- start development (Rostow 1967). At the same time, the basic premise was that Western culture is necessary for development and focuses on the process of westernisation within less developed countries. It seeks to replicate Western development patterns with an evolving industrial sector and the westernisation of traditional values, for example, a growth of the role of money in the economy and a reduction in traditional family structures (Harrison, 1992:9). Some development specialists have challenged this thesis. There is a suggestion that culture plays a major role in determining what changes a society is prepared to make.

For example, some countries, for example Zimbabwe, often regarded the World Bank's Structural Adjustment Programmes as too inflexible and indiscriminate. The social and political impacts of these policies were simply too big a burden to bear. It is interesting that in the early years of new millennium the World Bank has acknowledged these criticisms and is seeking to implement more flexible policies. It is another example of how difficult it is to prescribe a uniform set of measures to promote development.

2.3.3 Dependency Theory

Dependency theories cover a wide range of viewpoints, which had and still have many proponents; these viewpoints can trace back to the analysis of Latin America experience which related to the principal contributors such as Baran (1957), Cardoso (1979) and Frank (1969, 1979). "Dependentists argue, rather, that underdevelopment in Latin America is the result of the development of capitalism at the world level, through direct capital investment" (Dietz, 1980:751). And then, the developing countries have external and internal political, institutional and economic structures, which keep them in a dependent position relative to developed countries (Todaro, 2000). Beyond this basic agreement, however, there are almost as many currents of dependency analysis as there are major contributors to the debate (Dietz, 1980).

Dependency theory has influenced, and continues to influence, works in sociology, development economics, international politics, and related to studies (Tansey and Hyman, 1994). Some arguments suggest that western imperialism had choked the growth in the Third World by draining away the capital and by killing the local industry through unequal competition (Khan, 1997). For example, Europe's development was based on the external destruction: brutal conquest, colonial control and the stripping of non-Western societies of their peoples, resources and surpluses (Peet, 1999). The theories first had roots in Marxism classical theory, Marxism-Leninism and neo-Marxism was used to explain perceived exploitative relationship between the rich capitalistic states and the poor dependent states, although Packenham (1992) argues that dependency theory finds no support in Marxist theory. Marxist concerns are with the formation of capitalist societies; however, understanding the formation of such societies is immaterial to understanding current developing countries.

It is very important that there was a paradigm change to dependency theory, which was also known as the development of underdevelopment or world system theory (Rweyemamu, 1973; Brett, 1973). Tansey and Hyman (1994:28) summaries the basic tenets of the dependency theories, they are:

- (1) A centre-periphery relationship exists between advanced, developed countries and less developed countries because economic and political power is distributed asymmetrically between the center and the periphery.
- (2) Many of the tenets of classical economics, especially the theory of comparative advantage, do not apply to the economic development of the periphery.
- (3) The centre realises disproportionate gains from trade that favour it. Conspicuous consumption by the affluent minority impedes economic development in the periphery by diverting critically needed investment capital.

On the other hand, dependency can be examined in terms of regional economic development as it applies to regional inequalities. It viewed that the metropolis (capitalist) destroyed or totally transformed the social and economic structure of their satellite economies (Laclau, 1986). In most conditions, it is based on the relationship between the centre (the hegemonic centre region) and the periphery (the backward or dependent regions) for external trade, foreign investment, technology and knowledge. The concept of dependency has also been applied to culture. Desjeux (1981: 33) illustrates the influence a development project formulated in western philosophy and organisational structures can have on local culture: "Development projects tend to be more an attempt at normalising social behaviour on the basis of rules and scientific organisation of work or Western or organisational models".

Much of the criticism of tourism as a development option was centred on the notion of dependency (Britton, 1981, 1982, 1983). It was also argued that in switching from a declining trade merely substituted one form of dependency for another. One writer (Erbes, R. 1987) writing almost 40 years ago warned of the dependency nature of tourism. Although the dependency nature of tourism has not changed it may be argued that more experience of this has made developing countries more aware of both the possibilities and limitations of the industry.

2.3.4 Neo-classical Theory and Economic Neoliberalism

Throughout much of the 1980s, the viewpoints of Neo-Classical theorists such as Bhagwati (1993) and Johnson (1971) have had great influence on development thinking (Hodder, 2000). Contrary to the opinion of the dependency theory, Neo-Classical economics argues that the developing countries are poor, not because of the predatory activities of the developed World and its international agencies, but rather because of the heavy hand of the state and the corruption, inefficiency and lack of economic incentives that permeate the economies of developing nations (Todaro, 2000). Neoliberalism draws on neoclassic economic theory which treats people as atomistic individuals who are bound together only through market forces.

Thus, the factors of the politics and institutions were placed at the centre of investigation and analysis of underdevelopment for Neo-classical economists.

Proponents stressed the role of privatisation and the free competitive market (Wall, 1997). In an increasing number of countries, the changes in development thought emphasized the role of free markets, openness of economies, correct pricing policies and the privatisation of inefficient and wasteful public enterprises. In contrast to the theory of dependency, the neoclassical theory viewed the problems of developing countries as an internally induced underdevelopment phenomenon, one of too much government intervention and bad economic policies whereas many dependency theorists saw underdevelopment as an externally induced phenomenon (Todaro, 2000). In practice it could be argued that the parameters of dependency have not been greatly changed, as it is the external forces, which largely determine the pace, location and scale of development. However, it may be further argued that internal barriers to development such as too much state intervention, lack of competitive markets and corruption are only now being given the attention they deserve (Sharpley and Telfer, 2002).

2.3.5 Sustainable Development

Sustainable development is now the dominant paradigm of development at the regional and local levels in the countries of the periphery as well as the centre countries (Castro, 2004). Although, unbalanced distribution of wealth between developed and developing countries was, and continues to be an important problem. By the end of the 1980s, one of the leading writers stated that the concept of

sustainable development evolved initially in the context of the social indicators and then expanded to address the environmental indicators (Jayawardena, 2003). “Since the notion of sustainable development was introduced into the mainstream international environmental debate during the 1980s, it has been examined in a growing literature in field as diverse as development, applied science, environmental and international politics” (Carvalho, 2001:62).

The World Commission on Environment and Development first defined sustainable development as: development that meets the needs of the present generation without compromising the ability of further generations to meet their own needs (WCED, 1987). Carvalho (2001:62) made an analysis of the roots of the concept and noticed there are two main components in the WCED definition of sustainable development:

“The first is the economic notion of needs – especially that need of the world’s poor – that should be the priority of the development process. The second underlying notion in that definition of sustainable development is that of ecological limits imposed by the environment’s capacity to meet present and future needs given the present state of technology and society”.

The mainstream views on sustainable development, according to Harrison *et al.* (2003) summarising the critical objectives for environment and development policies based on sustainable development that was espoused by the WECD (1987) are:

“... preserving peace, reviving growth and changing its quality, remedying the problems of poverty and satisfying human needs, addressing the problems of population growth and of conserving and enhancing the resource base, reorienting technology and managing risk, and merging environment and economics in decision making”(Harrison *et al.*, 2003:294).

Since then, sustainability practices are becoming increasingly common and sustainability issues have become an essential part of the social and economic development in most developing countries, although there is little agreement on meaning or the concept especially about its implications for development strategy. Wen Jiabao, Chinese Premier (2004) stressed that China’s development needed to achieve a sustainable development, by coordinating a harmonious development between human beings and nature. To realize this, China has to maintain its present fundamental policies on family planning, environmental protection, and resources protection for China’s development. As Redclift (1987) suggests, the dominant modernisation, dependency and economic neoliberalism theories did not incorporate the environment into development strategy. Therefore, with increased environmental awareness, along with a focus on people for development, sustainability policies will be very important task in developing countries. The concept of sustainability is not new. Perhaps what is new and particularly related to tourism is the movement away from insular focus on economic and financial sustainability to a more inclusive

viewpoint to include social, cultural, environmental and political aspects of the development process.

2.4 Objectives of Development in Developing Countries

Development has many objectives, but they are different in the distinct development stages and the distinct development level for the all countries. As Todaro (2000) explores, developing countries vary greatly according to geographic, historical, socio-culture, political and economic structural characteristics, all of which have some bearing on a country's level and rate of development (Sharpley and Telfer, 2002).

Jenkins (1997) distinguishes in detail, six major features which were common to developing countries as follows: (1) most have narrow resource-based economies; (2) many are highly dependent on the export of primary products; (3) most require a large volume of imports from the industrialised developed countries; (4) many have weak infrastructure, and undeveloped manufacturing sectors; (5) high unemployment levels and a chronic shortage of capital; and (6) most have very high rates of growth of population which jeopardise economic growth. Of course, not all developing countries suffer the same problems, such as pollution, poverty, unemployment, inequality and so on, or are evident in the goals of development. Using Jenkins's

characteristic of developing countries, the main objectives of the development process in a developing country may be discussed based on practices in China.

2.4.1 Reviving and Sustaining Economic Growth

In many developing countries, economic growth is still the most important objective, although conventional economic development has accommodated a number of social objectives. Today, an objective among the low-income countries in South Asia, East Asia, and Africa, is to achieve faster economic growth. Some developing countries and regions have grown faster than others at different points of time. For example, the average real GDP increases in industrialized countries from the period 1980-90 was 3.1 per cent per annum. For the 1990-99 periods, the figure is estimated to be 2.4 per cent. But, developing countries in East Asia & Pacific showed outstanding real growth figures of 8.0 and 7.4 per cent respectively for the two decades (WDR, 2000). China also has experienced a higher rate of growth than many countries in the last two decades.

Economic growth figures for developing countries, however, can misrepresent the true extent of economic growth (Walker, 1996). GNP per capita more realistically measures the benefits of economic growth, since high population growth rate can reduce even impressive economic growth figures of developing countries. The difference in the developing world is starkly underlined by Asia's real annual

increase of 6.0 per cent in the last ten years. By contrast, the average annual rate of GDP of China was over 10.4 per cent for the two decades, which is the highest in the world, but real GNP per capita was increased by 6.3 per cent for the same period and the per capita income was only \$ 780. In comparison, Switzerland's per capita income was \$38,350 but the growth rate was only 1.4% (WDR, 2000).

Developing country's governments have noted these discrepancies in growth patterns and to maintain a rapid growth of the economy is still the main goal for developing countries, including China. To achieve this objective some important elements, must be recognized in the developing countries, such as the role of markets, the progress of agriculture, the change of industrial structure and export expansion, and political institution reformation.

2.4.2 Raising Living Standards

Development is clearly associated with raising the standard of living. In developing countries, the basic objective of development is to provide the material things and services needed by the population. In general, per capita income is rightly used to reflect the standard of living. The traditional and most widely cited measure is that of GNP per capita, which is still the best single available overall index for measurement of changes in the standards of living over time and between nations or regions.

Where the income per capita is higher, there may be the possibility of a higher level

of consumption. However, the demand for these goods and services that constitute the standards of living is variable according to the levels of income. On the other hand, averages of per capita income often conceal widespread human deprivation (Todaro, 2000).

In China, population and employment problems are noted as barriers to raising the standards of living and development. The rapid population growth is not simply a problem of numbers. It is a problem of the social-economy for human welfare, levels of living and development. Reducing population growth has become a basic goal and policy for China's development. At the same time, with the rate of population increase, providing employment opportunities becomes more difficult in China.

Of course, the higher income is not the sum total of human life. According to the concept of human development, increased income is clearly only one option that people would like to have, albeit an important one. In the 1990s, the Human Development Reports suggests the measurement of human development should for the time being focus on the three essential elements of human life—longevity, knowledge and decent living standards. Additional choices include political freedom, guaranteed human rights and self-respect, etc (HDR, 1990).

2.4.3 Eradicating Poverty

Poverty eradication is a significant development objective, especially in developing countries. In general poverty may be defined more broadly than by income or consumption. It is considered in terms of a specific income level, which is necessary to secure basic human requirements of food, clothing and shelter. But, poverty has many dimensions, and can be measured through a variety of indicators. The Human Poverty Index, developed by the UNDP, is highly correlated with other indicators of social deprivation such as poor education, ill health, illiteracy and low life expectancy. The poverty of developing countries, are also concomitant with environment, economic resources, particular areas and special problems (UNDP, 1990).

Poverty remains an enormous problem world-wide within the developing countries. More than one quarter of the world's population lives in the condition of "human poverty". Across the globe 1 person in 5 lives on less than \$ 1 a day – and 1 in 7 suffers from chronic hunger. True, the worldwide number and proportion of people living in extreme poverty reduced slightly through the mid-1990s (Browne and Prensushi, 2000). In 1999, 23 per cent of the world's population and about one third of the population in developing countries, which lives on less than \$1 per day which is below the World Bank's poverty line. (WDR, 2000) Although some Asian countries have made considerable progress in reducing poverty, in some South Asian

and African countries, progress has been slow. Eradicating poverty as a related development objective for developing countries like China with a huge population becomes more important. To achieve this objective, economic growth is an important factor, almost a pre-requisite to avoid heavy dependency on external funding.

2.4.4 Reducing Income Inequality

Perhaps the most glaring economic trend to emerge in the past 30 years is the growing gap between rich and poor. For example, the difference between average per capita income in the industrialized and developing countries tripled between the 1960s and 1990s. The poorest 20 % of the world's population now claim just 1.1 % of global income, while the richest 20 % claims 86 %. (World Development Report, 2000) Within some countries and regions, the gap is increasing as well.

In China, according to the most frequently used standard, income inequality as a whole, has been rising since the end of the 1970s. The Gini coefficient for the whole country increased from 0.382 in 1988 to 0.452 in 1998. For regional income inequality, in 1996, per capita annual income of Shanghai was 7555.89 Yuan, far ahead of other regions. In the eastern region, Jiangsu was 2613.54 Yuan, but Guizhou of the western region was only 609.80 Yuan, the ratio between them being 4.3:1 (CSY, 1997). Income inequities hamper economic development can create social problems and social instability. A main priority of the Chinese government is

to reduce regional income imbalances through specific policies including the promotion of tourism.

2.5 Issues of Development in China

2.5.1 Chinese Menu to Development

There are many choices for development strategies. For example, in the past several decades, economists have become aware of the role of institutions in providing the correct incentives for economic growth; in development, the key is creating an institutional structure derived from a particular cultural environment (Clark, 1999). For this reason, it is important to liberalise of the markets systems (North, 2005). Over 50 years, China has chosen its own specific path to development, which was based on Marxist-Leninist and Mao's philosophy of the political system and its economic development can be divided into two models: Mao's 'closed' economy and Deng Xiao Ping's open economy (Galbraith, *et al.*, 2000).

Based on Mao's closed socio-economic system, from the beginning of the 1950s to the end of the 1970s, China worked under a highly centralized planned economy, a model which was borrowed from the former USSR and other communist countries in Eastern Europe. The model of central planning rejected the market as a mechanism for the allocation of resources and the determination of production. For example, planning for allocating resources; collectivised agriculture; prices, wages, interest

rates and exchange rate control; and especially, the production process of the various entities, was decided by the central government plan and not by the market (Galbraith, *et al.*, 2000; Demurger, *et al.*, 2001).

During this period, some industrial infrastructure was developed, but China's economy was marked by serious economic setbacks and great social turmoil, particularly during the "Great Leap Forward" (1958-1960) and the "Cultural Revolution" (1966-1976). By the time Mao died in 1976, China was very poor and the national economy was on the point of collapse, GDP being 4,536 million Chinese yuan and trade \$ 7742.44 million (Barnett, 1981). It was not until 1979 that a new development model appeared and the "reform- open door" policy was adopted.

2.5.2 Deng's Opening-Door Policy

Since 1979, Deng Xiao Ping and his successors have adopted a new development mode - the "reform- open door" policy. The watershed has been formed on the plenum of the 11th Central Committee of the China Communist Party in December 1978. From that date, an extraordinary process for opening-up to the world has taken place in China. The opening-up policy consists of two major types: the opening up of geographic regions to foreign investment, and the opening of specific sectors in China's economy (Galbraith and Lu, 2000). The geographic opening began in July 1979, when it granted the frontier provinces of Guangdong and Fujian preferential

policy flexibility. In May 1980, the Shengzhen, Zhuhai, Shantou and Xiamen Special Economic Zones were created. In May 1984, 14 additional coastal cities were opened. In 1988, Hainan Island Province became the largest Special Economic Zone. During the new round of opening in the 1990s, first, Pudong in Shanghai was opened. In August 1992, 15 more hinterland cities were opened, and since that time, major cities or regions all over China have opened. Compared to the speed of geographic opening, opening-up China's sectors was slower. The early sectors opened-up were with respect to trade and capital flows for industry including the tourism industry. As China has now joined the World Trade Organisation, the service, agriculture, banking, and communications sectors will be become the last industries for opening-up to foreign investment.

Obviously, the "Opening-Door Policy" has had the most important role in China's recent economic development. Through the implementation of this policy, by the mid-1990s China had become the 11th largest trading country in the world. Foreign capital investment also surged; China has become the second main investment destination country, second only to the US. China attracted \$230 billion of foreign capital, accounting for 20% of total capital flows to developing countries in that period (Galbrarth and Liu, 2000). China has achieved impressive economic growth coupled to significant social progress.

In the whole process of China's opening economy, the Chinese leadership has attempted to maintain the socialist character of the economic and political systems. Unlike Eastern Europe, the move towards a market oriented economy would occur with predominant state and not private ownership, and the transition process would be a gradual one (Harvie, 1999). China partially opened competitive access to its economic markets but they were still dominated by a political dictatorship. As a result, the open-access economic markets are built on the personal exchange rather than by impersonal rules which dominate the economy (North, 2005). In fact, Deng's basic strategy rejected political reform entirely and only economic reform was on the agenda in China. This is the very essence of the special Chinese development path towards economic development and political stability.

2.5.3 Reform and Development in China

At the same time of opening markets in the economy, China's government had decided to make the economic system reform, which still influences the process of development in China today. China began to reform the economy much earlier than in Eastern Europe and Russia and had experienced more rapid economic growth than the post-Soviet economies (World Bank, 1996; Clarke, 1999). As an important event in the modern history of the world, the key to the reform in China was the transition from the Soviet-type planned economy to a market economy in this socialist country. The economic reform in essence is a process of institutional

changes from those of a planned economy to those of a market economy. Of course, this is a long time and complex process because the economic liberalisation would include many areas for social and economic development, such as property rights, private ownership, institution building, and social policy changes. However, this process has produced many challenges to China's development.

In the process of economic reform, China has adopted an alternative gradual, evolutionary approach to the transition since the reform started at the end of 1978. According to Lin and Tsai (2004) the reform process can be summarised as follows: First is the micro-management system reform. The transition started with the de-collectivization of agriculture in late 1978. The main change was the replacement of collective farming with a household-based system, which is now known as the household responsibility system. Because this area had been so heavily repressed under central planning, its liberalisation had immediate effects for productivity growth. By the end of 1983, 98 % of agricultural collectives in China had adopted this new system. From 1984-88, the reforms broadened to the urban industrial sector and central planning system. In the industrial sector, the reform of urban factory management autonomy has improved production efficiency and profit sharing. Second, the reform focused on the resource allocation mechanism with an increase in enterprise autonomy to put pressure on the planned distribution system. Under pressure from the enterprises, material supplies were progressively de-linked from the plan, and retail commerce was gradually deregulated. At the same time, with the

center of price distortion reform including wages, finance, currency, trade and taxation, provided the broader basis for reform of the traditional planning system.

From 1992 until the present, has been the time of deepening reforms. At the beginning of 1992, the Chinese government decided to make the transition from a low-efficiency and highly centralized planned economy to a high-efficiency market economy, and to establish a socialistic market system with Chinese characteristics. The reform has begun to deal with a number of key areas such as: central banking and the fiscal system, the financial exchange and trade system, state owned enterprises and government institutions etc. Obviously, “China is widely – and correctly – regarded as one of the great economic success stories of past two decades. The country has moved from an economic system characterised by autarchy and central planning to an increasingly market economy open to international trade and investment, all this while retaining one-party rule” (Davies, 2003:26).

Two decades of economic reform have had a universal impact on China’s development. It is a clear that China’s economic growth has accelerated, and China has become an important global trading force, ranking sixth worldwide in total trade and one of the world’s largest receipts of foreign direct investment (Davies, 2003).

As China’s economy continues to grow, China’s social-economic structure has improved, for example, the non-state or private enterprises and foreign-funded enterprises have increasingly made important contributions in pushing forward the

rapid economic growth. Dorn (2002) also stressed the gradually transforming ethical practices because of economic reform: voluntary exchanges are replacing state controls and people are beginning to experience the spontaneous order of the marketplace. Therefore, a new social, economic, and political order can be based on the economic growth and economic reform.

2.5.4 Current Problems of Development in China

Although the economic reform and opening-door policy have brought many positive effects to China's economy, but there is also a situation of imbalance of development caused during the economic reform reflecting mainly on the imbalance of economic development between, rural and urban, and among the different regions. Now, China's many regions, agriculture are still a weak link in the regional economy and the slow growth of rural income would be a great hindrance to further development. In China, there are more than 800 million, less than two-thirds of China's population now live in the countryside, that are dependent on some part of the agricultural economy. But the income of farmers is very low then urban household, for example, in 2001, the average disposable income per head of an urban household was Rmb 6,860 Yun compared with Rmb 2,366 for a rural household (EIU ViewsWire, May 13, 2003). At the same time, the extreme unfairness of income distribution and income disparities has been growing with increased gaps between the coastal regions and the central and west regions. China's government is acutely aware of the

economic and political implications of the problem. Because if it is not solved probably, could undermine China's reform, development and stability (Lin and Tsai, 2004).

On the another hand, as a major developing power, China should maintain long-term development with a relatively high speed, but it should not solely stress the speed of economic development ignoring the coordinated development of the economy, society, human beings and nature. The outbreak of SARS in 2003 exposed the problem in a typical imbalance between economic and social development. Wen Jiabao, complained that "the development of social undertaking lags behinds" and that "people have strong complaints about the cost and availability of schooling and medical treatment" (EIU Views Wire, Jun 25, 2004). Therefore, China's government recently proposed a scientific concept of development featuring humanistic governance and comprehensive coordinated and sustainable development of the economy and society which will be crucial to the country's modernization drive in the future.

2.5. Summary

Many of the conventional approaches to economic development may not be particularly relevant to China. In both recognising in this chapter that development is both a process and a state at a point in time, the experiences of developing countries

moving along this continuum is not uniform for many reasons. Although in theory each country has a choice in selecting its growth strategy, in practice each country is circumscribed by its own circumstances including external and internal factors. For example, it is noted that Mao's 'closed door' policy led to economic stagnation and decline. The alternative 'open door' policy implemented by Deng was probably the catalyst that initiated the radical transformation of the Chinese economy and provided the base for faster economic growth.

What makes China unusual if not unique is that has and continues to seek a transformation based on a Chinese approach to development. There has been a major transformation in the economy with a new role given to the market but without any relaxation of central political control. The modernisation process is centrally directed using, but is not controlled by, the market. This approach is unique to China and limits the application of conventional development theory. It does not necessarily change the development objectives identified in the chapter but rather how these will be achieved. The problems of underdevelopment such as poverty, income inequality, regional imbalance, poor social and educational services, are as prevalent in China as they are in any developing country.

These challenges of development are of major concern to China's government. This chapter has commented on current problems for China's development including the central problem of regional economic imbalances between the western and eastern

regions. In the following chapter the role of tourism in regional development will be evaluated. However, this evaluation has to be within the Chinese context with its divide between economic transformation and political centralism. Some of the simplistic notions of market-lead development, which have caused such instability in Russia, are not applicable to China. There is a more interventionist approach in China which contradicts conventional development thinking but which is indicative of how the country has moved along the development continuum. The bold claim that much of current development thinking does not apply to China will be further explored in the next chapter.

CHAPTER 3

REGIONAL DEVELOPMENT IN CHINA – CHANGING PERSPECTIVE

3.1 Introduction

Over the past 30 years, the issues of regional development were often mentioned by China's government, especially the imbalance of development between China's eastern and western areas. Regional development has been affected by the changes of different regional development patterns. Changes of some institutional factors in China have also been of major concern to both academics and practitioners. This chapter provides an analysis of the theories of regional development and the condition of regional economic inequality in China. The changes in government strategy and policy towards regional development are examined with reference to the extant literatures in China.

3.2 Region and Regional Development Models

3.2.1 Meaning of Region

Regions are the entities ranging from a small sub-section of a nation or an international area. The concepts of region can be quite complex, as regions often are not static but evolve as conditions warrant (Malecki, 1997). In general, with reference to geography, regions can be an area or any part of the area. Therefore, while a geographic region is a part of the earth's surface, it is also space occupied by

people who feel affinities of speech, religion, history or way of life (Tosun and Jenkins 1996). In practice, the region can be a large part of a country or many countries based on a setting for social-cultural, economic and political interactions of all types and consist of regional characteristics.

According to Smith (1995) cited by Sharpley and Telfer (2002), the region involves three main types. First, it is a priori region in which someone has already created a boundary around and assigned it a name such as a political unit. Then, a region is also a homogeneous region that is defined as an objective of internal similarities, which are the selection of relevant characteristics and the specification of the degree of similarity that would cause a locale to be included in the region. The term 'tourism destination' has often been used to describe this type, which contain existing attractions and an adequate tourism infrastructure to support tourism development. The final region is the functional region, which is an area with a high degree of internal interaction. An example of a set of local businesses trading more with each other than they trade with the rest of the world would be a functional region (Blair, 1995; 2000).

In identifying the region in China, the region first refers to the provinces or autonomous regions like Yunnan or Guangxi that is a "name of a political unit" because of the common speech, history, and way of life or religion. It then becomes part of National Development Planning for economic and social development. In

China, the region is also useful as a functional unit for regional development, which is a large geographic area for economic development with a “high degree of internal interaction” between some regions. Therefore, it is also defined as “economic regions” by China’s government such as the eastern region and western region in China.

3.2.2 Characteristics of the Region in China

According to statistics from *China Statistic Yearbook* (1996), China covers 31 provinces, autonomous regions and metropolises (not including Taiwan) and divides up the East region, Central region and West region. In the total land area of 9.6 million square kilometres of China, the East region is 1.02 million square kilometres, accounting for 10.7 %; the central region is 1.94 million square kilometres, accounting for 20.2 %; the west region is 6.63 million square kilometres, accounting 69.1 % of China’s land total. In the population of 1.2 billion, the three regions hold 36.7%, 38.1% and 25.2% respectively of China’s total.

China’s regional distribution in geography resembles a three-step staircase running downward from west to east physically. Demurger *at al* (2001) summarized some key geographical and economic characteristics of China in the following three regional groupings. China’s eastern region consists of three metropolises (Beijing, Tianjin and Shanghai) and the nine coastal provinces including Liaoning, Hebei,

Shangdong, Jiangsu, Zhejiang, Fujian, Guangdong, and Hainan. These regions have 82 percent of their population living within 100 kilometres of the sea or navigable rivers. These coastal regions are the richest pockets of China and have had high economic growth in the 1990s. They have grown the fastest in the 1978-98 periods at an annual average of 10.7 percent. The coastal provinces and metropolises constitute the economic core of China, for example, GDP per capita in 1998 amounted to 28,236 Yuan (US\$3410) in Shanghai, 18,423 Yuan (US\$2,225) in Beijing and 14,041 Yuan (US\$1696) in Tianjin. These income figures are far greater than the national average of 6,404 Yuan (US\$773) in the same year (Wu, 2002). Zhejiang and Guangdong are also the archetype of the nouveau riche provinces.

The Central regions are the Shanxi, Inner Mongolia, Jilin, Heilongjiang, Anhui, Hunan, Jiangxi, Hubei, and Hunan, through which the plain runs relatively from the north of the Yellow River to the south of the Yangtze River. The temperature and rainfall make this region the agricultural heartland of China. Like Liaoning, Heilongjiang and Jilin (also called as the northeast three provinces), which also is the heavy industrial heartland of China. They started the industrialisation process from 1949 and were the traditionally rich provinces, but they now face many problems because of the central planning mode carried out in the past development.

The Western provinces include Chongqing, the metropolises and the northwestern provinces of Shaanxi, Ningxia, Gansu, Xinjiang and Tibet, and the southwestern provinces of Sichuan, Yunnan, Guizhou and Guangxi. The northwestern provinces

are truly isolated. The centre of the landmass is 1,400 kilometres from the coast and the region is more arid and only 8 percent of the land is arable. The southwestern provinces have rainfall and temperature conditions that are ideal for crop cultivation, but they suffer from being too mountainous. The western region had the lowest GDP per capita in 1978 and the lowest growth rates in the period of market-oriented reform (Demurger, et al., 2001).

Compared to the eastern region in social-economic development, many province of the western region of China can be identified as peripheral regions. They have the main characteristics of the periphery that was outlined by Botterill (2000). These are: low levels of economic vitality and dependence on traditional industries, more rural and remote – often with high scenic values, reliant on imported technologies and ideas, poor information flows, remote from decision-making leading to a sense of alienation and poor infrastructures.

3.2.3 Regional Development Models

The theories of regional development have been studied from a variety of different approaches. Schumpeter (1949, 1961), Myrdal (1957), Perroux (1988), Richardson (1969, 1976), Alonso (1980), Friedmann (1966, 1985), amongst others, were significant contributors to the literature on regional economic development (Wen and Tisdell 2001, Sharpley and Telfer 2002).

Blair (1995, cited in Sharpley and Telfer, 2002) outlined a variety of fundamental theories of regional economic growth: (1) Stage model describes the key stages that a city or region passes through. As a region develops, it is able to replace imports and develops additional products for exports. (2) The export-based theory of growth that means, for a local economy to grow, it must increase its monetary inflow and the only way to do this through an increase in exports. (3) The supply-side models state that growth occurs in a regional economy due to an increase in the supply of available resources, or because of existing resources are used more efficiently.

Apart from the above theories, Telfer (2002) summarised that additional theory and concepts were examined to explain regional development. For example, for regional development to occur, ideas have to produce innovations or new combinations of production or productive means. This can include the introduction of new goods or a quality of good, the opening of a new market, the introduction of a new means of production or source of supply, or the new organisation of a new industry.

Some of the more classic regional development theories such as growth poles and agglomeration economies can still be seen underlying some development projects. Perroux (1988) outlined growth pole theory with a regional development pole. The development poles are identified as locations, which contain propulsive enterprises that generate spread effects through investments. A growth pole consists of a cluster of expanding industries that are spatially concentrated and set off a chain reaction of minor expansions in the surrounding hinterland (Haggett, 1975). This model has a

particular relevance to tourism where a single development such as a resort can induce cluster investment and spillover benefits.

Agglomeration economies and regional economies are identified by many researchers. Lloyd and Dicken (1977) focus on the process of clustering which offers economies of agglomeration, which are linked to external economies of scale (Telfer 2002). It is important for agglomeration theories to focus on the connections or links between economic activities in restrictive geographic space. Because of the links between production, service or markets, many regional development policies are based on how to strengthen these linkages and how to build new linkages between firms for regional development (Blair, 1995). Regions need to move beyond developing traditional agglomeration economies and develop highly competitive clusters with strong linkages in order to become a very competitive destination (Porter, 1998).

Linkages within and between regions can strengthen core activities. In China with its vast population, an underlying assumption of regional development is to maintain populations in situ. Without creating development opportunities in the regions there might be heavy migration to the urban areas thereby exacerbating what are already serious problems relating to over-crowding.

3.3 Imbalance of Regional Development in China

Although the imbalance of regional development is a global phenomenon, in China, a geographically large country, the causes of regional disparity are numerous and complex. Some problems arise from natural and geographical conditions, while others come from a certain historical background. However, “understanding these issues has important implications not only for regional development policy but also for the continuation of the reforms in China” (Wu, 2002:29).

3.3.1 Nature of Regional Disparity

Regional disparity is also called an imbalance in regional economic development. It is an important phenomenon for many countries in the process of economic development. As Jiang (1999) observed, that in common with many other countries, the regional inequality in economic development, has been of the most important problems suffered in the period of transformation in China’s economy. Wen and Tisdell (2001) summarised that the regional inequality had been affected by different factors of economic constraint in the development process. First, growth of inputs required for the production of goods and services is assumed to be the major constraint on the regional growth rate. For regional growth, capital and labour are taken as major indicators, the capital moves from regions with low rates of return to

those with high rates, and labour migrates in response to wage differentials across regions.

Second, lack of effective demand can also be a major problem for regional development. Some theories of regional growth suppose that the supply of all necessary inputs for production is not perfectly elastic, the growth of demand for a region's output, particularly the growth of its exports, is regarded as the essential determinant of regional development.

Both natural resources disparities and spatial inequality are also taken as explanations for regional inequality in economic development. Diamond's (1997) main argument is that many types of innovation (especially those in agriculture and construction) are not transferable across ecological zones. Richardson (1969, 1976) discussed the economic implications of the spatial dimension. His analysis recognises the existence of space and the impact of distance on the economic interrelationships between different regions. It assumes that the location of population, industry and resources is fixed, while space is a friction measured by the extent to which transport costs reduce commodity flows.

Some studies (Fleisher and Chen 1997, Mody and Wang 1997, and Demurger 2001) have found an indirect route to assess the role of geography in regional growth.

In assessing the importance of geography, Demurger (2001) has observed, on a global scale, that the wealth of nations is well characterised by two geographical divides. The first geographical divide emphasises differences in ecological conditions: the Temperate Zone versus the Tropical Zone. The second geographical divide emphasises differences in the ability to conduct international trade: the coast versus the interior. Both of these geographical divides are a combination of independent causes of economic wealth and of proxies for some important determinants of economic prosperity.

Chen (1996) explained regional inequality related to spatial and historical conditions in China. Some current wealthy provinces in China, for example, Shanghai and Guangdong, are all offering better access to the transportation facilities that facilitate both exports and domestic sales. Being coastal provinces, they also have, through historical emigration patterns, the closest ties to overseas Chinese, and have been the most important source of direct foreign investment and business knowledge.

According to conventional wisdom these ties have contributed significantly to these provinces' recent phenomenal growth rates.

As Jiang (1999) observed, in China like many other countries, the regional disparity in economic development is also one of the most important problems suffered in the period of transformation of China's economy. In China, the above elements are still a foundation in understanding the regional disparities in regional development,

especially, as the condition of every region is to be treated as an open economy and there are great differences in natural resources and geography between the eastern, central and western regions.

3.3.2 Main Trends of Regional Disparities in China

In some research of regional development in China, the main problems identified refer to the widening of inequality in the income gap between the eastern region, central and the western regions. For the purpose of comparison, following the official grouping, China's 30 regional economies are geographically divided into three groups, namely the coastal (eastern), central and western regions (Wu, 2002). As Liu (2001) commented, regional imbalance for development is a reality of the long time and a historic phenomenon in China, although China's government has always exerted itself to reduce this imbalance during the 30 years before 1978. Compared with before the 1978, the "economic reform in the late 1970s and the early 1980s that have generally contributed to the reduction in regional disparities". But, "during 1990s, while disparity within each region has been declining, the gap between the coastal provinces and rest of China has widened" (Wu, 2002:586).

Public concern for the regional disparities in China has been increasing quickly since the early 1990s. Although "with two-decades reforms and the subsequent economic growth, the Chinese economy in general and the wellbeing of the world's largest

populace in particular has improved significantly” (Wu, 2002:575). But, the improvement has not been equal across the regions. Disparities in China between the Eastern and Central–Western regions have recently attracted the attention of researchers both economists and policy makers. Some events have showed, in the 1990s, the disparities between regions have not been led to a reduction through rapid economic growth, but have increased the gap between the eastern region and Central-Western regions (Li, 2000).

As Li (2000) and Liu (2001) noted, since the 1990s, the disparities of GDP difference have enlarged quickly between the eastern, central and the western region in China. In 1978, the contributions of these regions to national GDP were 52.50%, 29.70% and 17.80% respectively. In 1997, it changed to 61.46%, 23.74% and 14.80% respectively. At the same time, GDP per capita for the regions also indicates the gap between the eastern region and the central-western regions in development. “GDP per capita for the coastal area was over 30 percent higher than the national average” (Wen and Tisdell 2001: 64). As Yu and Wang (2000) noticed, GDP per capita of national average was 6,392 Yuan in 1998; the eastern region was 9,364 Yun, the central region was 5,139 Yun and the western was only 3,838 Yun in 1998.

Furthermore, in 1998, all high-income provincial localities, defined as regions with per-capita GDP greater than 120% of the national average, were located along the eastern regions. In contrast, all but one low-income provincial locality with per-

capita GDP less than 80% of the national average were located in the inland provinces (Hang Seng Bank, 2001). Chai (1998) commented that the average income of the eastern region was only 50 percent higher than the western region in 1978; but was twice as much as that of the western in early of 1990s. Since then, the income gap has increased between eastern region and western region at over 2 percent per year on average during that period of time. The trends of regional disparity, “it is due to the concern of instability and social unrest that regional disparity in China has for a long time attracted the attention of both scholars and policy makers” (Wu, 2002:576). What these figures illustrate is the increasing gap fuelled by economic growth. The evidence is clear and constitutes both a concern and problem for the central government.

3.4 Choice of Regional Development Strategy

Researchers and policy makers both inside and outside China are focusing on the influence of China’s regional development strategies and economic policies in regional development. Although the income distribution will be changed as market forces relocate to reflect the marginal productivity of factors of production. Studies have indicated that this has not always been beneficial because of market imperfections, social impediments, regional imbalance and other reasons (Kaldor, 1955). Existing studies emphasise that uneven distribution of economic resources among regions is not the basic reason for regional imbalance in China’s development,

as the presented in the above sections. More important, China's regional inequality is in fact a result of a variety of factors and many of which are of a political rather than of an economic nature (Wen, 2001).

3.4.1 The Early Balanced Growth Strategy

In the process of regional development in China, the two key development strategies were adopted which were called the balanced growth and the unbalanced growth strategies. The choice of these two strategies and the implementation of the development strategy were recognized as one of the most important factors in regional development in China. The balanced regional strategy sought regional industrial balance to reduce the imbalance of regional development. From the establishment of the People's Republic of China in 1949 to the pre-reform in 1978, in the central planning economy period, China carried out a balanced growth strategy in regional development (Shi, 1998).

The establishment of the balanced strategy was rooted in the consideration of China's government in the early days. First, China's government wanted to change the phenomenon that industrialisation was concentrated highly in the coastal provinces (Zhang, 1996). In the early 1950s, the coastal provinces had 72 percent of the country's fixed assets and accounted for 69 percent of the gross value of industrial output (Yang, 1997). Second, the strategy more coincided with the national

security consideration of China. Beginning in 1963, with the worsening Sino-Soviet political relationship and the growing military presence of the United States in Vietnam, Mao and his generals envisaged three lines of defence (coastal, central, and western), and they decided in 1964 on a massive construction of military-industrial complexes in western China.

Certainly, the early balanced development strategy was “rooted in the ‘cold war’ of investing in inland China in order to build up the ‘third frontier’ to avoid potential attack from the Pacific” (Wen and Tisdell, 2001:64). It was also the Marxist principles of generalized egalitarianism under the common ownership with the state as trustee. Based on the above consideration for balanced development, China’s government gave large amount investments to the interior provinces in the central planning period. From 1953, the First Five-Year Plan (1953-57) allocated 56 percent of state investment to the interior provinces and the Second Five-Year Plan (1958-62) allocated 59 percent. As the concern for national security grew in the early 1960s, the Third Five-Year Plan (1966-70) allocated 71 percent of state investment in the interior provinces, with the bulk of it in Sichuan, Hubei, Gansu, Shaanxi, Henan, and Guizhou (Demurger, 2001).

As a result, the implementation of the balanced development strategy was identified as a difficult process. During this time, a basic production structure had been established relying on the heavy state investment in these areas that helped to reduce

the regional conflict by providing more balanced development among various regions. But, this “blood transfusion” to the inland areas did not alter the low economic efficiency of industries in these areas (Wen and Tisdell, 2001). A large amount of wastage that occurred in the industrialization of the interior provinces, and “only half of the factories built performed to design specifications and the rest were either only partially completed (30 percent) or not completed at all (20 percent). Fully one-third of the total investment was wasted” (Yang, 1997:19).

The large-scale western shift of production layout is notably related to national defence consideration rather than any criteria of regional comparative advantage and economic efficiency. The strategy immolated the benefit of the coastal provinces and the growth of the economy did not reach the higher productive level of the coastal industries (Zhang, 1996). It has been estimated that 100 Yuan of fixed asset investment in 1978 yielded 70 yuan of output from the third-front enterprises, compared to 141 yuan from the coastal enterprises (Yang, 1997)

3.4.2 “Step Ladder” Strategy for Unbalanced Growth Strategy

After 1978, given the problems surrounding regional development, a “Step Ladder” strategy was introduced based on the unbalanced growth strategy. This had been the focus in regional development strategy in China before the mid-1990s (Zhang, 1995). Changing the trend of investment in favour of inland China was reversed from 1979 onwards when China’s government followed a balanced regional development

strategy (Wen and Tisdell, 2001). The strategy firstly focused on some regions leading to accelerated growth in areas where inputs have higher productivity – the East coast, the second stage then influenced and encouraged the other regions development to reduce disparities between the eastern and western region China (Shi, 1999).

The primary causes of the higher productivity of the coastal and the eastern regions are that they are more developed economically and culturally. The eastern region has a better infrastructure, especially in transportation and communication systems, as well as a more developed economic structure and financial system. In addition, the better service facilities and human resources make the investment environment in the eastern region superior to that of the western. Therefore, Shi (1998) stressed that this strategy is a regional development strategy based on the “efficiency priority” as guiding principle. The strategy “postulate that optimal investment allocation is to the regions where capital productivity is highest and that development efforts should maximise regional comparative advantages by concentrating in the East coast” (Wen and Tisdell 2001:64-65).

3.4.3 Adjustment of Regional Development Strategy and Western Region Development Strategy

After the mid-1990s, although the Chinese government continued to promote an unbalanced development strategy by permitting further development in the coastal

region, it began to emphasise the new balanced strategy to seek a balanced development in particular in the western region and poverty reduction in remote areas. As a long-term regional development strategy, the adjustment of regional development was based on the requirement of macro-economic development and to reduce the disparity existing between the coastal and western regions (Li, 2000).

The balanced regional development strategy can be summarised in the four areas.

They are:

- Regional economic development will be promoted with a particular emphasis on the shift towards more equitable distribution;
- The inland regions or poverty-stricken areas need to be developed and strengthened;
- Regional development will develop particular cities and industry taking full advantage of the comparative advantages of each region; and
- The rapid formation of a unified national market achieved through the rational distribution of industry and promotion of each region's specialization.

Under the adjustment of regional development policies, in 2000, the Chinese government publicly announced the “Western Region Development Strategy”. This initiative aim is to close the growing wealth gap between the rich coastal areas and the poorer or underdeveloped western provinces. It attempts to achieve a satisfactory

level of economic development in the western part of the country in a five-to ten-year time –frame and to establish a new western China by the middle of the 21st century (Glantz 2001).

In implementing this regional development strategy, some factors should be taken into consideration: for example, efficiency must have priority, but fairness should also be considered in maximizing each region's comparative advantage. Regional economic development will be further tied to structural adjustment and formation of unified markets, particularly for capital and capital goods, which should be developed toward a market-oriented approach. The emphasis of economic development policy will continue, and will stress economic liberalization, infrastructure improvement, and the elimination of poverty (Hwei, 1999).

Therefore, China's government is encouraging different regions to develop industries that maximize local comparative advantages in geography, climate, resources, and other conditions. For example, the Western regions of China abound with unique tourist resources that are distinctive from the eastern region and can maximize comparative advantage. In this view, developing local industry and adjusting industrial structure in Western China will see attention being given to developing tertiary industry including tourism.

3.5 Changing of Policy and Regional Development

3.5.1 High Degree of Centralizing Economic Policy for Regional development

Before the 1980s, the fundamental characteristic of China's economic policy was built on forming a centralized and unified relationship between the central and provincial governments for economic development. Although some of the policies were inconsistent, Chinese economic policy in this period clearly favoured the inland region through concentrated investment and demonstrated the intention of central government's planning. However, such policies ignored economic efficiency and eventually proved to be costly (Kimura, 1994). For example, China adopted of a high growth policy for heavy industry development, and the "suppression of light industries and service in favour of heavy industries, and the minimization of trade and financial linkages with the capitalist economies" (Demurger, 2001:12). The central government recognized China's isolation from the rest of the world, especially from the Western countries and had to consider the necessary steps for healthy industrial development to set up the basis of long term development. Naturally, regional development goals were focused on fostering heavy industries.

The Maoist development policy also sought regional industrial balance and self-sufficiency in every region. Except for the economic management system under a "vertical setup" as the main body to control various activities of the localities, a region should be self-sufficient not only in food production but also in industrial

goods as well. Recent studies reveal (Demurger, 2001), especially from the 1960s to 1970s, in regional investment distribution, the regional development model was a clear violation of the comparative advantage principle. It can be fairly concluded that before the announcement of the Western Region Development Strategy previous initiatives had focussed on central objectives and goals which gave little attention to either comparative or competitive advantage strategies.

3.5.2 Economic Reform Policy and Regional development

From the 1980s to 1990s, gradual changes in China's economic reform policy were made and had an important influence on regional development in the country. In general, there were three aspects to regional development: the first was associated with the fiscal decentralization which took the form of tax contracting between the central government and the local provinces (Wong *et al*, 1995). The reform of the deregulation of prices, which relaxed the central government's control over economic decision-making at provincial and local levels that gave the provincial and local government greater autonomy in handling regional economic affairs.

Second, the power to approve projects involving fixed-asset investment or foreign investment was transferred to local governments, and the special economic zones or cities in the coastal regions. By enabling local governments to control investment,

the scope of the investment environment of the coastal cities was expanded directly, resulting in the natural promotion of investment.

The third aspect concerns monetary policy that was focused on attracting foreign direct investment and promoting foreign trade in targeted areas. These policies, which were referred to as the regional tilt policies, provided a strong momentum to most coastal provinces, but also raised criticism from inland provinces because of the perceived unfairness. Critics complained that the coastal provinces had received preferential treatment in regional policies from the central government. But, in fact, the preferential policies based on the unbalanced growth strategy have promoted the growth of the coastal economies which are most advantageously located to engage in international trade, and hence are most able to industrialize by relying on manufactured exports.

3.5.3 Opening-up Policy and Regional Development

Over the past 20 years China's opening-up policy was identified with the three important stages: the establishment of special economic zones, opening of coastal cities, and extending opportunities to inland and border areas. Obviously, the process of implementation of the opening-up policy was recognized as an initiative benefiting all regions. The effect of China's opening-up policy, the pros and cons of

the regional-tilt policy are important inputs to the debate to regional development in China.

3.5.3.1 Establishment of Special Economic Zones

Four Special Economic Zones (SEZs) along the two East coast provinces of Guangdong and Fujian (Shenzhen, Zhunhai, Shantou and Xiamen) were established at the beginning of August 1980, here a series of special economic opening-up policies were adopted to help these areas achieve rapid and prioritised development. The two provinces were identified firstly by the central government. The policies involved an administrative decentralization partly because they are geographically adjacent to Hong Kong and Macao and they were of relatively little financial importance to the centre. Most significant is that the SEZs have no real upper limit for foreign investment project approval (Osborne and Wei, 2002), although a limit of \$30 million was officially given. The power of price control over most commodities was also given to the SEZs's authorities.

Another important aspect of these policies was the tax incentives to foreign investors in this region. In the early 1980s, when the open door policy was initiated, the regulation offers a 15 percent rate of income tax to foreign-invested enterprises in the SEZs. "Tax Holidays" were also offered in the zones. Income tax on foreign-invested enterprises is exempt for the first profit-making year, the two-year 50 percent

reduction for the second and third years for equity joint ventures with a scheduled duration of over 10 years (Galbraity and Lu, 2000; lin and Tsai, 2004).

During the period from 1979-1984, the initial stage of the special policy, the four SEZs enjoyed dramatic growth. As the government used administration regulations to isolate the SEZs economically from the rest of the country, about 80 percent of total DFI was located in the four SEZs (Sun, 1998). Obviously, the four SEZs had become the most advanced cities in China. The industrial output value of Shenzhen increased sharply from some 60 million Yuan in 1979 to 700 million Yuan with an average annual growth rate of over 80 percent (Osborne and Wei, 2002).

It is natural to argue that if more areas were opened in the early 1980s, the four SEZs might not have had as much foreign investment as they have, and might not have grown as fast as they actually have. In this sense, the policy differentials between the SEZs and other regions created the difference in growth rates between the SEZs and other regions.

3.5.3.2 Open Coastal Cities to Extending Opening of Inland and Border Areas

In 1984, 14 coastal cities were opened to foreign investment by central government that was a most significant stage for development of the eastern region in China.

Since then, a series of special economic policies were practised in these open coastal cities (OCCs). They were entitled to set up their own Economic and Technological

Development Zones (ETDZs) in 1984; followed by the establishment of Coastal Open Economic Zones (COEZs) in 1985 and the Shanghai Pudong New Area was opened in early 1990. According to the policy introduced in 1984, the 14 cities were empowered to approve productive projects involving an investment of less than \$ 5 million (Dalian: \$10 million; Tianjin and Shanghai \$ 30 million). They were also authorised to approve matters relevant to equipment imports, and send delegations abroad for businesses related to foreign investment projects (Wei, 1995). Most of the tax incentives used in SEZs also extended to these coastal cities. In 1990, the new emphasis of opening-up policy shifted to the Shanghai Pudong New Area, which had been already a new and active area in economic development of Huadong region in China. After Deng Xiaoping's "south tour" in early 1992, the central government issued further preferential policies for the Pudong New Area (Galbraity and Lu, 2000).

Preferential investment and taxation policies were implemented in these areas, accompanied by flexible employment policies, more powerful and efficient local bureaucracy, heavy national investment infrastructure, and so on, reinforcing the advantages of the coastal area in attracting investment and accelerating economic growth (Wen and Tisdell, 2001). For example, by early 1996, 3501 foreign companies and 3113 domestic firms had invested in Pudong, and many of the foreign

investors were worldwide major conglomerates. From 1991 to 1996, the annual average GDP growth rate in Pudong was above 20 percent (Galbraity and Lu, 2000).

3.5.3.3 Extending Opening to Inland and Border Areas

Since the 1990s, a further extension of opening to all of China's new economic zones was launched officially started in Major Cities along the Yangtze River, Border economic cooperation Zones, Capital Cities of inland provinces and autonomous regions, and Bonded Areas. Many Provinces's governments have also announced their own decision of opening-up or the prospect of opening more border cities and towns has encouraged the development for local areas (Galbraity and Lu, 2000; lin and Tsai, 2004).

However, the change of economic development policy is linked closely with China's regional development. Much literature about western region development stressed the important opportunity provided by extending the opening-up policy to inland and border areas especially in western region development. There is no doubt that the open-door policy and its related strategies have been very successful in stimulating regional economic development in China. Inevitably, the rates of economic development have been unequal between provinces and this is a concern, which the central government is now addressing

3.6 Summary

This chapter has traced the main changes in regional development policies arising from Deng's open-door strategy. The two main changes have been the designation of special development areas and the introduction of supporting policies. A noticeable feature of the latter has been the devolution by central government of authority and responsibility to these local governments to permit initiatives and decision-making. Arguably, the policy has been particularly successful in moving development focus away from heavy industry to producing more manufactured goods for export.

It is noted that the success of development policies has also intensified the imbalance between the eastern and western regions. This is not unexpected, as regional development is usually predicated on a number of factors such as resource endowment, availability of capital, size of local markets, geographic position, etc. For various reasons central government has recognised that the continuation of significant regional imbalance is not a desirable situation. Since 2000, the central government working together with provincial authorities and within the context of the Western Region Development Strategy is now addressing this issue. The availability of tourism resources within the Western region is expected to provide a comparative advantage for the development of tourism. An evaluation of the role of tourism in development is the subject of the following chapter.

CHAPTER 4

TOURISM IN DEVELOPMENT: THEORY AND PRACTICE

4.1 Introduction

Tourism has become increasingly important as an input to the process of economic development and it will continue to draw widespread attention (Clancy, 1999). But, despite the growth of numbers of tourist arrivals and expenditures, tourism as a development option has attracted much debate and controversy (Jenkins, 1994). Within the tourism research literature, widely discussed both in practice and academic circles is the notion that tourism represents an effective means to contribute to development in a developing country. The purpose of this chapter is to present an evaluation of this role, and to consider both the positive and negative aspect of this within in multi-disiplinary structure.

4.2 Tourism in Development

The development literature generally ignores tourism and few writers on that subject set their studies in the broader context of development. Many economists approach tourism by measuring its impacts- 'the word impact refers essentially to what has happened, not what should have happened' (Doswell, 1997: 107). "Until recently a conceptual leap was made between the (economic) benefits of tourism and its contribution to development (Sharpley and Telfer, 2002: 2). In this section, tourism

within the context of development, considers the critical factors which might stimulate or inhibit its development (Dieke, 2003).

The contribution of tourism to development that does not simply refer to an economic process as commonly perceived. Rather, it is a multidimensional process (Chambers, 1997). Scheyvens (2002) argued that tourism in development, “its primary aim is to consider appropriate ways in which tourism can facilitate rather than impede development, particularly from the perspective of Third World peoples” (Scheyvens, 2002: 3). Tourism for development is described as an improvement of opportunity and quality of life through the encouragement of tourism (Dieke, 2003).

The value of tourism as an industry in development had been well recognised by the early 1970s by many researchers (Zinder, 1969; Mitchell, 1970; Popovic, 1972; Bryden, 1973; Archer 1973, 1977). In the 1960s and until the mid-1970s, research on tourism looked almost exclusively at its positive economic impacts on local, regional and national economies (Mathieson and Wall, 1996). Obviously, tourism has long been recognised as a growth industry and a potential contributor to development. There had been increased awareness of the economic importance of tourism in the 1980s and this stems from a number of studies of economic development (Williams and Shaw, 1988). The tourism industry represents an effective means of promoting economic development that includes foreign exchange earnings, balance of payments, tax revenues, employment creation, economic growth and diversification,

and a variety of other factors (Sharpley and Telfer, 2002). As a result, the contributions of tourism to development have been widely discussed, primarily related to the economic impact of tourism. Moreover, from the 1970s, research on the negative aspects of tourism started to emerge (Bryden, 1973; Turner and Ash, 1975; Smith, 1977; cite in de Olivera, 2003). “This research that claimed tourism had potentially altered traditional culture, degraded landscapes, encouraged prostitution, increased criminal behavior and destroyed the local environment” (de Olivera, 2003: 99). Therefore, the impact of tourism on society can be divided into positive and negative aspects for tourism theory and practice.

From the mid-1970s, the studies were more related to its effects on people and society. Although De Kadt (1979) specifically in “*Tourism, Passport to Development?*” reviewed both the social and cultural aspects of tourism in development, tourism as a specific socio-economic activity was an effective vehicle of development without defining the desired outcome that is, “development” (Sharpley and Telfer, 2002). Certainly, if development is considered in simple economic growth terms then tourism undoubtedly has a role to play, but to most people, development connotes more than economic well-being (Turner and Ash, 1975). It represents, perhaps, the characteristics of social existence (wealth, education, health, opportunity, freedom, choice, self-reliance) in the developed countries compared with those developing countries (Sharpley and Telfer, 2002). From the early 1980s onward, much more attention also has been given to the

question of environmental issues in tourism with the spread of the idea of sustainable development (WTO/UNEP, 1982a) is an example (Jenkins 1997:56).

Therefore, in the 1980s – 1990s, the relationship between tourism and development is conceptualised as being multi-sectoral. It can have impact in the areas of economic, social, cultural, and environmental aspects of development. Tourism may prove to be most effective as a development catalyst at the national, regional, local or community levels (Sharpley and Telfer, 2002). Thereby, tourism is widely regarded as a means of improving development in destination areas. This subject has been taken up in an increasing volume of literature focusing on developing countries (Lea, 1988, 1993; Britton, 1982, 1983; Harrison, 1992, 2001; Cater, 1987, 1995; Pearce 1989; Jenkins 1982a, 1982b, 1994, 1997a, 2000; Brohman, 1996; Scheyvens, 2002). These researchers have given acknowledgement to tourism as a development strategy in most developing countries.

4.3 Potential Advantages of Using Tourism as a Development Strategy

Tourism is usually regarded as a potential contributor to growth and development in many developing countries. Although “tourism should not be seen as panacea for the myriad of development problems facing Third World countries, in many of the poor countries in the world tourism has become a major input to their development process” (Jenkins, 1997b: 208). Some countries have selected tourism development

as a deliberate economic growth strategy to achieve greater economic and development performance in particularly for many developing countries (Vanegas and Croes, 2003). There are potential advantages of using tourism as a development strategy in a developing country and the benefits are usually felt at two levels: macro or national, and micro sub-national or regional level.

4.3.1 National Perspectives

In developing countries, at the national level, tourism has a strong positive relationship with economic growth (Armstrong and Read, 2000). The theoretical rationale for tourism as a development strategy derives from the connectedness of exports and economic growth (Vanegas and Croes, 2003). Thus, first, tourism has the potential to generate foreign exchange and has one great advantage over other exports-it is not faced with tariff or quota barriers as an export activity. On the one hand, tourism has over the classic export of goods and services and the several advantages, Mihalic (2002) listed as below:

1. natural, cultural or social attractiveness, which normally cannot be exchanged, can be valorised at a premium through tourism;
2. products produced locally can extract a higher price sold locally to tourists than when exported and have lower costs because of relatively lower, or no, transportation costs or insurance costs;

3. some perishable goods can only be sold to tourists in the domestic market because of insufficient export capability and international marketing expertise (cited in Vanegas and Croes, 2003: 317).

On another hand, unlike manufactured goods and other forms of exports there is a relative absence of tariffs relating to international tourism. “This is possibly the most critical development factor where, with limited reserves of foreign exchange and limited ability to generate foreign exchange earnings, tourism becomes very attractive” (Jenkins, 1997:55). In the years following this comment, particularly the World Tourism Organisation has made major international efforts, to persuade governments to eliminate barriers to travel and to reduce taxes on travellers. In the latter case, many governments in developing countries have regarded tourists as easy targets on whom to impose taxes for example such as visas and airport taxes, all usually paid for in foreign exchange (Jenkins, 1997).

Second, tourism is historically a growth sector, and in many developing countries, tourism has had a higher growth rate than other sectors. For example, from 1978 to 1998, China’s inbound tourism earnings increased from US\$ 0.26 billion to US\$ 12.6 billion. Together with the US\$ 625 million in passenger fare receipts, inbound tourism injected in 1998, a total of US\$ 13.2 billion direct into the Chinese economy. During this period China’s inbound tourism receipts increased at an average rate of 21 percent a year (Xu, 2001). The analysis of Balaguer and Jorda in 2002 showed

that “a long-run stable relationship between economic growth and tourism expansion exists” (Balaguer and Jorda, 2002: 882). More important, tourism is historically a rapid growth sector and it is now possible for underdeveloped countries to improve their economies (Erbes, 1973; Jenkins, 1997). With the tourism development, that will generate both personal and company incomes, and through direct and indirect taxation, contribute to government revenues. This is of course, no guarantee that foreign exchange raised from tourism will necessarily be re-invested in the sector.

Third, “the strong impact of tourist activity, according to the magnitude of estimated parameters would reveal the existence of important long-run multiplier effects (Balaguer and Jorda, 2002: 882). Obviously, tourism is more than an economic activity. It increases the capacity of the service sector to create more employment and related services. It is, in essence, a massive interaction of people, demanding a wide range of services, facilities, and inputs that generate opportunities and challenges to host countries (Dieke, 2003). For a service industry, tourism is relatively labour-intensive and service depends upon people. This is of particular importance in the developing countries where employment-creation needs are paramount. At the same time, in many developing countries where labour is in excess supply and cheap to employ in tourism and its related service industries, it is often advantageous to substitute labour for capital. There are limits to the substitution possibilities, but in developing countries with surplus labour and a desperate need for

employment, tourism can often absorb low-skilled labour (Oppenheimer and Chon, 1997; Harrison, 2001).

Fourth, in many developing countries, the attractions for international tourists relate to the natural infrastructure, climate, beach, wildlife and the rest. In this case, we often see tourism developing while having fairly low economic opportunity costs. Therefore, many developing countries do have priceless environmental assets that can be utilised in the tourism sector to offer on the international market. As summarised by Jenkins (1997: 52) “with tourism now a major international economic activity it has advantages as a contributor to economic development that other industries might not have”. Tourism has no prior claim for advantageous treatment, but should be regarded as one sector of an economy competing for available resources with others.

Fifth, a further advantage of tourism is that it can use the natural endowments of rural areas thereby moving new development away from urban areas. There are many examples of this such as the Australian Outback, Canada’s ‘wilderness’ tourism and takking in the Himalayan ranges. In an increasingly eco-conscious world, this is a particular advantage (Jenkis, 1997).

Sixth, with tourism development comes investment. As such, and even on a small scale, investment in tourism can act as a catalyst to initiate changes both economic and social. This change will be demonstrated in the case of Yunnan.

4.3.2 Regional Perspectives

The potential advantages of using tourism as a development strategy relate to its suitability in generating the regional activities noted above. Regional development can be viewed as a holistic process whereby the natural and physical environmental, economic, social and cultural resources of a region are harnessed for the betterment of people. Tourism and regional development are closely linked. At the regional level, the tourism industry is not only one of the greatest sources of economic growth, but also it might be a way to improve people's well-being in the areas of job creation, revenue distribution and balanced regional development (Dieke, 2003).

In regional development, the potential direct benefits of tourism are usually the main motivators for its use. As Sharpley and Telfer (2002:113) noticed "One of the main factors indicating the success of using tourism for regional development purposes is the extent that the benefits of tourism are spread throughout the surrounding region". In general, public officials are generally supportive of tourism development efforts because they hold the potential for increasing public revenue. Because of the direct investment in both regional and personal income growth, local

and state government can expect increased property and personal tax revenues (Gibson, 1993). There is no doubt that the development of tourist destinations provides employment for local people and when tourism is a prominent source of employment it will be one part of the contribution that tourism makes to economic growth.

In addition to the above direct potential advantages to regions, on the other hand, tourism activities can bring positive externalities to society (de Oliveira, 2003). For example, the infrastructure requirements for tourism could act as regional development input. Tourism can be a positive force in improving infrastructure and leads to beneficial impact for visitors as well as local residents (Oppermann, 1992; Gibson, 1993). The local authority may tend to accept the economic case for investment in tourism as a catalyst for a wider development strategy. In most, if not all, developing countries, regional governments tend to support this view (Jenkins, 1982).

As a specific objective of regional development, tourism has been highly beneficial to certain types of regions. These regions are mainly coastal, mountainous, urban or rural, historic and ethnic areas, and islands or peripheral regions with exceptional natural resources (Sharpley and Telfer, 2002). Christaller (1963) argued that tourism can be a means of obtaining economic development in peripheral regions with rich tourists travelling from the metropolitan centre to the periphery bringing foreign

exchange and creating jobs. In all these regions, appropriate tourism strategies may be implemented by public and private decision-makers in order to maximise the benefits to the local economy.

Bhatia (1986) advocated that the tourism development may be the only means of promoting the economic advancement of less-developed areas lacking in other resources. Tourism has the potential to generate economic growth but it can also help to eradicate poverty, and reduce income inequality through regional development. In developing countries, where the tourist host community is essentially rural, then this usually means that rural people are the poorest people in the country and those with the lowest income. Therefore, tourism helps not only stimulate economic activity in such regions, but also perhaps is a realistic alternative to low-income agriculture (Zhu, 1999).

In a vast country like China, many regions have considered tourism as a main industry to overcome the imbalance of development between regions. Tourism can be the main component of a policy aimed at achieving economic growth and social change in the regional development process. As Wu (2002), observed no one has yet accused tourism as having contributed to the level of misery in the host societies. Tourism often develops in areas with rampant poverty. It is important to examine how those who live in poverty respond to the opportunities offered by the tourism

industry, and whether a tourism industry can contribute to the alleviation of poverty in the host societies (Zhou, 1998; Zu 1999).

4.4 Possible Disadvantages of Using Tourism as a Development Strategy

In looking at the potential advantages of tourism for development, it needs to be stated that as demand for tourism increases, so too will it bring with it not only opportunities for linkages with other sectors in economy, but also consequences of a social, cultural and environmental nature. In general, although tourism is historically a growth sector, this does not apply to every country or every region. As seductive as the tourism option may be, in using tourism as a development strategy, the development planner will weigh the potential advantages and the possible disadvantages, then decide how to formulate the development strategy.

4.4.1 Economic Leakage

It has been argued that tourism can become a leading sector in the economy creating employment, generating growth and providing a vital source of foreign exchange (Ayres, 2000), because a regional economy based on tourism only will never be sustainable (Seckelmnn, 2002). Many authors have argued that the economic benefits of tourism to development were often overstated (Clancy, 1999), frequently finding that multiplier effects are easy to exaggerate and the Third World tourism industry

often replicates problems of dependency (Hills and Lundgern, 1977; Britton, 1982; Nash, 1989). According to Williams and Shaw (1988) and Jenkins (1994) one can list several economic items under the single heading of “economic leakage effects”. Which may not be a disadvantage of tourism in economic development; but certainly reflect the fact that there are costs associated with it. Some examples are:

1. Although developing countries earn hard currency, much of it leaks back to the country of origin. Remittance of profits by foreign companies, who own hotels and other tourist facilities, is a problem related to tourism investment. For example, imported goods, remittance of wages by expatriate workers, fees and royalties for franchised businesses; these are frequently mentioned in the relating literature (Williams and Shaw, 1988).
2. “Although there are no tariff and quota barriers preventing international tourists from travelling, it’s a very competitive industry and often prices are determined by tour operators based in the generating countries, therefore affecting destination competitiveness. These prices can limit the numbers of tourists travelling, particularly to certain countries” (Jenkins, 1994:54). There are also payments made to foreign tour operators.

3. Payments to nonlocal airlines, tour companies, and travel agents, also typically leave the region – especially if the region is rural where more ‘imported’ goods and services are required to support tourist operation. Moreover, there are needs for nonlocal or out-of-region promotion costs; items include advertising costs and trade show costs, and business development or prospecting trips.

As noted above, one aspect of tourism is that, as tourists require particular standards, particular foodstuffs and service, and therefore some companies in Western countries kept monopolistic control of the tourism industry in the peripheral economies. “To provide these Western-style facilities and services is expensive, and normally demands quite a high proportion of imports, which then increases the foreign exchange leakage because most countries will have to import capital, expertise and goods and services to support development in the tourism sector” (Jenkins 1997:57). Some studies also indicated the international orientation and organisation of mass tourism required high investment costs and led to a high dependency on foreign capital, know-how, and management personnel (Bryden, 1973; Muller, 1984; Oestreich 1977; Pavaskar 1982). This may have marginal benefits for developing countries in which tourism development occurs; the majority of profits are repatriated abroad through corporate structures (de Chavez, 1999).

Therefore, “tourism in general is a fragile business depending on many internal and external factors”(Sechelmann, 2002, p.88). For example, tourism tends to have a low entry-skills threshold and the jobs provided by tourism bear many disadvantages for the employees (Sechelmann, 2002). At the same time, tourism tends to be a low – wage structure industry: a large number of relatively poorly paid workers and a handful of relatively well-paid owners and managers. Given this wages structure, opportunities for upward mobility are limited, at least in the short term (Gibson, 1993). However, this can cause economic and perhaps political problems in the long term unless indigenous people are promoted and developed to the highest levels of the industry.

In practice, countries have tended to benefit economically from tourism. There is no published evidence that any subsidy paid to tourism (including any net outflow of finance) is greater than a country’s net receipts from tourism. However, where the leakages are high, then policy attention should be given to the possibilities of encouraging import-substitution or inter-sectoral linkage strategies. For some developing countries, people living in tourism areas generally support the further development of tourism, because they at least receive a small income from this activity economy (Korca, 1998). On the other hand, for some countries that do not have alternative export potential, tourism might be the only means of generating foreign exchange to support development. In China, as a fast growing industry, the

promotion of tourism can contribute to a more balanced regional development (Wen and Tisdell, 2001).

The question of tourism creating only low-skills, low-pay jobs is perennial. This criticism can apply also to many other sectors in developing countries such as manufacturing and textiles. To raise skills, payment and productivity levels, requires a long-term strategy and requires sound government policies. Unfortunately, many if not all governments have not addressed this issue.

4.4.2 Social-Cultural Consequences

In addition to economic leakages, the possible disadvantages of tourism development may also relate to social problems in developing countries. Because tourism is mainly a social activity with economic consequences in developed countries, but tourism can be regarded as being as economic activity with social consequences in the developing countries (Jenkins, 1997). Many researchers and especially some sociologists have argued this view (McKee 1988; de Kadt 1979; Bryden 1973).

Much of the support for a reappraisal of tourism's role in development is focused on its perceived negative impacts on the social and cultural norms in tourist receiving countries (Harrison, 1992). In some arguments, tourism has been criticized for exacerbating the problems of societies: the destruction of social patterns, neo-colonialist relationships of exploitation and dependence, inflationary pressure,

among others (Dieke, 2003). The whole emphasis here rests on the non-economic impacts of tourism and the way in which society was changed; both positions, admittedly, have merit.

For example, there are fears that exposure to foreign behaviour, values and attitudes will influence the young in particular and have adverse effects on family life (Ayres, 2000). There are other instances where a cultural conflict was perceived in studies of tourism. Gray (1974: 386) offers a fairly colourful description of this potential problem. Tourists “irritate their hosts through sheer arrogant display of wealth and/or brazen disregard of their hosts sensitivities and values”. The effects of tourism on communal and ethnic conflicts that may exist in the host society and the effects of the moral and religious attitudes toward tourism are themes explored by Wu (1982) in his study of Pacific Rim tourism. Also, changing tastes and preferences can bring problems – especially for communities overly dependent on only one or two tourism products or suppliers.

With tourism development, cultural exchange through tourism can also be possible (Hashimoto, 2002) and cultural impacts have tended to react negatively in developing countries. In general, tourists come to the destination with certain stereotypes towards the host culture and their stereotypes are often reinforced by the manipulation of cultural exhibitions (Stanley, 1998). For example, tourism creates opportunities for cultural exchange including language, customs, traditional arts, and

historical cultural values. In fact, the impact of developed countries's cultures has reflected on the daily life in the host communities. In developing countries, some arguments surrounding the negative sociocultural impact of tourism development often focus on the conflicts between westernisation trends and traditional cultural or unique living mode of host areas. In this process, Hashimoto (2002) stressed the role of cultural imperialism and assimilation to developing countries or regions. "The tourists and tourism industry that serve tourists from the developed nations tend to impose their cultural values in the destination. In order to accommodate the lucrative tourism business, the host community often has to accept the tourists' culture" (Hashimoto, 2002:220). On the other hand, the destination has to accept more and more responsibility for the tourism impact on the environment (Totaro and Simeone, 2001). For tourism development, these changes have often been considered as a conflict between the influence of modern lifestyle and the traditional culture of host areas where the local culture has been identified as tourism resources in this region.

It is common in the planning process to consider the non-economic impact possibilities. Greater recognition has been given to the role of the community in the development process. There seems a consensus that involving communities in the tourism development process is a desirable step. Without this involvement it is suggested that the community will lose any sense of ownership over the development and this in turn will diminish the prospect of long-term sustainability (Sharpley and Telfer, 2002). Demonstrations by farmers in Kerala, India about the

diversion of water resources for tourism development and away from agriculture are an example. Terrorist attacks against tourists in Egypt in 1999 and more recently in 2005 are further examples. Tourism because of its international dimension often confronts a community and can create cultural, ethnic and racial tensions.

4.4.3 Environmental Problems

Tourism development is often associated with environmental damage. There are also concerns with the specific impacts such as the problems of congestion, pollution and the destruction of ecological or other natural resources (Ayres, 2000). In a developing country, environmental issues include the impact of mass tourism on fragile natural environments that affect many tourist sites both rural and urban. To a large degree these problems have been caused by a too rapid increase in tourist arrivals, which puts pressure on both the infrastructure and the environment.

“Perceived negative physical and environmental impacts of tourism include destruction of natural resources, pollution, and deterioration of cultural or historical resources” (Yoon, *et al.*, 2001: 365). In summary, de Oliverira (2003) specifically pointed out some negative aspects of tourism on the environment as below (Table 4.1):

Table: 4.1 Some negative impacts of tourism on the environment

Natural sources/condations	Activities related to tourism	Possible environmental consequences
Water	<p>Release of sewage/garbage onto beaches, rivers, lagoons, lakes and subterranean aquifers</p> <p>Release of oil/garbage from recreational and transportation vehicles</p> <p>Land reclamation</p>	<p>Health hazar to local people and tourists</p> <p>Destruction of aquatic life (animals and plants)</p> <p>Losses of aesthetic values</p> <p>Reduction of activites such as fishing and bathing</p>
Air	<p>Increased air and noise pollution by transportation means</p> <p>Increased air and noise pollution by construction works</p>	<p>Health hazard to local people and tourists</p> <p>Loss of recreational values</p> <p>Negative impact on plant or animal life</p>
Wildlife	<p>Use of local trees for resort construction and firewood</p> <p>Increase in accidental/criminal fire in parks and forests</p> <p>Collection of wildlife for collection and souvenir industry</p> <p>Development of highway and trails through natural areas</p> <p>Chase away animals to view and photograph</p>	<p>Deline in plant and animal species/ numbers</p> <p>Increased soil erosion</p> <p>Changes in species composition</p> <p>Destruction of wildlife habitats</p> <p>Disturbance in migration patterns</p>
Coastline/oceanic islands	<p>Construction of hotels, roads, campsites, Parking lots, golf courses, harbors and Other facilities</p> <p>Use of sand from dunes and beaches for construction</p> <p>Land reclamation</p> <p>Alteration of coastal land (sea walls reefs, etc.)</p>	<p>Elimination of aquatic and terrestrial wildlife habitats</p> <p>Interference with breeding habits</p> <p>Erosion of beaches and dunes</p> <p>Loss of aesthetic values on the landscape</p> <p>Alteration of drainage system and run-off</p>
Human settlements	<p>Follow up infrastructure: hotels, bars</p> <p>Restaurants, souvenir shops, houses for local population, roads</p> <p>Immigration</p>	<p>Displacement of people</p> <p>Traffic congestion and overloaded infrastructure</p> <p>Loss of amenity of residents</p> <p>Unpleasant architecture</p>
Historic and religious Monuments	<p>Excessive use for tourist purposes</p> <p>Thefts and destruction of historical pieces</p>	<p>Trampling and littering</p> <p>Alteration of orginal ues and function in detriment of locals</p> <p>Desecration</p>

Adapted from de Oliveira (2003, pp. 100)

Mass tourism in developing countries was always recognised as a potential environmental problem for the tourism destination development. In particular mass tourism is seen to bring many problems to destinations and often makes only a minimal economic contribution (Cooper and Ozdil, 1992). That can also cause irreversible damage to the socio-cultural and natural environment of a country which is particularly noticeable when more tourists visit tourism centers or traditional historical cultural sites. According to Mathieson and Wall (1982) the balance of positive and negative contributions to tourism at any destination is dependent on both the characteristics of the destination and also the type and characteristics of tourists who visit. Obviously, there is the danger that the uncontrolled expansion of mass tourism may eventually destroy the cultural and natural features that attracted the tourist in the first place (Ayres, 2000). From the experience of many developing countries, the mass tourism strategy has been potentially damaging.

Tourism is relatively new in China and there have yet been no comprehensive environmental policies established and fewer environmental concerns for the early stage of development of the tourism industry (Hashimoto, 1999). In China, since the “Gold Week” holiday was adopted by China’s government to develop the domestic tourism and generate more income, but some very serious problems have appeared on the “Labour Day” or “National Day” such as the congestion of travel transportation, the over-crowded of attractive areas and the high burdens on tourist facilities or services (State Holiday Office, CNTA, 2005). There is an issue for a

destination in how tourism is to move from a mass market to a more selective development model, which has prompted a search by many people for alternative forms of tourism.

A definition of alternative tourism is not clarified in the literature. Sometimes this clarification is attempted by a comparison with 'mass' tourism, an equally ambiguous concept. It may be that 'alternative' refers to the type of tourism emphasising the low volume of tourists, special interests, specific locations and appealing to a more mature market. In essence, alternative tourism might be, particularly for large countries, a form of niche tourism. It is not an alternative to mainstream, high volume tourism in large countries but rather co-exists with it (Sharpley and Telfer 2002).

For many developing countries, more attention is being given to impacts of tourism on the environment. For example, in Zambia and Namibia, there is a statutory requirement that any new project must include both an environmental audit and an environmental impact study before the project can be approved. In relation to tourism where the natural environment is often the major base of tourism such as game park in South Africa and the Great Barrier Reef in Australia, great care has to be taken to conserve and yet carefully utilise the natural resource. Constant references to global warming and climate change are further indications of these concerns.

4.5 Current Issues Relating to Tourism and Regional Development

Despite the academic and industry support for tourism as a development option, there are a number of long – standing concerns which need to be evaluated. Although, there are no definitive answers to these concerns because their intensity and impact varies between countries, they remain as caveats on the role of tourism in the development process.

4.5.1 Tourism and Modernisation: Social Changes

Tourism has often been perceived by less developed countries as a viable route towards modernisation and development (Woodcock and France, 1994). In particular, development strategies can be based on a variety of approaches towards “modernisation” and “development” in developing countries or underdeveloped regions (Harrison, 2001). As a part of modernisation, “tourism can be seen as a form of modernisation, transferring capital, technology, expertise and ‘modern’ values from the West to LDCs” (Harrison, 2001:10). Proponents of modernisation “for encouraging tourism exports were explicitly or implicitly made from modernisation assumptions” (Clancy 1999:3) and who also felt, tourism as a development strategy can contribute to improvement from a traditional to a modern society in a developing country.

Modernisation approaches also encompass a broad range of social opening to the outside world for underdeveloped areas. As a “change agent”, tourism can play “a pivotal role in the transfer of ideas, practices, technology and capital from the West and in the breaking down of those aspects of traditional culture believed to block economic growth” (Woodcock and Frances, 1994:110). In China, as Wen (1998) noticed, the growth of the tourist industry to cater for foreigners was seen as an important means not only to increase its economic gains, but also to encourage foreign investment, technology transfer, cultural exchange and so on. Of course, a number of social and cultural problems also came to be associated with tourism in the Third World (Harrison 1992).

In the modernisation process, there is not only economic growth, but also social structural change; human development was often seen as the main force and tourism would be supported as an agent of change. “Tourism meant greater integration into the world economy and created opportunities for movement by the population into the ‘modern’ sector from the ‘traditional’ subsistence agricultural sector”(Clancy, 1999:4). Some governments pursued tourism development and tourism had become the major economic sector in Third World countries (Lea, 1993) facilitating in the human development. This means not only income growth and economic structural change through tourism development, but also improvement in life expectancy and general education.

Woodcock and Francs (1994) observed that tourism also plays an important role in enhancing communication between visitors and local people, and improvement of cross-cultural understanding and national image. Meanwhile, by observing foreign culture and behaviour local people can try to develop similar behaviour because of the demonstration effect. Mathieson and Wall (1996) argued that the demonstration effect could be useful, as it encourages local people to adapt and develop specific and relevant skills.

However, 'tourism has made very serious changes to the structure, values and traditions of societies. There is little doubt, however, that when international tourism is of any significance in a country, it does become a major change-agent' (Jenkins, 1997:58) for development and modernisation. It is unlikely that tourism is chosen specifically to be a change agent; change occurs because of the nature of tourism. In developing countries where tourism is mainly focussed on international tourism, then facilities, services, aptitudes and marketing are internationalised. Modernisation is necessary to meet the needs of truly global standards (Harrison, 2001).

4.5.2 The Danger of Over-Dependency in the Regional Economy

Tourism is a highly dependent activity for developing countries and the dangers of over-dependence are a constant concern (Britton, 1981). The tourism industry "is dependent on economic circumstances in the main tourist is generating countries"

(Jenkins, 1997:56). The organisation, sources of tourists, international transportation and management of international tourism, would be organised in Western countries (Sindiga, 1999). Because the tourist flow is mostly from advanced/developed countries to economically deprived developing countries, its economic importance to the developing countries is well documented.

Despite instability of tourism activity – in terms of international tourist arrivals and tourism receipts, the regional context for tourism development and the specific issues which surround the tourism – led development model in developing country are recognised by countries (Hall, 2000). While tourism holds out the promise of becoming a new growth sector for many Third World economies, some of the shortcomings commonly associated with the local communities of developing countries can create problems (Brohaman, 1996). These include foreign domination and dependency; high rates of foreign ownership contributing to a loss of control over local resources; substantial overseas leakage of tourism earnings; socio-economic and spatial polarization; environment destruction; cultural alienation and loss of social control and identity in the host communities.

For developing countries, a large proportion of foreign direct investment in tourism is from developed countries. In the past 30 years tourism, through the spatial flows of visitor and foreign direct investment, has perhaps been more affected and in its turn has had a profound effect on economic and social development internationally

(Dunning, 1981). Foreign direct investment in tourism is either market-oriented or supply-oriented (Go and Brent, 1990). “Host government, particularly of less-developed countries, many entice foreign investors to develop tourism infrastructure, where locals do not possess the necessary expertise or finance” (Bull, 1990:326).

On the other hand, as Ayres (2000) argued there is one further aspect of dependency to consider; that tourism may evolve in ways by which development occurs in the metropolitan states and underdevelopment in the periphery. The reasoning is that where international tourism is controlled and dominated by multinational corporations any surpluses generated in the developing countries are appropriated by the metropolitan nations through profit and other reittances. But some arguments of this nature tend to be over stated because the development trend changed in the 1980s when international development emphasized social welfare and basic needs for the people of the peripheral economies. The implications for tourism were that local people were encouraged to participate in tourism related economic activities (Sindiga, 1999). Some changes were not overlooked such as the participation of the agency of local actors, and the role of domestic tourism as well as alternative of other tourism type such as ecotourism.

The danger of over-dependance was also demonstrated by the downturns in tourism that occurred sometimes on the presence of “political economy” factors (Ayres, 2000). On the one hand, tourism is widely sensitive to political instability and the

political environment. It has a great impact on the tourism industry in any region (Altinay, *et al*, 2002) of the world, For example, the event of Tianmen in 1989 had a negative impact on tourism marketing, accommodation and investment in China (Sun, 2003). On the another hand, tourism has been also appeared sensitive to some temporary factor, such as the SARS outbreak in 2003 that was identified as the most heavy blow to the tourism industry in China since tourism had become a major industry in 1980s (Zhang, 2005). The dangers of international tourism have also being dominated by the role of the international tour operator. China's membership of the World Trade Organization will make it more dependent on the international economic system (He, 2005). These events confirmed that the demand for travel and tourism can be affected by a wide range of events – political, social and natural. On each occasion the decline in the tourist receipts affected economic growth in the host country or region (Ayres, 2000). However, even where major incidents such as terrorist attacks (USA, 2001); natural disasters (tsunami in Asia, 2005); SARS (China, 2003) occur, evidence shows that tourism normally recovers within a period of 12-18 months. This was again demonstrated by the regional countries' recovery from the Asian Finacial Crisis in 1997-99.

4.5.3 Regional Comparative Advantage and Tourism

Tourism is often said to possess potential comparative advantages to other sectors and regions in development. In a regional context, this means that the tourism sector

generates more value added than a similar amount resources invested in another sector. Tourism therefore may offer lower opportunity costs. These lower opportunity costs can be caused by climate, natural or human resources or through established niche markets. According to the research of Hassan (2000), Nash and Martin (2003), and the Region Research Centre University of Western Australia (UWA) for regional development definition (2004), the following characteristics are often summarised as providing the base for a comparative advantage of tourism in a region:

- Unique and diversified tourism resources and an affordable lifestyle: it includes natural, cultural or ethnic resources that offer tourists an alternative tourist experience;
- The potential for value adding to tourism products: the diverse range of tourism products can be produced with low opportunity costs in the region that provides a base for expansion of the industry;
- Region's access and proximity to markets as a destination for tourists: the region should be a gateway that has the advantage of proximity to the large tourism market. Infrastructure development may also improve the proximity to the domestic and international markets;
- The marketing competitiveness including the provision of affordable special tourism experiences as well as intangible elements such as service quality and customer interaction with advantages of market competitive factors.

In underdeveloped regions or peripheral areas, the notion of comparative advantage is often useful to understand how tourism might be chosen as a main industry in a development strategy (Nash and Martin, 2003). For example, in many less developed regions or peripheral areas the quality of natural environment can often offset the disadvantages of destinations remote from the main tourist generating regions. In the peripheral regions, the comparative advantage could be their culture and heritage based on and around the assets with their natural environments (Nash and Martin, 2003). Sinclair (2003:142) summarised the comparative advantages based on the tourist resources in peripheral areas: (i) the lifestyles and distinctive cultural forms; (ii) traditional ancestral languages and live in traditional communities; and (iii) religion association with ritual activity.

Furthermore, development in peripheral areas that needs market-orientated or demand-driven tourism has become increasingly important (Hassan, 2000). Today, urban consumers increasingly see rural areas as important for rest and recreation, for fresh air and clean water, and as offering lifestyles with advantages over those in urban areas (Nash and Martin, 2003). Obviously, Chinese tourists, with coastal regions and large metropolitan areas as principal generating markets, may have more opportunity to visit rural and inland areas, contributing more to rural development (Wen, 1998).

But, there are also some problems using tourism in regional development. First, tourism would be strengthening the new regional disparities. Because, “tourism could be such the sector, if it is not wholly exploitative of human and natural resources, but so far these regions have the smallest share of the country’s tourism” (Seckelmann, 2002, pp. 87). Second, the tourism income distributions are unbalanced in regional development. However, not only the demand, but also the supply structure of tourism, too, is unsustainable. During the expansion process the small local investors, who formed the base of the first tourist development were displaced by supraregional, often foreign-based companies (Seckelmann, 2002). Therefore, tourism is not so much facing opportunities, but also has new challenges in less developed regions, and in the rural and peripheral areas. However, in many developing countries, the comparative advantage for tourism appears more cost-effective in relatively well developed and easily accessible regions, such as urban areas, castland and only in a few cases on remote but extremely attractive locations (Liu, 1998).

4.5.4 Tourism and Rural Regeneration

In the regional development process in developing countries, rural tourism is increasingly being used for socio-economic regeneration and diversification (Telfer, 2002). “Rural tourism is primarily characterised by its versatility and diversity and this has led to its confusion or substitution to several other concepts such as farm

tourism, green tourism, outdoors, ecotourism or nature/wildlife tourism”(Frochot, 2005:335). The notion of a ‘pure’ rural tourism is meant that tourism is located in rural areas and is rural in scale, character and function reflecting the differing, and complex pattern of rural environment, economy, history and location (Lane, 1999; Sharpley and Roberts, 2004). Lane (1994, cited in Telfer, 2002) details that rural tourism extends beyond farm-based tourism to include “special-interrelate nature holidays and ecotourism, walking, climbing and riding holidays, adventure, sport and health tourism, hunting and angling, educational travel, arts and heritage tourism, and in some areas, ethnic tourism” (Lane, 1994: 9, cited in Telfer, 2002:135).

Thus, the nature of rural tourism can be represented by two interrelated subthemes which are implicit here: “firstly, it is suggested that the demand for rural tourism is related directly to the particular characteristics of rural areas and secondly, it is assumed that the principal motivation for visiting the countryside is to experience rurality” (Sharpley and Roberts, 2004:120). Moreover, the change of tourist market from traditional holidays to more day trips and short-break weekends will be to the benefit of more remote rural and peripheral regions (Hash and Martin, 2003).

By developing rural tourism, it could be an important catalyst for rural development (Barke, 2004). First, “tourism can offer a more stable basis for income generation as well as a diversification for the local economy” (Nash and Martin, 2003: 163). Obviously, “this increasing dependence on and support for rural tourism is based

upon a number of perceived benefits it potentially provides to rural areas” (Sharpley, 2002: 234). Second, opportunities exist for rural attractions as a resource for tourism organised through local owned small enterprises and for farm-based tourism to act as a vehicle for integrated rural development to raise income, sustain cultures and redistribute the economic role within the rural household (Hall, 1998, cited in Telfer, 2002). Third, more specifically, rural tourism offers potential solutions to many aspects of socio-cultural development, including the revitalisation of local customs, cultural identities, and protection and improvement of both the natural and built environment and infrastructure (Sharpley, 2002).

Therefore, rural tourism has potential as a development tool for regeneration and diversification in regional development. In some countries, rural tourism has enjoyed substantial encouragement, support and, in some cases, directs financial assistance from both the public and private sectors (Fleischer and Pizam, 1997, Hall and Jenkins, 1998, Sharpley, 2002). Indeed, many new rural small firms are created to respond to the attractions of rural places. So taking these points together suggests that the development of rural places is highly dependent on small tourist firms (Irvine and Anderson, 2004).

4.5.5 Sustainable Tourism and the Local Community

Tourism will continue to affect local communities in a region and the challenges of community involvement in tourism centre on the role of sustainable tourism. A

community as a homogeneous resident unit that can be viewed as representing the owners of a resource. There are more economic, social and environmental issues arising in the community because of tourism development. Community involvement in the tourism industry is essential if the potential benefits of tourism are to be maximised and the negative impact minimised (Dowling, 2002). Therefore, sustainable tourism often takes place within the context of local socio-economic development, with the tourism option considered alongside other local community options, with a need to involve local people in the planning and management of their local or home environment in the development process (Godfrey, 1998). Sustainable tourism also stresses community involvement as central to shaping the future of tourism activity in development.

Principles have been set out as a general criteria seeking to achieve sustainability for tourism in development (Godfrey, 1996). According to the World Summit on Sustainable Development (2002), held on August 26-September 2, 2002, Altinay and Hussain (2005: 274) summarised that sustainable tourism is tourism and associated infrastructures that, both now and in the future:

- Operate within natural capacities for the regeneration and future productivity of natural resources.
- Recognize the contribution that people and communities, customs and lifestyles, add to the tourism experience.

- Accept that these people must have an equitable share in the economic benefits of tourism, guided by the wishes of local people and communities in host areas.

“Thus, sustainable tourism is said to be a type of tourism that meets the needs of present tourists and host regions while protecting and enhancing opportunity for the further” (Altinay and Hussain, 2005: 274). In fact, in some less developed regions, the lack of understanding of several principles were effective the choice of tourism development, although some local government’s policy or documents may reflect the needs for sustainable tourism development (Harrison et *al.*, 2003). In most cases, community involvement in tourism essentially has three goals – rural development, conservation and industry development (Dowling, 2002).

First, rural development enhancing social sustainability, tourism stress small scale, locally owned developments, community participation and cultural and environmental sustainability (Brohman, 1996). On the one hand, local residents are encouraged to see visitors as means by which their own lives can be improved (Harrison, 2001). On another hand, tourism may help a community increase its pride in an area and it can often help it strengthen its recognition of the cultural and natural assets of an area.

Second, community tourism also can be used as a tool for conservation. As a location is developed for tourism, it begins to lose its original appeal as an authentic travel destination and its most marketable features when a destination is discovered (Johnston, 1999). However, there is need for co-ordination of public, private and community interests in managing tourism impacts in the local community. This means involving local commercial interests in the overall policy and planning process of tourism (Godfrey, 1998). For example, on the matter of community-based tourism, there is strong endorsement given to the fact that cultural heritage and cultural expression were indispensable in any consideration of sustainable tourism (Sinclair and Jayawardena, 2003). Under the involvement of the local community, the planning process can consider environmental and socio-cultural issues reflecting on the local society, and at what levels of development may be sustainable.

Third, tourism in the regional development process requires the involvement of the local community and all individuals or businesses. Tourism is an important manifestation of globalization phenomenon and its impact on host societies is very dependent upon the influence of local institutions and actors (Parnwell, 1998). It is important that many of these impacts are co-ordinated with the construction of general infrastructure such as roads, transportation and tourism facilities including resorts, hotels, restaurants and travel agency. The economic benefits of tourism development can be increased through training, the creation of linkages, collective marketing, capacity building and institutional support (Dowling, 2002). Here, is

where communities can gain greater control and benefits from tourism development through effective management to the industry (Boxill, 2003).

4.6 Summary

This chapter has noted both the main advantages and disadvantages in using tourism as a development strategy. In most countries, and particularly in the developing world, it is the economic advantages accruing from tourism, which are valued. There is a growing recognition that tourism also brings with its social, cultural, environmental and sometimes, political problems. Although, the literature mainly portrays tourism as having negative social impacts it can be beneficial in contributing to the modernisation process. For example, in Yunnan Province, tourism has been responsible for initiating many small businesses, improving income and quality of life standards, and generally stimulating regional development. Therefore, this chapter has attempted a balanced evaluation of all these factors to provide a framework for an examination of the case study.

Growing concerns about the global environment are a feature of the daily media. Some governments are more sensitive to these problems than are others. For this reason, more attention is being given to the type, scale, location and impacts of proposed tourism development. It is further argued that inappropriate tourism will alienate the communities and without their support, sustainability will not be

achieved. In reviewing these aspects of tourism development this chapter has provided a framework for utilisation in Chapter 6 and Chapter 7 which presents the outputs of the Yunnan case study. The conclusion of this chapter is that tourism, like other development initiatives, needs to be carefully managed. Without careful management many of the identified disadvantages will occur.

The next chapter indicates how the case study was organised and carried out.

CHAPTER 5 METHODOLOGY

5.1 Introduction

This chapter provides this study's research methodology to explain and reflect upon the rationale for choosing a research paradigm and design of the case study approach. Therefore, this chapter first presents the key areas and research paradigms with reference to the research philosophy developed in this study. It also describes the research framework for the case study and why this approach was selected and further discusses the data collection and analysis methods.

5.2 Research Paradigm and Methodology

Like any human action, social progress or a social action in any steps, which refine and extend what is already "known" (Easterby-Smith, Thorpe and Lowe, 2002) and that "research is grounded on philosophical perspectives, implicitly or explicitly" (Amaratunga and Baldry, 2001). The research paradigm, a term which has come into vogue among social scientists, particularly through the work of Kuhn (1962), who used it to describe the progress of scientific discoveries in practice, rather than how they are subsequently described within textbooks and academic journals.

Understanding the philosophical positioning of research is particularly useful in helping researchers clarify alternative designs and methods for a particular research,

and identifying which are more likely to work in practice (Easterby-Smith, 1991). Therefore, for the research paradigms related to the research philosophy adopted for this research, it is considered appropriate to discuss methodological aspects of case studies as a research strategy involving qualitative data collection and analysis.

There are two distinct philosophical approaches used as research paradigms for the progress of social science research: the positivism paradigm and phenomenological paradigm. The key idea of positivism is that the social world exists externally, and that its propositions should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition (Easterby-Smith, Thorpe and Lowe, 2002). Phenomenology, on the other hand, stems from the view that “reality” is not objective and exterior, but is socially constructed and given by people. Hence the task of the social scientist should not be to gather facts and measure how often certain patterns occur, but to appreciate the different constructions and meanings that people place on their experience. More precisely, the phenomenological paradigm can be divided into three: critical theory, constructivism and realism (Guba and Lincoln, 1994).

Realism is also known as the interpretative or phenomenological approach, understands reality as holistic, and socially constructed, rather than objectively determined (Amaratunga and Baldry, 2001). Therefore, the realism approach tries to understand and explain a phenomenon, rather than search for external causes or

fundamental laws (Remenyi, 1998). Realism is the preferred paradigm for case study research (Perry, 1998), because case study research efforts usually involve the collection of perceptions of “unobservable” external world phenomena (Hunt, 1991). But, positivism requires that only observable phenomena may and should be researched, so realism rather than positivism is a more appropriate epistemological guide for case study research (Perry, 2000).

The tourism literature shows that there are two approaches to the study of tourism and development, namely the political economy and functional approaches (Lea, 1993). The political economy approach tends to be the realism in nature and focuses on the social process or action including the organisation, structure, and cost-benefit analysis of tourism in the Third World (Lea, 1993). The functional approach focuses on the positivism study of tourism such as the economic impact of tourism. The argument is that economic indicators can be quantified but are silent on causal relationships and ignore political structures and the wider societal and development issues (Dieke, 1994). As Lea (1993) noted that, although both the political economy and functional approaches can be used for a clearer understanding of tourism in development, the political economy approach appears better suited for tourism development in destination areas in the developing countries (Sindiga, 1999).

In the social sciences, participant observation, often through the medium of case studies, has particular attributes (May, 2001). It allows the researcher to observe

within the context he is researching. It permits the exploration of issues usually through interviews, to yield information which is not pre-determined and which has arisen from information gathered from previous interviews and the observational process. This process often illuminates a particular set of circumstances or events but can also be a source of misleading or false information. The researcher has to take care to constantly crosscheck his information against published documentation and through subsequent interviews. One can never be completely confident of the veracity of the documents or statement, but attempts to triangulate data helps to raise the confidence in the data collected. The researcher followed this procedure in the case study (May, 2001; Ritchie, 2003).

5.3 Case Study as Research Strategy

The case study may be a research strategy and it has everything to do with exploration and description (de Weerd-Nederhof, 2001). A case study is a history of a past or current phenomenon, drawn from sources of evidence. Yin (1994:13) defined it as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries phenomenon and context are not clearly evident”. In fact, there are many methods available for researching a “contemporary phenomenon” as the evidence can be virtually anything.

However, selection of the research approach, in most conditions, is to identify the type of research question being asked. Yin (1994) observed that the case study has advantages when a 'how' or 'why' question is being asked about a contemporary set of events over which the investigator has little or no control. 'How' and 'why' questions 'are more explanatory and likely to lead to the use of case studies, histories, and experiments as preferred research strategies' (Yin, 1994:9). The main arguments for choosing a case study as the research strategy were the descriptive nature of the research (not requiring control of behavioural events but rather documenting them) and the dominance of 'how' questions (de Weerd-Nederhof, 2001). Therefore, this research into the role of tourism in the regional development process involves the social process and social actions, which means that it is concerned with the nature of reality in the social world. It may be clear from the research questions described in Chapter 1 that a case study research strategy is considered to have a distinct advantage for this research.

Meredith (1993:4) and Voss (2002:195) commented on the three outstanding strengths of the case study as a research strategy:

- The phenomenon can be studied in its natural setting and meaningful, relevant theory generated from the understanding gained through observing actual practice.

- The case study allows the questions of why, what and how, to be answered with a relatively full understanding of the nature and complexity of the complete phenomenon.
- The case study lends itself to early, exploratory investigations where the variables are still unknown and the phenomenon not all understood.

Tourism as a multi-faceted activity is inherently complex to analyse. Many of its effects are relatively easy to identify but difficult to interpret, as tourism is essentially an outcome of human inter-actions. Although the case study of Yunnan seeks to explore the role of tourism in regional economic development, the study has a wider purpose to include the impact of tourism development on social and cultural changes. It is expected that the designation of tourism as a pillar industry would also act as a catalyst to induce other changes in employment structures, socio-economic opportunities, stimulating entrepreneurial initiatives, education, etc. The lack of reliable statistical material meant that the case study approach vindicated the attributes noted above by both Meredith and Voss.

Therefore, this approach of determining the role of tourism in regional development is “considered to appropriate for explorations and theory development, where the research’s aim is to generate theory and a wide understanding of social process or social actions” (Morrison and Teixeira, 2004:168). In order to meet the research aims, the qualitative case study research was undertaken in this study. Therefore, when considering the approach which would allow the extracted the most effective

data from this research, case studies could be used to accomplish various aims namely: to provide descriptions, test or be generate theory; exploratory and explanatory. Furthermore, a qualitative approach serves to recognize the integration of the objective and subjective factors to guard against only partial insight (Gorton, 2000 cited in Morrison and Teixeira, 2004).

5.4 Case Study Design for the Research

The case study design is set to establish a model and research process followed against time lines explaining how this each can be carried out. However, “a research design is an action plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions. Between ‘here’ and ‘there’ may be found a number of major steps including the collection and analysis of relevant data” (Yin, 1994:19). Table 5.1 presents the components and features of the research design in relation to this case study.

Table 5.1 Case Study Research Process

Step	Activity	Reason
Getting Started	Definition of research question based on the background of tourism and China's development	Provides better grounding of a priori construct possibly for this research
Selecting Case	Yunnan as a case study; specified the important significance on theory and practice	Focuses efforts on theoretical useful case to replicate or extend theory for China's western region development
Instruments and Protocols	Multiple data collection methods from documentation and interviews	Strengthens grounding of theory by qualitative case study research
Entering the fields	Documentation collection in China, Hong Kong; Selection of interviewees in Kunming, Lijiang City and Huangshan village, Yunnan	Synergistic view of evidence Allows investigators to take advantage of emergent themes and unique case feature
Analysing data	Within-case analysis using SWOT analysis model and qualitative analysis techniques	Gain familiarity with data and preliminary theory generation Key themes emerge from the analysis
Preparation of outputs and presentation	Drawing conclusions terative tabulation of evidence for each construct Search evidence across case for theoretical saturation	Logic linking the data to the propositions Criteria for interpreting the findings

Source: adapted from (de Weerd-neerhor, 2001:517)

5.4.1 Suggested Steps in Research Processes

The above model presents suggested steps in the process of building theory from case study research. In this research process, the first step is to present the research questions and propositions, which was started officially in January 2001. Although, since 2001 the research questions have been revised and refined several times, the research questions and goal always focused on the role of tourism in regional development. It is a particularly useful process because each proposition directs attention to reflect on important theoretical issues based on the background of tourism and China's western region development. In practice, the research propositions in this case study involved an example of the role of tourism as a development strategy in the regional development process. The research aims to develop instruments used to explore and understand why some local governments responded to support tourism as a main industry in regional development and how it has been identified as a regional development strategy.

In the second step, the case study was based on selecting a unit of analysis for investigation. After collecting basic background data and preliminary research and literature reviews in September 2002, the research assumptions and conceptual framework noted in previous chapters were applied in choosing Yunnan Province as a case study. The case study approach for this research is based on an embedded single case design (Yin, 1994). Its aim is to describe the role of tourism in the

regional development process and to present a detailed account of the particular phenomenon being studied in the case of Yunnan. Yunnan as a case study has been well utilized to replicate or extend theory by filling conceptual categories in the field of tourism in regional development, and due to the successful implementation of tourism in regional development in Yunnan.

Alternatively, case studies may be categorised by their theoretical orientation (Hartley, 1994). It is important to be aware of boundary problems: how to distinguish the unit of analysis from its context, also in terms of timing the beginning and end of the case (de Weerd-Nederhof, 2001). In general, case studies may be differentiated according to their primary disciplinary base, assuming of course that is relatively simple to classify case studies into disciplinary grouping such as legal, psychological, sociological, anthropological, educational, political and so on (Brotherton, 1999). Therefore, the single case was Yunnan Province in China, with a special focus on three areas subunits: Kunming (capital of Yunnan Province); Lijiang City and Huangshan Village in Lijiang. In the three subunits, the role of tourism in the regional development process was examined at different local levels. These three areas were chosen because tourism was an important industry and because they represent places where the government had adopted tourism as an option affecting the process of regional development.

The third step focused on the findings of the case study involving three fieldwork trips carried out by the researcher in a three months period from June to August in 2003. The multiple sources of evidence that were used in each research stage employed qualitative methods for data collection. They touch upon various topics, including desired skills of the case study investigator; the case study protocol and the pilot case study. This involved respondents in this case study process from Yunnan's government and industry, and some academic institutes. An important issue in the preparation for data collection was the method of designing the questions which are presented in appendix V.

The research process then linked data to propositions, and the criteria for interpreting the findings. These components represent the data analysis steps in case study research, and a research design should lay the foundations for this analysis (Yin, 1994). The process was carried out from August 2003 to the end of 2004 when the conclusions of the research were identified. These findings were related to the general research question – how useful is tourism as a regional development strategy in western regions in China?

5.4.2 Selected Research Methods

The case study methods adopted employed a qualitative method with data collection as the research design. Qualitative research focused on a descriptive understanding

and how some causal process worked out in a particular case (Fallon and Kriwoken, 2003). Furthermore, a qualitative approach serves to recognize the integration of the objective and subjective factors to guard against only partial insights. The aims of this study is to yield a rich understanding of key issues which actually affect and may even determine the role of tourism in regional development. Based on the conventional desk research that had been undertaken to establish the background situation and the parameters, documentation analysis and interviews were the main research tools used, as exemplified below.

First, an important stage in this case study was to search and obtain the extensive documents, and undertake a systematic review of current literature to extract the data on tourism and regional development from a wide variety of sources. In this study, the documentation and archival records were investigated to achieve corroboration and verification of the gathered information by using published papers and reports. Yin (1994) pointed out that the usefulness of these and other types of documents are not based on their necessary accuracy or lack of bias. In fact, documents must be carefully used and should not be accepted as literal recordings of events that have taken place.

Therefore, some of the database in this study was gathered in field locations during consultations. It was not only administrative documents or organizational records from public officials of Yunnan were used, but also there were the outcome of

literatures resources of some of universities or and academic institutes in China including Hong Kong; media commentators, and other intermediaries who had access to the relevant community members in China.

Second, interviews were also essential inputs to this case study information. Easterby-Smith *et al* (2002) stated that the most fundamental of all qualitative methods is that of in-depth interviewing. However, the researcher must avoid becoming dependent on single information, and seek the same data from other sources to verify its authenticity (Tells, 1997). As a major source of evidence, the interviews were conducted with the local people in Yunnan Province. Respondents who participated in this study were selected from Kunming, Lijiang and Huangshan Village in Yunnan. The purpose of the interviews was to elicit the respondents' attitudes towards the role of tourism in regional development in Yunnan.

In the context and culture of China, interviews were held with senior government officials; below that level it would be difficult to get any information or views. For this reason, the researcher interviewed relatively senior officials who were involved in the process of regional development. Outside this 'official' structure, interviews were sought with leading local academics to seek a more independent view of the process. As there was a lack of information regarding the role of tourism in Yunnan's development, the primary objective of the case studies was to provide a foundation for generating information on tourism and regional development.

5.4.3 Methodological Alternatives

Case study research forms the core of this research study. Although the case study method has many advantages, there are also criticisms. According to Bromley (1986) researcher bias can have an impact on the internal validity of the data. They agree the suggesting that researchers may have ‘feelings’ for the subjects and those conclusions which are drawn suffer from a lack of reliability. Perhaps, in the context of this research, some critical aspects of the case study approach could be an excess of bias from local government and the dangers of neglecting to test data. The use of ‘subjective’ judgements during the data collection stages can render constructs invalid (Amaratunga and Baldry, 2001).

In selecting the case study approach, the researcher considered but did not use the possibility of a distributed questionnaire approach, either handed out personally or distributed through the mail. There were four basic reasons for rejecting this alternative. First, there is a well-established experience of receiving low, and sometimes, unusable response rate. Second, a mailed questionnaire or even a questionnaire handed to senior officials was deemed inappropriate in the culture and circumstances of China. Third, the researcher’s own personal contacts with relevant officials and academics eased the barriers to obtaining interviews. Fourth, as the study was seeking to explore the changes in the regional economy, in the absence of

appropriate data, it was considered that an interview-guided approach would be likely to yield the best results.

A particular problem in China is that political correctness is all – pervasive. Much of the official documentation consulted was produced by government and reflected on the official policy. Therefore, using these materials did pose some difficulties. A problem was to determine how the regional development plan had been interpreted and implemented. The researcher attempted in the course of interviews to explore issues, which seemed to require clarification. The effect where comments by one interviewee could be tested in subsequent interviews was also useful. Essentially a researcher can use these techniques but ultimately relies on the honesty of the interviewee and of course, checking information where possible. In China with its closed bureaucracy, this was a particular problem.

5.5 Conducting Case Studies

5.5.1 Data Collecting: Documentation and Archival Records

It has been noted in the last section that the qualitative methods for this case study attempt to collect rich data. An important stage in this case study was to search and obtain the extensive relevant documentation and to undertake a systematic review of the current literature to provide both a historical and current context of tourism

development in Yunnan. Documentary sources included published literature, communities's information such as minutes of meeting, status reports, internal papers, hard copies of electronic messages, and collections of objective data and a review of archival sources. Such raw data was pertinent and timely and was used in the current study in Yunnan that was possible to build a picture of why tourism has been recognized as a key industry in regional development.

As Yin (1994) summarized, the most important use of documents is to corroborate and augment evidence from these resources:

“First, documents are helpful in verifying the correct spellings and title or name of organizations that might have been mentioned in an interview. Second, documents can provide other specific details to corroborate information from other sources. Third, inferences can be made from documents” (Yin, 1994:81).

Because of their overall value, documents played an explicit role in this case study (Yin, 1994). Especially, it is the case in China, that the regional development strategy and policy are still prepared by the regional government of a province or a metropolis under the guidance of the central government. Data collected from the responsible central and regional government agencies may include the official

tourism policy documents. In this case study, the collection of documentation and archival records was supplied by:

(1) The tourism administration departments of the nation and state, which are the primary central or local bodies responsible for tourism policy-making, development and administration of tourism in China. The officials interviewed include those from the China National Tourism Administration (CNTA), Policy and Legal Department; Yunnan Provincial Tourism Administrative Bureau (YPTA); Kunming Municipal Tourism Administrative Bureau; Lijiang Government Office, and Huangshan Village Government Office.

(2) The state administrations departments for economic-social development, such as: China State Development and Reform Commission; China National Statistic Bureau; Yunnan Provincial Development Commission; Yunnan Statistic Bureau; Yunnan Finance Bureau; and Yunnan Foreign Affairs Ministry.

Documentary information from the above official departments is likely to be relevant in order to assess and discuss the role of tourism in regional development. Further data on tourism and regional development was also collected from other sources in China such as books, journal articles and newspapers published by the Chinese government and its related agencies; many of them were selected by reviewing the reference sections of many volumes note below:

Table 5.2 List of Documents and Archival Records

Documents	Years
China Statistic Yearbook	1998 – 2003
China Tourism Yearbook	1998 – 2003
Yunnan Statistic Yearbook	1998 – 2003
The Fifty Years of China Tourism	2000
Journal of Tourism Research	1008 – 2003
Tourism Economics and Management	1995 – 2002
Yunnan Province Tourism Development Master Plan (Main Report)	2000
Archival Records	Years
Yunnan Tourism Statistic Report	1998 – 2003
Yunnan Tourism Development Annals Conference Report	1998 – 2003
Lijiang Tourism Development Report	2000, 2003
Huangshan Ethnic Tourism Introduction	2002
Huangshan Ethnic Tourism Report	2003
Huangshan Naxi Village Ethnic Tourism Project Analysis Report	2000

Of course, not all the above sources are essential to the study, but the importance of multiple sources of data to the reliability of the study is well established. In the data collection of documentation, in general, the use of the documents may be recognised as highly politicised. In China, today, however, the biggest political issue is that the economic development particularly at the regional level. Having recognised the possibility that documents could mislead the inexperienced researchers, which has

often been a criticism of case study approach (Tellis, 1997), the current researcher tried to be a vicarious observer as well as a documents interpreter thus to avoid being misled by such documents (Tellis, 1997). Furthermore, the good knowledge of official policy documents allowed the researcher to better understand the context of comments and remarks of tourism in regional development issues in China.

5.5.2 Data Collecting: In-Depth Interviews

In this study, in-depth interviews were used to enable the researcher to gain the most relevant, valid and reliable information on tourism and regional development in Yunnan. The type of interviewing technique used for this case study was the individual face-to-face interview. The interviews employed both structured and semi-structured open-ended questions. The structured questions serve as a guide to standardise the data collection process while the open questions provide opportunities for the interviewees to freely express their personal views. Lists of all the interview questions are outlined in Appendix V. All interviews were conducted in Chinese, the mother tongue of both the interviewer and the interviewees. This enabled both parties of the interview to express accurately and without undue misunderstanding.

In total 21 respondents were interviewed as illustrated in Table 5.3. These respondents were from four groups – governmental official, tourism operators, local

residents and academic researchers. The nature of this research meant that the respondents needed to be experts in their fields, thus random or quota sampling was considered to be inappropriate. Instead the respondents were purposefully identified and approached based on their direct involvement in tourism of many kinds, such as in policy formulation, business operations, and academic research. The government officials selected from provincial, municipal and village levels could provide inside information of the objectives and processes of tourism policy formulation and implementation. Interviews with tourism operators and local residents could gain first-hand views on the business of tourism and its impacts on the local economy and communities. Discussions with academic researchers enabled the current author to seek expert opinions regarding to the role of tourism in regional development as well as taking advantage of the substantial academic literature in Chinese.

A problem with the research process is the respondents take account of the possibility of political bias especially from government officials. Because the main respondents selected were the experts in this field and had more experiences of policymaking and research in Yunnan, it is difficult to identify any political bias. Although they have some difference on some problems in this field, they all had similar views on the development issues of China. Furthermore, the selection of respondents is seen to be mutually complementary rather than competing.

Table 5.3 Interview Participant Profile

Participants	Number of Respondents	Organisations and Address
Local Officials	6	LO01-03: 1 President; 2 Directors; Yunnan Province Tourism Administrtion, (YPTA) LO04: Director, Lijiang City Government LO05: Director, Lijiang Tourism Bureau LO06: Director, Huangshan Village Council
Academics and Researchers	6	AR01-2: Professor, Hong Kong Poly. University AR03-05: Professor, Yunnan University AR 06: Lectuer, Kunming University
Tourism Operators	6	TO01-02: Manager, Farm House TO03-04: Manager, Huangshan Ethnic Tourism Company TO05: Manager, Tourism Store TO06: Manager, Travel Agency
Local Residents	3	LO01: Manager, LO02: Teacher, Lijiang City LO03: Driver, Lijiang City

The interviews with academic researchers were firstly conducted in June 2003. The academic respondents selected for interviewee came from the relevant universities in Yunnan and Hong Kong. The institutes agreed to participate in the study include the School of Tourism Management, University of Yunnan; The School of Hospitality and Tourism, The Hong Kong Polytechnic University; The University of Kunming and the Kunming Normal University, Yunnan Province. The focus of these

interviews was to obtain the academic researcher's views based on the model of theory and practice for tourism and regional development in Yunnan. The important context involving the local government officers and local tourism enterprise operators in Yunnan, a number of these persons were interviewed in July 2003. The local authorities involved in the interviews came from Yunnan Province Government, Yunnan Province Tourism Administration (YPTA), Lijiang City Government, Lijiang Tourism Bureau (LJTB), Huangshan Village Government, Huangshan Custom-Culture Tourism Company and other local tourism enterprises. The main participants were in managerial and operational roles or were owners of businesses as listed in Appendix IV.

The in-depth interviews gave the respondents the opportunity to speak in their own words on issues that they considered to be important, rather than responding within the pre-determining categories identified by the researcher (Miller, 2001). The face-to-face method as opposed to a telephone interview or mailed questionnaire allowed non-verbal cues to be picked up (Nash and Martin, 2003). Although the face-to face interviews in China did involve considerable travelling costs, the telephone interview or mailed questionnaire would not have been the most appropriate method of data collection because of different languages, difficult in transcribing the information and the inability to recognise anything other than written feedback. Furthermore, "the advantages of carrying out personal interviews over postal questionnaires in this study were that the interviewer had the ability to follow up ideas, responses and

feelings, which the questionnaire could not do” (Nash and Martin, 2003: 267). The personal interview offered standardised explanations to certain questions that arose such as the problems associated with the policy supporting to the role of the tourism industry in development at the different regional levels.

5.5.3 Analysing the Case Study

Data analysis within case studies should not be independent but requires the researcher to establish a meaningful chronological framework, which can be used to establish key antecedents, patterns and trajectories (Brotherton, 1999). In this study, following the collection of the data, and relying on the theoretical propositions of the original objectives and design of the case study, the evidence can be analysed by the SWOT technique (strengths, weaknesses, opportunities, threats) (Wilkins and Hall, 2001). The purpose of a SWOT analysis is to integrate a detailed evaluation of the positive and negative roles of tourism (strengths and weaknesses) and development potential (opportunities and threats) using tourism as a regional development strategy.

The reason for selecting this analytical model is because carrying out SWOT analysis will give an in-depth focus on areas that need attention in regional development as well as provide a footing for tourism as a strategy in the regional development process. For example, this analysis can be used to find the comparative advantages of

resources to regional economic development and why tourism has been recognized as a main industry in regional development. It also presents the key strengths, weaknesses, opportunities and threats in relation to its ongoing performance. Therefore, the SWOT analysis can provide a succinct summary of the condition or a 'situational analysis' for the role of tourism in regional development in Yunnan.

The raw data analysis in this case study may rely on qualitative methods taking the various forms based on collecting documents and interview data. The data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence to address the initial propositions of this study (Yin, 1994). In general, the major stage of the data analysis consisted of data reduction and display. Data reduction refers to the process of selecting, focusing, simplifying, and transforming the data that appear in written up field notes or transcriptions (Miles and Huberman, 1994). It is often regarded as one involving the scanning and initial coding of raw data in order to establish appropriate classificatory or categorisation schemes to organise the data. This process invariably generated discrete 'domains', predicated on semantic relationships, which can then be aggregated into coherent 'groups' to facilitate an identification of emergent constructs (LeCompte and Preissle, 1993, cited by Brotherton in 1999). In this case study, data reduction forces choices about tourism as a pillar industry in Yunnan, which aspects of the assembled data were emphasized, minimized, or set aside completely for the purposes of the case study at hand.

Basic and raw data from the field notes and dictation tapes must be processed before they are available for analysis. Field notes required to be converted into transcripts, so they can be read and then the researcher might augment some missing content when it is remembered from the field (Miles and Huberman, 1994). Interview data from the audiotapes can be transcribed verbatim or in other ways, such as making notes, selecting excerpts, or making judgements derived from the conversation. For basic data of documents, the issue is also to examine all the relevant data sources including official archives, research reports, statistics material and other public literature from Yunnan Province Government. The large amounts of rich data needed to be coded to link it to meanings and categories, and extract a description or salient evaluation for the research purpose.

The raw data for this case study, in-depth interviews were tape-recorded, fully-transcribed and the content systematically analysed, interpreting patterns that revealed similarities and differences in meanings, actions and /or contexts from the grounded empirical data (Morrison and Teixeira, 2004). To describe the above process in this study were showing the special discourse analysis through local offices, academic researchers, tourism operators who were selected as respondents in the interview which was provided by in the Appendix VI as an example of how the analysis did in this research. Through the process of transcribing the interviews, full analysis of the complete interview transcripts resulted; the researcher noticed key themes which identified a range of core concepts to link tourism development and its

outcomes. In addition, the transcripts provide a permanent written record of the interview, which may be referred to at a later date or shared with other researchers.

By data displays Miles and Huberman mean a “visual format that presents information systematically, so the user can draw valid conclusions and take needed action” (Miles and Huberman, 1994:91). One technique for displaying narrative data in this study is to develop a series of format, entering data, drawing conclusions, writing analytic text, supporting evidence that emerges from establishing the data for the role of tourism in the regional development process. In drawing and verification of conclusions, Miles and Huberman (1994) discuss tactics for drawing initial meaning from display, involving forming patterns, looking at contrasts, clarifying relationships, and building coherent understanding. The analytical patterns chosen should produce a ‘situational analysis’ and common themes emerge in responses dealing with the specific items (Brotherton, 1999). Therefore, the analysis should contain both narrative and structural elements, which embrace the contemporary and historical dimensions relevant to the phenomenon.

5.6 Summary

This chapter has explained why the case study approach was used as the main methodological tool. Two important considerations were the nature of government culture in China regarding official documentation and the need to explore this documentation and other lines of enquiry through interviews. A further problem

identified in the case study was the possibility of political bias entering into interviews. Although impossible to eradicate completely every effort was made to triangulate collected data and to further test through interviews. A further attempt to verify both documentation and some interview material was done through a series of interviews with academics that were thought to be more independent in their views than government officials.

Through the data analysis process described in the chapter, a series of key issues were identified. Among the most important was that the use of tourism as a regional development pillar industry seemed to be effective. There was both a redevelopment and a modernising process, which had socio-cultural as well as economic significance. These issues were further explored at the province, city and village levels. These issues and outcomes will be further explored in Chapter 6 and Chapter 7.

CHAPTER 6

TOURISM AS A PILLAR INDUSTRY IN YUNNAN

6.1 Introduction

Tourism in Yunnan has increased rapidly since China was opened to the outside world in 1978. In the following two decades, tourism has replaced some traditional industries of Yunnan and has become one of the most important sectors in the Yunnan Province economy, and the industry's key indicators have also outperformed in comparison with many other regions in China. The tourism industry has been recognised as a pillar industry by local government. This means tourism is a pole of regional economic development with a higher economic growth rate than other sectors, and is a catalyst for favourable structural change to engender regional growth and development.

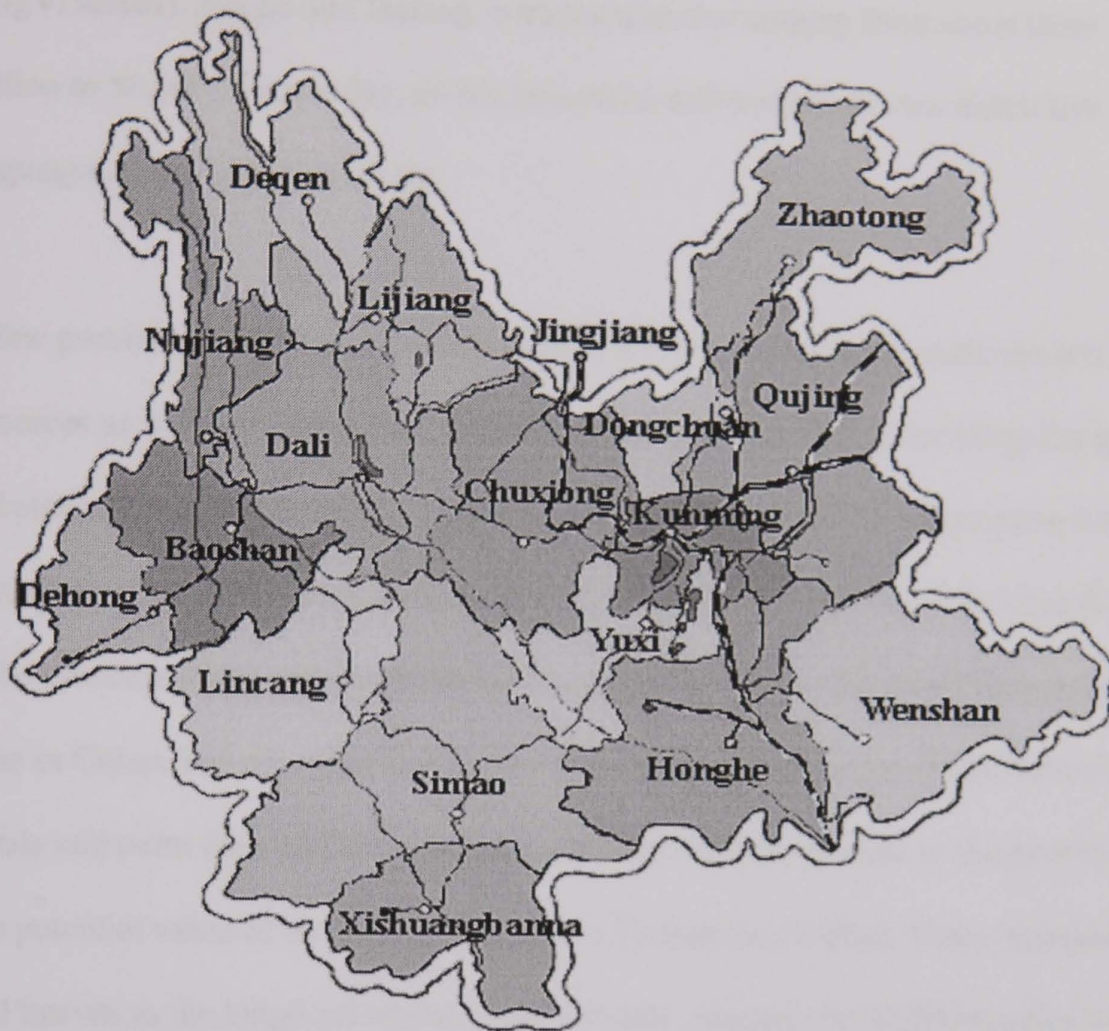
This chapter provides a case study of tourism as the main industry for regional development strategy in Yunnan. It considers the regional advantages of tourism development, which are based on its rich tourism resources, minority culture and its unique regional condition. In an evaluation of its strengths, the rapid growth of tourism demand as a consequence of improvement in tourism service facilities and infrastructure, and the contribution of tourism development to Yunnan's development did offer support to tourism shaping as a pillar industry. This case study also considers the special tourism development policy under the Western Regional

Development Strategy. In addition to the publically available statistics and government documents, relevant findings from the interviews with regional and local government officials will also be introduced to illustrate the tourism potential, industry growth and policy mechanism in the Province.

6.2 An Overview of Yunnan

Situated in Southwest China, Yunnan province encompasses 394,000 square kilometres that comprise 4.5 percent of the total area of China. It is the sixth largest of China's 32 provinces. Guizhou Province, Guangxi Zhuang Autonomous Region to the east, and Sichuan Province and Tibet Autonomous Region to the north borders the province. It has three international borders in the south and west, Myanmar, Laos and Vietnam which is the gateway from China to South Asia. Even today many Chinese think of it as a "frontier province" (Map, 6.2).

Yunnan province governs two directly administered municipalities, seven prefectures, and eight national-minority autonomous prefectures; these in turn administer cities and 128 counties, including 27 national-minority counties. The total population is approximately 43.33 million in 2002 and there are 11 counties or cities with a population exceeding 5,000,000. Kunming, as the provincial capital, had a 4.7 million population in 2002 (YPTA, 2001).



(Map, 6.1 Yunnan Province Map)

Yunnan is home to 25 ethnic nationalities among China's 56 ethnic groups and has the highest number of ethnic groups in any one province or autonomous region in China. The 25 minority nationalities each have populations of at least 8,000 living in Yunnan. The total minority population in the province is approximately 14 million, with the Han people constituting the remainder of the population. 15 of the 25 ethnic groups are contained entirely within Yunnan. The largest groups, in terms of

population, are the Yi, Bai, Hani, Zhuang, Dai, Miao, Hui, Lisu, Lahu, Haxi, Yao, Zang (Tibetan), Jingpo and Bulang, with populations ranging from about three million to 50,000. Even today, all the minorities still keep their own distinctive languages, customs and festivals.

In few provinces of China there is so great a diversity of natural conditions and resources as is found in Yunnan. It occupies the southern part of the Qing-Zang (Tibetan) Plateau and is mostly a plateau-mountainous province where more than 90% of the total area is mountainous or hilly. There are more than 600 rivers flowing in the province and it is considered to be among the top five lake and hot springs areas in China. The province is also well known for rich deposits of non-ferrous metals and more than 150 kinds of minerals have been discovered in the province. The potential value of the proven deposits in Yunnan is 3 trillion Yuan. Yunnan is well known as the kingdom of plants and animals. Among the 30,000 species of plants in China, 18,000 can be found in Yunnan. Yunnan abounds in the natural resources that are also attractive as tourism resources.

The economic structure of Yunnan consists of agriculture, manufacturing, mining and services. Major economic activities include cigarette and tobacco processing; chemical manufacturing; food processing; paper and paperboard manufacturing and electricity generation. Yunnan has trade contacts with more than 70 countries and regions in the world. It mainly exports tobacco, machinery and equipment, chemical

and agricultural products and non-ferrous metals. In 2002 its total imports and exports reached US \$ 2.23 billion. As an important regional strategy since the 1990s, Yunnan province has identified four pillar industries, which are tobacco, biology, mining and tourism. Among them, tourism is the fastest growing sector in Yunnan.

Since 1979, Yunnan has experienced fast economic development. According to the data of Yunnan province, in 2002, the annual GDP of Yunnan Province reached 223.19 billion Yuan and GDP growth rate was 8.1 percent in this year. The estimated revenue of the provincial government was 20.67 billion Yuan and the average GDP per capita was 5,178 Yuan. But, Yunnan is still one of China's undeveloped provinces. Many rural families, especially in the peripheral areas, are still considered to have very low incomes.

6.3 Regional Advantage of Tourism

In Yunnan, the endowment of tourism resources and regional conditions that are regarded as offering important comparative advantages for tourism as a main industry compared to other sectors in the regional development. The wide range of tourism resources and attractions associated with a diverse topography and minority culture provides unique alternative destinations for tourism experiences. At the same time, Yunnan as a 'frontier province' is the gateway between the other regions of China and Asian countries. The natural and accessible conditions of this area also

provide the strength and opportunities for expansion of the tourism industry to both niche and the general tourist market.

6.3.1 Tourist Resources Advantages

Yunnan has a wide range of tourist resources, which are summarised in Table 6.1:

Table 6.1 List of Tourism Resources by Main Tourist Regions

Tourist Region	Primary Tourism Resources
Central Region	<ol style="list-style-type: none"> 1. Stone Forest Scenic District 2. Expo. Garden 3. Yunnan Nationalities Village 4. Dinosaur Scenic District of Lufeng 5. Fuxian Lake Scenic District
Northwest Region	<ol style="list-style-type: none"> 1. Dali Historical and Cultural City 2. Three Pagodas of the Chongsheng Temple 3. Weishan Historical & Cultural City and Waibao Mountain Scenic District 4. Jizu Mountain Scenic District 5. Lijiang Historical and Cultural City 6. Jade Dragon Mountain 7. Laojun Mountain Scenic District 8. Lugu Lake 9. Mingyong Glacier Scenic District 10. Dongzhulin Temple 11. Birang Valley Scenic District 12. Napa Sea Scenic Spot 13. Guihua Temple Scenic Spot 14. Tiger Leaping Gorge Scenic Spot 15. Three Rivers Flowing in Parallel
Southwest Region	<ol style="list-style-type: none"> 1. Xishuangbanna Scenic District including Tropical Forest and Village Tourism Scenic Sites 2. Lincang Prefecture including its Tea Culture and Lancang (Mekong) River Tourism 3. Simao Prefecture including its ethnic nationality cultures and Lancang River Area
Southeast Region	<ol style="list-style-type: none"> 1. Nine Dragon Waterfall Scenic District 2. Qiubei Puzhehei Scenic Area 3. Jianshui Tourist Sites 4. Sino-Vietnamese Border Tourism Area 5. Yuanyang Rice Terrace Area
West Region	<ol style="list-style-type: none"> 1. Hot Spring Scenic District 2. Gaoligong Mountain Ecotourism Area 3. Dehong Prefecture Border Tourism Area
Northeast Region	<ol style="list-style-type: none"> 1. Dauang Huanglian River Waterfall Area 2. Yanjing Ancient Path 3. Zhaotong Yudong lake Area

Sources: Yunnan Province Tourism Development Master Plan (2001, pp. 53-54)

From the above summaries, there are two main aspects of the tourism resource that are recognised as offering the special comparative advantages for tourism development: the unique and diversified tourist resources, and an affordable lifestyle including cultural and ethnic life experiences (Lu, 1996). The range of tourism endowments has been commented on by the China Daily:

“Yunnan has rich cultural and natural resources. Its also has a warm, sunny climate which is conducive to travel in all seasons. The home to 25 ethnic groups, it is mysterious and appealing to European and American tourists who are amazed at the ethnic culture and various customs here” (China Daily, 2001-03-12).

Experts with the World Tourism Organisation have said that Yunnan Province is poised to become one of Asia’s most sought-after travel destinations in the next 20 years. To become an important tourist destination with a potential domestic and international market, the Province depends upon the relative strength of tourism resources in relation to its competitors within China and in the neighbouring countries of the region (CNTA/YPTA/WTO, 2001).

Tian (1996) summarised the difference between Yunnan’s tourism resource and other regions in China. First, although Yunnan Province does not have a monopoly on outstanding natural attractions, a most diverse range of natural attractions is

distributed from great mountains in the Northwest to the tropical rain forests in the Southwest and Southeast in this province. Second, the spatial distribution of tourism resources is more scattered compared with other major tourist destinations in China. Third, Yunnan's natural conditions show less seasonality for tourism. Much of Yunnan is a plateau and has a pleasant temperate and often sunny climate that appeals to all tourists.

Compared with other regions of China, as one of the most famous tourist destinations, Yunnan has showed its advantages in tourism resources and products to promote the tourism industry development. For example, on the list of tourism resources classified by type at the national level, Yunnan ranked third in the number of scenic areas or sites, seventh in historical ancient cities, and tenth in forest parks in 1997 (Deng *et al*, 1997:180). In 2001, there were 224 existing provincial tourists's scenic areas or sites in Yunnan ranging the third in the nation (Zheng, 2003). In addition, Yunnan has a number of famous tourism attractions to provide the basis for tourism industry development (Zheng, 2003) such as the Stone Forest of Kunming, Lijiang Ancient City, Xishuangbanna, Dali Historical and Cultural City, and Three Rivers Flowing in Parallel. Therefore, Yang (2001) stated that Yunnan should turn out products with unique characteristics and competitive advantage in order to cultivate its ability for economic self-development. In this case, tourism has clear advantages. The diverse range of tourism products can be produced with low

opportunity cost in this region because of a range of unspoilt natural environments that will contribute much to the tourism industry (Priskin, 2001).

6.3.2 Locational Advantages

The locational advantages for tourism development refer to the proximity of the destination to the potential market and its transportation links (Li, 1997). Yunnan is a gateway for travelling from Southeast Asia. The Province neighbours Southeast Asian countries and links them with the rest of China (Map, 6.2). On the west and south, Yunnan has 4,060 kilometres of international borders including that with Myanmar (1997 kilometres), Laos (710 kilometres) and Vietnam (1353 kilometres) (Liu 1997).

With the further opening of Yunnan to outside of the world and the further development of the China-Southeast Asian Co-operation, Yunnan will gain much from its locational advantage. Obviously, in the competition for regional development, Yunnan is a convenient gateway for tourists arriving from and departing to Hong Kong and Thailand; proximity to Vietnam and other Southeast Asian countries will become more important as they develop their own tourism industries. On the other hand, The Southeast Asian region has developed rapidly in recent years and the region, depending on the regional co-operation relationship between China and Southeast Asian countries; will become one of the economic

centres of the world. As China continues to open its doors to the world, Yunnan Province has become China's most popular destination for Southeast Asian holiday makers (Tao, 1997).



Map 6.2 Position of Yunnan in Southeast Asia

For accessibility, Yunnan's internal transportation network and other infrastructure are being developed rapidly and are providing benefits to tourism development in the province in terms of mode, frequency and capacity. According to the Main Report from Yunnan Province Tourism Development Master Plan (CNTA/YPTA/WTO,

2001), Yunnan has now transportation linkages by road, air, rail and river, to other parts of China and Southeast Asia. In some communities, there are benefits from serving travellers on an interstate highway or other major routes; regional centres that serve as transfer points; and communities near large population centres with businesses serving the visitor industry.

Yunnan's locational advantage also includes the improving social-economic environment of Yunnan. The economic development of China has fostered the expansion of tourism growth in Yunnan. In particular, in experiencing rapid economic development, Yunnan's infrastructure and available supply of tourist services and facilities have already expanded. This supply-side change is favourable to support tourism as pillar industry.

6.4 The Rapid Growth of Tourism

Yunnan's tourism industry has recorded a fast growth rate in recent years which is reflected in the revenues generated from tourists and the expansion of tourism facilities and services. Tourism demand figures came from The Yunnan Statistical Yearbook 2002 and Yunnan Tourism Statistical Report 2002, which presented the basic data on Number of Tourists and Tourism Revenue. The Yunnan Tourism Development Report published by the Yunnan Province Tourism Administration

(YPTA) and other documents provided the expansion of tourism facilities and services in recent years.

6.4.1 Growth of Tourism Demand

The growth of tourism demand in a region can be measured in terms of the numbers of visitors from outside the region and the amount of money they spend. Tables 6.2 and 6.3 indicate the rapid rise in tourist arrivals and tourism revenue has been spectacular respectively for overseas and domestic tourism from 1979 to 2002.

Table 6.2 Overseas Arrivals and Tourism Receipts in Yunnan, 1978-2002

year	Overseas Tourists Arrivals	Annual Growth (%)	Tourism Receipts (USD 10 000)	Annual Growth (%)
1979	13444	--	83	--
1980	20500	52.48	175	113.41
1981	23600	15.12	295	68.57
1982	40468	71.47	395	33.90
1983	41513	2.58	366	-7.34
1984	65124	56.88	615	68.03
1985	80101	23.00	750	21.95
1986	105432	31.62	807	7.60
1987	113609	7.76	1088	34.82
1988	121312	6.78	1312	20.59
1989	74431	-38.64	1064	-18.90
1990	148166	99.06	1643	54.52
1991	210538	42.10	4379	166.52
1992	313462	48.89	6751	54.17
1993	405205	29.27	10373	53.65
1994	522059	28.84	12439	--
1995	596942	14.34	16503	32.67
1996	742527	24.39	22111	33.98
1997	814063	9.63	26816	21.28
1998	760909	-6.53	26103	-2.66
1999	1040000	36.68	36200	38.68
2000	1001141	-3.74	33902	-3.20
2001	1131300	13	36700	8.25
2002	1303550	15.23	41930	14.25

Sources: Tourism Bureau of Yunnan (2002)
Statistics Bureau of Yunnan Province, (2002)

Table 6.3 Domestic Tourists Arrivals and Tourism Revenue in Yunnan 1990-2002

Year	Domestic Tourists (10 000 person-times)	Annual Growth (%)	Tourism Revenue (million yuan)	Annual Growth (%)
1990	129	--	46	--
1991	713	116.71	461	87.40
1992	1112	55.96	1114	141.64
1993	1147	3.15	1272	14.18
1994	1458	27.11	3078	141.98
1995	1622	11.25	4746	54.19
1996	2027	24.97	5497	15.82
1997	2372	17.02	9773	77.79
1998	2793	17.75	11517	17.85
1999	3674	31.54	17508	52.02
2000	3841	4.55	18320	4.64
2001	4570	18.98	22636	23.36
2002	5110	11.60	25500	12.65

Sources: Tourism Bureau of Yunnan (2002)
Statistics Bureau of Yunnan Province, (2002)

In summary, the rapid growth of tourists visiting and income generation in Yunnan has appeared in two important phases. There was no international tourism in Yunnan before 1978 except some diplomatic receptions (Wen, 2001: 230). From 1978 to 1988, Yunnan's tourism experienced an annual growth of more than 30 percent in overseas tourists and earnings in foreign exchange respectively per year. From 1988 to 1995, was the most rapid growth of tourism in Yunnan. In this high growth period,

the numbers of overseas tourists increased from 121,312 to 600,000; tourism foreign exchange revenue from US \$ 1.3 million reached to US\$ 165 million. The increases were 25.9% and 43.8% respectively per year, on average. Domestic tourism began to rise in 1989, the number of visitors to the Province increased from 1.29 million in 1990 to 16.22 million in 1995; tourism income rose from RMB 46 million to RMB 4.7 billion (YPTA, 1999)

At this time, Yunnan faced two very important opportunities from the more liberal economic policies being pursued by China's government after 1978. First, the growth in tourism was dependent on the continuing economic reforms and Open-Door policies. Second, from the 1990s, with the increasing openness of the centre-western region of China to the outside world, tourism was then designated as a growth point in the national economy. As Liu (1998) noticed, in many developing countries, the overwhelming mission of the tourism industry is to generate foreign exchange; regional development is hardly on the government's agenda. It should be noted that "China currently has a large surplus in its overall international tourism account because its outbound tourism is subject to restrictions, for example, slow issue of passports, restrictions which are slowly being relaxed or reduced" (Wen and Tisdell, 2001: 9).

But, compared with other regions, the rapid growth of tourism in Yunnan had a special significance for regional development, because Chinese tourist activities differ

from other countries or regions because of its huge domestic tourist market. Chinese tourists, with coastal regions and large metropolitan areas as the principal generating markets, have more opportunity to visit rural and inland areas, contributing more to Yunnan's tourism development.

LO02: "First, it is better for the speed and quality of the tourism growth because it has been a natural process based on the 'market demand pull'; secondly, the rapid growth of domestic tourism has grown in a sustainable way to go hand in hand with regional development and environmental conservation".

Therefore, the rapid growth of tourists visiting Yunnan can be seen as a long-run economic growth factor for Yunnan's regional development. The tourism industry in Yunnan has grown substantially and conditions fostering additional growth appear to be extant. In five years, Yunnan's tourism arrivals rose from 28.70 million in 1998 to 52.4 million in 2002, which increased 16.25 percent per year, on average. During this period, the Total Tourism Revenue increased from RMB 13.69 billion in 1998 to RMB 28.9 billion, an annual average growth rate was 20.6% (YTSR, 2003).

6.4.2 Expansion of Tourism Facilities and Services

Tourism is seen a conglomerate of businesses in a market with a mix of products and services. Tourist facilities and services can be divided into four sectors: attraction

and travel agencies, accommodation services, transportation services and supporting facilities and infrastructure. The development strategies for tourism in Yunnan ensured local government provided an important support to both investment and policy in the rapid development of tourism facilities and services. In the development process, tourism facilities and services have been expanded in Yunnan since the 1990s, especially since February 1993, when the Yunnan province government recommended favourable measure for enhancing tourism development (Wen and Tisdell, 2001). The Tourism Development Annual Reports (1997, 2001 and 2003), and Yunnan Province Tourism Development Master Plan (2001), summarised the process of expansion of tourism facilities and services in Yunnan.

At the end of 1996, there were four “four-star” class hotels already in operation and there were more than 1500 tourist enterprises in Yunnan including 301 travel agencies and 106 hotels with over 16,000 rooms. Many more sightseeing attractions have developed in tourist destinations such as the Shilin, Dali, Lijiang and the “minority villages” where the living styles and customs of the national minorities have become new tourist attractions. Enterprises engaged in tourism employed 70,000 persons directly and their total fixed assets amounted to four billion Yuan in 1996 (CNTA, 1997).

By 2000, Yunnan had already built a complete array of tourist facilities that included more than 630 hotels (253 star rated hotels) with more than 72,000-bed spaces to

accommodate 1 million overseas and 20 million domestic tourists annually (CNTA/YPTA/WTO, 2001). Table 6.4 provides an indication of the total number of rooms available and the distribution within the regions of the province at end of the year 2000:

Table 6.4 Hotel Room Number and Distribution in Yunnan - 2000

Region	Centre	Northwest	West	Southwest	Southeast	Northeast	Total
5 Star	1945	288	--	--	--	--	2233
4 Star	3370	221	--	173	--	--	3764
3 Star	3456	1375	285	1037	805	196	7154
2 Star	6383	4536	5229	1647	3032	--	20827
1 Star	880	406	223	1145	979	--	3633
Other	8185	4785	1080	4070	15170	1661	34951
Total	24219	11611	6817	8072	19986	1857	72562

Source: Yunnan Tourism Statistic Report (cited in CNTA/YPTA/WTO, 2001)

In additions, there were 403 travel agencies in 2000, 39 of which are classified as international, and there were 11 tour bus and boat companies, offering more than 2,000 tourism vehicles including some tour boats. About 300 restaurants are designated for tourist use, and there are many other restaurants that tourists visit. There were more than 500 tourist attractions and other varied tourist enterprises supplying tourist commodities. Approximately 250 tourist-shopping facilities have been established, and there are also other shops and shopping districts available to

tourists (YPTA, 2001). These enterprises are increasing in number and gradually achieving the international standards in management, administration and service.

As a main industry, Yunnan now has tourism enterprises with fixed assets of 32.371 billion Yunnan (US\$ 3.9 billion) and attracts over 45 million travellers yearly. About 224 tourism resorts have opened for business and a group of famous tourism brands are cultivated such as the Ancient City of Lijiang, Stone Forest, Shangri-la, Xishuangbanna and Dali. It can be seen that, a comprehensive supply of tourist facilities and services have been formed for the tourism industry development in Yunnan (YPTA, 2003).

6.5 Economic Effectiveness of Tourism Expansion

According to Wen and Tisdell (2001: 8): “Clearly China eventually decided that tourism development could make a positive contribution to its economic growth and the welfare of its people. In practice, tourism development is both a response to economic growth and a contributor to economic development”. With the rapid growth of tourism in Yunnan, the tourism industry has already made up a larger proportion of Yunnan’s economy as a pillar industry, and has shown its importance to local economic development. Much of the evidence in this case study shows the contribution of tourism to local economic growth and it is a catalyst of favourable for economic structural change within the local economy. At the same time, local

residents may also be able to enjoy the benefits from tourism development and come to appreciate that tourism can improve their own living standards.

6.5.1 Tourism and Economic Growth

Tourism and economic growth is often reflected in the direct contribution of tourism to the gross domestic product (GDP) in Yunnan. Sun (1999) pointed out that tourism's annual contribution to GDP is over 5 percent, which is viewed as a standard to measure an industry as a pillar industry in the national economy. According to the reports of the YPTA 2003, tourism total revenue accounted for 28.99 billion Yuan in 2002 and tourism's contribution to GDP accounted 12.8 percent in that year.

LO05: "For the many cities or prefectures of Yunnan province the rates were higher than other regions. For example, in 2002, tourism's contribution to GDP, in Lijiang was already 47 %".

To the local government, the studies of the tourism sector in Yunnan concentrated on its input to regional revenue.

LO01: "The tourism industry, however, is not only a source of new income. It also is the important source for regional economy. The size and growth rate

of tourism income suggest that the industry has now assumed greater importance and could be a leading instrument of development in the region”.

In Yunnan, during the ten years from 1992 to 2001, tourism’s total revenue was up from almost 1.5 billion RMB to 25.7 billion RMB and the annual growths are shown in Table 6.5.

Table 6.5 Tourism’s Total Revenue in Yunnan 1992 –2001

Year	Total revenue (billion)	Change Rate (%)
1992	1.49	--
1993	1.85	24.01
1994	3.77	102.45
1995	6.12	62.25
1996	7.34	19.90
1997	11.9	62.17
1998	13.7	15.13
1999	20.4	48.91
2000	21.1	3.63
2001	25.7	21.52

Source: YPTA Statistic Data 2002

Table 6.5 shows that the growth of tourism total revenue was sustained so that between 1992 and 1996 increased on average by 52.1 % and from 1996 to 2001 increased on average by 28.14%. The first five years was a key time of tourism development because the Yunnan Province had begun to open to the outside world

and tourism had become a pillar industry in the region; Yunnan then entered into a period of continuing and steady development.

Some regions in China have utilised tourism as a development strategy to stimulate economic growth and overcome the disparity of regional economic development.

With the continuing growth of tourism as a major industry in Yunnan, it seems reasonable to expect tourism to play a leading role to promote local economic growth. In this process,

AR05: “Considering the development of an industry, by the local government, first it is the role of the industry in generating the government financial revenue, and then it is the contribution to economic growth. Note the enthusiasm of the government in making the tourism sector a major industry, with its associated roles for tourism in regional revenue and its contribution to GDP”.

6.5.2 Change of Economic Structure

Tourism is an industry subject to restructuring (Telfer, 2002). The effect of tourism growth will influence the change of industrial and regional development structures.

First, due to the rapid growth of the tourism industry, the industry structure of Yunnan Province has been changing. According to the data provided from the

Yunnan Province Master Plan of Tourism Development, Table 6.6 shows the change of Yunnan's economic structure through the different GDP contribution of the Primary, Secondary and Tertiary Industries (including the tourism industry) in 1990 and 1999.

Table 6.6 Structure of the Yunnan Economy --- 1990 and 1999

Content Years	Contribution to GDP from Difference Industries (%)		
	Primary	Secondry	Tertiary
1990	37	35	28
1999	22	44	34

Source: Yunnan Province Tourism Development Master Plan

However, the above analysis shows:

“The shares of both the Secondary and Tertiary industries have increased at the expense of the Primary industry. Where the Primary industry had the highest proportion of GDP in 1990, by 1999 it had become the smallest. The Secondary industry had the highest proportion in 1999 at 44 percent and the Tertiary industry, which includes most of the tourism industry, accounted for 34 percent of GDP” (CNTA/YPTA/WTO, 2001:223).

Obviously, the expansion of tourism is not only a source of new income; it also promotes the development of a wide range of enterprises that are allied to the industry. In this sense, it becomes a stimulus for indirect job creation and a replacement for declining or lost industries (McDavid and Ramajeeingh, 2003). At the same time, in general, the development of tourism is based on the supply-attraction and its accessibility for the market as well as the organisation and policy of local government.

AR07: "Because of tourism resources and locational advantages, it may be assumed that the regional economic development structure has been transformed by tourism and the tourism industry could be regarded as a leading or mainstay industry in Yunnan".

In relation to its role in development strategy, one interviewee said:

AR04: "The structure of tourism development has decided some very important aspects of the regional structure of Yunnan's socio-economic development such as the exploitation of resources, distribution of region development, rational division of labour, and the control or adjustment of regional development".

6.5.3 Special Benefits to Peripheral Regions

In addition to the described role of tourism in regional economic development, the significance of special benefits arising from tourism to the local economy is particularly noticeable in some peripheral areas like Xishuangbanna. Xishuangbanna Dai Autonomous Prefecture is situated at the tip of Yunnan Province, with many natural and cultural heritage resources. The region has one third of Yunnan's major ethnic group – Dai Nationality population (about one million). Its varied ethnic lifestyles and cultures and its tropical and subtropical climate, tropical rainforest, wild flora and fauna, makes it a major attraction for tourists.

Despite its great tourism potential, Xishuanbanna was not targeted as a major tourism destination until 1980 because the ultra-leftists in the Chinese Communist Party were worried about national security in border areas and therefore restricted entry to the areas (Wen and Tisdell, 2001). It was only in the middle of the 1980s that the Yunnan government began to develop its tourism potential.

By the early 1990s, the Yunnan Government had decided to facilitate tourism development as the leading industry in Xishuangbanna. As Shao (1999) stated, before the 1990s, the major industry of the region was rubber planting which contributed over 60 percent to the GDP of Xishuangbanna. From 1990 to 1997, tourism arrivals increased from 416,000 to 2,034,000 and total tourism income from

36 million Yuan to 1.26 billion Yuan. The income from tourism in 1997 accounted for 31.9 percent of Xishuangbanna's GDP. Tourism has become the third industry after rubber planting and agriculture (YPTA, 1999).

Tourism had also begun to make an important contribution to Xishuangbanna's economic development. For example, during the important time of tourism development, from 1990 to 1996, the local government revenue increased from 64.77 million Yuan in 1990 to 247 million Yuan in 1996. Tourism in Xishuangbanna was also becoming an important source of income creation. In 1996, the per capita income of farmers reached 1,166 Yuan; the per capita income of urban people was 3,912 Yuan, and this has increased 20 % every year since then.

At the same time, a large number of tourists helped to enhance the circulation of capital and information, and accelerate Yunnan's opening to the outside world.

AR06: "Tourism development in Yunna that directly led to the opening-up of undeveloped areas to the outside world. On the other hand the further opening-up has provided more opportunities of economic development to these regions".

6.5.4 Tourism and Poverty Alleviation

The rapid development of tourism has helped ethnic minorities get rich in depressed areas and alleviate poverty. Yunnan is one of China's the most undeveloped provinces with more poverty-stricken counties than any other provinces. In 1994, about 7 million people lived below the poverty line of less than an annual average income of 300 yuan per capita. These people were distributed throughout the province's 73 counties including Diqing, and had to be financially supported by the central government. With the poverty alleviation plan of the government for improving infrastructure and developing advantageous industries, the absolutely poor rural population of the Province was reduced to about 2.86 million in 2000. In this process, the tourism industry has played a very important role.

To achieve the aim, as a celebrated attraction in Yunnan, Diqing Tibetan Autonomous Prefecture has been promoting itself as "the Shangri-la" described by British writer James Hilton in his book "Lost Horizon", published in 1933, Xinhua news agency reported (Mitchell, 2003). The word "Shangri-la" is said to be a Tibetan word for paradise, or an ideal place. Local officials in Zhongdian county of Diqing prefecture pointed to the area's snow-capped mountains, lamaseries and people from different ethnic group living together in harmony and peace as evidence that their county enshrines the features of "Shangri-la". The county was renamed from

“Zhongdian County” to “Shangri-La” after December 2001 with the approval of the State Council.

Diqing is one of the many poor regions of Yunnan Province. In order to develop the local economy and help farmers to alleviate poverty, the local government made a general plan in 1992 to exploit tourism resources in this region. Subsequently, especially between 1995 and 1998, tourism was rapidly developed in this prefecture as a special industry. Overseas arrivals rose from 7,600 in 1995 to 30,000 in 1998, which increased about three fold. Tourism foreign receipts rose rapidly from US\$ 0.85 million to US\$ 13.795 million that raised fifteen fold. Domestic visitors increased from 35,000 in 1995 rose dramatically to 610,000, increased by sixteen fold. During this time, the tourism industry brought the total tourism income in this prefecture from 17.3 million Yuan to 230 million Yuan, increased by twelve fold. In 1998, the average GDP per capita reached to 2,340 Yuan in Diqing. In 2001, Diqing hosted 1.24 million domestic and overseas tourists, an increase of 14.3 percent on the last year; 24 percent of local revenue came from tourism, accounted for 883 million Yuna in that year (YPTA, 2003).

Luxi County of Diqing is the poorest area of Yunnan’s counties. There is a very typical example where tourism helped to alleviate poverty; it is called the “effect of Alu Old Cave” because an Old Cave has helped to boost its local economy. As stated by Shao (1999), in 1987, Luxi invested 68,000 Yuan to exploit Alu Old Cave as a

tourist attraction. In the following year, Luxi immediately attracted 71,000 tourists from overseas and other regions of China and the direct tourism income reached on 2.289 million Yuan. In 1998, there were 300 tourism enterprise and more than 1,100 private tourism businesses (YPTA, 1999).

Obviously, a great change has taken place in Luxi County since the county paid more attention to tourism development to boost the local economy. After the first five years of tourism development, the direct tourism income had already reached 190 million Yuan and indirect income accounted for 380 million Yuan in this county. According to a survey in Xianredong Village of Luxi County, the net income per person rose from 150 Yuan to 1400 Yuan annually. Only in the 1997, there were about 200 households that had broken away from poverty in this village including 37 households where family income reached 5000-10,000 Yuan annually (YPTA, 2003).

Therefore, tourism as a pillar industry has had important strategic implication for structural change of the local economy and poverty alleviation in these poor regions, and particularly in the minority regions of Yunnan. The role of tourism in regional economic development has been recognised and tourism as a pillar industry has been established through the positive involvement of government and special tourism policies in Yunnan. At the same time, many other changes are happening in Yunnan

that are not only economic but also contribute to regional development and modernisation. These will be examined in the next chapter.

6.5.5 Danger of Over-Dependency and Other Concerns

The successful development of tourism as in key industry of Yunnan, which began in the early of 1990s, did not come without a price. There are opportunity costs associated with the rapid growth of tourism, especially the expansion of tourism facilities, as the government embarked on an aggressive programme to develop the tourism infrastructure under the ‘tourism priority’ development strategy announced by Yunnan’s government. Some disadvantages of tourism development, in particular in economic effectiveness, have been noticed and discussed when tourism has been identified a pillar industry.

There is growing concern that the regional economy is too dependent on tourism and the dangers of over-dependence were demonstrated by some setbacks within tourism development projects in Yunnan. First, some tourism projects failed due to over investment in an attempt to attract world class partners for regional development. For example, the “99 World Horticulture Exposition” was held in Yunnan in 1999. The activity was at the time by the Yunnan government identified as a great opportunity to develop Yunann’s tourism. It was estimated that the project had attracted over one

million visitors from overseas countries or regions during this period of about 184 days (Shao, 1999). But some projects for this activity, however, had some problems:

AR04: "Yunnan's government offered huge fiscal support and provided loan guarantees undertaken in relation to the project's infrastructure. But, because of the over scale of the project development, the expansion of the project entailed substantial financial outlays, including expenditure on the provision and maintenance after the activity. In addition, the original project had not got the business effects in the following years".

Second, in some hotel projects, an unintended consequence resulted from the over-emphasis on the quantity and class of hotels rather than the real demand of accommodation especially in some major cities of Yunnan like Kunming. In the past ten years, "total hotel rooms increased from 321,116 in 1991 to 948,185 in 2000. While room capacity almost tripled during the ten-year period, the lodging industry's operation steadily deteriorated in terms of both revenue efficiency and profitability in China" (Zheng, 2003:386). There were problems of rapid hotel development leading to overcapacity or oversupply of hotel rooms and the efficiency disparity between the centre cities and other regions and the different class of hotel.

AR06: "The overcapacity of hotel rooms from the mid-1990s has seen downward trends in occupancy since then. Although an average room

occupancy rate reached up 55% due to the holding of the Horticultural Exposition in Kunming in 1999, after 2000, it reduced to 40% in Kunming and other regions less than 50% in Yunnan”.

The low occupancy in 1998 and 2003 could also be due to the Asian financial crisis and SARS devastation in China. The overcapacity has not only caused poor profitability for the China’s hotel industry, but also hurt hotel property values (Gu, 2003). These events confirmed that the demand for travel and tourism is subject to cyclical variation depending on the level of economic activity in the developed countries but also political uncertainty can have a dramatic effect on the number of visitors (Ayres, 2000). Furthermore, the disadvantages of tourism’s rapid growth in the economy is not limited to the economic effectiveness of tourism projects, but is also related to problems in the social and cultural environment, which will be examined in the next chapter based on evidence from Lijiang of Yunnan.

6.6 Tourism as a Pillar Industry: Policy Implications

The positive tourism growth is the result of a deliberate economic policy decision by the government of Yunnan. The policy in Yunnan identified tourism as a pillar industry, which can be described as being a supporting process to tourism development from local government. At the same time, the development of tourism was supported by the tourism priority development strategy adapted at a different

regional level. The government's policy and strategy are an attempt to establish a key industry position for the tourism sector and support the priority development of tourism infrastructure, tourism facilities and services through investment guided by local government. For this, the local government also tried to put in practice and strengthen an organisational structure to ensure tourism became a pillar industry in Yunnan's regional development.



6.6.1 Policy Formulation and Establishment of Industry Position

“Policy formulation is deliberately described as a process rather than an action to emphasize its continuous nature” (Jenkins, 2000:63). Therefore,

LO02: “a feature of the policy formulation in Yunnan is reflected in that there were different tourism policies at the different development stages for tourism and regional development”.

A series of reports from the Yunnan Province Tourism Administration (YPTA) set out the main recommendations reflecting the policy formulation for tourism as a main industry. These reports have expanded the policy formulation process during three historical periods since 1978 in Yunnan including “Summary of Tourism Development in Yunnan” (YPTA, 1999); “Enhancement of Government of Leading and Promotion of the Pillar Industry” (YPTA, 2000); and “The Practice and

Exploration of Tourism Industry as a New Growth Point for Economic Development” (He, 1999). A brief historical analysis is presented below to show the changes over the last three decades in Yunnan in tourism policy development and in tourism’s role in the economy.

1. Historical period one: 1978-1988

From 1978 to 1988, it was “The Ten Years of Pioneer and Start” for tourism development in Yunnan. “Prior to 1978, tourism in China primarily served the political purpose of promoting the achievements of Socialist China, to expand China’s political influence, and to promote international understanding and friendship through receiving invited guests and tourists” (Zhang *at al*, 1999). In 1978, the Province had only 1 travel agency and 8 hotels with less than 300 rooms provided. But,

AR01: “since the implementation of the opening-up and economic reform policy after 1978, the nature of tourism gradually shifted and changed to an economic activity”.

In 1988, visits to Yunnan from overseas tourists increased to 12,000 and the foreign exchange revenue from tourism services reached more than US\$ 1.3 million (YPTA, 1999).

In this period, any policy change involving tourism served as a means of bringing currency and encouraging the opening-up of Yunnan. Although tourism had become an important part of Yunnan's economy, the tourism sector was only recognised as a "reception sector of government" because of the influence of the planned economy system. Tourism was not in reality an "industry" in Yunnan. Therefore,

AR04: "the policy only focused on the tourism system transformation from 'reception sector' to 'economic activity sector'. The main policy areas included enterprise reform and tourism education and training".

2. Historical period two: 1988-1995

The major development steps for the tourism industry were taken from 1988 to 1995 and called "The Seven Years of Rapid Growth". The significant event for tourism development in China took place in December 1985 when China's government first incorporated tourism in their Seventh Five-year National Plan as a key content for economic and social development. And then, at the regional level, in 1988, the tourism industry was first declared as a major industry by Yunnan's government because of its importance as one of China's main tourist destinations. In 1992, Yunnan Province's Government had set out the goals and rationale of a provincial policy for tourism to support development. During this phase, the tourism industry in Yunnan had achieved the "historic transformation" from "the reception style" to "economic industry style" (YPTA, 1999).

The first statement of the rationale for tourism as the major industry was summarized from two articles: “Promote Development of Yunnan Tourism: Summary of Meeting of Leaders of the Yunnan Tourism industry (YPTA, 1992) and “Enhancing the Efficiency of Tourism Enterprises in Yunnan” (YPTA, 1992). In 1992, in the early stages of tourism development, the government had already realised that tourism can be accepted as a main sector to develop.

LO03: “the goals and rationale of tourism policy would deal with how to develop tourism when tourism has identified as a major industry”.

The early general considerations and major points focused on tourism as an integrated sector which serves as a show-window for exhibiting the achievement of the open-door policy in Yunnan. Many tools and channels were used to promote the development of the tourism industry, based on the policies of mass restoration and development of tourist attractions, and regulating the tourism industry to promote international tourism development from the central government.

3. Historical period three: 1995-2000

From 1995 to 2000 was the phase for establishing tourism as a pillar industry in Yunnan. In 1995, the Yunnan Provincial Party Committee, and Provincial Government decided on the policy to develop “Four Pillar Industries” embracing mineral production, tobacco, forestry and the tourism industry. In this very important

period, tourism as a pillar industry was to be enhanced through a phase of overall construction and development in many local areas of Yunnan Province, and the tourism industry had been already one of the greatest sources of economic growth and regional development. While tourism had been identified as a pillar industry in Yunnan after 1995, the most important feature of the new policies was that should include the new commitment by government to support the development of the tourism industry.

Tourism was identified by government to play a leading role based on the market force for tourism development; it was also called as the tourism industry of “Government Guiding Style”. Therefore, tourism development has been supported strongly by “all aspects of the society” based on government, local organization and private sector partnerships. In particular the government had played a leading role in the development of the tourism industry. For example, during the Ninth Five-Year Plan period, 50 to 100 million Yuan each year was used as a special fund from government as fiscal support to tourism (YPTA, 2001) and “*the holiday resorts construction attracted about \$ 1,490 million in foreign finance in Yunnan*” (LO03).

Obviously, the formulation of tourism policy and the process of tourism development are closely linked. The formulation and content of policies made by the government can lead regions to promote tourism development and show what changes are expected regarding the level of involvement, organisation and resources in the field

of the tourism industry development. Regional authorities play a leading role in the formulation of policy that can be used to develop tourism, especially at the early stages. In Yunnan, the relationship between tourism policy and tourism development has been demonstrated.

6.6.2 The Priority Growth Strategy for Tourism

Through a series of promotion policies, the tourism industry will be reinforced or supported, which has been an important mission of regional government and local authorities. However, the dominant role of government in tourism development is reflected on tourism can be accepted as a priority development sector in Yunnan's economy.

LO01: "The Priority Growth Strategy from Yunnan government is one part of the regional development strategy and the growth rate of the tourism industry continues to exceed the average level of national and regional industrial development".

Within the priority development strategy, tourism is given a higher priority in the regional government's economic plan. For example, during the Seventh Five-Year Plan to Eighth Five-Year Plans, Yunnan Province Government had invested more than 30 billion Yuan to improve the poor infrastructure and the lack of suitable

transport links in Yunnan. And then, during the following five years, there was also about 60 billion Yuan for improvement of infrastructure (YPTA, 1999, 2000). The main investment for tourism infrastructure came from regional government in Yunnan. From 1992 to 1995, transportation improved significantly in Yunnan, making access relatively easy in what used to be a remote corner of China. In this progress, Kunming Airport has become the fifth largest international airport in China (YPTA, 1997).

Second, the development of the key tourist destinations in Yunnan was identified as one part of the priority development strategy. In 1997-2002, the fiscal department of Yunnan Province had provided a special fund 1 billion Yuan and other public funds about 3.1 billion Yuan for some special projects in tourism infrastructure development. It includes the improvement of Kunming airport, the new airport at Diqing and Linchang and the restructure or rebuilding of 25 tourist attractions in Yunnan. As a special provision, the basic road in Yunnan, the government provided 3 billion Yuan to construct highways and provide an efficient road network for the next 10 years (Shao, 2003).

In Yunnan, the role of tourism in local economies was strengthened by the tourism priority development strategy. Yunnan province is a peripheral region of China and the government investments were a means of mitigating current poverty and potential environmental problems. In 2002, the government invested 3.15 billion Yuan for the

poverty alleviation plans in association with tourism development including five large projects to improve the infrastructure facilities in the poor rural regions of Yunnan (YPTA, 2003). These projects involve soil improvement and water conservation, electric power, roads and “green belt” building. Upon the completion of these projects, the province will not only have solve the problem of shortages of water, electric power and roads, but also made improvement in the basic infrastructure as a foundation condition for tourism development in these regions.

6.6.3 New Dimension of Policy and Western Regional Development Strategy

Within the development process in Yunnan, the objectives of tourism were extended to include an assessment of this activity in relation to regional and local development in economic, environmental and socio-cultural terms (Baidal, 2003). The Western Regional Development Strategy presented the major opportunities for Yunnan’s development: national development strategy has clearly specified expanding of tourism development as one part of western regional development and the implementation of Western Regional development strategy will benefit the rapid development of Yunnan tourism including infrastructure development and environment improvement. According to the Western Regional Development Strategy, Yunnan Province Government announced the basic target of tourism development is that the tourism industry will be a major socio-economic sector and a pillar industry to achieve regional modernisation and sustainable development in

Yunnan Province (CNTA/YPTA/WTO, 2001), thus the development of the tourism industry has been established by Yunnan government as one part of a regional strategy for economic and social development.

As Jenkins (2000) points out, “in tourism, which is particularly a multisectoral activity with ramifications that are economic, social, cultural environmental, and political, a tourism policy will be an amalgamation of many sub-policies pertinent to different areas” (Jenkins, 2000:62). Therefore, the main principles or areas for tourism and regional development policies to achieve the above objectives were emphasised to guide the tourism industry in regional development in Yunnan. For example, the famous “Four Combining Principles” as stated by the Yunnan Province Government in 1999 and 2000 (YPTA, 1999; 2000), they are:

- Combining the development of tourism as a pillar industry with the socio-economic development of Yunnan, based particularly in the low-income or poverty areas;
- Combining the development of tourism with the development of Yunnan as a great “multi-cultural province”;
- Combining the development of tourism with the further opening up of Yunnan province and modernisation;
- Combining the development of tourism with the environmental protection and sustainable development in Yunnan.

The current state of the policy of tourism as a pillar industry, it is the result of more than 20 years of Yunnan government support, which has introduced a series of successful policies for encouraging the rapid development of the tourism industry. Although tourism growth is a significant general factor in China's continuing economic prosperity in many regions, especially in the economically backward regions of China like Yunnan, tourism as a pillar industry is also the policy choice process for regional development (Liu, 1998). Various public policies in Yunnan were used to support tourism in the previous period, and now, the regional policy is an instrument to guide the regional development especially in the involvement of the government as a main participant.

Yunnan had an activist government in that period, which directly intervened in tourism development through the implementation of tourism development policies. The government set up effective organisation and management through tourism administration bodies for the implementation of tourism development policy. The Yunnan Province Tourism Administration (YPTA) is the highest tourism administration body in Yunnan, which was organised into departments of Planning and Development, Policies, Law and Regulations, Personnel and Education and Tourism Enterprise Management. Kerr (2001) cited the proposition of Pearce (1992) that, in terms of scale, tourism organizations can be national, inter-regional, regional, sub-regional or local. In Yunnan, tourism administration sectors of in the city, prefecture, and counties act as branches of YPTA; their functions are similar to the

YPTA performing a facilitating role in developing and managing tourism at the local level.

The government also played the role of regulator, entrepreneur, banker and motivator (Vanegas Sr and Croes, 2003) to facilitate tourism development in the province. It is responsible for the macro-control of tourism in Yunnan, coordinating tourism across administration levels and different industries, planning tourism development, and arranging training programmes. Now, these circumstances are changing. The functional needs of the Yunnan government in tourism development include greater emphasis on the role of the enterprise sector; meeting increasing competition from other destinations within China and in Southeast Asia, and more emphasis on marketing with promotion of the province as a single destination.

The role of government in tourism development is still an area of controversy. Some writers, such as Jenkins has argued that this is inevitable because only government can undertake certain tasks, for example introduce legislation functions which are reserved for government. Even in the last decade where the government has been under pressure from international agencies to withdraw from the commercial operation of tourist facilities and let the private sector take this role, there are some aspects of tourism support which only government can deliver. In China due to political centralism, the state has retained both a dominant role in policy – making and the implementation and management of strategies as evidenced by the tourism

priority development strategy in Yunnan. The participation of the foreign private sector is limited to joint ventures but accession to membership of the World Trade Organisation will change this and initiate a further opening-up phase. However, as noted in Chapter 7, communities with impressive results benefited from a more relaxed government policy to encourage more participative actions.

6.7 Summary

In this chapter some of the research findings have been used to reflect on the main research question – why has the tourism industry been identified as a pillar industry for regional development in Yunnan? What was found is that tourism has had a catalytic effect in regional economic growth and restructuring. Statistics presented show that it has made a significant and continuing increase to regional GDP, and has increased sectoral incomes substantially, although there was a tourism setback in some tourism development projects. It also noted that in some of the poorest and peripheral areas tourism has been particularly beneficial. From the evidence presented it can be claimed the tourism as a pillar industry has had the strength because of the rapid growth of tourism and its ability to offer comparative advantages in peripheral areas has facilitated development where other types of development would not have been possible. This supports some of the claims made for tourism in Chapter 4.

The economic contributions of tourism to regional development, which have accrued from the use of tourism as a pillar industry, have undoubtedly been achieved in part through the strong policy and financial support of the central and provincial government. Although the private sector is already involved in the tourism development process, it is still on a step-by-step basis. However, in the next chapter it is reported that tourism has had considerable impacts on social changes in the region's overall development process. It would appear that the choice of tourism as a catalyst for regional development, and the social changes in peripheral areas and communities has been successful in Yunnan.

CHAPTER 7

DEVELOPMENT AND MODERNISATION: TOURISM AND REGIONAL DEVELOPMENT IN LIJIANG, YUNNAN

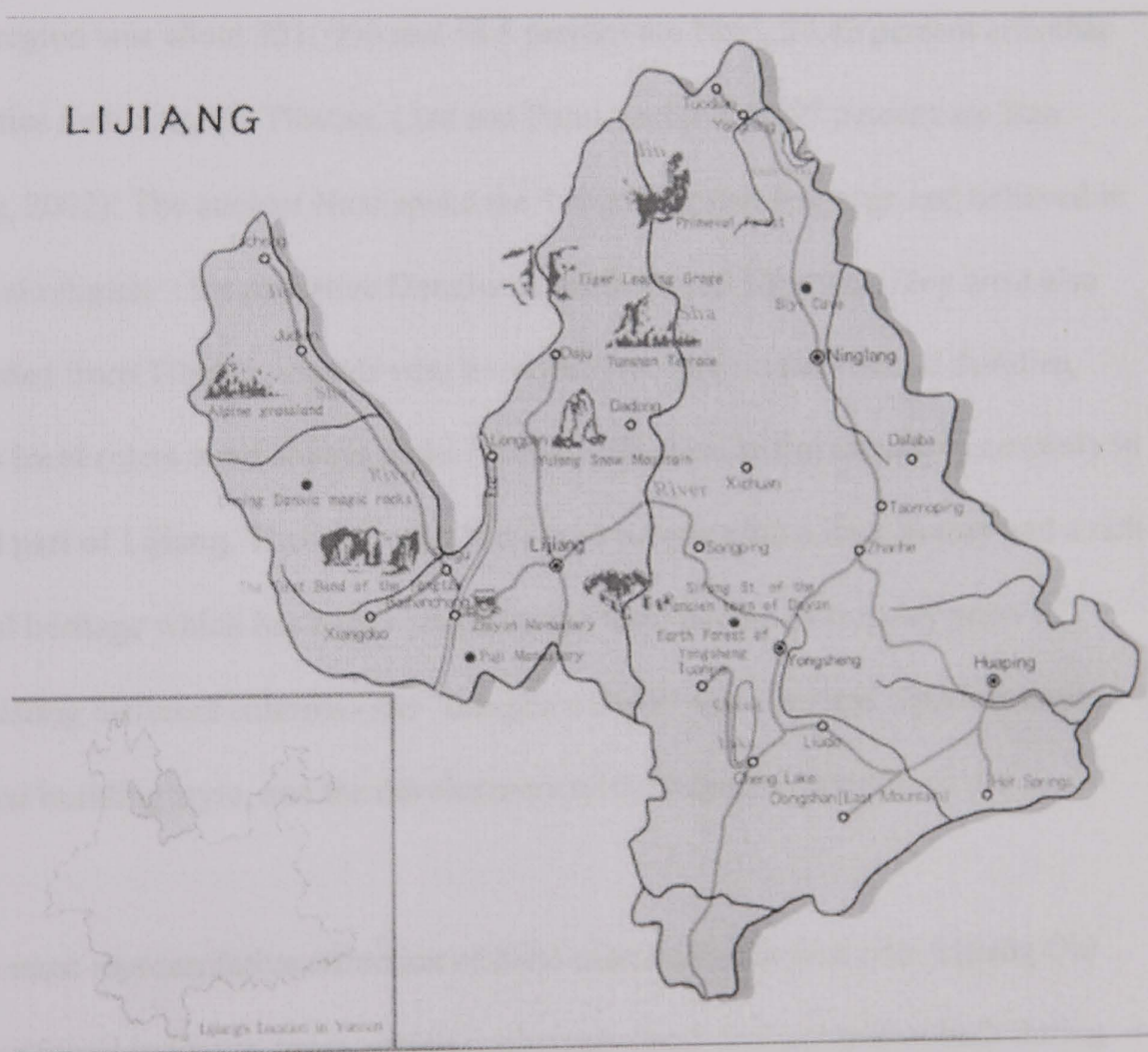
7.1 Introduction

This chapter presents the findings, which resulted from the analysis of tourism used in regional development in Lijiang, Yunnan. These include the results from in-depth interviews with regional government officials, authoritative academicians, and tourism operators. The purpose of this chapter is to build on the analyse of tourism as a pillar industry in Yunnan presented in Chapter 6; and to look at the role of tourism as a development strategy for the region with the focus on Lijiang, a city in Yunnan Province. The early influence of tourism as a regional development strategy will be discussed first based on its comparative advantages in resources and policy support. Second, its key role in the stimulation the socio-economic development process is discussed. Finally, community involvement in tourism in Lijiang will be examined through a case analysis of Huangshan Village.

7.2 An Introduction to Lijiang: Comparative Advantages of Tourism

With 330,000 inhabitants living in 7,600 square kilometres including the Old Town District and Jade Dragon County, Lijiang City is still an important tourist destination as a sub-region in Northwest Yunnan Province. “Located on the old caravan route to

Tibet and India and just north of Burma, Lijiang has long been a centre for trade and a town where many different cultures is together (Spensley, 2003: 11). Tourism at any destination is dependent on both the characteristics of the destination and also the type and characteristics of tourists who visit. Undoubtedly, the tourism development of Lijiang is rooted in Naxi culture as a comparative advantage. As a famous tourism destination in China, the unique Naxi culture and beautiful landscape provide abundant tourism resources for Lijiang (Map, 7.1).



Map 7.1 Lijiang and Its Position in Yunnan Province

The focus of this case study in Lijiang, The cultural resources and lifestyles of the Naxi community are a key product in a growing tourism market and would serve as the basis of comparative advantage (Sinclair, 2003). As a tourist attraction, according to the summary of research results from He and Ives (2002), six characteristics often attributed to Naxi culture were incorporated in promotional literature: Tibetan origins, shamanic religion, primordial pictographic literature, matriarchal social structure, liberated sexual arrangements and distinctive costume. Lijiang is a minority autonomous district with Naxi national culture. In 2002, the total population of the region was about 351, 000 and 58.6 percent are Naxi, 24.43 percent are other minorities including Yi, Tibetan, Lisu and Pumi, and just 16.97 percent are Han (Zhang, 2002). The ancient Naxi spoke the Tibeto-Burman language and believed in a special religion – the primitive Dongba. In their special lifestyles, they were also descended from Tibetan nomads who lived until recently in matriarchal families, though local rulers were always male. Women still seem to run the show, certainly in the old part of Lijiang. Therefore, the Naxi are a people with a long history and a rich cultural heritage which has been created by the Naxi people over many years of assimilating different cultures - the “Dongba culture” such as Naxi classical music, the Naxi building style, and the development of their special lifestyle.

As the most representative attraction of Naxi culture, the ancient city, Lijiang Old Town is found in Dayan town, which is a largely Naxi settlement first built during Southern Song Dynasty eight hundred years ago. In 1997, Lijiang Old Town was

listed as one of the world's Cultural Heritages sites by the United Nations Educational Cultural and Scientific Organisation. It is remarkable for its layout, which channels a stream with willows alongside the gate of every household, and its architecture is noteworthy for the blending of elements from several cultures that came together over many centuries.

Lijiang is also noted for its perennially snow-capped Yulong (Jade Dragon) Snow Mountain that is about fifteen kilometers from the ancient city of Lijiang. Shanzidou, the main peak of the mountain, looks like a gigantic dragon, clad in white snow all the year round at an altitude of 5,596 meters above sea level. The Jinshajiang (Gold Sand) River drops 3,000 metres at the Hutiaoxia (Tiger Leaping Gorge), and one of the world's biggest gorges, supplying a hydro-electric plant. The 500-year-old camellia tree in the Yufengsi Lamasery which produces over 20,000 flowers a year, the Black Dragon Pool, and the grandiose Phoenix Tower are all outstanding attractions.

In the regional development process, the Naxi people of Lijiang were faced with a great deal of change in the last century. The great influences in Lijiang's development were the "Big Two": first, as one of the country's 56 nationalities, the Naxi was officially incorporated into the People's Republic of China in 1951. Second, the reform policies and the Open Door policies were adopted in the late 1970s and foreigners were again allowed to visit Lijiang to offer development and

modernisation advice. In this process of development and modernisation from 1985, a regional development strategy was aimed at making the region to become an important international tourism destination both in Yunnan Province and China.

As a result, tourism has developed extremely fast in recent years and the tourism industry has been recognised as Lijiang's key industry. In July 1995, tourist arrivals to Lijiang were 700,000 which earned a tourism income of 0.16 billion Yuan; and there were only 8 hotels and 9 travel agencies at that time. In 2002, there were more than 3,270,000 tourists arriving in Lijiang including 120,000 foreigners and 3,150,000 Chinese that brought in about 2.5 billion Yuan of tourism income including 36,020,000 USD of foreign tourism income and 2.1 billions Yuan of China domestic tour incomes. In this year, there were 64 hotels, 32 travel agencies, 14 tour companies, 6 tourism automobile companies, 23 tour restaurants, 298 hostels present (Zhang, 2002).

As noted above, in seven years there was a rapid increase in the provision of tourist facilities to attract and support both domestic and international tourists. Yunnan, although regarded as a geographically peripheral area of China, used its tourism comparative advantages to diversify its economy, a process that is evident in Lijiang.

AR03: "The fact was that not only did the regions possess a significant stock of tourism assets for economic development, but also tourism development

was changing and improving the social –economic life of the local society in Lijiang from a traditional society to modernization society”.

7.3 The Change Begins for Tourism in Regional Development

The tourism industry of Lijiang started in the late 1970s after China adopted the national opening-up and reform policies. Therefore, the early change in regional development in Lijiang, focused on Lijiang’s opening-up to the outside world and using tourism as development strategy to improve the infrastructure and exploit its economic development potential in this peripheral region. It is possible that the importance of tourism in the regional economy and its derived benefits acted as a demonstration effect in Lijiang.

7.3.1 Tourism and Opening-Up of Lijiang

According to Harrison (1992: 18) development strategies in developing countries are based on a variety of approaches towards “modernisation” and “development”.

These approaches are found in many countries of the world.

AR06: “In the development process of China, especially in undeveloped regions like Yunnan, modernisation as a general strategy for regional development, was first described as a process of opening to outside of the world”?

Therefore, “tourism can be seen as a form of modernisation transferring capital, technology, experience and modern values from the West to LDCs” (Harrison, 1992:10). In June 1985, Lijiang was designated an open area by the State Council and Military Commission. The role of tourism as a development strategy in the opening-up of Lijiang has influenced the process of Lijiang’s regional development in the early phase.

LO05: “The opening-up of Lijiang firstly was focused on the tourism industry when Lijiang opened to foreign visitors from 1985. Tourism is a key industry in Lijiang that had been begun from 1992 which was time of further opening – up to outside both other regions and to the world. In fact, in the short period since the opening-up of Lijiang, tourism has been become the main opening-up factor”.

In Lijiang, many interviewees stressed that the biggest change in Lijiang is seen in the role of tourism in the opening-up of Lijiang in the process of regional development:

- (1) When Lijiang opened to foreigners, only 400 foreigners visited to Lijiang in 1985. But, in 2002, over 148,400 overseas travellers came to Lijiang (Lijiang Tourism Bureau, 2003).

- (2) With the opening of Lijiang, capital, expertise, technology and ideas were brought by overseas investment in the tourism sector (LO01). As the first joint-venture hotel, the Grand Lijiang Hotel owned by M. Grand Hotel Company, was opened on November 8, 1996. In the last ten years, about 3,950 million Yuan came from overseas businesses as investment in tourism development (LJYB, 2003).
- (3) In 2002, tourism foreign exchange receipts in Lijiang reached \$ 41.86 million. According to forecasts by Lijiang Tourism Bureau, by 2010, annual tourist expenditure will reach four billion Yuan, including US \$ 200 million in foreign exchange, and account for more than half of the total revenue of Lijiang (LJTB, 2003).

The above comments clearly support the assumption that the benefits can accrue from tourism which was already identified in Chapter 4. It is not only economic benefits which accrue; attracting foreign investment as a supplementary source of capital is important because it brings with the consequent market connections and management which contribute greatly to achieving commercial success. It also provides employment benefits and linkages, which contribute to the multiplier effect.

Therefore, tourism is an important “change agent” in the process of opening-up and development in Lijiang. In the change process, the relationship between tourism and

opening-up for regional development in Yunnan, that is shown in the statement by an interviewee:

AR06: "The development of tourism in Yunnan originates from opening-up to the outside world. On the other hand, tourism ensures the further opening-up of Yunnan. As a result, tourism and opening-up offer a broader or continuous foundation of development and modernisation in Yunnan".

Following the opening to the outside world, tourism has succeeded in promoting the process of modernisation in the regional development. However, a number of social and cultural problems can be associated with this process.

7.3.2 Modernisation of Infrastructure

Tourism was being used not only as a tool to help develop the region, but local government also used tourism planning to ensure the tourism industry has been a major catalyst for infrastructural improvement which could benefit other aspects of regional development. Lijiang has been for centuries an important regional market town, and a way-stop for trade and travel between the south (centre of the Province such as Kunming) and the remote north and west. Until the mid-1990s, access was essentially dependent on bus transportation. The road from Kunming to Lijiang in 1984 was a 3-day bus trip; from 1988-1992 it took 2 days.

LO03: “Therefore, in the early stages of tourism development in Lijiang, tourism development policy has focused on two general strategies: the expansion of infrastructure and the protection and enhancement of natural attractions for tourism”.

From 1992, with the opening-up of Lijiang, for supporting tourism development, a series of infrastructure projects have been financed by Yunnan Province government and many changes have occurred in Lijiang (He, 2002):

- (1) In December 1992, the Lijiang airport was begun which was seen as the most important single aspect of infrastructure for tourism in Lijiang.
- (2) In December 1992, a provincial –level conference on the future of tourism in Yunnan was held in Lijiang; Lijiang was targeted as a key city for tourism expansion. Based on the conference, an investigation of tourism and infrastructure had been carried out by the Lijiang government in early 1994.
- (3) In October 1994, a very important plan for tourism development was put forward to develop 12 key projects in Lijiang. *“A major development programme launched in this year included ‘one mountain’ (Yulong Snow Mountain), ‘one lake’ (Lugu Lake), ‘one city’ (Old City), ‘one culture’*

(Dongba culture) and 'one custom' (Naxi nationalities)'' (LO04). In December 1997, Lijiang's Old Town was accorded World Heritage Site status By UNESCO.

- (4) Since 1994, short stretches of the Kunming –Dali highway have even begun to resemble modern highways, and the bus connection from Kunming now takes only 8 hours.
- (5) In April 1995, Lijiang Airport was inaugurated with a service between Kunming and Lijiang with the flight time of forty minutes. In November, 1996, Lijiang-Dali and Lijiang-Xishuangbanna air routes were opened.
- (6) From 1994, there were five large hotels in Lijiang officially authorized to accommodate foreign tourists. By December 1996, twelve hotels were in operation including the Grand Lijiang Hotel, and it is the first owned by multinational company in Lijiang.

It is interesting to note the specificity of the projects. When development moves away from the general to the specific, it usually demonstrates a maturity of approach. It is also noteworthy that the infrastructure projects developed to support tourism provide benefits to locals particularly through improved transport links both within and inter-province.

It is clear that the importance of tourism in the improvement of infrastructure for local development has been widely recognised especially in Lijiang where tourism has been identified as a key industry and tourism expansion as a main economic strategy. With the development of tourism in Yunnan, an important manifestation is apparent such that infrastructure has developed rapidly and made a new 'model of regional growth'.

AR04: "In the trajectory of regional development, in the first place, the tourism planning of Yunnan Province for regional development has been based on the relationship between national, Province and Local level. The successful planning was carried out to enhance a destination like Lijiang as a world-class destination for tourism development through a series of investments from the higher class government department and fund supporting foreign investment. A second trend, based on the expansion of infrastructure such as Lijiang has created a new centre as 'a space translation' for regional development. The inequality of development has been reduced between the centre region and the poor or remote regions".

The above comments are important. Another benefit arising from the improvement in transport infrastructure has been to reduce the relative remoteness of the peripheral areas.

7.4 Transformation of Social-Economic Structure

The use of tourism as a regional development strategy induced change in the industrial structure, occupational structure and human development. In China, like in all developing countries, the development process has been seen also as a modernisation process. In this changing process, one of the most important outcomes is that the results in remote regions like Lijiang show that tourism can stimulate both structural change and human development. Harrison's comments (1992, 2001) refer to the process of modernisation; inevitably tourism would also provide new opportunities for the residents of the city and county. Modernisation does not only transform the economic process but also the lives of the people.

7.4.1 Industrial Structural Change

In the modernisation process, social –economic structural transformation was often seen as the main aspects of this process; tourism would be supported as an agent of change. Therefore, many governments in seeking regional development gave their attention to a means to move from a heavy emphasis on traditional subsistence agriculture to a more modern, more urbanised, and more industrially diverse manufacturing and service economy (Yah, 1991).

In the late 1980s, the major industry in Lijiang was agriculture and local residents were very poor, with GDP per capita only about 510 Yuan. In 2002, the tourism industry and other tertiary industries had become major industries and the regional income from these industries including the tourism industry was 54.32 percent of GDP. The public income of Lijiang reached 100,070,000 Yuan and per capita GDP increased to 4,867 Yuan (Zhang, 2003). Therefore, almost all of the interviewees in Lijiang identified the role of tourism in the change of the economic structure and stressed that the change was very important to Lijiang's regional development, for example:

LO05: "For the development of any region, it's very important to find a key industry and establish the major structure of industrial development that may meet the needs of regional and national development. For a very long time, the agriculture industry and other relevant industries were still traditional industries in Lijiang's development. From 1992, the tourism industry provided a new growth point and became the main industry for Lijiang's development. Tourism development is changing the economic structure of Lijiang and this change is the biggest change in Lijiang's local development".

Lijiang's development began to establish some new mainstay industries depend on tourism, biological resources, forests with fruit, and animal husbandry. The structural

change has been made to maintain Lijiang's GNP growth at a rate higher than other regions of Yunnan Province. An annual progressive growth rate of 12 percent must be reached, so as to guarantee that the economic growth of Lijiang enters the foremost ranks in Yunnan Province (He, 2003).

These comments again recognise one of the benefits arising from tourism, which can create linkages with other sectors in the regional economy. This has happened in Lijiang, and it has had an important catalytic effect. The growing importance of tourism in GDP and its regional ranking is illustrated in the following comment.

LO04: "The contribution of the tourism industry, in 2002, reached 46.7% of GDP in Lijiang. After more than 20 years, one of the biggest changes is the growth of tourism into the largest of Lijiang's key industries. For the change of industrial structure, that can be reflected in the ranking of tourism, manufacturing and agriculture in recent years. Ten years ago, the rank was agriculture, manufacture and tourism".

LO05: "Of course, with tourism development, more and more Lijiang people saw their life begin to relate very closely with tourism. In most villages of Lijiang, the 40 percent of the total population, their life is related with the tourism industry. In some villages, such as Huangshan village, the proportion is higher than 60 percent. Therefore, the overall change of Lijiang's people's

lives has taken place from the change of economic structure. Tourism is even more deeply influencing everything in today's Lijiang".

These comments reflect the major impact that tourism has had on the villages in Lijiang. This is not only seen in the changes in occupational structure but also through the opportunities to improve standards of living.

7.4.2 Occupational Structure Transformation

An occupational structure transformation is a basic indicator of movement from a traditional society to a modern society. The largest employer in Lijiang is the booming tourism industry which confirms the role of tourism as a generator of employment in regional development. "Tourism means greater integration into the world economy and created opportunities for movement by the population into the 'modern' sector from 'traditional' subsistence agricultural sector" (Clancy, 1999:4).

Today, the most common jobs in Lijiang also involve tourism. During 2003, 36,000 people were employed directly in tourism and more than 80,000 employee worked indirectly in tourism sector including more than 67 hotels in Lijiang city and 37 tour agencies, 6 automobile companies (LJTB, 2003). Many families now work to set up stores or small shops to cater to the high number of tourists in Lijiang. It is estimated

that there were more than 600 stores for tourists in the Old Town of Lijiang in 2000.

A woman shop operator felt it was important to work in tourism; she said:

TO05: "I think ... that maybe the most people are working for visitors in Lijiang running small restaurants, working at hotels, or guiding tours. I am sure that the life style of many people has changed because their jobs were translated from agriculture to service for tourists".

These comments were further supported by local government officers:

LO05: "The big change, in early years of tourism development in Lijiang, was the growing number of people working in the tourism industry. Now, most new jobs are in tourism service, small stores, and repairs, especially in the Old Town of Lijiang".

LO04: "In fact, today in Lijiang, the new development in recent years is that many people or families work to set up and manage tourism service sectors. Many people are already the primary owners of stores, restaurants. But 10 years ago, the majority of Lijiang population was local farmers and their salary was still reflecting the agriculture conditions".

The evidence from the interview sample is that underlying the economic restructuring has been the growth of entrepreneurial activity. Restructuring has

not only changed the employment structure, but has created new opportunities for people. These opportunities have come through direct employment and also by people starting their own businesses. Sometimes tourism and its employment effect are confined to a discussion about job creation. But in Lijiang, it has actually stimulated the growth of small businesses.

7.4.3 Human Development with Tourism

There is no doubt that a change in social-economic structure coupled with human development for local people has occurred since tourism has become a major industry.

AR02: "The change is also seen in that people develop themselves through this process making the new role or social life style and achieving the translation of traditional values".

Tourism inevitably would also provide new opportunities for the residents of the city and county. The modernisation process dose not only transform the economic process but also the lives of the people (Smith, 1992; Wall, 1997; Harrsion, 2001).

After the establishment of the Old Town in Lijiang as a United Nations World Heritage Site in 1997, in recent years, Lijiang's population has grown with a number of outside people moving to Lijiang. In 1998, in only one year, about 400 families

moved to the Old City of Lijiang from other areas. It is estimated that there were 600 stores in the Old City, of these about 200 are managed by people who moved to Lijiang in this year (Spensley, 2003).

LR02: "The big change is the growing number of people moving to Lijiang that gives a different population number for the Naxi autonomous region. There are multinational people that can be found within Lijiang. Of course, many outside people moving to Lijiang has helped in creating a greater awareness among Lijiang residents and enhanced the process of city development quickly for regional development".

Another important aspect in regional tourism development is the change in the status of Naxi women. Tourism has made very big changes to the employment structure, local people's behaviour, values and traditions of the society because of the improvement in cross-cultural understanding. In Lijiang, Naxi women did suffer, as did all Chinese women, under the imposed patriarchal ideology of the Old China, which viewed men as intrinsically superior. On the other hand, in the traditional division of labour, the transitional family structure puts total income directly in the hands of the men although women had to shoulder much of the work load.

But, now Naxi women have been able to hold their own and have been positively affected by tourism development. Taking many forms, tourism may provide a variety

of services to tourists, including food, lodging, purchasing goods, guides and transportation. In the Old City of Lijiang, from the traditional jobs requiring meticulous care like embroidery and sewing, to basic handwork like boiling wine and grinding flour, from feeding pigs and chickens to the running of small businesses, they were all done by women. Sometimes, they even operated shops and were engaged in the stable businesses (Spensley, 2003). In Alys Spensley's survey in the market of the Old City on a typical day (11/18/99) the majority of the stall owners were Naxi. Out of the 55 stalls that were set up, Naxi people ran 32; the majority of these owners were also women. Women do still remain the primary bosses of these stores (Spensley, 2003). Therefore, women have benefited from the opportunities offered through tourism development.

In the education development, Lijiang has popularised the 9-year compulsory education requirement and eliminated illiteracy among the school-age children and young people. Especially, in order to support tourism, international tourism education was established in Lijiang by the government.

LR01: "It is important to notice tourism education for vocational and degree levels in Lijiang. The Lijiang tourism school is one of the best vocational school in Yunnan. In 2002, the first university in Lijiang, the Lijiang Tourism Cultures College of Yunnan University, has been set up under the Yunnan government. According to the plan for the university's development, there

will be more than 7,000 students who will enter the university to study in 2005”.

Obviously, tourism and local economic development has also provided opportunities for Lijiang’s human development with people receiving an improved sense of identity, lifestyle improvement, change of status, public health and education development. These indicators show the impact of tourism has had in regional development process with the transformation of the social-economic structure.

7.5 Social Change: The Effects on Culture through Tourism

The development and modernisation of Lijiang through tourism has affected on the local society. Aspects of modernisation often confronts traditional values and unless care is taken in the planning process to identify means to protect these, the traditional culture, which is the basic attraction for tourism, can be seriously depleted. On the one hand, Lijiang’s natural environment and the cultural landscape are important factors to attract tourists to Lijiang but the culture of the area and the old traditions are exposed to a growing world community. On the other hand, tourism development in Lijiang is bringing the area into the modern world, although the cultural conflicts such as the commercialisation of Naxi culture and the change of traditional life are occurring.

7.5.1 The Commercialisation of Naxi Culture

In the process of development and modernisation, Lijiang's development is very dependent on tourism based on the increasing numbers of visitors in Lijiang. The effects of economic development on Naxi culture are beginning to be noted and the negative changes affecting Naxi culture are at the centre of a development debate in Lijiang. For example, the minority cultures contribute to the exotic allure of Lijiang, and constitute a valuable resource for business. In Lijiang now, a big problem is the "commercialisation of Naxi culture". Naxi culture has moved away from the traditional lifestyles and is beginning to be as symbolise in business. The commercialisation of Naxi ethnic cultures includes changes in traditional family and moral systems, shift in ideological attitudes, and changes in traditional life style.

AR03: "There are now very few Naxi people who are living in the Old Town in Lijiang. Their homes with the traditional Naxi style are rented to businessmen who use them as a product to attract visitors.. Most Naxi people have chosen to move outside the Old Town and live in more modern homes. So many people visited feel Naxi culture is not the true and traditional Naxi culture. But, more important, Naxi's society has been changed because of the change in traditional life style".

Therefore, Lijiang's attraction was being described as "selling lifestyles" or "selling culture". In fact, the government also supports the process of the commercialisation

of Naxi culture within the local economy. The government also give support to business for the building and maintaining of the homes in the traditional style for business, by providing wood and other building materials at a cost below the market value (Li, 2002).

LO04: "Today, walking the main street, you cannot feel the true life of Naxi people instead it's a marketing of tourism commercials. In the Old Town, of about 6,000 Naxi homes, more than 1,600 homes are used as shops or accommodation for visitors. Among them, 70 percent are managed by people from outside of Lijiang. Many people are worried that this is not the Lijiang of the Naxi people".

Of course, "selling culture" brings much income to support Lijiang development and Lijiang people have much benefit from tourism. Obviously, this is a social change, because the change of cultural attitudes should determine the change of behaviours (Totaro and Simeone, 2001). Now, with thousands of tourists concentrated on Lijiang because of tourism development, it has resulted in the city swelling quickly and more modernization. It is changing the traditional style of Lijiang – ancient Naxi nation city (Zhange, 2002).

7.5.2 The Change of Social Behaviour

The cultural conflicts arising from tourism development are key problems facing Lijiang; there is strong confrontation between the cultural preservationists and development. The Naxi culture in Lijiang is losing its unique aspects, but the changes also have a great influence on people's conceptions of their own identity to change their behaviour.

TO02: "The Naxi created a written language over 1000 years ago using an extraordinary system of pictographs. But not enough of the young Naxi people are learning to speak the Naxi language, and Han words will eventually end the unique Naxi language. In addition, many new words like English are introduced into the Naxi people's vocabulary. Now, although many people talk about Dongba religion, that is only being preserved in Lijiang in the research institute and in the stores. Many people lost their religious beliefs. The 'Dongba Ge' I owned as an attraction, is more important, I will introduce and teach the Naxi language or religion to Naxi people".

In fact, apart from language and religion, other aspects of culture are changing and adapting which are reflected in the daily lives of the Naxi.

TO03: "More and more Naxi people are eating different kinds of food including outside food from different regions or countries. Naxi people also are listening to different kinds of music and learning different dances. Their Naxi traditional clothing is only being worn by tour guides as being especially attractive to tourists. As people begin to incorporate other cultural practices at a rapid rate, the Naxi traditional customs are less obvious in many places".

The changes in Naxi culture are raising some problems in the process of development and modernisation in Lijiang. The government and many people of Lijiang have begun to realize and recognize the need to protect their own cultural beliefs with tourism development and the opening-up policy. Traditional values and behaviour in this area are changing and local development is already effected by the social change process.

As a centre of the Naxi Autonomous Region, the Naxi population remains a majority in Lijiang. Since tourism has been developed in Lijiang, many Naxi people say that all the international and domestic tourism development allowed them to gather a greater sense of identity; minority groups show the changes in the ethnic make-up of the area.

AR03: "Lijiang Old Town has already changed because of the influence of the outside world. With scores of cafes that serve Western food, bookstores that carry English-language books and shops that mostly sell T-shirts printed with fake Dongba characters and other non-authentic items, many of the original Naxi inhabitants of the Old Town have moved out. In fact, we can not feel the difference between Naxi people and Han people".

Obviously, the above comments clearly support the view that tourism plays an important role in enhancing communication between visitors and local people, and it encourages local people to adapt or work for what they lack to develop themselves.

As tourism is described as a 'people industry' based on the massive flows and interaction of people internationally, it is necessary to take into account what might be the consequences of these phenomena at the destination. Where culture is the main attraction, as in China, first particular concern has to be given to protect the cultural patrimony, and the secondly tourism development based on local culture can also be used as a way to promote social development in local areas. What is required is an approach, which balances as far as possible the economic benefits against the possible socio-cultural disadvantages. A particular problem is that economic benefits flow immediately the tourists arrive at the destination but the socio-cultural effects in the development process are more evolutionary and longer-term. It may be that the authorities in Yunann need to follow the village example and involve the

communities more directly in the tourism and development process. In the current context of China, this may only be happening on a small scale but it is a means of raising awareness of the value and fragility of culture, enhancing the participatory process and giving the communities some sense of ownership in the process of change.

7.6 Community Involvement in Tourism: Reflections on Huangshan Village

In using tourism development as a pillar industry in Lijiang, a consequence is that tourism has the potential to influence development in the peripheral areas particularly in rural communities ‘where much nature tourism occurs, and where the search for ever-more exotic destinations continues’ (Dowling, 2002:253). Although community involvement in tourism has emerged and been refined in the context of developed countries, a similar approach in developing countries does not seem to have been considered in detail. In considering the significance of community involvement in tourism in Yunnan, one of the key issues concerns its role in bring about fundamental change in rural economies and societies (Barke, 2004). In researching Huangshan Village, attention was given to the above changes in the rural area through the community’s involvement in ethnic tourism in the regional development process. On the one hand, tourism will continue to affect the rural community enhancing their active involvement in the industry, a benefit from tourism development. On the other hand, tourism development in rural areas should be on a sustainable basis and be

compatible with industry development, rural socio-economic regeneration and diversification, and natural and cultural resources conservation in the countryside (Tosun, 1999; Dowling, 2002, Sharpley, 2002; Sinclair, 2003; Barke, 2004; Sharpley and Roberts, 2004).

7.6.1 Ethnic Tourism in Huangshan

There are many types of rural tourism activity present in different localities in Yunnan. One of the advantages of rural tourism is that it is based on local initiatives, local management, has local spin-offs, is rooted in local scenery and it taps into local culture (Telfer, 2001). Since the opening-up of Lijiang in the 1980s, Huangshan village began to initiate tourism using its ethnic resources. Huangshan village is situated in the Southwest of Lijiang, 2 kilometres from The Old City of Lijiang, and covers a total area of 92, 3 square kilometres inhabited by a population of 10,410 and 90.5 percent of who are Naxi. Huangshan village is one of the homes of Naxi culture and is also representative of Naxi folk customs including Naxi classical music, Naxi dance, Dongba culture and religion. Ethnic tourism in Huangshan is a form of recreation combining cultural and natural resources, which are marketed to the public in terms of the quaint customs of indigenous and often exotic people.

A recent development in Huangshan rural tourism as sustainable activity has been the revival using ethnic tourism. For a very long time, agriculture was still the traditional industry in Huangshan village and most farmers cultivated land for grain and gets very low incomes. From the 1990s, the village has been opened to tourists and they began to develop village attractions to attract visitors into Huangshan villages; and now it is a well-known ethnic tourism project in China.

TO04: "The tour of folk custom at the Naxi village encouraged tourists to go into the Naxi farmer's home viewing the landscape of farm, eating Naxi food, living in the Naxi cottage and enjoying times with the Naxi family which is called 'as Naxi people for one day'. The tour of folk custom based on the Naxi farmer, not only is the reflection of the Naxi cultural feature, it is also identified as the biggest advantage to local development using ethnic tourism".

Overall, the ethnic tourism activity and its growth imply a much better use of the countryside. In Huangshan village, there are now 66 Naxi households as "Fixed Hospitality Farm Household" designated by local government to provide the special Naxi Tour of folk custom to visitors, and they also sell holidays to visitors from cities. According to the statistics of Huangshan Village Government, in 2002, 50 among the Fixed Hospitality Farm Households received 177,500 visits and gained 5.03 million Yuan (Huangshan Government, 2003).

In the process of Huangshan ethnic tourism development, local government has made the “Huangshan Naxi Ethnic Tourism Development Plan” to support this project, which is already one of part of Yunnan development. Carrying out the plan in Huangshan Village, local government has improved more than 80 percent of the transportation routes and more than 90 percent of communication by telephone and made many policies and standards for protecting local ethnic tourism resource (Huangshan Government, 1999).

7.6.2 The Economic Benefits: Tourism and Rural Development

With tourism development in rural areas, the emphasis on local inputs can help to generate regional development and the benefit from tourism development was noticed firstly by local people. In this model of indigenous tourism development, the local government has first given a great deal of attention to the economic benefits of tourism for local development (Hall and Jenkins, 1998) and rural tourism is increasingly being used for socio-economic regeneration and diversification (Sharpley, 2002). In Huangshan village, many businesses associated with rural tourism are small –scale and independently owned by the local farmer and therefore generate income for the local economy. With the ethnic tourism development, a significant life quality improvement has been occurred in the local household.

TO01: "Developing rural tourism, our farmer has had more benefits. Before we were worried about eating, but now we are thinking which food is better to eat. Now, many households like my family (averaging 6 people) earn an annual income of 20,000 Yuan or more. So more income we earned which isn't consumed we are using for rebuilding the house and travel or education of children".

Clearly, the benefit of rural tourism in improving life quality has the most positive economic benefits for local development in the village.

LO06: "Because the majority of the Naxi population are local farmers, the farmer's development means an improvement in the minority's condition. Now, in the Huangshan village, the agriculture development corresponds with tourism development so that more and more farmers are able to enjoy the benefits of tourism".

Today, rural tourism is increasingly being used for socio-economic regeneration and diversification as a development tool (Sharpley, 2002). Especially, in the past 20 years, China's government has given a great deal of attention to the economic benefits of tourism, particularly for rural areas, attempting to reduce poverty in the western region. With a total population of over 800 million, the rural areas of China have fallen short of the urban centre's economic development boom. As China's

biggest province in the south-western region, Yunnan is among the poorest areas in the nation. Tourism development, therefore, is still a development option to reduce poverty in rural area.

7.6.3 Rural Tourism and Sustainable Development

Community involvement in rural tourism and its potential benefits is also reflecting a broader recognition of tourism and sustainable development in rural areas. As previously mentioned, in Huangshan village, a great part of tourism income is generated by the local households that are small and independent businesses. Therefore, in Huangshan village, farm-based tourism is a more sustainable development form for community – based tourism.

AR04: “The rural ethnic tourism is organised through ‘farm household + firm’ and the farm-based tourism promotes community development in the village. These are locally owned small enterprises used as a vehicle for integrated rural development by creating jobs, business opportunities, incomes and allows the rural development to have substantial promotion by local government in the region”.

Community-based tourism is a more sustainable form of development than conventional mass tourism (Timothy, 2000). It may help a community increase its pride in an area and it can often help it strengthen its recognition of the cultural and

assets of an area: Because, this type of ‘farm tourism’ in Huangshan was based on distinctive Naxi practices, the tourism development was also seen as a sustainable development tool in rural areas to protect and retain the intrinsic qualities of the countryside.

TO03: “In the early stages, there were 10 households in the ‘Fixed Hospitality Farm Household’ service for tourists who had earned income from tourism. With the growth of ethnic tourism, more and more households have begun to consciously protect their Naxi folk customs at home for building, gardens and for the Naxi people lifestyle. In fact, as the Fixed Hospitably Farm Home for guests, their home has become a living museum of Naxi ethnic culture”.

As a consequence, there are changes to the local rural community both social and cultural. That is ideas and behaviour that result from the hosts’s tourism operations in the local community. However, some farmers had viewed the change from their own perspectives in decision-making process for the tourism industry.

TO01: “Rural tourism development brings a great change and the change is so fast that is affecting our life. We are learning to be a businessman rather than a farmer. We have begun to know some things we didn’t understand before and now everything is changing. Although I am still a farmer, I have a

business card, mobile and information notebook. The relationship between households and government has also changed. I am expecting that the new role of government is to look for markets and provide an improved standard to manage rural tourism within the rural household”.

Although moral and ethnic conflicts may exist in the host society, the evidence of Huangshang village has showed that ethnic tourism development based on the Naxi culture provides an alternative to protect the local environment and culture.

TO02: “Rural Tourism has taken the diversity of culture because of opening-up of the village. But, as the tourism products or attraction, the importance of local culture is increasing in the village even in every household. Now more people are learning some Dongba language and Naxi music and dance have been a popular activity in the Naxi village”.

With the ethnic tourism development, the social structure of traditional rural life is changing. In Huangshan village, a long-established village social order based on the local socio-political traditions has changed. For example, the “farmer-based tourism” and “community-based tourism”, have changed the model of traditional agriculture life in the village. Obviously, following the changes the traditional socio-political views are being influenced by a new village social order.

LO06: “The social model of ‘farmer + Government’ in the village is already changed to ‘farmer + firm + government’, so the local government should establish some mechanism to fit the change of socio-political order. Now, the government has to make rural policies to guide the ethnic tourism development and provide a standard to manage the operation of household with appropriate home characteristics, garden design, hygiene and service. The government has also to give financial support to the farmer, which will be helpful to the farmer changing their investment into new business. Of course, it is also very important to train the farmers. Trainings can improve farmers’ education levels and enhance their competency”.

The case study of Huangshan village has demonstrated that small –scale tourism based on owner-managed units can be a successful model. It was shown that where this model was based on ethnic culture, the protection, enhancement and presentation of culture was a main issue. It can be suggested that this village model has much to offer tourism development in Lijiang. There are differences in scale, but the principle of cultural protection is transferable.

7.7 Other Concerns for Tourism and Development in Lijiang

Tourism development of Lijiang, as some of the examples above suggest, has contributed substantially to economic growth and social progress in the region.

However, the challenges of regional development using tourism as a development strategy may cause negative problems. The negative impacts include the problems of leakage, the lack of linkages, over-exploitation and development disparity. There are other problems too which influence tourism in regional development.

First, development and modernisation based on tourism often has come at a high cost to the environmental resources of the region. Lijiang has a large number of tourist resources and the local government has focused, since 1996, developing both the District of Yulong Snow Mountain and Lijiang Old City. Although, tourism has promoted Lijiang's economic development in recent years, thousands of tourists swarming up Yulong Snow Mountain have resulted in severe environmental problems (LO05). Many people are worried that a change in global climate warming and more people visiting the mountain will affect the city's water supply. In Lijiang, more than 1.1 million people depends on the summer melting of the glacier on the Snow Mountain, but, under global climate warming and tourism development, Yulong mountain glacier has already been observed to be in rapid retreat (Zhang, 2002). Furthermore, water from the mountain divides and runs through almost all the streets in Lijiang Old Town, bringing part of the beauty that is also used daily by most residents of the city for everything from washing their clothes and vegetables to providing drinking water. As thousands of tourists concentrate on the Old Town, the water has been polluted by more and more rubbish and waste water from visitors and service facilities. Although Lijiang government officials claim that Lijiang's

development motto is 'preserve first, develop second', this does undo some of the damage that was caused by Lijiang's rapid development (Spensley, 1999).

Second, although tourism is already a pillar industry that is pushing Lijiang's development ahead at a faster rate, achieving the balanced development in this region is a problem facing Lijiang. Developing rural tourism and other landscape agriculture, there are limitations of resources; many villages of Yunnan do not have any chance to develop their folk custom tours like Huangshan village and agriculture is still a traditional industry. For this reason, it is necessary to let agriculture development combine with tourism development so that more people are able to enjoy the benefit of tourism and support its development such as protecting tourist resources or scenery (Zhang, 2002). On the other hand, it has long been recognised that, although an intrinsic feature of sustainable rural tourism is small-scale business, the fragmented nature of diversifying businesses reveals a number of weaknesses such as limited market knowledge; low quality products/service; lack of information, co-ordination, financial resources and an appropriate legal system; low levels of knowledge of tourism and tourists, and cultural limitations (Tosun, 1999; Sharpley and Roberts, 2004). Therefore, tourism as a development strategy needs to promote cooperation between government, industrial sector, private sector, and local community to minimise environmental and development disparity, and another negative impacts of tourism development.

7.8 Summary

In many ways the choice of a case study approach has been justified by the presentation in this chapter. Behind the statistics on economic development there has been a considerable social change process whose recognition has been informed by the interview process. What is noted from the case study – and is common throughout the developing world – is that tourism as a pillar industry for regional economic development induces other change including social-cultural and community as one part of regional development and modernisation. At the local areas level, as community involvement in tourism increases the positive effect has happened and tourism growth has emphasised culture, provided the platform to increase income, improve living standards through wider choices, and created the sustainable development opportunities.

In Lijiang there is also evidence that the rapid increase in tourism has damaged the Naxi culture and natural environment. Although there are problems related to the use of tourism in development strategies, they can be managed. In some areas the comparative advantages for tourism and its ability to use natural attractions and culture, may make it the most viable development option.

CHAPTER 8

CONCLUSION AND IMPLICATIONS

8.1 Introduction

The purpose of this study has been the consideration of the role of tourism in the regional development process using tourism as a development strategy in the western region of China. In this study, specific objectives were identified at the beginning of the thesis and discussed in the following chapters. The first challenge was to integrate the literature from various disciplines (Chapter 2, 3, and 4) in order to provide an overall framework for evaluation including synthesising regional and other development theories and the main issues concerning tourism in development. Chapter 5 provided a focus paradigm with a case of Yunnan, a very important area in the western region in China selected. This study, through the analysis of documentations from Yunnan Province and based on fieldwork with in-depth interviews in Kunming (the capital of Yunnan Province), Lijiang county and Huangshan village, has helped to explore the role of tourism in the regional development process. More of the outcomes of this field work are described and analysed in Chapters 6 and 7.

In this chapter, first, the findings of this study in relation to the role of tourism in regional development are discussed. Second, the implications for policy and practical guideline are then provided. Third, the limitations of the research are identified and discussed.

8.2 Research Outcomes

The role of tourism in regional development is open for debate (Telfer, 2002). Before starting to discuss the specific issues in the first three chapters, tourism in development was explored in an attempt to establish a foundation for this study.

Chapter two looked at the core values of development through a synthesis of development theories. It addressed the view of development as a state, a process and an option. Chapter three then presented a broad overview of regional development using regional development models related to the changing perspective on the strategy and policy in China.

Development issues have attracted economists' attention over long period time, there have been many and varied attempts to explain what development are. Emphasis has moved from the measurement of economic growth often used as a proxy for development, to a more general acceptance of the condition of development to be an evolutionary and continuous process. The conditions of this process are affected by factors both internal and external to a country. It is the complexity of this process that makes identifying change agents difficult. Tourism, as a possible development agent has come comparatively recently into consideration, and with regard to the developing countries, has only been the focus of serious study over the last forty years. It has gained particular prominence with regard to the developing countries because much of the required natural endowment to support tourism – climate, flora

and fauna, cultural distinctiveness, etc. – is usually available in many developing countries. For these countries, modernisation based on a services sector is sometime a better option than concentrating on manufacturing and agriculture.

However, as tourists mainly come from the wealthy and developed countries, tourism has attracted criticism as being a highly dependent activity. As early as 1976 the former President Nyerere of Tanzania described it as ‘the new colonialism’. It is not only the trade pattern, which attracted these points, but also the realisation that external events over which the receiving country has no control could interrupt visits by tourists. The two wars in Iraq had a depressing effect on tourist visits to the whole Middle East region. Outbreaks of diseases like SARS have affected some Asian countries. It is events such as those described which sometimes contribute to tourism being described as a fragile industry despite statistics showing (WTO, 2004) that globally, tourism is a growth sector and has been so for over 50 years. This study has examined how this experience might transfer into a regional level.

Following on from the above framework, an essential question presented in Chapter 4 was defined as “what should have happened” if tourism was used as a development strategy in the regional development process (Doswell, 1997:107). As Scheyvens noted (2002:3), “Its primary aim is to consider appropriate ways in which tourism can facilitate rather than impede development, particularly from the perspective of Third World peoples”. In developing countries, using tourism as a development

strategy has potential advantages. A SWOT analysis was used to facilitate a detailed evaluation of the role of tourism in regional development in Yunnan, using findings presented in Chapter 6 and 7 that are summarised in Table 8.1.

Table 8.1 SWOT for Tourism Development in Yunnan

Strength, weaknesses, opportunities and threats for the tourism industry in Yunnan

Strengths

- Unique and diversified tourist resources and affordable lifestyle
- Diverse range of tourist resources in the spatial distribution
- Warm, sunny climate which is conducive for travel in all seasons
- Region's access and proximity to markets as a destination
- Potential for value adding of products with a low opportunity cost because of rich natural and cultural resources for tourism and human resources
- Strong support and provision of affordable tourism service facilities within the industry
- Rapid growth of tourism demand in particular for domestic tourism
- Growing contribution of tourism to regional GDP and revenues
- Social-economic structural transformation and human development
- Special benefits for peripheral and rural areas including income benefits and poverty alleviation
- Tourism development in peripheral areas supports the modernisation of society
- Strong financial support for infrastructure improvement for tourism
- Strong support of 'government guiding policy' and 'priority development strategy' for tourism development from regional government

- Community involvement in rural tourism to support regional sustainable development
-

Weaknesses

- Damages to traditional culture due to the cultural conflicts arising from tourism
 - The limitations of rural tourism development because of lack of market information, management skills, co-ordination and appropriate legal system
-

Opportunities

- The Western Development Strategy was announced in 2000, which stressed the central government's support for local industry development
 - The rapid growth of China's tourism as a main destination in the world
 - The huge growth in domestic tourism
 - The support of finance and policy from regional and central governments in the implementation of the Western Development Strategy
 - Tourism development that is already the main resource with the transformation of the industry structure in many sub-regions in Yunnan
 - Many sub-regions have made tourism as their main development strategy to promote regional development and modernisation
 - Community involvement in sustainable tourism in rural areas
-

Threats

- Environmental problems with rapid growth of tourism concentrated on destinations
 - Development disparity of tourism in a region due to imbalance economic development level and different resource conditions in local areas
-

In this study, three research questions were noted which sought evaluate the role of tourism in regional development. The main findings of this study pertaining to each of the sequential research questions are discussed below:

8.2.1 Why has the tourism industry been identified as a pillar industry for regional development?

The tourism industry has been recognised as a pillar industry in regional development strategy by the provincial government. First, the evidence from Yunnan has revealed that the tourism industry is one of the few sectors in which the western region of China holds a comparative advantage and it has the biggest strength and the potential to generate regional growth and development. In a regional context, this means that the tourism sector generates more value added than a similar amount of resources invested in another sector. Tourism therefore offers lower opportunity costs. The characteristics of Yunnan are regarded as having a comparative advantage based on the region's diverse tourism resources, unique natural attractions and accessibility, and with human resources available at a lower opportunity cost in comparison to other regions for developing tourism. These are powerful reasons to recognise and support tourism as a pillar industry. A related and important question is whether tourism has any particular disadvantages associated with it, which might mitigate its development impact.

Second, the findings in Chapter 6 were that tourism is not only a fast growth industry; it also can be a vital element in regional economic development and restructuring. This strength was noted in the thesis that the tourism industry has long been recognised as a growth industry and as an effective input to economic development. By contrast, in prior research examined in Chapter 4, there were arguments against using tourism in development. One argument is that tourism has the danger, in some situations of over-dependency (Ayres, 2000) because it is dependent on economic circumstances in the main tourist generating countries. Tourism is also affected by a series of unpredictable event such as terrorism (USA 2001), natural disasters (Asia tsunami 2004) and disease (SARS outbreak 2003). This dependency argument is also said to be a contributory cause of problems including leakages, low entry-skills, low pay, seasonality, and associated socio-cultural impacts to tourism. However, many of the criticisms made of tourism can often be seen in the experience of other industries in the developing world (with the exception of oil), which face similar international dependency relationships often intensified by a regime of tariffs and quotas which are not present in the tourism sector.

Third, as presented in Chapter 6, the tourism industry is also a growth pole and played a leading role to generate regional development. Tourism has outstripped many other industry sectors. It had become the growth point and one of the greatest sources of economic development. Here, a growth pole is the dynamic unit that raises the economic “size” index of an area or of a country (Perroux, 1988). In Yunnan,

tourism has become a main contributor to regional economic growth and public revenues; more important, it plays a key role in the change of the economic structure in developing peripheral and poor regions. In particular, the tourism industry as a pillar industry, in this region, has moved beyond developing traditional agglomeration economies and has developed clusters with strong linkages in order to become a very competitive destination (Telfer, 2002).

Moreover, there are various special public policies that are becoming an instrument for enhancing tourism as a pillar industry in the development process, and which are supported by the involvement of the government as the main participant. It is concluded that the designation of tourism as a pillar industry and tourism priority growth strategy in Yunnan have been justified. The Western Region Development Strategy has provided a regional infrastructure which has been an effective support for diversification and modernisation.

8.2.2 How does the role of tourism in regional development relate to the development and modernisation process in the underdeveloped regions?

This study demonstrated the catalytic role of tourism in the process of regional development and modernisation with the example and analyses of the experience in Lijiang. Development is a process of change through which societies move from one condition to another. As a process of change in an underdeveloped region, previous

studies explicated that development was always defined in term of western –style modernisation through economic growth, social-economic structural change and social - economic liberalisation (Redclift, 1987; Todaro, 2000). Therefore, in Yunnan like many regions of China, development strategies are still based on a variety of approaches aiming for “modernisation” and “development”. The findings in Chapter 7 showed that the model of regional development in an underdeveloped region is characterized by these distinct stages, when great changes have taken place in the process because of the role of tourism in development: (i) opening-up of the regions; (ii) the transformation of the social-economic structure; and (iii) Social change based on the people and culture.

First, tourism was used as the main industry to facilitate the opening-up of Yunnan and to support regional economic development in the early stages. Tourism was seen as a form of modernisation, transferring capital, technology, expertise and “modern” values from the West to LDCs (Harrison, 2001). This study supports the earlier conceptualisation of development and confirms that tourism can play an important role in promoting and enhancing regional development and modernisation in the underdeveloped regions. In Chapter 7, the evidence of tourism development in Lijiang shows clearly that tourism has promoted the beginnings in the process of modernisation. This change in Lijiang is focused on the regional opening-up to the outside world as a case in this area (AR06). Following on, tourism has also stimulated economic liberalisation, the growth of foreign investment and

modernisation of the infrastructure. As a result, tourism offers a broader and continuous foundation for development and modernisation in Yunnan.

Second, tourism as a main industry has directly influenced the social-economic structural change in this region, which was often seen as the main platform of regional development process. In the late 1980s, the major industry in Lijiang was agriculture and most other industries were still 'traditional'. In 2002, the tourism industry and other tertiary industries had become pillar industries and the regional income arising from these industries was equal to 54.32 percent of GDP. This change is the biggest change in Lijiang's local development (LO05). At the same time, the largest employer in Lijiang is the booming tourism industry and the occupational transformation has created opportunities for a movement by the population into the "modern" sector from the "traditional" subsistence industrial sector.

Third, there is no doubt that social change arising from tourism has occurred in the process of regional development. Tourism plays an important role in enhancing communication between visitors and local people, and it encourages local people to adapt to new work opportunities. As a centre of the Naxi Autonomous Region, the Naxi population remains a majority in Lijiang. Since tourism has been developed in this area, many Naxi people say that all the international and domestic tourism development allowed them to gather a greater sense of identity; minority groups reflect the changes in the ethnic make-up of the area. At the same time, tourism and

local economic development have provided opportunities for Lijiang's human development with improvements to health and education provision. The evidence of this study showed that the change in life-style in Lijiang has allowed people to develop themselves through tourism opportunities.

Although the finding of this study emphasised the enhancing role of tourism in social and human development, there are also social-cultural problems associated with the use of tourism as regional development strategy. Many people have expressed concern for the cultural implications arising from tourism development in Lijiang. On the one hand, Lijiang's natural environment and cultural landscape are an important factor to attract tourists to Lijiang; on the other, perhaps the biggest problem is the "commercialisation of Naxi culture". In the process of development and modernisation in Lijiang, Naxi culture is also beginning to symbolise itself in business. Cultural conflicts arising from tourism are also key problems facing Lijiang, and there are strong confrontations between the cultural preservationists and those advocating culture changes. The Naxi culture is losing its unique aspects and this may have a great influence on people's conceptions of their own identity.

However the local government and people of Lijiang have begun to realise and recognise the need to preserve their own cultural beliefs. With tourism and the opening-up and modernisation in Lijiang, an evolutionary path from a traditional to a modern society is now seen. Based on the role of tourism in the development

process, the traditional values in this area are changing and local development is already different and faster than in non-tourism regions. It is necessary to devise policies which will ensure that the cultural and environmental tourism assets are employed carefully if a sustainable industry is to be achieved.

8.2.3 How is tourism as a development option successful in resolving any special problems in local development?

In some areas in Yunnan, community involvement in tourism is likely to be one item on a menu of development options. In the evidence from Huangshan Village in Lijaing, attention was given to the change of the rural area through ethnic tourism development. Huangshan village, like many other villages in the rural area of Yunnan has fallen short of the urban centre's economic development boom and agriculture is still a traditional industry. Most farmers cultivate land for grain and get very low incomes. How to promote rural development through tourism is a very important issue in this area. This case study, demonstrated that tourism development in rural areas, was increasingly being used for rural socio-economic regeneration and sustainable development

However, as noted in Chapter Seven, in rural areas, community involvement in tourism usually supported tourism as the main motivator for change in the local economy. In peripheral regions, the significance of comparative advantages has seen

these areas adopt various types of tourism development including nature-based tourism, ecotourism or adventure tourism and where the tourist host community is essentially rural. Rural people are the poorest in the region with the lowest incomes. But in underdeveloped areas it has already been shown that income levels can be increased through tourism. Since opening-up Lijiang in the 1980s, Huangshan village began to conduct ethnic tourism using its local resources. From the 1990s, they began to develop the village tour that attracted visitors to travel into Huangshan village, which is now a well-known ethnic tourism project in China.

From the evidence in Chapter 7, local communities have embraced tourism because of its perceived promise of economic growth to help to eradicate poverty, and to reduce income inequality. Therefore, the local government has given a great deal of attention to the economic benefits of tourism for local development (Hall and Jenkins, 1998). In Huangshan village, many businesses associated with rural tourism are small –scale and independently owned and therefore generate income for local communities. With the ethnic tourism development, big changes in living standards have been occurring in the local households in Huangshan village and have provided positive economic benefits. Undoubtedly, there are numerous economic effects on the host rural area arising from tourism, and it may be the only means of promoting the economic advancement of less-developed areas lacking in other resources.

The findings of this study support the contention that rural tourism development is increasingly being used for sustainable development. Rural tourism not only generates economic benefits to the local area, but also has exceptional advantages for developing the local community. As previously mentioned, in Huangshan village, a great part of tourism income is generated by the local households that are small and are often independent businesses. “Community-based tourism is a more sustainable form of development than conventional mass tourism because it allows host communities to break away from the hegemonic grasp of tour operators and the oligopoly of wealth elites at the national level” (Timothy, 2001:150). Therefore, in Huangshan village, farm-based tourism is a more sustainable development form for the community. Much of the social and cultural transformations, and the new ideas and behaviour, have arisen from tourism. Although there are moral and ethnic conflicts that exist in the host society, the evidence of Huangshang village suggests that the ethnic tourism development based on the Naxi culture provides an alternative which protects the local environment and culture.

This study has also indicated a successful approach to develop local areas based on tourism by cooperation between government and the local community. However, if tourism is an appropriate development strategy then more use could be made of sector inputs. In some cases in Yunnan, tourism is one important element in community development, but it also is an important part of the regional development action plan. Ethnic tourism development in the region is not only a form of

combining cultural and natural resources of a local community, it is also a more sustainable development form based on the farm operation, local community management and regional government guidance. With ethnic tourism development, the social structure of traditional rural life and the model of traditional agriculture life were changed in many villages. Following on from this change the traditional socio-political views are being influenced by a new community social order.

In summary, despite some environmental and cultural concerns, it is argued that tourism, as a regional development strategy in Yunnan has been successful. It has restructured and revitalised the regional economy, provided a means to raise incomes and through this, to improve people's standards of living. Tourism as a development strategy can play a prominent part in promoting regional overall development.

Tourism is now at a stage where progress can continue.

8.3 Limitations of the study

With hindsight, the study could have given more attention to non-economic impacts arising from the use of tourism in regional development. Initially, the study's objectives and research focus was on the economic transformation, which was reported in Chapter six. However, in the course of the field work it became clear that there were important non-economic impacts in regional development process, which are reported in chapter seven. These particular changes were spin-offs from the

regional economic change and deserved more detailed exploration. From a methodological point of view, an enhanced coverage of these changes, and more possibly, the use of computer software to analyse the qualitative data, would have provided an additional output from the study. However, despite the limitations of the data it was considered important to present it in Chapter Six as it provides a platform for further research.

8.4 Thesis Contributions and Implication

Regional development in China has become a very significant subject for research. The development of the western region is particularly important because of its historic underdevelopment. Based on this case study in Yunnan, there is a strong argument for continuing the role of tourism in western regional development.

First, this study has illustrated the role of tourism as a pillar industry and its contribution as a part of regional development strategy in the western region of China. It is argued that the statistics and other evidences presented justified this designation and choice of Yunnan as a study area.

Second, as a pillar industry in regional development, the importance of comparative advantage and supported by specific tourism development policies at the regional level has had main benefits.

Third, the tourism industry has stimulated development through a rapid growth of tourist demand, direct public revenue contributions, expansion of tourist enterprises and its catalytic affect on regional economic development including human development and enterprise activity.

Fourth, the case study identifies that tourism as a regional development strategy to has successful in Yunnan and suggests that a similar approuch may be appropriate in other western regions in China.

Fifth, tourism can be a development option at different levels within the province – urban and rural. Tourism can be used in government policies to focus on issues of “equity”, “poverty”, and “sustainability”. This study might be helpful to give representatives of rural communities an opportunity to use tourism in solving some problems in an underdeveloped area. Using tourism as a development strategy, rural tourism not only makes direct impacts on people’s lives, but uses cultural, ethnic and natural resources, which are often comparative advantages of a local community. In the peripheral and poorer areas, community involvement in tourism may be the only option for rural regeneration and diversification.

Sixth, despite the trend in the literature to argue for a more prominent role for the private sector in tourism development, in China during the period of the study, this was not appropriate. It is suggested that in China a combination of national and

regional policies backed by investment, has instituted a successful development process which is supporting the private ownership initiative.

The contributions of the thesis have significance for practical implementation of tourism policies in western regional development. The results of this study have provided support to confirm the positive position of tourism's contribution in Yunnan. It is noted that care in the planning process must be taken to protect the environmental and cultural base from tourism as development strategy.

8.5 Recommendations for Further Research

Although some insights have been gained from the evaluation of the role of tourism in regional development, the task of the research is not complete. Tourism is a contentious and complex area, both in theory and practice. Some further research areas are noted below:

- A necessary follow-up study would be to examine in detail some of the planned tourism targets (indicators) and explore if they have been achieved and if not, why not.
- To explore some of the 'multiplier' impacts of tourism in Yunnan.
- To consider how the experiences of Yunnan in using tourism as development option can be transferred to other western provinces.

- At different regional levels, there may be need for an investigation of the appropriate administrative structure to support tourism development
- A study of the social, cultural and environmental effects of tourism at the regional level.

Hopefully, in the wider horizon, this study has shown that this framework can support further research on tourism in regional development. Although this case study in Yunnan is only exploratory and has limitations, it seeks to provide a base for further work in this area, and in particular in western regions of China.

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Appendix I:**Annual Inbound Visitor Arrivals 1978 – 2002 in China**

Year	Inbound Visitors (millions)	Growth (%)
1978	1.81	--
1979	4.20	133.3
1980	5.70	35.7
1981	7.77	36.1
1982	7.92	2.0
1983	9.48	19.5
1984	12.85	35.6
1985	17.83	38.7
1986	22.82	27.9
1987	26.90	17.9
1988	31.69	17.8
1989	24.50	--20.0
1990	27.46	12.0
1991	33.35	21.4
1992	38.12	14.3
1993	41.53	8.2
1994	43.68	5.8
1995	46.39	6.1
1996	51.13	17.0
1997	57.59	12.6
1998	63.48	10.2
1999	72.80	14.7
2000	83.48	15.0
2001	89.01	6.6
2002	97.91	9.9

Appendix II:**International Tourism Receipts 1978 – 2002**

Year	Receipts(US\$ millions)	Growth (%)
1978	263	--
1979	449	70.9
1980	617	37.3
1981	785	27.3
1982	843	7.4
1983	941	11.6
1984	1,131	20.2
1985	1,250	10.5
1986	1,530	22.5
1987	1,862	21.6
1988	2,247	20.7
1989	1,860	-17.2
1990	2,218	19.2
1991	2,845	28.3
1992	3,947	38.7
1993	4,683	18.7
1994	7,323	--
1995	8,733	19.3
1996	10,200	16.8
1997	12,074	18.4
1998	12,602	4.4
1999	14,099	11.9
2000	16,224	15.0
2001	17,792	9.7
2002	20,385	14.6

Appendix III:

20 Top Tourist Generating Countries to China in 2004

Ranking	Nationality	Inbound Tourists (10,000 persons)	Total Ratio (%)	Growth Rate (%)
1	Japan	333.43	19.7	47.9
2	ROK	284.49	16.8	46.2
3	Russia	179.22	10.6	29.8
4	USA	130.86	7.7	59.1
5	Malaysia	74.19	4.4	72.5
6	Singapore	63.68	3.8	68.4
7	Mongolia	55.38	3.3	32.4
8	Philippines	54.93	3.2	20.0
9	Thailand	46.42	2.7	68.5
10	U.K.	41.81	2.5	45.0
11	Australia	37.63	2.2	53.3
12	Germany	36.53	2.2	64.5
13	Indonesia	34.98	2.1	50.9
14	Canada	34.80	2.1	51.1
15	India	30.94	1.8	41.2
16	France	28.11	1.7	80.1
17	Vietnam	16.97	1.0	30.2
18	Kazakhstan	16.25	1.0	81.2
19	Italy	12.23	0.7	85.9
20	Netherlands	11.74	0.7	72.8

Sources of Appendice I, II and III: The Outline of China Tourism Statistics, CNTA, 2005

Appendix IV: A list of Main Interviewees

Name	Code	Status	Address
<u>Local Officer</u>			
Lou Mingyi	LO01	President	Yunnan Province Tourism Administration
Chen Suyun	LO02	Director	The President's Office, Yunnan Province Tourism Administration
Zhang Dayuan	LO03	Director	Department of Tourism Planning, Yunnan Province Tourism Administration
He Jingyan	LO04	Director	Lijiang City Government
He Wenming	LO05	Director	Tourism Office, Lijiang City Government
Wang Jinlong	LO06	Director	Huangshan Village Government, Lijiang, Yunnan Province
<u>Academics Researcher</u>			
Zhang Quhanqin	AR01	Professor	The School of Hospitality and Tourism, Hong Kong Polytechnic University
Chen, T.	AR02	Professor	The School of Hospitality and Tourism, Hong Kong Polytechnic University
Wu Jianguo	AR03	Professor	Vice-President, Yunnan University
Tian Li	AR04	Professor	The School of Tourism Management, Yunnan University
Du Jiangchuan	AR05	Professor	The School of Tourism Management Yunnan University
Yang Yun	AR06	Lecturer	Kunming University, Yunnan

Tourism Operator

He Wenlong	TO01	Manager	Wenlong House, Huangshan Village, Lijiang, Yunnan
He Wenxian	TO02	Manager	Wenxian House, Huangshan Viillage, Lijiang, Yunnan
Yang Ruixiang	TO03	Manager	Ethnic Tourism Company of Huangshan, Lijaing, Yunnan
Wu Jizhong	TO04	Manager	Ethnic Tourism Company of Huangshan, Lijaing, Yunnan
Zhao Mou	TO05	Manager	Tourism Retail Shop, Old City of Lijinag, Yunnan
Yang Jie	TO06	Manager	Kunming International Travel Agency, Yunnan

Local Resident

Yang Wei	LR01	Manager	Lijiang School of Tourism and Culture Yunnan University
Qu Dan	LR02	Teacher	Lijiang City, Yunnan
Yang Yaowu	LR03	Driver	Lijiang City, Yunnan

Appendix V: Questions Asked in Each Interview

(Kunming and Hong Kong)

Part One: Tourism Development in Yunnan

- What progress has been made in tourism development in Yunnan since the 1980s? How do you assess the rapid growth of tourism in Yunnan?
- What are the features of tourism development in Yunnan? How is tourism recognised as a priority growth sector in Yunnan's regional economy?
- What are the major factors affecting tourism development at the regional level and in particular, in the underdeveloped areas?
- What are the regional comparative advantages in encouraging tourism development in the western regions in China?
- Is there a general tourism development strategy in Yunnan? What is the relationship between tourism development and Yunnan's regional development?
- What were some of the issues faced in formulating and implementing the strategy and planning for tourism development in Yunnan?

Part Two: Tourism and Yunnan's economic development

- What has been the contribution of the tourism industry been to regional economic development in Yunnan?

- How does the regional government assess the tourism industry as a long-run economic growth factor in Yunnan's economic development?
- At the regional level, do you consider that the rapid development of the tourism industry has corrected or reduced interregional imbalance of income or development inequalities?
- What are the special contributions of the tourism industry in solving the special economic problems in some underdeveloped areas?

Part Three: Tourism as a main industry: policy implication

- Why did Yunnan Province's government identify tourism as a pillar industry in Yunnan? How was the tourism industry established as the main industrial position in Yunnan's regional development?
- How do you assess the change of the tourism industry in Yunnan? What are the major characteristics of tourism as a pillar industry in regional development?
- What are the special policies for tourism as a pillar industry in Yunnan? How was the special policy formulated in Yunnan?
- Has the special policy achieved its stated objectives for tourism development? What were the main impacts on the tourism industry in Yunnan?

- How do you evaluate the role of the government for the establishment of tourism as a pillar industry in planning and regulating tourism development in Yunnan?

(Lijiang City, Yunnan Province)

Part four: Tourism in the Regional Development Process

- What are the main goals of regional development for Lijiang? Which one is most important?
- What are the problems of regional development in Lijiang?
- What does the tourism developments mean to Lijiang?
- How do you assess the main change in Lijiang's economic development since tourism was recognised as a pillar industry?
- Do you think the influences of tourism were reduced poverty and income inequality in regional development?
- What has been the role of tourism in changing the social economic structure in the regional development process?
- What is the role of tourism as a development strategy in the process of regional development and modernisation?

Part five: Semi-Structured interviews with Community Involvement in Rural Tourism in Huangshan Village of Lijiang

(Structured Questions)

1. What is your job title?
2. How old are you?
3. How many years have you lived in this village?
4. What is your previous work and experience?
5. Briefly? What is your job history?
6. What type service have you provided to tourists in your business?
7. How many years have you been in this business?
8. How many of your family members work with you?
9. How many employees do you have?
10. Do you know how many other families have worked in similar on the businesses to yours in this village?
11. Can you describe how you started this business?
12. Who are the other people (Groups/individuals) you have direct or indirect business relationship with?

13. Please describe the role of local government in your business?

14. Why are local community and local action groups concerned to support you and other farmers engaged in the tourism business?

(Open Question)


- What are the main changes in your life since you have worked in the tourism business?
- How do you think of improving the quality of life through rural tourism development?
- Please describe the changes of local people in their behaviour, traditional ceremonies and life attitudes because of tourism development.
- How did the tourism affect the local culture?
- Who really benefits from the rural tourism development?
- How has rural tourism affected the traditional life of local areas?
- Does tourism promote the development of the local community?

Appendix VI The role of tourism in regional development in Yunnan as perceived by the respondents

	Strengths	Weaknesses	Opportunities	Threats
LO01	<p>“The tourism industry, however, is not only a source of new income; it is also an important drive for regional economy. In Yunnan, the size and growth rate of tourism income suggest that the tourism industry has now assumed greater importance and could be a leading instrument of development in the region. The rate of tourism growth has exceeded the average level of national and regional industrial development.”</p>	<p>“Of course, some external events that beyond our control could interrupt and affect tourism growth such as the earthquake of Lijiang in 1996 and the SARS outbreak recently.”</p>	<p>“There are many factors and changes that could positively affect Yunnan’s tourism development: the Western Development Strategy announced by the central government; the improvement of infrastructure; and the policy of tourism as a pillar industry in Yunnan. Tourism has now firmly assumed a priority position in the provincial government’s regional development strategy of Yunnan”</p>	<p><i>Silent</i></p>
LO02	<p>“Tourism as a pillar industry in Yunnan is reflected on the rapid growth of tourism based on the model of ‘market demand pull’ and ‘continuing growth’”</p> <p>“Tourism as a key industry is also based on the comparative advantages of Yunnan’s tourist resources and its favourable location.”</p> <p>“The growth of tourism has brought overall economic and social changes in the region. It has stimulated the process of development and contributed to the modernization of Yunnan.”</p>	<p>“Tourism as a rapid growth industry in Yunnan would not resolve some problems of the balance growth of regional economy.”</p>	<p>“Tourism has been recognized as a pillar industry in the regional development strategy in Yunnan which means that tourism is now in a priority position regarding to resource allocation and growth opportunities in the regional economy.”</p>	<p>“The destructive effects caused by tourism growth, especially relating to the physical and cultural aspects, could potentially damage the resource base of which tourism</p>

				growth depends upon.”
LO03	<p>“Yunnan has rich tourist resources that are better than the other regions of China. Although Yunnan is situated in Southwest China, it has also the natural feature like North regions such as Snowy Mountains as well as warm sub-tropical climate. In addition to its natural resources, Yunnan has also rich ethnic cultural attractions.”</p> <p>“It is very clear of the ‘push’ role of tourism in the less developed areas, especially for poverty alleviation.”</p>	<p>“There are weaknesses in the implementation of tourism plans which need to be tackled through coordinated efforts of the local communities, tourism businesses as well as governments of all levels.”</p>	<p>“From 1992 to 2002, tourism plans had been made at the three government levels including province, city and county. In Yunnan, many sub-regions have already made tourism development as the main development strategy to promote regional growth and modernisation. The main initiatives have been focused on the expansion of infrastructure and protection or enhancement of tourism resources.”</p>	<p>“The lack of investment funds has led to substantial regional disparity in tourism development.”</p>
LO04	<p>“The development of tourism in Lijiang has witnessed three major changes: First the ‘quantity’ changes that began in 1992 when the Yunnan provincial government decided to develop tourism as a main industry in Lijiang. Since then, tourism has grown rapidly with the number tourist arrivals increased from 90,000 in 1994 to 3.37 million in 2002.</p> <p>Second, the changes of ‘quality’ of tourism in the regional economy. The contribution of the tourism industry in the economy reached 46.7 % in 2002. The change in the industrial structure can also be reflected in the ranking of industries, from agriculture, manufacturing and tourism in 1994 to tourism, manufacturing and agriculture in 2002.</p>	<p>“the cultural conflict caused by the more than 3 million visitors a year. In particular there are nearly 10,000 visitors in Naxi Old City every day, and 1,600 of the 6000 Naxi</p>	<p>“Lijiang is recognised as one of the most famous tourist destinations in China that have wide provision of affordable tourism service facilities by the strong support of Yunnan government. For example, it has formed a wide range of tourism resources and it is well known in China including ‘one mountain’ (Yulong Snow Mountain), ‘one city’ (Old City), ‘one lake’ (Luhu Lake), ‘one culture’ (Dongbu Culture), and ‘one custom’ (Naxi Folk custom).</p>	<p>“The very lower price of tourism production and the influence of special events to tourism development”</p> <p>“ the large fluctuation in tourism growth rates and the</p>

<p>11</p>	<p>Third, the changes of <u>social life</u>. Ten years ago, the majority of Lijiang population were local farmers with very lower income. Today, many individuals and families work for or set up and manage their tourism businesses and over 40% of the population are related to tourism in most villages and the rate reached 60% in some areas like Huangshan village. With rising income mainly from tourism, the life-style or quality of living has also improved.”</p>	<p>homes are currently besing used as tourism facilities, So, it is concerned that Lijiang is no longer the Lijiang of Naxi people.”</p>		<p>seasonal changes in tourist numbers”</p>
<p>LO05</p> <p>12</p> <p>13/12</p>	<p>“The change of Lijiang came from the opening-up to outside, both to other regions in China and to the world. In 1985, due to the drive for tourism development, Lijiang opened to foreign visitors; it is also the beginning of Lijiang’s regional development and modernisation.”</p> <p>“For the development of any region, it is very important to find an industry as a key sector which may meet the requirements of regional and national development. During the past thirty years, agriculture and other relevant industries have not achieved a developmental breakthrough in Lijiang. From 1992, the tourism industry provided a new economic growth point and then became the main industry for Lijiang’s development. Tourism development is changing the social-economic structure of Lijiang and which is the biggest change in Lijiang’s development history.”</p> <p>“The changes of Lijiang in the regional development process, was not only the growing number of people working in tourism industry and the increasing of income, tourism has brought overall developmental changes including way of life, social culture and human development.”</p> <p>“Tourism is now a pillar industry: first its contribution to</p>	<p>“There are some weaknesses or limitations in the tourism development plan at the local level because the plan was only made by the Provincial Government.”</p>	<p>“From 1992 to 2000, a series of tourism infrastructure projects have been supported and financed by Yunnan’s government and changes have occurred quickly in Lijiang including 12 key tourism projects at the national and regional levels had been carried out since 1994; Lijiang Airport was opened in 1996; Lijiang ‘s Old City in 1997 and Three Rivers Flowing in Parallel in 2000 that were accorded World Heritage Site status by UNESCO.”</p> <p>“In the implementation of tourism priority development strategy, rural tourism has become an important aspect of tourism development in Lijiang based on community involvement in tourism for regional development.”</p> <p>“The huge growth of domestic tourism has also made Lijiang a major tourist destination in China.”</p>	<p><i>Silent</i></p>

	<p>Lijiang's economy was 47 % of GDP and close to 50% of local income in 2002; second it was reflected in the comparative advantages of tourist resources and the leading role of local government in tourism development based on market forces."</p>			
<p>LO06</p>	<p>"Rural tourism has vital role as a tool to develop the local economy in today's Huangshan village" "Now there are 66 Naxi households which have been designated to be 'Fixed Hospitality Farm Household' to provide the special Naxi Tour of Folk Custom to visitors." "Because the majority of Naxi population are local farmers, the farmer's development means an improvement in the minority's living condition as a part of economic development in Yunnan." "In Huangshan village, the agriculture development corresponds with tourism development so that more farmers could be able to enjoy the benefits of tourism." "Ethnic tourism development is also playing an important role to protect local minority's culture."</p>	<p>"The lack of information and marketing knowledge are still a weakness of ethnic tourism development at the local areas."</p>	<p>"Now, the government has to make rural policies to guide ethnic tourism development and provide a standard to manage the operation of household with appropriate home characteristics, garden design, hygiene, and service. The local government also gives financial support to farmers, which will be helpful to the farmer diversifying their investment into new business. Of course, it is also important to train the farmers. Trainings based on the management standards designed by local government can improve farmer's education levels and enhance their competency to manage their business."</p>	<p><i>Silent</i></p>
<p>AR01</p>	<p>"Since the implementation of opening-up and economic reform policy after 1978, the nature of tourism gradually shifted and changed to a key economic activity." "For tourism development in China, it has been recognised as an important tool to resolve some special economic problems."</p>	<p><i>Silent</i></p>	<p>"In 2001, Yunnan Province government made the 'Yunnan Province Tourism Development Master Plan', with the help of the CNTA and WTO, which announced the basic target of tourism to become a major socio-economic sector and a pillar industry to achieve regional modernisation and sustainable development in Yunnan."</p>	<p><i>Silent</i></p>

AR02	<p>“From the elements of management, there are three aspects which directly affect the development of tourism in Yunnan: tourism resources, tourism policy and human resources. Yunann has unique and diversified tourism resources, especially in spatial distribution that is better than many regions in China, at the same time there are also very rich human resources for tourism development.”</p>	<p>“There is a process of tourism resources turning into tourism products which affect the quality of tourism development. The process is still having problems in the orientation of tourism product.”</p>	<p>“The development of human resources for local people has occurred since tourism has been a major industry. The change could be seen from people developing themselves through their new roles in the process of tourism and regional development.”</p>	<i>Silent</i>
AR03	<p>“The development of undeveloped regions is described as a process of modernisation. As a general strategy in Yunnan the modernisation process started from its opening-up to the outside world. In this process, tourism has played a very important role.”</p> <p>“Development and modernization of Lijiang has affected the local society and it is bringing the area into the modern world.”</p> <p>“For example, Lijiang Old Town has already changed substantially because of the influence of outside world. With scores of cafes that serve Western foods; bookstores that carry</p>	<p>“Now there are very few Naxi People living in the Old Town of Lijiang. With their homes used as a tourism product to attract visitors, many people worried about Naxi</p>	<p>“Community involvement in tourism provides an opportunity to protect the local cultural resources.”</p> <p>“Rural ethnic tourism is organised through ‘farm household + firm’ and the farm-based tourism promotes community involvement in sustainable tourism development in the village like Huangshan village.”</p> <p>“The ethnic tourism products are operated by local farms based on their traditional</p>	<i>Silent</i>

	English-Language books and shops that mostly sell T-shirts printed with fake Dongha characters and other non-authentic items, many of the original Naxi life style have disappeared. In fact, today we can not feel the difference between Naxi people and Han people in Lijiang. The Naxi society has also changed because of the changes of traditional life styles.”	culture they have seen is already not the authentic traditional Naxi culture.”	life styles that allow rural tourism development to promote the local culture in the development process.”	
AR04	<p>“Tourism is one of the most important economic sectors in Yunnan and a new growth pole. In recent years, based on the rapid growth of tourism especially the expansion of tourism infrastructure, some undeveloped regions like Lijiang has become a new economic centre. As ‘a space translation’ for regional development, tourism as a pillar industry has helped many undeveloped regions to reduced the inequality in development between the centre and the poor or remote regions.”</p> <p>“The structure of tourism development in Yunnan has determined some important aspects of regional developmental structure such as the exploitation of resources, distribution of regional development, rational division of labour, and the control of adjustment of regional development. In Yunnan’ s regional development, the ‘three main travel lines’, ‘four main tourist destinations’ and ‘six main tourism districts ’ in fact have covered all aspects of overall development in Yunnan.”</p>	“There are weaknesses in the implementation of tourism development plans and some development targets would not meet the requirements of local regional development.”	<p>“In tourism development, Yunnan had made a tourism master plan which was based on the relationship between national, province and local area at the different regional levels. The successful planning was carried out to enhance Yunnan as a world-class destination for tourism development through a series of investments form the central government and foreign investors.”</p> <p>“The establishment of industrial position of tourism as a pillar industry offered very good developmental environment for tourism development. In 1995, the Tourism Development Fund was established by Yunnan Government which has reached about 200 million Yuan a year.”</p>	<i>Silent</i>
AR05	<p>“Considering tourism as a main industry at the regional level, for the local government, it is the contributions to economic growth and the role of the industry in local financial revenue.”</p> <p>“In regional development, more importantly, local residents have already enjoyed the benefits from tourism development</p>	“It is clear now that it’s dangerous to depend solely on the tourism	“The rapid growth of tourism in Yunnan was based on the ‘market demand pull’ and ‘resource advantages’ and this growth has very big development space in the future.”	<i>Silent</i>

	<p>in the economy, social life and their self development.”</p> <p>“There are regional comparative advantages for tourism development in Yunnan. But the development of a new industry like the tourism depends on the resource advantages and the potential market.”</p> <p>“In industrial development, the rate of state enterprise is much higher which is about 70-80% in Yunnan. Industrial development faced more problems such as the very high investment and lack of market. Therefore regional development in many regions depends on a new industry like tourism with comparative advantages.”</p>	<p>industry in economic development.</p> <p>The main problems in Yunann are: one the one hand it is the lack of investment and on another it is difficult to form large-scale production in industrial development.”</p>	<p>“At the sub-regional development level, many regions have already made tourism development the main development tool to resolve special social-economic problems especially in sustainable development and poverty alleviation.”</p>	
AR06	<p>“Tourism development in Yunnan has directly led to the opening up of undeveloped regions like Lijiang and the further opening-up for tourism development has provided future opportunities of social-economic development in this region.”</p> <p>“Therefore, the development of tourism in Yunnan originates from the opening-up policy, but tourism development ensures the further opening-up of Yunnan, As a result, tourism and opening-up offer a broader and continues foundation of development and modernisation in Yunnan.”</p>	<i>Silent</i>	<p>“Now it is the best time for combing the development of tourism with the further opening-up of Yunnan and modernisation with the support of the Development Strategy for Western Regions from the central government.”</p>	<i>Silent</i>
TO01	<p>“Developing rural tourism, our farmers have had more benefits. Before we were worried about whether we have enough to eat, but now we are thinking of which food is better to eat. Now, many households like my family earn an annual income of 20,000 Yuan or more. With more income we could spend on rebuilding our houses, travel and education of</p>	<p>“The service of the local government remains to be a concern. It should look for</p>	<p>“Because of rural tourism, the relationship between the household and the government has also changed.”</p> <p>“I have known that the idea of people in city is changing and they all have interest to visit countryside for holiday and more</p>	

	<p>children.”</p> <p>“The development of rural tourism has brought about great changes which affect our life. Now we are learning to be a businessman rather than a farmer. We have begun to know some things we didn’t understand before and I feel everything is changing and changing fast. Although I am still a farmer, I have a business card, mobile phone and information notebook.”</p>	<p>market information and provide improved services and to manage rural tourism development more effectively.”</p>	<p>and more tourists from other parts of China are coming to enjoy the rural tourism and Naxi culture.”</p>	
TO02	<p>“Now, not enough of young Naxi people are learning to speak the Naxi language and know the Naxi music or Naxi religion, although some people often talk about Dongba language or religion. I own the ‘Dongba Ge’ as a tourist attraction, but more importantly, I will introduce and teach the Naxi Language or religion to Naxi people and some visitors who are keen to learn.”</p> <p>“Tourism gives me an opportunity to promote the Naxi culture at tourist attraction and in everyday life, and not only for preservation in research institutes and stores. I have known some people have begun to learn the Naxi religious life and culture after visiting my attraction.”</p>	<i>Silent</i>	<p>“Naxi culture has already become a famous tourism product or attraction and many household in our village paid more attention to this as a business for tourists. Now, more people are learning some Dongba language, and the Naxi music and dance have been a popular activity in the Huangshan village.”</p>	<i>Silent</i>
TO03	<p>“The ethnic tourism in Huangshan village was designed by local government and managed through the Huangshan Ethnic Tourism Company. In the early stage of development, there were only ten households in the ‘Fixed Hospitality Farm Household’ service for tourists who had earned income from tourism. With the growth of ethnic tourism, more and more households have begun to operate tourism businesses. Now more than 60% people in this village are in the tourism</p>	<i>Silent</i>	<p>“Now, rural tourism is not only bringing the benefits to local people, but also changing the local culture and life style.”</p> <p>“On the one hand, tourism has brought local people into the modern life; on the other hand, for tourism, more and more households have begun consciously protect their Naxi folk customs at home for</p>	<p>“Naxi traditional culture is damaged due to the cultural conflicts from rapid tourism development.”</p>

	business and their lives are related to rural tourism development one way or another. Community involvement in rural tourism to support Huanshan village's overall development including economic and social changes and rural tourism has been already one part of regional development of Lijiang."		building, gardens and life style. As the tourism attractions for guests, their homes have already become living museums of Naxi ethnic culture."	
TO04	"The tour of folk customs based on the Naxi farmer is not only a reflection of Naxi cultural feature, it is also identified as the biggest advantage to local development using ethnic tourism as a development means to local community."	<i>Silent</i>	"The ethnic tourism at the Naxi villages has been a sustainable development model which offers more contributions to rural development in Lijiang.	<i>Silent</i>
TO05	"I think in Lijiang most people are working for visitors in running small restaurants, hotels, and guiding tours. I am sure that the life style of many people has changed when their job have translated form agriculture to tourist services."	<i>Silent</i>	"Of course, tourism offers more choice for work especially for women in Lijiang."	<i>silent</i>
TO06	"From the opening-up of Yunnan, its rich natural tourism resources, has made it a main destination for international and domestic tourists." "In the Old City of Lijiang alone, in the peak season, there are more than 20,000 visitors a day entering the city. Of course, tourism brings more income for some regions than others."	"But, the pressure on the environment is very big for some area like the Lijiang old City."	"The huge growth of domestic tourism will provide more opportunities for Yunnan's development and Yunnan will be one of the most important tourism destination in China."	<i>silent</i>

Appendix VIII

Introduction Letter from Yunnan Province Tourism Administration (Chinese Copy)

云 南 省 旅 游 局

丽江市旅游局、玉龙县旅游局：

现有东北财经大学旅游学院李力院长，受云南省旅游局委托赴你处进行旅游考察调研，请你单位给予大力支持，安排专人座谈并提供相关的资料。

