

## **Abstract**

This paper reports on a study of the key players and institutional processes involved in national policy-making for China's tourism sector since 1978. Using the concepts of 'policy-oriented learning' with 'coordination', it explores how the policy-makers have developed and implemented policy during a period of change in ideologies, organizational values and interests. In doing so it reveals how the fragmented nature of tourism and the fragmented power structure have meant that policy-making has been conducted by a variety of policy-makers, with a diversity of values and interests. It also shows how policy-oriented learning has allowed the policy-makers to succeed in a number of key areas, often with support from the state leaders.

**Keywords: policy-makers, policy-oriented learning, coordination, China**

## INTRODUCTION

This paper explores and explains, from the policy-makers' perspective, the ways in which tourism policy-making has proceeded in China during a period of rapid change. In doing so, it aims to contribute to an understanding of the development of tourism in China itself, but also by using the experience of China in a period of change, it aims to contribute to knowledge about policy-making for tourism more generally. The sheer importance for tourism of policy and policy-making has been emphasised by Richter (1989) who suggests that whether it succeeds or fails is largely a function of political and administrative actions, rather than economics or business. But it is the comment by Kerr (2003 xvii) who notes that 'the majority of tourism policy research is underdeveloped in terms of frameworks, approaches and theories' that provides the broader context for the paper. By considering the case in one country, particularly one in which the government has an overwhelming role, which is highly bureaucratic and which has been coping with major changes, this gives an important opportunity to provide an understanding of policy-making that also has wider relevance in contributing to these frameworks, approaches and theories.

Public policy-making is a key area of policy research, focusing on the factors that affect policy formulation and implementation, as well as the subsequent effects of policy (Howlett and Ramesh 2003; Jenkins-Smith and Sabatier 1993a; Jenkins-Smith

and Sabatier 1993b; Sabatier 1991; Sabatier 1999a; Sabatier 2007; Sabatier and Jenkins-Smith 1999; Sabatier and Weible 2007; Simeon 1976; Simmons, Davis, Chapman and Sager 1974). Most approaches consider the policy-makers as a key explanatory factor (Howlett and Ramesh 2003; Kerr, 2003). They stand at the core since policy is formulated and implemented by the actors. Lindblom (1980: 2) suggests 'to understand who or what makes policy, one must understand the characteristics of the participants, what parts or roles they play, what authority and other powers they hold, and how they deal with and control each other.' Their importance has recently been acknowledged in some tourism policy studies (Dredge, 2006; Pforr, 2006; Bramwell and Meyer, 2007; Stevenson, Airey and Miller, 2008.).

Policy-makers comprise both official and unofficial actors (Anderson 2003). Tourism is a sector of political, economic and social facets and typified by a diversity and number of organizations and issues (Elliot 1997). Hence policy-making is characterized by the involvement of government agencies, non-government organizations and businesses. China is no exception in this. Elliot (1997) summarizes the national policy actors as including state leaders, service ministries, national tourism administrations (NTA), sector ministries, local government, statutory organizations, industry associations as well as interest groups. Elliot (1997: 71) applies the concept of 'policy community' (Howlett and Ramesh 2003; Rhodes 1984)

and suggests a policy community as consisting of ‘the key organizations and actors who participate in policy and who are continually in touch with and talking to each other’. The multi-faceted nature of tourism prompts diverse values and interests and a fragmented power structure at both government and industry levels (Elliot 1987, 1997). Though the NTA normally exercises a central role, authority is scattered among many national agencies.

The importance of an intellectual component in policy-making has been widely acknowledged (Busch and Braun 1999; Hall 1990, 1993; Lindblom 1980, 1993; Sabatier 1987, 1993). Hall (1990:53) indicates that state policies are ‘deeply conditioned by the findings and presumptions of contemporary social science.’ Busch and Braun (1999:1) argue that ‘public policy is only possible within a cognitive framework’. Despite this, Lindblom asserts ‘there is no possibility of replacing politics by analysis’ (1993:24) and ‘all government policy-making can be considered political’, because of the overwhelming use of authority (1993:7). The role of cognition and knowledge is rather to adapt to the political process, serving as an instrument of persuasion to move the policy-makers closer to rational consent voluntarily, thereby improving the quality of the political process of policy-making (Lindblom 1993). This paper suggests that the combination of political and cognitive interactions can be described by two concepts, ‘policy-oriented learning’ (or ‘policy

learning') and 'coordination'.

The paper has three purposes. The first is to set out the institutional framework and policy-makers involved at a national level in China's tourism sector. In this it considers the complex relationships prompted both by the multi-faceted nature of tourism and by China's bureaucratic nature. The second is to review the ways in which policy-making in China proceeds through a process of 'policy-oriented learning' and 'coordination'. Together, these provide the context to understand the ways in which China's policy-making has developed. The third purpose goes beyond China. This is to use the experience of China, during a turbulent time, to contribute to an understanding of tourism policy-making more generally, drawing particularly on the theoretical concepts of 'policy-oriented learning' and 'coordination'.

## POLICY-MAKERS FOR TOURISM

There are not many empirical studies of policy-makers' engagement in policy-oriented learning (Busenberg 2001). Deviating from the traditional norm of politics as a power struggle and of policy as the outcome (Hall 1990:53), Hecló (1974:304-305) argues that government is not only 'power', but also 'puzzle'; policy-making is a mode of 'collective puzzlement on society itself'. Policy actors engage in learning because of their cognitive limitations compared to the size and

complexity of the problems (Lindblom 1993; Simon 1957). Singh (2001:143), for example, describes India's national tourism policy-making as a 'long process of learning through trial and error'. Howlett and Ramesh (2003) comment that both Hecló and Hall see policy learning as a response to external environments; policy-makers must adapt to enable their decisions to succeed when the environment changes.

Jenkins-Smith and Sabatier (1993b:42) and Sabatier and Jenkins-Smith (1999:123) consider policy learning as the relatively enduring alterations of thought or behavioral intentions arising from experience and/or new information. Jenkins-Smith and Sabatier (1993b:42-43) ascribe the most important topics of policy learning to the improvement in actors' understanding of the status of goals and other important variables and the identification and response to challenges to actors' belief systems, including exogenous events and opponents' activities. In other words, the targets of policy learning have expanded from the objective environment stimulus to a series of factors considered to be related to policy-making (Jenkins-Smith and Sabatier 1993b:43).

Based on Sabatier's work, policy learning could be further refined as the cognitive process undertaken by policy-makers to comprehend a set of factors that not only cover environmental forces, but also ideology, values, interests and power. The

ideology, values and interests will be incorporated when the actors explore the environmental stimulus. They serve as an interpretation framework to generate the meaning of the environmental conditions for the initiatives. As each policy-maker has their own values, interests and power, they are viewed as different 'partisans' with each pursuing 'some combination of private purposes and his or her own vision of the public interests' (Lindblom 1993:25). Generally, policy-makers generate initiatives from their learning. Lindblom (1993:13) has suggested that policy analysis as a method of learning in the form, for example, of collection and interpretation of facts and subsequent debate, tends to overwhelm policy-making. As the values and interests vary or even conflict, the analysis conducted is used to buttress arguments. Thus, the outcomes of analysis to a large extent are fragmented (Lindblom 1993:48).

To sum up, policy learning refers to a cognitive and epistemic process through which the policy-makers apply ideas and information to decisions (Busenberg 2001). The difference lies in their different beliefs and interests resulting in diverse learning outcomes. Under such circumstances the exercise of power through coordination inevitably occurs.

Coordination refers to the 'extent to which organizations attempt to ensure that their activities take into account those of other organizations' (Hall, Clark, Giodarno, Johnson and Roekel 1977:459). The greater the number of actors, the greater the risks

in consensus building (Jansen-Verbeke 1989:240). Given the multi-faceted nature of tourism, inter-organizational coordination is likely to be critical (Pearce 1992), especially in relation to the effectiveness of the various government roles (Hall 1994) since numerous individuals and organizations seek influence in pursuing their interests (Hall 1998; Hall and Jenkins 1995). Like other fields, coordination for tourism policy-making is about politics and power (Hogwood and Gunn 1984). The power distribution determines who gets what, when and how (Elliot 1997). Although the exact distribution differs, the presence or absence of a dominant power holder provides two general scenarios. If one or one group of actors dominates, their values or interests prevail (Hall and Jenkins 1995). Conversely, coordination leads to consensus building, without dominant actors.

It is a truism that coordination is heavily conducted in tourism policy-making. Because of its fragmented power structure, authority and power are diffused (Hall 1994; Jansen-Verbeke 1989). Only the top leaders hold dominant power. NTAs lack power to formulate and implement decisions independently of other government agencies; industry members often fail to provide a coherent grouping to influence government. In summary 'policy-oriented learning' and 'coordination' can be seen as a theoretical continuum; in the absence of either, the roles of policy-makers cannot be adequately conceptualized. In the context of the Chinese policy-making literature



this can be characterized as the ideological (normative and tendency models) and power struggles (factions model) at the top-level with bureaucratic bargaining at middle and local levels (structural and bureaucratic politics models) (Lieberthal & Oksenberg, 1988; Lieberthal & Lampton, 1992; Huang, 1999).

### *Study Methods*

Mainland China was selected for this study of policy-making for a number of reasons. First, tourism development in China provides an interesting context. In Mao's era, it had no role to play in China's planned economy and social development. Rather it was used as a political and diplomatic vehicle. It was not until 1978 that tourism commenced its economic function and became an active policy area. This has been an incremental process in which its socioeconomic role has been recognized by the state and society. A second reason is that tourism and associated policy-making in China are relatively unexplored and it has become a large and expanding sector in China, which now ranks second in absolute size, with the second fastest growth in the world (World Travel and Tourism Council 2008). A third reason for focusing on China is that its socialist political system and long history of a centrally planned economy mean that public policy-making serves as an overarching umbrella for development. This then provides a setting for the final reason, which is that by seeing how policy

makers in a highly bureaucratic system have responded to and engaged in rapid change in China, this provides important insights into the ways in which policy-making proceeds.

China's present Socialist Market Economy Model implemented since 1992 is different from those of the West. Within this political-economic model, public ownership is still predominant but needs to co-exist with the private sector. On this basis, the market mechanism, under the macro-control of the state, has superseded the central master plan as the fundamental mechanism in resource allocation. The Chinese government still engages in the macro-management of the national economy, operating and controlling strategic industries and regulating certain prices. Thus, the government-leading mode has remained intact, despite its shift from 'dominant' status in the planned economy, to 'driving' status in China's market economy. With this background China provides a fascinating environment in which to explore policy-making and the fact that tourism is a relatively new development provides the potential to explore how the bureaucratic mechanisms are responding to the need for policy changes.

Guided by qualitative approaches, the data for the study were mainly collected between 2002 and 2006; with some more recent updating, relating, for example, to the government reshuffle announced in March 2008. The main sources were key

informant interviews (Marshall and Rossman 2006) selected based on their political and professional involvement in China's national policy-making over a long period. Ten interviews were conducted in Chinese. Three respondents were senior officials with the ministerial government agencies responsible for tourism; five were policy consultants with the ministerial research institution; two were senior industry practitioners who well understood policy implementation during the past few decades. The topics of the semi-structured interviews (Mason, 2002) included – the number of policy-makers in tourism; their roles and approaches in policy-making; institutional arrangements; and interaction issues. Triangulation was used for cross-checking the information validity (Berg, 2004). All interviews were recorded, translated and transcribed with further clarifications sought. The interviews were supplemented by government documents (Berg 2004; Marshall and Rossman 2006). The data were analyzed based on a set of inquiry procedures (Miles and Huberman 1994; Strauss and Corbin 1998) under the broad approaches of grounded theory (Johns and Lee-Ross 1998; Ritchie and Lewis 2003) and historical analysis (Berg, 2004; Marshall and Rossman 2006; Towner 1988). An integrative interpretation approach was used to present the data from the interviews and government documents. This is described by Denzin (1998: 317) and Marshall and Rossman (2006: 161) as 'story telling'; it aims is to bring meaning and coherence to the themes, patterns, and

categories, establishing a connection and a story line that make sense of the qualitative information (Marshall and Rossman, 2006: *ibid*). The findings presented draw from the interviews and government documents, using the broader literature where appropriate. Quotations from interviewees are provided to support particular points but following Rubin and Rubin (1995) and Kvale (1996) these are used sparingly considering that overuse can easily detract from the clarity of the main commentary (White, Woodfield and Richie, 2005: 290). The paper covers the Reform Era (from 1978), with a focus on the Collective Leadership Period (1997 to present). China's last paramount leader, Deng Xiaoping, died in 1997. Inquiries into policy-making in China are still considered sensitive and this is acknowledged as a limitation. Following standard practice in the social sciences, interviewees' names are not disclosed. This is important in the context of China (Shirk, 1993:20).

### *Overview of Findings*

China has adopted a party-state political structure since 1949, that is, the Communist Party of China rules the nation. The Central Government – State Council, is theoretically accountable to the National People's Congress (NPC) (China's Parliament), but in fact is directed and overseen by the Politburo of the Communist Party (Lieberthal 2004). As China's highest executive organ, the State

Council consists of both cabinet rank and non-cabinet rank agencies, with their bureaucratic grades varying from ‘supra-ministry’, ‘ministry’, ‘sub- or vice-ministry’ to ‘bureau’ grades. Although cabinet-rank and non cabinet-rank agencies can be at the same ‘ministry’ grade, only cabinet agencies can be present at the plenary meetings of the State Council and have voting rights on key decisions. The different bureaucratic ranks have different degrees of decision-making and administrative and bargaining power in policy-making and implementation.

China’s national policy-makers operate within this political structure. The policy-making is shaped by a constellation of both official and unofficial actors. Writing about twenty years ago on bureaucratic politics, Lampton (1987), Lieberthal and Oksenberg (1988) and Lieberthal and Lampton (1992) considered that Chinese policy-making was fragmented, as the authority in shaping decisions was nested in many central agencies with bargaining and consensus building as its main features. Today this remains a feature and, if anything, tourism’s multi-faceted nature exacerbates the fragmentation. Different government agencies deal with different aspects according to their respective responsibilities and the nature of the issues. One interviewee suggested:

“We (China National Tourism Administration – the NTA) have working relationships with over thirty government agencies in the State Council,

different opinions usually occur and the degree of difficulty in coordination is very high.”

Among the community, the core policy-makers are the specialized agency for tourism - China National Tourism Administration (CNTA); supra-ministerial agencies (or comprehensive or macro-management agencies) – National Development and Reform Commission (NDRC) and Ministry of Finance (MoF); the quality administration agency for products and services – State General Administration of Quality Supervision, Inspection and Quarantine; the policy think tank - the Chinese Academy of Social Sciences; and local government. However, it is really China’s political leaders who have led the development during the decades from 1978. Only the leaders have had sufficient power to launch major initiatives, often in response to proposals or requests from the subordinate agencies. An interviewee acknowledged:

“In China, the instructions, speeches, talks from the national leaders are considerably powerful and effective.”

Among the leaders, the Vice-Premier or State Councilor whose supervision portfolio covers tourism has immediate oversight. As a specialized agency, CNTA is responsible for overall policy and development. Of the supra-ministerial agencies NDRC exercises macro-management of the national economy and integrates tourism development with other sectors. CNTA and NDRC, particularly the former, are the

main sources of proposals. The MoF provides financial support. The State General Administration of Quality Supervision, Inspection and Quarantine has responsibility for establishing quality standards; it collaborates with CNTA in setting up quality assurance. The think tank provides consultancy advice to government and suggests policy proposals.

Where disagreements occur between the various bodies, that the CNTA as the primary agency is unable to resolve or coordinate, it requests assistance from the General Office of State Council, which in turn may seek the views of the Vice-Premier or State Councilor with immediate supervisory role. Other premiers or state councilors will also be involved as appropriate. Consensus building is provided by the National Tourism Works Conference, which is held annually and acts as a nation-wide forum. It is in this landscape that China's national policy-making for tourism takes place.

Ultimately it is an iterative process of policy learning and coordination. On the one hand, it can be seen as an epistemic and cognitive process. On the other hand, the state ideologies, values and interests that have formed the distinct organizational goals and responsibilities of each agency, provide an interpretation framework to understand the environmental circumstances. Bargaining and negotiation occur ubiquitously. Except for marketing strategies and quality standards at the

industry-level (national-level should be made jointly with the quality agency), almost all other initiatives from CNTA touch on other central government agencies. In this way, China's national policy-making proceeds through a process of policy-oriented learning and coordination.

### *The Key Policy-Makers*

*Leaders:* Since the implementation of Economic Reform in 1978, successive national leaders have favored the development of tourism and have recognized its role in the activities of the state. Under this influence it has evolved over thirty years from an economic to a more multi-functional activity. Above all the leaders imparted tourism into the mindsets of the bureaucrats and prompted initiatives in the policy agenda. They determined the position of development in the state structure, established the agencies and mobilized nation-wide support. Its recognition as an economic force after 1978 began with two top leaders Deng Xiaoping and Chen Yun. When ideological orthodoxies shifted from 'political struggle' to 'economic modernization' in 1978, the scarcity of foreign exchange stimulated the leaders to consider international tourism as a foreign exchange earner. China's ample resources and the resumption of diplomatic relationships with the major Western nations convinced them that China possessed the required attributes for international tourism.



Between late 1978 and early 1979, Deng delivered six consecutive speeches on tourism as an economic activity. As a result, officials, who since 1949 had seen it purely in political and diplomatic terms, began to accept commercial development and subsequently revenue generation became a goal of the Bureau of Travel and Tourism of China (forerunner to the CNTA). Deng also envisaged it playing an experimental role in introducing foreign investment and expertise. At Deng's insistence, the first foreign investment tourism project 'Jianguo Hotel' was eventually agreed. The fact that its approval required the consent of all twelve vice-premiers reflected the degree of political controversy. Subsequently, foreign capital has been a key element in effecting China's economic transformation. Development before the late 1980s took place under the central plan, in which only the CNTA and its subordinate enterprises could run tourism businesses. It was the decision of the General Secretary of the Communist Party of China in the mid-1980s that led to the decentralization of investment and operation to other central government departments, local government and the emerging private sector.

More recently the new generation of Chinese leadership further raised its position. In the late 1990s, it was identified by the State Council as a new economic growth pole in recognition of enormous demand, strong growth and expanding size. In 1998, during a visit to Xinjiang in the less developed Western China, Premier Zhu

Rongji urged local government to take full advantage of its resources and speed up its development. The MoF immediately aided Xinjiang with US\$75 million and the General Administration of Customs granted a tariff-free privilege for the import of 300 tour buses (source: interview). During his premiership Zhu emphasized the importance of tourism more than ten times in his inspection visits.

China is currently confronting a series of issues, including the decline in the relative size of the state sector, diversified values and interests in society, intensified social stratifications, tensions among interest groups, rising social unrest and terrorist attacks as well as perceived threats by foreign nations. Tourism, in such circumstances, is conceived by the Chinese leaders as a multi-functional industry with economic, political-ideological, socio-cultural and diplomatic roles. In the political-ideological realm, it is to enhance nationalism, patriotism, and socialist values and to strengthen the national union. In foreign affairs, it has a role to play in promoting China's achievements and friendships. In the social and cultural realm it is seen to enhance life quality and social harmony. But perhaps most importantly its economic function serves as the base for the effective accomplishment of these other roles. The Document of the National Tourism Works Conference 2004 (CNTA, 2004: 7) summarized the leaders' conceptions as follows:

“We should emphasize the function of tourism as an economic industry; we

also should emphasize more the comprehensive functions of tourism in providing employment, promoting Chinese culture and building the socialist spiritual civilization.”

*China National Tourism Administration:* While the CNTA is the central government agency directly responsible to the State Council for policy-making, development and administration, in common with NTAs elsewhere and for similar reasons, its powers are limited. First, policy-making authority is widely distributed. For example, resources and attractions are under the jurisdiction of different agencies, including the Ministry of Housing and Urban-Rural Development, the State Forestry Administration, the State Administration for Religious Affairs, and the State Administration for Cultural Relics. Secondly, CNTA has a relatively low administrative status, as tourism is a latecomer to the policy-making arena. Though it is directly under the State Council, it is not a cabinet-rank agency and is only graded at the ‘sub- or vice-ministry’ rank. As a result, it cannot directly bring issues to cabinet meetings and it lacks the power to launch major initiatives.

Thirdly, the political-ideological, socio-cultural and diplomatic dimensions appear at higher political levels. For instance, state ideology is directly overseen by a Standing Committee Member of the Politburo who in 2004 instructed that it should be used as a means to promote socialist and communist values. In brief, CNTA’s

policy-making authority is effectively limited to marketing and setting non-mandatory quality standards. Except for these two fields, it cannot independently decide on initiatives. Instead it coordinates with related agencies, including, as will be seen later, the NDRC.

Despite such institutional hurdles, through a process of policy learning and coordination with other agencies, CNTA has in fact achieved a degree of success in introducing initiatives for development . These typically stem from the identification of solutions to issues by making reference to international norms and practices. As one interviewee suggested:

“Our policy initiatives (or proposals) basically arise from two origins. First, we need to learn the realities; we need to understand the real needs of our industry. Second, we will make reference to the international practices.”

Inside the CNTA, the Policy and Legal, and Industry Management Departments send officials to the regions and to industry to identify issues that warrant a policy response. In most cases, they draw upon international practice in forming this response. For example, when the problem of an unsatisfactory level of service quality in luxury hotels was identified in the mid-1980s, CNTA turned to international norms to enact the ‘Regulation on the Star-Standards and Star-Rating of Tourist Hotels of PRC’, with professional support from the United Nations World Tourism Organization.

The progress of a proposal, once it is drafted, is first to the senior management for consideration and approval followed by a process of coordination with other agencies. The coordination process depends on the complexity of issues, the variety of agencies involved and their attitudes as well as their respective bargaining power. There are four likely outcomes. First, the initiative does not involve any conflict of views and implementation begins. This was the case with the construction of twelve state-level resorts in the mid-1990s. Secondly, it is able to negotiate an acceptable decision with the other agencies. For example, the principal policy and administrative responsibility for outbound travel was closely negotiated with the Ministry of Public Security. With the support from local party secretaries, CNTA finally obtained jurisdiction over this aspect after some twenty meetings with the Ministry that maintains its organizational responsibility for immigration services.

Thirdly, an impasse is reached resulting in the intervention of the State Council. The MoF was opposed to the 'Regulations on Quality Service Guarantee Funds of Travel Agencies', because of the perceived excessive fees levied on travel agencies. This was only implemented with the support of two vice-premiers. Finally, no decision is reached. With reference to foreign experience, the CNTA started to draft a Tourism Law in the mid 1980s. After about twenty versions of the bill and numerous rounds of discussion with the Legislative Affairs Office of the State Council and the

Financial and Economic Affairs Committee of the NPC, the bill has still not entered the legislation plan. This is because the top priority is given to those acts relating to the establishment and consolidation of market economy institutions as a whole. In 2009, over 30 delegates of the NPC urged for its legislation.

Decisions made at the center are ineffective, unless they can be implemented locally. The annual National Tourism Works Conference, which is usually convened by the CNTA, but sometimes by the State Council, has particular importance here. The participants include the Vice-Premier in-charge, all senior officials of CNTA, heads of local bureaus, consultants from the government think tank, and representatives of state enterprises, government media and academics. Provincial party secretaries and governors of key tourist regions are also invited. The Conference is in fact a briefing and consensus building process for the implementation of decisions already agreed by the Vice-Premier. Given the size and diversity of the country the Conference plays a key role in national coordination.

While the move to a market economy has brought challenges to the CNTA, it has also provided it with an unprecedented opportunity to break through some of the bureaucratic impediments. Indeed, in many ways the CNTA has shown a new model in policy-making and administration . On the demand side it has been responsible for an almost continuous development of promotional campaigns. On the supply side it

has had an important influence on the flow of investment. In the context of a shift from direct investment in attractions, to guidance of market forces and provision of infrastructure with central government investing at least \$1 billion (RMB 7 billion) for infrastructure since 2000 (source: interview), the CNTA and NDRC have prepared directories of government recommended projects to direct and facilitate the flow of investment.

Also starting in the 1990s, the CNTA attached top priority to the enhancement of quality in which it can play a more independent role. Following its success with hotel standards, it appraised the setting of quality standards as an effective instrument for administration, on the basis that its non-compulsory nature fitted well with macro-management in a market economy and avoided significant controversy within the bureaucratic structure. Moreover, quality is a common concern of the market including both industry and tourists. As a result, quality standards have become central to its work. Some 18 quality specifications have been implemented. This combination of policy learning in relation to quality standards, including making reference to the quality mechanisms in other countries, with coordination where necessary, together with an awareness of how to progress initiatives, has permitted the CNTA to develop into an effective agency even without real political authority.

*National Development and Reform Commission:* The NDRC is a

supra-ministerial cabinet agency in charge of the macro-management of economic and social development. It works closely with the MoF and the Central People's Bank, which provide fiscal and monetary support. The forerunner of NDRC, the State Planning Commission, had responsibility for managing China's planned economy. This was renamed the State Development Planning Commission in 1998 and it became the NDRC in 2003, reflecting the fact that the central master plan was giving way to market forces. The Commission is mainly responsible for macro-control of the national economy and major economic and social policies.

In contrast with the CNTA, that takes an insider's perspective, the NDRC has a more generalist approach. In fact, neither agency puts forward initiatives independently, but rather coordinates with each other, together with the MoF when fiscal support is required. The generalist and specialist angles usually complement each other with the former taking precedence. NDRC occupies four areas of policy-making. First, it has the role of trying to achieve balance between inputs, for example between planned tourist arrivals and the carrying capacity of civil aviation. Secondly, it links tourism with state development strategies, such as determining its position in the national economy. Thirdly, it has responsibility for planning major domestic and foreign investment projects and scrutinizing the composition of total investment. Finally, NDRC formulates the prices or pricing ranges for key



commodities and services. Tourist attractions fall into this category.

As a supra-ministerial agency, the NDRC considers economic and social issues from a strategic perspective. Generally, it has been supportive of development since 1978. The degree of support, however, has varied with ideological orthodoxies, organizational values, socioeconomic conditions and performance. A relevant case is its positioning in the national economy. Although recognized as an economic activity in 1986, it failed to obtain its status in the economy until 1999. Over this decade, both the NDRC and CNTA were actively studying and coordinating its economic role. In the planned economy era, the market driven industry was generally considered insignificant and even frivolous. Economic growth was viewed as mainly a supply side matter, with state investment in industries and agriculture. One interviewee disclosed:

“The macro-management government agencies .....attached importance to agriculture and industries and considered tourism petty and unimportant.

Tourism was simply viewed as an activity of ‘dining, recreation and amusement’”

Though international tourism could prove its importance in earning foreign exchange, domestic tourism with strong market growth was not recognized as an effective development vehicle, but rather was downplayed as a kind of

‘non-productive force’. In fact, the total incomes of international and domestic tourism, which only accounted for 1.6% of Gross Domestic Product in 1991 (CNTA, 1992; SSB, 1992), certainly failed to convince the State Planning Commission and MoF of its economic significance. In 1986, the State Council, through the State Planning Commission, provided CNTA with \$73 million annually for development for five years, with 30% in grants and 70% in loans. The ratio of grants was later reduced to 18%, considerably reducing the potential impact of CNTA (source: interview). This was then reversed in the market economy era. The following paragraph from CNTA’s policy document reflected the shift in the policy-making mindset :

“Our economic management under the planned economy was basically the supply side management ..... Now the general circumstances are changing to the market economy; therefore we should transform from the supply side management to demand side management.” (CNTA, 1998b: 14)

In the market economy era, consumption has been regarded as a key source of economic growth. Issues facing China now include insufficiency in aggregate demand, high unemployment and imbalanced regional development. Tourism development has demonstrated its potential in generating income, creating employment and promoting

regional development. The total income reached over 4% of GDP in 1997 (CNTA, 1998; SSB, 1998). As such, a series of policy studies and discussions proceeded among the State Planning Commission (NDRC), MoF, CNTA and other relevant agencies. The notable one was the ‘Seminar about Tourism and Economic Growth’ co-hosted by State Planning Commission and CNTA in March 1997. In this seminar, Vice Minister of the Commission Hao Jianxiu expressed the changed view that:

“From its economic scale, employment and development pace, tourism is no longer an unimportant industry, but rather a significant industry .....’ (CNTA, 1999b: p.87)

It was subsequently positioned by the State Council as a ‘new growth pole in the national economy’ in 1998, and in 2008 was upgraded to ‘a key industry in the national economy’. Under the current global financial turmoil, it has been further promoted in 2009 as one of five “hot consumption spots”. These advances in recognition have led to substantial measures such as the inclusion, since 2000, on the recommendation of the NDRC, of investment funded from state bonds issued by the MoF. As a result, \$190 million have subsequently been injected, mainly into less developed Central and Western China (source: interview).

*Ministry of Finance:* Like the NDRC, this is a cabinet-rank agency exercising a macro-management role through fiscal and public finance policy. As far as tourism is

concerned its direct responsibility is for approving the CNTA's budget and the inspection fees imposed on the industry. In terms of overall fiscal policy, the main development has been a shift from expansion between 1998 and 2004 to more restraint from 2005.

The CNTA derives its funds from two sources: state appropriation, covering administrative expenses and a portion of airport tax that is used for development projects. Beginning in 1992, of the airport tax, currently \$13 per passenger, \$3 has been allocated to CNTA's development funds. This became the 'Tourism Development Foundation' in 2001. MoF regulations limit the Foundation to financing marketing and planning studies and to subsidizing the construction of attractions. Further, in 2003, the MoF transferred administration of the Foundation to CNTA. Marketing accounts for the largest item of expenditure, increasing from \$8.3 million in 1998 to \$25 million recently, although this still lags behind competitors such as Thailand, Singapore and Australia. The MoF also has the authority to ensure the reasonableness of fees levied by the CNTA on enterprises, such as quality guarantee charges for travel agencies and administrative fees covering its services (source: interview).

*State General Administration of Quality Supervision, Inspection and Quarantine:*

As a non-cabinet ministerial agency, this is responsible for establishing quality

standard frameworks for products and services. This framework has been deemed an essential constituent of China's market institutions. The agency supports the CNTA, sometimes against other agencies, in its development of a quality assurance mechanism. For example, its support allowed CNTA's star-rating regulation for hotels to prevail when the Ministry of Internal Trade, now merged into the Ministry of Commerce, issued its own set of grading criteria for guesthouses (for domestic travelers) that also extended to hotels. In 1993, the agency incorporated tourism into the Master Catalogue of Standardization and appointed CNTA as the sole authority in making quality specifications. The CNTA designed the Catalogue for Tourism Quality Specifications with six broad categories, tour operation, accommodation, catering, travel, shopping and amusement. Since then, it has formally become a sector of China's quality standards framework.

*Local Government:* Within China's political structure, local government at province-equivalent level is directly accountable to the central government. Some politically important regions (e.g. Beijing, Shanghai, Chongqing, Guangdong) also enjoy a superior status, as their party secretaries are concurrently appointed as the Politburo member of the Communist Party of China. Local bureaus report to local government not the CNTA. A process of decentralization has provided increasing local autonomy especially in strategically or economically important regions.

Generally, local government is responsible for tourism development with local bureaus as their main agent.

Apart from administrative orders, local government has a degree of flexibility in central decisions and indeed is encouraged to formulate their own strategies. Faced with limited capacity, originally from the 1980s, central government favored international over domestic arrivals. This began to change from the mid 1980s. The growing economic impact on regional economies led local government to seek a policy shift and jointly with support of CNTA in 1993, a decision was made to develop domestic tourism. The impact was particularly marked from the mid 1990s when it had become the mainstay. Since 1995, tourism (especially domestic) has been acknowledged in many regions, including Beijing, Shanghai, Jiangsu, Yunnan, Guizhou, Shaanxi, as a 'pillar industry', leading, as already noted, to further policy shifts by NDRC and MoF; at present, it has gained such status in over 80% of provinces.

*Chinese Academy of Social Sciences:* This has been in the vanguard of policy studies for tourism. Formally established in 1978, the Academy is a government research institution with ministry rank directly under the State Council. It is the top academic and research institution in social sciences and a key think tank for central government. It plays an influential role in the State Council with its research findings

underpinning central government decisions. The Academy pioneered tourism studies in China in the 1980s. In 1987 the first strategic study concluded that it was a 'sunrise' and market-oriented industry and emphasized the potential importance of domestic tourism. This was particularly significant during the early stages and among other things motivated the CNTA, and local bureaus, to take a market-oriented approach. Furthermore, this study also suggested the pace at which development should go ahead; this was reiterated by the vice-premier in-charge in 2008. The Academy subsequently established a research center in 1999 providing research and consultancy advice to central and local government.

*Other Policy Players:* Clearly, the national organizations identified here and local governments have played key roles in the development of policy. But tourism's multi-faceted nature means that these are not exhaustive; other government agencies are also involved.

Among these, the responsibility of the Ministry of Foreign Affairs for diplomatic relations and foreign policy takes it into two areas of tourism. It has responsibility for issuing visas to all foreign visitors, including direct visas to those taking group tours organized by travel agencies on the approved CNTA list. It also has responsibility for negotiation with CNTA on opening the outbound market. Chinese citizens' travel abroad for leisure and recreation is restricted to tours organized by China's

international travel agencies to travel destinations with 'approved destination status'.

The approval process takes into account China's national interests and foreign policy, with support for the 'One-China' stance and the recognition of China's full market economy status being important elements in gaining approval. From this perspective, the negotiation is seen as an extension of China's foreign affairs.

The Ministry of Communications, which covers all transport (except for the railways), is responsible for ensuring that transport capacity, especially in aviation, can meet the demands of inbound, outbound and domestic tourists. For this, CNTA has established an arrangement to report tourist flows to the Civil Aviation Administration of China, which comes within the Ministry of Communications, and they work closely in dealing with capacity issues; with the NDRC providing a macro view as noted earlier. Further, the Civil Aviation Administration of China provides support, such as in the form of complimentary air tickets to invited guests and international buyers attending trade conferences hosted by the CNTA. The Ministry of Communications also collaborates with the CNTA to scrutinize and approve cruise ships on inland waterways.

The Ministry of Education determines the academic status of tourism in the state education system and approves the establishment of education programs and institutions. As a relatively new field of study the Ministry of Education classifies it as



a 'Second-Tier Discipline', located within one of the 'First-Tier Disciplines' (management) which among other things means that doctoral candidates cannot be admitted directly to tourism but rather to the major discipline. CNTA have supported educational institutions in opposing this, so far without success. A NPC delegate raised this issue again in 2009. Ministry of Education approval is also required for the establishment of higher education institutions offering a program at degree level or above. CNTA's formal support is a prerequisite for approval. The offer of sub-degree programs or establishments is under the discretion of institutions or local government.

Other agencies that have a bearing on policy-making include those with an interest in its potential for income generation such as the forestry administration which has recently developed forestry tours. When CNTA proposes plans for the development of such attractions, the agencies concerned may raise objections if they perceive that their objectives are affected. The reforms in China have also promoted the development of non-governmental organizations (NGOs), estimated to number of over 240,000 recently (Xinhua, 2004). These include both government-sponsored and voluntary bodies representing stakeholders and interest groups. At present it is the state-owned enterprises, often with personal covert lobbying channels, and foreign investment organizations, such as the International Hoteliers of Shanghai, that are the most developed.

## CONCLUSION

The content of this paper is set within three key contexts. First, tourism policy studies lack sufficient conceptualization in terms of frameworks, approaches and theories (Kerr, 2003). Secondly, tourism as an activity is highly fragmented in relation to the policy actors. Thirdly, the strongly bureaucratic nature of the administrative machinery in China has been adapting and changing with new policy initiatives. These contexts provide a basis for understanding both the institutional framework for policy-making and the relationships among the various actors, but more importantly they provide a background to understand how policy-making proceeds. Given its multi-faceted nature it is inevitable that policy-making for tourism is fragmented. This is true in all countries, including, as set out here, in China. What makes the case of China particularly interesting is the way in which the growth in the scale and recognition of tourism in the country has brought challenges to the process and how the policy-makers have responded within the bureaucratic structure. This provides a basis not only to explore how tourism policy-making has proceeded in China but from her distinctive characteristics during this period of change, it also offers perspectives on policy-making more generally.

As far as China itself is concerned, the multi-faceted nature of tourism

exacerbates the fragmented authority structure in Chinese-styled bureaucracy. National policy-making in China is carried out by a hierarchical and diverse set of actors. A core layer of policy-making takes place among the national leaders, and a range of ministries, agencies and other bodies, with final decision-making power resting with the leaders. Within this, the policy-makers themselves clearly appear to be engaged in the two processes of developing their cognitive behavior through policy learning and pursuing political actions through coordination. This is particularly true among the leaders, NTA and macro-management agencies, as the decisions emerge from these processes. The respective ideologies, values and interests have shaped the views of the policy-makers in interpreting their surroundings over time. Coordination is frequently needed due to the different views and the diffused authority . Ultimately the state leaders are involved in this coordination.

The gradual appreciation of tourism has brought into focus the comparatively low administrative status and weak bargaining power of the CNTA. Although it acts as a primary and principal initiator for policy, it lacks real political authority. This is reflected in the fact that the majority of its development initiatives typically become decisions only after inputs from the macro-management agencies. It also negotiates with other relevant agencies regarding administration and resources management. This often includes local support. Where there are disputes, the judgments are vested

in the leaders. However, notwithstanding this lack of real authority, by a process of policy learning, for example relating to quality mechanisms, with coordination where required, the experience of CNTA demonstrates how to operate effectively within the bureaucratic structure.

This combination of policy learning and coordination has a more general applicability. Previous studies of policy-makers (e.g. Pforr, 2006; Bramwell and Meyer, 2007) concentrated on the power dimension in which the intellectual dimension is seen as embedded within the power interactions. Through the Chinese context, this paper argues that policy-making is a political process comprising two independent but interrelated and indispensable components, policy learning and coordination, undertaken by policy-makers within the existing institutional framework. Like a continuum, policy learning helps generate policy proposals whereas the policy decisions from proposals rest with the coordination. In the absence of either, the policy initiatives cannot come to a decision. It is this understanding of the policy-making process and the roles of the policy-maker that is the main contribution of this empirical study to the policy literature. In a practical sense, the prominence granted to the intellectual dimension can prompt policy-makers to consider how to enhance knowledge utilization in the decision-making process in ways that provide the potential to minimise the exercise of sheer power in the process.

Given the highly bureaucratic structure of policy-making in China, and the observation of its operation during a period of change, this twin approach of policy learning and coordination is very apparent. In this sense China, at this time, provides a good location to understand more fully this process of policy-making. The fact that all political systems are bureaucratic to some degree, and that responsibility for tourism is everywhere fragmented among different entities of the bureaucratic structure, suggests that this approach provides a good theoretical starting point for understanding tourism policy-making more generally.

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