



# The international investment in theme parks: Spatial distribution and decision-making mechanism, an empirical study for China

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## HIGHLIGHTS

- Along with globalization of FDI, tourism, the earliest and largest international trade, draws much attention from investors.
- This paper aims to shed new light on the micro location choice of international investment, based on the IITP in China.
- The HADM model was estimated for the decision-making mechanism on the micro place choice of IITPs.
- Discussions for international tourism investment are presented.

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## ABSTRACT

Along with the globalization of foreign direct investment (FDI), tourism, as the earliest and largest international industry, draws a growing investor attention. Admittedly, the investment destination choice on the macro national level has been studied widely, while, micro place decision making has been mostly neglected. This paper aims to fill this gap by highlighting the micro location choice of international investment, based on the international investment in theme parks (IITP) in China. In order to understand foreign tourism investment behavior in China, the paper analyzed IITP by spatial pattern and decision-making mechanism since 1990s. The results not only reveal the background and status of IITP in China, which is the biggest tourism market, but, more fundamentally, also benefit investors and local stakeholders in understanding the decision-making mechanism for micro place choice of IITPs. In addition, the paper provides clear understanding of the roles played by economic factors, based on the Hierarchical Analysis on Decision-making Mechanism, which offers an innovative view to study IITP. Under identical national environments, provincial-level factors are more important to attract international tourism investment than city-level ones.

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## 1. Introduction

### 1.1. International investment in China

With the Reform and Opening-up policy reestablishing contact between Mainland China and the world, economic globalization has integrated Chinese domestic businesses into the international capital market (Moshirian, 2008). This has made China a

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component of global economy (Jin, Li, & Wu, 2016). As the largest developing country and virgin destination for foreign investment, large international capital flows into China in order to build their business in this potential market (Tobin & Sun, 2009). Benefiting from the preferential policies and prosperous economic situation, foreign capital utilized in China increased from US\$2261 million in 1982 to US\$119,705 million in 2014, at an average growth rate of 15.89% (The Yearbook of China Statistic, 2015). An outstanding global achievement, it established China as a primary investment destination. As the earliest and largest international industry, tourism was the main field that draws FDI attention, with large capital invested into hotels and tourist attractions in China (Brady, 2010; Zhang, 2015). Compared to domestic investment, the foreign investment accounted for 52.75% and 72.21%, respectively, in

industrial employee and vehicle in hotel in 1991 (The Yearbook of China tourism Statistic, 1992).

International capital plays an important role in Chinese economy and tourism development (Chaisumpunsakul & Pholphirul, 2017). FDI makes important contribution for China to enhance competitive advantages in the worldwide, especially in the Asia, according to path-dependence of investment and Dunning's (1988) OLI paradigm. And the question of why multinational enterprises (MNEs) choose those areas as their investment destination has been investigated widely. Dunning (1988) concluded ownership, location, and internationalization to explain the location choice of MNEs. Santos, Brochado, and Esperança (2016) focused on the relationships of customer characteristic with patterns of global hotel chains. Powell and Lim (2017) discussed the role of cultural-distance to moderate foreign subsidiary manufacturing motive. Although, many studies pay attention to location choices, it is not hard to find that their concerns are mostly on the macro level, and the micro place has long been neglected. Hence, our paper addresses this gap.

## 1.2. Theme park tourism in China

With worldwide popularity of tourism since 1950s, more and more capital has been invested into the tourism industry to satisfy the global tourists (Shvedov, 1976; Dizdarević & Maida, 2011). Especially in developing countries, tourism is considered an important opportunity to stimulate economic growth, employment, poverty alleviation, and local prosperity (Donaldson, 2007; Choyakh, 2008; Jayaraman et al., 2004). As the most attractive FDI destination, China has also become the clustering destination of foreign tourism capital. It has also committed to tourism development and industrial investment since the 1980s, and has now grown into the largest tourism country, exporting 122 million travellers to the world, with the fourth highest foreign visitors, attracting 28.15 million foreign visitors (The Yearbook of China tourism Statistic, 2016). As the early field in which the international capital invested, Theme Parks (TPs), originated from Western leisure entertainment, were imported to the Mainland in 1990s and gave an alternative to tourists. On the one hand, they are efficient means to show the charm of local history and culture to tourists (Wisetphai, Lamduan, & Champadaeng, 2014). On the other hand, they actually play important roles in urban tourism economy (Ashworth & Page, 2011). The top four TPs enterprises in China, namely Overseas Chinese Town (OCT) (30.18 million), Chimelong Group Co. Ltd (23.587 million), Fantawild Holdings Inc (23.093 million), and Songcheng Group (22.338 million), totally accommodated domestic visitors beyond 100 million and surpassed 48 Key Tourism Cities<sup>1</sup> in 2015.

TPs are closely related to foreign investment of technology, management and capital in China (Endo, 2006; Purrington, 2014). Recently, the largest IITP in China, the *Shanghai Disney Resort*, successfully debuted to visitors and reset off the popularity of TPs tourism. TPs, as the profit-oriented economic investment, lay much emphasis on micro location. The decision-making in IITP can illustrate the motive of FDI in micro perspective discussed in 1.1. Therefore, this research aims to investigate the specific factors that explain the micro location choice of international investment in tourism, based on IITP in China.

## 2. Literature review

Tourism investment is the basic economic behavior in the development of tourism industry (Banerjee, Cicowiez, & Cotta, 2016). Scholars have paid close attention to it from multiple perspectives. The capital flow was investigated to learn the relationship between international tourism and inward FDI. The empirical results from Japan revealed that the spillovers of FDI, inbound tourism exhibited, made a great influence beyond tourism-related sectors (Tomohara, 2016). Moreover, the outward tourism investment was investigated to search for factors that influenced outward FDI in tourism (Li et al., 2017). As one of the earliest international industries, tourism promotes the communication of crew, goods and capital between the place of origin and the destination globally. The international capital may flow among countries to build a diversified portfolio, including operation profit, market share occupation, brand dissemination, and so on. Santos et al. (2016) explored the expansion of global hotel chains through the application of gravitational theories. Luo & Yang (2016) analyzed the influence of agglomeration economies on intra-metropolitan location choice. Exotic tourism investment is a systematic and comprehensive project, so the investment environment in domestic and abroad has critical influence on its decision-making, risk management and rate of return (Cadarsó, Gomez, Lopez, & Tobarra, 2016; Falk, 2016).

With much capital injected into tertiary industries, its impacts on economy, law, and industrial competition were also emphasized by scholars (Liu, 2014; Wang, 2004, 2007). Wang (2004) analyzed the legal environment of International Tourism Investment (ITI) in China, noting that it could inspire the enhancement of legal environment, publicize the essence of tourism law, and strengthen the coordination of national laws with international ones. Those beneficial studies were practiced to pilot FDI decisions of MNEs in tourism industry (Liu, 2014). In addition, characterized by diversified viewpoints, systematic methods and various objects, massive profound researches have promoted the knowledge accumulation on potential return (Banerjee, Cicowiez, & Gachot, 2015; Han, 2011), spatial pattern (Bao & Chen, 2016), spillover effect (Ma, Hong, & Zhang, 2015), and decision-making mechanism (Xing, 2011).

Being the preferential investment field, TPs have attracted much interest in tourism capital. Li, Huang, et al. (2017) and Li, Liu, et al. (2017) and Li, Huang, et al. (2017) and Li, Liu, et al. (2017) basically sketched the spatial structure and flows of Chinese provincial theme parks investment, including international and domestic. There are also scattered micro studies on spatial layout regarding the carrying capacity of theme parks (Zhang, Li, & Su, 2017). However, existing studies about TPs concentrated upon two aspects. On the one hand, as the profit-oriented economic behavior, the investment risk and feasibility analysis had been done before the decision making, while the profit model was also discussed to guarantee investment return. And the model of TPs tourism combined with real estate was also broadly emphasized in China. On the other hand, the other issues were mostly related to the market, competition strategies and tourists satisfaction (Bigne, Andreu, & Gnoth, 2005; Dong, Liu, & Liang, 2010; Lian, Yu, Bao, & Lu, 2012), including tourists flow (Jung, Chung, & Leue, 2015; Liang & Bao, 2012), and perceived crowding (Fotiadis, 2016; Wu, Yang, & Peng, 2014).

But the first process of TPs investment, namely the location decision, does not draw much emphasis (Dong & Siu, 2013). There are few related literature to help investors make their micro location decisions. For example, what kind of decision-making mechanism caused the largest Disney resort to be invested in Shanghai, over other super-metropolitan regions in China, like Beijing or

<sup>1</sup> Key Tourism Cities is 60 hottest tourism cities in China mainland.

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