Master's Thesis

Zero-dollar Tours in Bali: Understanding Chinese Bamboo Networks in Tourism

By

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Certification Page

I, Alex Dharmawan Winoto (Student ID 51217600) hereby declare that the contents of this Master's Thesis/Research Report are original and true, and have not been submitted at any other university or educational institution for the award of a degree or diploma.

All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

Alex Dharmawan Winoto

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LIST OF ABBREVIATIONS

ZDT	Zero-Dollar Tours
ADS	Approved Destination Status
SEA	South-east Asia
ASEAN	Association of South East Asia Nation
BN	Bamboo-Network
NGO	Non-Governmental Organization
IT	Information & Technology
UNWTO	United Nations World Tourism Organization
GPT	Group Package Tour
ICT	Information & Communication Technology
OTA	Online Travel Agent
UGC	User-generated Content
ITO	Inbound Tour Operator
OTO	Outbound Tour Operator
B2B	Business to Business
SARs	Special Administrative Region
GDP	Gross Domestic Product
BTB	Bali Tourism Board
PHRI	Indonesian Hotel and Restaurant Association
ASITA	Association of Indonesian Tour and Travel Agencies

HPI	Indonesian Tour Guide Association
PAWIBA	Bali Tourism Transportation Association
SIPCO	Society of Indonesian Professional Convention Organizers
PUTRI	Indonesian Tourist Attraction Organization
GAHAWISRI	Indonesian Marine Tourism Association
PATA	Pacific Asia Travel Association
GIPI	Gabungan Industri Pariwisata Bali
DISPARDA	Dinas Pariwisata Daerah (Regional Tourism council)
WWI	First World War
BI	Bank of Indonesia
GWK	Garuda Wisnu Kencana
LB	Local Balinese
CI	Chinese Indonesian
SP	Service Providers
TG	Tour Guide
TA	Travel Agent
GOV	Government
TO	Tour Operator
TDR	Tourist Destination Region
FIT	Free Independent Traveler
CIGT	Company Incentive Group Tour

ABSTRACT

Chinese outbound tourism has grown exponentially over the last decade, becoming a global phenomenon. Having geographical and cultural proximity to China, Southeast Asian countries receive a large proportion of Chinese visitors. One of the factors contributing to the growth of Chinese tourists in the region is the existing Chinese community in Southeast Asia, who play a vital role in bilateral trading between China and countries in the region. Tourism adds a new dimension to Chinese business networks in Southeast Asia. The international trade and ethnological study literature often characterize the Chinese business network as a Bamboo Network built up from the family-related connections functioning among the overseas Chinese community. However, little research has examined the effect of the Chinese Bamboo Network in tourism. This study bridges this theoretical gap in the understanding of the functions of Bamboo network through the provision of Zero-dollar Tours in Bali, one of the top tourism destinations in Indonesia in particular, and in Southeast Asia in general. Having first appeared in Australia 15 years ago, Zero-dollar Tours have raised great concerns among local authorities about revenue leakage in that country. Recently, concerns about the negative impacts of Zero-dollar tours in Southeast Asian destinations have been raised among authorities in the region.

The current study explores this recent phenomenon by conducting a series of in-depth interviews with different stakeholders in Balinese tourism. Thirty-four informants, who were local government officers, NGOs, travel agents, tour guides, and service providers participated in this study. Utilizing thematic and content analysis methods, the research presents findings in regard to the supply chain, stakeholder involvement, and the operating system of Chinese Zero-dollar tours in Bali. Factors contributing to the operation of Zero-dollar tours were identified, including the emergence of e-payment systems, business partnerships with chartered flights, travel agents, and souvenir shops in Bali that contribute to driving down tour prices. These partnerships remain among Chinese ethnic businesses and are relatively closed to the local Balinese. Theoretically, this study extends our understanding of the bamboo network theory in the tourism industry. Practical implications for policy making to govern Chinese tourism in destination regions are also drawn.

Keywords: *Zero-dollar tour, Bamboo Network, Package Tour, Chinese Outbound Tourism, Bali*

Chapter 1
Introduction

1.1 Background

Tourism, one of the world largest industries, has changed dramatically in the last few decades. Tourists from Europe and North America have been dominant since the end of World War Two (WorldBank, 2016), however they have now been overtaken by an emerging market, Chinese tourists, who have been in the top position in both international visitor arrivals and receipts since 2012 (Tracy, 2018). In 2017, the total number of Chinese tourists traveling worldwide was 324 million, accounting for one fourth of total worldwide outbound tourists, with their expenditure of 261 US$ billion making up 21% of the total international expenditure worldwide (Lamm, 2018).

Chinese outbound tourism is a recent phenomenon. Prior to 1978, travelling abroad was considered as bourgeois practice opened to a very small number of Chinese residents having relatives living overseas. Overseas travel was for family visit', and only later approved for business by the Chinese authorities (Arlt, 2015). The turning point for international tourism regulation was 1997, when tourism was considered as a way to bring in foreign money and expanding into China. The year 1997 marked the first major change of Chinese government policy toward outbound tourism, a shift from family visit and business trips into a leisure travel with the "Approved Destination Status" (ADS) program, allowing Chinese tour groups to visit countries listed within the ADS agreement (Zhang G. R., 2015). Australia and New Zealand approved ADS in 1998. By 2012, there were 115 countries participating in ADS agreements with Chinese tour agencies (Arita, Croix, & Mak, 2012). The ADS policy triggered a boom in the number of Chinese outbound tourists, from 9 million in 1999 to 29 million in 2004. By 2018, the number Chinese outbound tourists had reached 149.72 million (TravelChinaGuide, 2019)

A large volume of outbound Chinese tourists contributes to raising destinations' target number of inbound visitors, yielding higher expenditure, and employment rate (Gebicki, 2018). However, many destinations are unprepared to cope with the sudden increase of Chinese tourists, therefore, do not properly regulate this market. One of the negative consequences of the unregulated tourism phenomenon is the "Zero-dollar tour" (ZDT).

The first ZDT cases appeared in Hong-Kong (China) and later emerged in Australia, and other developing destinations with high numbers of Chinese tourist arrivals. The term ZDT derived from the zero-fare relation between generating region tour operators, i.e. Outbound Tour Operator and destination region tour operator, i.e. Inbound Tour Operator (Jia, 2004), where the inbound operator pays a fee to the outbound operator in order to get Chinese tourists to visit a destination. The provision of cheap tours is the coordination of travel agents and tour guides to cover basic accommodation, food, and transport and then cover this expense by selling optional tours or bringing Chinese tourists to many shops for additional revenue (Zhang, Yan, & Li, 2009).

Research on ZDT has been conducted in Hong Kong (Tse & Tse, 2015) , Australia (King, Dwyer, & Prideaux, 2006), and Thailand (Anonimous, 2018). Theories of ZDT have been proposed by Jia (2004), King et al. (2006), March (2008), Zhang et al. (2009), Chen et al. (2011). Often, ZDT cases are reported in Thailand (TodayOnline, 2017; Cuong, 2018), Vietnam (Chin, 2018), and Bali (Sidik, 2018) in local newspapers even though local people are optimistic about the impacts that Chinese tourists bring to their economy (Hutton, 2018). In October 2018, several news sources reported that the destination of Bali is being sold in China at a low price caused uproar in the local tourism industry (BaliPost, 2018). The news regarding ZDT in Bali has also caught the attention of local tourism authorities (Sidik, 2018), Southeast Asia region also has a high number of overseas Chinese (Skinner, 1959). Chinese migration established their networks providing supplies, information on destinations, and good and services' distribution between the Chinese communities in Southeast Asia (Yen, 2008), known as the "Bamboo Network". The combination of a high volume of Chinese tourists and the concentration of Chinese business communities, means that Southeast Asian destinations meet two conditions for flourishing ZDT as mentioned by March (2008).

Therefore, this study of the Chinese Zero-Dollar Tour phenomenon is timely and significant as it is grounded in the theory of the bamboo network and describes Chinese-ethnic connections within the tourism field. The destination of Bali has also been justified as Bali welcomes 75% of total inbound Chinese tourists to Indonesia.

1.2 Objectives of the Study

This research aims to uncover the Zero-dollar tour phenomena in Indonesia, Bali and has the following objectives:

1. To understand the operation of Zero-Dollar Tours (ZDT) in Bali, Indonesia;
2. To explore the role of Chinese ethnic business (the Bamboo network) in Bali in the provision of ZDT.

1.3 Research Questions

The following research questions are proposed to meet the above objectives:

1. What is the supply chain of Chinese tourism in Bali?
2. How does ZDT operate in Bali?
3. How does Bamboo-network function in the context of Chinese outbound tourism?

1.4 Thesis Outline

This thesis is divided into six chapters. Chapter one introduces the context of the study. Chapter two reviews existing literature regarding the theory of bamboo network, Chinese outbound tourism, zero-dollar tour, and tourism in Bali. Chapter three describes the methodology and explains how the research was conducted. Chapter four outlines the findings from analysis of the interviews. Chapter five discusses the extent to which the findings answer the research questions. Theoretical and implications are discussed. The last chapter draws conclusions and outlines the limitations of the current study.

Chapter 2
Literature Review

2.1. Introduction

This chapter reviews the existing theories and empirical research that form the foundation for the current study, including the Chinese "bamboo network", Chinese outbound tourism, and Bali tourism. In particular, this review centers on the implications of the bamboo network theory in relation to Chinese outbound tourism, where ZDT is one of the outcomes of this connection. The review also addresses the "zero-dollar tour" concept and its practice in Hong Kong and South East Asia.

2.2. Chinese Bamboo Network

In the discipline of international trade, business networks are important in overcoming non-tariff barriers (Rauch & Trindade, 2002). In between the business and cultural networks is a co-ethnic network. Co-ethnic networks prevent violation of contracts in a weak international legal environment by promoting international businesses through enforcing community authorization (Singer, 2006). Co-ethnic networks also promote mutual businesses by providing information on market conditions and linking potential suppliers and consumers (Casella & Rauch, 1998). Intra-ethnic network relationships may also affect the business by facilitating or constraining the player within (Aldrich & Zimmer, 1986). Chinese co-ethnic networks have often been referred to in the literature as the "Bamboo Network" (Cheung & Gomez, 2012), which significantly influences the country's bilateral trade and economic growth (Rauch, 2002).

The concept of the "Bamboo Network" is derived from a term to conceptualize business networks of overseas Chinese which are predominantly located in Asia (Cheung

& Gomez, 2012). The network mainly connects Greater China (Mainland China, Hong Kong, Macau, and Taiwan) with private companies in countries with a high number of overseas Chinese, such as Singapore, Malaysia, Thailand, Indonesia, Vietnam, the Philippines, and Myanmar (Murray & Hughes, 1996).

The Overseas Chinese have been a prosperous ethnic group for hundreds of years (Chua, 1998). In the postcolonial period of Southeast Asia, the overseas Chinese have become one of the most influential ethnic groups and play an important role in the economy of many countries in Southeast Asia (Unger, 1998; Chua, 2003). By the mid-20th century, the network had become an important part of the Greater China extended economic pillars (Hudson, 2014).

Historically, the Chinese ethnic group has long dominated in Southeast Asia (Chua, 1998). The earliest trading to Southeast Asia dates back to the third century AD, yet emigration did not start until the Ming Dynasty (1400s) and Admiral Zheng He's expedition to Southeast Asia (Chua, 2003). Following this expedition, from the fifteenth to seventeenth century the overseas Chinese were the sole ethnic minority to contribute significantly to the Southeast Asian regional economy and were the catalyst for the regions' economic growth (Yeung, 2004). During the European colonialization period a large number of emigrants from the Fu Jian and Guan Dong provinces of southern China travelled to Southeast Asia (Murray & Hughes, 1996). The last period of major overseas Chinese emigration was during the period after the Chinese civil war, where many refugees was forced to leave China, thus rapidly expanding the bamboo network (Chen M. , 2004).

As part of the Chinese migrants' influx to Southeast Asia, Chinese merchants began to establish their own trading networks, by providing goods and services and local market information between the Chinese communities within Southeast Asia (Yen, 2008).

These established networks between Chinese business communities that spread across Southeast Asia are known as the “Bamboo Network”.

The structure of the Bamboo network itself is associated with transnational trading in accord with Confucian philosophy (Crawford, 2000). Overseas Chinese in Southeast Asian countries, Greater China, and East Asia countries still adopt Confucian values in their cultures (Huntington, 1997). Moreover, their business structure is based on family ownership and centralized management bureaucracy (Pablos & Patricia, 2009). The family becomes the center of the business by providing capital, labor, and management, in which the advantages of this business style are its loyal labor force and flexibility in decision making (Yen, 2008). Ritcher (1999) stated that family businesses display “strong entrepreneurial spirit, family kinship autocratic leadership, intuitive, fast decision-making style, and a continuous chain of hierarchical orders” (p. 117). These businesses operate as small-medium enterprises, where the transactions happen between extended family or are connections based on personal relationships (*guanxi*) over formal relationships (Yen, 2008) to get more fluid transfer of capital where the local financial law has remained in a grey area (Weidenbaum, 2017). In addition to *guanxi* the Chinese business style emphasizes harmony, as it is believed that one is unable to survive alone, and not to create problems with others with whom they have connection (*guanxi*) (Nisbett, 2003). Lastly, these family businesses are passed down to the next generation instead of being given to a professional manager (Ritcher, 1999).

In modern times, Confucianism’s *guanxi* and harmony play a fundamental role in Chinese business transactions (Yeung, Handbook of Research on Asian Business, 2007). As a result of these notions, Chinese businesses usually prefer someone with similar ethnicity to avoid language barriers for transactions, rather than with indigenous people of the destination countries (United States Congress Joint Economic Committee, 1997).

The bamboo-network is well-documented in international trade. Cheng (2000) studied how the American Chinese group connect business between China and the United States. Another study by Leung (2001) explored the small and medium information and technology (IT) business enterprises of the Taiwanese in Hamburg, Germany and found that the role of transnational ethnic network serves as connection for developing the business and social life of overseas Chinese. Ahlstrom et al. (2004) also found that overseas Chinese entrepreneurs are facing difficulties in expanding their businesses using their traditional network-based business practices. In addition to social and economic purpose, the cross-border intra-ethnic businesses can be utilized for investors to create a partnership between China and other countries (Dahles, 2006). However, the rise of Chinese tourists worldwide has brought a new dimension to the study of Chinese business networks. Despite the importance of understanding the bamboo-network within the tourism field, yet, very little literature has addressed the topic.

2.3. The Network of Tourism Supply

Networking can be defined as "a process of developing and expanding personal networks, for the purpose of environmental scanning" (Smeltzer et al (1991). Bickerdyke (1996) contended that networks are dominant within service sectors, including tourism. Tourism requires high coordination and collaboration between players in its network to produce and deliver services and experiences (Baggio, Scott, & Cooper, 2010). The tourism network ranges from informal local cooperation, to formal partnership between local, regional government, and NGO, and other related stakeholders. The network helps in connecting the industry which is comprised of a high number of small businesses (Scott & Cooper, 2008).

The network of suppliers in the tourism industry is shaped through the connections between firms that are both complimenting and competing with each other (Ramayah, Lee, & In, 2011). These firms pass their customers to the other firms (Pavlovich, 2003). The fragmented nature of the tourism industry is characterized by a high number of small actors with few or limited resources (Halme, 2001), strengthening the need for inter-organizational networks to ensure their survival (Wang & Xiang, 2007) (Bjork & Virtanen, 2005).

The tourism network contributes to increases in destination quality and performance (Zach & Racherla, 2011), increases competition between firms and compensates for a firm's shortage of resources (Pan G. W., 2008). Networks can also help small and medium businesses to increase resilience (Luthe, Wyss, & Schuckert, 2012), and to develop new products and new regulations through collaboration (McCabe, Sharples, & Foster, 2012).

Tourism is regarded as an industry with high complexity, due to its highly price competitive nature, its perishable, intangible and inseparable nature (Sethi, 2017), and that customer involvement is mandatory within the service process. Scholars have argued about the elements needed for the Tourism Supply Chain (TSC) to function properly. Kaukal et al. (2000) suggested that the TSC requires that facility suppliers, tour operators, travel agents, and tourists are formed into one supply chain. Tapper and Font (2004) defined TSC as a "chain that is comprised of the suppliers of all the goods and services that go into the delivery of tourism products to consumers" (p. 4). Figure 1 and 2 below illustrate the concept of TSC.

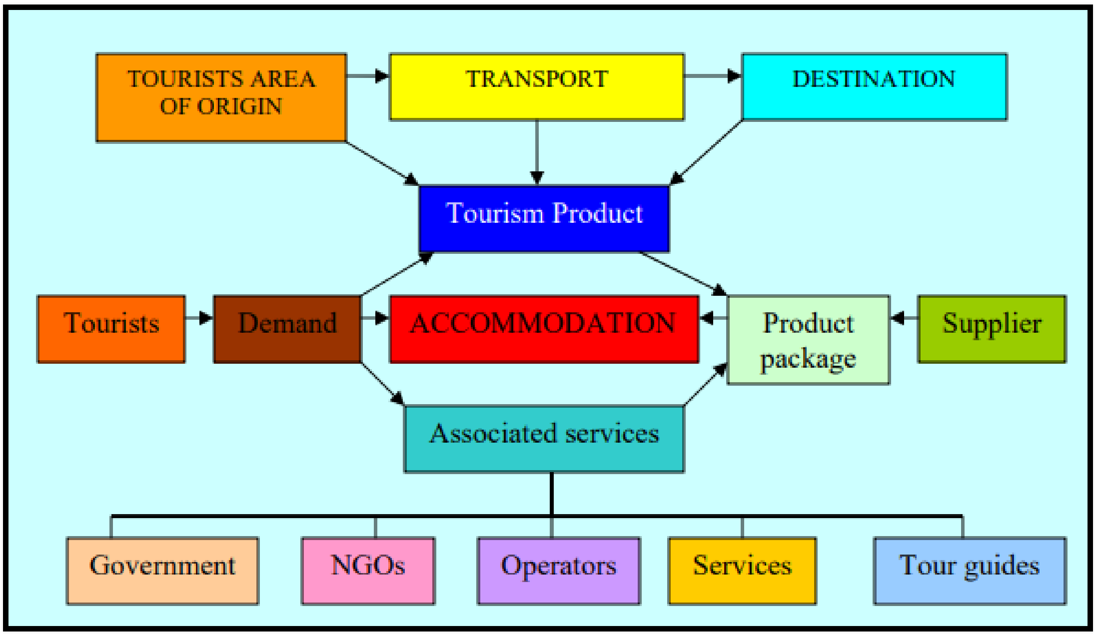


Figure 1. **Tourism Supply Chain**

Source: Adapted from Nelwamondo, T. (2009). ***Tourism development through strategic planning for non-metropolitan small to medium size accommodation facilities in Limpopo Province, South Africa.*** **Doctoral dissertation, University of Pretoria.**

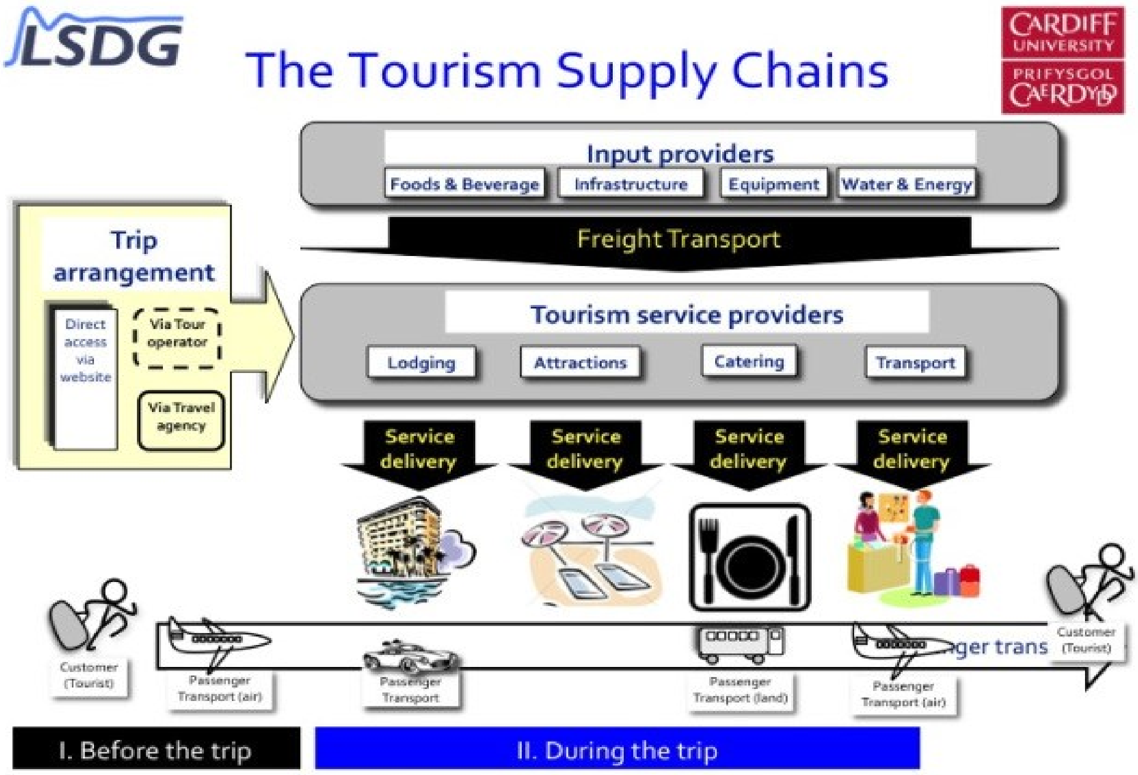


Figure 2. **Tourism Supply Chains**

Source: Adapted from Piboonrungroj, P., & Disney, S. (2009). Tourism Supply Chains: A Conceptual Framework. ***PhD Network Conference*****, (pp. 132-149). Nottingham, UK.**

2.4. Chinese Outbound Tourism

After the "Reform and Opening" policy was enacted in 1978, the Chinese government promoted inbound tourism to gain more foreign currency. And China outbound tourism started after the Chinese government changed their focus from an "inbound tourist" policy to an "outbound tourist" policy in 1997. The three periods of development of Chinese outbound tourism are the policy experimental period (1983-1996), the policy breakthrough period (1997-2008), and the rapid growth period (2009-Present) (Zhang, 2015). Based on government policy promoting outbound tourism throughout the 1983-2014-year period, Arlt (2015) divided Chinese outbound tourism development into four different phases: the first phase from 1983-1997, the second phase from 1997-2005, the third phase from 2005-2011, and the last phase from 2012 onward.

2.4.1. Policy and tourism development

The saying by Confucius "travelling for ten thousand li equals reading ten thousand volumes of books" remains current. Following this advice, Han Chinese travelled to other parts the world throughout the first millennium (Arlt, 2016). In the early days, Chinese travelers were Chinese migrants to neighboring countries, monks spreading Buddhism teaching, and explorers like Admiral Zheng He. Notably, Zheng He started his journey during the Ming Dynasty in the fourteen century, sailed seven times, and reached as far as the African continent (Dreyer, 2006).

In the 1950s, the Chinese government aimed to develop better understanding and relationships with other countries (Zhang G. R., 2015). This goal later shifted into using tourism as a political instrument to support the country's economic growth, and to gain foreign exchange. Following these changes, China's tourism market has changed from "China visit" to "Chinese visitor" (Zhang, 2015).Concerning Chinese outbound tourism, there are three official definitions adopted by the Chinese tourism authorities are "Outbound travel", "Outbound tourism and border tourism", and "Approved Destination Status" (Li, 2016).

First, 'outbound travel' is defined as the action of travelling to foreign countries, travel to China Special Administrative Regions (SARs), i.e. Hong Kong and Macau, and travel to Taiwan. These three different destinations require different travel documents. In official government's statistics, travel to these territories is considered as outbound travel, and travel to foreign countries is considered as travel abroad (Arlt, 2006). "Outbound tourism and border tourism" were the old term for current outbound travels. Approved Destination Status (ADS) is an agreement that signed by both China and destination countries, and is where Chinese tour groups are approved to travel to the respective destination country (Zhang G. R., 2015). Based on Chinese government regulations, China's outbound tour operators can organize tours to countries with ADS status; however, the destination countries reserve the right to issue a visa to Chinese tourists. By 2012, more than 115 countries have signed ADS agreements with China (Zhang G. R., 2015).

After the "Reform and Opening" policy in 1978 was enacted, inbound tourism was being promoted as the fast way to gain more foreign currency (Arlt, 2015). During the policy experimental period, Chinese citizens were allowed to leave China for "family visit" and "business trip" purposes (Arlt, 2015). During this period, "family trips" started in Hong-Kong and Macau, and spread later to South East Asia countries, and was travel in which the expenses were covered by their family living overseas. In addition to the "family trip", China's emergence and participation in the world economy resulted in many economic representatives going abroad on business trips (Arlt, 2015). Yet the

Chinese government heavily controlled the volume by limiting the quota of both inbound and outbound tourists and foreign exchange (Zhang G. R., 2015).

In the second policy breakthrough period, the Chinese government recognized the existence of outbound tourism in the “Provisional Regulation on the Management of Outbound Travel by Chinese Citizens at Their Own Expense,” and signed the first Approved Destination Status (ADS) agreements with Australia and New Zealand (Arlt, 2015). In 2000, Chinese government simplified the visa application procedures by eliminating the requirements for additional documents in addition to the standard travel document for Chinese tourists to travel abroad. In 2003, the Chinese government changed the unnecessary bureaucratic procedures from an approval system to an application system for a travel document; during the SARS outbreak in 2003, to support the Regions’ economy, the Chinese government also issued an individual visit scheme, which allowed Mainland Chinese to visit Hong Kong and Macau as individuals. During this time other foreign countries simplified their visa procedures for Chinese tourists, through “visa on arrival” or “visa exemption. By 2005, Chinese citizen could purchase foreign currency from several commercial banks, and a domestically issued debit card and credit card are accepted internationally (Zhang G. R., 2015).

The last major policy was the reform of the national holiday system to encourage Chinese citizens to travel abroad, especially during the 7 day golden week which has now become the biggest period of current Chinese outbound travel (Zhang G. R., 2015). An important milestone for Chinese outbound tourism policy development was marked in 2009. In 2009, the Chinese government emphasized that tourism is not only an important economic instrument but also a tool to improve international relations between China and other countries (Tse, 2013). The Chinese government continued to set up more travel agents for Hong Kong and Macau, and open more direct flight and tour packages to

Taiwan. Lastly, China has also focused more on bilateral events with other foreign countries, specifically in Europe to increase bilateral tourism exchange (Zhang G. R., 2015).

From 2005 to 2011, the number of Chinese outbound doubled from 31 million to 70 million (Li, 2016). Chinese tourists also became the new highest consumers of luxury and brand shopping across the world. Following the release of China's 2013 outbound travel figures, the French Foreign Minister, Laurent Fabius, announced that France would speed up the visa application process for Chinese tourists to 48 hours (AFP, 2016). By the end of 2013 France was attracting 1.5 million Chinese tourists, and had become Europe's leading destination for Chinese tourists (EuropeanCommision, 2017).

In 2013 China overtook USA and Germany as the biggest outbound market in the world (both in terms of visitor volume and spending), thus marking the beginning of the fourth phase of Chinese outbound tourism development. During this period, President Xi Jin Ping, emphasized the importance of Chinese outbound tourism and promoted plans to invest in foreign countries' tourism and encourage more Chinese people to go abroad.

In terms of international visitation by Chinese tourists, from 1994 to 2013 the number of Chinese inbound tourists around the world increased by 16 times, from 6.1 million to 98.2 million, with a 15.7% growth rate annually (Chen, Li, Zhang, & Hu, 2015). According to UNWTO, by 2013 China not only became the world number one destination for inbound tourists but also the tourists with the highest visitation and expenditure world-wide with 98 million outbound travelers (UNWTO, 2013). By 2014, 1 out of every 10 cross-border traveler consisted of Chinese tourists, making them as the most sought target within the global tourism industry (Arlt, 2015). However, in the same year it was reported that only 5% of Chinese population owned a passport (The Economist, 2010) from the total of 1.364 billion population (World Bank, 2018). In terms of expenditure, China's outbound travelers spent 110 billion dollars (Kester, 2014), compared to the U.S and Germany with 65 billion dollars each. However, this amount is only equal to around 91 dollars per person in China, compared to 990 dollars per person spent by the German international traveler (Arlt, 2015).

In concluding this discussion of the 3 phases of Chinese outbound tourism and policy development, it can be seen that China has changed from “China visit” to “Chinese visitors”. The Chinese government has utilized tourism to increase the country’s growth and to improve relations between China and other countries. It was also argued that the Chinese government uses tourism as a form of “soft diplomacy”, and tries to influence tourism development to be in line with the country’s political agenda. (Gill & Huang, 2006) (Tse, 2014)

2.4.2. Chinese package tours

Chinese tourists are attracted to package tours (Armstrong & Mok, 1995), especially bundled tours which cover all basic needs such as accommodation, meals, destination entrance fees, flight, local transportation, and tour guides (Sheldon & Mak, 1987). Language barriers and first-time travelling are the major reasons Chinese tourists choose group package tours (GPTs) (Jin & Sparks, 2017). Furthermore, the tendency to travel in group, reflects Asian people’s collectivist nature, and high uncertainty avoidance, where they want to minimize travelling risk (Meng, 2010). GPT involves huge numbers of tourists travelling on fixed dates, thus allowing bulk-buying of tour necessities at a much cheaper price (Bresler, 2011). Since Chinese tourists are price sensitive (Pan & Laws, 2001), the price difference becomes a pull factor for them to buy GPT especially if they are without experience of travelling abroad.

In purchasing GPTs, tourists are required to pay a fixed amount of money in advance, or pay half of it before travel, and the other half during their stay in a destination

(Heung & Chu, 2000). The itinerary within the GPT determines the patterns of interaction between tourists and whether the destination's culture and people are experienced. The itinerary also greatly affects the tourist's satisfaction rate regarding the destination (Wong & McKercher, 2012). GTP itself usually consists of airport, hotel, pre-tour briefing, scenic-destinations, restaurant, shopping, and optional tours (Wang & Hsieh A. T., 2000; Jin & Sparks, 2017).

Chinese package tourists buy gifts (Kwek & Lee, 2013) for their relatives during their travel (Nayeem, 2012), and their decision making in purchasing is influenced by their relatives' recommendations (Tynan, Teresa, Ennew, Wang, & Sun, 2010). Understanding Chinese cultural values, service providers utilize this to manipulate Chinese tourists in purchasing goods during their travel.

2.4.3 ICT in Chinese Tourism

The Internet facilitates the development of e-commerce (Vaugh, Gao, & Kipp, 2006), and websites (Shapiro & Varian, 1999). It has helped various industries in exchanging information and maintaining relationships. ICT for tourism has been increasing and has become very attractive for tech-savvy Chinese millennials by helping to remove boundaries especially for business purposes, overcoming the limitation that tourism transactions may be restricted by geographical boundaries. Ying et al. (2016) stated that online tourism networks promote destination marketing and can also be used for destination network research data resources.

By the end of 2013, in Mainland China there were 618 million Internet users, with 500 million users surfing through their smartphone. 90% of those Internet users had at least 1 social media account, with the number of social media users reaching 550 million (CNNIC, 2017). Among the major social media platforms in China, mobile social network and tourism social networking platforms significantly affect Chinese tourists' travel behavior (Liu, Shan, Jialu, Glassey, & Gang, 2017).

China's two well-known tourism social networking platforms are mafengwo.com and qyer.com. Both help their users create, view, and share their travel experiences with other users (Sheng & Liu, 2016). In contrast to these, Wechat users' friends' circles are relatively more intimate, and the users are more honest in sharing their experiences, which in turn can affect the travelling decisions of their circles of friends. Wechat's payment function known as WechatPay is therefore seen as a new opportunity for Online Travel Agent development marketing purposes (WTTC, 2019).

In earlier times suppliers needed to pass order to intermediaries and reach customers. The recent trend shows that Chinese tourists have started to switch from conventional booking methods to Online Travel Agent (OTA) and user-generated content (UGC) websites for their travel. These platforms focus on different business models, OTA serves as a platform which reconstruct the supply chain in the tourism industry by connecting suppliers directly to customers. UGC focuses on providing accurate travel results through a user-to-user sharing experience platform (Shi, 2018).

Using e-money during their travel is a current trend of Chinese tourists (McKinsey, 2018). In 2015, Alipay was the highest source, 73% of Chinese e-payments (Gao & Shang, 2016). According to Forbes, in 2017, the largest e-payment apps in China, Alipay and WechatPay, had market shares of 54% and 40% respectively (Luk, 2017). Social influence and networking ability affects Chinese users' motivations to use WechatPay (Wang & Gu, 2017), thus Wechat and WechatPay can be seen as digitalizing *guanxi* (business purpose) and harmony (social purpose) into one online platform. Gu (2018) discussed the impact of e-payments in Thailand as the Chinese tourists' favorite destination in SEA, showing that, despite its convenience, Alipay still faces some limitations in term of security control, reliability, acceptability, and legality, as the Thai government has not issued any policy regarding e-payment applications. With a higher number of Chinese tourists traveling abroad, the usage of e-payment abroad is forecast to arise.

2.5. Bamboo Network and China's Outbound Tourism

In the eighteenth century the first wave of Chinese immigrated to Southeast Asia. Many married local women, integrating both Chinese and local cultures, and served as the transnational connection between China and the Southeast region (Lockard, 2013). These connections laid the foundation for both China's economy and for its tourism development in the twenty and twenty first centuries. The Chinese business network is heavily influenced by *guanxi* when it comes to finding business partners and, harmony within the business transaction process is sought, allowing both parties to gain profit during the transactions (Leung, Lai, Chan, & Wong, 2005).

In the tourism context, Pan (2003) researched the framework of business network relationships between Australian inbound tour operators and Chinese Authorized Travel Agencies. The stage of relationship building was found to be divided into three, where the relationship within each stage needs to be established thoroughly before proceeding to the next stage. The relationship begins with normal business relationship phase, where both parties exchanging information between their respective partners. The next phase of the relationship is to deepen trust or friendship with both sides maintaining and giving face to each other. The last phase involves an in-depth and complex *guanxi network* as shown in the lowest part of Figure 3.

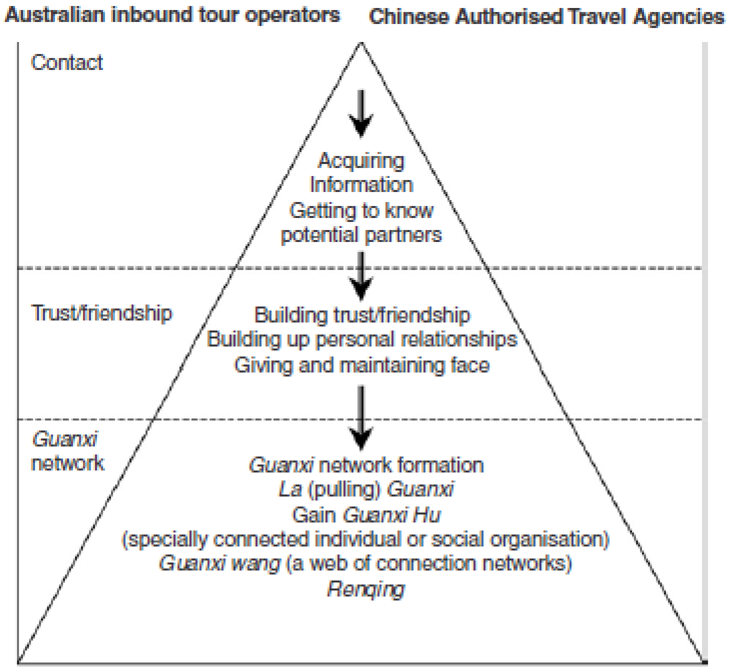


***Figure 3*. Business Network between Australian and Chinese Travel Agent**

Source: Taken from Pan, G. W. (2003). A Theoretical Framewor of Business Network Relationships Associated with the Chinese Outbound Tourism Market to Australia. *Journal of Travel & Tourism Marketing 14(2)*, pp. 87-104.

This framework was the first attempt to use Chinese ethnic business culture based on the *guanxi* notion in the inter-cultural tourism context (Pan G. W., 2003).

The Chinese in South East Asia

The origin of overseas Chinese in South East Asia dates to the 14th century when Admiral Zheng He explored South East Asia countries. Then, the next wave of Chinese immigration to SEA countries continued during the 19th to 20th centuries (Cavendish, 2007). From the 20th century onward, Chinese emigrants' offspring settled down and integrated with local society, often changing their nationality, but remained in contact with their family back home. The network between the Overseas Chinese and their origins is known as the “bamboo network”. Owing to the connection in the past through migration in South East Asian countries, the bamboo network has become the extended destination of Chinese tourists for “family visiting”.

Chinese tourists began to travel to Southeast Asia during the third policy phase of China’s outbound tourism (Qiu & Fang, 2016). Following the development of Chinese outbound tourism, modern Chinese travelers usually start within Asian countries as their first traveling experience, with Southeast Asian countries as their main choice, before going for long-haul destinations (Bowerman, 2014). Chinese tourists’ pre-long-haul trips choose Southeast Asia countries because of their similar natural and cultural environments, their close proximity to China, lower expenses, and Southeast Asia being seen as Chinese friendly given the number of overseas Chinese living there.

In 2016, the tourism sector in ASEAN generated 118 million foreign tourists to the region (WTTC, 2017), in which Thailand, Malaysia, Singapore, Indonesia, and Vietnam are the Chinese tourists’ top five destinations. Although Singapore, Thailand, and Malaysia have always been considered as “golden triangle” destinations by Chinese tourists (Cai, Boger, & Leary, 1999), Indonesia has also started to promote its destination and attract Chinese tourists using Bali as their promotional image, as Chinese tourists have always had high preferences on the island (Wan, 2019). In 2015 Indonesia relaxed visa requirements for Chinese tourists to visit Indonesia (UNWTO, 2017).

		YEAR				
DESTINATION COUNTRY	ORIGIN COUNTRY	2013	2014	2015	2016	2017
ASEAN	Total Country (World)	102 199 051	105 083 770	108 903 796	115 566 365	125 719 368
	China [CN]	12 651 154	13 059 472	18 596 288	20 339 261	25 284 005

***Table 1*. Chinese Tourists Arrival in ASEAN Countries**

Source:

Taken from ASEAN. (2018). *Visitor Arrival to ASEAN Member States by Origin Countries (in person)*. Retrieved from https://data.aseanstats.org/: https://data.aseanstats.org/visitors

By the end of 2017, it was reported that there were 129 million outbound trips by Chinese tourists, with 115 billion of total outbound expenditure. However, the number of Chinese people who own passports had reached only 10% of the population (Ctrip, 2018) compared to 5% in 2010 (The Economist, 2010). This reflects a massive potential for the size of future Chinese outbound markets. In terms of Chinese tourists' favorite destinations, Thailand, Japan, Singapore, Republic of Korea, Malaysia, USA, Indonesia, Viet Nam, Philippines and Australia are in the top 10 (UNWTO, 2018). By 2017, Chinese tourists made up 1/5 of the total inbound travelers to ASEAN destinations, where Indonesia welcomed 1.7 million Chinese tourists (Rosyidi, 2018). From the total of 1.7 million Chinese tourists who went to Indonesia in 2017, 1.4 million visited Bali for leisure purposes (Disparda, 2018).

As for the Indonesian government's 2020 target for inbound tourists to reach 10 million arrivals annually, Chinese tourists are seen as the main candidate to help (CNN Indonesia, 2019). Bali was chosen as the best-case study for the current research, since it was ranked in the top two favorite island destinations in 2017 by Chinese tourists (Ctrip, 2018). Furthermore, the term "10 new Balis" is used to promote Indonesia and attract more foreign national tourists, especially Chinese tourists. However, tourism activities are only focused on the southern part of Bali, namely Badung Regency and its surroundings. Thus, the author has limited the case study area to this regency and its surroundings.

2.6. Zero-dollar tours / "Zero-fare Tours"

Following the approval of many ADS arrangements from 1997 on, the Chinese government encouraged their people to travel abroad more. As Chinese tourists tend to be price sensitive (Olivier, 2015), group-based tours became a favorite choice for them. And to reduce the price further, a new practice in tour-packaging was implemented, starting the phenomenon known as the "zero-fare tour". The phenomenon of zero-fare tours started after China's policy breakthrough in 2002 involving some outbound tourist regions such as Hong Kong (2016), Australia (King, Dwyer, & Prideaux, 2006), and Thailand (Anonimous, 2018). The "zero-dollar" tour name was derived from the condition that an Inbound Tour Operator (ITO) does not receive any commission from an Outbound Tour Operator (OTO), resulting in zero-dollar / zero-fee / zero-commission / zero-fare connections between the two parties.

The first study to address this phenomenon outside China was King et al. (2006) and the authors called it an "unethical business practice". Jia (2004) defined it as a "Zero-dollar tour"; Zhang et al. (2009) defined it as a "Zero-commission tour"; and Chen et al. (2011) used the term "Zero-fare tour" to address the concept.

Following the China policies breakthrough phase in 1997, what were supposed to be "controlling outbound number" policies had resulted in a major rise of Chinese outbound tourists' . The "family-visit" scheme and the first China first ADS agreement, brought numerous Chinese outbound tourists to Hong Kong, Macau, Australia, and New

Zealand, as the first outbound destinations for Chinese tourists. However, this major increase was not followed by the regulation by the Chinese government of the new phenomenon, “零团费” or “zero-fare tours”.

The rising issue of zero-dollar tourism drew the attention of tourism researchers. King et al. (2006) discussed how the increase in China’s inbound tourism using “unethical business practices” in Australia could lead to the increase of negative word-of mouth comments about future Chinese inbound tourists to Australia. March (2008) conceptualized the practice of the “zero-fare tour” in the Australia market, he also argued that there is an unhealthy link in the Chinese market and that is the influence of the minority ethnic network within the practice. However, Zhang et al. (2009) analyzed 30 different cases in Thailand and Hong Kong, and argued that following the ADS agreement between China and destination countries, the rate of tours to destinations is starting to decrease.

Nathan et al. (2013) argued that one of the effective solutions in tackling zero-dollar tours is by controlling the supply side. However, as controlling the supply side is difficult, reductions of capacity and brand building are suggested to deal with the intense competition over tourism in China. Tse & Tse (2015) discussed zero-dollar tours from the legal perspective, and argued that government needs to intervene to tackle the issues, as this issue involves two country jurisdictions, and takes a long time to develop. Wang, et al. (2016) discussed how different power exchange strategies before shopping leads to different level of tourists’ self-resistance. Xu & McGehee (2017) found that the tour guides, as the unit involved at the grassroots level, described themselves as the victims of the practice, however, they also stated that it presented them with freedom and more opportunity to conduct transactions with tourists.

From the existing literature on zero-dollar tours several analytical frameworks may be listed. Existing frameworks of ZDT are by Jia (2004) as the first framework introducing ZDT, King et al. (2006) as the first framework to discuss ZDT from the Australian tourism industry's perspective, March (2008) discussed the antecedents and impacts of ZDT, and Zhang et al. (2009) conceptualized how the 9 factors that can make a tour can be categorized as ZDT, and lastly Chen et al. (2011) described the connection between OTOs (Outbound Tour Operators) / ITOs (Inbound Tour Operators), cheap price tours, and service quality within ZDT.

Jia's (2004) framework outlines the process of "zero-dollar tour". In normal business arrangements it can be seen that tour fares are shared by the OTO as the tour seller, the ITO who delivers the travel, and the tour guides who supply guiding services. However, in the zero-dollar tour business mode, the OTO does not give the tour fare to ITO and tour guides, which creates a "zero-income" condition for the local tourist operator. As the ITOs and tour guides do not receive any fare from the OTO, their incomes must be taken from tourists' expenses during their travel. However, this framework only discussed the process from industry perspective.

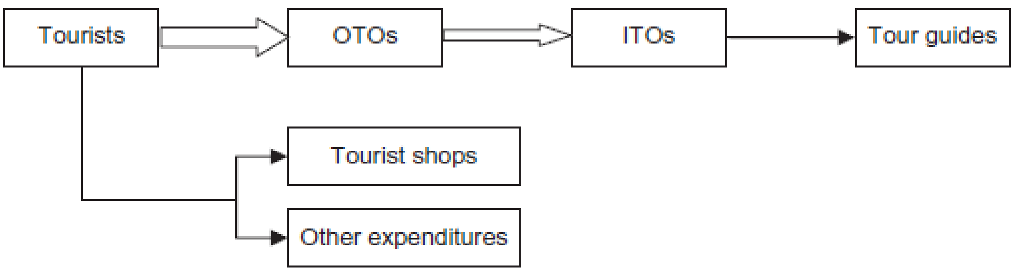


Figure 4. **Order Flow in Normal Business Mode**

Source: Adapted from Jia, Y. Q. (2004). An Analysis of "zero-fare" group tours and the management policies. *Social Scientist, 6(1)*.

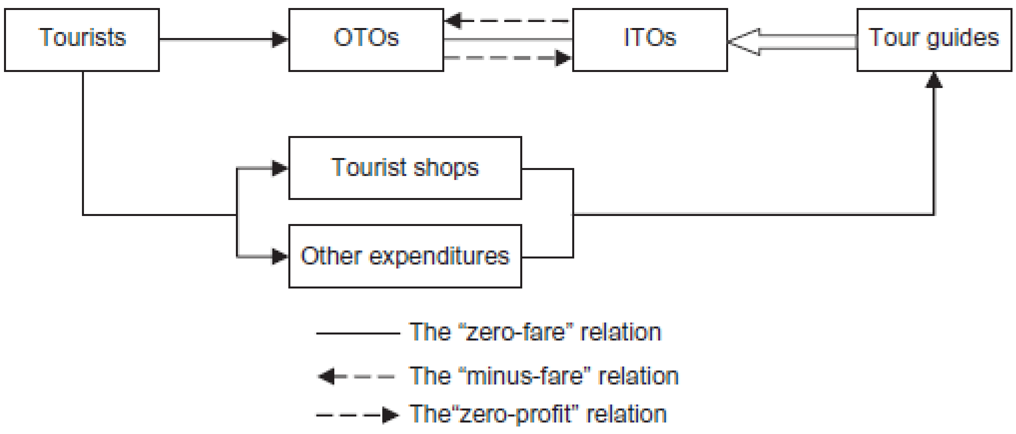


***Figure 5*. "Zero-dollar tour" business mode**

Source: Adapted from Jia, Y. Q. (2004). An Analysis of "zero-fare" group tours and the management policies. *Social Scientist, 6(1)*.

In addition to Jia's framework, King et al. (2006) was among the first attempt describing ZDT outside Asia. Although this study only describes the tour as an unethical practice, it shows a similar concept to Jia (2004) in regard to the cash flow system within the tour package.

These studies argued that OTOs as the source market provide the inbound tourists, giving OTOs more advantages over ITOs. But, ITOs as the price maker position within the industry are replaced by OTOs, which places the burden of competition on ITOs. Thus, due to less income coming from the OTOs, ITOs use other means of income generation to make up for the cheap price offered by OTOs, which includes commission from the service providers. Tourist might think that they pay cheap prices for the tour, however, they actually pay more during the tour, which is organized by ITOs to compensate the loss from the OTOs. King et al. (2006) also argued that using tourism expenditures as one source of income is possible, because tourists from an Asian background tend to have more additional expenditure than their western counterpart.

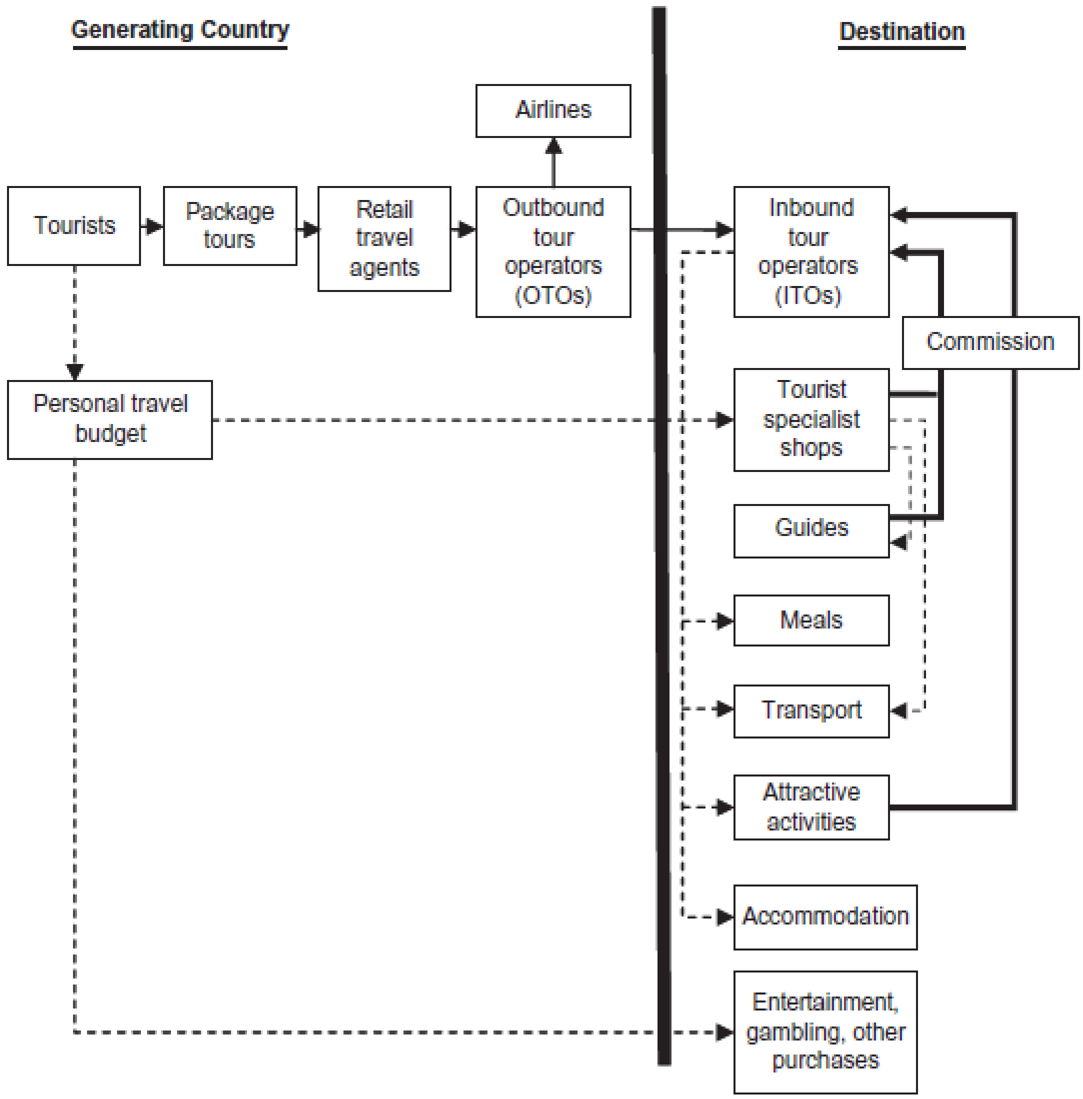


Figure 6**. Operation of Chinese Inbound tours in Australia**

Source: Adapted from King, B., Dwyer, L., & Prideaux, B. (2006). An Evaluation of Unethical Business Practices in Australia's China Inbound Tourism Market. *International Journal of Tourism Research 8*, pp. 127-142.

March's (2008) framework conceptualized the antecedents, impacts, and outcomes of unethical business practices in Australia tourism (Figure 7). The author described seven antecedents related to these practices, which can be divided into within destinations' and outside destinations' markets. The five antecedents within the destination market are: the regulatory environment, the degree of ethnic concentration within the destination, the ethical norms in the tourism industry of the destination, market maturity and proportion of group travel, and industry dependence on source markets. For outside destinations, two antecedents were stated: the ethical norms in the tourism industry of the source market, and the level of attractiveness of the alternative market. As for the impacts of the practices, two impacts were stated - Business to Business (B2B) and customer's impacts. The B2B impact can lead to three outcomes, which are that local businesses are forced to close down, that there is a lower employment rate, and that there is negative mass media coverage. For customer impact, negative word of mouth and low levels of visitation were mentioned.

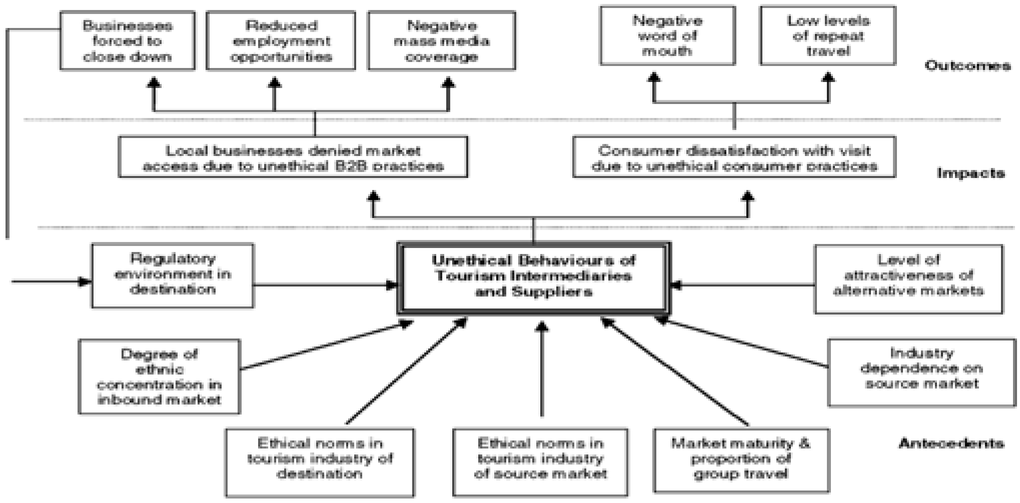


Figure 7. **Antecedents, Impacts, and Outcomes of Unethical Business Practices in an International Travel Market**

Source: Taken from March, R. (2008). Towards a Conceptualization of Unethical Marketing Practices in Tourism: a Case-Study of Austalia's Inbound Chinese Travel Market. *Journal of Travel & Tourism Marketing (24) 4*, pp. 285-296.

The framework of Zhang et al. (2009) consists of nine statements based on factual matter and cause of the zero-dollar tour (Figure 8). The statements are grouped into three different categories, action of tour operators, administrative and regulations' issues of Chinese outbound package tours, and individual tourist behavior. The first category includes, F3 "Homogeneity of package tour products", F4 "Transfer of burden to guides", F6 “Ambiguous contract”, F8 “Poor quality of self-paid items”. Second category includes, F1 “Group Travel”, F2 “Restriction on outbound receiving operators”, F9 “Ineffective complaint handling”. Last category includes, F5 “Incomplete information held by the guest” and F7 “Deceiving and bullying from the guide”.

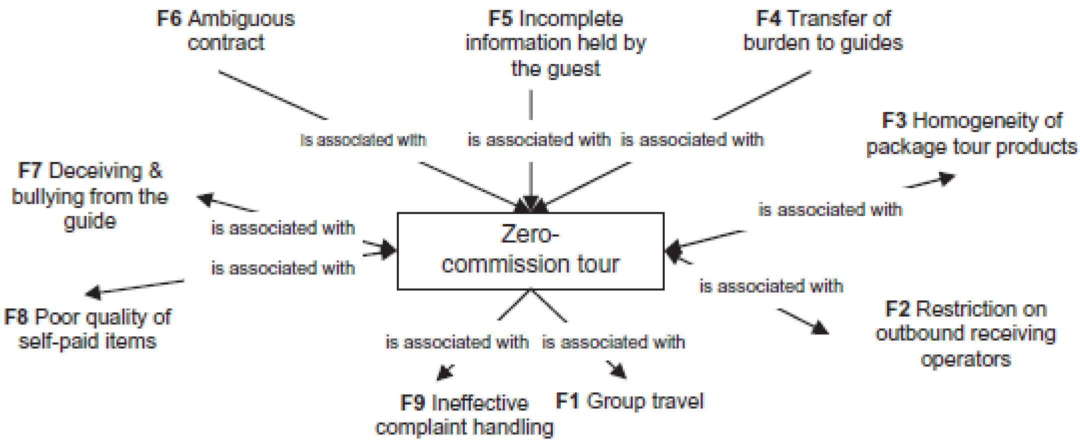


***Figure 8*. Factual Matters and Cause of Zero-Dollar Tour**

Source: Adapted from Zhang, H. Q., Yan, Y. Q., & Li, Y. P. (2009). Understanding the mechanism behind the zero-commission Chinese outbound package tours: Evidence from case studies. *Journal of Contemporary Hospitality Management (21) 6*, pp. 734-751.

Chen et al. (2011) stated that the relation between OTOs and ITOs, and low prices in the source market, resulted in inferior quality within the destination region. Within this context Chen et al. (2011) argued that “zero-fare” relation indicated that either ITOs do not receive any tour fare from the OTOs or both OTOs and ITOs share the tour fare, but with ITOs receiving zero-profit or even minus-fare from this. A low-price source market does not essentially mean a cheap price, as tourists might be forced to shop during their trip, where these additional hidden costs (or even service providers directly cheating on tourists) are used to compensate for the fare they lost.

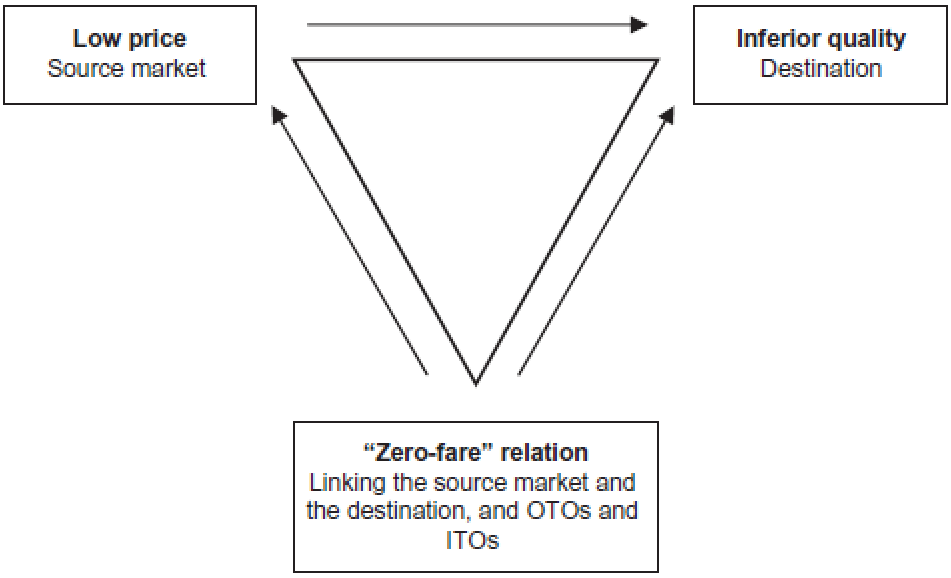


***Figure 9*. Relation of ZDT**

Source: Taken from Chen, Y., Mak, B., & Guo, Y. Z. (2011). "Zero-Fare" Group Tours in China: An Analytic Framework. *Journa of China Tourism Research, 7:4*, pp. 425-444.

The five frameworks outlined above, however, have inherent limitations. Zhang's framework (2009) translated directly the word "*ling tuan fei"* (零团费) to Zero-fare tour, where the essence of the work differ from Jia's framework (2004). However, Zhang et al. (2009) argued the reasons and factual matter of the issues, which Jia (2004) did not state, and King et al. (2006) and March (2008) only conceptualized low quality tours as unethical business practices. Chen et al. (2011) described the relationships between the zero-dollar tour, low price, and inferior quality for the purpose of grounding the phenomenon of zero-dollar tours in academic research, yet ZDT is not always affiliated with low price.

In practice, ZDT has caused concerns in Hong Kong, a China Special Administrative Region (SAR) with historical connections, Chinese family networks, and shopping paradises (Tse, 2016). In 2013, Chinese inbound arrivals reached 40.7 million, 75% of Hong Kong inbound tourists (Hong Kong Tourism Board, 2018). Their expenditure accounted for 65% of Hong Kong's total tourism income, valued around US$28 billion. As tourism GDP contributed 8.9 percent of the Hong Kong economy, then Chinese tourists' expenditure already contributes 5.8 percent of Hong Kong's total GDP. Of the US$28 billion worth of expenditure by Chinese tourists, 77.8% was derived from shopping (Tse, 2016).

In 2013, of the 40.7 million Chinese inbound tourists coming to Hong Kong, 13 million came in a group tour, and some of these travelers joined zero-dollar tours. Generally, these Chinese tourists are attracted by the low tour price to Hong Kong. After their arrival in Hong Kong, their itineraries are arranged by the travel agencies (Hornby, 2010) to recover their profit from selling low-price tours. These tours are often linked to itineraries consisted of mostly shopping outlets where tourists are forced to shop, giving a low-quality to the travel experience, and usually end up with tourists complaining about the tour (Tse & Tse, 2015). The case has also tainted Hong Kong's image as a world-class tourist destination (Chen & Mak, 2012), and it is known that certain tour guide sin Hong Kong curse their guests when they don't purchase in the designated shops (Fauna, 2011).

Hong Kong is well-known as a shopping paradise for international tourists, yet it is argued that "forced shopping" by mainland Chinese tourists has lowered Hong Kong's standard reputation worldwide (Wu, 2015). This phenomenon is not rare in new growing market, or among usually budget conscious travelers, Chinese tourists for example (Tse, 2016). To tackle the zero-dollar tour problem, the Chinese government issued the *Tourism Law of People's Republic of China*, which came into effect on October 2013. The new rule was only effective for the first year of its issue though, as the zero-dollar tour organizers found another method to avoid the law by using scam sponsorship in form of travel voucher redemption promotions (Lee & Mok, 2014). In the following year, forced shopping through the form of "cheap-tours" reappeared (He & Nip, 2012). In 2015, it was also reported that forced shopping had killed one tourist, due to their unwillingness to shop within the designated shops (BBC, 2015).

Zero-dollar tours have proliferated in Thailand, Vietnam, Indonesia, and other destinations in Southeast Asia with the rising number of Chinese tourists. Action has been taken though; for example in 2016, the Thai government closed three companies, 2155 buses were seized, and several people were arrested for operating cheap quality tours and money laundering (Chin, 2018). Following this, the number of Chinese tourists in Thailand dropped by 12% in 2016 last quarter. The Tourist Guide Association of Thailand also stated that, the tourists who buy zero-dollar tour packages are usually Chinese travelers who are travelling abroad for the first time and rely heavily on their smartphone to help them book their first trip to Thailand (TodayOnline, 2017).

In addition to Thailand, other ASEAN countries, such as Vietnam and Cambodia also aim for Chinese outbound tourists. Following the rise in arrival numbers, the zero-tour fee case also started to emerge in those countries. One year after the Thai government shut down the "secret shop", the Vietnamese government also followed to shut down 15 shops after the Prime Minister asked Quang Ninh Province to verify the low service quality in related destinations (Cuong, 2018). In October 2018, Bali local media reported on how Bali is being sold as low as $300 for a 5 days 4-night tour package (Sidik, 2018). Thus, although the issue of ZDT has been reported in many destinations, it has yet to be studied thoroughly. The academic literature is behind in catching with the speed of development in destinations like Bali.

2.7 Bali Tourism: Chinese outbound tourists, business network and ZDT

Bali tourism dates to the Dutch colonialization period. Dutch colonialists were mesmerized by its natural beauty and unique culture, and described Bali as the “Gem of Sunda Isle” (Howe, 2006). The first recorded foreign tourists visited Bali in the 1920s. Among those tourists there were artists and writers who later created the image of present Bali (Antara & Sri, 2017). Some notable artists were German painter Walter Spies, Mexican artist Miguel Covarrubias (1937), Austrian novelist Vicki Baum (1937), and other artists (De Zoete & Spies, 1938). Walter Spies was the most influential as he invented the present Kecak Dance, and guided other artists in their method of portraying Bali tourism (Howe, 2006). Bali tourism development was paused during the outbreak of World War II (1939-1945), and the revolution that brought Indonesian independence (1945-1949). Following the construction of first hotel and airport in Bali (Bali Beach Hotel & Ngurah Rai Aiport) in the 1960s, Bali’s tourism experienced rapid growth (Antara & Sri, 2017).

In 2017, Indonesia welcomed 14 million inbound tourists, 5.6 million or roughly 40% of them to Bali (Disparda, 2018). Of the total of 14 million inbound tourists, 1,972,405 were Chinese tourists (Kemenpar, 2018) and Bali welcomed over 1.5 million of these. Ctrip (2018) notes that Bali ranks 2nd in the list of Chinese tourists’ favorite island destinations. Despite the increased tourist number, tourist stay duration in Bali decreased from 3.55 (Knoema, 2014) days in 2014 to 3.05 in 2017 (Figure 10) (DISPARDA, 2018).

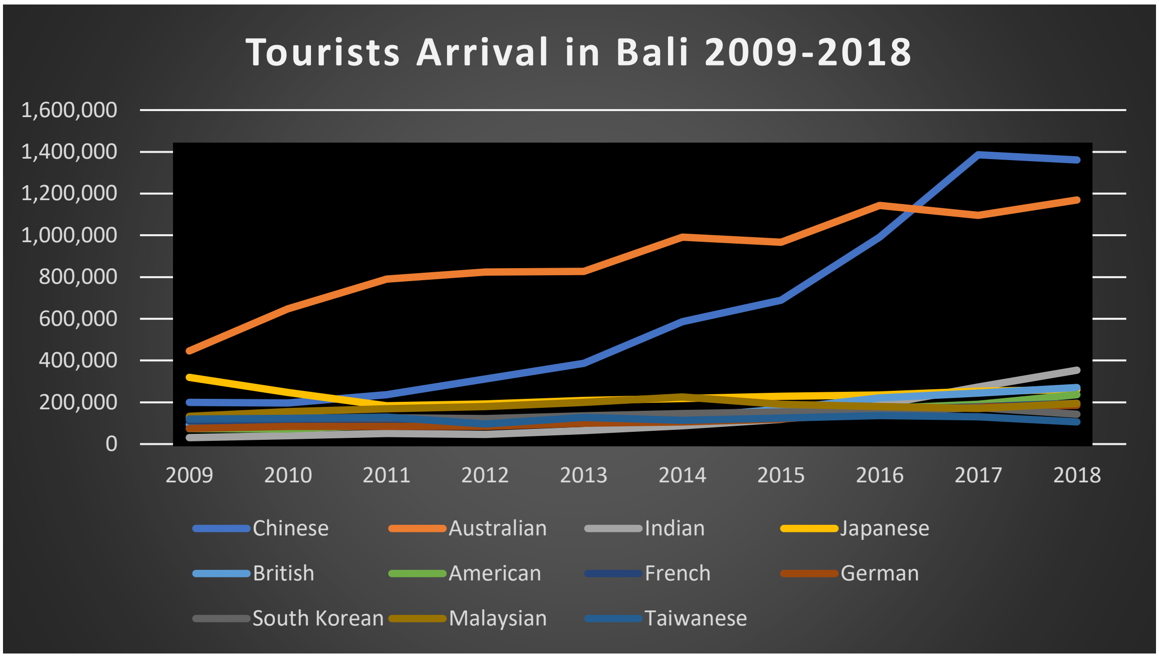


***Figure 10*. Foreign Tourists Arrival in Bali 2009-2018**

Source: Taken from DISPARDA. (2018, 4 4). *http://www.disparda.baliprov.go.id.* Retrieved from Statistik: http://www.disparda.baliprov.go.id/id/Statistik4

The history of Bali tourism can be divided into three phases: the first, during the early 20th up until prior WWI as the image creation phase; the second phase, lasting from the 1960s to 2002 after the first hotel and airport on the island were finished and huge number of western tourists came to visit Bali, the rise of the mass tourism phase; and the third phase, prior to the Bali bombing and onward, shifting in term of the number of inbound tourists in Bali, and welcoming more Asian tourists.

In 2017, there were 245 tourism attractions (places of interest) recorded by local government (Disparda, 2018). The number of each regency tourist attractions are as follows: Gianyar regency 61 spots, Bangli regency 42 spots, Badung regency 36 spots, Buleleng regency 25 spots, Tabanan regency 24 spots, Klungkung regency 17 spots, Jembrana regency 15 spots, Karangasem regency 15 posts, and Denpasar city 10 spots

(Disparda, 2018). These numbers do not include tourist resorts and tourism water sport companies.

There are various groups involved in Bali tourism**.** Currently, there are eleven tourism associations within the Destination Management Organization in Bali:

1. Bali Tourism Board (BTB)
2. Indonesian Hotel and Restaurant Association (PHRI), Bali Chapter
3. Association of Indonesian Tour and Travel Agencies (ASITA), Bali Chapter
4. Indonesian Tour Guide Association (HPI), Bali Chapter
5. Bali Tourism Transportation Association (PAWIBA)
6. Society of Indonesian Professional Convention Organizers (SIPCO), Bali Chapter
7. Indonesian Tourist Attraction Organization (PUTRI), Bali Chapter
8. Indonesian Marine Tourism Association (GAHAWISRI), Bali Chapter
9. Pacific Asia Travel Association (PATA), Bali and Nusa Tenggara Chapter
10. Bali Village tourism marketing and promotion association
11. Gabungan Industri Pariwisata Bali (GIPI)

After its re-establishment in 2011, BTB (Bali Tourism Board) served as a platform to link government, NGO, mass media, and local authorities, and to develop and enhance cultural tourism in Bali (BTB B. T., 2018)

In recent years, however, the market profile of Bali tourism has changed dramatically. Prior to the current rise of Chinese tourists in Bali, Bali has been the favorite holiday destination for Western tourists since the rise of mass tourism on the island in the 1970s (Lietaer & Meulenaere, 2003). Bali was always considered as a very safe island destination up until the bombings on the islands in 2002 and 2005, which gravely impacted its tourism sector (Darma & Hitchcock, 2008). Following the bombings, it was reported that three-quarters of people who were employed in Bali' tourism sector had their shifts reduced or were temporarily fired (Pambudi, McCaughey, & Smyth, 2009), and this affected the whole Bali island economy, livelihood, and a nearby province that is closed to Bali (Acharya). After the Bali Bombing incident, the island witnesses new tourism trend, as Chinese tourists rise a new market source for Bali tourism.

Since 2005 the number of Chinese tourists arriving in Bali has increased, reaching 1,385,850 in 2017, taking Australian tourist arrivals, the traditional market of Bali tourism, to number two with 1,094,974 (DISPARDA, 2018). Despite local Balinese involvement in the tourism industry, the rise of Chinese tourists has brought another ethnic group who has been residing in Bali since the 18th century, local Chinese, joining Bali tourism industry as culture mediator between Chinese tourists and local people. However, regardless of the involvement of Bali Chinese, the Bali tourism industry is still facing shortages in terms of Chinese guides (Atmodjo, 2015), and this has attracted Chinese Indonesians from other provinces to work in the Bali tourism industry despite not having any background in Balinese culture.

Bali was one of the islands inhabited by many Chinese Indonesians though. The origin of Chinese immigrants can be traced back to the era when Indian traders came to Indonesia. Bali being the center of Hinduism in the Islamic sea, records show India as one the earliest trader, however no artifact related to their interaction with the Balinese can be found nowadays, except Hinduism (Pringle, 2004). Chinese immigrant history to Bali is dated back to 616 AD. Following Indian traders, the Chinese trader was the second ethnic group to come in contact with the Balinese in the early days. The earliest evidence of interaction between Chinese and Balinese is recorded in old papyrus paper that can be found in museum in Singaraja. This is dated back to the Sui （隋）dynasty (616 AD) and records the fact that Chinese traders came to Bali then resided on the island (峇厘陵曙光教育基金会, 2010).

In addition to this old record, Gottowik noted the interactions between Chinese and Balinese shown in 2 other artwork traditions, “Barong Landung” and “Balingkang” (Gottowik, 2010). “Barong Landung” are 2 holy puppets consisting of black man (Balinese) and white woman (Chinese) and represents the sacred figures of King Sri Jaya Pangus and Queen Kang Cing Wie (Ferry, 2013). However, no clear history regarding the origin of these two holy figures had been found (Gottowik, 2010). Another story is related to Balingkang, the daughter of a Chinese trader who married the King of Kintamani (Gottowik, 2010), and a Hindu temple and a Chinese Pagoda were built in Kintamani to commemorate this event.

Based on the statistics from 2010, the number of Indonesian Chinese residing in Bali is 14970 (Ananta, Arifin, Hasbullah, Handayani, & Pramono, 2015). They mostly inhabit the northern district of Singaraja, and the southern district of Denpasar respectively. However, this number does not differentiate local Chinese from Chinese immigrants from other provinces.

2.7.1 The emergence of ZDT in Bali

Despite Bali’s popularity as a main Chinese tourist destination, in October 2018 several local news reported that Bali is being sold for a really cheap price to Chinese tourists (Mardiastuti, 2018). The BTB chairman stated, although they are staying in local hotels, eating at restaurants, and paying for their tours, the huge sums spent on the shopping they do in Bali are being siphoned back to China, which could reach as high as 70% (Hutton, 2018). Moreover, up to 60% of Chinese tourists come to Bali by buying Zero-dollar tours (Yuniartha & Adnyana, 2018). One of the tour packages from China to

Bali which does not include shopping starts from $1438, while the tour which includes a shopping itinerary can run as low as $758 (Massola & Rosa, 2018). Furthermore, the Chinese tourist itinerary in Bali is also comprised of several souvenir stores owned by Chinese foreign investors, and the products sold in the shop are imported from China and labeled as local products.

The utilization of Chinese e-payments in these transactions also worsened the situation as all of the transactions are conducted through e-payment applications, which leads to less foreign income to the Bali economy (Saubani, 2018). In November 2018, BTB and the Balinese government announced an official statement regarding the "zero tour fee" case. Within this statement, three major programs were proposed: the local governor would go to Shanghai and Beijing to clarify the current condition of tourism in Bali; they would increase the number of Chinese-speaking tour guides who understand Bali local culture; and the governor would close down souvenir shops which are linked with the case (Yuniartha & Adnyana, 2018).

Following the zero-tour fee case, a BI representative stated that, "payment applications must meet two requirements to be approved for conducting transactions in Indonesia: establish cooperation with a local switching company and be connected to major Indonesian banks" (Widjanarko, 2018). Up to January 2019, BI has not issued permits for either Alipay and WechatPay in Indonesia (TEMPO, 2019).

Though Chinese tourism has been evident, very few studies have addressed this growing phenomenon in Bali. Among the pioneer research, was a SWOT analysis on Chinese tourists and opportunities in filling hotels, in which the authors tried to tackle the negative paradigm regarding Chinese tourists' behavior toward hotel staff (Permadi, Sanjaya, & Narrotama, 2016). Another researched Chinese tourists' re-travelling intentions based on their comments about perceived value of travel guide services (Liu &

Deng, 2017). There has been no single study tapping the most recent phenomenon – the Zero-dollar tours, despite the fact that local authorities and the media have been greatly concerned about the impact of these cheap package tours on local economy and society.

2.8 Summary and Research Gap

The literature shows the connection between tourism and the bamboo network, as the rise of Chinese tourists throughout the world has brought this into the tourism industry. Zero-dollar tours were created due the vast amount of economic growth allowing Chinese tourists to travel but were not accompanied by appropriate policy development by the government. Moreover, the zero-dollar tour phenomenon started in destination countries with high Chinese tourist inbound numbers and overseas Chinese populations, suggesting a correlation between zero-dollar tours and the bamboo network.

Despite the analyses of the existing framework of zero-dollar tours proposed by different scholars, very little research has been conducted to verify the impact of ZDT on a destination. Zero-dollar tours increase price competition in destination regions, and together with e-payment usage, zero-dollar tours have changed tourism's mode of operation and provision. Therefore, there is a need to study the operation of ZDT and their function and 'innovation' in provision and financial transactions.

This study sought to bridge this gap and was conducted in Bali, one of the top island destinations for Chinese tourists. The focuses of this study were the zero-dollar tour phenomenon and current government policy regarding that phenomenon.

Chapter 3
Methodology

3.1. Introduction

Chapter three covers the methods used for conducting the study. The first section justifies the selection of the study site. The second section addresses the research paradigm. The third section describes the process of data, data collection and analysis. The final section outlines some methodological limitations of the study.

3.2 The Research Paradigm: Empirical Phenomenology

This study employs an empirical phenomenology approach to understand why and how the ZDT phenomenon works. First, the researcher needs to understand how people see the phenomenon. Second, the researcher is required to create an explanation based on the experience from the real people. Lastly, it is essential for the researcher to employ a theory approach to analyze and communicate (Aspers, 2009). Aspers (2009) also argued that language is seen as the medium in understanding people's mental content, and for people to express their mental attitudes.

Seven steps in applying empirical phenomenology within a study as suggested by Aspers (2009) include: (1) Define the research question; (2) Conduct a preliminary study; (3) Choose a theory and use it as a scheme of reference; (4) Study first-order constructs (and bracket the theories); (5) Construct second-order constructs; (6) Check for unintended effects, and (7) Relate the evidence to the scientific literature and the empirical field of study. Following the seven steps, the 1st to 4th steps of the approach were applied in the first phase of the data collection for this study. Following the results and analysis of the first phase, the second phase of data collection employed the 5th to 7th steps.

The data analysis in this study employed the interpretivist-constructivist perspective. Both interpretivism and constructivism take a similar ontological stance that "subject and object are dependent, where the real essence of the object cannot be known, and reality is constructed" (Iofrida, De Luca, Strano, & Gulisano, 2014). Constructivism argues that "truth and meaning do not exist, they are constructed by the subject's interaction with the world", which means subjects can interpret the same knowledge differently (Gray, 2013). The concept of constructivism itself links directly to interpretivism. Crotty (1998) defined interpretivism as, "culturally derived and historically situated interpretations of the social life world." Maxwell (2006) also argued interpretivism as, "the world is constructed, interpreted, and experienced by people in their interactions with each other and with wider social systems" (Tuli, 2010). Thus, epistemologically, we can understand phenomena by interpreting interactions and this study utilizes phenomenology as one of the perspectives within an interpretivist approach. Within the phenomenology perspectives, researchers must limit impact of their current knowledge on their understanding on the existing social phenomenon, while allowing the phenomenon to describe the real social condition, through the means of interview or observations (Gray, 2013).

It is essential to identify the researcher perspective in relation to the phenomenon under investigation. Kottak (2006) describes etic as "The etic (scientist-oriented) approach shifts the focus from local observations, categories, explanations, and interpretations to those of the anthropologist. The etic approach realizes that members of a culture often are too involved in what they are doing to interpret their cultures impartially. When using the etic approach, the ethnographer emphasizes what he or she considers important." and emic described as an approach to investigate how local people think. This study utilizes etic approaches.

3.3 Research Design

This study adopts empirical phenomenology employing qualitative method. The aim of this study is to understand the ZDT phenomenon in Bali tourism, where direct interactions with the key players within are essential. Moreover, as the data was gathered in the form of interviews (language) from the informant perspective, the qualitative method was chosen as the best method for this study (Minichiello & Aroni, 1996). The qualitative method allows us to address the problems in detail from real issues addressed from local perspectives in a local situation with local language (Anderson, 2010). Two major methods used for data gathering are in-depth interviews and site observation.

In-depth Interview

In-depth interview is known as a method to get deep and better insight regarding the interviewees' perspectives (Berry, 1999). Hitchcock & Hughes (1989) stated that there are eight types of in-depth interviews applicable for field research, which are conversations, counseling interview, diary interview, ethnographic interview, informal/unstructured interview, life history interview, structured interview, and survey interview. This study applies a structured interview, as the questions have been prepared beforehand, to the interviewees. The questions are mostly open-ended so they do not restrict the interviewees opinion regarding the cases.

The first phase of interview questions was generated based on the assumption that Chinese tourism is a social phenomenon regulated by Chinese cultural values. The first phase of interview questions consisted of seven part with a total of 32 questions related to Chinese cultural values addressed to local service providers who interact with Chinese tourists in Bali. The interviews centered on supply changes in tourism services in Bali. Having analyzed the interviews from the first phase, the researcher found that many of the references from service providers referred to Zero-dollars when describing the supply chain of tourism products and the interactions between Chinese tourists and local service providers. Therefore, in the second phase of interviews, questions in relation to the practice of Zero-dollar tours were developed in addition to the set of questions on socio-economic impacts of Chinese tourism in Bali.

Observation

Observation can be defined as “the systematic description of events, behaviors, and artifacts in the social setting chosen for study” (Marshall & Rossman, 1989). The author went to several tourist destinations servicing Chinese tourists in Bali, asking for permission to stay in the place for observations. The observations lasted 1 to 3 hours. The places chosen for the observations were recommended by the interviewees due to high number of Chinese tourists, such as Tanah lot and Garuda Wisnu Kencana (GWK), and Bali Galeria shopping mall.

Additional Sources

In addition to primary data sources collected by interviews and observations, the researcher collected additional data from local government meeting reports, articles on local newspapers, statistics and local government market analyses.

Sampling

Two groups of service providers who do not understand Chinese, and tour guides who are understand Chinese were selected for interviews. Each interview with service providers lasted from 30 minutes to 60 minutes, and between 60 to 90 minutes for the tour guides. In the first phase of the research, the interviews were usually carried out during the break time of the informants, or after their work, the earliest started at 10 AM, and the latest started at 8 PM.

Interviews were structured based on a list of questions generated from the literature (See Appendix). The snow-ball sampling method was used when interviewees recommended their friends for the next interviews. In the first phase of the research, 22 interviews were conducted, including 11 service providers in restaurant and hotels and 11 tour guides.

Following up the first phase of the study, a series of interviews were conducted in the second phase centered on the phenomenon of zero-dollar tours. The samples for the second interview included 3 local government representatives, 6 NGO representatives, and 3 travel agent employees. The duration of second phase interview ranged from 30 minutes to 90 minutes depending on the interviewees understanding on the topic. For the second phase, the interview was conducted during NGO and government office hour (8 A.M-2 P.M), and for the travel agent employees, the interview took place after office hour (after 5 P.M).

Site observation was conducted in between the interviews. The observation took place in Chinese tourists' popular destinations, such as Tanah Lot, Uluwatu Temple, and some shopping malls. The author observed Chinese tourists' behavior in the related destination, their interactions with local service provider and tour guides, and the social settings of the interactions. Site observation provides a context for understanding issues in addition to the answers provided by the interviewees. In the second phase of the research, the researcher received an invitation to attend a government promotions event for Chinese tourists in Kintamani, Bangli. Performing the role of a 'mystery shopper' in major shopping malls for Chinese tourists, the researcher took notes and pictures to aid in data analysis. Interviews were voice recorded but if the interviewees refused to be recorded, the conversations were typed during the interview. The results were then translated from Indonesian into English and analyzed. Profiles of the informants are presented in Table 1 and Table 2.

For the first phase, 11 service providers working in either hotels or restaurants and 11 tour guides were interviewed. The interviews were conducted for 1 month, starting in August 5 2018 and ending on September 5 2018. The average age for service providers was 31.5 years old with an average of 6.5 years of working experience, while the tour guides' average age was 45 years old with an average of 11 years working experience. There were 10 local Balinese Interviewees and 12 Chinese Indonesian ethnic employees, where local Balinese dominated the hotel and restaurant sections and Chinese Indonesians dominated the tour guides sector. Questions for interview centered on the patterns of interactions between Chinese tourists and local service providers. The list of interview questions can be found in Appendix I.

***Table 2*. Interview informants in the first phase**

Source: Author

No	Name	Age	Gender	Work Duration	Ethnicity
1	Service Provider1	23	F	2	Local Balinese (LB)
2	SP2	23	F	3	LB
3	SP3	32	F	3	Chinese Indonesian (CI)
4	SP4	36	M	8	LB
5	SP5	20	F	2	LB
6	SP6	34	M	3	LB
7	SP7	27	F	3	LB
8	SP8	33	F	7	LB
9	SP9	54	M	32	LB
10	SP10	32	F	7	CI
11	SP11	33	F	2	LB

12	Tour Guide1	78	M	10	CI
13	TG2	25	M	2	CI
14	TG3	23	M	1	CI
15	TG4	45	M	10	LB
16	TG5	68	F	27	CI
17	TG6	36	M	15	CI
18	TG7	38	F	19	CI
19	TG8	60	M	2	CI
20	TG9	30	M	9	CI
21	TG10	66	M	29	CI
22	TG11	25	M	2	CI

In the second phase, 12 informants were interviewed, where 6 of them are from NGO representatives, 3 informants work as travel agent employee, and 3 government representatives. The interviews were conducted for 15 days from January 15 2019 to January 30 2019. The average working experience for NGO employees was 24 years; government employee working experience was 18 years, and 1 year for a Travel agent employee. Government and NGO employees mostly consist of local Balinese, while travel agent employees were all Chinese Indonesian. Questions centered on the operation of zero-dollar tour and possible impacts of Chinese package tours on local economy and society. The questionnaire is listed in the Appendix.

***Table 3*. Interview informants in the second phase**

Source: Author

No	Name	Gender	Work Duration	Ethnicity
23	NGO staff 1	M	28	LB (Local Balinese)
24	NGO2	F	23	LB
25	NGO3	M	22	LB

26	NGO4	M	28	CI (Chinese Indonesian)
27	NGO5	F	13	LB
28	NGO6	M	29	LB
29	TA (Travel Agents)1	F	1	CI
30	TA2	M	1	CI
31	TA3	F	1	CI
32	GOV (Government Employees) 1	F	19	LB
33	GOV2	M	14	LB
34	GOV3	M	22	LB

3.4 Data Analysis

The interview's results were transcribed in Microsoft word, and were analyzed using grounded theory concept. Bernard (2016) divided grounded theory into 4 stages of analysis in which are "coding" and "concepts" are the part of open coding phase, "categories" are part of the axial coding phase, and "theory" is the phase of reflective coding. During the open coding phase, all statements were sorted based on their answers. The next step is to choose the statements and color-code them based on their categories. From the axial coding phase onward, this study employs thematic and content analysis method in analyzing the data. The process of data analysis is transforming the description/raw data into interpretation data (Sandelowski, 2003). It is also argued that, thematic and content analysis are suitable for less-abstract data with lesser interpretation (Vaismoradi, 2013).

	Thematic Analysis	Content Analysis
Focus and Aim	Present the data in its pure qualitative form	Possible to quantify the qualitative data
Description and Interpretation	Views data as texts and images instead of series of event to be interpreted (Krippendorff, 2004)	Minimal description more interpretation (Braun & Clarke, 2006)

Modalities of approaches	The inductive approach is used when there is no previous study related in literature (Hsieh & Shannon, 2007) where the deductive approach is used to test existing theories with different situation, or comparing situations (Elo & Kyngas, 2008)	
Consideration of context of data	Link and synthesize the emerging themes (Loffe & Yardley, 2004)	Count importance based on keywords' appearance frequency (Shields & Twycross, 2008)
Data analysis process	Generate initial code, searching for themes, reviewing themes, Defining and naming themes (Vaismoradi, 2013)	Can choose category before analysis, generalize the category (Vaismoradi, 2013)
Results' Evaluation	Need to justify that one results is not biased, and whether there are existing contributions based on the finding (Krippendorff, 2004)	

***Table 4*. Comparison of Thematic and Content Analysis**

Source: Adapted from Vaismoradi, M. (2013). Content analysis and thematic analysis: Implications for conducting a qualitative descriptive study. *Nursing and Health Sciences (15)*, pp. 398-405.

Despite their similarities in the result evaluation, both methods employ different descriptions and interpretations, modalities, consideration, method of data analysis, and aims and focuses. Content analysis is suitable in reporting common the data within content analyzed (Green & Thorogood, 2006). Moreover, in content analysis, it is possible to quantify the qualitative data based on the number of appearances in the content (Gbrich, 2007). On the other hand, thematic analysis identifies the connection within theme that emerges across the data (DeSantis & Noel, 2000), and purely presents the data in its qualitative forms (Braun & Clarke, 2006)

First phase results were analyzed using content analysis, where the social, economic, and service-scope categories were developed first. Sub-categories were created following the emerging words within the interviews' data. Lastly, the number of appearances of the categories within the data were counted and conceptual framework was created. The first phase interview results were transcribed into Microsoft word before being moved into Microsoft excel. The first step of data analysis was color-grouping of the statements based on the category, the five major categories are "Service scope", "Economic", "Social-cultural", "Bilateral", and "Other". The next step was to generate codes or subthemes based on the grouped statements. The last step was counting the appearance of each subtheme in every category. Unexpectedly, the major problem mentioned the most in the interviews was zero-dollar tour. Then, it was selected as the next base for the second phase of the data collection.

Second phase employed thematic analysis to analyze interview data. In contrast to content analysis, thematic analysis identifies the data and categorizes them before choosing the theme suitable. The results of the themes were generated and reviewed to match every dataset within. Lastly the connection between each theme was generated to create one big conceptual framework regarding the "zero-dollar tour" (Figure 11)

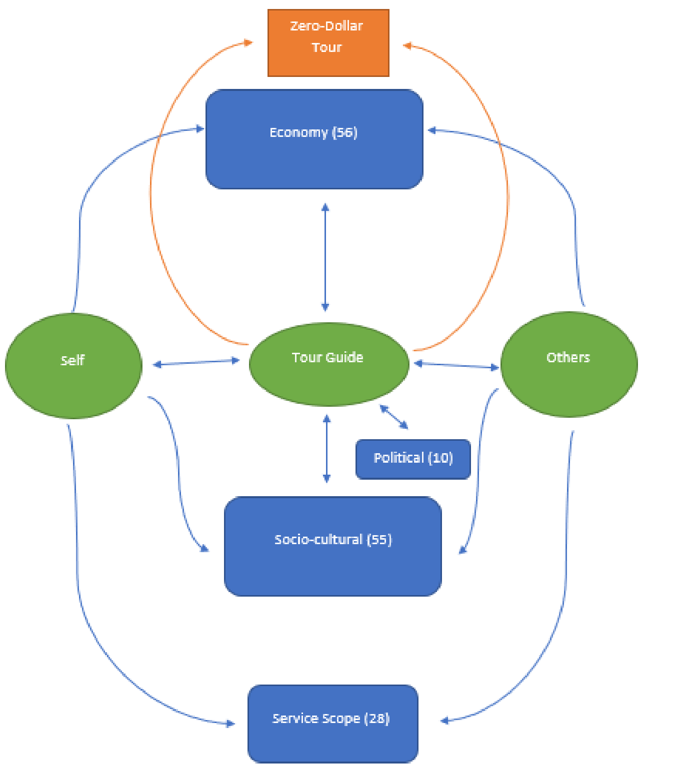


Figure 11. **First Phase results framework**

Source: Author

Similar to the first phase data analysis, the second phase interview results were transcribed in to Microsoft word and organized in Microsoft excel based on key players

(Travel Agent (TA), NGO, and Government). After color coding the statement, the statements were categorized based on its subtheme and themes suitable were then chosen.

There are 11 sub themes, which are, “tour scam”, “local violation”, “foreign violation”, “governmental policy”, “chartered flight”, “souvenir shop”, “commission culture”, “stakeholder”, “economic”, and “social-cultural”. The eleven subthemes were then organized into 3 major themes, “foreign involvement”, “local involvement”, and “regulation” dimension. “Economic” and “social-cultural dimensions are not shown as they are integrated with the results from the first phase of the interview’s results. Below is the raw mind map of the themes emerged from the second phase data (Figure 12)

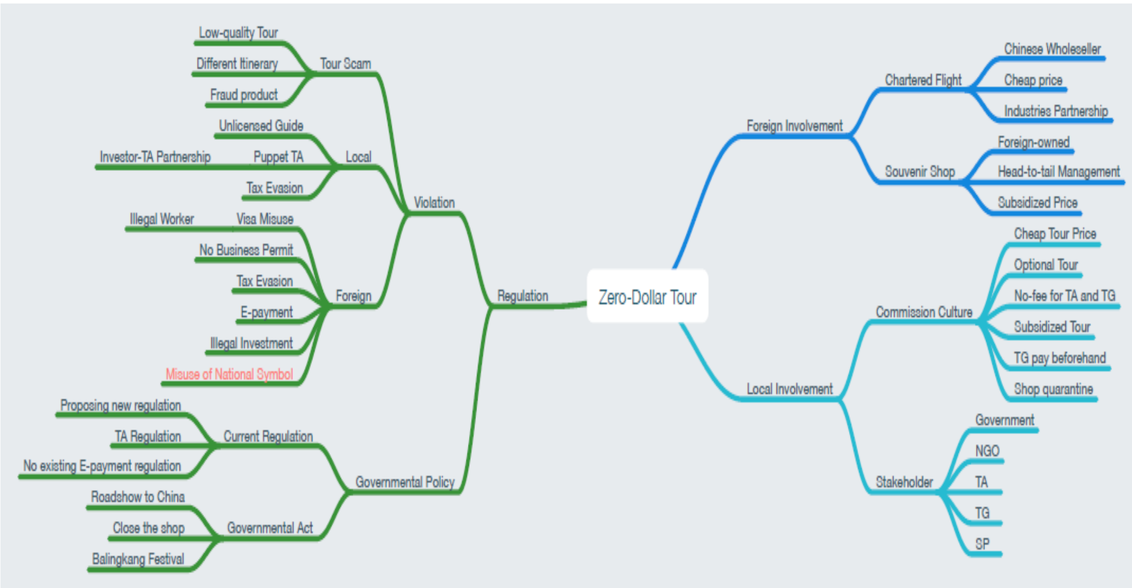


***Figure 12*: Raw Mind Map after axial coding**

Source: Author

The connection between each theme are integrated together to create a conceptual framework of the study which are discussed further in the next chapter.

3.5 Limitation of the Study

The research however, has certain limitations. First, its time limitation and interviewee candidate's willingness for interview. Due to limited time, the author only managed to interview 12 people during the second phase even though it was planned to interview 15 (5 from NGO representatives, 5 from government representatives, and 5 from the travel agent representatives). Moreover, as the topic of the study is quite recent and sensitive from the local perspective, some key interviewee candidates refused the interview offers.

The second is the limited literature regarding Chinese tourists in Bali tourism. Bali tourism research mainly focuses on Western tourists, thus, research and articles regarding Chinese tourists are not available to compare. Due to this limitation, the secondary data regarding Bali tourism with the Chinese market came mainly from the interviewees' statements regarding the situation, the author's observation in the destination, and statistical documents of Chinese tourists' arrival in Bali.

3.6 Summary

This chapter presented researcher's standpoint to the phenomenon under investigation and elaborated on why the qualitative method is the most effective method for data gathering in purpose of answering the research questions. Having connected two phases of the study, a research framework was generated that presents the interconnectedness of research themes found in the second phase. Research limitations were also discussed in this chapter.

Chapter 4
Findings

4.1 Introduction

This chapter presents the findings from fieldwork and is in five sections. The first section describes the Chinese tourism supply and distribution chain in Bali and its affiliated stakeholders; the second section analyzes the current state of Chinese foreign investment in Bali tourism; the third section analyzes on the zero-dollar tour phenomena in Bali; the fourth section presents existing local policies and regulations and the legal aspect of ZDT in Bali; and the last sections combine all the frameworks and analysis, and discusses the Bali tourism condition.

4.2 Chinese Tourist Supply Chain and the Awareness of Zero-dollar Tours in Bali

The three main components of the tourism supply chain are transport, product, and service that are inter-related to create whole tourist experiences. Within this supply chain, tour operators (TOs) serve as intermediaries between tourists and services provider. In the context of international travels, inbound tour operators (ITOs) and outbound tour operators (OTOs) bridge between the generating region (China) and the destination (Bali) by creating travel packages in the tourist destination region (TDR).

In the conventional tourism supply chain, the overseas travel agent (OTA) needs to pass the order to overseas wholesaler, then to the destination region inbound operator (ITO). Tour bookings can be classified into free independent traveler (FIT), company incentive group tour (CIGT), and family or honeymoon couple. The interconnectedness of different agents in the supply chain is presented in Figure 13

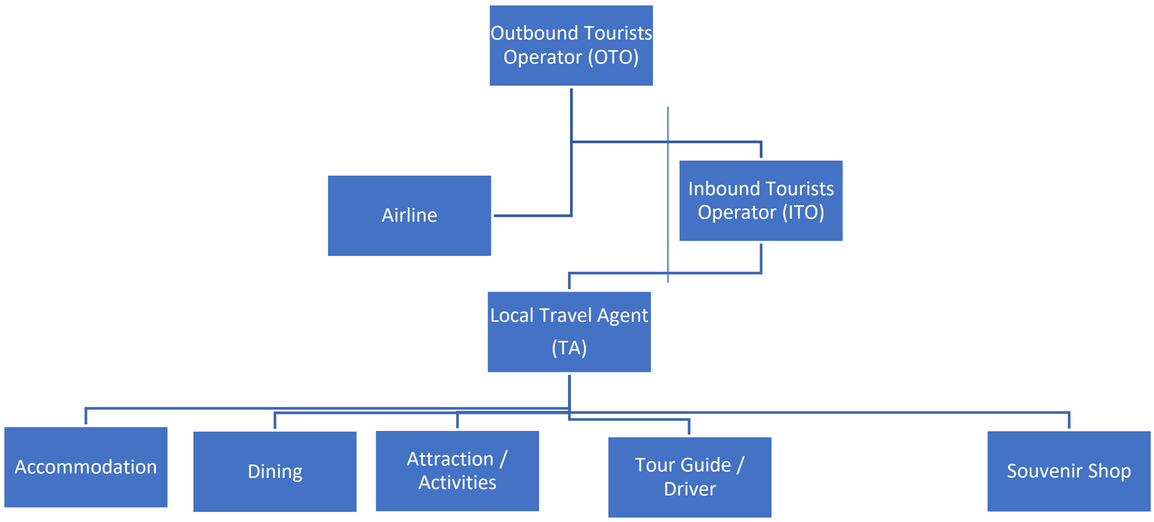


Figure 13. **Supply Chain of Chinese Tourists in Bali Source: Author's compilation**

Source: Author based on the interviews' results

In the supply chain for the Chinese market, ITOs still work with OTOs, but the local Travel agent communicates directly to OTOs in China. Tour packages and prices are set by the OTO, not by the ITO. This means that in the Chinese supply chain, the ITO has lost its role in creating the tour package, while the OTO negotiate directly with local travel agents. Local travel agents serve as the intermediaries between Chinese OTO and suppliers in Bali when the OTO/OTA in China direct all bookings and control tour prices.

Awareness of the ZDT

Service Providers (waiters / hoteliers)

The service providers in this study were waiters and front officers with a ratio of Balinese and Chinese Indonesians of 5:1. The interactions between service providers and Chinese tourists remain within the boundaries of the jobs specified for their positions. As hotels and restaurants are not directly involved within the ZDT scheme, staff are not aware of the existing zero-dollar tour cases, and they are optimistic with the rise of

Chinese tourism in Bali, which directly increases the occupancy of the service facilities where they work. However, there are also some comments about behaviors of Chinese visitors:

> *"Well I want to interact with them more, but again, there is language barrier between us, so maybe if I can speak Chinese then we will interact more." (SP8.SP.7.LB)*
>
> *"Many guests complain to us as they [Chinese tourists] are too noisy …. They are not friendly either, I don't know if they are too shy, or what, because every time I greet them, they barely respond, and maybe they think badly of us. They also have high expectation, so like if their room is not the same as they seen in the brochure, they won't even enter the room. However, if we treat them nicely, they will try to be nice to us also, and if what we said is same with their expectation, they usually won't have any problem." (SP2.SP.3.LB)*
>
> *"Higher arrivals of tourists from other regions will have better effect on Bali tourism, if Indonesia have a problem with western countries, other Asian countries can help by keeping the occupancy rate." (SP9.SP.32.LB)*

Tour Guides

Tour guides represent locals in the destination and serve as culture brokers between the Balinese and Chinese. The ratio between local Balinese and Chinese Indonesian Chinese-speaking tour guides is 10:1 or even less. It was reported there are only 482 active Chinese-speaking tour guides with 20 active Balinese tour guides in the Chinese language division (HPI Bali, n.d.). Tour guides interact directly with the tourists and are responsible for organizing tours for Chinese customers. Tour guides were the first party to mention zero-dollar tours:

"If I am not mistaken by last year there was 1.5 million Chinese arrivals, However, this year, Chinese tourists can come to Bali with only 1200 RMB, covering flights hotels and other amenities. However, tourists come to many shopping centers, instead of visiting tourists' destination. Tour guides have to pay for entrance tickets, so tour guides usually take tourists to place with free from entrance fee." (TG5.TG.27.CI)

The practice can be described as "gambling", not guiding the tourists. Gambling refers to income for tour guides who guide cheap tours (almost zero-dollar tour), in the way they try to maximize revenue by selling additional tours or bringing tourists to souvenir shops for commissions**.** Having served the zero-dollar tours, travel agents also need to cover expenses by adding more shopping activities in the tours to off-set pre-paid tickets and expense. The shopping facilities were purposefully built to accommodate the needs for shopping pulled by Chinese and pushed by tour guides and travel agents. These shopping facilities are exclusive to the outsiders as reported by a local NGO:

"But for the tour guides themselves, our tour fee is still too cheap. I think if we are taking Chinese tourists then we are more like gambling than guiding them, as Chinese tourists is all quantity over quality." (TG9.TG.9.CI)

"The prominent impact is heavier burden for our tour guide. We have told our local tour guides not to join this kind of gambling and subsidize practice, now some of them complaining on how they barely get any profit if the tourists do not buy any optional tours, or do not buy anything in the souvenir shops. As worker like tour guides do not need to get involved in this scheme as we just work to introduce destination to tourists." (Anonim7.NGO.28.CI)

Travel Agents

Travel agents in Bali help ITOs to sell the tour packages, completing administrative procedures prior to tourists' arrival, and linking tour operators with the local suppliers. Serving Chinese market in Bali, the duties of local Tas have changed. First, TAs change their roles in selling tour packages. local TAs duty is to connect the overseas tour agents with the local suppliers by receiving orders from the China-based operators and forwarding it to the local suppliers and collecting payments from local suppliers and passing this to Chinese operators. However, the evolution of e-payments has changed the role of local TAs, where they receive orders to serve customers, but do not collect payments anymore. The payments are made in China between Chinese tourists and Chinese tour operators. Therefore, only expenses are recorded in the system, but no data on incomes and profits:

> *"When I work as TA, I barely see any cash in our transactions, so they usually hold the transaction through Alipay or WechatPay, and only limited services such as overtime pay were paid with cash. Basically, we only know the data for the expense, and no data for the profit." (Anonim3.TA.1.CI)*

The orders for services, however, are passed within TAs owned by Chinese investors, which compete in a price war for Chinese markets. Therefore, to have more customers, Chinese TAs often try to lower the price. The command for lowering the price, however, comes from Chinese tour operators, local travel agents have no means to control this. The price-war leads to a zero-sum game when local suppliers and government in local destinations barely get any benefits from Chinese tourists, despite of a massive volumes of inbound Chinese to the destination.

"As the TAs in Indonesia, most of them only accept the order from the China. For example, the tourists order in China, and we just serve as the middle man between OTO to supplier." (Anonim3.TA.1.CI)

"So, if we want to get cheaper price, then obviously they will take us to stores that they are working together with. They will want us to buy there so they can gain profit after providing cheap tour to us." (Anonim4.TA.1.CI)

"The negative impacts are, the high number of Chinese tourists themselves, plus the case of tour to Bali are sold in a cheap price, resulting the service providers, local and city government, barely get any profit. (Anonim5.TA.1.CI)

NGO (GIPI Bali)

GIPI representatives consist of tourism associations; state enterprises; related companies (large and small) in the Bali tourism industry; Tourism and Hospitality Educational components and local communities. NGO people are familiar with both industry and government, where they serve as intermediaries between the tourism industry and local government. NGO representatives are the ones who received the report from tour guides regarding the zero-dollar tour cases. Since NGO can only monitor the field condition and cannot propose regulations or conduct law-related action, NGOs need to forward the report to government for further investigation.

"The key-players in the industry are NGO and governmental agencies. Government is responsible to create regulation, while NGO supports government by executing the regulation and giving government feedback. (Anonim6.NGO.22.LB)

NGO and local government representatives found that in several souvenirs shops the employees violate local regulations. It was also reported that Chinese tourists complained of being scammed when travelling to Bali. Figure 14 shows the posters of cheap tour packages to Bali.

Promosi Pariwisata Bali di Tiongkok

(Bali tourism promotion in China)

巴厘岛精品 5 晚 6 日 999 元

（Fabulous trip to Bali for 6 days 5 nights for only 999 Yuan = 17000 Yen）

***Figure 14*. Cheap Tour Online Posters Taken from Chinese Websites**

Source: Anonim11.GOV.14.LB

The findings on the operations of ZDT, however, will help local governments and NGOs to be aware of weaknesses and potential holes in tourism governance, and they will be able to advise local governments. An action to be taken to prevent unethical behavior of Chinese tour guides is that NGO are planning to increase the frequency of Chinese-speaking tour guide certification tests.

Local Government

Local government, as the highest level of Bali province administration, is also aware of the problem but did not identify the cause until they received reports from NGOs. For example, the Badung regency government mentioned that despite the increase in the total visitation by foreign tourists, especially Chinese tourists, the amount of revenue did not rise**.** Following the NGO report to local government, the vice-governor alongside NGO conducted investigations in suspected shops, where they found that those shops and their employees violate local regulations. They, moreover, noticed the transactions conducted through foreign e-payments which does not give any income to local people. Later it was also found out that several local travel agents are owned by foreign investors, and are not registered under ASITA, or serve as "puppet" intermediaries. The Chinese Consulate in Bali also reported that they received complaint of Chinese tourists being deceived in Bali:

> *"From what I observe, the impact is positive, especially if we look at it from the tourism income, however, after a few years, I realize that there is not any rise in Bali tourism economic prediction. the number of tourists' arrival which does not match with local economic income growth; the most important is market price competition between businessmen in selling tour package to Bali. These make Bali tourism unstable, which leads to no economic growth in the industry." (Anonim9.NGO.13.LB)*

It was reported that 60% percent of the total Chinese tourists' visitation to Bali are coming through zero-dollar tours, giving a bad impression about Bali, since ZDT does not follow local safety regulations for foreign tourists. Local government and NGOs went to China for a sales mission in December 2018 (BTB, 2018). The purpose of this sales mission was to clarify the issues regarding the shops and the tours. However, as many illegal shops would close, as a result, it was foreseen that the number of Chinese tourists' visits would drop significantly from January-June 2019 (BTB, 2018).

In January 2019, local government proposed a festival, the Balingkang festival, which aims to promote the Bali and China relationship. However, there is no effective policy to eliminate or mitigate ZTD, as ZTD is a form of business protected by consumer rights, and government cannot intervene in standardizing the price in the service industry. Thus, local government is also planning to update and emphasize more on policies related to foreign investment and ownership, goods sold in the souvenir shops in tourism industry, foreign employee work permits, and foreign e-payment usage in Bali.

4.3 Chinese Bamboo Network in Bali Tourism

The "Bamboo network" is used as the term to describe the current condition of Chinese-owned businesses in Bali tourism. Even if a business is not one of the overseas Chinese family businesses, the term bamboo network is used in investments which are connected to the "greater China network".

Based on the analysis of the supply chain for Chinese tourists, the researcher created a map presenting the connections between suppliers in the provision of package tours for Chinese tourists. The guideline of the Bamboo network theory states that Chinese business functions overseas based on the establishment of co-ethnic networks. The researcher identified elements of the supply chain belonging to local involvement, i.e. services are provided by local Balinese business and foreign involvement referred to elements in the supply chain provided by Chinese businesses. Figure 15 shows the connection between the foreign involvement theme and the local involvement theme. The "Foreign Involvement" theme consists of "OTO" and "Chartered Flight"; "Local

Involvement" theme consists of "ITO", "Tour Guide", and "Service Provider". In the diagram "ITO" and "OTO" connect generating region (China) and destination (Bali) together. "Souvenir shop" and "Travel Agent" are the form of collaboration between foreign and local people, since the participation of both parties are essential within the business' operation. Red-dot lines present the involvement of foreign investor both in term of investment or ownership on "OTO", "Chartered Flight", "Souvenir Shops", and presumably "Travel Agent". As for the red-dotted line near "commission culture", the line represents ownership of local TA by foreign investors, where the black line represents the probability of "commission culture" involvement if the TA is owned by locals but develops a partnership with China OTOs.

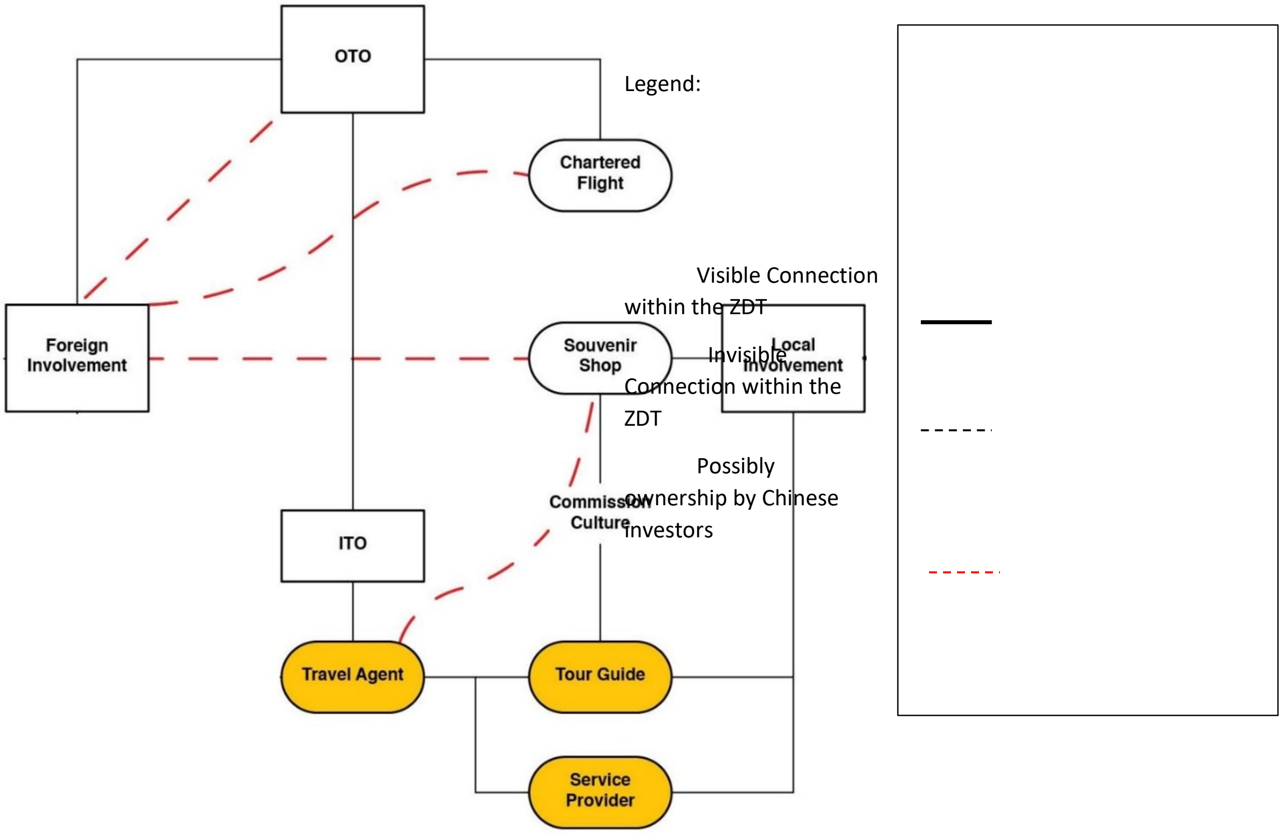


Figure 15. **Chinese Investors Ownership Network (Bamboo Network) in Bali**

Source: Author

Figure 15 shows that Chinese investors creates separated network in Bali tourism with Chinese being the only owners and managerial operators. Chinese investors are mentioned to be investing on airline transportation in form of chartered flight, OTOs, ITOs, travel agents, and souvenir shops.

Chartered Flights

Transportation accounts for the largest proportion of travel expenditure. As Chinese tourists are more price-sensitive (Pham, Nghiem, & Dwyer, 2017), cheaper costs of travel is appealing for Chinese tourists. To come to Bali, having the advantage of travelling in large group, chartered flights have proven to be a win-win solution with the booking rate as high as 90 percent:

> *"Airline companies also play an important role, as Sriwijaya and Lion Air provide the chartered flights. They usually use the Boeing 737 800 plane, and the booking rate is often at 90% or more" (Anonim2.NGO.23.LB)*

With the number of Chinese tourists coming to Bali rising annually, operating chartered flights is shown to be promising because of cheaper operating costs, resulting in cheaper fares. Based on these two factors, it can be concluded that chartered flights are one of the factors contributing to lower prices for China-Bali tour packages.

Intermediaries

To control the distribution channels of tourism services, Chinese investors set up a system of intermediaries for Chinese tourists. Several local travel agents in Bali are owned by the foreign Chinese investors, and only take bookings from China, dealing with local suppliers, who are also Chinese-invested businesses:

> *"TAs in Indonesia only accept the order from the TAs in China. For example, the tourists order in China, and we just serve as the middle man between OTO to supplier." (Anonim3.TA.1.CI)*

Local travel agents in Bali consist of three different types. First, the licensed travel agents which are certified and are registered within ASITA (the Association of Indonesian Tours and Travel Agencies). Second are the unlicensed travel agents that do not have permits but connect with Chinese OTOs. And there is the "puppet travel agent", who are local travel agents at risk of being bankrupted and were bought by foreign investors. Puppet travel agents 'borrow' the name and license of the local agents to enable foreign investors to put their feet into the local business in Bali and might or might not be registered under ASITA. Under Indonesian regulations, local travel agents are to be fully managed and controlled by local people. Therefore, the second and third type of agents might not comply with this regulation of ownership.

Souvenir Shops

Several souvenir shops targeting the Chinese market are also owned by or have received investment from Chinese investors:

> *"These souvenir shops make big impacts to Bali tourism, as they are usually owned by the Chinese investor themselves, or Chinese travel agent, or other party related to the industry." (Anonim11.GOV.14.LB)*

The souvenir shops sell various items that are favored by Chinese tourists, such as, latex, silk, swallow nest, etc. These souvenir shops can usually be found in Chinese tourists' favorite destinations, such as Tanah lot, Uluwatu Temple, Kuta or other destinations. These shops do not purchase their product from local vendors. Also, some souvenir shops do not open for the public, only serving designated tour groups, which raises a suspicion in surrounding local people.

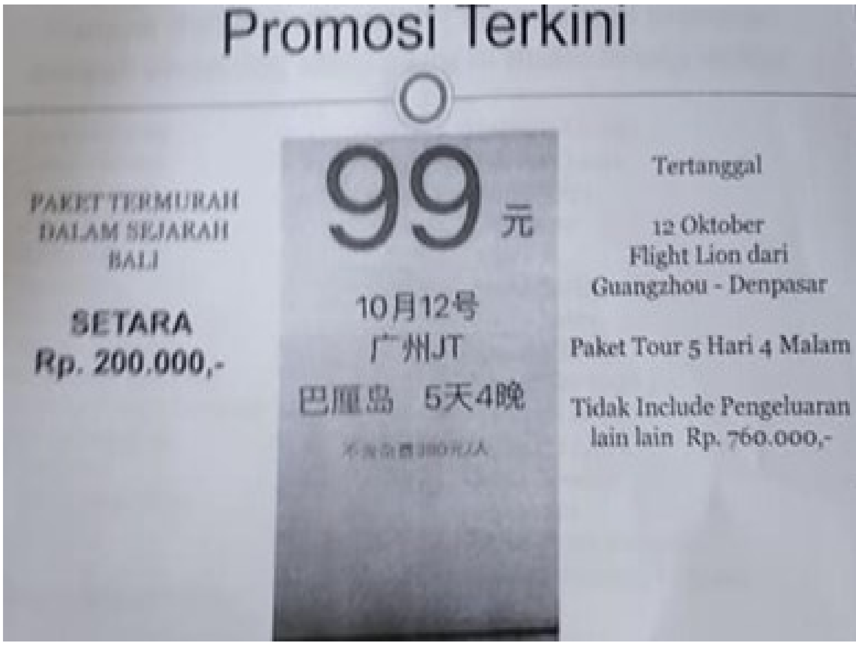
> *"Swallow nest, 'tongkat ali', and Chinese cigarette are not our products, but why they are sold here? We even cannot enter their stores, local people do not know how money has been transacted, if the shops pay any tax? I know the shops even employ Chinese using 3 months working visa. We cannot tell if they have their offices here or they work in the hotel, because I think they are illegal." (Anonim3.TA.1.CI)*

Chinese investors have expanded their network by investment in various tourism businesses in Bali, such as chartered flight service, OTOs, ITOs, and travel agent and souvenir shops. Furthermore, by controlling the supply chain, itineraries can be arranged based on the partnership or other properties in favor of Chinese tour operators. By that way, price and itinerary can be controlled:

> *"In some cases, both TAs in China and Bali and souvenir shops in Bali are owned by the same investors, so they arrange the itinerary beforehand to visit their own shops." (Anonim7.28.NGO.CI)*

4.4 The Operation of Zero-Dollar Tours in Bali

Recent Balinese news reports on how Bali was sold at a cheap package price (Rindra, 2018), which are referred to as zero-dollar tours in other countries, and known as "head-selling practice" by the local Balinese. Among 1.4 million Chinese tourists visiting Bali in 2017, 70% come in a big group tours, with an estimate that around 60% of the package tourists bought a zero-dollar tour (BTB, 2018). An informant showed several samples of brochures of the tour package to Bali for 5 days 4 nights being sold at a price from 99 RMB (about 2000 JPY) to 999 RMB (about 20000 JPY) (Figure 16).



Latest Promo

Cheapest 4-nights 5-days tour package (left sentence)

Only 99 RMB or equal to less than 2000 JPY (middle sentence)

Departing from Guang Zhou with Lion Air to Denpasar

Does not include additional expense

Bali tourism promotion in China

Trip to Bali start from 199 Yuan – 299 Yuan/ per person

Does not include private expenses

***Figure 16.* Online Posters which Shows Bali is being sold for Cheap Price**

Source: (Anonim11.GOV.14.LB)

It is shown in Figure 16 that the tour price's is only 100 RMB (about 2000 JPY), with small text written "Personal fee 380RMB / person". Personal expenses ranging from 360-600 RMB, however, no detailed explanation on what comprises "personal fee" in the brochure. It is noted that in reality three-star hotels in Bali costs around 150 RMB per night, and the package tour was sold around similar price for 4 nights-5 days tour.

The researcher drafted Figure 15, presenting the interconnectedness of the Chinese business network within the regulatory framework local government. In the figure, the bold-middle line separates China, the generating region and Bali, the destination region, in which ITOs and OTOs connect the two regions. Black lines indicate visible connections between elements, whereas black-dotted lines indicate invisible connections between elements. The red-dotted line indicates the Chinese bamboo-network partnership in the tourism industry, in addition the key players in the tourism supply chain include decision makers, i.e. government or observers, i.e. NGO and the governing tools, such as "regulation" and "government act". Evaluation of the current operation of tour package on the backdrop of local regulatory has been plotted, for example "violation" or "scam."

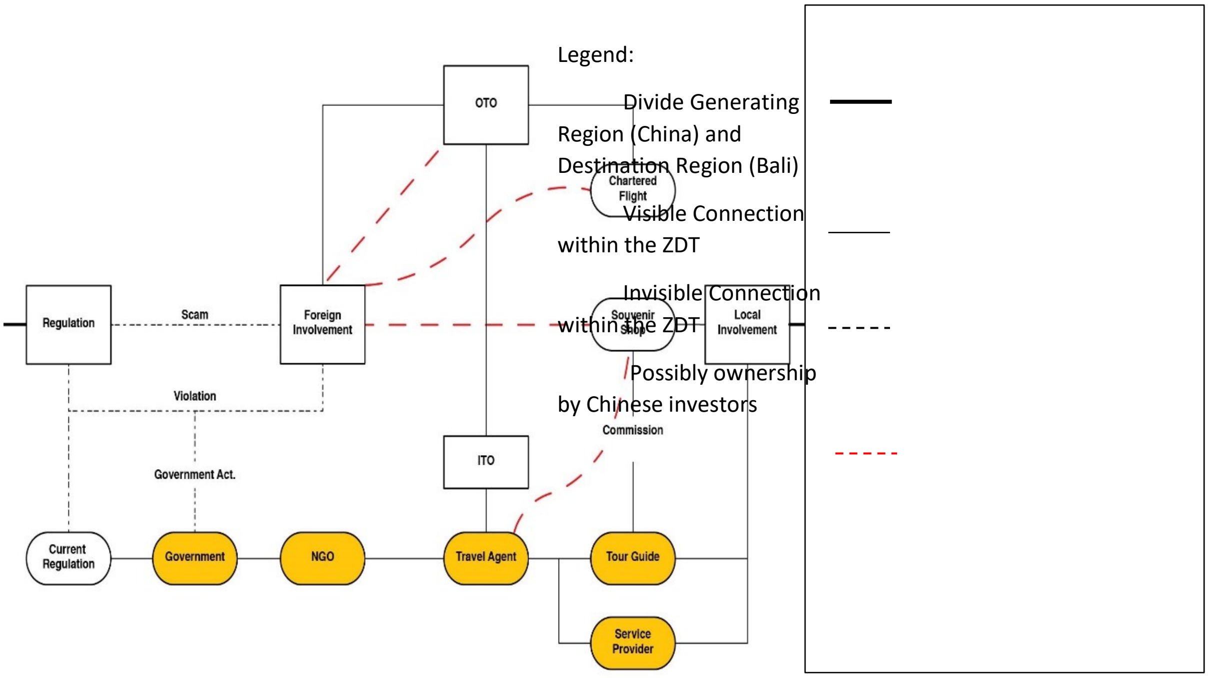


Figure 17. **Zero-Dollar Tour Framework in Bali**

Source: Author's Compilation

Head Selling for Cheap Tours

Transportation and accommodation account for the largest proportion of travel expense. Chartered flights are chosen as the cheapest means of transport for package groups. Accommodation sector offers special discount price for groups' tours to increase occupancy in the low seasons. Souvenir shops also play an important role by partially subsidizing the tour price and collect revenue from tourist shopping in return. Of course, Head selling, the sale tactic for "purchasing" tourists, existed in destinations prior to the age of Chinese tourist arrivals in Bali. However, the wave of Chinese tourists has dramatically transformed 'head selling'. In the past, tour guides received salary for their guiding service, and might receive a small incentive by bringing tourists to souvenir shops. Tourists were not forced to buy products offered in the shops. With the rise of Chinese inbound visitors to Bali however, Chinese tour operators drove down the tour price by eliminating operating costs, guiding fees, and entrance fees to lure more tourists. In the meantime, Chinese investors invest and open many shops in popular touristic areas only to serve the Chinese. These shops subsidize tour packages to further lower the price, with the agreement from tour operators to bring enough 'head', i.e. tourists to the shops to buy. The shop owners pay to the tour operators and guides certain amount of money for the "head" being sold to the shops. This is a type of compensation:

> *"Head selling practices existed in China, Taiwan in early 2000s only with a small number of shops, so the impact was not significant. In the past tourists were from Korean, Hong Kong, and Taiwan tourists. In 2000 they usually sell one tourist for 100 thousand rupiah, and tour guides might offer the tourists for optional tours during tourists' free time. Before, there were only tour guides and local people, without foreign investor involvement." (Anonim12.GOV.22.LB)*

"Now the number of tourists (Chinese tourists) are increasing but their quality is decreasing."

(TG5.TG.27.CI)

"In my opinion, Chinese tourists have their distinct characteristic which is differ them from other nationalities. Currently they sell quantity over quality of the tourists, they come in a really big group, in which can destroy some local tourism facilities"

(TG4.TG.10.CI)

Commission

To make ZDT feasible, OTOs do not pay for ITOs, thus making ITO unable to pay local agents and tour guides. Sometimes, tour guides are required to pay for tourists' meals or destinations' entrance fees, because these expenses have been eliminated from the tour costs, therefore, tour guides must 'invent' some ways to get money back by selling 'head' to shops and attractions.

"Under the cost-subsidy for tour packages, tour guide doesn't receive any fee, instead they need to pay for some tourists' expenses such as food, transportation fee, or even entrance fee. To cover these expenses, they need to sell tourists the products from the souvenir shops or sell optional tours such as watersport." (Anonim7.NGO.28.CI)

The tour itinerary, therefore, is designed in the way to maximize opportunities for shopping in return for commission:

"Those groups usually only stay in Bali for 4 nights 5 days. They will shop on their first 3 days, where on 4th day, TG will sell them an optional tour them to get an income" (Anonim1.NGO.28.LB)

The optional tours usually include services such as massage, spa treatment, or attractions that would give tour guides commission first by 'selling head' to the shop and second, by commission from total amount of money tourists spent at the shops. This is a kind of 'gambling', but tour guides are willing to take the risk, as in many cases, tour guides earn more money than the expense they might have to pay, as Chinese tourists often spend much money on shopping, consequently, making guides earn higher commission:

"But for the tour guides themselves, our tour fee is still too cheap. I think if we are taking Chinese tourists then we are more like gambling with them than guiding them, as Chinese tourists is all quantity over quality" (TG9.TG.9.CI)

Receiving commission has in fact transformed the role of tour guides, from a culture-broker between local and tourists by introducing destinations and cultures into an economic-broker who connects customers and shop keepers in Bali. Cultural attractions are eliminated from the tours and are being replaced by shopping malls one after another.

"The prominent impact is heavier burden for our tour guide. We have told our local tour guides not to join this kind of gambling and subsidize practice, now some of them complaining on how they barely get any profit if the tourists do not buy any optional tours, or do not buy anything in the souvenir shops. As worker like tour guides do not need to get involved in this scheme we should work to introduce destination to tourists." (Anonim7.NGO.28.CI)

4.5 Violations of Policies, Regulations

Scam Tours and Fraudulent Goods (Partnerships between foreigner & local people)

Under the pressure to earn commission, tour guides and tour operators switch the attractions to avoid paying entrance fees, making substantial changes to tour itinerary. Tourists complained that they were not taken to the destinations based on the itineraries and that their tour guides deceived them by saying that they were in the same destination but with a different background story**:**

> *"They work together with TA that they created in Bali, and made the tourists to follow their itinerary, which is different from the original one." (Anonim11.GOV.14.LB)*

Having received Chinese tourist reports about buying fake products in Bali, local authorities investigated and found that Chinese souvenir shops sold foreign good ranging from latex, silk, swallow nest with the label "Made in Bali". In fact, Chinese tourists only shop by images of the sample product (with good quality) displayed in the souvenir shops, then made order to the shop keepers. The order is transferred to the factories in China, then products are shipped to tourists' addresses in China. After tourists received the products, they realized that the products they received in China were different from the ones they saw and ordered in Bali, and concluded that the souvenir shops in Bali had sold them fake products:

> *"Some of the shops also are not registered in the Department of Trade, and Association of Trade. As for their development, they have created a link, so in their itinerary have included latex, silk, and coffee souvenir shops. Next is that*

they are using Bali's name. They have been selling, Batik Bali silk, where we all know that China is famous for its silk, not Bali." (Anonim2.NGO.23.LB)

"Based on our meeting results, those shops are not owned by local people, and the products that they sold in Bali are only for display, for example latex, as they will send the goods from their factory in China." (Anonim1.NGO.28.LB)

"Another crucial problem is how they invest shop and sell their good here, but they pay using their own payment method, Wechat, in which no money enters Indonesia. In one of the shops that the government has shut downed, they sell latex. However, they don't even import any latex to Indonesia, they just use the one here as display, and they will send the order from China." (Anonim7.NGO.28.CI)

The disparity between promised itinerary and experience and reality has made out Bali to be a bad destination, a land full of deceivers. Since the transaction took place in Bali, visitors were cheated when they travelled to Bali. However, in fact, the key players in Bali tourism to provide zero-dollar tours and excessive shopping for 'fake' products, are the mainland Chinese who reduced tour prices to almost zero, and Chinese speaking tour guides then 'sold' the tourist head to various Chinese-owned shops for commission.

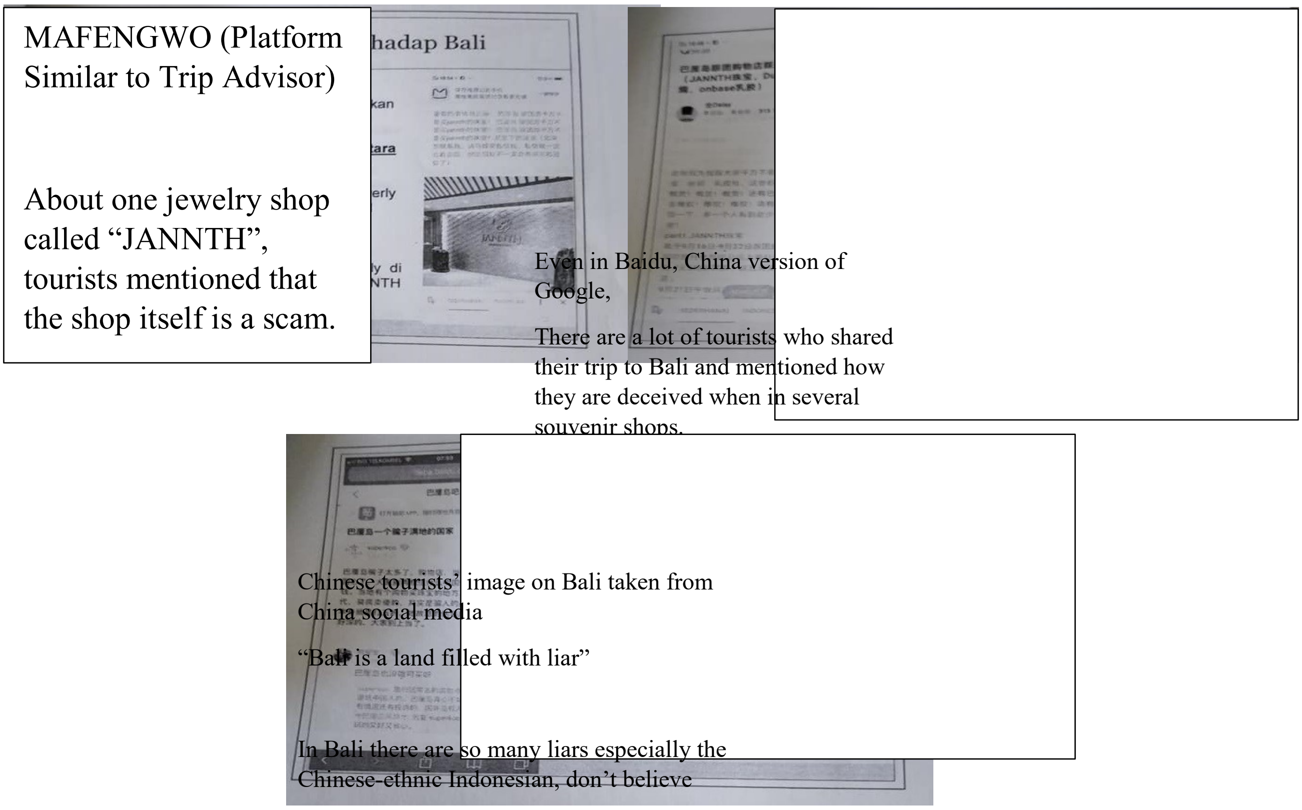


***Figure 18*. Screenshots from Chinese Travelling App “Mafengwo” on how Chinese tourists deceived in Bali**

Source: Anonim12.GOV.22.LB

Chinese investors in souvenir business violate local regulations, ranging from employing illegal foreign workers, using national symbol without permission, and using e-payment without license and tax declaration. There are 28 souvenir shops which have been blacklisted and closed by local government because they violated local regulations.

Several cases of illegal workers were reported. These workers do not have any working visa, are not registered in the Indonesia Ministry of Manpower and pretend to be local people but cannot speak Indonesian or the Bali language. These workers came by tourists’ visas, and work until the stay limit in Bali is expired, then they go back to China for a new visa and come back to Bali to work again.

TKA Ilegal (Illegal Foreign Worker)

TKA illegal yang mengaku sebagai orang Ondonesia dari Bali tapi tidak mengerti Bahasa Indonesia sama sekali.

Illegal Foreign Worker who pretend to be Indonesian from Bali, but don’t speak Indonesian at all.

***Figure 19*. Illegal Foreign Workers Who Pretend to be Indonesian**

Source: Anonim12.GOV.22.LB

> *“They come here with holiday visa at first, but then work here, and they even become guide here. They guide Chinese tourists like local guide do, and as they are already familiar with the local expenses, they know how to make their selling price cheaper, by lowering tourists' expenses. As for now maybe there are only like 1-2 foreign Chinese guide, and there are not any actions from the local government yet” (TG8.TG.2.CI)*

> *“Like the Chinese market they tend to misuse their holiday visa for other purposes; first case is that foreign tour leaders bring Chinese tourists and take over local guide jobs. Like there this one time when the tour leader got into fight with the local guide as the tour leader take over local guide job.” (TG7.TG.19.CI)*

Some souvenir shops use “Garuda” an Indonesia’s national symbol as a stamp to convince the tourists that their shops are authentic. According to Indonesian Regulation no. 53 promulgated in 1958, the national symbol can be only used in Indonesia for administrative purposes, and outside Indonesia for promotion purposes. It is forbidden to use the national symbol or similar image for business or trading purposes (LDJ, 2010).

The shops however translate Indonesia's five national principles into English to persuade tourists that the shops are actually owned by local Balinese:

> *"They even use "Garuda" stamp on their payment check to ensure tourists that their shops are legal. The 200 thousand rupiah in the brochure is just the flight and accommodation fee, which does not include the price for the forced shopping. (Anonim8.GOV.19.LB)*

The shops were also reported to use foreign e-payment, such as WechatPay or AliPay in their transactions. The tourists only need to scan the QR code, and their money will be transferred from their local bank accounts in China to the shops account which are also located in China:

> *''Of course, there are correlations between e-payment and cheap tours. WechatPay helps them in paying their transaction, they don't need to change money in money changer; moreover, using this platform, Chinese tourists can know the price in their own currency right away which help the transaction. However, this payment method prevents the money to enter Bali, as our current government does not have any partnership with Wechat." (Anonim9.NGO.13.LB)*

Despite the e-payment function assisting Chinese tourist transactions, since the-payments are not integrated with a local bank, no money enters Bali during the transaction. Moreover, e-payment usage in those shops is considered to be a form of tax evasion. The transactions are performed in Bali, but money has actually been transferred between accounts in China. Balinese Local government cannot track any transaction and cannot charge taxes to the tourists or the owners:

"We can say, that this case is well constructed, that they control everything from beginning until the end, so the money seems to enter Bali, but it does not." (Anonim6.NGO.22.LB)

"A creditable withholding tax of 2.5% (or 10% if the importer does not hold an import license) applies upon importation of goods" (Deloitte Touche Solutions, 2018)

Those e-payment platforms will not be considered illegal if they have partnership with an Indonesian bank. Currently no partnerships exist between the e-payments company and an Indonesian bank, since the Ministry of Trade and Economy cannot monitor the economic transaction and the expenses that Chinese tourists made in Bali. The usage of those e-payments in Indonesia are not recommended until new regulations are made by local government.

Local people are also forced to violate some local regulations, due to high demand for Chinese-speaking tour guide and businesses partnership. The violations by the local Balinese happen with travel agents. Among three types of travel agents identified: the TA with license, without license and the 'Puppet' travel agents. The last one is considered the most difficult to monitor as the company was bought by foreign investors to act on behalf of foreign owners with a borrowing name. The "puppet" might be registered under local ownership, but is not owned by locals, therefore it violates the local rule regarding foreign ownership:

"Chinese TA also buy some local agents who almost face bankruptcy and use their name to operate in Bali, which now are more known are puppet TA, or puppet Wedding planner, etc." (Anonime3.TA.1.CI)

"Puppet" TAs are also considered as one of the tax evasion practices, as the foreign investors are required to pay foreign tax, and by registering under local people's names, the investors do not need to pay additional taxes**.** Furthermore, for the foreign investors, owning local TAs can help expand their network and help them control distribution.

Bali is facing an inadequate number of Chinese-speaking tour guides. Despite of the number of the Chinese-ethnicity living in Bali, only a small number of them are able to speak the Chinese language. Bali tourism is a culture-based tourism, in which tour guides' deep knowledge of destination history is essential. To meet the demand of Chinese-speaking guide for tourism industry, local government then implements a tour guide certification test, where people from outside Bali who speak Chinese can apply to be a tour guide in Bali, and they must attend a preparation class on Balinese culture history for around 3 months. After 3 months, the tour guide candidates pass an exam related to Balinese culture and history, where they will get certification as a legal tour guide:

> *"Our Chinese tour guide also come from other provinces, where I don't think they have certain understanding on Balinese culture. However, as the Balinese themselves cannot speak Chinese, the government has regulated new rule, in which non-Balinese tour guide need to pass an examination related to their understanding of Balinese culture." (Anonim9.NGO.13.LB)*

Another reason for the shortage of tour guides is that the tour guide certification tests are only being held a few times a year. Therefore, travel agents can only hire people without tour guide certificate to meet tourist demand. Being uncertified, tour guides do not possess deep understanding of Bali culture, therefore, tour guides are more likely to be involved with the shopping gambling business ("zero-dollar" tour practice), as they only focus on selling goods to the tourists:

"Tour guides main duties are to provide information for tourists during their travel and filling the cultural gap between two countries. However, in this case, not only in Chinese division, even in other language divisions, sometimes TA employ unlicensed guides, in which they do not understand what tour guide's responsibility. When TA employ a tour guide, according to local regulation number 1-2010 regarding travel behavior, TA cannot give any subsidy to tour guide, and tour guide cannot subsidize anything to the tourists." (Anonim6.NGO.22.LB)

Actions by Government

In response to the violations emerging from the ZDT cases, government representatives mentioned that they have taken a quick-approach to solve the recent ZDT cases. As data collection took place 4 months after the report of the ZDT cases, some regulations were still not effective during the time of the interview. However, local government has carried out several actions to tackle the problems.

First, illegal shops are being closed. It was mentioned that there are about 28 shops violating local regulations. The government has shut down these shops and created a white-list of travel agents that are eligible for tour-booking purposes in Bali. This was then followed by a roadshow to China in late October by local government to raise awareness about zero-dollar tours, and to present the travel agents in China with a white-list of eligible agents certified to the Chinese government. In early January, local government proposed a festival, the Balingkang Festival, to promote relationships between Bali and China.

Second, a limit to granting licenses for new travel agents was implemented. Travel agents in Bali must be owned by local people. Foreign investors can only fully invest in art galleries. Under the current regulations, opening new travel agencies in Bali is prohibited, therefore buying existing agents is the only option to operate in the travel agent business.

Third, government reinforces mechanisms to control e-payments. Indonesia currently does not have regulations on e-payment, even though transactions through the e-platform cannot be monitored by local governments. The Bank of Indonesia (BI) once stated that in order for foreign e-payment platforms to be implemented in Indonesia, the respective e-payment platform must have a partnership with local bank, so that the economic transaction happening within Indonesia can be monitored by local government (TheJakartaPost, 2018):

> *"To tackle current e-payment problem, government need to regulate a new policy to prevent us from further loss in term of profit. We are still working on it especially e-payment regulation in Bali." (Anonim11.GOV.14.LB)*

Fourth, the frequency of the Chinese-speaking tour guide certification test has been increased, and a standard safety measurement in a tour was created. It means that tour orders must come from legal TAs, and the package also needs to provide accommodation, transportation, tourists' destination, shopping in legal shops, and legal tour guides:

> *"We currently only have regulation for travel legality, tour guide standard in Bali, and permit for conducting business in Bali. As for this case itself, I think it is a pure business and government cannot control the price as there is consumer protection right." (Anonim12.GOV.22.LB)*

4.6 The Conceptual framework of ZDT

The researcher combined the supply chain network and the bamboo network link within the tourism industry (in green circle); and the “zero-dollar tour” business network (in the red circle), presenting the connection between the generating region (China) and the destination region (Bali).

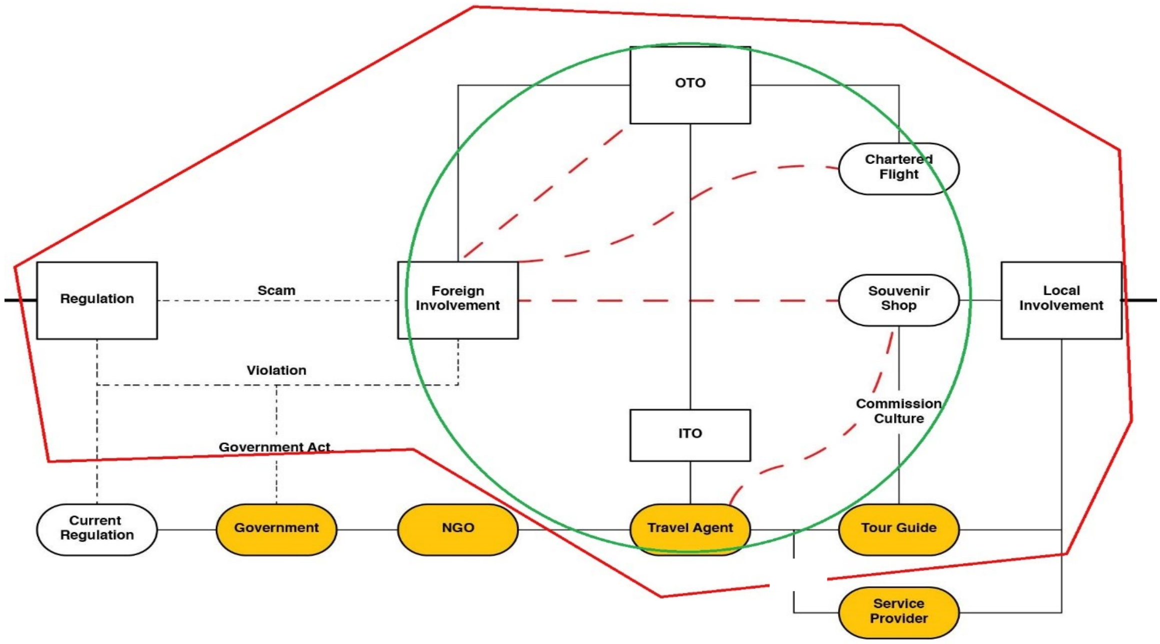


Figure 20. **Conceptual framework for ZDT operations**

Source: Author

Despite the separation of generating region (China) and destination region (Bali), the bamboo network or the connection between Chinese investors in Bali tourism managed to control the tour from head to tail. In the destination region, government, NGO, and service provider are not within the ZDT red circle as they are not involved with the business. The “Current regulation” sub theme is put outside the circle, since during the interviews it was mentioned that the current regulation needs to be updated, to fix the hole where the ZTD can take place:

"They have their own connection. They own the shops, they control everything from head to tail, but how can they sell the tour in such low price? Because of the charter flight of course." (Anonim2.NGO.23.LB)

The circle of ZDT

In accordance with the previous section, ZDT are produced by involving OTOs, TAs, chartered flight, and souvenir shops. Chinese OTOs create a tour package, where chartered flight and souvenir shops owners subsidize the tour price up to $150 per tourist. As for their accommodation, as it was mentioned that Chinese tourists fill the occupancy during the low season, usually the accommodation where Chinese tourists stay give special prices for the group tours.:

"As for hotels and restaurants, they have their own system. Chinese tourists help hotels fill their occupancy rate all year around, so that hotel will give Chinese group tour special price for them. As for the restaurant, lately there are a lot of Chinese restaurant that are owned by people from other provinces, such as Tanjung Pinang." (Ano1.6)

Based on the subsidy, OTOs and local puppet TAs can arrange an itinerary for the tourists to visit the shops where the tourists are "quarantined" for a fixed time or forced to buy goods in the designated shops**.** The tourists are also verbally abused if they don't buy anything by the shops' employees**.** To further reduce the cost, OTOs no longer pay fee to local TAs, this led to no fee received from local TAs to TGs. The local government thus suspects that the subsidies of ZDT are "money laundering":

"We assume that this is the way for them for money laundering, as they cannot use their money in China, so they find another way to invest. Sometimes 1 shop can subsidize up to $150 per tourist to visit their shop." (Ano7.3)

"Before tourists' arrival in the destination, between local TA and Chinese agent, has made an agreement, in which tourists who get cheap price, will use charter flight for their transportation, after they arrive in Bali, they must visit those souvenir shops, tour guides just carry out their task like they have been told to. They bring the tourists, and "quarantine" them for one hour, or tour guides will receive penalty from their supervisor." (Ano6.2)

If the tourists did not buy anything, the employee will get mad and verbally abuse the tourists

***Figure 21*. The condition inside the Souvenir Shops**

Source: Anonim12.GOV.22.LB

"If the tourists do not buy anything, it was mentioned that the tourists are verbally abused by the seller" (Anonim12.GOV.22.LB).

E-payment

Chinese foreign e-payment systems, WechatPay and Alipay, are considered the biggest e-payment platforms in China. Aligned with the high number of Chinese tourist arrivals in Bali, the usage of Chinese foreign e-payment is starting to rise to ease Chinese tourist transactions during their travel. As stated in the previous section on foreign violations, when they purchase goods in shops which provide the e-payment method, through the platform, tourists just need to scan the QR code, and their money in China will be transferred to the shop owners' account. Although the physical transaction happens in Indonesia, the real transactions are processed in China. Moreover, during the interview, a comparison of booking-flow and money-flow with and without e-payment in the Chinese booking was also possible:

> *"Based on my experience, the significant effect of e-payment to our tourism is that, there are many Chinese tourists are using their e-payment platform to pay than bringing cash when they travel. (Ano4.10), as for their booking and paying method, it is really simple, so first, login in the website, choose the travelling date based on your budget and members, and then you can add additional service such as, rent car and driver, airport shuttle service, or even book optional tours. Then just continue to the online payment page, pay, confirm your order, and just prepare your baggage." (Anonim4.TA.1.CI)*

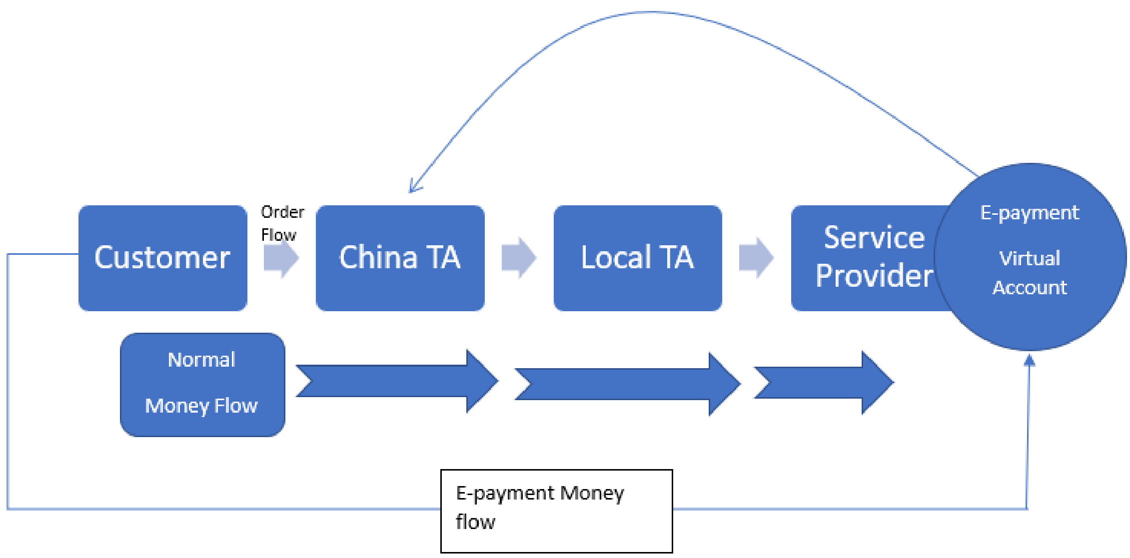


Figure 22. **Order and Money Flow of Chinese-owned Businesses in Bali**

Source: Anonim3.TA.1.CI

Based on the figure above, the customer books their services from online shops in China. The order is then forwarded to their intermediaries in Bali, which then forward the order to the suppliers. Similar with the booking-flow, the cash flow should have followed the same method, however, it was found that the customers pay directly to service providers' account which then is forwarded back to the online shop in China (in this case the service providers are affiliated with the online shops). The question then arises as to how local service providers can own a foreign e-payment platform, particularly as Chinese bank accounts are needed to open Chinese e-payment. The possible answer is that the local service providers are also owned by the investors in China.

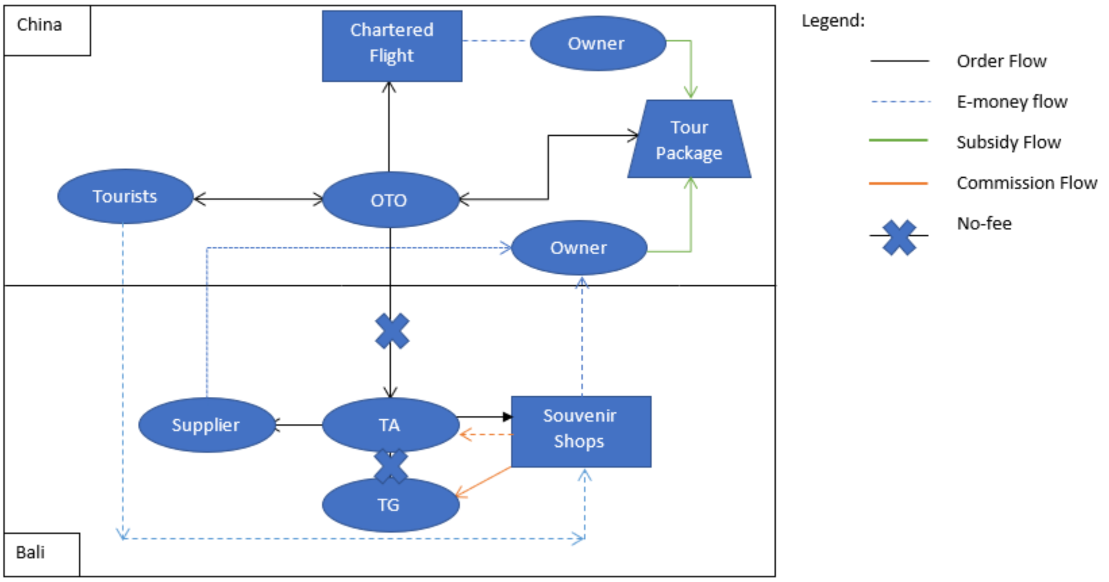


Figure 23. **ZDT flow in Bali and Cheap-Tour Subsidy System**

Source: Author

In addition to the e-payment money-flow, ZDT also implements similar methods within their process. In the normal money-flow, OTOs pay a local ITO or TA money for supplier and TA fees, and the local TA then forwards the money to the corresponding supplier and pays the Tour guide's fee. However, in ZDT, the money flow follows a different track. The first scheme follows the assumption that local TAs are owned by local people. OTOs do not pay any fee to local ITO or TA, and for TA and TG to gain profit, they need to sell additional tours, such as water sports, spa or massage, or bring tourists to souvenir shops that subsidize the tours. The second scheme follows the assumption that OTOs and TAs in the destination region are owned by foreign investors. In contrast with the previous case, in this case OTOs do not need to pay any TA fees. The TA serves as an intermediary between the OTO and local suppliers, and employs tour guides, where TGs also received their fee through commission, by selling additional tours or by bringing tourists to designated shops.

In the two schemes the main difference is whether TAs will receive commission or not. The tourists buy the tour from OTOs, which is already subsidized by the chartered flight and owners of souvenir shops. During their travel those tourists are required to shop in designated souvenir shops, and the profits are used to subsidize the tours and to pay commission for TA or TG. In general, money seems to enter Bali together with the tourists, but the real transactions are still processed in China.

By applying the method mentioned above, creating an illusion of tourists bringing money to Bali, and purchasing in “local shops”, when in reality the booking and payment has all been done in China. The transactions conducted through e-payment just use Bali as the physical trading place, without any income to local economy.

> *“As what I have explained in the previous part, well until now, that most of the transaction in Bali between Chinese tourists are conducted through China’s e-payment. It is a same thing as the Chinese buyer and seller conducting transaction in China, but with physical place taken place in Bali. This does not bring any benefit for Indonesia, especially in term of tax and custom income, foreign currency transaction, etc” (Anonim4.TA.1.CI).*

4.7 Summary

This chapter described the tourism supply chain in Bali. The three main themes and subthemes identified in the study are “Foreign involvement”, “Local involvement” and “Regulation”, and through the analysis it was found that due to the holes in the regulations, Chinese investors can invest and create their own network of business in Bali. Additionally, local people in the tourism industry who are affiliated with the Chinese investor owned company are indirectly involved within the scheme. The role of each key player within the Bali tourism was also discussed, and the standpoint of each key player was determined based on their statements.

Chapter 5
Discussion

5.1 Introduction

This chapter discusses the extent to which the research questions have been answered. The chapter also outlines the theoretical reflections and implications of the current study for managing tourism activities in the destination.

5.2 Reflection on the Research Questions

Research Question 1: What is the supply chain for Chinese tourists in Bali?

The Bali tourism supply chain has been distorted by Chinese tour operators. In detail, the ITOs role within the chain are suppressed, as OTOs in China communicate directly with local TAs. The China-based OTOs are the ones who set package tour prices, leading to a fierce price war and turn forcing local TAs to be 'puppets' to forward orders to local suppliers on behalf of the OTOs.

E-payment is another factor distorting the cash flow within the supply chain. While the order follows the original flow, the flow of money has changed its direction. The e-payment, in fact, is in favor of local service providers owned by foreign investors since they can transfer their money directly to TAs in China.

Research Question 2: How does ZDT operate in Bali?

ZDT has been heavily subsidized by participants in the tourism supply chain to drive down the tour price, to as low as $50 to $150 per person for a standard 4 night - 5day tour. First, charter flights subsidize the tour price. The high volume of Chinese tourists fills the seats of charter flights and increases hotel occupancy rates. The price peaks in the high season starting from June-August and December until January, and

Chinese tourists usually travel during Chinese New Year (end of January-mid of February), Golden week (Labor Day) and Independence Day on 1st-7th of October. Chinese group tours, however, are offered special prices for increasing the occupancy rate during low season. In a similar way to charter flights, accommodation sector operators and shops also subsidize the tour price.

Selling optional tours generates additional revenue. The tours usually do not cover any insurance and require tour guides to pay entrance fees to pay for partial expenses, then the guides get money back by directing tourists to shops or forcing them to buy goods and products. The commissions received from these shops might cover the guides' pre-paid expenses.

ZDT flow

First, ZDT is an outcome of fierce market competition. Cheap tour prices are an effective strategy to attract more Chinese tourists, who are price-sensitive to many destinations. Therefore, authorities and business in the destination regions are lured by the high volume and unconsciously support the operation of cheap tours. Second, the low tour price is only feasible with a heavy subsidizing process. The subsidy is the outcome of the partnership between tour operators in China, tour guides, services and shops in the destination region (Bali).

Third, the operation of ZDT violates many local regulations. Changing itineraries to increase chances for shopping, selling fake products, transferring the financial burden to tour guides are among a few violations by tour operators to be mentioned. In addition, souvenir shops utilize unethical and legal practices, such as hiding illegal workers, including tour guides, using unlicensed e-payment systems, and using puppet TAs.

Research Question 3: How does the current Bamboo-network function in tourism?

This study used the term "bamboo-network" to describe the partnership between locals and foreign investors in Bali. Being differentiated from the original theory of the bamboo network in the context of family business, the researcher found that the tourism network has expanded following Chinese-ethnic migration overseas and is similar to the concept of an "intra-ethnic" network. This features several distinctive characters as mentioned below.

First, in the context tourism, bamboo network operates uniquely. First, business in the tourism industry cannot work independently. To deliver products and services to the tourists, businesses in the supply chain need to collaborate with each other to create package tours. Investors can slightly modify a tourist's itinerary to match the investors own needs.

Second, in the original concept of the bamboo network, the businesses mainly consist of customers' goods, which are distributed to the seller where customers can buy finished goods. In the tourism industry, however, experience is also the finished product, and both tourists and service provider co-create the experience with essential elements of the local destination. In this case, customer satisfaction towards the experience affects both service providers and destination image. In other words, tourism in Bali might suffer from a bad image and local Balinese service providers are badly affected if tourists are not satisfied. However, the main actors behind the ZDT flow, the Chinese investors and operators are not affected, as they are not exposed directly to the tourists.

5.3 Theoretical reflections

Two major studies in relation to the bamboo network are Bamboo-network theory explaining Chinese-ethnic family businesses (Pablos & Patricia, 2009) and the Bamboo-network theory as “intra-ethnic” network in explaining Chinese investor ownership within the supply chain (Cheung & Gomez, 2012). The former theory refers the bamboo networks as the connection of Chinese family’s businesses, yet in this globalization era, the networks are argued to extend to more than one family business, where the bigger form of the network is in the form of a Chinese intra-ethnic business network which connects businesses related with Greater China and overseas Chinese around the world (Cheung & Gomez, 2012).

From the tourism network perspective, the tourism industry consists of the collaboration of small and medium enterprises that require high integration between players within its network to create and deliver services and experiences (Baggio, Scott, & Cooper, 2010). Hence reflecting on the previous bamboo-network theory (Murray & Hughes, 1996), it can be seen that the Chinese-owned businesses are expanding and are no longer limited to within family businesses.

Evidence that the Chinese bamboo network has expanded in Bali tourism, however, challenges existing theories. In contrast to Singer (2006)’s statement that co-ethnic networks can promote international businesses by enforcing community authorization, Chinese-owned businesses control most of their own itinerary packages by arranging those packages based on the supply chain they are affiliated with. Furthermore, it is argued that co-ethnic relationships can promote mutual businesses by providing information on market conditions and connecting suppliers with their costumers (Casella & Rauch, 1998), yet the expanded bamboo-network in Bali started the price wars within Chinese-owned TAs in order to attract more tourists by sacrificing the local aspects of their businesses. Since the higher-end business position are controlled by the investors from the tourist-generating region (China), the people who work for them, the local people, need to obey rules regulated by them. This supports Aldrich’s (1986) statement that the network might affect the businesses by constraining the people involved within it, which in this case are the tour guides and travel agent employees, who are kept within the ZDT practice.

Chinese tourists are price sensitive (Pan & Laws, 2001), their preference for traveling in a big group (Wong & Lau, 2001), and their *guanxi* notion behind the gift-giving culture (Leung, Lai, Chan, & Wong, 2005), are the three main components in favor of the ZDT phenomena. The combination of cheap tour prices, package tour operation and plenty of opportunity for shopping are favorable options for first time overseas travelers from Mainland China. These naïve travelers are trapped in a ZDT that looks very attractive but is, in fact, an accumulation of many illegal actions that take place in destination regions. The operation of ZDT, however, reflects a notion that only people who understand Chinese tourist mindsets can develop ZDT in Bali. This practice, however, drives local Balinese and other native Indonesians out of the loop of operation and gradually replaces them by Chinese-backed investors.

However, the rise of new generations of Chinese tourists as Free Independent Travelers (FIT) (Prayag, Disegna, Cohen, & Yan, 2015), and the average Chinese tourist's technological savviness (WTTC, 2019) over booking, payments, and their behavior in social media and how social media influences their travel decision (Liu, Shan, Jialu, Glassey, & Gang, 2017), might change the way first time Chinese travelers select tours. The new generations of travelers will certainly challenge the existence of the ZDT in the near future.

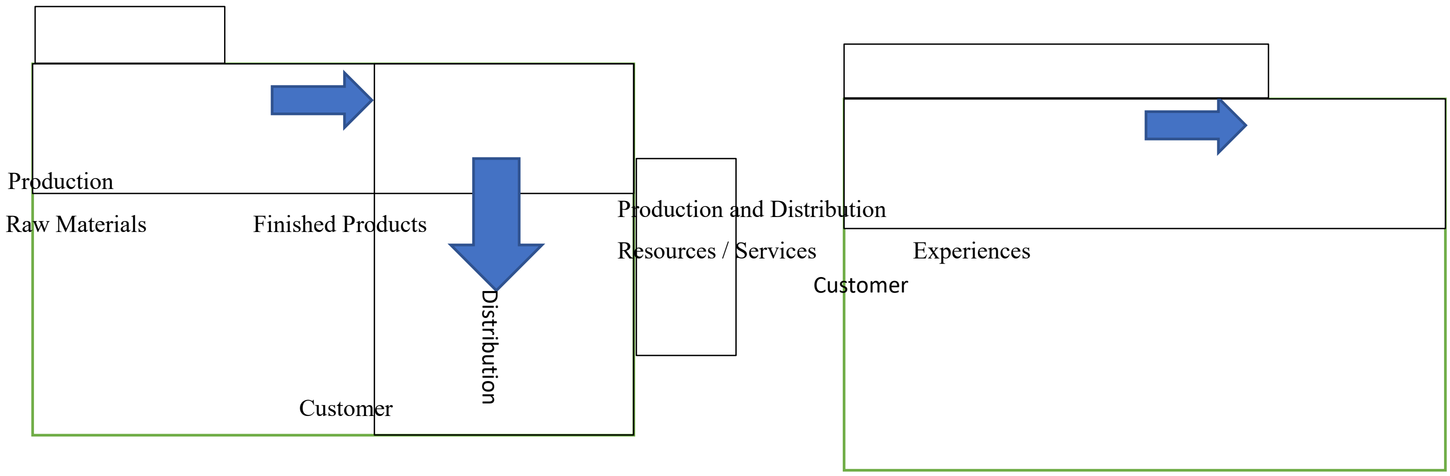
The results of this study support several of the antecedents argued by March (2008), on how "regulatory environment in destinations", "ethical norms in the tourism industry of destinations", the "degree of ethnic concentration in inbound markets", the "ethical norms in the tourism industry of the source markets" show that ZDT mostly happens in destination regions that have a high density of Chinese local minorities and receive high number of Chinese tourists, such as Thailand, Hong Kong, and Australia. But even though it has a very high number of Chinese tourist arrivals, Singapore has successfully regulated and managed to prevent ZDT from entering its market. Therefore, regulatory framework and governance of tourism activities are among key factors for Bali tourism to learn.

Having reflected on Zhang et al.'s (2009) model of the factors constituting the ZDT, the results of the current study lend support to 7 of the 9 propositions mentioned. The first proposition is group travel opening an opportunity for chartered flight businesses. In the case of Bali, chartered flight service is a pull factor for Chinese tourists owing to its cheap price. Second, on the notion of "restriction on outbound receiving operators", the local ITOs lost its role in creating packages and setting prices, as all OTOs in China arrange these tours and their prices, local TAs also only serve as intermediaries between OTOs in China and local suppliers in Bali. Third, the proposition of "homogeneity of package tour products" is supported when the tour itinerary always includes shopping, and the number of shops visited is based on how much subsidy is given to tourists. Instead of creating tailored-itineraries to meet customer demand, Chinese OTOs created similar itineraries with different schedules and/or accommodation. Fourth, the evidence that "transfer of burden to guides" through service subsidized systems has also been supported. In the circle of service subsidies, tour guides are required to pay for some of the tourists' expenses beforehand, which in turn puts pressure on tour guides to recover their losses from selling optional tours or bring the tourists to designated shops. This burden also leads to the fifth proposition, the "Deceiving & bullying from the guide". The interview data showed that the bullying is in fact done by shop employees and not the tour guides. Nevertheless, it's possible for illegal tour guides to deceive and bully the tourists as the interviewees were mostly certificated guides. The sixth, on the proposition of the "poor quality of self-paid items" was also reflected in the current study. Chinese tourists are deceived when purchasing products in ZDT-affiliated shops, which connects to the seventh proposition, "ineffective complaint handling". The weak complaint handling can be seen in the high number of Chinese tourists, who travelled to Bali through ZDT, posting their disappointment on social media, by saying Bali is a land of deceivers.

The case of Bali fully supports Chen's (2011) framework linking the generating region (OTO) and destination region (ITO) for the creation of cheap prices in source markets that leads to inferior quality in the destination. Due to the fierce market competition, the tour price has been lowered and the service quality reduced. In the meantime, tour guides are given extra responsibility for financial subsidies in addition to guiding, they also need to cover their losses from covering tourist expenses prior to their arrival, and not receiving any fee from the TAs. And the double role of tour guide also deters them from the provision of high-quality services.

Previous studies mentioned the bamboo network as a partnership between Chinese entrepreneurs regardless of their geographical position, where the main transactions range from trading and goods processing. Chinese businesses in hospitality, however focus on property ownership instead of management. This study shows that investors control the supply chain and therefore control the business partnerships, leading to a monopoly in tourism services.

The implementation of e-payments has transformed the transactions in the system. With e-payment, it is not necessary to import souvenir products from China or buy them locally as the shops can just display sample products in Bali and send the actual products straight from their factory in China. In regard to the services part, for the sake of convenience, investors tend to employ Chinese nationals and some tour leaders take over local tour guide positions, as they are employed by several small-medium businesses that hold partnerships with each other, thus creating one big tourism supply chain owned by foreign investors and gradually monopolizes the supply as showed in Table 5.



Difference	
General BN	BN in Tourism
Customer's Goods	Services as products
Different place for production and distribution	Same place for production and distribution
No customer involvement in production	Customer involved in the production
Producer is not seller	Producer is the seller

***Table 5*. Comparison between General BN and BN in Tourism**

Source: Author

In contrast to the original theory of the bamboo network, where the processes involve producing, processing, and consuming, and consumers are not involved within the process, just in receiving the finished products. In tourism, the consumers are inseparable from service production and delivery. During the service delivery process, service providers and destination images are greatly affected based on the quality of the services performed. In the case of bamboo network within the ZDT, as most of the products are Chinese-made, and sold by Chinese people but the transactions take place in Bali. Therefore, Chinese tourists perceive the employees within the shops as local people.

When they are forced to shop for the fraudulent products, this creates an image that Chinese-ethnic Indonesian people are trying to deceive them. However, their complaints have never been delivered to manufacturers as may happen in the case of good trading.

5.5 Recommendations

Based on the finding and discussion, several implications and recommendations are discussed below; future recommendations are given based on the condition of existing policies listed below

No	Affiliated Party	Policies	Policies condition		Future Recommendation
			Exist	Does not Exist	
1	Government to Government	Visa Relaxation	V		Limit the number of countries who received visa relaxation or by adding a departure fee
		Itinerary check for group tour tourists		V	Itinerary check to monitor whether the shops visited are registered to ministry of trade.
		Partnership with e-payment company		V	Local bank partnership with Chinese Foreign E-payment to prevent further leakage
	Government to Business	Tourism economy condition	V		Monitor the annual tourism economic development, to predict future trend.
		Ownership check	V		Create more systematical database for the businesses in tourism, especially for the foreign-owned
		Foreign shops goods	V		Annual checking for foreign-goods' stock in the shops, especially to track their export-import transaction.
		Worker database	V		For every tourism-related business to register their worker database, and updated monthly/annually, to check whether the foreign worker has registered with the Ministry of Labor.
		Standardized Service		V	If possible, set bottom prices for services in the tourism industry, to prevent further cheap tour cases

	Government & local tourism key players	ITO and TA	V		Reemphasize ITO and local TA role especially within the Chinese-market. TA categorization based on it partnership with foreign OTO/TA Promote more culture tourism packages
		Tour Guide related policies	V		Create a database of tour guides with their certificate condition Analyze the suitable amount of tour guide needed in every language division Standard minimum wage for tour guide to reduce the “gambling” act. More annual Chinese-speaking guide certification and or evaluation
		Technology integration in tourism industry		V	ID card identification for TGs in tourist’s destination, (technology integration) to monitor visitation within one destination Further technology implementation concept based on Internet of Everything (IoE) to further link every tourism aspect in Bali
		Destination development	V		Destination development especially for old China-town in Singaraja, or other destinations with Chinese-Balinese acculturation history
		Collaboration with other tourism key players	V		Local government partnership with local university to increase tourism student quality and monitor local tourism development. Integration of local tourism key players in Bali, especially the GIPI Bali and its member within
		Human resources Training	V		Increase the skill and efficiency of local human resources in the tourism industry

***Table 6*. Recommendation for Existing and Future Regulations**

Source: Author

First, Government to Government recommendations are made on visa relaxation policies, itinerary checks for group tour tourists, and partnerships with e-payment companies. Although visa relaxation is a good way to attract tourists, it would be better to grant a fixed quota of tourist visas to certain countries. Itinerary check for group tours aims to reduce the “forced-shopping”, a condition for ZDT to exist. Currently there is no regulation on foreign e-payment platform usage. Therefore, to ease tourists’ travel experiences, the Indonesian government is recommended to propose policies regarding the e-payment platform.

Second, Government to Businesses recommendations are made on monitoring tourism economic conditions, annual check of business ownership, monitoring goods in foreign-invested shops, the worker database, and standardizing service. Detailed assessment of tourism economic conditions is essential to prevent similar case of ZDT in the future, moreover the monitoring can also help assist tourism development for other regions in Bali. Annual auditing of business ownership, goods' stocks in foreign-invested shops, and the creation of a worker database are recommended to prevent the further employment of illegal workers and tax evasion. By auditing the ownership and origins of goods, local government can monitor the export-import transaction and check whether businesses are avoiding taxes. It might be difficult to standardize the service, yet to improve tourism quality, Bali government should propose a benchmark for service standard in Bali.

Third, policies on Government to Operators such as ITOs and TAs, tour guide related policies, other destination development, and technology in tourism industry are necessary. Regarding the existing policies for ITOs, TAs, and TGs currently they mostly cover the obligations, so it is recommended that the new policies should cover how to protect these parties' livelihood in the industry, as they play a crucial part in presenting Bali to tourists. As Bali tourism is focused on the Southern part which leads to an economic imbalance with other regions, it is recommended to further develop tourism in other regions to balance the Bali economy. Next is integration between each stakeholder, this recommendation is to emphasize that all actors in Bali tourism industry are important, and their collaboration with each other is crucial in improving Bali tourism. In this globalization era, technology is one of the important aspects of country's development.

Reflecting on the recent ZDT cases, Bali tourism needs to adapt with technology, as many things are going to be digitized in the next few years. Finally, Bali needs to train local human resources that are involved in tourism.

5.6 Summary

In this chapter, the author reflected on the extent to which the results of the interview analysis answered the research questions. Additional new findings were also discussed in this section to deepen the understanding of ZDT in Bali. Several new connections are also found between ZDT, cheap-tours, the bamboo network, and its social and economic impacts. Based on those results, ZDT methods in generating low-price tours were also identified, leading to several future implications and recommendations for local government and NGOs.

Chapter 6
Conclusion

This study aimed to explore the role of the ZDT in Bali tourism, and utilize the concept of the bamboo network to further our knowledge of how cheap tours are operated and generated in the Bali tourism industry, especially within the context of the Chinese market, as currently there is a lack of literature regarding Chinese tourists and the ZDT phenomena in Bali. The study was conducted in Southern Bali, focusing on Badung regency and Denpasar city. The study employed qualitative in-depth interviews for data collection, and thematic analysis of the results.

The data collection was divided into two phases: the first mainly focused on Bali tourism and the high number of Chinese tourists. The data from the first phase were analyzed using content analysis and based on these results, a second phase was conducted. The second phase explored ZDT based on tourism key players' perspectives (local government, tourism NGOs, and TA employees). The second phase results were also analyzed using thematic analysis, and a picture of the ZDT framework in Bali was created based on the results.

The main findings of this study are: (1) how Chinese-market supply chain changed the role of ITOs, OTOs, and TAs in both generating and destination regions; (2) the method of ZDT operation in Bali, and (3) how the bamboo network explains the system of ZDT operation. This study contributes to the advancement of the bamboo-network theory in the context of tourism, and to the existing literature on ZDT and Chinese tourists. The study explored ZDT cases in Bali, one of the Chinese tourists' favorite destinations. It also contributes to the existing study of tourism in the South East Asia Region.

The study explored the bamboo-network from other perspectives than the network of family businesses concept, which is the Chinese intra-ethnic network used to explain the ZDT phenomena in Bali, especially how the ZDT is generated and operated. The emergence of the e-payment platforms (WechatPay and Alipay) has also transformed the notion of cheap tour provision and had to be taken into account.

Findings from the current study illustrate the differences in implementation of the Bamboo-network within the commercial industry and the tourism industry. The differences are due to the extent to which the tourism relies on customers to create their finished products (experience), thus any other factors taking place in destination region will affect tourist image of a destination.

The study, however, has several limitations. The data collection did not cover ITOs, 'puppet' TAs, illegal tour guides, and people working in the souvenir shops, as the data were only based on the stakeholders' statements during interview, and the data can only be viewed from a local perspective. The researcher was unable to interview tourists who come to Bali through ZDT.

For future research, a larger sample of interviews that includes key players in the Bali tourism industry and Chinese tourists is recommended. Follow-up studies might look at the efficiency of policies to tackle ZDT case in Bali. Bali is a developing destination, and suffers from weak regulation. Further studies can also compare existing cases of tourist destinations in developed and developing countries in terms of strengthening regulations on tour packages. Finally, the further study of Chinese tourist motivations, behaviors, decision making, perspectives on destination image, and their travel satisfaction in Bali is recommended.

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APPENDIX

Host Interview Questions List

1. General Questions
    a. Age
    b. Gender
    c. Education Background
    d. Working duration in tourism industry
    e. Job's position
    f. Place of Origin
    g. Language abilities: Balinese, Chinese, English, other
    h. Tourists nationality interact the most: Western, Asian, other
2. Question for Chinese migrant
    a. How long have you been in Bali?
    b. How long have you been engaging in Bali tourism business?
3. Chinese Tourists
    a. What do you think of the rising number of Chinese visitor to Bali?
    b. How does the arrival of Chinese tourists change Bali's tourism?
4. Interaction
    a. Where do you usually see or have contact with Chinese tourists?
    b. How often do you talk with Chinese tourists?
    c. Do you observe any special behavior that is common among Chinese tourists?
5. Additional questions to tour guide
    a. How do you learn local culture knowledge?
    b. Do you interact with the local people?
    c. How do you explain local knowledge to tourists?
    d. Does tourist have any interest with local cultures?
6. Face within interaction
    i. How do you think the Chinese tourists want to be treated?
    ii. How do you make Chinese tourists feel special?
    iii. Do you try to greet or interact with them in Chinese?
    iv. How do you share your understanding of Chinese culture to Chinese visitors?
    v. How do you respond if they ask you sensitive or personal question in public?
    vi. What do you do if the tourists do something wrong based on local regulation in public places?
    vii. How to persuade Chinese tourists to act based on local regulation?
    viii. Have you ever praised them in public?
    ix. Are there any practices that you often do to keep "face" of the Chinese tourists?
7. Harmony within interaction
    i. How do you maintain atmosphere within the group?
    ii. How do you avoid argument or fight within the group of tourists?
    iii. How is your response if the tourists help you during your work?
    iv. Do you ever try to repay their help?
    v. Does the company you are working at keep the relationship with the customer after the tour?

vi. Do you give complimentary stuffs to customer?
vii. Do the future customers are coming from the word of mouth?
viii. Any practice you often do to keep "harmony" with the Chinese tourists?

8. Opinion
    a. Is it important to have an understanding regarding tourists' cultural background? Why?

Interview Questions

Name:

Working duration in industry:

Recent issues

1. How does the rise of Chinese tourists change Bali's tourism market?
    a. Who are the key players of Chinese tourism in Bali?
    b. How Chinese tourists interact with the local service provider?
2. Is there any impact of Chinese souvenir shops in Bali tourism

Booking processes & E-payment penetration

3. How does Chinese tourists book their trip to Bali? (conventional travel agent or online booking)
    a. If it is from conventional booking, how does the booking procedure work?
    b. If it is from online booking, how does the booking procedure work for Chinese tourists' online booking?
        i. Are there any differences for individual and group tour booking processes for Chinese tourists?
4. How does Chinese tourists pay their booking?
5. How is the penetration of Alipay/Wechat or other Chinese e-payment usage in Bali tourism?
6. How does China-based e-payment system impact Bali tourism?

Operation of Zero-Dollar tour

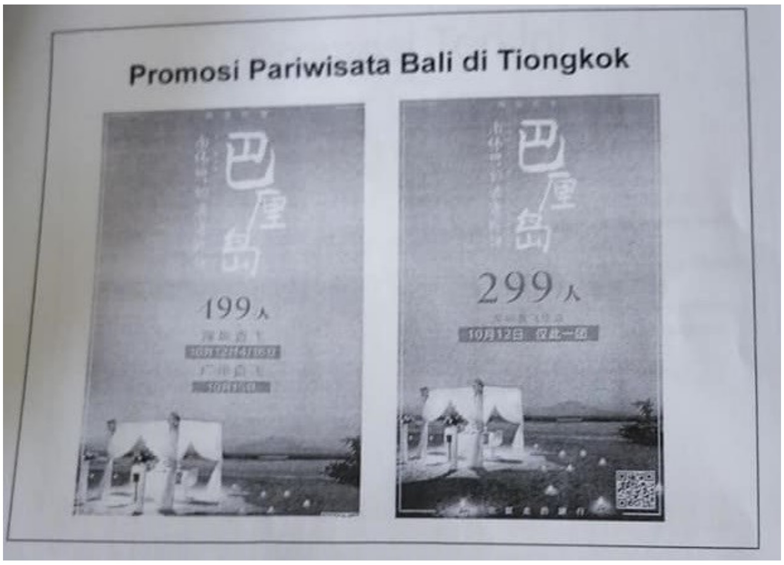
What is the reason behind massive increase of Chinese tourists to Bali?

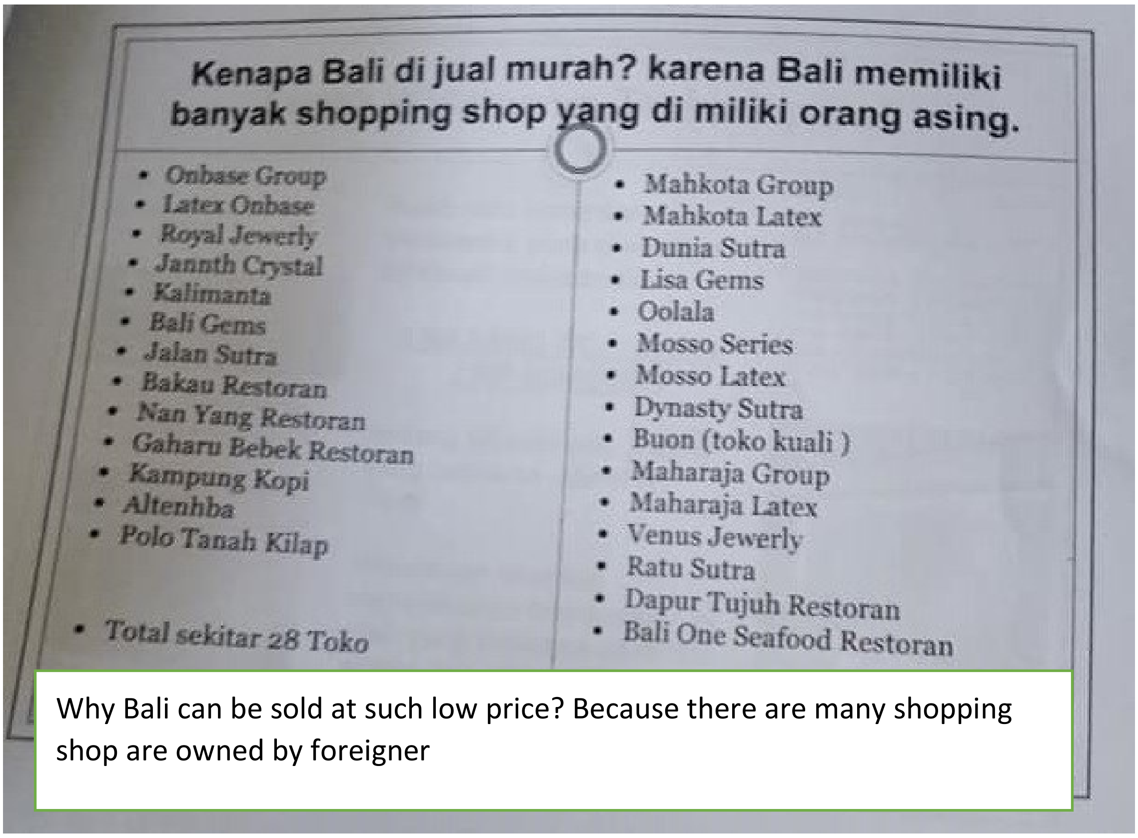
7. Why Chinese tourists can buy such cheap tour to Bali?
8. Who involve in the operation of cheap tour to Bali?
9. How do these cheap group tours operate in Bali?
10. What do you think about the impacts and future of cheap tour to Bali for Chinese tourists?
11. How do you think about the relationship between e-payment and expansion of the cheap tour to Bali?

Policies and Future plan

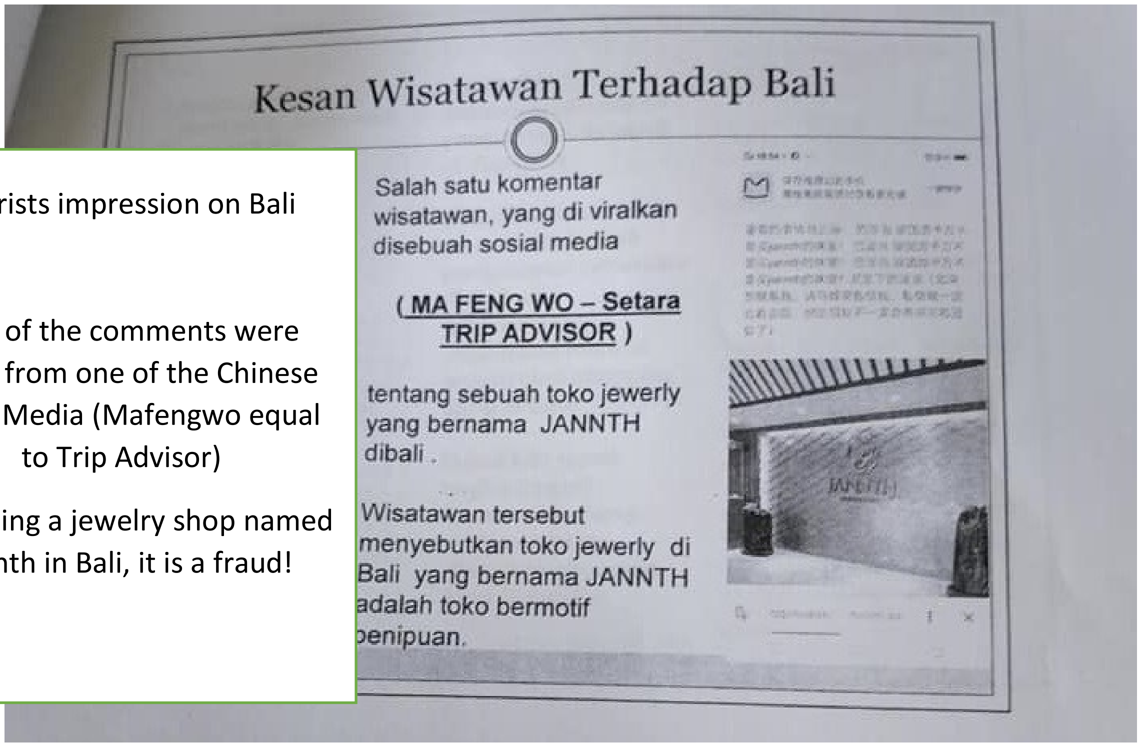
12. What do you think about the current regulation on these cheap tours?
13. Should Bali encourage Chinse group tours or not? Why?
14. Is there any regulation on e-payment for services in Bali?
15. With the current condition of Bali tourism, are there any existing problems within the industry, especially the Chinese tourists' market? (Carrying capacity problem)

Presentation by the Government





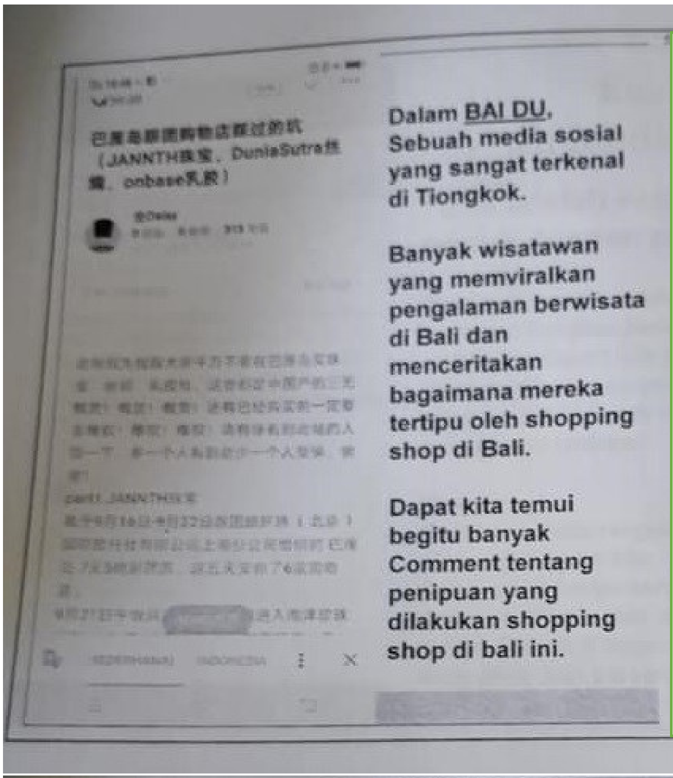
Why Bali can be sold at such low price? Because there are many shopping shop are owned by foreigner



Tourists impression on Bali

One of the comments were taken from one of the Chinese social Media (Mafengwo equal to Trip Advisor)

Regarding a jewelry shop named Jannth in Bali, it is a fraud!



Dalam BAI DU, Sebuah media sosial yang sangat terkenal di Tiongkok.

Banyak wisatawan yang memviralkan pengalaman berwisata di Bali dan menceritakan bagaimana mereka tertipu oleh shopping shop di Bali.

Dapat kita temui begitu banyak Comment tentang penipuan yang dilakukan shopping shop di bali ini.

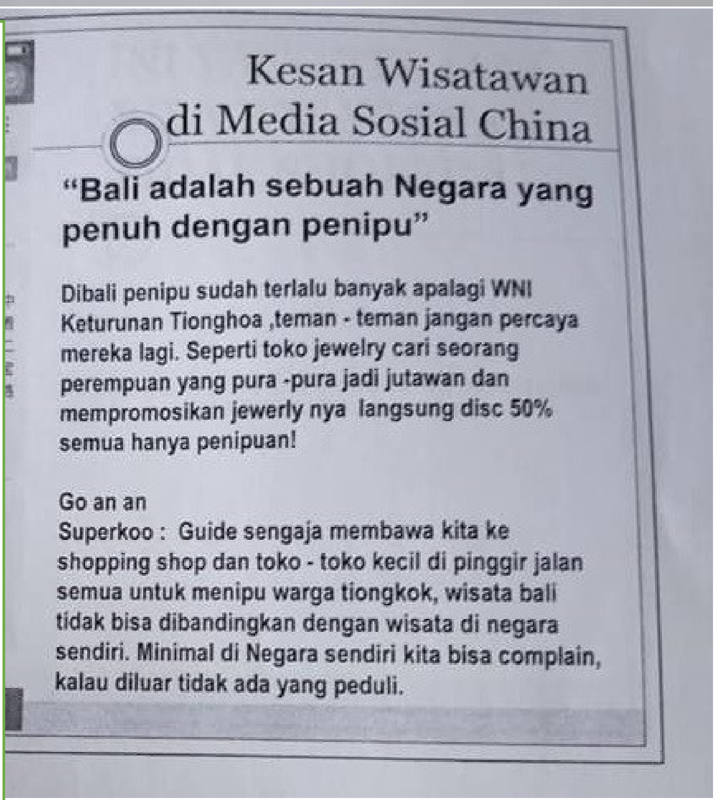
The comment was taken from Baidu,

Many tourists making their posting viral by posting on how they are deceived in Bali, based on the picture, we can see there are many tourists deceived while travelling in Bali.

Chinese Tourists impression on their travel to Bali

Bali is a country filled with liar. There are too many liars in Bali, especially our Chinese Indonesian who are working in the shop, don't believe them! In one of the shops, there was this one girl who was pretending to wear expensive jewelry which turned out to be fraud.

Moreover the tour guide purposely bring us to that shop to sell us their goods, and we cant complain on the goods' quality.



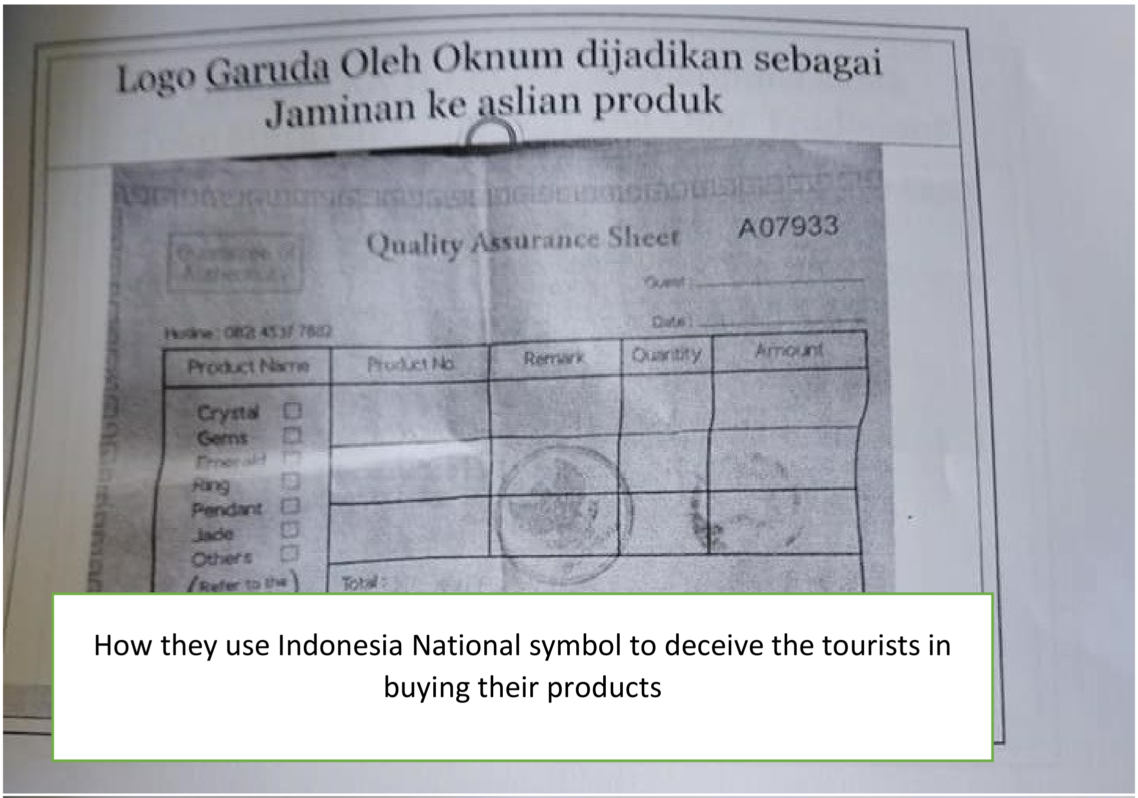
Kesan Wisatawan di Media Sosial China

"Bali adalah sebuah Negara yang penuh dengan penipu"

Dibali penipu sudah terlalu banyak apalagi WNI Keturunan Tionghoa ,teman - teman jangan percaya mereka lagi. Seperti toko jewelry cari seorang perempuan yang pura -pura jadi jutawan dan mempromosikan jewerly nya langsung disc 50% semua hanya penipuan!

Go an an

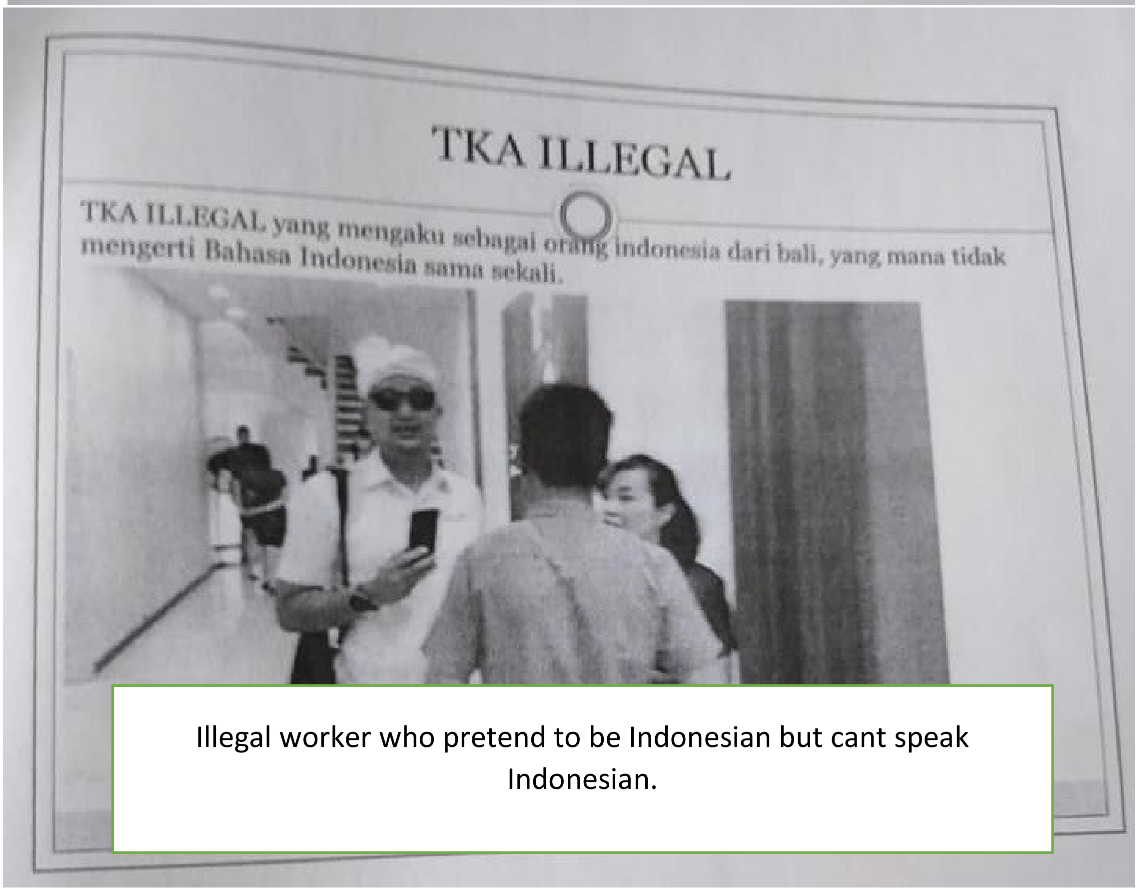
Superkoo : Guide sengaja membawa kita ke shopping shop dan toko - toko kecil di pinggir jalan semua untuk menipu warga tiongkok, wisata bali tidak bisa dibandingkan dengan wisata di negara sendiri. Minimal di Negara sendiri kita bisa complain, kalau diluar tidak ada yang peduli.



How they use Indonesia National symbol to deceive the tourists in buying their products

Illegal worker who was selling silk and traditional medicine

Visit by the governor to the shops



Illegal worker who pretend to be Indonesian but cant speak Indonesian.

BTB Official Announcement of ZDT

Bali Government
Tourism Office

OFFICIAL STATEMENT
Number : 1124/GIPI BALI-BTB/K-XI/2018

Stakeholder pariwisata Bali berkomitmen meningkatkan keselamatan (safety) dan kenyamanan wisatawan Tiongkok.

17 November 2018, Denpasar, Bali –Awal Desember ini stakeholder pariwisata Bali di bawah payung Bali Tourism Board dan Pemerintah Provinsi Bali akan melakukan Sales Mission ke Shanghai dan Beijing , Tiongkok.

Dalam Sales Mission tersebut rombongan yang dipimpin Wakil Gubernur Bali akan memberikan informasi yang benar tentang situasi dan kondisi kepariwisataan Bali. Bali sedang gencar-gencarnya memperbaiki kualitas pelayanan terhadap wisatawan Tiongkok agar Bali bisa bersaing dengan kompetitor (destinasi lain) yang sama-sama ingin merebut pasar wisatawan Tiongkok. Komunikasi antara pemerintah daerah dan pemerintah Tiongkok melaui Konjen Tiongkok yang bertugas di Bali terus ditingkatkan.

Peningkatan kualitas pelayanan dilakukan, antara lain, dengan memperbaiki tata niaga dan menghapus praktik "zero tour fee" dan menambah jumlah pramuwisata berbahasa Mandarin yang memiliki kompetensi dan memahami kebudayaan Bali.

Sejauh ini disinyalir 60% wisatawan Tiongkok yg berkunjung ke Bali membeli paket "zero tour fee", membayar paket wisata sangat murah karena paket wisata tersebut disubsidi oleh pihak lain dan dalam praktiknya banyak melanggar hukum. Dalam praktik "zero tour fee" ini juga tidak mengindahkan keselamatan (safety) wisatawan Tiongkok.

Stakeholder BTB (GIPI Bali) sudah mengantisipasi akan terjadi penurunan jumlah kunjungan wisatawan Tiongkok menyusul dilakukannya penertiban terhadap toko-toko souvenir yang menjual produk buatan Tiongkok yang melanggar hukum. Penurunan jumlah kunjungan ini diperkirakan akan berlangsung 3-6 bulan kedepan.

Dengan komunikasi yang intens antar Pemerintah Provinsi Bali dengan Pemerintah Tiongkok, diharapkan jumlah kunjungan wisatawan Tiongkok akan mulai meningkat sesuai dengan tata niaga yang lebih baik dan sehat.

Komponen pariwisata di Bali diharapkan bersabar dan dapat mendukung kebijakan pemerintah yang berusaha keras menegakkan hukum dan perbaikan tata niaga kepariwisataan.

Demikian dinyatakan Kepala Dinas Pariwisata Provinsi Bali dan Ketua BTB di Renon Sabtu 17 November 2018

Bali Government Tourism Office	Bali Tourism Board
A.A. Gede Yuniartha Putra, SH., MH. Head	Ida Bagus Agung Partha Adnyana Chairman