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## Tourism, Development and Poverty Reduction in Guizhou and Yunnan<sup>i</sup>

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*Tourism is like a fire:*

*you can cook your meal with it,*

*or it can burn your house down.*

*Asian Proverb*<sup>ii</sup>

### Abstract

How did the differing strategies adopted to develop tourism in Guizhou (贵州) and Yunnan (云南) affect patterns of economic development and poverty reduction? The answer is paradoxical. Both provincial governments incorporated tourism as part of their overall development strategies, but their eventual tourism sites were distributed and structured strikingly differently. In Yunnan, although tourism contributed to rapid economic growth, it did not reduce rural poverty as much as might be expected from a large rural-based industry. By contrast, Guizhou's relatively small-scale tourism industry, although not contributing significantly to growth, was distributed largely in poor areas and was structured to allow poor people to participate directly. The conclusions have implications for our understanding of provincial development strategy in China and ways that tourism can be used for development and poverty reduction.

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The Upper Road of Yunnan's Tiger Leaping Gorge (*Hutiaoxia*, 虎跳峡) is a breathtaking, arduous two-day hike through the Haba Mountain (哈巴山), high above the Jinsha River (金沙江). Backpackers began traveling through the gorge in the late 1980s, literally knocking on the doors of local villagers - among the tens of millions of Chinese peasants living under the international poverty line<sup>iii</sup> - seeking shelter and food. Soon, the villagers discovered that meeting this demand brought much-needed cash that supplemented subsistence agriculture without the need for expensive journeys to the city for temporary and uncertain work. Although backpackers are famously frugal and the area remains inexpensive - as late as 2005, a bed at a guesthouse did not exceed RMB 20 (approximately US\$ 2.47) - even these modest amounts helped lift villagers out of poverty. Today, locals serve increasingly numerous hikers by opening shops, frying banana pancakes, hawking handicrafts and transporting weary hikers on their horses, creating an unobtrusive economy that benefits both villager and hiker. While most people in the area remain poor relative to those in China's eastern areas, tourism has tempered the rough edges of absolute poverty. Importantly, the poverty-ameliorating effects of tourism are direct: a significant portion of every *yuan* (元) spent touring the Tiger Leaping Gorge's Upper Road, though contributing little to some forms of development (no industrialization, no urbanization, little increase in GDP), bolsters rural incomes.

This is far less true on the more recently developed Lower Road of the Tiger Leaping Gorge. This expensive paved road, which the local government carved out of

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the mountainside half a decade ago, requires constant repair due to frequent landslides. This route, frequently visited by Chinese tour groups stopping on side trips from Lijiang (丽江), has increased the volume of tourism in the area. However, the structure of tourism contrasts starkly with that of the Upper Road. Buses drive part-way into the canyon, allowing tourists to alight long enough to snap a few memories. Local peasants do participate in serving tourists at the Lower Road by selling fruit, water and handicrafts, and by carrying tourists down to river's edge in sedan chairs, yet many tourists pass through the area after spending nothing beyond the RMB 30 ticket collected by a private company.<sup>iv</sup> Where tourism does contribute to reducing poverty, it does so to a lesser extent - and less directly - than the model found in Tiger Leaping Gorge's Upper Road.<sup>v</sup>

Under what conditions can tourism reduce poverty? Ideally, tourism, a US\$4.4 trillion industry responsible for 12 percent of the world's employment, provides local people the opportunity to sell goods and services directly to foreign and domestic tourists, diversifies the economy, and draws on the cultural and natural heritage that many poor counties possess. Some of the key characteristics of developing nations are precisely those factors that attract foreign tourists. As the World Tourism Organization (WTO) argues, "Tourists are often attracted to remote areas because of their high cultural, wildlife and landscape values. One of the assets of the poor is their cultural and wildlife heritage; and tourism presents opportunities to capitalize on those assets."<sup>vi</sup> Tourist sites can be structured reduce poverty by facilitating the local

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community's access to the tourism market, enhancing linkages into the local economy, and building and complementing local livelihoods through employment and the development of small businesses.<sup>vii</sup>

However, even when tourist sites are located in poor regions, the connection between tourism and poverty reduction is contingent. Contrasting with the dominant view of tourism as labor-intensive and cost-effective, dissenters contend that tourism is instead capital-intensive, with high investment costs especially compared to agriculture.<sup>viii</sup> Moreover, developers can exclude poor people from participating, dampening the contribution tourism makes for poverty reduction.<sup>ix</sup> While the debate on tourism's effect on development and poverty is often couched in all or nothing terms, the effect of tourism depends upon whether the tourist industry is designed in such a way as to include or exclude the participation of the poor. To understand this, we must turn not only to the volume, but also the distribution and structure of tourism.

These three elements are part of an explanation of the paradoxical patterns of economic growth and poverty reduction in Guizhou and Yunnan. While China from the Seventh Five-Year Plan (1985-1990) effectively used tourism as a development tool,<sup>x</sup> the way the industry was distributed and structured locally had differential effects on economic growth and poverty. While bringing prosperity to many, tourism increased the oft-cited development gap between China's eastern and western regions.<sup>xi</sup> Moreover, the specific approach to the development of tourism resources exacerbated frequently

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overlooked inequalities even within rural areas of the same region (in this case, southwestern China).

Specifically, tourism contributed to a puzzling pattern that is the focus of the present study: starting in the 1990s, although Yunnan's economic growth greatly outpaced Guizhou's, Guizhou's rural poverty rate declined far faster than Yunnan's, according to numerous statistical sources. The two provinces' ranking in terms of poverty rates actually switched places, such that Yunnan's poverty rate exceeded Guizhou's by 1996.<sup>xii</sup> Tourism is not wholly responsible for this result – many other factors are involved – but the industry's structure and distribution played a role in producing the unexpected divergence between economic growth and poverty reduction. Given the importance of not only on the *volume* of tourism, but also on the *distribution* (whether or not tourism is located in poor areas) and *structure* of tourism (the extent to which poor people are directly excluded or included), we will pay particular attention to these three issues.

Overall, in Guizhou, the distribution and structure of the tourism industry contributed directly to reducing rural poverty in the province to a greater extent than it did to economic growth. Yunnan's extensive tourism industry, by contrast, promoted the province's rapid growth, while contributing surprisingly little to reduce Yunnan's poverty. These arguments are detailed below. The conclusions, based both on secondary sources and on nearly a year of fieldwork and dozens of interviews with officials, scholars and peasants in tourist areas in the two provinces between 2003 and

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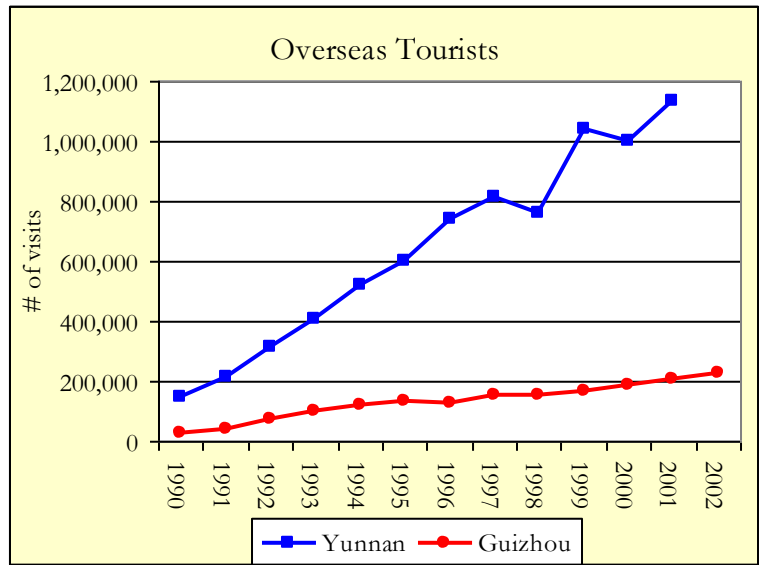
2005 highlight the importance of government planning in shaping these tourist sites.

The effect that the tourism industry had on economic development in the two provinces was not accidental, but was a direct result of central, provincial and local policies that shaped the structure and distribution of each province's tourist sites. Thus, the research contributes to our understanding of tourism's role in poverty reduction by analyzing how strategies adopted to open the tourism industry affect patterns of economic development and poverty reduction, both in China and elsewhere.

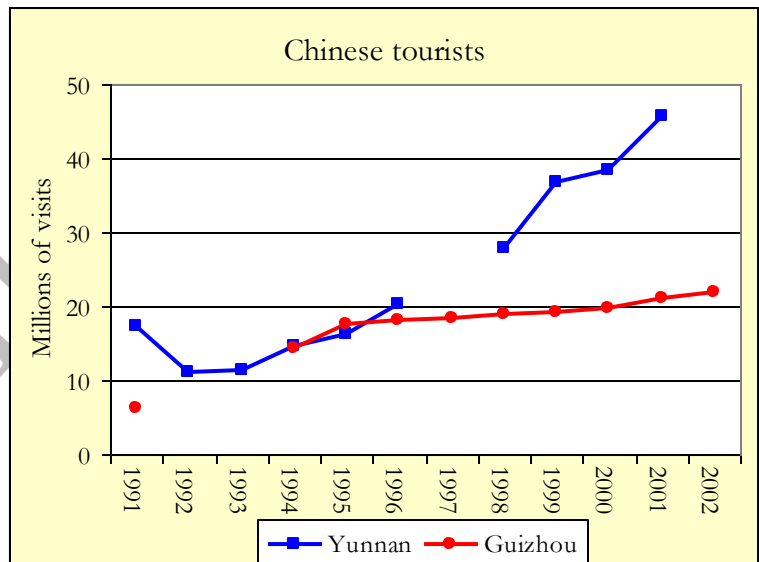
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*Volume:* That tourism emerges as part of the explanation for our puzzling pattern of economic growth and poverty reduction in Guizhou and Yunnan might astonish China experts, given that Yunnan is among China's most popular rural-based tourist destinations. The number of foreign tourists visiting the province grew from a low of some 210,000 in 1991 to 742,527 in 1996 to more than 2.1 million in 2001 (Figure 1), as an increasing number of the international tourists visiting China joined an already



**Figure 1: Overseas tourists to Yunnan and Guizhou.**  
**Source: Guizhou and Yunnan Statistical Yearbooks.**



**Figure 2: Chinese tourists to Yunnan and Guizhou.**  
**Source: Guizhou and Yunnan Statistical Yearbooks.**

significant volume of backpackers in including Yunnan on their itineraries. The volume of Chinese tourists, a difficult statistic to interpret,<sup>xiii</sup> also rose sharply over this period, from 11.1 million in 1992 to 45 million in 2001 (Figure 2). By the mid-1990s, Yunnan



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ranked as the sixth most popular tourist draw in China, outperforming such internationally well-known tourist attractions as Guangxi's (广西) Karst geography and Shaanxi's (陕西) Terracotta Warriors.<sup>xiv</sup> Guizhou's tourist destinations are simply not as renowned. While tourism in that province increased in the early 1980s, when the capital city Guiyang (贵阳) and the Huangguashu Waterfall (*Huangguashu Pubu*, 黄果树瀑布), China's largest, were opened to foreign tourists, the industry did not develop as quickly as Yunnan's. Guizhou claimed only a fraction of the foreign visitors that flocked to Yunnan: 37,453 visits in 1990, increasing to 125,344 in 1996, still less than half of Yunnan's foreign visitors in 1991. As late as 2000, Guizhou attracted less than 200,000-300,000 overseas tourists depending on the measure, earning the province a moribund rank of 24 among China's provinces.<sup>xv</sup> According to Chinese statistics, Guizhou's domestic visitors exceeded Yunnan's (frankly hard to believe) until the mid-1990s; Chinese visitors to Yunnan exceeded that of Guizhou after that time. Although Guizhou attracts increasing numbers of tourists, the splendors of Guizhou are for now destined to remain a relative secret.

*Distribution:* Despite Yunnan's much larger tourism industry, the vast majority of the province's most famous tourist sites are located in rural areas designated as non-poor in 1986, the first year China's State Council classified all of China's counties as poor or non-poor (Map 1). Thus, the continued expansion of tourism in these areas contributed primarily to economic growth, but had a relatively minor contribution to poverty reduction. In 1982, China's central government included three areas of Yunnan

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in its list of tourism projects: the Stone Forest (*Shilin*, 石林), Xishuangbanna (西双版纳) and Dali (大理), and added a fourth, Lijiang, by 1985. From the early 1980s, financial and promotional resources were concentrated primarily into these four areas, successfully promoting these as the province's primary tourist sites.

However, by the late 1980s, the province planned to expand the number of key tourist sites for investment and development from the previous four, taking initial steps to open these "dispersed regions with tourism resources" beyond these initial areas to include Nujiang (怒江), Dehong (德宏), Baoshan (宝山) and Yuxi (玉溪), as well as areas in southern and northeastern Yunnan. However, by 1992, Yunnan provincial leaders abruptly reversed its plans to develop new areas, opting instead to limit investment primarily to the original list of tourist sites. Thus, in May 1992, Vice Premier Wu Xueqian (吴学谦) visited two of Yunnan's most popular tourist destinations and pointed out that, after several years of experience. Wu suggested Yunnan should enter "a new stage of development," by concentrating on destinations that have already advanced and possessed "a certain degree of notoriety," and attracting additional foreign investment to expand the scale of tourism infrastructure.<sup>xvi</sup> Subsequent visits by central leaders reinforced concentrated development. In an October 1995 speech, then Vice Premier Zhu Rongji (朱镕基) suggested that Yunnan continue its development of Kunming (昆明), Lijiang, Dali, Xishuangbanna and "even Ruili," (瑞丽) a non-poor area that he added as a fifth site. Each of these tourist areas, Zhu advised, should invest in large-scale roads, restaurants, hotels and restrooms. These high-level visits reinforced

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the direction of Yunnan's tourism industry: concentration on specific areas that had already been largely lifted out of poverty and investment in large-scale development-style initiatives that would contribute to Yunnan's economic development.

With the effort to focus investment in a few non-poor areas, provincial leaders were in full agreement. A 1996 report by Li Lu'an (李禄安), director of Yunnan's tourism bureau, details the province's accomplishments in constructing its tourism industry over the previous five years.<sup>xvii</sup> Whereas Li promotes what appeared to be a lengthy and diverse set of "developmental points of emphasis," including "three lines, four places and five regions," each of these lines, places and regions centered principally on the four familiar areas that had been the province's key tourist sites since the early 1980s: Kunming (including the Stone Forest), Xishuangbanna, Dali and Lijiang, as well as Ruili. Although by 1994, 73 of Yunnan's 128 counties had been designated as poor, few of them had received support for tourism development. Of the ten tourism destinations approved by central leadership between 1982 and 1994 (which vary widely in popularity and degree of government support), only two are in poor regions (the less well-known Three Rivers Bingliu (*Sanjiang Bingliu* 三江并流) Scenic Area and the Tengchong Volcano Area (*Tengchong Dire Huoshan* 腾冲地热火山)), while eight are in non-poor areas (the Stone Forest, Dianchi Lake (滇池), Dali, Xishuangbanna, Lijiang, Jianshui (建水), Ruili River (瑞丽江), and Jiuxiang (九乡)). Moreover, the province focused many of its other development efforts outside of tourism, including transportation infrastructure and health care, into these limited, non-poor regions. This

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pattern of distribution contributed to the fact that, though tourism has helped to develop the specific regions on which the province focused its resources, investment and growth in the tourism industry has contributed only to a lesser extent to poverty reduction.

While the tourist places of Yunnan that received the most government attention and investment are in non-poor counties, many of Guizhou's tourist sites, including the most popular, are located in poor counties (Map 2). Of the eight sites selected as national tourist sites in Guizhou, three (Huangguashu, the Zhijin Caves (织金洞), and the Zhang River (樟江) Scenic Area) are located in poor counties, three (Longgong Caves (龙宫洞),<sup>xviii</sup> Hongfeng Lake (红枫湖), and the Chishui Suoluo Nature Reserve (*Chishui Suoluo Ziran Baohuqu*, 赤水桫欏自然保护区)) are in non-poor counties, while two (Wuyang River (舞阳河) and the Fanjing Mountains (梵净山)) straddle poor and non-poor counties.<sup>xix</sup> In addition, one of the crucial elements of Guizhou's strategy was to develop tourism in ethnic minority villages. Ethnic minority villages are among the primary draws for tourists in Guizhou, which the government, led by the Guizhou Tourism Bureau, developed gradually beginning in the 1990s. Guizhou's tourism administration established two routes, a western spur of ethnic villages that can be visited along with Huangguashu and other major tourist sites in Guizhou, as well as an eastern spur in some of China's poorest areas. For example, two of the most frequently visited ethnic villages in western Guizhou, Heitu (黑土) and Changlinggang (长岭冈), were developed with funds provided by the Guiyang branch of the Overseas Travel

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Corporation, a state-owned company.<sup>xx</sup> By the mid-1990s, twelve such rural minority villages in eastern Guizhou and seven in the west developed for tourism quickly became among Guizhou's most popular tourist sites.<sup>xxi</sup> As the government opened these ethnic villages, other villages adopted them as models. The majority of these are located in designated poor counties, such as two popular villages from the eastern spur, the Miao (苗) villages of Upper Langde (*Langde Shangzai*, 郎德上寨) and Xijiang (西江), located in the Leishan (雷山), among Guizhou's poorest counties. Like Yunnan, the benefits of these tourist sites do not directly benefit villagers in surrounding areas. However, while Yunnan's sites are primarily located in urban areas of non-poor counties, Guizhou's most popular sites, including nationally-sponsored tourist sites, ethnic minority villages and other popular sites, were primarily located in rural areas designated as poor counties, helping spread economic benefits of tourism directly to more poor rural residents.

*Structure:* Reinforcing the effects of distribution, the structure of Guizhou's tourism encourages the participation of the poor, while, in Yunnan, poor people are often excluded. In the mid-to-late 1980s, Yunnan's tourist industry was structured in most places to encourage local participation. However, soon after tourist areas in Dali and Xishuangbanna popular primarily among foreign backpackers, local rural residents and local governments stepped in to provide basic infrastructure – roads, hotels and restaurants – needed to attract greater volumes of other types of tourists. Nevertheless, even from the mid-1980s, much of the profits from the tourism industry did not benefit

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locals. In Xishuangbanna, for instance, tourism officials estimate that 15-40 percent of supplies used in the tourist industry were imported from outside the prefecture.<sup>xxii</sup> By the early 1990s, the tourism facilities in these places became increasingly elaborate, and profits went primarily to the Kunming-based, coastal and even some overseas investors that enabled this restructuring of Yunnan's tourism. Yunnan's government established institutions to attract such large-scale investment from outside. For instance, in 1993, Yunnan's departments of finance and tourism, and the local branch of Bank of China incorporated the Yunnan Provincial Tourism Development Company, responsible for steering funding into Yunnan's key tourism development projects in these regions. In their efforts to formalize investment in tourist spots, Yunnan's tourism administrators realized the need for sensitivity to the needs of investors, and adopted, in the mid-1990s, the principle of "whoever invests, whoever develops, is the one to profit." These investments were used to construct star-rated hotels<sup>xxiii</sup> and larger restaurants, organize Hollywoodized performances of local customs and complete large transportation projects, such as airports and major highways. These increased the scale and profitability of the tourism industry, but increasingly excluded local rural residents, and benefited outside, primarily coastal, investors.

By the early 1990s, the scale of infrastructure of Yunnan's four primary tourist areas was large, as the industry transitioned from backpacker-led tourism to a more formalized and structured tourist industry. While local rural residents continued to serve as cooks, waiters and cleaners in some hotels and restaurants, and food grown by

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poor people was purchased to feed tourists, relatively small portions of the profits trickled down to the poor. Even as rural residents still managed some smaller-scale hotels and restaurants, coastal investors and local governments became the largest beneficiaries of tourism's growth. Moreover, as tourism in Yunnan grew in sophistication, the industry demanded more elaborate skills, further excluding poorly educated rural residents from tourism-related jobs. Exacerbating the distribution of tourism, the structure of tourism in Yunnan's most popular areas, such as Xishuangbanna, Dali and Lijiang, and the more recently promoted Shangri-la (*Xianggelila*, 香格里拉), is of a similar pattern. While tourism has driven much of Yunnan's impressive economic growth, the industry's structure excludes many poor people from participation.

In contrast to Yunnan's growth-oriented industry, Guizhou's government from the early 1990s linked the development of tourism to poverty reduction in rural economies. Ironically, during the same previously mentioned 1995 inspection tour, Zhu Rongji offered Guizhou officials advice that contrasted sharply with that which he provided their Yunnan counterparts. Whereas in Yunnan, he suggested that provincial officials focus on increasing the scale of their tourism investments in the province, to Guizhou, Zhu reasoned,

Tourism is one of your advantages; you have the conditions to develop this sector. Just focus on making good use of your abundant natural resources. That would be enough. There is no need to invest in all kinds of crazy stuff, like fancy hotels. You don't need to do that. Just make sure you build decent bathrooms, and keep them clean. That and a good

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shower are sufficient... There's no need to thoughtlessly spend money. Focus on efficiency. As tourism develops and the transportation conditions improve, that, one day, will be true prosperity.<sup>xxiv</sup>

In this, Zhu was suggesting a strategy for structuring Guizhou's tourist sites that provincial leaders had adopted years before. The province attempted in 1992 to structure the tourist industry in a manner that would increase the participation of poor, rural residents. With a slogan of "the tourism industry promotes openness to the outside; use tourism to promote poverty reduction," (旅游业促进对外开放, 以旅游促进脱贫致富), Guizhou became China's first province explicitly tie tourism with poverty reduction. As Guizhou's Vice Governor Lou Jiwei (楼继伟) argued subsequently in May 1996,

The tourism industry can spur employment, solve the food shortages among the people and reduce poverty. It can also bring income to local governments, and improve the healthy, continued and stable development of local economies.<sup>xxv</sup>

There was substance behind these sentiments. The provincial government leveraged the volumes of tourists visiting the popular Huangguashu Waterfall to reduce poverty, both by increasing participation of rural residents on the site itself, and by linking that site to nearby smaller-scale tourist attractions. In its ethnic villages and other tourist areas, instead of focusing on constructing large hotels in rural areas, the local and provincial governments generally expanded the housing already there to develop an alternative style of tourism, known as *nongjiale* (农家乐), which is loosely translated as 'joyous village life'. In this popular form of tourism in China, tourists stay



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in rustic rural homes, eating food prepared by poor people and enjoying ethnic singing, dancing and culture. Thus, in addition to earning tourist money from selling handmade clothing, jewelry and other handicrafts, residents also directly host tourists in their own homes. While this form does not appeal to many – perhaps most – elite international travelers, the relatively authentic and rustic nature of *nongjiale* tourism attracts many more hardy tourists. Other elements of Guizhou's tourism are also structured to benefit the poor: for instance, the handicraft industry is often structured such that outlets purchase products directly from local peasants, rather than by hiring outside laborers to produce cultural items in a factory setting.<sup>xxvi</sup> Tourism as structured in Guizhou generally contributes to poverty reduction without the more costly infrastructure expenditures required for more elaborate forms of tourism. For instance, to smooth the transportation of tourists to tourist areas, local roads have been smoothed, expanded and often paved into two-lane roads – far less costly than building the major highways that Yunnan constructed to connect Kunming with the province's major tourist sites.<sup>xxvii</sup>

Why are direct benefits from tourism important? After all, tourism has such indirect effects as employment in hotels, restaurants and shops, demand for food and other agricultural products and government revenues that sometimes fund poverty reduction initiatives. In fact, even these indirect benefits are in many cases surprisingly limited.

While successful tourist areas do demand more labor, often non-poor people (including friends and relatives of investors from outside the area) benefit most, particularly in tourist sites located in areas that are designated as non-poor. By contrast, rural residents

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participating in tourist sites near home tend to keep more of their earnings (particularly compared to migrants) since living at home reduces expenses and allows for continued farming, with tourism revenues providing critical sources of cash. Moreover, rural-to-urban migrants commonly face abuse and exploitation.<sup>xxviii</sup> While rising demand for food can raise the incomes of those farmers who plant cash crops, these indirect spread-effects of tourism are often limited, such as in Xishuangbanna, which imports much of its food and other supplies from outside. Finally, some local government coffers have been filled with tourism taxes and receipts, but this added revenue is rarely invested in poverty reduction programs. Instead, many local governments invest in the urbanization of prefecture capitals or county seats, not in the countryside, as is the case in Dali. It is important to note, even in cases in which the poor benefit directly from tourism, their control over the industry is constrained by powerful outsiders, as Oakes persuasively argues is true in Guizhou. Despite their lack of control, however, the poor participate far more than merely performing on command, as the case studies indicate below. Moreover, poor local residents' lack of power may be more severe in Yunnan, where such people are often effectively excluded from nearly any form of participation.

Secondary sources reinforce the view that Guizhou's tourism efforts effectively reduced poverty. For instance, the provincial government claims that it developed tourism in 648 ethnic villages, increasing incomes sufficiently to bring nearly 100,000 households and 330,000 people out of poverty by October 1996.<sup>xxix</sup> While doubtlessly exaggerated, anecdotal evidence from outside researchers support the spirit of these

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claims. For example, Oakes reports that Heitu households earned an estimated RMB 571 from tourism, increasing the village's average per capita income dramatically from RMB 167 in 1991 to RMB 670 in 1993, while tourism fees alone in 1993 profited households in Changlinggang village RMB 1,746 on average.<sup>xxx</sup> The Chinese Academy of Science notes that annual average per capita incomes rose from RMB 200 in 1992 rise to RMB 1200 by 1994 in Tianhetan (天河潭) village, while taxes from tourism at Wuyang River make up one-third of the entire budget of Shibin (施秉) County.<sup>xxxii</sup>

Data from provincial statistical yearbooks allow us to generalize these examples to support the argument that while Guizhou's tourism reduced poverty without contributing much to economic growth, Yunnan's tourism industry increased economic growth but did little to reduce poverty. While poverty rates are not available below the provincial level, comparing changes in each county's net rural incomes (NRI) with GDP underscores the different effects of the two styles of tourism.<sup>xxxiii</sup> For instance, from 1992-2002, the nominal GDP of Yunnan's Jinghong (景洪, capital of Xishuangbanna), Dali and Lijiang quintupled. Subsequently, the GDP of Guizhou's Zhenning (镇宁) County, which contains Huangguoshu Waterfall, grew, but at about half this rate. In fact, the slowest growing among the three Yunnan tourist spots listed above grew nearly two-thirds faster than the average tourist county in Guizhou; moreover, not one county in Guizhou with tourism resources (whether designated poor or non-poor) comes close to matching that of Yunnan's (non-poor) tourism areas.

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Despite Guizhou's relatively modest growth, the per capita NRI of counties containing ethnic tourist villages increased on average by 291 percent. Counting just poor counties with ethnic villages, the NRI rose even further, by 337 percent between 1993-2002.<sup>xxxiii</sup> The NRI for Leishan, for instance, rose 422 percent, from RMB 248 in 1993 to RMB 1,294 in 2002, while the NRI of the Dong (侗) county of Congjiang (从江), with a number of ethnic tourist villages, increased by 336 percent. While the GDP of Yunnan's tourism counties increased rapidly, the growth of their NRI's were much lower compared to Guizhou's tourist counties. Likewise, the NRI of counties surrounding Yunnan's Dali and Lijiang increased at less than half the rate of the counties surrounding Huangguashu, grew more slowly than the average poor county in Yunnan, and increased at a rate much less than half the average of poor tourist counties in Guizhou - indicating the limits of the spread-effects of Yunnan's tourism. While these statistics highlight correlations, the overall pattern supports the secondary research, interviews and fieldwork in suggesting that the benefits of Yunnan's tourism were concentrated in non-poor counties and were directed primarily into GDP, while the benefits of Guizhou's tourism were more evenly spread, reaching more poor areas and reducing poverty to a much greater extent than Yunnan's, despite the relative lack of economic growth. Moreover, Guizhou's mode of tourism development is not likely to morph into Yunnan's; this contrasting pattern has persisted since the late-1980s, and is likely to remain so unless one province changes tourism development strategies.

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Five cases (three from Yunnan and two from Guizhou) illustrate the importance of distribution and structure in understanding tourism's effects on economic growth and rural poverty reduction.

1) Lijiang: Although officially opened to foreigners in 1985, it was not until the tragic 1996 earthquake<sup>xxxiv</sup> and its subsequent listing as a UNESCO World Heritage site in 1997<sup>xxxv</sup> that Lijiang received the resources needed to increase the scale of tourism. Drawn by Yulong Snow Mountain (*Yulong Xueshan*, 玉龙雪山) and a well-preserved, if highly commercialized, Old Town area, the number of visitors to Lijiang exploded from 98,000 in 1990 (principally foreign backpackers) to nearly 3.4 million in 2005. Although the government is at pains to protect the Old Town from overdevelopment, the area is crowded, with 2,600 shops in a 2.7 square kilometer area of the Old Town alone hawking handicrafts, Naxi (纳西) clothing and souvenir T-shirts, Chinese traditional herbs, tea, art and other items.<sup>xxxvi</sup>

Despite this growth in volume, relatively little of the wealth generated in the area reaches poor rural people. In terms of distribution, five of the six county-level governments in the prefecture (including Lijiang Municipality itself) were designated as 'non-poor' counties in the original 1986 list and in the 1994 expanded list (Yongsheng (永胜) county was added during the 2001 readjustment). Moreover, although some additional sites have opened, including nearby temples and a soon-to-be opened site promoting Dongba (东巴) culture, tourist activities still center on the Yulong Snowy Mountain and the Old Town, both in the immediate Lijiang area where few poor rural

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residents reside.<sup>xxxvii</sup> Exacerbating the inequitable distribution, tourism is largely structured to impede the participation of poor people. Although the architecture in the Old Town is maintained in the traditional Naxi style, many locals (who are classified as urban in any case) rent their houses to entrepreneurs from outside the province, especially investors from China's eastern coast and from neighboring Sichuan (四川) province. But these, plus the area's 75 starred hotels, are largely out of the reach of poor residents. Even backpacker hostels are largely owned and staffed by non-poor people, mainly from outside the province. The handicrafts sold as authentic Naxi traditional pieces are also primarily manufactured outside the area.<sup>xxxviii</sup> Many of the agricultural products, such as *tianma* (天麻) and other fungi sold in the area, are gathered or grown in surrounding non-poor counties. Certainly, poor people are not completely excluded from the tourism industry in Lijiang. Young people from the poorer surrounding rural areas do work in the Old Town shopping districts as shop assistants, earning an average of approximately RMB 300 per month plus room and board, as well as benefiting from increased demand for agricultural products. Nonetheless, even as wealth created through tourism's rapid development has contributed to the area's GDP, the distribution and structure of the tourism industry in Lijiang funnels much of the returns to investors and other non-poor beneficiaries from outside the area.

2) Shangri-la: Unlike other areas in the province, most important tourist sites in Shangri-la are located in counties designated as poor in 1986. The area was opened for tourism in 1997, and four years later, the tourism revenues exceeded that of logging,

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previously the largest industry, by RMB 10 million.<sup>xxxix</sup> Because this county, officially renamed Shangri-la in 2001, is classified as poor and has been recently opened for tourism, it represents a test for the potential of the tourism industry as it is structured in most of Yunnan to reduce rural poverty. The area's new moniker, combined with the completion a major road and a tiny airport, further stimulated tourism in this poor rural Tibetan region.

Despite the favorable distribution of tourism, the structure of the industry in Shangri-la constrains the participation of the poor in most of the area's popular sites, including Songzanlin Monastery (松赞林寺), Bita Hai (碧塔海) and Shudu Lake (属都湖). One of the most popular sites, the three-centuries-old Songzanlin Monastery, five kilometers from the county seat, excludes most poor people. All commerce inside the monastery, such as selling incense sticks for honoring the Buddhist statues, is controlled by the monastery. Of the dozens of souvenir stalls conducting business outside, only two or three are owned by local residents; once again entrepreneurs from China's wealthier coastal areas, or from Sichuan run most of those shops.<sup>xl</sup> The adjoining four-star Songtsam Hotel, a Sino-Singaporean joint venture, does employ some two dozen, about half from the urban county seat and half from outside the area. Similarly, the Bita Hai, a protected nature reserve, also excludes poor people. After alighting from taxi or bus (no public transportation serves the entire Shangri-la area, deterring independent budget travelers) and purchasing a ticket (RMB 30 for the gate), tourists are ferried by an environmentally-friendly bus (for a further RMB 30) to the nature reserve and lake a

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few kilometers down a paved road, as one of a half-dozen tour guides introduces the area. None, save a few dozen park employees, most of whom are urbanites from the county seat, live inside this protected area, and all activities, including taking a boat across the river, the restaurant, and even the small campground with cottages for guests, are controlled by the park. This site is similar in structure to others in Shangri-la: although poor people live adjacent to the sites, very few of them benefit even indirectly.

One exception is Napa Hai (纳帕海), where local Tibetans living in nearby poor villages guide guests on horses through this wetland. Although the area can be traversed in several minutes, many tourists pay the RMB 30 fee to ride the horses around the site. Of this, however, the site's investor, who charges ticket prices of RMB 30 in addition to the cost of horse riding, pockets all but RMB 5 per rider. Moreover, the wetland's season is limited, with black-necked cranes and other protected species of birds nesting in the area from May to August. During the off-season, the wetland's birds depart and water levels drop precipitously; tourism similarly declines to a trickle. Nevertheless, local residents do benefit directly, making this site exceptional in Shangri-la. Participants report earning about RMB 300 (on-season) and RMB 100-200 (off-season) monthly, significant in an area where annual per capita NRI average RMB 958. However, these benefits are limited by other aspects of the site's structure, which principally benefits outside investors. Additionally, even the limited benefits afforded at this site are denied the poor at other attractions scattered throughout the county.



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3) Yuanyang (元阳): While the spectacular 1000 year old terraced rice fields of Yuanyang – intertwined, maze-like fields extending through miles of mountains – can rival the best that China offers, the area lacks development funds for promoting tourism and attracts few tourists. Moreover, Yuanyang's county government funnels resources into activities that do not contribute significantly to poverty reduction, including moving the county seat to the plains (encroaching on farmland), building a fancy town square and constructing expensive starred hotels. Backpacker-oriented facilities are lacking, with one of the two backpacker hostels in the area closed for lack of business. Yuanyang's case is repeated in other potential tourist spots in poor areas such as Tengchong, with its natural hot springs, and Nujiang, with the beautiful 'raging river' and indigenous culture. Such areas have the potential to decrease poverty through tourism, but lack the resources needed to promote the local tourism industry. Yuanyang, moreover, shows that Guizhou's style of smaller-scale tourism is not an inevitable result of a lack of resources. In fact, most resource-poor areas do not develop the industry at all, or if they do, they plow resources into tourism-related activities that do little to reduce poverty.

Guizhou, by contrast, possesses numerous sites that are structured and distributed such that poor people benefit from tourism, indicating that Yunnan's model of rural-based tourism is not inevitable. Two examples are representative.

1) Langde: The village of Upper Langde exemplifies the dozens of ethnic minority villages in poor areas that the provincial government opened to tourists in the late 1980s

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and early 1990s.<sup>xli</sup> This Miao village, some 30 kilometers down a paved two lane road from the prefecture capital of Kaili (凯里), was promoted as a tourist destination in the *nongjiale* style, in which tourists stay in rustic rural homes, eat food prepared by poor people, and enjoy ethnic singing, dancing and culture. Financed by the Tourism Bureau, the Provincial Minorities Committee and the Cultural Bureau, and by Langde natives who migrated to China's coast, the village developed tourism in this way to preserve the traditional architectural style of Miao culture while improving facilities for tourists, both domestic and international. Tourism in the villages is structured in ways that foster the participation of poor people. Most commonly, tourists arrive in organized groups, for each of which the prefecture China International Travel Service pays the village a set fee, an estimated 20 percent of which goes to pay for expenses, while the remaining 80 percent is distributed among the villagers participating in the tourism industry.<sup>xlii</sup> Traditional meals are purchased directly from, prepared by, and eaten with local families in their homes, with the price of the meal going directly to that family. Overnight guests typically stay not with families as they do in some *nongjiale* style destinations but in dormitory-style rooms furnished with clean beds. The village head estimated in 2004 that the average families earns about RMB 300 each month from compensation from tour groups, selling handicrafts, preparing meals, and receiving tips for performances and pictures. Because tourism is located on this site, this primary source of cash income supplements subsistence agriculture (the average household is endowed with but half a *mu* (亩) per person) and some migrant remittances.<sup>xliii</sup>

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2) Weining (威宁): Besides ethnic villages such as Langde, the province has promoted sites in poor counties such as Weining, the location of Caohai (草海), a major nature reserve and bird sanctuary.<sup>xliv</sup> In winter, more than 100,000 birds of 185 species flock to this wetland. Seven endangered bird species, including black-necked crane, black stork, and white-tailed eagle, live here part of the year, watched over by a handful of professional staff. The lake draws a bustling tourist trade, estimated at several hundred individual international tourists and several thousand Chinese tourists each year. The only practical way to tour Caohai is by punt, which can be hired at the dock at a negotiated hourly rate. In addition, several boats in the middle of the lake sell food and drink, including barbequed fish and meat, as well as various "specialties of Caohai." Groups of Chinese tourists can be seen, even in the off-season, lounging in boats in the middle of the wetland, drinking, eating traditional food and enjoying the view. The approximately 120 locals involved in tourism here have formed an association: the punters do not compete on price, which is negotiated at the dock. Moreover, proceeds from renting the boats and refreshments are split equally among association members. As a result, these rural residents have essentially formed a monopoly on boat rides that prevents tourists from engaging them in a bidding war that would minimize the price, which is checked primarily by tourist demand. Tourists come a long way to see the lake; thus, they rarely refuse to take the boat simply because of the price, which, after a little haggling, is not exorbitant.

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Each participant earns an estimated RMB 150-180 each month during the off-season. Assuming this rate, this increases rural incomes of participants by RMB 1800-2160 per year, likely an underestimation, given that high season earnings should exceed the low season's. According to recent research by Herrold-Menzies, the annual per capita cash income of residents in the Caohai nature reserve approximates RMB 622.<sup>xlv</sup> Combined with income from farming an estimated 0.5 *mu* per capita, migrants' remittances and other sources, tourism is a vital source of cash income.

|  | Distribution    | Structure (Access for poor people) |
|--|-----------------|------------------------------------|
| <i>Yunnan</i>  |                 |                                    |
| Xishuangbanna  | Non-poor        | Indirect                           |
| Dali   | Non-poor        | Direct                             |
| Lijiang  | Non-poor        | Indirect                           |
| Shangri-la   | Poor            | Indirect (except Napa area)        |
| Tengchong  | Poor            | Scant                              |
| Yuanyang   | Poor            | Scant                              |
| Nujiang  | Poor            | Scant                              |
| Tiger Leaping Gorge  | Poor            | Direct (upper)<br>Indirect (lower) |
| <i>Guizhou</i>   |                 |                                    |
| Huangguoshu Waterfall  | Poor            | Indirect                           |
| Langde and other minority villages   | Poor (majority) | Direct                             |
| Caohai Nature Preserve   | Poor            | Direct                             |
| Table 1: Distribution and Structure of Key Tourism Areas in Guizhou and Yunnan |                 |                                    |

While many scholars and practitioners laud tourism's potential for economic development and poverty reduction, this paper contributes to the broader debate on

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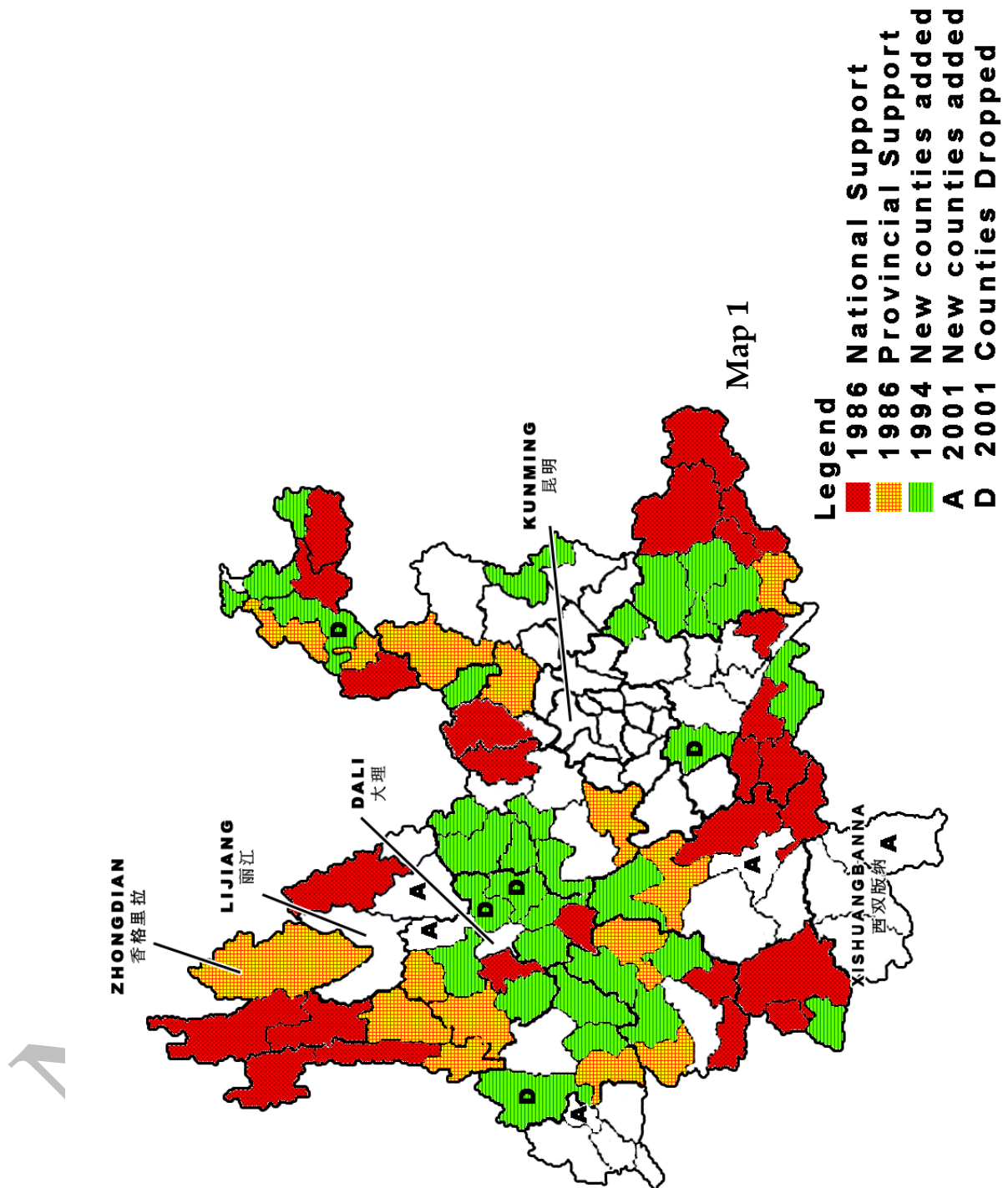
Donaldson, John A. 2007. "Tourism, Development and Poverty Reduction in Guizhou and Yunnan." *The China Quarterly* 190: 333-51.

tourism by arguing that the actual effects of promoting the industry – just as with economic growth itself – are contingent at least in part on the strategy used to develop it.

The various ways that the tourism industry in Yunnan and Guizhou were distributed and structured affected the extent to which it reduced poverty and stimulated growth, and thus exacerbated previously existing inequalities between the provinces. Ironically, Yunnan's far larger rural-based tourism industry, while a major contributor to the province's rapid economic growth, did little to reduce rural poverty rates, which have stagnated throughout the province. Conversely, Guizhou's smaller-scale industry centered primarily in poor areas, while contributing little to 'development' as it is commonly understood, reduced poverty by encouraging the participation of – but not otherwise empowering – poor people. These examples further illustrate the effects that provincial and central government strategy has had on poverty reduction and economic growth. Much of the world's poor live in areas where robust economic growth is unlikely. Perhaps examining the tourism and other industries in areas such as Guizhou can provide more relevant and fruitful examples of poverty reduction achieved without much economic growth than would studying rapidly growing areas like Yunnan, where the benefits of economic development did not reach the majority of the rural poor.

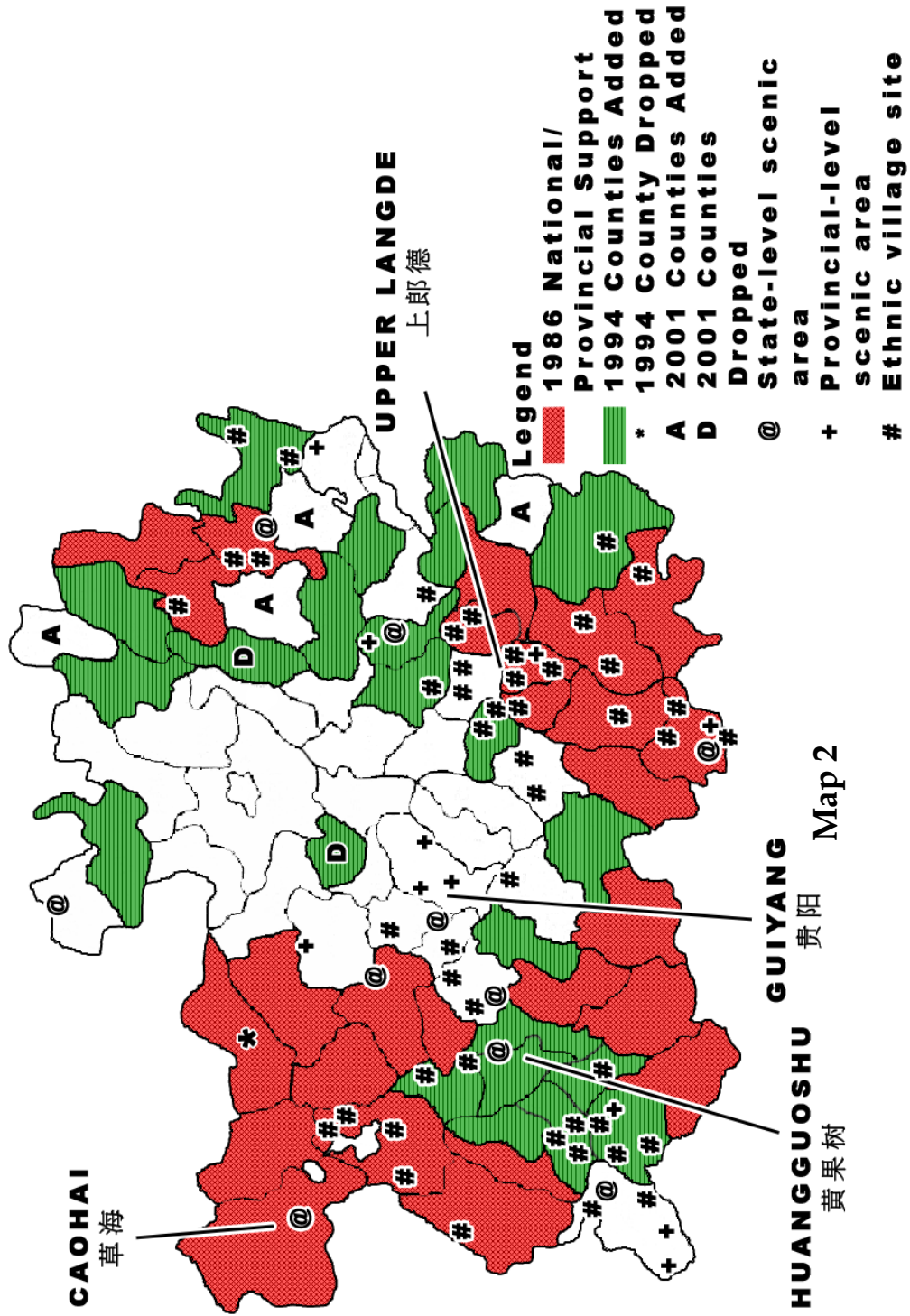
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i A large number of people contributed to this research, including Bruce J. Dickson, Phillip Stalley, Lee Ann Fujii, Stephanie McNulty, Madhu Chaubey, Marc Abramson, Rebecca Cors, Ethan Tong, Zhang Xuefeng, Jennifer Milewski, Jana Rumminger, the members of Asian Network for the Study of Local China (ANSLoC), two anonymous reviewers, and numerous others. Any remaining errors are solely the author's. The author gratefully acknowledges the generous support of the Office of Research, Singapore Management University.

ii This quotation's source, referenced without attribution in numerous sources such as WTO, *Tourism and Poverty Alleviation* (World Tourism Organization, 2002), p. 22, is obscure.

iii In 1987, 122 million Chinese lived under China's low poverty line. World Bank, *China: Overcoming Rural Poverty* (Washington, DC: World Bank, 2001).

iv This company is owned by Li Xiaopeng, son of former premier Li Peng, who took advantage of the privatization of ticket collection at the site. Locals, who argue that they maintained and improved the Upper Road themselves without any significant government or outside contribution, complain of not benefiting from ticket sales.

v Local interviews. These observations might become irrelevant in a few years if Li Xiaopeng, owner of Huaneng Power, builds the hydroelectric dam planned for this area, which would flood the entire Tiger Leaping Gorge region, forcing the removal and repatriation of tens of thousands of local residents.

vi WTO. *Tourism and Poverty Alleviation*, p. 10.

vii *Ibid.*, p. 12.

viii See Sinclair, M.T. 1991. "The Tourism Industry and Foreign Exchange Leakages in a Developing Country: The Distribution of Earnings from Safari and Beach Tourism in Kenya." In *The Tourism Industry: An International Analysis*, ed. T. Sinclair and M. Stabler and Tisdell, C., and K. Roy. 1998. "Tourism and Development: Economic, Social, Political, and Environmental Issues." Commack, NY: Nova Science.

ix See Mowforth, Martin, and Ian Munt. 2003. *Tourism and Sustainability: Development and New Tourism in the Third World*. 2nd ed. New York: Routledge, and Tisdell, Clement Allan, ed. 2001. *Tourism Economics, the Environment and Development: Analysis and Policy*. Cleltenham, UK and Northampton, MA: Edward Elgar Publishers.

x For summary of the development of China's tourism industry, see Oakes, Tim. 1998. *Tourism and Modernity in China*. London and New York: Routledge, especially pp. 47-57 and Wen, Julie Jie, and Clement Allan Tisdell. 2001. *Tourism and China's Development: Policies, Regional Economic Growth and Ecotourism*. Singapore and River Edge, NJ: World Scientific.

xi Wen and Tisdell, *Tourism and China's Development*.

xii According to the World Bank, Guizhou in 1991 performed poorly as measured both by its GNP/capita and by percentage of the population living below the international poverty line (59 percent, ranking 28 of 30). Moreover, between 1991 and 1996, its economy grew sluggishly, ranking 29th for growth between 1991 and 1996. However,



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Guizhou stood among the leaders (3rd of 30) in poverty reduction, its poverty rate dropping 31 percentage points, from 59 percent to 28 percent. By contrast, Yunnan ranked in 1991 25th of 30 in per capita GDP and 23rd in the proportion of the population below the international poverty line (44 percent). Although Yunnan's GDP growth rate ranked 13 between 1991 and 1996 – excellent for a southwestern province – the province ranked 29th in overall poverty change. World Bank, *China: Overcoming Rural Poverty and Chinese statistics*. Chinese official data taken in separate surveys is supports this observation. In 1992, average per capita net rural incomes of the poor counties of Yunnan and Guizhou were nearly identical. However, by 1995, the average annual per capita net rural income for Guizhou's poor counties exceeded that of Yunnan's, despite Yunnan's much higher overall growth rate.

xiii Chinese tourists are difficult to count compared to overseas tourists, who are almost invariably asked for passports to register and until the mid-1990s used foreign exchange certificates instead of Renminbi. That the statistics seem extraordinarily high reflects the fact that, especially before 1993, China's domestic tourism statistics included day visitors, even local families visiting a local site for the afternoon (Xu 1999, p. 162-3).

xiv Yunnan Statistical Yearbook, various years.

xv Li, Guoshe. 2001. *Tourism and Economics (Luyou Yu Jingji)*. Guiyang: Guizhou Minzu Chubanshe, p. 213.

<sup>xvi</sup> Yunnan Nianjian, 1993, p. 115 (Yunnan Yearbook).

xvii Yunnan Yearbook, 1996, pp. 16-18.

xviii However, the Longgong caves, Guizhou's second most famous scenic spot, borders on a poor county.

xix Tourism at Fanjing Mountain brought revenues of RMB 45.7 million to the poor county of Yinjiang within five years after it had been developed in 1990, amounting to 17 percent of the county's total production value, while sales of tourism commodities brought profits of RMB 620,000 Wang, Shijie, and Duanfa Zhang. 2003. *Guizhou's Anti-poverty System Project (Guizhou Fanpinkun Xitong Gongcheng)*. Guiyang: Guizhou Renmin Chubanshe, p. 588.

xx Ibid, p. 177.

xxi Oakes, *Tourism and Modernity*, p. 159-166.

xxii Wen and Tisdell. 2001. *Tourism and China's Development*, p. 246.

xxiii The number of tourist hotels in Yunnan increased from 47 (10 star-rated) in 1991 to 168 (82 star-rated, including six three-star and four four-star hotels). Moreover, between 1995 and 2000, Yunnan planned a three-star hotel for every prefecture capital, and starred hotels for each of its 128 counties.

xxiv Cited in Wright, Daniel. 2003. *The Promise of the Revolution*. Lanham, MD: Rowman & Littlefield Publishers, p. 139.

xxv Zhongguo Luyou Nianjian Bianjibu, ed. 1996. *China Tourism Yearbook (Zhongguo*

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Luyou Nianjian). Beijing: China Statistics Press, p. 186.

xxvi Oakes for instance notes, "the majority of production occurs within village households on a contractual basis," and cites managers' estimates of 65-70 percent of production from contract producers (p. 153).

xxvii Guizhou's government did construct a 137 kilometer highway to link Guiyang with Huangguoshu – its most significant highway project for tourism. By contrast, most of Yunnan's 3458 kilometers of high-grade highway links Kunming with the province's major tourism sites. In 1996, Guizhou's 12,948 kilometers of graded highway was dwarfed by Yunnan's 62,936 kilometers.

xxviii Dorothy J. Solinger, *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market*. (Berkeley: University of California Press, 1999).

In Shangri-la for instance, one hostel owner, a young investor from Beijing, delayed paying her three workers their monthly salary of RMB 300 for several weeks, while she gambled nightly with the adult children of local officials.

xxix Guizhou Nianjian Bianjibu, ed. 1997. *Guizhou Yearbook* (Guizhou Nianjian). Beijing: China Statistics Press, p. 589.

xxx Oakes, *Tourism and Modernity*, pp. 126, 181.

xxxi Wang and Zhang *Guizhou's Anti-poverty System Project*.

xxxii County-level data are perhaps the most appropriate for understanding the broader effects of tourism beyond the village.

xxxiii The NRI of both types of counties increased much faster than that of Guizhou's average poor county (268 percent).

xxxiv The earthquake, rating 7.0 on the Richter scale, killed 309 people, causing an estimated RMB 2.5 million in damage. The ancient buildings in the Old City, built with traditional techniques, largely survived the earthquake, unlike those in the newer areas of the city. Yunnan Nianjian Bianjibu, ed., *Yunnan Nianjian* (Yunnan Yearbook) (Beijing: China Statistics Press, Various Years).

xxxv UNESCO website: [http://whc.unesco.org/pg.cfm?cid=31&id\\_site=811](http://whc.unesco.org/pg.cfm?cid=31&id_site=811) (link valid as of January 2006).

xxxvi Interviews with the officials from the Lijiang Old Town Protection Committee, local residents, and people from the countryside surrounding Lijiang.

xxxvii Lugu Lake in Ninglang County, several hours drive northeast, is an exception.

xxxviii Local interviews. For instance, one village in Heqing County in Dali Prefecture to Lijiang's south makes most of the silver handicrafts found in Lijiang, as well as many of the silver handicrafts found in many minority areas throughout southwest China.

xxxix Hillman, Ben, "Paradise under Construction: Minorities, Myths and Modernity in Northwest Yunnan," *Asian Ethnicity*, Vol. 4, No. 2 (2003), pp. 175-188

xl Generally, it is more difficult for poor people to sell factory-produced goods from stalls, which require capital and know-how to manage, compared to making traditional handicrafts at home and selling them either to tourists directly or on contract to

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distributors, as they often are in Guizhou.

xli Oakes, *Tourism and Modernity*, especially pp. 193-206.

xlii Ibid., especially p. 180. According to Oakes, CITS initially paid RMB 40-50 per group, which soon increased to RMB 150, before reaching RMB 320 by 1994, who also notes that by 1993, two-third's of household incomes in the village came from tourism. This is also consistent with another estimate of RMB 300 per capita income from tourism in 1996. See also Wang and Zhang, *Guizhou's Anti-poverty System Project*.

xliii Local interviews. One *mu* = 0.16 acre.

xliv Among the poorest counties in Guizhou, Weining ranks 63 of 87 counties for net rural income in 1995. Information in this section comes from local interviews, unless otherwise specified.

xlv Melinda Herrold-Menzies, "Caohai Nature Reserve and Infrastructure Development: Why the Impacts of a Nature Reserve's Infrastructure Projects Apparently Outweigh those of China's Western Development Project," at International Studies Association 2005, Honolulu.

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