

The Incremental Effects of Shanghai Free-Trade Zone - an
Internet Informed Assessment of Hong Kong's Tourism
Competitiveness

ABSTRACT

The pursuit of tourism destination competitiveness (TDC) has become an important consideration for policy makers as a means of growing tourism market share. However, the published research tends to interpret TDC as the combined performance of various destination attributes, thereby overlooking other factors that impact on TDC. This study suggests that assessments should focus on the most influential events and proposes an “incremental” approach to determining TDC. The concept “smart tourism destination” which has been applied increasingly in China is used because it allows the use of insights from Internet-based news that draw upon timely and relevant information to assess TDC. Using Internet-based news sources, the study assesses Hong Kong's TDC in the context of the recently established Shanghai Free Trade Zone (SFTZ). An incremental approach is adopted because it provides a means of explaining the threats that SFTZ poses to Hong Kong as a tourism destination.

Keywords: Tourist destination competitiveness, incremental effects, Hong Kong, Shanghai Free-Trade Zone, Smart Tourism

INTRODUCTION

The State Council of China's Central Government initiated the "smart tourism destination" (STD) initiative in 2009. This concept provides a new line of thinking about building and assessing tourism destination competitiveness. STD refers to a platform that integrates tourism-related information instantly, notably in the case of tourist activities, consumption and resources that are provided to tourists, enterprises and organizers through end-user devices (Zhang, Li & Liu, 2012). A central feature of STD is the use of "big data" to support business decision-making and the allocation of resources (Wang, Li & Li, 2013). This allows destination marketers to make use of Internet-based data to make more informed assessments of relative performance. Internet data sets, such as online news and reviewers' reports, can capture policy outcomes and reflect immediate policy shifts (Vartanian, 2011). Since Internet data sources span lengthy periods, they are able to trace trends in the effects of policy (Jennings, 2001). Inspired by the "smart" use of Internet resources, this study collects data from such sources to inform Hong Kong's destination marketers about TDC in the context of the recently established SFTZ.

TDC has become increasingly important for policy makers as they strive to grow their share of the travel and tourism market (Dwyer, Forsyth & Rao, 2000). According to Kotler (1994), a destination's surrounding microenvironment, notably its competitive destinations, constitutes the most salient factors defining its immediate area of competition. The microenvironment influences TDC most strongly when it is constantly changing and evolving (Crouch & Ritchie, 1999). Therefore, it is critical for destination marketers to monitor their surrounding microenvironment regularly and to assess any applicable impacts on TDC. There has been a tendency to approach assessments of TDC as the sum of performances of various destination

attributes relative to competitors. However, such attribute-based approaches provide limited insight into the real causes of TDC because the attributes that are the subject of assessment may themselves be effects of TDC. An alternative assessment of TDC should start by identifying an influential event that has a direct impact. At this point it is appropriate to apply an assessment framework. The present study uses the expression “incremental approach” to describe this approach.

The impact of changes to international trade policies in surrounding regions should be considered when assessing TDC. Tourism is self-evidently an internationally tradable service and trade policy is a major influence on tourism development. Various researchers have explored the interrelationship between tourism and trade (Gray, 1970; Kulendran & Wilson, 2000; Turner & Witt, 2001). In the case of the recently initiated SFTZ, the associated trade policy has the potential to influence Hong Kong's tourism sector and should be acknowledged as such. However, to date little research has explored the impacts of international trade policies on tourism, particularly in the context of competitive tourism cities.

The launch of SFTZ in 2013 immediately prompted discussion about its possible influence on conditions in Hong Kong. The SFTZ is aimed at furthering economic and trade related reforms, and provides a pilot zone to accumulate successful examples that may subsequently be applied elsewhere in China. The Hong Kong government has been concerned with the development because its international trade and business competitiveness has been built on a foundation of forming connections between mainland China and the world using the platform of free-trade and the provision of offshore service opportunities. If STFZ could play a role similar to the one previously practiced by Hong Kong, the SAR may lose its advantage across four economic pillars (international finance, trade, tourism and producer and professional

service) (Yiu, 2013). The Hong Kong Secretary for Financial Services and the Treasury have urged local firms to plan for the advent of longer term competition because of the volatile SFTZ policy environment (Yiu, 2013). Especially, Hong Kong was ranked 13th most popular tourism destinations (UNWTO, 2013), it experienced a drop from 7th as a global business and financial center in the 2013-2014 (World Economic Forum, 2014) and it is evident that its development has decelerated over the past 20 years.

To date no comprehensive or systematic study has been undertaken to assess the impact of SFTZ on Hong Kong, and particularly its impacts on TDC. This gap may be systematic of the commonplace lag between academic responses to practical matters that are of immediate concern. Given that the progressive economic liberalization of new cities and areas in China may follow the SFTZ example, it is important for scholars to provide early assessments of emerging challenges. The present study proposes to apply the incremental approach and uses qualitative data and Crouch and Ritchie's (1999) framework to analyze the impacts of the SFTZ on Hong Kong's TDC. It contributes to the TDC literature by proposing an incremental approach for assessment purposes; it also attests to the utility of Crouch and Ritchie's framework at the micro-event level.

LITERATURE REVIEW

Background to SFTZ

The global economy has entered the Asia Pacific era (The Economist, 2014). Accounting for nearly half of global trade, the region is not only the world's largest manufacturing "factory," but also one of the most important sources of services, technology, investment and final goods. Asia has contributed to building a web of economic interdependence. It has been

suggested that China should engage in further economic reform to weave into the Asian network (The Economist, 2014). One of the best tools for promoting economic reform is the use of free trade and foreign competition to compel modernization amongst overprotected service industries. With reference back to China's entry into the World Trade Organization (2001), the SFTZ concept was implemented with a view to extend the practice progressively into the rest of China. This action marks the latest wave of political will to extend economic reforms and maintain China's power in the Asia Pacific region.

China's State Council approved the establishment of the SFTZ in 2013. It covers an area of 29 square meters and integrates four existing zones—Waigaoqiao Free Trade Zone, Waigaoqiao Free Trade Logistics Park, Yangshan Free Trade Port Area and Pudong Airport Comprehensive Free Trade Zone. In the pursuit of a more open Chinese economy, the SFTZ aims to expedite the functional transformation of government, explore administrative innovation, stimulate trading and investment facilitation, and accumulate experience. The zone functions as a testing ground for a number of economic and social reforms. These involve six realms of services including financial services, shipping services, trading services, professional services, cultural services, and public services. They encompass 18 sectors including tourism.

TDC Scale and Dimensions

Competitiveness is a relative concept and will depend on comparable destinations, the base year, and changes in the surrounding environment (Crouch & Ritchie, 1999; Enright & Newton, 2004; Diebold, Scott & Lodge, 1985). Competitiveness has been defined from various perspectives including comparative advantage/price competitiveness,

strategy/management, and social-cultural (Dwyer & Kim, 2003). From a price perspective, Diebold et al. (1985) view national competitiveness as a country's ability to create, produce, distribute services and/or products in international trade while earning rising return on available resources. This capability was viewed as more about strategy and less about natural endowment. From a socio-cultural perspective, Newall (1992) considers competitiveness as not only the ability to produce more and better quality goods/services that can withstand domestic or international competition, but also the ability to generate jobs and resources for providing adequate public infrastructure. The present study recognizes that competitiveness is achieved through related assets and processes; assets are inherited (natural resources) or created (infrastructure), whereas processes transform the assets into economic results through providing services (Lall, 2001).

Competitiveness generally and TDC in particular is multi-faceted and multidimensional. TDC is the ability of a destination to maintain and enhance its market positioning and share through time (Enright & Newton, 2004). It encompasses quantitative factors, such as price differentials, exchange rate, productivity of components of the tourist industry, and qualitative factors (Dwyer et al., 2000). Gooroochurn and Sugiyarto (2005) developed a "tourism competitiveness index" taking account of human tourism indicators, prices, infrastructure, environment, and social indicators. Of the various available measurement frameworks (Crouch & Ritchie, 1999; Dwyer et al., 2000; Gooroochurn & Sugiyarto, 2005; Hong-bumm, 1998; Schroeder, 1996), Crouch and Ritchie's approach is most widely cited (Enright & Newton, 2004). It builds on the Porter diamond of national competitiveness which has been applied extensively in different industries (e.g. Crocombe, Enright, & Porter, 1991). Their framework progresses the concept of peer-based scales, offering a comprehensive and systematic

assessment through combining tourism-specific and generic determinants and considering both the micro- and macro- environments (Enright & Newton, 2004). The present study employs their framework to analyze the impact of SFTZ on Hong Kong.

Crouch and Ritchie (1999) postulated that TDC is a consequence of four major components: (1) core resources and attractions; (2) supporting factors and resources; (3) destination management; and (4) qualifying dominants (in Fig.1). *Core resource and attractors* are the primary elements of destination appeal and the fundamental motivators for inbound tourism. They incorporate physiography, culture and history, market ties, mix of activities, special events and superstructure. *Supporting factors and resources* provide the basis for a successful tourism industry, including infrastructure, accessibility, facilitating resources and enterprise. The *destination management* component concerns promotion of the destination's core resources and attractors, strengthening the quality and effectiveness of the supporting factors, and reducing constrains imposed by the qualifying factors. It includes elements such as maintaining a mentality of a stewardship towards local cultural-historical resources, providing useful information for the development of tourism products, and monitoring tourism service quality. Lastly, *qualifying determinants* exerts limits on TDC through elements like the destination's location, dependency, safety and cost. All four TDC components are in a process of dynamic change in response to the changes in the micro-and macro-environment. Detailed descriptions are beyond the scope of the current research and interested readers may refer to Crouch and Ritchie's original paper (1999). However, Crouch and Ritchie's framework does not explicitly nominate a place for shopping activity. This has been placed under tourism superstructure by the authors, consistent with their original definition.

Crouch and Ritchie's framework has provided a guide for many studies (Enright & Newton, 2004; Enright, 2005). The authors conceived TDC as a function of various destination attributes with TDC determined by the performance of destination attributes relative to competitors. The identified threatened dimensions, however, are not the causes of TDC. They are the effects of the causes. On this basis, the traditional attribute-based TDC provides limited insights for future strategy development. The present study argues that TDC is a function of different events and that TDC assessments should start by identifying a threatening event. At this point, the TDC scale applies to the event, rather than to the entire destination, and forms "incremental" competitiveness.

Incremental Competitiveness

The "incremental competitiveness" concept that is proposed in the present study draws from "incremental cash flow" which is commonly used to evaluate investment projects (Ross, Westerfield, & Jordan, 2000). "Incremental" refers to added or increased; it is the net difference between a company's existing and proposed cash flow when progressing a project. A negative incremental cash flow indicates that the project is unlikely to be worth the risk. A positive incremental cash flow shows that the project may benefit the company, all other things being equal. This approach emphasizes the effects of a single event on a company's financial performance.

The incremental TDC (ITDC) framework is illustrated in Fig. 1. The gray shading indicates an influential event that gives rise to "incremental" impacts on TDC, assuming that other conditions remain unchanged. The event will be assessed on the basis of four dimensions drawn from Crouch and Ritchie's framework. Compared with an attributes-based assessment,

using an incremental approach provides a direct link between a particular event and a destination, thereby providing clearer causal indicators for TDC. It is argued that the attributes-based approach only helps to understand overall competitiveness and identify the affected dimensions of TDC. It may overlook the reasons that are responsible for the affected TDC dimensions. Of the more recent related studies, Enright and Newton (2004) asked survey participants to rate Hong Kong's tourism competitiveness relative to their imagined competitors (Shanghai, Taiwan and Singapore). Although they identified dimensions where Hong Kong performed notably better or worse than its competitors, they failed to identify the causes of current competitiveness. Likewise, Gooroochurn and Sugiyarto (2005) identified different dimensions of competitiveness, but not the reasons for differences among a number of countries. The incremental approach starts from an influential event, which has a direct impact on changing TDC. It offers potential for providing destination managers with more direct cues to address competitiveness related issues.

METHOD

Various alternative methods have been outlined in the literature for the measurement of TDC. Some have used survey data (Enright, 2005; Hahti, 1986; Kozak & Rimmington, 2000). Other authors, including Dwyer et al. (2000) and Gooroochurn and Sugiyarto (2005), drew upon published consensus data. The present study uses secondary qualitative data because no primary data or census data are available. The SFTZ has been established for less than a year at the time of writing and not all policies have been fully implemented. Furthermore, secondary qualitative data, such as online news and reviewer reports, can capture policy outcomes and may have an effect as soon as policies shift (Vartanian, 2011). Secondary data

often span a lengthy period, making it relatively easy to follow the development of the policy effect (Jennings, 2001). Secondary data are also quicker and easier to access within a shorter period of time. They provide timely reflections on matters requiring urgent examination.

Like primary data, secondary data are prone to problems of apparent bias, validity and reliability, albeit with a different focus. Drawing upon credible data sources with wide international coverage provides some protection from data bias, validity and reliability (Patzner, 1995). Moreover, accessing news from computerized databases gives further assurance of trustworthiness and offers the benefit of international coverage (Jacob, 1984). The present study drew upon data from newspapers, industry magazines, and reports by major consultancy companies and non-profit associations. Such sources are authoritative relative to other types of news (Jennings, 2001).

Four newspaper databases formed the basis of the analysis, namely WiseNews, Newspaper Source, Regional Business News and InfoBank. These were accessed from the authors' University Library website. WiseNews and Infobank have a focus on Greater China. Newspaper Source provides leading news coverage of 24 countries, including the USA, United Kingdom, France, Island, Japan and India. Regional Business News provides ultimate coverage for full-text business publications for the United States and Canada. The four databases were complementary, combined different political-geographic contexts, and presented a trustworthy and representative coverage of the issue (Briassoulis, 2010). Since the databases did not include reports from consultancy companies and non-profit organizations, Google Web was used to extract such reports.

Online news search engines (such as Google News or Baidu News) were not considered for data collection purposes. This was because free online news does not always provide the full

story of an issue, giving rise to problems of data completeness. Secondly, the researchers have ranked the search results according to “relevance”. For example, the Google Inside Search indicates that Google rankings are determined by the computer programs drawing on more than 200 signals, including terms used on the website, the freshness of content, user's region and page rank. Given that many criteria are unrelated to the relevant texts, locating the “relevant” news requires greater subjectivity on the researcher's part.

In order to capture the total effect of public opinion, the researchers collected data that were released in the period dating back to 1 January 2013, namely long enough from time that the official news was released about approval of the SFTZ, until 31 December 2014. To ensure construct validity and reliability, special care was given to choose synonyms for the search keywords because writers/editors tend to use different words or expressions to construe the same concept (Briassoulis, 2010). After using various keywords and combinations and scanning the news for relevance until it was believed that they measure the research question, the following keywords were chosen: “Shanghai Free Trade Zone”, “Hong Kong”, “impact”, “effect” and “tourism”. Chinese equivalents were used for WiseNews and Infobank as some news was in Chinese.

NVivo 10.0 was selected as a suitable method to manage the transcripts, taking into consideration the quantity of news that was selected and the embedded word quarry analytical tools that were to be used for this study. The first step was to undertake a word frequency quarry, with search criteria including synonyms that provide an overview of the research question. Based on the preset codes in the TDC framework, words were subsequently scanned one-by-one and coded into the nodes that spoke to the most relevant dimensions and elements of TDC. During the coding process, the reference and word tree functions under the “text

search” were referred to constantly in order to understand the context of the involved words and ensure correct coding. The researchers used data and investigator triangulation (Decrop, 1999) to ensure credibility, transferability, dependability and conformability of the findings (Guba & Lincoln, 1994). The findings were triangulated with the Measures for Administration of the SFTZ (No. 7 of Shanghai Municipal People's Government). For purposes of triangulation, three investigators were engaged including two of the authors and an independent researcher. The data were examined independently, the respective interpretations were cross-checked and disagreements were investigated until consensus was reached. For example, disagreement was raised regarding whether “administration” (see the result section) should be categorized into the theme of business or tourism.

RESULTS

A total of 148 related news/reports were identified. The four databases generated 123 pieces of news, with 83 from WiseNews, 28 from the InfoBank and 12 from Newspaper Source. Google Web extracted 25 relevant reports from consultancy companies and non-profit organizations.

At the regional level, the Asia Pacific media seemed to be more concerned with the issue, particularly in the case of Hong Kong (930), Macao (17 counts) and Singapore (24 counts). Most western media reported the establishment of the SFTZ with no discussion on TDC of Hong Kong and SFTZ. Over the applicable time span and before the SFTZ was established in September, 16 pieces of news were reported about its impact on Hong Kong (Table 1). The topic aroused greatest interest in October and November 2013, with 36 and 20 pieces of news respectively, and faded slowly after April 2014. From the contents, most news concerned on

the potential impact of SFTZ's finance and business (4,024), whereas 314 words related to tourism (Appendix).

Based on Crouch and Richie's (1999) framework, the researchers found that most discussions focused on the *Core Resources & Attractors* (244 counts) and *Supporting Factors & Resources* (100 counts) apart from general tourism development (72 counts).

(Insert Table 1,2 here)

Core Resources & Attractors

Public discussion about the core resources and attractors emphasized *mix of activities* (113), *superstructure* (43), and *special event* (16). The *mix of activities* incorporates "cruise", "healthcare", "medical" and "entertainment". Cruise is mentioned 67 times (in Table 2). This shows that public attention focused on Shanghai's intention to develop cruise tourism, thereby supplementing existing tourism activities. The government of Hong Kong is also committed to developing the city as a leading regional cruise hub (Hong Kong Tourism Board, 2013). Cruise tourism may be viewed as an area of competition for the two cities, as well as of potential co-operation.

The Ministry of Transport of China and the Municipal Government of Shanghai published their opinions jointly on the use of the SFTZ as a test ground to accelerate the establishment of the Shanghai International Shipping Center and cruise tourism in China (PRNewswire, 2013). The first foreign owned cruise company — Costa Rica — was established in Shanghai less than five years prior to the time of writing. Shanghai now accommodates ships from a number of cruise companies, including Royal Caribbean Cruises, Star Cruises, Princess Cruise

(Diamond), Holland America (Volemdam), Oceania Cruise (Nautica), Celebrity Cruises (Millennium), Azamara Club Cruises (Quest). Collectively these lines provide cruise services to Hong Kong, Taiwan (Taipei and Kaohsiung), Korea (Soul, Busan and Jeju) and Japan (Fugang, Okinawa and Nagasaki). Cruise travel is new in China and the Chinese would like to try the new experience (PRNewswire, 2013). With more ports open and visa upon arrival available to those of Chinese nationals, Taiwan and Korea are becoming increasingly popular destinations for mainland Chinese tourists. In future, Chinese tourists may take the opportunity of cruise tourism to visit places other than Hong Kong.

The terms “healthcare” and “medical” were mentioned 8 and 14 times respectively (in Table 2), corresponding to debates about SFTZ’s relaxed policy on foreign investment in medical institutions. Shanghai intends to develop as a base for medical tourism in China and favorable SFTZ policies have paved the way for further development in the area. After establishing the Medical Tourism Products and Promotion Platform, Shanghai hosted the first Medical and Healthcare Tourism forum from 2-4 April 2013. It provided a platform for collaboration amongst medical suppliers, hospitals, insurance companies, hotels and other healthcare tourism products (Harjani, 2013). In November 2014, the University of Nebraska Medical Center (“UNMC”) opened a fully-staffed satellite office in the SFTZ. The office enables UNMC the possibility of further expanding Western healthcare options into China. It is currently collaborating with China-based developers on a \$3 billion project to create a massive health care facility for the growing medical tourism market in China (KNOP, 2014).

Foreign medical institutions may bring advanced medical equipment, better treatments and service, and increased communication between China and English-speaking patients. It will contribute to improving China’s image as an international medical tourism destination. China

also has unique expertise in traditional Chinese medicine and therapeutic treatments which differentiate its medical products. Hong Kong is also keen to develop medical tourism. The SAR is already recognized as the hub for cancer treatment in Asia. So far, it is unclear whether cancer treatment will be the focus of medical tourism in Shanghai. However, rapid development of medical tourism and the Shanghai government's enthusiastic support cannot be overlooked.

The word "entertainment" was mentioned on 24 occasions (in Table 2). This reflects public concern about SFTZ's relaxed policy towards the foreign ownership of such facilities. The SFTZ is permitted to establish wholly foreign-owned entertainment facilities (CSPFTZ, 2013). When supplemented by potential shopping opportunities, exhibition centers and state-of-art business skyscrapers, future entertainment/recreational infrastructures may make the SFTZ an enhanced integrated tourism destination for tourists in the Southern China region. The SFTZ may lure potential visitors within the region who would otherwise have visited Hong Kong, thereby presenting a new form of competition.

Superstructure includes shopping facilities (17), hotels (20), and theme parks (6). The reference to "shopping" indicates concerns about the development of duty-free retail hubs in the SFTZ. Stimulated by lower tariffs, goods imported to Shanghai will be sold at lower prices than its Hong Kong counterparts (Gao, 2013). This may attract consumers from Shanghai and tourists in affluent Yangtze River regions to shop in the SFTZ rather than in Hong Kong (He, 2013; Gao, 2013). The SFTZ may challenge Hong Kong's status as a duty-free retail hub for Mainland Chinese tourists (Harjani, 2013). Present, 60% of Hong Kong's tourism income emanates from the retail purchases contributed by Chinese shoppers (PartnerNet, 2014). The effect of the duty-free retail hub in the SFTZ on Hong Kong's retail sector could be dramatic.

However, some commentators have proposed that a special tax regime would not be in place to enable duty-free shopping. It is worth investigating sales of imported goods if tax reductions are granted in the future (Stratford & Livingston, 2014).

Another form of shopping-related tourism is associated with the purchase of artworks. As the SFTZ exempts consumption tax on artworks, it will attract international brokers and investors to trade in such items (Siu, 2014; Wong, 2013). The SFTZ has built the Shanghai International Artwork Trade Centre (the "Center" hereafter) that aims to develop into a leading Asia Pacific artwork trade platform. On 28 May 2014, an exhibition entitled "The Spring of Shanghai Free Trade Zone" was hosted in Shanghai. It exhibited 170 artworks by local Shanghai artists (Siu, 2014). The Center provides storage, trading, logistics, insurance, jewelry quality assurance, financing and leasing service. It also incorporates the first tax-free artwork warehouse in China which currently stores more than 2,000 international artworks from over 100 countries (Sinanews, 2014). Although art galleries have some presence in Hong Kong, progress around trading has been slow. The SFTZ can exploit the favorable tax regime and the rich and unique Chinese art style to initiate faster development in artwork trade than Hong Kong (Siu, 2014). The art galleries will also become an attraction for cultural tourists.

The word "Hotel" was mentioned in the news on 20 occasions (in Table 2). It was an expectation that guests attending the ceremony and business owners registering companies in Waigaoqiao free-trade zone will generate additional hotel demand (Li, 2013). There are currently a limited number of high-end hotels within the SFTZ including the Sheraton and Crowne Plaza in Waigaoqiao, Crowne Plaza in Lingang and Ramada at Pudong Airport free trade zone (Li, 2013). According to Sam Xie, at Shanghai Commercial Real Estate, the Sheraton Waigaoqiao's occupancy rate jumped from 20% to 30% three months ago to more

than 80% last month, following the formal inauguration of the free-trade zone (Li, 2013). It is expected that more high-end hotels will be built in the SFTZ and that tourism superstructure will be progressively improved.

“Disneyland” was mentioned on 6 occasions (Table 2). The theme park is scheduled for completion in 2016 and will be an attraction for the SFTZs (Shi, 2013). Wan Zengwei, director of the Pudong Academy of Reform and Development in Shanghai, said that the Disneyland and the high-end duty-free center to be open around the same time in Waigaoqiao will focus more on boosting domestic consumption (Shi, 2013).

Special events mainly refers to exhibitions, which are mentioned 16 times (Table 2). The SFTZ is building China's National Exhibition and Trading Centre (NETC). As a founding member of NETC, Australia has established the Australian NETC (ANETC), which is an entire floor dedicated to exhibiting Australian products and services (Riley, 2013). This permanent exhibition will become a centralized trading venue for wholesalers from every region of China to source genuine Australian products, particularly wine related (Riley, 2013). ANETC will also organize in-house trade fairs and road shows around China (Riley, 2013). As such, NETC may lure international companies to Shanghai that have interests in doing business with the two countries. The role of ANETC may potentially enhance China's longer term service quality in the exhibition sector. Unlike many domestic Chinese exhibition companies, businesses based on Australia share a cultural affinity with their counterparts in other English-speaking countries and international jurisdictions may consequently opt for the Australian platform as a means of promoting trade with the Chinese market. Exhibition costs will also be lower in the SFTZ than in Hong Kong. This may have the effect of redirecting some of Hong Kong's potential international customers towards the SFTZ.

Supporting Factors & Resources

Potential challenges within the dimension of support factors and resources to Hong Kong TDC include *facilitating resources* (52) and *enterprise* (18). The cruise ports “Waigaoqiao” and “Wusongkou” are mentioned 44 and 8 times respectively as an important infrastructural investment (in Table 2). Waigaoqiao is located in the northeastern part of Pudong New Area with a planned area of 10 square kilometers. It accommodates international trade, advanced manufacturing industry, modern logistics service and duty-free commodity exhibition (CSPFTZ, 2013). It is also an international cruise port. Wusongkou as another cruise port in Shanghai is enthusiastically proposing ways to build their own cruise brand through collaborations with international cruise companies and tour agencies, apart from providing port services. It offers cruise management services, such as cruise staff recruitment and training, and materials supplies (PRNewswire, 2013).

“Administration” reflects the TDC dimension of *enterprise* and is mentioned on 18 occasions (in Table 2). It represents public opinion about the claimed administrative reform in the SFTZ that meets international trade and investment standards. To ensure fair competition, foreign investment that falls out of the “Negative List” will be approved based on “National Treatment” principle enjoying the same access condition with Chinese companies. The application procedures will be assessed by the SFTZ, hereby the administration procedure is largely shortened. The SFTZ is also considering how to simplify application procedures for issuing Chinese permanent residency to foreigners in the zone. This is a potential incentive for attracting global talent (Zhao, 2014).

The SFTZ will also improve regulatory supporting systems and establish dispute resolution and assistance system related to intellectual property (CSPFTZ, 2013). It will enhance its supervision of food and drugs, intellectual property, industry and commercial administration, and tax administration. Public supervisions are also encouraged in addition to government supervision. Small-to-medium-sized enterprises in Mainland China will also benefit from administrative reforms. With their concentration on manufacturing and labor intensity to maintain competitiveness, they can become more capital intensive focusing on product quality and design by cooperating with international firms (Steinbock, 2014).

These opening-up measures have facilitated foreign investment and upgraded Shanghai's overall destination image as an efficient, affluent, and legally ordered international urban city. The SFTZ symbolizes Chinese soaring economic power and status in global markets. The various SFTZ reforms and measures choreograph a different economic development phenomenon from other Chinese cities. This may become an attraction for visiting to pursue patriotic confidence and a sense of belonging to China.

Hong Kong experienced mass protests in September and October 2014. This inflicted short-term financial damage on the city and also impaired the SAR's destination image as offering the rule of law and political independence from mainland China. During this period, some banks were reported to have shifted operations to the outskirts of the city to keep the growing unrest from disrupting trading (Campean, 2014). The uncertainty about Hong Kong's future has also helped Singapore to capture a growing share of Asia's finance market (Campean, 2014). Furthermore, it is a popular view amongst mainland Chinese that Hong Kong citizens discriminate against them and actively protest to keep them out of Hong Kong (Bremmer,

2014). The SFTZ may cannibalize Hong Kong's unique offerings for foreigners looking to do business (Bremmer, 2014).

DISCUSSION

The present study has applied an “incremental” approach to assess the potential impact of the SFTZ on Hong Kong TDC based on Internet-based news. Compared with primary data, this “smart information” source provides global coverage of the issue and reveals policy trends. Hence, Internet-based news is more useful for policy makers to perform TDC assessment, particularly in the case of the SFTZ. The study identified that the main threats to Hong Kong emanate from the SFTZ's enhanced core resources and attractors due to its development potential in tourism superstructure, special events and mix of activities. The SFTZ's development in supporting factors and resources (e.g. port facilities and enterprise) is another threat to Hong Kong's TDC, though of lesser magnitude than the core resources.

The present study informs Hong Kong destination marketers about the threats posed by the SFTZ. Inspired by the concept of “smart tourism destination”, the researchers propose the following strategies to counterpart the threats.

Firstly, the findings suggest that Hong Kong should strengthen its emphasis on diversifying the mix of activities that is presented to tourists. Since Hong Kong has limited space available, it may be to make use of existing tangible and intangible resources to provide a wider range of activities. “Smart tourism” also suggests a shift from creation of goods to the process of serving, from consumption to resource creation, and from offering tangibles in the marketplace to the primacy of intangibles (Lusch, Vargo, & Tanniru, 2010). Tourism developments should focus on exploring the potential of existing cultural attributes in Hong

Kong to increase productivity, yield, competitiveness and tourist experience. The various cultural resources that could be used have not yet been fully incorporated in Hong Kong's tourism offerings, notably its unique "Lingnan-style" culture and once-flourishing film industry.

Mixed activities can be further diversified through stimulating travel for financial instruments/ services. Hong Kong is perceived as Asia's leading financial center; this elevates credibility of the financial instruments/service and increases purchase confidence among international tourists, particularly mainland Chinese tourists. Compared with mainland China, Hong Kong has more diverse insurance packages and expertise for personal wealth management. As Hong Kong has rich experience with providing financial service for corporates, it has great potential to serve the individual tourist market. However, this aspect has been overlooked by Hong Kong's destination organizers. In future, banks and insurance companies can cooperate to design innovative financial products for interested tourists, while the Hong Kong destination organizers could help to market the service in the destination marketing plan.

Secondly, Hong Kong can supply tourism expertise for Shanghai and sustain its competitive tourism advantage. "Smart tourism" also values relational exchanges over transactional change in applicable tourism destinations (Lusch et al., 2010). In view of the advantageous geographical location of Hong Kong to mainland China, Hong Kong can establish wholly owned medical institutes in the SFTZ, or supply expertise in cancer treatment. Hong Kong can also export MICE professionals and training services, and hotel/tourism management expertise to help China to develop MICE industry and hotel/tourism industry respectively.

In areas where it is less developed, Hong Kong might cooperate with Shanghai to achieve joint growth, particularly in the development of cruise tourism. Hong Kong destination marketers and related associates should seek opportunities to incorporate the destination of Hong Kong into the existing pan-Asia cruise itineraries. This may help to reduce the side effects of losing tourists to other Asia countries through cruise tourism.

Thirdly, informed by the principle of “smart tourism” that information is essential for DMOs to conduct better assessments of relative performance, academics should consider developing website or mobile apps posting timely information for the Hong Kong DMO and other tourism stakeholders. Such resources might help them to track the development of the SFTZ and emergent FTZs to formulate strategies that enhance Hong Kong's TDC. The present data collection spanned the period from January 2013 to December 2014; researchers should further collect data and monitor changing developments. Wang et al. (2013) have commented that owning these databases and the capacity to deploy them for tourism development may bring a unique competitive advantage to the destination.

Lastly, the researchers suggest that Hong Kong should give “smart” notice to tourism opportunities by strengthening business relationships with SFTZ. Hong Kong should take early action to participate in the development of SFTZ. Through establishing interdependent market ties, Hong Kong tourism can reap the benefits of various corporate travel and MICE market demands from mainland China. Hong Kong should also establish networks with recently approved FTZs, namely, Guangdong, Tianjin and Fujian (Lau, 2015). Of particular note is the approved Guangdong FTZ of 116 sq km (including Guangzhou's Nansha New Area, Qianhai and Shekou in Shenzhen, and Hengqin in Zhuhai). This has been designed to deepen cooperation between Hong Kong and Macau and to improve cross-border cooperation

(Lau, 2015). Qianhai will cooperate with Hong Kong on finance; Hengqin will explore cooperation with Macau; and Nansha will develop shipping, logistics, equipment manufacturing, technology, commercial services, tourism and healthcare. Hong Kong is given an unprecedented opportunity to enhance its relationship with PRD and other cities in China. If it acts too slowly, Hong Kong will lose its competitive advantage to other international investors as SFTZ practices extend into other cities. Hong Kong might eventually be segregated from the new business networks and lose a further share of the business tourism market.

CONCLUSIONS

In the face of an increasingly integrated global economy, the government of China accelerated the process of economic reform by launching SFTZ in 2013. Given the similarities between the development of the zone and Hong Kong's development model, it is imperative to assess the impacts of the SFTZ on Hong Kong's TDC. IN particular it is noted that the pilot zone reforms will be extended nationwide into the future. The present study has applied an "incremental" approach using "Smart information", to assess the potential impact of the SFTZ on Hong Kong TDC. It has identified that the relaxed policy which prevails in SFTZ will diversify the range of activities that stimulate tourist experiences; and that the enhanced overall image of Shanghai as China's center of economic power will attract more tourists. Drawing from Crouch and Ritchie's model Shanghai's core resources and attractors have been identified as the major threats to Hong Kong's TDC.

This study contributes to the TDC related literature by proposing the "incremental" approach in which the assessment of TDC applied to an influential event on the overall

destination. The data suggest that this approach can identify not only the attribute dimensions that are threatened by SFTZ, but also the potential threats. For example, it is the SFTZ's development potential in tourism superstructure, special events and activities mix that threatens Hong Kong's TDC rather than the underperforming core resources and attractors. Given this, the present study contributes to the existing TDC literature by proposing and applying the incremental approach concept. This is more advanced in terms of identifying causes to TDC, hence generating more pertinent implications for managing destination competitiveness issues.

At a conceptual level the study is amongst the first to apply Ritchie and Crouch's TDC scale at a micro event level. It demonstrates that their scale is applicable to both an event and a destination. Further research can adopt their framework to conduct a comparable event-based TDC assessment. The findings also support the proposed interrelationship between tourism and trade (Gray, 1970; Kulendran & Wilson, 2000; Turner & Witt, 2001) and suggest that TDC assessments should consider the effects of trade policy changes in surrounding destinations.

Some research limitations should be noted. It may be appropriate to apply the Delphi method or an equivalent in future studies with a view to interpreting some contradictory data. For example, some commentators believe that the SFTZ's development is decelerating (Chen, 2014) and that Hong Kong out-shines the SFTZ due to its transparency and attractive tax regime (Toh, 2014).

Future research may incorporate the impacts of the SFTZ on other dimensions of the Hong Kong economy such as business in general and finance in particular (Enright & Newton, 2004; Enright, 2005). These are the areas that will receive the most immediate and direct impacts

from the SFTZ. The effects of SFTZ on other Asia Pacific countries also merit attention from researchers. Furthermore, future research should explore how to combine the incremental TDC that arises from multiple events with a view assessing the overall impact on TDC.

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