

An Exploration of the Tourism Industry Cooperation Strategy between Taiwan and WTSEZ using the Game Theory

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Abstract

This study aims to explore the theme of tourism industry cooperation between Taiwan and the Western Taiwan Straits Economic Zone (WTSEZ) from the perspective of the Game Theory. Promoted by “the Twelfth Five-Year Plan”, the WTSEZ speeds up the development of a modern service industry. Its function of supporting the expansion of the tourist market in Taiwan and properly increasing the number of mainland tourists visiting Taiwan has become an emerging subject in different research circles in Taiwan and also an attractive topic for the international tourism industry. First, this study analyzed the current development and competitive situation for Taiwan and the WTSEZ and found that each had their particular characteristics and advantages but were highly complementary. Second, this study discussed how to open a new chapter for tourism cooperation across the Taiwan Straits. At last, based on the Game Theory, this study determined the best cooperative strategy for both sides. The result showed that in the payoff matrix of a static game, as far as a static competition game was concerned; the only Nash Equilibrium was both sides adopting competitive strategies. However, in the Grim Trigger of a dynamic game, manufacturers (tourism industry) would prefer to execute the strategy of mutually beneficial cooperation. As a result, the tourism cooperation strategy of Taiwan and WTSEZ would have a positive influence on the Western expansion of Taiwan tourism and the development of the WTSEZ tourism industry.

Keyword : Game theory, Western Taiwan Straits Economic Zone (WTSEZ), tourism industry, regional tourism