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DEVELOPMENT OF AN INTER-RELATIONSHIP MODEL OF THE POLICY-MAKING PROCESS AND ITS APPLICATION IN THE CHINESE MAINLAND TOURISM CONTEXT

CHONG KING

M.PHIL.
THE HONG KONG POLYTECHNIC UNIVERSITY
2000

This study aims to examine the political process of national tourism policy-making in China post 1978 by developing an inter-relationship model of the policy-making process in the context of tourism as a theoretical framework. A descriptive case study and qualitative approach were adopted for this study.

This study has involved development of an 'Inter-relationship Model of the Policy-Making Process' (see figure 2), which attempts to develop an understanding of the policy-making process through identifying, describing and examining the mutual linkages between a set of policy factors. Tourism policy is used as an example to illustrate this model.

Tourism policy is defined in this study as a set of inter-related decisions (or non-decisions) and actions (or inactions), i.e. tourism policy decisions, formulated and implemented by the government and public authorities to deal with the problems, concerns and opportunities in the tourism industry. Generally speaking, tourism policy is specially intended for the development of tourism. It was found that tourism policy in China was an economic and market-oriented policy, which consists of the policy paradigm, basic tourism policy decisions and specific tourism policy decisions. The tourism policy paradigm, which is an intellectual construct towards the development of tourism held by the tourism policy actors in China, directs the formulation of basic and specific tourism policy decisions.
Tourism policy-making in China post 1978 is determined by the interaction and coalescence of the policy factors at the macro, middle and micro-levels. The ultimate reason for the development and change in Chinese tourism policy was the development and change in the two macro-level factors – environment and ideology. It was found that a new ideology would emerge only if the existing ideology could not explain the change in the environment. A change in ideology was the origin of the change in the tourism policy paradigm, which serves as the mini-ideology to guide tourism policy-making and development of tourism. The new ideology together with the specific conditions in the environment shape the new tourism policy paradigm, which is addressed and manifested by the basic tourism policy. From 1978 to the present, the development and change in the tourism policy paradigm has been significant, continuous and profound. Three historical periods have been identified, which reflect the changes in the tourism policy paradigm: Historical Period One – 1978 to 1985; Historical Period Two – 1986 to 1991; and Historical Period Three – 1992 to the Present.

However, the new ideology and new tourism policy paradigm cannot be implemented unless they are institutionalized into the organization, rules and standard operating procedures. So, except for the marketing strategies and product development, institutions building in terms of regulations and standards accounted for the majority of the specific tourism policy decisions. During the process of institutionalization, existing institutions, which embodied the old ideology and old tourism policy paradigm, resisted the new ideology and new tourism policy paradigm, but it finally would change. If there is a conflict of interests, the change in the institutions was slower than when the conflict of interest did not exist.
During the process of tourism policy-making, the Chinese tourism policy actors played the role of policy-oriented learning and coordination, which reflected the interaction and coalescence of policy factors.

Based on the study of tourism policy-making in China, five propositions on the nature of inter-relationships of the policy factors were developed. They are in the areas of (1) environment and ideology; (2) policy paradigm; (3) linkage between the macro-level, middle-level and micro-level policy factors; (4) ideology and institutions; and (5) institutions and interests.

Without exception, this study also has some limitations. The propositions have been developed under conditions of change in the macro-level policy factors, especially ideology. This may only represent one aspect of the nature of inter-relationships. Some policy factors are quite broad and not well operationalized, such as the political environment and tourism environment.

Having applied and examined the ‘Inter-relationship model of the policy-making process’ in the tourism policy-making in China, it is concluded that this model can provide a fuller and more comprehensive understanding of policy-making process.

Key words: policy factor, inter-relationship, policy-making process model, tourism, China, tourism policy-making process in China
Development of An Inter-relationship Model of The Policy-Making Process and Its Application in the Chinese Mainland Tourism Context

Submitted by
Chong King

For the Degree of Master of Philosophy

Department of Hotel and Tourism Management
The Hong Kong Polytechnic University

2000
DEDICATION

This thesis is dedicated to my mother, whose love, encouragement and understanding have always been the momentum in my pursuit of the correct values of life.
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This two-year study to me is stressful yet smooth and challenging yet fruitful, I grow up academically and personally. Here, I wish to express my great appreciation to all people, who helped me develop this thesis.

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- Mr. Wei Xiao-An (魏小安), Director-General of Policy and Legal Department, CNTA. Mr. Wei now has transferred to the Planning and Finance Department of CNTA and serves as Director-General. And, Mr. Feng Zong Su (馮宗蘇), former Director-General of Policy and Legal Department, CNTA. Mr. Wei and Mr. Feng are two important participants in the tourism policy-making and pioneer tourism
researchers in China. Their experience, knowledge and insights helped me unravel the intricacies of the tourism policy-making process in China.

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- Professor Xia Lin-Gen (夏林根), Tourism Program Director, Fudan University, Shanghai, China.

- Mr. Yao Kun-Yi (姚昆億), Associate Professor and Head of Department of Tourism Management, Shanghai University, China.

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## ABBREVIATIONS

### Abbreviations for China

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<th>Acronym</th>
<th>Description</th>
<th>Chinese Translation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BTT</td>
<td>Bureau of Travel and Tourism</td>
<td>中國旅行遊覽事業管理局</td>
</tr>
<tr>
<td>CAAC</td>
<td>Civil Aviation Administration of China</td>
<td>中國民用航空管理總局</td>
</tr>
<tr>
<td>CASS</td>
<td>Chinese Academy of Social Sciences</td>
<td>中國社會科學院</td>
</tr>
<tr>
<td>CITS</td>
<td>China International Travel Services</td>
<td>中國國際旅行社，簡稱‘國旅’</td>
</tr>
<tr>
<td>CNTA</td>
<td>China National Tourism Administration (its forerunner was the State General Administration of Travel and Tourism)</td>
<td>中國國家旅遊局 (它的前身是中國旅行遊覽事業管理局)</td>
</tr>
<tr>
<td>CPC</td>
<td>Communist Party of China</td>
<td>中國共產黨</td>
</tr>
<tr>
<td>CTS</td>
<td>China Travel Services</td>
<td>中國旅行社，簡稱‘中旅’</td>
</tr>
<tr>
<td>CYTS</td>
<td>China Youth Travel Services</td>
<td>中國青年旅行社，簡稱‘青旅’</td>
</tr>
<tr>
<td>DRC</td>
<td>Development Research Centre, State Council</td>
<td>國務院發展研究中心</td>
</tr>
<tr>
<td>MOE</td>
<td>Ministry of Education</td>
<td>教育部</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
<td>財政部</td>
</tr>
<tr>
<td>MOFA</td>
<td>Ministry of Foreign Affairs</td>
<td>(外交部)</td>
</tr>
<tr>
<td>MOFTEC</td>
<td>Ministry of Foreign Trade and Economic Cooperation</td>
<td>對外經濟貿易合作部</td>
</tr>
<tr>
<td>NPC</td>
<td>National People’s Congress</td>
<td>全國人民代表大會，簡稱‘全國人大’</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
<td>中華人民共和國</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Name</td>
<td>Simplified Chinese</td>
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<tr>
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</tr>
<tr>
<td>RMB</td>
<td>Renminbi</td>
<td>人民幣</td>
</tr>
<tr>
<td>SAFE</td>
<td>State Administration of Foreign Exchange</td>
<td>國家外匯管理局</td>
</tr>
<tr>
<td>SBQTS</td>
<td>State Bureau of Quality and Technical Supervision</td>
<td>國家質量技術監督局</td>
</tr>
<tr>
<td>SDPC</td>
<td>State Development Planning Commission</td>
<td>國家發展計劃委員會，簡稱‘國家計委’</td>
</tr>
<tr>
<td>SETC</td>
<td>State Economic and Trade Commission</td>
<td>國家經濟貿易委員會，簡稱‘國家經貿委’</td>
</tr>
<tr>
<td>SGATT</td>
<td>State General Administration of Travel and Tourism (its forerunner was the Bureau of Travel and Tourism)</td>
<td>中國旅行遊覽事業管理總局 (它的前身是中國旅行遊覽事業管理局)</td>
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<tr>
<td>SSB</td>
<td>State Statistics Bureau</td>
<td>國家統計局</td>
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**Other Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Name</th>
<th>Simplified Chinese</th>
<th>Simplified Chinese Description</th>
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</thead>
<tbody>
<tr>
<td>NTA</td>
<td>National Tourism Administration</td>
<td>國家旅遊管理機構</td>
<td></td>
</tr>
<tr>
<td>NTO</td>
<td>National Tourism Organization (or National Tourist Office)</td>
<td>國家旅遊組織</td>
<td></td>
</tr>
<tr>
<td>OECD</td>
<td>Organization of Economic Co-operation and Development</td>
<td>經濟合作和發展組織</td>
<td></td>
</tr>
<tr>
<td>WTO</td>
<td>World Tourism Organization, United Nations</td>
<td>聯合國世界旅遊組織</td>
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Chapter 1 – Introduction

This study has its genesis in the desire to study the political process of national tourism policy-making in China post 1978 by developing an Inter-relationship Model of the Policy-Making Process as a theoretical framework. These two endeavors are mutually complementary, since an examination of the tourism policy-making process in China requires a theoretical framework to guide the study, and the application of this framework in a real setting serves to verify its relevance and appropriateness in studying the policy-making process.


Generally, five reasons drive this study to examine the tourism policy-making process in China post 1978. They are:

(1) Tourism is an active policy area of the Chinese government post 1978;

(2) Tourism policy in China is centrally controlled and dictated by the central government, which enables it to be readily distinguished;

(3) The Chinese tourism policy has played a key role in the development of tourism;

(4) The Chinese tourism policy has both satisfactory and unsatisfactory outcomes;

and,

(5) There is a lack of understanding of the tourism policy-making process in China.


Strictly speaking, China tourism before 1978 was mainly seen as a political vehicle. It served the political purposes ‘Civil Diplomacy (民間外交)’ to ‘propagandize the achievements of socialist China, to expand the world political influence of China, and to promote the international understanding and friendship
between the Chinese people and the rest of the World via receiving tourists’ (Han 1994; Chong, 1996; Zhang, Chong & Ap, 1999). It was not directed at deriving economic benefits and tourists coming to China were mainly invited guests. So, the nature of Chinese tourism before 1978 was politics only and it was neither an industry nor an economic activity (Gao & Zhang, 1983; Wei & Feng, 1993; Zhang, Chong & Ap, 1999).

The year 1978 is of great significance for China tourism development, in which the Communist Party of China (CPC) (中國共產黨) held the Third Plenary Session of the Central Committee of its 11\textsuperscript{th} Congress. An influential decision on the national goal of China was made to shift it from political struggle to economic development (Zhang, 1995) and the CPC decided to adopt the Economic Reform and Open-door Policy (改革開放政策).

The long time Closed-Door Policy (閉關政策) (1949 – 1977) and the Cultural Revolution (文化大革命) (1966 – 1976) resulted in the economic and social development of China lagging behind the rest of the world. China was in urgent need of foreign exchange to fund its economic development. The economic role of tourism as means to earn foreign exchange earning and provide employment was recognized and thus emphasized by the Chinese government (Chong, 1996; Zhang, Chong & Ap, 1999). But, this did not mean that the Chinese government ignored the political and social functions of tourism. The Chinese government still designated tourism to promote international friendship and to facilitate social and cultural exchange between the Chinese people and the rest of the world. Since then, the Chinese Central Government has decided to develop tourism as an economic activity.
in all possible ways and in its own style. Consequently, the Central Government has been actively involved in the national tourism policy-making.

Chinese tourism policy is viewed in this study as a set of inter-related decisions (or non-decisions) and actions (or inactions) specially intended to develop tourism, i.e. ‘tourism policy decisions’ (Simmons, Davis, Chapman & Sager, 1974; Jenkins, 1978; Anderson, 1979, 1990; Lindblom, 1980; Dye, 1987; Hall & Jenkins, 1995; Howlett & Ramesh, 1995). These decisions are broad scope in scope, ranging from the macro-level such as positioning tourism in the national economy to the industry level that deal with the operation, investment and management of tourism businesses.

Over the past twenty years, the national tourism policy in China has witnessed a significant and profound development and change. For example, tourism was initially designated by the Central Government as a foreign exchange earner, but in 1999, it was positioned as one of the ‘new growth points of national economy’ (國民經濟新的增長點). In the early period, government tourism policy was entirely supply-oriented, but now, it is focused on both the supply and demand sides of tourism.

1.1.2. Centralized Political and Economic System

Since 1949, China had adopted the centralized political and economic system, the national policy-making and allocation of resources mainly proceeded at the Central Government level. Thus, tourism policy in China was centrally
controlled and dictated by the Central Government, which enabled it to be readily distinguished.

1.1.3. Significance of the Chinese Tourism Policy

Generally, national tourism policy in China has played a dominant and decisive role in the development of tourism. China has been a socialist state since 1949 and adopted the central-planned economy model (中央計劃經濟模式). Although the Chinese leadership formally announced to establish the Socialist Market Economy Model (社會主義市場經濟模式) in 1992, China is still in the transitional stage of transformation from the planned economy to a market economy.

Under the planned economy model, resources allocation was entirely and rigidly controlled by the central government. State-owned enterprises, either managed by the central government or local governments, dominated economic development in China. Prior to 1978, private ownership was almost non-existent. Thus, in the initial period of tourism development (1978 – 1985), China could not follow the practice and experience of the capitalist developing countries with the private sector playing an important role in investment and management in the development of tourism, such as the cases of Thailand and Malaysia (Elliot, 1983, 1987; Woon, 1989). This study argues that in China, the central government is the dominant and decisive actor in the economic development of the country, and this undoubtedly applies to the development of tourism.

Without the launch of the economic-oriented tourism policy in 1978, the tourism sector in China would not have been able to develop tourism as an economic
activity based on its traditional political role. Due to the lack of a market mechanism, private sector, the mature and economic-oriented tourism sector, it can be concluded that tourism in China could not have become a significant economic industry in the absence of the national tourism policy.

1.1.4. Satisfactory and Unsatisfactory Outcomes

In general, the national tourism policy in China has successfully transformed tourism from being a political vehicle to a significant economic industry. By 1998, international tourism earned US$ 12.6 billion of foreign exchange, a 47 fold increase from US$ 262.9 million in 1978 [China National Tourism Administration (CNTA), 1998 & 1999] (中國國家旅游局). And, the total incomes from both international and domestic tourism accounted for 4.3% of Gross Domestic Product (GDP). By 1998, China had 5,782 hotels, 6,222 travel agencies, and tourism directly employed 1.8 million people [CNTA, 1999; State Statistics Bureau of PRC (國家統計局) (SSB), 1999].

During the development of tourism, the outcomes of some tourism policy decisions performed were satisfactory. For example the introduction of foreign investment in the hotel sector stimulated the development of hotels in the early 1980s. However, some other policy decisions, such as the classification of travel agencies into three categories, was not properly thought out and, hence, it was not successfully implemented.
1.1.5. Current Understanding of the Tourism Policy-Making in China

Due to active tourism policy development in China, its significant role in the development of tourism, and a combination of its satisfactory and unsatisfactory outcomes, it is of interest and value to study the tourism policy-making process in China. However, Chinese tourism policy-making is not well understood, little is known about what the Chinese tourism policy decisions are, which factors affect their formation and how these factors inter-relate together to shape tourism policy decisions?

Some of these studies were conducted at a much earlier period during the 1980s (Gao & Zhang, 1983; Choy, Guan & Zhang, 1986; Richter, 1983b & 1989), while some were not directly concerned with the tourism policy-making process (Gao & Zhang, 1983; Choy, Guan & Zhang, 1986; Zhang, 1995), since policy-making may not have been their main study purpose. Most importantly, all of these studies lacked a solid and comprehensive conceptual framework for the study of policy factors shaping tourism policy-making and their inter-relationships. This study proposes to formulate an inter-relationship model of the policy-making process as an analytical framework to examine the tourism policy-making in China.

In terms of methodology, the data for the most of the above-mentioned were collected at the CNTA level (e.g. Choy, Guan & Zhang, 1986). Yet, according to Lieberthal & Oksenberg (1988), the determination of a sector or industry policy in China requires the involvement of the comprehensive government agencies (Lee & Zhao, 1995) including the State Development Planning Commission (國家發展計劃委員會) and Ministry of Finance (財政部) as well as the national
tourism administration or organization (NTA or NTO), that is CNTA. Therefore, this study not only collected data from CNTA, but also from these higher-level comprehensive government agencies, in order to examine the tourism policy-making from a more comprehensive perspective.

1.2. Development of an Inter-relationship Model of the Policy-Making Process

This study desires to develop an Inter-relationship Model of the Policy-Making Process as a conceptual framework to examine the tourism policy-making process in China.

1.2.1. Concept of Inter-relationship and Study of Policy-Making Process

The policy-making process is a key area of public policy research, which focuses on the factors affecting policy formulation and implementation (e.g. socioeconomic environment, ideology), as well as the subsequent effects of policy (Sabatier, 1991). This study delineates these factors as ‘policy factors’ (政策因素).

When commenting on various factors affecting public policy-making, Simeon (1976: 566) pointed out that: none alone provides a full understanding, and they are more usefully seen as complementary; each makes some contribution; and policy emerges from multiple causes. He suggested linking the factors to each other, trying to delineate both their inter-relationships and their independent contributions.
Based on the implications of the studies from Simmons, Davis, Chapman & Sager (1974: 460) and Simeon (1976: 566), this study suggests that policy is shaped by the interaction and coalescence of multiple policy factors with each factor playing a role in the formation of policy. These factors inter-relate together to determine policy. So, the focus of this study is on the inter-relationships in the policy-making process, rather than isolating one policy factor from others. The inter-relationships of policy factors are a core concept that can provide a fuller understanding of the policy-making process, because it covers and examines the whole process of policy-making, rather than simply identifying and describing the various process components. Besides being a core concept, it is also recognized as a fluid and complex phenomena that, at best, is difficult to study.

Although previous literature have examined the inter-relationship of policy factors (e.g. Heclo, 1974; Hofferbert, 1974; Simmon, Davis, Chapman & Sager, 1974; Simeon, 1976; Sabatier, 1991; Hall, 1993; Sabatier & Jenkins-Smith, 1993; Howlett & Ramesh, 1995), this important concept is still not well developed. Neither its role and function are delineated nor have there been any propositions developed, which identifies the nature of inter-relationships in a policy-making context. Unless the concept of inter-relationships is further developed, and the propositions are identified and examined, the current understanding towards policy-making process cannot be further advanced. This study also attempts to address this gap in the policy literature.
1.2.2. Tourism Policy-Making Process

1.2.2.1. Political Dimensions of Tourism

Political science is the study of power operating in the political system (Elliot, 1983). Although tourism politics 'have been only rarely perceived and nowhere fully understood' (Richter, 1989: 2) and 'same comments still hold true' (Hall, 1994: 1), it has drawn the attention of both the political science and tourism scholars. Since the first discussion about tourism politics was authored by Matthews in 1975 (cited in Richter, 1989), few but quality studies has published over the past twenty years, including Richter (1989), Matthews and Richter (1991), Hall (1994), Hall & Jenkins (1995) and Elliot (1997). The ultimate motivation of these studies is attributed to an indisputable fact that tourism is a highly political phenomenon (Richter, 1989).

The political attributes of tourism can be reflected by many aspects, such as enhancing ideology, improving international relations and undertaking political socialization (Matthew & Richter, 1991; Hall, 1994). In fact, the policy-making process for tourism is by nature a political process. Tourism policy-making involves a wide-range of government agencies such as immigration, civil aviation and planning and development, and interest groups, which introduces different values and interests. So, tourism policy-making is typically a political process involving bargaining, negotiation and coordination.

Whether the tourism phenomenon can contribute to the study of politics depends on whether a study can generate new concepts or constructs. For example, Richter (1989) identified that tourism policy, in a case study of the Philippines, did
not fit the stereotype of policy that was described as something one must make decisions about. Tourism policy, Richter argued, was a ‘chosen policy’. Building up the new concepts through studying the political dimensions of tourism is what the political science and tourism discipline should be concerned with. Generally speaking, tourism is an emerging and valuable context for the study of policy-making process.

1.2.2.2. Significance of Tourism Policy in the Development of Tourism

Compared to its status in political science, no one in the tourism discipline will doubt the need to study policy-making. Tourism has become a significant tool of socioeconomic development in both developed and developing countries. But, where tourism succeeds or fails is largely a function of political and administrative actions and it is not a function of economic or business enterprise (Richter, 1989). There is no industry like tourism, which is so wide-ranging and links to so many diverse and different kinds of other industries (Edgell, 1990; Pearce, 1992; Hall & Jenkins, 1995; Elliot, 1997). So ‘In order to plan for and provide rational order to such a diverse and dynamic industry, it is necessary to develop policies to assist the decision makers in this complex industry’ (Edgell, 1990: 7). As tourism policy is so important to the tourism industry, many researchers such as Richter (1989), Hall & Jenkins (1995) and Wilkinson (1997) have called for more studies on the tourism policy-making process.

1.2.2.3. Tourism Policy-Making Process Model

There are two kinds of research models of the policy-making process – prescriptive and descriptive (Hall, 1994; Hall & Jenkins, 1995). The prescriptive
model advocates how policy should be made relative to pre-established standards while the description model examines policy-making process in the real world (Hall & Jenkins, 1995). Although policy advocacy is important, policy cannot be prescribed nor advocated without an understanding of how policy is actually formulated and implemented. So, description of the policy making-process should precede its prescription and advocacy (Hall & Jenkins, 1995).

Hall’s model ‘Elements in the tourism policy-making process’ represents a pioneer model of the tourism policy-making process (see Figure 1). In this model, Hall (1994) and Hall and Jenkins (1995) describes how tourism policy has developed in the real world. Fundamentally, this model addresses that tourism policy is determined by the interaction and competition of interest groups, institutions, significant individuals, and the institutional leadership. They indicated that the institutional arrangements, values and power arrangements were the three key explanatory elements in determining tourism policy-making.

Figure 1. Elements in the Tourism Policy-Making Process
Source: Hall (1994: 50)
However, according to a number of previous studies (e.g. Airey, 1983; Elliot, 1987, 1997; Smyth, 1986; Woon, 1989; Edgell, 1990; William & Shaws, 1991; & Wilkinson, 1997), the development of tourism policy cannot be independent of the environments, in which the tourism policy actors confront. The term ‘environment’, which summarizes from the above-mentioned studies, includes the (1) political & socioeconomic environment; (2) tourism environment; and (3) national policy. These elements are not incorporated into Hall’s model.

Hall (1994) and Hall & Jenkins (1995) also pointed out the importance of the above-mentioned factors in shaping tourism policy. For example, Hall & Jenkins (1995: 5) indicated that ‘public policy was influenced by the economic, social and cultural activities of society, as well as by the formal structures of government and other features of political system’. Therefore, this study stresses, if the above-mentioned factors can be systemically incorporated, organized and linked together by clearly addressing their inter-relationships in a new model of tourism policy-making process, it can become more comprehensive and rigorous in studying and conceptualizing the tourism policy-making process.

As the concept of inter-relationship is not well developed in the public policy discipline in terms of its role, nature and propositions, this problem unavoidably exists in studying tourism policy-making. Of course, it is acknowledged that the development of propositions on the nature of inter-relationships might not be the primary purpose of the previous tourism policy literature.
In a conclusion, the pioneering works of Hall (1994), Hall & Jenkins (1995) and other relevant studies on tourism policy provide a heuristic role for this study to conceptualize and re-conceptualize the various elements and issues in the tourism policy-making context.

1.3. Research Purpose and Objectives

The purpose of this study is to examine the national tourism policy-making in China post 1978 by developing an inter-relationship model of policy-making process in the context of tourism as a theoretical framework. More specifically, this study has four research objectives:

(1) To develop an inter-relationship model of the policy-making process through:
   
   (1.1) using tourism as a context to illustrate the model;
   
   (1.2) identifying, examining and describing the various policy factors shaping tourism policy; and,
   
   (1.3) identifying and examining the nature of inter-relationships between policy factors

(2) To apply this model to examine the tourism policy-making process in China post 1978 through:

   (2.1) identifying Chinese tourism policy;
   
   (2.2) identifying, examining and describing the various policy factors shaping Chinese tourism policy
(3) To develop a set of propositions on the nature of inter-relationships of policy factors based on the tourism policy-making process in China

(4) To discuss and comment the adequacy of this model in studying the tourism policy-making process in China

1.4. Contributions of this Study

1.4.1. Public Policy Discipline

The concept of 'inter-relationship' is essential to the study of policy-making process and its significance has been highlighted in this study. Yet, this concept is not well understood, nor is it well developed in the existing policy literature. This study represents an initial attempt to apply and develop this concept in the public policy discipline. The development of an inter-relationship model of policy-making process and its empirical application can contribute to a theoretical advancement of the policy process study.

1.4.2. Study of Tourism Politics and Tourism Policy-Making Process

"Twenty years ago Matthews wrote, 'the literature of tourism is grossly lacking of political research.' Today, the same comment still holds true. ...... the politics of tourism is still the poor cousin of both tourism research and political science and political studies" (Hall 1994: 1)

According to Kosters (1984) cited in Hall & Jenkins (1995: 4), 'If a multi-disciplinary tourism science develops without the ingredient of political analysis, it will remain imperfect and incomplete'.
As the politics of tourism is not well studied and understood, tourism policy-making is the focal point of tourism politics. The development of this model, and its empirical application can further advance the current understanding of the political dimensions of tourism.

As the previous models of tourism policy-making are not so comprehensive and concept of 'inter-relationship' have not been properly incorporated, the development of this model can serve as an unified conceptual framework to study the tourism policy-making process.

1.4.3. Study of Tourism Development and Tourism Policy-Making in China

Given the significance of tourism policy in the development of tourism in China, tourism policy-making in China is not well documented, nor is it well understood. The findings of this study provide a comprehensive and insightful understanding of tourism policy development in China, which help tourism policymakers and industrialists in China learn the experiences and lessons in order to maintain and strengthen those excellent policy practices and to avoid replicating poor policy practices in the future. The findings can also provide academics a literature base for further research.

1.5. Definitions of Concepts and Terms

Policy

Policy as used in this study refers to public policy, which is formulated and implemented by government or public authorities. It is defined as a set of inter-
related decisions (or non-decisions) and actions (or inactions) formulated and implemented by government and public authorities to deal with public problems, concerns and opportunities in a society (Simmons, Davis, Chapman & Sager, 1974; Jenkins, 1978; Anderson, 1979, 1990; Lindblom, 1980; Dye, 1987; Howlett & Ramesh, 1995; Hall & Jenkins, 1995).

National Policy

National policy is a master and basic policy of a nation, which determines the broad and general direction for a country, and applies to the whole of society (Dror, 1971a; Dror, 1971b; Wu, 1989). For example, the 'Open-door' policy and 'Economic Reform' are national policies adopted in China.

Sector Policy

The sector policy is defined in this study as a kind of policy that deals with a sector of political, economic and social activities of a society (e.g. tourism, transport and aviation) and sets the guidelines for the development of this sector. For example, tourism policy is a sector policy dealing with the tourism industry.

Sector Policy Paradigm

The sector policy paradigm is defined in this study as an intellectual construct towards the development of a sector of society held by the sector policy actors in a particular country (Hall, 1993; Howlett & Ramesh, 1995). For example, recognition of tourism as an important economic industry is a kind of tourism policy paradigm held by a number of developing and developed countries such as the United Kingdom, Australia and China.
Sector Basic Policy

The basic sector policy is defined in this study as the manifestation of sector policy paradigm and is a set of guidelines that determine the general goals, strategy and plan for the development of a sector. For example, 'developing tourism with a great effort' is a basic tourism policy in China, which has been adopted by the Chinese government since 1978.

Sector Specific Policy

The specific sector policy is defined in this study as a kind of policy dealing with a set of concrete problems, concerns and opportunities in a sector. For example, the introduction of foreign investment in the hotel sector is a specific tourism policy decision dealing with the shortage of hotel supply in China.

Tourism

Tourism is the sum of the phenomena and relationships arising from the interaction of tourists, business suppliers, host governments, and host communities in the process of attracting and hosting these tourists and others visitors (McIntosh & Goeldner, 1990; Hall & Jenkins, 1995).

Tourism Policy

Tourism policy is a sector policy, which is a set of inter-related decisions (or non-decisions) and actions (or inactions) formulated and implemented by government and public authorities to deal with the problems, concerns and opportunities in the tourism industry.
Policy-Making Process

The policy-making process is defined in this study as a process of policy formulation and implementation.

Policy Factors

Policy factors are defined in this study as the factors that affect the policy-making process, they are the elements or ingredients constituting policy, e.g. socioeconomic environment, ideology and power.

Inter-relationships

Inter-relationships are defined in this study as the mutual linkages or connections of human beings and things, e.g. the linkages between a set of policy factors.

Policy-Oriented Learning

Policy-oriented learning is defined in this study as an intended or unintended activity undertaking by the policy actors to understand a set of policy factors, in order to formulate and implement policy.

1.6. Scope of this Study

As the political dimensions of tourism provide an emerging and valuable context to study the policy-making process, the development and application of the inter-relationship model of policy-making process will be used in the context of tourism.
The inter-relationship model of the policy-making process developed in this study is based on the context of a nation, and thus is applied and examined at the national level.

The Chinese tourism policy in this study refers to the national tourism policy formulated and implemented by the Central Government of China. The tourism policies formulated by the provincial and local governments, and tourism enterprises in China are excluded.

Lastly, 'China' in this study refers to Mainland China. China includes Mainland China (中國大陸), Taiwan (臺灣), Hong Kong (香港) and Macao (澳門). Due to the political and historical reasons, Taiwan has been separated from the Mainland China since 1949. On July 1 1997 and December 20 1999, China resumed the exercise of sovereignty over Hong Kong and Macao respectively. Based on the 'One-Country, Two-Systems policy' (一個國家，兩種制度), the socialist system and policies of China are not practised in Hong Kong and Macao.

1.7. Organization of Thesis

This thesis is organized by eight chapters. Chapter One introduces the background, purpose, objectives and scope of this study. The second chapter presents the conceptual framework of this study – the Inter-relationship Model of the Policy-Making Process, which is used to guide the examination of tourism policy-

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1 One country refers to China; two systems refer to the (1) socialist system (社會主義制度) adopted in the Mainland China, and (2) capitalism system (資本主義制度) adopted in Hong Kong and Macao.
making in China. Chapter Three reviews the literature about Chinese tourism policy and Chinese politics and policy-making that are related to this study. A detailed description of research methods designed for this study is addressed in Chapter Four. The research results are reported in three chapters respectively. Chapter Five provides the overview of tourism policy-making in China; Chapter Six investigates the tourism policy actors and tourism policy-making mechanism in China; and the seventh chapter examines tourism policy development in China post 1978. The last chapter presents the propositions derived from the study findings and provides the discussion, conclusion and recommendations for future research.
Chapter 2 – Conceptual Framework

A review of public policy literature reveals that the concept of ‘inter-relationship’, which can provide a more comprehensive understanding of the policy-making process, is not well developed. There is lack of a conceptual framework for studying the policy-making process based on the concept of ‘inter-relationship’. This chapter will address this gap by developing and presenting an inter-relationship model of policy-making process with the use of tourism policy to illustrate this model. The existing policy theories and models, which are related to the concepts of ‘policy factors’ and ‘inter-relationship’, are incorporated into this model with the discussions, comments and re-conceptualizations provided.

2.1. Tourism Policy

2.1.1. Definition of Policy

There is no a universally accepted definition for public policy and this also applies to tourism policy. Generally, policy can be defined as a set of inter-related decisions (or non-decisions) and actions (or inactions) formulated and implemented by government and public authorities to deal with public problems, concerns and opportunities in a society (Simmons, Davis, Chapman & Sager, 1974; Jenkins, 1978; Anderson, 1979, 1990; Lindblom, 1980; Dye, 1987; Howlett & Ramesh, 1995; Hall & Jenkins, 1995). These decisions and actions are usually goal oriented, and are formulated and implemented by a set of policy actors (Jenkins, 1978; Anderson, 1990). Thus, policy is the result of the multiple decisions taken by the multiple decision-makers (Howlett & Ramesh, 1995).
2.1.2. National Policy and Sector Policy

Policies deal with a wide range of problems, concerns and opportunities in a society. Some of them are as broad as the general orientation of a country, while some are as narrow as a specific issue, like the environmental protection, development of tourism. Therefore, policies can be generally classified into two categories – national policy and sector policy (Dror, 1971a; Dror, 1971b; Wu, 1989; Zhang, 1991; Sabatier & Jenkins-Smith 1993; Howlett & Ramesh 1995).

Dror (1971a; 1971b) and Wu (1989) indicated that the national policy or mega-policy, deals with overall goals, assumptions on futures, risk evaluation, degrees of innovation and provides guides for the substantive policy in a country. Generally speaking, the national policy is a master and basic policy of a nation, which determines the broad and general direction for a country and applies to the whole of society. The examples of national policy are the democratic politics and federalism adopted in the United States and Economic Reform and Open-door policy adopted in China. The national policy of a country is often stated and manifested in its constitution.

Unlike national policy, the sector policy is concerned with a sector of political, economic and social activities of a society, such as energy, tourism and transportation, and sets the guidelines for the development of this sector. The sector policy should adhere to and follow the principles of national policy. Actually, there is no clear boundary between national policy and sector policy, as a sector policy will become the national policy of a country. For example, when a country is invaded by another country, the military and defensive policy become the national
policy in order to fight against the aggression. In China, when the focus of
government shifted from political struggle to economic development in 1978, the
economic policy – ‘Economic Reform’ became the national policy of China,
which provided direction for all sectors of the country.

Tourism policy is a sector policy dealing with the tourism industry. It is
defined by this study as a set of inter-related decisions (or non-decisions) and actions
(or inactions) formulated and implemented by government and public authorities to
deal with the problems, concerns and opportunities in the tourism industry.

2.1.3. Nature of Tourism Policy

Almost all governments are involved in the development of tourism. The
tourism industry cannot survive without political and social stability, which can only
be provided by government. Government also provides other services, which are
necessary for tourism development, like immigration procedures to facilitate tourist
arrivals and negotiating bilateral aviation agreements. However, such government
involvement does not constitute a tourism policy because they are not specifically
decided in influencing tourism, although they have implications for tourism in terms
of setting economic and regulatory parameters within which the tourism industry
operates (Lickorish, 1991; Hall, 1994).

Tourism policy reflects government involvement in tourism which is
specifically intended to influence the development of tourism (Lickorish, 1991).
Tourism policy may be negative, but actually most of tourism policies are positive to
facilitate and promote rather than hinder the development of tourism (Hall, 1994).
2.1.4. Types of Tourism Policy

The sector policy comprises a wide range of decisions and actions because rarely do government or public authorities address a problem with a single decision and action (Howlett & Ramesh, 1995). Therefore, it is necessary to classify these decisions and actions into meaningful types. Based on the studies of Wu (1989), Zhang (1991), Hall (1993), Howlett & Ramesh (1995), this study classified tourism policy into three inter-related types of decision and actions. Taking tourism policy as an example, they are: (1) tourism policy paradigm; (2) basic tourism policy decisions; and (3) specific tourism policy decisions.

2.1.4.1. Sector Policy Paradigm

Development of the concept of a policy paradigm

The concept of a 'paradigm' originated from Khun, which refers to a common epistemological vision shared by members of some knowledge-based community, e.g. physicists and economists (cited in Howlett & Ramesh, 1995). Hall (1990, 1993) commenced application of the 'paradigm' to study the public policy-making and initiated the concept of 'policy paradigm' (Howlett & Ramesh, 1995).

Howlett and Ramesh (1995) summarized the policy paradigm as an intellectual construct intimately linked to policy subsystems, which consist of policy actors dealing with a public problem. Hall (1990) pointed out that the policy paradigm established broad goals behind the policy, the related problems or puzzles that policy-makers have to solve to get there. It was largely taken for granted and
rarely subject to scrutiny as a whole. The notable examples of policy paradigm are
the Keynesianism and Monetarism theories in the economic policy-making.

Howlett and Ramesh (1995) indicated that the policy paradigm held a close
relationship to ideology. Yet they did not further compare and contrast these two
concepts, nor did Hall (1990, 1993) do. This study argues that, from the conceptual
perspective, the policy paradigm is identical in nature to ideology. Both ideology
such as capitalism and Marxist-Leninism, and policy paradigm such as
Keynesianism and Monetarism theories are the intellectual constructs – knowledge
as well as a belief, which point out that society and policy-making can be better than
they are. They are basically the plans to improve society. Their difference only lie in
the scope, ideology is designed for the whole of society while the policy paradigm is
specifically for a sector of society, such as economic policy and tourism policy. So
this study defines policy paradigm as a ‘mini-ideology’ for a sector policy area.

Policy paradigm in tourism policy-making

According to Hall (1990), policy-makers in all fields are probably guided by
some paradigm, even though the complexity and coherence of the paradigm may
vary considerably across fields.

Tourism is a young industry, which is developed rapidly after the World War
II (Gee, Maken & Choy, 1989). Since then, its profound economic, social and
political impact has started to draw the attention of government and academics.
However, there is a misconception or prejudice towards tourism. Government or
public sector officials may see tourism as ‘candy-floss’ activity (Elliot, 1997).
Likewise, academic research on tourism is regarded as 'frivolous' and not appropriate for mature scholars (Richter, 1983a; Matthews & Richter, 1991). Therefore, knowledge or understanding towards the development of tourism held by both the government agencies and academics is at the primary and immature stage. It cannot be expected that tourism policy paradigms to be as solid, rich and rigorous as those traditional academic disciplines like economics, the history of which can be dated back to the 18th century.

Yet, this situation does not affect the existence of a tourism policy paradigm and its role in directing the thought of government in deciding tourism policy. For example, recognizing tourism as an important economic activity and developing it in this direction is a common and leading tourism policy paradigm held by many developed and developing countries such as Australia, China, Thailand and South Korea. The idea, in which government is primarily responsible for marketing and promotion, and the development of infrastructure and product is left to the private sector, is an another kind of tourism policy paradigm, held by the Australia and New Zealand government (Hall & Jenkins, 1995).

This does not mean that all countries or regions hold the same or similar tourism policy paradigms. Not all tourism policy paradigms are economic oriented. In Taiwan, the tourism policy paradigm become diplomatic or political oriented when massive foreign exchange had been reserved and accumulated (Hall, 1994). This study argues that different countries will have different tourism policy paradigms, as the environments they encounter and ideology they hold differ. So, the
tourism policy paradigm is defined by this study as an intellectual construct towards the development of tourism held by the tourism policy actors in a particular country.

To sum up, the tourism policy paradigm stands at the highest position of tourism policy decisions, and directs the formulation of basic and specific tourism policy decisions. Only when the tourism policy paradigm is economic-oriented, the basic and specific policy decisions can be economic in nature. For example in China, the tourism policy paradigm before 1978 was entirely political-oriented, tourism was regarded as a part of diplomatic affairs. So, specific tourism policy decisions such as tourism pricing did not aim at making a profit.

2.1.4.2. Basic Sector Policy Decisions

The sector policy paradigm is kind of thought and belief for the development of tourism in a particular country. In order to direct the development of tourism, it needs to be addressed into a concrete set of policy statements. Basic tourism policy, which is the manifestation of the tourism policy paradigm, serves this purpose. It is a set of guidelines that determine the general goals, strategy and plan for the development of tourism. For example, the basic tourism policy in Canada has been developed to enhance the growth and efficiency and to maximize the contribution from tourism, while in Britain, it is also to maximize the contribution of tourism to employment and income (Gee, Maken & Choy, 1989). The basic tourism policy decisions in these two countries reflect the economic-oriented tourism policy paradigms.
2.1.4.3. Specific Sector Policy Decisions

The basic sector policy directs the formulation and implementation of a specific tourism policy decision, which deals with a set of concrete problems, concerns and opportunities in the development of tourism, such as the stagnation in the growth of tourist demand and unsatisfactory quality of services. This type of tourism policy decision contains most of the tourism policy decisions and covers a wide range of tourism issues.

2.2. ‘An Inter-relationship Model of the Policy-Making Process’

2.2.1. Premises of the Model

Based on the implications of previous studies (e.g. Hofferbert, 1974; Simmons, Davis, Chapman & Sager, 1974; Simeon, 1976) this model has three premises:

1. Policy is determined by a set of policy factors ranging from the broad political and socioeconomic conditions, to the institutional or organizational elements, and to the personal values, interests and power of individual policy actor. This study defines the ‘policy factors’ as the ingredients or elements, which constitute the policy.

2. Any single policy factor, such as ideology and socioeconomic environment, cannot determine policy alone; and policy is shaped by multiple policy factors; and

3. Inter-relationships occur between a set of policy factors.
2.2.2. Role of the Model

On the basis of these three premises, this study has designed and developed a model entitled the ‘Inter-relationship Model of the Policy-Making Process’. (see Figure 2 and Appendix 1). The inter-relationships of the policy factors in the policy-making process are defined by this study as the mutual connections and linkages between a set of policy factors. The role of this model aims to understand policy development and change through identifying, describing and explaining the mutual connections and linkages between a set of policy factors.

2.2.3. Fundamental Concepts of the Model

There are three fundamental concepts, which serve as the foundation of this model – systems theory, policy factors and inter-relationships.

2.2.3.1. Systems Theory

Generally, the policy-making process can be viewed as an input-output model of the political system derived from the works of the system theorists including Easton (1965a; 1965b), Powell and Almond (Jenkins, 1978) (see Figure 3). The political system is defined as the group of inter-related structures and processes functioning authoritatively to allocate values for a society (Anderson, 1979, 1990; Dye, 1987). As the concept of the political system is broad in nature, this model defines the part of the political system, which functions to formulate and implement a sector policy as the sector policy system. A sector policy system consists of the (1) sector institutions (rules and structure of the sector), and (2) sector policy community (a group of policy actors responsible for the sector policy-making). For example, the tourism policy system consists of tourism institutions and tourism policy community.
Figure 2: The Inter-relationships Model of the Policy-Making Process
The concept of the 'sector policy system' is similar to the concept of 'policy subsystem'. According to Sabatier & Jenkins-Smith (1993) and Howlett & Ramesh (1995), a policy subsystem is the 'set of actors who are involved in dealing with a policy problem such as civil aviation, environmental protection. Yet, the concept of sector policy system is more comprehensive than the policy subsystem by incorporating both the policy actors and institutions into it.

In brief, this model suggests that all of the policy factors from both outside and inside the sector policy system are its inputs. This model argues that the forces in the environment are just a kind of input. The ideology, power, institutions, and values, interests and power of the sector policy actors are also regarded as the inputs, which are equally as important as the environment. All of these factors inter-relate together to generate demands for a sector policy in the sector policy system. When demands are generated, the sector policy system processes and transforms these demands into policy, which represents its output. The impacts of policy may subsequently affect and modify the all policy factors and the demands generated
therein, which in turn provides a feedback mechanism in the model (Anderson, 1979, 1990; Dye, 1987).

Jenkins (1978) developed a four-stage framework of policy-making, which has been incorporated into this model (see Figure 2). These four stages are:

1. Policy demands: demands for policy arising from inside and outside the political system

2. Policy decisions: policy decisions made by government or public officials

3. Policy outputs: policy outputs are the tangible manifestations of government or public officials, the things actually done in pursuance of policy decisions and statements.

4. Policy impacts: policy impacts are the intended and unintended consequences resulted from the tourism policy decisions and actions.

2.2.3.2. Three Levels of Policy Factors

The policy factors vary from the broad socioeconomic conditions to the values and power of individual policy actors of a country. In order to systemically examine these factors and better conceptualize them, this study classifies the policy factors into three levels: macro, middle and micro-levels.

The macro-level factors mainly refer the environment and ideology. The environment consists of the (1) political & socioeconomic environment, (2) national policy, (3) sector environment and (4) policies from other sectors. The middle-level policy factors are the institutional or organizational factors of tourism at both the government and sector levels. These factors comprise the (1) sector institutions
(rules, organization and structure of a sector) and (2) values and interests of the sector organizations. Micro-level factors refer to the values, interests and power of the individual policy actors.

2.2.3.3. Inter-relationships

The study of inter-relationships among various policy factors is one of the most difficult and challenging areas in the policy process because of the dynamic, complicated and organic nature of the policy factors. There is also limited literature concerning this concept. This study will initially attempt to delineate the scope of inter-relationships and develop a set of propositions on the nature of inter-relationships between some policy factors based on the case of tourism policy-making in China.

General inter-relationship

Various tourism policy factors are not structureless, but inter-related. This model generally suggests that factors exist within a funnel of causality, in which each policy factor is nested within another (Hofferbert, 1974; Simeon, 1976; Howlett & Ramesh, 1995). This is the general nature of the relationship between the policy factors. The elaboration is briefly provided as follows:

Besides the political and socioeconomic environment, the sector policy actors also confront a specific environment – the sector environment, which most directly and proximately influence a sector policy-making. For example, tourism policy actors confront the tourism environment such as tourist arrivals and supply of tourist facilities. The policies of other sectors and the tourism sector affect each other. For
example, an expansive policy of the transportation sector benefits the development of tourism, while a large influx of tourists also stimulates the subsequent adjustment and change in transportation policy (see Figure 2).

The sector environment and policies of other sectors occurs under the umbrella of national policy. The national policy (e.g. foreign ownership and tax incentives) may have implications for tourism, but is not specifically intended to influence tourism (Jenkins & Henry, 1982; Wilkinson, 1997). Meanwhile, the ongoing development of tourism will also affect its position in the national policy. For example, the Chinese government has developed tourism as an economic activity since 1978, it was not until 1999 that the State Council formally positioned tourism in the national economy because of its significant economic contribution and strong market growth.

National policy and all sector policies are set within ideology. The ideology is the political thought or philosophy, which define the orientation of all kinds of policy. And the implementation of national policy and sector policies also strengthens and intensifies the ruling position of ideology. Ideology exists within the political and socioeconomic environments. The ideology will affect the political and socioeconomic development, while the changes in these environments such as a crisis or anomalies may lead to changes in ideology (Hall, 1990 & 1993; Howlett & Ramesh, 1995).
Scope of inter-relationships

Generally speaking, there are two categories of inter-relationships: interaction (互動) and coalescence (結合). Coalescence and interaction of a set of policy factors, which intertwine together to determine both the national policies and sector policies.

Interaction

Various policy factors are not independent of and isolated from each other, but rather they interact together, which means that policy factors mutually affect each other. Such interactions may be ‘bilateral’ or ‘multilateral’. For bilateral interaction, change in the political and socioeconomic environments such as a crisis or anomalies will led to a change in ideology, while ideology such as communism and capitalism also affects political and socioeconomic development (see arrows in the Figure 1). For multi-lateral interaction, socioeconomic development can affect the development of a sector, which in turn affects the position of this sector in national policy.

Coalescence

Policy is jointly shaped by multiple policy factors. Each factor has its own role and it is suggested that their roles can be examined by their relative importance, e.g. the power and values of the top leaders are very important in the initiation and final decision of tourism policy.
2.2.4. Elaboration and Explanation of the Model

The elaboration and explanation of the model is organized by the three sections as follows: (1) policy inputs; (2) policy process; and (3) policy outputs.

2.2.4.1. Policy Inputs

The policy inputs are the policy factors from the macro, middle and micro-levels.

Policy actors

The policy actors are the core policy factor in the policy-making process, because policy is formulated and implemented by them through identifying and transmitting problems and opportunities in the environment, interpreting ideology and values, expressing and protecting their interests, and exercising their authority and power. Lindblom (1980: 2) concluded the role of policy participants as follows:

‘To understand who or what makes policy, one must understand the characteristics of the participants, what parts or roles they play, what authority and other powers they hold, and how they deal with and control each other’.

The policy actors comprise the official policy-makers and unofficial participants (Anderson, 1990). A sector policy-making usually involves a set of policy actors, including the top leaders, responsible government agencies for a sector, local governments and interests groups.

Tourism is a sector that covers a wide variety of economic activities, and it is typified by great diversity and a great number of organizations and issues (Elliot,
1997). This means that the tourism policy-making process will involve a wide range of both government and private organizations, but who actually participates in it will vary according to the policy issue particularly how many interests are involved in a policy issue. Some policy issues like regulating tour guides will involve a small number of participants while development of a theme park will involve not only government and business groups but also environmental and local community groups.

Sector policy community

A sector policy community refers to the key organizations and actors who participate in a sector policy and who are continually in touch and discuss with each other about the issues in the development of a sector. (Elliot, 1997) For example, tourism policy community consists of key tourism-related organizations and actors who participate in tourism policy-making and who frequently negotiate together on tourism issues. According to Elliot (1997), some organizations in the tourism policy community will be involved in almost all issues such as a sponsoring government ministry and national tourism organization (NTO) while others will participate if an issue is of interest to them. For example, a national tourism plan will involve all members of the policy community, but regulating the travel agencies will usually involve only those directly affected. The members of the tourism policy community and their roles are described as follows:

Top leaders

The top leaders like the President, Prime Minister or leader of a ruling political party are especially important in the formulation of both the national policy
and sector policies. There can be no tourism policy or no progress in tourism policy unless there is at least passive support at this level, because the top leaders have legal power to place a policy on the agenda, decide policy, and put it into effect through the provision of resources (Elliot, 1997).

*National tourism organizations or administration (NTO or NTA)*

Although top political leaders have the power to decide policy, they lack time and information to formulate tourism policy. So there is need for a specific government department or public organization to hold responsibility for tourism policy-making. The national tourism organization (NTO) in many countries play a leading role in the initiation, formulation and implementation of tourism policy (Elliot, 1997). The forms of NTO vary from country to country as follows:

- A separate and independent cabinet ministry as in the Philippines and China;
- Combined with other affairs to form a ministry, like the Department of Industry, Science and Tourism in Australia;
- A department or agency under a ministry like the former United States Travel and Tourism Administration, which was under the Department of Commerce;
- A non-ministry government or statutory organization, such as the Tourism Authority of Thailand.

In many countries, the NTOs actually play a significant role in the initiation and decision-making of tourism policy. For example, the ‘National Tourism Plan 1986 – 2000’ proposed by the China National Tourism Administration (CNTA) set the tourism development objectives and priorities in China (Chong, 1996; Zhang, Chong & Ap, 1999). The Tourism Authority of Thailand (TAT) is also a key body in
formulating the National Plan of Tourism Development (Elliot, 1997). But it should be noted that the NTOs, to a large extent, cannot determine tourism policy independently. Tourism covers a wide range of economic, social and cultural activities, and many other government ministries and agencies are actually involved in tourism. During the tourism policy-making process, the NTOs need to seek coordination and cooperation from other government agencies, and this is the reason why Elliot (1987: 226) commented the role of TAT was a pressure group on government and industry.

*Other responsible government agencies for tourism*

According to Elliot (1997), there are two kinds of government ministries related to tourism policy-making. The first kind is called ‘services ministries’ that would include the finance, planning or development ministries. Elliot indicated that these ministries performed a control and overview function over the government. For the finance ministry, it decides what finance should be available for infrastructure or administration. Decisions on constructing airports or tourism marketing budgets will involve the finance ministry. Planning or development ministries are very popular in developing countries. The State Development Planning Commission of China and the National Economic and Social Development Board of Thailand are ministries of this kind. This type of ministry is usually responsible for the long-term planning and development of the country including tourism planning. Elliot argued that these ministries are usually long-standing and powerful. They have their own responsibility and objectives, and they have to be convinced that the tourism policy objectives are not contrary to their own objectives.
The second kind of ministry is the 'sector ministries'. These sector ministries control one activity, like transport, immigration, education, which can be crucial for the development of tourism. For example, whether tightening up or liberalizing entry control by the immigration ministry will greatly affect the growth of international tourism in a country.

*Local government*

Local governments not only are responsible for implementing tourism policy formulated by the central government, but also have authority to develop local tourism. Tourism policy formulated by the central government cannot be effective, unless they are implemented successfully at the local level. Tourism policy cannot be successfully implemented at the local level mainly because local interests diverge from the central government. Actually it is the local people who experience the tourism impacts directly and have to live with them permanently (Williams & Shaw, 1991; Elliot, 1997). Thus, the importance of local governments, who represent and look after the interests of local people, cannot be disregarded.

*Interests groups*

The unofficial members of tourism policy community usually refer to interest groups, which are defined as any association or organization which makes a claim, either directly or indirectly, on government so as to influence public policy without itself being willing to exercise the formal powers of government (Hall & Jenkins, 1995). The most important interest group in tourism policy making is the tourism business. According to Lindblom (1980), the position of business in policy making is privileged. Business performance affects employment, prices, inflation, production,
growth and the living standard, which are items utilized by governments to measure success.

The tourism industry has knowledge of markets, of the customers and the product and it has skills and dynamism necessary to operate in the highly competitive market place. So, the relationship between government and tourism industry is particularly important. A good relationship between them can enhance the provision of information for the tourism policy-making (Elliot, 1997).

Liaison of government with industry is through the tourism industry leadership – the industry associations such as the hotels association and travel agencies association, which represent companies in the relevant tourism sectors. Elliot (1997) identified the roles of industry associations to include collection of information and communication with government; lobbying government to support the industry and monitoring, controlling and securing compliance to principles from industry members. Tourism industry associations can significantly influence tourism policy-making. For example, the representatives from two peak industry associations in Hong Kong – the Hong Kong Hotels Association (HKHA) and Hong Kong Association of Travel Agencies (HATA) are represented on the Hong Kong Tourist Association (HKTA), which is the statutory body established by the Government of the Hong Kong Special Administrative Region to promote all aspects of tourism in Hong Kong. So they can directly influence the government officials with respect to tourism.
Besides tourism businesses, other interest groups such as labor unions, environmental protection groups and local community are also playing an increasingly important role in the tourism policy-making.

Organization of sector policy community

Sabatier & Jenkins-Smith (1993) and Howlett & Ramesh (1995) argued that participants in the policy community may not hold the same values or interests towards a policy problem. According to Sabatier & Jenkins-Smith (1993), those participants holding the same set of value priorities will form a ‘advocacy coalition’ to advocate for a particular policy. Examples of advocacy coalition in the tourism industry are the industry associations, which emphasize the economic value of tourism, and the environmental protection groups, which focus on the preservation and protection of nature resources.

Policy-oriented learning

As the policy actor is a core policy factor, the center and core of the inter-relationships of all policy factors lie in the policy actors. The relationship between the policy actors and all policy factors can be conceptualized as the ‘policy-oriented learning’, a concept pioneered by Heclo (1974) and developed by Peter Hall (1993).

Development of the concept of ‘policy-oriented learning’

Learning is defined as when individuals assimilate new information, including that based on past experience, and apply it to their subsequent actions (Hall, 1993). The concept of policy-oriented learning originated from Heclo (1974).
who argued that government not only 'power', meaning that policy is determined by the exercise of power, but also 'puzzle', meaning that policymaking is a form of collective puzzlement on the behalf of society. Heclo defined policy-oriented learning as what government does in response to a new situation in accordance with past experience. Hall (1993) viewed policy-oriented learning as a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information. Learning is indicated when policy changes as the result of such a process. Hall concluded that the fundamental and ultimate change in the policy from the policy-oriented learning is a shift of policy paradigm, which will change, rather than adjust, the policy goal and objective.

Re-conceptualization

Based on the concept of 'policy factor', this model attempts to re-conceptualize the concept of policy-oriented learning, which is defined by this study as an active or passive activity undertaking by the policy actors to understand a set of policy factors, in order to formulate and implement policy.

Although Heclo and Hall pioneered and developed the concept of policy learning, they do not clearly explain the reason why policy learning is required. Yet, the concept of cognitive limitation of human beings developed by the behavioral scientists such as Simon (cited in Howlett & Ramesh, 1995) and Lindblom (1980) provided a heuristic implication. Popper (1966) cited in Zhang (1982) further pointed out that human beings are fallible. The policy actors cannot know what will happen in the environment in advance, nor can they fully grasp what has happened in
the environment too, as their knowledge towards the environment is limited. Hence, individual and collective policy learning is necessary.

This model argues that policy actors conduct policy learning not only on environmental forces, but also on ideology, values, interests and power. The ideology, values (e.g. formal and informal goals of tourism organization) and interests (e.g. self-protection) will be incorporated into policy learning when the policy actors study the environmental stimulus. They serve as a prism for the policy actors to view and understand the environment (Howlett & Ramesh, 1995). Each member in the tourism policy community has to be convinced whether the tourism policy decisions tackling the problems, concerns and opportunities generated in the environment are adequate or contrary to the ideology, and their values and interests. As each policy actor has its own values, interests and power, in order to facilitate tourism policy-making, the policy actors especially for the primary tourism policy initiator - NTO (or NTA) must understand the values, interests and influence of the other government agencies concerned. Generally, policy actors initiate policy demand on the basis of policy-oriented learning.

*Policy-oriented learning method – partisan policy analysis*

A policy-oriented learning method is ‘policy analysis’. According to Lindblom (1980), policy analysis refers to fact gathering, analyzing and debating undertaken by the policy actors. Lindblom indicated that policy analysis activities including professional fact-finding, policy research and informed discussion are never absent, although these activities are often hurried and their results may be challenged or actually discarded.
However, the tourism policy community is typified by a diversity of values and interests, and this indicates that the results of policy analysis towards the same set of the environmental conditions may differ. Lindblom (1980: 31) acknowledged this fact and pointed out that each policy actor involved undertakes partisan policy analysis, meaning that each actor "presses a point of view, a set of interests".

To sum up, policy actors undertake the role of policy learning to formulate and implement policy, the differences in their values and interests result in different results of policy learning. Under this condition, "power" will be unavoidably exercised.

**Macro-level policy factors**

**Environments**

Based on systems theory, the environment refers to any condition or circumstance defined as external to the boundaries of the sector policy system. Environments, which the sector policy actors confront with, comprise the political & socioeconomic environment, sector environment, national development policy and policies from other sectors.

Governments around the world have certain responsibilities or principles to run a country. These responsibilities vary from country to country. But providing stability and security, and raising the standard of living are commonly and widely accepted responsibilities (Elliot, 1997). The political, economic and cultural values of tourism may enable governments to fulfill these two responsibilities. Politically, tourism can be used to improve foreign relations with other countries, enhance
international recognition and promote positive and desirable images of the host country and international peace. What is noteworthy about tourism is its economic values, such as earning foreign exchange, generating income, providing employment, contributing to regional development and stimulating other industries. In terms of social and cultural values, tourism can promote mutual understanding and friendship with other countries (Lickorish, 1991; Hall, 1994; Elliot, 1997).

Which values of tourism are utilized by government, depend to a large extent on the environment that the government confronts. For example, in Japan the economic value of tourism to earn foreign exchange was rapidly eclipsed by other export industries and by a strong domestic economy. Inbound tourism is used by the government to facilitate the understanding of tourists towards Japan, rather than on how much revenue is earned. Meanwhile, outbound tourism is encouraged by the Japanese government as a means of reducing the trade imbalance with other nations like the United States and European countries, and to serve broader educative, diplomatic and political goals. So the function of the Japan National Tourism Organization (JINTO) has shifted from attracting foreign tourists to Japan and the promotion of domestic tourism to facilitating the overseas travel of Japanese (Hall, 1994).

The environment generates problems, concerns, and opportunities that are transmitted by policy actors to the tourism policy system. Changes in the environment provide a base for the development and change in tourism policy (Heclo, 1974) through attracting the attention of government to a set of problems, which need to be dealt with.
Political environment

There are not many studies concerned with the relationship between the political environment and formulation of tourism policy, and few elements in the political environment related to tourism policy making have been identified. The two obvious elements are political stability and international relations. The Philippines under President Marcos and Taiwan are two notable examples.

Due to the increasing unpopularity of Marcos and increasing crime rate, he imposed martial law in 1972 and since then tourism was a high priority within the government. Tourism was used by Marcos to maintain the legitimacy of his regime. First, tourism could be utilized by the regime to create a favorable image of the country and the Marcos government for international tourists and for foreign governments. Secondly, international tourist visitation was held up by the regime to be an endorsement of its activities and of martial law. As a result, a vigorous tourism development program was launched including the hosting of the Miss Universe contest, World Bank Conference, and the mass construction of luxury hotels (Richter, 1989; Hall, 1994).

Taiwan is a province of China, but due to political reasons, Taiwan has been separated from Mainland China since 1949. With increased international recognition of the People’s Republic of China (PRC), Taiwan can only maintain ‘diplomatic relations’ with few countries. Similar to Japan, the importance of traditional objective of tourism policy, to earn foreign exchange, has diminished because of her massive accumulation of foreign exchange reserves. The emphasis of tourism policy has shifted towards outbound tourism to improve the image of Taiwan, strengthen
substantive international relations, and meet broader diplomatic objectives (Hall, 1994).

**Socioeconomic environment**

Japan and Taiwan are two exceptional examples in which their economic conditions weakened the economic importance of tourism and hence changed their respective tourism policy objectives. In most cases, the socioeconomic environment has led governments to formulate an economic oriented tourism policy. Two elements in the socioeconomic environment that lead governments to emphasize the economic benefits of tourism are the socioeconomic problems and important position of tourism in the economy of a country.

Socioeconomic problems include (1) economic recession; (2) unemployment and underemployment; (3) increasing population and labor force which exacerbates unemployment and underemployment; (4) balance of payments crisis; (5) shortage of foreign exchange and fewer export options; (6) regions suffering from economic restructuring; (Jenkins & Henry, 1982; Airey, 1983; Williams and Shaw, 1991; Hall, 1994 etc.). These problems may draw government attention to the economic functions of tourism. For example, the balance of payment crisis during 1967 motivated the British government to enact the Development of Tourism Act in 1969 (Airey, 1983; Elliot, 1997).

The second element is the existing position of tourism in the economy of a country. This element is often linked to socioeconomic problems that give tourism a
more salient position in the economy, and stimulate development and change in the tourism policy.

In Thailand, there was no real support for tourism from government before 1985. This attitude changed radically when tourism became the top foreign currency earner in 1985. Meanwhile there was a decline in economic growth, traditional primary production and manufacturing export, resulting in the growing indebtedness and a serious balance of payment deficit. Since then, the Thai government took the lead to develop tourism by significantly increasing the budget of the Thailand Authority of Tourism and cutting the hotel room tax (Elliot, 1987). Woon (1989) examined the Malaysian tourism policy and found change was related to oil prices. Since 1980, oil has emerged as one of the leading export items in Malaysia. This eclipsed the importance of tourism development, and a lot of emphasis was placed by the government on the development of the oil industry. However, the collapse of oil prices in 1985 and 1986 forced the Malaysian government to seriously rethink its tourism planning and development strategy. As a result, top priority is now being given to tourism.

*Sector environment*

The most proximate environment to the tourism policy maker is the tourism environment. Elliot (1997) addressed that the tourism problems and negative tourism impacts are two aspects of tourism development, which result in direct government involvement. Tourism problems, like a tremendous increase in air traffic caused by mass tourism in the peak season, demand the direct action from government, while
the negative impacts of tourism such as environmental deterioration may also lead to
government intervention.

There is little understanding of the relationship between tourism development
and formation of tourism policy. Generally speaking, the degree of tourism
development can affect the extent of government’s role in tourism. According to
the World Tourism Organization (WTO, 1994), the Organization of Economic
Cooperation and Development (OECD) identified the governments of the OECD
countries playing different roles at the different stages of tourism development. It
can be concluded that there would be different problems, concerns and opportunities
at the different stages of tourism development, which causes the government to respond. For example, in the second stage of tourism development (late 1960s),
tourism in OECD countries underwent a democratization with the development of
tour operators, charter flights and major tourists destinations. These developments
caused governments to become involved in the development of infrastructure
projects. The development of tourism also requires the training of a work force to
service the new demand, hence governments became involved in professional
training. In stage three (early 1970s), the rapid growth in tourist demand
immediately gave rise to a process of deterioration in standards and a certain abuses
that caused the governments to implement control measures, for examples tourist
protection, price control, and regulation of travel agencies.

National policy

The national policy of a country in general, provides direction and guidelines
for the tourism policy-making. As a sector policy, tourism policy-making should
stick to the principles of and integrate harmoniously with the national development policy (Wu, 1989; Wilkinson, 1997).

For example, the key decisions of the Chinese national tourism policy comprised introduction of foreign investment in tourism, decentralization of tourism operation and investment, and tourism enterprise reform. These key decisions are also the core decisions of the Economic Reform policy, which since 1978 has become a fundamental national policy in China that has directed policy making in China in all policy areas, including tourism.

Policies from other sectors

According to the Advocacy Coalition Frameworks developed by Sabatier & Jenkins-Smith (1993), a sector policy system and its policy are not autonomous, and they are impacted by the policies from other sectors. For example, a conservative aviation policy may restrict the formulation and implementation of ambitious and expansive tourism policy.

Ideology

Besides environmental forces, ideology can also help explain why government needs to formulate policy. Ideology is a systematic representation of political and societal values. In defining values, Hall and Jenkins (1995) employed Henning’s concept (1974), who defined values as ‘ends, goals, interests, beliefs, ethics, bias, attitudes, traditions, morals and objectives that change with human perception and with time, and have significant influence on power conflicts rating to policy.’ However, this definition just reflects the many manifestations of
'value', rather than defining value (Rokeach, 1973). According to Rokeach (1973) and Hofstede (1980), a value is an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence. Generally speaking, value is a desirable thing, it is simply 'a broad tendency to prefer certain states of affairs over others'.

A belief, goal, objective, attitude and interest can be used to observe value. But value is not identical and synonymous with these terms in nature. For example, value differs from attitude. According to Rokeach (1973) and Bordon (1991), an attitude refers to an organization of several beliefs around a specific object or situation while a value refers to a single belief of a very specific kind concerning a desirable mode of behavior or end-state. Values help shape attitudes, and attitudes themselves depend on pre-existing values. Attitudes express values. Likewise, interest is obviously a narrower concept than value. It cannot be classified as an idealized mode of behavior or end-state of existence (Rokeach, 1973). This is why the model proposed by this study distinguishes interest from value (see figure 2.)

Almost all policy studies have concluded that values lie at the core of policy (e.g. Henning, 1974; Anderson, 1990; Wu, 1989; Sabatier, 1991; Sabatier & Jenkins-Smith, 1993; Howlett & Ramesh, 1995), and hence, of tourism policy. Values and interests play the role of prisms that policy actors conceive of the problems, concerns and opportunities generated in the environments (Howlett & Ramesh, 1995).
Hall & Jenkins (1995) stressed that when selecting certain tourism policies, decision-makers were also choosing between different sets of values. For example, emphasizing on tourism receipts and employment rather than on promoting foreign relations via tourism obviously represents the dominance of the economic value of tourism over its political value. So tourism policy is a value choice, implicit and explicit, which orders the priorities of government and determines the commitment of resources within the public jurisdiction. Value changes towards tourism will lead to changes in tourism policy.

According to Ladd (cited in Mathews & Richter, 1991), ideology is ‘how government should be organized, what roles it should play, how the economy of a nation should be managed, the distribution of resources among groups making up the populace, etc.’. It is a belief that things can be better than they are and it is basically a plan to improve society (Roskin, Cord, Medeiros & Jones, 1997). Common examples of ideology are communism, socialism and capitalism.

According to Elliot (1997), ideology can determine whether tourism development will be supported and how much financial support is given. It sets the style of tourism and the nature and extent of government involvement. For example, the Conservative government led by Mrs. Thatcher in Britain, held the market economy as a basic ideology, withdrew active intervention as much as possible from tourism, and this left the tourism industry to market forces. On the contrary, governments of the left have been more interventionist. For an example, the Australian Labor government authorized the Australian Tourist Commission to become involved in domestic tourism to improve the quality of life of Australian
people (Hall & Jenkins, 1995; Elliot, 1997). Likewise, socialist countries like China, North Korea, Albania and Cuba follow, to varying degrees, socialist principles in the determination of tourism policies (Hall, 1994). For example, the ‘Ban on receiving commission in tourism’ was implemented in China to avoid capitalist practice (Chong, 1996; Zhang, Chong & Ap, 1999).

As the environment and ideology are so important to the policy-making, it is necessary to look into the inter-relationship between the environment and ideology. A review of literature reveals that the specific relationship between these two policy factors is not clearly and precisely addressed. Yet ideology and policy paradigm are identical in nature conceptually, Hall (1993) studied the shift of the British economic policy paradigm and a heuristic implication he identified was that anomalies in the economic development of Britain such as rising rates of inflation and stagnating levels of growth and employment threatened to the ruling Keynesianism policy paradigm because the Keynesianism theory ‘could neither fully anticipate nor explain them’ (p.285). This led to the uprising of the Monetarism paradigm. Therefore it is suggested that the anomalies in the environment will lead to the emergence of a new ideology.

As stated above, a sector policy paradigm directs the formulation of the basic sector policy and specific sector policy. Thus, the policy factors shaping the policy paradigm warrant investigation. Besides the environment, this study further argues that the policy paradigm cannot be developed and shaped beyond the scope of the ruling ideology in a country. For an example, two opposing economic policy paradigms Keynesianism and Monetarism strictly adhere to capitalism ideology,
which dictates the free economy model and private property ownership. Thus, it is reasonable for this model to postulate that the ruling ideology and environment jointly lead to the emergence of tourism policy paradigm.

Moreover, it was also found that change in macro-level factors leads to change in middle-level policy factors. For example, in Japan, when the role of tourism to earn the foreign exchange had been eclipsed by the other export items and domestic tourism, the organizational goal of Japan National Tourism Organization changed to promoting the international understanding of Japan.

**Middle-level policy factors**

**Sector institutions**

The sector institutions refers to the structure, organization, rules and standard operating procedures at both the government and sector levels (Simeon, 1976; March & Olsen, 1983; Rhodes, 1995; Howlett & Ramesh, 1995; Hall & Jenkins, 1995), which are the indispensable component of the institutions of a society. They provide a set of rules and procedures to regulate how and where demands on a sector policy can be made, who has the authority to take policy decisions and actions (Simeon, 1976; Hall & Jenkins, 1995). Simeon (1976: 575) further argued that the ‘institutions may themselves be seen as policies, which, by building into the decision process the need to consult particular groups and follow particular procedures, increase the likelihood of some kinds of decisions and reduces that of others.’
‘Institutions’ are a comprehensive policy factor. It embodies a set of other policy factors including ideology, power, values and interests as well as policy paradigm, which are institutionalized into organization, structure and rules (Hall, 1993; Rhodes, 1995). For example, prior to 1978, the Chinese tourism institutions adopted a particular organization called the combined government function and enterprise functions, in which the Bureau of Travel and Tourism was directly involved in the operation of the China International Travel Services. Such tourism institutions reflected that the highly centralized planned economy ideology and the tourism policy paradigm, which regarded tourism as a part of diplomatic affairs – ‘civil diplomacy’.

Coleman and Skogstad (1990) cited in Hall & Jenkins (1995) further addressed that political institutions promoted certain ideologies and constrain the choices of individuals. March and Olsen (1983: 738 – 739) also argued that institutions have an autonomous and coherent role in defining and defending interests, and they are political actors and decision-makers in their own rights. They asserted that ‘the organization of political life makes a difference’, which was called the ‘new institutionalism’. In the long run, the institutions will change if political pressures are sufficiently strong (Simeon, 1976), so institutions can be viewed as both a ‘independent factor’ in the short run and a ‘dependent factor’ in the long run.

Based on the above studies, this model argues that when the ideology and sector policy paradigm change, the existing sector institutions will conflict with the new ideology and new tourism policy paradigm. In the short run, the sector
institution will not automatically change, but rather resist changes. Yet, the institutions are also a dependent variable and subject to change because it is a policy itself (Simeon, 1976). When policy-makers and participants gradually understand that the existing institutions is inadequate through policy-oriented learning, a new sector institutions, which matches the new ideology and new sector policy paradigm, will replace the old one.

As an institution is a policy and the conflict of interests is identified as an obstacle in formulating and implementing policy (e.g. Tang, Lo, Cheung, & Lo, 1997), this study further argues that conflict of interests is also a obstacle when the institution change.

Fragmented structure and organization of tourism

Tourism is a sector, which has a fragmented organization and structure. This fragmented nature, determines the diversity and complexity of values and interests, and the arrangements of power in the tourism policy-making process.

Fragmented structure of the tourism industry

The tourism industry is made up of a wide variety of economic sectors. Some of them are directly related to tourism like travel agencies, hotel and airlines; while others are indirectly related, such as transportation, leisure, catering and retailing where not all of their customers are tourists. These sectors are interdependent and contribute to the success of tourism. The fragmented nature of the tourism industry has two implications. First, different sectors have different values and interests even though those sectors are part of the tourism industry, leading to different objectives
when they demand tourism policy; second, because of their mutual interdependence, their power to influence government are constrained (Elliot, 1997). Therefore, it may be difficult for industry to form a coherent position to lobby government. For example, Wanhill (1987) identified that its fragmented nature may make the industry in Britain harder to form a strong lobby to encourage government to formulate policies in favor of the industry. Likewise, this nature may also weaken the ability of government to mobilize the industry towards the resolution of tourism problems (Howlett & Ramesh, 1995).

*Fragmented structure of government agencies responsible for tourism*

The structure of government agencies responsible for and related to tourism is also fragmented. Although the NTOs may play a leading role in tourism policy formation in many countries, tourism policy development touch on many government agencies like civil aviation, immigration and environmental protection, and actually it is impossible to group all these functions into one ministry or agency (Airey, 1983; Elliot, 1997). Such organization indicates that values and interests among the different agencies differ, and the authority to determine tourism policy is also fragmented. The NTOs cannot formulate and implement a coherent and detailed tourism policy independently from these agencies.

*Conflict of values and interests in the development of tourism*

The conflict of values and interests actually exist at the organizational level as well as the individual level in the development of tourism.
At the government level, previous studies (Elliot, 1987 & 1997; Gee, Makens & Choy, 1989) have found that different government agencies have different formal and informal values. The formal values can be observed through organizational mission, goals and objectives. For example, an environmental protection agency is more geared towards the protection and conservation of natural resources while the NTO is more concerned with maximizing the economic value of tourism. The informal values refer to self-interests of the organization, e.g. protecting organizational interests. These formal and informal values may conflict with the formal tourism development objectives. The mission, goals and objectives of the tourism organizations can be used to identify these formal and informal values.

Elliot (1987) studied Thailand’s tourism policy and found that conflicting objectives actually existed among different government agencies. For example, the main objective of the government-owned Thai Airways International was the expansion of its share of the market and increased profits. This led the Thai government to oppose the entry of other scheduled and charter airlines into Thailand, thus acting contrary to the government policy of encouraging more tourists.

In terms of informal values, Gee, Makens and Choy (1989) observed some long-extant agencies like economic development or public works ministries that antedates the NTO but whose programs impact on tourism like tourism infrastructure, tend to be jealous and protective of their functional ‘turf’ and resist redistribution or reassignment of their functions to the NTO.
At industry level, the conflict of values and interests also exists. Protection of natural resources by an environmental group may be against the interests of tourism business, which favor tourism development. Elliot (1987: 228) described the circumstance in Thailand where ‘every manager wants to do his own thing and build up his own organization. Even when a sector can agree to have a peak industry association, such as the Thai Hotels Association (THA), to represent it, there can still be conflict.’ But, it is also possible for the industry members to achieve consensus on certain policy issues such as government funding on tourism research and marketing, deregulation of the industry.

Richter (1989) identified that in the initial stage of tourism development, there is often little apparent conflict over policy, and developing tourism is a policy with apparently substantial rewards and few interests to placate or offend. Tourism tends to become a subject of political debate late in the implementation process when major social costs become apparent.

Play of power

According to Dahl (cited in Ham & Hill, 1993), where there are differences or preferences between policy actors, power must be studied. Power is defined in terms of capacity to overcome resistance, to affect or modify the behavior of another group or individual. This can be described as ‘all forms of successful control by A over B - that is, of A securing the compliance of B’ (Chang, 1975; Ham & Hill, 1993; Hall & Jenkins, 1995; Elliot, 1997). There is a variety sources of power including the rules, wealth, expertise and knowledge.
Generally, power can be exercised in three dimensions. First, there is the exercise of power that occurs in observable overt conflicts between policy participants over key issues. Second, there is the exercise of power that occurs in covert conflicts between actors over issues or potential issues. Third, power is exercised to shape the preferences of people so that neither overt nor covert conflicts exist (Ham & Hill, 1993).

Hall and Jenkins (1995) have suggested that tourism policy-making is a political process involving the values and interests of policy actors in a struggle for power relative to this process. The exercise of power by tourism policy actors is value dependent. Tourism policy actors whose preferences prevail in conflicts over key political issues are those who exercise power in the tourism policy system (Ham & Hill, 1993).

Micro-level policy factors

The micro-level policy factors refer the values, interests and power of the individual policy actors, such as the top leaders, ministers, and officials responsible for tourism.

The values and power of the top leaders usually play a dominant role in tourism policy-making. In China, the change of tourism from a political vehicle to an economic activity was initiated by the two top leaders Deng Xiao-Ping and Chen Yun (Chong, 1996; Zhang, Chong & Ap, 1999).
Not every government official related to tourism holds positive and supportive attitudes towards tourism development. Some government officials are suspicious of tourism. They do not regard tourism as an industry but a 'candy-floss' activity, unreliable, menial, destructive, and tainted with the seediness and corruption of sex tourism (Elliot, 1997). In Thailand, Elliot (1987) found that tourism was seen by some bureaucrats as a luxury industry for foreigners and not of benefit to the mass of people. Hence, scarce resources should not therefore be used for tourism. There is also a touch of nationalism and morality in the condemnation of the sexual aspects of the industry and its damage to the overseas image of Thailand.

Individual policy actors may have their own interests, such as personal gain and promotion. This also may also contradict with the goals and objectives set for the development of tourism. The operation of values, interests and power of the individual policy actors is as same as the organizational level, where contradiction and conflict of values and interests results in the power struggle. Yet, it is also acknowledged that the values, interests and power struggle at the individual level is hard to identify because it is very personal, internal and sensitive compared to the organizational level where things tend to be more open.

2.2.4.2. Policy Process

Generally speaking, there are different patterns of policy process: idea patterns and real patterns.
Ideal pattern: rational-comprehensive model of policy-making process

The rational model suggests that policy-making aims to solve a policy problem. Simply speaking, rational policy-making can be achieved if the following procedures are followed: (1) the goals for solving a policy problem are established; (2) all policy alternatives are listed; (3) the cost and benefits of each policy alternative is known; and (4) as a result, the best policy alternative, where net benefits exceeds all other policy alternatives, is adopted. (Dye, 1987; Howlett & Ramesh, 1995).

However, what the policy maker is confronted with in real life are: (1) ambiguous and poorly defined problems; (2) conflict of different values held by different policy participants; (3) limited information, resources and time; and (4) the limits of their own intelligence (Lindblom, 1980; Howlett & Ramesh, 1995). The application of rationality is severely bound, and a power struggle among different policy participants will occur because of their conflicting values.

Lindblom (1980) suggested that the nature of policy making was politics rather than rationality, meaning that policy is determined by the exercise of power of the policy actors. However, it is also acknowledged that every policy has a rational nature as they are all aimed at achieving a goal for solving a policy problem.

Real pattern: policy-oriented learning and coordination

Generally speaking, the policy-making process is a process of policy-oriented learning and coordination (see Figure 2). The conflict of values and interests in the development of tourism actually occurs in policy-oriented learning at both
government and industry levels, leading to different results of policy-oriented learning undertaken by the different policy actors. Power will be unavoidably exercised among the policy actors pursuing different values and interests.

Presence of the dominant power holder

If one or one group of policy actors hold dominant power, his or their values or interests will prevail. For example, The Australian Industries Assistance Commission (IAC) conducted an inquiry into travel and tourism in Australia. The draft report questioning government funding of tourist promotion through the Australian Tourist Commission (ATC), advocated the 'user pays' principle by the tourism industry. Following the release of the draft report, the tourism industry and the Australian Tourism Industry Association, which is a peak industry body with substantial influence over government, undertook intensive lobbying and were able to ensure that significant revisions on draft recommendations were included in the final report. As a result, the final report recommended the funding be continued for five years, at which time the role of ATC would be reviewed (Hall & Jenkins, 1995).

Absence of the dominant power holder

If no policy actor possesses the dominant power, coordination will occur in order to build up consensus. In fact, coordination is commonly and frequently conducted in the tourism policy-making because of the fragmented structure of authority and power at both the government and industry level. This indicates that the authority and power in determining the tourism policy is shared by a number of policy actors. Besides the top leaders, neither the NTOs nor the service and sector ministries possess dominant power.
NTOs lack power to formulate and implement a tourism policy decision independently from other responsible government agencies, and the industry members may fail to form a coherent standing to influence the government. As a result, the NTO has to continuously coordinate with the relevant agencies as well as the industry members in terms of policy issues. The methods of coordination comprise communication, negotiation, bargaining and cooperation. This pattern called ‘incrementalism’ was advocated by Lindblom (Dye, 1987; Ham & Hill, 1993; Howlett & Ramesh, 1995; Elliot, 1997). This indicates that policy changes occur in marginal increments. Elliot (1997: 77) further argued ‘In this process there are no strong, clear or long-term objectives or plans, and policy appears to drift or react to market or other forces. This process, in practice, is common in countries such as Britain and United States, and in Australia even with its national tourism strategy’.

In Thailand, the Tourist Authority of Thailand (Thailand’s NTO) had considerable freedom on the marketing side, but in the development of tourism, its role was severely restricted by lack of power and resources, and also by outside opposition. Consequently, only limited success has been achieved in development control, plan implementation, environmental protection and resolving long-standing problems (Elliot, 1987).

2.2.4.3. Outputs

The outputs of the sector policy community are the sector policy statements and actions, but sometimes there may be no statement. Sometimes there may be a conscious decision not to formulate a policy and this, by default, may represent a
decision for the status quo to remain. After a policy is implemented, it will have impacts on the policy factors and the policy demand generated therein, which reflect the feedback concept (Anderson, 1979, 1990; Dye, 1987).

Some of these impacts in the tourism sector for example are intended such as a growth in tourists arrival, tourism receipts and employment, while other impacts like environmental deterioration are not intended (Jenkins, 1978; Elliot, 1997). Both intended and unintended impacts on the policy factors may generate new problems, concerns and opportunities, and hence foster new demands for policy, and so on in a continuing, never ending flow of policy (Anderson, 1979, 1990).

2.3. Conclusion

General speaking, the ‘Inter-relationship Model of the Policy-Making Process’ serves as a new and unified conceptual framework to study the policy-making process of both the national policy and sector policies such as tourism.

This model originates from the concepts of ‘policy factors’ and ‘inter-relationships’. ‘Policy factors’ are used to define the factors affecting policy formulation and implementation as the ingredients or elements constituting the policy. And the concept ‘inter-relationships’ is designed to understand the mutual connections and linkages among the policy factors, which is not well developed in the existing policy literature. As tourism is a highly political phenomenon and tourism policy plays a significant role in the development of tourism, tourism is
selected to illustrate the 'Inter-relationships Model of the Policy-Making Process'.

Based on the concept of 'policy factors' and 'inter-relationships', this model re-conceptualizes the various theories and models of policy-making process. Generally, this model accepts the systems theory approach which views policy-making as an input-output model of the political system. As the political system concept is broad, this model defines part of the political system, which functions to formulate and implement a sector policy as the sector policy system.

Owing to the diversity and complexity of the policy factors, this model classifies the all policy factors into three levels: macro-level, middle level and micro-level. The inputs of the sector policy system include all of these policy factors. The nature of general inter-relationship among these factors is a 'funnel of causality', while the scope of inter-relationships reflect interaction and coalescence.

Among all of the policy factors, the policy actor is the core factor. The relationship between the policy actor and all policy factors is the policy-oriented learning. However, policy actors differ in their values and interests, and this leads to the different results of policy-oriented learning – tourism policy demands and policy initiation. Hence, power will be unavoidably exercised. If the dominant power holder exists, his or her values and interests will be prevail. If there is no dominant power holder, continuous coordination occurs until consensus is built up. This model proposed that continuous coordination is a common pattern of the tourism policy-making process because of its fragmented power structure.
The review of the existing policy theories highlights the key aspects that the propositions on the nature of inter-relationships of policy factors can be developed based on the context of tourism. They are:

- Environment and ideology
- Policy paradigm
- Linkage between the macro-level, middle-level and micro-level policy factors
- Ideology and institutions
- Institutions and interests

The outputs of the sector policy system are policy statements and actions. The policy actions impact on the environment, and hence create new demands for the tourism policy. This represents the 'feedback' mechanism of the model.

To sum up, this model can serve as a unified conceptual framework for the study of the policy-making process at both the national and sector levels. This is because this model has originated from these two general concepts in the policy-making process - 'policy factors' and 'inter-relationships', and its development is solidly grounded on the existing policy models and theories, such as the systems theory, policy-oriented learning and advocacy coalition framework. For studying national policy, it is not necessary to specify the sector environment and sector policy community.

Any newly developed model needs to be empirically examined, the tourism policy-making in China is used to examine this model. The next chapter will review the literature of Chinese tourism policy and Chinese politics.
Chapter 3 – Review of Related Studies

This chapter aims to review the studies of Chinese tourism policy and the main literature of Chinese politics and policy-making.

3.1. Studies of Chinese Tourism Policy

The published literature related to the Chinese tourism policy is scarce and seven papers were found that directly related to Chinese tourism policy. (Gao & Zhang, 1983; Choy, Guan & Zhang, 1986; Richter, 1983b & 1989; Choy & Yao, 1988; Zhang, 1995; Zhang, Chong & Ap, 1999). To sum up, tourism policy-making in China is not well studied. There is a serious lack of understanding of the policy factors affecting Chinese tourism policy-making and inter-relationships among these policy factors are not directly addressed by these studies. The following sections examine these studies in accordance with the concept of ‘policy factors’ and ‘inter-relationship’.

3.1.1. Policy Actors

Generally, the tourism policy actors in China were not well studied and understood, and only the official tourism policy actors have been considered.

Zhang, Chong & Ap (1999) noted that two top leaders Deng Xiao-Ping (鄧小平) and Chen Yun (陳雲) initiated the change in the nature of tourism from politics to economics. Other policy makers mentioned in previous studies included the China National Tourism Administration (CNTA) (Gao & Zhang, 1983; Choy, Guan & Zhang, 1986; Zhang, Chong & Ap, 1999), and the Civil Aviation Administration of China (中國民用航空總局) (CAAC) (Zhang, Chong & Ap,
Yet, they have not discussed the role of these policy actors in the tourism policy-making process.

Moreover, a number of important tourism policy actors within the State Council (國務院) are neither mentioned nor studied, such as the State Development Planning Commission (國家發展計劃委員會), State Economic and Trade Commission (國家經濟貿易委員會), Ministry of Finance (財政部), Ministry of Education (教育部).

3.1.2. Environment

Zhang, Chong & Ap (1999) found that the shortage of foreign exchange during the period of 1978 led the Chinese government to focus on the function of foreign exchange earning of tourism. But, other socioeconomic factors such as population and unemployment were not addressed. There is also a lack of understanding of political environment (e.g. international relations) and national policy in shaping the Chinese tourism policy.

Almost all papers discussed the relationships between the tourism environment and tourism policy-making (e.g. Gao & Zhang, 1983; Choy, Guan & Zhang, 1986; Richter, 1989; Zhang, Chong & Ap, 1999). In summary, the tourism environment is an environment that tourism policy actors directly and frequently respond to. For example, the problems of insufficient tourism infrastructure and facilities resulted in the introduction of foreign investment in hotel and decentralization of tourism investment (Zhang, Chong & Ap, 1999).
3.1.3. Ideology

Zhang (1995) and Zhang, Chong & Ap (1999) reported two changes in the ruling ideology in China, which were the shift from ‘political struggle’ to ‘economic development’ in 1978, and the shift from ‘planned economy’ to ‘market economy under the socialism’ in 1992. These two papers lack a detailed examination on the role of ideology in shaping the Chinese tourism policy.

3.1.4. Institutions

Generally, there is a serious gap in understanding the role of institutions in determining the Chinese tourism policy. The organization, structure, rules and standard operating procedures of tourism policy-making in China have not been addressed in previous studies.

3.1.5. Values, Interests and Power of Individual Tourism Policy Actors

Zhang, Chong & Ap (1999) indicated that the successful transition of tourism from political nature to economic nature should be credited to the two supreme leaders Deng Xiao-Ping and Chen Yun because of their top position in the Chinese Communist Party (CPC). However, the top leaders, to a large extent, are the initiator and final decision-makers of tourism policy. Actually, tourism policy-making involves many government agencies and coordination with them is required. As a number of key tourism policy actors were not identified and examined, so the roles of their values (formal and informal objectives), interests and power are not studied.

To sum up, a review of Chinese tourism policy literature reveals that the policy factors determining the Chinese tourism policy are not clearly identified,
examined and described, nor are their inter-relationships examined. But, it is
recognized that identification and examination of policy factors and their inter-
relationships may not be purpose of these studies, and these past studies contribute to
a preliminary and basic understanding of the tourism policy-making process in
China.

3.2. Literature on Chinese Politics and Policy-Making

3.2.1. Overview of Politics and Policy-Making in China

Chinese politics and policy-making can be summarized as command system
in terms of the top-down flow of authority, which consists of three levels: high-level
decision-making, mid-level administration and local implementation (Lee & Zhao,
1995). However, over the past twenty years, that is, since the death of Mao Ze-Dong
(毛澤東) in 1976 and adoption of Economic Reform and Open-door Policy in 1978,
Chinese politics and policy-making have generally shifted from the One Leader-in-
Command system headed by Mao Ze-Dong to the collective leadership and
consensus building model (also called ‘oligarchy’ or ‘pluralism’) such as the
current leadership headed by Jiang Ze-Min (江澤民). Deng Xiao-Ping’s era (1978
– 1997) swung cyclically between these two kinds of leadership. (Lee & Zhao, 1995;
Yan, 1995).

Based on the previous literature and studies (e.g. Harding, 1984; Liberthal &
Oksenberg, 1988; Lieberthal & Lamption, 1992; Lee & Zhao, 1995; Yan, 1995), the
whole process of policy-making in China can be characterized by ideological and
power struggle at the top decision-making level and bureaucratic bargaining at mid-
level administration. This consensus is built up through a set of theoretical models developed at the different level of policy-making in China during the past four-decades, that is from 1959 to present (Harding, 1984; Li, 1996; Cheng & Law, 1997). The following sections will review these models and draw their implications for this study.

3.2.2. High-Level Decision-Making

3.2.2.1. Top Leaders

The Mao-in-Command model (毛掛帥模式) is a typical model used in studying the role of top Chinese leaders in politics and policy-making. This model describes Chinese politics as 'the decisions of a changing Mao Ze-Dong', particularly in the period of Cultural Revolution (Harding, 1984). This model stresses, as Mao possessed the dominant political power, so his ideology, values and interest always prevailed in the political struggle. Although Mao died in 1976 and his successors were less authoritative than Mao, this model still can explain the significance of top leaders such as Deng Xiao-Ping and Chen Yun in the Chinese political life and policy-making process.

According to Lieberthal and Oksenberg (1988), the top level of Chinese politics consisted of 25 to 35 top leaders who are the elite and who articulated national policy. Beneath them, was a layer of staff, leadership groups (領導小組), research centers, and institutes that link the elite to, and buffer them from, the bureaucracy. The role of top leaders in Chinese policy-making is dominant and pervasive as top leaders had enough influence to initiate and advance a policy idea over the objections of the bureaucracy (Lieberthal & Oksenberg, 1988).
However, the decision-making at the top level is not smooth but rather involves ideology, policy and power struggle.

3.2.2.2. Division in Values and Ideology

The values and ideology are identical in nature, where ideology is a systematic manifestation of political and societal values. The focus on the values and ideology is represented by the Normative Model (規範模式) and Tendency Model (趨勢模式) (Harding, 1984; Cheng & Law, 1997). The Normative Model studied the ideology, norm and doctrine, which governed the policy-making in China. The Tendency Model is more comprehensive than the Normative Model, which sees the Chinese politics as the conflict of ideologies and values of different policy actors, such as ‘conservative versus radical’, ‘two-lines struggle’ (‘proletarian’ versus ‘bourgeois’) (兩條路線鬥爭) (Harding, 1984; Cheng & Law, 1997) and ‘planned economy model versus market economy model’. Although the Tendency Model over-simplified the complicated nature of Chinese politics by only focusing on the conflict of the different ideologies and values among the Chinese policy actors, these models also provide a good understanding of role of ideologies and values in Chinese policy-making.

Different ideologies and values lead to different policy objectives, so leaders need to pursue power to attain their own policy objectives.

3.2.2.3. Power Struggle

The Factions Model (派系模式) developed by Nathan (cited in Cheng & Law, 1997) views policy-making in China as a power struggle among the different
factions of policy actors. This model describes and argues that the Chinese leaders as motivated only by the pursuit of power and privilege, and cynically manipulating policy issues towards those ends. Obviously, the Faction Model is the opposite of the Tendency Model, which attributes the irrational pursuit of power to the Chinese leaders (Harding, 1984; Cheng & Law, 1997).

Actually, the Tendency and Factions Models can be integrated together to understand the high-level decision-making in China. This is because resolution of ideological and policy disputes, and accomplishment of policy objectives depends upon the power held by various leaders involved; while rise and decline of various leader’s power also depended on the success and failure of the implementation of their ideologies and policy objectives (Lieberthal and Oksenberg, 1988; Yan, 1995).

3.2.3. Mid-Level Administration

Beneath the top level, there are the various commissions (委員會) and ministries (部) of State Council who have supra-ministerial status and coordinated activities of line ministries and provinces. The bottom level was a set of line ministries, which implement policy.

Both the Structural Model (結構模式) and Bureaucratic Politics Model (官僚政治模式) (Harding, 1984; Cheng & Law, 1997) emphasize the role of institutional arrangements in the Chinese policy-making process. The Structural Model aims to describe the organizations and institutions in which policies are made, and of the allocation power and authority among them. Unlike the Structural Model,
the Bureaucratic Politics Model seeks to examine the interaction of the Chinese policy actors within the institutional arrangements.

The Bureaucratic Politics Model developed by Lampton (cited in Cheng & Law, 1997) and Lieberthal and Oksenberg (1988) concentrated on the fragmented structure of authority and bargaining among the different commissions and ministries who pursued their own goals and objectives (Cheng & Law, 1996). Lieberthal and Oksenberg (1988), who studied Chinese energy policy, identified that the Chinese policy process at the bureaucratic level was protracted, disjointed, and incremental, with a fragmented authority of the bureaucratic institutions the main cause of the problem.

Although top leaders had authority to bring enormous pressure to bear to advance a project and policy over the objections of bureaucracy, progress was easily bogged down in the bowels of various bureaucratic institutions in China. The structure of the energy sector highlighted the fragmentation of authority, which required that any major policy initiatives gained the active cooperation of many bureaucratic units that were nested in distinct chains of authority. Thus, a single ministry was unable to launch or sustain a major new policy.

Because of the fragmentation of authority, a policy initiative will normally rise to a higher level and individual ministries will also require the enthusiastic support of at least one major leader in order for a very large project or important policy to be pursued. A basic consensus to the policy problems should be created and maintained at each stage of the decision-making process. During the process of
consensus building, bargaining between all levels of the bureaucratic hierarchy is indispensable. Due to the fragmentation of authority, bargaining and consensus building, the energy policy-making process was quite diffuse. That is, the process was protracted with most policies shaped over a long period, and it was disjointed with key decisions made in a number of different and loosely coordinated agencies and inter-agency decisional bodies. The process was also incremental, with a policy, in reality, changing gradually.

Without exception, the Bureaucratic Model also had some shortcomings. For example, the CPC and Chinese government tried to prevent the formation of bureaucratic interests, and expression of such interests would, in any event, require far more initiative than most officials possess (Li, 1995; Cheng & Law, 1997). Yet, the Bureaucratic Model, to large extent, provided a more comprehensive picture of the policy-making process in China at the central level, as it was able to cover the top leaders, comprehensive government agencies and line agencies within the State Council.

3.2.4 Local Implementation

The institutional arrangements in China may also cause an obstacle to policy implementation at the provincial and local levels. Tang, Lo, Cheung and Lo (1997) examined the implementation of environmental policy in Guangzhou (广州) and Shanghai (上海) and found that a well-planned environmental policy - Environmental Impact Assessment (EIA) could not be well implemented because of institutional arrangements.
The EIA is a policy, which required the sponsors of development and construction projects to submit EIA reports to environmental agencies and other concerned government units. Each EIA report must specify measures to ensure that environmental standards are met in the design, construction and operation phases. Although the local environmental bureaus in China are legally responsible for implementing policies set by the central government, they were primarily the organs of city government. Heads of city environmental bureaus report to the mayor of the city. Financial resources for the city environmental bureaus are also provided at the local level. Such institutional arrangements caused difficulties for the city environmental bureaus in imposing restrictions or penalties on the construction projects that were supported by senior government officials or other powerful government units. For example, sites for many major economic development projects were supported by leading officials before the local Environmental Protection Bureau could initiate the EIA process. Although negative environmental effects were identified in the subsequent EIA reports, the local Environmental Protection Bureau often found it was unable to reject or relocate the project.

3.3. Overview and Conclusion

Having examined and discussed the relevant models of Chinese politics and policy-making process, it is concluded that each has some contributions and none provides a full understanding. These models are complementary, rather than competitive or mutually exclusive (Harding, 1984). Thus, it is better to link these models together to conceptualize Chinese politics and policy-making process. It must be highly recognized that the previous models have helped this study develop
an understanding of the various aspects and issues of Chinese politics and policy-making process, such as its complicated and dynamic nature.
Chapter 4 – Research Methodology

This study adopts a qualitative and descriptive case study approach (Yin, 1994; Veal, 1997). The descriptive approach is used to study the tourism policy-making process in China post 1978 through applying the ‘Inter-relationship Model of the Policy-Making Process’ developed in this study. Meanwhile, the context of tourism policy-making in China can also serve as a case to verify the relevance and appropriateness of this model in studying the policy-making process. Both primary and secondary data of the tourism policy-making process in China were collected. Primary data was collected by conducting in-depth interviews with Chinese government officials responsible for tourism policy-making, and Chinese and Western scholars who have studied Chinese tourism policy and tourism development. Secondary data was collected from the various sources of China tourism literature. A phenomenological approach was applied in analyzing the qualitative data collected. A set of procedural and systematic themes for the qualitative data analysis was applied including fragmentation, reformulation and inferencing.

4.1. Research Design

The descriptive case study and qualitative approaches are used in this study (Yin, 1994; Veal, 1997).

4.1.1. Descriptive Case Study Approach

Primarily, this study adopts the descriptive case study approach (Yin, 1994). The case study method aims to understand the phenomenon by studying single
examples (Veal, 1997). This approach has been well utilized in the policy field as it enables the researcher to use intricate details and methods for examining policy arenas and assessing the plausibility, and sometimes the general applicability of theoretical developments (Hall & Jenkins, 1995). The case used in this study is considered as an empirical unit as it aims to empirically examine the ‘Interrelationship Model of the Policy-Making Process’ developed in this study. However, this study also recognizes that the major disadvantage of case study method lies in a lack of generalization power (Hall & Jenkins, 1995).

The descriptive approach seeks to discover, describe and map patterns of behavior (Veal, 1997). In this study, a descriptive case study approach was used to describe, apply and examine the ‘Inter-relationship Model of the Policy-Making Process’ in the case of tourism policy-making in China. Propositions on the nature of inter-relationships of policy factors were developed based on this case. As the case study does not lend itself to generalization, limitations of the findings are acknowledged.

4.1.2. Qualitative Approach

Qualitative analysis is a detection of the constituents of something (Johns & Lee-Ross, 1998). According to Denzin & Lincoln (1998a), qualitative analysis refers to a research method that emphasizes on processes and meanings that are not rigorously examined or measured in terms of quantity, amount, intensity, or frequency, and it seeks to answer questions that stress how social experience is created and given meaning. Veal (1997) indicated that the qualitative approach is
generally not concerned with numbers, and the data collected is generally not presentable in numerical form.

The qualitative approach is the most appropriate research method for this study. This study aims to examine the tourism policy-making in China through applying the Inter-relationship Model of the Policy-Making Process as an analytical framework. This model attempts to develop and incorporate the concept of the 'inter-relationship' in the policy-making literature. In another words, this model aims to give meaning to the policy-making process based on the concept of 'inter-relationship' of policy factors, and does not seek to quantify the inter-relationships, policy factors and policy-making process. The data collected for this study is the tourism policy-making process in China including (1) Chinese tourism policy and (2) policy factors shaping the Chinese tourism policy and inter-relationships between them, these data are primarily qualitative in nature.

4.2. Research Strategy

Qualitative methods of data collection and analysis are adopted as the research strategy for this study. Generally speaking, these qualitative methods involve the use of investigator-as-the-instrument (in-depth interview and interview questions) rather than investigation-by-written-instrument (questionnaire) (Riley, 1993).
4.2.1. Data Collection

In this study, both the primary and secondary qualitative data were collected. Secondary data was collected and analyzed first, in order to provide the researcher with a basic understanding of the Chinese tourism policy-making and to formulate the detailed questions for in-depth interviews.

4.2.1.1. Primary Data

Primary data collection enabled the researcher to gain the most relevant, valid and reliable information of the tourism policy-making process in China. The primary data was collected by conducting the in-depth interviews with government officials and academics.

Rationale for using in-depth interviews

The in-depth interview was the preferred data collection instrument for this study. It is a useful tool for the researcher to gain the insights towards the investigated topics, as the interviewees provided their own answers with minimal direction, intervention and obtrusiveness from the interviewer and other parties after they were introduced to the topic for discussion through a set of general orienting questions (McCracken, 1988; Riley, 1993). The in-depth interviews enabled the researcher to understand the social phenomenon (in this study, the phenomenon examined is the tourism policy-making process in China) from the perspectives of individual interviewees who are considered as the experts in this area.
Interview with the Government Officials

As the national tourism policy of China is formulated and implemented by the central government, collection of data from the responsible central government agencies for tourism policy-making can ensure its validity and reliability. These government agencies included the China National Tourism Administration, State Development Planning Commission, Ministry of Finance and Beijing Tourism Administration.

China National Tourism Administration (國家旅游局)

The China National Tourism Administration (CNTA) is the primary central government body responsible for the tourism policy-making, development and administration of tourism in China. The officials interviewed include the present and former Chairmen of CNTA (or Vice-Chairman), the present and former Director-General of Policy and Legal Department, CNTA (政策法规司). They included:

(1) Mr. Han Ke-Hua (韓克華), former Vice Minister of Ministry of Foreign Affairs (1979 – 1981) and Former Chairman of CNTA (1981 – 1988). Mr. Han was directly appointed by Mr. Deng Xiao-Ping as the Chairman of CNTA to develop tourism as an economic activity (Han 1999, personal communication). Currently, Mr. Han serves as the Senior Consultant of China Institute for International Studies (中國國際戰略學會).

(2) Mr. Wei Xiao-An (魏小安), Director-General of Policy and Legal Department and former Director-General of Department of Hotel and Travel Agency Management (旅行社饭店管理司) [now renamed Industry Management
Mr. Wei now has transferred to the Planning and Finance Department of CNTA and serves as Director-General.

(3) Mr. Feng Zong-Su (馮宗蘇), former Director-General, Policy and Legal Department. Mr. Feng now serves as President, China Tourism International Trust & Investment Co., Ltd. (中國旅遊國際信托投資有限公司).

The interviews with these current and former officials of CNTA enabled the researcher to gain the valid and reliable data of tourism policy-making process from the CNTA perspective.

State Development Planning Commission (國家發展計劃委員會)

The State Development Planning Commission (SDPC) [its forerunner is the State Planning Commission (SPC) (國家計劃委員會)] is the comprehensive government agency in the State Council responsible for the economic and social development in China, such as planning and balancing the development between the different economic and social sectors. Due to its crucial position, it was necessary to interview the official of SDPC responsible for tourism in order to understand the role of SDPC in the tourism policy-making process.

The official interviewed in SDPC was Mr. Rao Quan (饒權), Deputy Division Director, Division of Life Quality, Department of Social Development (社會發展司生活質量處). This division is the main responsible body for the tourism policy-making and coordination in SDPC.
Ministry of Finance (财政部)

The Ministry of Finance (MOF) is also a comprehensive government agency in the State Council responsible for the fiscal and taxation policy. As the development of tourism requires the financial support from the central government, it is necessary to understand role of MOF in tourism policy-making and how the fiscal policy support the development of tourism in China.

The officials interviewed in MOF were Mr. Zhang Li-Ming (張黎明) and Mr. Ren Zhen-Liang (任振良), Division Director and Deputy Division Director respectively, Foreign Investment and Tourism Division, External Finance Department (涉外司外资旅游處). This division is the main responsible body for the tourism policy-making and coordination in MOF.

Generally, the interviews with SDPC and MOF enabled the researcher to understand Chinese tourism policy-making from a wider and objective perspective at the government level.

Local tourism bureaus (地方旅游局)

As local tourism bureaus are also the significant players in the tourism policy-making, this study also interviewed an official of a local tourism bureau - Mr. Li Ming-De (李明德), Director of Investigation Department, Beijing Tourism Administration (北京市旅游事業管理局研究室).
Interview with Academic Scholars

Academic scholars may view tourism policy from a wider, objective and scientific perspective compared to the government officials. So interviews with both officials and academics are seen to be mutually complementary rather than competing. Both the Chinese and Western academic scholars were selected for interview in order to compare, contrast and synthesize different opinions, and gain the insights from both the Chinese and Western perspectives. As the tourism policy-making process is a new research topic, there are few scholars who specialize in this topic. So four kinds of tourism academic scholars were selected for interview:

(1) scholars who specialized in the Chinese tourism policy and tourism development;
(2) scholars who have studied the Chinese tourism policy or tourism development;
(3) scholars who advise and consult the central and local governments in the development of tourism; and
(4) scholars who have a basic understanding of the Chinese tourism policy or tourism development.

A total of nine Chinese and Western scholars were selected for the in-depth interviews, they are:

(1) Professor Zhang Guangrui (張廣瑞), Director of Tourism Research Center, Institute of Finance and Trade Economics, Chinese Academy of Social Sciences (中國社會科學院旅遊研究中心). Professor Zhang is a pioneer Chinese scholar in studying the tourism policy and tourism development in China. He is a co-author of the book entitled ‘A Study of the Tourism Economy in China’ (中國旅遊經濟研究). He is also the author of ‘China’s Tourism since 1978:'

(2) Professor Du Jiang (杜江), President of China Tourism College (中國旅遊學院) [also called the Beijing Second Foreign Language Institute (北京第二外國語學院)]. Professor Du belongs to the first batch of tourism management graduates post 1978. He specializes in studying the travel agency sector in terms of corporate management, development and policy issues.

(3) Professor Liu De-Qian (劉德謙), Deputy Editor-in-Chief, Tourism Tribune (旅游學刊). Tourism Tribune is a renowned academic Chinese journal in the tourism field.

(4) Professor Zhuang Zhi-Min (莊志民), Chairman of Department of Tourism, International Commercial College, East China Normal University, Shanghai (上海華東師範大學國際商學院旅游系). Besides studying the tourism marketing and tourist profile, Professor Zhuang also participated in conducting the consultant projects of tourism development strategy for the Shanghai Municipality Government and other neighboring cities and counties.

(5) Professor Xia Lin-Gen (夏林根), Tourism Program Director, Shanghai Fudan University (上海復旦大學).
(6) Mr. Yao Kun-Yi (姚昆遴), Associate Professor and Head of Department of Tourism Management, Shanghai University (上海大学旅游管理系).

(7) Mr. Zhu Hai-Sen (朱海森), Associate Professor and Vice-Dean of College of Life & Environment Science, Shanghai Teacher’s University (上海师范大学生命与环境科学学院).

Professor Xia, Mr. Yao and Mr. Zhu have also participated in conducted consultancy projects on tourism development strategy for the Shanghai Municipality Government and other neighboring cities and counties.

(8) Professor Alan Lew (劉德齡), Department of Geography and Public Planning, College of Ecosystem Science and Management, Northern Arizona University, United States. Professor Lew studies the development of tourism and tourism policy issues in China. He is the co-editor of the book entitled ‘Tourism in China: Geographical, Political and Economic Perspectives’.

(9) Professor Dexter Choy (蔡子廉), School of Travel Industry Management, University of Hawaii at Manoa, United States. Professor Choy is also a Western scholar studying the development of tourism and tourism policy in China, and has published papers in this area.

**Main Interview Questions**

Qualitative research is much less formally structured than quantitative work. The researcher may have comparatively little control over the situation, something
acting only as a facilitator or passive data gatherer (Johns & Le-Ross, 1998). Therefore, the main interview questions aims to guide the interview process, rather than control and restrict such process.

The Chinese national tourism policy is defined in this study is defined as a set of inter-related decisions (or non-decisions) and actions (or inactions) formulated and implemented by the Chinese government to deal with the problems, concerns and opportunities in the tourism sector, and they are specially intended to develop tourism in China. Principally, there were three main interview questions:

(1) What tourism policy decisions have been formulated and implemented by the Chinese government? This question aims to identify a set of tourism policy decisions in terms of their objectives and contents.

(2) Which policy factors have shaped Chinese tourism policy? There are three sub-questions in this main question:

(2.1) Why did the Chinese government formulate these tourism policy decisions?
(2.2) Who were the policy actors of these decisions?
(2.3) How did the Chinese government formulate these tourism policy decisions?

These questions seek to examine and describe the policy factors affecting the tourism policy-making in China.

(3) How did these policy factors inter-relate together to shape Chinese tourism policy? This question aims to gain an understanding of the inter-relationships of policy factors and develop a set of propositions on the nature of inter-relationships of policy factors.
All of the above three interview questions are open-ended and quite broad. A set of detailed questions and a checklist of important items in each main question were formulated, which aimed to ensure that all-important data to be collected were not missed (see appendix 2 & 3). During the data collection process, it was also very important for the researcher to identify some new policy factors, if possible, which are not presented in the model proposed by this study.

**Interviewing and Questioning Techniques**

An examination of policy-making process may be a sensitive topic, as it touches the internal operations of government agencies and inter-agency relationships. So, such kind of interviews needs to be conducted skillfully and carefully. The sensitive words like ‘conflict of values’, ‘power struggle’, ‘who is more powerful’ were not used during the process of interviewing, questioning and prompting, they were worded skillfully and diplomatically, such as using ‘coordination’, ‘negotiation’, ‘cooperation’ or ‘who was the final decision-maker’.

Audio taping was used to record the process and content of interviews if there was no objection from interviewees, this aimed to ensure that all important information was not missed.

During the interviewing and questioning process, ‘floating prompts’ and ‘planned prompts’ were adopted (McCracken, 1988; Henderson, 1991; Riley, 1993). ‘Floating prompts’ were verbal and non-verbal requests for deeper
descriptions, while 'planned prompts' were proposed to encourage the further discussion at the end of each interview.

Two Phases of In-depth Interviews

Two phases of in-depth interviews were conducted for this study. The phase-one interviews were conducted in October 1998 (Shanghai and Beijing) and January 1999 (United States) respectively, which aimed to gain general information of the tourism policy-making process in China and insights for the development of propositions on the nature of inter-relationships between policy factors (see Appendix 2). Data collected from the first phase interviews were combined with secondary data for analysis. Based on the preliminary findings, a set of further interview questions was formulated for the phase-two interviews (see Appendix 3). These questions aimed to examine a set of preliminary propositions and to further clarify the initial findings.

4.2.1.2. Secondary Data

Secondary data was also employed in this study. The purpose for secondary data collection is to acquire a basic understanding of the Chinese tourism policy and tourism policy-making in order to formulate the detailed questions for the in-depth interview. Secondary data about Chinese tourism policy was collected from various China tourism literature sources (books, journal article and newspaper) published by the Chinese government and its related agencies in order to ensure its reliability. The literature included:

(1) Yearbook of China Tourism (中國旅游年鑑) (various years);
(2) A study of the Tourism Economy in China (中國旅游經濟研究);
4.2.2. Data Analysis

Qualitative research is endless creative and interpretive, because there is no well-defined procedure available for analyzing qualitative data comparing to quantitative analysis (Denzin & Lincoln, 1998a; Johns & Lee-Ross, 1998). Having combined both the qualitative analysis theories (e.g. Denzin, 1989; Denzin & Lincoln, 1994; Veal, 1997; Denzin & Lincoln, 1998a; Denzin & Lincoln, 1998b;
Flick, 1998; Johns & Lee-Ross, 1998) and practices (e.g. Ap, 1992; Riley, 1993; Sandiford, 1997), two main methods were designed for this study to analyze the qualitative data, they are (1) data analysis approach and (2) data analysis procedures. Data analysis approach refers to the general method and guidelines directing for analyzing qualitative data, while data analysis procedures refer to the detailed and specific steps and techniques that data analysis should follow.

4.2.2.1. Data Analysis Approach

Qualitative research usually takes a phenomenological perspective that acknowledges the subjective position of research to a much greater extent (Johns & Lee-Ross, 1998). The phenomenological approach originates from the ideas that human consciousness actively constitute the objects of experience (Denzin & Lincoln, 1998b). Schutz (1964, cited in Denzin & Lincoln, 1998b) argues that subjectivity is paramount as the scientific observer deals with how social objects are made meaningful. Masberg & Silverman (1996) indicated that the basis of the phenomenological approach is the discovery of the structure of the phenomenon under study from the perspective of the individual experiencing that phenomenon. They describe this approach as a process requiring the researcher to read and re-read the interview transcripts and secondary texts until a set of comprehensive categories and themes have emerged. The phenomenological approach was applied in this study to interpret the policy-making process in China (phenomenon) based on the concept of ‘policy factors’ and ‘inter-relationships’.
4.2.2.2. Data Analysis Procedures

The basic unit of data analysis in this study is the (1) three individual tourism policy decisions (tourism policy paradigm, basic tourism policy decision and specific tourism policy decision) and (2) policy factors shaping these decisions. The individual tourism policy decisions are used as the means to identify the policy factors shaping these decisions. Secondary data analysis preceded primary data analysis. As the majority of formal data was gathered during the in-depth interviews, all interviews were translated and transcribed immediately. When the primary data was acquired, it was combined with the secondary data for the formal analysis.

Based on McCracken (1988), Denzin (1989) and Strauss & Corbin (1990) and Riley (1993), data analysis of this study adopted the following steps and techniques.

Step 1 – Familiarization

This was an acquaintanceship process, in which the researcher understood the themes and contents of each interview, and then put the interview transcripts with similar themes and contents together. The same process was also adopted in the secondary data familiarization.

Step 2 – Fragmenting the data

This stage fragmented all primary and secondary data into components part – tourism policy paradigm, basic tourism policy decisions and specific tourism policy decisions.
Step 3 – Reformulating

In the third step, reformulating are adopted for the conceptual categorization and comparison. The concepts used for categorization and comparison were ‘policy factors’ and ‘inter-relationships’ among these policy factors. The researcher examined, described and categorized the policy factors determining these three tourism policy decisions, and identified the inter-relationships among these factors.

Step 4 – Construction

Construction built on the reformulation, it re-assembled the tourism policy-making process in China back into a coherent whole after using the concepts of ‘policy factors’ and ‘inter-relationships’ to interpret fragmented part of this phenomenon. The construction concisely stated how the structure and parts of the phenomenon cohere into totality.

Step 5 – Contextualization and Inferencing

Based on the construction, contextualization and inferencing gave the meaning to the whole process of tourism policy-making in China by comparing, synthesizing and refining the policy factors determining the three kinds of tourism policy decisions and ‘inter-relationships’ between these factors.

4.2.2.3. Operationalization

During the data analysis process, some factors are quite difficult to assess, such as the exercise of power and conflicts of value and interest. For solving this problem, the ‘proxy method’ is applied. For example, Tang, Lo, Cheung and Lo (1997) adopted a proxy method to explain that the exercise of power is one reason
for the failure in implementation of the environment protection policy in China. Although the local environmental bureaus in China are legally responsible for policies implementation set by the central government, they are primarily the organs of the city government. Heads of city environmental bureaus report to the mayor of the city. Financial resources for city environmental bureaus are also provided at the local level. This makes it difficult for the city environmental bureau to impose restrictions or penalties on the construction projects that are supported by senior local government officials or other powerful government agencies. So, it can be derived that local environmental bureaus are less powerful than the senior local government officials in the implementation process.

The computer software program - Non-numerical Unstructured Data Index Searching and Theorizing (NUDIST) was used in analyzing both the primary and secondary data. All primary and secondary data are entered in the program, NUDIST is used to search the linkages between the data. The base data of this study were the three tourism policy decisions with each created as an independent computer text file. An index tree was established, comprising the various policy factors shaping the policy decisions. All files of individual policy decisions were coded in accordance with these factors. After all data has been entered and coded, NUDIST then searches the relationships between the various policy decisions in order to identify the policy factors affecting tourism policy-making and the inter-relationship between them.
Chapter 5 – Overview of Tourism Policy-Making in China

The analysis of tourism policy-making process in China has been made through applying the Inter-relationships Model of the Policy-Making Process developed in this study. Based on the Model, tourism policy-making in China was viewed as an input-output model of the Chinese tourism policy system consisting of the tourism policy community and tourism institutions. All policy factors at the macro, middle and micro levels in China, which are the inputs of Chinese tourism policy system, were identified, examined and described. These policy factors are not isolated but rather inter-related. The inter-relationships between these policy factors were investigated through examining the interaction and coalescence among them. The outputs of Chinese tourism policy system were a set of inter-related tourism policy decisions - the tourism policy paradigm, basic and specific tourism policy decisions.

The research results are organized in three chapters. This chapter provides the overview of tourism policy-making in China; Chapter Six investigates the tourism policy actors and tourism policy-making mechanism in China; and Chapter Seven examines the tourism policy development in China post 1978.

5.1. Tourism Policy in China

Tourism policy in China is defined in this study as a set of inter-related decisions (or non-decisions) and actions (or inactions), i.e. tourism policy decisions, formulated and implemented by the Chinese government to deal with the problems, concerns and opportunities in the tourism industry in China, they are specially intended for the development of tourism in China. It is identified that the Chinese
tourism policy is an economic and market-oriented policy and is consisted of the policy paradigm (政策典範), basic tourism policy decisions (基本政策) and specific tourism policy decisions (具體政策). These three kinds of tourism policy decisions have undergone a significant, profound and continuous change during the past twenty years of tourism development that is since 1978.

5.1.1. Tourism Policy Paradigm

The Chinese tourism policy paradigm is defined in this study as an intellectual construct towards the development of tourism in China held by the tourism policy actors in China, which serves as the mini-ideology for the development of tourism. The formation of a tourism policy paradigm in China is a long and complicated process. Generally, the Chinese tourism policy paradigm has the following premises:

1. The basic nature of tourism is economics.
2. Both international (inbound) and domestic tourism is an important means for the economic development.
3. Domestic tourism is an essential and indispensable part of tourism development, and should be treated at least as equally important as international tourism.
4. Tourism is a market-driven industry in nature, and tourism policy-making should be in line with the 'socialist market economy model' (社會主義市場經濟模式).

These four premises are commonly accepted by the tourism policy actors and tourism industry, and direct the tourism policy-making and the development of
tourism in China. Yet, these concepts are not shaped in a short period, their developments has undergone change throughout the three historical periods:

Historical Period One covered the period of 1978 to 1985, which was a transitional period of change in the nature of tourism from politics to economics. From 1986 to 1991 was Historical Period Two. During this period, the tourism policy actors understood that tourism was a market-driven industry and the concept of ‘tourism system’ undermined. Historical Period Three commences from 1992 to the present, where the market economy ideology guided tourism policy-making and domestic tourism is recognized as an important means to develop the national economy.

5.1.2. Basic Tourism Policy Decisions

The basic tourism policy decisions, which are called ‘Fangzhen’ (方針) by the Chinese government officials, are the manifestation of the tourism policy paradigm. It is a set of guidelines that determine the general goals and strategy for the development of tourism in China. In terms of importance, these guidelines can be classified into three levels.

The guidelines at the top level refer to the position of tourism in the national economy. According to Mr. Wei Xiao-An, Director-General of Policy and Legal Department, CNTA, the Chinese government currently positions tourism as ‘a new growth point of the national economy’ (國民經濟新的增長點或新的經濟增長點) and a key tertiary industry that should be developed with great emphasis and effort (第三產業中重點發展的產業).
The second level is the general goals and objectives of tourism policy. The current goals of tourism policy are primarily economic-oriented, such as earning foreign exchange, providing employment.

The third level refers to tourism development strategy. Mr. Wei Xiao-An summarized that from 1978 to the present, the tourism development strategy can be summarized in one key sentence, that is ‘tourism should be developed with great effort’ (大力發展旅遊業). But the focus of strategy shifted from international tourism only in 1978 to the present strategy of international tourism and domestic tourism, plus outbound tourism.

5.1.3. Specific Tourism Policy Decisions

The basic tourism policy decisions directs the formulation and implementation of the specific tourism policy decisions, which deals with the concrete problems, concerns and opportunities, such as a lack of tourist facilities and poor quality of supply. This part contains most of the tourism policy decisions and covers a wide range of tourism issues. Although these issues look isolated and diffused, they are logically consistent, as they are the representation of a same set of problems reflected in the different aspects of tourism, these aspects mainly refers to the demand for tourism, and the quantity and quality of supply of tourism in China.

5.2. Nature of Chinese Tourism Policy

“Policy is described then as something one must make decisions about. Tourism Policy does not fit this stereotype – at least not in the Philippines or in most developing nations – and therein lies a powerful reason for its appeal. Tourism is a ‘chosen’ policy” (Richter, 1983a: 318)
Richter (1983a, 1989) argued that tourism policy is a ‘chosen’ policy, meaning that tourism is not an area that government must make decisions about it. However, the Chinese tourism policy post 1978 did not reflect this nature. The Chinese tourism policy is a ‘must’ policy, at least in the initial period of the implementation of Economic Reform and Open-door policy. Prior to 1978, China closed its door to the outside world, tourism was used as a political instrument to promote the Socialist China. So tourists coming to China were mainly invited guests and there was no real tourist (such as for vacation and sightseeing) from 1949 to 1978. Since 1978, Chinese national policy has changed significantly from ‘Closed-door’ to ‘Open-door’. To signal that China was ready to open to the outside world, a shift of tourism policy from only receiving invited guests to welcoming all tourists was a ‘must’, and this decision for tourism was a ‘must’ policy. Otherwise, China would be unable to convince foreign countries that the ‘Open-door’ policy was implemented.

5.3. Tourism Policy-Making Process

Tourism policy-making in China is shaped by the interaction and coalescence of multiple policy factors at the macro, middle and micro-levels. This interaction and coalescence is manifested through policy-oriented learning and coordination undertaken by the policy actors. The whole process of tourism policy-making in China reflected a conflict of the new ideology and new tourism policy paradigm versus the existing tourism institutions.
5.3.1. Interaction and Coalescence

5.3.1.1. Macro-Level

Chinese tourism policy is shaped by the interaction and coalescence of policy factors at the macro, middle and micro levels, but the ultimate reason for the development and change in the Chinese tourism policy is the development and change in two macro-level policy factors – the environment and ideology. The environment, which the tourism policy-making confronts, consists of the political & socioeconomic environment, national policy and tourism environment. The interaction and coalescence of environment and ideology play a driving role in shaping tourism policy.

Since 1978, the fundamental change in China has been the change in ideology, which is the origin for the change in the tourism policy paradigm. However, ideology is hard to change, but rather anomalies in the environment led to the emergence of a new ideology (interaction). After the end of Cultural Revolution, a set of political and socioeconomic problems, such as no real improvement in living standard and serious shortage of consumer products, convinced the new Chinese leadership of the inadequacy of ‘political struggle’ (政治斗争) or ‘politics-command’ (政治挂帅) and ‘centralized planned-economy model’, which were the ruling ideologies in the Cultural Revolution. As a result, the ruling ideology in China has seen two significant and profound shifts since 1978.

The first was the shift from ‘political struggle’ to ‘economic development’, indicating that the development of national economy replacing the endless political struggle has become the top priority of CPC. This shift highlighted
the economic nature of tourism. Along the lines of "economic development" ideology, the new national development policy – 「Economic Reform」 (經濟改革) and 「Open-door policy」 (開放政策) were launched.

The second was the shift from the "centrally planned-economy model" (中央計劃經濟模式) to the "market economy model" (市場經濟模式). This shift was what the Western scholars of China Studies called "deregulation", "liberalization" or "decentralization". This study delineated this shift as "marketization" (市場化), meaning that both demand and supply sides of the Chinese economy were no longer manipulated and controlled by the "visible hand" - central master plan, but rather gave way to the "invisible hand" - market mechanism. Stimulating the demand side of economy was recognized and confirmed by the CPC as the valid instrument for economic development. However, comparing to the first change, this one has gone through a long, complicated and controversial political process. The ideology of "marketization" started from the "decentralization of power" (權力下放) in 1978, progressed to "development of market mechanism in the control of the planned economy model" in 1984 and completed in 1992 when Jiang Ze-Min (江澤民), the General Secretary of CPC and President of China, formally announced the establishment of the Socialist Market Economy Model (社會主義市場經濟模式) in China. The ideology of "marketization" shed the light on the strong market growth of tourism, particularly the domestic tourism that emerged in 1980s. These two changes in the ideology were logically inter-related and consistent, that is, the main approach to develop the Chinese economy is through the establishment, operation and
management of the 'market economy model', rather than the 'centrally planned-economy model'.

The new ideologies together with the specific conditions in the environment led to emergence of the new tourism policy paradigm (coalescence). When the ideology of 'pragmatism' and 'economic development' was formed in 1978, the serious shortage of foreign exchange motivated the new Chinese leadership to consider international tourism as a foreign exchange earner. The rich tourism resources in China and restoration of diplomatic relationships with the majority of Western countries also convinced the Chinese leaders that China possessed the required conditions to develop international tourism. During the past two-decades, the tourism policy paradigm has progressed significantly to recognition of tourism especially domestic tourism as an important means for economic development. Such development depended not only the 'market economy' ideology, but also on a set of specific environmental conditions such as the insufficient aggregate demand, strong market growth in domestic tourism, etc. Although the ideology and environment resulted in the emergence of a tourism policy paradigm, its full establishment required the initiation and final decision-making of the powerful top leaders such as Deng Xiao-Ping and Chen Yun, and/or consensus-building among the commissions, ministries and government agencies responsible for tourism.

5.3.1.2. From Macro-Level to Middle and Micro-Levles

When the ideology shifted to 'economic development' in 1978, the middle-level and micro-level policy factors changed accordingly. The organizational goals of CNTA changed from running tourism as a political vehicle to developing
tourism as an economic activity. China International Travel Services (CITS) was also separated from CNTA in 1982, indicating that CITS shifted from an organization responsible for receiving invited guests to an enterprise running travel business. The general goals of the basic and specific tourism policy were all aimed at developing tourism as an economic activity. For example, tourism pricing was aimed at deriving economic benefits before 1978 and later on it shifted to profit-making.

Under the economic-oriented ideology, profit making and pursuit for leisure and recreation were gradually re-accepted as a right, which were previously criticized as an evil in the Cultural Revolution. Profit making has become the formal goal of enterprises and individuals, and an informal goal of government agencies. A highly profitable tourism industry especially international tourism in the early 1980s motivated the non-tourism government agencies, enterprises and individuals to run travel business. This motive and the serious shortage of tourist facilities such as hotels caused the decentralization of tourism investment.

Meanwhile, the implementation of the Economic Reform and Open-door policy stimulated socioeconomic development. With an increase in disposable income and the demonstration effect of international tourism, more and more Chinese people demanded domestic travel, which fostered and sped up the development of domestic tourism. The strong market growth of domestic tourism and the shift of ideology to the market economy model changed the tourism policy paradigm. Therefore, it is concluded that the tourism policy-making in China carries out in the scope of multi-lateral interaction and coalescence of a set of policy factors.
5.3.2. Policy-Oriented Learning and Coordination

Tourism policy-making in China is also a process of policy-oriented learning and coordination undertaken by the tourism policy actors, which reflect the interaction and coalescence of policy factors. Mr. Wei Xiao-An said “the policy-making process is a learning as well as a error-correcting process.” Policy-oriented learning is defined in this study as the intended or unintended activity undertaken by the policy actors to understand a set of policy factors in order to formulate and implement tourism policy. The methods of policy-oriented learning include policy research studies, policy discussion seminars and conferences. The result of policy-oriented learning is policy demand and initiative for tourism.

Tourism policy-making in China involved a number of government agencies with each having its own values (formal and informal objectives) and interests, such as the China National Tourism Administration (CNTA) – the principal responsible agency for tourism, the State Development Planning Commission (SDPC) and Ministry of Finance (MOF). Ideology, values and interests served as the prisms for these agencies to comprehend the problems, concerns and opportunities in the environment. As different government agencies held different formal and informal objectives, coordination is frequently conducted among the government agencies concerned to build consensus towards the tourism policy issues. For example, the recognition of tourism particularly domestic tourism as an important means for the economic development was a consensus reached by CNTA, SDPC and MOF through a number of joint policy research studies, policy discussion seminars and a long-time coordination. The SDPC and MOF are two long-standing government agencies, which strictly adhered to the planned economy ideology from their
establishment to 1992 and are required to study the economic and social issues from a broad perspective, rather than just from the angle of a sector of society (e.g. tourism, transportation). For CNTA, development of tourism as an important economic activity and protecting the interests of tourism industry are its top organizational goals. Under the planned economy ideology, the strong market growth of domestic tourism failed to gain enough attention and weight. When the ideology shifted to the market economy model and domestic tourism became a main contributor of tourism earning, the SDPC and MOF then emphasized on domestic tourism.

5.3.3. Conflicts between ‘Old’ and ‘New’

The new ideology and new tourism policy paradigm cannot be implemented unless they can be institutionalized into the organization, rules and standard operating procedures. So, except for the marketing strategies and product development, institution building in terms of regulations and standards accounted for the majority of the specific tourism policy decisions. During the process of institutionalization, the existing institutions, which embodied the old ideology and old tourism policy paradigm, resisted the new ideology and new tourism policy paradigm, but institutions finally would change. If conflict of interests existed, the change in the institution was slower than in a situation when there was no conflict of interest. The detailed explanation will be provided in Chapter 7.
5.4. Summary

Generally speaking, Chinese tourism policy involves a wide range of policy decisions, which can be conceptualized into the tourism policy paradigm, basic and specific tourism policy decisions. Tourism policy-making in China is determined by the interaction and coalescence of the policy factors at the macro, middle and micro-levels, which are manifested through the policy-oriented learning and coordination undertaken by the policy actors. Moreover, tourism policy-making in China reflected a conflict of the new ideology and new tourism policy paradigm with the existing tourism institutions.
Chapter 6 – Tourism Policy Actors in China

Based on the model, policy actors perform the roles of policy-oriented learning and coordination in the policy-making process. Policy-oriented learning is defined in this study as an active or passive activity undertaken by the various actors to understand the set of policy factors, in order to formulate and implement policy. As different policy actors have different values and interests, which cause the different results of policy-oriented learning, coordination is required among them to reach a consensus. How these policy actors exercise the coordination role is affected by the institutional arrangements for policy-making.

This chapter will apply these concepts to examine the various roles of Chinese tourism policy actors and the institutional arrangements that prescribes their roles.

6.1. Political Structure of China

The basic political structure in China is the Party-State or Party-Government structure (黨政體制) (Cheng & Law, 1999), the ruling Communist Party of China (CPC) governs the People’s Republic of China (PRC). Under the Party-State structure, the influence of CPC is dominant and pervasive, as CPC leads not only the central and local governments, but also the National People’s Congress (全國人民代表大會) (NPC), local people’s congresses, satellite political parties, state-owned enterprises and social organizations (e.g. welfare, youth and women associations, education institutions).
6.1.1. Communist Party of China

The political power in China, to a large extent, is centralized in the Political Bureau of the Central Committee of CPC (政治局). The Political Bureau is the core of Chinese politics and policy-making with the key national policies decided upon and approved by it (e.g. Economic Reform and Open-door policy). The Secretariat of Central Committee is its implementation body (Xu, 1998). The Political Bureau may be also directly involved in the tourism policy-making, the decentralization of tourism investment was decided in the meeting of Secretariat of the Central Committee presided by the General Secretary of CPC Hu Yao-Bang (胡耀邦) in 1984.

6.1.2. National People’s Congress

According to the Chinese constitution, the NPC is the highest organ of state power in China. It is mainly responsible for legislation, election and removal of the state leaders and supervising the State Council (国务院) - the Central Government of China (中央人民政府). Any policy which is in the form of law (法) must be enacted by the NPC. The NPC is involved in two areas of tourism policy-making - formulation of tourism law and questioning the tourism issues. At the present, the NPC is busily involved in enacting the laws related to the market institutions such as ‘Company Law’ (公司法), ‘Securities Law’ (证券法), which are applied to the all sectors in China. Tourism law, as it just dealt with an economic sector, failed to get priority in the legislation process of the NPC. So, the Draft of Tourism Law (旅游法草案) still has not made it to the legislative stage of NPC. As the Chinese Constitution empowers the NPC to supervise the State Council, the Delegates of NPC (全国人大代表) usually raise the bills (议案) to question the issues in the
development of tourism and tourism policy-making, such as the administration of attraction and service quality of tourism. CNTA is responsible for replying and answering the questions raised in these bills.

6.1.3. State Council

The State Council is responsible to both the CPC and NPC. It implements the decisions made by CPC and laws enacted by the NPC. The State Council is composed of the Premier, Vice-Premiers, State Councilors and a set of government agencies with the Premier exercising overall leadership. All government agencies in the State Council and the local governments are responsible to the State Council. Generally, there are two kinds of government agencies in the State Council – comprehensive agencies and sector agencies. The comprehensive government agencies, such as the State Development Planning Commission, State Economic and Trade Commission and Ministry of Finance, perform the roles of overview, integration, coordination and control in the political, economic and social development in China. They are a usually higher bureaucratic level than the sector agencies. The sector agencies are responsible for managing a sector of the political, economic and social activities of China. For example, the China National Tourism Administration (CNTA) is a sector government agency directly responsible for the development of tourism and tourism policy-making. Strictly speaking, all policy decisions from CNTA especially those key ones should be reviewed and approved by the State Council. Any tourism policy decisions in the form of an Ordinance or Regulation (條例或規定) must be approved and issued by the State Council. The legal status of an Ordinance and Regulation is lower than the Law. Up to now, the State Council has issued two tourism regulations, they are the ‘Regulations on the
Administration of Travel Agencies’《旅行社管理条例》(1996) and ‘Regulations on the Administration of Tour Guides’ 《导游人员管理条例》(1999).

6.2. Policy-Oriented Learning and Coordination in the Tourism Policy-Making

As tourism is a wide ranging industry covering a variety of social and economic activities, tourism policy-making touches almost all government agencies in the State Council. Not every of these agencies is a member of the tourism policy-community in China, and only the key organizations and actors who participate in the tourism policy process and who are continually in touch with each other about tourism issues, constitute the tourism policy community (Elliot, 1997).

Tourism policy-making in China is a context like what Heclo (1974) has argued that government not only has ‘power’, meaning that policy is determined by the exercise of power; but also through ‘puzzle’, meaning that policy-making is a form of collective puzzlement on the behalf of society. ‘Puzzle’ and ‘power’ are linked together in nature. Thus, tourism policy-making in China is a continuous process of policy-oriented learning and coordination undertaken by the tourism policy actors, principally the members of tourism policy community.

6.2.1. Policy-Oriented Learning

Tourism policy-making in China is a collective understanding of the tourism policy actors towards three levels of tourism policy factors: ideology, environment,
institutions, authority, values (formal and informal goal and objectives) and interests. The output of policy-oriented learning is the policy demand or policy initiative.

6.2.2. Coordination

Coordination includes bargaining, negotiation and cooperation activities. Coordination occurs because the structure of authority in deciding tourism policy is fragmented, and the tourism policy actors differ in their understanding towards the development of tourism. Liberthal and Oksenberg (1988) identified that the structural arrangement of authority in determining a sector policy (e.g. energy) in China was fragmented in nature. The wide-ranging nature of the tourism industry intensifies the fragmented structure of authority. As a result, the principal responsible government agency for tourism, CNTA is required to coordinate with a number of government agencies within the State Council in the tourism policy-making.

6.3. Tourism Policy Community

This section examines how policy-oriented learning and coordination proceeds in the tourism policy community, which consist of both the official policy-makers and unofficial policy participants. The official members comprise the leaders, responsible government agencies for tourism, policy consultants, and local governments, while the unofficial members mainly refer to tourism enterprises and tourism industry associations.
As policy-oriented learning is an internal, complicated and sensitive area, the data collected was limited. This study examines this concept by focusing on the members who played an all-around role, they are top leaders, CNTA, SDPC and MOF.

6.3.1. Leaders

The leaders in China include both the Party (CPC) and state leaders. The leaders of CPC are the General Secretary, and standing members and members of the Political Bureau, while the state leaders comprise the President of PRC, Chairman and Vice Chairman of the National People’s Congress, Premier, Vice Premiers and State Councilors of the State Council. Among these leaders, the Vice-Premier or State Councilor responsible for tourism exercises direct leadership over the development of tourism.

Since 1978, all Chinese leaders have favored and emphasized the development of tourism, because they gradually learned that tourism played an increasingly important role in the economic development in China. The leaders possessed the profound and pervasive influence on the tourism policy-oriented learning and coordination.

6.3.1.1. Policy-Oriented Learning

Generally, the leaders are the most influential policy-oriented learners. Unlike the responsible agencies for tourism such as CNTA, who needs to coordinate policy initiatives and policy demands with other agencies involved, the policy
initiative from the leaders can directly become the policy decision and action in most cases.

A notable example was the change in the tourism policy paradigm from politics to economics. When the ideology shifted to ‘pragmatism’ and ‘economic development’ in 1978, the serious shortage of foreign exchange motivated the new Chinese leadership to consider international tourism as a foreign exchange earner. The rich tourism resources in China and restoration of diplomatic relationships with the majority of Western countries also convinced the Chinese leaders that China possessed the required conditions to develop international tourism. Two top leaders Deng Xiao-Ping (邓小平) (1904 – 1997) and Chen Yun (陈雲) (1905 – 1995) called for developing tourism as an economic activity. Deng and Chen had dominant political influence in the Party and government, their joint policy initiative was immediately implemented. For example, the organizational goal of Bureau of Travel and Tourism (BTT) (forerunner of CNTA) changed from the political reception to the profit making (foreign exchange), and the guesthouses and tour buses were allocated to BTT for receiving a large influx of foreign tourists.

In 1997, Premier Zhu Rong-Ji visited Xin-Jiang (新疆). On the basis of its less-developed socioeconomic conditions and rich tourism resources, he urged the local leaders to develop tourism with a great emphasis and effort. Zhu’s initiative directly became the decision and action, as the Ministry of Finance immediately provided RMB$ 50 million of financial support for tourism, and the General Administration of Customs (海关总署) also offered Xin-Jiang tariff-free privileges to import 300 tour buses.
6.3.1.2. Coordination

When CNTA and other government agencies concerned differ in the results from the policy-oriented learning, the leaders are the final decision-makers in the coordination.

6.3.2. Responsible Government Agencies for Tourism

The responsible central government agencies for tourism include CNTA, comprehensive commissions and ministries, and sector ministries and agencies.

6.3.2.1. China National Tourism Administration (國家旅游局)

The China National Tourism Administration (CNTA) is the government agency directly responsible to the State Council for the tourism policy-making, development and administration of tourism in China. Currently, the top organizational mission of CNTA is to develop tourism into a new growth point of the national economy and a key tertiary industry.

Historical Development

The forerunners of CNTA were the Bureau of Travel and Tourism (BTT) (中國旅行遊覽事業管理局) and State General Administration of Travel and Tourism (SGATT) (中國旅行遊覽事業管理總局). The BTT was established in 1964 to manage China International Travel Services (CITS), CITS was responsible for receiving invited guests and international tourists. Actually, BTT and CITS formed one organization in terms of goals and personnel, and the goals of BTT and CITS were identical. Travel and tourism was a kind of political reception, and the operation of travel services was not aimed at profit making. BTT and CITS shared
the same set of personnel (兩塊牌子, 一套人馬), the head of BTT was also the
general manager of CITS, and BTT was directly involved in travel services
operation. This arrangement was called a 'combined government function with
enterprise function' (政企合一). During the period of Cultural Revolution, the
'Gang of Four'\(^2\) leftist leaders held hostile attitudes towards travel services, and
tourist arrivals and travel services were suspended.

After the end of the Cultural Revolution, the new Chinese leadership headed
by Deng Xiao-Ping decided to develop tourism as an economic activity, and the
structural change of BTT commenced. In 1978, BTT was renamed the State General
Administration of Travel and Tourism (SGATT), which was released from the
administration of the Ministry of Foreign Affairs (外交部) and directly placed under
the jurisdiction of the State Council. In 1982, CITS was formally separated from
SGATT, indicating that SGATT was no longer involved into the travel services
operation. In the same year, SGATT was renamed the China National Tourism
Administration (CNTA).

Role of CNTA in the tourism policy-making

CNTA plays the role of primary and principal tourism policy initiator, as the
authority to exercise the tourism policy-making and tourism administration is jointly
shared by other tourism-related agencies. Except for the marketing strategies, CNTA
cannot independently decide tourism policy, all CNTA can do is to initiate a policy
demand, and then continuously coordinates with the other agencies concerned. For
example, the State Development Planning Commission (SDPC) is responsible for

\(^2\) The term of 'Gang of Four' refers to the four leftist leaders in the Cultural Revolution: Jiang
Qing (江青), Wang Hong-Wen (王洪文), Zhang Chun-Qiao (张春桥), & Yao Wen-Yuan (姚文元).
formulating annual, medium and long-term economic and social development plans. In order to be incorporated into the national plans, the tourism plans should be accepted by SDPC. Yet, this difficulty seems not to affect the initiatives and commitment of CNTA in the development of tourism. In fact, CNTA is a proactive policy-oriented learner and coordinator through policy research studies, policy discussion seminars and conference.

Policy-Oriented Learning

Generally, any tourism policy initiative originates from the identification of a problem, issue and opportunity in development of tourism. Various departments of CNTA such as Policy and Legal Department (政策法規司) (previously called Department of Policy and Law), Industry Management Department (質量規範和管理司) [previously called Department of Travel Agency and Hotel Management (旅行社飯店管理司)] frequently send teams of staff to local tourism bureaus and tourism enterprises for problem and issue identification. Generally, the tourism industry associations (行業協會) in China do not function well. Most of these associations, to a large extent, act as advisers to CNTA or local tourism bureaus, and their leaders are mainly the retired chairmen of CNTA and local tourism bureaus. As the industry associations are unable to act as the communication channel between government and industry, the task of problem identification is shouldered by CNTA.

When problems, issues and opportunities are identified, CNTA normally looks toward the international practice or the practice in other countries for the solution. For example, when the mismatch between hotel facilities and hotel service
quality (i.e. luxury hotel but with poor service quality) was identified, CNTA followed the international market practice of hotel – the ‘star-rating’ (星級評定) and drafted the ‘Regulations on the Star Standard and Star-Rating of Tourist Hotels of PRC’. When the policy proposal was drafted, it is sent to the Chairman’s Meeting (局長辦公會議) for the review and approval.

Most importantly, not only the policy-oriented learning has the specific policy decisions formulated, but also enable to advance the development of the tourism policy paradigm. In the mid-1990s, CNTA conducted a project to study the role of tourism in the economic development in the less developed regions, and concluded that the development of tourism can enhance the economic growth in these regions, as they normally possess a least-polluted natural environment. This conclusion served as an important point to backup the argument that tourism was an important means to develop the economy.

Coordination

Besides policy research studies, meeting, policy discussions, policy seminars and conference are also the policy learning methods, and they are also the important coordination instruments.

Tourism policy decisions formulated by the CNTA are ineffective, unless they can be implemented effectively at the local level, as the local tourism bureaus are not under the control of CNTA. Negotiation with the local tourism bureaus is one of the most important steps of coordination. The National Tourism Works Conference (全國旅遊工作會議) presided by CNTA, is an essential arena and
procedure for tourism policy-making. The participants of this conference mainly comprise the Vice-Premier responsible for tourism, Chairman and Vice-Chairmen, departmental director-generals of CNTA, and directors of local tourism bureaus. Sometimes, the governors of the key tourist provinces are also invited. Almost all policy decisions are discussed and decided in this conference.

Except for the market strategies, almost all tourism policy decisions initiated by CNTA involve other government agencies, and coordination with these agencies played a decisive role. Mr. Wei Xiao-An said ‘we (CNTA) have the working relationships with thirty government agencies in the State Council, different opinions usually occur and the degree of difficulty in coordination is very high’ . He further pointed out ‘we (CNTA and government agencies concerned) usually negotiate together (towards the development of tourism), some policy issues are initiated by them (government agencies concerned) while some are initiated by us (CNTA)’ .

Most importantly, the coordination can build up the tourism policy paradigm. For example, the consensus, which recognized tourism as an important means of the economic development, was reached through the coordination between CNTA, SDPC and MOF. However, when a major division or dispute occurs in the coordination, the final decision-maker will be the Vice-Premier responsible for tourism and Vice-Premiers responsible for other affairs related to tourism such as transportation, civil aviation and national planning. Currently, the Vice-Premier responsible for tourism is Mr. Qian Qi-Chen (錢其琛), who is a career diplomat and also a member of the Political Bureau of CPC.
6.3.2.2. Comprehensive Government Agencies

The comprehensive government agencies in the State Council perform the overview and control role in the economic and social development. These agencies include the SDPC, MOF and State Economic and Trade Commission (SETC).

State Development Planning Commission (國家發展計劃委員會)

Besides CNTA, the State Development Planning Commission (SDPC) plays the most important role in determining tourism policy.

Historical development

The forerunner of SDPC was the State Planning Commission (SPC) (國家計劃委員會). SPC was established in 1952 to manage the planned economy of China. From the date of its establishment to 1992, the planned-economy ideology dominated the thinking of SPC in initiating and formulating economic and social policy for China. During the past four-decades, the influence of the planned economy ideology was pervasive, and this gave the SPC the most influential standing among the government agencies in determining economic and social affairs. So, the SPC played the key all-round role in managing the economy of China (Liberthal & Oksenberg, 1988), particularly through the drafting of the five-year and annual national economic plan.

The SPC was renamed SDPC in 1998, reflecting that the central master plan gave way to the market mechanism in developing the national economy. This change addressed a fact that social and economic development was no longer placed under the absolute control of the central plan, but rather the plan to guide their
development. Although the market economy ideology has been built up, the SDPC still plays the crucial role in managing the economy. Generally, it is mainly responsible for macro-controlling and adjusting the state economy through formulating annual, mid and long-term economic and social plans, and major economic and social policies (Hong Kong Commercial Daily 香港商報, 1997).

Role of SDPC in the tourism policy-making

Within SDPC, the Division of Life Quality, Department of Social Development (社會發展司生活質量處) is the main responsible body for the tourism policy-making and coordination. According to Mr. Rao Quan (饒權), Deputy Division Director of this division, SDPC is involved in four areas of the tourism policy-making. Foremost, as tourism is a comprehensive industry and its development touches many economic and social activities, it is requisite for the SDPC to balance the development of tourism with other economic and social sectors such as the transportation. For example, if the goal of tourist arrivals set in the tourism development plan is beyond the capacity of the transportation, SDPC needs to coordinate with CNTA and the responsible transportation agencies. Second, the SDPC is responsible for the formulation of key tourism policy decisions together with CNTA such as positioning tourism in the national economy. The SDPC is also in charge of reviewing and approving tourism projects (e.g. hotels and theme parks), for investment exceeding RMB$ 100 million. Furthermore, although pricing is decentralized to the individual enterprises, the prices of state-level attractions are formulated by SDPC and CNTA.
In fact, neither CNTA nor SDPC launches tourism policy initiatives in these four areas independently, but rather frequently coordinate with each other, together with the Ministry of Finance (MOF), as any tourism policy initiative requires the support from fiscal policy.

Tourism policy-oriented learning by the SDPC

As a comprehensive economic-managing agency, which looks after the long-term and overall interests of China, the SDPC is required to study the economic and social issues from a broad, long-term and strategic perspective. This means that policy-oriented learning in tourism conducted by the SDPC should be based on the entire economic and social circumstance, which is a more extensive and in-depth approach.

Generally, the SPC has been supportive of the development of tourism in China since 1978. Yet, the degree of its support varied in accordance with changes in ideology and environment. At present, the market economy ideology requires the government to place emphasis on the demand side of the economy. Stimulating and satisfying demand has become the new instrument of government to develop the national economy.

What China confronts now is the insufficiency in the aggregate demand, sharp increase in unemployment, and imbalanced development between the regions. Over the past two decades, the development of tourism has exhibited its strengths and potential in earning income, creating employment and stimulating regional economic development. Through a number of policy discussion seminars and joint
policy research studies, the SDPC, CNTA and MOF have recognized that development of both the international and domestic tourism are important means to develop the national economy. In early 1999, the State Council accepted their joint policy recommendation to position tourism as ‘a new growth point of the national economy’, indicating that tourism has been formally positioned into the national economy.

Ministry of Finance (財政部)

Also as a comprehensive government agency, the Ministry of Finance (MOF) is responsible for formulating fiscal policy such as the budget and taxation [Hong Kong Commercial Daily (香港商報), 1997]. CNTA needs to coordinate with MOF to draft its annual budget. The expenditure of CNTA comes from two sources – state funds and a fixed portion from the airport tax (RMB$ 20). The latter one is mainly spent on the promotional activities.

Like SDPC, the MOF also had a good grasp of the socioeconomic circumstances in China, and is also an active supporter to position tourism in the national economy. Within the MOF, the Foreign Investment and Tourism Division, External Finance Department (涉外司外資旅遊處) is the main body responsible for tourism affairs. According to Mr. Zhang Li-Min (張黎明) and Mr. Ren Zhen-Liang (任振良), Director and Deputy Director of this Division respectively, MOF has formulated an ‘active fiscal policy for tourism’ (積極的財政政策) to support its development, which increased the funds of CNTA sharply from RMB$ 60 million in 1992 to RMB$ 100 – 200 million in 1999. The slight division in opinions between MOF and CNTA lay in the promotional expenditure. In fact, a few of government
agencies are involved in the promotional activities, so the MOF did not understand the importance of government promotion in tourism.

Second, the Ministry has authority to supervise whether the fees charged by the government agencies are valid or not. For example, the ‘Quality Deposit System for the Travel Agency’ initiated by CNTA involved fee charging. So CNTA needed to coordinate with the MOF on this matter.

Another comprehensive agency is newly established, State Economic and Trade Commission (國家經濟貿易委員會) (SETC), which is in charge of the approval of the tourism conglomerates (旅遊企業集團), which details are submitted through CNTA.

6.3.2.3. Sector Ministries and Agencies

Unlike comprehensive agencies, sector agencies manage a sector of political, economic and social activity. The policy-oriented learning undertaking by these ministries aimed at convincing whether the tourism policy initiatives are contrary to the objectives and interests of their respective sectors.

Civil Aviation Administration of China (中國民用航空總局)

The Civil Aviation Administration of China (CAAC) is the organization responsible for the civil aviation affairs. Because of the limited capacity of aviation infrastructure, it was a key factor restricting the development of tourism and there was need for a coordinating mechanism to be established between CNTA and CAAC in 1990. Based on this mechanism, CNTA reported tourist flow information to
CAAC, and CAAC then took the appropriate measures to satisfy the demand. The capacity of aviation expanded quickly in the 1990s and basically satisfied tourist travel demand. Eventually the function of this coordinating mechanism was disbanded. Generally, CAAC is supportive of the development of tourism, in learning that tourism development will further the development of civil aviation. For example, CAAC offered 400 free air tickets to invited guests and international buyers to attend the 1998 China International Tourism Expo held by CNTA.

Ministry of Education (教育部)

The Ministry of Education (MOE) is in charge of policy-making and administration for state education. The MOE can determine the position of tourism education in the state education domain. Currently, the MOE classifies tourism education as a ‘Class Two Education Program’ (二級學科), indicating that tourism would not be qualified for doctoral level study. This definitely downgrades the status of tourism in the education sector, and has negatively affected tourism education and research in China.

State Bureau of Quality and Technical Supervision (國家質量技術監督局)

This Bureau is responsible for formulating state-level standards for product and service quality and supervision of its implementation. Development of standards has become more and more important in tourism policy-making with CNTA actively formulating a set of standards for the quality of tourist products and service in an endeavor to upgrade these standards to state-level. Any upgrade to state-level standards are reviewed and approved by the Bureau.
Ministry of Foreign Trade and Economic Cooperation (對外經濟貿易合作部)

The Ministry of Foreign Trade and Economic Cooperation (MOFTEC) is mainly responsible for formulating and implementing policies and plans for foreign trade and economic cooperation. The MOFTEC together with CNTA review and approve the foreign-invested joint ventures in tourism.

The remaining agencies are mainly involved in the planning and administration of tourism resources such as natural scenic spots and historical heritage sites. These agencies include: Ministry of Construction (建設部) (natural scenic spots); State Forestry Bureau (國家林業局) (national forest parks); State Administration of Religious Affairs (國家宗教事務局) (temples and churches); and State Bureau of Cultural Relics (國家文物局) (cultural relics). During the Cultural Revolution when profit making was criticized as ‘going on the capitalism road’ (走資本主義道路), no one dare to consider the profit-making function of these tourism resources. Yet the shift in ideology, which encourages profit making, has resulted in revenue seeking becoming an informal objective of many government agencies. The State Forestry Bureau recently has strong incentive to develop forestry tour, because this kind of revenue earned can be retained by the Bureau, and subsequently allocated for the welfare of its staff. When CNTA proposes to plan for the development and administration of these attractions, the above agencies concerned may raise objections if they perceive that their objectives are affected.

6.3.3. Policy Consultants

The policy consultants played the pioneer role to initiate the tourism policy research, especially the Chinese Academy of Social Sciences (中國社會科學院).
The Chinese Academy of Social Sciences (CASS) is a research institution at the ministry grade directly under the administration of the State Council. Not only is CASS the top academic institution on the social sciences in China, but also it is the key policy consulting organization to the State Council. Based on its academic oriented mission, solid academic foundation and strong research team, CASS mainly studies the political, economic and social issues from an academic perspective, and is also able to understand these issues from multiple angles and adequate depth. Therefore, CASS plays an influential role in helping the State Council understand and grasp a wide range of key national issues. Normally, the findings and conclusion of research projects conducted by CASS are accepted and adopted by the State Council.

Tourism research in China was pioneered by the senior economists of CASS, including Yu Guang-Yuan (于光遠) and Sun Shang-Qing (孙尚淸). In 1987, Sun Shang-Qing, the Vice-President of CASS organized and coordinated the first tourism policy research study, entitled 'A Study of the Development Strategy of Tourism Economy in China' ('中國旅游經濟發展戰略研究'). Its conclusions further developed the tourism policy paradigm by identifying the importance of domestic tourism and market-oriented nature of tourism. Currently, CASS has a Department of Tourism Studies (旅游與服務研究室) affiliated in the Institute of Finance Trade Economics (財貿經濟研究所). This Department is active in conducting the tourism development and policy research and holds frequent negotiations with CNTA and the local tourism bureaus.
6.3.4. Local Governments and Local Tourism Bureaus

Local tourism bureaus are directly responsible to local governments for the development and administration of tourism in their own regions, and they come under the administration of local governments, not CNTA. But, local tourism bureaus should implement the policy and regulations formulated by CNTA. Local governments and local tourism bureaus are the active policy-oriented learners and initiators in tourism. Tourism policy-oriented learning undertaken by them is based on the environment in their respective regions.

When understanding the economic impact of domestic tourism in promoting local economic development, local tourism bureaus demanded a shift of domestic tourism policy from a passive and non-supportive role to active and supportive one. The further boom in domestic tourism and its profound economic impact led to fundamental change in the local tourism policy in the 1990s. In 1995, a number of local government authorities such as Beijing, Shanghai, Jiangsu Province (江苏) positioned tourism (mainly referring to domestic tourism) as a key, strategic or pillar industry. This influenced the SDPC to review and re-examine the role of tourism in the national economy. Besides the domestic tourism policy, the local tourism bureaus, particularly the Beijing Tourism Administration (北京市旅游局), are also important initiators in tourism institutions reform (旅游业体制改革) and tourism promotion.

6.3.5. Tourism Industry Associations and Tourism Enterprises

Tourism enterprises in China play a passive role, rather than an active one, in the tourism policy-making process. The identification of problems, concerns and
opportunities in the development of tourism, to a large extent, depended on CNTA. The main reason is the lack of an effective communication channel between the industry and tourism administrations. The industry associations in China like the China Tourism Association (中國旅遊協會) are normally composed of tourism administrations (i.e. CNTA and local tourism bureaus), enterprises and tourism academics with the tourism administrations playing the leading role. Their chairmen and vice-chairmen are normally retired heads and deputy heads of tourism administrations. These industry associations act as the advisors to the CNTA and local tourism bureaus, and help government agencies promote tourism policy, rather than represent industry interests to initiate tourism policy. Moreover, tourism enterprises particularly the travel agencies are much self-protected and reluctant to share information, such as the problems, issues and opportunities that a travel agency currently confronts, with their counterparts. So, even though the China Travel Services Association (中國旅行社協會) was established by travel agencies and its chairman is also a travel agency representative, it still does not necessarily represent the agency interests.

6.4. Summary

In a conclusion, tourism policy-making in China is a policy-oriented learning and coordination process undertaken by the tourism policy actors. Tourism policy actors in China conducted the policy-oriented learning to understand the socioeconomic and tourism environment in order to formulate tourism policy. The ideology (e.g. planned economy ideology and market economy ideology), organizational values (formal and informal objectives) and interests serve as the
prism for the policy actors to view and understand environment. For example, holding the development of tourism as the top organizational objective, a study conducted by CNTA suggested that the development of tourism, particularly domestic tourism, could enhance the economic growth in the less developed regions because these regions usually possessed the least-polluted natural environment. Yet, different government agencies had different organizational objectives, which led to different results of policy-oriented learning. Coordination was required among the government agencies concerned. For example, unlike CNTA, the comprehensive government agencies such as SDPC and MOF are required to study the development of tourism from a broader and more comprehensive perspective in order to look after the long-term interests of China. So, the policy initiative to position tourism as a ‘new growth point of the national economy’ was the result of coordination between CNTA, SDPC and MOF through joint policy research studies and policy discussion seminars.

The concepts of ‘policy-oriented learning’ and ‘coordination’ are well examined and addressed in the context of leaders, CNTA and comprehensive government agencies. For the sector agencies, this study only can discuss the areas, which they are involved in tourism policy-making due to the limited data. Yet, policy-oriented learning and coordination will unavoidably occur between CNTA and these sector agencies, as each of these agencies has its own organizational objectives and each touches one or some areas of tourism policy-making. It is reasonable to conclude that their results of policy-oriented learning towards the development of tourism and tourism policy issues may be different. Hence coordination is required.
Generally speaking, the concepts of 'policy-oriented learning' and 'coordination' in the model are useful and appropriate in examining the role of policy actors in the policy-making process, which provide a more comprehensive understanding of how policy players act in the policy-making process. Policy-making is not only a process in which policy players exercise their power to solve the conflict of values and interests, but also a process of collective understanding of policy players towards a set of policy factors. In the absence of any one of the two above concepts, there will be a gap in understanding the roles of policy actors.
Chapter 7 – Tourism Policy Development in China post 1978

This chapter applies and examines the model in the context of the evolution of Chinese tourism policy in the three historical periods post 1978. Based on the model, tourism policy-making in China was viewed as an input-output model of the Chinese tourism policy system consisting of the tourism policy community and tourism institutions. The inputs are all policy factors at the macro, middle and micro-level. These policy factors interact and coalesce together to shape tourism policy, which reflect the outputs of tourism policy system. The chapter will apply these concepts (policy factors, interaction and coalescence) to identify and describe the policy factors affecting tourism policy-making in China, and to examine how these factors interact and coalesce together to determine the tourism policy.


This was the transitional period when the tourism policy paradigm shifted from politics to economics.

7.1.1. Tourism Policy Paradigm

The tourism policy paradigm, prior to 1978, served the political purpose of promoting the achievements of the Socialist China, to expand the political influence of China, and to promote the international understanding and friendship through receiving invited guests (Chong, 1996; Zhang, Chong & Ap, 1999). However, this paradigm shifted fundamentally after 1978 due to the interaction and coalescence of a change in environment and ideology.
7.1.1.1. Environment, Ideology and National Development Policy

After the end of the Cultural Revolution, both the political and socioeconomic conditions were on the verge of collapse. Internal studies carried out in 1977 and 1978 shocked the top leaders in that more than 70 millions peasants lived severely deprived existences, while the average peasant fared no better in 1978 than did his counterpart in 1952. For the CPC whose power base was from the countryside, this represented a catastrophic record [Lieberthal, 1995; People’s Daily (人民日报), 1998]. Although the urban economies and life were better than the rural areas, the necessities were in the serious shortage of supply (Zhu & Pi, 1998).

These anomalies convinced the new Chinese leadership headed by Deng Xiao-Ping that the CPC should break out of the rigidities imposed by the dogma of Mao Ze-Dong (毛澤東) (1893 – 1976), which was represented by the two leading orthodoxy of the Cultural Revolution: ‘politics-command (政治掛帥)’ and ‘class struggle (階級鬥爭)’. As a result, pragmatism (務實主義) went back to the political arena of China. Along the line of pragmatism, ‘politics-command’ and ‘class struggle’ were removed, and the Chinese leadership shifted their focus to the economic development, rather than the endless political struggle and political movement. Because of emphasis on the economic development, economic rationale (i.e. profit and cost), not politics, regained its position as the principal criterion to operate and manage enterprise.

Although the Chinese leadership still insisted on the planned economy ideology, they had recognized a number of its defects, the most notable one was the
over-centralized power, which should be decentralized from government to enterprises. Thus, this period marked the start of marketization in China.

Based on the new leading orthodoxy, the previous Closed-door policy changed to the Open-door policy and Economic Reform was launched to reform the old economic management system that restricted economic development. The one of the main points of the Economic Reform was ‘decentralization of power’.

In order to open the door of China, permission of all tourists to visit China, not just the invited guests, can signal to all foreign countries that China was ready to open to them. So the change of political reception was a must tourism policy decision.

7.1.1.2. Specific Environmental Conditions

The new ruling ideology focusing on pragmatism, economic development shed light on the economic function of tourism. This was the origin for shift of the tourism policy paradigm from politics to economics.

The specific conditions in the political, socioeconomic and tourism environments, however, placed the attention of the top leaders fully on the foreign exchange earning function of tourism in this period.

In 1978, China only had the foreign exchange of US$ 167 million [State Administration of Foreign Exchange (國家外匯管理局) (SAFE), 1999]. Yet, the total foreign currencies needed to import the necessary equipment from foreign
countries exceeded this amount greatly (there is no statistics about the gap between the foreign exchange available and foreign exchange needed). Mr. Wei Xiao-An pointed out ‘during this period, majority of equipment needed were required to import from foreign countries, foreign exchange available severely fell short of demand for it.’ Although there were two traditional foreign exchange earners in China – the petroleum and textile industries, it was impossible for them to fill in the gap of shortage of foreign exchange in a short period.

The bilateral relations of China with the other countries paved the way for the development of international tourism. From 1971 to 1978, China basically normalized full diplomatic relationships with major Asian, European and American countries such as Japan, Australia, France, United Kingdom, and United States (Han, 1994), which also represent the main tourist markets of China.

China has rich and unique tourism resources. With five thousand years of continuous civilization in recorded history, China has abundance of historical heritage and landmarks, and is endowed with magnificent natural scenery. From the viewpoint of many top Chinese leaders such as Deng Xiao-Ping, Chen Yun and Li Xian-Nian (李先念), utilization of these tourism resources would not cost much, compared to petroleum and textile industry requiring a significant amount of investment.

7.1.1.3. Role of Top Leaders

The new tourism policy paradigm could not be emerged without the initiation of the two most influential top leaders: Deng Xiao-Ping and Chen Yun.
Deng Xiao-Ping was a pragmatic and practical Chinese leader with pragmatism both his personal and political attribute, and most importantly, he had a solid grasp of the issues and circumstances in China. Based on the environmental conditions, he believed that the development of international tourism was the most convenient avenue to earn the foreign exchange for China. According to Mr. Feng Zong-Su, former Director-General, Policy and Legal Department, CNTA (he now serves as President, China Tourism International Trust & Investment Co., Ltd.), Deng delivered four important speeches from late 1978 to early 1979, which called for emphasis on the economic nature of tourism – revenue and foreign exchange earning. A summary of his four speeches is presented in the table one.

**Table 1. Four Speeches of Deng Xiao-Ping towards the Development of Tourism 1978 – 1979**

<table>
<thead>
<tr>
<th>Date</th>
<th>Meeting with or Talking to</th>
<th>Key Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 9 October 1978</td>
<td>President of Pan America Airlines, USA (美国泛美航空公司); Accompanying by SGATT &amp; CAAC leaders</td>
<td>(1) Civil aviation and tourism is worth developing.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Adoption of foreign capital for the development of hotels</td>
</tr>
<tr>
<td>2 2 January 1979</td>
<td>SGATT (forerunner of CNTA) leaders</td>
<td>(1) The development of tourism aims at increasing revenue.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Developing a pool of talent for tourism such as tour guide, interpreter &amp; managerial staff.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) Developing tourism into a comprehensive industry.</td>
</tr>
<tr>
<td>3 6 January 1979</td>
<td>Leaders of the State Council</td>
<td>(1) Tourism can generate income more quickly.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Tourism also can provide employment.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) The development of tourism needs supporting facilities such as entertainment.</td>
</tr>
<tr>
<td>4 15 July 1979</td>
<td>Leaders of An-Hui Province (安徽省) and Hui-Zhou County (徽州)</td>
<td>(1) Huang-Shan (黄山) is a good place for the development of tourism, also for money-making.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) It is necessary to provide transportation, accommodation facilities for foreign tourists.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) Improvement in the service quality of tourism employees is very important.</td>
</tr>
</tbody>
</table>

Source: (1) In-depth Interviews with Mr. Feng Zong Su; (2) He, 1994

138
Deng held great political influence over other leaders, senior CPC cadres and government officials. Not only his speeches shifted the concern of the government officials on tourism from politics to economics, but it also made them accept and implement it. Both Mr. Wei Xiao-An and Mr. Feng Zong-Su concluded that the role of Deng Xiao-Ping in the tourism policy-making and tourism development was significant and profound. Mr. Wei said ‘Although other leaders cannot well understand his (Deng Xiao Ping) speech (tourism as an economic activity), they must accept’. Mr. Feng concluded ‘The four speeches of Deng Xiao-Ping were a milestone to the development of tourism and tourism policy.’

However, Deng did not possess the absolute authority and political influence, like what Mao Ze-Dong had. So, he needed to gain support from other top leaders in the sphere of key or controversial political and economic issues, change of the nature of tourism, which had been labeled as a political vehicle since 1949, lay in this sphere. As the second most influential leader, Chen Yun was not only a pragmatic leader, but also a financial and economics expert and he contributed significantly in stabilizing the finance and economy in the early PRC period. His speech on the nature of tourism was also seen as authoritative. Consistent with Deng, Chen also preached on the economic nature and foreign exchange earning of tourism. Chen’s speech was seen as the powerful and essential support to Deng.

It can be concluded that the shift in tourism policy paradigm from politics to economics was the joint effort by Deng and Chen, which marked a turning point and milestone of the development of tourism in China. Since then, tourism started to develop as an economic activity.
7.1.1.4. Struggle Between the Development of International & Domestic Tourism

The long closed-door period 1949 – 1978 and the adoption of Economic Reform had raised the level of curiosity and interest of the foreign tourists towards China. When China opened its door to all foreigners in 1978, there was a large influx of international tourists, increasing from 1.8 million in 1978 to 4.2 million in 1979 with a growth rate of 132%. Since 1978, the growth rates of visitor arrival have been positive except for 1989 (see table 2).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Visitor Arrivals</th>
<th>Growth Rate %</th>
<th>Foreigners</th>
<th>Growth Rate %</th>
<th>Overseas Chinese</th>
<th>Growth Rate %</th>
<th>Hong Kong, Macau and Taiwan Compatriots</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>1,809,221</td>
<td></td>
<td>229,646</td>
<td>57.8</td>
<td>20,910</td>
<td>15.6</td>
<td>1,561,483</td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>4,203,901</td>
<td>132.4</td>
<td>362,389</td>
<td>57.8</td>
<td>20,910</td>
<td>15.6</td>
<td>3,820,602</td>
<td>144.7</td>
</tr>
<tr>
<td>1980</td>
<td>5,702,536</td>
<td>35.6</td>
<td>529,124</td>
<td>46.0</td>
<td>34,413</td>
<td>64.6</td>
<td>5,138,999</td>
<td>34.5</td>
</tr>
<tr>
<td>1981</td>
<td>7,767,096</td>
<td>36.2</td>
<td>675,153</td>
<td>27.6</td>
<td>38,856</td>
<td>12.9</td>
<td>7,053,087</td>
<td>37.2</td>
</tr>
<tr>
<td>1982</td>
<td>7,924,261</td>
<td>2.0</td>
<td>764,497</td>
<td>13.2</td>
<td>42,745</td>
<td>10.0</td>
<td>7,117,019</td>
<td>0.9</td>
</tr>
<tr>
<td>1983</td>
<td>9,477,005</td>
<td>19.6</td>
<td>872,511</td>
<td>14.1</td>
<td>40,352</td>
<td>-5.6</td>
<td>8,564,142</td>
<td>20.3</td>
</tr>
<tr>
<td>1984</td>
<td>12,852,185</td>
<td>35.6</td>
<td>1,134,267</td>
<td>30.0</td>
<td>47,498</td>
<td>17.7</td>
<td>11,670,420</td>
<td>36.3</td>
</tr>
<tr>
<td>1985</td>
<td>17,833,097</td>
<td>38.8</td>
<td>1,370,462</td>
<td>20.8</td>
<td>84,827</td>
<td>78.6</td>
<td>16,377,608</td>
<td>40.3</td>
</tr>
<tr>
<td>1986</td>
<td>22,819,450</td>
<td>28.0</td>
<td>1,482,276</td>
<td>8.2</td>
<td>68,133</td>
<td>-19.7</td>
<td>21,269,041</td>
<td>29.9</td>
</tr>
<tr>
<td>1987</td>
<td>26,902,267</td>
<td>17.9</td>
<td>1,727,821</td>
<td>16.6</td>
<td>87,031</td>
<td>27.7</td>
<td>25,087,415</td>
<td>18.0</td>
</tr>
<tr>
<td>1988</td>
<td>31,694,804</td>
<td>17.8</td>
<td>1,842,206</td>
<td>6.6</td>
<td>79,348</td>
<td>-8.8</td>
<td>29,773,250</td>
<td>18.7</td>
</tr>
<tr>
<td>1989</td>
<td>24,501,394</td>
<td>-22.7</td>
<td>1,460,970</td>
<td>-20.7</td>
<td>68,556</td>
<td>-13.6</td>
<td>22,971,868</td>
<td>-22.8</td>
</tr>
<tr>
<td>1990</td>
<td>27,461,821</td>
<td>12.1</td>
<td>1,747,315</td>
<td>19.6</td>
<td>91,090</td>
<td>32.9</td>
<td>25,623,416</td>
<td>11.5</td>
</tr>
<tr>
<td>1991</td>
<td>33,349,757</td>
<td>21.4</td>
<td>2,710,103</td>
<td>55.1</td>
<td>133,427</td>
<td>46.5</td>
<td>30,506,227</td>
<td>19.1</td>
</tr>
<tr>
<td>1992</td>
<td>38,114,945</td>
<td>14.3</td>
<td>4,006,427</td>
<td>47.8</td>
<td>165,077</td>
<td>23.7</td>
<td>33,943,441</td>
<td>11.3</td>
</tr>
<tr>
<td>1993</td>
<td>41,526,945</td>
<td>9.0</td>
<td>4,655,857</td>
<td>16.2</td>
<td>166,182</td>
<td>0.7</td>
<td>36,704,906</td>
<td>8.1</td>
</tr>
<tr>
<td>1994</td>
<td>43,684,456</td>
<td>5.2</td>
<td>5,182,060</td>
<td>11.3</td>
<td>115,245</td>
<td>-30.7</td>
<td>38,387,151</td>
<td>4.6</td>
</tr>
<tr>
<td>1995</td>
<td>46,386,511</td>
<td>6.2</td>
<td>5,886,716</td>
<td>13.6</td>
<td>115,818</td>
<td>0.5</td>
<td>40,383,977</td>
<td>5.2</td>
</tr>
<tr>
<td>1996</td>
<td>51,127,516</td>
<td>10.2</td>
<td>6,744,334</td>
<td>14.6</td>
<td>154,601</td>
<td>33.5</td>
<td>44,228,851</td>
<td>9.5</td>
</tr>
<tr>
<td>1997</td>
<td>57,587,923</td>
<td>12.6</td>
<td>7,428,006</td>
<td>10.1</td>
<td>99,004</td>
<td>-36.0</td>
<td>50,060,913</td>
<td>13.2</td>
</tr>
<tr>
<td>1998</td>
<td>63,478,401</td>
<td>10.2</td>
<td>7,107,747</td>
<td>-4.3</td>
<td>120,704</td>
<td>21.9</td>
<td>56,249,950</td>
<td>12.4</td>
</tr>
</tbody>
</table>

Source: CNTA, 1999
Notes: The total number of visitor arrivals to China include the (1) Foreigners; (2) Overseas Chinese; and (3) Compatriots from Hong Kong, Macau and Taiwan.

In this period, domestic tourism also began to prosper mainly due to three reasons. First, the coastal and rural areas experienced increases in the disposable income after successful implementation of Economic Reform and Open-door policy.
Second, tourist activity and sightseeing in the Cultural Revolution was condemned as the ‘life style of landlords and bourgeois’ (Wei, 1996: 250). The subsequent shift in ideology to ‘economic development’ gradually changed the minds of the Chinese people with the pursuit of quality of life in terms of leisure and recreation considered a right, not an evil. Thirdly, international tourism demonstrated to the Chinese people that travel and touring was an attractive way for recreation and leisure. The number of domestic tourists totaled 200 million in 1984, and rose to 240 million in 1985 with a growth rate of 20% (see table 3).

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (million)</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>240</td>
<td>20.0</td>
</tr>
<tr>
<td>1986</td>
<td>270</td>
<td>12.5</td>
</tr>
<tr>
<td>1987</td>
<td>290</td>
<td>7.4</td>
</tr>
<tr>
<td>1988</td>
<td>300</td>
<td>3.4</td>
</tr>
<tr>
<td>1989</td>
<td>240</td>
<td>-20.0</td>
</tr>
<tr>
<td>1990</td>
<td>280</td>
<td>16.6</td>
</tr>
<tr>
<td>1991</td>
<td>290</td>
<td>3.6</td>
</tr>
<tr>
<td>1992</td>
<td>330</td>
<td>13.8</td>
</tr>
<tr>
<td>1993</td>
<td>410</td>
<td>24.0</td>
</tr>
<tr>
<td>1994</td>
<td>520</td>
<td>27.8</td>
</tr>
<tr>
<td>1995</td>
<td>620</td>
<td>19.2</td>
</tr>
<tr>
<td>1996</td>
<td>640</td>
<td>3.0</td>
</tr>
<tr>
<td>1997</td>
<td>644</td>
<td>0.6</td>
</tr>
<tr>
<td>1998</td>
<td>694</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: (1) Wei, 1996; (2) CNTA, 1996 – 1999
Remarks: The figure of domestic tourists before 1984 is not available.

However, the supply of tourist facilities (that is transportation, hotels and travel agencies) severely fell short of tourist demand. Among those tourist facilities, the lack of hotels was the most serious problem in this period. From 1978 to 1979, the hotel growth rate was 9.5%, comparing to a 132% growth in visitor arrivals (see table 2 & 4). When tourists arrived in China, they found their room reservations had not been confirmed, and they had to take their luggage with them when sightseeing. Because no rooms were always available, many tourists had to stay and sleep in the
hotel lobby. For some urgent cases, the Vice-Premier directly asked the hotel general managers for rooms.

Table 4. Total Supply of Hotels and Hotel Rooms in China 1978 – 1998

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Hotels</th>
<th>Growth Rate %</th>
<th>Number of Hotel Rooms</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>137</td>
<td>-</td>
<td>15,539</td>
<td>-</td>
</tr>
<tr>
<td>1979</td>
<td>150</td>
<td>9.5</td>
<td>17,149</td>
<td>10.4</td>
</tr>
<tr>
<td>1980</td>
<td>203</td>
<td>35.3</td>
<td>31,788</td>
<td>85.4</td>
</tr>
<tr>
<td>1981</td>
<td>296</td>
<td>45.8</td>
<td>43,251</td>
<td>36.1</td>
</tr>
<tr>
<td>1982</td>
<td>362</td>
<td>22.3</td>
<td>51,625</td>
<td>19.4</td>
</tr>
<tr>
<td>1983</td>
<td>371</td>
<td>2.5</td>
<td>59,588</td>
<td>15.4</td>
</tr>
<tr>
<td>1984</td>
<td>505</td>
<td>36.1</td>
<td>76,994</td>
<td>29.2</td>
</tr>
<tr>
<td>1985</td>
<td>710</td>
<td>40.6</td>
<td>107,513</td>
<td>39.6</td>
</tr>
<tr>
<td>1986</td>
<td>974</td>
<td>37.2</td>
<td>147,479</td>
<td>37.2</td>
</tr>
<tr>
<td>1987</td>
<td>1,283</td>
<td>31.7</td>
<td>184,710</td>
<td>25.2</td>
</tr>
<tr>
<td>1988</td>
<td>1,496</td>
<td>16.6</td>
<td>220,165</td>
<td>19.2</td>
</tr>
<tr>
<td>1989</td>
<td>1,788</td>
<td>19.5</td>
<td>267,505</td>
<td>21.5</td>
</tr>
<tr>
<td>1990</td>
<td>1,987</td>
<td>11.1</td>
<td>293,827</td>
<td>9.8</td>
</tr>
<tr>
<td>1991</td>
<td>2,130</td>
<td>7.2</td>
<td>321,116</td>
<td>9.3</td>
</tr>
<tr>
<td>1992</td>
<td>2,354</td>
<td>10.5</td>
<td>351,044</td>
<td>9.3</td>
</tr>
<tr>
<td>1993</td>
<td>2,552</td>
<td>8.4</td>
<td>386,401</td>
<td>10.1</td>
</tr>
<tr>
<td>1994</td>
<td>2,995</td>
<td>17.4</td>
<td>406,280</td>
<td>5.1</td>
</tr>
<tr>
<td>1995</td>
<td>3,720</td>
<td>24.2</td>
<td>486,114</td>
<td>19.6</td>
</tr>
<tr>
<td>1996</td>
<td>4,418</td>
<td>18.8</td>
<td>593,496</td>
<td>22.1</td>
</tr>
<tr>
<td>1997</td>
<td>5,201</td>
<td>17.7</td>
<td>701,736</td>
<td>18.2</td>
</tr>
<tr>
<td>1998</td>
<td>5,782</td>
<td>11.1</td>
<td>764,797</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Source: (1) CNTA, 1985 – 1999; (2) Han, 1994

The large number of domestic tourists added pressure to the already limited capacity of tourist facilities especially in the major tourist cities such as Beijing (北京) and Shanghai (上海). More importantly, as only the foreign exchange earning function was initiated by the top leaders, domestic tourism was regarded as an obstacle to the development of international tourism.

All of the factors stated above shaped the emergence of the economic oriented tourism policy paradigm in this period. The tourism policy paradigm in this period adopted the following premises:
1. Tourism was viewed as an economic activity because international tourism can generate foreign exchange;

2. International tourism was more important than domestic tourism as domestic tourism cannot earn foreign exchange, and domestic tourism would negatively affect the development of international tourism because tourist facilities was in short supply during this period; and

3. The development of tourism should be based on the receiving capacity of tourist facilities of China.

As the political nature of tourism was been rooted in the minds of the responsible government officials, it was difficult for them to understand the economic nature and contribution of tourism in a short period. According to Professor Zhang Guang-Rui, Director of Tourism Research Center, Chinese Academy of Social Sciences, there was a period of debating as to whether tourism was a political or economic activity from 1979 to 1981. Many policy actors disagreed with the economic nature of tourism. However, the large amount of foreign exchange earned by tourism quickly convinced those doubtful policy actors that tourism was really an economic activity with foreign exchange increasing sharply from US$ 262.9 million in 1978 to US$1.25 billion in 1985 (see table 5).
Table 5. International and Domestic Tourism Incomes in China
1978 – 1998

<table>
<thead>
<tr>
<th>Year</th>
<th>International Tourism Receipts (Million US$)</th>
<th>Growth %</th>
<th>Domestic Tourism Receipts (Billion RMB $)</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>262.90</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1979</td>
<td>449.27</td>
<td>70.9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1980</td>
<td>616.65</td>
<td>37.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1981</td>
<td>784.91</td>
<td>27.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1982</td>
<td>843.17</td>
<td>7.4</td>
<td>-</td>
<td>-</td>
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<tr>
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</tr>
<tr>
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</tr>
<tr>
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</tr>
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<td>34.4</td>
</tr>
<tr>
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<td>163.8</td>
<td>19.0</td>
</tr>
<tr>
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<td>12,074.14</td>
<td>18.4</td>
<td>211.3</td>
<td>29.0</td>
</tr>
<tr>
<td>1998</td>
<td>12,602.00</td>
<td>4.4</td>
<td>239.1</td>
<td>13.2</td>
</tr>
</tbody>
</table>

Source: (1) CNTA, 1985 - 1999; (2) Wei, 1996
Remarks: The figure of domestic tourism income before 1985 is not available.

7.1.2. Basic Tourism Policy Decisions

The basic tourism policy was a manifestation of the tourism policy paradigm reflected in the policy goals and development strategy.

7.1.2.1. Goals of Tourism Policy

Because the nature of tourism began to shift from politics to economics, both political and economic goals of tourism were upheld in order to achieve the ‘double harvest in both the political and economic spheres’ (‘政治經濟雙豐收’). The political goal of tourism was to promote socialist China, to expand and strengthen the international influence of China, while the economic goal of tourism was to earn foreign exchange.
7.1.2.2. Tourism Development Strategy

Owing to the limited capacity of tourist facilities, the Chinese government decided to develop international tourism with a great effort but based on a more conservative mode, that was 'Developing actively, acting according to the capacity of China, and progressing steadily' (‘積極發展，量力而行，穩步前進’).

In the light of the importance of international tourism and negative attitude towards domestic tourism, the passive domestic tourism policy was formulated, that was ‘Three-No’ policy (‘三不’政策) – ‘No Support, No Objection and No Promotion’ (‘不支持, 不反對, 不提倡’). The Chinese government decided that all tourist facilities and tourist transport must first satisfy the demands of the international tourists.

7.1.3. Specific Tourism Policy Decisions

The specific policy decisions are classified demand and supply side decisions. The shortage of tourist facilities in this period resulted in the domination of supply-oriented policy decisions.

When the new ideology (‘economic development’ and ‘decentralization of power’) and new tourism paradigm (‘tourism as an economic activity’) emerged and practiced, they were immediately confronted with conflict by existing tourism institutions. The existing tourism institutions still embodied the old ideology (‘politics-command’ and ‘centralization of power’) and old tourism policy paradigm (‘political nature of tourism’) and arrangements of power and interests.
7.1.3.1. Review of Existing Tourism Institutions (旅 游 業 体 制) in 1978

Tourism institutions refer to both government and enterprise institutions, and they are linked together in nature. The tourism institutions integrated both the planned economy ideology and political nature of tourism in 1978.

The centralized planned-economy model in China meant that the central master plan, not the market mechanism, was adopted by the central government to manage (i.e. manipulation and control) both the supply and demand side of the national economy. The supply side was managed by the government through issuing commands for what kinds of products were to be produced, while the demand side was also controlled and restricted by the government through issuing a wide range of coupons (票) such as the food coupon and cloth coupon. The government, replacing the market mechanism, became the sole responsible body for resource allocation. Under the planned economy model, public ownership (公有制) was the dominant form of enterprise. Public ownership offered a permanent and safe job to its employee, which was known as the ‘iron-rice bowl’ (鐵飯碗).

The planned economy ideology was institutionalized into the organization, structure and standard operating procedures of both government and enterprises. The central government created a number of responsible agencies for managing one economic sector or activity. A set of enterprises came directly under the administration of government agencies. The responsible government agency directly supervised the production, sales, staff, finances and resources of enterprises by issuing administrative orders (行政指令) - the most common form of standard operating procedure in China. This institutional arrangement was called ‘combined
government function with enterprise function' (政企合一) (Hong Kong Commercial Daily 香港商报, 1997). The government agencies represented and looked after the interests of the enterprise. When the interests of one enterprise conflicted with another enterprise, the government agencies behind these enterprises would be unavoidably involved in the coordination and resolution of any conflict.

The government-enterprise relationship was delineated as the 'system' (系統). For the tourism industry, the 'tourism system' (旅游系统) referred to CNTA and its subsidiary enterprises (直屬企業) such as CITS, and local tourism bureaus and their enterprises. Such a system was a closed organization, meaning that the 'system' leader - the government agency was responsible for managing its own 'system', and could not intervene into other systems.

Within the enterprise, because of politics-command, the Party-secretary rather than the manager was responsible for management. In the planned economy model, the enterprises did not have autonomy to manage the production, sales, personnel, finance and resources. Also with the 'iron rice bowl' mentality, there was no a concrete appraisal system to evaluate employee performance, no matter how poor their performance was, they would not be fired.

General speaking, tourism institutions were a highly centralized and unified organization in 1978 due to the planned economy ideology and political nature of tourism. SGATT (CNTA) and local tourism bureaus had a set of tourism enterprises including travel agencies, hotels, and tour bus companies. SGATT directly ran the travel services such as tourist reception and tour organizing. Such tourism
institutions resisted the implementation of the new ideology and new tourism policy paradigm, and hence restricted the development of tourism as an economic activity.

7.1.3.2. Reforming the Tourism Institutions

Although the new ideology and new tourism policy paradigm were established, they could not be well implemented unless the new institutions were established to embrace the new ideology and new tourism policy paradigm. This means that the new ideology and new tourism policy paradigm must be institutionalized into the organization, structure, rules and standard operating procedures. Therefore, the majority of the specific tourism policy decisions were made to reform the existing tourism institutions through breaking the old tourism institutions and establishing the new institutions.

Under the Planned economy ideology, central government was the only provider of tourist facilities. Under this ideology, the Chinese leaders decided to transfer the guesthouses (賓館) and tour busses to the SGATT (CNTA). This decision further expanded and strengthened the ‘tourism system’ that just comprised travel agencies before 1978. However, the number of hotels and guesthouses only totaled 137 in 1978, and slightly increased to 150 in 1979 (see table 4), there was a large gap between demand for and supply of hotels. In another words, provision of hotels by the central government was impossible to meet the tourist demand, and this motivated the government to allow the foreign investment.

Deng Xiao-Ping was the initiator for the use of foreign investment in the development of hotel. The foreign investment was primarily introduced from
developed capitalist countries and regions including United States, Western Europe and Hong Kong. This represented a first challenge to the old ideology and the existing institutions, as many Chinese leaders and government officials feared that it would harm the socialist ideology and institutions in China, in which public ownership was the dominant enterprise form. Due to its sensitive nature, the first foreign-invested hotel project – ‘Jianguo Hotel’ (建國飯店) required approval of sixteen Chinese top leaders including the Premier, Vice-Premier and Chairman of the Standing Committee of NPC.

Foreign investment not only introduced capital, but also a new management style such as the ‘responsibility of general manager’, rather than ‘Party-secretary responsibility’. The successful performance of Jianguo Hotel in terms of its profitability signaled that the introduction of foreign investment and foreign management style was a correct decision. Sooner and later, introduction of foreign investment and foreign management style were widely applied in many economic sectors of China.

However, the institutionalization of the new ideology and new tourism policy paradigm was not a smooth but rather a hard, complicated and conflicting process because of the resistance by the existing tourism institutions. This was particularly reflected by two rules made by SGATT (forerunner of CNTA). The first rule was ‘Non tourism government agencies and enterprises were not allowed to run international tourism businesses’ (‘非旅游部門不得辦涉外旅游’). Under the central planned-economy institutions, only the ‘system leader’ – SGATT was designated to manage and supervise its ‘system enterprises’, and only ‘system
enterprises’ were allowed to run the tourism business. So, Mr. Wei Xiao-An indicated that this rule aimed to protect the authority of SGATT and interests of its tourism enterprises; meanwhile, international tourism should still serve the political goals in this period, SGATT and its enterprises were more knowledgeable than other government agencies in fulfilling the political goal of tourism.

The second rule was the centralization of sales and contacts. Only the head offices of the three travel agencies CITS, China Travel Services [CTS, establishing in 1974 by the Office of Overseas Chinese Affairs (國務院僑務辦公室)] and China Youth Travel Services [CYTS, establishing in 1980 by the Communist Youth League (共青團)] had authority to conduct contact and sales to the foreign travel agencies. Their local branch offices were only responsible for the reception and tour guiding.

These two rules, to a large extent, could be viewed as the automatic response of tourism policy actors in the existing institutional framework. Mr. Wei Xiao-An pointed out ‘these two regulations were the outputs of the framework of combined government function with enterprise function.’ This was consistent with what March and Oslen (1983: 738) had argued, that institutions had an autonomous role in defining and defending their interests. In this case, the real policy actor was not SGATT, but rather the existing tourism institutions.

Obviously, these two rules restricted the development of tourism as an economic activity. Although state and foreign investment increased the number of hotels from, this was still far from meeting the sharp increase in tourist demand. In
1983, China had 59,588 hotel rooms while the number of total international tourists was 9.5 million (see table 2 & 4). There was still a large gap between the supply of and demand for rooms. Moreover, these rules also directly conflicted with the interests of local branches of CITS, CTS and CYTS, and non-tourism government agencies and enterprises. The ideological shift to economic development motivated the government agencies, enterprises and individuals to seek profit. Tourism in this period was observed as a highly profitable industry, mainly due to the high tourist demand and shortage of supply. So Mr. Wei Xiao-An concluded ‘this regulation obviously acted contrary to the development of tourism as an economic activity.’ As a result, these rules were removed.

In 1980, sales and direct contacts with foreign tour operators started to re-centralized to the local branches. In 1984, General-Secretary of CPC Hu Yao-Bang (胡耀邦) decided in the meeting of the Secretariat of Central Committee that tourism should be invested and run by the state, together with local governments, individual government agencies, collectives, and individuals, this was called ‘Five-Together’ (‘五個一起上’) policy. This decision had a profound impact on the development of tourism. The supply of hotels and travel agencies increased sharply in a short period (see table 4 & 6)
Table 6. Number of Travel Agencies in China
1987 – 1998

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Travel Agencies</th>
<th>Growth Rates %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>1,245</td>
<td>-</td>
</tr>
<tr>
<td>1988</td>
<td>1,573</td>
<td>26.3</td>
</tr>
<tr>
<td>1989</td>
<td>1,617</td>
<td>2.8</td>
</tr>
<tr>
<td>1990</td>
<td>1,603</td>
<td>-0.9</td>
</tr>
<tr>
<td>1991</td>
<td>1,561</td>
<td>-2.6</td>
</tr>
<tr>
<td>1992</td>
<td>2,592</td>
<td>66.0</td>
</tr>
<tr>
<td>1993</td>
<td>3,238</td>
<td>24.9</td>
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<tr>
<td>1994</td>
<td>4,382</td>
<td>35.3</td>
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<tr>
<td>1995</td>
<td>3,826</td>
<td>-12.7</td>
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<tr>
<td>1996</td>
<td>4,252</td>
<td>11.1</td>
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<tr>
<td>1997</td>
<td>4,986</td>
<td>17.3</td>
</tr>
<tr>
<td>1998</td>
<td>6,222</td>
<td>24.8</td>
</tr>
</tbody>
</table>

Source: CNTA, 1988 – 1999

During the institutionalization process, the conflict of interests was identified as the main obstacle. Strictly speaking, almost all tourism enterprises before 1978 including hotels, travel agencies, tour buses companies were not real enterprises. They were under the administration of the government agencies and were responsible for the political reception, and was not aimed at making a profit; and their finance, personnel and operation were controlled by the government agencies.

Such institutional arrangement was inadequate for the development of tourism as an economic activity and reform was necessary. One important means was to separate the enterprises from their supervisory government agencies. Many enterprises and their supervisory government agencies resisted this separation because of the conflict of interests. Under the system of combined government function with enterprise function, government agencies can entirely control the personnel, finance and resources of enterprises and this enabled them to seek interests of the enterprise. The government agencies also represented and protected the interests of enterprises and used its influence to pursue the interests for the
enterprises. For example, their supervisory government agencies required the tourism enterprise to provide certain amounts of funds to them. The government agencies also exerted their political influence to seek the benefit for their enterprises such as interest-free loan and tax exemption. So, Mr. Wei Xiao-An indicated ‘Such arrangement was beneficial to both sides (government agencies and enterprises).’

Professor Zhang Guang-Rui, Director of Tourism Research Center, Chinese Academy of Social Sciences, pointed out ‘when this policy initiated, no one (government agencies and enterprises) was willing to implement.’ Until now, the separation of enterprises from government agencies has still not been fully completed.

As this period marked a start from the planned economy model to the market economy model, the dominant planned economy ideology was still very influential. Formulation of the ‘Provisional Regulation on the Administration of Travel Agencies’ 《旅行社管理暫行條例》by CNTA was a typical example. This regulation classified all travel agencies into three categories. Only the Category One travel agency (一類旅行社) were allowed to negotiate directly with the foreign tour operators; The Category Two travel agency (二類旅行社) was responsible for receiving the tourists organized by the Category One travel agency; and the Category Three travel agency (三類旅行社) could only run domestic travel businesses. This regulation was influenced significantly by the planned economy ideology in which the government agencies directly intervened in the operation of the enterprises. This regulation failed in its implementation because of the high profitability of running Category One travel agency and lack of authority of CNTA in monitoring the implementation of this regulation.

In the first historical period, recognition of the economic nature of tourism emerged, however, this concept was fully built up in this period. In 1986, tourism, as an economic industry, was for the first time incorporated into the ‘The Seventh Five-Year State Plan for the Economic and Social Development’ [《國民經國和社会發展第七個五年計劃（1986 - 1990）》]. The level of importance of tourism in the national economy was the next issue revolving around the minds of tourism policy actors.

7.2.1. Tourism Policy Paradigm

In this period, the CPC was in a serious ideological struggle between the planned and market economy models. Although the influence of planned economy ideology diminished, its role was still dominant. The market mechanism was only allowed to develop within the planned economy domain. So, the tourism policy paradigm did not see any significant progress. Incorporation of tourism into the national plan did not indicate that tourism had been positioned in the national economy. There was a large gap in the understanding towards the position of tourism between CNTA and the comprehensive government agencies.

7.2.1.1. Policy-Oriented Learning by the Tourism Administrations & Academics

The boom in tourism aroused the research interests of CNTA, local tourism bureaus and tourism academics. In 1987, the senior economist and Vice President of CASS Sun Shang-Qing initiated and coordinated the first tourism policy research project entitled ‘A Study of the Development Strategy of Tourism Economy in China (中國旅游經濟發展戰略研究)’. The participants included the CASS,
Development Research Centre, State Council (DRC) (國務院發展研究中心), CNTA and local tourism bureaus. By reviewing the past one-decade of tourism development (1978 – 1987) and studying the socioeconomic conditions, this research project reached a set of influential conclusions.

This research project suggested that tourism was a cultural-oriented economic activity (文化性的經濟產業), and both international and domestic tourism significantly contributed to the economy, in terms of the total income, employment and stimulating the development of other related industries. The project was conducted when the international price of petroleum dropped drastically. Petroleum and textiles were two traditional economic sectors earning most of the foreign exchange in China. The sharp decrease in the foreign exchange earned by petroleum gave a salient position to international tourism. Due to the increasing need for foreign exchange to fund the rapid economic development, this project advocated government that the growth of tourism industry should exceed the growth of economic development in general (適度超前) (Sun, 1989).

This research project also indicated that tourism was a market-oriented economic industry. Under the planned economy ideology, supply was planned by the central government, rather than meeting the demand accordingly, and marketing and promotion was unnecessary. High growth rates of the visitor arrivals in the first historical period also did not require any promotional activities. However, when ‘China fever’ (‘中國熱’) diminished and unsatisfactory service quality emerged, the growth rates of tourist arrivals decreased consecutively from 1986 to 1988. The June 4th Incident in 1989 slashed the tourist arrivals by 22.7% (see table

155
2). The tourism policy actors gradually understood that tourist demand was uncontrollable, and the concept of the 'market' arose.

The entry of many other government agencies into the tourism industry also had the 'system' concept undermined. For example, among the 2000 hotels in existence in 1990, they were owned by over 20 government agencies (or 'systems') respectively, e.g. CNTA, Office of Overseas Chinese Affairs, Communist Youth League, Ministry of Foreign Affairs (外交部) (MOFA), (He, 1994). Obviously, the existing 'system' concept was totally inadequate to manage these enterprises, and this created the 'industry management' concept ('行業管理'), meaning that CNTA should manage the whole of the tourism industry, rather than the enterprises under its 'system'.

The results of policy-oriented learning by CNTA and academics, particularly on the importance of tourism and tourism policy initiatives should be accepted by the comprehensive government agencies – particularly the SPC and MOF.

7.2.1.2. Policy-Oriented Learning by the Comprehensive Government Agencies

Mr. Feng Zong-Su indicated that there were two different understandings towards the development of tourism in China among the CNTA and comprehensive government agencies in this period. Generally, there was a large gap in understanding the importance of tourism between CNTA and the comprehensive agencies, particularly towards domestic tourism in this period.
From the viewpoint of the comprehensive agencies such as SDPC and MOF, tourism cannot reveal its economic significance in the national economy in this period. In 1991, the total income from international and domestic tourism only accounted for 1.6% of GDP of China (see table 7). Although the incomes earned by both international and domestic tourism has increased sharply since 1978, they do not directly contribute to the central finances, but rather the local finance, because the majority of tourism enterprises were local.

Table 7. Proportion of Total Tourism Incomes in GDP of China 1985 – 1998

<table>
<thead>
<tr>
<th>Year</th>
<th>International Tourism Income in US$ (billion) (a)</th>
<th>Exchange Rate (US$ to RMBS) (b)</th>
<th>International Tourism Income in RMBS (billion) (c) = (a x b)</th>
<th>Domestic Tourism Income in RMBS (billion) (d)</th>
<th>Total Tourism Income in RMBS (billion) (e) = (c + d)</th>
<th>GDP (f)</th>
<th>Proportion % (g) = (e)/(f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>1.25</td>
<td>2.94</td>
<td>3.68</td>
<td>8</td>
<td>11.68</td>
<td>896.4</td>
<td>1.30</td>
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<td>1.53</td>
<td>3.45</td>
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<td>10.6</td>
<td>15.88</td>
<td>1020.2</td>
<td>1.56</td>
</tr>
<tr>
<td>1987</td>
<td>1.86</td>
<td>3.72</td>
<td>6.92</td>
<td>14</td>
<td>20.92</td>
<td>1196.3</td>
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<td>18.7</td>
<td>27.07</td>
<td>1492.8</td>
<td>1.81</td>
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<td>3.77</td>
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<td>15.0</td>
<td>22.01</td>
<td>1690.9</td>
<td>1.30</td>
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<tr>
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<td>2.22</td>
<td>4.78</td>
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<td>18.0</td>
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</tr>
<tr>
<td>1992</td>
<td>3.95</td>
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<tr>
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<td>5.76</td>
<td>26.96</td>
<td>86.4</td>
<td>113.36</td>
<td>3463.4</td>
<td>3.27</td>
</tr>
<tr>
<td>1994</td>
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<td>8.62</td>
<td>63.10</td>
<td>102.4</td>
<td>165.50</td>
<td>4675.9</td>
<td>3.54</td>
</tr>
<tr>
<td>1995</td>
<td>8.73</td>
<td>8.35</td>
<td>72.90</td>
<td>137.6</td>
<td>210.50</td>
<td>5847.8</td>
<td>3.60</td>
</tr>
<tr>
<td>1996</td>
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<td>8.31</td>
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<td>163.8</td>
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<td>6788.5</td>
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</tr>
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<td>8.29</td>
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<td>7446.3</td>
<td>4.18</td>
</tr>
<tr>
<td>1998</td>
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<td>8.28</td>
<td>104.33</td>
<td>239.1</td>
<td>343.43</td>
<td>7939.6</td>
<td>4.33</td>
</tr>
</tbody>
</table>

Source: (1) CNTA, 1996 – 1999; (2) Wei, 1996; (3) State Statistics Bureau of China (SSB), 1999

Tourism, to a large extent, is a demand-oriented or demand-led industry.

Under the planned economy ideology of China, the demand side of the economy was strictly controlled and restricted by the government through the central master plan. From 1949 to 1992, the economic growth, from the viewpoints of the Chinese government, relied on state investment – the supply side, rather than the consumption or the demand side. The Chinese government targeted and encouraged
people to create and accumulate wealth, not to spend it. The political slogan ‘the production is foremost, while life is second’ (‘先生產，後生活’) was purely for this purpose. So, domestic tourism, as a kind of consumption behavior, was ignored.

Similar to some countries, tourism in China was also regarded as an insignificant and frivolous industry compared to agriculture, heavy and light industry. Tourist activity was simply described as ‘sightseeing’ or ‘dining, touring and recreating’ (‘游山玩水’，‘吃喝玩樂’). During the Cultural Revolution, the ‘politics-command’ and ‘political struggle’ ideology labeled tourist activity as the ‘life style of landlords and bourgeois’. This concept is still rooted in the minds of government officials. As a result, domestic tourism, which does not earn foreign exchange, was not recognized as a kind of valid consumption (正當消費). From the viewpoints of the comprehensive agencies, the consumption of daily commodities such as food and clothes was valid and should be encouraged. Thus, domestic tourism was regarded as ‘non-productive (非生產性的)’. Because of different understanding between CNTA and comprehensive agencies, the development of tourism policy paradigm in this period proceeded slowly and incrementally. Generally, two additional premises were adopted:

1. The concept of the ‘tourism system’ was undermined and was replaced by the concept of ‘industry management’;

2. Tourism was a market-oriented or market-driven industry because tourist demands could not be manipulated, and what the government and industry had to do was to meet and satisfy demands.
7.2.2. Basic Tourism Policy Decisions

The basic tourism policies fully addressed the ideas of the tourism policy paradigm in this historical period.

7.2.2.1. Goals of Tourism Policy

The economic goal of tourism for the first time replaced political goals as the top priority. Tourism had become one of the top three foreign exchange earners together with foreign trade and export of labor, and as China was in deep need of foreign exchange to import equipment and facilities, the main economic goal of tourism was to earn foreign exchange.

7.2.2.2. Tourism Development Strategy

The conservative style of tourism development strategy in the first historical period ended. Except for civil aviation capacity, supply of both the hotels and travel agencies met tourist demand.

7.2.3. Specific Tourism Policy Decisions

In this period, demand oriented policy decision emerged and on the supply side, establishing new tourism institutions to enhance the quality of tourism commenced.

7.2.3.1. Demand side

As 'market' awareness emerged, promotional activities were launched with the start from the Beijing Tourism Administration (北京市旅游事业管理局) which hosted the first tourist year – the 'Year of the Dragon'. After the tourism
downturn resulting from the June 4th Incident, a series of promotional campaigns conducted by CNTA commenced, and the promotional budget also saw a significant increase.

7.2.3.2. Supply Side

Tourism institutions reform in the first historical period, to a large extent, focused on the quantity of supply. In this period, the quantity of tourist facilities increased sharply. For example, hotels increased from 710 by 1985 to 2130 by 1991 (see table 4). Except for transportation, the supply of tourist facilities such as hotels and travel agencies generally met tourist demand. Nevertheless, the quality of supply was found to have deteriorated in nearly every aspect of tourism. In the hotel sector, there was a mismatch between facilities and services, i.e. luxury hotel with poor service quality. For the travel agencies, complaints about tour guides emerged, especially noted was a deterioration of ethics, such as ‘no tips, no services’.

The ultimate reason of the poor quality of supply was attributed to a lack of the new tourism institutions, which aimed at constructing a set of ‘rules of game’ for the development of tourism as a market-driven economic industry. Without adequate tourism institutions, neither the government nor the industry was able to develop and manage tourism as an economic activity. For example, the mismatch of hotel facilities and services mainly resulted from the absence of the standard operating procedures to run an international standard hotel. As the ‘industry management’ concept emerged, CNTA understood that it should be granted adequate authority to manage the whole tourism industry, not just its ‘system enterprises’.
The State Council endorsed two tourism policy documents in 1988 (‘The 80th State Council Document’) and in 1991 (‘The 8th State Council Document’) respectively, aimed at delineating the authority of CNTA in managing the tourism industry. According to these two documents, CNTA had the authority to manage the whole tourism industry based on the rules and regulations, no matter which ‘system’ the tourism enterprise belonged to. However, a clear delineation of authority did not mean that CNTA could quickly and successfully build up its own authority as the real power in managing tourism industry was, in fact, held by a number of government departments.

The new tourism institutions could not be established unless it was adequate for the development of tourism as a market-oriented economic activity. Not only an adequate tourism institution was able to win the support from the industry, but also help CNTA establish its authority, the star-rating program for the hotel was a good example.

Due to the lack of operating standards in the hotel sector and the awareness of the ‘market concept’, CNTA followed international hotel practice in applying a ‘star-rating’ system in China. This was a large policy-learning exercise, as not only CNTA, local tourism bureaus, hotel industry and tourism academia participated into a number of meetings and seminars, but hotel industry experts from WTO and Hong Kong were also invited to provide opinions (Han, 1994). In 1988, the State Council approved the ‘Regulations on the Star Standard and Star-Rating of Tourist Hotels of PRC’ (《中华人民共和国旅游饭店星级评定标准》). Although this was not a compulsory regulation, it won the mass and solid support from the
industry, as the ‘star-rating’ enabled the hotels to directly signal their quality standard to the international tourist market.

In 1993, the Ministry of Internal Trade (國內貿易部) [now renamed the State Internal Trade Bureau (國內貿易局) in 1998] issued the ‘Standards for the Restaurants Grading’ (‘飯店酒樓等級標準’) which also placed hotels under the administration of this regulation. However, response from the hotels was very low. In 1994, the Ministry together with the State Prices Administration (國家物價局) pressured the hotels to implement by not approving their prices. But their attempts still failed, because the ‘star-rating’ met the requirements of the international tourism market.
7.3. Historical Period Three: 1992 – Present

Generally speaking, the tourism policy paradigm saw a major breakthrough in this period, with tourism formally positioned in the national economy. It resulted not only from the policy-oriented learning towards the environment, but also a shift in ideology to the market economy model.

7.3.1. Tourism Policy Paradigm

7.3.1.1. Change in the Ideology

The year 1992 was of great significance to China as it marked the end of the ideological struggle between the planned and market economy models. In response to the call from Deng Xiao-Ping, the 14th Congress of CPC announced the establishment of the Socialist Market Economy Model, aimed at replacing the existing central planned-economy model. The Socialist Market Economy Model refers to the market mechanism of a socialist country where the public ownership plays the main role in the economy, but allowing other forms of ownership such as privately owned enterprises.

Under the market economy ideology, the demand side of the economy will be gradually released from the control and manipulation of government. The traditional planned economy concept that economic growth fully depended on the state investment shifted, and the supply of the economy should meet and satisfy the demand. The role and function of government would change fundamentally, from directly managing the economy through administrative order to macro-controlling the economy through establishing market institutions such as laws and regulations (e.g. Company Law and Contract Law). In addition, the domestic market should be

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further geared to the international market, signaling that China will open further to the outside world. From 1992 to the present, the Chinese government focused on establishing the market institutions.

7.3.1.2. Joint Policy-Oriented Learning

Only under the market economy ideology, stimulating and satisfying the demand was a valid instrument for the government to further economic development, and hence the importance of domestic tourism, which exhibited the strong market growth, could be highlighted. Mr. Wei Xiao-An said ‘our understanding towards domestic tourism changed in accordance with the change from planned-economy to market economy. Nowadays, we understand that consumption, no matter what kind of consumption, is positive and desirable’. The market economy ideology together with the socioeconomic conditions and importance of tourism in the national economy motivated the government to re-examine the position of tourism, particularly domestic tourism.

Generally, socioeconomic conditions saw a substantial improvement, reflected by the continual increase in Gross National Income (GNP), disposable income and savings (see table 8) and leisure time. These elements led to the further boom of domestic tourism and outbound travel.
Table 8. Wealth of the Chinese People 1978 – 1998

<table>
<thead>
<tr>
<th>Year</th>
<th>GNP (RMB Billion $)</th>
<th>Growth %</th>
<th>Per Capita Annual Income of Urban Household (RMB$)</th>
<th>Growth %</th>
<th>Per Capita Annual Income of Rural Household (RMB$)</th>
<th>Growth %</th>
<th>Total Amount of Saving (RMB Billion $)</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>362.4</td>
<td>-</td>
<td>343.4</td>
<td>-</td>
<td>133.6</td>
<td>43.2</td>
<td>21.6</td>
<td>-</td>
</tr>
<tr>
<td>1980</td>
<td>451.8</td>
<td>24.7</td>
<td>477.6</td>
<td>39.1</td>
<td>191.3</td>
<td>43.2</td>
<td>40.0</td>
<td>85.0</td>
</tr>
<tr>
<td>1985</td>
<td>898.9</td>
<td>99.0</td>
<td>739.1</td>
<td>54.8</td>
<td>397.6</td>
<td>107.8</td>
<td>162.3</td>
<td>306.2</td>
</tr>
<tr>
<td>1986</td>
<td>1020.1</td>
<td>13.5</td>
<td>899.6</td>
<td>21.7</td>
<td>423.8</td>
<td>6.6</td>
<td>223.8</td>
<td>37.9</td>
</tr>
<tr>
<td>1987</td>
<td>1195.5</td>
<td>17.2</td>
<td>1002.2</td>
<td>11.4</td>
<td>462.6</td>
<td>9.2</td>
<td>307.3</td>
<td>37.3</td>
</tr>
<tr>
<td>1988</td>
<td>1492.2</td>
<td>24.8</td>
<td>1181.4</td>
<td>17.9</td>
<td>544.9</td>
<td>17.8</td>
<td>380.2</td>
<td>23.7</td>
</tr>
<tr>
<td>1989</td>
<td>1691.8</td>
<td>13.4</td>
<td>1375.7</td>
<td>16.4</td>
<td>601.5</td>
<td>10.4</td>
<td>514.7</td>
<td>35.4</td>
</tr>
<tr>
<td>1990</td>
<td>1859.8</td>
<td>9.9</td>
<td>1510.2</td>
<td>9.8</td>
<td>686.3</td>
<td>14.1</td>
<td>703.4</td>
<td>36.7</td>
</tr>
<tr>
<td>1991</td>
<td>2166.3</td>
<td>16.5</td>
<td>1700.6</td>
<td>12.6</td>
<td>708.6</td>
<td>3.2</td>
<td>910.7</td>
<td>29.5</td>
</tr>
<tr>
<td>1992</td>
<td>2665.2</td>
<td>23.0</td>
<td>2026.6</td>
<td>19.2</td>
<td>784.0</td>
<td>10.6</td>
<td>1154.5</td>
<td>26.8</td>
</tr>
<tr>
<td>1993</td>
<td>3456.1</td>
<td>29.7</td>
<td>2577.4</td>
<td>27.2</td>
<td>921.6</td>
<td>17.6</td>
<td>1476.2</td>
<td>27.9</td>
</tr>
<tr>
<td>1994</td>
<td>4667.0</td>
<td>35.0</td>
<td>3496.2</td>
<td>35.6</td>
<td>1221.0</td>
<td>32.5</td>
<td>2151.9</td>
<td>45.8</td>
</tr>
<tr>
<td>1995</td>
<td>5749.5</td>
<td>23.2</td>
<td>4283.0</td>
<td>22.5</td>
<td>1577.7</td>
<td>29.2</td>
<td>2966.2</td>
<td>37.8</td>
</tr>
<tr>
<td>1996</td>
<td>6685.1</td>
<td>16.3</td>
<td>4838.9</td>
<td>13.0</td>
<td>1926.1</td>
<td>22.1</td>
<td>3852.1</td>
<td>29.9</td>
</tr>
<tr>
<td>1997</td>
<td>7314.3</td>
<td>9.4</td>
<td>5160.3</td>
<td>6.6</td>
<td>2090.1</td>
<td>8.5</td>
<td>4628.0</td>
<td>20.1</td>
</tr>
<tr>
<td>1998</td>
<td>7801.8</td>
<td>6.7</td>
<td>5425.1</td>
<td>5.1</td>
<td>2162.0</td>
<td>3.4</td>
<td>5340.7</td>
<td>15.4</td>
</tr>
</tbody>
</table>

Source: SSB, 1999

Yet, China also confronts a set of austere socioeconomic problems. After 20 years of rapid economic development, the aggregate supply generally meet the aggregate demand (Zhu, 1998). The supply of daily commodities and household appliances such as television and refrigerator basically satisfied the demand, particularly in the urban areas. But, the perceived expenditure in the near future also rose sharply, as the government gradually withdrew its subsidies from a wide range of social welfare activities including education, medical services and housing. As a result, consumers became more and more cautious, and China became bogged down with insufficient aggregate demand (内需不足).

The Chinese government has classified all industries into three categories: (1) primary – agriculture; (2) secondary – heavy and construction industry; and (3) tertiary – all other industries that are not included in the primary and secondary industries, such as tourism, catering and financial services. Compared to the primary
and secondary industries, the tertiary industry revealed strong potential for
development. For an example, the proportion of employment provided by the
primary industry sector decreased from 58.5% in 1992 to 49.8% in 1998. Yet, the
tertiary industry has experienced rapid growth with the proportion of employment
offered increasing from 19.8% in 1992 to 26.7% in 1998 (SSB, 1999). In
recognizing the potential of the tertiary industry, the Chinese government decided to
speed up its development. Tourism, as its key component, was highly placed as a
tertiary industry.

The continuing rises in population and unemployment have been two
persistent problems troubling China in 1990s. China is a country with the largest
population in the world, totaling 1.2 billion in 1998 and with a growing population,
this indicates there is a continuous increase in the labor force. The official
unemployment rate increased from 2.3% in 1992 to 3.1% in 1998 (SSB, 1997 &
1999). The unemployment situation further deteriorated after the implementation of
enterprise reform with one of its aim at reducing surplus employees. The state owned
enterprises normally had a certain amount of surplus employees, as two or more
persons shared a job. Since the mid-1990s, hundreds of thousands of employees left
the state owned enterprises. The unemployment rate did not count them in as they
still can receive a basic portion of their salary for sustenance. So, the real
unemployment rate is higher than the official one.

Compared to the eastern (coastal) provinces (or autonomous regions) like
Guangdong and Jiangsu (江蘇), the central and western regions such as Xinjiang
(新疆) and Gansu (甘肅) are less developed. Taking Jiangsu Province and Gansu
Province as an example, in 1998, the GDP of Jiangsu was RMB$ 720 billion while in Gansu it was only RMB$ 87 billion (SSB, 1999).

In order to solve these socioeconomic problems, the State Council attempted to identify a set of industries with great potential in market growth, earning foreign exchange, creating employment, stimulating the development of other economic sectors and promoting the regional development. The State Council defined the industries with these potentials as the ‘new growth points of the national economy’ (國民經濟新的增長點). Initially, tourism was not included in this category. CNTA initiated a policy recommendation that the strengths of tourism meet the above requirements.

Tourism has become an important and inseparable industry from the national economy in this period. By 1998, international tourism earned the foreign exchange of US$12.60 billion, with a two-fold growth from US$3.95 billion in 1992 (see table 5). The proportion of foreign exchange from international tourism in total exports increased from 4.65% in 1992 to 6.86% in 1998 (see table 9). Meanwhile, the proportion of total tourism incomes (domestic and international tourism) in GDP increased from 1.76% in 1992 to 4.33% in 1998 (see table 7), approaching the status of a ‘pillar industry’ (支柱行業) that would account for 8% - 10% of GDP. The major contributor was domestic tourism, which earned RMB$239.1 billion in 1998, compared to RMB$ 104.6 billion from international tourism (see table 7).
Table 9. Proportion of Foreign Exchange from International Tourism in Exports in China
1978 – 1998

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Foreign Exchange from Exports (US$ Million)</th>
<th>Total Foreign Exchange from international tourism (US$ Million)</th>
<th>Proportion %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>9,750</td>
<td>263.90</td>
<td>2.71</td>
</tr>
<tr>
<td>1979</td>
<td>13,660</td>
<td>449.27</td>
<td>3.29</td>
</tr>
<tr>
<td>1980</td>
<td>18,120</td>
<td>616.65</td>
<td>3.40</td>
</tr>
<tr>
<td>1981</td>
<td>22,010</td>
<td>794.91</td>
<td>3.57</td>
</tr>
<tr>
<td>1982</td>
<td>22,320</td>
<td>843.17</td>
<td>3.78</td>
</tr>
<tr>
<td>1983</td>
<td>22,230</td>
<td>941.20</td>
<td>4.23</td>
</tr>
<tr>
<td>1984</td>
<td>26,140</td>
<td>1,131.34</td>
<td>4.33</td>
</tr>
<tr>
<td>1985</td>
<td>27,350</td>
<td>1,250.00</td>
<td>4.57</td>
</tr>
<tr>
<td>1986</td>
<td>30,940</td>
<td>1,530.85</td>
<td>4.95</td>
</tr>
<tr>
<td>1987</td>
<td>39,440</td>
<td>1,861.51</td>
<td>4.72</td>
</tr>
<tr>
<td>1988</td>
<td>47,520</td>
<td>2,246.83</td>
<td>4.73</td>
</tr>
<tr>
<td>1989</td>
<td>52,540</td>
<td>1,860.48</td>
<td>3.54</td>
</tr>
<tr>
<td>1990</td>
<td>62,650</td>
<td>2,217.58</td>
<td>3.57</td>
</tr>
<tr>
<td>1991</td>
<td>71,840</td>
<td>2,844.97</td>
<td>3.96</td>
</tr>
<tr>
<td>1992</td>
<td>84,940</td>
<td>3,946.87</td>
<td>4.65</td>
</tr>
<tr>
<td>1993</td>
<td>91,740</td>
<td>4,683.17</td>
<td>5.10</td>
</tr>
<tr>
<td>1994</td>
<td>121,040</td>
<td>7,322.81</td>
<td>6.05</td>
</tr>
<tr>
<td>1995</td>
<td>148,780</td>
<td>8,732.77</td>
<td>5.87</td>
</tr>
<tr>
<td>1996</td>
<td>151,050</td>
<td>10,200.46</td>
<td>6.75</td>
</tr>
<tr>
<td>1997</td>
<td>182,700</td>
<td>12,074.14</td>
<td>6.61</td>
</tr>
<tr>
<td>1998</td>
<td>183,760</td>
<td>12,602.00</td>
<td>6.86</td>
</tr>
</tbody>
</table>

Source: (1) CNTA, 1999; (2) SSB, 1999

Both international and domestic tourism showed strong market potential, especially domestic tourism. Domestic tourists jumped from 330 million in 1992 to 694 million in 1998, more than 100% increase, while the international tourists increased from 38 million to 63 million in 1998, up 65% (see table 2 & 3). In 1985, the expenditure of domestic tourists averaged at RMB$33 per person, yet in 1998, it soared by 11 time to RMB$344 (Wei, 1996; CNTA, 1999). According to Mr. Wei Xiao-An, domestic tourists have become the main consumers of tourist facilities. From 1981 to 1998 (except for 1996), tourism employment also kept double-digit growth (see table 10)
Table 10. Number of Tourism Employees in China 1981 – 1998

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>37,228</td>
<td>-</td>
</tr>
<tr>
<td>1982</td>
<td>64,736</td>
<td>73.9</td>
</tr>
<tr>
<td>1983</td>
<td>76,789</td>
<td>18.6</td>
</tr>
<tr>
<td>1984</td>
<td>98,388</td>
<td>28.1</td>
</tr>
<tr>
<td>1985</td>
<td>168,357</td>
<td>71.1</td>
</tr>
<tr>
<td>1986</td>
<td>276,463</td>
<td>64.2</td>
</tr>
<tr>
<td>1987</td>
<td>356,801</td>
<td>29.1</td>
</tr>
<tr>
<td>1988</td>
<td>438,987</td>
<td>23.0</td>
</tr>
<tr>
<td>1989</td>
<td>517,363</td>
<td>17.9</td>
</tr>
<tr>
<td>1990</td>
<td>619,717</td>
<td>19.8</td>
</tr>
<tr>
<td>1991</td>
<td>708,263</td>
<td>14.3</td>
</tr>
<tr>
<td>1992</td>
<td>795,942</td>
<td>12.4</td>
</tr>
<tr>
<td>1993</td>
<td>876,700</td>
<td>10.1</td>
</tr>
<tr>
<td>1994</td>
<td>973,977</td>
<td>11.1</td>
</tr>
<tr>
<td>1995</td>
<td>1,115,798</td>
<td>14.6</td>
</tr>
<tr>
<td>1996</td>
<td>1,196,749</td>
<td>7.3</td>
</tr>
<tr>
<td>1997</td>
<td>1,359,423</td>
<td>13.6</td>
</tr>
<tr>
<td>1998</td>
<td>1,830,000</td>
<td>34.6</td>
</tr>
</tbody>
</table>

Source: CNTA, 1985 – 1999

The less developed provinces and regions normally are abundant in tourism resources such as Xin-Jiang, Gui-Zhou (貴州). A policy research study entitled conducted by CNTA, entitled ‘Tourism and Economic Development in the Least Developed Regions’ (旅游和扶贫调研) concluded that the development of tourism could enhance economic growth.

In April 1997, CNTA, SPC and MOF jointly held a policy discussion seminar called ‘Tourism and the New Growth Points of National Economy (旅游業與新的經濟增長點’ ). During this seminar, the strengths of tourism in economic development were highly acknowledged by the comprehensive agencies. A consensus was been reached between the CNTA, SPC (SDPC), MOF and academics that tourism was an important means to develop the national economy. Subsequently in early 1999, the State Council formally positioned tourism as ‘a new growth point of the national economy’.
To sum up, there was no major division among the government agencies such as CNTA and SPC (SDPC) and as a result, the development of tourism policy paradigm progressed well. But, divisions occurred between government and the tourism industry towards the development of outbound tourism. Owing to the increased wealth of the Chinese people, outbound travel demand boomed in this period. Outbound tourists increased from 293 million in 1992 to 843 million in 1998 (CNTA, 1993 – 1999). Generally, CNTA acknowledged the needs of Chinese people to travel abroad for the leisure and recreation purposes, but it does not encourage the mass development of outbound tourism for economic and political reasons. The shortage of foreign exchange in China was the sole economic reason for this stance, while politically, the Chinese government worried that some outbound travelers would not return to China, hence negatively affecting diplomatic relationships between China and foreign countries concerned. Therefore, the following premises are added to the tourism policy paradigm:

1. Tourism policy-making should be in line with the market economy ideology.
2. Tourism (both international and domestic tourism) is an important means to develop the national economy.
3. Domestic tourism is an essential and inseparable part of tourism, and should be granted the same priority as international tourism.
4. Development of outbound travel should be restricted.

7.3.2. Basic Tourism Policy Decisions

As the tourism policy paradigm has significantly advanced, basic tourism policy also adjusted accordingly.
7.3.2.1. Position of Tourism in the National Economy

As tourism was recognized as an important tool to enhance economic growth, it was designated as 'a new growth point of the national economy', and 'a key tertiary industry that should be developed with a great emphasis and effort' (第三產業中重點發展的產業).

7.3.2.2. General Goals

The general goals of tourism policy have become economic oriented, and its political goals were now rarely mentioned. According to Mr. Wei Xiao-An, the economic goals of tourism policy were to (1) increase the total tourism income and develop tourism into a 'pillar industry'; (2) earn foreign exchange; (3) generate employment; and (4) promote regional economic development.

7.3.2.3. Tourism Development Strategy

The development strategy in this period also changed significantly, by incorporating both domestic and outbound tourism into it. Domestic tourism was identified as the foundation of the development for international tourism, while the development of outbound tourism should be the controlled and restricted ('以國內旅遊為基礎，以國際旅遊為主導，以出境旅遊為補充').

7.3.3. Specific Tourism Policy Decisions

The formulation of specific policy decisions in this period was entirely in line with the market economy ideology. The demand side has seen a set of continuing promotional campaigns to stimulate market growth; while rules, standards and
regulations, in order to establish the market-oriented tourism institutions, accounted for a majority of supply side policy decisions.

More and more policy decisions indicated that the frequent coordination with other government agencies was required, and inter-agency coordination in this period was heavier and more frequent than in the previous two periods. Generally, if a tourism policy initiative does not cause a conflict of objectives and interests between CNTA and the agencies concerned, coordination is easier. The support from the responsible Vice-Premiers for tourism and other Vice-Premiers plays decisive influence if CNTA and other agency fail to reach the consensus. The following sections will address these issues.

7.3.3.1. Demand Side

From 1992 to the present, CNTA launched a number of mass promotion campaigns. The promotional theme changed year by year in order to attract more and more tourists. Although CNTA can independently decide the tourism promotion programs, the financial support from the MOF plays a crucial role in their effectiveness. Generally speaking, the promotional budget of CNTA was very limited, compared with the main Asian competitors of China such as Singapore and Thailand. In 1998, the promotional budget of CNTA amounted to US$ 8.3 million, including the expenditure of CNTA’s overseas offices, while the budgets of Singapore and Thailand were US$ 99 million and US$ 66.6 million, respectively.
7.3.3.2. Supply Side

Studies by CNTA and tourism academics identified that vacation travel, which would replace sightseeing travel, became the main preferred travel pattern in 1990s. In 1992, CNTA initiated construction of 12 state-level resorts across the nation (國家級渡假區). As this initiative did not involve much conflict of objectives and interests among the key policy actors, coordination was smooth. Nowadays, these 12 resorts have been built and are opened to tourists.

The poor quality of supply, especially in the travel agency sector, has been a persistent problem, which ultimately resulted from a lack of support of the market institutions. Ideology and the tourism policy paradigm in this period are all market oriented, but their practice cannot be successful unless they are institutionalized into market-oriented rules, regulations and organizations. Therefore, CNTA emphasized the creation of a set of rules to enhance the quality of supply of tourism facilities, and hence to establish a competition mechanism for tourism enterprises. The key regulations included:

1. ‘Provisional Regulations on Quality Service Guarantee Funds of Travel Agencies’ issued by CNTA in 1995 to improve the service quality of travel agencies.

2. ‘Regulations on the Administration of Travel Agencies’ 《旅行社管理條例》 which replaced the old ‘Provisional Regulations on the Administration of Travel Agencies’. The old regulation was influenced by the planned economy ideology and intervened the operations of travel agencies by
classifying them into three categories. The new regulation classified all travel agencies into international travel and domestic travel agencies only.

3. A Standardization program (標準化) for the tourism industry was fully launched and aimed at establishing a set of detailed standards for the service and products of tourism enterprises.

During the process of initiating these regulations, the ones that did not involve any conflict of objectives and interests proceeded smoothly. For example, all government agencies within the State Council held a consensus view that the administration on the travel agencies belonged to the CNTA, so no agency would compete with CNTA for initiating the regulations related to the travel agency sector. However, if a conflict of objectives and interests arose, coordination unavoidably occurred, and sometimes, the involvement from the leaders in coordination was necessary. For example, the 'Provisional Regulations on Quality Service Guarantee Funds of Travel Agencies' required all travel agencies to deposit a sum of cash in the banks designated by CNTA as a guarantee of quality service. This program involved fee charging, and coordination with the MOF was required. As most of the travel agencies were small businesses and also state-owned enterprises, the deposit to them was seen as a heavy financial burden, and MOF disagreed with this initiative. Finally, with the support from Vice-Premier Zhu Rong-Ji, Li Lan-Qing (李岚清) and Qian Qi-Chen, this program was implemented.
7.4. Summary

In Chapter 5, it was noted that tourism policy-making in China was determined by the interaction and coalescence of the three levels of policy factors. The ultimate reason for the development and change in the Chinese tourism policy was the development and change in the two macro-level factors – environment and ideology. Ideology would change only if it could not explain the change in the environment. Change in the ideology was the origin of the change in the tourism policy paradigm. The new ideology together with the specific conditions in the environment shaped the new tourism policy paradigm. The tourism policy paradigm, which is similar to an ideology, served as the mini-ideology for the development of tourism, and it was manifested by the basic tourism policy.

However, the new ideology and new tourism policy paradigm cannot be implemented unless they can be institutionalized into the organization, rules and standard operating procedures. So, except for the marketing strategies and product development, institution building in terms of regulations and standards accounted for the majority of the specific tourism policy decisions. During the process of institutionalization, the existing institutions, which embodied the old ideology and old tourism policy paradigm, resisted the new ideology and new tourism policy paradigm, but institutions finally would change. If conflict of interests existed, the change in the institution was slower than in a situation when there was no conflict of interest.
Chapter 8 – Propositions, Conclusions & Recommendations

This chapter presents the propositions derived from the study findings and provides the discussion, conclusion and recommendations for future research.

8.1. Propositions

The development of propositions aims to gain a better understanding and provide some insights on the nature of inter-relationships of policy factors. Based on the policy literature and case of tourism policy-making in China, this study has developed five propositions. Generally, the first, second and third propositions relate macro-level policy factors, while the fourth and fifth propositions focused on the middle and micro-level policy factors.

8.1.1. Macro-Level Policy Factors:

Proposition One – Environment and Ideology

This proposition concentrates on the interaction of environment and ideology and concludes the change in ideology lags behind the change in environment.

In China, after the end of Cultural Revolution, the deteriorated political and socioeconomic conditions with no real improvement in the living standards and a serious shortage of necessities convinced the new Chinese leadership that the ruling ideology - ‘political struggle’ was inadequate. Hence, ‘pragmatism’ and ‘economic development’ replaced ‘political struggle’ as the new ruling ideologies in 1978. This proposition suggests that:

(a) If the environment does not change, the existing ideology will not change;
(b) The existing ideology will change only if it is inadequate in explaining the changes in the environment; and

(c) Change in the ideology lags behind changes in the environment

**Proposition Two – Environment, Ideology and Sector Policy Paradigm**

Proposition two is a special one that concentrates on the policy paradigm. Though it does not directly identify the inter-relationships between policy factors, the ultimate reason for studying the inter-relationships between policy factors aims to enhance understanding of the policy-making process. So, the policy factors that shape the policy paradigm warrant investigation.

Hall (1990 & 1993) identified that the anomalies in the environment, which the existing policy paradigm could neither fully anticipate nor explain them, led to the emergence of new policy paradigm. Yet, this study identified that a policy paradigm cannot be emerged and developed in the absence of ideology.

Prior to 1978, tourism in China was regarded as a political vehicle – ‘civil diplomacy’ (民間外交). The new ruling ideology – ‘pragmatism’ and ‘economic development’, which emerged in 1978, highlighted the economic nature of tourism. The new ideology together with the problem in the socioeconomic environment – shortage of foreign exchange led to the emergence of new premise of tourism policy paradigm, which recognized tourism as a foreign exchange earner. Likewise, the another premise of policy paradigm, which recognized domestic tourism as an important means to the development of national economy, was also determined by ideology and environment. Only when the ideology in China became
market-oriented, the strong market growth of domestic tourism can be highlighted. Mr. Wei Xiao-An said 'our understanding towards domestic tourism changed in accordance with the change from planned-economy to market economy. Nowadays, we understand that consumption, no matter what kind of consumption, is positive and desirable.' The market economy ideology together with the specific environmental conditions such as insufficient aggregate demand and importance of tourism in the national economy led to the emergence of this premise. Thus it is proposed:

_A sector policy paradigm is determined by ideology and environment._

8.1.2. From Macro-Level to Middle and Micro-Level Policy Factors

Proposition Three – Principal Inter-relationships

Grounded on the first proposition, Proposition Three concentrates on both the interaction and coalescence of all policy factors and links them together. This proposition concludes that the middle-level and micro-level policy factors change in accordance with the macro-level policy factors, so macro-level policy factors are more important in affecting policy development and change. This is because the 'funnel of causality' concept (Hofferbert, 1974) implies that micro-level and middle-policy factors operate within the macro-level policy factors.

In China, when the ideology shifted to economic development in 1978, the middle-level and micro-level policy factors changed accordingly. The organizational goals of CNTA changed from running tourism as a political vehicle to developing tourism as an economic activity. The CNTA and CITS also restructured with CITS separating from CNTA in 1982, indicating that CITS shifted from a organization
responsible for receiving invited guests to an enterprise running travel business. The general goal of the basic and specific tourism policy all aimed at developing tourism as an economic activity.

Change in ideology also led to changes in the formal and informal organizational goals, and individual interests. Because of the 'politics-command' ideology, 'profit-making' was criticized as 'going on the capitalism road' during the Cultural Revolution. After the shift of ideology in 1978, profit making was no longer regarded as an evil, and thus it was re-accepted as the appropriate formal goal of enterprises and individuals, and informal goal of government agencies. When tourism was perceived as a highly profitable industry, local governments, non-tourism government agencies, enterprises (or collectives) and individuals were eager to run tourism businesses and this finally led to the decentralization of tourism investment. So, it is concluded the ultimate reason for the development and change in the Chinese tourism policy was due the change in the macro policy factors: environment and ideology. In the view of the above, it is proposed that:

(a) *When the macro-level policy factors changes, the middle and micro-level policy factors will change accordingly;*

(b) *Under the above situation, the macro-level policy factors are more important than the middle- and micro-level policy factors in influencing policy development and change.*
Policy change and development refers to change and development in the understanding and interpretation of problems, concerns and opportunities, and the policy goals formulated to address them.

8.1.3. Change in the Middle-Level Policy Factors

Proposition Four – Ideology, Policy Paradigm and Institutions

As ideology and policy paradigm is identical in nature, which are the knowledge and belief directing the thought of policy actors in formulating policy, this proposition incorporates the ideology and policy paradigm together. It suggests that the existing institutions, which embody the old ideology and old policy paradigm, resist change when a new ideology and policy paradigm emerges.

In China, although the new ideology and new tourism policy paradigm formed, they could not be well implemented unless the new tourism institutions were established to embrace the new ideology and new tourism policy paradigm. This means that the new ideology and new tourism policy paradigm should be institutionalized into the organization, structure, rules and standard operating procedures before their full implementation can proceed. Yet, the new ideology and new tourism policy paradigm were initially confronted with the existing tourism institutions embodying the old ideology and old tourism policy paradigm, and this resulted in contradiction and conflicts between the new ideology, new tourism policy paradigm and the existing tourism institutions. The existing tourism institutions do not change automatically, but rather resist the changes. The regulation made by the SGATT that ‘non-tourism agencies are not allowed to operate the inbound tourism business’, obviously restricted the development of tourism as an economic activity,
this is an example of the resistance to the new ideology and new policy paradigm favoring the development of tourism as an economic activity. Mr. Wei Xiao-An concluded 'this regulation obviously acted contrary to the development of tourism as an economic activity.' When more and more policy actors found that the existing institutions contradicted the new ideology and new policy paradigm, it finally changed and this regulation was removed. Therefore, it is proposed:

When the ideology and policy paradigm changes, the existing institutions will eventually change, but initially the institutions will resist the change.

8.1.4. Between the Middle and Micro-Level Policy Factors

Proposition Five – Institutions and Interests

As a conflict of interests is a key obstacle in the policy-making, Proposition Five argues that a conflict of interests causes a slower change in the institutions in adopting the new ideology and policy paradigm.

Under the institutions of combined government function with enterprise function (政企合一), many tourism enterprises in China provided funds to their supervisory government agencies, and the government agencies exerted their influence to protect the interests of the enterprises. So, Mr. Wei Xiao-An indicated 'Such arrangement was beneficial to both sides (government agencies and enterprises).’ Both government agencies and enterprises resisted separation because of a conflict of interests. Professor Zhang Guang-Rui pointed out 'when this policy initiated, no one (government agencies and enterprises) was willing to implement.' This separation has been slow and, to date, its full implementation has not been completed. So, it is proposed:
If there is conflict of interests, change in the institutions will be slower than when conflict of interests does not exist.

8.2. Conclusions

This study aims to investigate the tourism policy-making in China through developing an inter-relationship model of policy-making process. Based on the research findings, it is concluded that the 'Inter-relationship Model of the Policy-Making Process' developed by this study is a valid and appropriate model for studying policy-making process.

8.2.1. Tourism Policy

The examination of Chinese tourism policy-making generally verifies that the classification of a sector policy into policy paradigm, basic policy decision and specific policy decision is adequate and reasonable, because such classification can conceptualize a wide range of inter-related policy decisions logically and systematically.

8.2.2. The Model

Having applied and examined the 'Inter-relationship Model of the Policy-Making Process' in studying the tourism policy-making in China, it is concluded that this model has addressed one gap in the current policy literature by adding and developing the concept of 'inter-relationship', which provides a more comprehensive understanding of the policy-making process through:
(1) defining the concept of ‘policy factors’ and ‘inter-relationship’ between policy factors;

(2) defining the role of inter-relationships in studying the policy-making process

(3) identifying, examining and describing the policy factors;

(4) examining the interaction and coalescence of the policy factors;

(5) developing propositions on the nature of inter-relationships between policy factors based on a case study of the tourism policy-making process in China; and

(6) identifying the premises of the Chinese tourism policy paradigm

8.2.2.1. Policy Factors

Policy emerged from multiple political, economic and social factors. This study, for the first time, defined the factors affecting policy-making process as ‘policy factors’, which are the ingredients or elements that constitute policy. This concept provides a clear and solid meaning to conceptualize the various political, economic and social forces shaping policy. Having applied this concept in the context of tourism policy-making in China, various factors affecting policy formulation and implementation can be rigorously identified and examined.

8.2.2.2. Inter-relationships

The concept of ‘inter-relationship’ in the policy-making process aims to understand the policy-making process through studying the linkages among policy factors. Empirical examination of this model demonstrated that policy-making is determined by the interaction and coalescence of multiple policy factors, which provide a broad and general pattern of how various policy factors inter-relate together in shaping policy. Development of the propositions offers a more detailed
understanding and insights on the nature of interrelationships. The concept of interaction and coalescence and propositions contribute to a more comprehensive understanding towards policy-making process.

Interaction and coalescence

Policy factors mutually affect each other, and policy-making process can be better understood through the examination of interaction between policy factors rather than isolating on one policy factor. For example in China, the ultimate reason for the significant and profound change in the tourism policy post 1978, particularly the tourism policy paradigm was the change in ideology. Ideology is hard to change but rather anomalies in the environment, which the existing ideology failed to explain, led to the emergence of a new ideology. The interaction between environment and ideology provide a further understanding towards the development and change in the tourism policy paradigm. If the study focus is only placed on ideology, rather than the interaction between environment and ideology, there will be a gap in understanding the policy development and change.

Most importantly, examination of tourism policy-making in China supports that policy is jointly shaped by multiple factors, each factor makes some contributions, but none alone can provide a full understanding. The formation of Chinese tourism policy requires the coalescence of policy factors including environment, values, interests, power, institutions and policy actors. Development and change in the environment generate problems, concerns and opportunities (e.g. shortage of foreign exchange, insufficient aggregate demand in China) to policy actors. Policy actors adopt values including ideology (e.g. planned economy and
market economy in China), formal and informal organizational goals (e.g. development of tourism as economic industry of CNTA and viewing the social and economic issues from a comprehensive perspective of the SDPC and MOF) and interests as the prism to understand these developments and changes in environment. Different values and interests will drive policy actors to respond to the same environment stimulus differently. Policy initiatives or demands cannot become a public policy in the absence of institutions and power (individual power and organizational power). Not every policy actor has the legal authority to formulate and implement tourism policy, for example, tourism businesses do not hold the legal power to exercise tourism policy-making. The authority to formulate and implement tourism policy is determined by a set of institutional arrangements of tourism policy-making. For example in China, the authority to determine tourism policy is jointly shared by a number of government agencies within the State Council, such as CNTA, SDPC and MOF. In the absence of any of above-mentioned policy factors, policy cannot be shaped. Therefore, it is concluded that policy-making process cannot be well and thoroughly understood without examining the coalescence of policy factors.

Propositions

In this study, five propositions have been developed under the condition of change in the macro-level policy factors, they have provided some insights on the nature of inter-relationships of policy factors further to the concepts of interaction and coalescence. The roles of interaction and coalescence, and propositions are mutually complementary. In the absence of interaction and coalescence, the development of propositions loses its direction; while without the propositions, the
understanding towards the nature of inter-relationships of policy factors only can remain at a broad level.

8.2.2.3. Comprehensive Nature of Policy Factor and Inter-relationships

Both the concepts of 'policy factor' and 'inter-relationships' are comprehensive and inclusive in nature. The terms 'comprehensiveness' and 'inclusiveness' indicates that these two concepts are able to incorporate the existing policy theories and concepts into the model. These theories and concepts include 'systems theory', 'funnel of causality', 'policy-oriented learning', 'policy analysis' and 'new institutionalism'. Therefore, the development of an inter-relationship model of policy-making process does not exclude other policy theories, but rather re-conceptualizes them based on the two concepts of 'policy factor' and 'inter-relationships'.

8.3. Limitations

This study also has some limitations, which are addressed as follows:

8.3.1. Scope of Propositions

As stated before, the development of the propositions is grounded on the condition of significant change in macro-level policy factors, particularly the ideology, and this has been the fundamental change in China since 1978. Yet, this condition does not affect the generalizability of the propositions, as the same circumstances also happens in the other countries like the United Kingdom and United States, the difference only lies in the degree of change in the macro-level
policy factors. During 1980s, both the United Kingdom and United States saw a withdrawal of active government intervention from the economy (Hall & Jenkins, 1995). Compared to China, the degree of change in these two countries is a kind of adjustment because the principal ideology – capitalism represented by private ownership and market mechanism roots deeply in these countries. While in China, the degree of change in the ideology is fundamental and thorough, as the relationship between the past ideology of ‘politics-command’ and ‘centrally-planned economy’ and the present ideology of ‘economic development’ and ‘market economy’ are opposite in nature. Thus, the propositions developed by this study only represent one aspect of the nature of inter-relationships under the significant change in the macro-level policy factors.

8.3.2. Operationalization

In this study, the concept of the environment particularly the political and sector environment are not well operationalized. This is a limitation to the further conceptualization and understanding of policy factors and the nature of their inter-relationships. Therefore, a further breakdown of the political and sector environment into a set of elements is necessary.

8.3.3. Methodology Issues

The qualitative data for this study was mainly collected from CNTA, SDPC and MOF. Due to the time and difficulties in arranging the interviews, the data of the involvement of other ministries and agencies in the tourism policy-making were also gathered from CNTA. This, to some degree, may affect the accuracy and reliability of the data with regard to the participation of these ministries and agencies. Yet, as
identified in this study, the CNTA, SDPC and MOF are the three most important tourism policy actors, and their roles in the tourism policy-making process has been clearly addressed through examining the policy-oriented learning and coordination undertaken by them.

Besides, due to the constraints of time, willingness, memory of interviewees and sensitivity of the interview questions, not every interview questions can be well discussed and answered.

Having commented on the appropriateness of this model and addressed its limitations, it is concluded that this model provides a new conceptual framework to study the policy-making process.

8.4. Recommendations

Recommendations are drawn for both future research and tourism policy-makers in China.

8.4.1. Recommendations for Future Research

8.4.1.1. Further Development of the Model

As policy is shaped by the political, economic and social forces, the comprehensive nature of ‘inter-relationships’ and ‘policy factors’ concepts enables the model to be further developed, refined and modified by absorbing and incorporating the theories and models of other disciplines particularly from sociology, economics and psychology.
8.4.1.2. Empirical Studies

Application of the model in different countries and regions is recommended. China is a country experiencing significant changes in its socioeconomic conditions and ideology. Yet, in some countries, ideology, cultural values and institutions remain quite stable. For example, the Advocacy Coalitions Framework put forward by Sabatier & Jenkins-Smith (1993) considered these policy factors more stable. It is suggested that this model should be applied in the countries and regions with the stable ideologies and values, such as United States, United Kingdom and Hong Kong, in order to develop the propositions representing this condition.

The model can be applied either in the individual countries or a set of selected countries for comparative study. Comparative study is highly recommended as different countries and regions develop under different environment, ideologies and cultural values. A comparative study can provide a solid and reliable context for the development and refinement of the model and propositions.

In order to understand the political dimensions of tourism, this study selects tourism as a context to illustrate the model. Further application of the model can be conducted in other policy sectors such as civil aviation, leisure and recreation, and environmental protection for either individual case study or comparative study.
8.4.2. Suggestions to the Policy-Makers of China

This study argues that the new ideology and new policy paradigm cannot be practiced unless they are institutionalized into the organization (structure), rules and standard operating procedures as the old ideology and old policy paradigm have been deeply rooted in the existing institutions. The new ideology and new policy paradigm is likely to create unavoidable conflict with the existing institutions. In China, it is also expected that the ideology and policy paradigm will continue to develop and change in response to the continuous development and change in the environment. Hence, this study recommends the policy-makers in China to study the existing institutions when the ideology and policy paradigms change. This will help identify the overt, covert and potential conflicts between the new ideology, policy paradigm and the existing institutions, and design the new and adequate institutions, which match the new ideology and policy paradigm.

Finally, this study represents a pioneering attempt at defining and applying ‘inter-relationship’ concept to comprehend the policy-making process. It is acknowledged that this concept can be further developed and refined. The author calls for more studies on the concept of inter-relationships.
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APPENDIX 2

Interview Questions - Phase One
(Beijing, Shanghai & United States)

Part One. General Goals of the Chinese National Tourism Policy

1. What are the general goals of the national tourism policy: (a) international; (b) domestic and (c) outbound tourism in China?

2. What are the political and economic objectives of the policy, respectively? Which one is more important? Who or which organizations were responsible for deciding the objectives?

3. Is there any objective, which combines both the political and economic objectives? For example, to promote the Open-door policy and Economic Reform?

4. In 1983, the Secretariat of the Communist Party of China formulated a general objective of tourism development - to develop tourism in China’s style to achieve the double harvest in both political and economic spheres.” What is its meaning and why did the government formulate this objective?

5. What role did the Chinese government want tourism to play in the implementation of the Economic Reform and Open-door policy?

6. What are the relationships between the political environment and the political objectives of the tourism policy?

7. What are the relationships between socioeconomic conditions and the economic objectives of the tourism policy?
   For example:
   (1) Population
   (2) Shortages of foreign exchange (What is the ranking of tourism foreign exchange earner in comparison to the all foreign exchange earners in China?)
   (3) Employment
   (4) Fewer export options
Part Two. The Tourism Policy Decisions

1. Basic Questions

The following tables summarize a set of the tourism policy decisions formulated and implemented by the Chinese government from 1978 to the present. For every tourism policy decision, the interviewer asked five basic questions:

(1) What are the objectives and contents of this policy decision?

(2) Why did the Chinese government formulate this policy decision?

(3) Who were the key policy actors?

(4) How did the key policy players formulate and implement this decision?

(5) Has this policy decision achieved its stated objectives? What were their impacts?

Table A. Comprehensive Chinese National Tourism Policy Papers

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourism Policy Paper</th>
<th>Basic questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>'The Decisions to Strengthen the Tourism Works'</td>
<td>(1) What are the objectives and contents of these tourism policy papers, respectively?</td>
</tr>
<tr>
<td>1983</td>
<td>'To Make the New Tourism Achievements'</td>
<td>(2) Why did the Government formulate these policy papers?</td>
</tr>
<tr>
<td>1984</td>
<td>'Some Problems Needed to Solve to Make the New Tourism Achievements'</td>
<td>(3) Who were the key policy actors?</td>
</tr>
<tr>
<td>1982 &amp; 1996</td>
<td>'The Tourism Law of the People’s Republic of China'</td>
<td>(4) How did the Government formulate and implement these policy papers?</td>
</tr>
<tr>
<td>1988</td>
<td>'Ten Points to Strengthen the Tourism Works'</td>
<td>(5) Have these policy papers achieved their stated objectives? What were their impacts?</td>
</tr>
</tbody>
</table>

Besides the above tourism policy papers, were there any other policy papers that you are aware of?
<table>
<thead>
<tr>
<th>Year</th>
<th>Tourism Policy Decisions</th>
<th>Basic Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>Introduction of foreign investment in hotel:</td>
<td>(1) What are the objectives and contents of these tourism policy decisions?</td>
</tr>
<tr>
<td></td>
<td>'The Notice to Strictly Abide by the Application Procedures for Constructing Joint-Venture and Cooperative Hotels'</td>
<td></td>
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<tr>
<td>Since</td>
<td>Tourism Administrative System Reform</td>
<td>(2) Why did the Government formulate these policy decisions?</td>
</tr>
<tr>
<td>1979</td>
<td>The 80th Document of the State Council (1988)</td>
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<tr>
<td>Since</td>
<td>The 8th Document of the State Council (1991)</td>
<td></td>
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<tr>
<td>1979</td>
<td>Tourism education and training policy: 'Red &amp; Professional'</td>
<td>(3) Who were the policy players?</td>
</tr>
<tr>
<td>Since</td>
<td>Tourism enterprise reform: (1) Separating enterprises from the administrative departments; (2) Decentralization of authority; (3) Contract Management Responsibility System; (4) General manager responsibility</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>Decentralization of tourism investment and operation</td>
<td></td>
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<tr>
<td>Since</td>
<td>Tourist attraction development policy</td>
<td></td>
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<tr>
<td>1984</td>
<td>Domestic tourism policy</td>
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<tr>
<td>1985</td>
<td>Tourism Pricing System Reform:</td>
<td>(4) How did the Government formulate and implement these policy decisions?</td>
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<tr>
<td></td>
<td>'Provisional Regulations on the Administration of International Tourism Prices'</td>
<td></td>
</tr>
<tr>
<td>Since</td>
<td>Tourism planning: &quot;The National Tourism Plan 1986 – 2000&quot;</td>
<td>(5) Have these policy decisions achieved their stated objectives? What are their impacts?</td>
</tr>
<tr>
<td>1985</td>
<td>Policy Decisions on Travel Agencies:</td>
<td></td>
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<tr>
<td></td>
<td>(1) Decentralization of foreign contacts and sales (1979)</td>
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<td></td>
<td>(2) 'Provisional Regulations on the Administration of the Travel Agencies' (1985)</td>
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<td></td>
<td>and its 'Detailed Implementation Regulations' (1988)</td>
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<td></td>
<td>(3) 'Ban on Receiving Commission in the Tourism Industry' (1987)</td>
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<td></td>
<td>(4) 'Provisional Regulations on the Administration of the Tour Guides' (1988)</td>
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<td></td>
<td>(5) Rectifying the travel agencies (1989)</td>
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<td></td>
<td>(6) 'Tour Guides Registration System' (1995)</td>
<td></td>
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<td></td>
<td>(7) 'Provisional Regulations on Quality Service Guarantee Funds of Travel Agencies'</td>
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<td></td>
<td>and 'Interim Procedures for Compensation from Quality Service Guarantee Funds of Travel Agencies' (1995)</td>
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<td>(8) 'Regulations on the Administration of Travel Agencies' (1996)</td>
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<td></td>
<td>(9) Annual Evaluation on Travel Services</td>
<td></td>
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<td></td>
<td>(10) Joint-venture Category one travel agency allowed to set up in the state-level resorts (1993)</td>
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<td></td>
<td>(11) Travel agency sector is open to foreign investment (1998)</td>
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<tr>
<td>1988</td>
<td>Policy Decisions on Hotels:</td>
<td></td>
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<tr>
<td></td>
<td>(1) 'Provisional Regulations on the Administration of Tourist Hotels' (1988)</td>
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<td></td>
<td>(2) Temporarily cessation of approval of the application for Joint-</td>
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<td></td>
<td>Venture and Cooperative Hotels</td>
<td></td>
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<td></td>
<td>(3) 'Provisional Regulations on the Star Standard and Star-Rating of Tourist Hotels'</td>
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<td></td>
<td>(4) 'Provisional Methods on the Administration of Hotel Management companies' (1993)</td>
<td></td>
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<tr>
<td>1988</td>
<td>Tourism marketing and promotional strategies</td>
<td></td>
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<tr>
<td></td>
<td>Outbound tourism policy</td>
<td></td>
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<tr>
<td></td>
<td>'The Methods on the Administration of the Foreign Exchange Earnings from Tourism'</td>
<td></td>
</tr>
</tbody>
</table>
Besides the above tourism policy decisions, are there any other policy decisions that you are aware of?

2. Specific Questions

(1) "Unification of leadership and decentralization of operations" is one of the key guiding policy decisions for tourism development. Under this decision:

(1.1) Non-tourism departments were not allowed to run the tourism business - Why?

(1.2) During the implementation process, decentralization of operations was widely adopted while unification of leadership was ignored - Why?

Is this the reason why the State Council stated this policy decision again and again in 1988 and 1991, respectively?


(2.1) Who initiated this law? (top leaders, State Council or CNTA)

(2.2) Why didn’t the Draft become the Law during 1980s. Why did the CNTA re-draft this law in 1996? What are the differences between the old and new versions of the tourism law?

(3) Many tourism policy decisions were clearly affected by the Economic Reform policy, such as the decentralization of authority of tourism operation and investment, and introduction of foreign investment in hotels. How did the Economic Reform policy affect tourism policy-making?

(4) Foreign investment policy in tourism

(4.1) Is there any difference between tourism foreign investment policy and foreign investment policy in general, which was a core decision of the Economic Reform policy?

(4.2) Why did the Chinese government introduce foreign investment in the hotel sector first and then to airlines and travel agencies later?

(5) Tourism administration system reform

(5.1) There were two policy papers specifically drafted with respect to the CNTA’s authority in tourism administration. The first is ‘The 80th State Council Document’ issued in December 1988; The second paper is ‘The 8th State Council Document’ issued on Feb 12 1991, which was to strengthen the first policy paper. (He, 1992: 69), What were the results of implementation of these two documents?
(5.2) He (1992: 72) clearly indicated that CNTA is not so powerful (e.g. He, 1992: 72). Does CNTA have enough authority to initiate, formulate and implement tourism policy decisions?

(5.3) He (1992: 72) also pointed out that the lack of authority of CNTA and local tourism bureaus can be reflected in every aspect of tourism (He, 1992: 72). What are these aspects?

(5.4) Did lack of authority of the tourism bureaus create a serious problem for tourism policy-making and tourism administration?

(6) Tourism enterprise reform
Why was the Enterprise Reform policy not well implemented in the travel agency sector?

(7) Tourism pricing system reform

(7.1) The tourism pricing in China has political and economic objectives, it should reflect the foreign policy and overseas Chinese policy and also emphasize on the economic benefits. What is the relative importance between these two objectives?

What is the foreign policy and overseas Chinese policy that should be reflected in the tourism pricing? How did the tourism pricing reflect the two objectives? Was there any conflict when the Government tried to achieve these two objectives?

(7.2) The components of tourism pricing in China increased year by year, what were its components.

(7.3) (a) Initially, the Chinese government set the tourism prices. Besides CNTA, was there any other department involved in tourism pricing? (b) Later, this authority was gradually decentralized from the government to individual tourism enterprises - How was the authority decentralized?

(8) Tourism Planning

(8.1) The first formal tourism plan – The National Tourism Plan 1986 – 2000 was formulated in 1985. This plan was also incorporated into the Seventh five-year National Plan (1986 – 1990), why was there no formal tourism planning undertaken before 1985?


(9) Decentralization of foreign contacts and sales

(9.1) The implementation of this policy started in 1981 but finished in 1988 - Why did implementation take so long?
(9.2) During the implementation process of this policy decision, there were different opinions towards decentralization and centralization. Why? Who or which organization supported the decentralization, and Who or which organization supported centralization?

(9.3) The Government once centralized the contacts and sales to foreign tour operators from localities to the central government. Why?

(9.4) Was the core decision of the Economic Reform policy to decentralize authority to local governments an element in determining this policy?

(9.5) Was the strong growth of tourist arrivals an element in determining this policy? Compared to the Economic Reform policy, which one was more important in shaping this policy?

(10) Why wasn’t the ‘Provisional Regulations on the Administration of the Travel Agencies’ (1985) and its ‘Detailed Implementation Regulations’, which classified all travel agencies into three categories, not very well implemented? Many travel agencies did not abide by these regulations (He, 1992: 75).

(11) What is the formal tourism policy formulation and implementation process?

- What types of policy need to be approved by the State Council, the Secretariat of CPC;
- What types of policy that can be decided independently by CNTA;
- If other government agencies are involved into tourism policy-making, was there any institutional arrangement?
- If there was any difference in opinions between CNTA and other government agencies, who were the final decision-makers?

(12) There is a two-tier coordinating mechanism between CNTA and CAAC. Besides this mechanism, Is there any other tourism coordinating mechanism at both central and local levels?

(13) Many tourism enterprises in China are owned and managed by different local governments and government departments.

(13.1) What are the motives for individual government departments and local governments to develop tourism? Do those individual government departments develop tourism such as setting up travel agencies, constructing hotels for profit making, or for other purposes?

(13.2) Are there any different goals among these government agencies? How does CNTA balance these different goals?

(13.3) Local governments and many government departments often have the same rank as or even a higher rank than CNTA. For example, China Travel Services is a
subsidiary of the Overseas Chinese Office (OCO) of the State Council, OCO is a ministry-grade agency while CNTA is just vice-minister agency. Do such institutional arrangements cause implementation problems for CNTA?

(14) There are three means to implement tourism policy, They are: (1) administrative tools; (b) economic tools; and (c) legislative tools (He, 1992: 72). What are the definitions of these tools? The adoption of these tools varied from different policy decisions. What were the criteria used to adopt these tools?

(15) Tourism marketing and promotion

Why is there no formal tourism marketing and promotion strategy before 1985? Did the June 4th Incident have any effect on the tourism marking strategy?

(16) How did the following problems existing in the tourism environment affect the tourism policy-making?

- Poor service quality
- The leakage of foreign exchange in China
- Insufficient tourism facilities
- Unbalanced development between hotel and transport especially the civil aviation industry
- Oversupply of luxury hotels
- Lack of a strong government administration system for the tourism industry
- No overall planning and coordination in the development of tourism in the initial stage
- Price wars in travel agency promotions

Part Three Tourism Policy Actors

(1) In China, there are many government administrative systems (Lieberthal & Oksenberg, 1988; He, 1992: 68). Is there a tourism system and what are its components?

(2) What are the roles of the following top leaders in the tourism policy-making?

- Deng Xiao-Ping
- Chen Yun
- The Premier for each session of the State Council
- Vice-Premiers responsible for tourism
- any other top leaders involved in the tourism policy-making?

(3) What are the roles of the following party and government institutions in tourism policy-making?

- Secretariat of the Communist Party of China
- National People’s Congress
- State Council

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(4) The National Tourism Organizations

(4.1) What are the roles of the following national tourism organizations in the tourism policy-making?

- Tourism Leadership Group (established in 1981)
- Tourism Coordinating Group (established in 1986)
- National Tourism Committee (established in 1988 to replace the Tourism Coordinating Group). Why did the Committee cease to operate in 1993?

(4.2) What is the historical development of the China National Tourism Administration (CNTA) and what is its role in tourism policy-making?

(4.3) What are the relationships between CNTA and the above three central tourism groups (referring to 4A and 4C)

(4.4) Besides CNTA, who or which organizations were the other tourism policy actors?

Note:
1. He Guang-Wei is the current Chairman of CNTA, he is the editor of the book entitled ‘Tourism System Reform’ in China.
APPENDIX 3

Interview Questions – Phase Two
(Beijing)

Part I – Propositions

1. Ideology and Institutions

1.1. What are the main themes of the planned-economy ideology?

1.2. What were the planned-economy institutions?

1.3. What was the mechanism in the arrangement of interests under the planned economy ideology?

1.4. What were the main problems that existed in the planned economy ideology and institutions?

1.5. How did the transformation process from the planned economy ideology to the market economy ideology take place? Why was the idea of market economy proposed in 1992?

1.6. What are the main differences between the planned economy and market economy being established?

1.7. Under the market economy ideology, what have been the main changes in the functions of government?

2. Tourism Policy Paradigm

2.1. Initially, some policy actors disagreed with the economic nature of tourism. Who were they? And how did they finally accept tourism as an economic activity?

2.2. During the period from 1978 to 1985, why was domestic tourism regarded as an activity which could not contribute to the national economy?

2.3. From 1978 to the present, the development of tourism in China have experienced three historical periods. In each historical period, the tourism policy actors had different understanding towards the development of tourism. How did their understanding proceed and progress in each historical period?

2.4. Which factors affect the understanding of tourism policy actors towards the development of tourism in terms of
(1) ideology (e.g. planned economy, market economy) and
(2) environments including political, socioeconomic and tourism environments
2.5. In each historical period, How did their understanding affect tourism policy-making?

3. **Tourism Institutions**

3.1. What were the original tourism institutions at both the government and enterprise levels in 1978?

3.2. How did the planned economy ideology and old tourism policy paradigm (i.e. regarding tourism as political reception) affect the tourism institutions in 1978?

3.3. The transformation of the tourism institutions:

3.3.1. Was there any conflict or concerns with the new ideology and new tourism policy paradigm with the tourism institutions? If so, what were these conflicts and concerns?

3.3.2. How did the transformation process take place in the tourism institutions at both government and enterprise levels from 1978 to the present?

**Part II – Policy Factors**

**Macro-level policy factors**

1. **Political environment**

1.1. How did the factors of political stability and international relations affect tourism policy-making? Was there any other political factor affecting tourism policy-making in China?

2. **Socioeconomic environment**

2.1. Socioeconomic problems

2.1.1. After the end of Cultural Revolution (1978), what were the socioeconomic conditions that China was confronted with in the

(1) urban area economy?
(2) rural area economy?
(3) shortage of foreign exchange reserves?

2.1.2. What are the current socioeconomic problems in China - in terms of

(1) industry structure?
(2) population?
(3) unemployment and layoffs?
(4) insufficient aggregate demand?

2.2. Importance of tourism in the national economy of China?

2.2.1. From 1978 to the present, what has been the change in the importance of tourism in the national economy?

3. Ideology

The questions have been included in Part I - Propositions.

4. Economic Reform policy

4.1. What were the main components of the Economic Reform policy?

4.2. How were the components of Economic Reform policy incorporated into tourism policy?

5. Tourism Environment

5.1. Demand side of tourism

5.1.1. At present, the main customers of tourist facilities are the domestic tourists. Are there any figures and statistics which support this conclusion?

5.2. Supply side of tourism

5.2.1. At the end of 1980s, the main constraint on China tourism was transportation, especially civil aviation, are there any statistics to support this conclusion?

5.3. Quality

5.3.1. What are the main problems with the quality of tourism? with particular attention to:

   (1) service quality
   (2) price discounting
   (3) violation of the regulations

5.4. Profitability

5.4.1. From 1978 to the present, how the profit rate affect the development of

   (1) travel agency (inbound, domestic and outbound)
   (2) hotel
5.4.2. How does the profit rate of tourism industry affect the development of tourism in China?

Middle-level policy factors

6. Tourism Institutions

The questions have been included in the Part I - Propositions.

Micro-level policy factors

7. Tourism policy community

7.1. Which are the main government agencies that are often involved in tourism policy-making?

7.2. Some government agencies involved in tourism policy-making do not have an adequate understanding of the tourism industry. They appear to adopt their original knowledge and misconception of tourism. What original knowledge and misconceptions did they have?

7.3. Role of the following government agencies in tourism policy-making:

7.3.1. China National Tourism Administration (CNTA)

(1) Is coordination with the other government agencies a major problem in tourism policy-making?

7.3.2. State Development Planning Commission (SDPC)

(1) How does CNTA coordinate with SDPC in formulating and implementing the annual tourism plans?

(2) How does CNTA coordinate with the SDPC in formulating and monitoring tourism prices?

7.3.3. State Economic and Trade Commission (SETC)

(1) Besides approving tourism conglomerates, is there any other aspect of tourism policy-making that the SETC is involved in?
7.3.4. Ministry of Foreign Trade and Economic Cooperation (MOFTEC)

(1) Besides approving tourism joint ventures, is there any other aspect of tourism policy-making, which the MOFTEC is involved in?

7.3.5. Ministry of Finance (MOF)

(1) Besides approving the budget of CNTA and monitoring the fee charging, is there any other aspect of tourism policy-making which the MOF is involved?

7.3.6. Other Agencies

- Ministry of Labor
- State Bureau of Quality and Technical Supervision
- Development Research Center, State Council
- Chinese Academy of Social Sciences

7.4. Do tourism enterprises lobby CNTA in the tourism policy-making area? Are there any example?

Part III – Tourism Policy Decisions

1. Tourism Policy Paradigm

The questions have been included in the Part I - Propositions.

2. Basic Tourism Policy

2.1. Position of tourism in the national economy

2.1.1. There are three periods in which the government placed most emphasis on the development of tourism: (1) 1978 to 1980; (2) 1984 to 1986; and (3) nowadays. Why?

2.2. Goals of tourism policy

2.2.1. From 1978 to the present, what have been the changes in the importance attributed to the foreign exchange goal of tourism policy? Why?

2.2.2. From 1978 to the present, what have been the changes in the importance attributed to the economic goals of tourism policy? Why?

(1) total income
(2) employment
(3) promoting regional economic growth
2.3. Tourism development strategy

2.3.1. In the mid and late 1980s, the economic impacts of domestic tourism in terms of promoting local economic development and employment became more and more obvious. Why was the support for domestic tourism policy formally formulated and implemented in 1993?

3. Specific tourism policy

3.1. Hotel star standard and star-rating program

3.1.1. How did CNTA coordinate with the Ministry of Domestic Trade, and State Bureau of Quality and Technical Supervision in formulating and implementing this program?

3.1.2. What were some of the issues and/or obstacles faced in formulating this program?

3.2. Quality Deposit System

3.2.1. CNTA found it was very difficult to formulate and implement the program. Why?

3.2.2. Besides the Ministry of Finance, were there any other government agencies involved in this program?

3.3. Outbound travel

3.3.1. How did CNTA coordinate with the Ministry of Public Security in formulating the outbound travel regulation?

3.4. Tourist product development – State-Level Resorts

3.4.1. Was the support of the Vice-Premiers responsible for tourism and for other affairs related to tourism crucial to this program? How important was it?