The challenges of tourism diversification, the role of local government, 
the case of the Chinese province of Hainan

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The once neglected island of Hainan has been transforming itself into a tourist paradise since the early 2000’s. Last year, the central government launched a plan to develop the tropical province of Hainan as a truly international tourist destination by 2020. To reach this goal, the province has experienced a whole range of diversification policies from opening duty-free shops to allowing lotteries. For the last 15 years, the local government has been building a new image for the island by hosting numerous world famous events such as the Miss World contest or the Boao economic Forum for Asia. Local authorities have also massively invested in the tourism industry, especially in the development of infrastructures with, for instance, the launching of “Hainan airlines”- one of the leading aviation companies in China-, or the creation of a hotel chain. The strong support of the local power to develop and diversify tourism has attracted in Hainan the largest international tourism companies such as Starwood or Accor. However, the overwhelming presence of province-owned companies and interventionism may reduce the diversification of tourism in Hainan. Since priority is given to large-scale-projects, local entrepreneurs may face obstacles in the development of their activities, and so innovation is affected. But more importantly, the local administration, by setting policies and investing in province-owned companies, is “judge and jury” and may not correctly answer to the challenges of tourism development, especially regarding the real estate speculation.

To promote tourism, local administrations have to build the necessary infrastructures and legal framework to give private actors incentives to invest in this particular nascent sector. Their participation is needed as long as this does not lead to conflicts of interest.

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