

**Tourism Area Development from an Evolutionary Economic
Geography Perspective —The Case of Guilin, China**

Doctoral dissertation

The Faculty of Mathematics and Natural Sciences
of Christian-Albrechts-Universität zu Kiel

Submitted for the doctoral degree by

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Kiel, 2013

DECLARATION

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgement has been made in the text.

This thesis has been prepared subject to the Rules of Good Scientific Practice of the German Research Foundation.

This thesis work was conducted from October 2009 to May 2013 under the supervision of Prof. Robert Hassink at Department of Geography, University of Kiel.

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Defense of doctoral dissertation: 4th July 2013

Approved for publication: 13th August 2013

gez. Prof. Dr. Wolfgang J. Duschl, Dekan

The research project of this dissertation was conducted at the Department of Geography, Faculty of Mathematics and Natural Sciences at the Christian-Albrechts-Universität zu Kiel. The project was funded by the Chinese Scholarship Council (CSC).

Acknowledgements

With the deepest gratitude I wish to thank every person who has inspired, illuminated, supported and encouraged me to make this dissertation possible.

First and foremost I would like to thank my supervisor, Professor Robert Hassink. His vision, enthusiasm, kindness and patience guided me through the various stages of this process. The regular and stimulating meetings with him over the whole course of my PhD study have indeed enhanced my understanding of evolutionary economic geography concepts in the contexts of tourism area studies and my academic thinking. Moreover, his goodwill, humor and extraordinary wisdoms have always encouraged me to overcome various difficulties when I am staying in foreign environments.

I would like to give honorable mention to Associate Prof. Max-Peter Menzel, Prof. Florian Dünckmann, and Prof. Rainer Wehrhahn for their useful comments and suggestions on my PhD research and inspired me to improve my dissertation.

I also wish to acknowledge the help provided by friends and colleagues at different stages of thesis production, especially Dr. Zhouyang Wang, Dr. Zhigao Liu, Dr. Claudia Klaerding, Dr. Oliver Plum, Dr. Pedro Marques, Xiaohui Hu, Su-Hyun Berg, and Heidi Seeliger.

Special thanks to and in memory of Prof. Yuming Wang at East China Normal University in China. It was Prof. Wang who opened up a window for my study in tourism area since I became his postgraduate student in 2005. During my doctoral studies, I constantly got enlightened guidance from him and also got great support in conducting my fieldwork in Guilin.

Many thanks also to all the interviewees in Guilin for kindly sharing their inspiring stories and knowledge in managing or operating tourism sectors in Guilin or their sights on the

Guilin tourism area development. Without their open, candid and crucial information input, this dissertation would not been possible. I would especially like to thank Associate director Tiejian Pang at Guilin Tourism Bureau, Dr. Yuanheng Gao at Beihai Tourism Bureau, Prof. Xi Wang at Guilin Institute of Tourism for their intellectual support and assistance in organizing fieldwork. I appreciate especially a college student from Guilin Institute of Tourism, Yanshan Liao for her assistance in conducting questionnaire survey of tourism business owners.

This research would not have been possible without adequate funding. I own great thanks to the China Scholarship Council, which funded this dissertation through a generous PhD candidate research grant. I also acknowledge the financial supports from our working group of economic geography, the female funding center and the graduate center at the University of Kiel in attending academic courses or conferences for the communication of this research.

Finally, I am forever indebted to my precious family members. Without their love, patience, encouragement, support and confidence, I would not have completed this undertaking.

Summary

There is growing concern in the literature about how to analyze and examine the rise and decline of tourism areas. Despite the fact that a substantial literature is devoted to construct a new descriptive or mathematical model in the tourism area life cycle literature, little research has been done on formulating a more systematic and theoretical framework by employing the theoretical notes from other disciplines. Concepts from evolutionary economic geography, for instance, not only have the potential to explain the rise and decline of old industrial areas, they also significantly bring a new perspective to better understand tourism area evolution. In particular, two concepts derived from evolutionary economic geography, namely path dependence and coevolution are argued to bring the debate around the literature of tourism area life cycle substantially forward. Based on the works done by Martin (2010) concerning path dependence and Murmann (2003) concerning coevolution, I develop two alternative theoretical models for analyzing and explaining tourism area evolution, namely an alternative path dependence model and a coevolutionary framework of tourism areas.

To further test the validity and utility of the two proposed models, I apply the two theoretical frameworks to a case study of a tourism destination, Guilin, China. The case research reveals that Guilin has experienced path preformation, path creation, lock-in and a new turn of path creation phases of tourism area development. The emergence of Guilin as a tourism destination is due to its pre-existing initial conditions, policy triggers and small chances. The findings show that there is continuous resource-based path dependence in both natural and cultural tourism products. Concurrently, strong institutional path dependence could be observed in the development of Guilin tourism sectors, either policy-oriented path dependence of private tourism firms or administrative path dependence of public tourism firms.

The case research also analyzes how tourism products, tourism sectors and their associated institutional environments have developed and changed over the forty years in Guilin, covering four phases: before 1978, from 1978 to mid-1989, from mid-1989 to late 1990s and

the 2000s onwards, which are consistent with path-dependent process of the Guilin tourism area. The methods and sources used at each phase of investigation are combined past literature and interviews analysis. The interaction and coevolution of tourism products, sectors and institutional environments suggest that external environments, policy changes and product innovation are the main coevolutionary mechanisms for tourism development in Guilin over time.

Furthermore, the study makes use of quantitative analysis (the questionnaire survey of small tourism business owners or managers) to investigate the impact of policy changes and product innovation on the development of their businesses in recent years. The findings suggest that policy changes and product innovation have affected the development of small tourism businesses to different extents, while the local government have played less important role in the cooperation and interaction with small tourism business owners or managers.

This case research indicates that the path dependence model is useful to explain the rise and decline of tourism areas, while the coevolutionary framework approach has its strength in analyzing complex and dynamic evolutions of tourism products, sectors and institutions occurring at multiple levels. The research argues for a combination of both a path dependence and a coevolution perspective to analyze tourism area development in further case studies.

Keywords: Tourism Area Life Cycle, Evolutionary Economic Geography, Path Dependence, Coevolution, Guilin, China

Zusammenfassung

In der Fachliteratur gibt es ein zunehmendes Interesse daran, wie man wachsende und schrumpfende Fremdenverkehrsgebiete analysieren und untersuchen kann. Ungeachtet dessen, dass umfangreiche Literatur der Konstruktion neuer deskriptiver oder mathematischer Modelle im Bezug auf den Lebenszyklus von Fremdenverkehrsgebieten gewidmet wurde, wurde nur wenig Forschung betrieben, um einen systematischeren und theoretischeren Rahmen unter Einsatz von theoretischen Anmerkungen aus anderen Disziplinen zu schaffen. So haben Konzepte der evolutionären Wirtschaftsgeographie nicht nur das Potential die Weiterentwicklung und den Niedergang altindustrieller Regionen zu erklären, sie können auch eine neue bedeutende Perspektive zum besseren Verständnis von Fremdenverkehrsgebieten erbringen. Insbesondere die zwei Konzepte der Pfadabhängigkeit und der Koevolution lassen sich aus der evolutionären Wirtschaftsgeographie ableiten. Diese Konzepte sind dafür bestimmt, die Debatte in der Literatur über die Lebenszyklen von Fremdenverkehrsgebieten voran zu bringen. Auf der Basis von Forschungen zur Pfadabhängigkeit von Martin (2010) und der Koevolution von Murmann (2003), habe ich zwei alternative theoretische Modelle zur Analyse und Erklärung von Fremdenverkehrsevolution entwickelt. Namentlich ein alternatives Modell zur Pfadabhängigkeit und ein Rahmenkonzept zur Koevolution von Fremdenverkehrsregionen.

Um den Nutzen der vorgeschlagenen Modelle zu überprüfen, werte ich ein Fallbeispiel der Fremdenverkehrsregion Guilin, China, mithilfe von zwei theoretischen Rahmenkonzepten im empirischen Kontext aus. Das Forschungsbeispiel zeigt auf, dass Guilin offenkundig Pfadvorformungen, Pfadkreationen, „Lock-Ins“ und neuerliche Wendungen von Pfadkreatiionsphasen der Fremdenverkehrsentwicklung erlebt hat. Das Hervortreten von Guilin als Fremdenverkehrsregion ist auf seine Ursprungsbedingungen, Strategieimpulse und geringe Chancen zurückzuführen. Die Ergebnisse weisen eine beständig Ressourcenbasierte Pfadabhängigkeit in natürlichen und kulturbedingten Touristikprodukten aus. Gleichzeitig konnten starke institutionelle Pfadabhängigkeiten in der Entwicklung von Guilins Tourismussektor festgestellt werden. Dies ist wahlweise in einer strategieorientieren

Pfadabhängigkeit der Privatwirtschaft oder einer verwaltungstechnischen Pfadabhängigkeit der von der öffentlichen Hand geführten Tourismusunternehmen zu beobachten.

Mithilfe der Fallstudie wurde analysiert, wie Tourismusprodukte, Tourismussektoren und deren angeschlossene institutionelle Umwelt, sich über die letzten 40 Jahre in Guilin entwickelten und veränderten. Vier Zeitspannen wurden hierzu abgedeckt: vor 1978, von 1978 bis 1989, von Mitte 1989 bis in die späten 1990er Jahre und die weiteren 2000er Jahre. Die Methoden und Quellen, die bei jeder Stufe der Untersuchung benutzt wurden, sind eine Verknüpfung von sekundärer Literatur und Interviews. Das Zusammenspiel und die Koevolution von Tourismusprodukten, -sektoren und der institutionellen Umwelt deuten darauf hin, dass das externe Umfeld, Strategiewechsel und Produktinnovationen, im Laufe der Zeit die hauptsächlichen Koevolutionsmechanismen, für die Tourismusedwicklung in Guilin waren.

Darüber hinaus macht die Studie Gebrauch von einer quantitativen Analyse (einer Befragung von Managern und Eigentümern von kleinen, touristisch orientierten Unternehmen), um die Auswirkungen der Strategiewechsel und Produktinnovationen auf die Entwicklung von ihren Unternehmen in den vergangenen Jahren herauszufinden. Die Ergebnisse zeigen, dass die Strategiewechsel und Produktinnovationen die touristisch orientierten Kleinunternehmen in unterschiedlichem Ausmaß beeinflusst haben, während die lokale Regierung nur eine untergeordnete Rolle in der Zusammenarbeit und dem Zusammenspiel mit den Managern und Eigentümern der Kleinunternehmen spielte.

Diese Untersuchung schlussfolgert, dass eine verstärkte Kombination von den Konzepten der Pfadabhängigkeit und der koevolutionären Perspektive in Betracht gezogen werden sollte, um Fallbeispiele zur Entwicklung von Fremdenverkehrsgebiete zu analysieren.

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Abbreviations

TALC	Tourism Area Life Cycle
EEG	Evolutionary Economic Geography
UNWTO	United Nations World Tourism Organization
GDP	Gross Domestic Product
CCPCC	Chinese Communist Party Central Congress
SOEs	State-owned Enterprises
R&D	Research and Development
TVEs	Township-Village Enterprises
CNTA	China National Tourism Administration
FDI	Foreign Direct Investment
SARS	Severe Acute Respiratory Syndrome
GTB	Guilin Tourism Bureau
GCITA	Guilin branch of China International Travel Agency
GCTS	Guilin China Travel Service
GTE	Guilin Tourism Enterprise
GTDGC	Guilin Tourism Development Group Corporation
GLCC	Guilin Local Chronicle Committee
GLCPB	Guilin City Planning Bureau
GLERC	Guilin Economic Research Center

Chapter 1 Introduction

Each destination represents a unique mix of geography, politics, economics and ethnography at least, along with elements such as individual behavior and chance.

(Butler 2006:337)

1.1 Context of the Research

1.1.1 Rethinking tourism area development

Tourism has become one of the major players in international commerce, and represents at the same time one of the main income sources for many developed and developing countries over the last few decades. This growth goes hand in hand with increasing diversification and competition among destinations. More and more tourism destinations are emerging or flourishing in the international or national travel market, while some traditional destinations are decreasing or vanishing. Obviously, both demand and supply side forces have a significant bearing on the trajectories of tourism growth in various tourism destinations. The need to study and understand changes in tourism destinations has increased with the growth of tourism and its economic importance and the fact that new destinations are constantly developing while old ones are struggling to compete and sustain their growth. There exists a growing body of literature on tourism destination research, concerning with the key issues including development or changes in market, economic, social or cultural elements within tourism destinations. Although the research on tourism destinations and resorts has a relatively long history, much of the early literature published was essentially descriptive and based on specific case studies. Arguably one of the most theoretical contributions to tourism studies is the concept of the tourism area life cycle (TALC) (Hall, 2006; Hall and Page, 2009).

The notion of tourism area life cycle can be traced back to Gilbert (1939)'s and Christaller (1963)'s works, which originally described the concept of three stages of evolution in resorts:

discovery, growth and decline. Butler (1980) further expanded the model, based on the modern product life cycle theory. The TALC model has been proven useful in articulating the evolution of tourism areas with six lifecycle stages—exploration, involvement, development, consolidation, stagnation, decline or rejuvenation, but also accompanied by divergences and criticisms in both case studies and theoretical bases.

In the recent TALC literature, new theoretical perspectives have been arguing to take into the traditional model for better understanding of the rise and decline of tourism destinations. Noticeably, some promising attempts have been made to link tourism destination development more associated to new evolutionary ideas in economic geography. For example, the Chaos and complexity theory has been integrated into the TALC to explain the significant role of entrepreneurship and entrepreneurs in the evolution of tourism areas (Russell and Faulkner, 1999, 2004). Moreover, Papatheodorou (2004) provided possible trajectories of market and spatial evolution within destinations from the economic geography perspective, with a mention of path dependence notion.

These new perspectives have given a glimpse of evolutionary notions, however, few has provided comprehensive coverage of how and why different component entities of tourism destinations evolve over time. Evolutionary economic geography (EEG) is a new string in economic geography. So I wonder if the notions from EEG could bring the debate substantially forward, as the two strings have the similar concerns which are from evolutionary perspective considering the rise and decline of industries or industrial areas. In this sense, the potential contribution of EEG may offer new theoretical and empirical perspectives for tourism geographers dealing with questions of tourism area development in different geographical contexts. Thus, I seek to figure out which kind of theoretical notes from EEG could compensate the divergences or weaknesses of the TALC model.

1.1.2 At the interface of EEG and tourism geography

There are close ties between tourism geography and economic geography in general and

growing appeals for strengthening the ties between these two subjects (Ioannides and Debbage, 1998). While economic geography is the field of study that deals with the uneven distribution of general economic activities in space and time, tourism geography is concerned with the highly dynamic spatial tourism activities in and across destinations over time. Most of the theories in economic geography are however focused on explaining the spatial patterns of manufacturing industries, and less on explaining these patterns of service industries, such as the tourism industry. Obviously, different characteristics of the manufacturing industry and the tourism industry lead to different economic landscapes in space. On the other hand, however, the production of tourism-related services or products shares commonalities with other production sectors, such as manufacturing and producer services. For instance, tourism industry uses similar input factors as the manufacturing industry, such as natural resources, capital, labor, technology and management. In this respect, tourism is not only a resource-based industry, but also inherently represents a market-based grouping of economic activities. Therefore, tourism geographers have derived some theoretical notes from economic geography and the other way round (Ioannides and Debbage, 1998).

In recent years, a new promising wave of interest in the ‘evolutionary’ concept has emerged and rapidly grown in economic geography. The evidences could be proven by the increasing number of books, papers and conferences which specifically delineated by so-called “evolutionary” approaches devoted to economic geography (Boschma, 1999; Boschma and Frenken, 2006; Essletzbichler and Rigby, 2007; Hassink and Klaerding, 2009; Martin, 2010; Martin and Sunley, 2006, 2007). Such evolutionary analysis in economic geography has offered powerful and insightful theoretical and conceptual underpinnings in the explanations of the development of many manufacturing industries or sectors and industrial areas. However, just as Boschma and Frenken (2011, 4) argued: “Another question holds whether the theory equally applies to services and creative industries as to manufacturing”. Therefore, it comes to the purpose of this research that whether the newly established EEG in economic geography potentially offers a new theoretical perspective for the research in

tourism studies, specifically tourism destination development.

1.1.3 Guilin: chosen for an analysis of tourism area development

The selection of Guilin as a case study for carrying out the investigation is based on three considerations. First, the research in tourism area evolution is relatively unexamined in tourist cities of China, although the life cycle model has been widely applied in various scenic spots of China at a relative small and enclosing area, such as the heritage sites and the theme parks. In this respect, Guilin, as one of the earliest tourist cities in China, and also claimed by the United Nations World Tourism Organization (UNWTO) as one of China's four best tourist cities, could provide a meaningful and representative case for this research. Secondly, tourism development in Guilin is regarded as a typical epitome of tourism development in China. Guilin is one of the earliest cities where the tourism was used as a political and diplomatic vehicle in the Mao's era. It was until 1973 that Guilin was officially authorized and developed as a scenic area open to tourists. Guilin offers a good example of a tourist city where the high pace of tourism growth over nearly forty years has had an enormous impact on the local economy. Although Guilin's development issues have already received some attention in tourism academia (Li and Xu, 2003; Wang, 2001; Zhou, 2000), until now there are few studies considering the evolutionary processes and path-dependent mechanisms of the tourism area. The focus of this case study will be on describing the tourism development of Guilin and explaining its rise, development, lock-in and rise again over time. Moreover, it will also offer an appropriate explanation for the emergence, development, stagnation and rejuvenation of the Guilin tourism area. The final reason is that there are more attainable and relative complete data and documents of tourism development in Guilin, comparing to recent emerging tourism destinations in China. Fully understanding the development of a tourism destination requires the availability of multiple data variables that reflect differing aspects of the destination. Hence, the attainable primary and secondary data of Guilin can provide important proofs and insights into the evolutionary process of the tourism area.

Guilin is a tourist city, located in the northeastern part of Guangxi Zhuang Autonomous Region, China (Figure 1.1), covering an area of 27,809 square kilometers with a total population of 5 million, along with the urban population is 800,000. It is one of China’s first batches of National Historic and Cultural Cities established by the State Council of China. The topography of the area is marked by typical Karst formations with green hills, charming rocks, fantastic caves and the hundred-mile Lijiang River flowing through the city. Guilin has five districts in its city center and twelve counties in its periphery region (Figure 1.1). Most of the natural tourist attractions in Guilin are either along the Lijiang River or in its city center and several counties including Yangshuo, Xing’an and Longsheng. Moreover, Guilin has rich and colorful cultural heritage resources, including some key historical and cultural sites under state protection, two announced state-level intangible cultural heritages and some folk festival activities. There are five ethnic minorities living in this region, occupying 14 percent of the population, involving the Zhuang, Hui, Yao, Miao and Dong minorities. Additionally, Guilin is endowed with first-class ecological and environmental quality with annual average temperature of 19°C and forest coverage rate of 66.5%. Therefore, it is appraised as one of the pioneering national ecological garden cities.



Figure 1.1 The Location of Guilin, China

1.2 Research Aims and Questions

1.2.1 Research rationale and objectives

The overall goal of this research seeks to shed light on two aspects of economic geography studies:

- 1) To offer a new theoretical underpinning in analyzing the TALC, through employing the theoretical notes from EEG, specifically path dependence and coevolution.
- 2) To broaden the scope and range of EEG by applying its theoretical notes into service industry, specifically tourism industry in an empirical context.

The objectives of this study are three-fold. The primary objective is to apply the theoretical notes of EEG to compensate and explain the evolution of tourism area development. Not only are the main issues and weaknesses of the TALC model necessary to figure out, but also the theoretical base and notions of EEG need to be examined and employed appropriate to the TALC model. The second objective is to apply and analyze the proposed theoretical frameworks into the Guilin tourism area, as there is a need to link the theoretical frameworks to the empirical context to test the validity and utility of the two proposed models. More specifically, an analysis of the path-dependent and coevolutionary processes of tourism institutions, tourism firms and tourism products in the Guilin tourism area could highlight the importance of these two newly proposed models. The final objective is to formulate policy recommendations or strategies for the local government and decision-makers on the future development of tourism destinations which will enable sustained tourism development and avoid negative lock-ins of tourism institutions, tourism firms or tourism products.

Thus, the study focuses on five aspects:

- 1) Carry out a detailed literature review focusing on the main discussing issues and weaknesses of the TALC model and introducing the theoretical background and notions of EEG

- 2) Explore the theoretical notes from EEG which could compensate the weaknesses of the TALC to explain the evolution of tourism areas.
- 3) Examine the path dependence of tourism products and firms in their associated institutional environments of the Guilin tourism destination through time.
- 4) Investigate the coevolutionary processes and mechanisms of tourism products, sectors and its associated institutions in Guilin.
- 5) Formulate policy recommendations for the future tourism development of Guilin.

1.2.2 Research questions

The main research questions are as follows:

- Which of theoretical notes from EEG are useful to explain tourism area evolution?
- What are 'initial conditions' for Guilin to be developed as a tourism destination?
- What kinds of path dependence have tourism sectors and products experienced in Guilin tourism area development?
- What is the path-dependent process of the Guilin tourism area over time?
- How do the component entities of tourism products, sectors and institutions in Guilin coevolve and interact with each other over time?
- What are the main coevolutionary mechanisms for tourism area development in Guilin through time?

1.3 Overview of the Thesis

1.3.1 Flow diagram of methodology

The research process adopted in this research is shown below (see Figure 1.2). The study begins with a critical review of the TALC literature, a brief introduction of EEG and a combination of the two stride lines with constructing the theoretical framework for this study. It is then followed by two methods for data collection and a detailed empirical analysis of

the tourism area evolution of Guilin by applying the path-dependence and coevolution frameworks.

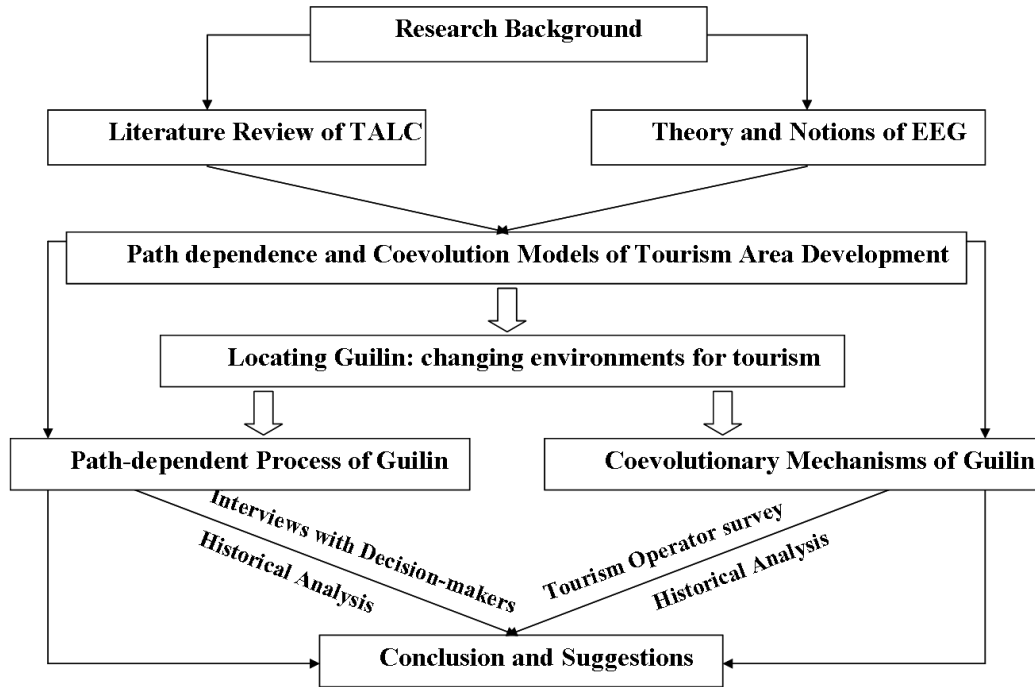


Figure 1.2 Research Process Flowchart

1.3.2 Organization of the dissertation

The dissertation consists of seven chapters and is organized as follows.

Chapter 2 contains a discussion of the theoretical background and frameworks for this research. First of all, the chapter presents a review of recent literature on the TALC model, focusing on the key issues discussed in various case studies and theoretical debates. It then briefly introduces the theoretical framework of EEG and examines its potential relevance to the TALC model. Two theoretical frameworks, an alternative path dependence model and a coevolution framework, are proposed to explain tourism area evolution, which deepens explicit links to key concepts of EEG and compensate the weaknesses of the TALC. It is noted that this theoretical chapter is mainly based on the recent work by Ma and Hassink (2013), of which I wrote the largest part.

Chapter 3 provides the methodological basis for the case study approach used for this work, which makes use of qualitative and quantitative methods to investigate tourism area development in Guilin. The methodology consists of three types of data collection methods (interviews with decision-makers, attraction operators, the questionnaire survey of tourism business owners, and secondary data collection), followed by an explanation of data analysis methods.

Chapter 4 identifies the contextual condition of the case study. A comprehensive background, including international tourism environments, national institutions and tourism policy changes, is described to provide a better understanding of the changing environments for Guilin tourism development. A historical and evolutionary analysis of the Guilin city, and its economic development and tourism industry is then presented to identify the importance and rapid growth of tourism development in Guilin.

Chapter 5 examines the path-dependent process of tourism products and sectors in tourism development of Guilin. It firstly specifies initial conditions or origins for the formation of the Guilin tourism destination. Then, the resource-based path dependence and lock-in of tourism products and institutional path dependence of tourism sectors are discussed to explain the rise and decline of the Guilin tourism area development. In addition, the chapter analyzes new path creation and innovation of tourism sectors and products with changes in their new institutional environments.

Chapter 6 presents the coevolutionary process of the Guilin tourism area and the results from the survey of tourism business owners or managers. It firstly examines the evolution of institutional environments, tourism sectors and products, and their interaction and coevolutionary mechanisms through four periods from 1973 to the present. Then, an analysis of tourism business operators' survey is made to examine how policy changes and product innovation impact their businesses in Guilin and their interaction and cooperation with the

government and other entrepreneurs.

Chapter 7 concludes and highlights the key findings from both theoretical and empirical analysis derived from the interviews and questionnaire survey. Theoretical contributions to the TALC literature and economic geography are identified and combined with empirical implications. Policy recommendations on future tourism development of the Guilin tourism area are presented. Limitations and suggestions for future research are also provided.

Chapter 2 Literature Review and Theoretical Considerations

This chapter (specifically p12-16, p28-31, and p39-46) is mainly based on the manuscript published in *Annals of Tourism Research*, 41:89-109, as Ma, M. and Hassink, R. (2013), *An evolutionary perspective on tourism area development*.

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2.1 Introduction

In the past several decades, it is suggested that geographers have played an important role in tourism studies (Hall and Page, 2009). Seminal contributions have been made to the analysis of environmental, regional, spatial, and evolutionary issues in tourism. It is argued that one of the most well known contributions by a geographer to the tourism field is Butler's (1980) Tourism Area Life Cycle (TALC) model (Hall and Page, 2009). Over time, an extensive literature has developed on this subject. Although the TALC model is recognized as a useful framework for the description and interpretation of the evolution of tourism areas, both its applicability (Getz, 1992; Hovinen, 2002; Jones, 1998; Prideaux, 2000) and theoretical approaches (Wall, 1982; Haywood 1986; Martin and Uysal, 1990; Oppermann, 1998) have been criticized. Recently, some studies have employed concepts from other disciplines to modify the TALC model using a quantitative approach (Cole, 2007, 2009; Lundtorp and Wanhill, 2001; Moore and Whitehall, 2005). Moreover, some promising attempts have been made to link the model more strongly to evolutionary ideas (see Papatheodorou, 2004). Notably, there is a new paradigm in economic geography, coined evolutionary economic geography (EEG), focusing on how the spatial economy transform itself through irreversible and dynamic processes from within over time. In the EEG literature, there are similar concerning issues about the rise and fall of industrial areas as those of tourism areas.

The objective of this chapter is to deepen and explore these links by focusing on some key notions of evolutionary economic geography (EEG) (Boschma and Martin, 2010), such as

path dependence and coevolution. These notions can, in addition to the TALC model, play a key explanatory role in understanding and explaining the development of tourist destinations through time. In the following sections, the critical issues in the TALC model and the theoretical backgrounds of EEG will be introduced and summarized. Moreover, this chapter will examine whether the theoretical notions from EEG can compensate for the weaknesses of the TALC model. Thus, this chapter is organized as follows: Section 2.2 presents a review of the recent literature on the TALC model, focusing on the key issues discussed in various case studies of the model, including the main stages, measurement of the stages, characteristics of the stages, the influential factors, the extension of the TALC model, and the weaknesses of the TALC model. Section 2.3 briefly introduces the conceptual and theoretical framework of EEG and examines its potential relevance to the TALC model. Section 2.4 explores and deepens explicit links to key concepts of EEG by proposing on the one hand an alternative path dependence model to explain tourism area evolution, and on the other hand the concept of coevolution of tourism products, tourism sectors and institutions. Section 2.5 presents some conclusions about the key research questions addressed in this chapter.

2.2 Recent Development in Tourism Area Life Cycle

2.2.1 The theoretical framework for TALC

Gilbert (1939) and Christaller (1963) originally described the discovery, growth and expansion stages of tourism areas, with the changes in numbers of inhabitants or tourist population and the sizes or shapes of the built-up area. The emphasis was on the development of tourism in the periphery and remote places, which is initiated by painters, and then followed by poets, moviemakers, gourmets, entrepreneurs and mass tourists (Christaller, 1963). The rise and fall in popularity of destinations is characterized by changes in the psychographic tourist groups, dominated successively by the “Allocentrics,” “Near-allocentrics,” “Mid-centrics”, “Near-psychocentrics” to “Psychocentrics” (Plog, 1974). Although Plog’s insight is mentioned by numerous authors, it is not regarded as a sufficient explanation for the evolution of tourism areas. First, Plog (1974) only considered

the changes and characteristics of tourists without referring to leisure time, travel distance and travel expenditure. Secondly, Plog (1974) hardly mentioned the influences of the economic, social, cultural and political environment in the tourism area. Taking these factors into consideration, Stanfield (1978) specified in detail that the resort undergoes the stages of development, expansion, changing clientele and decline. Butler (1980) further expanded the TALC model to six stages (Figure 2.1), using a basic S-curve, which is similar to the modern concept of the product life cycle and becomes one of the most popular and influential model in tourism studies.

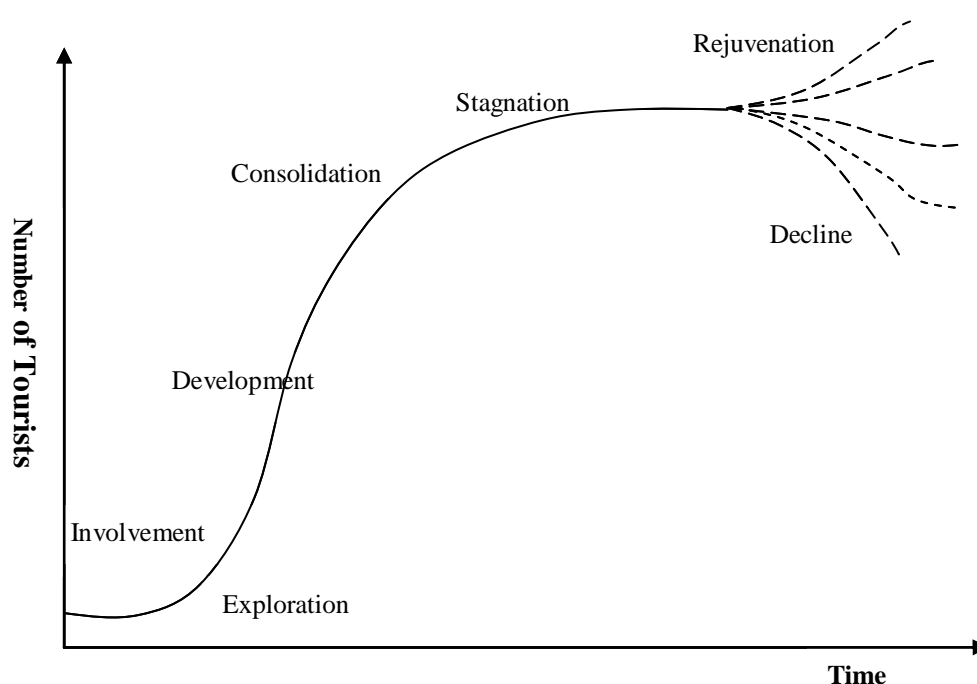


Figure 2.1 Hypothetical Evolution of Tourism Areas

(Source: Butler, 1980, p.7)

Butler’s model begins with the “exploration” stage, characterized by few tourist arrivals, no specific facilities for tourists and very little impact associated with tourism. In the “involvement” stage, local residents or communities begin to be involved in tourism, providing specialized service for tourists. Here, an initial market area emerges for tourists, associated with a gradual increase in tourist numbers. The increasing trend in tourist arrivals forces local government and public agencies to provide infrastructure and facilities. The

definition of a tourist market area becomes clear in the “development” stage, with heavy advertising in tourist-generating areas. At this stage, the number of tourists significantly increases and external organizations or corporations supply more improved facilities and artificial attractions. When the growth rate of tourists begins to decline, the “consolidation” stage is entered. In order to extend the tourist season and markets, the resort greatly increases its advertising and tourism has become an important part of the local economy. In the “stagnation” stage, the peak number of tourists is reached while artificial facilities or attractions become dominant. The image of the resort increasingly deteriorates because of various economic, social and environmental problems. Once the “decline” stage has begun, the available products do not satisfy repeat tourists, leading to a decline in the number of tourists. At the same time, there is a high property turnover and conversion of many facilities. Local involvement increases again in this stage. Local authorities, however, may prevent the tourism industry from entering the “decline” stage by providing entirely new products or man-made attractions and a radical reimagining of the existing products in a so-called “rejuvenation” stage.

2.2.2 Main issues in TALC

The model describes overall changes in tourism areas over time, including the influential factors, the characteristics of the stages, and the S-curve as the evolutionary trajectory of tourism areas. A great number of studies have applied this model as a descriptive and explanatory framework to analyze the development process of resorts, as shown in Table 2.1. It has become one of the most popular and recognizable models applied to various case studies and discussed by a great number of authors. In general, the issues discussed in the case studies of the TALC model mainly focus on the stages, the measurement of the stages, the characteristics of the stages, and the influential factors.

2.2.2.1 The stages of the TALC model

Butler (1980) developed the hypothesis that a tourism area will experience six stages as it

evolves over time. Numerous empirical studies have discussed and tested the validity and existence of the hypothetical stages. Most of these case studies show that the tourism area goes through the main stages indicated in the TALC model. However, some empirical studies have proposed some divergent ideas about the later stages. Hovinen (1982) identified a five-stage sequence based on historical evidence and assumptions concerning probable future development in his empirical study of Lancaster County. Due to its good location and the variety of its tourist base, however, the area did not enter a period of decline. This revision was strongly supported by Foster and Murphy (1991) in their study on Parksville and Qualicum Beach and Getz (1992) in his study of Niagara Falls. Furthermore, this state is recognized as a common feature of traditional tourism destinations, as most cities and resorts strive to avoid entering the stage of decline by introducing new attractions or regenerating traditional attractions. Like in the empirical study of Torbay (Agarwal, 1997), there is no evident decline phase but instead of a “post-stagnation” phase in all three resorts. Agarwal (1997) further suggested modifying the later stages of the TALC model by substituting a “reorientation stage” for the “decline stage”, since the local tourism sectors or government will make more efforts to adjust to changes before a dramatic and total decline occurs. Hovinen (2002) revisited Lancaster County and considered that Butler’s latter stages could be replaced by an extensive maturity stage, a complicated coexistence of growth, stagnation, decline and rejuvenation characterized by diverse products with their own life cycles.

Additionally, Baum (1998) proposed two possible alternative stages beyond Butler’s six stages. One is the exit stage, which is probably caused by human-induced changes or a natural disaster. There are three characteristics of this stage: One, the former tourism area is no longer seen by the community as a tourism destination; two, there is an alternative land-use or economic strategy; three, public tourism sectors are transferred to other communities or resorts. The second stage is the reinvention stage, which is viewed as a subset of the rejuvenation stage, but also could be regarded as a process of exit and re-entry.

2.2.2.2 The measurement of the stages

In the context of Butler's model, the measurement of the stages and the S-shaped curve of the life cycle are mainly based on tourist arrivals. Although most of case studies have applied tourist arrivals as a criterion to measure the stages, it has been argued that a major problem with the application is that historical tourist data are either unavailable or discontinuous (Haywood, 1986). Meanwhile, it is still problematic to use the size of the tourist population as the only measurement of the stages. Four variables have been proposed to improve the tourist indicator: the length of stay, dispersion of tourists within and throughout the tourism area, characteristics of the tourists, and the time of year in which the visit is made (Haywood, 1986).

Strapp (1988) first used the average length of stay instead of tourist arrivals in the case study of Sauble Beach, Ontario, Canada. In some empirical cases there is no specific indicator to measure the stages except for the characteristics of each stage as proposed by Butler (Agarwal, 1997; Hovinen, 1982, 2002). Although it is not easy to collect relevant data, it is appropriate to replace the tourist population with the tourist expenditure or revenue (Haywood, 1986; Moss, Ryan and Wagoner, 2003; Toh, Khan and Koh, 2001). In spite of the above arguments, tourist arrivals, accommodation numbers or occupation rates and local resident population are the most popularly used measurements of the stages in the case studies of TALC (as indicated in Table 2.1). In addition, some other special indicators are applied as a measurement of the stages, such as the number of tourist-related establishments (Kermath and Thomas, 1992; Pulina, Dettorib and Pabac, 2006), changes in settlement patterns (Meyer-Arendt, 1985) and the scale and scope of authority involvement (Keller, 1987).

Table 2.1 Summary of Selected Case Studies on TALC

Author (s)	Case study	Time scales	Spatial scales	Methodologies	Measurement of stages	Key influential factors
Hovinen (1982)	Lancaster County, Pennsylvania	1930s-1980	Local county level	Tourist survey, interviews, and field observation	(1) Characteristics of stages	◆ Advantage of location ◆ Planning effectiveness ◆ Diversity of the tourists
Meyer-Are ndt (1985)	Grand Isle, Louisiana	1811-1984	Long narrow coast level	Historical data and map analysis	(1) Numbers of inhabitants (2) Changes in settlement patterns	◆ Changes in environmental perception ◆ Government effort to fix the shoreline
Keller (1987)	Canada's Northwest Territories	1984-1985	Broad region level	Theoretical assumption and test	(1) The scale and scope of the authorities involvement	◆ Variety of market segment ◆ Input of capital and infrastructure ◆ Geographical or political accessibility ◆ Scale of the corporations and institutions
Strapp (1988)	Sauble Beach, Ontario	1930-1985	Community level	Historical data analysis	(1) Average length of stay by tourists and residents	◆ Available planning and regulations ◆ Technology improvement ◆ Growing retirement population ◆ Residential component of the community
Cooper and Jackson (1989)	The Isle of Man, UK	1850-1989	Small island level	Historical and contemporary data analysis	(1) Passenger arrival by sea or air	◆ Actions of managers ◆ Setting of the destination
Debbage (1990)	Paradise Island, Bahamas	1890s-1990	Island-nation level	Using Markusen's profit cycle notions	(1) Numbers of hotels and available rooms (2) Profit level (3) Corporate structure	◆ Changes in industrial organization ◆ Corporate strategies of the major suppliers

Weaver (1990)	Grand Cayman Island	1913-1987	Micro-state island level	Historical data analysis	(1) Tourist arrivals	<ul style="list-style-type: none"> ◆Tourism institution ◆Increased accessibility ◆Man-made events and attractions ◆Implementation of tourism planning ◆Physical modification of landscape
Foster and Murphy (1991)	Parksville and Qualicum Beach	1900-1988	Coastal communities level	A content analysis of local newspapers	(1) Accommodation numbers and units	<ul style="list-style-type: none"> ◆Retirement ◆Market condition
Getz (1992)	Niagara Falls	1900-1991	Border area level	Direct field observations, map analysis, interviews	(1) Traffic data (2) Attendance of tourist sites (3) Accommodation numbers and occupation rates	<ul style="list-style-type: none"> ◆Political issues ◆Economic base ◆Market shifts
Ioannides (1992)	Cyprus	1959-1989	Island-nation level	Historical data analysis	(1) Tourist arrivals	<ul style="list-style-type: none"> ◆Location attributes ◆Government policies ◆Effectiveness of national institutions ◆Activities of international organizations and multinational tour firms
Kermath and Thomas (1992)	Sosua, Dominican Republic	1950-1987	Town-beach level	Questionnaire and equation methods	(1) Numbers of tourist-related establishment	<ul style="list-style-type: none"> ◆Government policy
Formica and Uysal (1996)	Italy	1760-1994	Country level	Historical data analysis	(1) Foreign tourists	<ul style="list-style-type: none"> ◆Targeted market ◆Quality of the product ◆Offerings of competitors

Tooman (1997)	Smoky Mountain region	1882-1995	Region level	Quantitative and qualitative indicators analysis	(1) Social welfare indicators	◆Economic diversity ◆Government policies
Douglas (1997)	Papua New Guinea, Solomon Islands and Vanuatu	1884-1996	Island-nation level	Historical data analysis and comparative analysis	(1) Tourist arrivals	◆Planners ◆Colonial history ◆Traffic service ◆Government efforts
Agarwal (1997)	Torbay, UK	1760-1996	Coast level	Historical data analysis	(1) Characteristics of stages	◆Local entrepreneurs ◆Municipal governing bodies
Jones (1998)	Arctic Ship tourism, Polar regions	1972-1996	Polar region level	Historical data analysis	(1) Characteristics of tourists	◆Local population ◆Environmental impacts ◆Government regulatory control
Priestley and Mundet (1998)	Catalan Coast, Spain	1956-1995	Coast region level	Comparative analysis and historical data analysis	(1) Permanent population (2) Capacity levels of accommodation	◆Accessibility and natural environment ◆Availability of private investment ◆Policymaking and implementation
Toh et al (2001)	Singapore	1960-1996	Country level	Using travel balance approach	(1) Tourist arrivals (2) Net tourism exports over imports	◆Level of economic development ◆Income and price elasticity of demand
Hovinen (2002)	Lancaster County, Pennsylvania	1930-2002	Town level	Mail survey on individual businesses and group meetings	(1) Characteristics of stages	◆Tourism strategic planning ◆Entrepreneurial activities ◆Various attractions

Moss et al (2003)	Mississippi's casino industry	1990-1999	Region level	Using time-series decomposition model	(1) Industry gross revenues (2) Casino square feet in operation	◆Managers and government officials ◆Seasonality ◆Infrastructure and transportation
Moore and Whitehall (2005)	Barbados	1957-2002	Island-nation level	Using Markov-switching models and quarterly observations	(1) Tourist arrivals	◆Source market ◆Investment and advertising ◆Government policies
Pulina et al (2006)	Island of Sardinia, Italy	1986-2003	Island level	Using an econometric approach	(1) The number of active agrotourism establishment	◆Regional policy ◆Agrotourism actors ◆Public policy makers ◆Future strategies
Kapczyński and Szromek (2008)	Polish Spas	1949-2006	Country level	Statistical and nonstatistical data analysis	(1) Customer numbers	◆Capital investment in health resorts ◆Regulation and policies ◆Local development strategies
Zhong et al (2008)	Zhangjiajie National Forest Park, China	1978-2005	Park level	Personal in-depth interviews, questionnaire surveys	(1) Arrivals and income of the park	◆Increase in consumers ◆Government policy and planning ◆Multinational investment ◆Tour operators and agencies

Source: based on three Journals: Tourism Management, Annals of Tourism Research and The Journal of Travel Research.

2.2.2.3 The characteristics of the stages

Agarwal (1997) summarized the characteristics of the main stages of the TALC model. Although the characteristics of the stages have proved to be a useful analytical framework for examining the evolving process of a tourism area (Douglas 1997; Hovinen 1982, 2002; Tooman 1997), some divergences have emerged from the empirical studies on various resorts. The main debates focus on two issues. The first is the role of local control and local involvement in different stages. Weaver (1990) pointed out the significance of local control for the evolution of Grand Cayman Island. The scale of local control and participation increased rather than decreased as predicted by Butler for the development stage. This argument is also proved by the case study on the seaside destination of Torbay (Agarwal, 1997). Moreover, Douglas (1997) used the TALC model as a framework to portray the characteristics of colonial and post-colonial tourism development in Melanesia. In this case it is hard to define “locals” during the independence and pre-independence periods. Due to the colonial history, “local participation” meant European and Melanesian participation in the pre-independence period, while it meant Melanesian participation in the independence period (Douglas, 1997).

The second issue is the concept of “carrying capacity,” which Butler presented as a measurement for the decline stage. Butler stated that “as the area enters the stagnation stage the peak numbers of tourists will have been reached, capacity levels for many variables will have been reached or exceeded” (Butler, 1980, p. 8). According to the World Tourism Organization (UNWTO, 1992), tourism carrying capacity is defined by the maximum of tourists that a given destination or territory can bear at any time without reducing the satisfaction levels of tourists themselves and undermining environmental, economic and sociocultural characteristics of the destination. It is also delineated as the number of tourists that an area can endure before negative effects occur and consists of three components: physical carrying capacity, psychological carrying capacity and social capacity (Martin and Uysal, 1990). However, many authors argue that it is hard to define the concept of carrying capacity and its threshold even if Butler’s argument is acceptable, as there are various

interpretations of capacity and different methods to measure capacity thresholds (Haywood 1986; Hovinen 1982; Martin and Uysal, 1990). Nevertheless, “carrying capacity” can be considered as a planning and management concept or initiative for a mature destination (Getz, 1992), in order to mitigate serious social or environmental impacts of tourism activities and enhance the attractiveness of the destination. On the contrary, some studies indicate that the decline of the resort’s visiting demand is not because the “carrying capacity” of the resort has exceeded, but because the market is exhausted (as all tourists wishing to visit the resort have “been there”) (Lundtorp and Wanhill, 2001) or due to changes in industrial organization and the influence of oligopoly (Debbage, 1990).

2.2.2.4 Factors influencing the TALC

Butler (1980) considered the changes within a tourism area to be associated with factors such as the rate of development, the number of tourists, accessibility, government policies, environmental problems and numbers of similar competing areas. However, Debbage (1990) argued that the TALC model focuses on the internal dynamics of a tourism area, but fails to discuss the external influences, such as imperfect competition and oligopoly. Most of the case studies emphasize the activities of the operators and governors as the dominant influential factor in the tourism area. Ioannides (1992) identified the activities of government and foreign actors and their impacts on the life cycle of Cypriot resorts. It is indicated that tour operators partly determine the development of the tourist area by organizing the chartered flights of tour packages in the tourist-generating areas. In their case study on the Gold Coast, Russell and Faulkner (1999) also indicated that entrepreneurs play an important role in the development of a resort and enable the resort to adapt to Chaos induced by external events or disasters.

Most authors stress that the key factors influencing the evolution of a resort vary from area to area. According to the case studies employing the TALC model (cf. Table 2.1), the main factors of the resort life cycle can be categorized into three types: (a), physical factors, such as endowment with tourism resources, locational advantages, environmental conditions,

natural disasters; (b), social factors involving changes in economic conditions, changes in the preference and needs of tourism and the political environment; and (c), human-oriented elements, including man-made attractions, tourism planning and management, resort marketing, transport accessibility, the capability of entrepreneurs and tour operators, tourism investment and government policies.

2.2.3 Extensions of the TALC model

As illustrated above, there is a vast literature that has applied TALC model as a framework to exhibit the development process of resorts. The utility and applicability of Butler's TALC approach have been testified, either approved or opposed, and moreover, some new contexts and mathematical methods have been added to the model.

Firstly, tourism area evolution has been interpreted by the changes in space diffusion of residence morphology, landscape elements and functions of tourism area with passage of time. In the study of Grand Isle, Louisiana, Meyer-Arendt (1985) revealed the life cycle curve through changes in resident population and settlement patterns rather than tourist arrivals. In somewhat similar fashion, Smith (1992) proposed an alternative pattern of beach resort evolution, which contains eight phases: predevelopment datum, explorative tourism, first hotel, strip development pattern, business center established, hotel away from beach, second road and separation of central business district and recreation business district. In the context of this pattern, the graphic characteristics of each phase have been depicted in details and examined in the case study of Pattaya. More recently, there is an empirical study on the evolution of agrotourism in Sardinia, which exhibited the main characteristics of the infrastructure life cycle by changes in the number of active agrotourism establishment over the period from 1986 to 2003 (Pulina et al, 2006).

Secondly, tourism institution or organization evolution has been explored in the literature. Taking the case of Canada's Northwest Territories as an example, Keller (1987) displayed the transition of authorities through the stages of discovery, local control, institutionalism

and crises period in the development of the resort. Compared with Butler's model, this model consists of four phases according to the control level of local, regional, national and international authorities (as shown in Figure 2.2). Besides, there is an investigation on the spatial dynamics of formal and informal sectors in the process of the resort evolution, incorporating Butler's TALC curve (Kermath and Thomas, 1992). At the early stages, tourism informal sectors commence ahead of tourism formal sectors. But at some point of the development stage, the tourism industry will be dominated by the formal sectors, while the informal sectors will decline (as indicated in Figure 2.3).

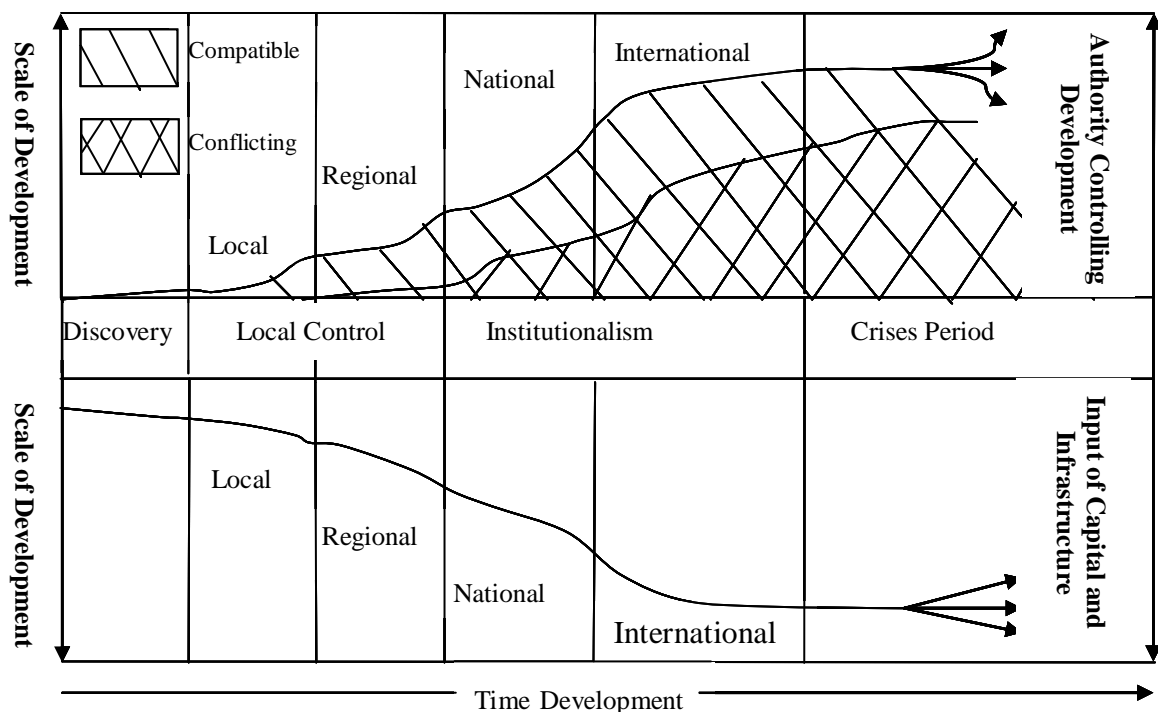


Figure 2.2 General Recognized Phases of Tourism Development

(Source: Keller, 1987, p.24)

Similarly, based on the relationship between the level of tourism intensity and the amount of regulation, Weaver (2000) proposed a broad context hypothesis of tourism destination evolution, including four tourism development states and eight possible scenarios. In this respect, it has been described four categories of destination as follows: Circumstantial Alternative Tourism (CAT), with a characteristic of non-regulated, small-scale tourism

sector, which is similar to that of Butler's 'exploration' or 'involvement' stages; Deliberate Alternative Tourism, with a high intensity and regulations of tourism sector; Unsustainable Mass Tourism (UMT), without restrictive regulation, then exceeding environmental and social-cultural carrying capacities; Sustainable Mass Tourism, with a high intensity and large-scale tourism sector within those carrying capacity. Furthermore, eight possible outcomes have been proposed and how could one state transfer into another, while indicated that Butler model's consequence was just one possible scenario in this framework. In the case study of the Gold Coast of Australia, this hypothesis has been examined and the result showed that the destination was a multi-category state with a coastal UMT sector and CAT in the hinterland (Weaver, 2000).

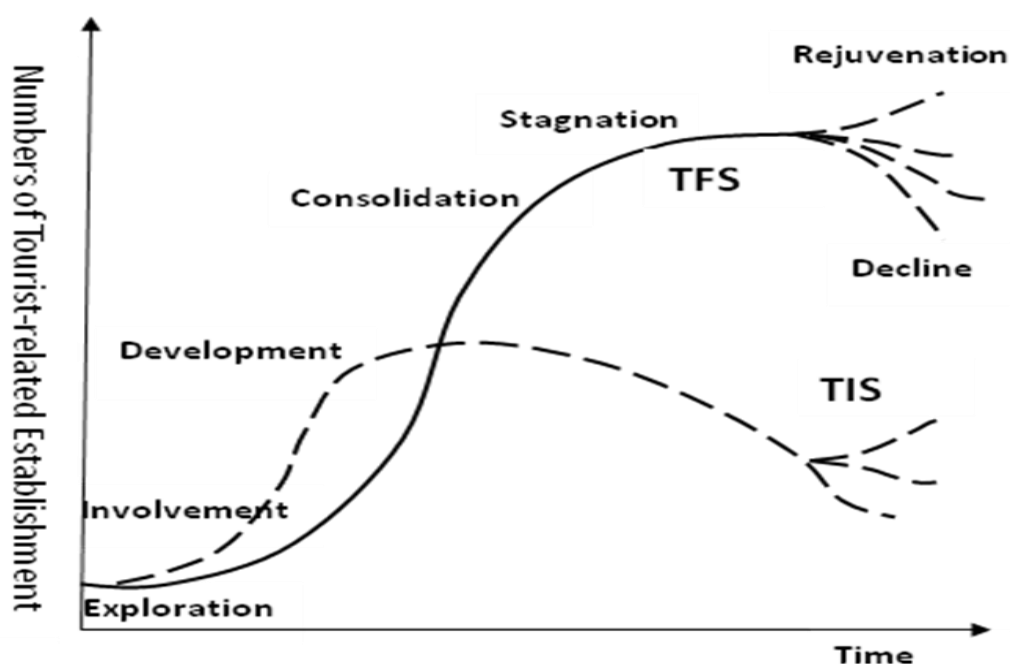


Figure 2.3 Formal and Informal Sector Development in Resort Areas

(Source: Kermath and Thomas, 1992, p.186)

What's more, the context of tourism area life cycle has also been enriched by incorporating different categories of tourism and tourists into the study. Just as Järviluoma (1992) showed in the study on alternative tourism and tourist areas evolution, the conceptions of alternative tourism and mass tourism have been employed into tourism resort life cycle as a part of

characteristics of the early stages.

Additionally, to evaluate economic impacts of the tourism industry in the Smoky Mountain region, Tooman (1997) applied Butler's TALC model to analyze changes in social welfare measured by the aggregate number of jobs and total income level. It is concluded that the degree of diversity of tourism area development is the important factor for social welfare rather than the stages of tourism development in certain area.

Furthermore, many authors concern about market elements of tourism development from the demand side of tourism generating regions. In order to make Butler's TALC model more operational, some mathematic methods have been used to hypothesize and test the proposed model. For instance, there is an initial attempt to apply the step-logarithmic function to the tourism area life cycle in the case study on Florida Cypress Gardens (di Benedetto and Bojanic, 1993). Likewise, Lundtorp and Wanhill (2001) established a mathematic calculated equation to elaborate a demand-generated explanation of the lifecycle model. In this 'ideal' life cycle equation, it is possible to show precisely how the process transit from one stage to another and so as to support Butler's theory. The 'ideal' lifecycle curve can be a real representative one only under the assumption of a uniform market that all tourists are repeaters. Nevertheless, this new method has been applied to the Isle of Man in Britain from 1884 to 1912 and the Danish island of Bornholm from 1912 to 1967 (excluding World War II). In both cases, the model is applicable to the real situation as observed in the early years, but not workable in the later years because of limited available tourist data. Quite recently, Moore and Whitehall (2005) used the method of Markov-switching autoregressive models and quarterly observations to describe the stochastic process of growth in tourist arrivals. It proved that Butler's model fits individual source market quite well, but not suits to all source market. More specifically, there is a detailed elaboration on the micro-economic processes of destination evolution, which assumes an equation together with the parameters related to micro-economic attributes of tourism destination (Cole, 2007). This method indicates the process how four elements, lumpy investment, marketing and construction lags, distribution of expenditures and capacity constraints, enter into the basic equation. Also, it has been

applied to expose the micro-economic process of two comparative case studies, Aruba and Barbados.

2.2.4 Weaknesses of the TALC model

While the TALC model has been applied and modified by numerous researchers, it has also received criticisms either in empirical or theoretical studies. The major criticisms focus on the predictability and applicability of the model (Haywood, 1986; Cooper, 1990; Oppermann, 1998; Hovinen, 2002). Haywood (1986) proposed six critical issues to make the TALC model operational. The first issue is the unit of analysis, or the geographical scale (Agarwal, 1997; Hovinen, 2002). For instance, the tourism area could be a town, a hotel or only an attraction. The next point addresses the issue of the relevant market, considering different market segments. It is argued that Butler's model relies on the supply side rather than the demand side (Cooper, 1990) and ignores both the structure of the tourism industry and competition from other resorts (Debbage, 1990). Thirdly, there are a variety of possible life cycle curves other than the dominant S-shaped curve. The fourth one concerns how to identify the stages, the length of time of each stage and the exact turning point at which a tourism area moves from one stage to another. This issue was first presented by Wall (1982), who suggested considering the thresholds of change as well as the rates and types of change in the empirical studies. The fifth issue is about the unit of measurement and the appropriateness of using a tourist-expenditure model instead of the visitation volume. The last one refers to the relevant time unit, such as annual data, quarterly and monthly data.

From the view of this research, three main conceptual weaknesses of the TALC model can be observed in various conceptual and empirical studies.

First, the TALC model fails to specify the differentiation between 'tourism area' and 'tourism product' in dealing with the 'life cycle'. The model is originally drawn from the concept of the product life cycle (Butler, 2006), which assumes distinct tourist areas as products. Coles (2006), however, doubted, whether it is appropriate to consider the

destination as a single product or a series of products when the life cycle concept is applied. To explore this issue, it is necessary to go back to the original concept of the life cycle in biology, which is strictly defined as representative maturational and generational processes driven by the reproduction mechanism in natural populations (Rand and Krecker, 1990). When the life cycle concept is used as a metaphor for development and change to simplify or explain complex social phenomena, the problems and limitations attached to their uses are inevitable. The life cycle is only applied to individual species or populations in the biological science (Rand and Krecker, 1990). As Butler (2006, p. 337) himself argues, "Each destination represents a unique mix of geography, politics, economics and ethnography at least, along with elements such as individual behavior and chance." Therefore, tourism areas could be metaphorically considered as groups of species, but not just as a tourism product. Therefore, it is problematic to apply the life cycle without specifying 'tourism area' and 'tourism product'.

Secondly, there is insufficient distinction between the confusing notions of 'life cycle' and 'evolution' in the TALC model. Although Butler (1980) titled his original paper as 'The concept of a tourist area cycle of evolution: implication for management of resources', he did not clarify the differences between life cycle and evolution. Only recently, Singh (2011) makes an initial attempt to deal with this issue. In his view, the evolution of resorts is a long-term continuing process, involving many life cycles, where some may end, while others continue or new branches emerge. Just as Agarwal (1994) argues, different parts in the tourism area may eventually exhibit distinct life cycles. Other authors contend that Butler's TALC curve is just one of the possible evolutionary trajectories of tourism area development (Weaver, 2000; Lundtorp and Wanhill, 2001; Papathedorous, 2004). The evolutionary approach emphasizes the generation of variability and divergence within and between populations as a result of interventions or external change effects (see also Dietz, Burns and Buttel, 1990). While the evolutionary theory in biology mainly focuses on micro-level processes, the coevolutionary approach in evolutionary economics contributes to integrating micro- and macro-processes (Dietz et al., 1990). In our view, it is therefore more appropriate

to analyze and explain the heterogeneity and complexity of the development of tourism areas both from a life cycle and evolution perspective.

Thirdly, ‘carrying capacity’ is criticized for not being an appropriate explanation for the decline of tourism areas in the TALC model. Many authors argue that it is hard to define the concept of carrying capacity and its threshold (Haywood, 1986; Hovinen, 1982; Martin and Uysal, 1990). Moreover, some studies suggest that the decline of tourist arrivals is not because the carrying capacity of the resort has exceeded, but because the market is exhausted (as all tourists wishing to visit the resort have “been there”) (Lundtorp and Wanhill, 2001) or due to changes in industrial organization and the influence of oligopoly (Debbage, 1990). Carrying capacity can only be considered as a planning and management concept or initiative for a mature destination to mitigate serious environmental impacts of tourism activities (Getz, 1992). Concepts derived from the evolutionary approach might be more appropriate to explain the decline of resorts.

To sum up, the above debates make clear that new perspectives are needed to refine the TALC model and compensate for its weaknesses. Evolutionary economic geography (EEG) offers powerful and insightful theoretical and conceptual notions that could fulfill this role (Boschma and Martin, 2010). The first two weaknesses could be compensated for by the notion of coevolution. Coevolutionary analysis has become widely used in the development of technology, organization, institution and industry at different analytical levels (Schamp, 2010). The third weakness could be compensated for by using the notion of path dependence. It has been frequently applied to explain the evolutionary process of industrial areas, particularly the decline phenomena (Hassink, 2005, 2007, 2010; Martin and Sunley, 2006). The question now is how these notions from EEG can be used to explain the evolutionary processes of tourism areas.

2.3 The theoretical background of EEG

2.3.1 The theoretical bases of EEG

In the 1980s, a number of economists deviated from traditional economic analysis and turned to an evolutionary approach employing biological metaphors in economics. The origin of this insight goes back to relevant research by Veblen (1898) and Schumpeter (1942). Veblen adapted Darwinian biological notions in his work, namely, “Why is economics not an evolutionary science?” Schumpeter considered innovation to be the nature of the economic development process, which is “creative destruction” of the economic landscape. Nelson and Winter (1982) made a seminal contribution to this turn and first combined these insights into the framework of evolutionary economics.

This turn in economics has recently attracted increasing attention mainly from European economic geographers, who attempt to employ theoretical notions such as variation, selection, novelty, coevolution, path dependence, lock-ins and routines in the realm of economic geography (Boschma and Frenken, 2006; Essletzbichler and Rigby, 2007; Hassink and Klaerding, 2009; Martin, 2010; Martin and Sunley, 2006, 2007). This new paradigm in economic geography, coined EEG is grounded in evolutionary economics. It analyzes and explains “the processes by which the economic landscape – the spatial organization of economic production, circulation, exchange, distribution and consumption – is transformed from within over time” (Boschma and Martin 2010, p.6). Furthermore, EEG critically analyzes which of these theoretical notions from evolutionary economics are useful for tackling key questions in economic geography, such as “why is it that some regional economies become locked into development paths that lose dynamism, whilst other regional economies seem able to avoid this danger?” (Martin and Sunley 2006, p.395).

There are three major theoretical and conceptual frameworks for EEG (Boschma and Martin 2010, p.6, see also Figure 2.4). The first theoretical foundation is Generalized Darwinism, including concepts from modern evolutionary biology such as variety, novelty, selection, fitness, retention, mutation, adaptation, coevolution and population dynamics. Complexity theory, which concerns the aspects of complex “far-from-equilibrium” adaptive systems, is

considered the second theoretical base. It consists of various notions, including emergence, self-organization, adaptation, fitness landscapes and hysteresis. However, this theoretical approach has received relatively little attention in EEG (Martin and Sunley, 2007). The third theoretical framework is based on the path dependence theory, which has been prominently discussed in economic geography (Hassink, 2005, 2007; Hassink and Shin, 2005; Martin, 2010; Martin and Sunley, 2006). It emphasizes the concepts of contingency and self-reinforcement and dynamics, in addition to the notions of “lock-in,” branching and path creation.

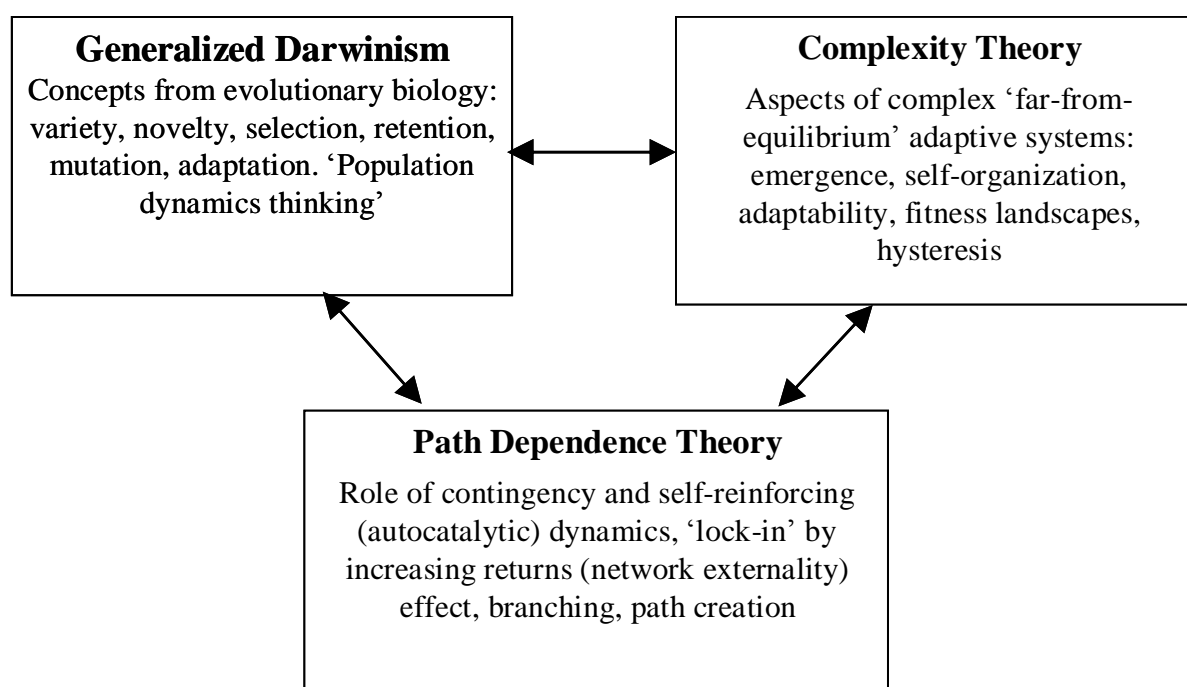


Figure 2.4 Three Major Theoretical Frameworks for EEG

(Source: Boschma and Martin, 2010, p.6)

Moreover, EEG aims to study the routines and behaviors of organizations as a starting point of its analysis. In this respect, evolutionary economic geographers approve of “bounded rationality” and “routines” rather than utility maximization (Simon, 1955). The organizational routines are viewed as all organizational skills consisting of experience knowledge and tacit knowledge that cannot easily be imitated by other firms (Nelson and Winter, 1982). At the level of the firm, diversified firms have different firm routines that can

be applied to all products in the firm, as well as product-specific routines that are used in the production of a particular product. These routines within or across the firms are replicated in the process of establishing new sectors or subsidiaries, spin-off firms or labor mobility (Frenken and Boschma, 2007). EEG attempts to research the changes in the spatial distribution of routines.

Second, EEG takes a dynamic perspective rather than one of equilibrium in the process of economic development (Boschma and Wenting, 2007). The third hypothesis is that economic behavior is path dependent and irreversible. In other words, the evolution of technologies, organizations or institutions is not only an outcome of a process or product or industrial evolution, but also affects a product's or an industry's further evolution. Besides, it is argued that the empirical research in EEG can be primarily categorized into four levels: the firm, sector, network and spatial system (Boschma and Frenken, 2006).

2.3.2 Two concepts of EEG

2.3.2.1 Path dependence

The concept of path dependence emerged in evolutionary economics with a series of David's (1985, 1994) and Arthur's (1987, 1989, 1994) seminal works, in which they stated that history matters and small chance events lead to path dependence and eventually become locked in through a self-reinforcing process. Since this notion was first introduced by David as a way of characterizing technological evolution, it has been adopted and applied in other social science disciplines as a model of social, cultural, institutional, organizational and political evolution. A survey of the literature on path dependence in economics reveals five related causes: initial conditions, increasing returns and self-reinforcing, positive feedback and lock-in (David, 1985; Arthur, 1994; Liebowitz and Margolis, 1995; Pierson, 2004; Page, 2006). Moreover, the path-dependent processes are defined to be contingent, stochastic, nonergodic and irreversible. Furthermore, Liebowitz and Margolis (1995) identified three distinct forms of path dependence according to three possible efficiency outcomes when a dynamic process exhibits sensitive dependence on initial conditions. In the same vein, Page

(2006) differentiated between early and recent path dependence, and specifically between path-dependent processes in which outcomes are history-dependent and those in which the equilibrium depends on history. Although the concept of path dependence has been readily imported into different subfields of social science, there is no agreement among social scientists on how to define and apply it (Thelen, 2004; Pierson, 2000, 2004; Mahoney, 2000; Kay, 2005; Greener, 2005). At the same time, the studies in social science focus on the question whether path dependence can be observed in institutions and the production of policies rather than the production of commodities (North, 1990; Pierson, 2004).

More recently, the notion of path dependence has been introduced into evolutionary economic geography to understand regional economic evolution (Martin and Sunley, 2006, 2010; Martin and Simmie, 2008) and the rise and decline of old industrial areas (Hassink, 2005, 2010; Boschma and Martin, 2010). In this evolutionary context, spatial concentration is not only a result of a process of industrial evolution, but also influences an industry's further evolution. Typically, positive feedbacks arise at the earlier stages of an industry life cycle, while negative feedbacks emerge after a certain threshold of spatial concentration is passed in later stages (Boschma and Martin, 2010). Martin and Sunley (2006: 402) defined path dependence in economic geography context as 'a probabilistic and contingent process (in which) at each moment in historical time the suite of possible future evolutionary trajectories (paths) of a technology, institution, firm or industry is conditioned by (is contingent on) both the past and the current states of the system in question. The past thus sets the possibilities while the present conditions what possibility is to be explored.' Moreover, they pointed out five sources or mechanisms of regional path dependence: inter-regional interdependence, regional technological lock-ins, region-specific institutional inertia, social embeddedness and natural resource bases (Martin and Sunley, 2006). Furthermore, an alternative path dependence model for local industrial evolution is developed in Martin's (2010) conceptual work, in which four phases and two possible categories of industrial path dependence are presented. In addition, Martin (2010) also summarized the David (1989)'s and Setterfield (1997)'s type model of path dependent economic evolution and proposed an open

non-equilibrium type model of path dependent economic evolution (see also Figure 2.5).

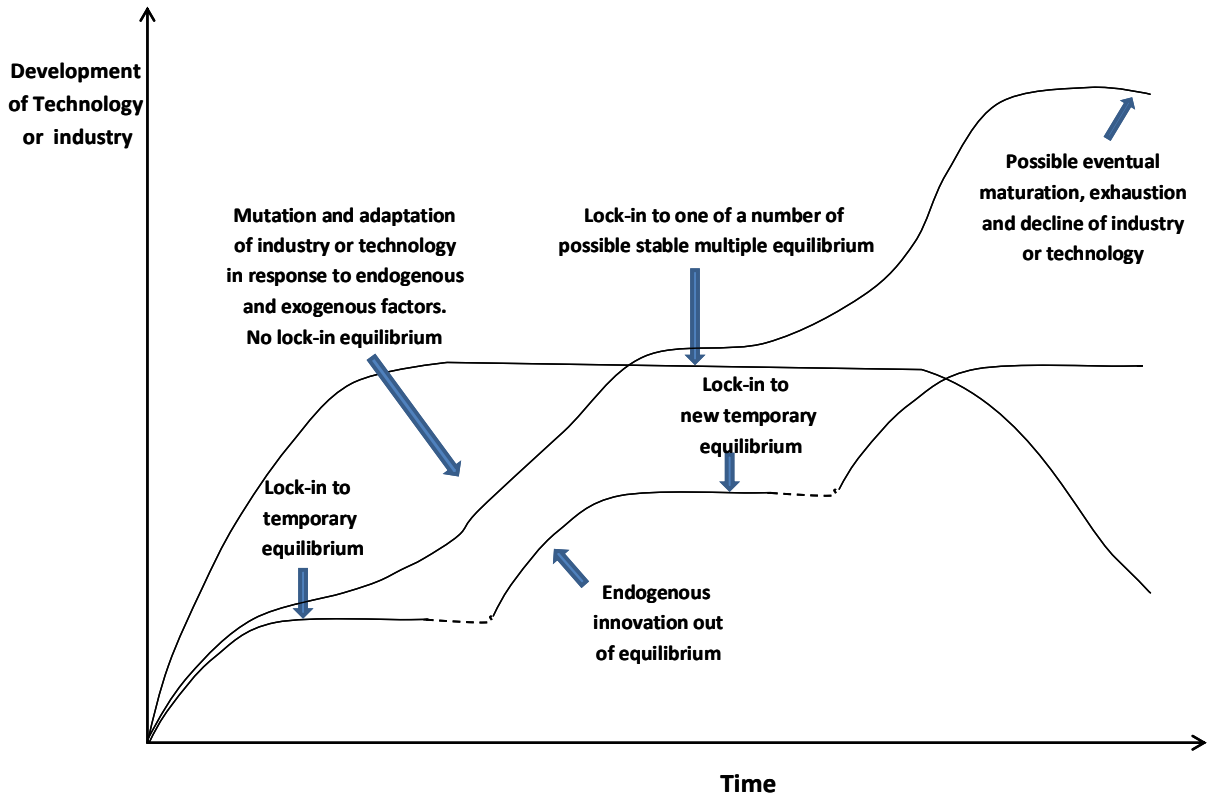


Figure 2.5 Three Representative Types of Path Dependent Evolution Models

(Source: based on Martin and Sunley, 2010)

2.3.2.2 Coevolution

The term “coevolution” is used primarily on the interactions of butterflies and plants in biology (Ehrlich and Raven, 1964) and refers to a situation in which “two evolving populations coevolve if and only if they both have a significant causal impact on each other’s ability to persist” (Murmans, 2003, p.210). Coevolutionary theories indicate that organizational populations are mutually interdependent and make reciprocal influence on each other. Nelson (1994) initially applied this approach in economics to understand the coevolving and coadapting process among knowledge, technology, organizations, institutions and industry. It is notable that coevolution thinking and theorizing have been gaining intensive attention in organization studies over the past two decades. Firstly, the coevolutionary approach has been primarily applied to the relationship between organizations and their technical or institutional environment (e.g. Nelson, 1994; Levinthal

and Myatt, 1994; Rosenkopf and Tushman, 1994; Baum and Singh, 1994; Mckelvey, 1997) and also focused closely on the emergence of new organizational forms (e.g. Lewin and Volberda, 1999; Lewin and Koza, 2001; Volberda and Lewin, 2003). For instance, Lewin et al. (1999) have outlined a more general coevolutionary theory of organization and environment, which consider new organization forms as an outcome of the coevolution of firm intentionality, the competitive environment and the institutional systems within which firms and industries are embedded. Moreover, most coevolutionary empirical studies use a case study approach in which narration and a historical analysis are applied. For example, this coevolutionary approach has been applied to a professional service network in the public accounting industry (Koza and Lewin, 1999), the interaction of firm capabilities and industry market activity in mutual fund industry (Levinthal and Myatt; 1994), the environmental transformation and organizational change in luxury fashion industry (Djelic and Ainamo, 1999), an analysis of firm capabilities and industrial dynamics in the music industry (Huygens, et al., 2001), the interaction between institution and organization in Southeast Asian Family Business Groups (Carney and Gedajlovic, 2002) and industry capabilities and the rise of new organizational forms in Hollywood movie industry (Lampel and Shamsie, 2003). Furthermore, some scholars conduct the empirical researches on coevolution at the different levels. For example, Flier et al. (2003) proposed a coevolutionary approach on the interactions among managerial intentionality at firm level, environmental selection at industry level and institutional effects at country level to investigate strategic renewal of incumbent firms in European financial services industry. In the same vein, Rodrigues and Child (2003) developed a coevolutionary framework for the analysis of Brazilian Telecommunications Company considering the macro (social and institutional environment) level in addition to the meso (sector) and micro (firm) levels.

Quite recently, this approach has been further introduced into evolutionary economic geography, which takes a coevolutionary perspective on the role of institutions in the firm and industrial dynamics (Schamp, 2010). For example, Lee and Saxenian (2008) examined the coevolutionary processes of rules, routines and institutions of industrial organizations in

Taiwanese information technology industry. Moreover, Ter Wal and Boschma (2009) explored how firm capabilities, industry-wide network and clusters coevolve along industrial dynamics in space.

2.4 The links between EEG and TALC

As has become clear in the previous sections, EEG and TALC share similar concerns about the evolution of regions and economy. EEG studies the dynamics of firms and industries in relation to the rise and fall of industrial areas, particularly manufacturing districts, while the TALC model focuses on the dynamics of tourism attractions and related sectors in the rise and fall of tourism areas. As the TALC model reflects a dynamic state of the tourism area through time, it is similar to the notions of “industry life cycle” (Klepper, 1997) and “cluster life cycle” (Menzel and Fornahl, 2010) in the industrial sector. The latter two life cycles focus more on the level of the firm at different geographical scales, emphasizing the impacts and interactions among technology, institution and organization in a given industry or industrial district. It is therefore reasonable to build up conceptual and theoretical links between EEG and the TALC model. Some tourism researchers working with the TALC model have, partly unconsciously, begun to employ the notions of EEG.

2.4.1 The potential interlinks between EEG and TALC

As previously noted, tourism area life cycle has been explored or explained from multi-discipline perspectives. It is noticeable that some concepts or theories used in several works of TALC are similar to the theoretical frameworks of evolutionary economic geography.

The first notion mentioned in the TALC studies is Darwinian evolutionary theory, specifically the theory of natural selection. It is argued that a tourist area in the market-place could be seen as an individual organism in the evolution theory, struggling for survival. Also, the notion of ‘variation’ of species is parallel to the differences among tourist areas. Besides, there are many

other evolutionary concepts, such as ‘convergence’, ‘adaptation’, ‘inheritance’ and ‘mutation’ could be introduced into explain tourism area evolution. Thus, it may be more operational to build evolutionary curves of the resort complexes via the process of natural selection, which have been applied to forms of institutional change, particularly retailing (Haywood, 1986). As for managerial strategies or policies, it is necessary to give more emphasis on two significant things, environmental changes and market segment (e.g. level of specialization and size). However, the current literature has few to develop these ideas within tourism research.

Secondly, Chaos and Complexity theory has been used as a new perspective to interpret the process of tourism area development with an emphasis on the importance of entrepreneurial activity (Russell and Faulkner, 1999, 2004). In the theoretical term, the notion of ‘bottom-up adaptive syntheses’ could be used to understand the complex and dynamic relationships between various stakeholders of tourism area. By the same token, ‘butterfly effect’ and ‘lock-in effect’ could be applied to explain why some tourism areas or products are long-term dominant in the tourism market-place. Furthermore, the stage transition or shift is viewed as the edge of Chaos, in which condition small changes ‘mutations’ participate in the evolutionary process and further influence the whole evolutionary system. Moreover, this theory has been further adapted to two Australian destinations and examined how entrepreneurs made use of the elements of turbulence and changes to promote superior advantage for one resort over the other (Russell and Faulkner, 1999, 2004). Quite recently, Cole (2009) considered this chaotic characteristic of tourism and provided an alternative discrete logistic equation model, exhibiting a supply-demand relationship of tourism area development from different scales. At the same time, it indicates that specific details of tourism-styles, designs and policies are the important factors for the resort’s success. In parallel with this trend, Butler also approved of ‘a blending of both evolutionary and revolutionary predictions in the case of tourism destinations, an approach which allows for the incorporation of ideas such as Chaos theory and chance into equation of growth’ (Butler 2009, 346).

Thirdly, there is a trend to explain tourism area evolution from the perspective of economic geography. In order to explain the causal mechanism of tourism area development and decision-making of tourism operators or governors, Papatheodorou (2004) developed a theoretical interpretation for tourism area evolution, which contains market evolution, spatial evolution and their interaction. With respect to market evolution, market structure evolves over time due to the self-reinforcing power of scale and scope economies. However, the established market structure could be challenged either by the large and financially powerful conglomerates outside the industry or by the new and widely accessible communication or transportation technologies. As referred to spatial evolution, core-periphery theory could be used to interpret the evolving process of original, core resorts and periphery destinations. Firstly, the locational advantage, regarding natural or cultural dominant resource and proximity to the potential mass market areas, could be viewed as the initial condition for an original focal point. Furthermore, path dependence could be applied to explain the spatial configuration and magnification process. Based on above analysis, Papatheodorou (2004) further raised various possibilities of evolutionary path patterns in the long run, in which emphasize a multitude of evolutionary scenarios rather than favor a specific one. It is argued that 'what matters is not to generate a single path but to trace causes and decode conceptually the alternative processes of tourism growth' (Papatheodorou 2004, 233).

However, there are key questions and notions that are still not discussed in the literature and we see great synergetic potential in bringing these strands of the literature closer together. Two interlinked models are proposed that would unite the notions of EEG and the TALC model. An alternative path dependence model is based on the vertical evolutionary process of tourism areas, while the coevolution model related to various elements of TALC is grounded in the horizontal evolutionary process of tourism areas.

2.4.2 Path dependence theory and the TALC model

As explained before, Martin (2010) proposed an alternative path dependence model for local industrial evolution, in which four phases and two possible categories of industrial path

dependence are presented: preformation, path creation, path development and path as movement to stable state or path as a dynamic process. In my view, this model could be modified to examine the evolution of tourism areas as shown in Figure 2.6.

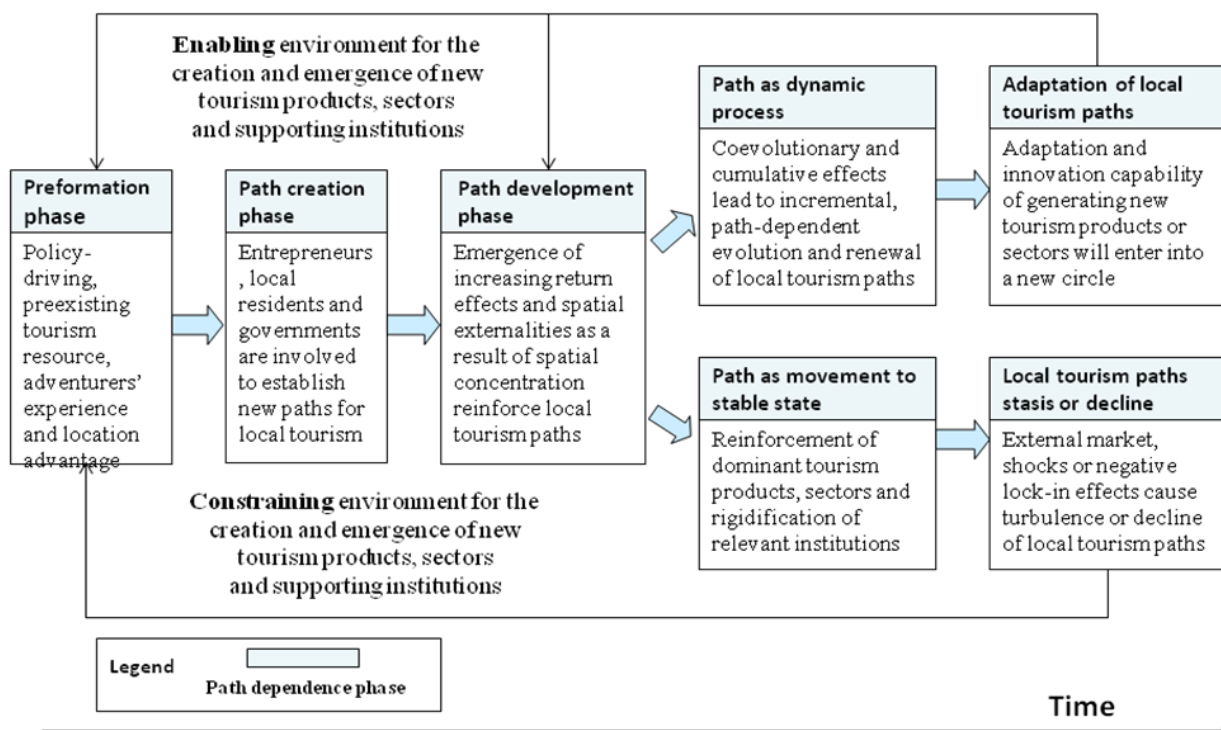


Figure 2.6 An Alternative Path Dependence Model of Tourism Area Evolution

(Source: based on Martin, 2010)

This alternative model can be used as a supplement to Butler’s TALC model to explain how and why the tourism area evolves. As shown in Figure 2.6, the emergence of a tourism area is not only due to “historical matters” or “random events” such as policy or triggers, but also depends on “initial conditions,” including preexisting natural or cultural resources, adventurers’ experience, location advantage and economic base. Once tourists come and tourism activities occur, entrepreneurs, local residents and government will be involved in exploring and developing tourism products or facilities and establishing tourism-related firms and institutions. With the path formation of a local tourism industry, economies of scale and “increasing return effects” will arise as a result of the spatial concentration of large numbers of tourists and tourism activities. This process may stimulate and reinforce the path-dependent process of tourism products, firms and institutions in tourism areas. At the beginning these

pathways can produce positive lock-in effects and cumulative causation.

However, as time goes by, tourism products can be imitated or reinvented by other resorts and their image and attractiveness may gradually decline. Tourism firms may also go bankrupt or relocate to other resorts due to increased rents, labor costs, intensive competition or institutional barriers as a negative result of spatial agglomeration. The original resort may lose its competitive advantage compared to other resorts if its attractions or products are no longer unique. At the same time, a change from a positive lock-in to a negative lock-in phase can also be caused by tourism-related institutions and environmental or social problems. In this phase, the original resort is faced with problems of adjustment and innovation. Just as Butler (2009) says, “tourism is an inertia industry.” It needs more new innovative paths of resort development, either through a radical upgrading of existing tourism products or by introducing completely new tourism products or new tourism policy-oriented incentives. As a result, the tourism destinations with adaptive capabilities for generating new paths for tourism development will experience a succession of a new cycle, while other destinations that are locked in earlier paths will enter into decline.

Furthermore, there are two main ways to use a basic path dependence model by economic geographers: ‘to explain the evolution of a particular industry, technology or institution either in a given location (region, city) or across locations’ (Martin and Sunley, 2010, p.65). Likewise, this approach can be used to explain the evolution of a tourism product, sector or institution either within the destination or across destinations. The first application of path dependence, within the destination, emphasizes the local, initial, contingent factors or stimuli accounting for the emergence of a tourism product, industry or institution in the area. The focus is on the types of self-reinforcing mechanism and co-evolutionary processes that explain the tourism area’s subsequent path-dependent development. In some case studies, particularly in relation to old destinations, the local embedding of unique attractions and network externalities is viewed as key to competitive success. In such cases, ‘lock-in’ is seen as a positive process in long term. For example, in the case study of the Niagara Falls, this

destination experiences a permanent state of maturity (Getz, 1992). In other cases, however, typically theme parks, 'lock-in' is seen as a negative feature, whereby a self-reinforcing product path leads to increasingly rigid structures which restrict its capability to adapt to changing competitive forces. In such cases, the decline of the theme park may emerge in the short run.

In the second application of path dependence across the destinations, emphasis is placed on how one type of tourism product or a given tourism sector evolves spatially across multiple destinations. Original conditions or random events lead to a new product or sector path. Several possible potential locations may be equally suitable at the starting phase. In this way, the final spatial pattern of a type of tourism product or sector is interpreted as being the outcome of early events and subsequent spatially selective path dependent cumulative processes. This application explains how new tourism product patterns or sectors emerge and develop at national and international level. In the analysis of the development of Polish spas (Kapczyński and Szromek, 2008), for instance, the path dependence approach could have been applied to explain the evolutionary process of the spas at the national level.

In addition to the conceptual contribution, the path dependence model of tourism area evolution is also useful in an empirical way. The model serves to empirically analyze path-dependent processes of a tourism area and figure out the lock-ins of the dominant products or sectors. In order to avoid the decline phase in tourism areas or unlock the past paths of a tourism product or sector, it is necessary to identify the types and degree of lock-ins (Hassink, 2010). For example, the stagnation or decline of a tourism area may be due to cognitive lock-ins (negative destination image), functional lock-ins (hierarchical supplier-customer relationships in the tourism supply chain) or political lock-ins (rigid tourism policy or the negative role of government). With the help of the identification of these dominant negative lock-ins of products, sectors or institutions, policy recommendations can be developed to stimulate new path creations, which, in turn, lead to a new circle of path-dependent evolution of tourism areas.

In sum, the path dependence model of tourism area evolution serves as a useful approach to complement for the above-described third weakness of the TALC model, namely the inadequate explanation of the decline of tourism areas. It indicates that the evolutionary trajectory of tourism areas is a non-equilibrium curve. The evolution of tourism areas is, in fact, a dynamic open path-dependent process by which products, sectors and institutions co-evolve along unfolding trajectories. This coevolutionary process, to which we will turn in the next section, allows for various possible evolutionary pathways. In this respect, the S-curve in Butler's TALC model is just one type of evolutionary trajectories of a tourism product or tourism sector.

2.4.3 Coevolution and the TALC model

The tourism area is a complicated system containing all kinds of elements with various products, sectors and institutions and their mutual interactions. Since the coevolutionary approach has its strength in analyzing heterogeneity and complexity at the micro and macro level, it can be useful to explain the evolution of tourism areas. In fact, tourism area evolution can be regarded as a coevolutionary process of tourism sectors, tourism products and institutions occurring at multiple levels within a destination, as exhibited in Figure 2.7.

This coevolutionary framework shows the interplays among various tourism sectors, governments and the dynamics of the institutional systems within which tourism products are embedded. As is indicated in Figure 2.7, the framework is divided in a level of macro evolution, which refers to the links between the following overall categories: products, sectors and institutions, and a level of micro evolution, referring to the links between the endogenous elements within the categories. Concerning the level of macro evolution, the institutional environment and external environments are considered to be a source of constraining or enabling influences on the evolution of tourism sectors and products. They determine the specific regulations applied to sectors with regard to different market segments and the provision of new products and services. Equally, the evolution of tourism products and sectors

also generates demands for changes in the institutional environment. Furthermore, tourism products play a significant role in the shaping of tourism sectors such as transportation, accommodation, recreation, retailing, tourism agencies and government agencies. Likewise, tourism sectors, in turn, drive the further development and innovation of tourism products and tourism services.

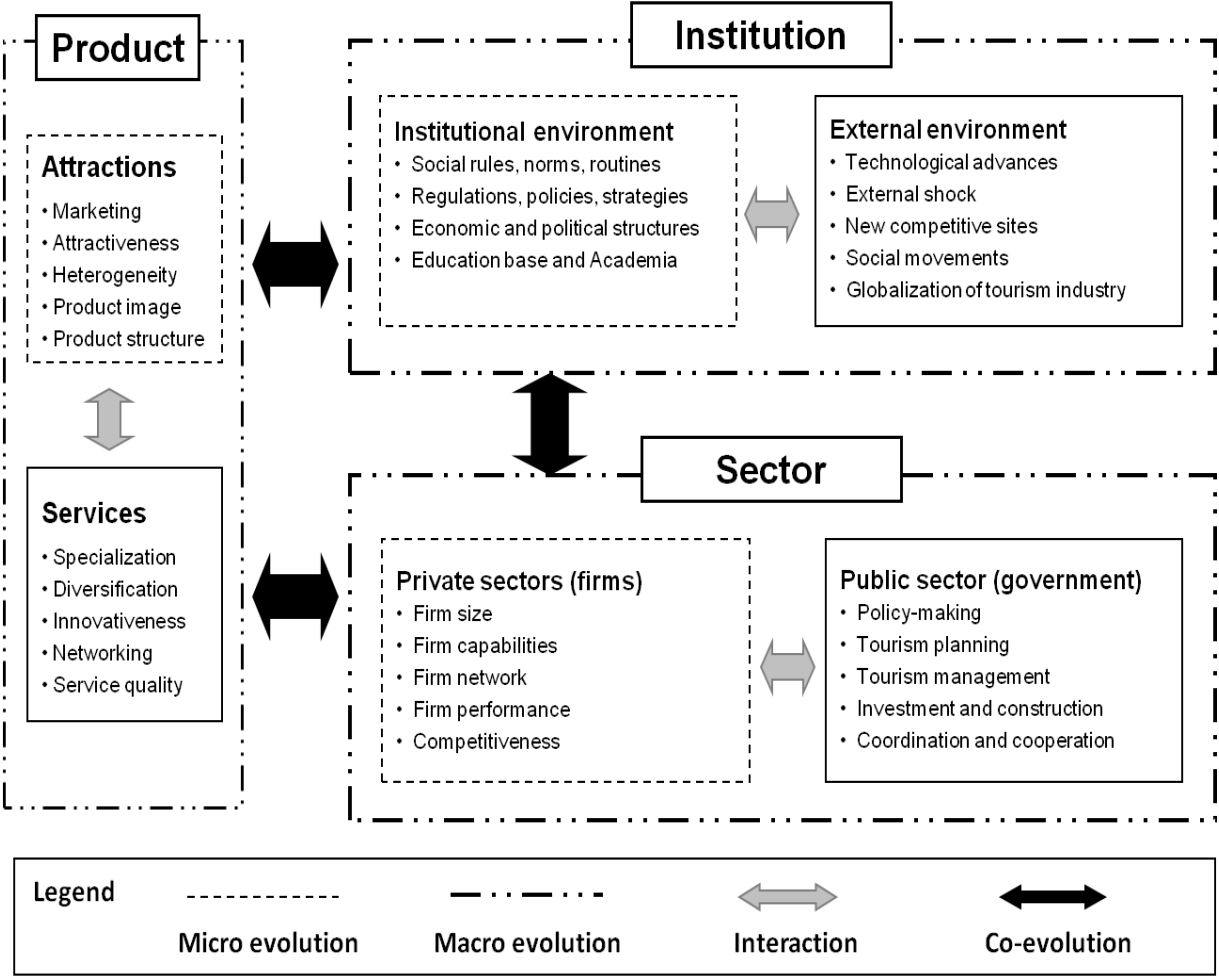


Figure 2.7 The Evolutionary Framework of Tourism Area Development

The level of micro evolution (see Figure 2.7) refers to the evolutions of endogenous elements within the three categories: products, sectors and institutions. First, in the category of products, the evolution of attractions is mutually related to marketing, attractiveness, heterogeneity, product image and product structure. Also, tourism services interact intensively with attractions. Secondly, in the category of sectors, the evolution of firms is mutually related

to the dynamics of firm size, capabilities, network, performance and competitiveness over time. Tourism firms are strongly related to the public sector through policy-making, management, planning or cooperation. Thirdly, the evolution of institutions is broadly related to changes in social rules, norms, regulations, economic structure, education base etc. Similarly, it is obviously interrelated to changes in the external environment, such as the globalization of the tourism industry.

Concerning the operationalization of the framework for empirical research, it is important to choose appropriate populations, such as different kind of tourism products, tourism firms and institutions. Furthermore, the existence of bidirectional or causal mechanisms in the chosen populations should be examined, as well as the network characteristics between the chosen populations (Sotarauta and Srinivas, 2005).

This coevolutionary framework, in which there are mutually constitutive interactions and feedbacks between the three above-described categories, is to some degree destination-specific, but at the same time path dependent. This implies that the scales and scopes of interactions vary in different phases of path-dependent processes of tourism areas. For example, in the emerging phase of a tourism area, tourism attractions may be dominant and have strong interactions with other elements, while tourism sectors are small-scale and largely dependent on the development of tourism attractions. In the development and maturity phase of a tourism area, dominant sectors, products and institutions coexist and have strong interactions with each other. This coevolutionary framework could compensate for the inability of the TALC model to elaborate on different levels of changes and interactions between the three categories in a tourism area over time (weakness 1 and 2).

2.5 Summary

As shown in the first part of this chapter, most of the current studies on the application of the TALC model focus on analyzing the stages, the unit of measurement, characteristics and impact factors. Researchers have used all kinds of available measurement data to illustrate the

evolution of specific tourism areas. Also, the characteristics of each stage are further identified in the literature. Moreover, efforts are made to examine various impact factors or indicators that affect the evolution of tourism areas, in order to apply or establish a mathematical equation to forecast each stage of the TALC model. The contents of the TALC model are expanded to the evolution of authority, settlement patterns, sectors and institutions in tourism areas. However, less attention is given to its theory and explanation of causality in the evolution of tourism areas. Moreover, the TALC model still suffers from three weaknesses: first, it fails to specify the differentiation between ‘tourism area’ and ‘tourism product’ in dealing with the ‘life cycle’, secondly, there is an insufficient distinction between the notions of ‘life cycle’ and ‘evolution’ in the model, and thirdly, ‘carrying capacity’ is not an appropriate explanation for the decline of tourism areas.

In this Chapter I have pointed out that two notions of EEG can be used to compensate for the weaknesses and deal with the criticisms of the TALC model, in particular, and to deepen the links between EEG and tourism studies, in general. First, an alternative path dependence model is proposed to explain the evolution of a tourism area. It explains the causal mechanisms leading to the evolutionary process in a tourism area and unravels the path-dependent evolution of a tourism product or sector either within a destination or across destinations. It complements for the above-mentioned third weakness of the TALC model. Secondly, the coevolutionary framework of a tourism destination is presented to highlight the coevolutionary process of tourism sectors, tourism products and institutions occurring at multiple levels within a tourism area. With the help of this framework it becomes clear that the evolution of tourism areas is a complicated multiple-level coevolution rather than a simple curve with six stages, as the TALC model suggests. It complements for the above-mentioned first two weaknesses of the TALC model.

The two proposed frameworks will be applied and explained in the following empirical Chapter 5 and Chapter 6 on the path dependence and coevolutionary processes of the Guilin tourism area development.

Chapter 3 Research Design and Methodology

3.1 Introduction

This chapter describes the research methodology used in this study. The research design and methods are determined by the purpose of research, but it is hard to find an ideal design for carrying on research (Patton, 1990). This study seeks to propose and apply an explanatory model in order to compensate the fundamental theory of tourism destination evolution. Although every research method can be used for all three purposes—exploratory, descriptive and explanatory, it is preferable to use case studies and historical methods to answer ‘how’ and ‘why’ questions (Yin, 2009). Stake (2000) also argues that case study comprises the historical backgrounds, physical setting as well as socio-cultural contexts of a specific case. Case study is not merely a data collection tactic or an analytic method, but also a comprehensive research strategy or framework of design (Platt, 1992). Therefore, this study is based on a case study approach of Guilin tourism destination, aiming at identifying some evolutionary factors and mechanisms that seem to influence the tourism development of Guilin. The timing element is also taken into consideration in the discussion about the tourism area evolution.

In order to achieve a more comprehensive understanding of tourism area evolution, a robust methodology of this study constitutes three types of data collection methods. The first method consists of interviews with selected stakeholder groups, including representatives of the government, tourism experts and tourism attraction sector, associated with tourism area development issues. The second method is to conduct a questionnaire survey of tourism business owners in Guilin. Respondents were asked to evaluate the influence of tourism policies and attraction innovation on their business. The third method is to gather published data from comprehensive sources, including academic papers, professional reports, statistical yearbooks, newspapers and tourism websites. Furthermore, the historical analysis method is used to measure the evolutionary process of tourism area.

This chapter is structured as follows. The process of using a case study and the historical approach on the case are discussed in section 3.2. In section 3.3, data related aspects of the survey process are addressed, both qualitative and quantitative secondary data, including the data collection from interviews and questionnaires. The methods of data analysis are detailed explained in the last section of this chapter.

3.2 The research design

3.2.1 Case study research

Based on the overall aim of this study, it is necessary to choose a research design which will guide the empirical research. The research design is seen as the logic of enquiry which could be used to answer the research questions (Blaikie, 2000). In other words, a research design needs to be logical links between data collection and the initial research questions (Yin, 2009). The strategy chosen for this study is case study research, together with quantitative and qualitative methods and analysis. To be exactly speaking, it is the ‘embedded case studies’, which combines more holistic data collection strategies for studying the main case with surveys or other more quantitative techniques to collect data (Yin, 2009). In this situation, other research methods are also embedded within my case study, such as a combination of secondary data with surveys or interviews.

Case study inquiry is an appropriate research method if the study is of a phenomenon that cannot be easily separated from its context, and when the aim is to identify casual relationships within the system and the wider environment (Yin, 2009). Moreover, a longitudinal case study considers change over time. As the factors and mechanisms changes through time, the market situation and technological development in the tourism industry are essential for the emergence of new tourism products. Meanwhile, the emergence of new tourism products is a process, in which the impact and effectiveness of policy measures vary through time. All the concrete research methods should be based on more realistic assumptions and real history. For instance, the focus may be on whether or not the relation between two variables within the

case is the same at two different points in time. In this research, I am intending to test whether these changes in the selected case area are able to be explained from the path-dependence and co-evolutionary perspective, within the different elements of the destination. As the aim of this study is to identify the types of change or growth that occur during tourism destination development, a case study approach can be utilized.

Nevertheless, there are some critiques about case study methods. For example, case study lacks of specific and clarified frameworks, due to the extensive range of fields in which it is used. Notably, there is a popular argument that case studies can't justify scientific generalization (Stake, 1994), as it often leads to un-confirmable conclusions. Or which can be deduced from a single case study. This study investigates one case, Guilin tourism area, with the application of a longitudinal approach to the various elements changes within the destination. According to the above arguments, there are several inevitable limitations to choose only one case as the study area, which will be discussed in Chapter 7.4.

3.3 Data sources and data collection

3.3.1 Specification of data requirement

Tourism researchers have the possibility to choose from a wide range of methods and techniques from various disciplines to study tourism (Smith, 1995), and an investigator must rely on primary documents, secondary documents, and cultural or physical artifacts as main sources of evidence. The main task of this study is to explore the evolutionary process and mechanism in China, taking Guilin tourism destination as an example. To accomplish this aim, the empirical analysis should provide strong empirical content related to the theory. An evolutionary approach to a tourism area is a big challenge for tourism researchers, as it requires the construction of complete time series data that makes the longitudinal analysis into effect. Meanwhile, it needs sufficient information from the past time to reveal how the dynamic interplay of micro-level adaptation sequences and meso-level events is implicated in a tourism area. At the same time, the difficulties of acquiring reliable data at the regional or district level in a tourism area may cause the generation of data sets for the long-term evolutionary study. Guilin tourism activities began long time ago, and it is hard to trace back

to the old times. However, Guilin can be regarded as a tourism area since 1973, based on the special political and economic environment in China. Therefore, there is at almost 40 years of data (from 1973 onwards) available to researchers. It is an acute issue that whether destination-level panel data analyses can be validated within the boundaries of statistical confidence. It means that data on many of the variables about tourism are not available in city data level. Thus, face-to-face interviews are necessary to conduct to identify the relevant variables and their causal relationships between them. Data collection was mainly based on reading secondary data, in-depth interviews with local decision-makers and entrepreneurs, and questionnaire survey of tourism business owners.

The primary data used in this study includes:

- Questionnaires for the Government Officials and Tourism Experts (See Appendix 1)
- Questionnaires for Attraction Operators or Managers (See Appendix 2)
- Questionnaires for Tourism Business Owners or Managers (See Appendix 3)

The data collection was conducted mainly during the first fieldwork in March and April, 2011. The second fieldwork was conducted in September and early October, 2011 to supplement some data. The fieldwork included:

- 1) Interviews with three key stakeholder groups
 - 10 government or association officials participated in the survey
 - 8 tourism experts participated in the survey
 - 12 attraction managers participated in the survey
- 2) The tourism business survey of Guilin
 - 120 questionnaires were valid for further analysis
- 3) Collection of longitudinal data on economic data, policy changes, tourist numbers, tourist expenditures, and tourist-related establishments in Guilin

The second-hand data used in this study includes:

- Socio-economic data of Guilin, such as Guilin Statistical Yearbook, (1980-2010),

The Guilin Population Census Data, The Guilin Economic Census Data, Guilin Daily Newspaper

- Relevant tourism planning and report documents, such as Guilin Tourism Development Program, Guilin Overall Tourism Planning (2000, 2008), Guilin Overall Urban Planning, Guilin Each Five-Year Plan
- Data on Guilin infrastructure and tourism service facilities construction, such as The Significant Construction Report and Annual Construction Plan.
- Data on tourists' behavior and resident's attitude, such as tourist and resident study report on Guilin tourism destination, previous tourist survey.
- Data on Guilin tourism marketing and management, such as Guilin tourism brochures or guidebooks, tourist route maps, and tourism service Internet.

3.3.2 Development of interviews with government officials, tourism experts and entrepreneurs

3.3.2.1 Participant profiles

The primary aim of the interview is to gain deeper insight into the tourism area evolution from the perspectives of tourism actors, such as tourism governors, tourism operators and tourism experts who have participated in the planning or decision-making of Guilin tourism destination. Those interviewees were selected from both public and private tourism sectors. It was expected to hear their independent opinions on the tourism area development based on their professional perspectives. It requires for a more comprehensive understanding of tourism area evolution through selective interviews. Those interviewees can be categorized into two groups. The first group consists of decision makers, including government officials from local Tourist Bureau, Urban Planning Bureau and Transportation Office, and tourism experts from the university and research institutes. The second group includes tourism managers from Guilin scenic spots who are familiar with Guilin tourism area development and also offer the advices or suggestions for local tourism development.

3.3.2.2 Interview methods

1) Semi-structured interviews with decision makers

The semi-structured interviews were held with public sector stakeholders and tourism experts, who have participated in tourism area planning or policy-making in the past time or now, in order to identify decision makers' opinions about how the tourism area evolves and their role and main concerns on tourism area development. The method of semi-structured interview enables the interviewees to express their opinions without much restriction while focusing on the main theme.

The individuals from the following organizations were confirmed for the interviews:

- Guilin Tourism Bureau
- Yangshuo Tourist Bureau
- Guilin Municipal Bureau of Construction and Planning
- Guilin Municipal Bureau of Communications
- Guilin Institute of Tourism
- Guangxi Normal University
- Guilin University of Technology
- Sun Yat-sen University
- East China Normal University
- Shanghai Normal University
- Guilin Tourism Corporation Ltd.
- Guilin Tourism Development Controlling Corporation
- Guilin Tourism Associations of Hotels
- Guilin Tourism Associations of Travel Agencies

These contacts are established mainly through network with previous colleagues working in the planning institutes and local university in Guilin. The interviews were arranged and conducted through two times. The initial contacts were made in January and August, 2011 (2 months prior to fieldwork) to enquire there interest for the TALC interviews. The availability

of interviews was further confirmed in March and September, 2011. The author also tried to establish more contacts with local tourism experts by initially sending enquiry emails or directly making a call, as it is available to get the contact and academic information about them from the internet. Some of the invitations were friendly responded while some were turned away. However, it is really hard to contact with the local authority or tourism managers if you have no personal relationship with them in China. Anyway, some of the contacts and further interviews were established with local tourism governors with the help of the vice director of Guilin Tourism Bureau.

The interviews were conducted according to pre-arranged schedule of meetings. These selected individuals were contacted by phone to set up an appointment, mostly in March and September, 2011. Each interviewee was sent an interview outline by email simultaneously with a covering letter giving instructions and explaining the purpose of this survey. The interview outline was sent to the decision makers in advance so that they could have sufficient time to prepare for the answers and relevant data that can be made available. The interview location was chosen by the participant to ensure that the interview was conducted in a comfortable place for the participant. The interviews normally lasted from 45 minutes to 1 hour and around, with around ten questions were asked. However, the interview topics were not confined on the questions listed in the questionnaire. Sometimes, the interviewee might propose some interesting questions. All interviewees were provided with written guarantees of confidentiality in the meeting. After an interview was finished, interviewees were offered a small gift for their kind support. Some interviews were recorded if getting the permission from the interviewees. Totally, 18 interviews with government officials and tourism experts were conducted and taped through two periods of the fieldwork in Guilin.

The survey intended to understand

- The basic historical background of Guilin tourism area development
- The evolutionary process of tourism institution and its influence
- The evolutionary process of tourism products and their influence

- The interaction and role of government and entrepreneurs in the tourism area evolution

The survey is divided into 5 sections (see Appendix 1)

- Part I provides contact information of the surveyed respondents
- Part II investigates respondents' perspective on Guilin tourism destination development
- Part III concentrates on institution changes and tourism area evolution
- Part IV concerns about the tourism attractions innovation and tourism area evolution
- Part V identifies the interaction between decision makers and tourism entrepreneurs

2) Semi-structured interviews with attraction entrepreneurs

In order to better map the contexts and backgrounds of tourism attractions or product development in Guilin, I conducted personal face-to-face interviews with Guilin scenic spots' entrepreneurs. The semi-structured interviews with the attraction entrepreneurs focused on the following issues (see Appendix 2):

- The contact information of the surveyed respondent
- The entrepreneur experience and initiatives of the scenic spot
- The evolutionary process of the scenic spot
- The interaction and cooperation with the government and other scenic spot

The scenic spots chosen for the survey are considered as typical tourism attractions for the Guilin tourism destination, either important in the past years or nowadays. The tourism attractions chosen are located mainly in four districts: the city centre, Yangshuo County, Xing'an County and Longsheng County. With the recommendations from the director of Guilin Tourism Bureau, I sampled those who are working in the tourist scenic spots for more than five years, who are in charge of the marketing or operating and quite familiar with the attraction development. The interviews were conducted according to pre-arranged schedule of meetings, including setting up an appointment and send a covering letter giving

instructions and explaining the purpose of this survey in advance. The interviews are much more flexible compared to the decision-makers interviews. Each of formal interviews normally lasted from 45 minutes to 1 hour and around, with around designed questions asked. After formal interviews, the interviewees usually guided me around the scenic areas and introduced me more information about the development issues of the attractions in depth. Totally, 12 interviews were conducted within 12 tourist scenic spots in March, April and September, 2011 in Guilin.

The individuals from the following scenic spots in Guilin were confirmed for the interviews:

- The Elephant Trunk Hill
- The Seven-Star Scenic Area
- Two Rivers and Four Lakes
- The Lijiang River Scenic Area
- Guilin Merryland Resort
- The Lingqu Canal
- The Shangri-La Park in Yangshuo
- Impression of Sanjie Liu
- The Rute Cave
- The Yuze Paradise
- The Folk Custom Villages in Longsheng
- The Third Sister Liu Scenery Park

3.3.2.3 Pilot survey

A list of interview questions were firstly designed by the author and then reviewed by the authors' supervisors and colleagues to ensure that all questions are appropriate for the research objectives. These questions were later presented to one German tourism practitioner, two Chinese professional planners and two tourism operators who have extensive knowledge and skills on the planning or managing work about tourism. This pilot study provides a useful means to make final adjustment of the interview procedure. The final

version of the interview questions were revised based on the feedback and comments from the participants.

3.3.3 Development of survey with tourism business owners

To gain insights into tourism business owners' perception on tourism area development and to explore the influential factors on their business, a semi-structured questionnaire was designed to take around 10 minutes to complete and also the surveyor ask some open questions placed in the questionnaire. The tourism business owners include the operators or managers of local tourist-related firms from travel agencies, hotels, hostels, restaurants, retailing shops and tourism transportations. They were interviewed to understand and identify how institutions and attraction innovations influence their businesses through time. The businesses chosen for my survey are basically middle- and small-sized tourist service firms. There are two reasons to explain this: first, most of tourism firms are middle- and small-sized, while the large tourism firms are state-owned in Guilin, of which have been chosen to have deepening interviews. Second, local tourism business owners or operators may more knowledgeable regarding tourism firm development and what happened in the past time and also the current situation. They were interviewed with questionnaires which have a greater emphasis on tourism products development and policy changes. Compared with setting up the interviews with government officials and attraction operators, it is much easier to access many middle- and small-sized tourism firms. Therefore, a questionnaire is designed to collect information on specified topics.

There were two people on the survey distribution team, including the author and one trained interviewer who was recruited from a local tourism college. The questionnaire was first developed in English and then translated into Chinese. A pilot survey (N=10) was carried out to test the effectiveness of questionnaire survey in March, 2011. After several modifications were made, a total of 150 questionnaires were later conducted on the Guilin tourism area.

The questionnaire is formatted in four sections (see Appendix 3):

- Part I provides basic information about their tourism businesses
- Part II identifies the impact of tourism policies and plans on their businesses through time
- Part III examines the impact of attraction innovation or development on their businesses through time
- Part IV concerns about the interaction and cooperation with government and other business owners through time

With the assistance of the surveyor from a local university, self-completion questionnaires were distributed to the managers or operators of local tourist-related businesses in their workplaces. In the tourism area, there are many retailers or business owners serving tourists. They were approached by making direct contacts in their workplace near the scenic areas of Guilin, rather than using a postal survey which is relatively popular in conducting similar research in the foreign countries. In China, self-reported surveys are still severely either turned away or with no response at all. Face-to-face survey is a much easier and cheaper way. Those tourism business owners or managers were given a brief explanation of the research purpose and asked if they would be interested in taking part. After they showed interest, they were asked to fill out the questionnaire. Therefore, a total of 150 tourism business owners participated in this survey. As for the response rate, it was estimated around 65% (the proportion of people who accepted or refused the invitation to fill out the questionnaire).

Finally, 120 questionnaires were valid for further analysis. The remaining 30 questionnaires contained either partial information or mistakes and thus they were not usable. The effective rate for the survey was 80%.

3.4 Data analysis methods

1) Analysis of interview data (the useful information are cited in Chapter 4, 5 and 6)

Note-taking was conducted during the survey. Some conversations were recorded after getting permission from the interviewees in advance. In order to preserve confidentiality, main points of the findings or opinions were summarized without specific reference to individuals. Some quotations were directly taken from the interview records. In the following the detail interviewed respondents were listed in Table 3.1.

Table 3.1 List of Interviewees

Series number	Name of organization	Position	Length	Date
G1	Guilin Tourism Bureau	The associated director	15	11/3/2011
G2	Guilin Tourism Bureau	Management director	10	8/3/2011
G3	Guilin Tourism Bureau	Administrator	8	7/3/2011
G4	Yangshuo Tourist Bureau	The deputy director	12	23/9/2011
G5	Guilin Municipal Bureau of Construction and Planning	Administrator	6	30/3/2011
G6	Guilin Municipal Bureau of Communications	Administrator	8	31/3/2011
G7	Guilin Tourism Associations of Hotels	Association	10	21/9/2011
G8	Guilin Tourism Associations of Travel Agencies	Association	9	22/9/2011
G9	Guilin Tourism Corporation Ltd.	Manager	13	9/10/2011
G10	Guilin Tourism Development Controlling Corporation	Manager	10	10/10/2011
E1	Guilin Institute of Tourism	Academic	20	14/3/2011
E2	Guilin Institute of Tourism	Academic	12	15/3/2011
E3	Guilin Institute of Tourism	Academic	8	15/3/2011
E4	Guilin University of Technology	Academic	11	7/4/2011
E5	Sun Yat-sen University	Academic	15	25/9/2011
E6	East China Normal	Academic	20	16/4/2011

	University			
E7	Shanghai Normal University	Academic	8	18/4/2011
E8	Guangxi Normal University	Academic	9	9/4/2011
S1	The Elephant Trunk Hill	Attraction manager	15	16/3/2011
S2	The Seven-Star Scenic Area	Attraction manager	8	18/3/2011
S3	Two Rivers and Four Lakes	Attraction manager	9	17/3/2011
S4	The Lijiang River Scenic Area	Attraction manager	20	22/3/2011
S5	Guilin Merryland Resort	Attraction operator	8	29/3/2011
S6	The Lingqu Canal	Attraction operator	6	29/3/2011
S7	The Shangri-La Park in Yangshuo	Attraction operator	9	26/9/2011
S8	Impression of Sanjie Liu	Attraction operator	8	28/9/2011
S9	The Rudi Cave	Attraction manager	12	23/3/2011
S10	The Yuzi Paradise	Attraction manager	6	5/10/2011
S11	The Folk Custom Villages in Longsheng	Attraction operator	12	7/4/2011
S12	The Third Sister Liu Scenery Park	Attraction operator	15	21/3/2011

Source: author's data

Note: 'Length' refers to how long interviewees have worked in tourism area

2) Analysis of tourism business owners' survey data (the details are discussed in Chapter 6)

The data collected from tourism business owner survey were coded and arranged using SPSS, a powerful statistical analysis tool. The tourism business owner data were conducted in two stages.

a) Descriptive analysis and cross-tabulations were used to examine the basic characteristics of all respondents' businesses.

b) The business owners in this study were divided into seven tourism sectors, based on

which tourism sector they are working. Comparison analysis was conducted among these different tourism sectors.

3.5 Summary

This chapter has discussed the research techniques and methodological procedures. A robust methodology which combines qualitative and quantitative techniques is developed to investigate the decision-makers' perception of Guilin tourism area development, the tourism attraction operators or managers' perception on scenic spots and their influential factors and the impact of policy changes and product innovation on tourism business development issues in this study.

Qualitative interviews have been conducted to collect the opinions from two key decision-makers, including government officials and tourism experts who have participated in the planning or management of Guilin tourism area development. Totally, 30 interviews have been conducted during two periods in 2011. At the same time, on-site investigation was carried out to survey the tourism business owner' or managers' opinion on the impact of policy changes and product innovation on tourism business development. In total, 120 questionnaires from this survey are usable for further analysis.

Thus, Chapter 4 will identify the institutional-historical contexts of the case study and presents an overall introduction of Guilin tourism development. Chapter 5 will analyze the path dependence of the Guilin tourism area development, based on the second-hand data and primary data from the interviews with government officials, tourism experts and attraction operators or managers. In the same vein, Chapter 6 will examine the coevolution of tourism products, sectors and institutions in Guilin and also present results from questionnaire survey of tourism business owners or managers, derived from the data collection programme developed in this research.

Chapter 4 Locating Guilin: Changing Environments for Tourism

4.1 Introduction

This chapter provides a retrospective overview of the market-institutional contexts and Guilin's tourism development within the context of its history and economic base. The primary aim is to uncover the implications of diverse market-institutional backgrounds and local history and economic base for analyzing Guilin's tourism development. Guilin's tourism development has to be historically contextualized in relation to both the international market environment and institutional policy environments. Hence, it is necessary to situate Guilin's tourism development in the international tourism marketplace and China's institutional trajectories for the tourism industry and firms. At the same time, it is also vital to get a general overview of the case area and its tourism development. This also provides a context for the analysis in Chapter 5 and 6 which examines the path-dependent and coevolutionary processes of the Guilin tourism area.

This chapter thus locates Guilin's tourism development in the wider context of international tourism market, China's institutional changes, Guilin's history and its economic base. It begins by introducing the changing environments for Guilin's tourism industry, involving changes in international market environment, national institution environment and China's tourism policies. The subsequent section provides a detailed analysis of Guilin's history, economic development, tourism development and the importance of the tourism industry in Guilin.

4.2 The changing environments for Guilin's tourism development

4.2.1 External tourism market environment changes

Over the past few decades, tourism has experienced continuing growth and deepening diversification, which is considered as a key driver for socio-economic progress. As estimated by the UNWTO, the contribution of tourism to economic activity worldwide is at some 5%, while tourism's contribution to employment tends to account for approximately 6-7% of the overall number of jobs worldwide (direct and indirect) (UNWTO, 2012). Moreover, from 1950 to 2010, the number of international tourism arrivals grows from 25 million to 940 million, expanding at an annual rate of 6.2% (UNWTO, 2011). These dynamics indicate that tourism has become one of the fastest growing economic sectors and also one of the major players in international commerce in the world. In these circumstances, more and more developing countries are seeking to develop the tourism industry in order to produce employment and economic benefits from foreign capital exchange. Data from the world tourism organization, for example, indicate that the share in international tourist arrivals received by emerging and developing countries has steadily risen from 31% in 1990 to 47% in 2010 (UNWTO, 2011). Thus, the growth of tourism is closely associated with an increasing diversification and competition among destinations. It is widely argued that the improvement of transportation facilities has attributed to the great rise in international tourism worldwide (Urry, 1995). The emergence and supply of diverse transportation vehicles have enabled either intraregional long distances travel by airplane or train or interregional travel by car or bus. Moreover, the advent of charter flights and package holidays has made air travel for mass tourists economically affordable and also improved the transport accessibility of more distant or peripheral destinations in Asia and elsewhere (Mullings, 1993). With the greater use of transport vehicles, distances shrink and travel time shortens, more relative leisure time is thus obtained. In other words, it has added that sense of 'time-space compression' for tourists (Mowforth and Munt, 1998, p28).

Undoubtedly, China has become one of these developing countries which stand to benefit from international tourism. A vital catalyst for the development of China's international tourism has been the changes occurring in the scale and nature of supply and demand for tourism service since the reform and opening up policy started in 1978. The number of

international tourist arrivals has increased rapidly from 1.81 million in 1978 to 135.42 million in 2011 (Figure 4.1). At the same time, international tourism receipts has reached \$ 48.46 billion in 2011, up from \$ 263 million in 1978. As noted, overseas demand was the primary driver for China’s travel consumption in the first decade of China’s economic transition. Especially, China’s entry into the World Trade Organization has provided many opportunities for its tourism development, such as fewer formalities and barriers for international tourists, removal of some local protectionist policies and upgrade of financial and information facilities (Lew et al., 2003). China has gradually entered to the globalization process, and thus more and more China’s tourism destinations compete at a global level.

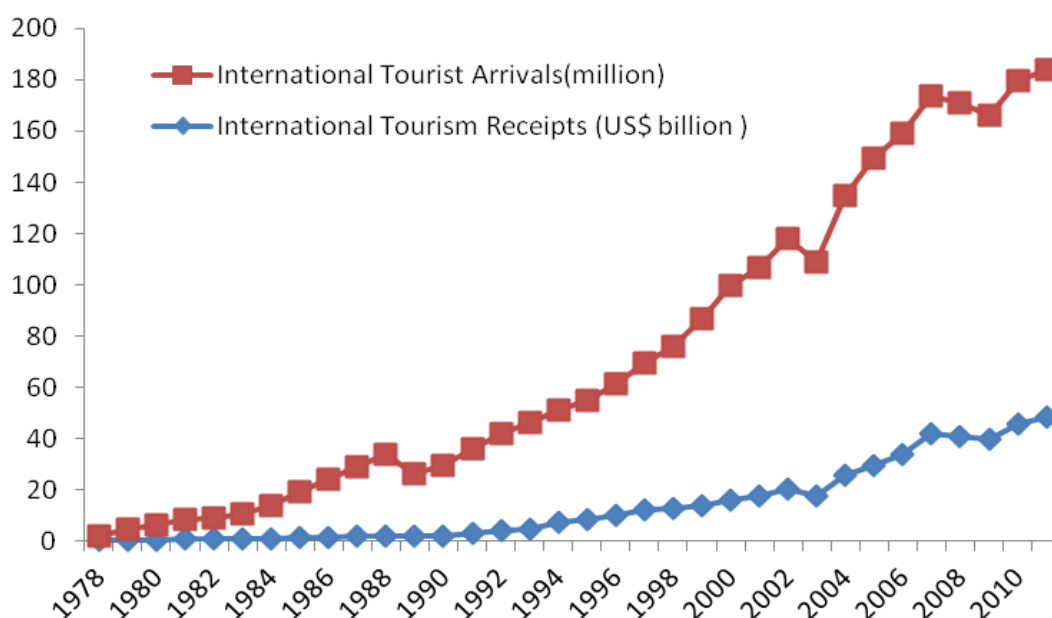


Figure 4.1 International Tourism in China, 1978-2011

Source: China National Tourism Administration (1979-2011)

Moreover, the tourism industry has both benefited from and contributed to rapid growth of the Chinese economy. According to China statistical data, the country’s gross domestic product (GDP) reached RMB 47.29 trillion Yuan in 2011 (US \$1.00=RMB 6.13 Yuan, May 2013) and China’s economy grew by an average rate of 9.9 % per annum between 1979 and 2011 (China Statistical Yearbook, 2012). In this regard, sound economic growth has supported the development of China’s tourism industry and fostered more Chinese tourists,

both domestic and outbound. In a similar vein, the gradual increase in households' disposable income suggests that more and more Chinese tourists could afford further expenditure in travelling and even longer holidays. For example, the annual disposable income of urban households increased from RMB 343.4 Yuan per capital in 1978 to RMB 21809.78 Yuan in 2011 (China Statistical Yearbook, 2012). Additionally, the holiday system changes have radically stimulated the development of domestic and outbound tourism, especially the implementation of three golden holidays. According to statistics issued by the (China National Tourism Administration) CNTA, tourist resorts of China received 182.7 million tourists during the three golden holidays in 2001, with the tourist receipts of RMB 73.58 billion Yuan (Wu et al., 2012). In these circumstances, the number of China's domestic tourists surged from 542 million in 1994 to 2.64 billion in 2011, while the tourist revenue rose from RMB 102.35 billion Yuan to RMB 1.93 trillion Yuan (as indicated in Figure 4.2). Correspondingly, it suggests that the tourism sector has become by far the important contributor to GDP in China's economy. Despite the opportunities for economic benefits that the tourism industry presents, many resorts of China must vigorously compete for tourists and market themselves as unique destinations for consumption nowadays.

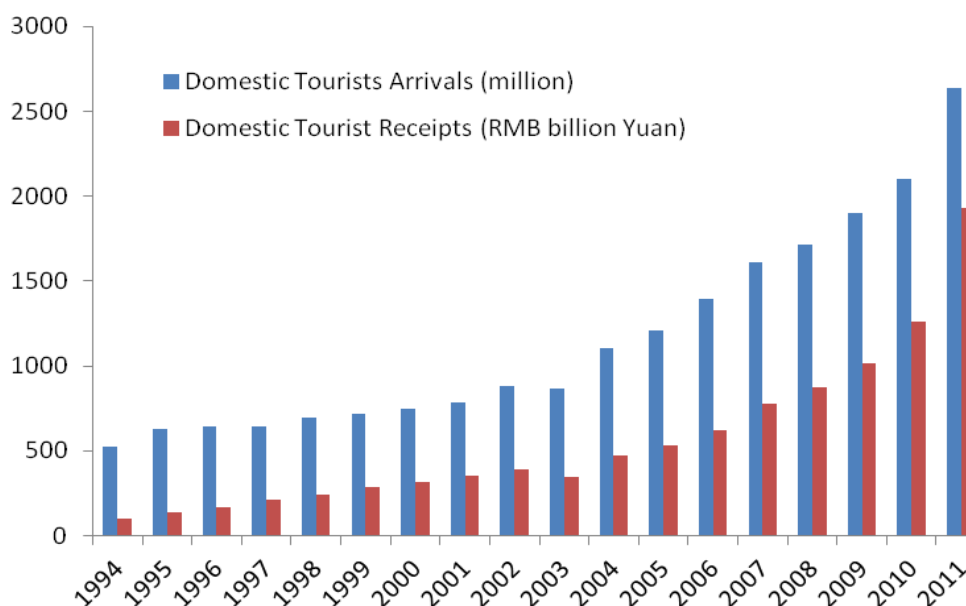


Figure 4.2 Domestic Tourism in China, 1994-2011

Source: China National Tourism Administration (1994-2011)

4.2.2 National institutional environment changes

4.2.2.1 China's transition: from planned economy to socialist market economy

After the founding of P.R. China, China has experienced two different economic systems, a centrally planned system and a changing market-oriented system. Between 1949 and 1978, coined as Mao's era, the Chinese economy was under the central planning system, which stresses the state's authority in organizing the national economy with central comprehensive plans and a system of collective ownership (Kornai, 1992). It is well-known that the reform and opening up policy endorsed in the Third Plenum of the 11th Chinese Communist Party Central Congress (CCPCC) in 1978 marks a watershed change, indicating the beginning of the economic reform and structural transition. Since 1978, the central planned system has gradually and incrementally changed to a market-oriented system after the reform and opening up policy implemented during Deng's era.

The second breakthrough event for economic development was the 'Decision on the Reform of the Economic System' in the 12th CCPCC in 1984, in which 'five together' policy was proposed allowing government, localities, individual government departments, collectives, and even individuals to invest in economic projects and businesses (Zhang et al., 1999). Moreover, the element of market in the economy was gradually accepted by the authority. In this circumstance, the establishment of non-state sectors increased rapidly, especially joint-venture enterprises and TVEs (town and village enterprises). Nevertheless, the core of central planning system remained and the state sectors were still predominant by the early 1990s.

The third wave of further radical reform started from 1992. At this year, there was a big event that Deng Xiaoping made his southern tour to mobilize local support for further radical reform. Deng's visit tipped the political balance and also set the goal of further reform to build a 'Socialist market economy' of China. The ideological breakthrough occurred afterward at the Third Plenum of the 14th CCPC in November 1993, which declared the historical 'Decision on Issues Concerning the Establishment of a Socialist Market Economic

Structure' (China Daily, November 17, 1993). It is a significant turning point of China's economy, as the essence of this decision intended to replace China's centrally planned system with a socialist market system and eventually incorporate into international market-supporting institutions, including formal fiscal federalism, a centralized monetary system and a social safety net (Qian and Wu, 2003).

The fourth major breakthrough was the 15th CCPCC held in September 1997 which decided to convert state-owned enterprises into western-type corporate governance in stock market, in particular the reconstitution of property rights with its explicit emphasis on the rule of law. As the state ownership was still considered as a 'principal component of the economy', private ownership was a 'supplement component of the economy' in the 14th CCPCC decision. However, the 15th CCPCC mainly concerned about ownership issues, in which private ownership was elevated as an 'important component of the economy', while state ownership as 'pillar of the economy'. These subtle changes reflected a big breakthrough in political ideology. Moreover, private owned enterprises have gained legitimacy, especially the establishment of property rights.

Recently, China's economy has intensively integrated into the globalizing marketplace by some notable international events, such as China's entry into the World Trade Organization in 2001, the successful hosting of the 2008 Beijing Olympic Games and the 2010 Shanghai World Expo. These significant events suggest the gradual and incremental transition process of both China's economic and institutional system. In order to figure out China's dramatic transition close related to the development of the tourism sector, two themes are noted: (1) enterprise system reforms and ownership transformation; (2) from centralization to decentralization: the balance of local government and central government. These transitional elements have undoubtedly created an analytic institutional setting for tourism development in China. Equally, China's gradual transition is a critical backdrop for understanding tourism development in Guilin.

4.2.2.2 Enterprise system reform and ownership transformation

Accompanying China's economic transition, changes in enterprise system and ownership have experienced three periods. The period between 1949 and 1978, the country was under a socially planned economy, while the state sectors were based on a complete public ownership. In this context, the managers of SOEs (state-owned enterprises) had little authority over R&D, investment, planning, marketing and management matters as well as production scheduling, wage allocation and employments. The period between 1979 and 1992 was characterized by policy incentives for non-state sectors and policy adjustment for SOEs, involving the contract system, separation of property from management, and Fang Quan Rang Li (which means the beginning of an enterprise profit reserving system, and the expansion of rights to use the reserved profit) (Chen, 2009). During this period, the first significant policy conducted in SOEs was 'Contract Responsibility System', dating from 1984. Under this system, the manager of a firm signed a contract with a state agency and had the right to run the firm in its daily operation, while the firm remained to be the state's asserts. Gradually, the incentive policies like 'mandatory planning reduction', 'profit-retention mechanisms', 'profit tax reform' and 'production responsibility systems' provided the managers of SOEs with more autonomous authority (Liu, 2009). The second significant policy for enterprise reform was the separation of property rights from management rights. In this regard, the managers of SOEs had more decision-making rights on production and management, including price, production, marketing, investment, employment and internal organization management. However, the implement of this policy lacked of proactive regulation and supervision. Actually, such kinds of enterprises were still 'agencies' of government departments or danwei (different government-owned work units, see also Lin et al., 2005).

In the meantime, private ownership enterprises or businesses with self-employed individuals were officially stipulated as necessary parts of the socialist economy since 1982. In 1988, the self-employed individuals and private enterprises were referred as useful supplements to socialist public ownership, while the provisional regulations on private enterprises were

issued by the central government. In these circumstances, the ownership structure of the industrial sector changed significantly between 1980 and 1994, especially a steep decline in the share of SOEs and urban collectives in the employment rate (Steinfeld, 1998). On the contrary, the share of TVEs' employment rose from 22 percent to 38 percent, while share held by private enterprises (mainly joint-venture) increased from 1 percent to 14 percent (Qian and Wu, 2003). Most non-state enterprises, for instance, TVEs were either collective or joint ventures, which were actually controlled by local governments and hence not truly private. Despite prior resource allocation in SOEs' and TVEs' favour, their performance remained poor compared to that of private enterprises, as both the SOEs and TVEs lacked clearly defined property rights and good corporate governance.

Modern enterprise reform started from the 1993 decision on economic structure reform to build a socialist market economy. The decision addressed the enterprise reform issue in a more fundamental way by emphasizing property rights and ownership. It focused on transforming SOEs into 'modern enterprises' with 'clarified property rights, clearly defined responsibility and authority, separation of enterprises from the government, and scientific internal management' (Qian and Wu, 2003). In order to improve the financial performance of many deficit-ridden enterprises and establish a uniform market-led supply system, some small state-owned enterprises can be contracted out or leased while others can be reconstituted in the form of stock sharing, or sold to collectives and individuals (Qian and Wu, 2003). In these regards, the reform of enterprise ownership restructuring has diversified organizational forms of enterprises by privatizing and transforming SOEs into hybrid enterprises, involving limited-liability companies, shareholding companies, and Sino-foreign joint companies. Through the modern enterprise system, the government not directly intervenes in the management of state-owned enterprises, and the SOEs could become independent in the marketplace. Concurrently, the government has actively enacted legislation on enterprise activities since the 1990s, in order to establish normative management environments for enterprises (Chen, 2009).

Despite the intensive policy incentives of the government, the implement of this enterprise reform proceeded quite slowly because of macro-institution environment and potential social problems with lay-off workers. In 1996, the policy ‘Zhua Da Fang Xiao’ (which means controlling large-sized SOEs and freeing small and middle sized SOEs) was released to encourage the privatization of small and medium sized SOEs. Moreover, the joint-stock privatization of SOEs was formally confirmed as a form of socialist economy in the 15th CCPCC in 1997. The former China’s premier, Rongji Zhu made a speech to accelerate and finish the reform of SOEs within three years in 1998. In this context, 1464 SOEs were privatized with joint-stock form and among which more than 1000 enterprises were listed in either domestic or international stock markets by the end of 2004 (Chen, 2009). Meanwhile, private enterprises, either through the privatization of small and middle sized SOEs or individual businesses have played increasingly important role in China’s economy. This complicated ownership structure has led to the hybridization of China’s economy. However, the reform of SOEs can’t be executed radically, due to the sticky persistence of bureaucratic institutional system and the absence of ‘rule of games’ and third party’s supervision.

4.2.2.3 Decentralization in China: urban competition

In a similar vein, fiscal decentralization has also been a fundamental component of China’s transition from a centrally planned economy to a socialist market economy. The highly centralized fiscal management system have gradually transformed through various forms of fiscal contracting system from 1978 to 1993 (Lin et al., 2005). The fiscal contract system replaced the centralized fiscal regime by contracting between the upper and lower levels of government. In the meantime, the provincial and city governments had somehow autonomy to accelerate their local economy, including determining prices, establishing new firms and making investment. The developing speeds and gaps among cities started since the announcement of the four special economic zones (Shenzhen, Zhuhai, Xiamen, Shangtou) as ‘experimental zones’ of open districts in 1979. In 1984, the central government further declared 14 coastal cities as ‘coastal open cities’ to attract foreign capital and technology. All these regions were granted privileges to attract foreign investment, talents, and advanced

technologies and develop their own economies. In the early 1990s, the opening up policy in China expanded to huge inland areas. Since 1994, the fiscal system has been shifted to a tax sharing system by replacing particularistic fiscal contracting with revenue sharing under separate tax systems for the central and local governments. Under the tax sharing system, the central government has shored up its capability to achieve macroeconomic stability, regional equalization and public goods and infrastructure provisions (Qian and Weingast, 1996). From a historical perspective, the relation between central and local government of China always displays multiple layers whose cyclical pattern expresses ‘decentralization in the centralized system’ and ‘centralization in the decentralized system’ (Chen, 2009).

Correspondingly, the decentralized process has caused the intensive competitions among local governments, which in turn has increased government’s efficiency on the one hand and spurred local protectionism and construction duplication on the other (Wei, 2007). With the drive for economic growth and competition, regional ‘resource wars’ have occurred, in which local governments used legal or illegal administrative instruments to protect their local markets and restrict interregional resource flows (Wei, 2007). For example, many regions and cities of China have involved in the competition of tourism-oriented development course, which was manifested in three aspects. First, many regions both developed and less developed have embarked intensively on tourism promotion, as they claimed to have ‘comparative’ or ‘absolute advantage’ in tourism resources. Secondly, many regions have invested vast capitals to develop tourism and promoted tourism industrial strategy, as tourism has been regarded as a ‘sunrise’ industry. Thirdly, excessive competition has also emerged via price-cutting among Chinese tour operators in the marketplace with decentralization of tourism businesses (Xu, 1999). Through such decentralization, regional economies became diversified and uneven, relying on the local capability and tactics in political bargaining and policy lobbying with the central government and cooperation with other local regions (Xu, 1999). Thus, the hybridized process of economies together with globalization are generating new spaces of uneven development and changing the configuration of regional development models and clusters (Wei, 2007).

4.2.3 China's tourism policy changes

After the establishment of the PRC, tourism was used as a political and diplomatic vehicle for receiving the representatives of a few friendly countries and regions, such as Chinese compatriots or foreign delegations from socialist countries during 1949 and 1965. It indicated that tourism of this kind was essentially a public relation. The Cultural Revolution (1966-1970) made tourism come to a standstill. A number of overseas Chinese from Hongkong, Macau and other foreign countries were allowed to visit several designated destinations like Guilin after 1973. Nevertheless, serving these guests was essentially 'a top-down political task' without any commercial incentives before 1978 (Xu, 1999, p57). It is widely acknowledged that the beginning of tourism as an industry began with the 3rd session of the 11th CCPCC in 1978, which announced that tourism 'not only promotes mutual understanding and friendship', but also 'accumulates funds for the splendid plan of our Four Modernizations'(Richter, 1989). As stated before, China's transition is a critical backdrop for understanding tourism development in China since 1978. Equally, what was happening in tourism policy was also important for understanding tourism development in Guilin. Three historical periods were identified to examine changes in tourism policy and the role of government in China, namely, 1978 to late 1980s, during the 1990s, and the 2000s onwards.

4.2.3.1 Historical period one: 1978- late 1980s

It was not until 1978 that tourism commenced its economic function, but the nature of tourism was still politics plus economic from 1978 to 1985 (Zhang, 1995). During this period, the guideline for developing tourism was "positively develop inbound tourism and properly consider domestic tourism" (Zhang, 1995). The Chinese authorities and leaders paid attention to the potential of the tourism industry for profit making and social reconstruction since 1978. Between late 1978 to early 1979, Deng Xiaoping delivered five speeches which contained the issues of tourism development (Xiao, 2006). Moreover, the State Council of China held four national tourism works conferences and offered a series of policies to stimulate tourism development between 1979 and 1986 (see Table 4.1). In the

context of the economic reform, a critical policy decision was made by central government in 1980 to construct tourism facilities by attracting foreign investments. The growing establishment of high-ranking international hotels in the 1980s was attributed to the introduction of FDI (foreign direct investment). According to the documents, more than half of the inward FDI in China was invested in hotel development in the 1980s. In this regard, the hotel sector was the earliest and most open sector to outside world due to the infusion of investment and transfer of management from overseas investors (Gu et al., 2012). Another notable policy was ‘five together’ proposed by Deng Xiaoping in 1984, which allows government, administrative agencies, collectives, locals together with individuals to invest in the tourism industry (Zhang and Chong, 2002). Thus, diversification of investment in the tourism industry has occurred since the mid-1980s when exclusive federal government control was extended to state government, local government, departments, collectives and individuals.

In 1986, the development of the tourism industry was firstly on the agenda of national economic plans. At the same year, central government has started to allocate RMB 500 million Yuan as a developing fund for the tourism industry every year. With the growth of tourism firms, some provisional regulations were established for the administration of the tourism sector. In 1985, the State Council of China proclaimed ‘Provisional regulations on the administration of travel agencies’. To encourage initiative further at the local level, all travel agencies were divided into three types (CNTA, 1984):

- The first level travel agencies can receive all tourists, both international and domestic;
- The second level travel agencies can receive overseas Chinese, visitors from Hongkong, Macau, and domestic tourists;
- The third level travel agencies can only receive domestic tourists.

Since 1986, there has been an over-supply of hotel rooms because of rapidly increasing demand and government incentives. In order to improve service quality and streamline the hotel administration process, the CNTA launched a formal hotel star rating system as a

management strategy to establish national hotel standards (Liu and Liu, 1993; Gu et al., 2012), which for the first time permitted comparison and benchmarking of hotels across China. In this circumstance, ‘Regulations on the star rating and evaluation system of hotels’ was set up in 1988. In the beginning, the hotel star rating system was applied only to government-endorsed hotels that received international tourists (Liu and Liu, 1993). Gradually, hotels were rated from one-star to five-star, as in many other countries, according to quality of physical condition and service. Local tourism bureaus are responsible for rating one- to three-star hotels while the CNTA finally verifies the ratings of three-star hotels and rates four- and five-star hotels (Liu and Liu, 1993).

Table 4.1 Major Tourism Policies and Regulations, 1978-1989

Year	Policies and regulations	Policy implications
1979	Introduction of FDI	Attracting FDI initially in the hotel sector
1984	“Five together”	Stimulating government agencies, collectives and even individuals to invest in the tourism industry
1985	Provisional regulations on the administration of travel agencies	Establishing the first formal rule on travel agencies in the tourism industry
1988	Regulations on the star rating and evaluation system of hotels	Standardizing the regulations on the hotel sector in the tourism industry

Source: (Zhang *et al.*, 2002)

4.2.3.2 Historical period two: during the 1990s

There was a big change in the government predominate role with the implement of Chinese socialist market economy model after 1992, which also had a prominent impact on tourism policy changes in the 1990s. Moreover, a five-day workweek has been established in the early 1990s, which enabled some leisure time for people and thus potentially stimulated domestic and outbound tourism market in China. During this period, the CNTA formulated a strategic guideline for the development of tourism market: ‘intensively develop inbound tourism, actively develop domestic tourism, and reasonably develop outbound tourism’

(CNTA, 1995). According to a series of tourism policies and guidelines listed in Table 4.2, the main changes in tourism policies could be summarized into four aspects.

Table 4.2 Overview of Tourism Policy Changes in the 1990s

Year	Policies and regulations	Policy implications
1990	Intensively focus on developing the tertiary industry, including the tourism industry	Formulating specific policies about the tertiary industry, within which the tourism industry is also important
1990	Provisional regulations on tour organization of Chinese citizens travelling to three countries of southeastern Asia	Attributing to the emergence of Chinese outbound tourism market
1991	Nine suggestions on the regulations of the tourism industry	Taking the initiative on tourism marketing and promotion
1992	Decisions on developing the tertiary industry	Aiming at creating opportunities to support and speed up tourism development
1992	Developing state-level resorts	Stimulating the previsions of tourism attractions
1993	The initiative to develop domestic tourism	Focusing on both domestic and international tourism development
1993	Provisional regulations on the administration of hotel management companies	Upgrading the management standards of hotel companies
1994	Changing the data collection ways of tourism statistics from foreign exchange	Establishing a comparatively complete industrial policy system of the tourism industry
1995	Considering the tourism industry as a critical emerging industry	The tourism industry became more and more important in national economy
1995	Provisional regulations on the administration of guarantee funds of travel agencies	Improving the service quality and customer satisfaction of travel agencies
1996	Regulations on the administration of travel	Further upgrading the qualification and licensing of

	agencies and tour guides	travel agencies and tour guides
1997	Provisional criteria for Chinese citizens travelling abroad at their own expenses	Further standardizing outbound tourism market
1997	Changes in the category of travel agencies	Adapting the types of travel agencies to the changing market and enhanced competitiveness of travel agencies
1998	Considering the tourism industry as a new growth area of national economy	Promoting the role of the tourism industry in national economy
1999	Provisional regulations on tourism planning	Tourism planning become important policy for tourism development at different scales and scopes
1999	Classification and evaluation of tourism resources	Tourism resources become one of the basic endowment elements for regions to develop tourism
1999	Categories and rating standards for tourism attractions	Tourism attractions with different levels become formulized with standard evaluations and managements

Source: The Yearbook of China Tourism Statistics (1990-2000)

First, the development of the tourism industry has become more and more important in Chinese national economy. Since 1990, there was intensive focus on the construction of tourism facilities and infrastructure, which was also included in the developing plan of the tertiary industry. In 1995, the tourism industry was considered as an important emerging industry, which could offer increasing job opportunities for local residents. The tourism industry as regarded as a growth pole for China national economy in the tourism works conference in 1998, which further promoted the role of the tourism industry in China's economic development.

Secondly, the standard regulations or rules for the tourism sector were gradually formulated during this period. Taking a further step on the regulation of hotels, the CNTA issued the supervision of hotels since 1993. Afterwards, hotels were required to have an identical

business license and use the standard public information graphical symbol. At the same time, the standard regulation on the administration of travel agencies was announced to upgrade service quality and tourist satisfaction by charging the guarantee funds of service quality. Later on, the insurance deposit from travel agencies was also added to handle their debts problems in 1995. Moreover, travel agencies have also experienced their level evaluation transition. In the earlier stages, as stated before, travel agencies were divided into three types. Since 1997, they have been transformed into two categories, international and domestic travel agencies, due to the rapid growth of domestic and outbound tourism. Furthermore, mass restoration and development of tourism attractions occurred due to a long-term policy that the government allocated RMB \$5 billion annually to the top 14 tourist cities for tourism project development (Zhang et al., 1999). The rating system for tourism attractions or scenic areas has become more and more specific and subtle from national, regional, city, county to town level. For example, the CNTA issued the national standard for ‘Classification and evaluation of tourism resources’ in 1999. Later this year, the CNTA further declared ‘Categories and rating standards for tourism attractions’. The categories are awarded based on amongst others the importance of the site, transportation, tours as well as issues related to safety, cleanliness and sanitation. In addition, the standard regulation on tour guides also gradually came into being during this period.

Thirdly, the government has placed tourism marketing and promotion on agenda. The CNTA has announced annual tourism theme for China’s tourism promotions since 1992. For example, ‘Friendly Sightseeing Year’ was prompted as the tourism theme of 1992, then came ‘Landscape Tour’, ‘Tour of Cultural Relics and Historical Sites’, ‘Folk Customs Tour’, ‘Holiday Tour’, ‘Year of Chinese Tour’ and so on in the following years (see also Table 4.3). The state’s tourism promotion is helpful for integrating various cultures into a common theme for consumption and imagination. On the one hand, the change in tourism themes reflects the demand of tourism market and the involvement of the government. On the other hand, these themes portray a united image to Chinese people and to the global community. Moreover, China officially joined the Pacific-Asia Travel Association in 1993 and has also

actively engaged in participating or holding regional and international tourism exhibitions (Zhang *et al.*, 1999).

Table 4.3 The Annual Theme of China's Tourism Promotion, 1992-2013

Year	Theme	Year	Theme
1992	Friendly sightseeing	2003	Culinary Kingdom of China
1993	Landscape Tour	2004	Catch the Vernacular Lifestyle
1994	Tour of Cultural Relics and Historical Sites	2005	China Travel Year; Beijing 2008-Welcome to China
1995	Folk Custom Tour	2006	Rural Tourism
1996	Holiday Tour	2007	China Harmony Urban & Rural Tourism
1997	Year of Chinese Tour	2008	China Olympic Games Tourism
1998	Urban and Rural Tour	2009	China Ecological Tourism
1999	Ecological Environment Tour	2010	Expo Tourism
2000	Century Tour-China's World Heritage	2011	China Happy& Healthy Tour
2001	Sports and Health of China	2012	China Cultural Tour
2002	Folk Arts of China	2013	China Marine Tourism Year

Source: The Yearbook of China Tourism Statistics (1992-2012)

Fourthly, tourism development and planning has been placed increasing importance in the economic plan from national, provincial to municipal level since the 1990s. As a response to Deng's advocacy for tourism development planning at the provincial level, tourism development and planning has been on the agenda of both the CNTA and most provincial governments since the late 1980s (Xiao, 2006). Until 1999, the first official regulation 'provisional regulations on the administration of tourism development and planning' was formulated and made effective.

4.2.3.3 Historical period three: the 2000s- the present

At the beginning of this period, rapid changes in the structure of economic activity and institutional environments required effective adjustment policies to address the problems emerged in Chinese society. In order to improve service quality of tourism firms and their adaptive capabilities in the marketplace, the governments have made great efforts to adjust or establish policies and regulations on the tourism industry. The aim of China's tourism is to achieve a great leap forward transforming China from a popular tourist country to a dominant tourist country. The main strategic guideline for tourism market development is 'on the base of domestic tourism, dominant on inbound tourism and supplemented by outbound tourism'. There are two main characteristics of tourism policy changes during this period:

First, the role of the tourism industry in national economy become increasingly important, while the government aims at building China into a powerful tourism country. Government gives more support to tourism industry, particularly on the construction and investment of tourism infrastructure and enhancement of human resources. Moreover, the guideline for tourism is to promote the development of holiday economy by the implementation of three golden holiday system. Since the impact from holiday economy, the local government focuses on improving the emergence system of tourism activity, especially after the outbreak of SARS (The Severe Acute Respiratory Syndrome) epidemic. Furthermore, national tourism orientation is to speed up the development of tourism industry in the western of China. In 2004, the improvement of human resources in tourism industry was emphasized in national tourism works guideline and it also encourages state-owned enterprises to compete at the international market. In the past time, the regulations were only made for the tourism industry, but not for tourism organizations of government. The CNTA made the first trial for the regulation on the administrative behaviour of government in 2006, namely 'provisional regulations on the implementation of administrative licensing from CNTA'.

Secondly, the CNTA emphasized the modification and adjustment of some regulations on the tourism sector, in particular to improve the quality of tourism service. The regulation system

of travel agencies becomes more standard and complete at the national level. Since 2000, the CNTA has gradually established, renewed and standardized the regulations on travel agencies. The CNTA also ranks the top 100 national and international travel agencies every year since 2000. In 2002, the inspection on the qualification and business of travel agencies launched from local, regional to national level. Moreover, foreign capital has been allowed to invest on travel agencies since 2003 according to the regulations for foreign-shared or foreign-owned travel agencies by CNTA. Affected by these rules, the competition becomes more intensive at both national and international level for travel agencies. Furthermore, the CNTA renewed the regulations for travel agencies, in order to strengthen the standardized management of travel agencies in 2008. Similarly, the inspection and reevaluation of the star hotel started and national and regional hotel associations also gradually established since 2002. As more and more chain economic hotels and family hostels established, the focus of regulation on the accommodation sector shifted to service quality and security of both star-rated hotels and non-rated economic hotels or hostels. This tourism attraction evaluation system was extended in 2004 (when the category AAAAA was introduced). Moreover, the standard systems for sound tourist cities, sound tourist counties and sound tourist town were gradually established and administered by the CNTA since 2005. Since 2000, the policy-oriented development in scenic areas and tourism products emerged. For example, in 2002, in order to promote the development of rural tourism product and industrial tourism product, CNTA implemented ‘the measurement criterion for national agricultural and industrial tourist demonstration sites’. In 2004, the CNTA established and implemented the development program for China’s red tourism product. Since 2005, the CNTA calls for eco-environment protection of tourism scenic areas and pursue sustainable tourism development (see also Table 4.4).

Table 4.4 Overview of Tourism Policy Changes in the 2000s

Year	Policies and regulation	Policy implications
2000	Developing holiday tourism	Promoting the development of holiday economy

2001	Further strengthening the development of the tourism industry	Aiming to build up China to be a powerful nation of tourism
2002	Speeding up the development of the tourism industry in west China	Recognizing the tourism industry as an important factor to drive the development of west China and reduce the development gap between east and west China
2002	Regulations on the administration of outbound tourism	Guaranteeing the legalization of outbound tourists and outbound tourism operators
2002	Evaluation criteria for national industrial and agricultural tourist sites	Further enriching the structure and variety of tourism products
2003	Standards for the division and evaluation of tourism resorts or scenic spots level	Standardizing the quality level of scenic spots and stimulated the development of tourism attractions
2003	Provisional regulations on establishment of foreign-shared or foreign owned travel agencies.	Allowing foreign investment in travel agencies and increased the competition of travel agencies
2004	Decisions on developing China's red tourism	Promoting the development of red tourism products
2004	Guidelines for optimizing the structure of tourism industry	Rejuvenating and stimulating the further development of China's tourism industry
2005	Considering the tourism industry as a pillar industry	Enhancing the position of the tourism industry again
2005	Guidelines for promoting ecotourism	Enhancing the sustainable development of tourism
2006	Provisional regulations on tourism organizations under the administration of CNTA	Centralizing the administrative management of tourism organizations at different levels
2006	Standards and regulations on the tourism	Standardizing and refining all the rules for the

	industry	tourism industry
2008	Decisions on abolishment of some regulations by the CNTA	Replacing the outdated standards and rules of the tourism sector
2009	The rules for travel agencies	Strengthening the standardizing management of travel agencies
2010	Measures for handling tourist complaints	Improving tourism services and tourist satisfactions

Source: The Yearbook of China Tourism Statistics (2001-2011)

4.3 Overview of tourism development in Guilin

4.3.1 Introduction of Guilin

4.3.1.1 A brief history of Guilin

The Guilin city has a history of more than two thousand years since it was first established in 111 BC. It has accumulated splendid history and culture. Historically, a small settlement emerged along the banks of the Lijiang River in 314 B.C. The construction of the Lingqu Canal allegedly started in 214 B.C during the First Emperor of the Qin Dynasty, which made Guilin change from a small settlement to a hub linking central and south China during that time (Li, 1990). In 111 B.C., Shi'an County was established under the reign of Emperor Wu of the Han Dynasty, which marked the beginning of Guilin city. Guilin prospered in the Tang and Song dynasties but remained a county. For example, Guilin became the political center of the whole region of Guangxi by the early of the Tang Dynasty (618-960). Moreover, Guilin became the capital of the Southwest of China and experienced rapid economic and cultural development during the Song Dynasty (960-1279). During the Ming Dynasty (1368-1644), a garrison was established in Guilin and its surrounding area gradually civilized with the development of agriculture. Since then, Guilin became the provincial capital of Guangxi and witnessed a significant expansion during the Ming and Qing (1644-1911) Dynasties (Li, 1990; Wang, 1990). Guilin had already developed into a city with a population of over two million before the Second World War. However, the city was a

nexus between the central China and southwest border, and so it became the place where the armies regularly hid to guard the border during the war. In 1921, Guilin became one of the headquarters of the Northern Expeditionary Army led by Dr. Yat-sen Sun. As a result, Guilin experienced a harsh and disastrous period with a sharp decline of the population because of the war.

The development of Guilin city slowly recovered with post-war construction of several manufacturing factories and agriculture after the founding of P. R. China. In the late 1970s and early 1980s, some manufacturing factories along the banks of the Lijiang River were forced to move out of Guilin in order to protect natural environment and develop modern tourism. Since 1998, Guilin has carried out large-scale urban reconstruction with a representative project by the round-the-city water system “Two Rivers and Four Lakes”. It has renewed urban construction and image into the descriptions of ancient Guilin in the poem “Cheng Zai Jing Zhong, Jing Zai Cheng Zhong” (which means “City within the embrace of scenes and scenes inside the city”). Currently, the urban development strategy of Guilin is “protecting the Lijiang River, developing the Lingui district and creating a new Guilin city” (Respondent, G5).

4.3.1.2 Economic development in Guilin

Guilin has been experiencing remarkable economic development since the reform and opening up policy that was adopted in 1978. The average growth of GDP (Gross Domestic Product) was almost 9% per year in the past decades, as indicated in Figure 4.3. In 2012, the city’s GDP reached RMB 149.205 billion Yuan and expanded by 13.3% over the previous year, which made it the third largest economy in the Guangxi Zhuang Autonomous Region.

In the meantime, Guilin has embarked on the evident and pressing process of industrialization and urbanization. As shown in Table 4.5, Guilin's industrial structure has undergone a major transformation over the few past decades. The chronological changes in the industrial structure during this period by industry share of GDP show that shares in the

primary industry in particular have fallen dramatically since 1995, when Guilin experienced a rapid economic growth. During the 1980s and 1990s, the secondary industry's share of GDP also began to decline gradually. However, it increased rapidly since 2005 as some new industrial parks were established in recent years. On the other hand, the tertiary industry's shares of GDP have risen consistently, mainly due to the rapid growth in the tourism industry.

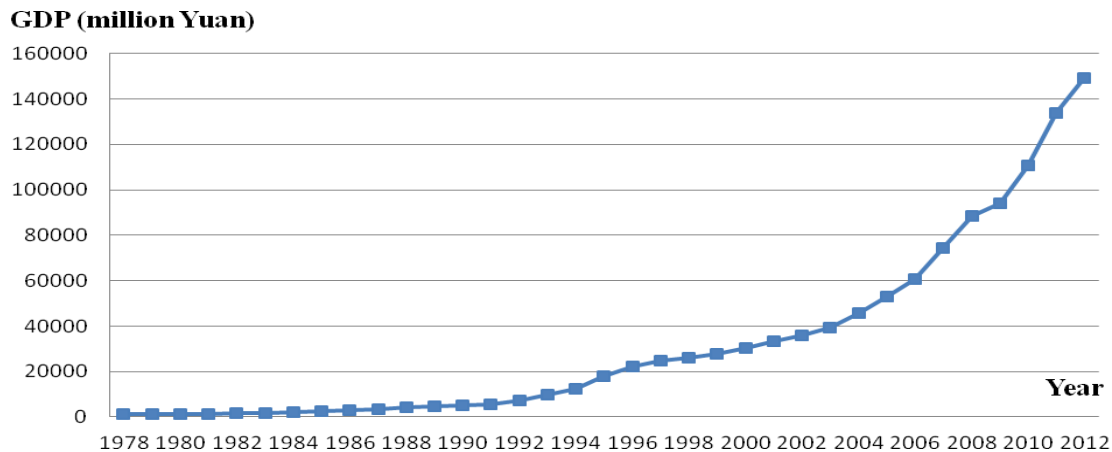


Figure 4.3 Growth of Gross Domestic Product (GDP) in Guilin, 1978-2011

Source: Guilin Statistical Yearbook (1978-2011) and Guilin Bureau of Statistics (2011-2013)

Table 4.5 GDP Structure in Guilin by Sectors

Unit: RMB Million Yuan

Year	Primary Industry	Secondary Industry	Tertiary Industry	Total (GDP)
1978	486.57 (43.4%)	396.15 (35.3%)	239.27(21.3%)	1121.99
1980	610.71(44.4%)	473.18(34.4%)	291.64(21.2%)	1375.53
1985	1047.07(42.9%)	754.47(30.9%)	640.12(26.2%)	2441.66
1990	2044.65(41%)	1443.81(28.9%)	1500.02(30.1%)	4988.48
1995	6500.33(36.5%)	5762.06(32.4%)	5540.87(31.1%)	17803.26
2000	9950.09(32.9%)	9356.75(30.9%)	10942.40(36.2%)	30249.24
2005	12591.86(23.6%)	19491.82(39.7%)	5795(36.7%)	53176.03
2010	20260(18.3%)	50204(45.3%)	16830(36.4%)	110863

Source: Guilin Statistical Yearbook (1978-2011)

Note: the Percentages in brackets represent the occupied rate of the industries in the total GDP.

4.3.2 Guilin's tourism development

Guilin has been famous for its unique landscape long before the area was officially authorized and developed as a tourism area open to tourists. Notably, the picturesque landscape of Guilin became a favoured place for the political prominent of the Chinese society as well as Chinese scholars or poets in the Tang Dynasty (618-960) and Song Dynasty (960-1279). For example, Yu Han, a great writer of the Tang Dynasty described Guilin in his poem: "The River is just like a blue silk ribbon and the hills are like green jade hairpins". Moreover, Zhenggong Wang praised Guilin in the famous saying "Guilin Shan Shui Jia Tian Xia" (means 'Guilin's landscape is the best under heaven') in the Southern Song Dynasty, which established the impressive description of Guilin's landscape for Chinese people. In this concern, travel activities in Guilin had allegedly developed to a considerable extent during the long historical times. Nevertheless, there is limited information available that documents tourism-related issues in the area before the Republican Period (1912-1949). For example, in 1947, the Guilin Landscape Construction Council was set up to restore and protect some heritages and natural landscape areas which were severely damaged in the war. Soon afterwards, in 1948, one branch office of China Travel Service was established in Guilin. But those tourism organizations only lasted for a very short time.

After the founding of the PRC in 1949, Guilin was designated as a scenic area to receive foreign diplomatic staff, technical experts and overseas Chinese invited by the central government. In this respect, the service for travelling was not a business phenomenon but a form of diplomatic and political activity. The Cultural Revolution, which began in 1966, forced all tourism activities to a complete standstill in China. Until 1973, Guilin was reclaimed by the central government as a tourist city and gradually opened to foreign tourists. Thus, modern tourist activities actually began in Guilin in the early 1970s. In 1981, Guilin was announced by the State Council as one of the four cities (the other three being Beijing, Hangzhou and Suzhou) where the protection of historical and cultural heritage, as well as natural scenery takes priority over other development issues. Moreover, Guilin was

named as one of the 24 historical and cultural cities of China in 1982 and designated as one of the seven key tourist cities of China in 1985. These events further stimulated the development of tourism industry in Guilin. After nearly 40 years rapid development in tourism since then, Guilin has become one of China's well-known tourist scenic cities for both international and domestic tourists. A study of historic data of tourist arrivals and tourism revenues in Guilin since 1973 illustrates the path of growth of Guilin's tourism industry (Figure 4.4).

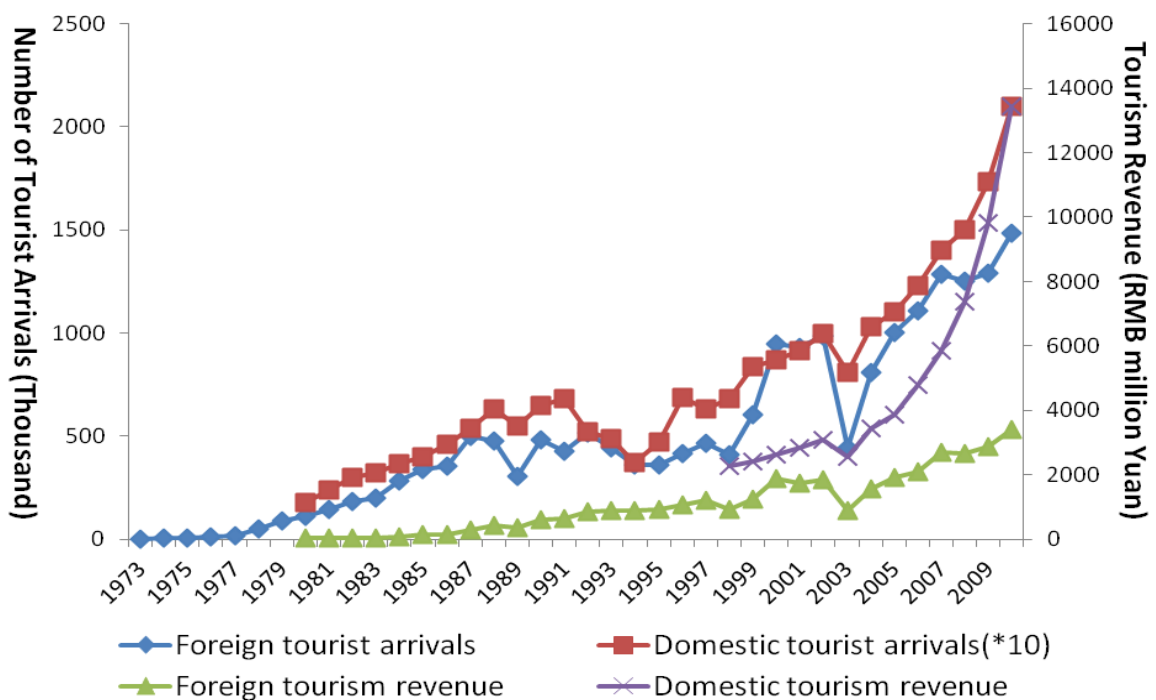


Figure 4.4 Tourist Arrivals and Tourism Revenues over the Years, 1973-2010

Source: China Statistical Yearbook (2011) and Guilin Statistical Yearbook (1980-2011);

Note: Yuan (RMB) designates the currency used in China. 1 USD =6.374 Yuan (July, 2012)

As shown in Figure 4.4, foreign tourist arrivals in Guilin gradually and continually increased from 1973 to 1988, decreased sharply in 1989, then entered to turbulence and decline, and after 1998 rose up again with a sharp decline in 2003 and stagnation in 2008 and 2009. Similarly, domestic tourists increased rapidly from 1980 to 1990, then also experienced turbulent periods, and entered to a second rapid growth after 1998, with a decline in 2003. In

contrast, foreign exchange earnings gradually increased over the whole period, with exception of the years of 1989, 1998, and 2003. There is a gradual increase in domestic tourism revenues from 1998 to 2002, a sharp decline in 2003, and a speed-up growth after 2003. It suggests that the foreign tourism market dominates at the earlier stages with major contribution to local tourism development, while domestic tourism market dominates the major parts of local tourism at the later stages, especially after 2003.

One interviewee from Guilin Tourism Bureau also explained:

“Guilin tourism market was oriented to offer services for international tourists with little concern about domestic tourism at the earlier stages. Thus, the travel agencies, hotels and restaurants were also nominated to provide services for foreign tourists at the earlier periods. Unexpectedly, domestic tourism suddenly boomed since 1998 and started to dominate and contribute more to local tourism industry development.” (Guilin Tourism Bureau, government official, Author’s interview, 10th March, 2011)

As stated above, it has become obvious that the development trajectory of Guilin tourism is complicated and hence does not follow Butler’s typical logistic curve. In this respect, it is hard to identify the development stages of the Guilin tourism life cycle just either by international and domestic tourist arrivals or tourism revenues. Nevertheless, some scholars and local tourism decision-makers argue that Guilin has experienced exploration, development, consolidation and stagnation stages and entered into a second round of the life cycle after 1998 (GTB, 2002; Bao et al., 2008; Qian, 2005; Gao and Wang, 2009). It appears that the tourism industry has gone through stages which roughly correspond to exploration, involvement and development at the earlier stages of the destination development. Obviously, the major turbulence and decline stage from 1989 to 1998 is a significant deviation from the tourism area life cycle. Then, Guilin entered into a new rapid growth and expansion stage in correspondence with the strong development of China’s economy after 1998, except for a sharp decline by the year of 2003. In summary, the changes in tourist

arrivals and tourism revenues simply illustrate the evolutionary stages of Guilin, but it cannot explain the evolutionary processes and mechanisms of Guilin tourism destination development. For instance, what are the initial conditions for Guilin to be developed as a tourism destination? Why does Guilin experience a rapid growth at the earlier stages and then enter into a turbulence phase? How does Guilin manage to unlock the turbulent and decline phase and rebound into a new rapid growth phase? These questions are going to be addressed by the analysis of the path-dependent and coevolutionary processes of Guilin tourism destination in Chapter 5 and 6.

4.3.3 The importance of the tourism industry in Guilin

The tourism industry has grown up as the pillar service industry in Guilin and has played an increasingly key role in both employment and economic welfare since 1973. Figure 4.5 presents the annual tourism revenue of Guilin and its contribution of tourism to GDP between 1997 and 2012. Tourism revenue induced from tourism-related industries reached up to RMB 3.098 billion Yuan in 1997, accounting for 12.5% of gross domestic product (GDP), the largest subsector in the tertiary industry. After SARS in 2003, Guilin has maintained a high annual growth rate of tourism revenue. Notably, there is a sharp increase in the share of tourism since 2008. At the same time, the tourism industry also contributes a significant share of Guilin's total employment. In 1998, tourism-related activities provided around 90,000 direct employments in the hotels, travel agencies, restaurants, retailing and transportation sectors, representing 10.8 % of the city's total workforce (Bao et al., 2008). By the end of 2009, more than 3200 tourism-related firms have been established, which has promoted more jobs for local residents either directly or indirectly (Respondent, G3). Moreover, the tourism industry in Guilin has been playing a predominant role in Guangxi Zhuang Autonomous Region, accounting for more than 60% of foreign exchange earnings or international arrivals in this region (Guilin Statistical Yearbook, 2011). Therefore, the tourism industry has contributed significantly to both local and regional economy.

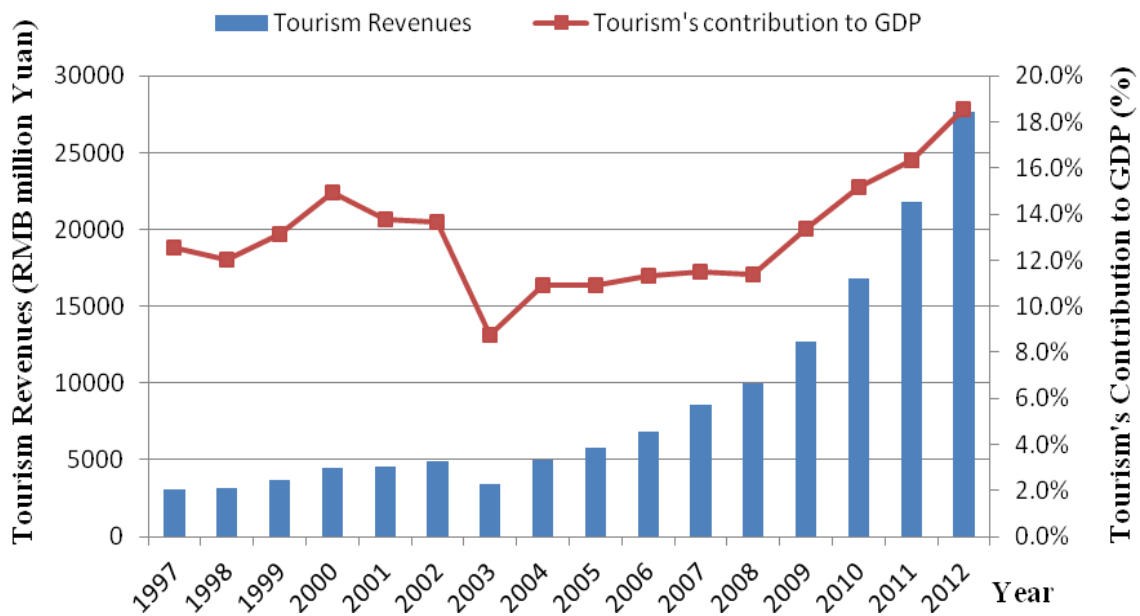


Figure 4.5 Guilin Tourism Revenues and Its Contribution to Guilin's Economy, 1997-2012

Source: Guilin Statistical Yearbook (1978-2012) and Guilin Bureau of Statistics (2011-2013)

Guilin has undergone a little higher growth in the tourism industry compared with other tourist cities at the same level, such as Lijiang, Huangshan, Jiujiang and Tai'an. However, Guilin has experienced a different situation in the share of both international and domestic tourism market in China (as indicated in Figure 4.6). Guilin took the lead in the initial stage of the international tourism in China, because Guilin is one of the few earliest tourist cities authorized to open to international tourists. Nevertheless, more and more other Chinese tourist cities and regions emerged and competed for the share of international tourism market with the implementation of opening up policy and socialist market reform. As Figure 4.6 reveals, there was a downward trend in the share of Guilin in the inbound tourism market of China in the 1980s and 1990s. Since 1999, Guilin's share in international tourism market has rebounded in some way, combined with domestic tourism market. However, Guilin has fallen far behind the mega cities with respect to foreign exchange receipts, such as Shanghai, Beijing, Guangzhou, Shenzhen, and even gradually lose its competitive advantage compared to Xi'an, Wuxi in recent years (as shown in Figure 4.7).



Figure 4.6 Guilin's Tourism Market Share by Tourist Arrivals in China ,1978-2011

Source: The Yearbook of China Tourism Statistics (2011) and Guilin Statistical Yearbook (2012)

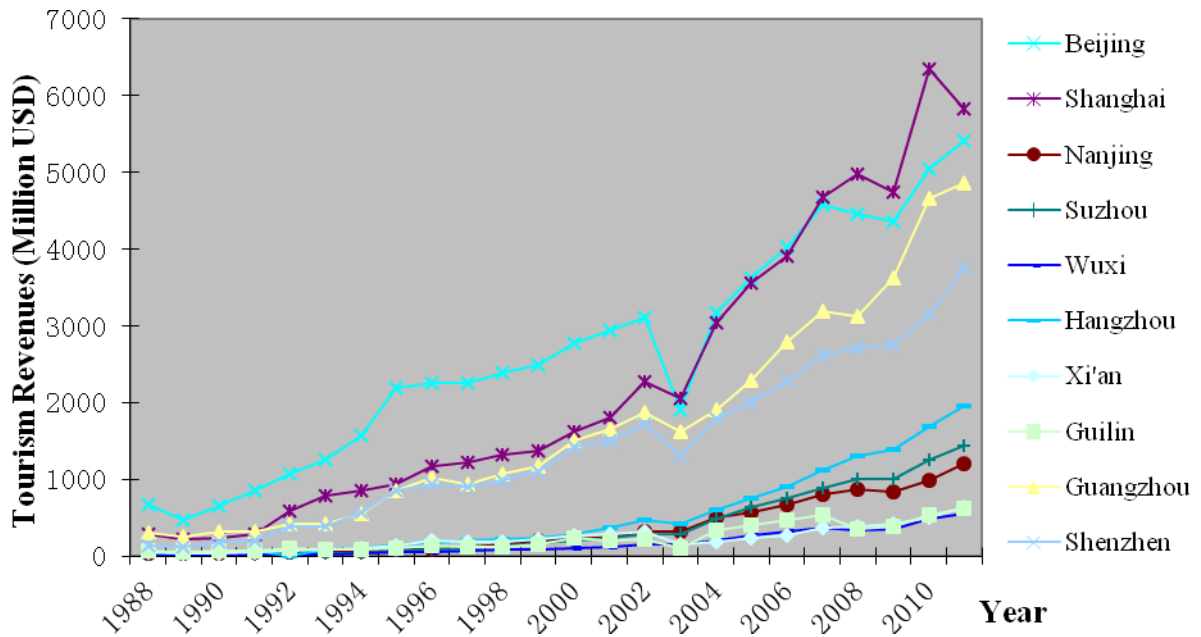


Figure 4.7 Foreign Exchange Receipts of Ten tourist Cities, 1988-2011

Source: The Yearbook of China Tourism Statistics (1988-2011)

4.4 Summary

This chapter has provided an overview of the institutional environment changes of China's tourism in general and to the study area, Guilin in particular. Given China's institutional and policy changes in relation to the development of the tourism industry, it is important to identify the market-institutional environments at the international and national levels partly influencing the development of the Guilin tourism area. On the one hand, the institutional changes, including China's transition from a centrally planned economic system to a changing market-oriented system, enterprise system reform and ownership transformation, as well as the decentralization, have created a critical setting for understanding tourism development in Guilin. On the other hand, tourism policy changes during the three historical periods: 1978 to late 1980s, during the 1990s, and the 2000s onwards, have also reflected the changing roles of tourism in China's economy, the regulations on the tourism sectors, and tourism area planning and marketing.

Moreover, the localized contexts and overall development of the tourism industry in Guilin have been discussed in this chapter. The 40-year-long (1973-2012) development of tourism in Guilin can be generally illustrated by the measurement in tourist arrivals and tourism receipts. In some way, it is not appropriate to simply divided into several stages, without the consideration of institution and policy changes through time. More importantly, it is vital to elaborate the macro or micro level changes of multiple variables and their interactions within the Guilin tourism destination. Therefore, the next two chapters will examine the path-dependent processes of Guilin tourism area development and how multiple variables at this tourism area change and interact over time.

Chapter 5 Path Dependence and Guilin Tourism Area Development

5.1 Introduction

The chapter seeks to develop a better understanding of the path-dependent processes of tourism areas in empirical context. This complements the TALC model by emphasizing the path-dependent evolutionary processes and mechanisms of tourism firms, institutions and products. This approach focuses on the generation of variability and divergence within and across destinations as a result of internal interventions or external change effects, such as institutional changes and product innovation. This will be achieved by applying this new model to explore the evolutionary processes and path-dependent mechanisms in the case of Guilin, China.

In particular, this chapter will address four research questions in the following sections:

- What are ‘historical matters’ or ‘small chances’ identified as ‘initial conditions’ for Guilin to be developed as a tourism destination?
- What kinds of path dependence have tourism sectors and products experienced in Guilin tourism area development?
- What is the path-dependent process of the Guilin tourism area over time?
- How could Guilin lock out its old paths and achieve a new turn of tourism growth?

It will achieve this aim by drawing the information and hints from the interviews made with policy makers and informants who either work in tourism sectors or have an extensive knowledge about it.

The chapter is organized as follows. Section 5.2 specifies initial conditions or origins for the formation of the Guilin tourism destination. The spatial concentration and self-enforcing

mechanisms of path formation and development of tourism sectors and products were discussed in the section 5.3. The section 5.4 analyzes the decline or stagnation of the tourism industry in Guilin. The institutional lock-in of local sectors and the cognitive lock-in of local tourism products are identified as the main internal elements caused the possible stagnation and decline. In the meantime, external shocks and environment changes also cause the dysfunctional ability of local sectors for disturbing market. The section 5.5 analyzes some new path creation of local tourism, either by introducing new institutional system for local sectors or product innovation and creation. By analyzing the creation process, more studies will be made to reveal the driving mechanisms of path creation and also discuss how these innovations and changes shape the new turn of local tourism development. The final section presents some conclusions.

5.2 Path pre-formation phase

Guilin became one of the few cities authorized by the central government to receive foreign tourists in 1973. In this regard, some Chinese scholars and local authorities consider the year of 1973 as the starting point of Guilin tourism development (GTB, 2002; Bao et al., 2008; Qian, 2005; Gao and Wang, 2009). However, tourism-related services in Guilin were still not economically oriented at that time, as only few foreigners were able to visit Guilin before 1978, including formal exchange visits and some foreign businessmen on specific assignments. Tourism of this kind was still constrained and there were no specific foreign exchange earnings during this period. Nevertheless, Guilin has been gradually developed as a tourism destination with an increase in international tourists since 1973. According to the documents and interviews with local government, tourism sectors and tourism experts, there are four main initial conditions for Guilin to be developed as a tourism destination: preexisting natural and cultural endowment of tourism resources, good transportation accessibility, intangible marketing and promotion as well as policy priority.

5.2.1 Tourism resource endowment

As stated before, Guilin has been well-known for its attractive natural wonders long time ago, such as its magical green pinnacles, crystal-clear water, picturesque rocks and intriguing caves. The topography of the Guilin area is marked by Karst formations and the Lijiang River flowing through the city. These abundant natural tourism resources are the most attractive elements of Guilin for early tourists. One of American presidents (Richard Nixon) stated after he made an official visit to Guilin: "I have visited more than 80 countries and over a hundred cities. I have found that no city can surpass the beauty of Guilin...Guilin is really a bright pearl in China" (Source: Guilin Daily, 1972). Similarly, former U.S President George Bush, who has visited Guilin for two times, also said that he liked Chinese landscape paintings so much, among which the most beautiful one is in Guilin. Moreover, we can also get the evidence from some respondents:

"Our Chinese all know that there is an old saying that goes: 'East or West, Guilin's scenery is the best.' It can be ascertained that the unique landscape of Guilin is the main substantial element driving the formation of the destination." (Guilin Tourism Bureau, government administrator, Author's interview, 7th March, 2011)

"It is widely known that Guilin is a resource-based tourist city. In my opinion, natural resources (e.g. mountains, caves and water) and cultural resources, such as historical heritages, folk customs are the basic elements for Guilin to be developed as a tourist destination. " (Guilin Institute of Tourism, tourism expert, Author's interview, 14th March, 2011)

Due to its unique landscape and beauty, Guilin has already been visited by some poets and politicians in the old times. As a result, some famous poetry, historical inscriptions are left Guilin with colorful cultural heritages. Those heritages combining with local folk customs from twelve minorities' culture (e.g. Zhuang, Yao, Hui, Miao and Dong, etc.) also became the attractive cultural elements for early tourists.

5.2.2 Transportation accessibility

Vehicles such as airplanes and railways were the technological marvels of the 20th century providing the basic transportation access for tourists in its initial stage. Guilin has already built airports and train stations in the Republican Period. Three airports were constructed and later destroyed during the Republican Period, but one of the airports was restored since 1958 (Huang et al., 1998). After the opening up policy to foreign tourists in Guilin, Guilin Airport has opened domestic air routes to Beijing, Shanghai and Guangzhou. Similarly, Guilin train station was also built during the Republican Period and reopened to several cities since 1960. The Guilin area has become an important transportation hub from Central Plains to southwestern China after the founding of the PRC. Thus, it has good transport accessibility compared to other scenic areas in China at that time.

5.2.3 Policy incentives

In 1972, President Nixon made his historic visit to P. R. China, which was a turning point in Chinese diplomatic history (Uysal et al., 1986). Owing to this great event, tourism as a diplomatic function started again. In 1973, Deng Xiaoping, vice premier of P. R. China, visited Guilin with foreign guests. He pointed out that environment protection of the Lijiang River was much more important than the manufacturing and agriculture development for urban construction. At the same year, Guilin was one of few cities which were authorized by the central government to receive ‘invited’ foreign tourists. Thus, tourism was considered as a diplomatic tool rather than an economic activity and thus it was totally controlled and managed by the central government and local authorities at this time. Later on, Guilin was oriented towards a beautiful, prosperous socialist tourist city in 1980. In this concern, the development of Guilin tourism industry is also owing to opening up policy for allowing international tourism in Guilin since 1973. This kind of policy incentive could be recognized as ‘historical incidence’ (Martin, 2010) which set an initial way for tourism development in Guilin.

5.2.4 Small incidences

The preexisting tourism resources of Guilin have offered its unique attractiveness for tourists, but it should be known to people before it is got popularity. In the context of Guilin, there are two ‘random events’, providing such kind of intangible marketing and promotion for Guilin tourism. One event is related to an article in a Chinese textbook at primary school, which describes the amazing beauty of Guilin’s Mountain and River. Because most young people used this book, they have had strong desires and demands to visit Guilin from their childhood onwards. As one interviewee who has done many surveys on the Guilin area for several decades stated:

“Even now a lot of tourists still regard that the main reason for travelling to Guilin is the desire formulated in the childhood from the Textbook which described the marveling beauty of mountains and water, when asked why they choose Guilin as the destination for traveling.”
(East China Normal University, Tourism expert, Author’s interview, 16th April, 2011)

The second event is the success of a movie, named ‘Sanjie Liu’, which was produced and shown in 1960. This movie told a touching story about a woman, named Sanjie Liu, in the setting of Guangxi folk music and beautiful landscape. Due to the success of the movie, the Guilin landscape became not only well-known to every household in China, but also familiar to South East Asian countries at that time. This was confirmed by some interviewees:

“This movie was honored as ‘King of folk songs’ after it was shown in Hongkong, Macao and Southeast Asia. It was also recognized as one of the ten best movies in Malaysia. More importantly, the audiences got the impressive image of the picturesque mountains and water of Guilin from the movie.” (Guilin Tourism Bureau, Tourism administrator, Author’s interview, 8th March, 2011)

In this view, the impression from the movie was an important incentive for Southeast Asians to visit Guilin at the initial stage of its international tourism development. Thus, these two

events could be regarded as small chances for intangible marketing and promotion of Guilin to be developed as a tourism destination.

5.3 Path formation and development phase

Based on the analysis in Section 5.2, Guilin's tourism path is originally shaped by dependence on its particular natural tourism resources, which could be considered as 'resource based path dependence' (Martin and Sunley, 2006). Just as Papatodorou (2004) argues, some tourism sites are originally almost Greenfield areas in terms of natural or wanderlust beauty in most cases. Also, the emergence of a tourism destination may be further stimulated by the driving force of policies through planning and massive public investment or locational advantages either in terms of good transportation accessibility or proximity to areas of great market potential. In this sense, the implementation of reform and opening up policy was doubtlessly a stimulating point for tourism development in Guilin in 1978. As foreign tourists are not constrained to visit Guilin since then, the international tourism market was freely and rapidly developed. Moreover, the nature of tourism gradually changed from a political instrument to an economic activity since then (Zhang et al., 1999; Uysal et al., 1986; Zhang, 1989). In these circumstances, the pathways of tourism products, tourism sectors were gradually formulated since 1978.

5.3.1 Tourism products: local resource-based dependence

As the most dominant attractive elements for tourists are the Lijiang River and its surrounding mountains, the initial path of tourism products was substantially based on the natural resources, such as hills, caves and the river. It was widely recognized this kind of tourism attraction system as 'Three Hills and Two Caves and One River' at the path formation phase of tourism development in Guilin. Most of interviewees also confirmed this traditional product path of Guilin tourism (e.g. tourism experts and government officials). The detailed development of this attraction system is explained as follows.



Figure 5.1 The Lijiang River, Guilin

Source: Author's photo

First, 'One River' of the attraction system refers to the Lijiang River, with a total length of 437 km. It is fringed by karst topography hills. The upper course of the Lijiang River is connected by the ancient Lingqu Canal (in Xing'an County of Guilin) with the Xiang River (one stream of the Pearl River), which flows north into the Yangtze River. The most splendid reach of Guilin's landscapes is along the 83-kilometer-long river valley between Guilin and Yangshuo, which is popularly famed as a 'fairylane under the sky' (GLERC, 1989). The tourism navigation channel in the Lijiang River was dug and restored by the central government in the 1980s, together with the construction of related tourism facilities for the Lijiang River cruise. For example, the Zhujiang Wharf along the Lijiang River was built with the investment of RMB 4 million from CNTA in 1987 (GTB, 1999). Moreover, the Lijiang River of Guilin was officially designated as a national scenic area in 1982.

Secondly, 'Two Caves' of the attraction system are associated with the Seven-star Cave and the Rudi Cave. The Seven-star Cave is an extensive limestone cave complex in Seven-star

Park of Guilin. The Seven-star cave got its name from the fact that the main karst limestone peaks roughly resemble the stars of the Big Dipper constellation. The length of the stone tour path through the cave between its entrance and exit points is approximately 1,000 meters, with the maximum of 27 meters height and 49 meters width inside (Huang et al., 1998). The earliest exploration of the Seven-star Cave can be traced back to the Tang Dynasty. The cave was opened to tourists with the construction of artificial lighting for walkways and displays in 1979 (Respondent, S2). The cave has been scheduled tours about once an hour with explaining in detail the origins of various rock formation names. It looks so fantastic that it was entitled as 'the art palace of nature' and designated as a key scenic spot by the State Council in 1982 (Huang et al., 1998). The Rudi Cave is a landmark with natural limestone cave, which could be dated back to the Tang Dynasty (GTB, 1999). The cave's name is derived from a type of reeds growing outside, which can be made into melodious flutes. The Rudi Cave is filled with a large number of stalactites, stalagmites and rock formations in weird and wonderful shapes. It was developed and opened to tourists with the construction of multicolored lighting in the early 1980s (GTB, 1999).

Thirdly, 'Three Hills' are the Elephant Trunk Hill, the Fobo Hill and the Diecai Hill. The Elephant Trunk Hill, located at the confluence of the Taohua River and the Lijiang River, is regarded as the symbol of Guilin city (GTB, 1999). The name of the hill is derived from the fact that the figure of the hill looks like an elephant drinking water. The Fobo Hill, close to the Elephant Trunk Hill, is praised as the guardian god of the Lijiang River. The name of the Fobo Hill is derived from the scene called 'lace of peace' or 'whirl incurred by hill' (means the waves are restrained here). It has become a famous scenic landscape since the Tang Dynasty, and has been officially opened to international tourists since 1973 (Respondent, S1). The Diecai Hill is located in the city of Guilin on the west bank of the Lijiang River. It has become a tourist scenic spot since the Tang Dynasty. It enjoys a reputation of 'convergence of picturesque landscape' and longevity, as there goes a proverb among the people 'climbing up the piled silk hill, you can live for 130 years' (Respondent, S4). These three hills were restored and opened to tourists in the 1980s.

Besides, some tour trips from the city center to the counties of Guilin (e.g. Yangshuo, Xing'an) were developed with the help of buses and road construction between city center and counties. Yangshuo County is about 65km on the road and 83 km on the waterway from the city of Guilin. In this respect, it is understandable that the basic tour arrangement for the international and domestic tourists by travel agencies was mainly the sightseeing activities of these natural landscapes. A respondent described the basic tourism service offering for early tourists:

“In the early phase of Guilin tourism development, there were only two trip itineraries designed by local travel agencies for foreign tourists. One tour is within the downtown of Guilin, involving the sightseeing of natural sceneries. Another one is one-day trip from Guilin to Yangshuo, starting with the cruise along the Lijiang River to Yangshuo, and then continuing the sightseeing of picturesque landscapes in Yangshuo. New bus tours were also organized later from the center of Guilin to some counties, such as Yangshuo and Xing'an.” (Guilin Institute of Tourism, tourism expert, Author’s interview, 14th March, 2011)

Thus, the pathway for the attraction system of Guilin was formulated largely based on natural resources. In the spatial concentration, the main attraction system is located in the city of Guilin. Furthermore, the main tourism product was natural sightseeing, combined with some basic services, including accommodation, catering and transportation services at the earlier phase of Guilin tourism development.

5.3.2 Tourism sectors: institutional path dependence

In the early phase of tourism development, tourism sectors linking firms or the government more or less involved in providing special services for tourists. In the case of Guilin, there were only two travel agencies and one hotel offering regular service, which contained 248 bedrooms for foreign tourists in 1973. Interestingly enough, two travel agencies, namely Guilin branch of China International Travel Agency (GCITA) and Guilin China Travel

Service (GCTS), had the same personnel under the leadership of the National Foreign Affairs Office (GLERC, 1989). In other words, tourism sectors of Guilin belonged to government organizations. Similarly, tourism attractions were operated or managed by local government. Gradually, new public tourism sectors were gradually established based on the pre-existing tourism organizations under the control and regulation of the central government. For example, Guilin Tourism Enterprise (GTE) was established to organize and manage tourism economic activities in 1980, consisting of five subordinate units: Ronghu Hotel, Lijiang Hotel, Jiashan Hotel, GCITA and GCTS (GLERC, 1989). With the impact of economic reform, tourism organizations were urged to separate its enterprise functions from government functions at that time. Thus, Guilin Tourism Bureau (GTB) was set up as a government body responsible for tourism administration in the year 1985 (GLERC, 1989). However, there is no obvious distinction between the functions of the government and the enterprise in the first few years of its existence. A key informant disclosed:

“Actually, GTE set up by local government was operated by the same administrative staffs from GCITA and GCTS. Similarly, the administrative officials of GTB were still the same personnel from GTE. Therefore, tourist-related economic activities were still highly centralized by the government.” (Guilin Tourism Bureau, government administrator, Author’s interview, 8th March 2011)

Until late 1987, GTB was subsequently authorized as the sole administrative unit to regulate and manage the tourism industry in Guilin (GTB, 1999). Correspondingly, GTE was dismantled and replaced by a new state-owned enterprise in late 1988, namely, Guilin Tourism Group Corporation Limited, which reorganized six companies: GCTS, Lijiang Hotel, Ronghu hotel, Guilin Tourism Transport Company, Guangxi Bureau of Civil Aviation and Hongkong China Aviation Holiday Company Limited (GTB, 1999).

In the meantime, the changing institutional environment offered opportunities for the heterogeneity of new tourism firms in Guilin. On the one hand, local government is allowed

and even encouraged to attract foreign capital to invest in the tourism industry by central government since the early 1980s (GTB, 1999). On the other hand, ‘five together’ policy was proposed by Xiaoping Deng in 1984, which allows government, localities, government departments, collectives, and even individuals to invest in tourism projects and operate tourism businesses (Zhang and Chong, 2002). Moreover, the Guilin government was under great pressure to supply more tourism facilities and services with the rapid growth of international tourists. In these contexts, three forms of tourism firms were established at this phase. First, foreign-owned or Chinese-foreign joint venture firms were set up targeting at the accommodation facilities. For instance, Guilin attracted nearly 200 million Yuan (equally 31.75 million U.S. dollars) from foreign capital, together with local government’s investment, to establish more than ten high-ranking hotels from 1985 to 1988 (GTB, 1999). Secondly, a large number of collective-owned tourism firms were established and operated by different departments of government offices. For example, there were more than 30 travel agencies established by local government departments by the end of 1988 (Li, 2002). Thirdly, a small number of informal tourism firms, such as family-owned hostels, restaurants and retailing shops, emerged offering food or shopping services for tourists at this phase.

In short, the evolutionary process illustrates the phenomenon and effect of policy changes and institutional hysteresis on path formation of tourism firms with different ownerships, including state-owned, collective-owned, foreign-invested joint venture and individual tourism firms at this phase. It is notable that the core management model of public tourism sectors, either state-owned or collective-owned tourism firms formulated their administrative path as the core management model through several renaming and superficial restructuring processes at this phase.

In the circumstance, the government played a predominant role in the path-dependent institutional trajectory of the development of tourism sectors during this period. With the path formation of the local tourism industry, spatial concentration of large numbers of tourists and tourism activities emerged in the city center of Guilin. This process induced the

rise of economies of scale and increasing return effects, which stimulated and reinforced the path-dependent development of tourism products and firms in Guilin. Thus, positive effects of path dependence emerged at the end of this phase, which could get the evidence from the rapid growth of the local tourism.

5.4 Lock-in and turbulence phase

From late 1980s to late 1990s, Guilin entered into a turbulent and adjustment stage with the impact of a series of external shocks on the one hand and changes of institutional environment on the other. It is widely argued that some external shocks led to the fluctuation and decline of the tourism market at this stage (Li and Xu, 2003; Wang, 2001; Qian, 2005). In the meantime, some institutional changes also either indirectly or directly affected the path transition of tourism sectors in Guilin at this stage. Although the impacts of regional crises and external shocks on the tourism area are clearly indeterminate in themselves, different destinations will have different vulnerabilities or adaptive capabilities both to endogenous processes of negative 'lock-in' and to externally originating shocks (Thelen, 1999). In the context of Guilin, the phenomenon of negative lock-ins also emerged in the endogenous evolutionary process of local tourism products and sectors. Also, the central government and the Guilin authority played a significant role in adapting the new environment and easing the turbulence of the Guilin tourism development.

5.4.1 Tourism products: cognitive lock-in

With the potential increasing market, the local government and external entrepreneurs shifted their main investments from the accommodation facilities to tourism resource development during this turbulent phase. In this regard, the tourism attraction system was gradually upgraded with mass restoration and development of tourism resources, while the dominant products, 'three hills, two caves and one river', were still the core attractions for tourists and development focus of the government. For example, the government developed the night tour of the Lijiang River and constructed some basic tourism facilities for the

preexisting attractions (GTB, 1999). This path-dependent process of tourism products is caused by its self-reinforcing effect, which suggests that the increased popularity of a product (i.e., the Lijiang River) leads to beliefs of further prevalence in the future. A tourism expert from the local university, who made intensive surveys and researches on the Guilin tourism area explained:

“The annual survey data from the tourists being in Guilin during this phase suggested that the most mentioned reason for choosing Guilin as a destination is to visit the beauties of the Lijiang River.” (Guilin Institute of Tourism, tourism expert, author’s interview, 15th March, 2011).

This perception has become, not surprisingly, prevalent in the long period of Guilin tourism development and also influenced the marketing and promotion of the destination. A respondent expressed the similar idea even nowadays:

“When referring to the tourism attractions of Guilin, the Lijiang River will be the first attraction coming to my mind, then the beautiful hills and caves. There is no doubt about that”. (Shanghai Normal University, tourism expert, author’s interview, 18th April, 2011)

The local policy-makers (e.g. the government and tourism experts) also gradually realized the fact that the development of tourism products was being limited to the natural resources and mainly focused on meeting basic tourism services through different tourism sectors in the early 1990s. As mentioned before, Guilin is also abundant in folk customs and cultural heritages. However, the development of cultural and historical resources had not been gained sufficient attention in Guilin at the earlier phase. With increasing investment in tourism development, development of the minority cultural attractions was initiated by external entrepreneurs and supported by local authorities. In this context, The Lijiang Folk Custom Park was established in 1991, about 4km from the city center of Guilin. Noticeably, it was an economic joint-venture of Guilin Tourism Development Corporation and Taiwan Huawan

Ltd (GTB, 1999). It is documented that about US 2.6 million was invested in this project, of which US 2 million was from Taiwan Huawan Ltd (GTB, 1999). The Lijiang Folk Custom Park was a folk village devoted to preserving and displaying minority cultures through cultural performances of the Dong, Zhuang, Miao and Yao minorities. These performances consisted of a variety of minority dances set to a pre-recorded soundtrack of minority and popular music.

This cultural tourism product has promoted the culture of ethnic minority in Guilin and portrayed the cultural diversity of Guilin and people in the first several years after it was opened to tourists. In some sense, this cultural tourism product enriched the attraction system of Guilin. At the beginning, the novelty and creation of this new cultural product made the park thrive in the first few years. But it was a man-made tourism park which departed from the original living place of the minorities. Thus, it became less popular and even can't sustain, especially after the folk custom tour of minority villages emerged in the counties of Longsheng and Yangshuo, which are naturally embedded in local cultural folk villages. One of the interviewees also mentioned this issue:

“In the 1990s, the local government also made more efforts to make path-breaking innovations of tourism attractions. The Lijiang Folk Custom Park with joint-venture was a successful attempt for cultural product innovation in the first several years. But it can't compete with the emerging native cultural villages in Yangshuo and Longsheng and declined since the late 1990s.” (Guilin Tourism Bureau, tourism administrator, Author's interview, 11th March, 2011)

There was an increase in Chinese-foreign joint exploration and development of tourism resources in Guilin. The Lijiang Folk Custom Park was the first initiative case. Later, the development of the Guilin Crown Cave is also a joint-venture tourism project of the local authority and external entrepreneurs, which proved to be more successful compared with the operation of the Lijiang Folk Custom Park (Li, 2002). However, the innovation of some new tourism products was proved to be unsuccessful during this period. For example, there are

two parks, “The World of Crocodiles” and “The World of Snakes”, located in Lingui county of Guilin. These two parks were recognized as failed cases by several interviewees:

“These two parks were both invested by external entrepreneurs and were oriented towards attracting tourists. At the beginning, it was integrated in some tour arrangements, but most tourists disliked this kind of parks. If the promotion of this kind of tourism products continued, it would have had bad influence on the tourist perception of Guilin tourism destination.” (Sun Yat-sen University, tourism expert, Author’s interview, 25th September, 2011)

“The theme of the two parks was incompatible with the natural and cultural basis of Guilin tourism destination. Thus, the two parks had to change their market-oriented aims and functions. In this circumstance, the two parks were turned into the animal breeding industry area.” (East China Normal University, tourism expert, Author’s interview, 16th April, 2011)

In addition, various tours of Guilin were designed and operated by travel agencies according to the annual tourist theme of China, such as the Cave Exploration Tour, the Old Town Tour and the Folk Custom Tour in the countryside of Guilin.

5.4.2 Tourism sectors: institutional lock-in

Although public tourism sectors have been gradually separated government functions from enterprise functions at the previous phase, most of the state-owned or collective-owned tourism enterprises were still managed and operated by government officials in the early 1990s. For instance, 68 international tourism enterprises of Guilin were subordinate to 31 government departments or units of Guilin in 1992 (Guilin Statistic Yearbook, 1993). Because of the Chinese socialist market reform, the contract responsibility system was initially launched in some state-owned and collective-owned tourism enterprises in Guilin since the late 1980s. To some extent, this system reform decentralized the responsibility and interests of managers to operate tourism enterprises. Moreover, it also increased the productivity and efficiency of tourism firms in tourism market, as those tourism enterprises

were self-responsible for their own ‘profits or losses’. However, such kinds of tourism enterprises were still attached to the ‘agencies’ of government departments at different administrative levels. Some tourism enterprises gradually had serious financial trouble, as the result of negative lock-ins originating both from external shocks and path dependence of their administrative management system. One of the interviewees provided evidence for this:

“The GTB set up two companies in the early 1990s, namely Guilin Tour Guide Service Company and Guilin Hotel Management Company. But these two companies were not successful and finally ended in dissolution.” (Guilin Tourism Bureau, government administrator, author’s interview, 8th March, 2011)

In the macro institutional environment, China experienced deepening reform towards the ‘socialist market economy’ in the 1990s. A new modern enterprise reform, aiming to reorganize state-owned and collective-owned enterprises into ‘modern enterprises’, was publicized by the State Council of China in 1993 (GTB, 1999). However, the modern enterprise system was implemented slowly by experimenting with the shareholding system reform in different regions of China. Until 1995, Guilin Minzu Travel Agency launched the first trial privatization by converting into a shareholding company. This enterprise shareholding system has been introduced gradually into the state-owned and collective-owned tourism sectors under the leadership and supervision of Guilin municipal government and GTB since then. In this context, some well-managed and profitable tourism firms of Guilin were converted into shareholding companies by encouraging inner staffs to buy shares of the firm, while other tourism firms either long-term unprofitable or in deficit were restructured, merged or closed down. Thus, some successful large tourism enterprises were urged by the government to merge small state-owned or collective-owned tourism firms which Guilin municipal governments started to auction off. For instance, the largest state-owned enterprise, Guilin Tourism Group Corporation Limited, merged with some other tourism enterprises and reconstituted a new company, namely Guilin Tourism Group Limited Liability Company in 1995. Soon afterwards, this company was converted into a

company limited by shares, namely Guilin Tourism Development Group Corporation in 1998. These evolutionary processes suggest that both path dependence and path breaking of tourism public sectors were caused by ‘top-down’ institutional changes in the 1990s.

Concurrently, there was a rapid growth in non-state tourism sectors in coexistence with dominant public tourism sectors. As stated before, foreign capital was initiatively attracted to invest in the establishment of international hotels and tourism attractions. Therefore, some large joint-venture enterprises emerged swiftly in the hotel and attraction sectors of Guilin in the 1990s. The hybrid ownership structure of these enterprises has led to the persistence of ‘soft budgetary constrains’ at the enterprise level on the one hand, and the absence of ‘rule of games’ binding actors in the supply market on the other. In this circumstance, the internal institution innovation of tourism organizations emerged firstly in the hotel sector of Guilin. Some joint-venture hotels employed oversea hotel management corporations to manage daily businesses and operation of the hotels. For example, there were six oversea hotel management companies employed to operate six joint-venture hotels invested by the government and foreign entrepreneurs in 1990, including the companies from Hong Kong, America and France (GLCC, 1997). Moreover, the star rating system was employed to categorize hotels in the late 1980s by CNTA and hotels with high-ranking star were designated by GTB to receive international tourists in 1990. By the end of 1997, there were 28 designated hotels of this kind (GLCC, 2010). One interviewee commented on this system:

“It is good to establish a rating system for hotels but not necessary to be designated to receive foreign tourists. Within this imperfect competition environment, it was unfair for some private hotels or hostels and hampered the development of local tourism industry in the 1990s.”
(Guilin Tourism Association of Hotels, tourism entrepreneur, author’s interview, 21st September, 2011)

In spite of the predominant public or joint-venture tourism firms, the number of small private tourism firms, like family hostels, domestic travel agencies, restaurants and retailing still

increased rapidly due to the growth of domestic tourism market. A respondent described the development of travel agencies in the 1990s:

“Almost all of international tours were operated by state-owned travel agencies which were authorized by CNTA at that time, but private-owned travel agencies offering specific tour service for domestic tourists sprung up dramatically with the influences of economic reform and the growth of domestic tourism since 1993. In this context, some international travel agencies also set up their subordinate branch for domestic tourist reception in order to compensate the loss and deficit of international tourism market. This situation gradually shaped intensive competitions between state-owned and private travel agencies in Guilin.”
(Guilin Tourism Association of Travel Agencies, tourism entrepreneur, author’s interview, 22nd September, 2011)

In this context, the qualification of travel agencies in Guilin were reevaluated and monitored with annual inspection. Concerning to the rapid growth of domestic tourism market, the rating system of travel agencies was transformed into two types, international and domestic travel agencies by CNTA in 1997. These institutional changes in tourism sectors shaped a new turn of path dependence and development of tourism firms with increasing competitions in the 2000s.

In general, the development of tourism sectors in Guilin had followed a strong institutional path dependence and even lock-in in the 1990s. In the similar vein, local tourism product development also heavily relied on natural tourism resources, resulting from the cognitive lock-in of both local tourism operators and tourists. Interestingly, foreign entrepreneurs made an initiative attempt to investment in man-made tourism attractions by cooperating with local government. No matter how successful or unsuccessful cultural tourism attractions would be, these initial entrepreneurs set a good mode for the succeeding followers or entrepreneurs at the next phase. Furthermore, increasing collaboration between the government and external entrepreneurs played an important role in domains facing

environmental turbulence because of consequential external shocks. In these respects, the changes and basis of tourism sectors and products together with the good entrepreneur atmosphere have speeded up new path creation for both tourism sectors and products in Guilin for the next decade.

5.5 New path creation phase

The development of transportation and information technology, especially jet aircraft, increasing leisure time and disposable income, and the expansion of mass-produced tourism services have facilitated and paved the way for the new growth of Guilin tourism industry from late 1990s to the present. Since the central government increased the number of official holidays, especially the three golden week holidays in 1999, domestic tourism market has boomed in China (York and Zhang, 2010; Wu et al., 2012). In this context, the Guilin tourism destination is faced with more competitions from other domestic resorts. New paths have been created in the process of restructuring and upgrading tourism industries either through heterogeneity of tourism firms or through diversification of tourism products by attraction upgrading or product innovation. Thus, the heterogeneity and diversity of local tourism firms and products promote constant innovation and economic reconfiguration, avoiding negative lock-ins into decline, but instead entering into a new development cycle.

5.5.1 Tourism products: innovation and upgrading

New attraction systems were gradually established through the infusion of new tourism products, while the rating system for tourism attractions become more specific and subtle from national, regional, city, county to town level. At this phase, tourist demands gradually are changing from traditional sightseeing activities to more cultural, leisure, holiday, amusement and specialist tourist activities. With the investments from the government and entrepreneurs in tourism attraction development, Guilin gradually locked out of its past product development path with new novelty based on its preexisting natural and cultural resources.

5.5.1.1 A new attraction system in the city of Guilin: Two Rivers and Four Lakes

First of all, the former traditional natural attraction system, namely ‘Three Hills, Two Caves and One River’ was not the only dominant attraction system in the 2000s, but instead ‘Two Rivers and Four Lakes’ became a new popular tourism attraction system for tourists in the city center of Guilin. The project of ‘Two Rivers and Four Lakes’ was initiated and invested by Guilin municipal government in 1998 and the first phase of the project was finished by the end of 2002 (Luo, 2009). ‘Two Rivers’ means the Lijiang River and the Taohua (Peach Blossom) River, while ‘Four Lakes’ refers to Rong Lake, Shan Lake, Xiqing Lake and Mulong Lake which were the canals of Guilin city in history (Luo, 2009). Those rivers and lakes were the navigable water system of Guilin city in Tang and Song Dynasty. However, the urbanization process of Guilin had gradually turned them into sewage containers with badly polluted water and some parts of them even turned into a dried-up stream and cut off from the navigable water system (Luo, 2009). Comparing to the traditional attraction system, ‘Two Rivers and Four Lakes’ has been combined with diverse cultural, historical and natural elements into its attraction system, including the Zongren Li Properties, Guilin Office of the Eighth Route Army, the Jingjiang Princes’ City and surrounding hills. One interviewee who had participated in this project briefly introduced this project:

“This project was firstly proposed by JinZao Li (the major of Guilin city at that time) in 1998 after the administrative union of the city and the region of Guilin. Then, the Guilin municipal government established a special team and an office of this project to be responsible for the coordination with relevant departments and the management of the whole project. Together with a series of planning, construction, and development of six water systems, the project involved a number of sub-projects, such as urban afforestation, the light project of night scenes, boat tour systems, restoration of surrounding buildings and purification and improvement of water quality, etc.” (Two Rivers and Four Lakes, attraction manager, author’s interview, 17th March, 2011)



Figure 5.2 Two Rivers and Four Lakes, Guilin

Source: Author's photo

The positive effects and success of this project have been mentioned by several interviewees:

“There are three tours successfully developed and operated on the basis of this new attraction system: the Two Rivers and Four Lakes Cruise, the Mulong Scenic Spot, the Moon and Sun Pagoda. The Night Cruise of Two Rivers and Four Lakes has become a popular tour since 2003, which has supplied the city center of Guilin with colorful night life for tourists.” (Two Rivers and Four Lakes, attraction manager, author's interview, 17th March, 2011)

“The project not only adds more charming scenic spots to Guilin, restoring the ancient city's style and features, but also greatly contributes to the improvement of urban environment. Nowadays, Guilin has the cleanest rivers and lakes among Chinese cities. The cruise route is a comprehensive attraction system which shows the artistic conception of ‘the city is in the scenery while the scenery is in the city’.” (Guilin Tourism Bureau, tourism administrator, author's interview, 8th March, 2011)

“The scenery along the rivers and lakes can compare in beauty with the canals of Amsterdam,

the seine of Paris and the waterways of Venice. It looks like wandering in a wonderland to visit the rivers and bridges by yachts at night with the lamplights glittering on the traditional waterway.”(Guilin University of Technology, tourism expert, author’s interview, 7th April, 2011)

Nevertheless, the project has also received some criticisms from both the local residents and some scholars. Firstly, the project had to resettle many local residents and tear down some buildings to get through the navigable water systems. In this respect, some residents were satisfied with their compensations while some others complaint about the new settlements was a little far away from the city center and influenced their lives (Respondent, S3). Secondly, the local government had great burden in the later operation phase of the project because the government lacked a budget plan for the future operation of the whole project. Thus, the second phase of the project can’t operate smoothly (Respondent, S3). Finally, it is quite controversial about the design styles of 19 bridges newly rebuilt across the rivers and lakes in this project (Luo, 2009). The old bridges across the rivers and lakes were dismantled or reconstructed in this project. Although some traditional Chinese bridge characters were integrated into the design styles, including the Zhaozhou Bridge of Hebei, the Jade Belt Bridge of Beijing, and the Tianbaowu Bridge of the Winter Palace, there was no local character. Moreover, most of the new bridges were designed and constructed with the western style. For instance, the designers of the bridges mainly applied and imitated the architectural styles of some worldwide famous bridges in Europe and America, such as the Golden Gate Bridge of San Francisco, the Mathematical Bridge of Cambridge, the Bow Bridge of the Central Park, the Invalides Bridge of the Seine, the Ponte Santa Trinità of Florence, the Ponte Vittorio of Rome, and the Triumphal Arch of France. Therefore, this bridge cluster is popularly regarded as a worldwide bridge museum without native cultural characters. In this view, one of the interviewees criticized the construction of the bridges:

“There is no Guilin cultural characteristic in the design of the bridges, so it is a failure for the traditional culture of Guilin. Many bridges across the lakes are western styles without local

cultural characteristics, which are not embedded quite well with the feature of Guilin. In the long run, maybe it will make the old fame about Guilin, 'mountains and rivers of Guilin are the best under the heaven', in name but not in reality. More importantly, two thousand years of history and culture in Guilin may vanish with the transformation of the bridges in the long time. Guilin has become more beautiful than the past time, but has gradually lost the feature of the city which make it hard for tourists to experience the authentic cultural traditions."

(Guangxi Normal University, tourism expert, author's interview, 9th April, 2011)

Nevertheless, 'Two Rivers and Four Lakes' has become a typical example regarding to both urban construction and regeneration and urban tourism development after more than ten years reconstruction. Many small cities with waterways have started to learn experience and lessons from Guilin, such as Liuzhou, Nanning and Yulin (Luo, 2009). It has also received a great attention in the tourism academia, especially associated to the sustainable urban tourism development. Furthermore, it has become more attractive for both international and domestic tourists during this phase.

5.5.1.2 Path creation of cultural tourism products

By the end of the 1990s, more and more emphasis and investment of Guilin tourism industry shifted to attraction development, especially cultural tourism products based on folk customs and cultures. As stated before, local folk customs and cultural heritages are also the attractive elements for both international and domestic tourists. In this context, there are three types of cultural tourism products developed in the 2000s, including the Third Sister Liu Scenery Park and 'Impression Sanjie Liu' in Yangshuo and the Folk Custom Villages in Longsheng.

1) The Third Sister Liu Scenery Park

The Third Sister Liu Scenery Park was established by the end of the 1990s, which presents the cultural performance of ethnic minorities similar to that of the Lijiang Folk Custom Park. For instance, they have similar man-made settings and the same folk songs. However, the novelty of this park is that it focuses on the legendary and cinematic Zhuang minority

songstress, Third Sister Liu (Sanjie Liu), who was well-known in a film (e.g. section 5.2.4). More importantly, the real actress of Sanjie Liu in the film also participates in some cultural performances in the park, which is very attractive for some tourists. Interestingly, an interviewee mentioned the origins of the Third Sister Liu Scenery Park:

“Actually, this park was ‘the Birds and Flowers Park of Guilin’, mainly for watching birds and flowers, which can’t sustain after three years’ operation. Then it was transformed into the Third Sister Liu Park which focuses on the show of the ethnic minority music and culture and the story about Sanjie Liu. Now the Third Sister Liu Scenery Park has performances in day and night within a large space.”(The Third Sister Liu Scenery Park, attraction operator, author’s interview, 21st March, 2011)

At the same time, the Lijiang Folk Custom Park lacked novelty of the tedious cultural performance in recent years. Moreover, the cooperation and coordination between the joint investors of the park went on not well, although external entrepreneurs played the main role in daily operation. In contrast, the Third Sister Liu Scenery Park is mainly operated by the government, building up a good relationship with travel agencies organizing the main routes of tours in Guilin. An interviewee explained the different marketing strategies of the Third Sister Liu Scenery Park:

“The manager is good at lobbying and cooperating with local travel agencies and promotion, so it gradually attracts more tourists than that in the Lijiang Folk Custom Park. In the past few years, it has nearly substituted for the main market share of the Lijiang Folk Custom Park.”
(The Third Sister Liu Scenery Park, attraction operator, author’s interview, 21st March, 2011)

In this circumstance, the Lijiang Folk Custom Park gradually lost its market share and shifted its businesses to the real estate in 2007 due to intensive competitions from homogeneous parks and new authentic minority villages on Longsheng. However, this kind of marketing strategy can survive in certain time of imperfect competition market

environment in China. With more competitions from the original folk custom villages in the countryside of Guilin, the future of this kind of cultural tourism products (e.g. the Third Sister Liu Scenery Park) is still doubtful and uncertain.

2) The Impression Sanjie Liu

The most notable innovation of cultural tourism products is the ‘Impression Sanjie Liu’, referred by most key informants as a successful case in the interviews. It has also been paid more and more attention in tourism literature. It successfully integrates natural resources (e.g., the Lijiang River and its surrounding mountains) with cultural resources (e.g. the folk story of Sanjie Liu) and local minority customs. To some extent, history matters and small incidences played a significant role in the development of ‘Impression Sanjie Liu’. Two initial conditions could be identified as the starting points for this new path. First, Guilin is abundant in cultural folk music and customs of ethnic minorities, within which the most well-known culture is the folk story and music about Sanjie Liu. This folk story and related songs have been passed from generation to generation by oral statements in the past one thousand years. In the recent decades, the image of Sanjie Liu has been gradually known to more people by the drama performance in the theatre and the film shown in 1961. As stated before, the foundation of the Third Sister Liu Scenery Park also relies on the folk story and music of Sanjie Liu. Secondly, the cultural performance, ‘Impression Sanjie Liu’, is located in Yangshuo, where has been well-developed in the past two decades. In the meantime, it is the place where the film ‘Sanjie Liu’ been produced, which has been well-known for tourists. Furthermore, a series of small incidences induced the formation and success of this performance. This program was actually initiated by the provincial government of Guangxi, produced by famous artists and directors, and invested by a large-sized company. Some informants gave more information about the initiatives and primary operation of this program:

“This cultural performance was initiated by the Cultural Office of Guangxi province with the funds of RMB 200,000 Yuan, as the government wanted to promote the cultural heritage of this

region, especially the image of Sanjie Liu. In this circumstance, a local famous artist, Shuaiyuan Mei, was recommended to take charge of this program. And later on, he came up an idea to produce a cultural performance based on natural landscape, specifically combining the mountains and rivers of Guilin with the folk culture of Sanjie Liu. Moreover, he communicated this idea with Yimou Zhang, a famous film director, who is also the director of the opening ceremony of Beijing Olympic Games in 2008. They started to design and direct this performance together and chose Yangshuo County of Guilin as the performance place.”(Guilin Tourist Bureau, administrator, author’s interview, 8th March, 2011)

“However, the construction of this program was delayed nearly two years because it was short of capital. At the beginning, it was not successful when it came to consensus of the program cooperation with two companies from Hongkong. Until 2001, a large-sized state-owned company from the regional chemical industry, Guangxi Vinyon Group Limited Company, agreed to invest in this program. Concurrently, the Guangxi Culture & Arts Limited Company also participated in the produce and operation of the program (established by Shuaiyuan Mei in Nanning in 1998, mainly for the operation of this program). In this context, these later two companies cooperated and established Guilin Guangwei Cultural Tourism Limited Company to take responsibility for this program), with the total investment of RMB 90 million Yuan. Finally, they chose Yangshuo County as the performance place with supports from the local government of Guilin.”(Impression Sanjie Liu, attraction operator, author’s interview, 28th September, 2011)

This kind of cultural performance has been recognized as an innovative cultural tourism product successfully embedding natural and cultural resources into tourism destination. From this analysis, three key characteristics of this product could be identified. Firstly, the development of this product is mainly associated with high-ranking scenic spots and the abundance of regional cultural resources. The cultural performance “Impression Sanjie Liu” is located on the East Street of Yangshuo, while the performance stage is on the Lijiang River with a lake area of 1.64 square kilometers, surrounded by twelve mountain peaks

(Respondent, G4). Moreover, the peninsula of the lake area is just used as the natural auditorium. In the meantime, the folk music and stories of Sanjie Liu have been well-known and also well-embedded into this picturesque landscape. Secondly, modern lighting and staged technologies have facilitated the effect of music and dance and made the night show of the performance stage as a wonderland for tourists. Thirdly, the director and designer are famous and have a high reputation in the art or film area, while some local residents were also involved in this show, either worked as actors or actresses or offered tourist-related services for tourists. Until now, there are approximately 600 actors involving in this performance, within which more than 400 actors are either peasants or fishermen who are skilled at guiding the boats from local villages (GLCC, 2010). Two managers from this product operation company reported the general development and impacts of this product on the local tourism industry:

“The show ‘Impression Sanjie Liu’ was performed for the first time on 1st October in 2003. It has played a significant role in local tourism rejuvenation after the shock of the SARs and offered more employment opportunities for local residents in Guilin. At the same time, it attracted more tourists with overnight stay in Yangshuo and improved the destination image of Guilin. More and more hotels and restaurants are established in this place due to this night show. Furthermore, it creates a new and successful mode for tourism product development. Some destinations have already imitated this kind of mode and a series of homogeneous ‘Impression’ products have been developed.”(Impression Sanjie Liu, attraction operator, author’s interview, 28th September, 2011)

From this statement, positive externalities and knowledge spillover of this cultural product could be found in its path development. More importantly, it has also directly benefited the improvement of the education for local poor ethnic minority regions. In the operation of this performance, the director, Yimou Zhang set up an art school in Yangshuo to train the performers for the ‘Impression Sanjie Liu’, namely, Yimou Zhang Lijiang School of Art. The students of the school are the young people from local ethnic minority with artistic talents.

They attend the courses and learn the knowledge of music and dance in the daytime and participate in the cultural performance, 'Impression Sanjie Liu'. Moreover, this art school is not only free of charge, but offers monthly performance subsidy from RMB 400 Yuan to RMB 1000 Yuan for students. Correspondingly, the founding of this art school has decreased the human resource cost of the performance and also made contributions to the education of the poor regions by training young local artists. In the meantime, more and more local residents are trained or educated as tour guides for tourists.

3) The Folk Custom Villages in Longsheng

As stated before, the tourism development of Longsheng County has been involved in the 'Large-scale Tourism in Guilin' after the administrative union of the city and the region of Guilin in late 1998 (GLCC, 2010). Longsheng County is around 100km away from the city center of Guilin, the opposite direction of Yangshuo County. The remote ethnic villages and their vertical rice terraces gradually became the attractive elements for backpackers in the mid 1990s. The local county government and local villagers began to involve in offering tourism service and folk performance for early tourists since 1996. The earliest tourism development of Yinshui Dong village was initiated by local villagers. An informant gave more information about tourism product development of this village:

"Jinmin Wu (the local director) and other villagers built Yinshui Dong village in 1993 and opened to tourists in 1993 without the help from the local government. The village hosts a traditional Dong performance, which is tucked in a mountain valley about 10km from Longsheng County. The Dong songs and dance performance is built on the platform alongside a long tumbling waterfall. It contains a small pavilion for audiences to sit, an adjoining dining room and a souvenir shop. He also helped to develop the idea of opening rice terraces in the nearby Ping'an village" (Longsheng County, attraction operator, author's interview, 7th April, 2011)

In contrast, Ping'an village, funded by the local government was officially open to tourists in

1996. The village is different from Yishui Dong village in three aspects. Firstly, the main tourist activity is the sightseeing of the magnificent rice terraced fields built along the slope winding from the riverside up to the mountain top. In this respect, tourists could hike the fields and have an overview of the irrigation projects as well as the residences of villagers. Secondly, there is a native performance of ethnic songs and dance group, displaying ethnic songs of Zhuang minority and traditional crafts or arts of the area. Finally, tourists could interactively participate in the local wedding custom performance and the bamboo stick dance.

“Ping’an village is about 20km away from Longsheng County, is the most mature village in the Longji rice terraces scenic area. It is the home to about 140 Zhuang families, and nearly all of them share the same surname, Liao. A group of local women were supported by the government to learn choreographed performance to display some ethnic songs of Zhuang minority and traditional crafts from this region.”(Longsheng County, attraction operator, author’s interview, 7th April, 2011)

In the meantime, the tourism development of the Yao ethnic minority also started in recent years. The attraction is primarily the nearby Longji rice terraces carved into the mountains, home to several Zhuang and Yao minority villages in Longsheng County. The most well-developed rice terrace area of the Yao ethnic minority is Jinkeng Rice Terraces, including two villages. The first village is Dazai village at the foot of a mountain. The layout of the village with spontaneous symmetry to the rice terrace fields makes the residences of the village look like stacked on top of one another. The attractions of this village contain not only well-managed fields and bountiful crops, but also engineering marvels such as amazing reservoirs and grandiose aqueducts crossing deep valleys for irrigation. The second village is Tian village arriving by climbing up the hill from Dazhai village for one hour, where offers wooden houses and clean bathrooms for tourists. In particular it is isolated from modern technologies with no noise from boring TV programs, no signal for cell phones, no motorcycles and no pollutions. In addition, another local attraction is the culture of the

Huangluo Red Yao village (60 families, totally over 400 residents), famous for the local women with their long and black hairs. Generally speaking, the most attractive element of Longsheng is the ethnic life style of local villages.

However, most of quiet and attractive minority villages in Longsheng are now transformed into endless construction zones, with more new guesthouses, lodges, internet café, T-shirt stores, and souvenir shops. Nevertheless, the newly-developed attractions, including a hot spring resort area and the Dong minority village of Yinshui, have also enriched the attraction system in Longsheng. Nowadays, Longsheng County has become one of sub-destinations of Guilin (another two sub-destinations are Yangshuo and Xing'an), well-known for its rice terraces and folk custom villages.

5.5.1.3 Path innovation of man-made attractions

Some specific man-made tourism products are created based on the dominant natural and cultural attractive elements of Guilin in recent decade. For example, some amusement, leisure, and holiday products are newly developed by Taiwanese entrepreneurs in the counties or countryside of Guilin since 1998. According to the documents and interviews with local government, tourism entrepreneurs and tourism experts, there are three reprehensive innovation examples of man-made attractions embedded well with its surrounding natural landscapes of mountains and lakes, including the Yuzi Paradise, the Guilin Merryland Resort, and the Shangri-La Park in Yangshuo. Interestingly, the themes of these three man-made attractions are different. The Yuzi Paradise focuses more on modern arts of sculptures and paintings, while the Guilin Merryland Resort emphasizes amusement and leisure and the Shangri-La Park stresses nature and culture.

1) The Yuzi Paradise

The Yuzi Paradise focuses on the collection of world arts and sculpture, embedding in the picturesque landscape with local natural environment. A Taiwanese entrepreneur, Rhy-Chang Tsao, the founder of Taiwan Baishan Group Corporation, came up with an idea to build a

worldwide outdoor art museum with modern arts and culture in the most beautiful place of the world. Finally, he chose the Yanshan district of Guilin (about 30km from the city center of Guilin) and initiated this program in 1998. Since then, the park was gradually formed by organizing some sculpture and painting symposia and inviting more than 200 international artists to create hundreds of sculptures and paintings at these events. The founder and sponsor of the park said:

“Many people have wondered why I should throw myself into a quixotic arts project like the Yuzi Paradise and the Hotel of Modern Art. I’ve been called a fool many times, so I decided to give my park the ironic name of Yuzi (Fool) Paradise. ‘The fool enjoys doing what he believes is right’, as I’ve said many times. I, the fool, observe that while China now enjoys more material wealth, we still lack of aesthetics in our daily life. To enrich the nation and the world’s aesthetics is my life’s goal……. By infusing cultural elements into our beautiful natural surroundings, we offer a new experience of arts and nature in the Yuzi Paradise.”(Xu, 2010)

In the founder’s words, the ultimate goal of this park is to build a living museum and pass down the best cultural heritage of contemporary arts to descendents. Although the park was not oriented to receive tourists and pursue profits in its initial phase, vast investment (a billion dollars) cannot sustain after a decade of art design and construction. In this context, a section of the park was first opened to tourists after the first phase of the construction finished in 2003. The main theme of this section is about international sculpture, which includes living areas, an art village, an art salon, a teaching display area and an open theatre. According to the introduction of the park manager (Respondent, S10), this section of the park consists of four parts.

The first part is the Architectural Wonder of International Art Center, made by continuous 30 degree and 60 degree triangles overlapping and extending to two sides. The second part is Home Chateau, an organic architecture with its distinctive green pyramid shape, embedded naturally into the karst mountain surroundings. Thirdly, the Day Dream Palace is designed

with a hurricane-shaped architecture rotating counterclockwise, reflecting the infinite energy of life. The last one is Flying Spa with its quarter of a circle shape and mirror-faced steel-frame structure, which looks like an astrologer's crystal ball reflecting the surrounding landscape. In addition, the surrounding sculptures and paintings with artistic creativity and diversity are infused harmoniously with the above architectures, mountains and landscape. Thus, the current tourism activities of the Yuzi Paradise are the sightseeing of arts and enjoying the leisure time with spa treatments and superior services. It is estimated that the average tourist arrival is around 300000 per year with low entrance fee (Respondent, S10). What's more, the second construction phase of the park is still on the way, focusing mainly on the development and design of the cavern art. In this sense, the creation of the Yuzi Paradise has supplemented cultural and leisure products and enriched tourism attraction systems of Guilin. But more importantly, the brilliant sculptures and cavern arts will meet the diversification of tourists' demands and expectations in the future.

2) The Shangri-La Park in Yangshuo

The Shangri-La Park is located in Yangshuo, nearby Guiyang Road, about 45km away from the city center of Guilin. The founder of this park is a Taiwanese entrepreneur, Wenhao Jiang, who used to be a lecturer in a university in Taiwan and later operated a machine company in Taiwan. He came up with the idea to build a place to live in Guilin when he traveled to Guilin and was impressed by its beauty in 1989 and 1993. Until 1995, he put his idea into practice and negotiated with the local government of Guilin by investing more than RMB 20 million Yuan in the construction of the park (Respondent, S7). The theme of the park was mainly based on a famous wonderland described in an ancient prose, namely 'Tao Hua Yuan Ji' (which means the Tale of the Peach Blossom Spring) by Yuanming Tao in the Eastern Jin Dynasty (317-420). Moreover, it also combined the folk customs, folk architectures with the local idyllic landscape and life. The park was officially opened to tourists in 1999. The park has received averagely one million tourists per year, and has got its original investment returned in the first two years. The main tourism activity involves two ways of sightseeing tour, either by boats through the waterway or by hiking. An informant

described his impression after the tour of this park:

“It is the fairyland in my dream, which is just the land of peach blossom spring which I have expected for a long time.”(The Shangr-La Park in Yangshuo, a tourist, author’s interview, 26th September, 2011)

The founder and sponsor of the park explained the reasons for tourism investment in Guilin:

“When I first come to Guilin in 1989, I fell in love with the beautiful landscape. When I was there at the second time in 1993, I came up with the idea to build a scenic area and live in this area. So I came here to first invest in the operation of ‘the park of mountain and water with Bilian Peak’ in 1996 in Yangshuo. Afterwards, I found a place with representative local landscape and cultures where was suitable to build a Shangri-la Park. With the support from local residents and government, I built this park and opened it to tourists.” (Huaxia News Agency, 2004)

Based on the above analysis, the market success of the park is credited to three aspects. First, it attracted a part of vast tourists visiting Guilin, on the way back from Yangshuo County to the city center of Guilin. Secondly, some distinctive folk cultures are embedded naturally and harmoniously into the scenic environment of the park, such as the cultural performance and dance of Zhuang, Yao, Miao and Dong ethnic minorities, typical folk architecture of bridges, drum towers, and folk homes. Thirdly, the park’s theme draws from the spirit and content of one of Yuanming Tao’s well-known works. Finally, continuous upgrading of tourist facilities and innovation of folk performances enable the park to sustain its tourism development in the long run. For instance, the ancient craft art performance has been recently introduced into the park, including wine-making, paper-making, printing, bamboo carving, wood engraving and artistic pottery and porcelain. Moreover, tourists can participate in the folk performance or dance and get a craft gift as a reward for participation.

3) The Guilin Merryland Resort in Xing'an County

The Guilin Merryland Resort is located in Xing'an County, covering an area of 6000 mu (equal to 988 acres), about 63km away from the city center of Guilin. With a total invested capital of RMB 2.1 billion Yuan, the resort was established by a Taiwanese entrepreneur, Zhiling Ma, a stock businessman, owning and operating the Yuanda Group Corporation in Taiwan. According to the relevant documents (GLCC, 2010), this resort is the largest tourism project among the invested programs by Taiwanese entrepreneurs in Guilin and also the largest leisure theme park in China. The government official explained the efforts made by local government on this project:

“In order to attract the vast invested capital from Zhiling Ma, local government built a road, using Zhiling as the road name. The construction of the theme park started in 1997 and finished the first part of the resort in 2000 and then opened to tourists. It occupies 60 hectares with the Ling Lake and barren rolling terrain.”(Guilin Tourism Bureau, government official, author's interview, 11th March, 2011)

According to the functions of different regions of the resort, it can be divided into four main parts. The first part is the Amusement Park, involving the South Pacific Section, the Western United States Adventure Section, the European Section, the Chinese Ancient Town, the Magic Dreaming Cities and the Village of the Caribbean Pirates. The second part is the Golf Club with 27 standard holes and an American-styled rolling playground. The third part is the Holiday Cottage, together with more than 30 platforms for picnic groups and backpackers (Respondent, S5). The fourth part is the Merryland Resort Hotel, a five-star modern hotel with 371 rooms (Respondent, S5).

Since the year of 2000, more than eight million tourists have visited this resort. The average tourism arrival is around 670 thousand tourists per year (Respondent, S5). The success of the resort is attributed to three aspects. Firstly, it takes the advantage of the resource-based destination by combining its natural landscape with leisure and amusement activities.

Secondly, the resort has good transportation accessibility, about 45 minutes to Guilin and 50 minutes to Guilin Liangjiang International airport by bus. Thirdly, it is not far away from the Lingqu Canal, which has already been well-known to tourists. Fourthly, it is the first amusement and leisure resort in the southwestern region of China, which could attract more tourists from nearby areas.

5.5.2 Tourism sectors: institutional path creation of enterprises

As stated before, most of tourism firms in Guilin have implemented modern enterprise reform in the late 1990s, which suggests that the path creation of tourism firms is mainly stimulated through the disruptive impact of institutional mega-system changes. For instance, the largest state-owned tourism company in Guilin was converted into a company limited by shares, namely Guilin Tourism Development Group Corporation (GTDGC) (united by 11 large tourism firms) in 1998. The main businesses include the operation of transportation, travel agencies, hotels and restaurants, and the development of attractions and the real estate. As stated before, three hills and two caves within the traditional attraction system are owned by this state-owned company. The most significant change is that Guilin Tourism Corporation Limited got listed on the Shenzhen Stock Exchange in 2000, while the majority of its shares are held by the GTDGC. However, there are a few changes in its organization structure and administrative routes of the company. Take the management of the scenic areas for example, some informants complained about the overlapped regulation by its original enterprise, stock company, the government and the GTB:

“We can’t operate and manage the scenic areas smoothly, as there are so many barriers and rules for daily management of the areas. Firstly, we have to be subordinated to many different arrangements and assignments from the government agencies and companies. Sometimes, the arrangements or plans contradicted with each other, we don’t know which one to follow. Also, we got one plan and put it into practice, but sometimes it had to be stopped half on the way just because the idea changes from the administrative leaders at higher level. Secondly, we have some innovative ideas about the scenic area development sometimes, and try to put it into

practice. However, we lack of management fee or supporting funding from the government and companies. ” (Respondent, S1, S2, and S9)

However, some state-owned and collective-owned firms still largely depended on the arrangements and supports of the government in this decade. For example, some state-owned or collective-owned tourism firms were still under the protecting cover of the government, as only the designated tourism firms were allowed to receive the tour groups organized by travel agencies under the administrative permission of the government. However, this regulation was gradually replaced by a new rule that tourism firms should be self-dependent and self-management by cooperating with other firms through tourism associations or other ways after 2002. In this respect, it follows the rule called ‘government guide, industry self-discipline, enterprise self-credit, and tourist supervision’ (CNTA, 2003). Take another example of travel agencies, only the first level travel agencies (which are transformed into international travel agencies after 1998) were allowed to receive international tourists. Similarly, only the local travel agencies were allowed to organize domestic tour trips within Guilin. Nevertheless, the situations have been changed by a new regulation of travel agencies in Guilin that travel agencies from other regions are stimulated to establish their branches in Guilin since 2003. Moreover, the domestic travel agencies in Guilin become dominant in the organization of domestic tour trips, while the international travel agencies in Guilin shifted their businesses to outbound tour trips rather than inbound tour trips, due to the increasing demand of outbound tourism market.

In contrast, the exogenous investment and management from outside entrepreneurs have gradually embedded into local environments transferring into endogenous entrepreneurship environments for new comers or entrepreneurs, which finally create new paths for local private tourism sectors. In the 1990s, the Guangxi provincial government has provided more preferential policies for attracting more external entrepreneurs to invest in the tourism industry, especially the entrepreneurs from Taiwan. As illustrated before, some joint-venture companies either in the hotel sector or the man-made attraction sector in this institutional

environments. In these circumstances, more and more Taiwanese entrepreneurs were attracted to invest in the Guilin tourism area, within which endogenous entrepreneurship environments gradually formulated and created new paths for local tourism firms, specifically in the attraction sector.

According to the interviews and documents of Guilin, three notable Taiwanese-owned attraction firms are mentioned as the most largest and successful attraction firms in Guilin (GLCC, 2010). The first one refers to a Taiwanese tourism company, investing and operating the Yuzi Paradise of Guilin. The second one is Yangshuo Landscape Tourism Development Company Limited, mainly operating and managing the Shangri-La Park and Bilian Peak in Yangshuo. Interestingly, the founder of this company is the current president of Taiwanese businessmen investment association of Guilin. The third one, also the biggest one, is the Guilin Merryland Tourism Development Company Limited, which was sponsored and established by Zhiling Ma, the top executive of Taiwan Yuanda Group Corporation. In these three companies, not only vast capital have been attracted to invest in the amusement, leisure and cultural attractions, but also a new management and service mode has been introduced to operate this kind of tourism companies. An informant from the Guilin Merryland Resort introduced the new managerial organizational structure and system of the company:

“Firstly, we emphasize the formation and development of our enterprise culture. It could be summarized into four core themes: ‘meticulous services, strict regulations, high standards and immediate actions’. Secondly, we adopt a flat organization structure with less managerial layers and overall responsibility by department managers. Thirdly, we establish refined managerial systems, including a moving management system across the resort with a department manager on duty, no boundary management system in the coordinated and cooperated operation process, the training and evaluation system for employees, the backup system for the operation and management of every activity in the resort. There are also some detailed regulations for the responsibilities for the job and employees. For instance, every department of the Merryland Resort has a standard operation process. Thus, there is a

morning meeting every day, where managers and workers could have immutable discussions about the problems of daily operations and improvement for their distinctive SOPs. As we all know that, the managerial system of the company is not only important for the control of the service quality for tourists, but also vital for the development of our company and employees.”
(The Guilin Merryland Resort, attraction manger, author’s interview, 29th March, 2011)

These companies have created a new entrepreneurial atmosphere for other tourism companies in Guilin in recent years. In this circumstance, more and more Taiwanese direct investments are attracted to establish and operate tourism firms in Guilin. It is estimated that there are more than one hundred Taiwanese tourism firms invested by Taiwanese entrepreneurs (Respondent, G1). These companies mainly focus on developing and managing tourism attractions and hotels. For example, the Taiwanese companies have operated nearly the half of the star-recorded scenic spots in Guilin in the recent decade (Respondent, G1). According to the interviews with the attraction operators of these companies, three important factors are considered as the main reasons for them to invest in Guilin. Firstly, Guilin is endowed with unique tourism resources, colorful folk culture and abundant human resources in tourism areas. Secondly, the local government transformed its main role from directors to coordinators, cooperators and supporters with less administrative interventions on foreign companies but instead of more support on independent business operation and management. Thirdly, Guilin has formulated a good entrepreneurial environment for new coming entrepreneurs, while the Taiwanese entrepreneurs are well-united and creating an inter-beneficial competitive environment.

Furthermore, a new path for small-sized tourism firms has been progressively formulated with the intensification of socialist market reform. The high-ranking hotels, on the contrary, become less popular compared to some booming chain hotels and family hostels during this period. Due to these developments, the competition becomes more and more intensive for various tourism firms at this phase.

5.6 Summary

This chapter has explored the path-dependent processes of the Guilin tourism area. These findings suggest that the Guilin tourism area has experienced path preformation, path creation, lock-in and a new turn of path creation phases (as indicated in Figure 5.3). The emergence of the Guilin tourism destination is not only influenced by ‘random events’ or ‘small chances’ (e.g. opening up policy triggers or contingent marketing and promotion), but also basically rooted in its initial conditions, including preexisting natural or cultural resources, transportation accessibility and location advantage. These initial or random factors shape the attractiveness and openness of the destination to tourists from elsewhere.

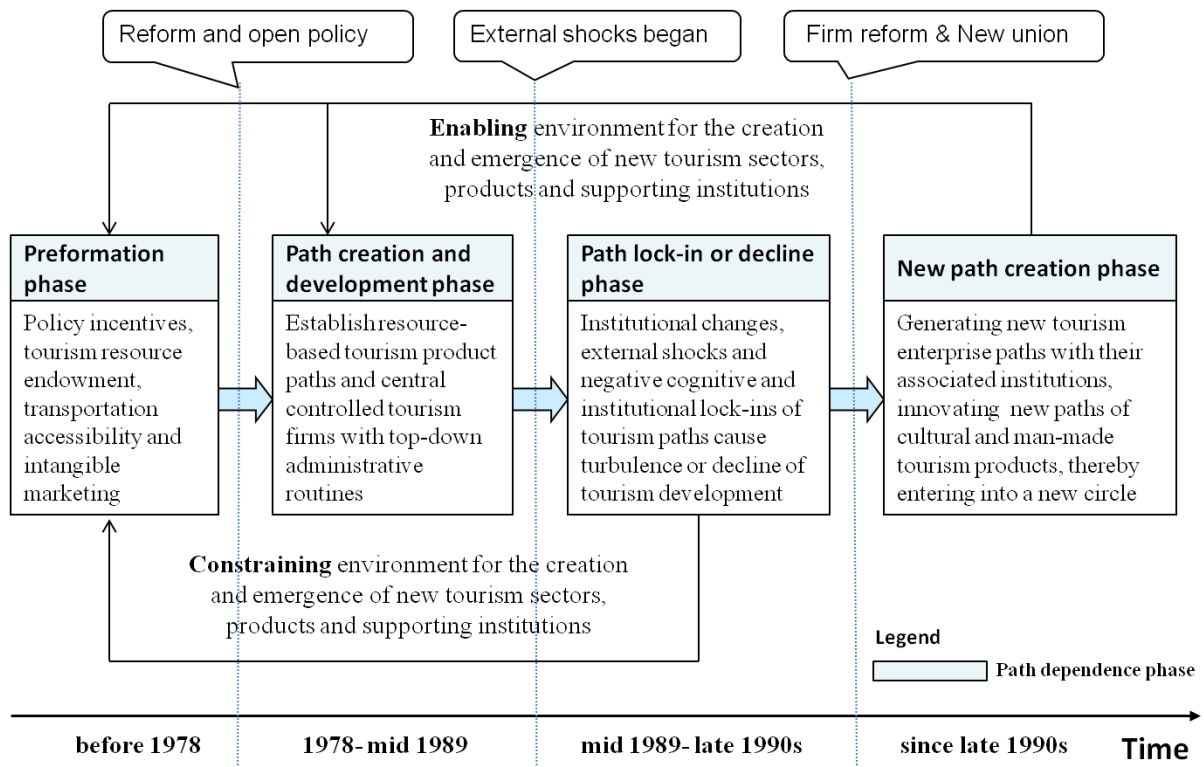


Figure 5.3 Path Dependence Process of the Guilin Tourism Area

The findings also show that there are continuous path-dependent processes in both tourism products and sectors. The Figure 5.4 shows the natural and cultural resource-based path dependence of tourism products in Guilin. At the beginning, the development of Guilin tourism products largely depended on natural tourism resource base: water, caves and hills.

For instance, the core natural resource-based tourism products or attraction system changed from the natural sightseeing of ‘Three Hills, Two Caves and One River’ to the night sightseeing of ‘Four Lakes and Two Rivers’. Path creation process of tourism products started from the innovation of cultural tourism products, including the Lijiang Folk Custom Park, the Third Sister Liu Scenery Park, Impression Sanjie Liu to Longsheng folk villages. More recently, the innovation of man-made attractions are still largely based on local natural landscape and cultural settings, combining with leisure and art products, such as the Yuzi Paradise, The Shangri-La Park in Yangshuo, and the Guilin Merryland Resort.

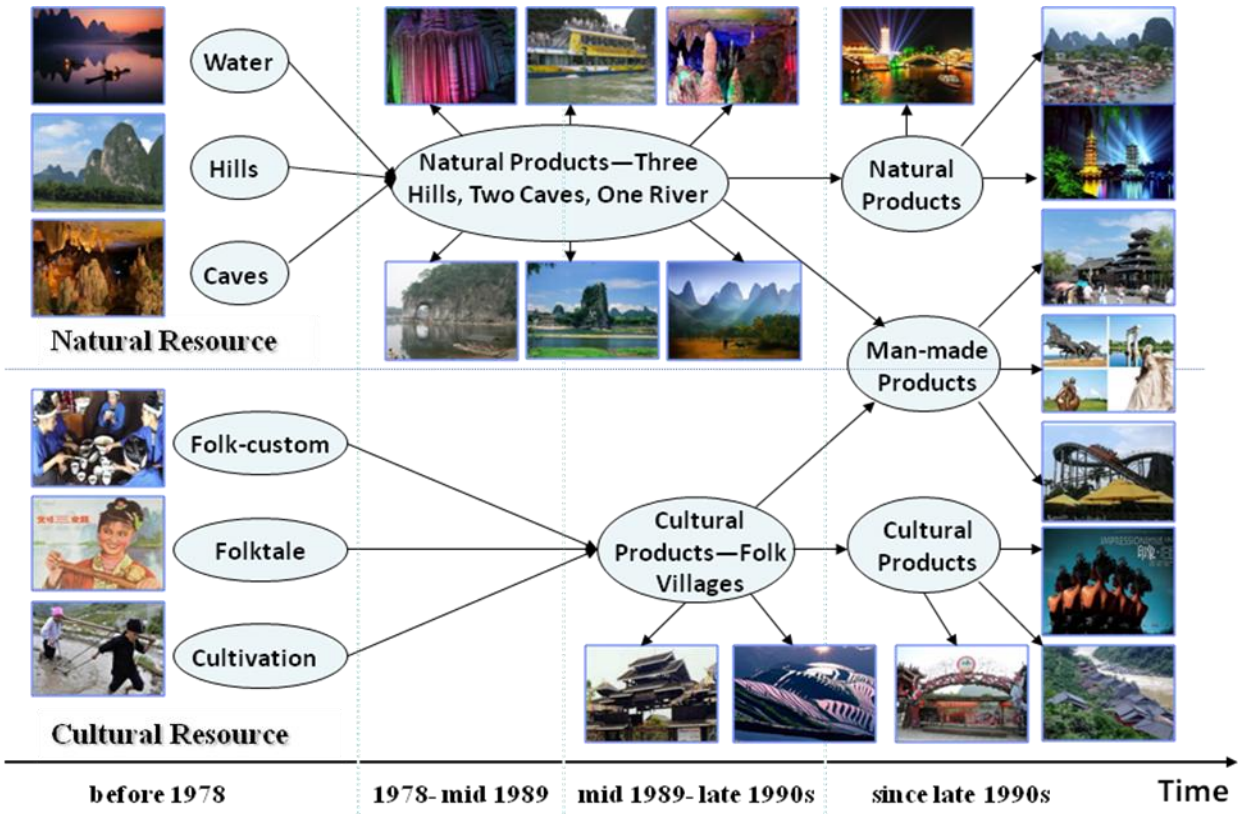


Figure 5.4 The Resource-based Path Dependence of Tourism Products in Guilin

Similarly, strong institutional path dependence could be observed in the development of Guilin tourism sectors, either policy-oriented path dependence of private tourism firms or administrative path dependence of public tourism firms (see also Figure 5.5). In the initiate phase, the development of tourism sectors was highly controlled by the government with top-down administrative routines. Path creation of tourism firms emerged with the influences

of institutional changes, especially foreign and individual investments gradually penetrated from the sectors of hotels, travel agencies to attractions. However, the institutional path dependence of the Guilin state-owned or collective-owned tourism enterprises was grounded in the scale of commitments resulting from previous institutional, organizational, or policy outcomes. In this respect, the past thick and sticky institutional structure hampered further restructuring and competition of these kinds of tourism enterprises. It could be got evidence from some state-owned large attraction firms, such as the Elephant Trunk Hill, the Seven Star Park and Two Rivers and Four Lakes. The findings have shown some strong path-dependent and negative lock-ins of state-owned firms which lack the ability to adapt to the changing market.

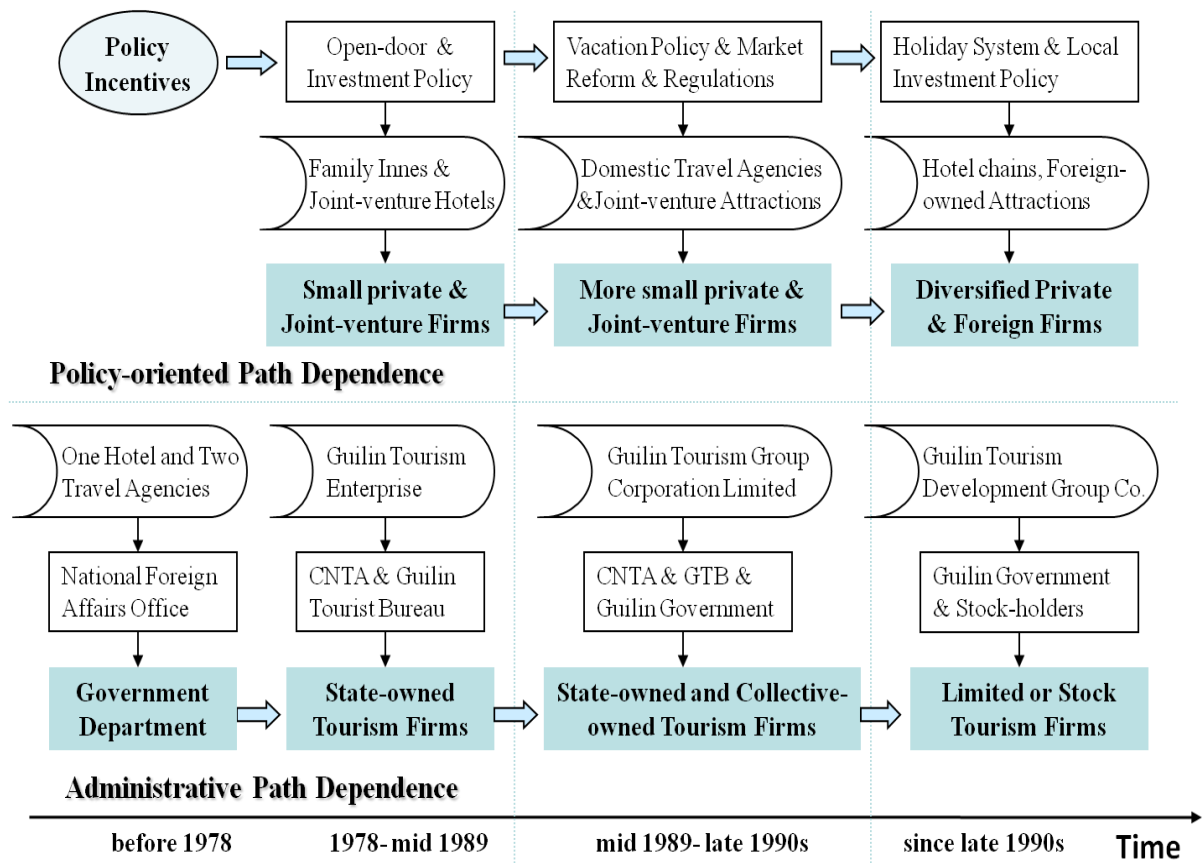


Figure 5.5 Institutional Path Dependence of Tourism Sectors in Guilin

Moreover, it also suggests that the decrease in the number of tourist arrivals and tourism revenues has not induced a long-term decline of the Guilin tourism destination in the early

1990s, as more tourism firms and products have been increasingly established or developed at this phase. In this sense, the improvement of tourism facilities and firms has paved the way for another rapid growth for the Guilin tourism destination. Thus, to identify the stages of tourism area development just by analyzing the changes in tourist arrivals or tourism revenues might be misleading.

In conclusion, new pathways for tourism firms and products emerged in the context of pre-existing tourism firms, attractions and institutional environments. Just as Martin (2010) argued, the most important aspect of path dependence may be the existing entrepreneurial and institutional climate or environment resulting from pre-existing conditions. On the one hand, the main tourism firms and products become diversified and heterogeneous in Guilin. On the other hand, path dependence and creation of tourist products are obviously based on its preexisting spatial allocation of resources or attractions. The key role for the pre-existing local context, conditions and antecedents in determining where and when new paths are created, the location of new paths does not need to be random, local purposive action may be incremental in nature, or stimulated by critical junctures or state policy.

Chapter 6 Coevolution of Tourism Products, Sectors and Institutions in Guilin

6.1 Introduction

The discussions of Chapter 5 suggests that the path-dependent development of the Guilin tourism area also involved the complex coevolution of overlapping sets of interrelated products, sectors and local institutional environments. In the path pre-formation and formation phases, the institutional environments and natural attractions are the dominant factors driving path creation of tourism products and sectors in Guilin by the government. The local institutional environment of tourism firms was gradually shaped by top-down administrative routines from state-owned tourism firms in Guilin. However, the external environments became dominant elements causing the lock-in of local tourism development. In the meantime, the cognitive lock-in of tourism products and institutional lock-in of tourism firms make the destination unable to recover its tourism development in a short time. In the new path creation and development phase, however, the efforts from the local government, external entrepreneurs and local residents enabled the path redevelopment of tourism products and sectors with China economic prosperity and technological advances since the late 1990s. Concurrently, some external rules or norms from foreign-invested firms transformed into local standard tourism rules, which in turn have driven the further development of tourism sectors and products. In these circumstances, dominant natural, cultural and man-made attractions, tourism sectors and local institutions coexisted and had strong connections and interactions with each other.

This chapter, therefore, aims at contributing to this discourse by applying the coevolutionary framework of tourism area development (see also Figure 2.7) into the Guilin tourism area with a timeline over nearly forty years. More specifically, the case analysis covers the longitudinal period from 1973 to the present and the investigation was conducted in four

phases: before 1978, from 1978 to mid-1989, from mid-1989 to late 1990s and the 2000s onwards, which are consistent with four phases of path-dependent process of the Guilin tourism area in Chapter 5.

The methods and sources used at each phase of investigation are combined documents and interviews analysis. The first type of information comes from a systematic review of published data from comprehensive sources, including academic papers, professional analyses and reports, newspapers, tourism websites and planning documents. The secondary information source is derived from both 30 semi-structured interviews and 120 tourism business survey (see also Chapter 3.3).

In this regard, three research questions guide this analysis. First, how do tourism institutional environments, tourism sectors and products evolve and interact at different levels within Guilin? Secondly, what are the driving factors for the interaction and coevolution of component entities within the Guilin tourism destination over time? Thirdly, how do policy changes and product innovation impact the development of tourism businesses in Guilin?

The chapter is proceeding as follows. In section 6.2, I will analyze and explore the coevolutionary processes of tourism products, sectors and institutions in Guilin through time. In section 6.3, I will analyze the survey with tourism business operators to examine their interactions with the government and other entrepreneurs, and also analyze how policy changes and product innovation impact their businesses in Guilin. Finally, the main issues and findings, stemming from these analyses, are concluded.

6.2 Coevolution and interaction of tourism products, sectors and institutions in Guilin

6.2.1 Central controlled tourism development in Guilin: before 1978

6.2.1.1 Macro institutional environments

After the founding of the PRC in 1949, Guilin was designated as a scenic area to receive foreign diplomatic personnel, technical experts and overseas Chinese invited by the central government. In this respect, the service for travelling was not a business phenomenon but a form of diplomatic and political activity. In this initial stage, the central government also attempted to develop scenic spots and made plans for tourism development in Guilin. However, the Cultural Revolution began in 1966, and it forced all tourism activities to a complete standstill in China, certainly involving Guilin. In 1972, President Nixon made his historic visit to China, which was a turning point in Chinese diplomatic history (Uysal et al., 1986). Owing to this great event, tourism as a diplomatic function started again. In 1973, Deng Xiaoping, vice premier of P. R. China, visited Guilin accompanying foreign guests. He pointed out that the environmental protection and tourism development of the Lijiang River was much more important than the development of the manufacturing and agriculture industry for urban construction. At the same year, Guilin was one of few cities which were authorized by the central government to receive international tourists. Therefore, some Chinese scholars and also local authorities consider that Guilin tourism started from 1973 (GTB, 2002; Bao et al., 2000, 2008; Qian, 2005; Gao and Wang, 2009). However, the tourism-related services in Guilin were still not economic-oriented at that time, as only formal exchange visits and some foreign businessmen on specific assignments were able to visit Guilin before 1978. Tourism of this kind, therefore, was still limited in its activities because of this broadly hostile policy environment at that time.

6.2.1.2 The evolution of tourism sectors

In line with the diplomatic function of tourism industry, a few tourism sectors were established by the central government with the reception of invited foreigners, including the accommodation sector, travel agencies and transportation. Firstly, two travel agencies were set up by the government which were responsible for the reception of invited guests or government officials and organized tours for them. Also, these two travel agencies were under the leadership of National Foreign Affairs Office. Moreover, there was only one hotel

designed by two travel agencies offering regular accommodation service. By the end of 1978, there were two hotels for foreign tourists and 60 hostels and inns with nearly 6000 bedrooms for domestic tourists (GLCC, 1997). Furthermore, tourism transportation service was offered by local authority. For example, there were three typical wooden boats providing with the cruise of Lijiang River and ten tour buses available for sightseeing with small numbers of tourists (GLCPB, 1988). It is evident that all these tourism sectors were limited in size during this period.

6.2.1.3 The evolution of tourism products

Without the construction and protection of any scenic spots, two travel agencies only designed two trip tours for invited tourists (see also Chapter 5.3.1). One tour is sightseeing of natural sceneries within the city center of Guilin. Another one is one-day trip from Guilin to Yangshuo, starting with the cruise along the Lijiang River to Yangshuo, and then continuing the sightseeing of picturesque landscapes in Yangshuo. In this sense, there was only one kind of tourism products offering for tourists, sightseeing activity either by cruise or by tour bus. Although the tour service was very limited, the attractiveness of the natural tourism resource in Guilin was still quite high for the early international tourists.

6.2.1.4 Interactions and coevolutionary mechanisms

As shown in Figure 6.1, it is obvious that the government had a complete control of tourism development in Guilin at this period. First, the central government gave the priority for Guilin to develop tourism industry. Secondly, tourism sectors and products were completely established and controlled by the government. With the central control and arrangement of the government, basic tourism sectors including accommodation and travel agencies emerged but were in small size and tourism products were merely based on natural landscape. Institutional environments during this period provided the conditions for low selection and coevolution of tourism sectors and products. Although the interactions among tourism products, sectors and institutions are low, the government performed as the main

driving force for the tourism area development in Guilin. In these circumstances, Guilin was developed as the fourth biggest tourist city in China during this period, next to Beijing, Shanghai and Guangzhou.

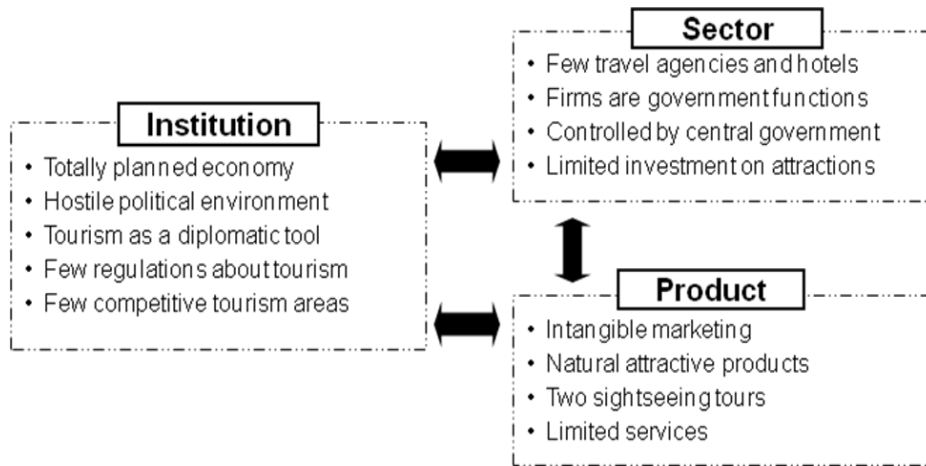


Figure 6.1 Coevolution of Products, Sectors and Institutions in Guilin (before 1978)

6.2.2 Decentralized tourism development in Guilin: 1978-mid1989

6.2.2.1 Macro institutional environments

After the reform and opening up policy implemented in late 1978, there have been great changes in institutional environments for tourism development in Guilin. Firstly, the nature of tourism gradually changed from a political instrument to an economic activity in China (Zhang, 1989). For instance, tourism sectors have been urged to separate enterprise functions from government functions since 1985. In this context, market mechanisms were introduced step by step into tourism sectors in which the planning system dominated. Secondly, a critical policy decision was reached by the central government in 1980 to construct tourism facilities by attracting foreign investments. Moreover, in 1984 Deng Xiaoping proposed the ‘five together’ policy, which allows government, administrative agencies, collectives and locals together with individuals to invest in the tourism industry. In this respect, new market-oriented tourism businesses were developed outside the traditional planned system. Thus, tourism firms could then be operated collectively as well as privately.

Third, since 1980 the government has included the tourism industry in national and local economic plans. For instance, the aim of converting Guilin into a beautiful socialist tourist scenic city was proposed at the 5th Guilin Congress of the Chinese Communist Party in 1980. Moreover, in 1986 and 1987 Guilin was given priority in the development of the tourism industry in economic construction plans (Guangxi's 7th Five-year Plan and Guangxi Tourism Development Plan) in 1986 and 1987 (Respondent, G2). At the same period, the primary rules and regulations on the tourism industry were gradually formulated with the development of tourism sectors and market at the national level. Finally, a vital driving factor behind policy changes emerged in the scale and nature of demands for tourism service from the global travel market.

6.2.2.2 The evolution of tourism sectors

With the impact of policy and institutional changes, tourism sectors with various types of firms emerged to offer services and products for tourists. The most noticeable change in the tourism sector was the great improvement in the accommodation sector due to the rapid increase in tourist arrivals. As foreign investments and private businesses were allowed to promote tourism development at this stage, Guilin attracted nearly \$31.4 million in foreign capital together with investments by the local government to set up more than ten high-ranking hotels from 1985 to 1989 (Respondent, G7). In total, there were 16 hotels with 8728 rooms designated for the reception of foreign tourists, combined with more than 400 family hostels and inns with 31,000 rooms offering basic accommodation service for domestic tourists by the end of 1988 (GTB, 1999). Consequently, both the size and reception capabilities of the accommodation sector were greatly advanced at this stage.

With the impact of the 'five together' policy, various departments of local government agencies participated in the establishment of new travel agencies. According to the categorization rules for travel agencies of the China National Tourism Administration (CNTA, 'the Provisional Regulation on the Administration of Travel Agencies', 1985), there was only one first level international travel agency operated by the central government,

sixteen second level international travel agencies operated by more than ten local government committees or bureaus, and twenty third level travel agencies for domestic tourists in 1988 (Respondent, G8). As for transportation services, there were more than 500 tour buses and more than 100 sightseeing boats for the Lijiang River cruise in 1988 (Respondent, G6). The number of airlines increased from 9 in 1978 to 14 in 1988 (GTB, 1999).

Those tourism sectors were initiated by various departments of the government and later also by external entrepreneurs, especially hotels. The number of tourism firms, either travel agencies or hotels, increased rapidly at this stage, but most of them were small- or middle-sized. Noticeably, there was only one large-sized state-owned tourism enterprise, called Guilin Tourism Enterprise, which consisted of two international travel agencies and three star-rated hotels at that time. The management capability of the tourism firms was quite low, as standard regulations for the tourism industry had not been formulated. Moreover, nearly all tourism firms were managed or operated by government offices. In this context, the enterprise functions and administrative or government functions were not dramatically separate at this stage. The performance of tourism sectors could be evaluated by the number of tourism revenues and the employment rate of the tourism industry. In the case of Guilin, the number of employees in tourism sectors increased from 1180 in 1978 to nearly 15,000 in 1988, while the amount of tourism revenues increased from \$4.66 million in 1980 to nearly \$70 million in 1988 (GLCC, 1997). The network of tourism sectors was strongly embedded in the local institutional environment, as tourism firms were highly controlled by the government. Therefore, the competitiveness within and outside tourism firms was quite low.

6.2.2.3 The evolution of tourism products

Accompanying the establishment of tourism sectors offering basic services, the restoration and development of tourism attractions was also initiated by the local government at this stage. In order to develop the Lijiang River cruise, which was the main attraction of Guilin at that time, 27 factories with heavy pollution adjacent to the Lijiang River were relocated or

closed under the leadership of the government (GLCC, 1997). Moreover, CNTA allocated around \$4.7 million to the dredging and restoration of a cruise navigation channel in the Lijiang River. In the meantime, some natural scenic parks were established and opened to receive tourists, such as the Seven Star Park, the Chuanshan Park, the Elephant Trunk Park and the Ludi Cave. Although there was no special marketing of these tourism attractions, Guilin has been already well-known for its picturesque landscape from the descriptions in some famous poems and a movie featuring a love story in Guangxi. Therefore, the attractiveness and image of the destination were quite high in this initial stage. Further evidence is that in 1985 Guilin was ranked as the second best scenic areas in China, just after the Great Wall. Nevertheless, the heterogeneity and structure of tourism attractions were low, as the main tourism products in this period were still sightseeing in the natural scenic parks and the Lijiang River Cruise, which was described as ‘Three Hills, Two Caves and One River’(see also Chapter 5.3.1).

6.2.2.4 Interactions and coevolutionary mechanisms

As illustrated above, institutional changes (e.g. the reform and opening up policy, the ‘five together’ policy) had a significant impact on the development of tourism sectors and products in Guilin. The government still played a predominant role in the formation of tourism development in Guilin in this phase. As depicted in the above sections, not only were tourism sectors set up under the leadership of the government, but the government also invested in the construction of tourism attractions, facilities and infrastructure. The role of the government in Guilin tourism development was emphasized by several interviewees:

“In order to improve the transport accessibility of Guilin, the central government allocated nearly RMB 70 million Yuan for Guilin airport expansion and upgrading in the 1980s. Guilin train station was rebuilt at this phase, though the connection with other cities was still limited. But nearly 78% of international tourists arrived at Guilin by airplane. At the same time, the local government initiated the road construction between cities and counties.” (Guilin Municipal Bureau of Communications, government official, author’s interview, 31st March

2011)

“The central government first noticed the pollution problems of the Lijiang River and focused on its environmental treatment and protection since 1973. On the one hand, the local government relocated or closed 27 factories with heavy pollution adjacent to the Lijiang River. On the other hand, the Lijiang River cruise started with the help of restoration of navigation channel and the construction of related facilities by the government. ” (the Lijiang River Scenic Area, attraction manager, author’s interview, 22nd March 2011)

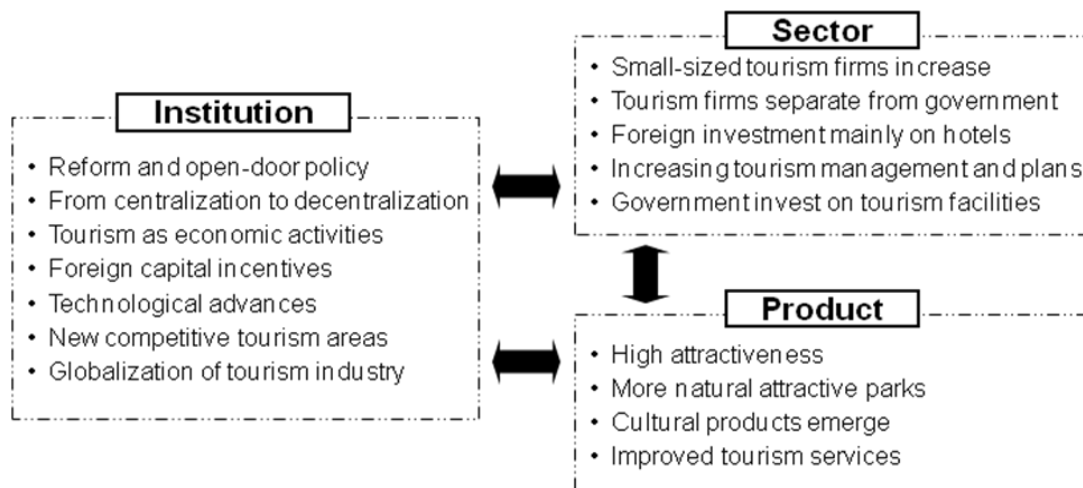


Figure 6.2 Coevolution of Products, Sectors and Institutions in Guilin (1978-mid-1989)

In the meantime, external entrepreneurs, especially foreign entrepreneurs gradually began to invest in the accommodation sector after foreign investment and personal business were allowed. In return, the development of tourism sectors and products has also impelled the formulation of new tourism regulations or policies. However, most of tourism sectors were operated or managed by various administrative departments with diverse rules or regulations, which also provided a chaotic market environment and disorderly competition for tourism development in Guilin. In order to resolve these problems, in 1984 the Guilin Tourism Bureau was established as the sole administrative department to regulate tourism sectors and coordinate the interests of different tourism sectors in the marketplace. Moreover, in this phase the Post Responsibility System for hotels and restaurants was

instituted to improve the performance of the state-owned or collective-owned tourism firms in Guilin. As stated above, it is evident that institutional changes and open market were the main engines of the growth of the tourism industry in Guilin, within which the government played the main role during this period.

6.2.3 Transition to socialist market tourism in Guilin: mid-1989-late 1990s

6.2.3.1 Macro institutional environments

In contrast to the flourishing development of the tourism industry at the last stage, this period from mid-1989 to the late 1990s has been called the ‘turbulent and adjustment’ stage (Respondent, E5). The transition between the two stages was characterized by environmental instability and in-depth economic reform. The June 4th Incident in 1989 caused the sharp decline of tourist arrivals and also foreign investment in Guilin tourism industry. Although tourism development in Guilin gradually recovered in 1991, a series of following incidences caused the further turbulent environment for tourism development, including Guilin Air Disaster in 1992, Qiandao Lake Incident in 1992, and Xi’an Air Disaster in 1994, Asian financial crisis in 1997 and the 1998 Yangtze River Flood. These external shocks could account for the slowdown of the growth of international tourist arrivals in Guilin during this period.

On the contrary, domestic tourism in Guilin has sprung up with a series of institutional environment changes. The Chinese socialist market economy model was implemented after Deng Xiaoping’s talk in 1992 (Xiao, 2006), which has a prominent impact on speeding-up and intensification of economic reform and also institutional environment changes in the tourism industry. In this context, state-owned or collective-owned tourism firms gradually implemented enterprise system reform, which thoroughly separated enterprise functions from administrative functions of tourism sectors and also gradually deviated from their past protective environment. In line with the market economy reform, a newly rich middle class with disposable incomes emerged to fuel the travelling demands. Moreover, the five-day workweek and vacation policy was implemented in the early 1990s, which gave more leisure

time for Chinese people and potentially stimulated domestic tourism market. In this circumstance, domestic tourism has gradually sprung up in the mainland China and more tourism destinations in China also emerged and vigorously competed for both national and international tourists.

In addition, tourism planning and development has been placed increasing importance in the economic plans from national, provincial to municipal level since the 1990s. For instance, the tourism development goal was set in the Guilin's Eighth Five-Year Plan and Ninth Five-Year Plan, including the orientation of the tourism industry, the development plan for scenic spots and the aiming number of specific tourist arrivals and tourism revenues. Moreover, the tourism master plan of Guilin was initially made in 1988 (GLPB, 1988) and then the detailed planning proposals for Guilin scenic areas were made by Guilin Institute of Tourism and Guangxi Tourism Planning and Design Institute in 1996 (Respondent, G5).

6.2.3.2 The evolution of tourism sectors

Although tourism sectors have experienced a harsh development stage with the impact of the external shocks and internal policy changes, the management capability and competitiveness of tourism firms were largely improved by the implement of enterprise system reform and standard regulations. With respect to travel agencies, there was no big change in the numbers of the first and second level international travel agencies which were mainly operated by the local or central government offices. However, the numbers of the third level travel agencies increased dramatically with the influences of economic reform and rapid development of domestic tourism since 1993. In this context, some international travel agencies also set up their subunits of domestic tourist reception in order to compensate the loss and deficit of international tourism market. This situation gradually shaped intensive competition among travel agencies and also induced policy changes in the rating system of travel agencies. With the rapid growth of domestic tourism and outbound tourism, the rating system of travel agencies transformed into two types, international travel agency and domestic travel agency in 1997. According to the document from Guilin Travel Agency Association (Respondent,

G8), there were 18 international travel agencies and 62 domestic travel agencies evaluated by the new rating system of travel agencies in 1998.

At the same time, a majority of high-ranking hotels designated for the reception of foreign tourists have been established with vast foreign-joint capital in the late 1980s. As shown in Table 6.1, the amount of hotels and overall rooms has no big change since 1991, but the occupied rate of hotels gradually increased through time with an exception of 1994. Moreover, the management capability of hotels increased by the cooperation with international hotel management companies. By contrast, the establishment of family hostels or inns by local residents or external entrepreneurs increased rapidly with the growth of domestic tourism market since 1993. It is estimated that the total number of hotels, hostels and inns reached to nearly 600 with 55000 rooms by the end of 1998 (Respondent, G2). Similarly, the star rating system of hotels was made and implemented by CNTA in order to standardize and improve the service quality and environment for tourists in the late 1980s. In the case of Guilin, the star-rated hotels increased from 11 in 1989 to 26 in 1998 (GLCC, 2010).

Table 6.1 Hotel Statistics in Guilin (1988-1997)

Year	Numbers of hotels serving foreign tourists	Numbers of all rooms	Numbers of all beds	Occupancy rates of hotels (%)
1988	17	4190	8424	46.7
1989	19	4680	9120	32.1
1990	21	5202	10432	43.7
1991	29	6046	12122	38.2
1992	30	6694	13290	44
1993	27	6266	12507	41.1
1994	29	6107	12133	39.4
1995	31	6637	13211	51.3
1996	30	6493	12972	51
1997	28	6200	12226	56.2

Source: The Yearbook of China Tourism Statistics (1988-1998)

A respondent offered some information about the development of Guilin transportation sector in the 1990s:

“The transport accessibility was largely improved in the 1990s. After the Guilin Air Crash, the central government allocated vast capital on constructing a new airport, Guilin Liangjiang International Airport in 1993. The massive airport programme was completed in 1996, and then all the original airlines adding a new airline from Guilin to Macao were opened. At the same time, the construction of a new train starting station of Guilin started in 1996 and the station was put into use by the end of 1998. In the meanwhile, four wharfs were built up for the Lijiang River cruise with the provision of more than 60 boats or ships. More than 600 buses were provided for the tour trips within Guilin downtown and from Guilin to its counties (i.e. Yangshuo, Xing’an, Longsheng and Lipu) at this phase.” (Guilin Municipal Bureau of Communications, government official, author’s interview, 31st March, 2011)

The management capability of the tourism firms in Guilin was largely improved as the standard regulations were gradually formulated for the tourism industry at this stage. The performance of state-owned or collective-owned firms was also promoted as the enterprise functions and administrative functions were separated by the implementation of shareholding enterprise system by the end of this stage. It is also proved by the increasing rate in tourism revenues and self-employment of the tourism industry in Guilin. The network of private tourism firms was strongly embedded in local social rules and relations while public tourism firms either state-owned or collective-owned were still highly controlled by the local or central government. Nevertheless, the competitiveness of Guilin tourism firms gradually increased through time, with the rapid growth of private tourism firms and enterprise system reform.

6.2.3.3 The evolution of tourism products

Mass restoration and development of tourist attractions began with a shift of government

investment focus from the provision of the accommodation sector to tourism attractions at this stage. According to the Guilin Annual Statistics, the local government invested totally \$ 29.6 million to restore or improve tourism facilities and infrastructure of natural scenic parks in the 1990s (GTB, 1999). Consequently, the facilities of natural scenic parks were largely improved and upgraded. The night tour and drift tour of the Lijiang River were also added into the attraction system of Guilin. Moreover, cultural tourism resources of Guilin were also innovated to complement natural tourism products of Guilin, such as the folk tours of Yangshuo and Longsheng Counties and the heritage tours of Xing'an County. Furthermore, foreign entrepreneurs started to invest in the exploitation and development of tourism products, especially in the counties of Guilin since 1992. For instance, Yangshuo County attracted more than \$ 6.6 million to improve the accommodation and tourism facilities in 1992 (Respondent, G4). In addition, the establishment of the Lijiang Folk Custom Park and the development of Guilin Crown Cave were joint-venture tourism projects. The types of tourism products became diversified and heterogeneous as a result of vast investment in the development of tourism attractions by both the government and external entrepreneurs at this stage.

6.2.3.4 Interactions and coevolutionary mechanisms

As illustrated above, the government still dominated in the changes and development of tourism products and firms, either by operating and regulating tourism firms or involving in developing tourism products and providing related facilities for tourists. Although the decentralization policy has been implemented and made local participation possible, local financial resources for tourism development were extremely limited in Guilin in the late 1980s and early 1990s. In this context, tourism development in Guilin had to rely heavily on state investment from higher-level governments as well as foreign investment, exemplifying an outside-induced development on an underdeveloped regional economic basis (Xu, 1999).

During this period, the slowdown of the growth of the tourism industry illustrated how external environment and institutional changes influenced the development of tourism

sectors and products (see also Figure 6.3). With the implementation of socialist market economy and enterprise reform, tourism firms in Guilin have experienced a significant change in their management capability and efficiency. To some extent, enterprise system changes drove the subsequent evolution of tourism sectors and the improvement of tourism services. Moreover, external environment changes also played a key role in the turbulence of tourism development in Guilin. In this view, institutional changes and external environment were the main factors for driving the evolution of Guilin tourism area at this stage.

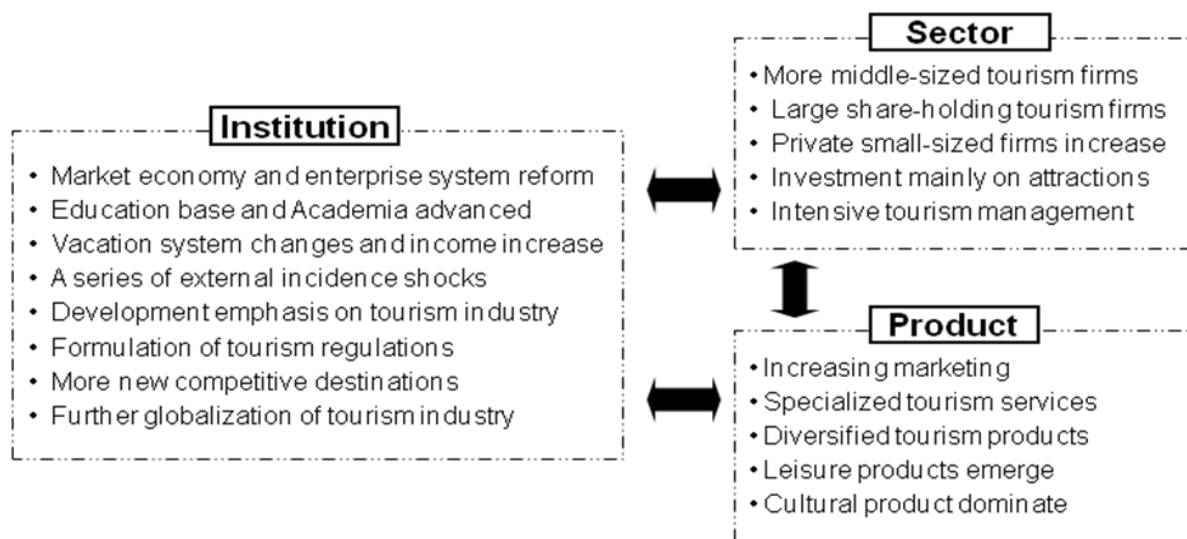


Figure 6.3 Coevolution of Products, Sectors and Institutions in Guilin (mid-1989-late 1990s)

Facing with the challenges of continual external shocks, the local government and entrepreneurs embarked on improving service quality and capabilities of tourism sectors and investing and developing new tourism products. In return, the development of tourism sectors and products also promoted the formulation of the new regulations and new policies. The regulation system on the tourism industry became progressively established with a series of standard rules on tourism firms and market in Guilin. In the first instance, the star rating system was employed to categorize hotels in the late 1980s by the CNTA and annual inspection and price supervision of star-rated hotels were also launched by the GTB since 1993. Also, the hotels were required to have an identical business license and use the standard public information graphical symbol at this stage. Similarly, the qualification of

travel agencies were reevaluated and monitored with annual inspection.

Moreover, the entrepreneurs from tourism agencies and hotels started to cooperate with the local government and involved in the marketing and promotion of tourism in Guilin at this stage. It is obvious that tourism entrepreneurs played more important role in the development of tourism sectors and products while the government started to shift its role from controller and operator to developer, regulator and coordinator at this stage.

In conclusion, the period was a very important one in the tourism area development of Guilin, as the enterprise system changes in tourism sectors have laid the ground for their subsequent evolution and also paved the way for a new turn of tourism development in Guilin.

6.2.4 Transition to domestic mass tourism in Guilin: late 1990s to the present

6.2.4.1 Macro institutional environments

Both tourism demand and supply has being transformed by innovations in technologies, market liberalization, holiday system, economic growth and globalization in the recent decade. For example, the central government increased official holidays, especially after three golden week holiday system enacted in 1999. The increasing leisure time and disposable income for domestic tourists enable more and more potential tourists, therefore, domestic tourism demand started to boom in China in the 2000s. The outbound tourism has also flourished since 2006, as there are more and more regulations for mainland Chinese travelling abroad. It has further stimulateed the competition between national and international tourism destinations. In the meantime, the development of transportation and information technology, especially jet aircraft, the advance of technology and science in China has also induced the expansion of mass-produced tourism services which have facilitated the development of the tourism industry. Similarly, more advanced technologies have enabled to develop more man-made tourism attractions, especially some leisure and cultural products.

The role of the tourism industry in national, provincial and municipal economy becomes more and more important. In this phase, China aims to build up a powerful tourism country. Correspondingly, the tourism industry is strategically considered as the pillar industry of Guangxi Zhuang Autonomous Regions. The tourism master plan of Guilin was made by tourism experts from both the Sun Yat-sen University and Guilin Institute of Tourism in 1998 (GTB, 2002) and modified in 2008 (Bao et al., 2008). The Yangshuo and Xing'an counties of Guilin have been oriented as sub-destinations of Guilin since the start of the 10th Five-year Plan in Guilin. What's more, the State Council of China designated Guilin as "the pilot area of national comprehensive reform on tourism" in 2009. This reform embodies five policy priorities for tourism development of Guilin, including finance and taxation, investment and financing system, land development and adjustment of administrative division.

Additionally, some external events have played either negative or positive impacts on tourism development in Guilin. For instance, the outbreak of the SARs disease in 2003 caused a sharp decline of the tourism industry this year. By contrast, Guilin's tourism also benefited from the international convention and sport events in China, such as the 2008 Beijing Olympic Games and the 2010 Shanghai World Exposition. Moreover, Guilin cooperated with UNWTO and Asia-Pacific tourism association to host the first and second 'Workshop on the Future of Tourism' and 'The International Forum or Seminar on Tourism Education' in 2007 and 2008.

6.2.4.2 The evolution of tourism sectors

The past development of tourism regulations and sectors has paved the way for the rapid growth of tourism sectors in Guilin at this stage. The changing regulations and rules of travel agencies have offered more opportunities for some external travel agencies to establish their branches in Guilin since 2003. The number of travel agencies reached to 27 international travel agencies and 77 national travel agencies respectively in 2008. With the changes in the

categories of travel agencies, Guilin had 122 inbound travel agencies and 8 outbound travel agencies in 2010. As for the accommodation sector, the total number of star-rated hotels increased rapidly from 26 in 1998 to 67 in 2005, and then it entered into a standstill but with an increase of high-ranking hotels and quality improvement. At the same time, more and more chain hotels and small-sized family hostels established, especially since the countryside tour and “Happy Farmer Home” (Nong Jia Le) emerged and became popular in the middle 2000s. Consequently, the star-rated hotels with higher price become less competitive comparing to booming cheaper chain hotels and family hostels. Also, the rule that only designated hotels could receive foreign tourists finally was cancelled in the early 2000s. A respondent from Guilin Tourism Bureau described the regulation focus of the accommodation sector:

“The emphasis of tourism regulations on the hotel sector, on the one hand, continues to supervise and reevaluate the star-rated hotels, and on the other hand, makes new rules to regulate the non-rated hotels and hostels and improve their service quality and security.”
(Respondent, G3)

In addition, transportation accessibility of Guilin was largely improved in the recent decade. After the key construction by the government during the 11th Five-Year Plan, Guilin becomes a traffic hub for the southwestern region of China. A respondent from the Guilin Bureau of Communication provided the detailed information about transportation development in Guilin:

“In the east, the highway from Guilin to Guangzhou was opened by the end of 2007. In the south, the highway from Guilin to Beihai has been opened. In the north, the highway from Guilin to Changsha was put into use in 2008. In the west, the highway from Guilin to Guiyang was also opened recently. At the same time, except the past railway connecting to other regions of China, the high-speed railways are under construction nowadays. Moreover, the Guilin Liangjiang International Airport has more than 50 international and domestic routes

and has opened flights to countries and regions such as Japan, South Korea, Thailand, Singapore, Malaysia, Hong Kong, Macao, etc.” (Respondent, G9)

Table 6.2 Tourism Revenues of Tourism Enterprises over the Years, 1999-2009

Year	Tourism attraction(RMB million Yuan)	International travel agencies(RMB million Yuan)	Domestic travel agencies(RMB million Yuan)	Domestic funded hotels(RMB million Yuan)	Foreign funded hotels(RMB million Yuan)
1999	295.96	389.31	171.92	92.54	333.07
2000	578.69	690.07	270.95	118.07	364.11
2001	318.35	604.37	274.80	157.15	383.40
2002	628.22	709.95	318.26	292.88	306.91
2005	787.01	912.51	516.32	434.82	331.83
2006	972.84	1092.07	553.79	476.11	321.04
2007	1005.51	1148.57	633.40	644.61	288.60
2008	771.41	1026.84	532.58	560.66	223.55
2009	1128.50	1085.48	563.44	554.89	267.54

Source: The Yearbook of China Tourism Statistics (1999-2010)

Note: the year of 2003 and 2004 are not available.

As stated above, the competition among similar tourism sectors within or outside the destination becomes more and more intensive for various tourism firms comparing to the past few decades. Also, the cooperation and merge rate of tourism sectors increase rapidly in recent years. Moreover, the development of large-sized attraction enterprises has greatly advanced the competitiveness of tourism firms in Guilin. As mentioned before, the largest state-owned tourism company in Guilin was transformed into a company limited by shares, namely Guilin Tourism Development Group Corporation (GTDGC) in 1998. The GTDGC holds the majority of the share of the Guilin Tourism Corporation Limited, which got listed on the Shenzhen Stock Exchange in 2000. Furthermore, some large-sized Taiwanese-owned tourism companies were established and played a significant role in Guilin tourism development, such as Guilin Merryland Tourism Development Company Limited, Yuzi

Paradise Tourism Development Company Limited and Yangshuo Landscape Tourism Development Company Limited. In this context, the capabilities and competitiveness of tourism sectors were largely improved in this phase. The performance can also be proved by the increasing tourism revenues from different types and ownerships of tourism sectors (as shown in Table 6.2).

6.2.4.3 The evolution of tourism products

Mass development of tourism attractions and facilities continues with vast investments from both the government and external entrepreneurs in this phase. According to the information provided by the informant of the GTB, the local government attracted approximately \$ 56.88 million on the establishment of tourism scenic spots and facilities in the 2000s (Respondent, G2). At the same time, external entrepreneurs played a significant role in the tourism product development in Guilin. The most noticeable man-made attractions were invested and established by Taiwanese entrepreneurs, including the Guilin Merryland Resort, the Yuze Paradise and the Shangri-La Park. In addition, the Silver Cave in Lipu County of Guilin was also developed with the foreign capital of \$ 4.725 million (Respondent, G3). Some new scenic spots were established and flourished with the impact of mass tourism at this stage, such as the Jingjiang Princes City, the Longsheng Longji Rice Terrace, Daxu Ancient Town, the Third Sister Liu Scenery Park, Moon and Sun Pagoda, and Two River and Four Lakes.

As stated before, the establishment of the rating system for tourism attractions or scenic spots to some extent stimulated the local government to focus more on tourism attraction development. According to the ‘Categories and rating standard of tourist attractions’ by the CNTA, there are 2 AAAAA scenic spots, 19 AAAA scenic spots and 14 AAA scenic spots in Guilin by the end of 2010 (CNTA, 2011). Moreover, the standard evaluation systems for sound tourist cities, sound tourist counties and sound tourist towns were gradually established and administered by the CNTA. Subsequently, Guilin emerged in the list of the first batch of sound tourist cities. Similarly, Yangshuo County was approved as one of the first batch of sound tourist counties in 2007. Later, Xing’an town in Xing’an County and

Longji village in Longsheng County were approved as two of the first batch of sound tourist towns in 2009.

The rapid development of new attractions is not only attributed to vast investment, but also due to the abundance of tourism resources in Guilin. Most of the attractions are still largely based on local natural or cultural resources. In return, those new attractions have gradually changed the traditional product image of Guilin—‘Three Hills, Two Caves and One River’. Nowadays, some new attractions gradually dominate and become shaping a new destination image of Guilin, including Impression of Sanjie Liu, Guilin Marryland Resort, Longsheng Longji Rice Terrace and Two Rivers and Four Lakes.

To some extent, tourism products become diversified in this phase with various demands from tourists, especially leisure and cultural tourism products. However, it can’t avoid more homogenous tourism products emerging and competing not only with other destinations, but also within Guilin.

6.2.4.4 Interactions and coevolutionary mechanisms

The institutional environments have provided basic conditions for ten-year rapid growth in Guilin’s tourism in this phase (see also Figure 6.4). On the one hand, macro environments (e.g. technology advances, market liberalization, holiday system and economic growth) were the external driving factors for the tourism development in Guilin. On the other hand, regulations and plans of the tourism industry as the internal driving factors became more standardized and mature at the national, provincial and local level during this period.

The local government focused more on tourism promotion and cooperation with other tourism destinations. Firstly, the destination promotion shifted from international and national level to regional level. For example, Guilin organized a series of promotion by tour buses travelling across most regions of China in three years, which got a successful market effect in the early 2000s (Respondent, G2). Later, the marketing slogan of Guilin said

‘Guangxi’s residents travel Guangxi’. Secondly, the government initiated more cooperation with other destinations. For instance, Guilin is involved in barrier-free tourism regions among six cities in Guangzhou and Guangxi provinces, which contains the cooperation of tourism promotion campaign for mutual package tours and mutual investment in tourism. Comparatively, tourism entrepreneurs played more and more important role in tourism area development, especially in tourism product innovation and upgrading in this phase. More large-sized tourism enterprises were established by external entrepreneurs, mainly operating or managing scenic spots or attractions. The interactions among tourism sectors, products and its associated institutions became more intensive either by cooperation between entrepreneurs or the government with entrepreneurs. In summary, market environment and product innovation were the main evolutionary mechanisms for tourism sectors and the Guilin tourism area.

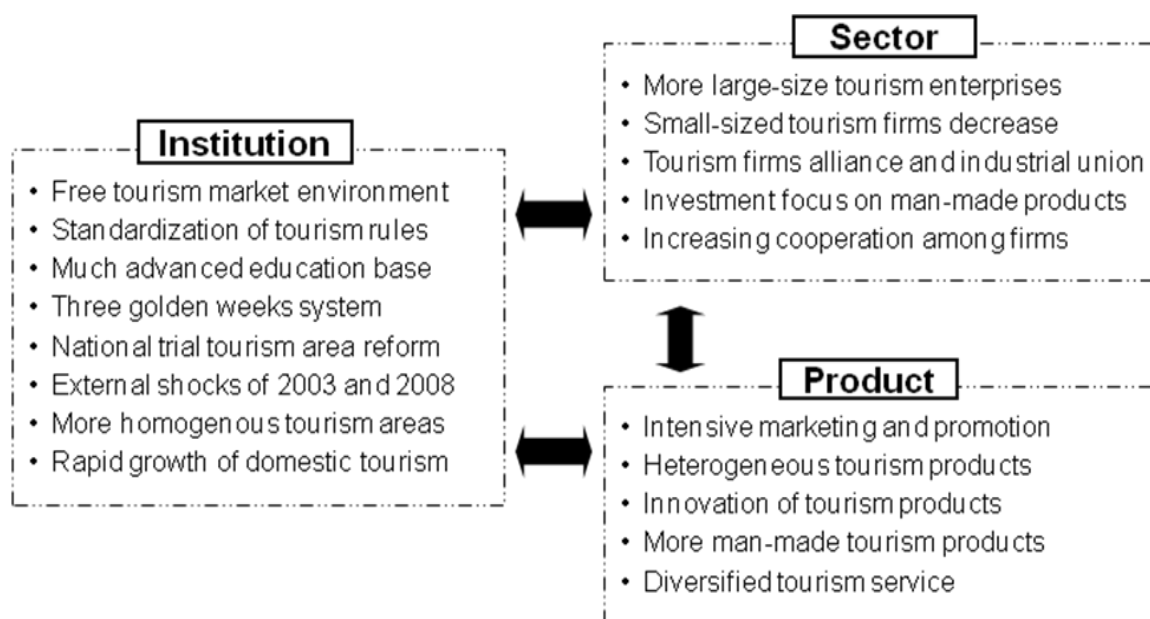


Figure 6.4 Coevolution of Products, Sectors and Institutions in Guilin (late 1990s- the present)

6.3 Analysis of the survey with tourism business operators in Guilin

Based on above arguments, policy changes and product innovation are the main

coevolutionary mechanisms for tourism area development, while the government and entrepreneurs play an important part in the evolutionary process of tourism areas in the past forty years. However, the explanation of the coevolution and interaction processes of the Guilin tourism area development is based on historical descriptive analysis and merely from the perspective of decision-makers and dominant entrepreneurs. It is also necessary to investigate how these factors influence small tourism business in recent years. To address this issue, a questionnaire was designed and administered to 150 tourism business owners or managers who are offering services for tourists directly in Guilin. The sampling method was discussed in detail in Chapter 3. A total of 150 questionnaires were distributed, and finally 120 were valid for further analysis. The remaining 30 questionnaires contained either partial information or were not usable. The effective response rate for the survey was 80%. The collected data was systematically coded and arranged using SPSS. The survey aimed to investigate how institution or policy changes and tourism product innovation impact their business and how they cooperate with local government and other entrepreneurs. The main issues addressed in this section include:

- The basic information about their business
- The impact of policies or plans on their business
- The impact of tourism product innovation on their business
- The interaction with the government and other entrepreneurs

The following analysis provides a summary of the findings.

6.3.1 Information about respondents' business

The basic information about samples—tourism business owners or managers—in this study were measured by sector type, operation length, employment, ownership, other businesses, main barriers, and decline incidence of their business. The following discussion compares the basic information of samples collected for this study.

1) Sector type

As can be seen from Figure 6.5, of the 120 participants who validly responded to the study,

35.8% were from travel agencies, 20.8% were from hotels or hostels, 15% were from the shopping sector, both restaurants and tourism attractions occupied 11.7%, the rest 4.2% were from the recreation sector, and only one respondent was from the transportation sector.

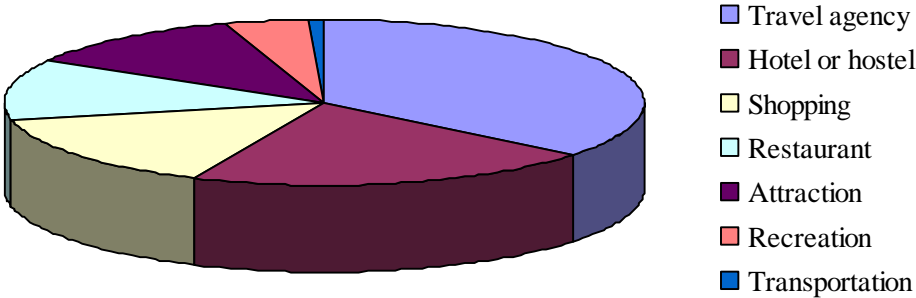


Figure 6.5 Sector Type of Respondents' Business (N=120)

2) Operation length

As can be seen from Figure 6.6, the great majority of respondents (75.8%) ran their businesses for less than ten years, of which 10.8% were below three years, 27.5% were from three to five years, and 37.5% were from six to ten years. This is not a surprising phenomenon, as small tourism businesses have been characterised in terms of high turnover rates of ownership and employment in most countries (Bonn and Forbringer, 1992; Iverson and Deery, 1997; Zhang and Wu, 2004), not least in the developing countries, like China. It is then followed by those ran their businesses from eleven to fifteen years (19.2%) and from sixteen to twenty years (4.2%), while only 1 respondent has been operating his business for more than twenty years (0.8%).

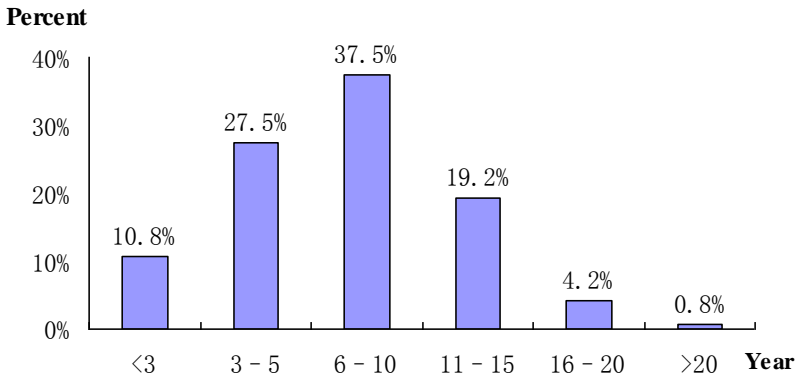


Figure 6.6 Operation Length of Respondents' Business (N=120)

3) Employment rate

As can be seen in Figure 6.7, the sample respondents' companies were small-sized (33.3%) with below 5 employees, followed by those sized from 5 to 10 employees (23.3%) and from 11 to 25 employees (23.3%) in the initial phase of respondents' businesses. Additionally, small-sized firms with numbers of employees between 26 and 50 accounted for 7.5% and those with more than 50 employees possessed 12.5%. Comparatively, most of the respondents' companies were enlarged by firm merging or alliance in a few years after they started business. As shown in Figure 6.7, the occupied rate of those sized from 26 to 50 increased rapidly from 7.5% to 18.3% of the sample respondent while those sized below 5 and from 11 to 25 decreased to 28.3% and 15% respectively nowadays.

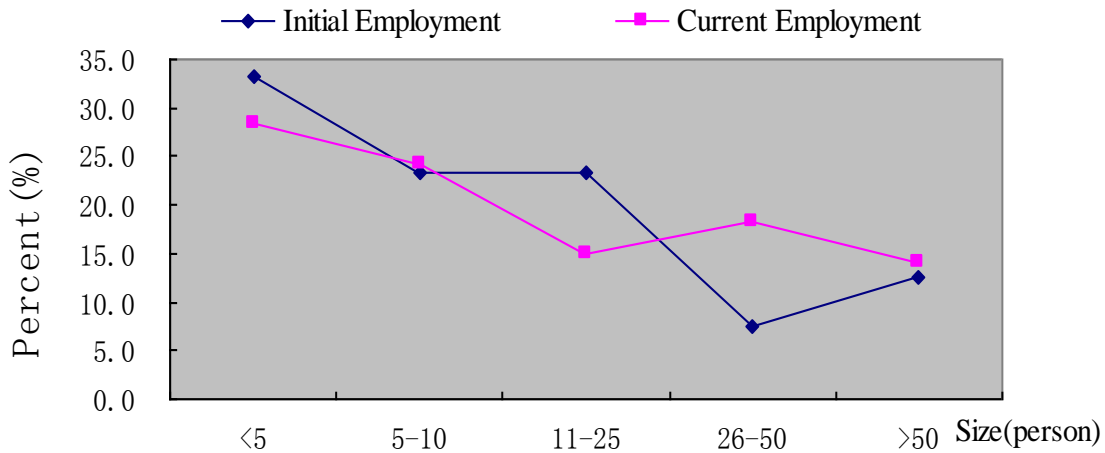


Figure 6.7 Employment Rate of Respondents' Business (N=120)

4) Ownership type

In terms of ownership composition, the majority of the respondent's businesses were individual or private-owned (68.3%), followed by partnership (15%) and state-owned (8.3%) firms (see Figure 6.8). In addition, 6.7% of the sample was subsidiary or branch firms and only a small proportion of the sample was foreign-owned (1.7%).

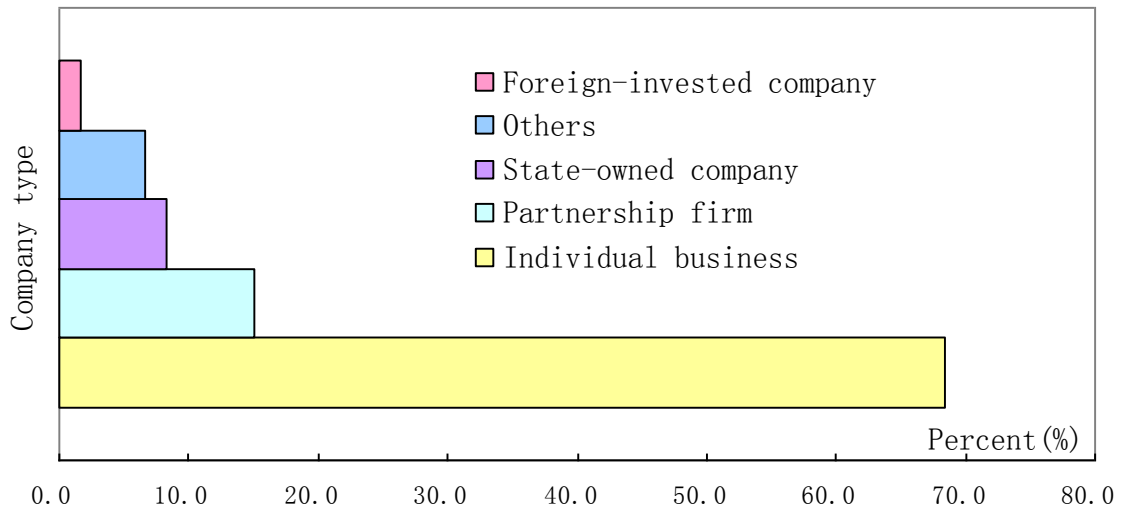


Figure 6.8 Ownership Type of Respondents' Business (N=120)

5) Other businesses

According to the survey, only eight respondents said they had additional businesses during the off season, such as doing some labor work in the field during the off season. Because Guilin has a good climate condition for travelling at the most time of the whole year, and the off season only lasts for two or three months. In this circumstance, most of respondents were not necessary to take additional businesses during the off season.

6) Main barriers

As shown in Figure 6.9, tourism business owners or managers pointed out the main barriers with their businesses. For instance, the most referred barriers were intensive competitions with similar sectors (40.8%). In the meantime, the three main barriers, finance problem (19%), frequent turn-over of employees (16.9%) and product or service innovation(18.3%), were nearly equally important for the sampled firms. Interestingly, policy support was not considered as an important barrier (4.9%). However, there were different responses corresponding to different sectors. As shown in Figure 6.9, intensive completion with similar sectors and product or service innovation were the main barriers for travel agencies, while finance problem and service innovation were the main barriers for restaurants. Comparatively, intensive competition with similar sector and finance problem were main

barriers for attraction, but finance problem and turnovers of employees were main problems for shopping.

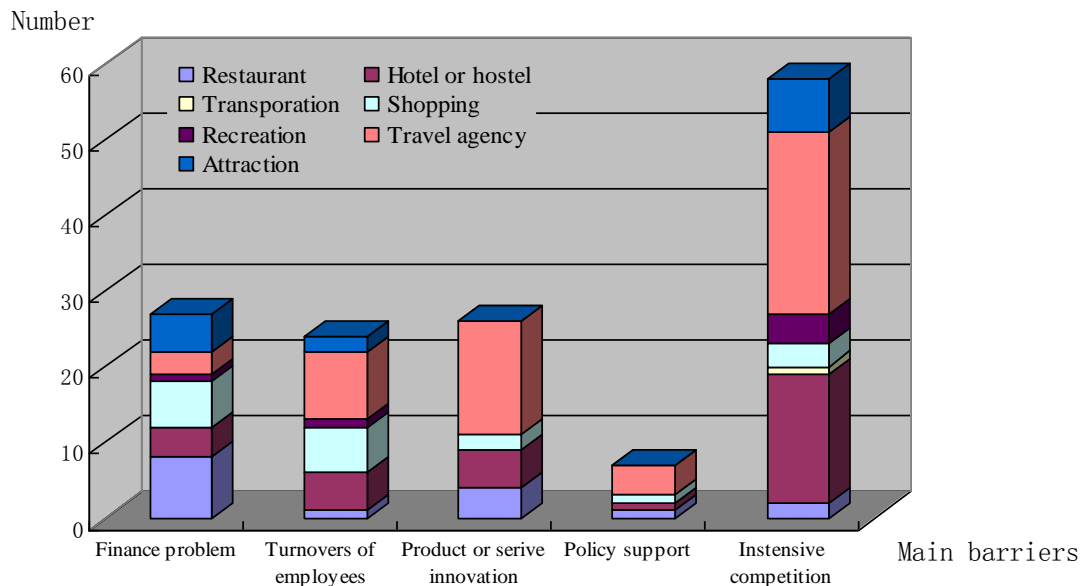


Figure 6.9 Main Barriers of Respondents' Business by Sector Type (N=120)

7) Decline incidence

According to the survey, the major respondents (77.3%) did not witness significant decline during their business operation, while the minor business owners (22.7%) experienced the rapid decline in their business in the past years. The responses for this question also depended on their operating years of their businesses. As most of the respondents only operated their businesses less than ten years, it is understandable that most of them didn't see rapid changes in their businesses.

6.3.2 The impact of policies and plans on local businesses

As stated before, policies and plans have played an important role in the local tourism development. This section analyzes the impact of policies or plans on the sampled tourism firms.

1) What kinds of changes in policies or plans have had influence on your business?

As can be seen from Figure 6.10, 35.6% respondents considered the vacation system as the main policies that had influence on their businesses, followed by destination or scenic area planning (24.3%). It is noted that tourism customs or social informal rules were considered to be much more influential than industrial norms, accounting for 12.4% and 4.0% respectively. The rest minor influences were from modern enterprise system (10.2%) and reform of property rights system (9.0%).

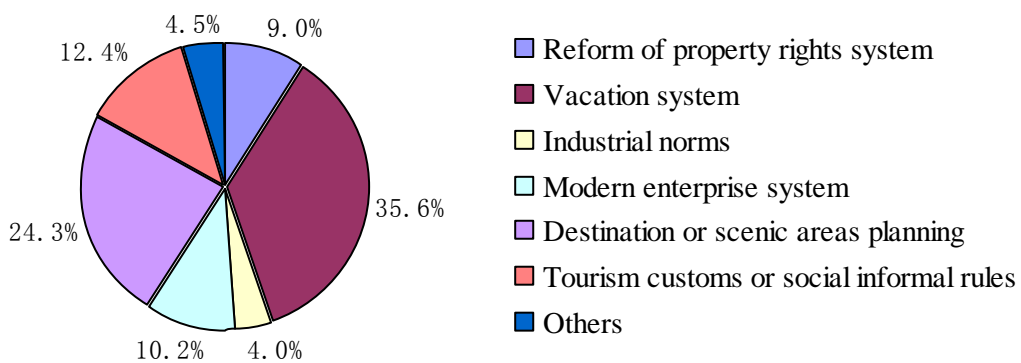


Figure 6.10 Policy Changes Influencing Respondents' Business (N=120)

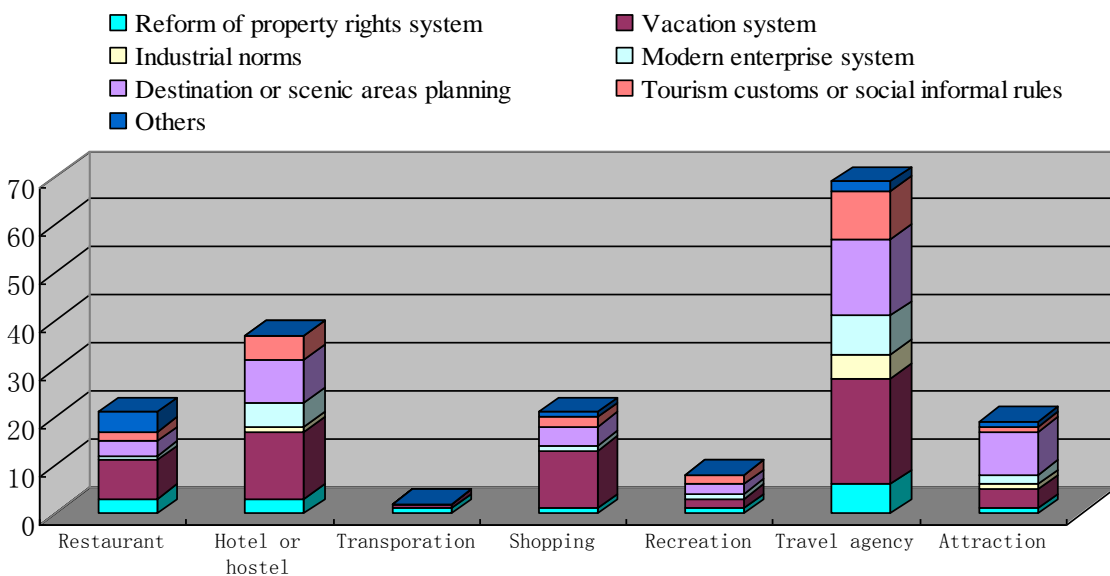


Figure 6.11 Policy Changes Influencing on Respondents' Business by Sector Type (N=120)

Apparently, ‘vacation system’ was the main influential factor for most tourism sectors, ‘destination or scenic area planning’ was much more important than other policy changes for the attraction sector (see Figure 6.11).

2) Have you ever participated in destination planning or given suggestions for policy-makers?

Among all the respondents, only 16.7% said they had participated in destination planning or given suggestions for policy-makers. The rest majority said they had no involvement in any kinds of cooperation with the policy-making processes. As can be seen from Figure 6.12, the main participators were from the hotel sector, travel agencies and the attraction sector. Interestingly, it seems there was no close correlation between the participation rate and the ownership type of the firms.

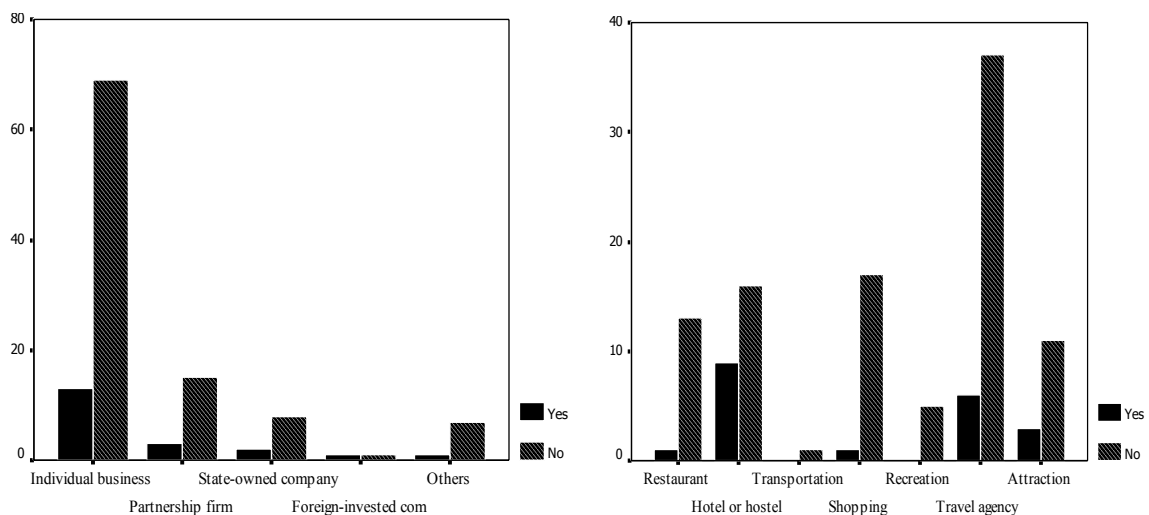


Figure 6.12 Respondents' Participation in Tourism Policy-making or Planning (N=120)

3) What kinds of policies or support do you want to assist your business in the future?

According to the responses to this open-ended question, some respondents (15%) suggested that the government should have less intervention on their business, but, on the opposite, should be take more responsibilities in the regulation and management of tourism market. Some tourism business owners (10%) wanted some finance supports or investment from the government to enlarge the size of their current firms. Some appealed for more national

policies to support local tourism development. A number of interviewees (19%) from hotels and restaurants complained about the traffic problems and advised the local government to build up more convenient parking areas and provide more regulations on traffic. Some respondents (8%) also complained about the bad influences from some informal rules or tourism customs on the development of tourism sectors and tourism market. They further argued that more strict regulations should be made to improve tourism market environment.

6.3.3 The impact of new attractions on their businesses

The following three questions about the impact of new attractions and innovation on small tourism business were examined in the survey.

1) Which of the following new attractions do you think play an important part in your business development?

As can be seen in Table 6.3, the new attractions in Yangshuo, including the Shangri-La Park, West Street, Impression Sanjie Liu, had the most significant impact on their business development, all together accounting for 80.8% of the sample. Comparatively, the Lijiang Night Cruise, as the newly upgraded product from the most traditional popular attraction, is still playing an important role in some respondents' business (17.5%). Additionally, a small proportion of the respondents (1.7%) mentioned that the Folk Custom Villages in Longsheng had impacted their business too. One possible reason for the response is that Yangshuo County has experienced much more significant growth in tourism development than other areas of Guilin in the past decade. Also, nearly 35% questionnaires were conducted in Yangshuo County and the rest were conducted in the city center of Guilin. However, the new attraction, Two Rivers and Four Lakes, which is recognized as the newly important product by policy-makers, seems to be no such big influence on the respondents' business.

Table 6.3 Important New Attractions for Respondents' Business (N=120)

Scenic areas	Lijiang Night Cruise	Shangri-La in Yangshuo	Park West Street in Yangshuo	Impression Sanjie Liu	Longsheng Folk Villages	Total
Frequency	21	15	40	42	2	120
Percent(%)	17.5	12.5	33.3	35	1.7	100

2) To what extent do new attractions impact on your business?

As shown in Figure 6.13, 52% of the respondent acknowledged that new attractions had positive impacts on their business, and 40% of the respondent thought there were no influences of new attractions on their business. Surprisingly, 8% of the respondent even recognized new attractions had negative impacts on their business. However, the business owners, who thought there was negative impact from new attractions, were not from the attraction sector, but mainly from restaurants and travel agencies (see Figure 6.14). Nearly all the recreation and transportation sectors thought there was positive influence of new attractions on their business, as they could design more optional tour routines for tourists.

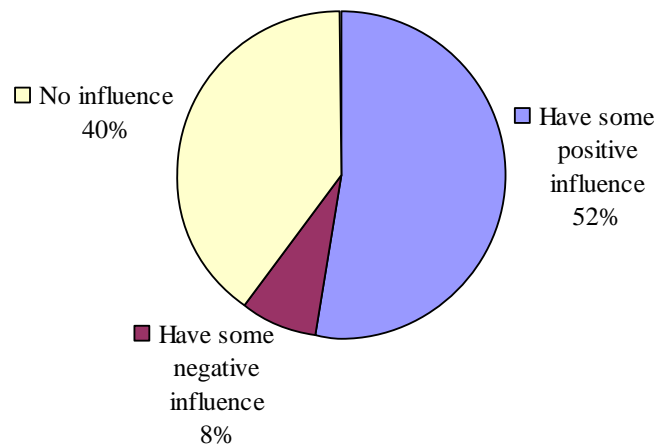


Figure 6.13 Impacts of New Attractions on Respondents' Business (N=120)

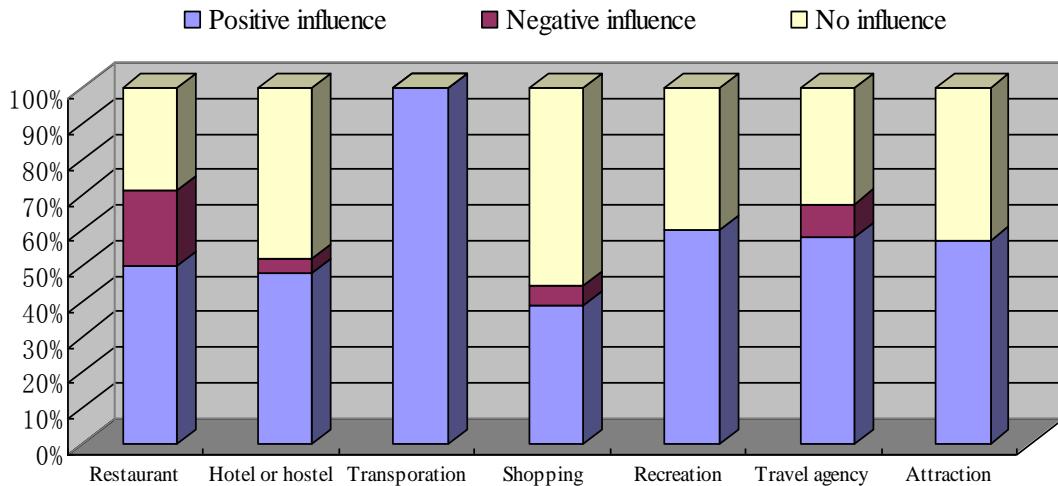


Figure 6.14 Impact of New Attractions on Respondents' Business by Sector Type (N=120)

3) What's the way of innovation on your own business?

As can be seen in Figure 6.15, the main innovation way for the respondents' business was to promote the quality of product or service (30.1%), which is the basic upgrading for tourism service firms, especially restaurants, shopping, hotels and the recreation sector (see Figure 6.16). In parallel, 25.5% respondents also made their efforts to produce new products or services, which is a more innovative way to improve their firms' competitiveness in the similar sector. As shown in Figure 6.16, this innovation way was much important for travel agencies and hotels than other sectors. Also, 19% respondents made new marketing strategy to adapt the changing travel market and tourist demands. It is followed by the respondents who considered intensifying cooperation with other sectors (11.8%) and making management innovation (9.2%). The minor respondents (4.6%) from travel agency and the attraction sector preferred to apply a new technology to innovate their business (see Figure 6.16).

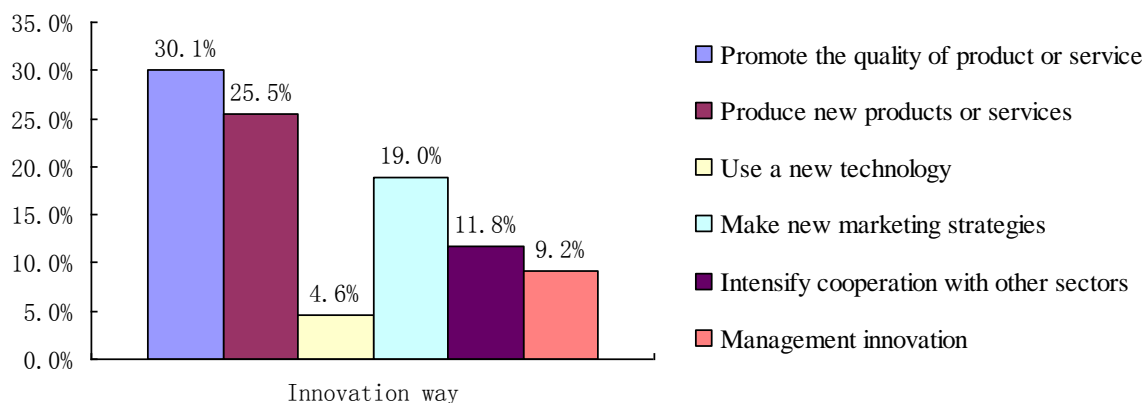


Figure 6.15 Innovation Ways of Respondents' Business (N=120)

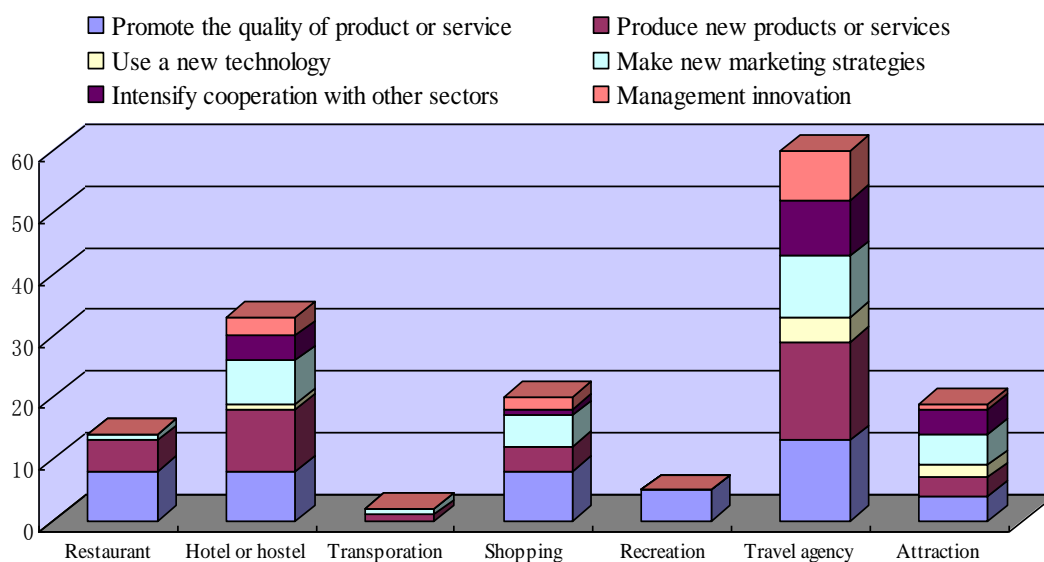


Figure 6.16 Innovation Ways of Respondents' Business by Sector Type (N=120)

6.3.4 The interaction with the government and other entrepreneurs

This section aims to investigate how tourism business owners or managers cooperate with the government and other entrepreneurs.

1) What kinds of cooperation does your business have with the government?

According to the survey (see Figure 6.17, Figure 6.18), 46% respondents cooperated with the government in the process of tourism planning, and the majority respondents were from

travel agencies and hotels. This is followed by tourism destination marketing at 20.8%, capital investment at 16% and attraction innovation at 14.2%. It is interesting to note that respondents who cooperated with the government in infrastructure construction only accounts for 3.3%, mainly from the attraction sector. One possible explanation is that tourism business operators thought that it was the government’s responsibility to construct tourism infrastructure of the tourism area.

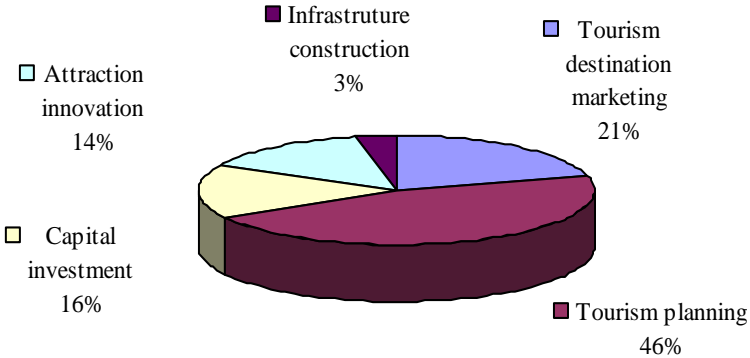


Figure 6.17 Respondents’ Cooperation Way with the Government (N=120)

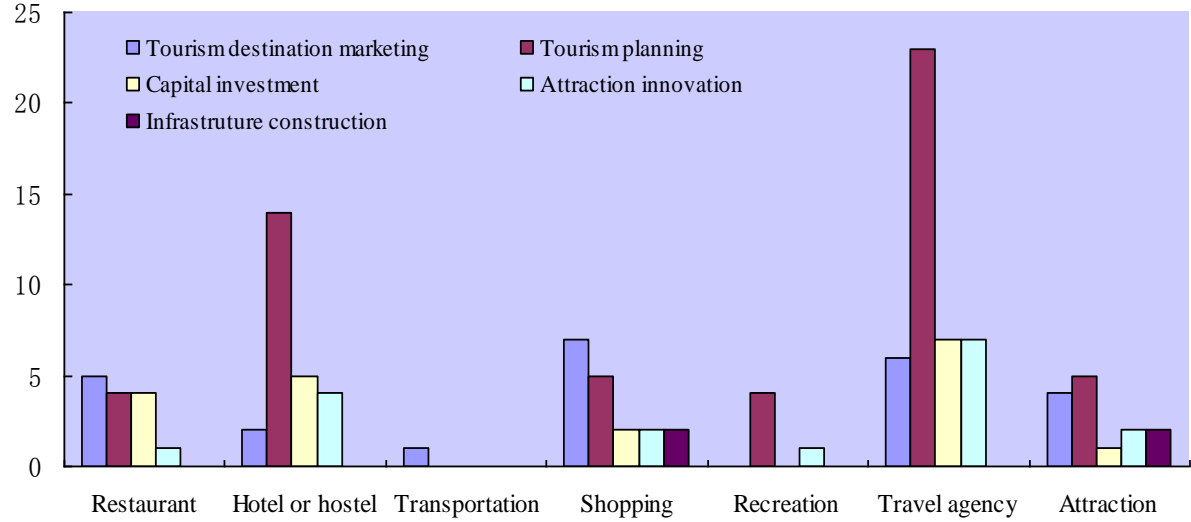


Figure 6.18 Respondents’ Cooperation Way with the Government by Sector Type (N=120)

2) How could you build up the relation with other entrepreneurs?

As can be seen in Figure 6.19, a slight majority of respondents (40%) thought they built up their relations with other entrepreneurs by travel agencies, but they were mainly from travel

agencies, hotels and recreation sector. Also, one possible reason is that travel agencies could form the vital link between main tourism service suppliers from different tourism sectors (transportation, hotels, resorts, and restaurants) and tourists. Comparatively, previous business relation and personal relation were considered as main connection way for the respondents' business, accounting for 24% and 22% respectively. Noticeably, personal relation played fewer roles in the cooperation of the entrepreneurs from travel agencies with other entrepreneurs (see Figure 6.20). The minor respondent said they also built relationship with other entrepreneurs by tourism association (11%) and the government (2.5%). It suggests that tourism association and the government still played very weak role in the cooperation among tourism firms.

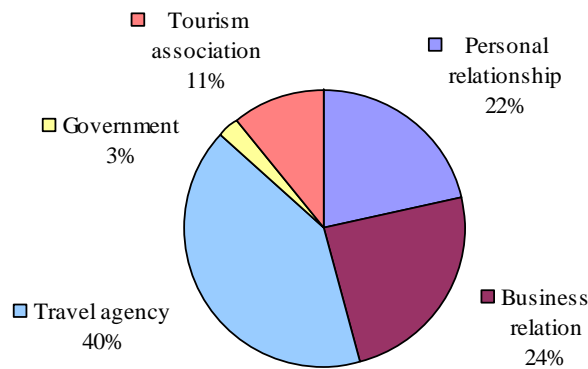


Figure 6.19 Respondents' Connection with the Other Entrepreneurs (N=120)

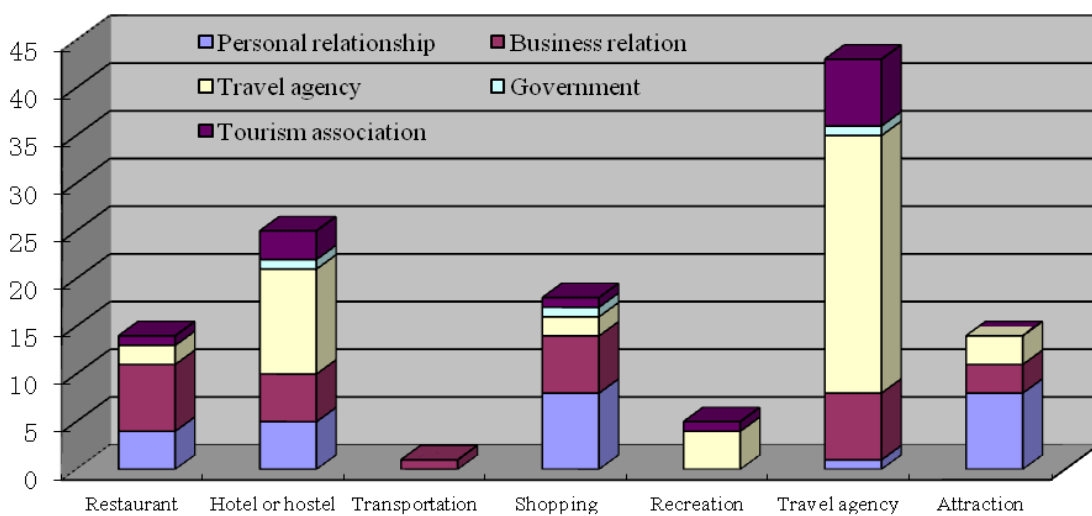


Figure 6.20 Respondents' Connection with the Other Entrepreneurs by Sector Type (N=120)

3) What kinds of activities does your business cooperate with other entrepreneurs?

Regarding the cooperation activities, 31% respondents acknowledged that they cooperated with other entrepreneurs in marketing information sharing, which was the common way for all kinds of sectors (see Figure 6.21, Figure 6.22). This is followed by employee training or communication (23.4%), innovating new products or services (16.5%), and product co-marketing (14.6%). A small number of respondents recognized that they also cooperated with other entrepreneurs in capital investment (10.1%). The result shows that management technology occupied the lowest rate (4.4%) of the cooperation ways among tourism firms.

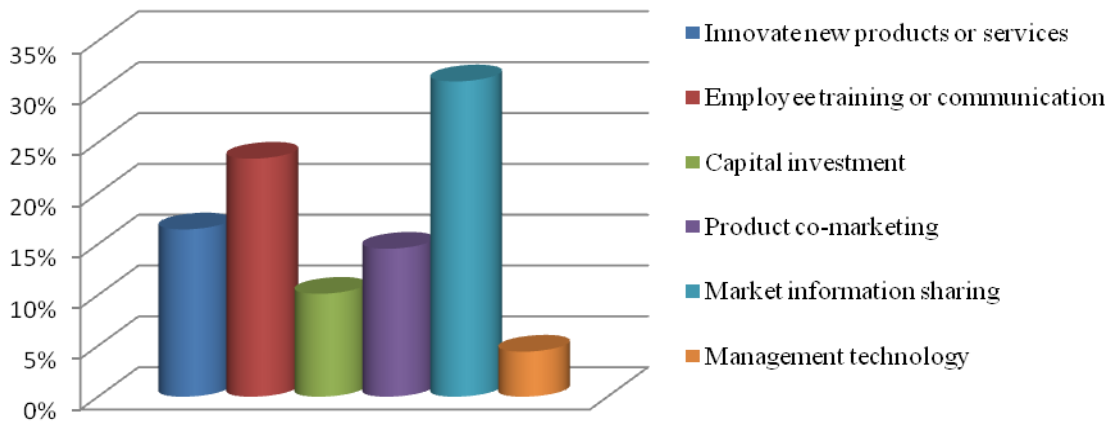


Figure 6.21 Respondents' Cooperation Way with the Other Entrepreneurs (N=120)

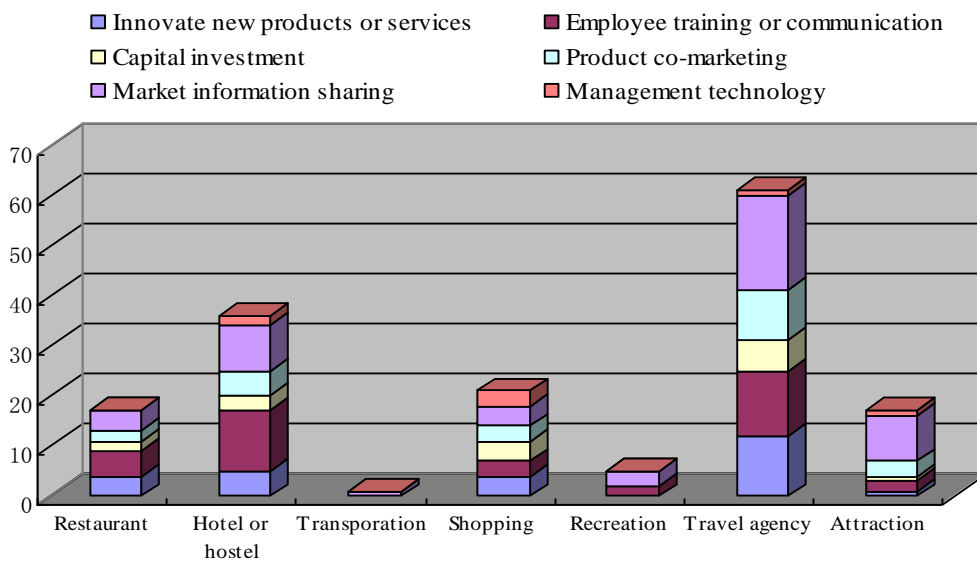


Figure 6.22 Respondents' Cooperation Way with the Other Entrepreneurs (N=120)

6.4 Summary

This chapter has detailed how tourism sectors, products and its institutional environments coevolved through four phases: before 1978, 1978-mid-1989, mid-1989 to late 1990s, and late 1990s-the present, which are consistent with four phases of path-dependent process in Chapter 5. The findings revealed that external environments, policy changes and product innovation were the main coevolutionary mechanisms for tourism development in Guilin over time.

In the first phase, the central government completely dominated in tourism development, while the institutional environment provided low selection and coevolution of tourism products and sectors in Guilin. In the second phase, Institutional changes had a significant impact on tourism sector and product development in Guilin. Equally, the development of tourism sectors and products impelled the formulation of new tourism regulations and policies. Moreover, the government still played the dominate role in tourism development, while external entrepreneurs initiated their investments in the accommodation sector. In the third phase, external environments played a key role in the turbulence and decline of tourism development in Guilin, while institutional changes, especially enterprise reform drove the significant changes in the management way of tourism sectors and improvement of tourism service. Likewise, the regulation system of the tourism industry was gradually formulated with the development of tourism sectors and tourism products. At the same time, the local government and external entrepreneurs started to shift their cooperation and investment to tourism attractions. In the fourth phase, policy orientation, relative free market and holiday system were the driving factors for tourism area development. The local government focused more on tourism promotion and cooperation with other tourism destinations, while tourism entrepreneurs played more and more important role in the development of tourism firms and product innovation and upgrading.

This chapter has also provided quantitative analysis of the impact of policy changes and product innovation on tourism business resulting from the survey of tourism business owners.

The cooperation and interaction between entrepreneurs and the government were also included. The findings show that holiday system, destination or scenic area planning and industrial rules or norms were the main influential policies on their business, while a few proportion of small tourism business owners participated in policy-making or tourism planning. At the same time, the majority of respondents acknowledged that new attractions have had positive influence on their business in recent years, which mainly gathered in Yangshuo County, including the Impression Sanjie Liu, West Street and the Shangri-La Park. The Lijiang River Night Cruise was also considered as an important new attraction for their business. The cooperation and interaction between the government and small tourism entrepreneurs was quite low, and the main cooperation happened in the process of tourism planning and destination marketing. Interestingly, the majority cooperation ways of the respondents with other entrepreneurs were by travel agencies, personal relations or business relations, and only a few through tourism association or the government. The finding also revealed that the major cooperation activities among tourism entrepreneurs were market information sharing, employee training or communication and new products or services innovation.

Chapter 7 Conclusion and Discussion

7.1 Introduction

This chapter functions as a general conclusion of the whole study. Firstly, a brief overview of the study is discussed, followed by a recapitulation of its major findings in accordance with the respective research objectives and questions. Secondly, the contributions of this study are addressed in terms of both theoretical advancement and practical guidance. Thirdly, the limitations of this study are discussed. This chapter summarizes with suggestions for future research.

7.2 Summary of the key findings

The aim of my dissertation is to contribute to both the literature of tourism area life cycle and the emerging body of literature in evolutionary economic geography. The core empirical parts of the dissertation (Chapter 4, Chapter 5 and Chapter 6) aim to contribute to the understanding of dynamic evolution and interaction of tourism products, sectors and institutions within the tourism destination of Guilin. In the following, I will highlight the key findings resulting from both theoretical and empirical analyses corresponding to the research questions proposed in Chapter 1.

1) Which of theoretical notes from EEG are useful to explain tourism area evolution?

Chapter 2 reviewed recent literature on the TALC model, focusing on the key issues discussed in various case studies and theoretical notes of the model, including the main stages, measurement of the stages, characteristics of the stages, the influential factors, the extension of the TALC model, and the weaknesses of the TALC model. Although the TALC model has been recognized as a useful framework applied in various case studies in tourism literature, it still suffers from three weaknesses: failing to specify the differentiation between ‘tourism area’ and ‘tourism product’ in dealing with the ‘life cycle’; insufficient distinction

between the notions of ‘life cycle’ and ‘evolution’; inappropriate use of ‘carrying capacity’ to explain the decline of tourism areas. The newly emerging evolutionary economic geography (EEG) has similar research issues in the rise and decline of industrial areas, in which the notions of path dependence, lock-in, path creation and coevolution have been frequently used. Thus, two interlinked models employed from two notions of EEG were proposed to compensate for the weaknesses of the TALC, namely an alternative path dependence model based on the vertical evolutionary process of tourism areas, and a coevolution framework grounded in the horizontal evolutionary process of tourism areas.

Firstly, an alternative path dependence model, based on the work done by Martin (2010) concerning path dependence, was proposed to explain the evolution of a tourism area. It explains the causal mechanisms leading to the evolutionary process in a tourism area. Moreover, it also unravels the path-dependent evolution of a tourism product or sector either within a destination or across destinations. It complements for the third weakness of the TALC model, in which the notions of path dependence, lock-in and path creation are useful to explain the rise and decline of tourism areas.

Secondly, a coevolutionary framework of a tourism destination, based on the work of Murmann (2003) concerning coevolution, was presented to explore the coevolutionary process of tourism sectors, tourism products and institutions occurring at multiple levels within a tourism area. The framework indicates that the evolution of tourism areas is a complicated multiple-level coevolution rather than a simple curve with six stages, as the TALC model suggests. It further complements for the first two weaknesses of the TALC model. ‘Tourism area’ could not simply be considered as ‘tourism product’ with discussions of ‘life cycle’ or ‘evolution’ in the destination, as there are various component entities with multiple-level evolutions in the destination. Similarly, it is appropriate to use the notion of ‘evolution’ rather than ‘life cycle’ in exploring tourism area development.

2) What are ‘initial conditions’ for Guilin to be developed as a tourism destination?

Chapter 4 provided the basic contexts of diverse market-institutional backgrounds and the history of case area and social-economic base for analyzing Guilin's tourism development. Changes in international and national tourism market and institutional changes, especially China's transition from planned economic system to a market-oriented system, provided basic institutional and market triggers for Guilin to develop its tourism industry. The findings from Chapter 5.2 indicated that the emergence of the Guilin as a tourism destination was not only influenced by 'random events' or 'small chances' (e.g. opening up policy triggers or market driving force), but also basically rooted in its initial conditions, including preexisting natural and cultural tourism resources, comparatively good transportation accessibility and intangible marketing and promotion.

3) What kinds of path dependence have tourism sectors and products experienced in Guilin tourism area development?

Chapter 5 revealed that there were continuous resource-based path dependence in tourism products and institutional path dependence in tourism sectors, either policy-oriented path dependence in private tourism firms or administrative path dependence in public tourism firms.

As for the path dependence of tourism products, the development of tourism products in Guilin largely depended on natural tourism resources: water, caves and hills and also cultural tourism resources: folk-customs, folktale and cultivation culture (see also Figure 5.4). For example, the dominant natural tourism products of Guilin changed gradually from sightseeing of 'Three Hills, Two Caves and One River' to 'Four Lakes and Two Rivers'. At the same time, the dominant cultural tourism products of Guilin emerged in the early 1990s, changing from the Lijiang Folk Custom Park, the Third Sister Liu Scenery Park to Longsheng Folk Custom Villages and Impression Sanjie Liu. More recently, some man-made attractions became dominant tourism products, combining with natural and cultural elements of Guilin, including the Yuze Paradise, Guilin Merryland Resort and Yangshuo Shangri-La Park.

Similarly, institutional path dependence was identified in the development of Guilin tourism sectors, either policy-oriented path dependence of private tourism firms or administrative path dependence of public tourism firms (see also Figure 5.5). In the initiate phase, tourism sectors were established and controlled by the government with top-down administrative management routines. With the influence of modern enterprise reform, state-owned or collective-owned tourism firms were transformed into limited or stock tourism firms with modern enterprise system. However, these public firms were still partly owned or controlled by the government with strong past thick and sticky institutional structure, which to some extent hampered the advancement and competition of large-sized tourism enterprises in Guilin. On the contrary, small private or joint-venture firms emerged in the late 1980s with modern enterprise system, but strong relied on policy incentives and orientation. With policy changes in different periods, dominant private and foreign-invested firms gradually shifted from the sectors of hotels, travel agencies to attractions through time.

4) What is the path-dependent process of the Guilin tourism area over time?

The findings revealed that Guilin has experienced path preformation, path creation, lock-in and a new turn of path creation phases of tourism area development in Chapter 5 (as indicated in Figure 5.3). The initial conditions or origins for the formation of Guilin as a tourism destination mainly involve policy incentives or priorities, high tourism resource endowment, relatively good transportation accessibility and intangible marketing. In the 1980s, the path formation of tourism sectors and products induced spatial concentration and self-enforcing mechanisms of tourism development in Guilin. However, the turbulence and decline of tourism development occurred in the 1990s, which was not only caused by external shocks and institutional changes, but also partly due to institutional lock-in of tourism sectors and the cognitive lock-in of tourism products in Guilin. Since the 2000s onwards, new path creation of both tourism sectors and products combining with external environment changes brought a new turn of rapid growth in the tourism development of Guilin, either by introducing new institutional systems or product innovation.

5) How do the component entities of tourism products, sectors and institutions in Guilin coevolve and interact with each other over time?

Chapter 6.2 has examined the coevolution and interaction of tourism sectors, products and its institutional environments through four phases: before 1978, 1978-mid-1989, mid-1989 to late 1990s, and late 1990s-the present, which are consistent with four phases of path-dependent process in Guilin.

In 1973, Guilin was authorized to open to foreign tourists and initially develop tourism industry, but highly controlled by the central government. In this first phase, tourism in Guilin was only used as a diplomatic tool rather than an economic activity and the government established tourism sectors and provided tourism services for tourists in Guilin. Thus, the government performed as the predominant driving actor for Guilin tourism development. In this respect, institutional environments provided low selection and coevolution of tourism firms and products.

After the reform and opening up policy proposed and implemented in 1978, Guilin experienced a rapid development in tourism sectors, mainly the accommodation sector and travel agencies until the mid-1989. In this phase, institutional changes had a significant impact on tourism sector and product development in Guilin. Equally, the development of tourism sectors and products impelled the formulation of new tourism regulations and policies. Moreover, the government still played the dominate role in tourism development, while external entrepreneurs initiated their investment in the accommodation sector. Institutional changes and an open market were main driving forces for dynamic evolution of tourism sectors and products in this phase.

Since the mid-1989, Guilin entered into a turbulence and adjustment period with a series of external shocks and institutional changes. In this phase, enterprise reform of public tourism firms drove the subsequent evolution of tourism sectors and improvement of tourism

services. Moreover, new tourism attractions or products were invested and developed by both the local government and external entrepreneurs. In return, the regulation system of the tourism industry was gradually formulated with the development of tourism sectors and tourism products in Guilin. The local government played a key role in adjusting the turbulence and decline of Guilin tourism area development.

Until the late 1990s, the central government united the Guilin city and Guilin region, Guilin has experienced a great leap growth of tourism development in the period of mass domestic tourism. Policy orientation, relatively free market and holiday system were the driving factors for this new turn of rapid growth in tourism. Tourism product innovation and upgrading were much more important than other factors for tourism area development during this period. The local government focused more on tourism promotion and cooperation with other tourism destinations, while tourism entrepreneurs played more and more important role in the development of tourism firms and product innovation and upgrading.

6) What are the main coevolutionary mechanisms for tourism area development in Guilin through time?

The findings in Chapter 6 indicated that external environments, policy changes and product innovation were the main coevolutionary mechanisms for tourism development in Guilin over time, while the government played the dominant role in the earlier phase and entrepreneurs became more important in late phase. The main role of the government changed from operators, decision-makers, investors, promoters, and regulators to coordinators through full spectrum dominance phase, main dominance phase to guidance and coordination phase. By contrast, the role of tourism entrepreneurs became more and more important in the tourism development of Guilin, changing their investment emphasis from the accommodation sector, tourism attractions, and travel agencies to recreation corresponding with a series of policy changes over time.

The findings resulting from the survey with tourism business owners also revealed that policy changes and product innovation have had influence in their business in recent years. For instance, holiday system, destination or scenic area planning and informal tourism norms were the main influential policies on their business, while the majority of respondents acknowledged that new attractions had positive impacts on their business. The cooperation and interaction between the government and small tourism entrepreneurs was quite low in the process of tourism planning and destination marketing. Interestingly, many respondents cooperated with other entrepreneurs mainly in market information sharing and employee training, either by travel agencies, business relations or personal relations, but only a few through tourism association or the government.

7.3 Theoretical contributions and practical implications

7.3.1 Contributions to the TALC literature

This study aimed to contribute to the TALC literature with new insights from evolutionary thinking in EEG whose main notions including path dependence and coevolution (see also Chapter 2). In line with this concern, an alternative path dependence model and a coevolutionary framework of tourism area evolution were proposed (Figure 2.6 and Figure 2.7), in particular by highlighting aspects which cannot be answered by a mere TALC perspective. In other words, these two models were presented to compensate three weaknesses of the TALC model, in which way this research contributes to the TALC literature.

Firstly, the coevolutionary framework of tourism areas has indicated that ‘tourism area’ is a complicated system containing all kinds of elements with various products, sectors and associated institutions, rather than a ‘tourism product’. Moreover, the coevolutionary approach has its strength in analyzing heterogeneity and complexity at the micro and macro levels. As illustrated in forty-year-long development of the Guilin tourism area, there were multiple variables of tourism sectors, products and institutions interacting and coevolving at

the macro or micro levels, with different dominant elements at different phases. The findings shows the evolution of the Guilin tourism area was a complicated multiple-level coevolution of tourism products, sectors and its associated institutions rather than a simple curve with six stages, as TALC suggests. Thus, it is not appropriate to simply divided into several stages by the measurement in tourist arrivals or tourism receipts, without the consideration of other elements, especially institution and policy changes through time.

Secondly, the coevolutionary framework has provided a view that there are various dynamic evolutions of tourism sectors, tourism products and institutions occurring at multiple levels within a destination. Just as Singh (2011) argued, the evolution of a tourism area is a long-term continuing process, involving many life cycles, where some may end, while others continue or new branches emerge. In this sense, life cycle is applicable to an individual element, rather than a complex system like tourism destinations. The case of Guilin also revealed that different tourism products exhibited distinct life cycles, some has already vanished now like the Lijiang Folk Custom Park while others just continued to flourish like the Lijiang River Scenic area within the same destination. The coevolutionary framework emphasizes the generation of variability and divergence of various entities within destinations as a result of interrelated interaction or external change effects. In this view, it is therefore more appropriate to analyze and explain the heterogeneity and complexity of the development of tourism areas from the coevolutionary perspective.

Thirdly, the path dependence model of tourism area evolution has served as a useful approach to explain the rise and decline of tourism areas. The emergence and development of the Guilin tourism destination is not only due to small chance (e.g. policy trigger) but also induced by the pre-existing tourism resources and other factors. The rapid growth of tourism in Guilin was partly stimulated by policy incentives and external market environment changes, but also partly derived positive effects from resourced-based path dependence of tourism products and institutional path dependence of tourism sectors. Particularly, the decline of Guilin was mainly caused by negative lock-ins in response to external

environments and also negative effects from institutional path dependence of tourism sectors. External environment changes, product innovation and firm enterprise reform brought a new turn of rapid tourism development in Guilin in the recent decade. These findings indicate that the evolution of the Guilin tourism area is a dynamic open path-dependent process by which products, sectors and institutions co-evolve along unfolding trajectories, which allows for various possible evolutionary pathways in the future.

7.3.2 Contributions to economic geography

The study has also made a significant contribution to the literature in economic geography, especially for the evolutionary economic geography with a better understanding of path dependence and coevolution notions. More specifically, this study is also a research response to the question presented by Boschma and Frenken (2011, 4): “Another question holds whether the theory equally applies to services and creative industries as to manufacturing”. Particularly, two aspects of contributions to evolutionary economic geography have been outlined as follows.

In the first place, this research contributes to the understanding of path dependence in the tourism industry within tourism destinations. The concepts of ‘path dependence’, ‘lock-in’, ‘path creation’ are thoroughly discussed either in the theoretical base or empirical contexts (Hassink, 2005, 2007; Hassink and Shin, 2005; Martin and Sunley, 2006, 2010; Martin and Simmie, 2008; Boschma and Martin, 2010) in the EEG field. However, there is little attention to explore these conceptual notes in the service industry, especially the tourism industry. This research has contributed to filling this gap by applying path dependence notion into the rise and decline of tourism areas. The researchers in the economic geography area mainly refer to technological path dependence (e.g. David’s path dependence) or institutional path dependence (e.g. North, 1990) in the manufacturing sector. Martin and Sunley (2006) has pointed out that there is a kind of resource-based path dependence, which means that regional development path shaped by dependence on a particular raw material (eg. coal, oil, forestry products, etc.) for related and derived industries. This argument was also

proved in the case of the Guilin tourism area, in which has experienced both resource-based path dependence of tourism products and institutional path dependence of tourism sectors, together with institutional changes and external environment evolution, shaping the path-dependent process of Guilin tourism area evolution.

In the second place, this study contributes to an understanding of the coevolution notion in tourism areas. The coevolutionary approach has been primarily applied to the relationship between organizations and their technical or institutional environment (e.g. Nelson, 1994; Baum and Singh, 1994; Mckelvey, 1997). Then, some empirical studies on coevolution in the EEG field were also conducted either within one industry or across industries at the different levels (Ter Wal and Boschma, 2009; Liu, 2009). Considering that sectors, products and institutions are most important component entities that have influence on tourism area development, I choose sectors, products and institutions as populations of my coevolution model. The coevolutionary framework of tourism area evolution is an entirely new issue, not only in the tourism literature, but also in the economic geography literature. Moreover, the coevolutionary model has been applied to the case of Guilin and also the Gold Coast, Australia (Ma and Hassink, 2013). The case research of Guilin shows that multilevel coevolution of tourism products, sectors and institutions has intertwined with different dominant actors and driving forces through the path-dependent process over the past forty years.

7.3.3 Policy implications for tourism area development

Based on this research, some policy recommendations can be considered for future development of Guilin tourism area and also decision-makers or planners in other destinations in general.

To begin with, the local government or decision-makers should focus on the regulation of tourism market and provide more supports for small tourism business, but less intervention into the management of tourism enterprises. The current situation shows less attention or

financial or policy supports have been given to small tourism business or firms in Guilin. In contrast, drawing the findings from the survey, there were intensive interaction and cooperation between the local government and dominant large-sized tourism firms. Also, much supports either capital investment or policy priority was allocated to these dominant firms and entrepreneurs in Guilin. Some respondents from the survey have argued for some finance supports or investment from the government to enlarge the size of their current firms. Therefore, the local government of Guilin and tourism association should increase more supports and also cooperation for small tourism business or firms. On the other hand, the respondents have pointed out that the main barriers with their businesses were the competition with similar sectors, especially some unfair competitions from similar sectors because of some informal tourism rules or customs between some entrepreneurs or firms. In this respect, the government of Guilin should make more efforts on the regulation of tourism market, in particular, draining some informal industrial norms or customs which have hampered the development and cooperation between tourism firms. Moreover, it is urgent for the local government to solve the problem with multi-administrative management with some hybrid-owned tourism enterprises, especially some scenic areas or attractions. The enterprise reform of public tourism enterprises has left problems for the further development with these large-sized tourism firms with hybrid ownerships and multi-overlapped regulations. In this sense, the government should have less intervention on their business, but, on the opposite, should be take more responsibilities in the regulation and management of tourism market.

In the meantime, the local government should carefully make strategies or planning for the future development of tourism in Guilin at both core and periphery areas. The evolution of the Guilin tourism area in the last 40 years has seen the city center of Guilin, Yangshuo County, Xing'an County and even Longsheng County continue to be the more innovative and vibrant sub-destinations of Guilin. Similarly, the proliferation of tourism development in Guilin has continued with a remarkable diversification in attractions. Despite of traditional natural and cultural tourism products, like many destinations worldwide, Guilin has

embraced special tourism products, including leisure tourism and event tourism as a means of augmenting the attraction systems. For instance, the local government has hosted national or international events such as ‘China Tourism Trade Fair in Guilin’, ‘Workshop on the Future of Tourism’ and ‘The International Forum or Seminar on Tourism Education’ in Guilin. What’s more, the State Council of China designated Guilin as “the pilot area of national comprehensive reform on tourism” in 2009. With the influence of this reform, the local government has already made plans for the construction of an international tourist city, specifically in the Lingui district of Guilin (Respondent, G1). Therefore, there is a big challenge for the local government that how seizes this opportunity to attract more external investment in innovating a new tourism district and embed it into existing tourism attraction systems, especially in the city center. At the same time, there is growing pressure on the tourism area development from the development strategy of more industrial parks in Guilin, especially in periphery areas in recent years and near future. The scale and complexity of the tourism industry in Guilin now make difficult for an individual acting alone to initiate a turning point in the direction of tourism development. There is a need for more professional, planning oriented approach associated with this trend, the government as regulators become more important, while entrepreneurs as new triggers equally vital for driving tourism destination development.

Finally, relevant policy arrangements can be suggested for policy-makers or planners for the tourism area development in general. As the development of a tourism destination is a coevolutionary process with multi-scalar elements dynamic evolutions, complexity and uncertainty may occur. Thus, it suggests that tourism destination planners or policy-makers need to accept that destination growth is not a simple and predictable process, and that some uncontrollable situations influence tourism destination development may be caused by either large or small changes in the internal or external environment. The coevolutionary processes of interrelated components of tourism products, sectors and institutions, combining with external environments, determine the direction of a destination not just by several dominant actors or products at any given time. Thus, those involved in planning for tourism area

development require a better understanding of multiple changes and evolutions within tourism destinations.

7.4 Limitations of the empirical research and methodological reflections

Chapter 3 has discussed the research techniques and methodological procedures, including the reasons for case study approach, research design, data collection methods and data analysis methods. However, there are some limitations with this case research and methodologies too. These issues are expected to be tackled in further research.

Firstly, it seems a bit weak to have a single case to test the validity and utility of the proposed frameworks. There are several rationales for me to choose a single case, as argued in Yin (2009)'s design for a single case. The first rationale is that the Guilin tourism area represents the critical case in testing the two proposed frameworks, which indicated to confirm and extend the notions. The second rationale for this single case is a typical case representing common institutional environments and tourism development conditions in China. The third rationale for this single case is that it is a longitudinal case and could study the same single case at different periods through time. Comparatively, the evidence from multiple cases to test the model or theory is often considered more compelling, and the overall study is therefore regarding as being more robust (Yin, 2009). However, the rationale for multiple-case designs derives directly from the understanding of literal and theoretical replication, rather than developing the theory. The purpose of this research is to develop the theory of path dependence and coevolution in the tourism area, thus, a single case is selected to further test and extend the proposed models. Nevertheless, the theoretical framework later could be used as the vehicle for generalizing to new cases, again similar to the role played in this single case. In the further research, multiple case studies are necessary to use to explore more conditions under which the proposed theoretical framework is applicable as well as the conditions when it is not likely to be useful.

Secondly, another deficiency of this study relates to the validity and reliability of empirical data collection, especially by interviews and questionnaire survey. The information the interviewees ultimately offered are always restricted to the bounded perspectives of the interviewees (Yin, 2009). With respect to the issue, there is a limitation of this research is the selection of participants in the survey to decision makers and attraction entrepreneurs using the snowball methods (Noy, 2008). The author has made all efforts to contact proper participants. The initial contacts with decision makers were made in December, 2011 (3 months prior to fieldwork) to establish their interest for the interviews. The author firstly tried to make contacts with government officials and attraction operators in Guilin scenic areas by initially sending enquiry emails, making a call, or even directly came to their working place, those invitations were either turned away or there was no response. Thus, the author chose to use the snowball method to make these contacts again mainly based on recommendations and personal relationship through the network introduced by previous colleagues in a local university and a government official in the GTB. Finally, 12 attraction managers from 12 scenic areas or spots which are important for Guilin tourism product development participated in the survey, while 10 decision makers from 8 key organizations and 8 tourism experts who have participated in Guilin tourism plans or policy-making also involved in the survey. A further point to note is that the survey with attraction operators does not include representatives from the unrated scenic spots in Guilin.

Last but not least, a drawback of this study may also be rendered by its utilization of this single case. The aim of this study is to put the theoretical frameworks into the dynamics and complexity of Chinese tourism areas, not to generalize to a large universe. However, the evolving process of the Guilin tourism area contains many distinctive characteristics worthy of further analytical discussion, and thus considerable care must be taken in generalizing the findings in the research. It cannot be assumed that what happened in Guilin can recur in other places in China as well as in other regions or countries. The more exploring research and test of the two frameworks should rest on comparative study of more cases with different characteristics and in different locations, as the findings in this research cannot

claim to be representative tourism development processes of the similar destinations in China.

7.5 Future research

Tourism area development is a hot topic in tourism studies and also EEG is a newly emerging string in economic geography. Although there are vast case studies in the life cycle issue in tourism areas, both theoretical and empirical research from the path dependence and coevolution perspective is still in its infancy. Hence, far many issues on this area left unexplored, which probably makes it a promising field of future research.

Firstly, there is a need to apply the path dependence model and coevolutionary framework to further case research in tourism studies. Different kinds of tourism destinations are likely to have different processes, forms and degrees of path dependence, as well as different tourism paths or trajectories. In this research, the resource-based path dependence of tourism products was fully examined in Guilin, where is endowed with unique tourism resources. But some tourism destinations where are not endowed with abundant tourism resources (natural landscapes, wildlife reserves et al.), but they are still developed to be popular destinations. With the remarkable boom in tourism, the development of urban tourism takes a variety of forms, not merely restricted to natural or cultural heritages. For example, there are some cities or regions famous for special events, such as Las Vegas and Macau, attracting hundreds and thousands of tourists being there just for gambling. It is interesting to research this kind of tourism destinations from path dependence perspective based on two concerns. Firstly, in these resort cities like Las Vegas, which lack a marketable historic past, themed environments emerged owing mainly to Disneyland and Disney World than to urban history or culture in the initiate phase. Secondly, the government took an initiative step to give this city policy priority for gambling, and later gradually formulated good institutional environments and policies for gambling, in order to attract more people to be there. In some way, there is a typical institutional path dependence of tourism destination development.

Similarly, there are some cities or areas famous for the film industry, like Hollywood in Los Angeles and Bollywood in Mumbai, and many tourists have been there or are looking forwards to visiting there. The attractiveness of this kind of cities is originated from the positive externalities of the film industry, where people could experience the same scene directed in some famous movies or may meet their icons or superstars by accident in these places. In this respect, it is a spontaneous path creation and development of tourism attractions, which could hardly be imitated by other tourism destinations. As a further example, the development of some amusement parks, like Disneyland, could be more related to technology path dependence in its product innovation and creation process. Thus, what are the initial conditions and path dependence for these kinds of tourism destinations will be a very interesting topic for tourism studies.

Secondly, the theoretical model of path dependence highlights a need for future research into case studies of one kind of tourism products or sectors evolving across destinations. As discussed in Chapter 2, there is a second interpretation of path dependence for tourism areas, emphasis is placed on how one type of tourism product or a given tourism sector evolves spatially across multiple destinations. This application could also explain how new tourism product patterns or sectors emerge and develop at national and international level. Original conditions or random events lead to a new product or sector path. Several possible potential locations may be equally suitable at the starting phase. This approach emphasizes ‘window of locational opportunity’ and the processes of ‘locational selection’ (Boschma, 1997), which will be also an interesting issue for EEG in the future research.

Last but not last, interesting research questions for future research that can be derived from these evolutionary notions in EEG include: Can the notion of “localized learning” or “adaptive capability” be used to explain path dependence in the evolution of tourism areas? Whether the notion ‘related variety’ could also be used in the tourism area development? How important are the heterogeneity and diversity of tourism firms and tourism products for

the evolution of tourism areas? Which are the causes and which are the effects in the interrelated links between tourism products, sectors and institutions?

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List of Appendices

Appendix 1: Interview: Sample Questions for the Decision-makers

Appendix 2: Interview: Sample Questions for Attraction Operators or Managers

Appendix 3: Survey: Questionnaire for Tourism Business Owners or Managers

Appendix 1: Sample Questions for Government Officials and Tourism Experts

Dear Survey Participant,

My name is Mulan Ma, a PhD student in the department of Geography at University of Kiel, Germany. I am currently conducting a research on tourism destination development in Guilin. The purpose of this survey is to identify the evolutionary process and mechanism of tourism development in Guilin and explore appropriate strategies for promoting Guilin tourism development in the future. Thank you very much for agreeing to take part in this project. The answers you give will be treated in total confidence. Information will only be used in aggregate and for academic purposes. You have the right to withdraw at any moment. The individual data gathered will not be revealed to anyone. In return for your support and cooperation a special copy of the final report will be made available to you. It is expected that this study will be of benefit to your organization by providing insights into the views of government, tourism experts and entrepreneurs on Guilin tourism destination development and drawing policy conclusions.

Below is the list of questions that I would like to discuss with you during our arranged interview time. I welcome as much as information as you can provide, including any reports, reviews, or surveys etc.).

In order to make our time as productive as possible, please review these questions and collect all relevant information before our interview. If you have any questions concerning the meaning of the questions, please do not hesitate to contact me. I will be happy to clarify them for you.

Sincerely yours,

Mulan Ma

Part I: Contact information of the survey respondents

Agency name:

Contact person:

Position:

Responsibility:

Working period in tourism:

Contact details:

Date of interview:

Part II: General opinion on Guilin tourism destination development

1. What are the initial conditions for Guilin to be developed as a tourism destination?
2. Could you talk about the development process and phases of Guilin tourism destination in general? How do you measure the phases?
3. What significant historical events do you know that have happened in the past decades in Guilin and their influences on destination development?
4. What do you think about the main influential factors of Guilin tourism destination development over time?

Part III: Institution Changes and their influences

1. What do you know about national policies related to tourism which have been conducted since the 1980s? What are their influences on tourism destination development?
2. What are the impacts of every five-year planning at national, provincial and urban level on Guilin tourism development?
3. How many tourism plans or strategies of Guilin scenic areas have been made and conducted in the past decades? Did these plans facilitate tourism development in Guilin?
4. Do you consider destination or product lifecycle when you make strategies or tourism planning for government?
5. Do you think the policy changes and tourism planning is the driving force or main impact factor of destination development?

Part IV: Innovation in tourist attractions and their impact

1. Could you describe how the tourist attractions in Guilin evolve and influence destination development over time?
2. Could you talk about some successful and unsuccessful examples of tourist attractions or products innovation in Guilin over time? What are the reasons for success or failure of

those products?

3. Is there a relation between attraction life cycles and destination life cycle? If yes, in what way?
4. Do you think attraction innovation or upgrading is also the driving force or main impact factor of destination development?

Part V: The interaction between government and tourism entrepreneurs

1. What are the kinds of support that government and entrepreneurs have given to different scenic areas in the initial phase, capital investment, facilities or other infrastructure projects? How it changed over time?
2. What kinds of relations have government built up with tourism entrepreneurs? How do those relations change and influence destination development over time?
3. What are the changes in the responsibilities and cooperation of government and tourism entrepreneurs on tourism planning and attraction innovation in Guilin over time?
4. What are the main barriers of cooperation between government and tourism entrepreneurs in the beginning? How it changed over time?
5. What kind of efforts or policy priorities can government give to improve cooperation and coordination efficiency and attract more new entrepreneurs to invest in Guilin destination in the future?

Thank you for taking the time to complete this survey. If you feel that we have left anything out, please use the space below to write additional concerns or comments:

Appendix 2: Sample Questions for Attraction Operators or Managers

Part I: Contact information of the survey respondents

Tourism site name:

Contact person:

Position:

Responsibility:

Working period in tourism:

Contact details:

Date of interview:

Part II: Entrepreneur experience and initiatives of this tourist spots

1. What were your previous occupations before you became involved in this business?
2. When did this tourist spot develop? When did you operate or manage this tourist spot?
3. What were the original ideas on this tourist spot?
 - a. who gave the idea or suggestion to develop this tourist spot?
 - b. what kinds of products or services did this tourist spot originally offer?
 - c. what is the most important factor to establish this tourist spot?
4. What was the role of government in the beginning of this tourist spot establishment?

Part III: The evolutionary process and mechanism of tourist spots

1. What are the changes of products and facilities in this tourist spot after it established?
How did it change over time? What are reasons for those changes?
3. What are the main problems or obstacles of this tourist spot development in the past decades?
4. How could you manage the whole tourist spot and deal with the relationship with other stakeholders?
5. How could you incorporate this tourist spot marketing with whole tourism destination marketing?
6. What have changed in the role of government in this tourist spot over time?
7. What do you think are the most important factor for tourism area development?
8. Have you ever considered the lifecycle of the products or tourist spots when you make strategies for attraction development?
9. What do you think the relation between the lifecycle of Guilin destination and this tourist

spot?

Part IV: Changes in the cooperation with government and other tourist sites

1. What other tourist spots did this tourist spot connected or cooperated with over time? How could you build up the relationships with other tourist spots over time?
2. How did this tourist spot cooperate with the local government over time?
3. What were the impacts of the government's policies or planning on your business or tourist spot development over time?
4. What are the main barriers in the cooperation with the government over time?
5. What kinds of support from the government do you need to assist your business or tourist site development in the future?
6. What's the plan or blueprint for future development of this tourist spot?

Thank you for taking the time to complete this survey. If you feel that we have left anything out, please use the space below to write additional concerns or comments:

Appendix 3: Questionnaire for Tourism Business Owners or Managers

Dear Survey Participant,

My name is Mulan Ma, a PhD student in the department of Geography at University of Kiel, Germany. I am currently conducting a research on tourism destination development in Guilin. The purpose of this survey is to identify how institution and attraction innovation influence tourism business through the time and explore appropriate strategies for promoting destination development in the future.

To help with this project, I greatly appreciate your help by taking time to fill out this survey honestly. It is very important that you answer all the questions. This would enable us to get more feedback about tourism destination development in Guilin. All the responses will be kept strictly confidential and anonymous. The individual data gathered will not be revealed to anyone. Information will only be used in aggregate and for academic purposes. You have the right to withdraw at any moment. In return for your support and cooperation a special copy of the final report will be made available to you. It is expected that this study will be of benefit to your organization by providing insights into the views of government, tourism experts and entrepreneurs on Guilin tourism destination development and drawing policy conclusions.

If you have any questions concerning the meaning of the questions, please do not hesitate to contact me. I will be happy to clarify them to you.

Sincerely yours,

Mulan Ma

Part A: Information about your business

A1. Which tourism sectors are you in now?

- a. Restaurant b. Hotel or Hostel c. Transportation d. Shopping
- e. Recreation f. Travel agency g. Attraction

A2. How many years have you been running your business?

- a. Below 3 b. 3-5 c. 6-10 d. 11-15 e. 16-20 f. Above 20

A3. What's the ownership of your business?

- a. Private individual b. Partnership firm c. State-owned Company
- d. Limited Liability company e. Others

A4. How many persons were employed in the initial phase of your business?

- a. Below 5 b. 5-10 c. 11-25 d. 26-50 e. Above 50

How many persons are employed in your business now?

- a. Below 5 b. 5-10 c. 11-25 d. 26-50 e. Above 50

A5: Do you have additional businesses rather than tourism service during the off season?

- a. Yes, what? _____ b. No

A6: What's the main barrier or issue with your business over time?

- a. Financing problem b. Turn-over of employees c. Product or service innovation
- d. Policy support e. Intensive competition with similar sectors
- f. Others (please specify): _____

A7. Have you seen declines in your business over the past years?

- a. Yes. What are the reasons for the decline? _____ b. No

Part B: The impact of policies and plans on local business

B1: What kinds of changes in policies or plans have had influence on your business?

- a. Reform of property rights system b. Vacation system c. Industrial norms or rules
- e. Modern enterprise system f. Destination or scenic areas planning
- g. Industrial informal rules or customs h. Others

B2: Have you ever participated in destination planning or given suggestions for policy-makers?

- a. Yes b. No

B3: What kinds of policies or supports do you want to assist your business in the future?

Part C: The impact of new attractions on their businesses

C1: Which of the following new attractions do you think that play an important part in your business?

- a. the Lijiang Night Cruise b. Two Rivers and Four Lakes c. Guilin Prince City
- d. Guilin Merryland Resort e. the Yuze Paradise f. Impression of Sanjie Liu
- g. The Third Sister Liu Scenery Park h. The Folk Custom Villages in Longsheng
- i. West Street in Yangshuo j. The Shangri-La Park in Yangshuo
- k. Others (please specify): _____

C2: How could new attractions or scenic areas impact on your business?

- a. have positive impacts b. have negative impacts c. have no impacts

C3: What's the way of innovation on your own business? (Circle all applicable)

- a. Promote the quality of product or service b. Produce new product or service
- c. Use a new technology d. Make new marketing strategy
- e. Intensify cooperation with other sectors f. Management innovation

Part D: The interaction with the government and other entrepreneurs

D1: What kinds of cooperation or interaction does your business have with government?

- a. Tourism destination marketing b. Tourism planning c. Capital investment
- d. Attraction innovation

D2: How could you build up this relation with other entrepreneurs?

- a. Personal relationship b. Business relation c. Travel agency
- d. Government e. Tourism association

D3: What kinds of activities do your business cooperate with other entrepreneurs?

- a. Innovate new products or services b. Employee training or communication
- c. Capital investment d. Product co-marketing e. Market information sharing
- f. Management technology

Thank you very much for completing the questionnaire. Please remember to return the survey, and have a great day.

Location of survey: _____ Date of survey: _____ Surveyor: _____