



Urban-rural imbalance and Tourism-Led Growth in China



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ABSTRACT

This study investigates the structural effect of tourism on alleviating the urban-rural dichotomy and the moderating effect of a dual urban-rural economic structure on Tourism-Led Growth (TLG). A theoretical framework followed by an empirical analysis based on relevant data from 31 Chinese provinces for the years 1998–2013 is presented. The main conclusions of the econometric analysis are that tourism growth can help reduce the urban-rural gap in China, but that the larger the gap between urban and rural economies, the less substantial is the influence of tourism on economic growth in China. Tourism may play an important role in Central-Western and Inland China, but their relatively greater urban-rural economic gap may threaten the positive effect of tourism.

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Introduction

Our globalising world is characterised by a rise in international geographic mobility. According to the China National Tourism Administration (CNTA), the contribution of the travel and tourism sector to GDP in China is 10.51% in 2015, which is more than the contribution of many traditional main industries, such as education, banking, and automobile (CNTA, 2016a). Several studies have clearly pointed out the economic impact of tourism growth since the second half of the 20th century (Sinclair, 1998), for example, foreign currency earnings, employment creation, and even infrastructure improvement (Castro-Nuño, Molina-Toucedo, & Pablo-Romero, 2013; Davis, Allen, & Cosenza, 1988; Durbarry, 2002; McKinnon, 1964; Seghir, Mostéfa, Abbes, & Zakarya, 2015). In recent years, especially after Balaguer and Cantavella-Jorda (2002) put forward the Tourism-Led Growth (TLG) hypothesis, the question whether and how tourism growth can promote the economic growth of the destination place stimulated many theoretical and empirical studies. Supporters have verified this concept on the basis of the approaches of: export-led growth (Arslanturk, Balcilar, & Ozdemir, 2011); tourism specialisation (Lanza & Pigliaru, 2000); and the convergence of regional economic growth (Sequeira & Maças Nunes, 2008).

Clearly, empirical conclusions normally vary when the research methods and study objects are different. Some studies argue that tourism may not be able to strengthen economic growth, especially in the long run (Adamou & Clerides, 2009; Lee & Chang, 2008; Tang & Jang, 2009). Different studies focussing even on the same country (see Lee & Kwon, 1995, and Oh, 2005) may lead to different conclusions (Lee & Chang, 2008). Economic prosperity, market scale, industrial status of tourism, level of infrastructure, and other regional characteristics can all influence the effects of tourism on the economy

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(Gunduz & Hatemi-J, 2005; Inchausti-Sintes, 2015; Zhao & Mao, 2013; Zhou, 2011). Holzner (2011) has demonstrated that the Resource Curse does not necessarily function in the travel and tourism sector (based on a cross-country study in which China was excluded), but the current investment-driven growth pattern confirms the validity of the Resource Curse for the travel & tourism sector in Chinese provinces and cities (Deng & Ma, 2014, 2016; Deng, Ma, & Cao, 2014; Wang, Sun, & Kang, 2009; Zhao, 2012; Zuo, 2011, 2013). Moreover, given the potential Investment Extrusion phenomenon (Zhao & Mao, 2013), and the leakage of imports (Khan, Seng, & Cheong, 1990) along with a tourism development, the debate on the validity of the TLG hypothesis has become more and more heated over the years. It is noteworthy that the majority of the current studies seems to address mostly the global characteristics of economic or tourism growth, without paying sufficient attention to the impact of particular economic structural features on the relationship between tourism and economic growth. This also holds for the Chinese economy, in which tourism is highly increasing.

Among many socio-economic problems faced by the Chinese government, the Urban-Rural Gap is regarded as one of the main bottlenecks in economic growth (Lin, Cai, & Li, 1998; Lv, Yang, & Wang, 2015). According to the “Statistical Communique of the People’s Republic of China on the 2015 National Economic and Social Development” published by the National Bureau of Statistics of China (NBSC), the disposable income of urban residents is on average 2.73 times higher than that of rural residents (NBSC, 2016), which is one of the highest gaps in the world (Sicular, Yue, Gustafsson, & Li, 2007). A historical explanation is that a series of specific urban-biased policies, including household registration (Hukou) and land requisition, were established during the central planning system period to control population movement and to help the Chinese industry at that time to take off (Gustafsson & Li, 2002; Liu, Liu, Chen, & Long, 2010; Sicular et al., 2007). Although a rural area is usually defined on the basis of population density (GOV.UK, 2015; National Portal of India, 2012; Statistics Canada, 2015; USDA Economic Research Service, 2015), in China “rural” is defined on the basis of the state of permanent residence and the prevailing administrative system, which refers to the areas – except for districts under the jurisdiction of a city or town – under the jurisdiction of a county, while “rural population” refers to the total population of townships under the jurisdiction of counties (NBSC, 2002).

As a consequence of the dual urban-rural structure, rural areas are bearing higher policy, educational and environmental costs than urban areas. Similar to other developing countries, labour movements from rural to urban areas are a dominant trend in China (Zhu, 2002). This large-scale population movement also leads to negative effects: by 2014, there were approx. 61 million left-behind children, 2 million of whom lived without the company of adults (All-China Women’s Federation, 2016). It is therefore conceivable that the Chinese government is sparing no effort to deal with the dual urban-rural economic structure in the country, through a series of policy strategies, such as the “Urban-Rural Coordination Development (Chengxiangtongchou)”, and the “Building a Socialist New Countryside” (Liu, Lu, & Chen, 2013; Sicular et al., 2007). Moreover, during the annual meeting of the National People’s Congress in March 2016, the Chinese government set the ambitious goal of eliminating poverty by 2020 (China Daily, 2016).

Against the above sketched background, tourism is promoted as a favourable option to promote the boom of less developed regions (Braun, Lanza, & Pigliaru, 2007; MacDonald & Jolliffe, 2003; Ribeiro & Marques, 2002), which is also considered as one of the major instruments for poverty relief in China (CNTA, 2016b). In 2014, one-third of China’s total tourism trips (1.2 billion) were made to village hotels, and around 70 per cent of the tourist trips on the weekends are to the countryside around cities (China Daily USA, 2015). The comprehensive benefits of rural tourism (Sharpley, 2002) create high expectations for tourism growth among the Chinese government. According to the China National Tourism Administration and the State Council of the People’s Republic of China, 17% (about 12 million) of Chinese poor population will come out of poverty during the period of the 13th Five-Year Plan because of tourism development (United Nations World Tourism Organization, 2016). However, the question is whether tourism can really reduce the urban-rural gap in China. Our study aims to answer this question from a broad multiregional perspective.

Nevertheless, the debate on the above mentioned TLG hypothesis and the co-existence of the economic-driven tourism growth hypothesis points also at the fact that there may be a reciprocal causality between economic growth and tourism growth (Oh, 2005). Clearly, local conditions may also influence the economic effect of tourism, making tourism a less permanent effective development vehicle (Liu, 2006; Tisdell, 1998). Some studies show that the level of investment intensity, geographic openness, and human resources ultimately have a moderating effect on the influence of tourism on the economy (Chang, Khamkaew, & McAleer, 2012). Because of the strict restrictions caused by the above mentioned Hukou system, the encouragement of the mobility of high-skilled people to urban areas is leading to an unequal redistribution of human resources between urban and rural areas (see eBeijing, 2016; The State Council the People’s Republic of China, 2014). By doing so, urbanity is plundering high-level human resources from rural areas, but also preventing the flow of low-level human resources outside. Besides, the decentralized fiscal payment system, and the rural tax and fee system make the accumulation of capital resources in rural areas much harder (Chen, 2009; Wang & Piesse, 2010; Zhang, Li, & Xue, 2015). Thus, a policy bias limits the flow of production factors, making the rural areas suffer from the lack of critical capital (Vollrath, 2009). The mismatch of resources tends to expand the disparity of Total Factor Productivity (TFP) between urban and rural areas (Buera, Kaboski, & Shin, 2011). Compared with urban areas, the employment multipliers of the travel & tourism sector and the daily consumption of tourists appear to be lower in rural areas. However, the trade leakage of the travel & tourism sector in rural areas is higher than that in urban areas (Zhang, Madsen, & Jensen-Butler, 2007). Clearly, the imbalance between urban and rural areas may affect the effect of tourism growth on the economic growth of the whole region or country.

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