Universidade de Aveiro Secção Autónoma de Ciências Sociais, Jurídicas e Políticas
2001

Zélia Maria de Jesus Breda

Turismo na República Popular da China: Políticas e Desenvolvimento Económico

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Dissertação apresentada à Universidade de Aveiro para cumprimento dos requisitos necessários à obtenção do grau de Mestre em Estudos Chineses, realizada sob a orientação científica do Professor Robert Franklin Dernberger, Professor Emeritus de Economia da Universidade de Michigan e Professor Catedrático Visitante da Universidade de Aveiro

O Júri

Presidente	Professor Doutor Manuel Carlos Serrano Pinto Professor Catedrático da Universidade de Aveiro
Vogais	Professor Doutor Jacques Louis DeLisle Professor Catedrático da Universidade da Pensilvânia, EUA
	Professor Doutor Carlos Manuel Martins Costa Professor Auxiliar da Universidade de Aveiro
	Professor Doutor Robert Franklin Dernberger Professor Catedrático visitante da Universidade de Aveiro

Acknowledgements

The present study was not possible to accomplish without the collaboration of several entities and persons, to whom I would like to address my deep thanks in virtue of their support and incentive to this work.

To Professor Robert Dernberger, University of Aveiro, who supervised this thesis, patiently read it and offered suggestions and commentaries for its improvement, as well as always showed a supportive attitude helping to overcome some difficulties.

Professor Carlos Costa, Coordinator of the Tourism Field in the University of Aveiro, deserves my special thanks for his incentive, and for his permanent and many-sided support;

To Professor Pedro Vilarinho, Coordinator of the MA Degree in Chinese Studies of the University of Aveiro, for his availability and support;

To Professor Wang Suoying, Chinese Lecturer in the University of Aveiro, for all her help and concern;

To Professor Clem Tisdell, University of Queensland, Australia and to Dra. Julie Wen, University of Sydney, Australia for their collaboration and bibliography supply;

To Professor Wang Yiran for his supervision and help in collecting data, and to Mister Mao Zhongming, Director of the Foreigner Affairs Office, University of Shanghai, China;

To Dra. Li Xianhong, for her supervision and support, and to Mister Hu Zhengming, Program Coordinator of the International Programs Office, University of Zhejiang, China;

To Mister Wang Zhifeng, Director of the Executive Department of the Hangzhou Tourism Administration, China, for his availability;

To Professor Rui Martins, Vice-Rector of the University of Macao, for his receptivity and collaboration;

To Dra. Virgínia Trigo, Director of the Tourist Formation Institute of Macao, for her availability;

To all my teachers during the MA Programme for their encouragement;

To my family, boyfriend, colleagues and all my friends for their support and understanding;

To all these people, Thank You Very Much!

Resumo

O presente trabalho propõe-se a investigar o percurso da indústria do turismo na República Popular da China nos últimos 50 anos, desde a fase em que o país mergulhou numa política de completo isolamento em relação ao resto do mundo, até se ter tornado num dos principais intervenientes económicos e políticos a nível mundial. Paralelamente, o sector do turismo acompanhou essas mudanças que se foram desenvolvendo ao longo dos tempos, para passar a ser hoje um dos principais sectores da economia da China. O presente trabalho de investigação examina as principais mudanças ocorridas ao nível das políticas lançadas para o sector em questão, bem como o impacto que elas tiveram no desenvolvimento económico do país. Pretende-se, portanto, determinar até que ponto os resultados económicos desta indústria foram determinados pelas acções e programas lançados pelo Governo Chinês ao longo dos últimos 50 anos.

Abstract

This thesis researches the path that the tourism industry followed in the People's Republic of China over the last fifty years, since the period when the country closed itself off from the rest of the world until it had become one of the big economic and politic players on the world scene. The tourism industry also followed the changes that were developing over time and became one of the most important economic sectors in China. This work examines the major policy changes that occurred within the sector, as well as the impact they had on the economy. It attempts to determine the extent to which the economic results accomplished by this industry were determined by the actions and programmes launched by the Chinese Government.

摘要

本文对中华人民共和国的旅游工业在最后五十年间的发展过程进行研究，从当时中国深陷于与世隔绝的政策阶段一直到现在成为世界上一股主要的经济和政治力量。与此同时，旅游业伴随着长期以来所发生的这些变化，变成了今日中国的主要经济部门之一。本文对中国旅游政策的主要变化及其对国家经济发展所产生的影响进行分析；就分析实质而言意欲确定旅游工业的经济成效是在何种程度上取决于中国政府所采取的行动和计划的。

Table of Contents

Chapter II – Tourism Development and Changing Policies in China

Chapter III – Tourism and Economic Development in China

Chapter IV – Case Study: Hangzhou

List of Tables

List of Charts

List of Figures

List of Appendices

List of Abbreviations

ASEAN	**A**ssociation of **S**outh **E**ast **A**sian **N**ations
ASTA	**A**merican **S**ociety of **T**ravel **A**gents
BOCTS	**B**eijing **O**verseas **C**hinese **T**ravel **S**ervice 北京中国海外旅行社
CAAC	**C**ivil **A**viation **A**dministration of **C**hina 中国民用航空局
CBTT	**C**hina **B**ureau of **T**ravel and **T**ourism 中国旅行游览事业管理局
CCAB	**C**hina **C**ivil **A**viation **B**ureau 中国民航总局
CCAC	**C**hina **C**ivil **A**viation **A**dministration 中国民航管理局
CCP	**C**hinese **C**ommunist **P**arty 中国共产党
CITS	**C**hina **I**nternational **T**ravel **S**ervice 中国国际旅行社
CNTA	**C**hina **N**ational **T**ourism **A**dministration 中国国家旅游局
CTA	**C**hina **T**ourism **A**ssociation 中国旅游协会
CTHA	**C**hina **T**ourist **H**otel **A**ssociation 中旅游饭店业协会
CTO	**C**aribbean **T**ourism **O**rganisation
CTS	**C**hina **T**ravel **S**ervice 中国旅行社
CYTS	**C**hina **Y**outh **T**ravel **S**ervice 中国青年旅行社

DPLE	**D**epartment of **P**ersonnel, **L**abour and **E**ducation 人事劳动教育部
EAP	**E**ast **A**sia and the **P**acific
EU	**E**uropean **U**nion
FEC	**F**oreign **E**xchange **C**ertificate 外汇券
FDI	**F**oreign **D**irect **I**nvestment
FYP	**F**ive-**Y**ear **P**lan 五年计划
GATT	**G**eneral **A**greement on **T**ariffs and **T**rade
GATS	**G**eneral **A**greement on **T**rade in **S**ervices
GDP	**G**ross **D**omestic **P**roduct
GNP	**G**ross **N**ational **P**roduct
GOTS	**G**eneral **O**verseas **C**hinese **T**ravel **S**ervice 中国海外旅行总社
HTB	**H**angzhou **T**ourism **B**ureau 杭州旅游局
IATA	**I**nternational **A**ir **T**ransport **A**ssociation
IBRD	**I**nternational **B**ank for **R**econstruction and **D**evelopment
ICAO	**I**nternational **C**ivil **A**viation **O**rganisation
IHA	**I**nternational **H**otel **A**ssociation
IUTOO	**I**nternational **U**nion of **T**ourist **O**fficial **O**rganisations
MOFTEC	**M**inistry of **F**oreign **T**rade and **E**conomic **C**ooperation 对外贸易经济合作部
NAFTA	**N**orth **A**merican **F**ree **T**rade **A**greement
NTA	**N**ational **T**ourism **A**dministration 国家旅游管理局
NTC	**N**ational **T**ourism **C**ommittee 国家旅游事业委员会

OCAO	**O**verseas **C**hinese **A**ffairs **O**ffice 侨务办公室
OECD	**O**rganisation for **E**conomic **C**ooperation and **D**evelopment
PATA	**P**acific **A**sia **T**ourism **A**ssociation
PRC	**P**eople's **R**epublic of **C**hina 中华人民共和国
RMB	***Renminbi*** 人民币
SATT	**S**tate **A**dministration for **T**ravel and **T**ourism 国家旅行游览事业局
SEC	**S**tate **E**ducation **C**ommission 国家教育委员会
SEZ	**S**pecial **E**conomic **Z**one 经济特区
SGATT	**S**tate **G**eneral **A**dministration for **T**ravel and **T**ourism 国家旅行游览事业总局
SKOAGA	***S**ovietsko-**K**itaysko **A**ktsioneren **O**bschetsvo **G**razhdanskoi **A**viatsii*
SOE	**S**tate-**O**wned **E**nterprise
TCG	**T**ourism **C**oordination **G**roup 旅游协调小组
TCSP	**T**ourism **C**ouncil of the **S**outh **P**acific
UK	**U**nited **K**ingdom
UN	**U**nited **N**ations
UNDP	**U**nited **N**ations **D**evelopment **P**rogram
UNEP	**U**nited **N**ations **E**nvironment **P**rogram
UNESCO	**U**nited **N**ations **E**ducational, **S**cientific and **C**ultural **O**rganisation
USA	**U**nited **S**tates of **A**merica
USD	**U**nited **S**tates **D**ollars
USSR	**U**nited **S**ocialist **S**oviet **R**epublic
VFR	**V**isiting **F**riends and **R**elatives

WEFA	**W**harton **E**conometric **F**orecasting **A**ssociates
WTO	**W**orld **T**ourism **O**rganisation
WTTC	**W**orld **T**ravel and **T**ourism **C**ouncil

Glossary

Autonomous Region is one of China's administrative divisions, usually designating province in which an ethnic minority predominates. There are five autonomous regions in China: Neimenggu (Inner Mongolia) A.R., Guanxi Zhuang A.R., Xizang (Tibet) A.R., Ningxia Hui A.R. and the Xinjiang Uygur A.R.

Compatriots are ethnic Chinese who are citizens of Hong Kong, Macao and Taiwan.

Cultural Revolution was a political ideological campaign launched by Mao Zedong to eradicate revisionist and bourgeois capitalist elements in the communist party and Chinese society.

Domestic tourists in China refer to residents of mainland China who stay for one night at least, but no more than 6 months, at tourist facilities in other places than their permanent residence within the territory of the mainland China, including foreigners, overseas Chinese and Chinese compatriots from Hong Kong, Macao and Taiwan who have resided in China for over one year.

Domestic travel agencies refer to travel agencies engaged in the promotion, solicitation, organisation and reception of domestic tourists, and in the reception of foreigners, overseas Chinese, Chinese compatriots from Hong Kong, Macao and Taiwan organised by international travel agencies or other departments concerned, without their own promotion and solicitation programmes.

Foreign Affairs Office is a local Chinese government department that is in charge of diplomatic relations with foreign governments and official, government sponsored visitors.

Foreign Exchange Certificate (FEC) was used by foreign visitors as a means of payment. It stopped being used in 1994 when China stopped practising the dual currency system.

Foreign exchange earnings from international tourism refer to the total expenditures of foreigners, overseas Chinese, Chinese compatriots from Hong Kong, Macao and Taiwan during their stay in Mainland China.

Foreigners refer to overseas visitors who hold foreign passports.

Four Modernisations Policy was initiated in late 1970s by Deng Xiaoping, which essentially overturned the approaches emphasised under Mao Zedong. The four areas of modernisation were industry, agriculture, science and technology, and national defence.

Grand Canal is a man-made canal initially begun in the fifth century BC and completed in the Sui Dynasty. It facilitated travel and trade between north and south China. The southern section of the canal has become a major tourist attraction.

Great Leap Forward was a nation-wide campaign initiated by Mao Zedong in the late 1950s to rapidly collectivise and increase China's industrial and agricultural production in order to move China into a communist society. Failures of the policy resulted in factories and communes making false reports about production levels and many thousands of peasants died of starvation in rural China.

Inbound tourism to China refers to overseas tourists coming to visit China.

International tourists refer to the number of foreigners, overseas Chinese, and compatriots from Hong Kong, Macao and Taiwan coming to China for sightseeing, visits, tours, family reunions, vacations, study tours, conferences and other activities of an economic, scientific and technological, cultural, physical, culture and religious nature. This does not include representatives and employees of resident institutions of foreign countries in China such as embassies, consulates, news agencies and offices of foreign companies and organisations, nor does it include long-term foreign experts or students residing in China, or persons in transition without spending a night in China.

International travel agencies refer to travel agencies engaged in the promotion, solicitation, organisation and reception of tours to mainland China by foreigners, overseas Chinese, Chinese compatriots from Hong Kong, Macao and Taiwan.

Joint venture hotels are hotels built jointly by Chinese and foreign developers. Both parties share the profits and losses according to their proportion of the investment. The Chinese joint venture law stipulates that the investment rate of the foreign partner should not be lower than 25 percent of the hotel's total investment.

Municipalities directly under the government refer to four major Chinese cities (Beijing, Shanghai, Tianjin and Chongqing) that have the administrative status and privileges of a province because of their political and economic importance.

Outbound travel in China refers to Chinese going abroad for short terms for either public business or private purposes. Chinese employees working on international transport carriers are included in those going abroad for public business purpose, not in those for private purpose.

Overseas Chinese are Chinese nationals residing in foreign countries, but maintaining Chinese citizenship and holding a PRC passport.

Renmimbi, "the People's Currency", is the designation of the Chinese currency.

Special Economic Zone (SEZ) refer to cities and regions designated by the Chinese central government to experiment with free-market economic policies. The SEZs are mostly located on the coast and have experimented tremendous economic growth and international investment in the past ten years.

Star-rated hotels refer to those hotels classified by the CNTA's star-rating system introduced in 1990 to insure management standards and service quality.

State Council is the highest-level administrative body of the PRC. It is headed by the Premier and oversees the day-to-day administration of the country.

Tourist Hotels refer to hotels that are able, with the approval of the departments concerned, to accommodate foreigners, overseas Chinese, Chinese compatriots from Hong Kong, Macao and Taiwan Province.

Introduction

Problem Statement

International tourism is one of the largest items in world trade, accounting for a fairly significant percentage of all world exports and a level of expenditure exceeding the Gross National Product (GNP) of all countries but the USA (Harrison, 1992). According to the World Tourism Organisation (WTO), between 1950 and 2000, global international arrivals grew at a spectacular rate, from 25 million to 699 million. Over the same period, international tourism receipts experienced a 238-fold increase, growing from 2 billion USD to 476 billion USD. According to the World Travel and Tourism Council (WTTC), in 1999, travel and tourism, directly and indirectly, contributed to 11 percent of the world's Gross Domestic Product (GDP), created 200 million jobs, corresponding to 8 percent of total employment, and will generate 5,5 million new jobs per year until the year 2010. Tourism is, thus, considered the world's largest industry, and is expected to continue to grow and maintain that status well into the twenty-first century.

WEFA/WTTC forecasts indicate that the travel and tourism industry will grow by 4,1 percent a year between 2000 and 2005 in terms of total spending as against an annual growth of 3,6 percent for the world economy. As a result, the industry's share of world GDP will rise from 10,5 percent in 1990 to 11,4 percent by the end of 2005.

The East Asia and Pacific (EAP) region has been assuming an increasing role in the world's tourism industry. During the last decade it has gained some share of tourist arrivals from traditional destinations such as Europe and the Americas. Within the EAP region, China is expected to assume a leading role. Today, tourism is a fast growing sector in China's economy, representing a considerable part of the GDP. It has become one of the most important tourist destinations. In 2000 it ranked fifth in the world, showing a spectacular increase over the total international tourist arrivals for 1980 (the average annual growth rate was 11,56 percent). The increase in tourism receipts over the same period was even greater, these achieved an average annual growth rate of 17,75 percent. The WTO estimates that China will receive 130 million foreign tourists by 2020, making China the world's number one tourist destination (WTO, 1999c).

In spite of the leading role that China is playing in the EAP region, as well as in the world, for almost three decades (1949-1978), most travelers were forbidden to enter in the People's Republic of China (PRC), while elsewhere in the world the tourism industry was starting to develop. During that 30-year period, Chinese tourism policy can be summarised as being cautious and negative, foreigners were not welcomed in the country, the philosophy being "the fewer the better" (Richter, 1989). The political relations between China and many important tourist-generating countries were sometimes hostile. During this period of isolation from the rest of the world, some significant openings were made, allowing foreigners into the country, but only from a few "friendly countries". In the late 1970s, however, the situation changed and China has become one of the most important destinations for tourists.

The importance and relative influence of tourism, and particularly its economic impacts, have been made evident during its dramatic growth throughout the world during the 1970s and 1980s. Although many dynamic changes occurred since the founding of the PRC in 1949, changes that had a tremendous impact on the economy, the greatest growth in China's economy has occurred in the last twenty years, at about the same time as the tourism industry began to develop.

As international tourism involves the movement of people from country to country, governments may encourage the development of tourism to further political objectives. Indeed, the political benefits of developing tourism may be as rewarding as its economic advantages. Domestic tourism may also serve important political and cultural goals such as national integration and a sense of national pride (Pearce, 1991). Considering these factors, it will be important to assess to what degree the Chinese government used the development of the tourism sector as part of its overall political and economic development strategies.

Content of this Study

This study will focus on the evolution of Chinese tourism policies over the last fifty years, and determine the importance of these policies for the country's economic development. It

will trace the evolution of the tourism industry and will try to understand the major changes that have occurred within the sector, mainly in the fields of tourism education/training, investment, aviation, the hotel industry, and travel agencies. The choice of these areas is supported by the fact that they play a major role in the economy and in the sector's development.

However, given the nature of tourism, a product of complex interrelated economic and political factors, as well as other particular features that attract tourists, understanding tourism policy also demands some understanding and reference to the institutional arrangements in which tourism policy is made. Thus, the analysis must not be isolated from the rest of the country's general policies. This is because "public policy is best understood by considering the operation of a political system in its environment and by examining how such a system maintains itself and changes over time" (Hall and Jenkins, 1995:10). The analysis of China's tourism policies over time will be made at a number of interrelated levels – micro, intermediate and macro – as "studies that analyse at a particular level are necessarily limited and partial in explaining any public policy or associated decisions and actions" (Hall and Jenkins, 1995:20).

Despite the greater degree of decentralisation and liberalisation that has occurred in China since 1978, China remains a Leninist state ruled by a communist party. Therefore, the formulation of public policy involving the tourism sector and the state's direct participation within that sector is much greater than is true in most other economies with significant tourism sectors. Thus, the theories derived from the study of other countries must still be checked against China's experience before they can be accepted as universally valid.

The study tries to go beyond describing what the Chinese government does towards the tourism industry. It tries to understand the causes and consequences of policies, decisions and actions. It will try to explain how China, being isolated for so many years from the rest of the world, managed to develop its tourism industry so quickly after 1978 and surpass many important traditional tourist destinations.

Over the past 20 years, internally, China's tourism industry has been growing at a rate greater than that of the national economy, and internationally, it has been developing with the momentum of a growth rate greater than that of the world tourism industry. Moreover, in 1996, it had achieved, ahead of schedule, the objective set forth by Deng Xiaoping, requiring that by the end of the century the foreign exchange earned from tourism would exceed 400 billion RMB.

The study will also focus on the economic importance of tourism to China's overall economic development. This work will rely on an analysis of the major economic indicators, like arrivals, employment, receipts, and investment, among others. The regional distribution of these indicators will also be an object of study. In order to verify the impact of policies, these two variables (tourism policies and economic development) will be related, in order to assess if the former is directly related to changes in the latter. This casual relationship, assumed to exist, will be tested in a case study of the impact of tourism on the economic development of a specific region.

Organisation of the Study

The first chapter attempts to summarise the growth of tourism worldwide in an historical perspective. It introduces the evolution of the travel industry since ancient times till the twentieth century. The purpose of this review of tourism's historical evolution is to present the main factors that contributed to its development worldwide, the motivations for travel and the various forms of tourism that existed in the past. In that way we can better understand contemporary tourism in China.

The study of the tourism industry evolution in a specific place is better understood when looking at the general environment that surrounds it. The same principles can be applied when the specific place refers to a country. For that reason, before analysing in detail the travel and the tourism industry in China, a brief evolution of the travel patterns all over the world is made. Each world tourist region is linked to every other, thus a change occurring in one can influence the others. The second part of the chapter, thus, tries to identify the patterns of international tourism over the last fifty years, giving a brief overview of the

main generating regions, as well as the main destinations in the world. Special attention is given to the East Asia and Pacific region because China is included in this region according to the categories established by the WTO. Although making predictions about the future is always risky, it is essential to consider trends in planning for future development. For this reason, the last part of this chapter is solely dedicated to major trends expected by the WTO over the next decades.

The second chapter, before looking at China in detail, makes a brief overview of the role that governments should have in supporting the development of the tourism industry. The second part gives an overview of the general background to China's tourism industry, tracing the historical development of China's tourism administration and outlines the tourism policy programmes since the establishment of the People's Republic of China, particularly since 1978, when tourism has played an increasingly important role in foreign currency generation. Specifically it attempts to outline government policy towards several sectors within the tourism industry, namely tourism education and training, aviation policies, the hotel sector and travel services.

The aim of the third chapter is to analyse to what extent tourism contributes to the general economic development of China. Firstly, it tries to make an overview of the main economic impacts that this industry usually produces in the economy, and then it analyses in more detail the particular case of China. Some economic indicators will be used to show the importance of the tourism industry in China, and regional patterns of development will be traced as well.

In the past much attention had been given to economic benefits occurring from the development of tourism. However, this industry can also create undesirable effects. Aspects related to the less favourable impacts of tourism have only recently been the core subject of several researches. This work, thus, also attempts to include a reference to the economic leakage which results from importing foreign goods and services.

Chapter four is a case study about the tourism sector in a particular area in China. Its purpose is to examine the impact of policies, and try to identify the economic benefits of

development strategies at the local level. Hangzhou, a city located in Zhejiang Province, was the chosen place to conduct this research because it represents an important destination in the eastern part of the country, both for international and especially for domestic tourism. A brief description about the city itself is made at the beginning of the chapter, in order to characterise the area and to present the wide range of tourist attractions that is offered to visitors. An analysis of the organisation and structure of tourism in Hangzhou is also made, and there will be mentioned the tourism policy programmes for the city as well. Several indicators will be presented, those related to both the supply and demand sides of tourism.

Chapter five makes an analyse based on the arguments of the previous chapters, presenting an attempt to determine to what extent the policies launched by the Chinese Government were responsible for the economic results achieved by the tourism sector. In determining the impact of government policies, important policies will be analysed in detail and their particular economic consequences will be identified.

Objectives and Methodology

Objectives

One of the objectives of this study is to determine if the tourism development in China is a result of a natural evolution that many countries experienced due to the phenomenal growth in international tourism over the last forty years, or if is more a result of China's economic development strategy. Has there been a change in tourism policies over the years? If so, when did they change and why? Are they a part of the country's general policies? Are actions consistent with policy? Does tourism objectives of the local level differ from those on the central level? What has been the role of the State in this sector? What is the administrative organisation at the different levels? Questions such as these will be addressed throughout the work.

As the development of China's tourist industry is relatively recent compared with other traditional concerns of the government, as well as compared with the tourism development

in other countries, the government's inexperience in trying to develop this sector has probably led to inconsistent and inefficient policy formulation. What have been the major problems that the Government has faced while developing this sector? What have been the responses to those problems? Were they effective?

The results from this analysis will be helpful in determining if there is any relationship between the tourism policy programmes implemented by the Chinese government and the overall economic development of the country. This question constitutes the main objective of this work. The answer to this question can only be made after analysing the economic impact that the tourism industry has had in China. Several questions can arise when researching this topic. What has been the importance of tourism in income generation, employment creation, contribution to the balance of payments, and contribution to the GDP? Has the development of tourism and its contribution to economic development been equally distributed on a regional basis? If not, what have been the more favoured regions? Has the government made any attempt to correct regional inequalities? What are the main factors that contributed to the resulting inequalities?

Hypothesis

Our initial hypothesis is that China's tourism development is largely a consequence of the economic development strategy, and is pursued only for political and economic benefits to the State. As China is a communist country, which has had a centrally-controlled economy, possibly all tourism policies launched by the state have been intended to have some specific economic results, especially in those periods when the country was seeking foreign funds. It is further hypothesised that the successful increase in tourist arrivals was related and depended upon the government's policy of improving quality and management skills within the tourism sector, among other factors. The analyses in this dissertation intend to test these hypotheses.

Research Programme and Methods

A great part of the period allocated to the work on this dissertation was spent in China, where some of the research was conducted. In the six and a half months period spent there we collected and became more aware of some important information about the country's general policies during the last 50 years, as well as researched in more detail those policies concerning the tourism industry. The collection of the statistical information for the economic indicators was also carried out while in China.

During this period some travelling was done within the country, mostly to do research in some libraries (Hong Kong Chinese University Library, Shanghai Library, Macao University Library, Library of the Tourism Institute of Macao, Shanghai University Library, Zhejiang Library and the Zhejiang University Library), and to make contact with some entities responsible for the formulation and implementation of tourism policies. Contacts with some scholars, inside and outside China, conducting research on the same subject area were also made.

To explain better the relation between the public policies for tourism and economic development, field research was conducted in Hangzhou. The choice of this particular place was made because we stayed at Zhejiang University for three months. Thus, it was easier to get information about it and better to know the place, interviewing tourist administrative or bureaucratic administrative units there. In addition, Hangzhou is an important tourist destination within the country, with a wide variety of tourist attractions.

Qualitative investigation technique was used when interviewing key persons in the tourism field, i.e., those within the ranks of the academies, the administrative bureaucracy, and the providers of tourism services. An interview was held with the Director of the Executive Department of the Hangzhou Tourism Administration in order to understand the strategic orientations for the tourism sector and its development path in Hangzhou in the past years. Available policy documents were analysed and an extensive literature review was made. An analysis of the statistics collected was the main method relied upon when studying the impact of tourism policies on China's economic development.

Scope and Limitations of this Study

The present work certainly benefits from previous works, especially the ones concerning theoretical issues and concepts. Nonetheless, its focus is on a particular reality, trying to apply those concepts in practice. The tourist industry is diverse, fragmented and dynamic, and it can be studied at a number of levels and from many perspectives. Being aware of that, but imposing limits that are understandable by time constrains, this work focuses on a key set of areas, always related, when possible, with others of interest.

In making an overview of policies and economic impacts of tourism in China over the last 50 years, we wanted to access to what extent the former were responsible for the results of the latter. Nonetheless, we realised that this task was not an easy one. First of all, it was impossible to include all the topics related to the tourism industry in China. For that reason, only the sub-sectors that play a major role within the tourism sector were analysed in any detail. These include the travel services, the aviation industry, the education and the hotel sectors.

In addition, this study concentrates mainly on the macro level of analysis, although some references are given to regional differences both for policies and their economic impacts. Within a country, the tourism impact varies considerably, depending upon the area being considered, and it can be better assessed at the regional level. However, this level of analyses is rather difficult as regional data are not as accurate and complete as the data at the national level (Zhu, 1997), and are also harder to obtain.

The dissertation also focuses mainly on inbound and domestic tourism. Outbound tourism is referred to only briefly, as the objective of the study is to analyse travel to and within China, rather than travel made by Chinese citizens outside the country. Nonetheless, outbound tourism had to be considered, as a complete analysis of international tourism should include both inbound and outbound tourism. However, data about Chinese outbound tourism is scarce and few studies have been done in this area, this being a consequence of its recent development.

In general terms, there is a scarcity of research devoted to the tourism industry in China, partly because the tourism industry itself was not promoted for a very long time. Only recently a few studies have been conducted by public officers, while scholars and publications have remained limited. Overall, little information is available in English, and most of it consists in articles scattered in different publications, namely journals and reviews. A few significant contributions on the general picture of Chinese tourism development have been made in recent years, most notably a collection of essays edited by Alan Lew and Lawrence Yu (1995). Useful contributions were also made by Clem Tisdell and Julie Wen, who have been writing many essays in the past few years, and they have just published a book about tourism and China's economic development (Wen and Tisdell, 2001). Other important contributors are Dexter Choy, Linda Richter, He Guangwei, Tim Oakes, Gang Xu and Zhang Gangrui.

Any research involving quantitative study of the Chinese economy encounters the problem of obtaining statistics. The most comprehensive source of statistics on international tourism in China, and from which most secondary sources ultimately derive, is the Yearbook of China Tourism Statistics, published annually by the China National Tourism Administration (CNTA).

Gormsen (1995) points out three problems with the Yearbook figures. First, many researchers consider them inflated. Second, the visitation numbers include both overnight and day visitors, which does not coincide with WTO standards. The WTO definition of international tourists does not include those visitors staying for less than twenty-four hours in a foreign country. And finally, a third problem arises as a result of the increasing decentralisation of China's tourism industry, which makes data collection more difficult and estimations more the norm.

In spite of the problems listed above, almost all the data presented in this study was collected from the Statistical Yearbook. It does present a reasonably coherent picture of the relative size of large market segments and the gross trends in the volume of tourism. Data were also collected from WTO statistical publications, as well as from some essays. The

data presented in this study exclude statistics relating to Hong Kong and Macao. Similarly, no reference is made to Taiwan's tourism.

When collecting statistical data some difficulties emerged. It was not possible to have access to publications with statistics on tourism in China before 1990. For that reason, data before this period was not available for this study, except those for such major indicators as arrivals, receipts and number of hotels, and even these statistics only go back as far as 1978. With a few exceptions, statistical information on tourism before 1978 is non-existent.

The same problem was encountered when collecting data about Hangzhou, where it was even harder to get information. The Hangzhou Tourism Bureau (HTB) did not publish any data before 1995, and the available information is very generic and published only in Chinese. More detailed information was gathered in the Statistical Yearbook, but still it did not have any reference to some important indicators. In both cases, at national and local levels, inconsistencies among disparate sources of information were also a very common problem.

Richter (1989) complained about China tourism authority's reluctance of offering data to outsiders. "Efforts to unearth information on Chinese tourism policy are seldom rewarded in the PRC. "Not available" is the standard reply." (Richter, 1989:33). Zhu (1997) considers this statement only partly true because "not available" is not only the standard reply but also often true. In general, if information is not publicly available, it is very difficult to obtain, but even published, it is often "embarrassing"[1].

Some improvements were made since the publishing of Richter's book (Richter, 1989), but still there are many difficulties in gathering information. As tourism started to occupy a

[1] ""In 1994, the direct output of China's tourism industry was 165,5 billion RMB, an increase of 45,9 percent over the previous year; thus output counted for 3,78 percent of 4.380 billion RMB total GDP; an 0,18 percent increase over last year's 3,60 percent." (Yearbook of China Tourism, 1995:277) After a few simple calculations, we "know" that China, a country with 1,2 billion populations, had 39 percent GDP growth in 1995. This figure reflects the fact that China current statistic data might have no different from that of Maoist "Great Leap Forward" thirty years ago. (According to the 1995 Yearbook of China Statistics, the real GDP growth rate and inflation rates in 1994 were 9 percent and 15 percent, respectively.)" (Zhu, 1997:10)

more important role in the economy, some articles have been written by officials about tourism policies in China. Examples can be seen in the existence of China Tourism News, which publishes important articles, such as the one written by the director of the CNTA about tourism policies for the next 20 years (He, 2001). Another example is the book, also written by the same author (He, 1999b), which reviews the evolution of the tourism industry over the last fifty years. However, these documents, published only in Chinese, are directed to those working within the sector. This is especially true for the latter document, which is not publicly available and was only distributed to those ranking officials working within the sector.

Chapter I

Tourism Growth in the World: An Overview

1. Historical Development of Travel and Tourism

1.1. Ancient Times

> "During prehistoric times of early man, people travelled for essential reasons of seeking food, escaping from enemies, obtaining relief from the pressures of over-population, achieving territorial expansion, engaging in bartering type of trade and perhaps, even then, satisfying curiosity about unknown lands." (Inskeep, 1991:3)

As soon as agriculture began to develop, and cities and sea-going ships began to expand, travel became more commonly motivated by trade, military practices and government administration activities, this being especially true for large empires such as the Sumerian, Persian, Egyptian, Assyrian, Greek and Roman Empires. The commercial trade was well developed in the Mediterranean region, and also in the Indian Ocean. Travel from Europe to Southeast Asia was already possible, being a means of exchanging culture and religion, as well as for trading goods. For example, East-West trade linkages between China and Europe were established from the second century BC along the routes of the famous Silk Roads.

According to Holloway (1994), the earliest form of leisure tourism can be traced as far back as the Babylonian and Egyptian Empires. The Egyptians travelled essentially to attend religious festivals, while the Babylonian people visited the museum of "historic antiquities" located in Babylon. From about the same time, Greek people travelled to visit the sites of healing Gods. They also enjoyed attending religious festivals, which in time became increasingly oriented to the pursuit of pleasure, and in particular, sport. The Olympic Games in 776 BC was the first of the major international sports events, and it attracted many people. Athens was the most visited place by the Greek people. To help visitors in their trips, guidebooks made their appearance in the fourth century BC, covering destinations such as Athens, Sparta and Troy. Advertisements, in the form of signs directing visitors to wayside inns, are also known from this period (Holloway, 1994).

However, people did not travel much in ancient times because travelling was time consuming, expensive and dangerous. Another problem arose with the introduction of money as a medium of exchange. The existence of different "currencies" caused some difficulties to travellers. However, in each time period there was some form of currency that was widely used. For example, during the period that Greece was the center of Western civilisation, its currency came to be accepted as an international currency. This wide-acceptance of one currency gave the traveller more flexibility. Another problem was communication between people, as the language spoken was often different from that of the traveller (Hudman and Jackson, 1994).

Nonetheless, the major factor in the development of travel has always been transportation. The problems of travel by land were difficult and costly to overcome; consequently, early travel was associated with waterways. Cities began to cluster along rivers and coastlines, which led to the commercial use of waterways for carrying goods and people. This was the case of Mesopotamia, with settlements clustered along and between the Tigris and Euphrates Rivers. Outside Western civilisation, there are historic records of trips taken in Asia and the Pacific. "The Pacific peoples performed prodigious feats of island hopping, and sea travel was of major importance to China and Japan well before the birth of Christ." (Hudman and Jackson, 1994:31)

Travel by land was limited. Considering that an average person could only walk a few miles an hour, long distance trips could take several days. Even with the advent of the wheel, only limited improvements in speed were made, and the existent infrastructure was poor. Within the Assyrian Empire, roads leading to areas of economic, political and military importance were improved, and stone bridges were constructed over strategic river crossings. Road markers were established to indicate the distance travelled and, in addition, sentinels posts and wells were located every few miles for protection, communication, and water.

The Persians, following the work of the Assyrians, contributed to travel mainly in the expansion of the empire and in the improvement of travel infrastructure. Roads that were built by the Assyrians were expanded and refined, and new kinds of wagons were

developed. These included classical four-wheeled, closed carriages for the wealthy and elite.

1.2. The Roman Empire

Although some leisure travel had already been done before, the height of early tourism was only reached during the Roman Era. During the period of time that the Romans expanded their power, the Mediterranean was safe for travel and, for long periods, was free from major conflicts. The Romans travelled to Sicily, Greece, Rhodes, Troy, Egypt, and, from the third century AD on, to the Holy Land. The distribution of administrators and the military during the days of the Roman Empire led to Romans making trips abroad with the purpose to visit friends and relatives, thus setting a precedent for the visiting relatives and friends' (VFR) movements (Holloway, 1994).

The Romans had the ability to build superior transportation networks, thus reaching the apogee in the road building system. They developed an extensive and well-constructed road system that provided administrative and commercial communications throughout their empire. This network system quickly became major thoroughfares from Rome to major tourist centers, being much used by the new leisure class and creating increasing demand for goods and services of the vast empire (Hudman and Jackson, 1994). Although the Romans developed the most extensive, relatively comfortable, and safest travel infrastructure of this period, road networks were also established in China, during the Zhou and Han dynasties, as well as in India and in other Asian states (Inskeep, 1991).

Three other factors emerged during the Roman Era, that were also important contributors to tourism, they were common coinage, language and legal system. These factors, combined with the improved network of good roads along with staging inns, allowed Rome to develop tourism to a level not reached again until modern times. Another key contributor was the Romans' development of the concept of a leisure holiday that allowed them free time to travel. The Romans also introduced guidebooks, listing hostels with symbols to identify quality, "in a manner reminiscent of the present day Michelin Guides" (Holloway, 1994).

It is also interesting to note the growth of a travel bureaucracy during this period. As Holloway (1994) describes it, an exit permit to leave was required by many seaports, and a charge was made for this service. Souvenirs acquired abroad were subject to an import duty, and a customs declaration had to be completed.

1.3. Middle Ages

With the collapse of the Roman Empire in the fifth century AD, and with the beginning of the so-called "dark ages", economic activities and trade declined in Europe. The middle class almost disappeared, the transportation network disintegrated, banditry was common and trips were dangerous (Inskeep, 1991). The combination of these factors resulted in the diminishing of travel within Europe and the Mediterranean region and to places elsewhere, as travel became more dangerous, difficult and considerably less attractive. Most pleasure travel was undertaken close to home.

By the fourteenth century, religious pilgrimages in Europe were an important type of travel to such places as Rome and Santiago de Compostela, further extended with the opening up of Jerusalem and the Palestinian area by the Crusades. Although religiously based, pilgrimages were also social and recreational events. To serve the pilgrims, a network of charitable hospices was established and commercial inns were developed. Package tours began to be organised to the Holy Land, and even if people did not take an organised tour, they tended to travel together in groups for safety reasons (Inskeep, 1991).

In Asia, during this period, religious pilgrimages were also an important type of travel, with both Hindus and Buddhists visiting important shrines, temples and religious educational centers for study and staying in especially provided accommodations. Marco Polo's book, recording his adventures and observations on his journey between Europe and Asia during the latter part of the thirteenth century, was an important source of information for Europeans about Asia during this period.

1.4. From the Renaissance to Late Nineteenth Century

In the fourteenth century a new period emerged in Europe, being generally designated as the Renaissance, and it represents a major break with the previous period. The structural changes which occurred within the travel business reflected the general economic environment of Europe. It was characterised by improved productivity of agriculture and revival of cities, expanded trade and commerce, extensive global exploration and European discoveries, the flowering of arts and literature, and the beginning of modern science (Inskeep, 1991).

From the standpoint of tourism development, the Renaissance produced positive results in leisure travel. A new form of tourism developed as a direct result of the freedom and quest for learning that characterised this period. Travel for educational and experimental purposes, as well as trade began to be frequent. In England, young men began to travel to the major cultural centres of Europe with the purpose of being educated for government administrative and diplomatic services and future leadership, travelling for two or three years on the Continent. This kind of travel, that initially involved only young aristocrats, was soon adopted by others in high social classes, establishing the precursor of modern tourism – the Grand Tour, which constituted a very elitist type of pleasure travel. The designation goes back to the first guidebook for this type of travel, published in 1778 by Dr Thomas Nungent.

To serve the wealthy aristocrat tourists, and in some cases their tutors, marked improvements were made in the hospitality sector. Apart from the guidebooks, which covered diverse topics such as items to take on a tour, books on observations and reflections of journeys taken also became popular.

The Industrial Revolution, which contributed to several changes within society, created the basis for modern tourism development. It brought about economic and social changes that completely changed people's lifestyles, increasing their ability to travel. Industrialisation caused both population shifts and population increases. Population shifts to urban areas brought new lifestyles, with increasing leisure time and demands for recreational activities.

And the growing population, which occurred at the same time as industrial productivity and wealth increased, also greatly increased the number of those wealthy enough to travel, which in turn stimulated the growth of resorts and tourism destination centers. The growth of labour unions during this period also helped the worker obtain greater amounts of leisure time through paid vacations and a shorter workweek.

The concept of "the holiday", that first appeared during the Roman Era, did not develop until the advent of the Industrial Revolution; from then on, general public holidays involved the masses. The social changes that came about as a result of the change from a rural society to an urbanised one brought about an evolution of the concept of the holiday from being a religious day to a day of leisure and recreation.

Late in the 1800s and early 1900s, seaside and mountain resorts became fashionable places for the richer class. Many of these places became the "show-places for socialites", evolving into centers of amusement and entertainment. Throughout Europe, spas and coastal areas in France and Britain became retreats for the wealthy (Hudman and Jackson, 1994). Later, improved transportation and communications systems, particularly the railroads, changed the nature of the seaside resorts from wealthy playgrounds to large complexes for the masses, with expanded recreational facilities and amenities.

After the Industrial Revolution, tourism can be characterised as consisting of a growing middle class that flocked to resorts in the mountains and seaside close to their urban centers for short stays, while the wealthy travelled for extended periods to exotic places. International tourism remained primarily an opportunity of the wealthy.

Another great stimulus to tourism in the nineteenth century had been given by Thomas Cook, who inaugurated the era of organised, large-scale, relatively cheap travel, spread across national, regional and international destinations. By taking advantage of the advances in transport technology, he managed to produce a revolution in tourism by the end of the nineteenth century. He organised the first train excursion and soon package tours became common (Inskeep, 1991).

2. International Tourism Patterns in the Twentieth Century

In spite of all the transformations that occurred in the nineteenth century, foreign travel in the beginning of the twentieth century remained a luxury commodity within a very small proportion of the world's population. The growth of tourism to mass proportions, as it is known today, has its origins in several innovations. Major improvements realised in the transportation sector, mainly in aircraft technologies, greatly contributed to the tourist boom of the mid 1900s. Deregulation and loosening of travel restrictions accompanied by decreases in travel costs and changes in labour legislation, which provided paid holidays, also led to a quantitative increase in the international tourism sector.

International tourism has increased steadily since the Second World War. The same pattern of growth is shown whether tourism is measured in terms of international arrivals or tourism receipts (or tourism expenditure). In the 1960s the number of world tourist arrivals more than doubled that of the 1950s. International arrivals reached 165,8 million by 1970, over 450 million by 1990 and almost 700 million by 2000 (table 1.1).

Table 1.1 - World tourism growth, 1950-2000

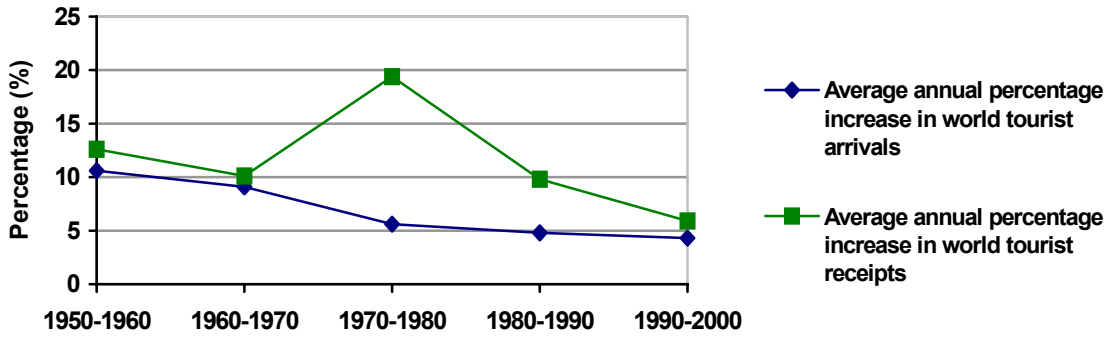
Year	International tourist arrivals (in millions)	Percentage increase (%)	Receipts* (in US$ billions)	Percentage increase (%)
1950	25,3	-	2,1	-
1960	69,3	173,9	6,9	228,6
1965	112,7	62,6	11,6	68,1
1970	165,8	47,1	17,9	54,3
1975	222,3	34,1	40,7	127,4
1980	286,0	28,7	105,3	158,7
1985	327,2	14,4	112,7	7,0
1990	458,2	40,0	268,9	138,6
1995	565,5	23,4	405,1	50,7
2000	698,8	23,6	475,8	17,5

Source: WTO, 1999c

* International transport receipts excluded

Since 1950, when international travel started to become accessible to the general public, tourist activity has risen each year at an average rate of 6,9 percent from 25,3 million to 698,8 million in 2000, and by 11,5 percent a year based on international tourism receipts from 2,1 billion USD to 475,8 billion USD. International tourism receipts grew faster than world trade in the 1980s, and in the 1990s it constituted a high proportion of the value of world exports. In 1995, the value of international tourism receipts was among the values of the most important export categories, only ranking behind of "office and telecom equipment" and "other machinery and transport equipment" (WTO, 1998c). International tourism was already exceeding the international trade in essentials as food, fuels and various types of raw materials and manufactures. In 1998, total international tourism receipts, including those generated by international fares, amounted to an estimated 532 billion USD, surpassing all other international trade categories (WTO, 2000). International tourism and international fare receipts (receipts related to passenger transport of residents of other countries) accounted in that year for roughly 8 per cent of total export earnings on goods and services worldwide.

Chart 1.1 - Historical growth rates of world tourist arrivals and receipts, 1950-2000



Source: adapted from WTO, 1999c

The number of tourist trips and the growth of tourism expenditure are related to economic development and how the economies of the world are interdependent. It is not surprising that temporary slowdowns in the growth rate of world tourism (chart 1.1) have been related to major changes in the world economy. Accordingly to Rosemary Burton (1991 and 1995), political problems and economic downturns have caused these slowdowns.

In the late 1960s, the war in the Middle East caused instability in the travel community, leading to a decrease in the number of tourists visiting this region. In the mid 1970s, the oil crisis affected, directly and indirectly, several sectors of the economy, leading to a pause in the growth of world tourism. However, the short-term economic impact of the oil crisis was a period of extremely rapid inflation in many countries and this was reflected in the dramatic increase in total tourism receipts.

In the early 1980s, the world was still suffering from the economic implications of the oil crisis. In the early 1990s, the coincidence of the Gulf War with another period of economic recession in the major world economies led to a sharp decrease in arrivals in the countries near the Middle East and to an overall drop in world tourism as a whole. In the late 1990s, a financial crisis was touched off in the Asian region, which quickly spread outward, affecting other regions of the world. In 1997, there was a much lower growth of international tourist arrivals worldwide, principally due to this crisis which reduced the growth in arrivals to the East Asia and Pacific region.

Table 1.2 – International tourism receipts by region: average annual growth rate, 1989-1998

Region	Increase between 1989 and 1998 (US$ billion)	Average annual growth rate (%)		
		1989-93	1994-98	1989-98
Africa	5.1	8.8	8.7	8.7
Americas	61.1	10.9	6.2	8.1
East Asia & Pacific	39.5	12.0	3.8	8.9
Europe	110.2	9.2	6.0	7.7
Middle East	5.2	6.1	11.0	8.9
South Asia	2.4	7.9	9.4	9.3
World	**223.5**	**10.0**	**5.9**	**8.1**

Source: WTO, 1999b

Between 1994 and 1998, the East Asia and Pacific region was the region that showed the smallest increase in terms of tourist receipts (table 1.2), this being a clear reflection of the

financial crisis that affected the entire region, and particularly the tourism sector. In the previous five-year period it had been the region with the highest growth rate of tourist receipts, with 12 percent annual increase. In late 1990s, however, the average annual growth rates in tourism receipts decreased worldwide reflecting not only the decrease in this region, but also the decreases in Europe and the Americas. Overall, however, EAP was among the major regions of the world that showed the highest annual growth rates between 1989 and 1998.

2.1. Inbound Travel

2.1.1. By Region

Analysing the travelling pattern of the different regions of the world, European and North American countries receive the majority of the international tourist visitors. The major reason Europe dominates in numbers of international arrivals is the high rate of intraregional travel occurring in this region. The relatively strong economies and the close proximity of many countries, encourage considerable intraregional travel. Also, the historical ties of North America with Europe serve to stimulate travel between these two major areas.

Table 1.3 - Inbound tourism by region, 1977-2000

Region	1977		1990		2000	
	Number (in millions)	Percent of world	Number (in millions)	Percent of world	Number (in millions)	Percent of world
Africa	4,7	2,0	17,7	4,0	27,6	4,0
Americas	46,6	19,4	83,4	18,8	129,0	18,5
North America	31,3	13,1	55,0	12,4	91,2	13,1
Latin America and Caribbean	15,3	6,3	28,4	6,4	37,8	5,4
East Asia & Pacific	10,8	4,5	51,5	11,5	111,9	16,0
Europe	171,7	71,6	277,5	62,0	403,3	57,7
Middle East	4,0	1,7	13,4	3,0	20,6	2,9
South Asia	2,0	0,8	3,2	0,8	6,4	0,9

Source: Hudman and Jackson, 1994; WTO, 1999c and 2001

However, there has been a shift in arrivals since 1977 (table 1.3). As a share of the world total arrivals, arrivals to Europe have declined, showing a decline of almost 14 percentage points in the share of total world arrivals between 1977 and 2000. Most of the shift has been to destinations in the East Asia and Pacific, which have increased from 4,5 percent of world arrivals in 1977 to 16 percent in 2000, as well as to the Middle East and North Africa (WTO, 1998a). The opening of China and the political agreements between Israel and Egypt have had a strong positive effect on tourism to these two regions. However, socio-political problems and terrorism in the Middle East and the rise of Islamic fundamentalism in Egypt in 1992 and 1993 has hurt tourist destinations in this region. In the Americas, there has been a gradual shift from North America to Latin America, particularly the Caribbean.

Table 1.4 – Tourist directional flow growth prospects by origin/destination region, 1990-2000

Outbound Region	Inbound Region						
	Europe	Americas	East Asia & Pacific	South Asia	Middle East	Africa	**Overall**
Europe	•	•••	•••	•••	••	••	•
Americas	•	•	••	••	••	•••	••
East Asia & Pacific	••	•••	•••	•••	••	•••	•••
South Asia	••	••	•••	•••	•••	••	•••
Middle East	•	•••	•••	•••	•••	•••	••
Africa	••	••	•••	•••	••	•••	•••
Overall	•	••	•••	•••	••	••	••

Source: WTO, 1999b

Key: • below average •• average ••• above average

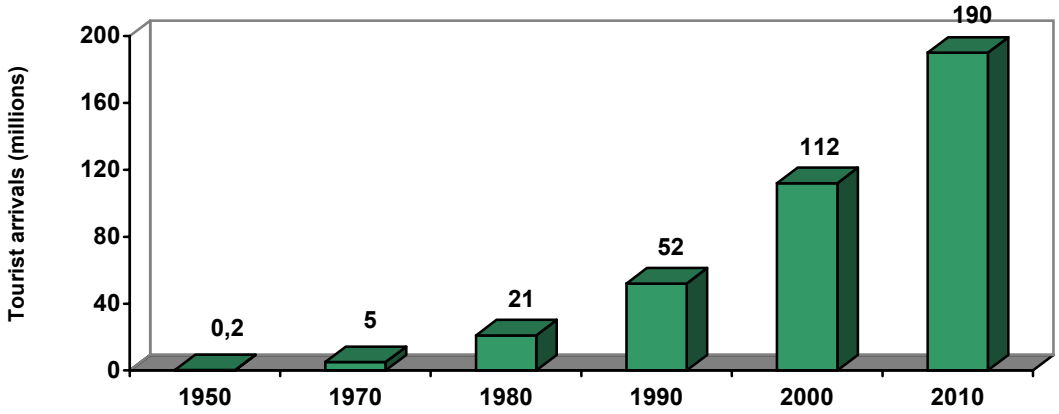
Accordingly to table 1.4, in the period between 1990 and 2000, the East Asia and Pacific and South Asia were the only regions that showed above average growth in terms of both outbound and inbound tourism. Europe was the only region presenting below average growth rates in both.

2.1.1.1. The East Asia and Pacific Region

Mass international travel, which first began in the 1950s when millions of Americans and Europeans travelled the world, has now also blossomed in Asia. Today, the region is regarded as a major generator and receiver of tourists. A wealthy new middle class of Asians is joining the European and the Americans in the international travel market.

Inbound travel to the East Asia and Pacific region[1] grew from less than half a million tourist arrivals in 1950 to 112 millions in 2000. It is expected that in 2010 international tourist arrivals to the region will reach 190 millions, almost doubling the figures from 2000 (chart 1.2).

Chart 1.2 - International inbound tourism in the East Asia and Pacific: trends and perspectives, 1950-2010



Source: WTO, 1997a

Over the last decade, the East Asia and Pacific region has been the fastest growing tourist region in the world, this sector being one of the most important sectors in a large number of countries in this region. There are many factors that contributed to the growing importance of the East Asia and Pacific as a tourist-receiving region.

[1] Includes ***Northeastern Asia*** (China, Hong Kong SAR, Japan, Korea DPR, Republic of Korea, Macao, Mongolia, Taiwan); ***Southeastern Asia*** (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam); ***Australasia*** (Australia, New Zealand); ***Micronesia*** (Guam, Johnston Islands, Kiribati, Marshall Islands, Micronesia – Kosrae State, Pohnpei State, Truk State, Yap State -, Midway Island, Nauru, North Mariana Island, Palau, Wake Island); ***Melanesia*** (Fiji, New Caledonia, Papua New Guinea, Salomon Islands, Vanuatu) and ***Polynesia*** (American Samoa, Cook Islands, French Polynesia, Niue, Pitcairn, Samoa, Tokelau, Tonga, Tuvalu, Wallis Fut. I).

Much of the travelling to this region, from other regions of the world, can be explained by the influence that some variables exert on the travellers' decision when choosing their holiday destination. Places are chosen taking into account the distance travelled, with more distant places being now more attractive. Differences from the travellers home country and the holiday destination are also important, as a high number of travellers often seek the "different" and the exotic. Culture is also a key aspect, as people when travelling want to have different cultural experiences. Other factor having an important role in the decision is fashion, since "fashionable" places tend to be more visited. More and more, aspects related to these factors tend to exert a great influence on the decision making process. The EAP region constitutes an attractive destination to Western regions like Europe and North America as it is something new and different. Some travellers that probably have already travelled within their own region now want to experience something new, want to discover new distant places.

Accordingly to Amrik Singh (1997), several other factors have also fuelled the significant growth of tourism in the East Asia and Pacific region, including increases in economic growth, disposable income and in leisure time; easing of travel restrictions; political stability and the breakdown of political barriers to tourism; technological innovations; aggressive tourism promotion campaigns; liberalisation of air transport, and a recognition by the host governments that tourism is a powerful engine of growth and a generator of foreign exchange earnings.

It is no surprise that the key to the success of tourism in the EAP region is the awareness of the important role that tourism has in economic development. Tourism serves as an important means to increase economic growth, raise the quality of life, create employment, and improve the overall balance of payments by helping to compensate deficits in other sectors. Many EAP countries show a net surplus in their balance of payment account. For example, China is a major receiver of tourists and enjoys a considerable surplus. Almost all Asian nations are committing substantial manpower and resources to attract more arrivals, whose expenditures represent significant contributions to national income and foreign exchange earnings.

The rapid growth of the tourism industry is a reflection of the region's booming and diversified economies. Economic growth in the region has been greater than in the rest of the world. China, which has been achieving high growth, is on its way to becoming one of the world's largest economies, surpassing Japan in a few years. Strong economic growth in Asia is attributed to a focus on market reforms, export oriented industries, stable currencies, diversification of the economy, and massive injections of foreign capital (Singh, 1997).

As a result of strong economic growth, disposable incomes have soared in Asian countries and along with it, the propensity to travel. Leisure consciousness has been enhanced with travel no longer seen as a luxury. Some Asians may see travel as a status symbol, while others see it as relief from the pressures of work. The introduction of a five-day workweek in China has provided Chinese residents with more leisure time that will likely be devoted to travel. Rising incomes have created a middle class of sophisticated and affluent Asians who are better educated, have more disposable income, and who appreciate the value of leisure.

In recent years, this region has become politically more stable than it has ever been; political, social and economic reforms have reversed the fortunes of the tourism industry. Areas that were closed or long considered inaccessible, like many parts of China and Indonesia, are now open to tourism. The opening of borders to both inbound and outbound travel, and the breakdown of political barriers to travel, will provide tourists the opportunities to pursue their leisure interests. For example, South Korea's normalisation of relations with China is expected to boost arrivals from Seoul to major cities in China. With strong demand for travel, other countries of the region also have lifted some of their travel restrictions.

Asian countries have safeguarded their national flag carriers to protect them from foreign competition. However, the situation is changing as governments realise that such restrictive policies are counterproductive to tourism. Liberalisation of air transport will only serve to enhance trade and tourism growth in the region, leading to more multilateral open sky agreements between countries.

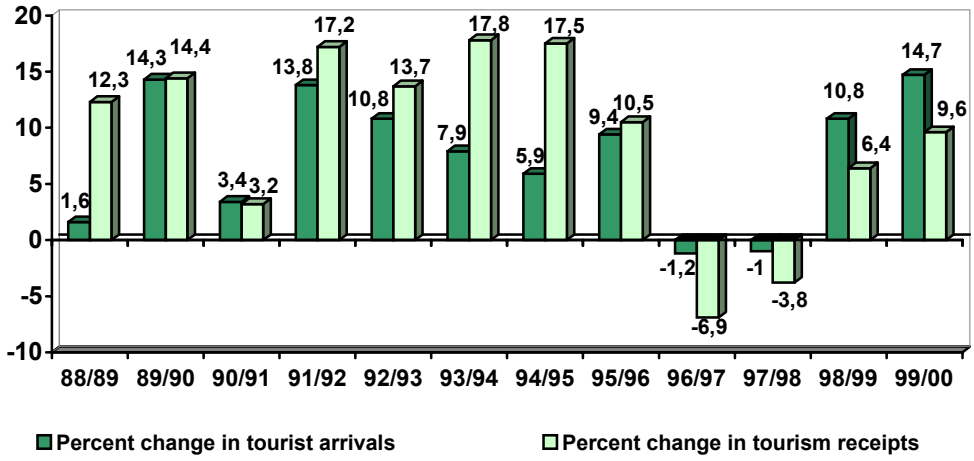
Technological developments have also significantly impacted the travel industry in the Eat Asia and Pacific region and are expected to continue to do so over the next decade. Developments in large and more fuel-efficient aircraft have lowered operating costs, increased airline seat capacity, and raised the comfort and safety of air travel. Lower operating costs, coupled with cheaper airfares, have reduced the cost of travel, thereby making air travel the dominant mode of travel in the region (Singh, 1997).

Technological developments are also impacting the way in which the product is delivered to the customer. Ticket-less travel will speed up customer service, provide convenience, improve efficiency and decrease distribution costs. The National Tourism Administrations (NTA) have also created custom-made destination promotion pages on the Web in order to reach a global audience. New technological developments and promotion efficiencies will continue to "create" more leisure time being devoted to travel.

More focused marketing segmentation strategies and theme campaigns now prevail over the traditional methods of marketing a destination to the masses. For example, in 1997, China organised a second "*Visit China Year*" under the theme "*A Completely New Experience*" to complement its recovery of sovereignty of Hong Kong, with major events planned throughout the country. These marketing campaigns are designed to enhance the destination's image by focusing on the rich cultural, historical, and natural heritage of the country. Fuelled by all these factors, the region reported the fastest growth of any region in the world in international tourist arrivals from 1987 to 1996. In this period, travel to this region increased at an average annual growth rate of 9,5 percent.

However, in 1997, some countries of the region suffered decreases in arrivals due to several factors[2], such as economic, political and ecological crises and airline accidents (Bar-On, 1999). Both arrivals and receipts suffered decreases in 1997 and 1998, but the decrease in tourist receipts was almost six times larger in 1997 than the decrease in arrivals, being opposite to the pattern registered over the prior years, when the average annual increase in receipts was greater than the increase in arrivals (chart 1.3). In 1999 and 2000, although recovering from the downturn caused by the Asian Financial Crisis, the EAP region still registered higher growth rates in tourist arrivals than in tourist receipts.

Chart 1.3 – Percent annual change in tourist arrivals and receipts in the East Asia and Pacific region, 1989-2000



Source: adapted from WTO, 1999b and 2001

Intraregional tourist flows accounted for 73 percent of total arrivals in the region in 1992. They increased by 32 million between 1980 and 1992, at an average annual growth rate of

[2] In 1997, four unconnected events marked the end of a long period of growth and optimism for the region (Leiper and Hing, 1998):

1. A smoke haze, resulting from extensive forest fires in Borneo and Sumatra, prompted cancellation of many trips to destinations in Malaysia, Indonesia, and elsewhere in Southeast Asia.
2. The Chinese take-over of Hong Kong created uncertainty about its political and economic future and led to a sharp downturn in international arrivals, in what has been one of the region's leading tourist destinations.
3. The most serious impact began with the currency collapse in Thailand, affecting many countries in East Asia, especially Indonesia. This economic depression began to be referred to as the Asian Economic Crisis.
4. The *coup d'etat* in Cambodia effectively halted visitation to what had been the region's second fastest growing destination country.

12,5 percent. Tourist flows originating from Europe amounted to 8 million in 1992, an average annual increase of 9 percent between 1980 and 1992. Arrivals from Europe represented 14 percent of total arrivals in the East Asia and Pacific in 1992. Tourists arriving from North America more than doubled in the same 12-year period; the strongest growth occurring during the 1980s, with an increase of 92 percent between 1980 and 1990 (WTO, 1997a).

In 1992, the major sources of tourists to the region were Japan, Singapore, Taiwan, USA and Hong Kong, jointly they represented 42,4 percent of the total arrivals in the region. United Kingdom, Germany and France were the major European sources of tourists to the region. Between 1980 and 1992, Singapore, Taiwan and Republic of Korea were the generating countries of tourists to the region that showed the biggest increases in the average annual rate of change (Bar-On, 1999).

Within the EAP region, the fastest growing areas were Northeast Asia and Australia/New Zealand, which have also been the areas with the most rapid hotel development (Choy, 1998). In the Northeastern Asia region, China was the country that achieved the greatest increases, both in terms of arrivals and receipts (WTO, 1999b). Between 1980 and 1997 the average annual growth rate in terms of China's arrivals and receipts were 11,9 and 19,1 percent, respectively. Although Japan had achieved higher growth rates in terms of tourist arrivals between 1992 and 1997, its average annual growth rate from 1980 to 1997 was 1 percentage point lower than China's (table 1.5). In fact, within the region, with a few exceptions, average annual growth rates, between 1992 and 1997, were lower than in the previous 12-year period.

The top ten destinations in the EAP region in 1997 were China, Hong Kong, Thailand, Singapore, Malaysia, Indonesia, Australia, Japan, South Korea and Macao (table 1.5). Overall, the top ten destinations accounted for more than 85 percent of total arrivals to the region. Although there have been changes in the ranking of specific destinations, the dominant share of visitors to the East Asia and Pacific region received by the top ten destinations has continued throughout the years. There are only a few popular destinations

in the region, while numerous other destinations have substantially lower volumes of visitors (Bar-On, 1999; Choy, 1998).

Table 1.5 - Principal tourist receiving countries in the East Asia and Pacific region, 1980-1997 (million tourist arrivals)

Receiving country	1980	1985	1992	% average annual change 1980-1992	1997	% average annual change 1992-1997
Northeast Asia					**55,1 %**	
China	3.5	7.1	14.2	12,4	23.8	10,9
Hong Kong	1.7	3.4	6.6	17,7	10.4	9,5
Republic of Korea	1.0	1.4	3.5	11,1	3.9	2,2
Macao	1.7	1.7	3.2	5,7	3.6	2,4
Japan	0.8	2.1	2.3	8,8	4.2	12,8
Taiwan	1.4	1.5	1.9	2,8	2.4	4,8
Southeast Asia					**34,7 %**	
Malaysia	2.1	2.9	6.1	9,3	6.2	0,3
Thailand	1.8	2.4	5.5	9,5	7.2	5,5
Singapore	2.6	2.7	5.2	6,2	6.5	4,6
Indonesia	0.5	0.7	2.7	14,4	5.2	14,0
Philippines	1.0	0.8	0.9	-0,6	2.2	19,6
Autralasia					**6,6 %**	
Australia	0.9	1.1	2.5	8.7	4.3	11,5
New Zealand	0.5	0.7	1.0	6,5	1.5	8,4
Micronesia					**2,5 %**	
Guam	0.3	0.4	0.9	9,8	1.4	9,2
Share of principal tourist receiving countries in regions' total (%)	94,5	95,4	96,8		94,1	

Source: Bar-On, 1999; WTO, 1997a

Note: The percentage in bold type in 1997 represents the share of principal sub-regions in EAP region's total (%).

2.1.2. By Country

Since the 1980s, the top four destination countries of tourists throughout the world have not changed, the leading positions had been occupied by France, the United States, Spain and Italy. In 2000, the United States accounted for 7,3 percent of total arrivals in the world, while the top three European countries represented almost 24 percent (table 1.6). In general terms, Mediterranean countries had always received the most tourists, reflecting cost advantages, Mediterranean climates, coastal locations with sun, sand and sea, and cultural attractions from early civilisations. The United States, Mexico and Canada also have been privileged, benefiting from large populations with easy access to each other.

Table 1.6 - Top twelve tourist destination countries, 1950-2000

Rank	Destination						
	1950	1970	1990	2000	A	B	C
1	United States	Italy	France	France	75,5	10,8	10,8
2	Canada	Canada	United States	United States	50,9	7,3	18,1
3	Italy	France	Spain	Spain	48,2	6,9	25,0
4	France	Spain	Italy	Italy	41,2	5,9	30,9
5	Switzerland	United States	Hungary	China	31,2	4,5	35,4
6	Ireland	Austria	Austria	United Kingdom	25,2	3,6	39,0
7	Austria	Germany	United Kingdom	Russian Federation	21,2	3,0	42,0
8	Spain	Switzerland	Mexico	Mexico	20,6	3,0	45,0
9	Germany	Yugoslavia	Germany	Canada	20,4	2,9	47,9
10	United Kingdom	United Kingdom	Canada	Germany	19,0	2,7	50,6
11	Norway	Hungary	Switzerland	Austria	18,0	2,6	53,2
12	Argentine	Czechoslovakia	China	Poland	17,4	2,5	55,7

Source: Hudman and Jackson, 1994; WTO, 1999c and 2001

Key: A – Number (millions) in 2000

B – Share of arrivals worldwide in 2000 (in percentage)

C - Share of arrivals worldwide in 2000 (in cumulative percentage)

Since a few years ago, a number of Central Europe countries have become important destinations following their change in government. In 1986, China moved into the top twelve country destinations in the world for the first time, indicating a growing tourist interest in that country. In 2000 it had already moved up to the fifth position.

2.2. Outbound Travel

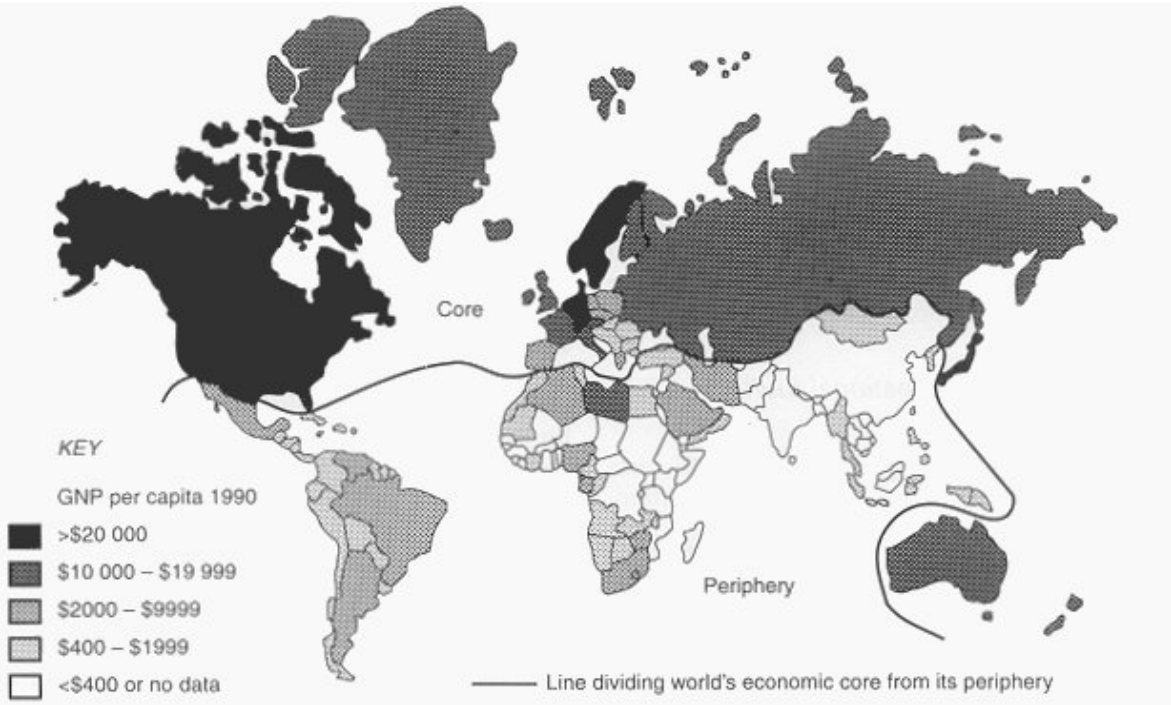
2.2.1. By Region

Accordingly to Burton (1991 and 1995), the two main factors that regulate the nature and volume of outbound tourism activity are the overall affluence of a country, measured in terms of GNP per capita, and the social, political and economic structures and institutions within a country that regulate its wealth distribution. Burton suggests that each country goes through a clearly defined sequence of phases in the generation of tourists[3], which occur in parallel with economic and political change. Based on this argument, different countries in the world are at different stages of economic development and, therefore, generation of outbound tourists.

Figure 1.1 shows international variations in GNP per capita for 1990 and Burton's division of the world in accordance with this economic indicator. According to this analysis, the countries of the affluent economic core, mainly the continents of the Northern Hemisphere, generated the vast majority of the world's international and domestic tourists. Thus, tourist generation worldwide was heavily concentrated in Europe, North America and, to a lesser extent, in the East Asia and Pacific region.

[3] From phase 1 when only a small group of people travel abroad, through phases 2 and 3 when first mass domestic and then mass outbound tourism develops, and finally through the phase 4 when the proportion of the population travelling abroad is greater than that travelling domestically.

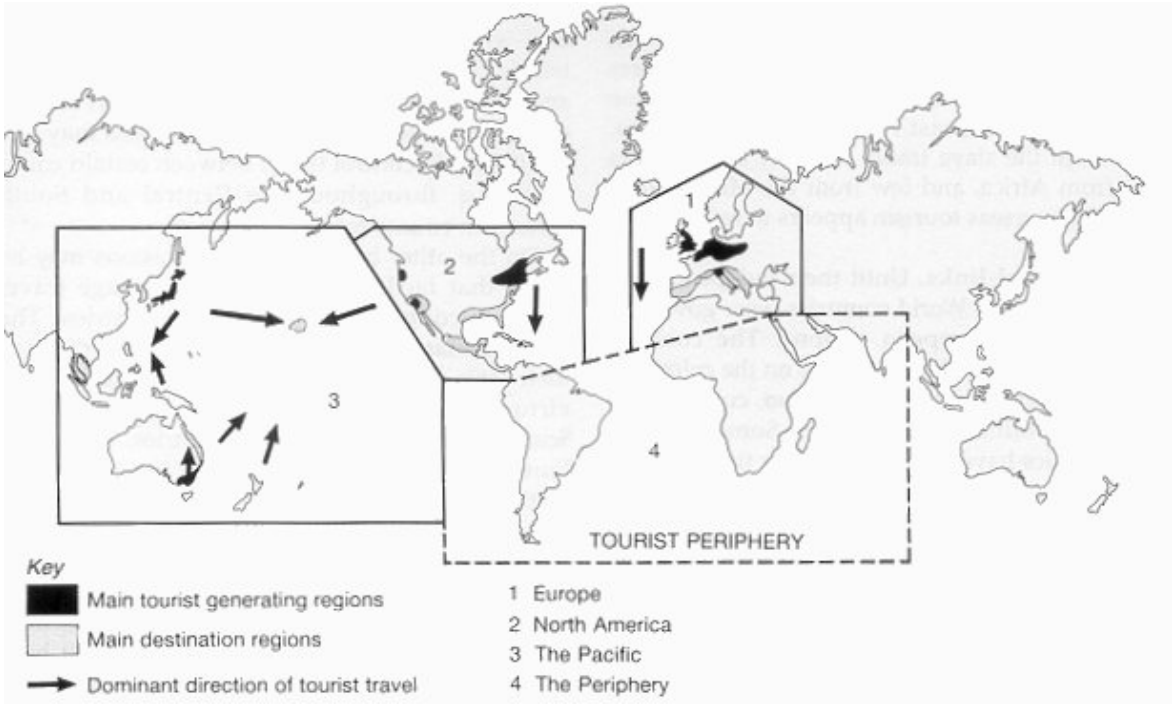
Figure 1.1 – International variations in Gross National Product per capita in 1990



Source: Burton, 1995

The countries of the economic periphery played a relatively small role in the generation of outbound travel. In this way, tourists and their money flowed from the wealthy industrialised nations of the world to the less industrialised. Although major upheavals in economics or politics, or environmental disasters, affect tourist flows, there seems to be a stable pattern that has developed over many years. The main areas generating tourists are those that are traditionally wealthier (figure 1.2).

Figure 1.2 – The four main tourist regions of the world



Source: Burton, 1995

Table 1.7 shows GNP per capita of several regions of the world in 1998. North America, North and Western Europe were the only regions that showed values above 20.000 USD. Oceania and Southern Europe, although not reaching the same level as these regions, also presented high values. The values of the remaining regions were relatively low. When comparing the GNP of the most developed countries with the less developed ones we can see that the gap is huge, 15 fold or more.

Table 1.7 – GNP per capita by world sub-regions in 1998

	GNP per capita (USD)
World	**4,890**
More developed countries	**19.480**
Less developed countries	**1.260**
Sub-region	
Northern Africa	1.200
Western Africa	340
Eastern Africa	n.a.
Middle Africa	320
Southern_Africa	3.100
North America	28.230
Central America	3.230
Caribbean	n.a.
South America	4.270
Oceania	15.400
Western Asia	3.620
South Central Asia	510
Southeast Asia	1.240
East Asia	3.880
Northern Europe	21.640
Western Europe	26.160
Eastern Europe	n.a.
Southern Europe	15.340

Source: Population Reference Bureau (in http://www.prb.org/pubs/wpds2000/wpds2000_GNP-Capital.html)

The industrialised countries of Europe, America and the East Asia and Pacific are the main generating markets. Among these regions, Europe is the biggest source of outbound travellers, representing 58 percent of the world total outbound travel in 1998. In the same year, the market share of America and the EAP region was 34,2 percent. The EAP region

has been the fastest growing region in the last decades, with average annual growth of 8,5 percent between 1985 and 1998.

Table 1.8 - Outbound tourism by region, 1985-1998

Region	1985		1990		1998	
	Number (in millions)	Percent of world	Number (in millions)	Percent of world	Number (in millions)	Percent of world
Africa	11,5	3,5	11,8	2,6	16,2	2,5
Americas	76,0	23,2	99,5	21,8	124,6	19,6
East Asia & Pacific	32,4	9,9	57,0	12,5	92,9	14,6
Europe	187,3	57,2	258,7	56,6	368,9	58,0
Middle East	7,0	2,1	6,6	1,4	10,1	1,6
South Asia	4,2	1,3	3,3	0,7	5,5	0,9
World	**327,1**	**100,0**	**457,2**	**100,0**	**636,6**	**100,0**

Source: WTO, 2001

2.2.1.1. The East Asia and Pacific Region

In 1996, the East Asia and Pacific region surpassed North America in generating visitors for the first time. Outbound travel grew 8 percent to record 94 million international visitors, while North Americans made 92 million trips abroad. Almost three-fourths of the travel to Asian and Pacific destinations is intraregional and, therefore, most of the growth in travel comes by tourists from other countries within the region. The region received 74 percent of the tourists originating from countries in the East Asia and Pacific region, followed by Europe with 14 percent, and the Americas with 10 percent. This level of intraregional tourism represents a dramatic increase from the 69 percent share recorded in 1985 for the East Asia and Pacific region (Singh, 1997).

Falling airfares, high cost of domestic travel in some countries, rising affluence (table 1.9), increase in business travel, and more competitive packages, contributed to increasing the number of Asians travelling to destinations within the region. Intraregional travel has been growing at a higher rate than long-haul travel. Between 1985 and 1995, intraregional travel

grew at an average annual rate of 12 percent compared to 10 percent for long-haul travel (Singh, 1997).

Table 1.9 – Growth rate of real GDP and real per capita GDP in some Asian countries since the 1960s

Country	Growth rate of real GDP (%)				Real per capita GDP ($)			
	1960s	1970s	1980s	1990s	1960s	1970s	1980s	1990s
South Korea	7,6	9,3	8,0	5,8	143	734	2.741	8.446
Hong Kong	8,7	8,9	7,2	3,8	647	2.446	7.374	20.546
Taiwan	9,1	10,2	8,1	6,2	234	985	3.940	10.975
Singapore	8,7	9,4	7,4	7,6	557	2.274	7.540	23.094
Thailand	8,2	7,3	7,2	5,5	133	354	877	2.235
Indonesia	3,0	7,7	5,7	4,4	n.a.	213	525	870
Malaysia	n.a.	8,0	5,7	6,9	305	830	1.951	3.546
Philippines	4,8	6,1	1,9	2,7	213	365	637	914
China	2,0	7,3	9,7	10,0	88	169	309	537
Vietnam	n.a.	n.a.	5,1	7,2	n.a.	n.a.	125	216

Source: Ministry of Finance of Japan (in http://www.mof.go.jp/english/if/if022h1.pdf)

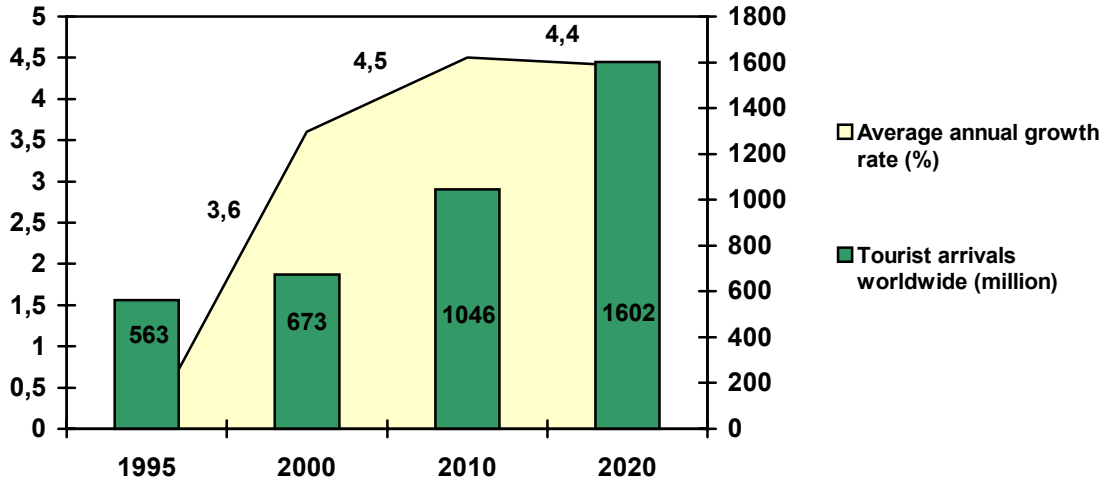
The top ten countries generating travel to destinations within the region in 1995 were Japan, Taiwan, United States, China, South Korea, Malaysia, United Kingdom, Singapore, Australia and Indonesia. Over the last ten years, Japan has been the dominant country generating travel to Asian and Pacific destinations. Japanese tourists now account for approximately one out of every five tourists to the region. In addition, Japanese tourists outspend all other tourists in terms of daily expenditure. Thus, their impact is much larger than is suggested by their number of visitors alone (Choy, 1998). China is also becoming an important tourist generating market in the region. However, travelling abroad is still a privilege for a few, outbound travellers represent only 0,4 percent of the country's population. Nonetheless, this figure shows that there is still much potential for growth.

3. Forecasts on International Tourism till the Year 2020

The travel and tourism industry is a highly volatile industry because it is subjected to several factors. As seen in the previous discussion, changes have been made concerning primary destinations, as well as in the major origins of outbound tourists. Taking into account the patterns of the tourism industry experienced during the last fifty years it is now time to assess what will be the major trends in the next two decades.

The WTO prepared a forecast of tourism up to the year 2020 (WTO, 1998a), with the objective of identifying the major trends in the tourism industry worldwide, assessing its impact on the various sectors within the tourism trade and the implications for policy making and strategies.

Chart 1.4 - Forecast of international tourist arrivals, 1995-2020



Source: WTO, 1998a

Accordingly to this forecast, international tourism arrivals worldwide was expected to rise to 673 million in 2000[4], and reach 1 billion in 2010 (chart 1.4). By 2020, there would be 1,6 billion international tourist arrivals, which would generate over 2 trillion USD of spending. These figures represent sustained average annual growth rates, between 1995

[4] However, spurred by a strong global economy and by special events held to commemorate the new millennium, the world tourism grew 7,4 percent in 2000. The total number of international tourist arrivals reached 699 million, exceeding WTO's predictions by 26 million international arrivals.

and 2020, of 4,3 percent and 6,7 percent respectively. The realised growth rates were somewhat reduced between 1995 and 2000 as a consequence of the Asian Financial Crisis.

It was recognised that, in spite of these relatively low estimates, compared with past growth, international tourism still has much potential to exploit. Only 3,5 percent of the world's population participates in international tourism, and the WTO projected that by 2020 this figure will only increase up to 7 percent[5], a number that is still low, leading to the conclusion that this industry is still in its infant phase (WTO, 1998a).

Domestic tourism will also experience significant growth. It remains many times more important than international tourism, both in number of tourists and in expenditures. Most industrialised countries will come close to their ceilings for domestic tourism in respect of the proportion of their populations engaging in tourism and the extent of their participation. The main growth in domestic tourism will be in the developing countries of Asia, Latin America, the Middle East and Africa where the proportion of the population actively participating in domestic tourism will increase rapidly.

One of the main features of the expansion of international tourism is the rise in the share of distant travellers in arrivals, with tourists travelling greater distances. By 2020, 76 percent of the tourists travelling abroad will do so within their own region, with the share of long distant trips accounting for 24 percent, representing an increase over 1995 in the absolute total tourists in each category, of 4 percent and 5,4 percent, respectively (WTO, 1998a).

3.1. Inbound Travel

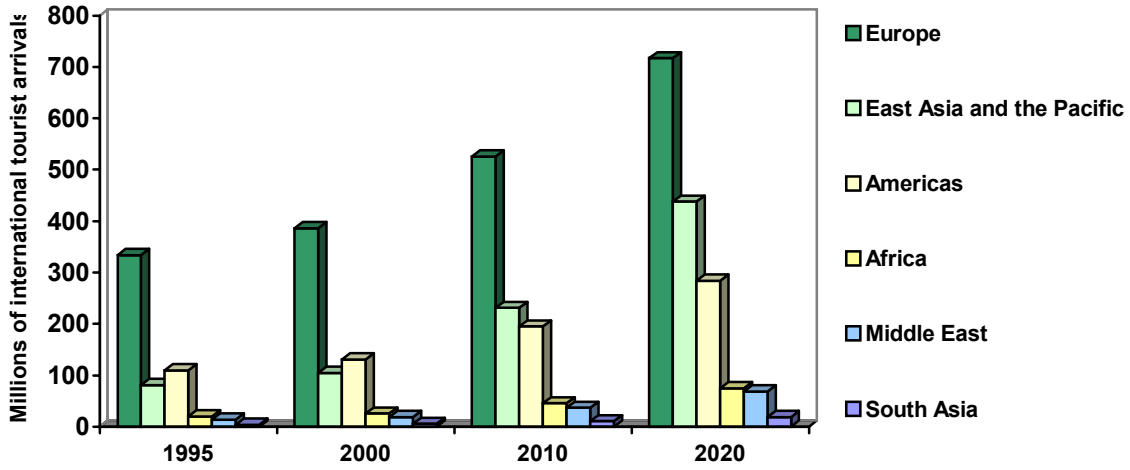
3.1.1. By Region

According to forecasts, Europe will remain the region receiving the largest number of tourists by 2020. However, its below global average rate of increase, between 1995 and 2020, will result in a decline in market share from 59 percent to 45 percent. International tourists arriving to the East Asia and Pacific region will represent 27 percent of the total

[5] According to WTO's estimates, in 2020, 10 percent of the population of the East Asia and Pacific region will participate in international tourism.

potential travelling population in 2020, and will pass those inbound in the Americas in 2005, to become the second largest receiving region (chart 1.5 and table 1.10).

Chart 1.5 - Forecast of inbound tourism by region, 1995-2020



Source: WTO, 1998a

In the period between 1995 and 2020, the East Asia and Pacific region should have the highest annual rate of growth, while Europe will be the region that will show smaller increases. The growth of tourists bound for countries in the Middle East and South Asia over the same period also will be substantial.

Table 1.10 - Forecast of inbound tourism by region, 1995-2020

Receiving Regions	International tourist arrivals (%)				Average annual growth rates (%)			
	1995	2000	2010	2020	1995-2000	2000-2010	2010-2020	1995-2020
Europe	59,3	57,4	50,3	44,8	3,0	3,2	3,1	3,1
East Asia & Pacific	14,4	15,6	22,1	27,3	5,2	8,2	6,8	7,0
Americas	19,5	19,5	18,6	17,7	3,6	4,0	3,8	3,8
Africa	3,6	3,9	4,4	4,7	5,4	5,7	5,1	5,5
Middle East	2,5	2,8	3,5	4,3	6,4	7,1	6,5	6,7
South Asia	0,7	0,9	1,1	1,2	5,6	6,8	5,8	6,2
Total	100,0	100,0	100,0	100,0	3,6	4,5	4,4	4,3

Source: adapted from WTO, 1998a

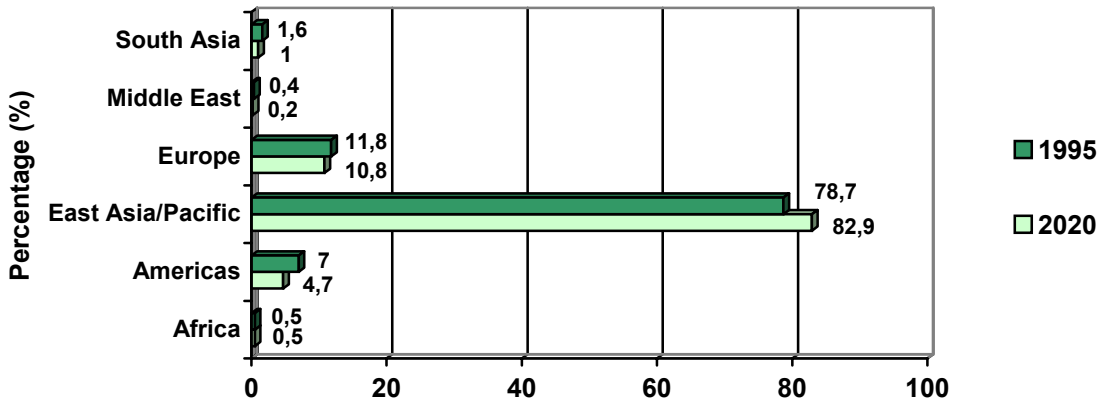
3.1.1.1. The East Asia and Pacific Region

All sub-regions of the EPA region will share in the strong increase in inbound tourists, each achieving above global average rates of growth between 1995 and 2020. Northeastern Asia, mainly boosted by China's increase of intraregional arrivals, leads the way with an average annual growth over this period of 7,5 percent.

In 1995, the share of long distance international tourist arrivals in total arrivals in the East Asia and Pacific was 21 percent. Most of these tourists came from Europe and the Americas. These two generating regions, between 1995 and 2020, should record average annual growth rates that are above global average rates. Nonetheless, their shares of total arrivals in the region should decline marginally.

Contrary to the general tendency, between 1995 and 2020, the long distance travel into this region should experience growth rates below the growth of intraregional travel, and, therefore, its share of total travellers in the region will decline from 21 percent to 17 percent, respectively, over this period (chart 1.6). This might be a reflection of the high average annual growth in travel by residents of the East Asia and Pacific countries to nearby countries, mainly because the ethnic links that exist within the region.

Chart 1.6 - Inbound arrivals to the East Asia and Pacific: regional source analysis, 1995-2020



Source: WTO, 1998a

3.1.2. By Country

The top ten tourist receiving countries within the region should see a major change by 2020. Because China's economy is rapidly developing, while the Chinese government is making great efforts to improve China's tourism industry, by that time, China is likely to replace France to become the biggest tourist destination in the world. Overseas tourists visiting China are expected to increase to 130 million per year. By 2020, therefore, China will be ranked as the number one destination for tourists, followed by France, the United States, Spain, Hong Kong, Britain and Italy (table 1.11).

Table 1.11 - Top ten tourist destinations in the world, 2020

Rank	Country	Tourist arrivals (millions)	Market share (%)	Growth rate p.a. 1995-2020
1	China	137,1	8,6	8,0
2	United States	102,4	6,4	3,5
3	France	93,3	5,8	1,8
4	Spain	71,0	4,4	2,4
5	Hong Kong	59,3	3,7	7,3
6	Italy	52,9	3,3	2,2
7	United Kingdom	52,8	3,3	3,0
8	Mexico	48,9	3,1	3,6
9	Russian Federation	47,1	2,9	6,7
10	Czech Republic	44,0	2,7	4,0
	Total (1-10)	708,8	44,2	

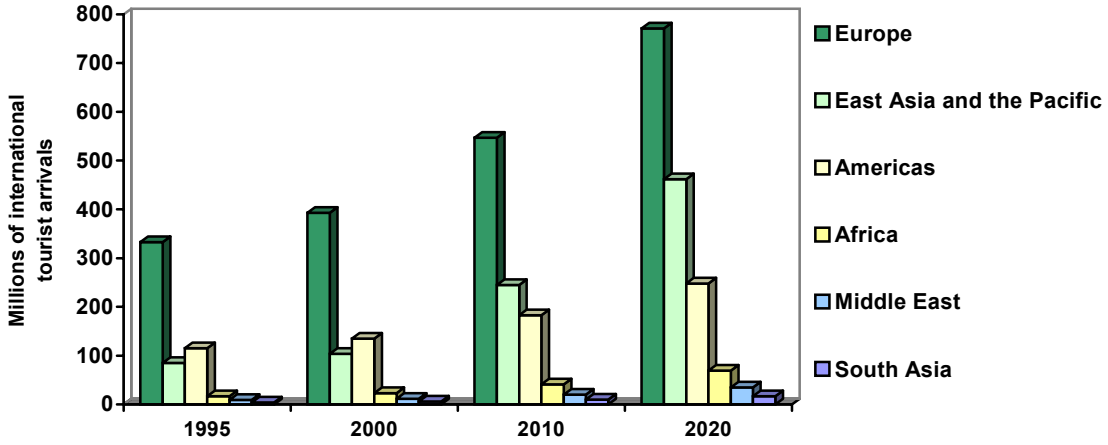
Source: WTO, 1998a

3.2. Outbound Travel

3.2.1. By Region

According to estimates, Europe will remain the largest source of tourists among the major regions of the world, being responsible for almost one half of tourist arrivals worldwide despite the modest 3,4 percent annual growth rate of its outbound tourists between 1995 and 2020. International arrivals from the EAP region grew slowly until the year 2000, but

during the first decade of the new millennium the pent up demand for travel should ensure that the region will become the second largest source of outbound tourists, forcing the Americas into third place (chart 1.7 and table 1.12).



Source: WTO, 1998a

The East Asia and Pacific region should show the highest average annual growth rates of outbound tourists (7 percent) in the period between 1995 and 2020, while, Europe and the Americas, on the contrary, will grow at an average rate of a little more than 3 percent.

Table 1.12 - Forecast of outbound tourism by region, 1995-2020

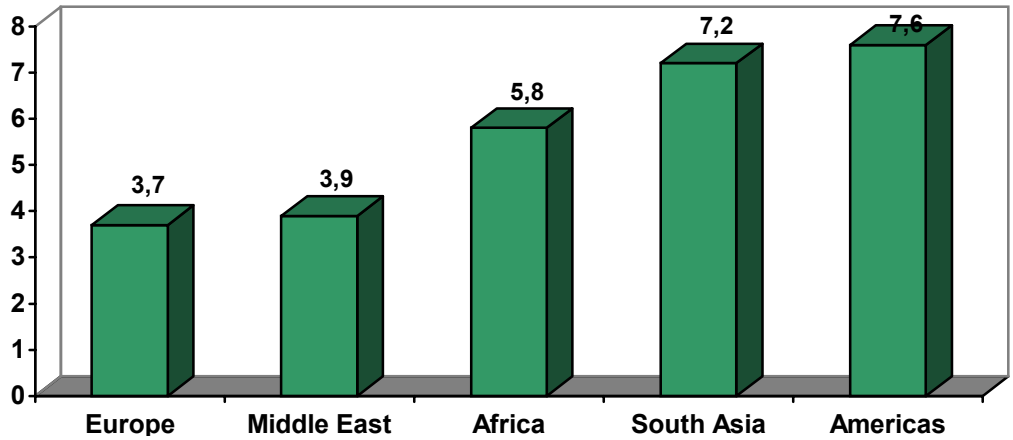
Receiving Regions	International tourist arrivals (%)				Average annual growth rates (%)			
	1995	2000	2010	2020	95-00	00-10	10-20	95-20
Europe	59,1	58,4	52,3	48,1	3,3	3,4	3,5	3,4
East Asia & Pacific	15,1	15,5	23,4	28,8	4,1	8,9	6,6	7,0
Americas	20,4	20,1	17,5	15,5	3,3	3,1	3,1	3,1
Africa	3,0	3,4	3,9	4,2	6,2	5,8	5,3	5,7
Middle East	1,6	1,8	1,9	2,2	5,8	5,5	5,6	5,6
South Asia	0,7	0,9	1,0	1,1	5,5	5,5	5,5	5,5
Total	100,0	100,0	100,0	100,0	3,6	4,5	4,4	4,3

Source: adapted from WTO, 1998a

3.2.1.1. The East Asia and Pacific Region

The East Asia and Pacific region's role in leading global economic performance was predicted to be maintained over the rest of the last decade of the twentieth century, thereby ensuring expansion of the purchasing power of its people and continued rapid growth in outbound travel and tourism. Japan is expected to remain the dominant generating market for outbound tourism in the region (WTO, 1999b).

Chart 1.8 - The East Asia and Pacific outbound tourism: average annual growth rate by destination, 1990-2000



Source: WTO, 1999b

3.2.2. By Country

The top ten countries generating outbound tourists should also see a major development with the emergence of China as a major source of tourists, ranking in forth place (table 1.13). By 2020 China is expected to have 100 million tourists travelling around the world. The Russian Federation should also become a major outbound tourist country, ranking in the ninth position. In 2020, Germany is predicted to be the major source of tourists, representing 10 percent of the world's outbound travel, followed by Japan, which is the major source of outbound tourists within the East Asia and Pacific region. In 2020, the ten leading outbound countries will generate nearly 50 percent of the travel around the world.

Table 1.13 - Top ten tourist outbound countries in the world in 2020

Rank	Country	Tourist arrivals generated worldwide (millions)	Market share (%)
1	Germany	163,5	10,2
2	Japan	141,5	8,8
3	United States	123,3	7,7
4	China	100,0	6,2
5	United Kingdom	96,1	6,0
6	France	37,6	2,3
7	Netherlands	35,4	2,2
8	Canada	31,3	2,0
9	Russian Federation	30,5	1,9
10	Italy	29,7	1,9
	Total (1-10)	788,9	49,2

Source: WTO, 1998a

Summary

The evolution of the travel industry has always been conditioned, directly and indirectly, by several factors. The development of transportation facilities was the key element for its expansion, allowing long distance travel in a shorter period of time. Technological innovations also introduced some important advantages to consumers, being responsible, to some extent, for travel costs reductions. Worldwide economic growth has led to a general increase in disposable incomes, which, jointly with an increasing leisure time, has constituted important growth factors in the travel and tourism industry, increasing the propensity to travel.

Economic, political and social factors significantly influence the pattern of tourism development. The growth of the international tourism industry follows almost the same path as the growth of the international economy. Economic disruptions were followed by decreases in international arrivals, as well as decreases in receipts. Political instability also highly affected tourist flows.

Tourist destinations have not been the same over time, there has been a shift in what determines the most demanded places. This shift was a result of a change in travel habits and also in the increasing awareness of the economic benefits of tourism. Different governments started to regard tourism as a highly profitable industry that contributed to increases in foreign exchange receipts. They began to stimulate this industry, and, thus presented to the world more variety in the destinations available.

As a result, the major change has been in the increasing role of the East Asia and Pacific region, both in terms of arrivals and as the source of tourists. The traditional destinations of Europe and the Americas still have the biggest share in international arrivals, but the annual growth rate of these regions is below the average for the world. In the first decade of the new century, the East Asia and Pacific region should surpass the Americas, becoming the second largest tourist receiving area, as well as the second largest source of outbound tourists. Within this region, China is expected to assume a leading role, this might being a direct result of the government's efforts to improve China's tourism industry. The WTO forecasts that by 2020 there will be 100 million Chinese engaged in outbound tourism, and that, in the same year, China will become the biggest tourism destination in the world.

Chapter II

Tourism Development and Changing Policies in China

1. Discussion about the Role of Governments in Tourism Policy and Administration

Tourism is the world's largest industry, and is expected to continue to grow and maintain that status. The tourism industry is a major economic, environmental and socio-cultural force, and a highly political phenomenon. The nature of tourism in any given community is the product of complex interrelated economic and political factors, as well as particular, geographic and recreational features that attract outsiders (Hall and Jenkins, 1995).

Because of its intersectorial characteristics, the tourism industry is surrounded by a complex environment and it is shaped by different forces and by several policies, laws, as well as by international politics and agreements. International tourism relies on a high degree of communication and cooperation among nations with respect to this complex network of laws, regulations and policies.

Understanding tourism policy and planning process, outcomes and impacts requires reference to the institutional arrangements for tourism policy. Such arrangements vary considerably between countries and between policy arenas within an individual country. Understanding the role that the institutions of the State play in tourism is vital to understand the effects of tourism policy on the patterns and processes of tourism development (Hall, 1998).

Although many countries had developed tourism for the same reasons, such as national income and foreign exchange generation, employment creation, regional development, economic diversification, and natural and cultural heritage conservation, the relative importance and priority given to the same objective varies considerably according to the nation being studied.

Accordingly to Jenkins (in Liu, 1998:27), the most significant difference in development objectives between the developed and developing countries is that "tourism in developed countries can be regarded as a mainly social activity with economic consequences; in developing countries it is largely an economic activity with social consequences."

The formulation of tourism policy for a given country or region depends on a number of variables including size, administrative structure, degree of specialisation and development level. The public-private partnership also plays a great role (Keller, 1999a).

To illustrate the importance of the public sector to tourism, we will consider a hypothetical example (adapted from WTO, 1997b) of a foreign visitor that wants to travel to China on a trip to a nature reserve. First of all, can the potential tourist visit China? The answer depends on China's policy regarding foreign visitors to its country, and on the visitor's own government's policy regarding travel to China. The answer also depends on the status of political and trade relations between the visitor's home country and China.

Another question is how will the visitor get there? Ideally, he would fly directly to the nearest airport of the place he wants to visit, but the availability of such flights would depend on the status of bilateral air agreements that the two countries may or may not have with each other. If the two countries do not have an agreement, the traveller may need to fly to a third country first before boarding a plane to China.

Once there, another question arises, where will the traveller lodge and visit? Perhaps, the local or national government has been advised that the most popular natural areas have been overused, and has therefore designated them as ecological preserves and will not allow any further visits. Or perhaps the hotel at which the traveller is staying is quite distant from the place he wants to visit, because the local government, for political reasons, has compelled developers to build hotels in areas that need jobs rather than those in proximity to the visited areas. During the stay, the traveller will have paid many direct and indirect taxes in the hotels, stores, visits, and transportation that are also the prerogative of governments at various levels. Currency exchange rates among nations are also particularly important to international trade and tourism. From this example, one can see that the actions or inactions of governments can have a great impact upon nearly every aspect of tourism.

> "Tourism-related laws, regulations and restrictions range from the broad and inclusive such as air traffic agreements that dictate the frequency and cost of

> airline trips, to the minute such as a local law that specifies the amount of indigenous material that an "authentic" souvenir needs to contain in order to be labelled as such." (WTO, 1997:283)

Governmental involvement at the national level can be extensive and is often critical to the success of the nation's tourism industry. Among the primary areas of involvement is the control of the entry and exit movements. Regulating the issuance of visas, monitoring borders and airports, and enforcing customs regulations constitute key responsibilities in this area. Policy and planning functions, infrastructure development, and marketing are also areas dealt with at the national level (see appendix 2.1).

National Tourism Administrations (NTA) are ministerial or departmental level bodies that pursue national tourism policies and goals. Their responsibilities vary considerably among destinations. The general activities they are involved with, such as planning, research and promotion, have been identified and discussed by some authors (Inskeep, 1991; Jenkins and Hall, 1982; Choy, 1993). The role and functions of NTA are influenced by the economic and political environments within which they must operate.

Traditionally, they were created and operated primarily as marketing entities. However, as tourism has grown and as governments expand their goals and expectations of tourism development, tourism policy issues have also become more inclusive and complex. NTA, then, have been seen by many as the logical means of administering and overseeing the tourism policies of governments. Although the scope of their functions varies from one NTA to another, the WTO (1997b) has classified NTA functions into five main groups: general administration of travel and tourism; tourism planning and development; research; education and training; and marketing and promotion.

Choy (1993) suggest that all NTA should be involved in basic or core activities such as coordination, legislation, promotion, research and providing tourist information. Depending on the situation, the emphasis among these activities may vary, and a NTA may assume additional responsibilities such as planning. It is also suggested that it should

undertake alternative roles (i.e. developmental, marketing, management and innovation) consistent with a destination's stages of development.

NTA also vary according to their structure and relationship to other branches of government. Public organisational structures can range from a state tourism secretariat, a government agency or bureau located within a department to a quasi-public tourism authority or corporation, depending on the degree of direct government involvement in tourism (WTO, 1997b).

Changes to the institutional arrangements for tourism, in which demands for less state intervention have been met with government attention being focused on tourism marketing and promotion, are seen in much of the Western world. Tourism planning and development functions have tended to be abolished at the central level and are increasingly being assumed at the sub-national level. Reasons for such a shift, however, probably lie not so much with the failure to recognise the economic and political significance of tourism but with broader changes in ideology and philosophy about the appropriate size and role of the state in the broader political environment within which tourism operates (Hall, 1998:207).

At the local level, government can be quite visible and significant. It is at this level that the government's regulatory function becomes prominent (WTO, 1997b). Within the globalised economy, the local state, in its various forms, is seen as having increased importance (Hall, 1998).

2. Tourism Administration and Policies in China

2.1. Political Evolution of China's Tourism Industry

> "Like the Chinese *cheung nga kau* (ivory artifact) in which a series of concentric ivory balls are carved one inside the other, the complexities of tourism development in contemporary China enclose one era after another and many may only be understood by delving back into past." (Sofield and Li, 1998:362)

Although it was not until 1978 that tourism became a national priority, in the early 1950s, the government began to take some steps in order to allow travel to the PRC. In Sicroff's view (1999), these initial ventures into tourism were designated not so much to promote as to control increased traffic.

The Beijing Overseas Chinese Travel Service (BOCTS) was set up four years after the foundation of the PRC to receive the overseas Chinese who came back to the mainland to meet their relatives or friends, or to tour the country (Gao and Zhang, 1983). This was the first of several tentative steps to allow travel to China.

The first Five-Year Plan was initiated in 1953. To assist the implementation of the plan, a great number of foreign technical personnel (mainly from the former USSR) was invited by the Chinese government. This resulted in demand for an organisation to take care of these visitors. Therefore, in 1954, the China International Travel Service (CITS) was created by the State Council on an experimental basis to train people in the tourism field and to gain business experience (Uysal et al., 1986). Being the first organisation in China to receive foreign travellers, soon it set up branches in several major cities (Gao and Zhang, 1986). However, during the early stage of its establishment, CITS was limited in size, due to the fact that tourism remained essentially a "public relations exchange with representatives of a few friendly countries" (Richter, 1989:24). CITS's primary function was to make arrangements for accommodation, transport and sightseeing for invited foreign guests. By then, CITS also constituted the main government body, at the national level, serving as both a government tour operator and the national tourism organisation (Jenkins and Liu, 1997).

Table 2.1 – Main events in China's tourism development, 1949-1999

Year	*Event*
1949	Establishment of the People's Republic of China
1949-1954	Major tourism generating countries hostile to the new regime
1953	Establishment of Beijing Overseas Chinese Travel Service (BOCTS)
1954	Establishment of China International Travel Service (CITS)
1958-1960	Great Leap Forward
1963	Establishment of General Overseas Chinese Travel Service (GOCTS), which replaced BOCTS
1964	Establishment of China Bureau of Travel and Tourism (CBTT) under Foreign Affairs Office within the State Council
1966	Beginning of the Cultural Revolution
1971	China's admission into the United Nations (diplomatic recognition)
1972	Nixon's Visit Invitation of the US Ping-Pong team
1974	Establishment of China Travel Service (CTS) to replace GOCTS
1976	Death of Chairman Mao End of the Cultural Revolution Arrest of the "Gang of Four" Premier Li Xiannian showed no interest in developing the tourism industry
1978	Reform and Open-door policy adopted after the 3rd Plenum of the 11th Congress of the Central Committee of the CCP United States' recognition of the PRC Upgrading of CBTT to ministerial level, renamed as State General Administration for Travel and Tourism (SGATT) Establishment of Provincial Travel and Tourism Bureaux First National Conference on Tourism in order to formulate guidelines and organisational details First Tourism School established Centralised management policy for tour sales
1980	Establishment of China Youth Travel Service (CYTS)
1981	The State Council holds Second National Conference on Tourism Limited decentralisation of authority to specific provincial and local travel organisations for tour sales China Tourism Offices began to be established abroad
1982	First joint-venture hotel, *Jianguo* Hotel, opened in Beijing Separation of the CITS from the SGATT SGATT renamed as State Administration for Travel and Tourism (SATT)
1983	CITS completely separated from SATT Partial recentralisation of authority for tour sales through quota system Third National Tourism Conference SATT changed into the China National Tourism Administration (CNTA)
1984	Decentralisation of authority for visas, tour sales and operations Forth National Tourism Conference Privately owned enterprises allowed
1985	Tourism incorporated into the Seventh Five-Year Plan (1986-1990) Travel agencies allowed to be established by collectives or private citizens
1986	Establishment of the Tourism Coordination Group (TCG), within the State Council, to coordinate tourism policy at the ministerial level
1988	TCG was replaced by the National Tourism Committee (NTC) Tourist hotel star-rating begins
1989	The 4th June *Tiananmen* Square incident
1992	The State Council emphasises domestic tourism The State Council approves the construction of national holiday resorts Tourism set as a key industry in the tertiary sector
1999	Provisional methods set for the trial establishment of Sino-foreign joint venture travel agencies

Source: adapted from Gao and Zhang, 1983; Richter, 1983 and 1989; Uysal et al., 1986; Choy and Can, 1988; Jenkins and Liu, 1997

The 1960s proved to be an unfavourable decade for China's tourism. The Sino-Soviet disagreement resulted in the ending of diplomatic relations between the two countries. "All marks of life in China were affected to varying degrees because of the Soviet withdrawal of aid and technical assistance from the PRC" (Uysal et al., 1986:114). The "tourism industry", along with other sectors was greatly damaged. The number of tourists dropped by almost 70 percent (Uysal et al., 1986). Looking to the West for assistance, major adjustments were made in foreign policies.

In mid 1960s, China was ready again to increase its tourism to a large scale. For this purpose the General Overseas Chinese Travel Service (GOCTS) was set up in 1963. The China Bureau of Travel and Tourism (CBTT), under the Foreign Affairs Office within the State Council, came into being a year latter as a policy-making body (Gao and Zhang, 1983; Uysal et al., 1986; Richter, 1989; Wen and Tisdell, 2001). Also in 1964, China established its first international airline with flights to Pakistan, and at the same time normalised its diplomatic relations with France. By then tourist development entered a new period, although not a long lasting one.

The Great Leap Forward, which brought economic ruin and famine, and the Cultural Revolution made the expansion of tourism a non-issue, as priorities were elsewhere (Richter, 1989). Ironically, while the United Nations (UN) Official Tourist Organisation launched the Year of Tourism in 1967, the tourist industry in China was forced to stop its activities. During this long period of economic and political instability, tourism activities were paralysed and all programmes of CITS ceased to function.

> "The Cultural Revolution (1966-1976) not only spread catastrophe throughout China but specifically demonised and assaulted everything foreign and virtually anything that might have been appealing to foreigners, from traditional Chinese art and relics of the imperial past to the cultural identity of the minority nationalities that had been "liberated" by the Communist Revolution." (Sicroff, 1999:14)

The earliest public exchanges between the United States and the People's Republic of China signalling improved relations came with the invitation to an American table tennis team to visit the PRC (Richter, 1989). Then, in 1972, President Nixon's visit to China was a turning point in Chinese diplomatic history. The United States lifted restrictions on travel to China in that year, but did not recognise the PRC until 1978. The 1971 admission of China into the United Nations also accelerated diplomatic recognition between the PRC and other nations.

Tourism started to function again. Nonetheless, at that time and during the next 6 years, very few visitors to China could be characterised as "tourists". In general, before 1977, only formal exchange visits, a few sympathetic writers, and some business people on specific assignments were allowed to visit the PRC (Richter, 1989). The lack of interest by the leadership in tourism was demonstrated by the fact that the CITS, established almost 20 years before, had direct travel contacts with only six Japanese travel agencies and just a few Western organisations (Uysal et al., 1986). The only existing tourist activity seemed to be by the overseas Chinese.

In 1974, the China Travel Service (CTS), with its head office in Beijing, replaced the GOCTS, and had the responsibility for making arrangements for visits to the mainland by overseas Chinese, compatriots from Hong Kong and Macao, from Taiwan, and by other foreigners with Chinese origins (Gao and Zhang, 1983). The official attitude towards tourists seemed to be altered as soon as tourism started to be seen as an instrument of diplomacy. However, from 1973 to 1976 the "Gang of Four" fostered anti-foreign sentiments, having negative effects for the "tourism business". In 1976, several events determined the destiny of China's "tourism industry". Soon after Vice-Premier Li Xiannian announced to some American political figures that China was not planning to expand tourism in the foreseeable future, the policy changed abruptly. With the death of Mao Zedong and the arrest of the "Gang of Four", China moved into a new direction under the guidance of Deng Xiaoping.

The 3rd Plenum of the Central Committee of the 11th Congress of the Chinese Communist Party (CCP), held in 1978, is pointed out as the beginning of tourism as an industry in

China. In this Plenum, the CCP officially endorsed the "Four Modernisation" programme, in which the modernisation of agriculture, industry, national defence, science and technology was to be attained. Tourism was one of the sectors most dramatically affected by the startling economic and political changes instituted under this programme (Richter, 1989).

The policy adopted by the central government of "opening doors to the outside world and enlivening the domestic economy" has paved the way for the rapid development in economy. During this period of economic readjustment, tourism development increased rapidly, and its status in the national economy was gradually realised. Its nature changed from a mere political instrument in China's foreign policy to a legitimate commercial enterprise (Uysal et al., 1986), seen as a distinctive economic sphere, and run as an area of economic activity.

In 1978, the CBTT was upgraded to the State General Administration for Travel and Tourism (SGATT), a government organisation at the ministerial level, with responsibility for the development and implementation of Chinese tourism policy, as well as for the development and management of travel services in China. Since then, local tourist bureaux have been set up in the various provinces, autonomous regions and municipalities directly under the central government and in many tourist cities and counties (Gao and Zhang, 1983; Jenkins and Liu, 1997). The bureaux or agencies, technically under the dual control of both local government and higher-level tourist administration, have been operating relatively independent of the latter (Hall, 1994a).

A call for a "major effort to develop tourism" was made by the 2nd Session of the 5th National People's Congress in June 1979. In response to this call, the State Council held a national conference on tourism. "In this conference the policy of making a major effort to develop tourism and making tourism serve the country's modernisation programme was reaffirmed and a long-range plan of receiving 3-5 million international tourists up to 1985 was worked out" (Gao and Zhang, 1983:77). Politically, tourism as an acceptable industry was justified in socialist terms because it would advance economic reforms and the policy of opening up the country to the outside world; it would further friendship and mutual

understanding between the Chinese proletariat and other peoples of the world; and contribute to world peace (Sofield and Li, 1997).

In 1981, the SGATT began to establish its overseas offices in major tourist markets (Jenkins and Liu, 1997) and was separated from the Ministry of Foreign Affairs and established as an independent body under the direct jurisdiction of the State Council (Hall, 1994a; Wen and Tisdell, 2001). The current name, China National Tourism Administration, was adopted in 1983. The Tourism Coordination Group (TCG), established in 1986 within the State Council, was in charge of coordination functions at ministerial level, and it was replaced by the National Tourism Committee (NTC) two years latter (Jenkins and Liu, 1997).

The idea that the tourism industry could serve as a catalyst for local prosperity began to grow in the early 1980s, reaching its apogee in 1986. By then, tourism as an industry was for the first time included in the National Plan for Social and Economic Development (7th Five-Year Plan), indicating that China's tourism sector had graduated from an infant industry.

2.2. The Administrative Organisation of Tourism

In order to plan, develop, market, coordinate, and manage tourism in a country or region, effective organisational structures are essential. However, the types of government or public sector structures and the extent of their involvement in tourism must be adapted to the particular needs and ideological and political structure of the country, as well as to the type and extent of its tourism development (Inskeep, 1991).

In China, from 1949 until 1964 there was no specific administrative organisation for tourism, this work was done by various State Council departments, and at a lower level, it was administrated by CITS and GOCTS. Actually, CITS fulfilled the administration function in place of government (He, 1999b). Besides being officially the government's tour operator, it was, by fiat, the national tourism organisation (Choy and Can, 1988). After 1964, with the official establishment of a separate national tourism administration – the CBTT –, a new era of the tourism administration system emerged. However, even though

CBTT was established as a separate entity, the same persons served as the heads of CBTT and CITS, and the staff also held concurrent positions in both units (He, 1999b). Part of the reasons for this might be that no clear distinctions existed between the specific responsibilities of CBTT and CITS (Choy and Can, 1988). It seemed that CITS was still serving dual roles, although, the creation of CBTT reflected a higher recognition of the importance of tourism.

The next step in the evolution of a national tourism administration was taken in 1978, when CBTT, renamed SGATT, was upgraded from a bureau to ministerial level. It began to set up its own departments and to recruit its own staff, and by 1983 CITS became completely separated as a subordinate organisation. This may have been a result of the 3rd National Seminar on Tourism Economics held in the same year. Besides indicating that the government administration of tourism and tourist business operations needed to become more distinct and separate, the seminar also concluded that there was a lack of nationwide coordination, with conflicting policies adopted among different organisations (Richter, 1989). The absence of special organisations charged with domestic tourism was noted, as well. At that time, a special Domestic Travel and Tourism Department was set up within SATT.

Both CBTT and SATT were responsible for the development and management of travel services in China, including the receiving of tourists into the country and selling tour packages to foreign travel agents, as well as the development of new services and facilities. However, when the CNTA was constituted as an administrative organisation in 1983, it stopped being directly involved in organising tour groups and in tourist reception activities. This reflected a policy of separating administration from management (He, 1999b).

Unlike its predecessors, which micro-managed every phase of tourism, the CNTA adopted a macro-management strategy: it formulated tourism development plans at the national level, including rules and regulations governing the entire industry; undertook overseas promotional campaigns; facilitated international cooperation; provided information; and implemented training programs for tourism personnel. Unlike its predecessor, it has tried to respond to market realities rather than merely serve political objectives (Sicroff, 1999).

Thus, although the CNTA still follows the traditional ways of government administration in China, it has gradually separated its business operations from its governmental function.

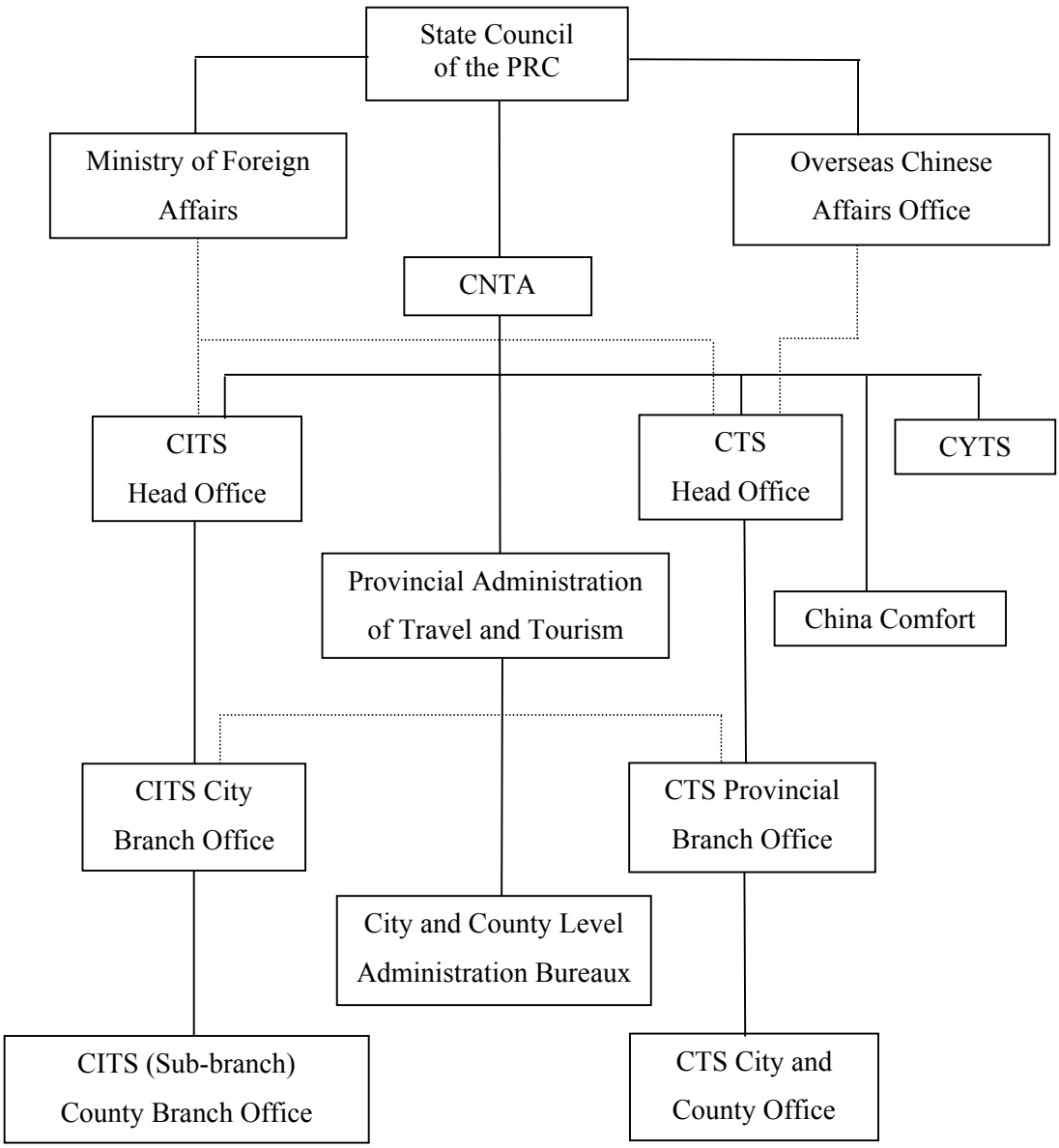
Currently, the CNTA is responsible for national tourism development including formulation of policies, plans and overseas promotion. The main function of CNTA is to develop short-term and long-term policies for the development of tourism in China. It acts as the primary tourism planning, coordinating, regulatory and administrative body at the national level. CNTA also represents China in international organisations and at international gatherings relating to tourism.

All travel agencies are under the administrative control of the CNTA (figure 2.1). However, in practice this control is administered mainly through the provincial and municipal tourism bureaux (Bailey, 1994). These bureaux have the strongest influence on the travel agencies within their jurisdiction, both on the administration and on the business side (Bailey, 1998).

The introduction of complete decentralisation in 1984 gave CNTA only limited control over travel agencies (other than the CITS Head Office, which is under its direct control), tourism facilities, branch offices and provincial or city tourism bureaux. Although CNTA is the national body for tourism administration, air, rail, road and water transportation is controlled by the China Aviation Administration of China (CAAC), the Ministry of Railways and by the Ministry of Transportation, respectively, which constitutes a major obstacle to coordination of the travel industry. (Jenkins and Liu, 1997).

With branches in provinces, cities and counties throughout China, CNTA exercises macro-management of the tourism industry in China and implements national policies. Although the provincial and municipal governments now have a stronger influence on the travel industry in their own regions than the CNTA, they still are responsible for the implementation of CNTA regulations. They are also responsible for introducing local regulations concerning the travel industry, for controlling tour and hotel prices, and for other local services.

Figure 2.1 - Organisation of tourism administration and travel services in China

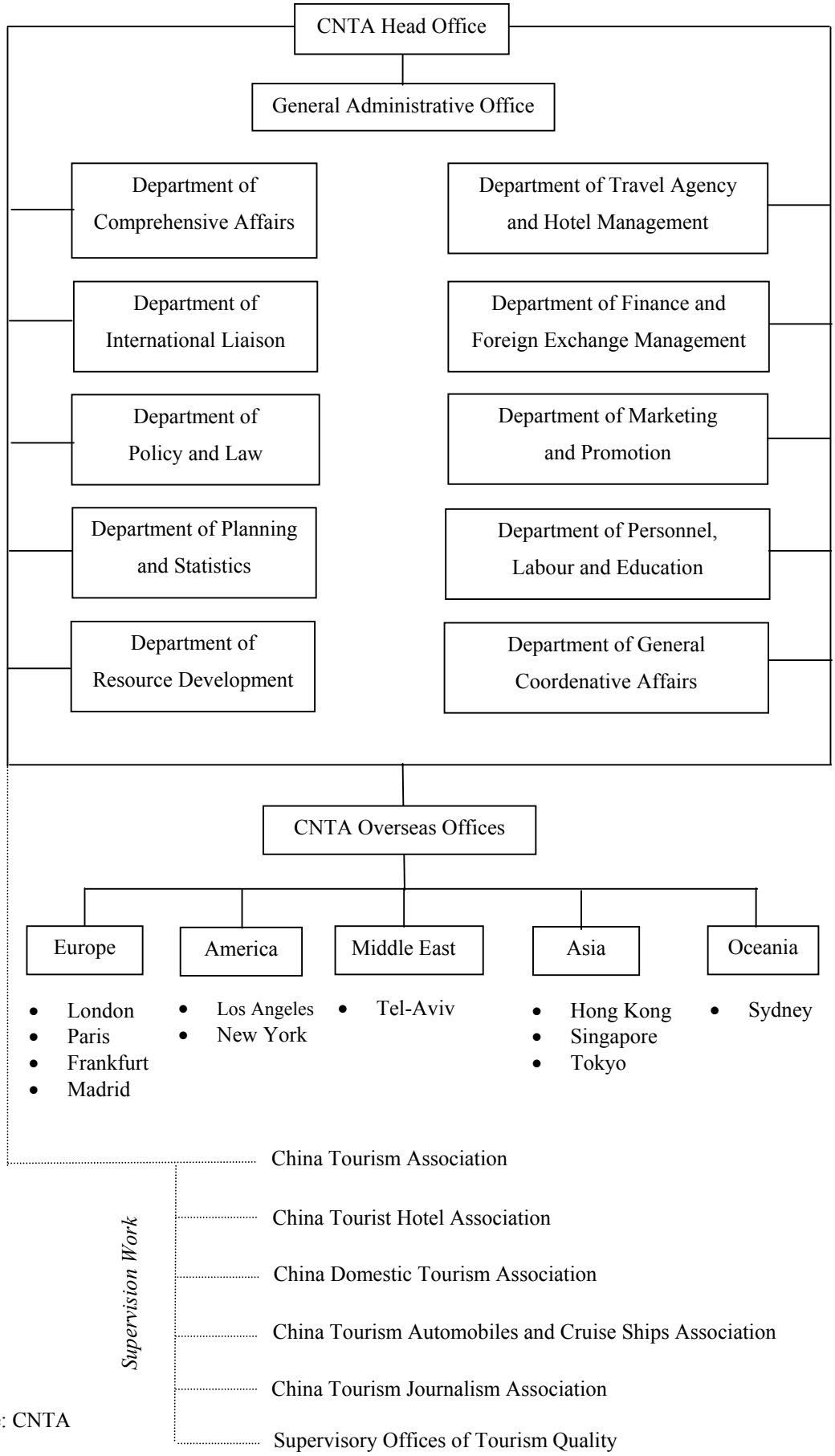


Key: ——— Direct control
····· Indirect control

Source: Adapted from Choy and Gee, 1983

Regarding the CNTA organisation structure (figure 2.2), it can be observed that it is made up of several departments, each one of them responsible for the main functions of this governmental administrative body.

Figure 2.2 – Organisational structure of CNTA



Source: CNTA

Under its direct supervision, CNTA also has several overseas offices. The general task of these offices is to explain China's tourist development policies, to promote its attractions, to carry out market surveys, to prepare visas for tourists to China, and to provide information to the head office back in China (Gao and Zhang, 1983).

To improve the quality of tourism, in 1997, 30 provinces, autonomous regions and municipalities across China had established quality supervision and administrative bureaux (PRC Yearbook, 1998). The establishment of this network of organisations at different levels, which began in 1994, created a national network to handle tourist complaints and indemnity payments from travel agencies' quality guarantee deposits, in order to safeguard the legitimate rights and interests of both tourists and enterprises (He, 1998). CNTA is responsible to coordinate and supervise the work of these quality inspection institutes.

Supervision work is also directed at China's tourist trade associations, which have grown along with the development of national economic restructuring and the rapid progress of tourism. The China Tourism Association (CTA), which is a social body composed of tourism departments closely related to tourism as well as tourism-oriented experts and scholars, and the China Tourist Hotel Association (CHTA), a national organisation of the tourist hotel trade with hotels and guest houses as the main components, were formally established in 1986. Recently, CTA was reformed and became an important source of assistance for CNTA, and the main communication channel with Hong Kong, Macao and Taiwan. Other specialised trade associations, such as China Domestic Tourism Association (CDTA), have been set up in recent years.

As non-governmental social organisations, these associations carry out surveys and studies, performing coordination, consultant and international liaison activities, among other activities. They also provide service for the enhancement of state macro-management and the vitalisation of tourism enterprises. They play as well the role of a bridge between tourism administrative departments of the government and tourism enterprises, for the promotion of sustained and healthy progress of tourism.

2.2.1. Travel Services

In 1964, the CTTB was created as the policy-making body to direct and control the two travel agencies then in existence, the CTS and the CITS. Until the establishment of CNTA, national tourism administration bodies (CBTT and then SATT) were responsible for the development and management of travel services in China. Since foreign companies were not allowed to establish tour operations in China, they had the monopoly over travel services. Travel operations in China were influenced by the Ministry of Foreign Affairs, which was consulted regarding the status and clearance of foreign tourists, and by the Overseas Chinese Affairs Office (OCAO), established to handle overseas Chinese visitors as a distinct category from other foreign visitors (Choy and Gee, 1983).

CITS is under the direct control of CNTA and CTS is under the control of the OCAO. The CYTS, instituted in 1980, was in essence the travel department of the All-China Youth Federation, an organisation representing Chinese youth. It was established to develop a new youth market segment for travel to China and to relieve some of the pressures placed on the CITS and the CTS. These three agencies, known as the "three magnates", are part of the government bureaucracy, and form the major travel agency groups handling travel activities in China[1]. Thus, they monopolise that sector.

All agencies were divided into three categories:

- Category A or I – could receive all tourists, both international and domestic, deal directly with overseas travel agencies and carry out sales activities abroad, as well as set up foreign offices;
- Category B or II – could receive overseas Chinese, compatriots from Hong Kong and Macao, and domestic tourists, but could not deal directly with overseas travel agencies;
- Category C or III – could only receive domestic tourists.

[1] Recently China Comfort was formed, establishing as another major travel agency group (Bailey, 1998).

Since 1982, category C type makes up the majority of all travel agencies in China, this being a result of the growth of domestic demand for travel services. However, category A also gained a share over the years, in terms of the total number of agencies. In 1996, a new designation for travel agencies was established. From then on, travel agencies are categorised as either international or domestic types. In practice, domestic travel agencies constitute no more than the combination of travel agencies under categories B and C.

Up to 1983, however, only CITS, CTS and CYTS as class A agencies were allowed to handle foreign arrivals. In 1985, central government regulations were issued allowing collectives and private citizens to operate travel agencies. Privately owned travel agencies typically were allowed to handle only domestic tourists as class C agencies. Collectively owned agencies could register as class A agencies, which were restricted to handling only Chinese tourists – overseas Chinese, compatriots and domestic tourists (Jenkins and Liu, 1997). Competition with the previous three key national agencies to handle foreign tourists has then intensified to some extent.

The distinction that exists between international tourists[2] also extends throughout travel service operations. Foreign tourists are handled primarily by CITS. On the other hand, CTS provide travel services for overseas Chinese and compatriots. However, CTS also receives a limited number of foreign tourists who may be considered as friends and/or relatives of overseas Chinese[3].

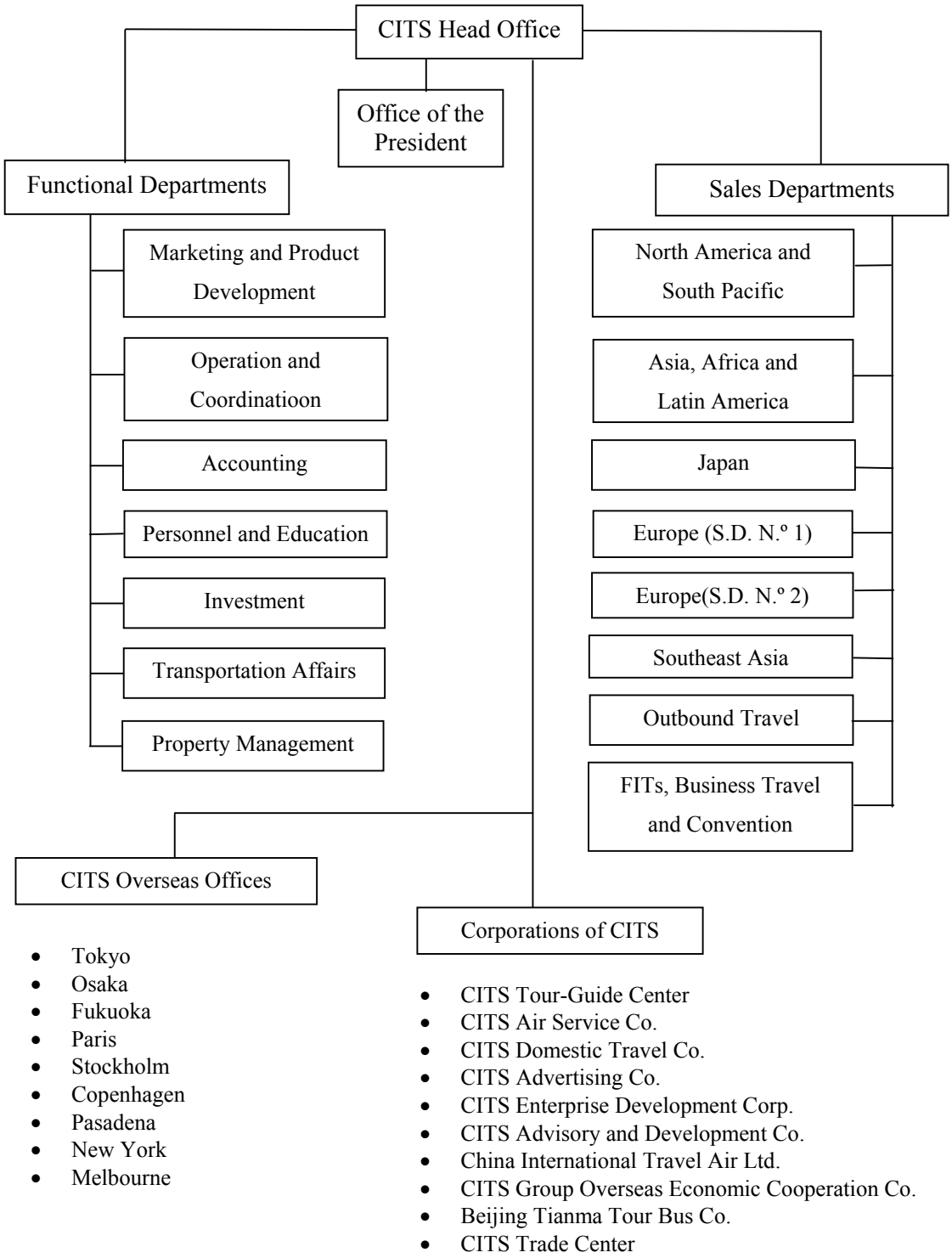
CITS Head Office was divided into two major departments: liaison and reception. The main function of the liaison department was to handle the authorisation and arrangements for foreign tourists visiting China. The reception department handled arrangements of all

[2] International tourists are grouped into three categories: compatriots, overseas Chinese and foreign tourists. This issue will be further analysed in the next chapter.

[3] CTS was established to primarily handle Chinese travellers, however it is allowed to accept foreign visitors within certain limits. The limitation on foreigners was first specified in terms of "other foreigners with Chinese origins", however, foreigners could not comprise more than 50 percent of a CTS tour group. This restriction was imposed due the number of foreigners trying to travel on a CTS tour. One reason for that is that price was usually 20 to 30 percent lower than a CITS tour, resulting in part from the use of lower quality facilities and services which were set aside for the use of Chinese travellers as opposed to first-class facilities reserved for foreigners. (Choy and Can, 1988)

travel activities within China (Choy and Gee, 1983). Figure 2.3 shows the actual organisational structure of CITS Head Office in Beijing.

Figure 2.3 - Organisational structure of CITS Head Office



Source: CITS, 1998

Both CITS and CTS operate branch offices at the provincial, city and county levels. These branches do not have full control over available facilities and resources at the local level, since these are under the jurisdiction of the provincial administration of travel and tourism.

The existing policies on outbound travel introduced a new category of travel agent for this sector. Offices of travel agencies handling outbound travel nationwide are CITS, CTS, CYTS and China Golden Bridge Travel Service. As far as outbound travel is concerned, agencies that represent airlines or issue air tickets, are controlled by CAAC. In 1998 there were 63 travel agencies authorised to organise overseas tours. The small number of these agencies can not meet the great demand (Chen, 1998), contributing to the surge of unauthorised travel services engaging in this business, including offices of overseas organisations in China, Chinese organisations and individuals (Dou and Dou, 1999). Many of these operators that are producing outbound travel illegally, have links with Hong Kong-based travel agencies that may, in turn, have part-domestic Chinese ownership (Bailey, 1998).

2.3. The Change in Policy after 1978

> "Public policy is the focal point of government activity. Tourism has become an integral part of the machinery of many modern governments, and of many governments' programs in both developed and lesser-developed countries." (Hall and Jenkins, 1995)

It was not until 1978 that international tourism changed from a diplomatic issue to an industry fostered by China's opening to the outside world and accompanied by the abandonment of traditional Marxist thinking that tourism is unproductive as a service industry (Wen, 1998). Thus, tourism in China before 1978 could not be considered as an industry, nor as an economic activity because of its scale, purpose and method of operation (Gao and Zhang, 1983).

Deng Xiaoping made concentrated, systematic and concrete expositions on the question regarding the development of China's tourism industry for five successive times, pointing out the orientation for the development of tourism and setting the objectives for that

endeavour, thus, forming the ideological support for developing the tourist sector. He clearly advocated running the tourism industry as an economic sector. This way of thinking was closely related with the overall planning for reform and opening up, and with all the major guiding principle for taking economic construction as the central task, set at the 3rd Plenum of the 11th Central Committee of the CCP. The Chinese government emphasised tourism as a clean and "smoke free industry" (Petersen, 1995), and it became a strategic industry in China's development toward a "socialist market economy" (Zhang et al., 1995).

> "The new open China looks on tourists from abroad as one of the most effective bridges to understanding and friendship, which in turn is one of the most vital factors for peace in a war-torn world. And serving them is also an amiable but important way of earning foreign currency needed for modernisation." (Tan, 1986a:8)

The tourism industry started to be seen as an important means for China to increase its economic gains (foreign exchange earnings, net national profit, employment), as well as encourage foreign investment, technology transfer and cultural exchange, among others. Tourism, like other industries, was designated to serve the State, not the private sector (Choy and Gee, 1983). Thus, the central government made all the fundamental decisions, especially those relating to tourism policy.

Although tourism was one of the sectors affected by the economic and political changes instituted under the "Four Modernisations" programme, at that time the priority for tourism was only of moderate urgency among the set of priorities at the national level (Choy and Gee, 1983). China's modernisation programme gave primary consideration to four other sectors. Tourism was regarded by the government as a means to provide benefits of (Choy and Gee, 1983):

- enhancing communication and cultural exchange between China and other countries;
- generating needed foreign exchange to support the country's modernisation;
- furthering international relations by using tourism as an extension of diplomacy.

During this period, foreign revenue was badly needed to support the economic reform. Therefore, the Chinese government took measures to attract tourists from other countries. The measures adopted for that purpose included offering incentives to developers to build hotels of international standards in order to provide accommodations acceptable to inbound tourism; giving priority to foreigners in booking flights, buying train tickets and arranging for various means of transportation; and developing special shopping centers with an abundance of good quality commodities for foreign tourists and issuing foreign exchange currency to ensure that foreigners could enjoy this preferential treatment (Zhang, 1997).

However, in the early stage of tourism development, there was no supporting research on either marketing or tourists. Most of the decisions on selecting tourist attractions to open for foreigners were made either by copying patterns found on other countries or by guess and common sense judgements (Petersen, 1995).

2.3.1. Dual-Pricing System

Until 1978, all visitors to China were considered official guests of the country, rather than tourists, which mean that they received special treatment, were watched carefully and were restricted in their itineraries[4]. In that regard, segregation in hotels according to the categories of foreign tourists, overseas Chinese, compatriots, and locals was rigidly enforced.

> "The Chinese often tell the story of the 1930's sign erected by the imperialist British in a Shanghai park that read "No dogs or Chinese allowed". The sign is no longer there, but with the advent of foreign tourism, the Chinese themselves enforced segregation." (Lynn, 1993:16)

[4] After the reform policy this situation changed, as large numbers of tourists coming to China made special treatment of tourists an impossible task. Nonetheless, foreign visitors still receive special treatment in many services. However, international travellers also meet with organisational difficulties. With a few exceptions, one can buy neither a round-trip ticket nor a return-trip ticket for train trips within China. Instead, one must buy a separate ticket at each stopover on the trip, which means long waiting periods at transfer stations for the individual traveller (Gormsen, 1995).

When starting to consider tourism as an economic activity, China embarked on a discriminatory pricing policy. Foreign tourists have been forced to pay higher prices than overseas Chinese and compatriots[5]. This created a kind of two-class society, not only on the railway between soft-seats and hard-seats, but also at the entrance to museums and other leisure facilities. Lynn (1993) argues that China has, in fact, a three-tiered price system: foreigners pay the highest prices, followed by overseas Chinese and compatriots, and lastly the local price. Costs to tourists were allowed nearly to triple in the first years of tourism development as the political emphasis of such visits gave away to the more pressing desire to accumulate foreign exchange for development projects (Richter, 1983).

> "The cost of hotel rooms depends on *what* you are. If you have a white face and a big nose then you pay the most. The Chinese also attempt to plug you into the most expensive of the tourist hotels, and to give you the most expensive rooms. They do this for two reasons; they want the money, but also they think you are spectacularly wealthy, and that you will want to do things in spectacular style... they are not trying to rip you off, they are just trying to please you." (Samagalski and Buckley, 1984:109 in Sicroff, 1999)

Choy and Can (1988) also believe that one of the reasons for separating Chinese travellers from those of non-Chinese origins was also to ensure that foreigners would receive the best services available. In a situation of limited first-class tourist facilities, the government accorded foreign travellers higher priority than Chinese travellers in being accommodated in the first-class hotels, transported in air-conditioned buses, and escorted by bilingual tour guides.

All this special treatment has happened not long after the Cultural Revolution, a period when foreigners in China were insulted. Under the new government "kow-towing" policy they received special treatments, while the government relegated its citizens to inferior condition (Richter, 1983). The campaign against "spiritual pollution" from the West was launched in China in mid the 1980s, but the campaign did not affect tourism, as the attack

[5] "Prices and services varied according to the race of the person rather than the willingness to pay. Very often, overseas Chinese or compatriots were refused by hotels or transport ticket offices, or given less than proper services, because they paid less than foreign visitors. Foreign visitors, on the other hand, complained of being embarrassed and annoyed by their preferential treatment." (Zhang, G R, 1995:9)

on "spiritual pollution" was deliberately kept as a low key internal affair, and most tourists were quite unaware of it (Lynn, 1993). Nonetheless, the Chinese ambivalent attitude towards foreigners has naturally affected how they handle tourists. As a 1930s writer said: "throughout the ages, Chinese have had only two ways of looking at foreigners, up to them as superior beings or down on them as wild animals. They have never been able too treat them as friends, to consider them as people like themselves" (Richter, 1989:32).

2.3.2. Open Cities Policy

The most important development in terms of China's willingness to open the country to tourism has been the increase in the number of cities that tourist can visit and the variety of activities they may pursue. Under Mao, less than 12 cities were open to "foreign friends". One of the reasons China opened up additional cities to tourists, at the end of the 1970s, was because there was too much disruption in the schedules of the top factories in cities that were already exposed to tourists[6] (Richter, 1983).

In October 1982, the government announced that China would begin to allow individuals to visit certain parts of the country on their own, rather than as part of a tour group. Of greater significance was the introduction of the "open cities" policy, making limited unguided touring by foreign tourists possible for the first time (Choy and Gee, 1983). Tourists could now visit 29 "open cities"[7] without travel permit requirements. In 1984, the Central Committee and the State Council decided to continue the open policy by opening up 14 coastal ports to the outside world (Zhang, G R, 1985). According to the announcement by the Ministry of Public Security, in 1985, an additional 67 cities and counties were added to the list of places that could be visited without any further

[6] The main attractions that Chinese offered to international tourists were related to the "great achievements of China under the Communist Party", mostly model factories, schools, rural communes, neighbourhoods, and even private homes, thus to stress "friendship and mutual understanding" tourism campaign. These made up the majority of a tour group visit, regardless of interest of the tourists.

[7] Beijing, Tianjin, Shanghai, Qinhuangdao, Taiyuan, Shenyang, Changchun, Harbin, Nanjing, Suzhou, Wuxi, Hangzhou, Jinan, Qingdao, Zhengzhou, Kaifeng, Luoyang, Wuhang, Changsha, Guangzhou, Fashan, Zhaoqing, Nanning, Guilin, Xi'an, Xianyang, Chengdu, Chongqing and Kunming. In 1983 Lun'an County was added to the list.

formalities after the visa is obtained, making a total of 97. The key areas for development were concentrated in 7 areas, designated as "key tourist cities"[8].

The opening up of cities, where no travel permit was necessary, constituted a radical change in China's tourism philosophy, as before tourists had to be rigorously grouped and guided. The shortage of hotel rooms and of trained guides, as well as China's inexperience with tourism, could be an explanation for this change (Goldsmith, 1983).

Though China has put more and more cities on public view, there was little reason to assume that informal contacts and actual mixing with Chinese was much more common than before (Richter, 1989). According to Lynn (1993), in 1988, there were signs on the outskirts of Beijing were could be read "No foreigners beyond this point".

2.3.3. International Cooperation

Tourism flows in general can be seen as a crude but reliable barometer of international relations among tourist-generating and tourist-receiving countries (Richter, 1989). Tourism has also been important as a means of initiating or enlarging the scope of cooperative alliances with other nations through such bodies as the Association of Southeast Asian Nations (ASEAN), WTO, Pacific Asia Travel Association (PATA) and UNESCO (see appendix 2.2).

In an attempt to join the international community, in 1981, the Kunming branch of CITS together with the Australian Travel Corporation and Airline Company jointly sponsored the first China International Travel Conference. This was an historical event since it was the first conference ever to be held in the PRC on the subject of international tourism (Gee and Choy, 1982).

For the first time, in 1982, China attended a world conference on tourism, and decided to maintain ties with the WTO and to cooperate with the industry worldwide in the development of the world market. In 1983, China held the China International Tourism

[8] Beijing, Shanghai, Hangzhou, Guilin, Xi'an, Suzhou and Guangzhou.

Conference (jointly sponsored by SATT and CAAC) and became a member of the WTO (Dolais, 1998).

In mid-1980s, instead of its former passive attitude of accepting tourists, China had begun to take measures to attract them and publicise what it has to offer. It participated in major tourism conferences abroad and hosted, in 1986, a big fair in Hangzhou, with travel agents from 20 countries. China had also begun marketing efforts to bring international conventions to the country, particularly to Beijing, Guangzhou, Hangzhou, Nanjing, Shanghai and Tianjin (Lew, 1987).

China now seeks wider international cooperation in the promotion of tourism, and participates in more global and regional promotional activities. In the early 1990s, CNTA was admitted as an official member of the PATA. In 1997, PATA sponsored the annual travel mart conference in Shanghai and the world tourism congress in Beijing. And in the same year China won the bid to host the PATA annual conference.

The first Chinese promotional effort under an organised theme, the "*Tourism Year of Dragon '88*", was made by the Beijing Tourism Administration, which took the lead in launching tourism campaigns. However this promotional strategy was interrupted by the events of Tiananmen Square, resuming only in 1992. The concept of declaring 1992 "*Visit China Year*", followed the success of such events throughout Eastern Asia, particularly in the ASEAN countries, and the need to improve the country's tarnished reputation after Tiananmen. Following the first "*Visit China Year*", CNTA has introduced a series of theme-year activities (see appendix 2.3), in order to promote the Chinese tourism abroad and to give a full display of China's tourism resources. For each of these themes (table 2.2), CNTA adopts the promotion strategy it believes appropriate for the relevant theme. "These are the important actions to project China's tourism image on a larger scale and to realise the goal of becoming a tourism-developed country by the end of this century" (Huang, 1995:234).

Table 2.2 - Yearly promotional themes organised by CNTA, 1992-2005

Year	Promotional themes
1992	Visit China
1993	China Landscape
1994	China Heritage Tour
1995	China Folklore
1996	China Holiday Resort
1997	Visit China
1998	China City & Country Tour
1999	Ecotour
2000	New Millennium
2001	Health & Fitness
2002	Folk Arts
2003	Culinary Kingdom
2004	Catch the Lifestyle
2005	Visit China

Source: CNTA

Other important events for China that improves its image and strengthens international cooperation are big events, such as sport events. In 1990, the 11th Asian Games were held in Beijing, being the first time that China hosted a large-scale international sport event. Major events that boosted the status of the region include the Commonwealth Games in Malaysia in 1998 and the 2000 Olympic Games in Sydney. The soccer's World Cup in Korea and Japan in 2002 will also contribute to the increase of the region's image (Singh, 1997). In 2008, a major event will boost China's image in the world, that is the Olympic Games in Beijing (see appendix 2.4). By 2010 China also expects to host the World Expo (Shanghai Daily, 18/4/2000) and the Olympic Winter Games in Harbin (South China Morning Post, 30/01/20002).

China's accession to the World Trade Organisation will exert a positive impact on the country's tourism sector and will also create huge opportunities for its development. Since the adoption of the county's reform and opening up policy, almost every sector has opened up to foreign businesses, except travel service agencies, where only Sino-overseas joint ventures have been approved.

As soon as overseas travel services successfully break into the Chinese market, competition will be acute, and they might start taking away a considerable share of China's

international tourism market. This would mean the shut-down of many small domestic travel services engaged in the international tourism industry (many of them are small in scale and lack an efficient operation system), while some foreign currencies spent in China will end up leaving the country. Facing possible shut-down, domestic companies have to make travel operations more efficient in accordance with international standards in order to face the competition and to succeed (China Trade World, 24/4/2000).

2.3.4. Decentralisation Policy

Soon after tourism was recognised as an industry that should be developed, some adjustments in policy started to be made. In 1981, tourism enterprise reform called for a "separation of ownership from management", without substantive change in property rights. According to this reform, all agencies engaged in tourism businesses were ordered to transform themselves into enterprises, and a management responsibility system was introduced, establishing independent accounts for their profitability. SATT adopted a policy of limited decentralisation of overseas marketing to regional enterprises and local travel organisations especially to the "Overseas Tourism Corp." at the provincial level and in some "key tourist cities". Several CITS branch offices also gained control over the distribution of visas. This decentralisation was part of a more general effort to diffuse decision making to provincial and subprovincial levels and allow local travel organisations to deal with foreign businesses (Richter, 1983 and 1989).

However, the results of the decentralisation did not meet the expectations; resulting in disastrous saturations during peak season in terms of stranded tourists, overbooking, lack of tourism guides, and increased visitor dissatisfaction. By the end of 1983, SATT recognised that controls over tourism sales had to be reimposed in view of mounting complaints and problems. Partial recentralisation was then imposed through a quota system allocating space in the popular tourist cities. Local officials were still allowed to contract directly with foreign tour operators, but their annual plans were subjected to approval by the head offices in Beijing.

In spite the persistent problems, after several discussions about the situation (see appendix 2.5), complete decentralisation of authority was granted to local travel bureaux to process visas, develop tourism packages, determine prices, and independently finance their operations. Privately-owned tourist enterprises were also allowed in 1984, and in 1985 collectives and private individuals were allowed to operate travel agencies (Choy and Can, 1988).

Travel agencies moved from administrative organisation that hosted visitors due to political motivation into commercial enterprises seeking profits. Further decentralisation led to an explosion of travel agencies for all over China, creating an excess of travel agencies. The result was increasing competition, many travel agencies having little profit or even operating at loss. The deregulation of the travel industry redefined the role of CNTA in the government. In 1984, it was charged with defining and implementing the overall travel and tourism policy for the country.

The tourism policy issued in 1984/85 (table 2.3) was a milestone in tourism development in China. The highlights of this policy package involved the so-called *sige zhuanbian* (four transformations in overall tourism development) and *wuge yiqishang*, or approximately "five investors going into action simultaneously" in tourism infrastructure development (Xu, 1999).

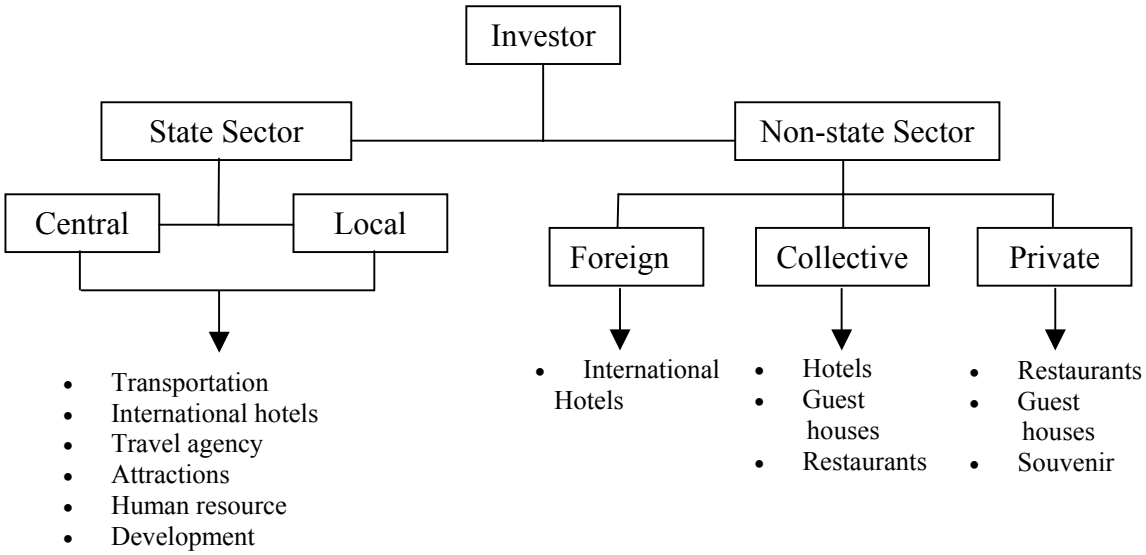
Table 2.3 - The 1984/85 tourism policy

Four Transformations	From	to
Investment orientation	Reception facilities	Both resource development and reception facilities
Tourism promotion	International tourism	Both international and domestic tourism
Investors in infrastructure development	The state as major investor	• *wuge yiqishang* (state, local governments, collectives, private individuals and foreign investors) • *liyong waizi* (self-reliance and use of foreign capitals)
Enterprise management	Government agencies	"independent" firms – *qiyehua jining*

Source: Xu, 1999

From the point of view of ownership structure, the expansion of tourism over the past decade has been characterised by a pluralistic development. On the whole, the non-central and non-state investors have gained an ever-bigger part to play in the tourism market place, pushing the tourism sector further towards the market. In general, non-state tourism investment consists of two major parts, namely foreign direct investment (FDI) in joint ventures established principally in the international hotel sector; and the investment made by individual households and "small collectives" in such sectors as accommodation, restaurants and the souvenir business (figure 2.4).

Figure 2.4 - The role of various investors in China's tourism industry



Source: Xu, 1999

The Chinese government's central aim in putting tourism into the National Economic and Social Development Plan was to expand the number of foreign visitors in order to increase foreign exchange income, improve the balance of payments situation, and to contribute to employment and national development (Hall, 1994a). Domestic tourism began to become an important adjunct to international tourism as the Chinese people started to experience more freedom under the liberal policies of the new government, causing the government to realise the importance of this market[9].

2.3.5. Tourism as a Key Industry

At China's 15th Plenary Session in September 1997, laws passed under the socialist legal system officially established tourism as a key pillar for the country's future growth. President Jiang Zemin called on the Party to "extend socialist democracy, improve the socialist legal system, rule the country by law and build a socialist country with the rule of law" (Chua et al., 1999). In the 9th Five-Year Plan and in the Long-term Targets through the Year 2010, tourism is listed as the number one priority to be actively developed. A total of 22 Chinese provinces, autonomous regions and municipalities have adopted tourism as a key industry for local economic development (PRC Yearbook, 1998).

2.3.6. Current and Future Policies and Plans

In order to maintain the development path that China's tourism industry has been following over the last decades, CNTA (He, 2000) advocates the importance of being guided by Deng Xiaoping's theories. It is also argued it is necessary to follow the development of "tourism with Chinese characteristics"[10], and the need to speed up the reform and opening up policies, especially after China gains entrance in the World Trade Organisation, thus leading to a new stage in the opening process.

The role of tourism as an economic sector is expected to be maintained and strengthened, thus enabling it to become a priority industry in more regions of the country. In order to achieve that, China's tourism industry needs to continue to promote tourism development throughout the country, especially accelerating the development of tourism in China's vast west regions. Environmental protection and sustainable development of tourism are concepts that are intended to be further regarded as key factors in the development process. Overall, the government will continue to play a leading role in the development strategy, and the role of administrating tourism by law will continue to be enforced.

For the elaboration of the 10th FYP and the General Development Plan for the years 2015 and 2020, CNTA established the main goals for the tourism industry in the next 20 years. China expects to change from being a major tourist country in Asia to a major tourist

[9] Policy changes concerning domestic tourism will be analised in the next chapter.
[10] Chinese-style tourism is defined as tourism development based on national characteristics (namely the socialist system), but at the same time learning from the international experience and following international trends.

country in the world, a goal that is consistent with the objective requirements of the country's overall economic development, and with WTO's predictions.

2.4. Regulatory Framework

After the establishment of the PRC until the opening up reform, China's tourism industry lacked specific laws. This was mainly because in this period the country's legal system was especially focused on rather broad economic issues and the tourism industry was too small in scale to deserve much attention. Tourism reception mainly depended on the country's basic law and regulations and a few other documents. However, during this phase, there were some policies made concerning foreign visitors coming to China, so as to provide basic principles for tourism reception work. Nonetheless, despite the lack of a legal framework, administrative regulations were the source of policy making in regard to tourism, mainly focused on policies concerning outbound and inbound travel administration and the politics of which foreign visitors could come to China. Guided by the State Council, regulations were made imposing limits on touring regions and in the approval of foreign tourists coming to China. Pricing measures for reception and coordination among different departments during the reception were also covered by various regulations. During this period, some basic national laws and regulations were issued, thus creating a foundation for the tourism industry (see appendix 2.6).

From 1978 to the mid 1980s, some laws specific to tourism started to appear. During this period, tourism began to develop as an industry, thus the construction of a legal system related to this industry also developed, especially in 1985. The issuing of the "*Travel Services Administration Temporary Regulation*" by the State Council indicated a big breakthrough in China's construction of a legal system for tourism. The State Council continuously made and approved other regulating documents concerning the development of tourism, thus providing policies for the development of tourism.

During the following decade, the issue of multiple laws and regulations developed quickly. During this period the rapid growth of tourism resulted in great achievements in constructing a regulatory framework. Due to the rapid development of domestic tourism

and the local economy, from the mid 1990s some administrative regulations issued several years before were revised and other departmental regulations were issued. Administrating tourism by law was a core objective of the government. Since then a basic framework of the legal system for tourism in China has been established.

Although a regulatory framework exists for the tourism industry, it seems that China's regulators have not been able to keep pace with rapid developments in the industry, China is unable to create new rules and regulations fast enough. As a result, many regulations are only adhered to superficially, and some are ignored completely (Bailey, 1998).

2.5. The Airline Industry in China

2.5.1. Background of Development

The tourism industry in many countries of the world has been profoundly shaped by the development of air services. Undoubtedly there is a powerful synergy between the development of international air transport and international tourism. The relationship between the airline industry and tourism is a complex relation comprising technological factors, market pressures and regulatory policies.

The impetus to establish an airline normally coincides with the need to develop communications and commercial links with other countries, with the need to help promote a national identity abroad, and with the need to foster tourist traffic. Without a designated national flag carrier, governments would have to rely on foreign carriers to transport tourists. This inevitably leads to a degree of dependence on foreign airlines for transportation of tourists (Jenkins and Henry, 1982).

Thus, soon after the foundation of the People's Republic of China, the new administration decided to establish an airline, the China Civil Aviation Administration (CCAC). It quickly started its services, operating in twelve routes, linking Beijing with the southern cities of Hankou, Chongqing, Kunming and Guangzhou.

With Soviet help, the China Civil Aviation Bureau (CCAB) was established, at the beginning of the 1950s. Nominally under the Ministry of Communications, it was in practice controlled by a high-level military committee.

> "Having just won a civil war, the PRC had no illusions about Kuomintang's efforts to win the support of the United States to mount an invasion of the Southeastern coast; and it rightly regarded aviation as a whole, commercial and military, as a complementary arm of the defence forces." (Davies, 1997:384)

On March 1950, the operating airline came into being. The Sino-Soviet Joint Stock Company (also known as SKOAGA – *Sovietsko-Kitaysko Aktsioneren Obschestvo Grazhdanskoi Aviatsii*), with ownership held in equal amounts, fifty percent each. The Soviet airline, Aeroflot, provided technical assistance for its new airline that now operated around the southern perimeter of its own Siberian network.

While CCAC provided its services in the south, SKOAGA operated in the north, in the Manchuria region. It established a foreign route to China, and thus a direct air connection between Beijing and Moscow. In the south, CCAC began to operate linking Guangzhou north to Hankou, and on to Tianjin. Latter, a new route was established, linking Tianjin to Chongqing and Chengdu, in Sichuan.

In July 1952, the formation of the China People's Aviation Company was announced. Two years latter, an important merger took place. SKOAGA and CCAC merged to form, under the general jurisdiction of the CCAB, the *Zhonghua Ming Hong Jui* (also called *Minhaiduy*). There were six major regional bureaux, at Beijing, Shanghai, Guangzhou, Shengyang, Xi'an and Wuhan, with sub-bureaux at Chongqing and Lanzhou.

"Cautiously the new airline began to feel its way as the national flag carrier, but its freedom was closely restricted to friendly neighbours, of communist or near-communist persuasion" (Davies, 1997:386). In April 1956, the first trans-border route (other than to the USSR) was opened, from Kunming to Rangoon. One month latter, a second route was

established, this time to Hanoi, via Guangzhou. In May 1959, a third route, from Beijing to North Korea completed China's air links with its political allies.

One of Chairman Mao's main objectives on assuming power was to unify the country. He realised that the key to unification was a good communication system, and for this purpose the highest priority was allocated to a massive programme of railway construction. Sichuan was finally linked with the rest of China, other than by riverboat or by air, when in 1956 the Xi'an-Chengdu rail link was completed. Within only two decades, every provincial capital and major city were linked with Beijing and with each other (Davies, 1997). Only Lhasa remained isolated from this railway connection and from the rest of China[11].

With such emphasis being given to railway construction, the CCAB had to play a secondary role, including in budget allocations. Another of Mao's priorities was to build up China's strength, including that of the Air Force. In the pursuance of this goal, and with technical help from the Soviet Union, airports and aircraft factories were built, and aircraft production initiated, under Soviet license agreements.

Although the civilian airline network lagged behind in the government's priorities, it did benefit from the aviation programme. The CCAB reported in 1958 that the network of routes had doubled in length in five years to 26,000 km, the number of routes to 29 and the number of cities served to 42.

> "With an adequate but old-fashioned fleet, *Minhaiduy* built up a network of routes that served the whole country, but the service provided bore little comparison with air service in the West. While a route map and a timetable existed, most flights were made according to local demand, and this was restricted, almost by definition, to administrators, Communist dignitaries and bureaucrats. Air traffic control was rudimentary, and flights were cancelled at the slightest indication of bad weather; instruments for navigational aids were all but non-existent. The same applied to reservations and ticketing, which was a ponderous, almost primitive system." (Davies; 1997: 387)

[11] That link is now being built.

China's airline, almost entirely dependent upon Soviet aircraft, either imported or built under license, suffered a setback during the late 1950s when relations between China and USSR deteriorated. The Soviet Union withdrew thousand of people who had been sent to China as advisers, and these include a large number of aircraft industry technicians. Relations with the United Sates were non-existent and relations with the rest of the capitalist countries were also poor. However, despite this unfavourable environment in international relations, relations with the United Kingdom began to improve. In 1957, the UK began to loosen the embargo on trade with China and, in 1961, the CCAB purchased from the UK six aircrafts. With those additions to its fleet of plains, China moved into a new age of technology.

In the April 1962, the CCAB became the Civil Aviation Administration of China (CAAC), and from then on great improvements were made both domestically and abroad. Within China, services were improved when new aircrafts were purchased in 1965. In 1964, new international routes were added, between Guangzhou and Cambodia and Pakistan. In the same year, France also recognised the PRC and established diplomatic relations. As a result of this change in political relations, Air France opened a route to Shanghai. Although China was not able to reciprocate with its own airline till 1974, at least it had a direct air link with Europe. After these precedents, there soon followed more foreign airlines opening services to China. In 1971, the national air carrier joined the International Civil Aviation Organisation (ICAO) as an observer, preparatory to full membership. Three years latter, as to confirm its re-entry into the international airline community, China joined ICAO as a full member.

Domestically, it built an extensive network of trunk, secondary and third-level routes. Concentrating on the inter-city routes of eastern and central China, CAAC also provided the air links to inland cities, from northeast Manchuria to western regions of Xinjiang and Tibet.

2.5.2. Changes in the Airline Industry since the Reform of 1978

With the reform and opening up policy, some consolidation occurred both in strengthening CAAC's network, and in allowing more international airlines to open service to China. On April 1978, a new route to a new continent was opened when CAAC paralleled Ethiopian Airlines in flights to Addis Ababa. A direct connection to the Middle East was made on July of the same year. Closer links were also made with neighbouring countries in East Asia. But the most significant regional expansion was concluded on October, when air connection was established with Hong Kong, which soon replaced Tokyo as the principal city of origin for flights into China. The importance of Hong Kong as an entry point is understandable given its geographic, economic and political relationship to the Chinese mainland.

Direct flights to China have been increasing steadily with the expansion of tourism. Initially, those flights were almost all to Beijing, primarily via Tokyo. Latter, Shanghai, Guangzhou, Kunming, Hangzhou and Tianjin were also receiving a substantial number of international flights.

Long accustomed to the privileges of protectionism, and without competition, the Chinese airline industry now faced the "harsh realities of meeting a market demand".

> "In the old days, the airline called the tune. If the flight was cancelled, for any reason (and slightest indication of bad weather was usually sufficient) the passengers simply had to wait, without complaint. Undoubtedly, this was a factor in the achievement of a good safety record, for no risks were taken. Standards of service, both on the ground and in the air, were poor, and quite unacceptable by western standards, and this was not only on the international routes. With the easing of travel restrictions for foreigners, tour groups began to invade China." (Davies, 1997:400)

By then, several complaints targeting Chinese airlines came both from foreign and domestic passengers and began to be very frequent, damaging the image of the national carrier. Passengers travelling with CAAC complained about the mediocre service, frequent delays, the poor quality of meals, overcrowded seats and overbooking problems.

CAAC's reputation was not helped by an increasing number of fatal accidents, which were well publicised. The accidents, which seemed to be occurring at a rate of about one a year, exacerbated the criticism. The pressure that the central government began to feel was determining in the decision to reorganise the entire civil aviation system. It was decided that more authority and control should be delegated to the regions, so that the airline services could be directed by those who were intimately involved with the operations, and not controlled by bureaucrats.

In September 1984, a member of the State Council announced the formation of four regional airlines to serve domestic routes, the separation of CAAC's international routes as a separate and autonomous business, and the cessation of the national airline as the sole organisational administrator of air transportation. Aerial transport was henceforth to come under the aegis of the China General Aviation Company (Davies, 1997). The State Council issued "*Provisional Regulations on Authorising Civil Aviation Corporation*", which detailed operating conditions and approval procedures for establishing and operating an airline.

The four domestic regional airlines – China Eastern, China Southern, China Southwestern and China Northwestern – were based in Shanghai (due to Shanghai being China's main commercial and trade city), Guangzhou (recognising the importance of the south and the proximity to Hong Kong), Chengdu (as the capital of Sichuan Province, a populous province far inland) and Urumqi (capital city of Xinjiang), respectively. The international division was renamed Air China.

These new airlines were intended to satisfy local sensibilities and especially to remove the impression that a bureaucratic office in the capital directed the operational departments, even though they were still under control of the CAAC and the ultimate power rested in Beijing[12]. CAAC would continue to be responsible for regulatory functions, particularly those affecting airline infrastructure: airways, airports, navigational aids, international bilateral agreements and other aspects that were of a national, rather than a regional

[12] CAAC retains enormous power and still has the ultimate say on most key decisions, including aircraft purchasing.

importance. The whole restructuring initiative was aimed to end the inertia which had seemed to overcome CAAC, partly because of the obsessive centralisation and of the reluctance to invest in new equipment (Davies, 1997). The context of this reform was closely related to the situational environment in China at that time.

By the end of 1984, the original four regional airlines had been joined by two others: China Northern (based in Dalian, latter in Shenyang) and one based at Xi'an, which became China Northwestern; while the Urumqi-based regional group, claiming an even greater autonomy, established as the China Xinjiang Airlines (see appendix 2.7).

The State Council's directive not only split CAAC asunder, but also provided conditions for the establishment of completely independent airlines. Provinces were encouraged to establish their own local airlines, even though this would often result in direct competition with the CAAC. With some exceptions, these independent airlines not derived from the former CAAC (see appendix 2.8) were local in their scope. Mostly launched by provincial and city authorities, these airlines often involved private industry groups and, in a few cases, became joint ventures between CAAC-owned carriers and local authorities (Ballantyne, 1996b). During the late 1980s and early 1990s they "seemed to spring up everywhere", though their number has been decreasing over the years. In 1992, China had 6 national airlines, while local governments owned more than 20 airlines, alleviating the shortage of transport in the development of the national economy and the booming tourism industry.

During the first years of these new-established companies, they began to organise themselves. Control over scheduling became more disciplined, and reservations systems were improved to a reasonable standard of efficiency, with computerised equipment. Soon thereafter, passengers were able to book the return journey without having to wait until after they arrived at their destination. The CAAC's primitive reservation system only permitted the reservation for one-way domestic flights at the departure point. Equally important, the utilisation of the aircraft was improved. From 1984 to 1988 domestic traffic surged at an average annual rate of 41 percent. On average between 1981 and 1995 total air traffic rose 21 percent a year. Air China, China Eastern and China Southern are the three

largest airlines, carrying nearly two-thirds of Chinese traffic on domestic and international routes, making the largest profits (table 2.4). Air China operates on 103 routes, 64 domestic and 39 international. China Southern operates 254 routes, including 23 international ones. China Eastern has a network of 220 domestic and international routes, connecting 60 cities. Air China is dominant, operating 80 percent of international flights flown by PRC carriers, with their revenue accounting for 25 percent of total airline sales (Ballantyne, 1996b).

Table 2.4 - Operating performance of China's six major airlines, 1990-1994

	1990	1991	1992	1993	1994	1990/94* (%)
Passengers carried (million)						
Air China	2,20	2,89	3,69	4,51	5,36	24,9
China Southern	4,70	5,67	8,04	8,39	9,85	20,3
China Eastern	3,06	4,20	5,25	5,49	5,61	16,4
China Southwest	1,70	2,06	2,37	3,37	4,39	26,8
China Northern	1,32	2,00	2,76	3,28	3,58	28,3
China Northwest	1,28	1,58	1,80	2,09	2,12	13,4
Total	14,26	18,40	23,71	27,13	30,91	21,3
Revenue (US$ million)[13]						
Air China	648,6	727,6	820,6	1.040,6	1.048,1	12,7
China Southern	199,5	273,8	416,2	501,9	814,1	42,1
China Eastern	162,9	251,8	346,6	474,5	674,6	42,7
China Southwest	76,3	99,2	107,2	206,1	206,1	28,2
China Northern	62,4	94,0,	149,6	245,4	337.7	52,5
China Northwest	52,5	68,3	87,1	130,6	190.9	38,1
Total	1.202,2	1.514,7	1.927,3	2.599,1	3.271.5	28,4

Source: Ballantyne, 1996b * Average annual growth rate

[13] Despite the performance of the major airlines in China, many operators were unable to report profits, partly due to the shortfall in management expertise and the uncontrolled development, which has occurred in the airline industry. The government's decision to stop forcing civil servants to fly overseas on Chinese airlines also had an impact, causing a significant level of defection to foreign airlines because their better safety record and superior service. In July 1995, CAAC decided to introduce a two-tier pricing policy for domestic air tickets, making fares for foreigners 20 percent higher than for locals. This deters inbound traffic and discourages multi-destination trips to tourist centers. In 1997, prices of air travels started to decrease when pricing restrictions were relaxed. Till then airlines were ordered to offer discounts of no more than 10 percent for group tours and no discounts at all for individual travellers. After this relaxation, airlines started to discount by 20 percent, initiating a price war (China Online, 9/6/1999). In 2000, an agreement between airlines imposed by China's aviation regulators, to put an end to price wars, which were eroding the industry's earnings (Shanghai Daily, 18/4/2000). This meant an increase in air-ticket fairs and thus a decrease in the number of passengers.

With the reform of 1984, a new spirit in attitudes, both internally within the operators, and externally, in their relations with the public, began to surge. This factor contributed much to the improvement in the quality of service. Also the regional competition led to air companies with the desire to do better than their competitors. Instead of going to Beijing, revenues from ticket sales went directly to the airline to offset their expenditure in acquiring, staffing and maintaining their aircraft fleet.

This sector embraced a whole revolution, being transformed from a State-controlled monopoly to a regionally directed oligopoly. However, this entire transition was made under the supervision of Beijing, ensuring that the new-found freedoms going to the regional hands went through CAAC, which adopted now the role of a presiding government agency (Davies, 1997).

Air China is responsible for intercontinental routes and control is centralised in the capital. This airline automatically became the nation's flag carrier, and simply took over the long-haul fleet of the former CAAC. It provides the main air link with Japan and provides capacity on the main inter-city domestic routes between the main centres of population in China. Of the regionally-based airlines, China Eastern and China Southern were also permitted to operate certain international routes, to the United States and Europe and to Southeast Asia, respectively. These two regional airlines became, within a few years, major airlines.

After the 1980s decentralisation policy, China's aviation industry is not as tightly controlled. However, the tightest control remains on international routes. Nevertheless, 27 cities[14] now have international services and there are no fewer than ten Chinese airlines[15] that operate international routes.

[14] Beijing, Changsha, Chengdu, Chongqing, Dalian, Fuzhou, Guangzhou, Guilin, Haikou, Hangzhou, Harbin, Hohhot, Kunming, Lhasa, Nanjing, Nanning, Ningbo, Qingdao, Shanghai, Shantou, Shenyang, Shenzhen, Tianjin, Urumqi, Wuhan, Xiamen and Xian.

[15] Namely Air China, China Northern, China Southern, China Eastern, China Southwest, Xiamen Airlines, China Northwest, Yunnan Airlines, Shanghai Airlines and Xinjiang Airlines.

Over the past 50 years, the number of air routes has increased dramatically. In 1949, the country had only 12 routes, increasing to 167 routes in 1978. Prior to liberalisation, the international network was heavily weighted towards communist destinations. Over the past decades China has progressively negotiated new Air Service Agreements (ASA) in order to enter new markets. During 1994, 70 new domestic and 14 international routes were launched, bringing the total number of 727 routes (630 domestic and 97 international). By the end of 2000, Chinese airlines operated 967 air routes to 135 domestic cities and to 38 countries and regions.

Training centers were started up to replace the former on-the-job methods. Technical assistance and support was welcomed from foreign countries, instead of regarded with deep suspicion. Commercial links between Chinese carriers and Western airline partners were also pursued. A new attitude towards international cooperation was born, including the emergence of joint-venture companies. In 1996 there were 26 Sino-foreign joint-ventures in civil aviation, involving maintenance, catering, oil supply, ground services, hotels, restaurants and commissioned passenger and cargo transport sales (Ballantyne, 1996b).

CAAC had already expressed its intention to reduce the number of airlines operating to around 20, believing that some will go out of business for financial reasons, while others will merge (Ballantyne, 1996b). Recent announcements lead us to believe that this reduction will be made, but the number of airlines initially approved to continue in operation was reduced to just three, a measure to be taken to protect the domestic airline industry when China enters the World Trade Organisation (Interview to the Director of the HTB).

2.6. The Hotel Industry in China

2.6.1. The Hotel Industry before 1978

In the period 1949-1978, because China considered international tourism to be mainly a diplomatic activity rather than an economic one, there was little specific investment in tourism. When China decided to develop its tourism industry in the late 1970s, there was a

rapid expansion of international tourism and the rise of mass domestic tourism, which generated a huge demand for, and enormous pressures, on local tourism infrastructure. There was a great shortage of lodging accommodations which could meet international standards, particularly in the most-visited destination areas.

Lodging facilities in China have generally been divided into major categories for accommodating overseas and domestic tourists, based on the amount of amenities and level of services (Yu, 1995). The high-level lodging facilities (*binguan* or *fandian*) are destined for overseas tourists. This type of lodging facility is equipped with amenities and luxuries that meet international standards. The lower level lodging facilities (*lüdian*), accommodate only domestic tourists and offer very simple amenities and services.

When China first recognised tourism was an effective means for earning foreign exchange needed for its modernisation, there were just a few guest houses meeting international standards and these were used by the Chinese government to host invited guests. To cope with the increasing demands for receiving foreign tourists, the State Council was forced to use the majority of the available *binguan* for the tourism industry. Although these *binguan* had higher standards than the *lüdian*, they were still poorer than modern hotels in the West, in terms of functions, services and equipment (Yu, 1995). Most hotels available in that period were built either before the establishment of People's Republic of China or during the 1950s by the Soviets (Tisdell and Wen, 1991).

The lack of adequate lodging facilities generated constant complaints from international tourists and criticism from the international travel industry. The development of lodging facilities with Western standards thus became an urgent and critical issue concerning the future success of China's growing international tourism industry. The lodging accommodations are the core part of tourism-specific infrastructure at the local level, receiving much attention in discussions of tourism investment policies at both national and local levels.

The hotel shortage was, thus, the first big obstacle the Chinese government encountered when it decided to expand the tourism industry. The concentration of tourists in particular cities contributed to an acute shortage of hotel rooms. Overbooking was common.

> "At that time many tourists who had reservations at the Beijing Hotel were told upon arrival that it was overbooked and that they had to look for hotels again, or even stay in the small towns outside Beijing. Sometimes these unlucky tourists had to be transported to Tianjin for overnight accommodation." (Zhu, 1997:114)

In an effort to alleviate this problem, great efforts were put into hotel construction and renovation throughout China.

2.6.2. Investment in the Hotel Sector

Hotel development, therefore, was singled out by the Chinese government as a major area for infrastructure investment in the 6th Five-Year Plan for China's Economic and Social Development (1981-1985). In order to accelerate hotel development and meet the demands of Western tourists, the Chinese government initiated several strategies:

1. opening up the luxury state guest houses to accommodate international tourists;
2. domestic investment, including direct investment by the central government, local government tourism agencies, various other government agencies, and collective enterprises;
3. foreign investment in the form of foreign direct investment, joint ventures and cooperative agreements with foreign hospitality management companies (Yu, 1995).

2.6.2.1. Domestic Investment

The opening up of the state guesthouses and exclusive resorts was, as mentioned, one of the first measures taken by the Chinese government to ease the hotel shortage problem. The second strategy was to have new hotels funded and built by government at various administrative levels. The central government allocated development funds and loans for selected major tourist destination cities[16]. In 1979, the State Council invested 360 million

[16] Beijing, Shanghai, Guangzhou, Xi'an, and Hangzhou.

RMB in the building of 30 hotels (Uysal et al., 1986). This direct development incentive was channelled through the CNTA to provincial and municipal tourism bureaux. Beyond this, the provincial and municipal governments were initiating additional hotel projects independently.

As the central government encouraged provincial and local government tourism agencies involvement in developing new hotels, other government agencies, quasi-governmental, collective, and even private investors seized the opportunity and invested in the lodging industry. Some examples of these investments are the hotels built by the collective farmers and the People's Liberation Army.

2.6.2.2. Foreign Investment

Being a developing country, China encountered substantial difficulties in financing hotels with Western amenities, services and management. In order to speed up the development and meet the needs of foreign visitors, the Chinese government initiated foreign investment and joint-venture incentives (see appendix 2.9) for overseas investors to develop lodging facilities in China. This strategy served not only to attract badly needed financing from overseas, but also service management know-how as technology transfer. The introduction of Western hospitality management would improve service standards and enable China's hotel industry to compete at the international level.

In an early stage, foreign investment and hotel development were still slow due to poor infrastructure, cultural barriers, and a perceived risk of investing in China (Cook, 1986). The government offered no real estate incentives, as other nations did, and Chinese workers had the reputation of being unproductive. In 1979, the Chinese government created different kinds of incentives by establishing Special Economic Zones (SEZs).

By means of the SEZs, government at both the municipal and regional levels was able to offer tourism developers inexpensive land, tax holidays of three to five years, a flat corporate income tax rate of 15 percent, and an inexpensive labour force (Cook, 1989 in Hall, 1994a). Also, in order to encourage hotel investment, government loans for investment capital was usually provided as interest-free loans so there was a reduced

incentive for the investment organisations to consider the best time and place for constructing hotels, or the reasonable size or class of hotels (Zhao, 1989).

Although the initial response from international investors in the hotel industry was slow, the SEZs ultimately caught on, and in 1984, the government opened 14 coastal cities and the island of Hainan to foreign investment, giving these 15 areas the right to offer many of the same incentives as the SEZs. Inland cities also wanted to be able to offer similar tax breaks, so the Bank of China granted foreign-exchange privileges to encourage investment in 30 more cities, including Beijing. When the government opened over 100 cities to tourists, additional opportunities were created for hotel investment outside of the dominant cities (Cook, 1989).

In order to mobilise the initiatives of individual enterprises, 50 international hotels were selected in 1984 to "learn from *Jianguo* Hotel" in Beijing, which was the first joint-venture hotel in China, with a total capital investment of 22,3 USD million. CITS was the Chinese partner in this joint-venture hotel. Since its opening in 1982, this hotel has not only achieved excellent financial performance, but also gained good reputation for its service quality. The number of hotels that should learn from *Jianguo* Hotel grew to 114 in 1991. Its financial success and successful management encouraged government agencies at various levels to seek overseas investors and management partners. A wave of joint-venture and cooperative agreement hotel development swept the country in the 1980s and, at present, most of the major international hotel corporations are present in the Chinese hotel market[17].

According to this picture, and following Tisdell and Wen's perspective (Tisdell and Wen, 1991), one could say that there have basically been two waves of tourism investment in China since 1979. The first wave was from 1979 to 1983 and relied heavily on domestic investment[18]. The second wave consisted in the flowing of large sums of foreign capital

[17] Over the past decades, many tourist cities in China have seen a rapid penetration of international hotel groups, such as Hilton, Holiday Inn, Sheraton, Ramada Inn, Howard Johnson, and Days Inn (Gu, 1999). However, the extent of such a penetration differs widely from one region to another (Xu, 1999).
[18] The SATT, several departments of the central government and local Foreign Affairs Offices or Friendship Associations were the main sources of this investment (Tisdell and Wen, 1991).

into the country after 1983, as well as the crescent involvement in tourism investment of many more social units, including collective and private organisations.

2.6.3. Growth in the Hotel Sector

Due to the market situation, building enough hotel rooms was a top priority in China's tourism development during the early part of the 1980s. So, over the 1980s, the international hotel sector attracted not only considerable state investments, but large-scale FDI as well. At the same time, the rapidly rise in domestic tourism also stimulated considerable investment by local small investors in building simple accommodation facilities (Xu, 1999).

The massive investment program in hotels produced a big boost in hotel construction in China. In 1980, the number of hotels grew 35,5 percent from the previous year, while the number of beds increased 124 percent. In the 1980s, hotel construction grew at a much faster rate (27 percent) than in the 1990s (15 percent). By 1999, there were in China 7.035 hotels, representing a 51-fold increase over those in 1978 (table 2.5). The total number of star-rated hotels in China also has been increasing over the years, representing 55 percent of the total number of hotels in China in 1999. From 1991 to 1999 the number of star-rated hotels grew at an average annual rate of 21 percent. This might be a result of the star-rating system implemented in 1990, a measure intended to increase quality in service and in infrastructures. The number of low-star hotels seems to be decreasing over the years, although the decrease is not very significant, except for 1-star hotels.

Table 2.5 - Number of Hotels, bedrooms and beds, 1978-1999

	Hotels		Bedrooms		Beds	
	Number	Growth (%)	Number	Growth (%)	Number	Growth (%)
1978	137	-	15.539	-	30.740	-
1979	150	9,5	17.149	10,4	34.021	10,7
1980	203	35,3	31.788	85,4	76.192	124,0
1981	296	45,8	43.251	36,1	101.084	32,7
1982	362	22,3	51.625	19,4	122.696	21,4
1983	371	2,5	59.588	15,4	141.627	15,4
1984	505	36,1	76.994	29,2	171.888	21,4
1985	710	40,6	107.513	39,6	242.913	41,3
1986	974	37,2	147.479	37,2	332.321	36,8
1987	1.283	31,7	184.710	25,2	400.727	20,6
1988	1.496	16,6	220.165	19,2	478.321	19,4
1989	1.788	19,5	267.505	21,5	580.913	21,4
1990	1.987	11,1	293.827	9,8	634.256	9,2
1991	2.130	7,2	321.116	9,3	679.458	7,1
1992	2.354	10,5	351.044	9,3	737.674	8,6
1993	2.552	8,4	386.401	10,1	811.521	10,0
1994	2.995	17,4	406.280	5,1	834.818	2,9
1995	3.720	24,2	486.114	19,6	987.275	18,3
1996	4.418	18,8	593.696	22,1	1.199.714	21,5
1997	5.201	17,7	701.736	18,2	1.411.708	17,7
1998	5.782	11,2	764.797	9,0	1.524.224	8,0
1999	7.035	21,7	889.430	16,3	1.769.825	16,1

Source: CNTA, various years

2.6.3.1. Consequences of Massive Hotel Construction

Incentives for hotel investment generated a boom in hotel construction, which led to a disproportionate provision of luxury hotels in comparison with budget and medium-grade accommodation. An additional problem is that hotels were not necessarily located in the

areas where demand was concentrated (Zhang, G R, 1989; Hall, 1994a). New hotels were built without reference to a general policy; until 1987 the national tourism authorities did not have any overall plan for hotel construction. There was no central institution charged with the supervision of hotels either. Most hotels were built by non-tourist industries (Zhao, 1989), without a feasibility study or with incorrect forecasting, and sometimes worse than that, projects were based on exaggerated assumptions as to the tourist traffic.

Due to the lack of experience in the tourist industry, tourist hotel policy was made under the incorrect assumption that the tourism industry consisted mainly of the hotel industry. Some government leaders put out exaggerated targets for tourist arrivals. And while more attention was paid to accommodation, poor transport often resulted in timetable changes for foreign visitors and it was difficult to accommodate the large groups of visitors whose arrivals were delayed (Zhao, 1989). There are several causes for this excess hotel capacity, including a lack of knowledge about the hotel industry, an unreasonable investment policy, and archaic finance and management systems (Zhao, 1989).

Hotel development was regarded as one of the basic features of China's tourism industry in the 1970s and its development since then has been significant. To many foreign and domestic investors, it seemed quite certain that hotel investment could earn high and quick return on their capital without much risk. By the end of the 1980s, hotel supply substantially exceeded overseas visitor demand. At the same time, hotel shortages remained a problem in the busy season in the more popular tourist cities. But in some cities with more hotel rooms and fewer visitors the hotel occupancy rate was low, and in some not so popular cities, many hotel rooms were left empty or sold to the domestic market at a loss (Zhang, G R, 1989).

Some of the hotels were so expensive for the majority of tourists from overseas, so that the accommodation problem remained unsolved, even when there were hotel rooms available. Concern arose from the fact that domestic holiday-makers could not be a substitute for the shortage of international incoming travellers in utilising these hotels because of the huge differences in purchasing power (Zhang, G R, 1989).

2.6.3.2. Measures to Solve Problems within the Hotel Sector

The situation was such that in 1988, at the National Conference of Tourism, the CNTA was forced to announce that overseas joint-venture hotels would not be built until further notice in the major tourist destinations of Beijing, Shanghai, Guangzhou, Guilin, Xi'an and Hangzhou. It also called for a readjustment in the structure of the hotel industry in China, namely stating the desire to construct more medium- and low-class hotels (Zhao, 1989; Hall, 1994a). This announcement heralded a new phase in the development of the hotel industry in China, with the hotel boom being brought to a temporary close.

The first step of China's reforms in tourist hotel management was to transform the administrative unit into the self-run, business enterprise with independent accounting for its profits and losses. The second step was to perfect the management system by implementing a system of personal responsibility and adopting service quality standards. The third step was to transfer the management expertise of joint-venture hotels into the state-owned hotels, in which the general manager takes the full responsibility and perpendicular networks are set up (Zhang, H M, 1989).

In 1990 the CNTA established a formal hotel star rating system as a management strategy to establish national hotel standards, improve service and quality, and streamline the hotel administration process (Liu and Liu, 1993). The Chinese hotel industry faced serious challenges in early 1990s, which were very difficult for individual hotels to overcome. They were under severe pressure to compete for visitors, and competition through internal price cuts only resulted in loss for the industry as a whole. The rating system encouraged and facilitated cooperation through the development of Chinese chain operations, which should be able to increase operational efficiency and competitiveness (Liu and Liu, 1993), as well as to rationalise the fragmented hotel sector (Pine et al., 2000).

The fast growth of hotels in recent years and the dominance of multinational hotel management companies in China greatly changed the market structure of the Chinese hotel industry. In order to reduce foreign dominance and high management costs in hotel operations, domestic hotel management companies are encouraged by the CNTA, hoping

to develop Chinese hotel chains. The formation and growth of the Chinese hotel chains are still limited and faced with many challenges during the course of their expansion.

2.6.4. Hotel Ownership Structure

Decentralisation has resulted in a variety of different types of hotel ownership. However, state ownership in 1999 still constituted the dominant mode. Of the 7.035 hotels registered in China in 1999, 64 percent were developed by various government agencies, a decrease of 10 percent in the share of total hotels when compared with the figures of 1989. In spite of the decrease, these figures indicate that China is still a largely socialised economy with central planning and public ownership.

Private ownership was still a new practice in China in the early 1990s, when there were only three hotels in the entire country with this form of ownership (two in Guangdong and one in Guangxi). In 1999, there were 174 privately-owned hotels, thus representing a big increase, but this represented only 2,5 percent of the total number of hotels in China. As for the foreign-invested and operated hotels, which generally take the form of either cooperative or joint venture[19], 472 were foreign invested, and 247 were built with funds from Hong Kong, Macao and Taiwan.

The rapid growth of FDI in the hotel sector in China could be explained by the early short-run monopolist profits and over-optimistic expectations. The hotel industry legislation could be another favourable factor. As infant industry legislation, the incentives provided by the national tourism industry policies are extensive, especially favouring FDI in joint-ventures hotel projects. Such incentives are concentrated on reducing liability for import duties and income taxes (table 2.6).

[19] China's joint venture corporation legislation stipulates that foreign capital should constitute at least 25 percent of a joint venture's registered capital. In total hotel investments, domestic and foreign shares should at least be kept at 51 to 49 percent. Domestic and foreign investors should share profits or losses according to this ratio.

Table 2.6 - Differences in policy treatments between joint-venture and state-owned hotels

	Joint-Venture	State-owned
Income Taxation	• zero-rate income tax for the first two years • 50% income tax relief for an additional 3 years	full taxation
Importation	licensed for importation and partial duty-free imports	no special rights for importation and full payment of import duties
Foreign Exchange	legal use of foreign exchange, no need to settle accounts in the Bank of China regarding foreign exchange receipts	no rights in use of foreign exchange, all FEC receipts (except circulation capital) must be settled in the Bank of China
Pricing	legalised seasonal pricing	subject to state price regulations
Labour Hiring	autonomy in hiring labour	subject to state arrangements
Salaries and Wages	flexibility in determining the rates of salaries and wages, and tax relief on bonus	state-determined rates of salaries and wages, income tax on bonus

Source: Xu, 1999

In view of the emerging tourism boom in China, the policy effects of the incentive legislation on foreign hotel investment were enormous. The incentives for domestic investors to participate in joint-venture projects were also significant. Capital, marketing, know-how and business networking provided by joint ventures were the most desperately needed inputs for tourism development at the local level. The flexibility legally allowed for joint-venture hotels in construction, management as well as in day-to-day decision-makings was also very appealing to individual hotel firms. In addition, non-monetary advantages granted to managerial personnel, such as duty-free importation of cars, tended

also to play a role. Thus, hotel projects, whenever possible, tried to be labelled as joint ventures.

2.6.5. Spatial Distribution of Hotels in China

The spatial distribution of hotels clearly reflects the tourism demand and supply factors in China's various regions. Geographically, tourist hotels are most common in the major tourist destination cities and in the economically developed coastal provinces. About 67 percent of hotel capacity is concentrated primarily in major tourist regions along the eastern coast of China. Guangdong Province leads all others in hotel development.

Table 2.7 - Number of hotels by region, 1990-1999

Region	1989		1994		1999		Average annual growth rates (1989-1999)
	Number	% of total	Number	% of total	Number	% of total	
Beijing	150	8,4	249	8,3	375	5,3	9,6
Hebei	54	3,0	63	2,1	171	2,4	12,2
Liaoning	89	5,0	90	3,0	279	4,0	12,1
Shanghai	72	4,0	111	3,7	286	4,1	14,8
Anhui	63	3,5	83	2,8	203	2,9	12,4
Fujian	72	4,0	105	3,5	224	3,2	12,0
Shandong	66	3,7	142	4,7	384	5,5	19,3
Hubei	72	4,0	120	4,0	320	4,6	18,2
Guangdong	541	30,3	838	28,0	1.193	17,0	8,2
Sichuan	87	4,9	111	3,7	227	3,2	10,1
Others	522	29,2	1.083	36,2	3.373	47,9	20,5
Total	1.788	100	2.995	100	7.035	100	14,7

Source: CNTA, various years

The most visited destinations, such as Guangdong, Beijing and Shanghai, not surprisingly were home to about 43 percent of the whole country's hotels in 1989, representing 44 percent of the total hotel capacity in China. Furthermore, five-star and four-star rated

hotels in these three places occupied the majority of the country's total. This extremely unbalanced pattern had existed for almost 20 years. However, in recent years, the growth rate for hotel construction in those traditional places has been slow, lower than the national average (table 2.7). The saturation of hotels in these places, together with plenty of business opportunities after the opening of additional new industrial cities, has extended China's hotel landscape to many inland and periphery cities. Yunnan was the region that experienced the biggest increase from 1989 to 1999, achieving an average annual growth rate in the number of hotels of 40,6 percent. Industrial areas like Jiangsu, Zhejiang, Hunan and Shandong increased their number of hotels considerably during the last decade, experiencing high increases – 27,6 percent, 27,4 percent, 19,3 percent and 19,3 percent average annual growth rates, respectively. Development in the area of Inner Mongolia (16,7 percent average annual growth) may be explained by the increasing border trade and travel with many former USSR countries. The earlier trend of a highly concentrated distribution of hotel industry, thus has been slowly changing over time.

2.7. Tourism Education and Human Resources in China

2.7.1. The Development of a Tourism and Hospitality Education System

International tourism started to develop in the late 1970s, being followed, a decade later, by a faster development of domestic tourism. As a result, governments, at both central and local levels, allocated large sums of money to the construction of hotels, improvement of transport, and the development of tourist attractions and resorts, among other uses, in order to create the basis for further tourism development (Zhang, G R, 1987).

With this investment strategy, much of the problems of accommodation and transport were eased, even though not completely solved. The problem of poor service was, however, far from being answered. Apart from certain social factors, the fundamental reasons for this problem were the poor management and low quality of staff (Zhang, G R, 1987). This means that tourism education and training had lagged far behind tourism development. According to Cullen (1988), the "hardware" of the tourism industry had responded to the market, but the "software" of the industry had not. According to the same author, only a

few hotel or restaurant employees had any idea of international standards, mediocre food, facilities and service also being common.

It is not uncommon in developing countries that the growth of the tourism industry is not accompanied by an adequate response from the education system. This is the case of China, which is not unique. However, according to Huang (1995), China's tourism education grew along with the tourism industry; tourism education and the industry interacted with each other and developed together. There seems to exist a general tendency among Chinese authors to down play the problems that occurred within the industry and to be more optimistic about the future of China's tourism sector. In Lew and Yu's book (Lew and Yu, 1995), the Chinese contributors to this publication tended to be much more optimistic about China's tourism growth potential than their Western counterparts (Hoof, 1996).

After the reform and open-door policies, the new and rapidly developing tourism industry began to create a great demand for competent tourism and hospitality managers and service personnel. The need for hospitality education was officially acknowledged, and tourism and hospitality education programs were quickly developed to try to meet this new demand. Zhou Enlai had called for an improvement in tourist services, demanding first priority be given to the quality of tourism workers and the establishment of an international reputation for China on the basis of good service (Cullen, 1988).

The first tourism school in China, the Jiangsu Technical School of Tourism, also known as Nanjing Tourism School, was established in 1978. However, this school initially did not have tour guiding, guest service, and culinary courses in its curriculum. Several other schools were established in the period from 1979 to 1981, including the Shanghai Tourism Institute and the Sichuan Tourism School (Goldsmith, 1983; Xiao and Liu, 1995). The Beijing Second Foreign Language Institute also developed tourism economics courses on a trial basis, but a major step was taken when the CNTA turned this institute into a tourism college, the Beijing Tourism Institute.

Between 1983 and 1988 the travel and tourism industry in China experienced a very rapid growth and was in urgent need of personnel with tourism and hospitality management and operation knowledge and skills. The existing tourism schools, however, could not meet the industry's needs. Under these circumstances, the CNTA, along with some of the provincial and municipal tourism bureaux, established a large number of new tourism and hospitality schools and programs, both at the secondary and the post-secondary levels[20] (see appendix 2.10). Many other schools also began to offer travel and hospitality courses and degrees[21]. This period was the "Golden Age" in the development of Chinese tourism and hospitality education (Xiao and Liu, 1995).

A few enterprising local CITS offices (in Nanjing, Sichuan and Shanghai) also started their own training schools in the absence of adequate staff allocations (Hunt, 1984). The CNTA encouraged this measure, and other provinces, such as Gansu, Hubei and Guangdong, followed the trend. The CNTA also issued a directive stating that all those already working in the industry should receive in-service training by rotation. The implementation of this directive was the responsibility of the CITS Educational Division.

Other sign for the upgrading of tourism training was the stress that CITS Education Division leaders and college administrators put on foreign expertise. The Beijing Tourism Institute established relations with schools in the USA, Austria, Germany and Japan. CNTA has extensive relationship with training agencies of many international organisations such as WTO, PATA[22], International Hotel Association (IHA), as well as renowned overseas tourism institutes and education divisions of foreign embassies in Beijing (Huang, 1995). Cooperation and exchanges are conducted with these organisations

[20] In China, the tourism education system is composed of tourism institutes, which comprise tourism colleges and ordinary institutes of higher education with tourism departments, and secondary vocational schools, which can take the form of secondary tourism professional schools, vocational tourism high schools, or tourism classes. Continuing and adult education are also offered in training centers.

[21] Examples of other tourism schools and programs opened during this period: Tourism Department in Nankai University in Tianjin; Hotel Management Department in Zhongshan University in Guangzhou; Tourism Department in Northwest University in Xi'an; Tourism Department in Zhejiang University in Hangzhou; Tourism Department in Xi'an Foreign Language Institute; Guilin Tourism Institute; Zhejiang Tourism School; Hubei Tourism School; Shanxi Tourism School; and Jinsong Vocational School in Beijing.

22 This association, inaugurated by tourism academics from 12 Asia Pacific countries in 1995, has the mission to advance and foster tourism education, research and professionalism in the Asia Pacific region and throughout the world (Goeldner, 2000).

through international tourism education seminars, exchanging study groups, receiving foreign scholarships, among other activities. Apart from these activities, all levels of local tourism administrations, tourism institutes, training centers and enterprises have set up cooperation agreement and exchanges with tourism education institutes in many tourism-developed countries (Huang, 1995). Many students have been also sent abroad to study.

According to a plan for tourism development approved by the State Council, China expected to receive 5 million foreign tourists a year up to 1990 and 10 million up to 2000. In line with this forecast, SATT (actually CNTA) drafted a programme for tourism education and training for the 8th Five-Year Plan period (1986-1990). After making a forecast of the personnel needed in the industry, the plan tried to "emphasise the improvement of the standard of education as the core, enlarge education scope in an appropriate way, place the emphasis on secondary tourism education and strengthen training of employees, in order to build up a comparatively comprehensive tourism education and training system and lay a good foundation for future development" (Zhang, G R, 1987:264).

The recent period, therefore, has been characterised by the development of continuing education training centers targeted at improving the job skills of tourism and hospitality managers and employees. Nine new tourism training centers and two continuing education schools were founded between 1988 and 1991, including the China Tourism Management Institute in Tianjin and the Jinling Hotel Management College in Nanjing (Xiao and Liu, 1995).

However, from 1988 to the mid 1990s, there has been only a slight increase in the number of tourism and hospitality schools in China (table 2.8). From 1989 to 1994, the average annual growth rate was 2,4 percent. From then on till 1999, the number of tourism schools grew at a much faster pace, achieving a 24,4 percent average annual growth rate. China, as is true to many developing countries that have entered the marketplace of international tourism, still keeps a system of tourism training that is almost exclusively centered on vocational and technical skills.

Table 2.8 – Tourism schools and colleges, 1989-1999

Year	Total Number of Schools	Growth (%)	Institutes of Higher Education	% of Total	Growth (%)	Secondary Vocational Schools	% of Total	Growth (%)
1989	354	-	69	19,5	-	285	80,5	-
1990	215	-39,3	55	25,6	-20,3	160	74,4	-43,9
1991	266	23,7	68	25,6	23,6	198	74,4	23,8
1992	258	-3,0	59	22,9	-13,2	199	77,1	0,5
1993	354	37,2	102	28,8	72,9	252	71,2	26,6
1994	399	12,7	109	27,3	6,9	290	72,7	15,1
1995	622	55,9	138	22,2	26,6	484	77,8	66,9
1996	845	35,9	166	19,6	20,3	679	80,4	40,3
1997	936	10,8	192	20,5	15,7	744	79,5	9,6
1998	909	-2,9	187	20,6	-2,6	722	79,4	-3,0
1999	1.187	30,6	209	17,6	11,8	978	82,4	35,5

Source: CNTA, various years

Though the development of tourism higher education in China is remarkable, professional and vocational schools still dominate, occupying more than 80 percent of the total, a percentage that is also observable in the number of students enrolled in tourism schools and colleges (table 2.9).

Table 2.9 – Number of students enrolled in tourism schools and colleges, 1989-1999

Year	Total Number of Students	Growth (%)	Institutes of Higher Education	% of Total	Growth (%)	Secondary Vocational Schools	% of Total	Growth (%)
1989	53.042	-	8.551	16,1	-	44.491	83,9	-
1990	49.022	-7,6	8.263	16,9	-3,4	40.759	83,1	-8,4
1991	58.141	18,6	7.567	13,0	-8,4	50.574	87,0	24,1
1992	61.449	5,7	8.893	14,5	17,5	52.556	85,5	3,9
1993	82.651	34,5	12.266	14,8	37,9	70.385	85,2	33,9
1994	102.136	23,6	15.486	15,2	26,3	86.650	84,8	23,1
1995	139.260	36,3	20.121	14,4	29,9	119.139	85,6	37,5
1996	204.263	46,7	25.822	12,6	28,3	178.441	87,4	49,8
1997	221.504	8,4	28.566	12,9	10,6	192.938	87,1	8,1
1998	233.797	5,5	32.737	14,0	14,6	201.060	86,0	4,2
1999	276.429	18,2	54.041	19,5	65,1	222.388	80,5	10,6

Source: CNTA, various years

In 1999, China's tourism education was incorporated into the national education reform, seeking the development of students in a broader disciplinary context and facilitating a closer link between educational objectives and the manpower demand of the industry. The National Education Ministry modified its catalogue of disciplines, adjusting and reducing the number of original secondary disciplines from 543 to 249 (Hong, 1999). In this adjustment, tourism management became the standardised name of the secondary discipline for program development and existing curricula redesign. As a consequence, considerable readjustments or re-orientation of existing tourism education institutions had to be made according to the new standardised program. This reform, demand-oriented and focusing more on tourism education and training needs, intended to provide a guideline in standardising the future practice of tourism education in China.

In the past two decades, especially in the 1990s, tourism education in China has been developing rapidly but steadily, not only in scope but also in educational levels and geographic distribution. In geographic distribution, tourism education in China is generally consistent with the development of the industry and the labour market demand of the region (Xiao, H G, 1999). Thus there is a different status and variety of demands for skilled workers among different regions and tourism education is well developed in places where international travel is strongest, like in Beijing, Shanghai, Guangdong and Guangxi (Heung et al., 1999). Currently, the emphasis is not on expanding the number of schools, but on optimising existing resources and improving educational quality (Xiao and Liu, 1995).

2.7.2. Issues and Dilemmas of the Tourism Education System in its Early Stage of Development

Although much effort by various sectors was put into setting up some educational institutions of tourism, some problems persisted and still exist to some extent. All these problems are the result of an inadequate awareness of the importance of tourism education.

a) Inadequate numbers of schools and graduates

The number of tourism institutes was still small compared with the advanced tourism countries, as well as with other industries in China. Moreover, all of those institutes, set up only after 1978, were relatively small in size with poor facilities and provided a lengthy program of training (Zhang G R, 1987). With such low training capacity, they could not cope with the increasing size of the industry.

> "For example, during the period between 1981 and 1986 there were some 500 hotels receiving tourists in PR China, but the hotel-management graduates from the tourism educational institutions amounted to no more than 670 – about 1.5 per hotel. To the recent hotel boom in PR China this represents an insignificant improvement." (Zhang G R, 1987:263)

Tourism educational institutions were set up under conditions prevailing at the time without a well thought out plan or study of the personnel needs of the trade. On the whole, technical secondary schools of tourism were too few compared with higher-learning institutes, and the quantity of people needed in the trade did not have adequate capacity to meet current needs. Also, the institutes of high-learning put more emphasis on foreign language studies and general economic management, neglecting the detailed training of management personnel in specific skills (Zhang G R, 1987).

b) Poor quality

The quality of teachers in China's tourism and hospitality schools is considered a major factor in determining the success of tourism and hospitality education in the country. The low standard of education that existed in that period, produced graduates from the tourism educational institutions who could not do what they were expected to do. According to Zhang Gangrui (1987), the main factors for this problem were the shortage of capable teachers and of appropriate training materials, and the lack of opportunities for gaining practical experience.

c) Insufficient investment

When China started to develop the tourism industry, a considerable amount of investment was made in infrastructure, while education and training was neglected, thus, the latter lag behind in the development process. After recognising the importance of tourism education, Chinese authorities channelled more funds to that purpose, but much of the investment was used for capital construction of schools, and little was used for improving the quality of teaching materials. Moreover, the facilities and equipment of tourism institutes and training centers were not adequate or advanced. Teachers had no comparative benefits in terms of payment and welfare like in other professions (Huang, 1995).

d) Resources deficit

Chinese universities were ill equipped to address either training needs of entry-level employees or the training of professionals or technicians such as cooks and engineers. The universities had neither the staff nor the facilities to train the large numbers of entry-level operations personnel required by the rapidly expanding hospitality industry. Libraries lacked the basic texts and journals of the field. Computers were in short supply, and specialised training facilities such as teaching kitchens were rare (Cullen, 1988).

2.7.3. General Situation of Human Resources and Tourism Education in China

The hotel sector in China was one of the economic sections that opened earliest to foreign investment. As a result, hotel managers had the chance to become familiarised with the "advanced managerial concepts" before their peers in other sections in the tourism industry. Nonetheless, in a study conducted by Gu and Fan (1999), problems were identified concerning the human resource management in foreign-managed hotels. The low quality of the staff, the high turnover ratio, an unsatisfactory work ethic, the quality of training, the redundancy of employee and cultural barriers were among the problems identified.

Joint-venture hotel operators have had difficulty in finding adequately trained workers for their new properties. During the Chinese Cultural Revolution, the Chinese were taught that it was demeaning or inferior to serve others, as a result poor quality of service was a common problem. Primary reasons for this situation were the lack of understanding and

appreciation of international service standards and visitors' expectations, and the fact that individuals were assigned by the government to work in specific occupations, even if they preferred others. The difficulty in maintaining the morale of service personnel constitutes another problem, as foreign tourists are given special treatment and demand services which residents themselves do not receive, a practice that was somewhat contradictory to the political philosophy of the country (Wei et al., 1989).

Since 1982, New World International Hotels had operated a hospitality-management training center, which graduated more than 300 students annually. Programs were repetitive and taught such things as the fundamentals of hotel service, etiquette and the differences in lifestyles and cultures of other nations (CHRAQ, 1988).

Most tour guides were raw language graduates or former school teachers, while hotel managers have often been drawn from other sectors or were retirees from the military (Hunt, 1984). The quality of service rendered by tour guides had a determining impact on the foreign tourists' perception of the industry's overall service quality. Moreover, the problem of the lack of quality was particular serious because the majority of foreign tourists joined a tour group which relied on tour guides, as a result of China's policy. Frequent complaints pointed to the unwillingness of tour guides to offer help, their unresponsiveness to reasonable requests and the failure to meet basic job requirements, as major failures in tour guides' service. As Goldsmith (1981) states, "touring in China may remind the traveller of being led by the hand of a willing child. The youth is quite earnest and eager to please, but uncertain just how to make his guest happy".

Another study conducted in early 1990s (Xiao, Q H, 1993) identified some weaknesses concerning the high-level managerial personnel within the tourism sector in China. They concluded that managers had relatively low professional and educational levels. Their level of ability in foreign languages was also low. The long term effects of the Cultural Revolution have extended to the educational sector in China. The candidates to universities and institutes in early 1970s "were hand picked by local party committees totally based on

political attitudes and proletarian family background", rather than educational ability[23] (Cai and Woods, 1993:36).

Those characteristics found among this group, partially caused by problems throughout the educational system, constitute a major problem in the tourism sector, as the lack of qualified senior managerial personnel has led to the lowering of enterprises' management and service quality, resulting in the need to rely on the inflow of overseas managerial groups and personnel, especially from Hong Kong, Singapore and Malaysia. Although these managerial groups play an important role in improving the management and service quality of Chinese hotels, it results in large expenditures in hard currency. In addition, conflicts between Chinese and foreign managers may arise when the Chinese find that they are doing the same work as their foreign peers, but receiving much less salary (Gu and Fan, 1999).

Other problem related to this group arises from the intense competition within the tourism industry. This competition intensifies the fight for the acquisition of outstanding senior managers, which causes the high-rate of turn-over and increase in the social status of these managers (Xiao, Q H, 1993).

To solve the problem of the shortage of qualified managers, some measures had been taken, including the formulation and implementation of a managerial personnel licensing system; to continue the on-the-job training system; enlarging the enrolment of the students in the tourism institutes and improving education quality; and encouraging senior managers to study abroad or work in overseas managerial groups in order to be trained in international standards.

According to the same study mentioned above (Xiao, Q H, 1993), the problem of teachers in tourism colleges is even more serious and more difficult to solve than the problem of high-level managerial personnel. The number of professional teachers is insufficient to catch up with the rapid development of tourist institutions and training centres, and most of the teachers lack professional experience in practice (Huang, 1995). To make the problem

[23] The National Entrance Examination for admission to college was resumed in 1977 after 12 years' absence.

worse, a number of tourism teaching staff were hired by enterprises, which generally welcome teachers with hotel management knowledge. The main factor causing this loss of teaching staff is basically the low income.

A further difficulty tied to China's lack of tourism expertise is that only a few Chinese students have attended foreign tourism and hospitality schools for further education and training[24]. Those with such training were in a very high demand as hotel managers and tourism planners and only a few ended up teaching. Also, a substantial number of those students sent abroad to study did not return to China. Nonetheless, this overseas education and training enhanced the academic level of the Chinese tourism and hospitality faculty. Sometimes, tourism schools also invite foreign experts to conduct short teaching and training courses for the Chinese faculty in China.

The majority of the Chinese faculty is trained domestically. Domestic training mainly includes school coursework, short-term training programs, and internship in the tourism and hospitality industry. Currently, all of the major secondary and post-secondary tourism schools in China have programs to train teachers[25], with the purpose of training qualified tourism and hospitality educators. (Xiao and Liu, 1995). The Department of Personnel, Labour and Education (DPLE) of the CNTA also organise short-term teacher training programs on a regular basis. It is common to see professionals in the industry taking adjunct teaching positions in tourism and hospitality institutions in order to integrate better teaching with practice.

[24] Among the more prominent schools they attend are the Salzberg Tourism Institute (Austria); the University of Surrey and the University of Strathclyde (Britain); the Bavaria Hotelfachschule Altötting and the Fachhochschule Rheinland-Pfalz (Germany); the Turin Training Center and the Tourism Science International School (Italy); the Linai University (Japan), L'École Hôtelière de Lausanne (Switzerland); Cornell University, the New School of New York, the Northern Arizona University, and the University of Hawaii (United States).

[25] The most important are the graduate program in the Tourism Department at Nankai University and the tourism and hospitality education major in the Shanghai Tourism Institute.

Continuing education programs in order to enhance the professionalism of the work force within China's tourism industry are also taking place, as the majority of workers employed in the sector were transferred from other industries without adequate education and training. However,

> "At present, continuing education for tourism and hospitality employees in China continues to be given low priority because the nation-wide demand for university education is so high that faculty at all levels have little time to teach students who are not enrolled full-time in their schools." (Xiao and Liu, 1995:115)

Nonetheless, national and local governments have begun to develop continuing education training centers, with the purpose of training management personnel from hotels, travel agencies and tourism administrative bureaux, as well as teachers from tourism schools in newer techniques and technologies.

Most of the continuing education programs are centered on the Job Qualification Program (JQP), which serves as the main means of improving the in-service skill of managers and employees. These series of training programs are designed by the DPLE and provide two-month courses that aim to establish basic skill and knowledge standards for workers in different aspects of tourism and hospitality, especially targeting those workers with limited formal education.

Under a policy introduced by the CNTA, in 1996, a job qualification certificate began to be required for certain positions in the industry. At a higher level of tourism administration, a National Seminar for Directors of Tourism Bureaux at provincial and municipal levels is conducted directly by DLPE staff, in order to improve the macro-management of the industry.

Summary

Between 1949 and 1978, the PRC was closed to all but a few selected foreign visitors. When the leadership decided to promote tourism as a means of earning foreign exchange, China quickly developed its own tourism industry. Since then, tourism has become a new

key sector for economic development and has been contributing positively to the national economy in China. Initially the emphasis was on the expansion of inbound tourism as a vehicle for economic growth. But subsequently attention was also given to the expansion of domestic tourism as China's attitude towards the potential contribution of its domestic service industries to development changed from being negative to being positive. In fact, many other changes in tourism policy occurred over the last decades (table 2.10), one of the most important being the decentralisation policy in the mid 1980s. The tourism administration organisations were also strengthened and a complete tourism administration has been set up throughout the whole country.

Table 2.10 - The changing model of tourism development in China

	1950s to mid-1970s	*Since the early 1980s*
Motivation and Goals	• political considerations • government reception • without cost-benefit analysis	• an economic sector • foreign exchange acquisition • profit-making drive • job creation
Mechanism	• centralised planning • state monopoly • state as the sole investor	• market mechanism • diversification of ownership • local participation
International Tourism	• guests and visitors from other socialists countries	• foreigners from all over the world • compatriots and overseas Chinese
Domestic Tourism	• politically-motivated population movement • limited business travel • controlled travel demand	• emerging mass domestic tourism • diversified travel motives

Source: Xu, 1999

In order to meet the increasing demand in the early years of tourism development, major hotel construction programs were promoted, thus greatly increasing the number of hotels and guesthouses, and even creating overcapacity in the most important tourist areas, especially in luxury hotels. More cities were eventually opened to tourists and by the mid 1980s, over 250 cities and counties were opened to foreign visitors, 100 of which did not require travel permits. Several historic sites and scenic spots were renovated, and professional guides and other service personnel were trained. Although many tourism education and training programs have been created, many problems still remain in the

hospitality sector, mainly concerning the quality of service. The expansion of domestic and international airline traffic and other tourist transportation facilities made travel more convenient.

Chapter III

Relationship between Tourism and Economic Development in China

1. General Framework of the Economic Impacts of Tourism

Tourism has been playing an increasing role in the world's economy, and can contribute positively to a country's economic development. However, the role that it plays differs according to the level of development of the country or particular area. Accordingly to Keller (1999a) this role tends to be more important in the emerging countries that enjoy the highest growth rates and that have the necessary locational advantages. Mathieson and Wall (1982:40), suggest that "the directions of monetary flows, the distribution of benefits, employment characteristics and income effects will vary greatly with the sources of tourists and investments, and with the nature and level of economic development of the destination". From their point of view, developing countries suffer from several problems, although it seems that tourism development in those countries have more significant effects than in developed countries.

Bull (1995) believes that the tourism industry's role and contribution to the national economy varies according to other factors, some of them being demand-side factors. The ability to expand the tourism sector within an economy, however, is related to supply-side factors. The first factor that he points out is related to the stock of resources, meaning that, every economic activity depends on the existence and availability of factors of production like land, labour, capital and enterprise. This is especially true of the tourism industry and these attributes can dictate whether or not an economy is likely to be able to support a tourism industry.

A second factor is related to the degree of technical knowledge that a country possesses. Many less-developed countries have regarded tourism as an easy industry to develop, because it demands relatively low technology compared with many other industries, and skills that can be easily mastered. However, in Bull's view, as tourism worldwide has grown and become more sophisticated, high-value contributions to GDP have tended to become associated with higher technologies and quality of service provided to the tourist.

Social and political stability are also of a great importance to the tourism industry. Non-economic factors have been vital in determining the capability and growth of sectors in an

economy, thus affecting directly this industry that is especially dependent upon the social and political stability.

Fourthly, the attitudes of a host population towards tourists are very important, especially those working within the sector, who have direct contact with tourists. Tourism consuming habits are also important. Finally, since the tourism industry is heavily influenced by fashion trends, Bull argues that it is necessary to invest in new and expanded facilities in order to maintain its competitive edge.

> "An economy's ability and willingness to provide finance for such investment influences tourism's role in that economy. This in turn depends on savings patterns, the nature of financial markets, and rates of return available in tourism compared with other industries, coloured by general perceptions of the sector and government for it." (Bull, 1995:127)

1.1. Positive Economic Impacts

Worldwide tourism has contributed to the dispersion of development and resulted in channelling expenditure from richer to poorer countries and regions. This kind of fund transfer helps to mitigate regional disequilibrium and promote the economic development of undeveloped regions. The same effect of tourism on regional development can also be observed at the national level. In developing countries, however, the potential of tourism in balancing regional development has not been realised and in may cases tourism even leads to the widening of regional disparity (Liu, 1998).

Direct economic benefits resulting from tourism development in a given area include provision of employment, income, and foreign exchange earnings, if the area is dealing with international tourism, and makes a positive contribution to the balance of payments. These benefits will improve a local community's living standards and the overall national and regional economic development.

In the 1980s, both central and local governments perceived tourism as a growth industry, particularly in terms of employment. Some local authorities saw tourism as their principal,

or even only, prospect for job growth (Hudson & Townsend, 1992). As a labour intensive industry, tourism creates considerable employment opportunities.

Another direct economic benefit is related to the development of infrastructure facilities and services, through the use of increased government revenues coming from various types of taxation on tourism (Inskeep, 1991). This benefits the entire community and contributes to the overall economic development.

An important indirect economic benefit of tourism is that it serves as a catalyst for the development or expansion of other economic sectors through its multiplier effect.

> "Tourism creates income and employment directly in the sectors in which expenditure or tourism-related investment takes place and also induces further increases throughout the economy as the recipients of rises in income spend a proportion of them." (Sinclair and Stabler, 1997:139)

It also leads to improvements in transportation and other facilities and services for tourism, and enhances the teaching of technical and managerial skills. These direct and indirect benefits are usually the primary reasons for developing tourism in an area.

1.2. Negative Economic Impacts

In addition to economic benefits of tourism, there are certain economic costs associated with tourism development, as well as a variety of unquantified physical and social costs. It is not part of the scope of this work to explore these non-economic issues, nonetheless it is worth mentioning that, in the past few years, increasing attention has been given to these issues. Until recently the attention of researchers was mainly concentrated on economic questions, to the neglect of physical and social impacts of tourist developments. Even so, economic costs of tourism also did not receive much attention. Studies of tourism focused on the economic impact emphasised the benefits, reflecting the widespread belief that tourism can yield rapid and considerable returns on investments and be a positive force in solving economic problems.

Recent studies have been pointing out the loss of potential economic benefits to the local area that can occur when many tourist facilities are owned and managed by outsiders. Mathieson and Wall (1982) emphasise the nature and origin of investment as a condition determining the success of tourism as a promoter of economic development, especially in developing countries. Although foreign investment removes the demand for capital from the host country (both private and government investments), it can damage the contributions to local profits, as most of the benefits will accrue to shareholders in the developed world. It leads to leakage of income abroad through the payment of royalties, profits and dividends. In terms of the foreign owned facilities, hotels have been the most obvious recipients of direct foreign investment (Williams and Shaw, 1988a).

Another issue is whether money spent by tourists remains in the area in which it is spent. Analysis of the effects of tourism in developing countries reveal that, on average, less than 25 percent of the retail price of a holiday remains in the host country. This reflects the domination of the industry by vertically integrated multinationals (Hudson & Townsend, 1992). Leakages in the economy may occur in the region or country when imported goods and services are utilised in tourism, leading to a reduction in potential foreign exchange earnings. Inflation of local prices of land and certain goods and services may also take place, placing a financial hardship on residents due to demands of tourism.

Economic distortions also can take place geographically if tourism is concentrated in only one or a few areas of a country or region, without corresponding development in the other places. Employment distortions can also be created if tourism attracts too many employees from other economic sectors because of its higher wages and perhaps more desirable working conditions (Inskeep, 1991). Nonetheless, tourism employment can often be characterised as being part-time, female, low paid, non-union and seasonal work, thus contributing to fluctuations in the levels of local and regional employment (Mathieson and Wall, 1982). Also, the managerial and professional level jobs are often filled with people coming from outside the region. These characteristics have led several perceptive local authorities to see it as complementary to more central industries in their economy rather than a substitute for them (Hudson & Townsend, 1992).

Overdependence on tourism is also regarded as a risk, since any destination in this position is vulnerable to changes in tourist demand. To avoid economic disruptions caused by fluctuations in demand, destinations should promote diversity both within the tourist industry and in the structure of the economy (Mathieson and Wall, 1982). It is not healthy to be dependent upon just a few market segments or one type of tourism. For example, political unrest at one destination can rapidly reduce demand for that location and, at the same time, divert it to others.

Generally speaking, high leakages from the economies of developing countries, high inflation and land speculation in destinations, low returns on investment because of seasonal fluctuation in demand, and overdependence have been lodged as major criticisms of the tourism industry. Other external costs can also be created, which are often imposed on residents of destination areas. These include increased costs of garbage collection and disposal, and increased maintenance costs for tourist attractions damaged by crowding and vandalism (Mathieson and Wall, 1982).

2. The Growth and Structure of Tourist Demand in China

2.1. Inbound Tourism

2.1.1. International Tourism before 1978 in China

International travel to China, with Marco Polo being one of the famous forerunners, developed quickly from the middle 19th Century. China was forced to contact the outside world after a series of treaties allowing foreigners to live, do business and engage in religious activities in China. In the 1920s, several large Western tour operators, notably Thomas Cook, opened offices in China. These travel agencies, concentrated mostly in Shanghai, dealt with both inbound and outbound tourism. However, wars in the 1930s and the 1940s (war with Japan, civil war, and the Second World War) stopped travel for pleasure both in and to China. China had neither the inclination nor the capacity to engage in the development of tourism, either in the development of facilities or of attractions.

At a time when much of the world was embarking on the rapid expansion of infrastructure and facilities, China isolated itself again (Sofield and Li, 1997). From the announcement of the People's Republic of China in October 1949 to the implementation of the open door policy in 1978, little international tourism to China existed. The imposition of rigid controls over internal movement and the closed-border policy prevented the development of a mature tourism sector. Travel to China was discouraged by the Chinese government by imposing strict visa controls, and was forbidden by certain Western governments. It was mainly China that selected the guests rather than the guests who choose China as a tourist destination during this period.

A strong xenophobic feeling, which ran consistently through China's history from ancient kingdoms to the communist party rule of Mao Zedong, led to China being closed from the rest of the world for centuries. The policy toward international tourism was, on the whole, consistent with this sentiment. Until the mid-1970s, this policy was well grounded in geopolitics, "the Cold War and the Korean War pitted China and its few impecunious allies against most of the tourist-generating nations in the world" (Sicroff, 1999). Because of the prevalent hostility between the capitalist and communist worlds, people from the West could visit China only with a special permit, mainly for the purpose of diplomacy (Uysal et al. 1986). Entry for overseas visitors was strictly controlled and tourism activity was held tightly in the hands of the state machinery (Sofield and Li, 1997).

Travel to China was limited primarily to political, trade and professional purposes. The only category of visitors who did meet these limited objectives were overseas Chinese and compatriots from Hong Kong and Macao, who were given relative free entry to visit relatives in China. In the 1950s and 1960s, a minimal number of tourists from Western countries were allowed to visit China, namely from the Soviet Union, Eastern Europe, as well as visitors from North Korea and North Vietnam. But soon, all travel activities were set back by political instability during the Great Leap Forward in the late 1950s and stopped almost entirely during the Cultural Revolution period.

During this period, tour guides accompanied foreign tourists at all times and were able to report, effectively and often, the great achievements that the society and the economy had

made under socialism. Access was restricted to "showcase" attractions – factories, communes, revolutionary peasant and worker communities – and contact between tourists and locals was strictly regulated. Discouraging informal contacts or mixing with Chinese was a guiding principle in the government-run tourist industry throughout China. Officials feared both the contaminating influences of foreign ideas and lifestyles on the Chinese population, as well as the unfavourable impression of conditions of life in China that foreigners were likely to form through unsupervised conversations with ordinary people (Schwartz, 1991).

The isolation of the PRC from global relations began to be eroded following the peak of the Cultural Revolution in 1969. The 1971 admission of China into the United Nations accelerated its diplomatic recognition by most major countries of the world, even US-China relations began to thawn (Richter, 1989). The United States finally decided to grant China formal recognition in 1978. This gave a significant boost in relations between these two countries, marking the first true beginnings of the era of modern tourism to China (Lew, 2000).

However, international tourism still remained tightly controlled by China's central government. The Cultural Revolution had fostered anti-foreign sentiments and caution in dealing with foreign visitors continued to be the norm. Tourism, as a bourgeois endeavour, continued to be seen as suspect. In this period, the tourism in China was very similar to that in the previous period, except that the new visitors came in greater numbers and more from non-communist countries than in the past.

2.1.2. International Inbound Tourism after 1978 in China

2.1.2.1. Overall Growth of Tourist Demand

Before starting to analyse the data, some qualifications need to be made. International inbound tourism will be the object of a more detailed study, as it constitutes an important source of overseas income for China, the average daily expenditure of inbound tourists is much higher than of Chinese tourists, and statistics at the regional levels are usually only

available for inbound tourism. Data about domestic tourism is only available for recent years, and detailed information is difficult to obtain.

Tourism receipts refers to the income in foreign currencies earned from providing services and commodities to inbound visitors in China, and tourist arrivals or number of tourists represents the total number of arrivals of tourists from abroad. This includes three distinct categories by which China divides its international visitors, according to ethnic, national and residential criteria:

- Compatriots: visitors from Taiwan, Macao and Hong Kong. Even after the reintegration, due to China's "One Country Two Systems" policy for the two Special Administrative Regions, China still categorises visitors coming from Macao and Hong Kong as part of international arrivals in China's statistics. This should not to change for at least 50 years, thus helping to maintain consistency of statistics over years. However, WTO statistics for international tourist arrivals to China include visitors from Taiwan but exclude those from Hong Kong and Macao, therefore, there are some differences between WTO statistics and those of CNTA. CNTA statistics and definitions are used here unless otherwise stated.
- Overseas Chinese: holders of a Chinese passport who reside outside China in countries or regions other than Taiwan, Macao and Hong Kong.
- Foreign tourists: visitors holding passports from countries other than Taiwan, Macao and Hong Kong. This group includes the numerous ethnic Chinese who are citizens of other countries. Foreign tourists are handled by the CITS. However, official or semi-official foreign delegates, long-term residents or short-term guests are handled by the Ministry of Foreign Affairs.

Tourist statistics before 1978 are almost non-existent, and no arrivals and receipts figures are available. However, it is known that the high cost of travel to China during the 1970s, jointly with the central government's tight control over international visitors, was a major factor in keeping numbers low.

Table 3.1 – Inbound tourism growth in China, 1978-1999

Year	Total Overseas Arrivals		Foreign Visitors		Overseas Chinese		Compatriots	
	Number (thousands)	Growth (%)	Number (thousands)	Share (%)	Number (thousands)	Share (%)	Number (thousands)	Share (%)
1978	1.809,2	-	229,6	12,7	18,1	1,0	1.561,5	86,3
1979	4.203,9	132,4	362,4	8,6	20,9	0,5	3.820,6	90,9
1980	5.702,5	35,6	529,1	9,3	34,4	0,6	5.139,0	90,1
1981	7.767,1	36,2	675,2	8,7	38,9	0,5	7.053,1	90,8
1982	7.924,3	2,0	764,5	9,6	42,7	0,5	7.117,0	89,8
1983	9.477,0	19,6	872,5	9,2	40,4	0,4	8.564,1	90,4
1984	12.852,2	35,6	1.134,3	8,8	47,5	0,4	11.670,4	90,8
1985	17.833,1	38,8	1.370,5	7,7	84,8	0,5	16.377,8	91,8
1986	22.819,5	28,0	1.482,3	6,5	68,1	0,3	21.269,0	93,2
1987	26.902,3	17,9	1.727,8	6,4	87,0	0,3	25.087,4	93,3
1988	31.694,8	17,8	1.842,2	5,8	79,3	0,3	29.773,3	93,9
1989	24.501,4	-22,7	1.461,0	6,0	68,6	0,3	22.971,9	93,8
1990	27.461,8	12,1	1.747,3	6,4	91,1	0,3	25.623,4	93,3
1991	33.349,8	21,4	2.710,1	8,1	133,4	0,4	30.506,2	91,5
1992	38.114,9	14,3	4.006,4	10,5	165,1	0,4	33.943,4	89,1
1993	41.526,9	9,0	4.655,9	11,2	166,2	0,4	36.704,9	88,4
1994	43.684,5	5,2	5.182,1	11,9	115,2	0,3	38.387,2	87,9
1995	46.386,5	6,2	5.886,7	12,7	115,8	0,2	40.384,0	87,1
1996	51.127,5	10,2	6.744,3	13,2	154,6	0,3	44.228,6	86,5
1997	57.587,9	12,6	7.428,0	12,9	99,0	0,2	50.060,9	86,9
1998	63.478,4	10,2	7.107,7	11,2	120,7	0,2	56.250,0	88,6
1999	72.795,6	14,7	8.432,3	11,6	108,1	0,1	64.255,2	88,3

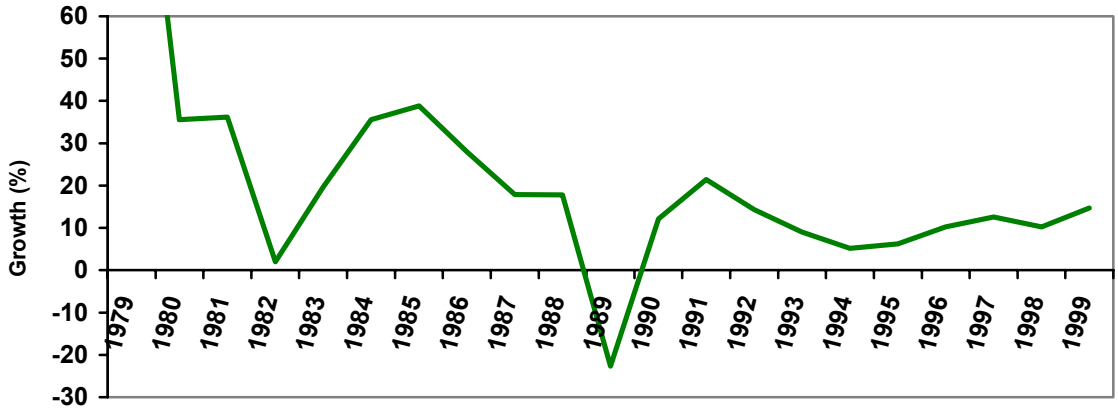
Source: NTA, various years

Since 1978 there has been a dramatic increase in arrivals. This rapid growth of China's international tourism can be directly related to the inherent quality of its tourist resources and the sudden release of accumulated suppressed demand for its products with the introduction of "open-door" policy. China is a vast country with a huge population and rich in tourism resources. A long and recorded history, an ancient civilisation, scenes of natural

beauty and a multiethnic culture provide great potential for developing tourism. This unique combination of natural and cultural resources has become a major asset for China in its effort to develop tourism. However, some studies suggest that the high growth recorded in the early stage of tourism development in China was partly due to the fact that the initial figure was so small, and partly the outcome of China being closed to the outside world for so long, i.e., with an accumulated demand for visits to China (Zhang, G R, 1989).

Total tourist arrivals increased from 1,8 million in 1978 to 72,8 million in 1999 (table 3.1), representing a 40 fold increase, with an average annual growth rate of 19,2 percent. Although, the growth trend of China's international tourism industry has been quite consistent over the last 10 years, growth rates were not stable during the initial development period, with fluctuations occurring, and even experiencing a major decline in 1989 (the students' demonstration in Tiananmen Square was the cause of a decline of 22,7 percent). Over the period as a whole, the average annual growth rate of tourist arrivals had a downward trend. Problems with accommodation, service and transport are indicated as the possible reasons for this slowdown in the growth of arrivals of overseas visitors. However, other authors contend that Deng Xiaoping's theories about China's socialist economy might have been considered too controversial, or may have been only temporary policies designed to get Deng Xiaoping into power and were not necessarily created to be an ongoing program (Richter, 1983).

Chart 3.1 - Annual percentage variation of international tourist arrivals, 1978-1999



Source: CNTA, 1999

The worldwide recession of the early 1980s apparently had an impact on China's tourism industry, as tour cancellations increased from 30 percent in previous years to 50 percent in 1982 (Lew, 1987). In that year overseas visitor arrivals grew only 2 percent (chart 3.1). To offset the slowdown in tourism, China instituted a number of new policies. Foreign tour operators were allowed to open offices in China, and the "open city" program was introduced, giving more freedom of movement to foreign travellers. This program achieved great popularity, and the number of cities and regions opened to tourists have grown ever since. Every province and region of the country now has areas to which foreign travellers can go without need of a travel permit, even including Lhasa in Tibet and Urumqi in Xinjiang.

The 1989 incident in Tiananmen Square showed that the way in which China approaches and solves its domestic economic and political problems will no doubt be reflected in the extent to which foreign tourism is encouraged or constrained. As a consequence of the political instability of 1989, arrivals from all market segments dropped considerably, with the exception of Taiwanese arrivals. However, even before the events of 1989, there was a slowdown of the growth rate in international visitor numbers (Choy et al., 1986). Declining interest in China as a destination, as a consequence of overseas perception of poor management, service problems and congested transport infrastructures, could also have contributed to the low growth rates. China, since its entrance in the international tourist market, has been subjected to competition. By then, tourists had a considerable set of alternative destinations, especially its nearby competitors (Hong Kong, Thailand, Singapore and Philippines), where the price of tourist services tended to be lower, as well as providing a better quality, service and presentation of tourist accommodations.

The figures of total annual visitor arrivals indicate that tourism in China began to pick up shortly after 1989. Regarding the structure of overseas arrivals, the majority of China's tourists have always been ethnic Chinese from Hong Kong, Macao and Taiwan, most of them travelling into China via Hong Kong. This group, jointly with the overseas Chinese, played a big role in China's recovery from the tourism decline following the Tiananmen Square incident in 1989. There was an explosive growth rate from compatriots of nearly 50 percent from 1990 to 1992; from 1993 onwards it slowed considerably.

In the mid 1990s, China again experienced a slowdown in growth rates, motivated by a slowdown in the overseas Chinese and the compatriots segment, partly due to the 1994 incident in Zhejiang Province with the death of Taiwanese visitors. Again in the 1990s, China's tourism stood severe tests – the impact of the Asian financial crisis in 1997 (which was felt mainly in the overseas Chinese market segment) and the devastating floods occurring in the tourist season along the Yangtze River (Beijing Review, 1999a). Nonetheless, China was ranked as the 6th most visited international destination in 1997 by the WTO. However, this ranking was based on a total count of 24 million international visitors to China, excluding family visits from Hong Kong and Macao. If China's official number of 57 million visitors had been used, i.e., including the compatriots, China would have ranked second, behind France and ahead of the USA (Lew, 2000).

In May 1999, demonstrations, mostly aimed at the United States, were held in the major Chinese cities due to the North Atlantic Treaty Organisation's bombing of the Chinese Embassy in Belgrade. As they turned violent, the governments of the USA and the UK issued travel advisories, spurring thousands of cancellations from potential visitors. But this explosion of xenophobia that hit China during this period had limited impact on tourism. After a sharp drop in bookings, airlines and hotels reported a return to normalcy. The lifting of travel advisories from foreign governments also helped the industry bounce back (The Asian Wall Street Journal, 26/5/1999). However these events did not have a long-lasting negative impacts in the Chinese tourism industry, and to prove it, in that year, China ranked 5th in the world.

2.1.2.2. Observations on Tourism Growth to China

2.1.2.2.1. Implications of the Tiananamen Square Incident

Since the traveller must be physically in the destination country to consume the tourist product that it has to offer, any event that persuades the potential traveller to either stay at home or travel elsewhere, directly impacts that destination's exports earnings (Roehl, 1990). There is no doubt the Tiananmen Square conflict severely damaged the international tourism industry of the PRC, at least in the short term, mostly because of the economic sanctions imposed by the world community. "Tour cancellations and a drop in

foreign business activity sent hotel occupancy rates in the PRC to the lowest point since the country opened its doors to tourists in 1978" (Gartner and Shen, 1992:47). Political events of this nature clearly influence tourist demand.

The low occupancy rates reflected many hotels' reliance on business travellers. Business visits were affected by both perceptions of stability which affected business confidence and also by the formal and informal sanctions that were imposed on corporations conducting business in China (Hall, 1994a).

The political unrest of 1989 has led to considerable difficulties for planning and investment within the Chinese tourism industry and posed substantial problems for improving the image of China as a tourist destination. "The conflict in Tiananmen Square was carried by major news networks throughout the world and, owing to the nature of the conflict, did not portray the PRC in a light favourable to improve its tourist image" (Gartner and Shen, 1992:49). "Many people in western nations demonstrated moral support for the democracy-loving Chinese students by not travelling to China" (Yu, 1992:10).

In a study targeting the mature travel market in the United States, before and after the conflict (Gartner and Shen, 1992), how much the image of China' tourism had been damaged was analysed. It was concluded that its overall image was still favourable and positive. The hospitality component appeared to be directly affected by the conflict, much more than the image of the attractions of its tourist sites.

> "Safety and security, pleasant attitudes of service personnel, receptiveness of local people to tourists, and cleanliness of environment were all down significantly, indicating that respondents felt the PRC was less likely, after Tiananmen Square, to provide the hospitality needed for a enjoyable visit." (Gartner and Shen, 1992:51)

Not all countries of origin responded to the Tiananmen Square incident similarly. While almost all tourist-generating markets for China registered big drops in 1989, Taiwan and

the Soviet Union became the top generating markets for China's international tourism industry, at the time when tourists from Western democratic countries declined.

> "The decline of tourists from the Western democratic countries immediately after the Tiananmen Incident is logical and understandable. The perception of China as an international destination held both by the tourists and the travel industry in the West was dramatically altered by the anti-democratic actions of the Chinese government in 1989. As moral support for the democratic demonstrators in China, tourists cancelled their already scheduled trips or put off their travel plans to a later date. This explains the decline of tourists from Japan and the United States." (Yu, 1992:11)

The drastic decline in the number of tourists was evident at Beijing's joint-venture hotels, where all hotels reduced both their Chinese and expatriate staffs, and most remaining employees were working at some 65 percent of their normal wage package (The China Business Review, 1989). It was also estimated that 620 thousand tourism workers underwent compulsory political indoctrination aiming "to cleanse their socialist minds, deepen their love of the Communist Party and, alarmingly, to cultivate their suspicions of foreigners" (Hall, 1994a:123).

The crackdown on the students' demonstration in Beijing definitely created a new environment for Chinese tourism, which affected both the Chinese and worldwide travel industries. There was an immediate drop in the number of incoming visitors, a total decrease of 23 percent, and a 17 percent decrease in terms of international tourism receipts. Visitation from Japan and the USA, China's two largest markets and sources of high-expenditure visitors, showed even larger declines. But the impacts were also felt elsewhere in the world. For instance, in North America, tour operators cancelled or modified programs with destinations in the PRC, leading to economic hardship in many travel companies (Roehl, 1990). Equity markets around the world were adversely affected by events in China, particularly Asian markets. The incident also affected foreign investment in China, particularly in the hotel industry, which had serious consequences for both investors and lending institutions (Roehl, 1995).

The events in China also led to increasing business for competitive destinations, which knew how to explore favourably these events. Many firms replaced itineraries scheduled for stops in the PRC with other Asian destinations. Reflecting the competitive nature of destinations worldwide, itineraries featuring Europe and Latin America were quickly offered as substitutes for travel to China (Roehl, 1990).

Although political events affect greatly the tourism industry, it seemed that the situation in China in 1989 had only a short-term impact. It was about a crisis between the government and its internal critics; violence has not been directed toward international visitors. "So, while a potential visitor to the PRC can make a reasoned evaluation of the risks, rational decision making is not possible in the face of international terrorism that can strike at any time, any place and at any target" (Roehl, 1990:21).

China's tourism industry responded to this event rather well as it only experienced a 17 percent decline in receipts in 1989 and was fully recovered two years latter. This quick recover can be attributed especially to the "continued government's commitment to reform and open-door policies; the rapid growth of the Chinese economy; and the industry's successful responding strategies in terms of product development, market positioning and overseas promotion" (Jenkins and Liu, 1997:105).

After the Tiananmen Incident, the government attempted to rebuild its international tourism industry by improving the country's tourist image. A press release from the CNTA in June 1989 stated:

> "The CNTA solemnly proclaims that the safety of overseas tourists who come to China has never been affected and can be guaranteed. Tourists may carry on their visits and tours as planned. They are welcome to visit China and do not need to change their scheduled travel plans." (in Wei et al., 1989:322)

In an attempt to define market segments more clearly and focus on promotional efforts, the CNTA identified "four highs" (concerning income, level of education, age and level of occupation) of the US market. This led to the identification of two major market segments

in the USA: the business professional and the mature traveller (over 55 years old). These groups were to receive the bulk of targeted promotions with the focus on improving the PRC's tourist image. In doing this, the official policy was to enhance image before profits (Gartner and Shen, 1992). The Chinese Administration also developed various marketing strategies to promote China as a major international destination in other markets. One of those strategies was to focus on Taiwan and Southeast Asian countries for potential tourists (Yu, 1992; Zhu, 1997).

2.1.2.2.2. Impact of the Asian Financial Crisis in China's Tourism Industry

> "At the beginning of the 1990s, the Asia Pacific Region was looking to an unprecedent period of tourism activity and growth. Visitor arrivals were rising at a more significant rate than any other region in the world. Most of the growth in visitor numbers was originating in neighbourhood countries and an increasing proportion of the populations benefited from the wealth which had been created from the new emerging "tiger economies". Predictions from the WTO indicated still faster growth in the years ahead and by the year 2020, East Asia Pacific would be second only to Europe in the number of international arrivals." (Cave, 1999:50)

In spite of this period of growth, some warning signals began to appear in the early 1990s, and soon it became evident that an economic crisis had been triggered. The tourism industry is subjected to economic forces, which have always a dominant impact on this industry. A certain level of discretionary income is seen as an essential pre-requisite for participation in tourism. In addition, relative price levels, the cost of living and exchange rates between a tourist receiving country and the destination country heavily influence the tourism demand.

Tourism is influenced, like any other industry, by external economic forces and the successful implementation of tourism strategy is dependent on a continuing favourable economic climate. Economic crises have, thus, a great impact on the tourism industry, mostly because of their direct consequences. But the psychological impact of moving from strong economic prosperity to severe economic downturn is as damaging to this industry as the direct financial consequences themselves. People had been used to high growth rates,

and, therefore, even in a recovery period with positive rates, the resumption of their consumer spending patterns cannot be assumed in the short term (Muqbil, 1998).

Within the East Asia and Pacific region, because of the economic depression, many people who were travelling frequently or occasionally before 1997, were either unable to do so or were becoming very cautious about spending and were cutting back on discretionary trips. This is especially significant, as around 70 percent of arrivals in this region are intraregional. The greatest decrease occurred in flows from Korea and Indonesia (Leiper and Hing, 1998).

In 1997, China received 7.428 thousands visitors, 59,4 percent originating from Asian countries. The number of total international visitors dropped 4,3 percent in 1998, due to the drop in the number of foreign visitors. Overseas Chinese and compatriots contributed to an increase in terms of total tourism arrivals in 1998, in spite of the big decrease suffered in overseas Chinese' arrivals in 1997 (36 percent). Concerning the impact of the crisis in Asian countries, it can be said that China remained relatively immune from the economic downturn. It showed a 4,4 percent increase in international tourism receipts. Nonetheless, the receipts per visitor dropped 5 percent. In 1997, international visitors spent, on average, 210 USD per day and in 1998 they spent 199 USD.

In terms of regions, major decline occurred in the visitors coming from Europe (8,2 percent), followed by the Asian countries (6,2 percent) and the African market (1,8 percent). The European country that contributed the most to this breakdown was Russia, with a 15 percent decrease. In spite of the negative growth rate concerning the European market, due largely to the 40 percent share of that market held by the Russians travelling to China, the great majority of the other countries showed modest positive growth rates.

China registered significant declines in visitors from every Asian market, with the exception of Mongolia, which registered a 6,4 percent increase. Asian consumers reacted to their countries' economic crisis by increasing savings and cutting back on luxury expenditures, including travel. Holidays, thus, would be seen as a luxury and were more likely to be sacrificed in a harsh economic climate.

Indonesia, the country most affected by the crisis, was the market that showed the biggest decline, 29 percent. The Indonesian government, which had introduced a 150 USD exit tax on outbound travel in order to protect their foreign exchange position, had exacerbated the sharp decline in Indonesian travellers (Cave, 1999).

The Korean market was the second market showing a big decrease in tourists travelling to China (-19 percent). Jointly with the decline in the Japanese market, it had the most impact on the region's tourism performance. Although the Japanese market decreased greatly in the region, reacting to the economic crisis by reducing expenses, Japanese travellers going to China declined only slightly (-0,6 percent).

Malaysia, Thailand and Philippines also registered significant declines in terms of outbound travel to China, -17, -14 and -7 percent respectively. As their economy declined, so did outbound travel from each of these countries. But in some of these countries, such as Malaysia and Thailand, the outbound travel was influenced by other factors in addition to economic ones. As in Indonesia, these governments launched restrictions on outbound travel, a form of unofficial protectionism; citing nationalist reasons, encouraged people to stay home and sample the attractions of their own countries. "Government officials had been urged not to take a holiday abroad, and official trips had been drastically curtailed. This affected the entire concept of two-way travel and hinders the overall recovery of the travel and tourism industry" (Muqbil, 1998:92).

Travellers from Singapore declined only 0,1 percent. This can have something to do with the fact that the value of the Singapore dollar had not fallen as much as other currencies in the region. In the midst of this turmoil, non-Asian markets showed healthy growth, mainly because their relative currencies started to stretch a lot further in Asia. There was a 16,3 percent rise in arrivals from Oceania, as well as a 9,3 percent increase from America.

The economic crisis and resulting decline in travel and tourism demand within the region has had a major impact on the different sectors of the industry. The strongest impact of the Asian crisis was felt by the airlines. In the face of declining traffic and sharply diminished earnings, regional and international airlines have cancelled aircraft purchase orders, pared

back routes, laid off staff and embarked on privatisation and restructuring plans (Muqbil, 1998). In China, there was a cessation in expansion among its airlines and the non-renewal of aircraft leasing contracts (WTO, 1999a). The crisis in the airlines sector has had a spill-over effect on travel agents and tour operators (Muqbil, 1999). China also experienced significant declines in total staff levels, which might be directly attributed to the financial crisis, which led the government to adopt austerity programs in 1998 (WTO, 1999a).

The major impact of the Asian financial crisis on China was felt in 1998, when total foreign visitor arrivals decreased by 4,3 percent, although total international receipts increased by a modest 4,4 percent. By 1999, China seemed to be completely recovered from this economic crisis, which did not affect the tourism industry in China as much as in the rest of the Asian countries. This may be because, even though the economy of the PRC is also subject to instability, it is not yet closely linked with that of the rest of the world (Kwong, 1997).

In 1999, China achieved a 12 percent growth rate in terms of international tourism receipts, and it recorded a 19 percent increase in terms of foreign visitor arrivals. The share of the Asian countries' market in the number of international tourists rose from 58,2 in 1998 to 60,6 percent in 1999, thus reestablishing pre-crisis values. This dependency upon the Asian market could had been very dangerous, but it did not have any dramatic long-run impact because the major inbound market, Japan (22,1 percent of the total foreign visitor arrivals in 1998), did not show a significant decrease in terms of arrivals.

He Guangwei, director of the CNTA, attributed the rapid growth in international tourist arrivals in 1999 to better administration and the promotional campaign. As the Asian economies started to recover from the crisis, tourism in China picked up quickly. The policy of continuing to stifle its own foreign investment saved China from serious problems due to the Asian financial crisis (He, 2000).

This crisis also showed that the tourism industry is very dependent on macro-economic cyclical fluctuations. In addition to international events, as in the case of the Asian financial crisis, every major alteration in the normal course of the domestic society can

have a tremendous impact on this industry, as was shown with the Tiananmen's political unrest.

2.1.3. Composition of China's Inbound Tourism

2.1.3.1. Foreign Tourists

International visitors are, numerically, a minor part of the total traffic in China. Nonetheless, they are, for political and economic reasons, the primary market targeted by policy-makers. Japan established diplomatic relations with China in 1972, and they were the first foreign group to arrive in large numbers. Since the 1980s, Japan has consistently ranked as the leading source of foreign visitors to China, with the exception of 1992 and 1993; while the USA, the second largest source of foreign visitors to China for 13 years, has now fallen to fourth place. For many years, US citizens were forbidden to visit Communist China and it was only after the easing of travel restrictions in the 1970s that they could start joining the increasing number of travellers to China. Curiosity about a place that had been closed for so long contributed greatly for the initial high shares of US tourists in arrivals to China. Traditional links, including missionary and wartime alliances (Zhu, 1997), the exotic Chinese culture, the diversity of attractions and the friendly people (Yu, 1992) are also pointed out as reasons for the large number of US travellers to China.

In terms of foreign arrivals, before 1991, the record shows Japan ranking first and the USA occupying the second position (table 3.2). The Japanese leading position can be attributed to close cultural ties (such as Buddhist religion, arts and calligraphy), proximity and cheap package tours offered by CITS. The first slowdown in growth rate in Japanese inbound travel to China was in 1988, partly because of a train accident near Shanghai, which claimed the lives of many Japanese travellers (Tisdell and Wen, 1991). Similarly, the number of arrivals from the USA also fell in 1988, nevertheless this decline was relatively minor when compared to the effects that the Tiananmen Square incident produced in 1989. American tourists did not return to China until the US State Department lifted its travel advisory and the martial law was ended.

Table 3.2 – Top five origin countries of foreign visitors to China, 1986-1999

Year	1		2		3		4		5		Total Share of top 5 countries
	Country	%	Country	%	Country	%	Country	%	Country	%	
1986	Japan	32,6	USA	19,7	UK	5,4	Australia	4,9	Philippines	3,6	66,2
1987	Japan	33,4	USA	18,2	UK	4,8	Singapore	3,7	Germany	3,6	63,9
1988	Japan	32,1	USA	16,3	UK	5,2	Germany	4,0	Philippines	3,9	61,5
1989	Japan	24,6	USA	14,7	USSR	5,6	Philippines	5,0	UK	4,9	54,8
1990	Japan	26,5	USA	13,3	USSR	6,3	UK	4,5	Philippines	4,5	55,2
1991	Japan	23,6	USA	11,6	USSR	10,5	UK	4,2	Philippines	3,9	53,8
1992	USSR	22,3	Japan	19,8	USA	8,6	Singapore	3,8	Thailand	3,7	58,2
1993	USSR	19,9	Japan	19,6	USA	8,6	Singapore	4,3	Korea	4,1	56,5
1994	Japan	22,0	USA	9,1	Russia	7,7	Korea	6,6	Singapore	4,5	49,8
1995	Japan	22,2	Korea	9,0	USA	8,7	Russia	8,3	Singapore	4,4	52,7
1996	Japan	23,0	Korea	10,3	USA	8,5	Russia	8,2	Singapore	4,2	54,3
1997	Japan	21,3	Russia	11,0	Korea	10,5	USA	8,3	Malaysia	4,9	55,9
1998	Japan	22,1	Russia	9,7	USA	9,5	Korea	8,9	Mongolia	5,1	55,3
1999	Japan	22,0	Korea	11,8	Russia	9,9	USA	8,7	Malaysia	4,4	56,8

Source: CNTA, various years

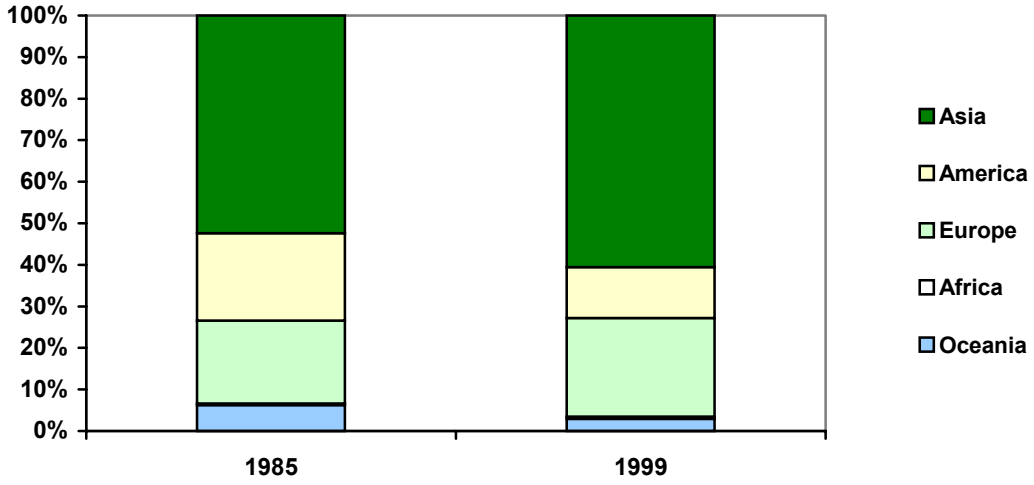
Note: Since 1994 former USSR countries started to be treated as individual markets.

Tense political relations between China and the USSR softened in 1989, and border crossings and trade[1] developed rapidly, specially between Heilongjiang Province and the Soviet Far East, propelling former Soviet Union countries to the third largest source of visitors to China between 1989 and 1991. In 1992, Japan was reduced to second place, the USSR occupying the leading position as a source of visitors to China, a place that probably it would have retain, had it not been for the treaking up of the USSR into independent countries. From then on Russia has always belonged to the top five countries sending visitors to China, rising to the second place in 1997.

Before the end of the 1980s, Australia and some European countries, such as the UK, Germany and France, were some of the main countries of origin for foreign visitors to China. However this picture changed significantly beginning in 1989, though even before the Tiananmen Incident some changes were already taken place. Australia as a source of foreign visitors dropped in rank from 6th in 1987 to 10th place in 1988. This can be explained to some extent by the drop in Australian travelling overseas because of the lowered value of the Australian dollar (Tisdell, 1990). The US market, although it formerly occupied the second position, dropped in rank as well, partly as a reflex of the also weaker American dollar. The level of real income in the origin country is regarded as the most important economic determinant of international tourism, as income determines the ability to travel and facilitates the desire to travel (Huo and Wilson, 1999). For international tourism, there are two components of price: the price of travel to the destination, and the cost of living for the tourists while in the destination country.

[1] Although barter tourism does not involve foreign exchange directly, each party does indirectly earn foreign currency. Apart from that, this form of tourism also stimulates the local economy. It generates more income from tourism enterprises, tourism-related department stores, and restaurants… It also contributes to the development of the infrastructures in the region, like the building of new roads, airports…. (Zhao, 1994)

Chart 3.2 – Visitor arrivals in China by region, 1985 and 1999



Source: CNTA, 1991 and 2000

In 1985, half of China's foreign tourists were from Asian countries and the remaining came mostly from America and Europe, with 21 and 20 percent, respectively (chart 3.2). Oceania contributed only 6 percent of total arrivals, the majority being from Australia. In 1999, Asian countries still dominated, with even a larger share (60,5 percent), and the share accounted for by visitors from America and Oceania dropped considerably. Conversely, Europe enlarged its share of the total foreign visitors. In the European market, there have been rapid increases in tourists from Italy, Greece and Portugal (Zhu, 1997).

South Korea and Mongolia are northern and inner-Asian countries respectively, for which geographic proximity combined with economic interests and cross-border cultural ties, have resulted in their sending large numbers of visitors to China. South Korea's rise in share of total foreign visitors is impressive since it was only in 1994 that the government lifted its ban on travel to China, already occupying forth place at that time. In 1999, it ranked second only to tourists from Japan.

Southeast Asia comprises the next largest Asian grouping that has come to displace the formerly dominant English-speaking group in international travel to China (Lew, 2000). New laws adopted by those countries in the late 1980s made travel to China more accessible to their citizens. The growth in arrivals from Southeast Asia continued in the

1990s, reflecting improving political and economic relationships between China and most Southeast Asian countries, as well as the growing middle and upper economic classes in these countries (Lew, 1997). Tourists from all the major ASEAN countries had began to come to China by the time the effects of the Asian economic crisis start to be felt. According to the analysis in this sector of the study, recent trends point to the diversification of country's of origin of China's foreign tourists.

2.1.3.2. Compatriots

Compatriots make up the largest number of overseas tourists to China, and Hong Kong has been the source of the largest number of visits by compatriot. This category, along with overseas Chinese, is regarded in the Chinese tourism policy not only making a significant contribution, but also as politically important. However, this category includes many one-day trips made by Hong Kong and Macao residents to conduct business and to visit relatives and friends across the border. They need only an identity travel document to cross the border, and perhaps this ease of access helps to stimulate their travel (Chow, 1988).

Most of these visitors travel to visit friends and relatives and their travel differs considerably from those of other international travellers. As Hong Kong residents are largely natives of Guangdong Province or trace their ancestry from counties in that province, they visit this province more than the average foreign visitor does.

Tourists from Taiwan show a different travel pattern in China, they spend a longer time than most of their Hong Kong and Macao counterparts. The most popular destination for Taiwan visitors is to nearby Fujian Province, mainly because of ethnic affinity. Although China does not publish statistics indicating motivation for travel to China, business travel is also often associated with family ties for this group (Lew, 2000).

If treated as a separate country, Taiwan would have been the single largest source of international visitors to China throughout most of the 1990s, which is "somewhat ironic given the tense political situation between the mainland and the island" (Lew, 2000:272). After almost 40 years of strict restrictions on travel between Taiwan and the mainland, the

ban on travel via a third country was finally lifted in 1987, allowing Taiwan residents to visit mainland China. Only after that change in policy, did Taiwan allow selected mainland residents to visit Taiwan (see appendix 4.1).

Since the post-1949 military confrontations, political relations between the divided states did not begin to improve until the 1980s. The policy change was greatly influenced by the reduced support for the hard-line communist leaders' way of thinking after the Cultural Revolution and by the normalisation of Sino-US relations (Yu, 1998). This allowed rapid growth of indirect trade through Hong Kong, Japan and Singapore between the two sides. Although no travel had been permitted, illegal visits to China had been taking place through Hong Kong since the mid 1980s, when China began admitting Taiwanese without stamping their passports (Lew, 2000). Admitting the fact that indirect travel already existed, Taiwan leaders decided to permit certain categories of its citizens to go to the mainland for the purpose of visiting families. Leisure and recreational travel was, however, still prohibited. This initial policy still prohibited visits by certain levels of government officials and military personnel regime with regard to travel to the mainland by Taiwan citizens, and the length of stay, for those who were allowed to go, was limited to one trip per year and three months per trip.

In spite the 1987 change in policy, many obstacles still remain in the development of tourism and travel between Taiwan and the mainland, being highly dependent on the political relations between the two governments. For instance, the policy of permitting only travel for VFR reasons shows that a segment of the Taiwan population still can not freely visit the mainland. Because of the restrictions imposed by the Taiwan administration, the tourist flow is basically only one way. Except for special family reasons or by special permit, people from the mainland side are not allowed to visit Taiwan. Another major constrain is the absence of a direct air service, since Taiwan still bans direct air and sea links to the mainland, forcing visitors from both sides to travel via a third territory, which is normally Hong Kong – an indispensable intermediary in cross-straits relation, even after the handover.

Nonetheless, as a result of the policy change, the flow of Taiwan visitors to China increased rapidly. Yet, the increased travel activities did suffer a severe setback in 1994, when 24 Taiwan visitors were murdered at Qiandao Lake in Zhejiang Province and political tension between the two governments was renewed. Following this disaster, the Taiwanese government temporarily halted group travel to China, as well as other types of cultural exchanges and business activities with the mainland. As a result, tourist arrivals from Taiwan decreased 9 percent in 1994. However, this political tension did not long last, and travel activities were soon reinitiated, restoring the normal development of tourist arrivals from Taiwan. Taiwan tourism has since then become a major component of China's tourism industry. In 1995, Taiwan tourists accounted for 3,3 percent of the country's total arrivals and contributed 19 percent of China's total tourist receipts.

2.1.3.3. Overseas Chinese

The overseas Chinese travellers to China mainly originate from Asian countries, which have big communities of ethnic Chinese, such as in Indonesia, Thailand, Malaysia and Singapore. While low in comparison to compatriot visits, the number of ethnic Chinese constitutes a good proportion of the total foreign visitors, if we include those ethnic Chinese holding other countries' passport (Lew, 1995).

Since many overseas Chinese that visit China come from Southeast Asian countries, they were also affected by the restrictions on travel that existed in many of these countries. When the situation changed there was a significant increase in arrivals of overseas Chinese from Southeast Asia, which coincided with the decrease of visitors coming from Western countries following the Tiananmen Square incident.

2.1.4. General Characteristics of International Visitors to China

2.1.4.1. Travel Motives and Travel Format

Actual travel motivations are not included in the statistics provided by the CNTA, however, it is possible to estimate motivations on the type of travel agency that handles arrangements of visitors. It is estimated that the majority of foreign tourists to China were for business purposes, the rest of the foreign tourists travel mainly for cultural experience

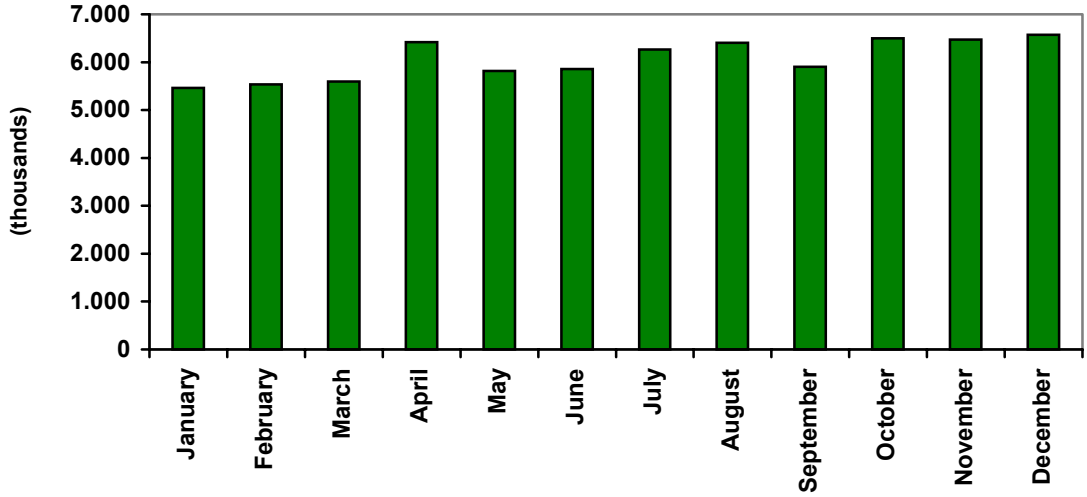
reasons (Huo and Wilson, 1999). The vast majority of compatriot trips to China are classified as private visits to see friends or relatives, or for leisure travel. However an increasing number of visits by compatriots are primarily business trips.

Many foreign tourists come under package tours, which cater mostly to holiday and cultural tourists, as these reasons are practically the only way to obtain a visa (Gormsen, 1995). However, as China is becoming more open, visa and border formalities more simplified and easier, and tourists more experienced, the proportion of independent travellers is increasing and the dominance of travel agencies receiving tourists appears to be declining (Jenkins and Liu, 1997). The relative importance of the three key travel agencies has also been reduced substantially as the share of other tourist agencies has increased rapidly. Local tourism authorities have utilised their own local natural, cultural and historical resources to develop special interest and activity tours to attract these individual tourists.

2.1.4.2. Seasonality

Seasonality does not seem to be a problem for China as a whole (chart 3.3), due to the size of the country, or for major cities like Beijing, Shanghai and Guangzhou. But for beach and mountain resorts it is a serious problem (Zhang, G R, 1989).

Chart 3.3 - Seasonal distribution of international visitors in China, 1999



Source: CNTA, 2000

To avoid extremes in weather, foreign tourists generally prefer to visit China between May and October, with reduced demand between November and January. Conversely, compatriots visit mostly the mainland during the period from November to February in order to meet their relatives and friends during the New Year and the Spring Festival holidays. The high levels of visiting friends and relatives and participating in major festival events in the Chinese calendar, makes China an unique country experiencing such massive movements on a repeated, annual scale. Overseas Chinese's short visits for family-oriented holidays are not so common as for compatriots, most of whom live closer to China. The different timing of visits by foreigners and compatriots, to some extent is responsible for the lack of great seasonal demand fluctuations, as well as levelling out the use of transport, accommodation and other tourist facilities throughout the entire year.

2.1.4.3. Destinations

In the early years of its development, due to the limited number of cities where international travel was permitted, China's tourism industry focused on a limited number of destinations and itineraries and tourist attractions were limited. This is responsible for the distributional pattern of foreign tourists in China, they are concentrated in a dozen large

cities and noted tourist areas (table 3.3). The top ten cities on the list which have absorbed the most tourists from overseas during the last decades were Guangzhou, Beijing, Shanghai, Guilin, Hangzhou, Xi'an, Suzhou, Nanjing, Xiamen and Kunming. Compatriots tend to concentrate on those regions where they have ethnic links, namely Guangdong (Hong Kong and Macao) and Fujian provinces (Taiwan). By contrast, overseas Chinese tend to be distributed throughout the country (Zhang, G R, 1989).

Concentration of tourism on the coastal areas, especially coastal cities, has resulted in congestion and deterioration in some popular tourist sites and has resulted in significant regional disparity across China (Wen and Tisdell, 1996). Analysis of CNTA data for 1998 reveals, for example, that 74 percent of international tourists arrived in its 12 coastal regions[2] and, therefore, only 26 percent in its 18 inland regions. The disparity was even greater for tourism receipts with the coastal region accounting for 84 percent of the total receipts.

Table 3.3 – Top ten receiving areas of overseas tourists in China, 1990-1999

Rank	1990		1993		1996		1999	
1	Guangdong	47,0 %	Guangdong	39,3 %	Guangdong	35,4 %	Guangdong	35,1 %
2	Beijing	8,7 %	Beijing	12,3 %	Beijing	11,2 %	Beijing	10,1 %
3	Shanghai	7,7 %	Shanghai	7,6 %	Shanghai	7,3 %	Shanghai	6,6 %
4	Jiangsu	6,3 %	Fujian	5,3 %	Fujian	5,4 %	Fujian	5,4 %
5	Fujian	6,1 %	Jiangsu	4,8 %	Jiangsu	4,5 %	Jiangsu	5,4 %
6	Guangxi	4,5 %	Zhejiang	4,4 %	Yunnan	3,8 %	Yunnan	4,2 %
7	Zhejiang	4,0 %	Guangxi	3,1 %	Zhejiang	3,7 %	Zhejiang	3,8 %
8	Shaanxi	2,2 %	Shaanxi	2,8 %	Guangxi	2,7 %	Guangxi	3,1 %
9	Sichuan	1,7 %	Yunnan	2,5 %	Shandong	2,7 %	Shaanxi	2,5 %
10	Hainan	1,6 %	Sichuan	2,0 %	Shaanxi	2,6 %	Shandong	2,5 %
	Total	82,1 %		84,1 %		78,4 %		78,7 %

Source: CNTA, various years

[2] Three municipalities - Shanghai, Beijing, Tianjin - and nine provinces – Liaoning, Hebei, Shandong, Jiansu, Zhejiang, Fujian, Guangdong, Guanxi and Hainan.

Foreign tourists tend to dominate in destinations such as Beijing and Shanghai. Although the share of foreign tourists to Guangdong is also high at national level, in this province they represent a minor part of international arrivals, as compatriots dominate completely. In 1990, 21 percent of total arrivals of foreign tourists to China were concentrated in Beijing, 15 percent in Shanghai and 19 percent in Guangdong Province. However, the share of these three regions in total foreign arrivals have been declining over time (it was 17,1 percent, 10,7 percent and 12,4 percent, respectively, in 1999), while more remote destinations, such as Inner Mongolia, Liaoning, Heilongjiang and Xinjiang are receiving more foreign tourists. In fact, in 1999, more than 80 percent of foreign tourists makes the composition of the total international arrivals of these regions. An overview of the provinces reveals a considerable decline in visitation from the coastal areas toward the interior. Although the absolute numbers have been increasing in coastal areas, their proportionate share has been fallen since early 1990s.

China's heavy concentration of inbound tourism along the coast is a result of favourable conditions from both demand- and supply-side tourism factors. Factors such as greater international business connections on the coast; strong family connections to coastal provinces of overseas Chinese and compatriots; the predominance of international entry ports along the coast, and the location of several major tourist attractions may help to explain the existing pattern of tourism (distance is a constrain for inbound tourism in the inland areas) (Wen, 1998).

2.1.4.4. Average Expenditure and Average Stay

In terms of tourist expenditure, the average daily per capita expenditure by international tourists in 1999 was 135 USD. The spending per tourist in China is much lower than in many other countries and areas (Zhang, G R, 1989). A breakdown of the average daily per capita expenditure reveals that compatriot tourists spend considerably less than other international visitors (table 3.4), their spending pattern resemble those of domestic tourists rather than those of foreigners. They spend relatively little on accommodations and luxury travel options, since many of them stay with friends or relatives, or in inexpensive hotels. However they are more likely to purchase relatively bulky items, since they are not so

dependant on air travel (Sicroff, 1999). Their purchases have stimulated the production of certain types of souvenirs favoured by them (Lew, 1995).

Table 3.4 - Tourist length of stay and expenditure in China by segment, 1995-1999

Year	Total		Foreigners		Overseas Chinese		Hong Kong and Macao			Taiwan	
							ADE (USD)				
	ADE (USD)	ALS (days)	ADE (USD)	ALS (days)	ADE (USD)	ALS (days)	Hong Kong*	Macao	ALS (days)	ADE (USD)	ALS (days)
1995	141,1	2,48	149,3	2,81	121,3	2,86	122,0	-	2,02	133,5	2,34
1996	131,2	2,43	148,0	2,79	145,9	2,80	96,1	-	1,93	145,2	2,26
1997	135,1	2,44	143,3	2,81	154,3	2,84	118,8	-	1,97	133,6	2,17
1998	133,9	2,64	141,6	3,10	134,5	3,35	117,7	94,22	2,11	127,2	2,33
1999	135,0	2,53	144,6	2,90	148,7	3,43	109,3	120,18	1,97	121,6	2,48

Source: CNTA, various years

Key: ADE – Average daily expenditure ALS – Average length of stay

* Until 1997 the figures from Macao are included

The per capita tourist expenditures of Hong Kong Chinese, Taiwanese and Southeast Asian Chinese are much lower than those of other international visitors to China, including American Chinese and overseas Chinese from elsewhere in the world (Lew, 1995 and 2000). Compatriots and Southeast Asian Chinese are more likely to stay with relatives or in inexpensive Chinese hotels rather than in international hotels. In addition, Taiwanese tourists receive special incentive prices that have cut into profits. They are mostly VFRs, excursionists or simply cross-border day-trippers.

Compatriots have accounted for approximately 90 percent of total inbound travellers since 1978, and they have had a substantial impact on cross-border tourism although their effect on the broader national tourism economy is fairly limited because of their low spending levels. On the contrary, foreign tourists stay longer and spend more per capita touring throughout the country. Consequently, they are the ones targeted by the industry for bringing in foreign exchange and most of the tourism infrastructure development is directed at this group. However, not all markets have the same spending pattern and,

therefore, not the same economic impact. For example, in terms of tourism receipts, Russia is less important than Japan and the USA as most of its visitors to China are cross-border day-trippers.

Nonetheless, the importance of the compatriots segment in China's tourism should not be overlooked. Tough they do not spend as much as foreign tourists do, they represent the majority of overseas arrivals to China, and they are not so vulnerable to major international fluctuation in demand. They have an important trait; they always come back.

With shorter lengths of stay than in earlier years, China has to seek increasing numbers of visitors to match the growth in the capacity of hotel rooms, restaurants and other tourist facilities. The increase in excursionists is not sufficient by itself to account for the substantial decline in length of stay. Moderating interest in China and the introduction of shorter tour packages are other contributing factors to the decline in the growth of China's tourism industry (Choy and Can, 1988). According to Tisdell and Wen (1991), China should try to increase both the average expenditure per tourist day and the length of stay of tourists in China while reducing costs so that net receipts increase even if the number of arrivals does not increase substantially.

2.2. Domestic Tourism

2.2.1. Historical Perspective of Domestic Tourism Development

> "In historical terms, one of the main features of China's domestic tourism lies in the traditions about travel and heritage sites established over a 4000 year period and now firmly entrenched in the Chinese psyche." (Sofield and Li, 1998:366)

Because China had been closed to the outside world for many years, foreigners tend to think of tourism in China as a new phenomenon. In fact, international tourism is very recent, but in domestic terms, "the traveller in rural China has recorded history extending back for more than three thousand years" (Sofield and Li, 1997:120). Thus, to understand domestic tourism in China it is necessary to have an appreciation of its historical

perspective, which goes back to the dynastic travels and tours of its emperors, philosophers and scholars.

The oldest form of travel in China – imperial pilgrimages – began in the Shang Dynasty, where each successive emperor and his court paid homage to a wide range of gods and goddesses that resided in mountains, rivers, lakes and other biophysical features. "These other worldly beings required regular propitiation if the rule of an emperor was to flourish" (Sofield and Li, 1997:122).

Nine revered sites of particular significance evolved over the centuries: five sacred mountains (the eastern Taishan, the southern Hengshan, the western Huashan, the northern Hengshan and the central Songshan) and four sacred rivers (Changjiang, Huanghe, Huaishui and Jishui). The sites visited multiplied over the centuries and, as Buddhism became established, even more sacred sites were added. Many shrines were constructed, with temples providing accommodation. "Embedded in the beliefs of the god-kings" (Sofield and Li, 1998), much ancient travel was thus for pilgrimage. These annual imperial pilgrimages were, however, stopped by the declaration of the Republic in 1911, which broke the linkage with the imperial system.

With the surge of Confucianism, the institution of the Mandarins, a scholarly class who assumed a central role in the administration of the state for the emperors, started to evolve. The ethic of Confucianism demanded the Mandarins "to seek ultimate truth from the landscape" (Sofield and Li, 1998), so, they began to travel in order to be inspired by these landscapes in their creative talents (poetry, painting and calligraphy). It became an accepted lifestyle for mandarins to spend several years touring the various sacred sites in pursuit of greater wisdom and knowledge. By then, social status in China was achieved by receiving an education and then serving in the bureaucracy.

Under the prevailing feudal system, peasants and commoners were forbidden from visiting most of the sacred places, and in any case their economic circumstances were hardly conductive to leisure. With the exception of merchants that travelled widely and mass migrations of people affected by natural disasters, leisure travel was restricted to the elite

classes and their entourages (Sofield and Li, 1998). A similar feature can be found during Mao's regime, since leisure travel was prohibited for all but for a favoured few (Xu, 1999).

2.2.2. Domestic Tourism from the 1920s until 1978

Modern domestic tourism in China began in the 1920s when a few travel agencies were founded in Shanghai. These early travel agencies handled both domestic travel and outbound travel, as well as provided services for inbound tourists (Qiao, 1995). This tourist development was, however, short–lived. These agencies were forced to close down, and the Chinese people were forced to cease their recreational travelling activities because of the turmoil caused by the war against Japan and then by decades of civil war (Sofield and Li, 1997 and 1998; Sicroff, 1999). In the pre-communist period, leisure travel for the common people consisted primarily of pilgrimages to Buddhist or Taoist temples. This was mainly a result of the lack of time and money, as well as strict government control over internal migration (Gormsen, 1995).

After 1949, travel for leisure was considered as part of "the lifestyle of the bourgeoisie which one should always guard against" (Zhang, G R, 1989:58). In this regard, freedom to travel was suppressed even more rigidly, with a permit required for any travel outside one's local district, because tourism was not an approved reason for travel (Sofield and Li, 1997). Subjected to rigid controls through the so-called *hukou* (户口), or household registration system, individual private travel was, thus, impossible (Xu, 1999). Some governmental agencies were established to deal only with those overseas ethnic Chinese who came back to visit their relatives or with politically desirable foreign visitors.

During this period, domestic tourism was limited primarily to CCP functionaries and government officials on holiday, mostly to Chengde and Beidaihe. Although religious practices and pilgrimages were forbidden on ideological grounds (Xu, 1999), Buddhists and Taoists on religious pilgrimage still constituted another group travelling in China (Sicroff, 1999). Religious activities have staged a comeback in the post-reform era, giving a rebirth of pilgrimage tourism to many traditional destinations, which is largely of interest of the rural Chinese (Xu, 1999).

Before the late 1970s, domestic travelling by Chinese citizens was, confined to business trips, visiting relatives and travelling for study or health reasons. There are no statistics on tourism during this period, so it is very difficult to know the exact figures, but existing pleasure travel would have been in very small numbers (Zhang, 1997). Gormsen (1995) believes that leisure travel, until recently, has existed almost entirely in the form of organised events, including political indoctrination, scientific conferences and group holiday for work units.

The economic and physical conditions necessary for large-scale tourism in China did not exist in the pre-reform period. A low standard and inadequate supply of commodities, a shortage of food and accommodation facilities, and a limited transportation system prevented the growth of such an industry. Also governmental policies favoured mainly international tourism, not giving much attention to the development of domestic tourism and even restricting it, as it would compete with international tourists for the under-supplied transport facilities, space at tourist attractions and supplies for meeting the tourists needs.

2.2.3. Domestic Tourism since 1978

Since 1978, domestic tourism has made a great progress and has developed dramatically in recent years as a new industry. The inherent causes for, and conditions generating such a dramatic growth, are linked to the particular patterns of development in China's overall economy. As the market-oriented economy develops and the people's savings rise, more Chinese, including farmers from rich coastal provinces, see travel within China as the best way to spend their holidays. According to Zhang Wen (1997), besides improved living standards as a result of a healthy and stable economy, there are two more special features that contributed to this development. First, the priority given to international tourism boosted both the international and domestic tourism businesses. Second, the tourism resources are rich, and the cultural appetite for tourism is high, thus, allowing a greater number of Chinese tourists to travel.

2.2.3.1. Favourable Conditions for Growth

In 1978, China adopted an open-door policy for the country's economic reform. As a result, "the travel industry changed from a political propaganda machine to a foreign currency generator" (Zhang, W, 1997). For this reason, the development of foreign tourism became a priority; therefore, no special steps were taken to encourage domestic tourism (Sicroff, 1999). The policy of "no encouragement" for domestic tourism, because of the limited facilities and transportation capacity, resulted in the collection of no reliable data for domestic travel. Until the middle of 1980s, there was no national organisation in charge of domestic tourism (Zhang, G R, 1985).

Inasmuch as international tourism was a primary concern for the Chinese government, because of its hard currency earnings, and considering the infrastructural problems that China was facing, most tourism planners held that, for the sake of international tourism, domestic tourism should be controlled. In addition, concerns over social stability may have also played a certain role in such a restrictive policy position (Xu, 1999).

According to Ma and Sun (in Qiao, 1995), the government policy for domestic tourism during this period was to take the local situation into consideration, while developing a positive and steady domestic tourism. This means that, while it was not a high priority, domestic tourism would not be discouraged, and would be addressed as needed on a case by case basis. Nonetheless, even though a shortage of infrastructure was felt throughout the country, the improvement of facilities and supplies appropriate for domestic tourists was ignored.

> "As the lack of adequate passenger transportation was the "bottleneck" in the development of the national economy, demands were far from satisfied, consequently curbing the growth of domestic tourism. However, despite these circumstances, domestic tourism was increasing because of the fast

> growing national economy and the marked improvement in living standards.[3]" (Zhang, W, 1997:566)

A tremendous growth in the country's economy, which provided a major increase in the development of China's service industry[4], has translated into increased personal income. The structure of consumer spending has changed considerably and travel has rapidly become an important leisure activity pursued by many Chinese (Qiao, 1995).

Besides great improvements in the Chinese economy, other non-economic factors have led to the development of the domestic tourism market. One of the key factors in the growth of domestic tourism was the relaxation after 1978 of Mao's strict control over tourism, which was enforced through the imposition of a permit system for the purchase of a train or bus ticket and accommodation (Sofield and Li, 1998).

The first big boost to domestic tourism resulted from the tourism policy issued in 1984/5. It was in this document that domestic tourism had for the first time been advocated by the central government.

> "In this document, the rising travel demand was viewed as a logic outcome of China's economic liberalisation policy, and a concomitant of the rising standard of living. Therefore, "domestic tourism should be actively directed and steadily promoted in the line with local conditions"." (Xu, 1999: 74)

This policy resulted in the stimulation of local initiatives, including encouraging the private sector, in building domestic tourism infrastructure. Major improvements were done in domestic tourism supply: accommodation, food and beverage, transportation, communication, sightseeing, entertainment and shopping. All these improvements have

[3] In 1989, China's national average per capita income reached 1.189 RMB, an increase of 3,44 times that of 1979. The average per capita income of big cities and economically developed areas was even higher: in Shanghai it was 4.501 RMB and in Beijing it was 3.035 RMB (Zhang, W, 1997).
[4] This was particularly noticeable after the CCP Congress in 1992 when it was announced that China would establish a market economy within the broad tenets of socialism.

played important roles in the nation's economy, and they are also a direct and important cause for the growth of domestic tourism.

Another big event in the development of domestic tourism was the First National Conference on Domestic Tourism held in Tianjin in 1987. It contributed significantly to the consensus-building regarding several key issues of domestic tourism[5], which began to be regarded as a factor in China's development. Domestic tourism policy was discussed and formulated at a time when much development had already taken place in many parts of the country, but was made an issue at this time because some provincial governments were already quite conscious of the importance of domestic tourism.

By 1989, the government was making rapid progress in achieving its goals of building infrastructure, accumulating foreign capital and stabilising the economy. Recognising this, and realising the increasing potential of the expanding domestic tourism market, Liu Ii, Ex-President of CNTA, said at the Conference of Directors of the Local Tourism Bureaux, that domestic tourism should be the foundation of China's tourism. His words marked the transformation of the government's guiding principles for tourism development, making domestic tourism a priority sector for development (Zhang, 1997). In 1992, the Central Committee of the Chinese Communist Party and the State Council made the important decision to increase the relative size of the tertiary industry in the Chinese economy. In line with this change in policy direction, a positive attitude was now adopted towards the development of domestic tourism (Wen, 1998; Wen and Tisdell, 2001).

In the 1990s, domestic tourism has developed at an unprecedent speed in this political and economic climate. It is a further evidence of the Chinese desire to seek out and experience for themselves the famous heritage sites of their "common knowledge" (Sofield and Li, 1998). As a consequence, different types of travel services, especially those specialising in domestic tourism, have emerged in large numbers.

[5] "The main themes of this conference included definitions of domestic tourism; the relationship between international and domestic tourism; the need for relevant research and planning; necessary financial and administration resources and policy instruments for domestic tourism promotion; the role of domestic tourism in national and regional development, and so on." (Xu, 1999:75)

2.2.3.1.1. Leisure Policies in China

In socialist countries, leisure and tourism, like work, are directed to the development of the socialist person. As such they are seen as too important not to be planned by the state. "The activities of the citizens' free time ... must be planned and, wherever possible, executed collectively" (Richter, 1989:16).

Since the economic reforms and the open door policy in late 1970s, Chinese society has been passing through a lot of changes, not only economic, but also social. These changes are affecting, positively and negatively, the tourism industry.

> "Since the reform that the labour unionisation in China has increased and has achieved a wider scope of acceptance throughout industry. Through such unionisation the rights of members can be better protected and their public welfare, such as group activities, weekend excursions and other leisure activities, has been extended to a wide cross section of the society." (Xiao and Huyton, 1996:20)

The domestic tourism market has also been helped by the government's decision, in the early 1990s, to implement a nation-wide holiday system stipulating that each employee would be granted a 7-15 day annual leave, with the period based on length of service (Zhang, 1997). In 1994, the 5-day work-week was gradually implemented throughout the country. The decision to cut the 48-hour working week to 40 hours became effective in May 1995 (China Daily, 20/01/1995), and constituted a measure that affected greatly the leisure industry in China. The five-day working week lengthened the available leisure time, it gave workers more spare time and incentive to travel, enabling them to have free time for long distance travelling and weekend trips. Many Chinese people have begun to change their traditional way of spending their days off, using the holidays to travel. For instance, Chinese New Year has been used to travel to the hometown to join in a family union dinner (Chen, 1998).

"*The State Council Pay Rise Act for Public Sectors and State-Run Enterprises*", in 1993, was another important step taken to increase the disposable income of the salary-earning class, thus also increasing the likelihood of leisure expenditure (Xiao and Huyton, 1996).

Although these transformations had a tremendous impact on Chinese society, the largest segment of the population was not involved because they were restricted to the salaried class, i.e., not affected by these changes were the peasants and the workers in small private enterprises. Nonetheless, after the economic reform, the Chinese people saw their welfare improved, the nationwide pay was increased, and the working week was shortened. Although these measures of the reform period brought an undoubted positive influence on the development of the internal tourism industry in China, they had led to some transformations that generated a negative influence on the tourism industry. The cancellation of free medical treatment for workers in the public sector and the state-run enterprises, and the revocation of existing free higher education meant that workers were spending more of their discretionary income on medical care and their children's college education.

Recently, new alterations in the workers' disposable free time were made. Chinese now have a total of ten days off during May Day, National Day and the Chinese New Year according to the new 1999's regulations. China's 50th anniversary celebration was the first public holiday in the history of the PRC to extend a full week. Beginning in 2000, May Day Holiday and the Chinese New Year were also extended into full-week holidays (China Online, 26/4/2001). As a result, Chinese people can now plan longer vacations. The central government has allowed this seven-day vacation to Chinese urban residents in order to induce consumer spending through vacation travel, seeking a stimulus to the national economy (China Online, 29/9/2000 and 6/10/2000).

Such vacations can last up to two weeks if one accumulates additional vacation time by working overtime on Sundays. Besides these holidays there are other special events that may warrant vacation leave, such as a honeymoon or recognition for special achievements (Gormsen, 1995).

2.2.4. Features of Domestic Tourism

In general, domestic tourists differ in significant respects from international visitors. The differences are most pronounced when domestic tourists are compared with foreign nationals, less so when compared with compatriots (Sicroff, 1999). Travel motives, destinations, expenditure and the range of demand for local tourist services are also widely different between average (low-budgetary) individual travellers, those attending a meeting and business travellers, between urban and rural travellers, and so on (Xu, 1999).

2.2.4.1. Main Characteristics

2.2.4.1.1. Size and Structure

The quantitative size of domestic tourism is enormous by any standard, it is the largest domestic tourist market in the world. From the middle 1980s, domestic tourism in China started to play an active role. Although it has grown below the rate of international tourism before the early 1990s, it followed the same pattern, including a substantial decrease in the politically disruptive year of 1989. In the 1990s it started to develop very fast. In 1996, however, the domestic tourist arrivals increased only 1,6 percent over 1995, and in 1997 the increase was only 0,8 percent. The most important reason for this low growth rate was the increase in transportation fares (Zhang, 1997) and also maybe due to the Asian financial crisis. Nonetheless, annual average growth rates in the 1990s were almost double the rates registered in the 1980s [6]. By 1990, the number of domestic visitors had grown by 80 million since 1984 and reached 719 million in 1999 (table 3.5). This means that 25 to 35 percent of the Chinese population have taken part in domestic tourism since the early 1990s. From 1995 on, the share of the population that travels domestically is much higher, representing more than 50 percent in recent years.

[6] From 1984 to 1990, annual average growth rate was 5,8 percent. From 1990 to 1999, the same indicator was 11, 0 percent.

Table 3.5 - Domestic tourists, 1984-1999

Year	Number of Travellers (in thousands)							
	Total		Urban Residents			Rural Residents		
	Number	Growth (%)	Number	% of total	Growth (%)	Number	% of total	Growth (%)
1984	200.000	-	n.a.	-	n.a.	n.a.	-	n.a.
1985	240.000	20,0	n.a.	-	n.a.	n.a.	-	n.a.
1986	270.000	12,5	n.a.	-	n.a.	n.a.	-	n.a.
1987	290.000	7,4	n.a.	-	n.a.	n.a.	-	n.a.
1988	300.000	3,4	n.a.	-	n.a.	n.a.	-	n.a.
1989	240.000	-20,0	n.a.	-	n.a.	n.a.	-	n.a.
1990	280.000	16,7	n.a.	-	n.a.	n.a.	-	n.a.
1991	300.000	7,1	n.a.	-	n.a.	n.a.	-	n.a.
1992	330.000	10,0	n.a.	-	n.a.	n.a.	-	n.a.
1993	410.000	24,2	n.a.		n.a.	n.a.	-	n.a.
1994	524.000	27,8	204.000	38,9	-	320.000	61,1	-
1995	629.000	20,0	246.000	39,1	20,1	383.000	60,9	20,0
1996	639.000	1,6	256.000	40,1	4,1	383.000	59,9	0,0
1997	644.000	0,8	259.000	40,2	1,2	385.000	59,8	0,5
1998	694.000	7,8	250.000	36,0	-3,5	444.000	64,0	15,5
1999	719.000	3,6	284.000	39,5	13,6	435.000	60,5	-2,0

Source: CNTA, various years; He, 1999b

China's unprecedented high economic growth since the policies of reform and opening up were introduced, accompanied by the steady growth of people's income, led to this greater propensity to travel. Also, smaller families and an improved social security system have led the Chinese to spend more and save less, a spending pattern much different from the previous decades[7]. According to the China Business Review in November 1999, tourism

[7] "For years, ordinary Chinese viewed travel as a pleasure reserved for the rich. Before 1978, their purchases were limited mostly to durable products such as bicycles, sewing machines, watches and radio sets. In the 1980s, they advanced to colour TVs, refrigerators, washing machines and videocassette recorders, and latter to telephones and air conditioners. Spending money on tourism has become popular in China only recently, and is a mindset that stems from the booming economy and growth in personal income. As China continues to open wider to the outside world and the pace of life speeds up, Chinese people's views about spending will also broaden." (People's Daily, 5/5/2000)

demand in China is expected to grow at more than twice the predicted global rate of 3,4 percent annually. In 2000 alone, the number of China's domestic tourists was predicted to reach 740 million, the world's largest domestic market. A forecast was made for 2010, indicating that the market of domestic tourism would be 800 million, accounting for 60 percent of the population (Zhang, 1997).

Both urban and rural Chinese generate the domestic travel demand. In 1995, about 90 percent of urban Chinese participated in domestic tourism, but they made up only 39 percent of all tourist demand. Still, much of the potential demand for tourism is an urban demand. Rural communities are more conservative and traditional, have less access to communication and transport networks, and are currently less motivated to travel, even where income levels permit (Zhang, 1997).

2.2.4.1.2. Spending

The most striking feature of domestic tourism is the low per capita tourism expenditure (Qiao, 1995; Sicroff, 1999; Xu, 1999; Wen and Tisdell, 2001), which is much lower for individual tourists than tourists travelling in group. This is because the length of trips is also shorter for individual tourists, and they usually stay with relatives or friends while travelling, thus not having to pay for accommodations (Zhang, 1997). Luxury travel is still out of the reach of most domestic tourists, although this is gradually changing (Sicroff, 1999). Sicroff (1999) points out that domestic tourism is the largest segment of the Chinese tourism industry, and even though spending less per capita than international tourists, in the aggregate, domestic tourists spend much more. Nonetheless, per capita domestic tourist expenditures have consistent grown faster than international tourist expenditures (Gormsen, 1995).

In 1993, the average spending per urban tourist was about 420 RMB, approaching one-month salary of an average urban worker. Out of the total travel expenditure, 28,2 percent was spent on transportation, 19,4 percent on shopping, 18,3 percent on accommodation, 18,3 on foods, and 15,8 on admission tickets and entertainment. This means that an urban tourist can on average make a 2 to 4-day visit to areas about 600-1.000 km from their place

of residence (Xu, 1999). The travel demand of rural Chinese is much more moderate in monetary terms. In 1994, rural travellers' average per capita spending was almost one-eight of that of urban travellers (table 3.6). And, even in 1999, represented only one-third of urban residents' per capita spending. The lower level of their travel budgets suggests that travels by rural Chinese are not only low in service use, but limited in geographical scope and short in travel duration.

Table 3.6 - Domestic tourist average expenditure per capita in RMB, 1985-1999

Year	Average Expenditure per Capita		
	Country	Urban Residents	Rural Residents
1985	33,33	n.a.	n.a.
1986	39,26	n.a.	n.a.
1987	48,28	n.a.	n.a.
1988	62,33	n.a.	n.a.
1989	62,50	n.a.	n.a.
1990	60,71	n.a.	n.a.
1991	68,97	n.a.	n.a.
1992	75,76	n.a.	n.a.
1993	210,73	n.a.	n.a.
1994	195,33	414,67	54,88
1995	218,71	464,02	61,47
1996	256,20	534,10	70,45
1997	328,06	599,81	145,68
1998	344,50	607,00	197,10
1999	394,00	614,80	249,50

Source: CNTA, various years

2.2.4.1.3. Travel Format

Besides lower standards demanded, domestic travel takes place most often in a spontaneous manner and on an individual basis. Domestic travel demand arises not only from "well-to-do individual households", but in an even larger measure, from such "social groups" as public institutions and enterprises (Xu, 1999). All-inclusive tours are not popular, except those organised by working units (*danwei* - 单位), which play a big part in domestic tourism. *Danwei*-financed travel meetings make up a significant part of total domestic tourism (Xu, 1999).

In 1993, the number of tourists whose travels were organised by travel agencies amounted to 8,2 million, accounting for 2 percent of the total (Xu, 1999). It seems that a considerable number of those who participated in those organised tour programs were, in fact, one-day visitors. Nevertheless, there is a tendency for domestic tourism to become more "organised" and the number of "third category" travel agencies has grown. On the whole, such organised travel demand appears in those wealthy areas in the coastal provinces.

2.2.4.1.4. Travel Motives

As the demand groups have expanded to a much wider basis, travel motives have become multiplied. Traditionally, the upper classes and Communist officials have frequently travelled to seaside and hill resorts. The common people often made religious pilgrimages, a practice that declined after 1949, but that is becoming more usual again.

Until recently, travel had been motivated primarily by organised events such as scientific conferences, political indoctrination and group holidays for work units. Domestic tourism has highly diversified segments[8], nonetheless, and generally speaking, domestic tourism as a whole is sightseeing in nature (Xu, 1999).

[8] The major market segments include: urban residents and wealthy farmers in and around the major metropolitan areas and coastal towns; incentive tours for employees offered by their companies; resort vacations arranged by various organisations and associations; public holidays and annual leave vacations for employees; summer and winter break vacation travel by college and high school students; and leisure travel by retired people (Qiao, 1995).

On the whole, pleasure-seeking tourists who stay more than one day in destination areas and whose travels are privately financed, tend to make up only a small fraction of the total demand. A much larger part of the booming domestic tourist demand comes from public institutions, enterprises and other types of *danwei*. This involves various forms of meetings requiring travel, or *gongfei lüyou* (公费单位), which are paid either by government departments or employers. However, this state-founded travel is loosing importance as the government has been implementing tighter control over spending.

One-day excursion by urban Chinese, urban tourism by rural Chinese, visiting friends and relatives, sightseeing tourism of natural and cultural kinds, seaside resort tourism, and pilgrimage tourism constitute the main forms of domestic tourism in China today.

2.2.4.1.5. Seasonality

Some seasonality concerning the domestic tourism market can be observed. Since Deng Xiaoping's innovations, most workers and civil servants have designated vacations. A large part of this free time is used for family visits, especially at Chinese New Year, thus few hotels are used, leading to little increase in demand for hotel rooms in these seasons. The huge numbers of workers returning to their hometowns results in overcrowded buses and trains, due in part to the fact that private and long distance automobile trips are still rare in China.

Large numbers of university teachers and students also travel during the summer holidays (Sicroff, 1999).

> "It is surprising how they manage to pay for lengthy summer journeys with their meagre stipends and salaries. They can do this, in part, because the low cost of basic housing and foodstuffs in most of China provide surplus buying power that can be used for travelling." (Gormsen, 1995:132)

The major peak seasons for domestic travel are the Spring Festival, The May Day, the summer holidays and the National Day. During these peak periods infrastructure is insufficient to meet the demand. For example, inexpensive hotels and hostels exist throughout China for domestic travellers and foreign visitors are generally not permitted to

stay in them, thus not exerting any kind of competition. However, the capacity of these establishments is insufficient to handle the enormous domestic demand during these peak seasons, and sometimes, local government and collective buildings such as schools, public bath houses and even underground shelters may be used (Sofield and Li, 1997). Private guest houses in some cities have also opened up for use by domestic tourists.

In 2001, in order to alleviate the very congestioned transportation sector during the Spring Festival, the Ministry of Railways decided to raise ticket prices. A sharp increase in the number of passengers at this time of year makes it difficult for the transportation sector to accommodate all Chinese passengers for a period of about a month. The government believed that price increases for train, plane, bus and boat fares would help make the demand for transportation more manageable. For example, in Shanghai, bus tickets went up by 20 percent, in Guangdong they were raised by as much as 80 percent. In Guangdong Province, several cities even saw bus ticket prices raised a full 100 percent during the 15 days before the Spring Festival. This situation caused some concerns to travellers. The majority of passengers travelling before and after the Spring Festival are ordinary people, including many farmers who do manual work in cities. Their income is generally low, so these price increases cause them significant financial difficulty (China Online, 4/1/2001).

2.2.4.1.6. Generating Areas

In the post-reform era, the spatial mobility of the Chinese people has been rising significantly. On the whole, domestic travel activities are highly concentrated and city-oriented. The principal generating markets are concentrated in the coastal regions and large metropolitan areas (Qiao, 1995; Wen and Tisdell, 2001). Xu (1999) also states that domestic tourism is short in travel distance and urban-biased in nature, because the big cities present strong attractions not only to the rural Chinese, but to many urban Chinese as well.

Thus, the largest part of domestic tourism activities is concentrated in the wealthy coastal region, especially in the metropolitan areas in the Pearl River Delta, Yangtze River Delta and Beijing-Tianjing area. Underpinning such a basic pattern of domestic tourist demand

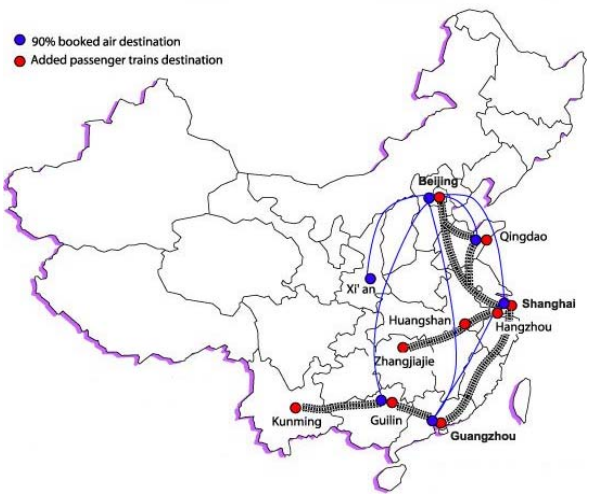
are the disparities in living standard at both regional and household levels. For instance, the Pearl River Delta is the largest generator of domestic tourists. The residents of Shanghai, Beijing and Tianjin, having higher incomes and being more educated than much Chinese, have been showing a strong interest in travel to other parts of the country. According to Xu (1999), some newly rich residents of smaller cities in China's interior and wealthy farmers in rural areas will likely be the next major domestic tourism markets.

2.2.4.1.7. Destinations

Being the major tourist sending areas, the metropolitan areas of the coastal region, also constitute the most attractive destinations. It is in these coastal areas that various travel motives such as sightseeing, cultural activities, business, shopping as well as transitions, overlap one with another.

Figure 3.1 shows the major domestic travel routes during the National Day in 2000. Additional railway transportation was needed to meet the growing demand in traditional destinations in coastal areas, but also in further inland places, such as Kunming, Guilin, Xi'an and Zhangjiajie. Routes travelled during this holiday represent the pattern of domestic tourism over the years. In 1996, five of those coastal cities (Beijing, Shanghai, Hangzhou, Guangzhou and Qingdao) accounted for 30 percent of all domestic travel.

Figure 3.1 – Major destination routes during the National Day Holiday in 2000



Source: China Online – http://www.chinaonline.com

While domestic tourists clearly outnumber international visitors in almost every destination in China, there are still considerable variations in visitation rates due to the tourism resources that each place has to offer. For both groups, the most visited places include Beijing, Xi'an and a few other outstanding places of the traditional Chinese culture. However, domestic tourists are more likely to predominate at most traditional gardens (which are widely distributed in their original and carefully copied forms) and religious shrines, while international visitors tend to target only a few of the most remarkable. In contrast, cultural and natural landscape peculiarities of the peripheral regions are important attractions for foreign tourists, but not for domestic tourists. (Sicroff, 1999). Domestic tourists have not so much interest in these areas due to their remote location, but also due to a "distinct belief in the superiority of Han Chinese culture" (Gormsen, 1995:139).

Cultural, historical and religious attractions are major destinations, existing a strong sense of "cultural pilgrimage" in much domestic tourism in China (Sofield and Li, 1998). Theme parks are also major attractions for domestic visitors. They are experienced by 6 to 8 times more Chinese domestic visitors than overseas Chinese and more than 20 to 30 times other foreign visitors. There is another important distinction in the visit to theme parks, while Chinese are participant observers and experience the theme parks, non-Chinese merely look at them (Sofield and Li, 1998).

On the whole, one-day travellers apparently dominate domestic tourism. Such form of domestic tourism is most typical of the densely populated areas in the eastern coastal region. One-day trips usually take place within an area of up to 200 km distance from urban centers. Xu (1999) distinguished two major directions of tourist flows:

- travel from urban to rural areas, which often takes the form of one-day excursions;
- travel from rural to urban areas, taking the form of urban tourism.

2.2.4.1.8. Elasticity of Travel Demand

Domestic travel demand is highly cost and distance elastic, this being especially true of the privately financed individual tourists. On the whole, the share of pleasure-seeking

individual tourists at the interregional travel level remains low, urban workers from the wealthy coastal provinces tend to account for the biggest shares of this type of domestic tourist demand. On the other hand, the travel demand of business travellers and those attending meetings appears to be much less cost and distance elastic (Xu, 1999).

In general, the dramatic growth of China's domestic tourism has the following features (Zhang, 1997): a low starting point; a great market potential; a strong state macro control; the solid foundation of a fast growing economy and social stability; and the favourable conditions and experience gained in developing international tourism.

The supply and demand conditions of China's domestic travel industry is unbalanced, with demand far exceeding supply. This results in service providers benefiting from the lack of competition. According to Qiao (1995), due to the uneven distribution of economic growth and wealth in China, these characteristics will probably continue for some time.

2.2.4.2. Cultural Factors Influencing the Characteristics of Domestic Tourism

Within China, traditional culture requires individuals to save and be thrifty, so they may travel. Travel is, therefore, highly respected by the Chinese, largely because of the social, cultural and spiritual development that is gained by their culture (Chi and Desombre, 1998). Traditional Chinese culture, which is predominantly composed of the thoughts of Confucianism, Taoism and Buddhism, has been recently influenced by contemporary Western philosophies, due to the process of modernisation and social development. The effect of Western culture and norms is causing adaptation to a new lifestyle, with leisure and recreation involving social participation. The modern tourism outlooks, however, contain the traditional concepts, which is the "psychological basis" for the strong desire of the Chinese people to travel (Zhang, 1997). From a cultural perspective, the preference for short distances by Chinese tourism is in keeping with such ideological principles as "Benevolence", "Filial Piety" and "Fraternal Duty" long preached in Confucianism[9] (Chi and Desombre, 1998).

[9] This is believed to be able to achieve ideals such as "reducing unusual death or unnecessary disability", fulfilling the dream of "keeping the elderly safe and the adolescent sound" (The Anaclets), and "ensuring that gray hairs are not on the roads" (The Mencius).

However, most of the Chinese people are still not affluent enough to travel. In Chi and Desombre's (1998) view, a lack of motivation to travel both domestically and internationally is apparent. Instead, people prefer to watch television, go to cinema, read, listen to music or play sport. However, Zhang Wen (1997) argues that a factor promoting the development of domestic tourism is the absence of a cultural life, with tourism compensating for this deficiency.

Tourism is still viewed as a luxury item to many Chinese. However, there has been a gradual evolution in tourist behaviour, which is manifested in the increased westernisation and consequent increase in outbound tourism.

> "When western tourists look at the Yangtze River, they see a river, the Chinese see a poem replete with philosophical ideals. Part of the "common knowledge" of Chineseness is to recognise representations of the picturesque hills of Guilin, the sea of clouds of Wu Shan, the Three Gorges of the Yangtze River, and the Yellow Crane Terrace pagoda. These images bring spiritual unity even if the people have never visited them; but when they visit the importance of these images is reinforced." (Sofield and Li, 1998: 367)

Petersen (in Sofield and Li, 1998) suggests that Chinese domestic tourism to such places constitutes a voluntary cultural decision more akin to a pilgrimage to historical, cultural and political centres made in order to validate the poetic knowledge of those places.

3. Outbound Tourism

3.1. Background of Development

Although outbound tourism from China is not a significant focus of this work, some observations about it need to be made. In order to understand the Chinese overall tourist market, it is necessary to look at its three components: inbound, domestic and outbound tourism.

For most of its recorded history, few Chinese left China proper. Only military expansion and migration movements had made Chinese to cross borders. Even during the Tang Dynasty, when China became a major sea-trading nation in the Indian Ocean, it was rare and illegal for Chinese to leave their homeland. Exceptions were pirates from the southern coastal province of Fujian (Lew, 2000). This situation changed significantly in the late 1800s, when European nations forced Qing dynasty rulers to allow freedom of travel for its citizens, many of whom then migrated to become cooley workers on European plantations in Southeast Asia.

Outbound travel of Chinese citizens since the formation of the PRC is not well documented. However, it is common to say that travel from China was mostly limited to visits for official or commercial purposes rather than for holiday or recreation (Bailey, 1994; Wen and Tisdell, 2001). Private travel was not officially allowed until 1983, but only those who had relatives living in other countries had the privilege to travel abroad. This was the first time that China had allowed residents to leave the country for non-official purposes since the early 1950s.

The first private tours from China, known as "relative-visiting" tours, were to Hong Kong. These tours were mainly bus tours, for which the Hong Kong Government had set up a quota. In 1983, it was permitted just one or two buses/groups a day were permitted, a number that increased steadily to 10 buses/groups a day in 1990 (Bailey, 1994 and 1998). By then, only designated China-owned, but Hong Kong-based, travel agencies had licenses to operate these tours, which at first were only directed to people from Guangdong province. Tours to Macao started in 1984, with the same arrangement as for Hong Kong. There were three travel services licensed to operate these tours, which did not had any quota imposed by the Macao Government. Hong Kong and Macao, thus, became the first international destinations for Chinese tourists on an "experimental-basis" (Lew, 2000).

However, in the 1990s, China began to relax its policies on outbound travel and visits to some Southeast Asian countries were allowed for tourism purposes. In 1991, there was a breakthrough when the government began to allow Chinese national to join tours organised by authorised travel services to Malaysia, Singapore and Thailand, with economic

sponsorship of their overseas relatives and friends[10]. These countries were selected because of their close proximity, growing trade relationships with China and large number of ethnic Chinese citizens (Lew, 2000). In 1992, although not officially at first, available tours were organised by more travel agencies and to more countries, including Australia, New Zealand, Japan, the Philippines and Korea[11] (Bailey, 1994; Lew, 2000). In 1993, some authorised travel services began to introduce tours for Chinese groups to more distant destinations, such as USA and Europe (Chen, 1998).

In 1998, Australia and New Zealand were the first Western countries to be approved as the new official destinations for Chinese mainland citizens (Dou and Dou, 1999). Many West-European countries and Canada are actively negotiating with China to become official destinations for Chinese travellers[12]. Switzerland was the first European country to receive permission to establish tourist offices in China and, thus, to reach out to Chinese tourists. Switzerland expects to be listed as one of the top European countries for Chinese tourists. Travel agencies from Zhejiang Province are set to open Swiss tour routes to facilitate travel from this Province to Switzerland (China Online, 24/6/1999). By the end of 2000, 15 countries and regions had already received the approved destination status. Besides the already mentioned ones, Japan, Brunei, Vietnam, Laos, Myanmar and Cambodia were also approved as official outbound destination countries for Chinese citizens travelling abroad at their own expenses[13].

These "tourism liberalising countries" are officially approved destinations for visitation on organised leisure tours, however, business travel can be done to "non-tourism liberalising countries". Many of these trips combine the business element with considerable leisure activity.

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[10] With the approval of the State Council, the CNTA with the Foreign Ministry, the Public Security Ministry and the Overseas Chinese Affairs Office declared the "*Provisional Regulations on Management of Organising Chinese Citizens to Travel to Three Countries in Southeast Asia*".

[11] Philippines was added to the list of authorised receiving countries in 1994 and Korea was included in 1997.

[12] Germany, Spain and Greece have officially applied for the approved destination status and other EU countries are considering doing the same. The State Council has already authorised CNTA to open negotiations with Germany.

[13] Indonesia, Nepal and Malta have been approved by the State Council as authorised destination countries but specific agreements are still currently being negotiated.

> "Although Chinese nationals have long been able to join tours to destinations other than the official recognised, the tours were defined as business trips or business-study trips. Many such tours have a leisure content, and some itineraries are almost entirely leisure-oriented, with only one or two afternoons set aside for the business content." (Bailey, 1998:22)

Nonetheless, the 1991 change was important as it was regarded as an official endorsement of international travel. It greatly increased the number of travellers, particularly from the more prosperous provinces of Guangdong and Fujian.

Although not encouraging outbound leisure travel[14], the Chinese Government gradually liberalised its policy on travelling abroad, making it easier for the Chinese people to travel overseas. In 1995, great improvements were made in the application procedures for getting a private passport, making the process easier and less time consuming. China will also begin to issue multiple-exit visas that are valid for five years and that can be extended for another five. Holders of these visas can travel freely out of the country (Kwong, 1997).

Currency regulation for overseas travel from China[15] also changed. With the elimination of "Foreign Exchange Certificates" and the establishment of a single currency system, Chinese people were allowed to use the RMB to purchase any goods and services, including package tours, resulting in the further encouragement of overseas travel (Zhang and Lam, 1999).

Besides the gradually liberalised policy of the Chinese Government, the rising Chinese overseas travel market is also due to the country's rapid economic growth and to the people's strong desire to travel. For a long time overseas travel remained a privilege for senior government officials and was merely a dream for common people. With increasing

[14] In spite of not encouraging all outbound leisure travel, in early 1990s, the Chinese government initiated a "Travel Abroad" campaign to encourage overseas travel with the goal of advancing the knowledge and skills of China's professionals and government officials. Attendance at conferences, trade fairs, art shows, music performances or sporting events outside China were particularly encouraged as part of this campaign (Lew, 2000).

[15] Before 1994, to receive a permit from the Bank of China to obtain 1.000 USD, a traveller had to show their passport and visa (Chen, 1998).

leisure time, more people now like to use their holidays to travel, and the new trend is to travel abroad (Chen, 1998). Also, the desire to travel overseas can be traced to its roots in Chinese culture. Li Bai said that "to be wise, a man should read ten thousand books, and travel ten thousand miles". In this regard, a person with lots of travel experience is regarded a "wise man" or an "experienced man", who is highly admired by others. So, with enough income, Chinese people began to travel in order to increase their knowledge (Chen, 1998).

3.2. Classification of the Outbound Market

Outbound travel from China is categorised into several types, which differ from international norms and which are closely related to the type of passport used for travel. Besides official or business travel, which is generally paid by government funds, there are mainly three types of outbound travel: the self-funded travel, the relative-visiting travel and the private travel (Bailey, 1994 and 1998). According to former administrative stipulations, self-funded international travel should be paid beforehand by the relatives of travellers in overseas countries, and not by travellers themselves, and was only for the purpose of visiting relatives. All these stipulations gradually lost their meaning. In 1997, an important stipulation implemented by the CNTA came into effect nation-wide, the *Provisional Regulations on the Management of Outbound Travel by Chinese Citizens at Their Own Expenses*. This is the first governmental regulation concerning outbound travel at citizens' expenses (Dou and Dou, 1999), stipulating a yearly quota for outbound travellers from every city of origin that was to be fixed based on the number of tourists visiting China – a measure to control the outflow of foreign currency (Chua et al., 1999). More and more, the purpose of outbound travelling is becoming tourism, and the expenses for this trip now can be paid inside China in RMB.

According to the Bureau for China Inbound and Outbound Administration (BCIOA), Chinese people travelling abroad can be classified into four categories depending on their destination (Dou and Dou, 1999):

a) outbound travelling to Hong Kong and Macao (which takes mainly the form of relative-visiting travel);

b) travel to countries which share land border with China[16], namely Russia and other former USSR countries, Korea, Mongolia, Vietnam, Cambodia, Laos and Myanmar;
c) destination countries officially approved by the national government;
d) other destinations covering all the countries in the world, as long as tourists travel at their own expenses, with the purpose of integrating commercial, cultural and educational exchange programs.

3.3. Characteristics of Outbound Tourism

3.3.1. Travel Volumes

Chinese citizens started to join international travel in early 1990s. At that time, it was the rapid growth of outbound travellers, rather than the absolute numbers involved, that drew attention to the importance of China as a travel market in the international arena. By early 1993, growth of travellers from China into some destinations in Asia was up three-fold, taking China into the top ten origin markets for tourists for some countries (Bailey, 1994). It became the third ranked tourist exporting country in Asia after Japan and Taiwan. By then, 10 percent of Japan's population created Asia's biggest outbound market of about 12 million tourists. China could produce the same number of tourists with just 1 percent of its population (Qu and Li, 1997). Because of China's large population, although the percentage of outbound travellers is small, the total number of China's overseas visits is already large.

[16] In 1996, "*Provisional Regulations on the Management of Border Tourism*" were jointly formulated by CNTA, Ministry of Foreign Affairs, Ministry of Public Security and General Administration of Customs, and approved by the State Council.

Table 3.7 - China's overall economic and outbound travel measures, 1990-1997

	1990	1991	1992	1993	1994	1995	1996	1997
Population (million)	1.134	1.148	1.162	1.176	1.192	1.205	1.218	1.230
GDP (billion RMB)	1.855	2.025	2.314	2.626	2.958	3.270	3.584	3.902
GDP per capita (USD)	313	325	356	385	293	326	355	383
Outbound trips (thousands)	620	2.134	2.930	3.740	3.734	4.520	5.061	5.320
Annual rate of change of outbound trips	24,0	244,2	37,3	27,7	-0,2	21,1	12,0	5,1
Trips per capita	0,0005	0,0019	0,0025	0,0032	0,0031	0,0038	0,0042	0,0043

Source: Bailey, 1998

Departures from China have grown strongly since 1991, with the exception of 1994 (table 3.7), when a clampdown on corruption curtailed international travel for a brief period. International travel was one of the areas targeted in this anti-corruption programme, not just for travel that was officially sponsored, but for more corruption related to travel in general (Bailey, 1998). Money to finance official trips came from the country's foreign currency reserves, so the Chinese central government became increasingly critical of individuals using public funds for unnecessary or unauthorised trips abroad (Lew, 2000). The slowdown in 1997 was due to restrictions imposed by the Chinese authorities on travel to Hong Kong in the year that this territory reverted to Chinese control (Bailey, 1998).

3.3.2. Destinations and Generating Areas

The gross share of outbound trips from China is accounted for by trips to the East Asia and the Pacific Region, which received 84,5 percent of travellers in 1996 (Bailey, 1998), followed by Europe with 10 percent. Two factors account for the high Chinese visitors that some Asian countries receive: business ties and leisure travel (Lew, 2000).

Hong Kong, which continues to be considered an international destination (as is true of Macao as well), has been the main destination for travellers from China and the main gateway for travel from China to more distant overseas destinations (table 3.8). In 1993, the Hong Kong Government launched a new policy of granting seven-day free visas for those holding Chinese passports who were in transit in Hong Kong, with a third country's return ticket. This also helped to pull the China outbound travel to Hong Kong to a certain extent, with the number of mainlanders visiting Hong Kong increasing 51 percent (The China Business Review, 1993; Zhang and Lam, 1999). However, this factor has been loosing its relative importance as more direct flights from China have been established with more distant destinations.

Table 3.8 - Arrivals from China in major destinations, 1991-1997 (in thousands)

Main destinations	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Hong Kong	n.a.	n.a.	n.a.	875	1.149	1.733	1.944	2.243	2.311	2.297
Japan	109	97	106	131	183	207	194	221	242	263
Thailand	n.a.	52	61	75	129	262	257	543	604	528
Macao	n.a.	n.a.	n.a.	12	27	168	245	376	457	400
Singapore	21	24	28	42	93	226	165	202	227	235
Malaysia	n.a.	n.a.	n.a.	13	47	82	96	103	136	n.a.
Australia	n.a.	n.a.	n.a.	17	19	22	29	43	54	66
USA	n.a.	n.a.	n.a.	n.a.	n.a.	178	158	167	199	n.a.
Korea D. R.	n.a.	n.a.	43	79	87	100	141	178	200	214
Myanmar	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7	234	472	n.a.
Vietnam	n.a.	n.a.	n.a.	n.a.	n.a.	56	n.a.	122	147	n.a.
Russia	n.a.	n.a.	n.a.	n.a.	n.a.	101	49	70	66	n.a.
P. R. Korea	n.a.	n.a.	n.a.	n.a.	n.a.	14	7	18	23	n.a.

Source: Edward and Graham, 1997; Bailey, 1994 and 1998; Dou and Dou, 1999

Thailand appears as another important destination for Chinese travellers. In 1997, owing primarily to a major crackdown on illegal travel agencies in China, after which only 86

travel agencies were legally allowed to organise tours from China to Thailand, the number of outbound travellers decreased (Lew, 2000).

Other major destinations for Chinese outbound travellers are Macao, Singapore, Malaysia, Philippines, Russia, Australia, New Zealand, Republic of Korea and Japan. Most of the remaining outbound Chinese travellers are same-day cross border visitors. Cross border same-day tours to Russia, Korea and Mongolia in the north, and to Vietnam, Laos and Myanmar in the south are popular. They attract Chinese who otherwise would hardly have a chance of travelling abroad.

Although the total number of outbound tourists is very large, in fact, it is generated from only a few provinces/regions in China, most of them located along the coast or along the border (table 3.9). In 1996, Guangdong ranked first of all the provinces and is by far the largest source of private travel, accounting for nearly one third of all outbound tourists, and 50 percent of tourists going to Hong Kong and Macao (Dou and Dou, 1999). As can be seen from table 3.9, most of the travel is done to neighbouring countries or regions.

Table 3.9 - The top 10 generating regions of outbound tourists in 1996

Rank	Region	Main destination
1	Guangdong	Hong Kong and Macao
2	Yunnan	Vietnam, Laos, Myanmar
3	Guangxi	Vietnam, Laos, Myanmar
4	Heilongjiang	Russia, Mongolia
5	Fujian	Hong Kong and Macao
6	Liaoning	P.R. Korea
7	Shanghai	Southeast Asia, Hong Kong
8	Beijing	Hong Kong, Southeast Asia
9	Inner Mongolia	Mongolia
10	Sichuan	Hong Kong, Southeast Asia

Source: Dou and Dou, 1999

The travelling of Chinese mainland outbound tourists is, as seen before, not confined to the few destinations publicly approved for tourism purpose. By justifying their travel as commercial, cultural and educational exchanges, the tourist can really go wherever they want to go (Dou and Dou, 1999). In 1995, the number of destinations outnumbered 197 countries or regions, and in 2000, Chinese citizens travelled to 232 overseas destinations. In fact, just because a country is not approved as an official destination it does not mean that it does not receive a great number of Chinese visitors. This is the case of the USA and Japan (which only in recent years received the approved destination status). However, it is much more difficult for leisure travellers to visit non-listed countries and the large numbers that these countries receive are indicative of the growing business links that China has with them (Lew, 2000).

Some authors (Dou and Dou, 1999) believe that with the development of the Chinese outbound market, the attractiveness of destinations will change gradually. Long distance destinations will become more popular destinations. This trend was confirmed by the forecast to 2010 (Edward and Graham, 1997), indicating that by then long distance travels will already represent 47 percent of all outbound travel by the Chinese people, accounting to 21.840 thousand travellers. This represents an eight-fold increase compared to 1995. Other studies (Yatsko and Tasker, 1998 in Lew, 2000) confirm this tendency, showing also that the most desired destinations for Chinese travellers are the more developed Western nations. Some Chinese even prefer more expensive destinations for their future trips, the USA being their most desired destination, followed by Japan.

3.3.3. Travel Motives

The number of mainland residents travelling overseas has increased in recent years, especially the number travelling for personal purposes. The total number of Chinese outbound travellers was 8,4 million in 1998, of which 5,2 million were for business and the rest for private purposes. Official travel, thus, represented the majority of travellers, however, private travel has been increasing at a much faster and steadier average annual rate. Chen (1998) estimated that private travel would likely replace official travel as the dominant share in Chinese overseas market within a few years. In 2000, Chinese citizens

made 10,47 million exits, of which already 54 percent were for personal purposes. However, the development of private travel is likely to be uneven and reflect regional variations. Much of the growth will be concentrated in certain cities and regions with relatively higher average annual income.

3.3.4. Spending

In 1995, China was ranked as the sixth biggest spending market in the Asian region by the WTO. The big increase was in 1992, due to the Chinese government's open policy which allowed Chinese people to travel abroad on their own funds to the southeast Asian countries (Chen, 1998). Figures from the WTO also show that China has moved from 40th position in world ranking of travel expenditures in 1990 to the 10th position in 1997 (WTO, 1999c). In 1998, there was an increase of nearly 130 percent in expenditures by Chinese travellers (table 3.10), leading China to occupy the 9th position in the world ranking (a position that it still held in 1999).

Table 3.10 - Tourism expenditure by Chinese travellers, 1994-1998

Year	Expenditure (USD million)	Change (%)	Average expenditure per capita (USD)
1994	2.797	-	749
1995	3.036	8,5	672
1996	3.688	21,5	729
1997	4.474	21,3	841
1998	10.166	127,2	1.210
1999	10.900	7,2	1.298

Source: adapted from WTO, 1999c and 2001

In Hong Kong, where spending has been the highest in the region, partly because of the shopping element and partly because of higher costs, average visitor expenditures per day was 242 USD in 1997. However, visitors from China only spent on average 176 USD per day in Hong Kong, a value considered low (Bailey, 1998). Overall, the average total expenditure per capita for Chinese outbound travellers was 841 USD in the same year.

Some analysts consider that the spending potential of Chinese travellers is underestimated, as each traveller should be viewed as a small group of people, since most Chinese do shopping for those who cannot travel overseas (Bailey, 1994 and 1998).

It seems possible that there is some suppressed demand for outbound travel from China due to regulations on such travel and administrative obstacles to outbound travellers[17]. At a time when more and more people travel abroad, the Chinese government does not want to encourage outbound travel because expenditures overseas are viewed as an "unnecessary financial loss for China" (Chen, 1998). One measure to solve the problem of the drain of foreign exchange could be the imposition of special taxes on outbound tourists (Dou and Dou, 1999).

However, in order to prevent a drain on foreign currency, which "should be used for national economic construction", outbound travel will be developed in a controlled way. The government launched provisional regulations to stipulate the guiding principles for overseas travel. According to these regulations, there will be an annual plan to ensure a higher rate of increase in foreign exchange earnings from tourism than spending by Chinese tourists abroad. Overseas travel will continue to be conducted in tour groups, there will be a control on the aggregated number of overseas travellers, and a quota administration will be practised as well (PRC Yearbook, 1999).

However, greater liberalisation and continuing increases in incomes could result in a substantial rise in the number of China's outbound travellers. Better diplomatic relations with foreign countries could also promote the outbound tourism development and the gradual increase of overseas travels (which sometimes are cheaper than domestic long distance trips within China). Another positive sign is the recent growth of international services. There are direct international travel services from 27 different cities in China (Bailey, 1998).

[17] As the Chinese tourism industry is controlled by a number of different regulatory organisations, each of them controlling different areas, their jurisdictions often overlap discouraging the development of this rising market.

Table 3.11 – International tourism balance in China, 1993-1997

Year	Receipts (USD million)	Expenditure (USD million)	Balance (USD million)
1993	4.683	2.797	1.886
1994	7.323	3.036	4.287
1995	8.733	3.688	5.045
1996	10.200	4.474	5.726
1997	12.074	10.166	1.908
1998	12.602	10.166	2.436
1999	14.099	10.900	3.199

Source: WTO, 1999c and 2001

China's international tourism account is likely to remain in positive balance for some time to come. The balance is very much in China's favour (table 3.11), and more so financially than the relative number of outbound and inbound travellers might suggest. Consequently, tourism and China's tourism industry will continue to make a net positive contribution to China's foreign exchange earnings. These earnings in turn are likely to continue to be valuable in supporting China's future economic growth (Wen and Tisdell, 2001).

4. The Impact of Tourism on the Economy of China

4.1. Tourism Revenues

4.1.1. Foreign Exchange Receipts

In this study, the definition of tourist expenditure formulated by the WTO was used as the guideline for its measurement. "Tourist expenditure consists of all expenditures that the foreign tourists disburse in connection with their stay in the country visited and which are incidental to their stay" (WTO in Zhu, 1997). The main items on which tourists normally spend money during their stay at a destination can be categorised as follows: accommodation; food and beverage; local transportation; tour and guide services;

recreation and entertainment; shopping; travel agency services; direct taxes, fees and levies, and others.

4.1.1.1. The Growth of Foreign Receipts

The development of international tourism during the period 1978 to 1999 appears to have contributed substantially towards achieving the objectives of the Chinese government. International tourist earnings increased from 263 million USD in 1978 to 14.099 million USD in 1999 (table 3.12). The position of the tourism industry as a foreign exchange earner in the Chinese economy has undergone a substantial change over this period. The contribution of tourist earnings to total foreign exchange earnings has increased steadily from 3 percent in 1980 to 6 percent in 1995, ranking as the second highest earner, in gross terms, of foreign exchange (Zhu, 1997). This position can be partly justified by the fact that tourist supply is not restricted by various international arrangements and quotas like some of the primary and manufactured commodity exports, a situation that might change after China enters the World Trade Organisation.

Table 3.12 - International tourist receipts in China, 1978-1999

Year	Total Receipts (in million USD)	Rank in the world	Indices (1978=100)	Growth (%)	Receipts per visitor (USD)	Growth (%)
1978	263	n.a.	100,0	-	145,37	-
1979	449	n.a.	170,9	70,9	106,81	-26,5
1980	617	34	234,6	37,3	108,20	1,3
1981	785	34	298,6	27,3	101,07	-6,6
1982	843	29	320,7	7,4	106,38	5,7
1983	941	26	358,0	11,6	99,29	-6,7
1984	1.131	21	430,3	20,2	88,00	-11,4
1985	1.250	21	475,5	10,5	70,09	-20,4
1986	1.531	22	582,3	22,5	67,09	-4,3
1987	1.862	26	708,1	21,6	69,21	3,2
1988	2.247	26	854,6	20,7	70,89	2,4
1989	1.860	27	707,7	-17,2	75,91	7,1
1990	2.218	25	843,5	19,2	80,77	6,4
1991	2.845	21	1.082,1	28,3	85,31	5,6
1992	3.947	17	1.501,3	38,7	103,56	21,4
1993	4.683	15	1.781,4	18,7	112,77	8,9
1994	7.323	10	2.785,4	*	167,63	*
1995	8.733	10	3.321,7	19,3	188,27	12,3
1996	10.200	9	3.880,0	16,8	199,50	6,0
1997	12.074	8	4.592,7	18,4	209,66	5,1
1998	12.602	7	4.793,4	4,4	198,52	-5,3
1999	14.099	7	5.362,7	11,9	193,68	-2,4

Source: CNTA, various years

* Because of the reform in the foreign currency control system, the methodology of calculating tourism receipts in 1994 has been adjusted and the international standard was adopted, thus it is not proper to make simple comparison with the figures of previous years.

Because of the reform in the foreign currency control system introduced in 1994, it is not possible to make simple comparisons with the figures of previous years. However, the

average annual growth rate of China's foreign exchange earnings was 21 percent between 1978 and 1993. No other sector of exports in China's economy has shown such a rapid growth as tourism during this period; within this period of 15 years, foreign exchange income from tourism increased by almost 18 times.

Nonetheless, some considerations need to be taking into account. China was starting from a very low base as a result of the policy of closing China to foreigners in previous years, and it is not uncommon for a country to obtain dynamic growth in tourism in the early years of its opening up to tourism. From 1978 to 1993, the average annual growth rate of visitor arrivals was about 23 percent, which was 2 percentage points higher than that of receipts. This means that the average "nominal" expenditure per visitor declined continually over the period, without adjusting for the high inflation rates in China over the same period (Zhu, 1997).

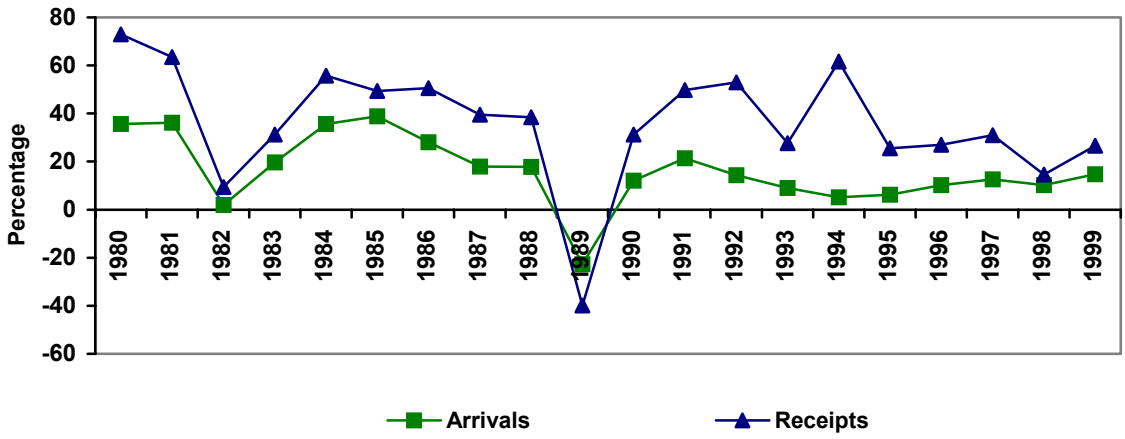
There has been a steady increase in tourism revenue since 1994, with only a lower growth rate in 1998, mainly due to the effect of the Asian financial crisis. The annual average growth rate between 1994 and 1998 was 14 percent, a value lower than the achieved in the previous 16 years, but still high.

According to CNTA's development goals for the 10th Five-Year Plan (2001-2005), in 2005, China hopes to receive 85 million tourists and 18,3 billion USD in foreign exchange income from tourism. In addition, it aims to generate 500 billion RMB from 1,1 billion domestic tourists and to receive 16,36 million overseas Chinese tourists on the mainland. If these goals are achieved, tourism will bring in more than 90 billion USD in foreign exchange income and create jobs for more than 8 million people (China Online, 11/1/2001).

By 2020, China estimates to receive 135-145 million international tourists, among which foreign tourists would amount to as many as 27,5-33,5 million. International tourism receipts will be 52-75 billion USD, and domestic tourism receipts will represent 1.900-2.700 billion RMB. By then, the total tourism revenue will exceed 3.300 billion RMB,

equalling 8 percent of GDP. Tourism will thus become the dominant sector of the national economy (He, 2000).

Chart 3.4 – Annual growth rate of international tourist arrivals and receipts in China, 1980-1999



Source: CNTA, several years

Growth in arrivals and receipts were sluggish in 1982, and in 1998, and were negative in 1989 (chart 3.4). In 1994, there was a 56,4 percent rise in tourism receipts compared to 1993, conversely the percentage growth rate of tourist arrivals fell. This increase in receipts can largely be attributed to a change in the method of estimating receipts from foreign tourists. The figure for tourist expenditure began to be obtained by surveying departing tourists, a procedure recommended by the WTO. Basic measurement methods for tourism receipts or expenditure such as direct observation, survey of tourists or households and simulation, started to be used.

Before 1994, receipts were estimated by tourist revenue in Foreign Exchange Currency (FEC). The FEC was established in 1980 as a special currency issued at currency exchanges for tourists as a substitute for RMB, the non-convertible Chinese domestic currency. This policy aimed to keep international tourists relatively isolated from the domestic market, to make it easier for the government to track currency movements, and to maintain the official exchange rate that seriously overvalued the RMB (Wen and Tisdell, 2001).

Because there was private exchange directly from foreign currencies to RMB through a black market exchange rate that benefited foreign currency holders, international tourists were able to use RMB rather than FEC. A thriving black market developed since many Chinese tried to get hold of FECs because certain goods and services could be financed only with this currency. Ideally the FEC and RMB should be equal in value, in practice, however, the exchange rate was 1,4 or 1,7 *yuan* in RMB for every *yuan* in FEC.

The outflow of foreign exchange as a result of illicit trafficking was high because of the acute shortage of foreign exchange. After the cancellation of the FEC currency system in 1994, the black market in the tourism sector substantially was reduced, however it did not disappear completely, there still exist a market to exchange money at a rate above the official one. However, this new black market does not have the same scale as the one that existed before 1994.

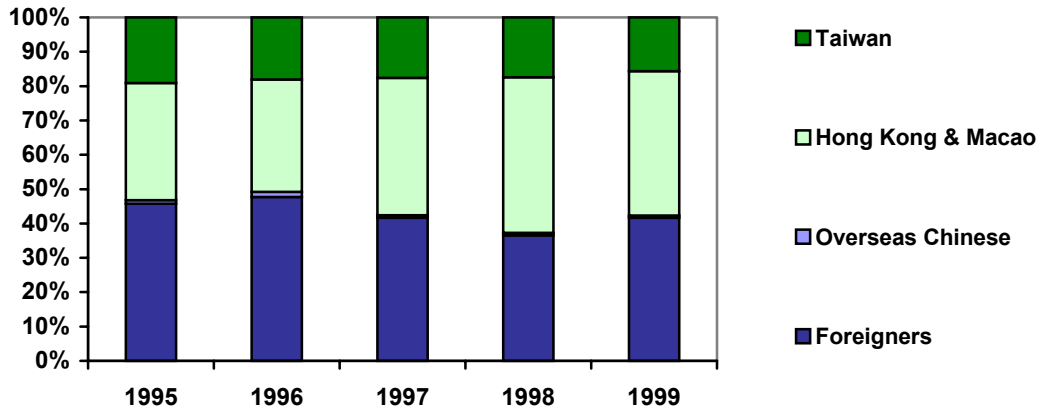
Due to these conditions, it was commonly agreed that tourist receipts in China calculated from tourist income in the form of FEC severely underestimated China's total tourist receipts. With the abolishment of FEC in 1994 and the new survey method, tourist receipts started to be reported more accurately (Wen and Tisdell, 2001).

4.1.1.2. Foreign Exchange Earnings by Market Segment

It is worthwhile to compare the expenditure levels of different segments of inbound tourists to China. Visits from Hong Kong and Macao accounted for nearly 85 percent of total arrivals in 1999 but for only 42 per cent of total tourism expenditure, while Taiwanese, accounting for only 3,6 percent of total arrivals, contributed 15,6 percent of the total tourism receipts (chart 3.5). This pattern was usual in the 1990s mainly because most Taiwanese visitors stayed longer in China than visitors from Hong Kong and Macao. Short but frequent cross-border trips from Hong Kong and Macao to Mainland China are the norm. In addition, visitors from Hong Kong and Macao are considered to have a lower per capita economic impact than those of higher spending Westerners or Japanese (Roehl, 1995). This is mainly because a high percentage of these compatriots stay with relatives and friends. Foreigner visitors, despite representing only around 10 percent of total arrivals

to China, are responsible for over 40 percent of all foreign exchange earnings from international tourism.

Chart 3.5 - Distribution of foreign exchange receipts in China according to market segments, 1995-1999

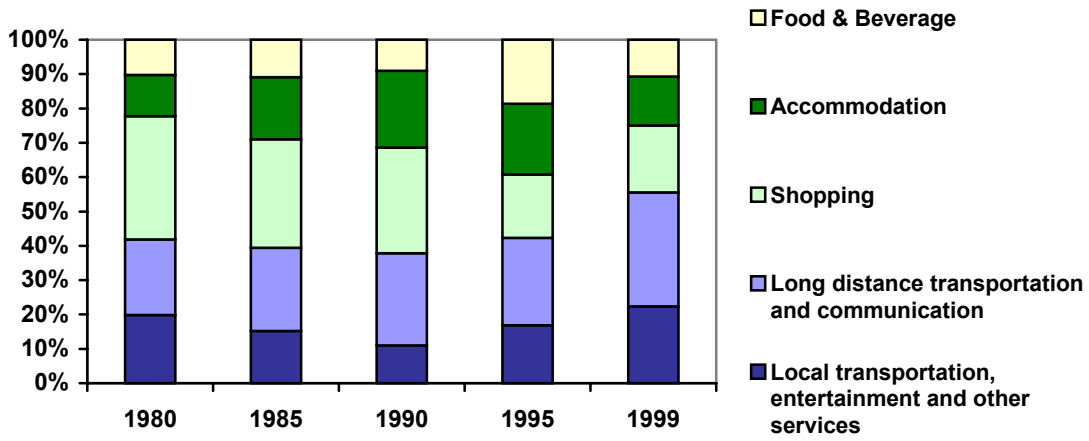


Source: CNTA, various years

4.1.1.3. Composition of Foreign Exchange Earnings

From the breakdown of total tourism receipts, it is evident that the largest contributions to revenue came from long distance transportation and communication, which account for 33 percent of the total in 1999 (chart 3.6). This represents an 11 percentage point increase in total share over the 22 percent achieved in 1980. Spending on accommodation and food and beverage accounted for 25 percent of total foreign exchange receipts. Shopping was responsible for 20 percent of total spending in 1999. Its share has been declining over time, representing a 16 percentage point decrease of its share in 1980.

Chart 3.6 - Composition of foreign exchange receipts in China, 1980-1999



Source: CNTA, various years

4.1.1.4. Regional Distribution

Table 3.13 shows the regional distribution of foreign exchange receipts. A handful of traditional destinations in China have dominated the Chinese market, both in terms of arrivals and of receipts. Beijing, Shanghai and Guangdong alone represented 71,5 percent of total receipts in 1980. Although this has been decreasing (in 1999 it was 59,4 percent), these three regions still absorb the majority of foreign exchange receipts of the country. There is also a tendency of wealth generation by international tourism to concentrate in coastal city areas. In 1997, 16 cities[18] earned more than 100 million USD in tourist income (PRC Yearbook, 1999), only 4 of which were located in inland areas.

In spite of the evident concentration of tourist earning in coastal areas, it also should be noted that inland areas have been gaining in market share over time. The annual average growth rate of tourist earnings, between 1995 and 1999, in traditional destinations, such as Beijing, Guangdong and Shanghai, was lower than the national average. On the contrary, there has been a remarkable increase in inland destination such as Yunnan and Shaanxi.

[18] Beijing, Shanghai, Shenzhen, Zhuhai, Xiamen, Xi'an, Hangzhou, Tianjin, Kunming, Guilin, Nanjing, Wuhan, Chongqing and Suzhou.

Table 3.13 - Foreign exchange earnings by region, 1990-1999

Region	1990		1995		1999		Annual average growth (1995-1999)
	(million USD)	% of total	(million USD)	% of total	(million USD)	% of total	
Beijing	658	29,4	2.183	26,5	2.496	20,8	3,4
Liaoning	69	3,1	189	2,3	304	2,5	12,6
Shanghai	230	10,3	939	11,4	1.364	11,4	9,8
Jiansu	71	3,2	260	3,1	620	5,2	24,3
Zhejiang	54	2,4	236	2,9	410	3,4	14,8
Fujian	101	4,5	484	5,9	725	6,0	10,6
Shandong	36	1,6	154	1,9	265	2,2	12,7
Guangdong	713	31,8	2.393	29,0	3.272	27,2	8,1
Yunnan	16	0,7	165	2,0	350	2,9	20,7
Shaanxi	41	1,8	139	1,7	272	2,3	18,3
Others	251	11,2	1.097	13,3	1.934	16,1	15,2
Total	2.240	100,0	8.251	100,0	12.014	100,0	9,8

Source: CNTA, various years

4.1.1.5. Hotel Revenues

The hotel industry is a revelling marker of the economic impact that tourism has had on China (Yu, 1995). This industry in China has made a significant contribution to China's international tourism revenues. In 1999, total hotel revenues[19] amounted 84,6 billion RMB, representing an average annual growth rate of 22,2 percentage from 1990. Further analysis of hotel revenues by hotel ownership reveals that 44 percent of total receipts came from the state-owned hotels in 1999 (table 3.14), which comprised 64 percent of all hotels in China.

[19] Hotel revenues refer to revenues generated by those hotels categorised by CNTA as international hotels.

Table 3.14 - Hotel revenue in China, 1990-1999

Year	Total Hotel Revenue		State-Owned Hotel Revenue		
	(million RMB)	Growth (%)	(million RMB)	% of total	Growth (%)
1990	13.882,7	-	n.a.	n.a.	-
1991	18.867,7	35,9	9.306,6	49,3	-
1992	26.480,5	40,3	12.519,2	47,3	34,5
1993	40.666,8	53,6	19.187,8	47,2	53,3
1994	54.830,3	34,8	24.313,1	44,3	26,7
1995	63.607,6	16,0	27.121,7	42,6	11,6
1996	73.136,9	15,0	34.407,4	47,0	26,9
1997	81.235,9	11,1	36.913,2	45,4	7,3
1998	79.683,1	-1,9	36.386,6	45,7	-1,4
1999	84.574,9	6,1	37.438,0	44,3	2,9

Source: CNTA, various years

Almost half of tourist hotel's revenue comes from domestic tourists (Zhu, 1997). Among domestic tourists, many were business travellers supported by government funds. This result may not match Chinese government's original objective to develop luxurious hotels.

The great majority of hotels in China are small in scale, rated at or below three star and are state owned. Such hotels lack adequate capital, information, and stable traffic of customers. In a study conducted in 1999 (Zhang et al., 1999), it was concluded that a low occupancy rate is a problem to the great majority of the Chinese hotels[20]. But this low occupation rate is not even across all hotel segments, it appears that the more luxury and the higher size of the hotel, the higher the occupancy rate. These luxury hotels are mostly foreign-owned or joint-ventured, and are usually affiliated with multinational hotel chains.

Another analysis (Gu, 1999) showed that large and high-star foreign-owned hotels outperformed small and low-star domestic hotels. Zhu's study (Zhu, 1997) confirm that in

[20] Occupancy rates have dropped from 67,7 in 1993 to 53,4 in 1999.

terms of operational profit, foreign-invested hotels dominate. "This reflects an interesting conflict between the nation and the market. From the resource allocation's point of view, a lot of large and luxurious hotels may not meet nation's interests; from the individual firm's point of view, however, large and luxurious hotels are a guarantee of profit" (Zhu, 1997:135).

4.1.2. Domestic Tourist Expenditure

Although domestic tourism can not produce foreign exchange, it has other desirable economic effects. The rapid development of China's domestic tourism industry has had a great impact on the nations' overall economic development and on the cultural life of the Chinese people. However, domestic tourism is also causing undesirable effects. Overcrowded facilities and destinations, environmental degradation and commoditisation of minority culture are pointed out as examples of negative consequences in the most popular tourist areas of China.

In 1985, domestic tourism receipts amounted 8 billion RMB, representing an increase of 334,8 percent over those in 1978. In 1985 they contributed 40,8 percent to the total tourism receipts generated by the tourism industry in China (He, 1999b). However, this share is low when we take into account that the domestic market made up 93 percent of total number of tourists in the tourism market in China. From 1985 to 1988, receipts grew faster than the number of tourists, but this growth being interrupted by the impact of the Tiananmen Square incident, which produced a 19,7 percent decrease in receipts. In the 1990s, the period when the domestic tourism experienced the fastest growth, receipts also achieved high average growth rates. Between 1993[21] and 1999, domestic tourism arrivals grew at an annual average rate of 9,81 percent, while receipts grew at a rate of 21,88 percent.

Generally speaking, domestic tourism receipts' contribution to GDP has been increasing since 1985, except for a major disrupt in 1989. The subsequent recovery in the following

[21] Due the fact that in 1993 there was a change in the accounting system, it is not possible to make comparisons with previous years.

three years was not sufficient to restore pre-Tiananmen figures. In 1993, with a change in the way of calculate receipts, domestic tourism contribution to GDP jumped from 0,94 in 1992 to 2,49 percent. In 1998, it was 0,52 percentage points higher than the value of 1993 (table 3.15). Domestic tourism also contributes a considerable share to receipts of the tertiary sector. In 1998, 9,16 percent of total receipts of the tertiary sector was generated by domestic tourism.

Table 3.15 - Domestic tourism receipts and their contribution to GDP and tertiary sector, 1985-1999

Year	Domestic Tourism Receipts		
	in million RMB	% of GDP	% of Tertiary Sector
1985	8.000	0,89	3,13
1986	10.600	1,04	3,60
1987	14.000	1,17	3,99
1988	18.700	1,25	4,15
1989	15.000	0,89	2,78
1990	17.000	0,92	2,92
1991	20.000	0,93	2,77
1992	25.000	0,94	2,74
1993	86.400*	2,49	7,63
1994	102.351	2,19	6,86
1995	137.570	2,35	7,67
1996	163.838	2,41	8,02
1997	211.270	2,83	8,79
1998	239.118	3,01	9,16
1999	283.192	n.a.	n.a.

Source: CNTA, several years; He, 1999b

* Modifications in the accounting system

Domestic tourism was expected to generate 330 billion RMB in 2000, accounting for more than 73 percent of the total revenue enjoyed by the entire tourism industry (China Online,

22/12/2000). However, the total revenue from domestic tourism did not meet expectations in 2000, when China's domestic tourism income reached 317,55 billion RMB, representing 70,3 percent of total tourism revenue (China Online, 17/1/2001). According to the director of CNTA, the tourism industry in 2001 is expected to serve 760 million domestic tourists who will generate revenues of 350 billion RMB.

The central government considers domestic tourism an important means of withdrawing currency from circulation, alleviating the excess money supply, and reducing the risk of inflation. It was estimated that 130 billion RMB non-commodity currency was withdrawn from circulation as result of domestic tourism development from 1985 to 1992. It also was estimated that by 2000 the amount would reach 120 billion RMB a year, against the 50 billion RMB in 1995 (Qiao, 1995).

Domestic tourism has also redistributional effects on the national economy. Inter-regional transfer of purchasing power brought about by tourist flows is a case in point. From the standpoint of local economies, the influx of a large number of domestic tourists can expand the local consumer markets of a destination area to a significant extent (Xu, 1999).

4.1.3. Contribution of Receipts to the Balance of Payments

The primary objective of the Chinese government in embarking upon the development of the tourism industry in 1978 was to increase the country's foreign exchange earnings in order to finance the expansion in the volume of imports necessary for the modernisation program. Tourism was thus perceived as one of the ways of improving the country's deteriorating balance of payments. At the same time it was directed towards diversifying the sources of foreign exchange earnings.

In 1980, international tourism ranked, in terms of foreign exchange earnings, below the industrial groups. It even ranked below the non-traditional sectors of machinery and transport equipment (Zhu, 1997). However, since mid 1980s this situation has been changing, and in 1999, China's tourist earnings in foreign exchange made up 7,2 percent of China's export value (table 3.16). This figure is forecasted to rise to 8,7 percent by 2010

(WTTC, 1998). International tourism has thus helped to reduce China's over-dependence on the traditional exports, diversifying the sources of foreign exchange earning to a substantial degree.

Table 3.16 - International tourist receipts' contribution to balance of payments in China, 1978-1999

Year	International Receipts (million USD)	Exports (million USD)	Imports (million USD)	Trade Balance	Tourism as % of exports
1979	449	13.660	n.a.	n.a.	3,29
1980	617	18.270	n.a.	n.a.	3,38
1981	785	22.010	n.a.	n.a.	3,57
1982	843	22.320	19.290	3.030	3,78
1983	941	22.230	21.390	840	4,23
1984	1.131	26.140	27.410	-1.270	4,33
1985	1.250	27.350	42.250	-14.900	4,57
1986	1.531	30.940	42.900	-11.960	4,95
1987	1.862	39.440	43.220	-3.780	4,72
1988	2.247	47.520	55.270	-7.750	4,73
1989	1.860	52.540	59.140	-6.600	3,54
1990	2.218	62.090	53.350	8.740	3,57
1991	2.845	71.840	63.790	8.050	3,96
1992	3.947	84.940	80.590	4.350	4,65
1993	4.683	91.750	103.960	-12.210	5,10
1994	7.323	121.010	115.610	5.400	6,05
1995	8.733	148.780	132.080	16.700	5,87
1996	10.200	151.050	138.830	12.220	6,75
1997	12.074	182.790	142.370	40.420	6,61
1998	12.602	183.760	140.170	43.590	6,86
1999	14.099	194.930	165.720	29.210	7,23

Source: CNTA, various years; Tisdell and Wen, 1991; World Bank

To better understand the importance of tourism receipts to China's balance of payments, it is necessary to analyse the share of tourism receipts in the service section of the trade account. Since the 1990s, international tourism has been almost entirely responsible for producing sizeable surpluses in the service trade account of the balance of payments. These surpluses have partly helped to finance the deficits in the international trade account, thus constituting a stabilising factor in China's balance of payments. Tourism receipts have counted for about 45 percent of China's services in its trade account in the mid 1990s (Zhu, 1997).

4.1.4. Contribution of Receipts to the GDP

In 1985, the ratio of total tourism receipts to GDP was 1,6 percent, in 1995 it had grown to 2,2 percent, placing its share ahead of that for countries such as Germany, the United States, France and the UK (Zhu, 1997). International tourism has become one of China's major sources of foreign currency earnings, with receipts from international tourism contributing 10,2 billion USD to China's economy in 1996 (representing 1,1 percent of GDP).

According to a WTTC research report (WTTC, 1998), based on China's adoption of the WTO standards for tourism satellite accounts, the contribution of total tourism revenues to the GDP has been around 2 percent since the mid 1990s[22]. When taking into account the travel and tourism industry's flow-through effect in the economy, the value is much great, reaching almost 8 percent. Using this indicator as a measure, in 1998, travel and tourism contributed 87 billion USD to China's GDP, accounting for 7,8 percent. This study also forecasted that its effect would total 8,7 percent of GDP in China in 2010, representing 3,1 trillion RMB. The tourism contribution to GDP in China is thus forecasted to grow at 9,3 percent annually, being fuelled by consumer spending.

Many Chinese people have moved from poverty to varying levels of prosperity as a result of the country's economic growth and tourism has played a major part in increasing the

[22] In 2010, the contribution of the travel and tourism to GDP is expected to be 2,4 percent (WTTC, 1998).

country's level of prosperity, especially in the densely populated coastal provinces (Lew, 2000).

4.1.5.Tourism Income Multiplier

In a study conducted in 1997 by Zhu Mei, the tourism income multiplier was calculated taking into account the multiplier effects of tourist spending and foreign exchange leakages. The tourism income multiplier was estimated to be 1,48. That means for every additional dollar spent by tourists, the national income will increase by approximately one and forty-eight hundredths dollar. China is a developing country and it must import both equipment and skilled managerial personnel from developed countries, so it is not surprising that China's income multiplier for tourism expenditures is lower than that in the developed countries, which have a much more developed tourism industry. However, having a much more diversified economy, the value for China is likely to be higher than that in a dependent island economy.

4.2. Investment

The undercapacity and poor standard of the hotel industry was the bottleneck to tourism development when China opened its door to the world. In order to meet the needs of tourist development, an investment policy for tourist hotels was set up focusing on the renovation and construction of tourist hotels using capital of both central and local governments, and through the establishment of Sino-foreign joint ventures.

In 1979, the State Council invested 360 million RMB to build 30 hotels with a total of 17.000 beds (Uysal et al., 1986). This marked the beginning of large-scale investment in tourism in China, especially in hotels. Between 1979 and 1983 the dominant sources of tourism investment were SATT and various government departments and agencies.

However, since domestic investment was limited, large-scale hotel construction has placed heavy reliance upon foreign finance. Nonetheless, substantial levels of foreign investment did not occur until 1983, following the success of the first Sino-foreign joint venture which opened in 1982. The rapid raise of China's international hotel sector can be ascribed in

large measure to the inflow of FDI. Approximately one-third of the total direct foreign investment in China between 1979 and 1988 was used for hotel investment, with the major sources of overseas funds being Hong Kong, Japan, Macao and the USA (Tisdell and Wen, 1990 in Hall, 1994). And over 60 percent of all joint-venture hotel projects were concentrated in the key tourist cities (Tisdell and Wen, 1991).

Total direct foreign investment in China in 1984 was 2.651 billion USD, 69 percent[23] of this investment was allocated to tourism. Out of the total foreign investment in the Chinese tourism industry, 85 percent was allocated to hotel and business buildings (table 3.17). Beijing has been the main focus for tourism investment in China (Tisdell and Wen, 1991).

Table 3.17 – Amount of foreign investment in tourism in China in 1984

Tourist sector	Number of projects	Amount of foreign investment (thousand USD)	Percentage of total foreign investment
Hotel and business centre	82	1.555.860	85,08
Amusement facility centres	10	29.955	1,64
Taxi and cruise company	29	31.000	1,71
Food	11	9.801	0,54
Other tourist services	16	2001.980	11,04
Total	148	1.828.596	100

Source: Tisdell and Wen, 1990 in Hall, 1994a

The introduction of foreign capital and management into the tourism industry has been a key factor in the modernisation of tourism and hospitality in China. On the other hand, hotels proved to be extremely lucrative investments for foreign capital since they combined high demand, low building costs, and cheap labour, with the ease of repatriating profits[24] (Richter, 1989). At the end of 1988, there were 108 joint venture hotels with foreigners and 99 Sino-foreign cooperative hotels in China. (Tisdell and Wen, 1991). While large-size

[23] In 1985 this percentage was even greater, it reached 75 percent.
[24] Ease in repatriation profits because foreign tourists paid for services either in foreign or in foreign exchange certificates and not in Chinese domestic currency (RMB).

FDI and considerable state investments have been concentrated in the international hotel sector, many small domestic investors have participated actively in building accommodation facilities for domestic tourists.

The amount of investment in hotels increased yearly until 1988. The 7th Five-Year Plan (1986-1990) allocated 56 percent of tourist investment to hotel construction. But the actual proportion of tourism investment allocated to this purpose has been much higher because some funds for capital investment were obtained from other sources than those under central government control (Tisdell and wen, 1991).

Investment in transportation and attractions lagged behind during the 1980s. The bulk of direct foreign joint venture investments in China have been in property development, including hotels, luxury resorts, golf courses, apartments and condominiums for foreigners, as well as office space. Only an additional 5 percent of the total has been invested in transportation, restaurants, and related services (Lew, 1995).

With the progress of China's economic reform, the tourism industry at the end of the 1980s began to transform into a market economy operation (Zhang, 1997). Local governments, industries and businesses, seeing its potential growth, have invested in tourism, directly or indirectly, thus pooling diversified financial resources. Because the government at all levels attached great importance to the improvement of infrastructure, investment in it has increased. Improvements in transportation networks, telecommunications, commerce and urban development have laid a solid foundation for the development of tourism.

Nonetheless, in the 1990s, the Chinese government was still encouraging foreign investment in resort and hotel development, and in travel agencies and taxi services, through the establishment, in 1992, of eleven tourist zones[25] where special tax incentives were provided. In 1999, of the 7.035 international hotels in China, 719 were owned either by foreign companies or by entrepreneurs from Hong Kong, Macao and Taiwan (CNTA,

[25] Taihu (Jiangsu), Dianchi (Yunnan), Nanhu (Guangzhou), Shilaoren (Qingdao), Jinshitan (Dalian), Hengshaodao (Shanghai), Zhijiang (Hangzhou), Wuyi Mountain and Meizhoudao (Fujian), Yintan (Guangxi) and Yalong Bay (Hainan).

2000). Most of these hotels are better equipped, star-rated and their facilities are used primarily by international visitors and wealthy Chinese entrepreneurs.

Guangdong Province has about 60 percent of China's joint-venture hotels, and Hong Kong accounts for approximately two-thirds of all foreign investments in Guangdong Province, particularly due to proximity and shared language (Cantonese). Southeast Asian Chinese direct investment accounts for 10 to 15 percent of all foreign investment in China. The potential, however, is much greater, given the large number of overseas Chinese in Southeast Asia and their wealth (Lew, 1995). This investment has an important effect in the modernisation of China's tourism industry.

The cultural advantage that overseas and compatriot Chinese hold has provided them with access to relatively safer investment than other foreign investors, including the Japanese.

> "The desire to visit China stems from a history of well maintained familial and cultural ties, despite many years of separation. Investment in China's hotels and resorts by ethnic Chinese residing outside the PRC reflects these close personal ties. Such investments also reflect the personal wealth accumulated by Chinese who have been living in capitalist societies." (Lew, 1995:155)

4.3. Employment

The data published by CNTA in the Yearbook of China's Tourism Statistics only comprise the number of employees in the international tourism sector and they only refer to the volume of employment in the registered tourist establishments. Therefore, these employment figures provide only a partial picture of the direct employment generated by tourism. In addition there also is a lack of statistics on another significant group of jobs in registered establishments – the part-time or casual jobs. On the other hand, the seasonality of tourist consumption, which normally creates a peak demand for jobs in the high peak season, seems to be insignificant in China's tourism industry (Zhu, 1997). Since it can be assumed that most of the tourist transaction involving international tourism are carried out through the registered establishments (Zhu, 1997), the figures here presented may be

assumed to cover the majority of the direct employment generated in the international tourism industry.

According to CNTA, in 1997 (table 3.18), the international tourism industry had a total staff of 1,36 million, plus related employment of 6,7 million people. These numbers are probably underestimated because employees in family-run businesses are almost impossible to estimate precisely (Gormsen, 1995). Employment effects of tourism in China can probably never be entirely comprehended because of the large and rapidly growing number of related private and informal occupations.

Table 3.18 - Employees of international tourism industry in China, 1985-1999

Year	Number	Growth (%)
1985	168.357	-
1986	276.463	64,2
1987	356.801	29,1
1988	438.987	23,0
1989	517.363	17,9
1990	619.717	19,8
1991	708.263	14,3
1992	795.942	12,4
1993	876.700	10,1
1994	973.977	11,1
1995	1.115.798	14,6
1996	1.196.746	7,3
1997	1.359.423	13,6
1998	1.830.000	34,6
1999	1.944.867	6,3

Source: CNTA, various years

The majority of the nearly 2 million permanent jobs provided by the registered establishments in 1999 worked in the hotel sector (62,5 percent). Travel agencies and coach and cruise companies are the other two sectors which make a substantial

contribution to employment creation, together accounting for 13 percent (5,6 and 7,4 respectively). Although there are no specific figures for restaurant employment, the employees from restaurants, bars, entertainment centers outside of accommodation establishments account for a sizeable proportion of employment in tourism. The reason for this is that China's restaurants are well established due largely to the huge demand and investment in this field (Zhu, 1997). From the employment structure we can speculate that there is a predominance of employment in the lower grade jobs (simple and manual operations), because there are a lot of opportunities available in the tourist industry for a wide range of unskilled jobs.

Domestic tourism can also create some employment opportunities. Not only can the industry generate income for medium and low-grade travel destinations in China, the country's overall economy will also benefit from the large number of low-wage service jobs created as the industry expands. Jobs are created in food services, accommodations, transportation, telecommunications and shopping facilities. Handicraft and souvenir production also creates jobs and supplemental household income (Sicroff, 1999).

> "There are, for example, hot food stands on street corners, mobile souvenir traders, photographers at view points, bicycle renters, and so on. Connected to this is the rapidly expanding souvenir industry. In addition to larger enterprises, there are many private workshops producing a variety of arts and crafts, especially those representing ethnic minority cultures." (Gormsen, 1995:86)

By the end of 1996 there were 3.275 registered "third category" travel agencies serving domestic tourists. Due to the changes in the categories of travel agencies, it is not possible to know how many travel agencies are now dealing only with domestic tourists. In any event, in 1999, the number of travel agencies also engaged in domestic activities was large, with 6.070 domestic travel agencies. Directly and indirectly, these agencies generate a significant number of jobs, both in the tourism generating regions and the destination areas (Qiao, 1995).

As seen previously, tourism generates opportunities for both direct and indirect employment. Direct employment is provided in tourism sectors that sell goods and services direct to tourists or run tourism business. These include those activities traditionally associated with travel and tourism, such as transport, accommodation, catering and recreation. Indirect employment, which expresses the impact of travel and tourism and its flow-through effect across the wider economy, is generated in those sectors which supply goods and services to the tourist sector. These supplying sectors include a large number of activities, among which are the construction, agriculture and fishing, manufacturing and processing sectors. The volume of secondary or indirect employment generated depends on the linkage between the tourist sector and all other sectors. The higher the degree of integration and diversification in the economy, the higher the amount of indirect employment generated. Nonetheless, it is generally true that secondary or indirect employment is higher than the number of direct jobs created in the tourism sector.

According to a study conducted by WTTC (1998), China's travel and tourism industry employed an estimated 13,5 million people in direct-industry jobs (1,9 percent of all jobs in China), and an additional 33,7 million in indirect jobs in 1998, the total jobs created representing 6,7 percent of total employment in China. The same study projects these numbers to increase by 2010 to 19 million direct jobs (2,4 percent of employment), plus 50 million indirect jobs. Overall, by then travel and tourism will contribute to 69 million jobs, accounting for over 1 in 11 jobs in China, which represent 8,5 of total employment.

According to Zhu (1997), the average annual earnings of a permanent employee in the tourism industry in 1994 was 5.754 RMB, which represented 1,3 times the average earnings at national level. However, there were variations between different sub-sectors and also between different categories of tourism industry employment. This is due to the wide variation in the skills required for different sectors and also for different jobs. For example, the average earnings of permanent employees in the hotel sector, which create the bulk of jobs within the travel and tourism industry, ranked the lowest, but will still higher than the national average.

4.4. Other Economic Benefits

The direct economic benefits of international tourism are foreign exchange earnings, creation of employment opportunities, generation of income and expansion of industrial production. These are the positive linkages of international tourism that are largely economic and quantifiable. However, international tourism generates additional benefits to the country, which may not be easily quantified.

International tourism helps to diversify the national economy and promote regional economic development. It makes a significant contribution to the development of transportation, communication, urban construction, commerce, public utilities and industries manufacturing tourist goods (Jenkins and Liu, 1997). It is also a good base to promote international trade, cooperation and relations, thus opening new added economic opportunities. It can contribute to modernisation, helping to introduce of new skills and advanced technology from developed countries, as well as promoting and developing cultural facilities and other historical monuments. The need for accommodation and other facilities also stimulate the development of local economies.

International tourism makes it possible for the country to develop various tourist facilities using revenues received from foreign tourists. These facilities are then also available to domestic tourists. Transportation and other facilities demanded by international travellers are generally viable only because domestic tourists also use them. In the past 20 years China has made great achievements in the modernisation of its transportation network. The completed road system in urban centers alone expanded greatly. Many projects, such as the Beijing-Jiujiang-Jiulong, the Nanning-Kunming and other railway projects, as well as highway and expressway construction between cities and provinces, like the Beijing-Shijiazhuang, the Shanghai-Hangzhou expressway projects, among others were completed. In addition to the increases in the number of public buses, several big cities have either built or plan to build subways. Great improvements in air transportation were also made.

4.5. Economic Costs Resulting from International Tourism Development

4.5.1. Demonstration Effect

As experienced in many other developing countries, tourism development in China has also brought about negative impacts on Chinese society. The "demonstration effect" of tourism has caused changes not only in social values but more importantly in lifestyles, which has significant adverse effects on the Chinese economy, due to strong demand created for imported consumer goods.

4.5.2. Foreign Exchange Leakages from the Tourism Industry

Import leakage occurs when a country depends on foreign sources for goods and services needed to serve the tourism industry, and to provide special facilities and services for the tourists. When this dependency is too high, the net foreign exchange earnings can be very low, so the problem is not "import or not" but "the degree of imports" compared to the receipts (Zhu, 1997:94). Thus, the real impact of tourism on the foreign exchange earnings of a country can be gauged only by calculating the net figures of foreign exchange earnings. Leakages of foreign exchange receipts due to imports should be deducted from the gross foreign exchange receipts figures in order to assess the net foreign exchange benefits from the tourism industry. Some costly imports have reduced China's net foreign exchange earnings.

Before 1994, a thriving black market associated with FECs caused substantial leakage of foreign exchange. However, with the introduction of liberal exchange and trade policies after 1994, the black market is almost non-existent in China.

According to the composition of tourist expenditure, international tourists spend most of their money on long-distance transportation, accommodation, food and beverage and shopping. However, the sectors that represent highest shares of total foreign exchange receipts are those most likely to create leakages. According to Zhu's (Zhu, 1997), the imported leakage of tourist expenditure in shopping is not excessively high since, due to tariffs, the prices of most imported goods in China are higher than in most countries from

which foreign tourists come from. Therefore, the proportion of foreign tourists' money which directly buys imported goods is relatively small.

Although the transportation sector in China does not employ a high share of the foreign labour force, it does import some foreign equipment, particularly in airlines, where the percentage of bought and leased aircrafts is incredibly high. And considering that a considerable percentage of international arrivals in China, particularly from Western countries, are done using Western airlines[26], the leakage could be high. In addition, most taxicabs used by foreign tourists are imports.

However, the sector that provably most contributes to tourist leakage is the hotel industry. One of the sources of leakage is the importation of goods, estimated to be about 2 percent (Zhu, 1997). The cost of capital investment is also of particular importance because foreign investment has played an important role in China's tourism development. By 1989, loans in hotel and other property projects were estimated to comprise nearly 20 percent of China's total foreign debt (Zhu, 1997). Other sources of leakage include payments in foreign exchange, particularly the foreign-invested profit, which is repatriated to the owner (Zhu estimated that the leakage to foreign hotel owners should be around 0,9 percent). The share of foreign employees' salary that is repatriated constitutes also a source of leakage, which is estimated to be 0,85 percent. In this way, the total hotel leakage per tourist dollar is approximately of 3,76 cents (Zhu, 1997).

Another area of foreign exchange expenditure is marketing services abroad in the form of overseas offices, advertising and promotion, participation in conferences and meetings abroad, subscriptions to international organisations, among others.

Summary

One of the reasons why governments try to develop the tourism industry is because of the economic benefits it brings. Governments have increasingly regarded tourism as a desired

[26] China has only ten airlines operating international routes.

sector, and, thus, have started to use it as an instrument of macroeconomic policy. In the late 1970s, China recognised that tourism development could positively contribute to the economic growth of the country as a whole. Since then, travel and tourism in China have grown at a dramatic pace.

In the last 23 years, China has been experiencing overall development of its three tourist markets. International tourism was the first to develop, enjoying rapid growth after 1978. Within 23 years, China's inbound tourist arrivals moved from the 41st position to the 5th position in the world's ranking of inbound tourist destinations. Since the mid 1980s, domestic tourism also started to play an active role, starting to develop very fast in the 1990s. It has become the world's largest domestic tourist market in only little more than a decade. Outbound tourism went from being a non-existent to a VFR type of tourism, and lately to a self-expenses leisure tourism. By the end of 1990s, China was already a major generating country of tourists in Asia.

As a result, tourism has been playing an active role in China, becoming an important sector in the national economy, sometimes growing faster than the economy as a whole. At the beginning of the reform and opening to the outside world period, Deng Xiaoping once mentioned that by the end of the twentieth century, international tourism receipts would come to 10 billion USD. This goal was achieved in 1996.

Tourism has been contributing greatly to income generation in China, especially from foreign exchange earnings from international tourism. Tourism is a key sector within the tertiary industry, contributing about 7,8 of GDP. Employment creation, both directly and indirectly, also has been of great importance for the country's overall economic development. As tourism experienced rapid development, related industries have also been stimulated. As a result of domestic tourism development, demand has expanded, thus promoting the adjustment of the local economic structure and speeded up the development of less developed regions.

Chapter IV

Case Study: Hangzhou (杭 州)

1. General Survey of the Area Characteristics

1.1. Geography and Tourism Resources

1.1.1. Location

Hangzhou is a national key scenic and tourist city, famous for its natural scenery, historical and cultural heritage. It is the political, economic, cultural and tourist center of Zhejiang Province (浙江省) (figure 4.1), one of the smallest but most prosperous and powerful provinces of China. Hangzhou stands at the southern end of the Yangtze River (长江) Delta, at a distance of 180 km from Shanghai (上海市). It is situated on the northern bank of the Qiantang River (钱塘江), covering a total area of 16.600 km^2, of which the city proper takes up 683 km^2 (Hangzhou Municipality, 1999).

Figure 4.1 – Geographic position of Hangzhou

Source: China Online – http://www.chinaonline.com

Under the jurisdiction of the city there are the six urban districts of Hangzhou Municipality, namely Shangcheng (上城), Xiacheng (下城), Xihu (西湖), Gongshu (供墅), Jianggan (江干) and Binjiang (滨江); five county-level cities (figure 4.2), Xiaoshan

(萧山), Yuhang (余杭), Fuyang (富阳), Jiande (建德) and Lin'an (临安), and two counties (figure 4.2), Tonglu (桐庐) and Chun'an (淳安).

Figure 4.2 – Counties under the jurisdiction of Hangzhou Municipality

Source: Hangzhou Municipality, 1999

Hangzhou is an internationally well-known city among the "key tourist cities" in China. It is an attractive place both for international and domestic tourism in East China. Besides being an important tourist city, it is also a tourist transit center, as it is surrounded by other well-known tourist places. For example the famous Yellow Mountain (黄山), Suzhou (苏州), Wuxi (无锡), Shaoxing (绍兴), Ningbo (宁波), and the Putuo Hill Island (普陀山) are all within a days travel. To the south there are the Yandang Mountain (雁荡山) and the

Nanxi River (南溪江), and to the north there are the Mogan Mountain (莫干山) with several summer resorts.

1.1.2. History

Hangzhou became a city over two thousand years ago, but came to prominence as an economic centre only following the completion of the Grand Canal in 609 AD. It gained fame following dredging efforts over several dynasties, reaching its peak during the Tang and Song dynasties. During the 10th and 12th centuries, Hangzhou served respectively as capital of the State of Wuyue and the Southern Song Dynasty. By then, Hangzhou was a major administrative and cultural centre.

The city was famous for its landscapes as early as one thousand years ago. Marco Polo, one of the first Western visitors going to China, made Hangzhou famous by exclaiming that it was the "finest and most splendid city in the world". Among the Chinese people it is known as the "*Heaven on Earth*"[1]. There are mainly three reasons why Hangzhou gained the label of the most beautiful city (Coléccion China, 1984). The first is related to its ideal natural environment. The second reason is because it had several communication infrastructures, being the Grand Canal a great example of it, opened during the reign of the emperor Yang Di, from the Sui Dynasty. The third factor that contributed to its fame is the fact that it was the capital city of some dynasties, thus being built many infrastructures, among them places to accommodate travellers.

1.1.3. Natural, Historical and Cultural Resources

1.1.3.1. The West Lake (西湖) and other Natural Resources

The most famous natural resource of Hangzhou is the West Lake, which jointly with the Fuchun – Xin'an rivers (富春江 - 新安江), which form the One Thousand Islet Lake (千島湖), and the Yellow Mountain, provide a most unique tourist locations in China. The

[1] Traditional sayings such as these highlight the beauty of the city: "Up in the sky there is the Paradise, down on the land there are Suzhou and Hangzhou" ("上有天堂，下有苏杭"), "Hangzhou is the most memorable city south of the Yangtze River"("江南忆，最忆是杭州") and "There are 36 west lakes on the land, and the best one is in Hangzhou" ("天下西湖三十六，就中最好是杭州").

West Lake is located in the west part of the city, covering a total area of 5,6 square kilometres. It is surrounded by hills on three sides, with the city on the other side. The lake used to be a bay at the mouth of the Qiantang River, which gradually became a lake after the accumulated sediment separated it from the river. The West Lake is one of Hangzhou's highlights and a favourite destination for Shanghai weekenders and foreign tourists.

The West Lake tourist attraction covers a total area of about 60 km^2 with around one hundred picturesque scenic spots or key historical sites. Back in the Southern Song Dinasty, the West Lake was already famous for its ten scenic spots, which later were given official imperial recognition by Emperors Kangxi and Qianlong during the Qing Dynasty. The West Lake ten scenic spots (西湖十景) are (figure 4.3, numbers in black):

1. 曲院风荷 - *Lotus in the Breeze at Crooked Courtyard*;
2. 花港观鱼 - *Viewing Fish at Flower Harbour*;
3. 三潭印月 - *Three Pools Mirroring the Moon*;
4. 平湖秋月 - *Autumn Moon on Calm Lake*;
5. 苏堤春晓 - *Spring Dawn on Su Causeway*;
6. 断桥残雪 - *Melting Snow in Broken Bridge*;
7. 柳浪闻莺 - *Listening to Orioles Singing in the Willows;*
8. 双峰插云 - *Twin Peaks Piercing Clouds*
9. 南屏晚钟 - *Nanbing Evening Bell*
10. 雷峰夕照 - *Sunset in Leifeng*

Ten new West Lake scenic spots (西湖新十景) have been named in recent years (figure 4.3, numbers in red):

1. 云栖竹径 - *Winding Lanes Through Bamboo Forest at Yunxi*;
2. 满陇桂雨 - *Osmantus in Manlong;*
3. 虎跑梦泉 - *Running Tiger Springs;*
4. 龙井问茶 - *Drinking Longjin Tea;*
5. 九溪烟树 - *Nine Creeks Amid Misty Bamboo*;
6. 吴山天风 - *Wushan Hill;*
7. 阮墩环碧 - *Ran Yuan's Mound;*

8. 黄龙吐翠 - *Yellow Dragon Cave*;

9. 玉皇飞云 - *Jade Emperor Hill Shrouded in Floating Clouds;*

10. 宝石流霞 - *Precious Stone Hill at Rosy Dawn*.

Figure 4.3 – Location of West Lake scenic spots

Source: HTB

Key: West Lake scenic spots are numbered accordingly to the list presented above. Numbers in black refer to the first group of scenic spots and the red colour corresponds to new scenic spots.

In 1998, there were 13 old and new scenic spots listed in the route "*China City and Country Tour – The Most Memorable is Hangzhou*" (HTB, 1999a). Scenic spots around the Lake were also considered to be one of the ten "civilised scenic zones" (文明景区) for the entire country. In 1998, due to its excellent natural scenery and quality of tourist resources, Hangzhou was awarded as one of China's "Excellent Tourist City".

Considering cultural and scenic sights in the surrounding area of Hangzhou city, there is the One Thousand Islet Lake scenic area that constitutes a well-known natural tourist resource, and is located on the middle and upper reaches of the Qiantang River, covering four counties (Fuyang, Tonglu, Jiande and Chun'an). It is considered a golden tourist route, and it was listed among the national level tourism scenic zones.

Hangzhou is also famous for the surging bores of the Qiantang River, a natural phenomenon of huge tides "caused by the gravitation of the celestial body, the centrifugal force produced by the rotation of the earth and by the peculiar bottleneck shape of the Hangzhou Bay" (CTTP, 1997:103). Other important tourist attractions are the national nature reserve in the west Tianmu Mountain (天目山) located in Lin'an county, and the southern end of the Beijing-Hangzhou Grand Canal, which is a world renowned man-made infrastructure construction that connects the Yangtze River, the Yellow River and three other big rivers.

1.1.3.2. Historic Sites

Stone caves, statues, inscribed stone tablets, and over three hundred Buddhist figures carved into the rock face of the *Peak that Flew from Afar* (飞来峰) are examples of heritage patrimony. The *Six Harmonies Pagoda* (六和塔) and the *Temple of the Soul's Retreat* (灵隐寺) are very renowned for their architectural style. Jointly with the *Yuefei Tomb and Temple* (岳飞墓庙), they constitute the four historic sites of Hangzhou city. China's earliest celestial map can also be found in Hangzhou, in the *Forest of Steles*.

Although Hangzhou's cultural heritage suffered considerably during the Taiping Rebellion, in the 1860s, and again during the Cultural Revolution a century latter, the city managed to retain its beautiful atmosphere.

1.1.3.3. Museums

Hangzhou also has five museums categorised as national level museums:

- Zhejiang Provincial Museum (浙江省博物馆);
- National Museum of Chinese Tea (中国茶叶博物馆);

- National Museum of Chinese Silk (中国丝绸博物馆);
- Museum of the Government Operated Kilns of the Southern Song Dynasty (杭州南宋官窑博物馆);
- Museum of Hu Qingyu's Pharmacy of Chinese Medicine (胡庆余堂中药博物馆).

1.1.3.4. Handicrafts and Interesting Economic Activities

The West Lake region's importance as a tourist attraction has been recognised by local authorities, and therefore, industrial development has been kept away from this natural attraction and from the countryside beyond, where the hills are covered with tea gardens growing the famous Longjing (*Dragon Well* - 龙井) green tea. Hangzhou is also known as the land of fish, rice and the home of silk. Silk production has a history of about five thousand years in Hangzhou. The famous Silk Road started in China's Hangzhou-Suzhou area. Hangzhou's brocade is noted for its fine workmanship and rich colours. Other famous local productions are the fan of Wang Xingji brand; the scissors of Zhang Xiaoquan; the West Lake water shield; the Hangzhou white chrysanthemum, and the chicken blood stone from Canghua.

1.1.3.5. Cultural Festivals

Hangzhou's southern folk custom is blended with the northern custom, owning to the massive inflow of people when the emperors of the Song Dynasty fled south from Henan Province, thus creating a unique way of life. There are festivities and celebrations throughout the year, some celebrated in all China, but others very particular to this city, which are established as tourist attractions. Among the most important are:

- Chinese New Year – 15th of the 1st lunar month – (with cakes made of glutinous rice);
- Lantern Festival (with a lantern show);
- Clear and Bright Festival – April – to pay respect to the dead (Buddhist pilgrims come from all over);
- Dragon Boat Race Festival – 5th of the 5th lunar month;

- Mid-Autumn Festival – 15th of the 8th lunar month (with moon cakes);
- Tides on the Qiantang River – August;
- Double Ninth Festival – 9th of the 9th lunar month (climb to the heights);
- New Year's Eve (the whole family gets together and knocks the bell);
- Rural marriages also remain traditional as in the past (the fishermen on the Xin'an River in Jinde county have a unique way of getting married, which is believed to be passed from Emperor Zhu Yuanzhang, the founder of the Ming Dynasty (1368-1644)).

The *Golden Autumn International Tourism Festival* (金秋国际旅游节) and the *West Lake Spring Tourism Festival* (西湖之春旅游节) constitute the main festivities that the HTB promotes every year. In 1998, the former festival lasted 50 days, and promoted heavily the commerce and the economy of the whole city. This festival achieved a lot in economic terms and in people's participation. The *West Lake Exposition* (西湖博览会) is also one of the most important activities promoted annually. The *West Lake International Fireworks Festival* (西湖国际烟花大会) is already a national tourist event, and the aim of the HTB is to make it an international product in 2 to 3 years.

In the second half of 2000, Hangzhou hosted the *Fifth China International Folk Art Festival*, which takes place every three years in China. Hangzhou was the chosen city due to its rich cultural heritage, landscape and modern infrastructure (China Daily, 25/11/2000). In 2000, Hangzhou also hosted other important events, such as the *Hangzhou Art Festival*.

1.1.3.6. Gastronomy

Hangzhou's cuisine is an important part of Zhejiang cuisine, one of the eight major cuisines in China. It reached its peak when the royal court of the Song Dynasty moved its capital to Hangzhou, hence the strong influence of the northern cooking style on the local cuisine. This blending of southern ingredients and northern cooking style has been preserved. Among Hangzhou's famous dishes are the West Lake fish in vinegar gravy;

pork of Dongpo style; halved chicken of vagabond style; Longjing shrimp; aunt song's fish soup, and West Lake shield soup.

1.2. Tourism Facilities, Infrastructures and Services

1.2.1. Tourism Products

As seen previously, Hangzhou possesses many natural, historical and cultural attractions, some of them having national level status (table 4.1). It also has some important tourism facilities and infrastructures, as with the National Holiday Resort located in southeast Hangzhou. The comprehensive development of Zhijiang National Holiday Resort (之江国家旅游度假区) was approved to be among the first advanced projects of China's tourism industry. Within the resort exist many different tourist attractions, such as the Song Dinasty City (宋城), the Future World Amusement Park (未来世界), the West Lake International Golf Club, and the Dream Lake Villa.

Table 4.1 – Classification of tourism resources of Hangzhou

Tourism Resources	National Level	Provincial Level
Scenic spots	2	2
Forest parks	4	8
Natural preserved zones	2	-
Preserved heritage sites	6	58
Tourism holiday resorts	1	2
Museums	4	1
Opened temples	3	n.a.

Source: Adapted from HTB, 1999a; Hangzhou Press, 2000

Among the main tourism scenic spots already developed or included as development/extension projects in the latter period of the 9th FYP are (HTB, 1999a) the *Lingying Temple* (灵隐景区); the *Three River Holiday Park* (三江假日公园); the *Fairyland of Hangzhou* (杭州乐园); the *Wushan Scenic Zone* (吴山景区); the *Qililong Scenic Zone* (七里龙景区); and the *Xixi Scenic Zone* (西溪旅游景区).

In 1999, the Hangzhou Municipal Government adopted some guidelines to maintain its leading role in the economy's tourism industry, and the city intensified the development of tourism resources, which are to be protected and preserved. Accordingly, there was a change in the development of scenic spots when it was decided that development should be more than just developing scenic spots around the lake. Rather, it was necessary to build a new image of Hangzhou, centred in the West Lake, but also to include the development of other natural and cultural resources, thus forming a bigger tourism attraction, to be composed of both national and provincial level scenic zones, holiday resorts, forest parks and different kinds of scenic spots.

1.2.2. Tourism Enterprises

In recent years, there has been a rapid increase in the scale of the tourism industry in Hangzhou. Tourism enterprises expanded from 120 in 1994 to over 300 in 1998, among the latter were 102 international hotels, 176 travel agencies and 2 tour bus and boat companies (HTB, 1999a).

1.2.2.1. International Hotels

The rapid expansions of international tourism and the rise of mass domestic tourism generated huge demand for and enormous pressures on the local infrastructure. The rapid growth of domestic tourism stimulated considerable investment by local small investors in building simple accommodation facilities[2]. However, with the exception of the old-type garden hotels, the newly built modern tourist hotels are all located in the city, many of them being joint venture hotels (CTTP, 1997). In 1999, 35 of the 105 international hotels in the Hangzhou municipal area were located within the city proper.

From an overall national point of view, the rapid rise of international hotels was mainly ascribed, in large measure, to the inflow of foreign investment. In the specific case of Hangzhou, however, this can not be proved, as no data about the ownership structure could be collected. Nonetheless, it can be said that, being a "key tourist city", Hangzhou received

[2] In 1998 there were 2.563 accommodation establishments in Hangzhou. Of this number, international hotels represented only 4 percent, offering 23 percent of the total accommodations supplied.

certain preferential policy treatments including financial subsidies and some tourist-specific grants from the central government, in order to solve some problems of capital shortage observed in early stages of tourist development. By the late 1980s, the central government had granted a total of 300 million RMB in subsidies to four "key tourist cities": Guilin, Xi'an, Suzhou and Hangzhou. Such financial resources, which virtually disappeared in the early 1990s, were invested principally in urban infrastructure development (Xu, 1999).

Considering the case of Suzhou, which also is located in this region (Yangtze River Delta), thus enjoying the same regional economic background, it has been argued that foreign hotel investment played a small part in its hotel sector investment. The strong regional economy and the sophisticated commercial and industrial traditions seemed to contribute to the lower share of foreign hotel investment in Suzhou (Xu, 1999).

Table 4.2 - Number of international hotels, rooms, beds and occupancy rate in Hangzhou, 1989-1999

Year	Hotels		Rooms		Beds	
	Number	Growth (%)	Number	Growth (%)	Number	Growth (%)
1988	12	-	3.351	-	6.832	-
1989	13	8,3	3.484	4,0	6.988	2,3
1990	16	23,1	3.641	4,5	7.297	4,4
1991	26	62,5	4.745	30,3	9.520	30,5
1992	28	7,7	5.109	7,7	10.119	6,3
1993	35	25,0	6.262	22,6	12.558	24,1
1994	37	5,7	6.856	9,5	13.867	10,4
1995	44	18,9	8.568	25,0	16.532	19,2
1996	59	34,1	10.752	25,5	20.442	23,7
1997	77	30,5	12.781	18,9	24.148	18,1
1998	102	32,5	16.723	30,8	32.234	33,5
1999	105	2,9	17.050	2,0	32.616	1,2

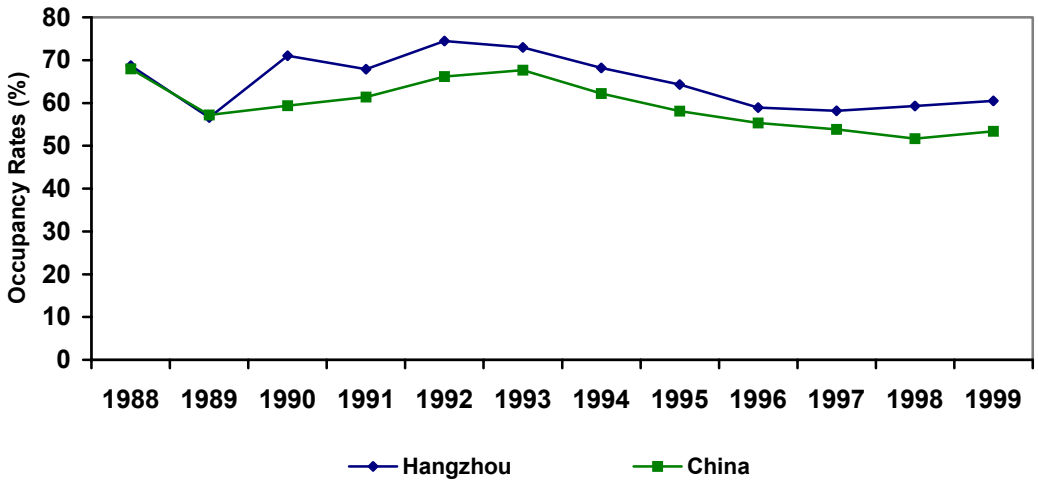
Source: CNTA, various years

Due the impossibility of collecting data before 1989, it is not possible to know to what extent the number of hotels in Hangzhou had grown since the late 1970s. According to table 4.2, international hotel construction has grown year after year since 1988, having only experienced slowdowns in the growth rate in four years: 1989, 1992, 1994 and 1999. Explaining the slowdowns in 1989 and 1994 is an easy task, as it is related to the slowdown in tourist arrivals and in tourist activities in Hangzhou due to political incidents (this issue will be further explained when analysing tourist arrivals to Hangzhou). The slowdown in 1992 can be related to the period of economic recession experienced in the major world economies, thus resulting in a probable setback in investment. The 1999 slowdown is more difficult to understand. It could be related to the Asian financial crisis, but then it still would be difficult to explain the high growth rates observed in 1997 and 1998. Nonetheless, according to the HTB director, this was the result of the Asian crisis, which did not have an impact until 1999, when investment in Hangzhou declined, though the impact did not lead to a visible breakdown in investment.

Besides the growth in capacity, the hotel expansion has been characterised by higher standards. In 1999, from the 105 international hotels located in Hangzhou, 71 were star rated hotels, representing an increase of 42 percent from the previous year. However, the majority of star rated hotels in Hangzhou belonged to the two-star (47 percent) and three-star categories (44 percent). In spite of the great quantity of medium quality hotels, overseas tourists prefer higher standard hotels. In 1999, 23 percent of total overseas tourist bednights in Hangzhou were made in ten international hotels, being the top six preferred hotels the only four-star hotels that exist in Hangzhou, and the four remaining hotels were three-star hotels (HTB, 2000).

Contrary to other "key tourist cities", like Suzhou and Guilin, that suffered from declines in occupancy rates due the over-investment in hotels, Hangzhou suffered a major breakdown only in 1989, due to the political crisis. The average occupancy rate of the entire hotel sector dropped from 68,7 percent in 1988 to 56,6 percent in 1989. Nonetheless, during the 1988-1999 period, occupancy rates were higher than those observed at national level (chart 4.1).

Chart 4.1 - Occupancy rates in Hangzhou and in China, 1988-1999



Source: CNTA, various years

Concerning the domestic tourism market, it uses more types of accommodation than international hotels, which account for 49 percent of total demand for accommodations by domestic tourists. International hotels are more popular to individual business travellers (63 percent) and to meeting participants (54 percent). *Danwei* guesthouses (单位招待所) represent 42 percent of total demand, and, to a lesser extent, relatives and friends' houses with 9 percent, a percentage that is highest among the VFR segment (33 percent).

1.2.2.2. Travel Agencies

In 1998, there were 176 travel agencies in Hangzhou (26 international and 150 domestic travel agencies), 76 percent of which were located within the city proper. In spite of the smaller number of international travel agencies, 41 percent of total overseas arrivals were dealt with this kind of travel agency. Of the total number of travel agencies in Hangzhou, four international travel agencies and eight domestic travel agencies were listed among the 100 best travel services in China.

Hangzhou has three international travel agencies authorised to conduct outbound tourism: Zhejiang Overseas Travel Company (浙江海外旅游公司), the Hangzhou Overseas Travel Company (杭州海外旅游公司) and the Zhejiang Province China Travel Service

(浙江省中国旅行社). In 1999, these travel agencies dealt with nearly 50 thousand outbound tourists, representing 13 times more than those dealt with in 1994. The main destinations are Hong Kong, Thailand and Macao, altogether representing 82 percent of all outbound travelling activities.

1.2.2.3. Tour Bus Companies

In 1998, two tourism enterprises engaged in transportation activities existed in Hangzhou, possessing 1.161 tour vehicles (table 4.3).

Table 4.3 - Number of tourism vehicles in Hangzhou, 1994-1998

Year	Number of vehicles	Growth (%)
1994	778	-
1995	885	13,8
1996	891	0,7
1997	868	-2,6
1998	1.161	33,8

Source: HTB, 1999a

1.3. Transportation Facilities and Infrastructures

The improvement of tourism transportation environment has been remarkable in recent years. Travellers can choose different kinds of transportation to go in and out of Hangzhou, as it constitutes a hub of communications on the southeast coast of China, with all means of transportation.

1.3.1. By Air

The Hangzhou Jianqiao Airport (杭州笕桥机场) is one of the five major airports in China in terms of flight routes. Ever since 1957, when the first air routes began to operate, this airport constitutes one of the most important entrance point to Zhejiang Province. From 1994 to 1998 the number of passengers increased 30 percent (table 4.4).

Table 4.4 - Volume of passengers at Jianqiao Airport, 1994-1998

Year	Volume of passengers	
	Total number (in thousands)	Growth (%)
1994	1.720	-
1995	2.040	18,6
1996	2.180	6,9
1997	2.214	1,6
1998	2.243	1,3

Source: HTB, 1999a

In 1998, there were 37 routes[3] connecting Hangzhou with other leading tourist cities/big urban centers in China (figure 4.4), with more than 180 weekly flights scheduled. Daily flights have been in operation between Hangzhou and Beijing, Shanghai, Huangyan, Wenzhou, Fuzhou, Shenzhen, Hong Kong, Wuhan and Guangzhou. Measured by frequency per week, passenger traffic is concentrated on the routes between Hangzhou and Beijing, Guangzhou, Wenzhou, Hong Kong, Fuzhou, Xiamen and Shenzhen (Zhejiang People's Press, 1999; Hangzhou Press, 2000). Besides being an important airport domestically, the Hangzhou Jianqiao Airport also has international air connections. Every week, there are direct flights to Singapore.

In view of the important role of air transportation for the development of visits by foreign tourists, a large international airport has been under construction in Hangzhou. The new airport, the Xiaoshan International Airport (萧山国际机场), approved by the State Council and the Central Military Commission, was the biggest infrastructure construction in Zhejiang Province during the 9th Five-Year Plan period (HTB, 1999a). It is located in Xiaoshan city, about 25 kilometres from the city of Hangzhou. Its construction began in the end of 1997, and the first phase of the project was concluded in 2000. This new airport has a turnover capacity of eight million passengers per annum.

[3] Including the newly inaugurated routes: Hangzhou-Jinjiang-Zhuhai, Hangzhou-Zhoushan, and Hangzhou-Jining.

Figure 4.4 – Airway connection between Hangzhou and other urban centers in China in 1998

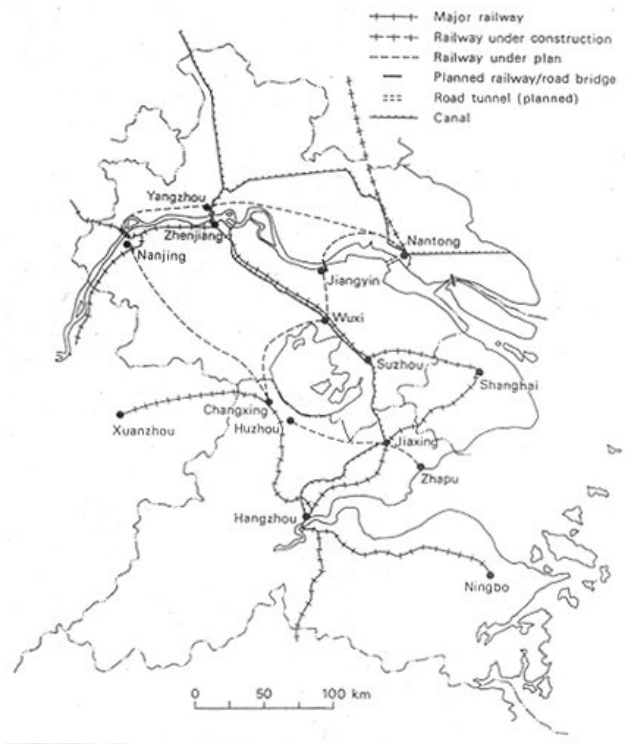
Source: HTB

1.3.2. By Railways

In Zhejiang Province there are 5 routes[4] of passenger trains via Hangzhou, connecting it with other major centers within the province (figure 4.5). Standing on the Beijing-Fuzhou, Beijing-Xiamen, Beijing-Kunming and Shanghai-Guangzhou-Jiulong railroads, Hangzhou is also well connected with big cities in many parts of the country, as well as Hong Kong. There are 15 daily trains starting from Hangzhou to Shanghai, Xiamen, Nanjing, Beijing and Ningbo, among other cities; and several passenger trains passing through Hangzhou everyday. There are also twelve special express trains to and from Shanghai and Wuxi. The fastest train between Shanghai and Hangzhou now takes only one and a half hours.

[4] Shanghai-Hangzhou; Zhejiang-Jiangxi; Hubei-Hangzhou; Xiaoshan-Ningbo; Jinhua-Qiandao

Figure 4.5 – Major railways in the Yangtze River Delta



Source: Hook, 1998

Beginning two years ago, Hangzhou has two train stations, the Hangzhou East Railroad Station (杭州东站) and the Hangzhou Railroad Station (杭州新客站). The new railroad station, the Hangzhou Railroad Station, began its construction work in 1997 and it was finished in 1999.

Table 4.5 - Number of passengers transported via Hangzhou Railroad Station, 1994-1998

Year	Volume of passengers	
	Total number (in thousands)	Growth (%)
1994	12.300	-
1995	12.420	1,0
1996	11.120	-10,5
1997	10.570	-4,9
1998	11.310	7,0

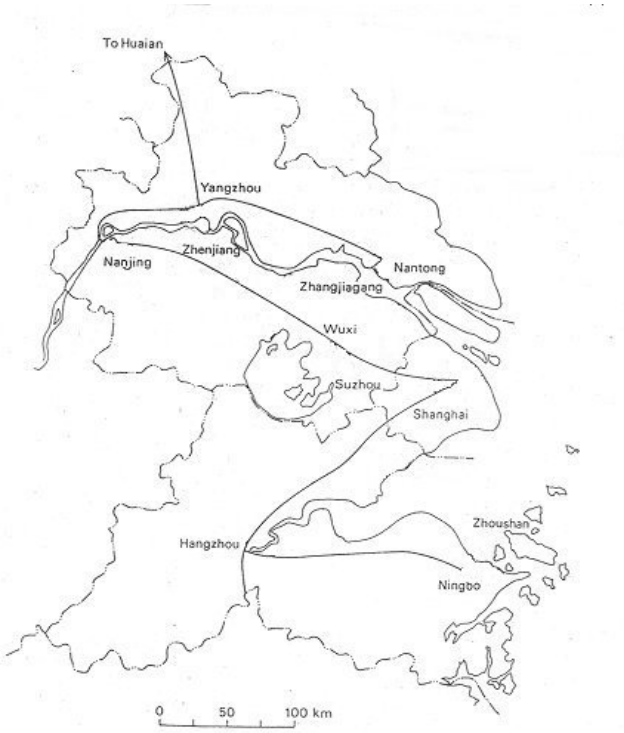
Source: HTB, 1999a

In 1998, the volume of passengers transported by train reached 11 thousand (table 4.5). If there were statistical information for recent years, the number of passengers would be much bigger as a consequence of the opening of the new train station, which is an impressive transportation infrastructure, and due to the increasing number of express trains being added to the schedule. Conversely, the quality of infrastructure and service of the old train station is still a problem that remains to be solved.

1.3.3. By Road

Hangzhou has a developed road transport network, which connects it with other urban centers within the Yangtze River Delta area, namely Shanghai, Ningbo and Wenzhou, among others (figure 4.6). Through Hangzhou pass more then ten roads that constitute the main entrance to and way-out of Zhejiang Province. The Hangzhou-Shanghai-Nanjing highway, completed in 1997, improved the accessibility of Hangzhou, thus facilitating regional tourism development. In 1998, 157 million passengers were registered as travelling in the Shanghai-Hangzhou expressway (HTB, 1999a).

Figure 4.6 – Major road network in the Yangtze River Delta



Source: Hook, 1998

In September 2000, the investment of 6,5 billion RMB was announced for the construction of a highway and bridge across Hangzhou Bay, running from Cixi city in Ningbo to Haiyan county in Jiaxing. This will form a triangle connecting Shanghai, Hangzhou and Ningbo, leading to a decrease in the travel time between these cities to under two hours. The passageway also will shorten the land route between Shanghai and Ningbo. This project started in 2000 and will be completed by the end of 2006 (China Online, 1/9/2000).

Hangzhou has four long distance bus terminals that connect the city to many others within the province, and three of them connect it to Shanghai, Jiangsu, Anhui, Jiangxi, Fujian, Shandong, Henan and Hubei provinces. Buses are the most important means of transportation for short and middle distances in China. Within the city there are 104 bus routes, seven of which are tourist routes going to the major scenic spots. In 1998, there were also 5.100 taxis in the city. Between 1996 and 1998, the city spent 100 billion RMB on road construction and repair (HTB, 1999a).

1.3.4. By Water

Hangzhou is also a major domestic fluvial port. In 1986, the Grand Canal, the Qiantang River and other smaller rivers were all connected, thus forming a water network, whose center is Hangzhou. There are two major companies responsible for the fluvial transportation, one operating on the Grand Canal and the other on the Qiantang River. Every day, on the Grand Canal, there is one boat leaving Hangzhou in direction of Suzhou, and another to Wuxi. The company responsible for navigation on the Qiantang River offers several sightseeing boat cruises. In 1998, the total number of passengers transported by these two companies amounted to 3 million.

1.4. Economic Activities

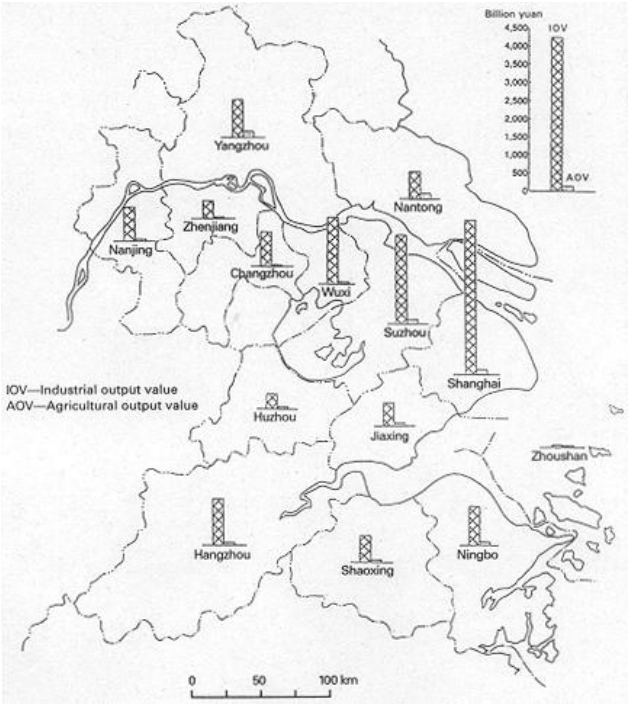
In 1982, the State Council set up the Shanghai Economic Region, which included ten cities within the Delta, namely Shanghai, Suzhou, Wuxi, Changzhou, Nantong, Jiaxing, Huzhou, Hangzhou, Ningbo and Shaoxing. In 1984, this region was expanded to include Shanghai and the entire territories of four other provinces, Jiangsu, Zhejiang, Jiangxi and Anhui. The

designation of the Yangtze Delta Coastal Open Economic Zone was adopted in 1985. In 1986, Fujian Province was added to the Zone (Hook, 1998).

This area leads the country in overall economic development. Large cities within this Zone have recently become one of the fastest growing tourist regions in the whole country (Xu, 1999). Parallel with international tourism, domestic tourism and recreational activities have also grown to an enormous size in the area, mainly stimulated by the dynamic regional economy. Geographical proximity and numerous cultural and scenic sights make Hangzhou an ideal place for one-day excursions.

Besides the tourism industry, Hangzhou has been included in the region's overall economic development. Many institutions of higher learning and research institutes make Hangzhou an ideal ground for investment in high-tech industries. It has also developed textiles, electronics, machinery, and light industry. Its total industrial and agricultural output value ranks among the first of major cities within the region (figure 4.5).

Figure 4.7 – Industrial and agricultural output value in the Yangtze River Delta



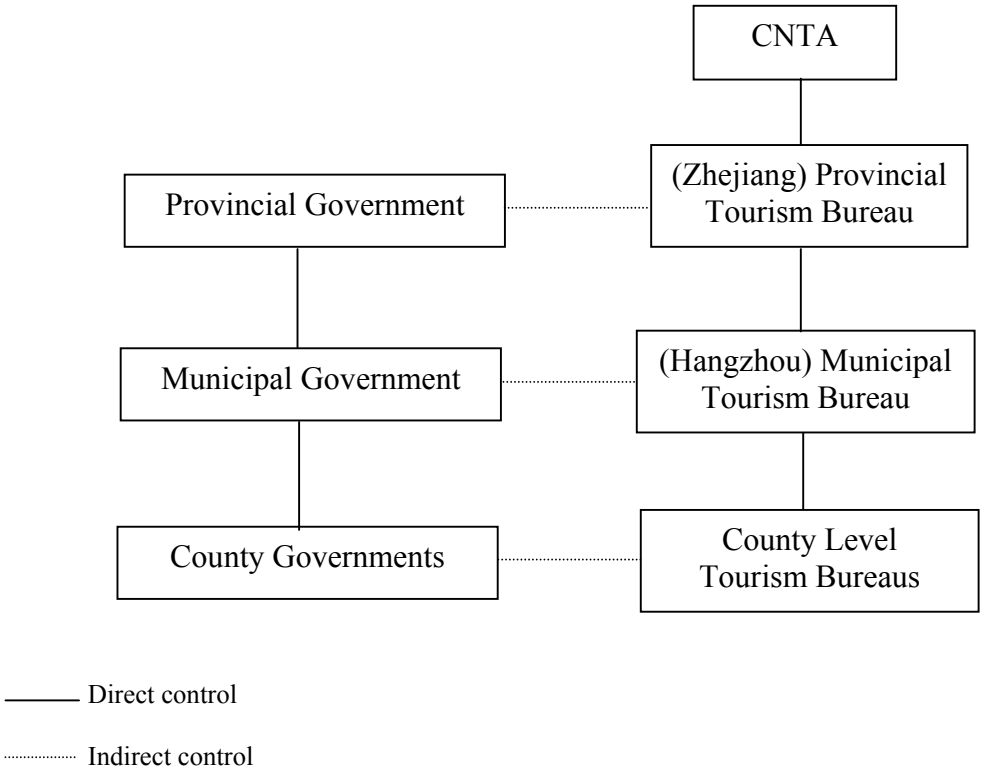
Source: Hook, 1998

2. Institutional Elements

2.1. Government and Tourism Organisational Structure

According to the national structure of China's tourism industry, Hangzhou has a tourism bureau, which is under the direct jurisdiction of the provincial tourism bureau.

Figure 4.8 – Organisational structure of the tourism industry in Hangzhou



Source: Interview with the Director of the HTB, in December 2000

Each level has the responsibility to view tourism as a whole in the area of its concern, but each level immediately below has to operationally manage its tourism industry in its jurisdiction. The Hangzhou Tourism Bureau has the following functions: planning; administration management; policy formulation and law; promotion; training, and statistics (interview with the Director of the HTB, December 2000). Each county within the Hangzhou Municipality has their own tourism bureau, thus, having an independent administration.

2.2. Development Policies and Plans

2.2.1. General Policies and Plans

Modern tourist activities began in Hangzhou at the end of the 1970s, when the city was officially opened to international tourists in 1979. Of particular importance for Hangzhou's tourism development was the designation of Hangzhou as one of the seven "key tourist cities" of China in 1985.

In 1995, CNTA launched a campaign to build excellent tourist cities. The HTB attached great importance to this campaign, and for this purpose, in 1996, it formed a special work group composed of the mayor and four vice-mayors. This work group formulated the "*Hangzhou Tourism Industry Development Plan 1998-2010*" (《杭州市旅游业发展规划1998-2010》), which was approved by the Municipal Government Standing Conference. During this conference, a special document was also adopted for the tourism industry: "*Some Suggestions about How to Develop Fast the Tourism Industry*" (《关于加快旅游业发展的若干意见》). The Municipal Government adopted the method of objective management and responsibility contracts were signed with 44 government functional departments to assume contributing tasks. As a result, large open promotional and inquiry activities to inform the citizens and tourists were sponsored (HTB,1999b).

In 1998, after many efforts made by the HTB and the Municipal Government, Hangzhou earned the title of "excellent tourist city". In 2000, according to excellent tourism cities' standards, Hangzhou had to make some improvements to keep this title, and two of Hangzhou's counties also were directed to join the second group of best tourism cities.

The Hangzhou Municipal Committee and the Hangzhou Government announced that the tourism industry should be developed as an important sector of the tertiary industry. To regard tourism industry as the major industry of the city's economy, the Municipal

Government allocated a certain amount from the expenditures on tourism to be devoted specifically to tourism promotion, which was increased annually [5].

In the 4th Meeting of the 8th Session of the Municipal Commission it was decided "to speed up the construction of tourism facilities, to develop tourist products, to improve service environment and to enforce marketing promotion, in order to develop the tourism industry"[6]. The strategic goal was to build a cultural and economically strong city, and to speed up the realisation of modernisation[7] (HTB, 1999b).

According to decisions made at that meeting, Hangzhou should size the opportunity provided in the new millennium to continuously carry out the development strategy of "*Grand Hangzhou, Grand Tourism, Grand Industry*" ("大杭州、大旅游、大产业"). This strategy aimed to improve the environment; to organise different activities under the "*New Millennium – Splendid Hangzhou*" campaign, as well as to organise tourist celebration activities throughout the year; to develop the international and domestic tourist market; to strengthen tourism administration; to promote tourism productivity, managerial and service quality, in order to enable Hangzhou' tourism industry to develop in a continuous, healthy and fast way (HTB, 1999b).

According to the plan for 2000, the main measures taken to achieve these goals were to strengthen tourism promotion and to improve its effects; to organise well the different activities of promotional themes in order to increase the fame of Hangzhou's tourism industry; to strengthen the administration and regulate the tourist market; to speed up the construction of tourism scenic spots, thus to rapidly develop a scenic foundation for the city's tourism in the 21st century; and to continue to launch the campaign to establish civilised cities and to improve the spiritual and civilised construction of the tourism industry (HTB, 2000).

[5] From 1995 to 1996 there was a 13,5 percent increase; from 1996 to 1997 the increase was 5,2 percent; and from 1997 to 1998, the investment was 2,7 times bigger.
[6] In the original version:
以加快旅游设施建设、开发旅游产品、优化服务环境和加大市场促销为重点，大力发展旅游产业 .
[7] In the original version: "建经济强市、创文化名城 、加速实现现代化".

Also advocated was the need to stick to the administration of tourism according to law, in order to strengthen the tourism market administration and, thus, to improve the industry's administrative authority. For this purpose, use should be made of the "*Travel Agency Administration Regulation*", the "*Tour Guides Administration Regulation*", and the "*Hangzhou Tourism Industry Administration Measures*" (《杭州旅游业管理办法》). These regulations aim to strengthen tourism quality supervision work in tourism to further regulate the city's tourism market, and to strengthen the administration of tourism scenic spots, hotels, travel agencies and certain tourism establishments, thus, to improve the operation and management qualities of tourism enterprises.

At the same time, all departments in the city have the responsibility to improve tourism environment. They have to recognise the leading role of the Tourism Quality Supervision Institute, which will exercise its supervision functions to these departments, in order to benefit both tourists and tourist enterprises.

In 2000, the Municipal Government tried to issue the "*Hangzhou One-day Tour Administration Measures*" (《杭州"一日游"管理办法》). It also did some research and coordination work in order to try to issue in 2001 the "*Protection Methods of Tourist Rights in Hangzhou*" (《杭州市旅游者权益保护办法》), thus to make a solid foundation for administrating tourism by law. It aims to use standardisation as a technique to widen the range of the industry's administration.

Above all, according to HTB, it was necessary to pay attention to Deng Xiaoping's theories, the main spirit of the 15th Conference of the CCP, to a series of Jiang Zemin's speeches and to the basic routes of CCP. It should be paid attention to this regard as a key job in the tourism industry, in order to defend reform, development and stability; to keep consistency with the central government, centered by Jiang Zemin, both in politics and actions.

2.2.2. Promotion

The methods of international tourism promotion have changed significantly over the past two decades. The centrepiece of such changes is a rising role of local initiatives in generating tourism businesses. The monopoly of national travel agencies doing overseas travel businesses was broken in late 1981, when a big step was taking in decentralising the authority of overseas marketing to the provincial level (Xu, 1999). In the light of this new regulation, the leading travel agencies at both the local and regional levels were encouraged to enter into the international tourism market as much as possible. Because of its leading position in national tourism development, Hangzhou has been allowed to set up the "Overseas Travel Corp.", which is authorised in doing overseas marketing directly in the international tourism market.

Local capacity for overseas marketing has become increasingly critical to success in the international tourism businesses. Decentralisation in overseas marketing authority has stimulated enormous regional and local initiatives in tourism promotion, and exerted increasing pressures on tourism enterprises, as they had to improve their service qualities in order to maintain market shares. However, some problems also began to appear, as the excess of competition among Chinese tour operators has led to price-wars, resulting in continuing price-cutting and unfavourable terms in contracts (Xu, 1999). Another problem is the lack of human resources and technical know-how in overseas marketing, which is characteristic of many tourist cities in China.

Regarding HTB's marketing efforts, it always followed the promotional campaigns launched by the CNTA.

- 1998 – *China City & Country Tour – The Most Memorable is Hangzhou* (华夏城乡 – 最忆是杭州)
- 1999 – *Ecotour – Beautiful Hangzhou* (生态环境游 – 美哉杭州)
- 2000 – *New Millennium – Splendid Hangzhou* (神州世纪游 – 缤纷杭州)

In 1998, Hangzhou international tourist market was affected by the Asian financial crisis. Facing this situation, under the guidance of the Municipal Government, the Hangzhou

Tourism Bureau adopted certain development strategies, which consisted in maintaining its Southeast Asian market, such as Japan, Korea, Hong Kong and Taiwan, and opening new markets in Europe, America and Australia (HTB, 1999a). In order to achieve these goals, the HTB participated in several overseas exhibitions and held some tourist meetings to promote its tourism industry.

In 1999, the Hangzhou Tourism Bureau organised for the first time a group that attended the Moscow International Exhibition, thus receiving first hand information about the Russian market. It also joined CNTA's promotion group to New Zealand and Australia, and, jointly with a delegation of the Hangzhou Municipality, the HTB went to France, Holland and Germany. It also attended the Hong Kong International Tourism Fair, in order to consolidate Hong Kong as a major tourist source market, and JATA in Japan, to keep this established market. The HTB accepted an invitation of the Taiwan Sightseeing Association to visit Taiwan, and took this opportunity to promote Hangzhou as a tourist destination. Other actions in international promotion consisted of various campaigns in the mass media. Domestically, some promotional actions were held in the main source markets, namely in Shanghai. Campaigns in southern cities were also made, especially in Guangzhou, Shenzhen and Zhuhai. For this purpose a promotional group was organised, composed of several institutions and organisations from Hangzhou.

According to trends in both the international and the domestic markets, and considering Hangzhou' major generating markets, the central idea of market development for 2000 was to keep the domestic market as the base and to develop the overseas market. The objective is to take advantage of the policy of expanding domestic consumption to develop domestic tourism, thus helping to keep the original market, and, at the same time, make efforts to develop new markets, both domestically and internationally.

According to the plan of activities for 2000, much more attention should be given to the main market, while specific promotion should be done to explore new markets and to strengthen international and domestic exchange and cooperation. The object was to promote continuous growth in the number of tourists. This measure aims at the diversification of the tourist market. Regarding promotional efforts in the overseas market,

the most important tourist source areas were selected and targeted. It was decided to mainly develop the markets of Japan, Korea, Hong Kong and Taiwan, with some efforts to further develop Southeast Asian markets, such as Singapore, Malaysia and Thailand. Some efforts were made to develop the European, the American and the Oceania markets, since this would increase inbound tourism and would diversify the tourist market structure.

Domestically, besides continuing to promote those tourist products aimed at the masses, the HTB decided to promote specific products in order to meet the demand of specific market segments. Marketing promotion should be done jointly by tourism administration departments and tourism enterprises, and should target the different generating markets, by using different forms and techniques to promote a variety of different products. Joint promotion with Shanghai was made, integrating Hangzhou in several tourism routes. Promotional campaigns aimed to maintain the primary market (Jiangsu, Zhejiang and Shanghai), to explore the secondary market (Guangzhou, Shenzhen, Zhuhai, Beijing, Fujian and Shandong), and to develop new markets, such as Hubei, Henan and Hebei.

2.2.3. Tourism Products

The city decided to follow a development path based on the market, with the product being designed to keep both international and domestic markets, i.e., to develop tourist products suitable to the market demand. According to this plan, it is necessary to develop and exploit appropriately existing resources, namely to build the image of "*Grand Hangzhou*", strengthening the connection between the West Lake, Chunjiang River, Xin'an River and the One Thousand-Island Lake.

In recent years, there have been developed some new man-made scenic spots and tourist attractions of a significant scale and quality, among them are the Zhijiang National Holiday Resort (which attracted a lot of investment), the development of the Song Dynasty City, the Future World and the Village Golf Club.

The Hangzhou Municipal Government plans to allow private enterprises to invest in infrastructure and in other areas previously closed to the private sector. A series of new

policies have been launched in order to implement this strategy, including launching provisions for broadening market access and expanding the scope for private businesses. Thus, the government is encouraging private enterprises to enter a wide range of sectors such as tourism attractions (China Online, 25/9/2000)

In 2000, the construction of tourism scenic spots was included in the "*Hangzhou Tourism Industry Development Plan 1998-2010*", thus following the principle of "planning first, constructing after". Regulations for the administration of scenic spots and zones are to be followed, especially in what concerns the nationally issued grading methods for scenic spot and zones.

The protection of tourism resources was another policy put into practice by the HTB. Besides implementing measures aiming at the prevention of destructive acts against tourism resources, the HTB also paid attention to the problem of construction operations. This last purpose should be achieved by regulating and supervising the planning process of tourism scenic spots, in order to avoid the destruction of tourism resources caused by low level quality projects.

In Hangzhou, 42,6 percent of the total area has green coverage, which means that the green land per capita is 5,34 square meters. Every year the Municipality has to spend a considerable amount of money to maintain Hangzhou' image as a green city. In 1998, it spent 400 billion RMB on greenery.

In 2000, a city image project-campaign was launched, which consisted of making the city "greener, brighter, more beautiful and cleaner" (绿起来、亮起来、美起来、洁起来). Also aiming to keep the city clean, another policy was launched called "*menqian san bao*" (门前三包) with the purpose of all citizens taking part in constructing a good image for the city. All residents had the duty to clean what was theirs or what was related to their property.

2.2.4. Tourism Enterprises

In this regard, the HTB advocated the adoption of effective measures to carry out the responsibility system in the administrative enforcement of the law. Those people in charge of law enforcement must learn, understand and strictly follow the law. Different tourism departments should make appropriate reform plans and push reform forward. The systematic reform of SOEs also should be implemented according to the principles of the market economy and modern enterprise systems, in order to reduce costs and improve their operations and managerial levels.

After China's entrance to the World Tourism Organisation, its tourism enterprises such as travel agencies and hotels, will gradually and then wholly open to foreign investment, which will inevitably bring about a change in the structure of the country's tourism industry. For this reason, the HTB decided that it was necessary to carry out research and investigations to determine the appropriate tactics and to speed up the systematic reform of tourism enterprises. Efforts were made to establish joint travel agencies, to promote cooperation, to apply e-commerce and net technology to tourism operations, in order to enhance the international competitive ability of the city's tourism enterprises.

2.2.4.1. Hotels

The hotel grading system is done according to specific regulations (the "*Star Rating System of Tourism International Hotels*"). In order to have star-rated hotels to meet the demands of both international and domestic markets, it is necessary to speed up the construction of hotels in the city that meet the regulations' demands. Some work has been done in order for hotels to meet ISO 14000 and ISO 9000 quality standards, and also to establish the first series of green hotels (绿色饭店).

The Municipal Government allows residents to open private guesthouses with the standard rent of 100 RMB per person, in order to solve the problem of the shortage of accommodation during the high peak seasons. This concept of family hotels was born in Hangzhou during the Labour Day Holiday in 2000, as a result of severe crowding and consequent difficulty in finding places to stay.

According to city regulations ("*Hangzhou Regulations of Family Hotel Inspection and Approval*"), interested city residents with unoccupied housing can apply for holiday hotel status at public security offices and selected industrial and commercial agencies. After passing an inspection, applicants are issued temporary public security permits and temporary business licenses to host travellers during holidays. However, with such bureaucracy concerning the opening of these guesthouses, people are not very enthusiastic about this business. So far, only around 100 people in Hangzhou have actually been approved for this business, though more than 500 families applied.

2.2.4.2. Travel Agencies

In 1998, according to "*Travel Agencies Administration Regulation*" and "*Specific Implementation of the Travel Agencies Administration Regulation*", it was required that all travel agencies throughout the city be subjected to the qualifications administered by the qualification organs. In order to enforce the administration of tour guides, to improve their professional competence and to do their annual supervision, training was held for 1.700 tour guides in the city.

"*Travel Agency Domestic Tour Service Quality Requirements*" (旅行社国内旅游服务质量要求) and "*Tour Guide Service Quality Standards*" (导游服务质量) should be followed in order to regulate the internal management of travel agencies, so as to improve their service quality. Travel agencies also had to submit to an annual check up. Strengthening the administration of the travel agency industry, so as to keep the best ones and eliminate the worst, has the goal of keeping a favourable weeding outprocess, helping in the networking of those travel agencies rated among the best 100 at national and provincial levels.

2.3. Tourism Education, Training Programs and Institutions

2.3.1. Adult Education

There are three levels in the training network, the provincial, the municipal and within the organisation levels. In Hangzhou there are three establishments to conduct adult education, which offer a self-taught examination for the tourism economics major, night school

programs, a certification to attest the completion of higher education (which is to be cancelled), and teaching by correspondence programs. There are also post graduate courses in universities.

2.3.2. Higher- Education Institutions

There are some institutions that conduct university education in the tourism field in Hangzhou. Among them are the Zhejiang University (浙江大学), the Hangzhou Institute of Commerce (杭州商学院), the Provincial School of Tourism (省旅游学校), the Provincial School of Commerce (省商业学校) and the Municipal School of Tourism (市旅游学校). In 1998, these five institutions enrolled 837 students studying tourism out of a total of 1.500 in all institutions offering university education in tourism in Hangzhou. In the last 15 years, they have produced more than 5.000 graduates at the provincial level (HTB, 1999a).

Domestic and international exchange programs, to the USA, Japan, Sweden, Singapore, Hong Kong, among other places, are common in higher-education institutions. Under the exchange policy "请进来，走出去", many foreigners have been invited to give lectures. Academic research, in association with Hangzhou Tourism Association (杭州市旅游协会) has been conducted in recent years. As a result many publications have been released.

There is also cooperation with hotel management groups for training purposes, namely the Accor, Holiday Inn and Shangri-La Hotels. Training within the corporation is a very popular form of training employees, especially in these hotels, taking advantage of foreign knowledge. Many hotels in Hangzhou have their own training departments.

2.3.3. Other Tourism-Related Programs and Policies

Qualification tests for tour guides, hotel workers, and those who want to be employed in travel agencies, bus and boat companies, are offered in Hangzhou. These tests aim at the improvement of service quality in tourism enterprises. Skill competition contests are also supported by HTB in order to promote the idea of good service quality.

HTB has given special attention to people's morality and the training of personal skills. According to the plan for 2000, it is necessary to enforce professional ethics and improve the employees' service consciousness, and to continue to develop multi-level and multi-channel professional skill training and competition. Measures have been taken to regulate tourism professional training and to improve the quality of teaching staff. The HTB also paid attention to positioning training in order to ensure that over 80 percent of middle and high level managerial staff in hotels and travel agencies are certified for their position.

3. The Growth and Structure of Tourist Demand

3.1. Inbound Tourism

3.1.1. Growth of Tourist Demand

Although international tourism activities in Hangzhou took place before the country's opening up to the outside, Hangzhou's international tourism as a whole only became significant after 1978. In the 1950s and 1960s, Hangzhou was among the few destinations in China that received international "guests" from other socialist countries. Around the mid 1970s, international tourism began to take its shape. The number of foreign visitors rose from 6.894 in 1973 to 26.099 in 1978.

However, a large part of the provision of travel services to international tourists in the early years was non-commercial in nature. Apart from a small number of "pioneer" international tourists, a large part of early visitors were not tourists in the strict sense. In fact they were "guests" of higher-level governments including the central government. At the local level, such travel services were usually arranged by the Offices of Foreign Affairs. Receiving such international "guests" was a top-down political task in the pre-reform period (Xu, 1999).

Nevertheless, the early efforts of Hangzhou in receiving numerous foreign guests turned out to be worthwhile for the latter development of international tourism, as the frequent visits of foreign delegations from many parts of the world made Hangzhou famous

worldwide within a short period of time. Obviously, this has been a favourable factor for the rise of modern international tourism in Hangzhou since the late 1978s.

From 1952 to 1957, Hangzhou registered a nearly 390 percent increase in terms of international arrivals. From 1960 to 1962, affected by national economic problems (Great Famine) and a change in international relations, there was a sharp decrease in overseas tourist arrivals (Hangzhou Statistical Bureau, 1999). Hangzhou's tourism industry only began to recover in 1963. From 1966 on, because of the Cultural Revolution, many famous scenic spots were destroyed in Hangzhou, and at the same time, all tourism activities were stopped.

In 1971, Zhou Enlai personally signed the document "*Chairman Mao's Approval of Foreign Tourists Travelling to China*" (毛主席关于外国人来华旅游的批示). Soon thereafter, arrivals to Hangzhou started to increase. However, from 1974 to 1976, there was a major breakdown in arrivals, with significant negative rates of growth, perhaps influenced by the international economic crisis in early 1970s. Since 1977 arrivals started to rise again, reaching 53 thousand in 1978, representing a 164 percent increase over the previous year.

From 1978 on, Hangzhou's tourism industry experienced a boom. Thanks to its unique attractions, Hangzhou is among the leading destinations of international tourism in China. Of particular importance for Hangzhou's tourism development was its designation as one of the seven "key tourist city" of China in the mid 1980s. This title gave a boost to international tourism. From 1978 to 1999, overseas tourist arrivals had grown at an average rate of about 12 percent per annum. In 1998, arrivals amounted to 507,2 thousand (table 4.6), ranking sixth among 15 provinces in China, only behind cities like Guangzhou and Shenzhen (Hangzhou Statistical Bureau, 1999).

Table 4.6 - Annual visitor arrivals in Hangzhou, 1978-1999

Year	Total number of overseas arrivals	Foreigners		Overseas Chinese		Compatriots		Taiwan	
		Number	% of total	Number	% of total	Number	% of total	Number	% of total
1978	53.475	26.099	48,8	728	1,4	26.648	49,8	-	-
1979	84.914	44.714	52,7	1.069	1,3	39.131	46,1	-	-
1980	124.960	61.710	49,4	1.868	1,5	61.382	49,1	-	-
1981	154.745	87.727	56,7	2.004	1,3	65.014	42,0	-	-
1982	152.897	89.100	58,3	2.483	1,6	61.314	40,1	-	-
1983	160.564	97.803	60,9	3.136	2,0	59.625	37,1	-	-
1984	179.200	105.771	59,0	2.514	1,4	70.915	39,6	-	-
1985	238.385	156.311	65,6	7.011	2,9	75.063	31,5	-	-
1986	266.370	170.960	64,2	8.318	3,1	87.092	32,7	-	-
1987	300.603	183.477	61,0	17.048	5,7	100.078	33,3	-	-
1988	349.246	149.512	42,8	39.989	11,5	159.745	45,7	-	-
1989	248.502	66.094	26,6	18.819	7,6	163.589	65,8	-	-
1990	388.345	86.621	22,3	33.593	8,7	268.131	69,0	-	-
1991	390.197	136.809	35,1	23.698	6,1	229.690	58,9	-	-
1992	489.578	183.781	37,5	38.541	7,9	267.256	54,6	211.566	43,2
1993	459.620	199.796	43,5	25.184	5,5	234.640	51,1	177.366	38,6
1994	337.362	201.692	59,8	11.324	3,4	124.346	36,9	91.970	27,3
1995	441.262	249.418	56,5	14.608	3,3	177.236	40,2	92.828	21,0
1996	462.313	273.477	59,2	9.991	2,2	178.845	38,7	101.842	22,0
1997	504.276	288.949	57,3	10.060	2,0	205.267	40,7	123.322	24,5
1998	507.243	261.353	51,5	14.281	2,8	231.609	45,7	124.438	24,5
1999	591.853	324.625	54,8	9.250	1,6	257.978	43,6	141.435	23,9

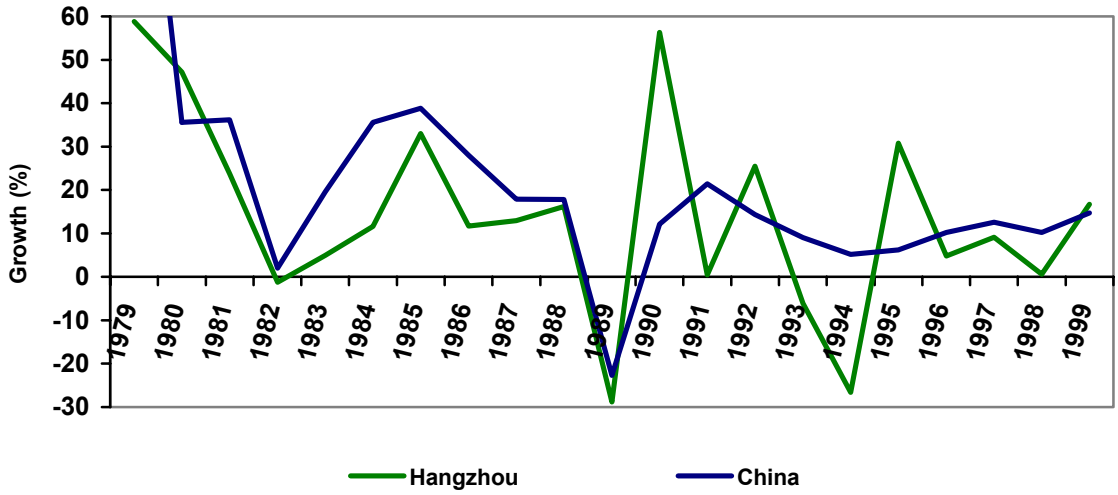
Source: Hangzhou Statistical Bureau, 1999; CNTA, 2000

Note: From 1994 on, besides information on the city proper, statistics started to include information about all counties within Hangzhou Municipality.

The development of tourism in Hangzhou is closely linked to tourism development in China as a whole. Zhejiang Province is located in the coastal region, thus enjoying the rapid development that surged along the coast after the open door policy and the

establishment of the SEZs. Good transportation connections facilitated this simultaneous development.

Chart 4.2 - Annual percentage variation of international tourist arrivals in Hangzhou and in China, 1978-1999



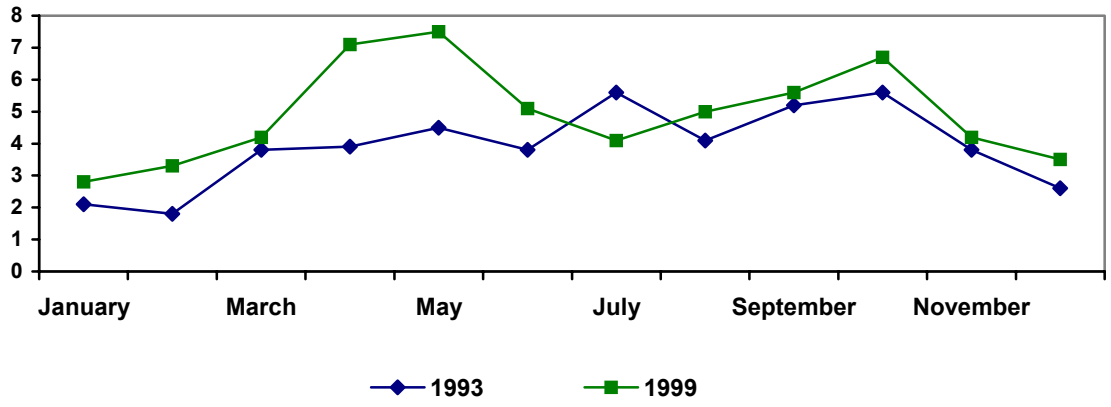
Source: Hangzhou Statistical Bureau, 1999; CNTA, 1999

In the early stage of international tourism development, average annual growth rates in terms of arrivals, both at the national and the local level, were high. As years went by, growth rates started to decline, though in both cases always being positive. Until 1989, Hangzhou mainly accompanied the country's trend regarding the growth of international tourist arrivals, although its growth rates were relatively smaller than the growth rates for the country as a whole (chart 4.2). It can be said that the golden period in Hangzhou's international tourism was in this period, especially from 1982 to 1985, when successive increasing positive growth rates were achieved. From then on, international tourist arrivals to Hangzhou have experienced up and downs, differing greatly from trends at the national level, which followed a much more stable path. The only common point between Hangzhou and the country as a whole was the major breakdown in 1989, when both experienced negative growth rates.

Thus, one of the worst recent periods for the international tourism industry in Hangzhou was, in 1989, caused by the negative impact of the Tiananmen Square incident, which mainly affected the European and the American markets. In 1994, Hangzhou again experienced negative growth rates, due to the incident on One Thousand Islet Lake[8], which lead to a reduction in overseas Chinese and compatriots' arrivals. Also, 1991 and 1998 were periods of economic recession, thus affecting international tourism businesses.

There are two major tourism seasons in Hangzhou, one during April and May, and the other in October (chart 4.3). If separate figures for each market segment were available they would show that these peak seasons can be attributed to the preference of compatriots and overseas Chinese to visit China during traditional festivals.

Chart 4.3 - Monthly distribution of international tourist arrivals in Hangzhou, 1993 and 1999



Source: HTB, 1999a and 2000

3.1.2. Structural Changes in Tourist Demand

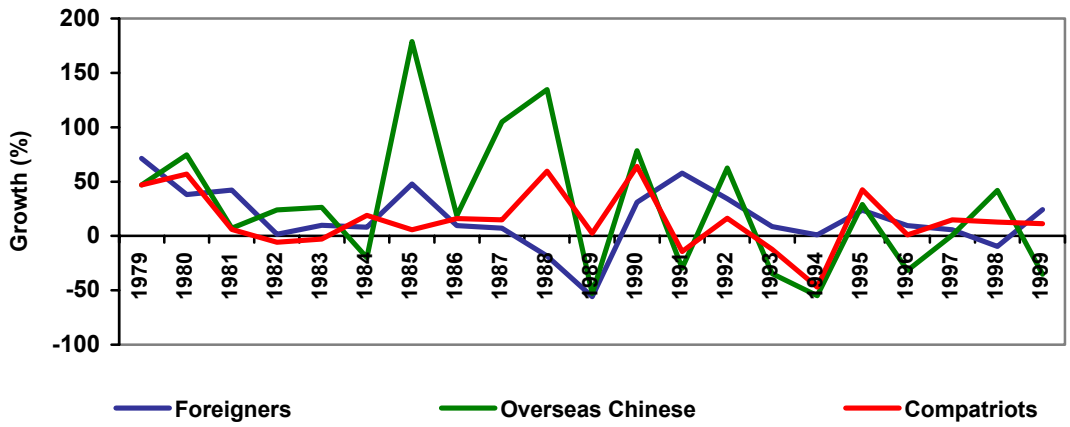
3.1.2.1. Foreigners, Compatriots and Overseas Chinese

Individual market segments have played very different roles in explanations of the ups and downs observed during the last 20 years in the annual growth rates for tourist arrivals in Hangzhou (chart 4.4). The high growth rate achieved in 1985 was mainly a result of the

[8] Incident resulting from the murder of 24 Taiwan visitors at Qiandao Lake.

fast increase in overseas Chinese arrivals. From 1987 to 1989, overseas Chinese high growth rates, jointly with the compatriots segment, contributed again to another period of high growth, despite the negative growth rates achieved by the foreigners segment. In 1991, foreign arrivals grew 58 percent, but it was not enough to produce another growth period, because the other two market segments recorded negative growth rates, thus, offsetting its effect. Another period of null growth rates was accomplished in 1998, as a result of opposite tendencies in the different market segments. Generally, the course of tourism development after 1988 has been full of fluctuations. Such fluctuations resulted from the irregular periods of growth of the compatriots and, principally, the overseas Chinese segment. Though foreign tourist arrivals were especially sensitive to the political incidents of 1989, from 1990 on they experienced a rather stable growth path.

Chart 4.4 - Annual percentage variation of international tourist arrivals in Hangzhou by market segments, 1978-1999

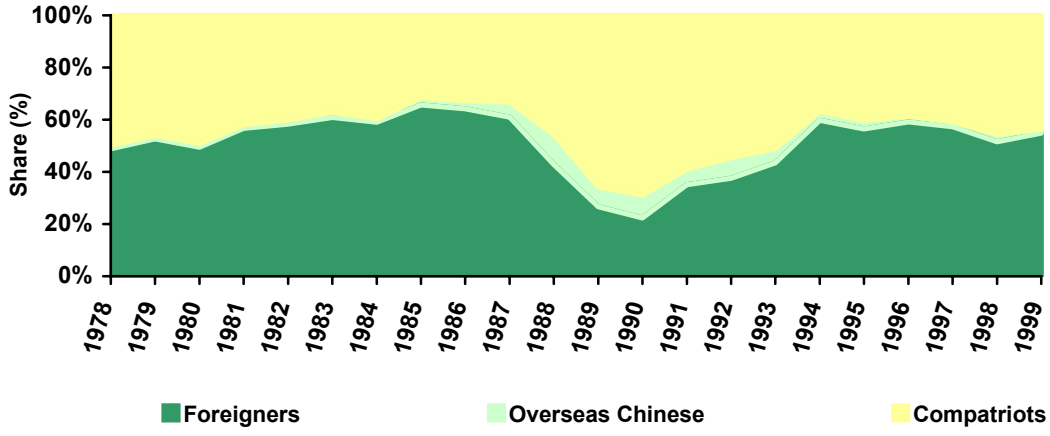


Source: Hangzhou Statistical Bureau, 1999; CNTA, 1999

Until the mid 1980s, foreign tourists had played a leading part in international tourism in Hangzhou (chart 4.5). In 1985, this demand group made up 66 percent of all international arrivals in Hangzhou. The dominance of foreign tourists suggests that it was among China's most attractive destinations of international tourism, i.e., in the strict sense of foreign as non-ethnic Chinese tourists. In 1986, foreign tourists coming to Hangzhou represented 11,5 percent of all foreign tourists in China. However, since then, Hangzhou's share in total foreign arrivals in China has been declining over the years, in 1999,

representing only 3,8 percent of the total. This may reflect the government's policy of opening more cities to international tourism.

Chart 4.5 - Structure of international tourist visitors in Hangzhou, 1978-1999



Source: Hangzhou Statistical Bureau, 1999; CNTA, 1999

Starting from 1986, significant changes began to occur in the composition of tourist demand. The share of foreign tourists declined till 1990, and conversely, the share of compatriots and overseas Chinese increased during this period. This did not happen as a result of a decline in foreign arrivals, but due the high growth rates registered in the other two segments, especially in the overseas Chinese. As a result, by the end of 1988, the share of compatriots had climbed to 45,7 percent and the overseas Chinese to 11,5 percent. The rise in the compatriots segment may be a result from the increase in arrivals from Taiwan, who have been allowed to visit mainland since 1987.

The overseas Chinese market, in spite of the great growth achieved in previous years, registered a sharp decline in absolute numbers in 1989, as happened with foreigner visitors. The arrival of a large number of compatriots had offset, to some extent, the remarkable decline of international tourism registered in this period. Contrary to the case at the national level, the travel demand of compatriots travelling to Hangzhou was less sensitive to the political incidents of 1989, being the only segment of tourists that showed positive growth rates in that year. In 1989, this group represented 66 percent of total arrivals in Hangzhou, and it constituted the majority of all visitors till 1993. From then on, its share

started to decline, reaching 44 percent in 1999, half the share that this groups occupies at the national level. Regarding the national level, the Tiananmen incident did not produce significant changes in the structure of international tourists, during that period compatriots still constituted the main source of tourists to China.

In 1990, the international tourism industry in Hangzhou had recovered from the recession at a much faster rate than the national aggregate. The role of the compatriots and overseas Chinese segments in this immediate recovery was decisive. However, by the end of 1990, foreign tourist arrivals in Hangzhou had already climbed to exceed the 1988-level. From then on they kept increasing and soon recovered their pre-1988 share, accounting for 55 percent of the total travellers to Hangzhou in 1999.

Other differences can be found when comparing international arrivals to Hangzhou with the aggregate demand of the whole country, as the structure of tourist demand in Hangzhou tends to be substantially different to that observed for the country as a whole. As seen, compatriots do not account for the same share in Hangzhou as they do at national level, legging behind foreign arrivals. And within the compatriots segment, Taiwanese visitors in Hangzhou have the leading role, representing the majority of compatriots. In 1992 they constituted nearly 80 percent of all compatriot arrivals and 43 percent of total arrivals, shares that have been decreasing in recent years. Conversely, arrivals from Taiwan constitute only a small percentage of arrivals for the country as a whole. The great number of visitors from Taiwan in Hangzhou could be explained by their geographical proximity.

Since most international tourists usually visit several places in a single trip, due to the improvement in transportation facilities, their average length of stay in Hangzhou is only 2,09 days (table 4.7), shorter than the national average. Furthermore, their length of stay has been decreasing over time, contrary to the national trend. Overseas Chinese and foreigner visitors are among the market segments that stay longer in Hangzhou. As happens in all China, compatriots usually stay shorter periods of time.

Table 4.7 - Average length of stay of different market segments in Hangzhou, 1989-1999

Year	Average length of stay (in nights)				
	Total overseas visitors	Foreigners	Overseas Chinese	Compatriots	Taiwan
1989	2,08	2,1	1,8	2,1	-
1990	2,09	2,2	2,1	2,0	-
1991	2,00	1,9	2,0	2,1	-
1992	2,03	2,1	2,1	2,0	2,0
1993	2,06	2,0	2,0	2,1	2,1
1994	2,10	2,0	2,0	2,1	2,0
1995	2,06	2,0	2,1	2,1	2,1
1996	2,07	2,1	2,4	2,1	2,0
1997	2,20	2,2	2,3	2,1	2,3
1998	2,20	2,3	2,3	2,1	2,0
1999	2,09	2,2	2,5	1,9	2,0

Source: CNTA, various years

3.1.2.2. Nationalities of Foreign Tourists

In recent years, one of the remarkable changes in foreign tourist demand taking place at the national level is the declining role of the traditional leading market segments, especially the Japanese and North American tourists. The rapid rise of cross-border travels of citizens from the former USSR to China has made a significant contribution to the after-1989 recovery. Some traditional markets are also loosing their position to new areas that opened recently to international tourism, as is the case of some Southeast Asian countries.

The foreign tourist structure in Hangzhou is similar to the pattern at the national level. The Japanese market is the biggest source of tourists to Hangzhou (table 4.8), although its share has been declining in recent years. The considerable reliance of Hangzhou's international tourism on the Japanese market segment can be explained by the historical and cultural relationships, and the spatial proximity of Hangzhou to Shanghai, as this city is a leading tourist destination for the Japanese market.

Table 4.8 - Nationalities of foreign tourists in Hangzhou, 1989-1999 (in thousands)

Country of Origin	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Japan	19,8	28,7	42,1	46,9	49,9	69,1	63,7	65,0	67,4	75,5	79,2
Philippines	1,5	1,4	3,0	2,4	2,8	2,4	3,6	4,1	2,9	2,5	2,2
Singapore	3,1	4,1	7,8	14,8	16,6	23,9	31,1	35,1	36,2	24,2	25,8
Thailand	2,4	2,3	4,7	3,7	4,7	11,8	13,0	17,3	10,0	7,9	12,3
Korea	n.a.	n.a.	n.a.	n.a.	n.a.	14,3	22,7	27,0	28,9	9,2	42,8
USA	9,5	10,3	14,5	20,7	23,0	20,5	22,4	23,5	25,6	27,1	33,5
Canada	2,1	1,9	2,9	3,5	3,8	3,8	3,9	4,6	4,8	5,4	6,1
UK	1,6	1,7	2,6	4,2	4,4	4,0	4,1	4,4	5,5	7,2	5,9
France	3,1	3,0	3,6	7,0	10,1	9,4	7,2	7,0	7,5	7,6	7,8
Germany	5,1	4,1	5,5	7,5	10,4	10,0	10,7	9,8	11,8	11,3	12,1
Russia*	0,3	0,2	0,3	0,5	0,9	0,5	0,4	0,8	0,6	1,4	1,5
Australia	2,1	1,5	1,9	2,8	2,9	3,0	2,5	3,8	6,5	10,0	9,3
Malaysia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	22,5	40,1	34,0	44,4
Others	15,5	27,6	47,9	69,9	70,4	61,0	64,0	48,7	41,1	38,0	41,5

Source: CNTA, various years; HTB, 1999 and 2000

* Before 1994 it was part of the USSR market.

The USA market was another important market to Hangzhou, ranking in second place, in 1989, after Japan. In 1999, it ranked forth, representing 10,3 percent of total foreign arrivals in Hangzhou. European countries have long disappeared from the top five sending countries, the European market has been replaced by Southeast Asian markets, such as Malaysia, Korea and Singapore. Arrivals from Singapore are particularly worthy to mention as they increased eight fold from 1989 to 1999.

Russia is another market that needs some mention. In spite of the increasing role it has had in total foreign arrivals in China, in Hangzhou it still plays a small part. This may be due to the distance from the destination and sending areas (it is assumed that the high number of Russian travellers to China is due the numerous cross-border trips). The decline in Russian visitors in 1994 is worth to noting as it mainly resulted from the dismantling of the former

USSR, thus reflects a change in the statistical system. From then on, only visitors from Russia were to be registered as being from that market.

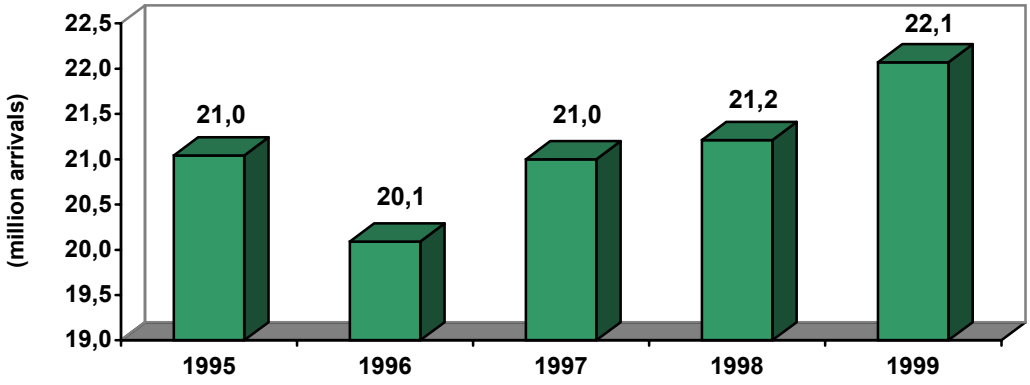
The Asian financial crisis affected negatively mainly the inbound tourism. Domestic tourism basically remained stable, and the outbound tourism increased (Interview with the Director of the HTB), maybe because the RMB did not get weaker in relation to other currencies. This may indicate that the Chinese Government did not launch any protectionist policy, like imposing restrictions on outbound travel, a measure often used to protect against a loss of foreign exchange.

The period of the Asian financial crisis affected mainly the market coming from Southeast Asian countries. Thus, some changes were made regarding the investment in promotion. More money was spent in Japan, which constitutes the largest market, and also in Australia, New Zealand and Europe, and to some extent in America, with the intent to diversify the market. Promotion expenditures were reduced in the Southeast Asian market (Interview to the Director of the HTB, 2000).

3.2. Domestic Tourism

Over the last decades, major efforts were made to attract and develop international tourism. Nevertheless, as has happened at the national level, domestic tourism has grown to an enormous size to equal international tourism. In a study conducted in 1985 (Wang and Ge, 1985), the relationship between the growth rate in per capita national income and growth in the number of domestic tourists in Hangzhou between 1978 and 1983 was analysed. The study indicated that the latter was faster than the former, and that in the earlier stage of tourism development, the difference was even greater.

Chart 4.6 - Domestic tourist arrivals in Hangzhou, 1986-1999



Source: HTB, 1999a; HTB, 2000

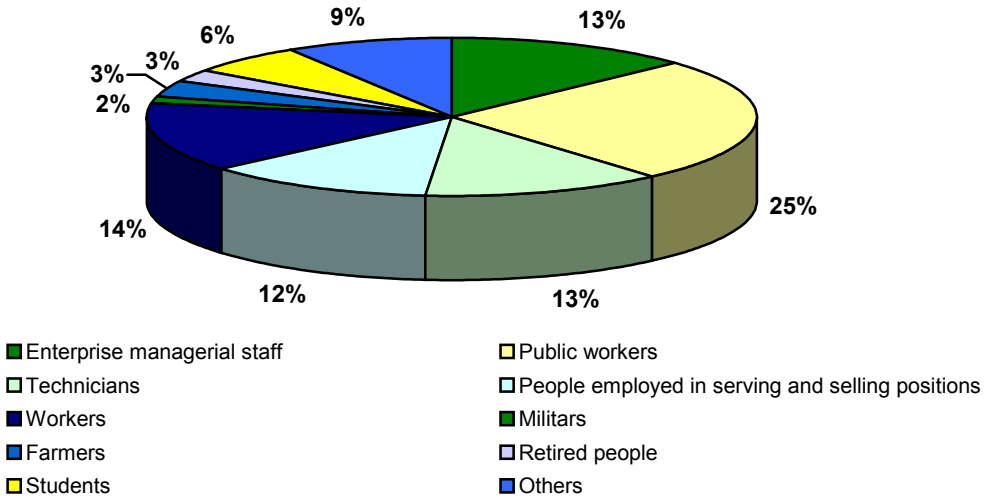
Domestic tourism started in Hangzhou in the late 1970s, and began with an expansion in sightseeing activities of one-day visitors from neighbouring urban areas. By 1999, the number of domestic tourists visiting Hangzhou represented a nearly 3.750 fold increase over 1978[9] (chart 4.6). In the same year, about 37 times as many domestic tourists as international tourists visited the city. In 1998, in the statistics for 15 provinces of China regarding domestic tourism arrivals and receipts, Hangzhou was positioned in third and second places, respectively (HTB, 1999a).

According to the plan formulated by CNTA, which called for each locality to make a survey of its domestic tourism market (《地方接待国内旅游者抽样调查实施方案》), and to the unified survey form established by the Zhejiang Tourism Bureau, in 1999, the HTB and the Hangzhou Statistical Bureau conducted a survey throughout the municipality, in order to characterise its domestic tourism market regarding its size, structure and spending patterns.

According to this survey, there is a clear majority of men visiting the city, representing about 63 percent of total domestic tourist arrivals. Concerning age structure, Hangzhou is visited mostly by people between 25 and 44 years old (60 percent). Elderly and young children are the less represented groups.

[9] According to Wang and Ge's study, domestic tourist arrivals to Hangzhou were 5.900 in 1978.

Chart 4.7 - Distribution of domestic tourists in Hangzhou by occupation in 1999

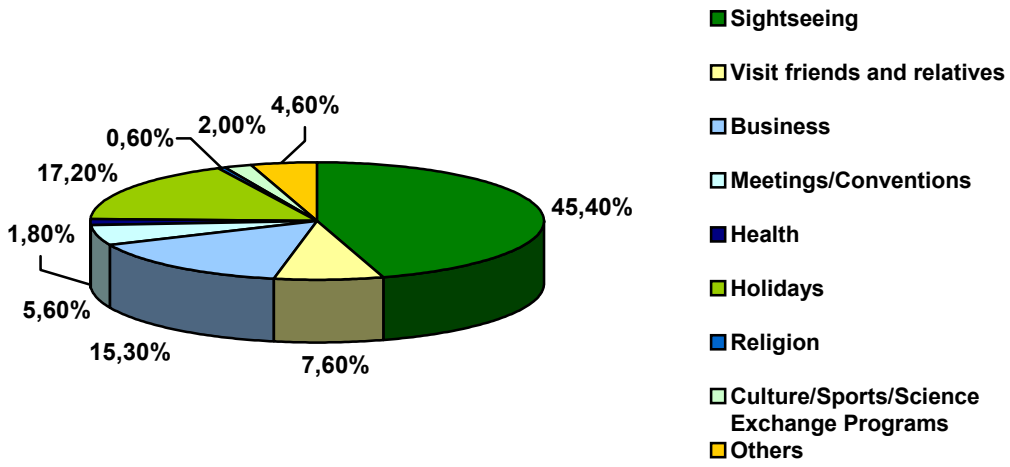


Source: HTB, 2000

Managerial personnel is, among the ten categories considered, the group most represented, with 25 percent. This group jointly with four other groups (workers, public workers, technicians, servers and sellers) makes up 77 percent of total arrivals (chart 4.7).

As is true for international tourists, the primary attraction of Hangzhou to domestic tourists is rooted exclusively in the natural beauty of the city. The travel motive of most domestic visitors to Hangzhou is nature and, to a lesser extent, its cultural resources (HTB, 2000). According to the survey conducted in 1999, 45 percent of all visitors come to Hangzhou primarily for sightseeing purposes (chart 4.8). It is also worthy to mention the importance of meetings tourism in Hangzhou (15 percent), a market segment that is usually very lucrative. Religious activities only account for about 2 percent of the travel motives of domestic tourists to Hangzhou. This is true if taking in consideration only the main travel motivation. But should be noted that a large number of tourists visit Hangzhou' temples, and practise certain religious activities, though these activities are not their main travel motive. The highlight of religious activities happens in June, in the 19th day of the lunar calendar, when pilgrims from all over the country come to Hangzhou to celebrate Buddha's birthday.

Chart 4.8 - Travel motive of domestic visitors to Hangzhou in 1999



Source: HTB, 2000

Contrary to the original tendency of one-day excursions, 73,5 percent of domestic tourists now coming to Hangzhou spend the night there. The remaining percentage is accounted for by local people (19,5 percent) and non-locals (7 percent) on one-day visits (HTB, 2000). The majority of visitors come from Shanghai and within the Zhejiang Province (about 55 percent). Another important source of visitors is the neighbouring province of Jiangsu (figure 4.7). It is, thus, the inter-regional travellers that generate intensive demand on local tourist service sectors including transportation, catering and accommodation.

Figure 4.9 - Sending areas of domestic tourists in Hangzhou

Source: HTB, 2000

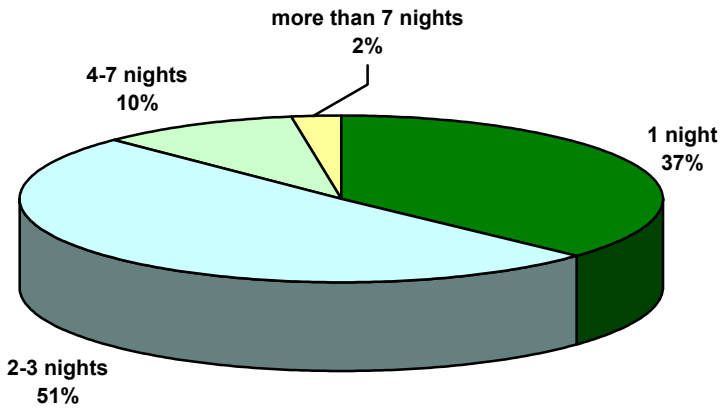
The share of visitors from neighbouring cities among total domestic tourists has declined significantly since the mid-1980s. It seems that, after a few visits to Hangzhou, these visitors have dropped their interests in visiting the same sights in Hangzhou. According to the 1999's survey, only 23 percent of domestic visitors was visiting the city for more than the third time.

Also, as more and more tourist infrastructures have been developed at both the regional and national levels, urban travellers from the Yangtze River Delta region now have a wider range of possibilities in choosing travel destinations. They are no longer confined to local and regional destinations. Due to the quantitative and qualitative increases in transportation facilities, a large number of visitors coming to Hangzhou also travel to other destinations within the region, such as Suzhou, the Yellow Mountains, Wuxi and other scenic spots in neighbouring provinces, or even to Guilin, Xi'an, Beijing, etc.

The average length of stay of domestic tourists in Hangzhou is 3,12 days (chart 4.9), being longer for those engaged in *danwei*-sponsored travel activities (3,25 days). Meeting

participants and individual business travellers, as well as those travelling for health reasons, are among the groups that stay longer in Hangzhou. Conversely, the duration of stay of those sightseeing visitors is the lowest.

Chart 4.9 - Duration of stay of domestic tourists to Hangzhou in 1999



Source: HTB, 2000

Domestic tourism to Hangzhou takes place basically on an individual basis. As a whole, about 30 percent of domestic arrivals fall into the "organised" category (22 percent of trips organised by working units and 9 percent organised by travel agencies). Individual visitors appear in the form of family travel, or travel with friends. Usually, this form of travel takes place on the weekend or on traditional holidays, resulting in a clear-cut periodicity of tourist flows at major sightseeing spots. It is not rare to see rural inhabitants travelling to Hangzhou to seek sightseeing experiences. In accordance to their share in the national totals, Chinese peasants also account for a considerable share of domestic tourism in Hangzhou.

This large-scale tourism exerts enormous pressures on tourist spots as well as on urban transportation facilities. The area surrounding the West Lake and some temples, like the Lingying and Yuefei temples, are very popular. In order to restrain visitors and, at the same

time earn some money from visitors, entrance fees are collected in almost all scenic spots in Hangzhou.

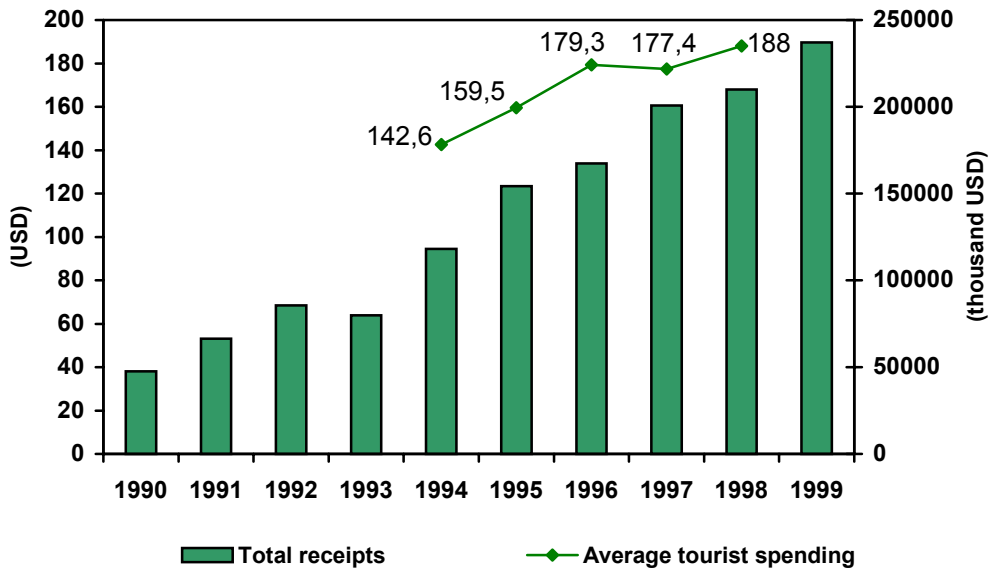
4. Economic Impacts

4.1. Tourism Revenues and Their Distribution

4.1.1. Foreign Exchange Receipts

Due to the significant expansions of international tourism, Hangzhou has achieved a substantial growth in foreign exchange receipts over the past decades. From 1990 to 1999, gross foreign exchange receipts increased from 48 to 237 million USD (chart 4.10). Taking this period as a whole, tourism receipts grew at an annual average rate of 19,4 percent, while international tourist arrivals increased by 4,8 percent a year. It seems that international tourism receipts increased faster than that of tourist arrivals, except in 1995 and 1999 (chart 4.11). In 1994, a big gap can be observed between growth rates of international arrivals and receipts, a fact that can be explained by the change in the method for calculating receipts. Beginning in 1994, statistical information of other counties within the Hangzhou Municipality began to be included in the totals.

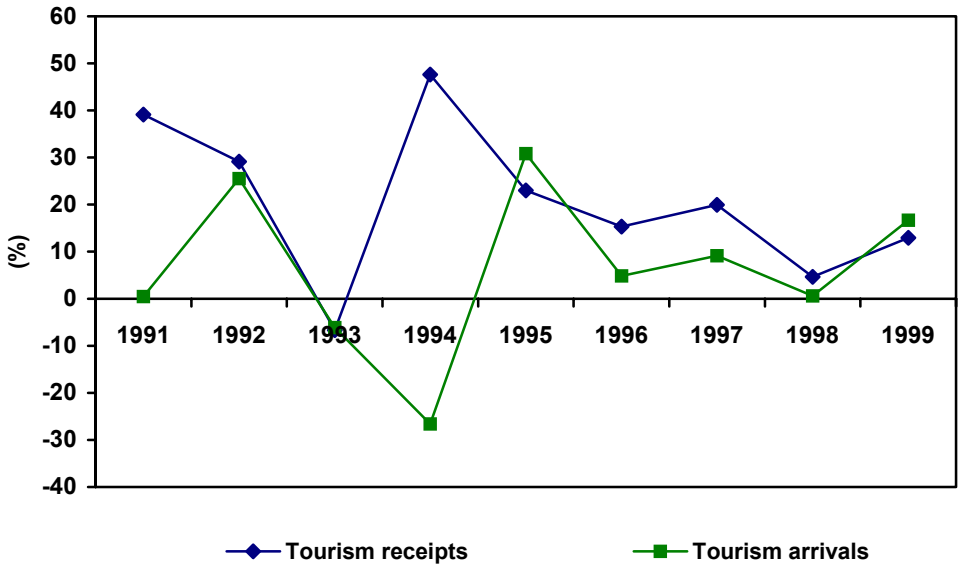
Chart 4.10 - Foreign Exchange Receipts, 1990-1999



Source: CNTA, various years

Tourism receipts came up to 0,21 billion USD in 1998, 28 fold more than in 1978 (Hangzhou Statistical Bureau, 1999), representing 14,4 percent of Hangzhou's GDP and 36 percent of revenues of the tertiary sector (HTB, 1999a). In terms of tourist arrivals, Hangzhou ranked 6th in the nation's destinations, occupying the 7th position in terms of international tourism receipts. Tourism revenue accounted for 15,2 percent of GDP in 1999, making the tourism industry the most important industry within the tertiary sector in Hangzhou. Average tourist spending per capita in Hangzhou has been increasing over time, reaching 188 USD in 1998. Compared to the national average, which has been declining, Hangzhou's values are much greater.

Chart 4.11 - Annual growth rates of international tourist arrivals and receipts in Hangzhou, 1991-1999



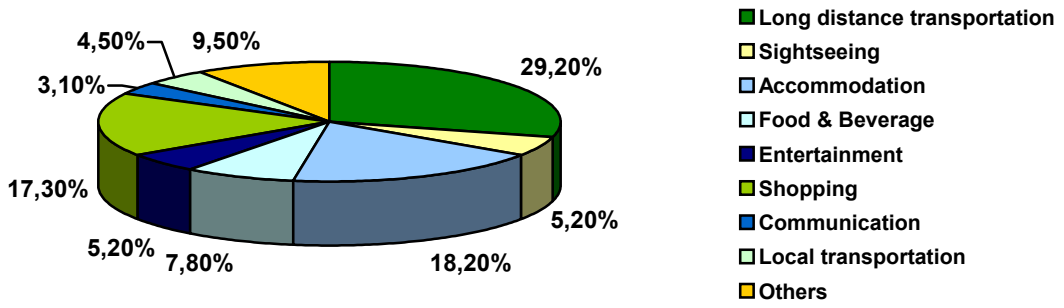
Source: CNTA, various years

According to China's industrial classification, international tourism is a component of the country's export sector. With respect to the distribution of foreign exchange revenues, enterprises engaged in international tourism enjoy as favourable treatments as those producing export goods. In order to stimulate local initiatives in promoting international tourism, a contract regarding the central-local sharing of foreign exchange receipts was drawn up in 1979. According to that revenue-contract, all local enterprises engaged in international tourism were allowed to retain 30-50 percent of the foreign exchange

revenues they generated. In 1980, this share was fixed at a uniform rate of 40 percent (Xu, 1999).

Although precise information on the ownership structure of tourism enterprises is not available, the structure of tourism receipts provides some insights into the distribution of foreign exchange revenues between local and non-local economies.

Chart 4.12 - The structure of foreign exchange receipts in Hangzhou in 1999



Source: HTB, 2000

In 1999, nearly 37 percent of all foreign exchange receipts in Hangzhou were generated by the transportation and communications sectors (chart 4.12). However, receipts generated by inter-city transportation (air and railroad) and communications sector do not constitute the source of local revenues. They are revenues to the public sector run directly by the central government (Xu, 1999). In this regard, these receipts are not local revenues of Hangzhou.

Obviously, local revenues are not equal to non-central revenues. Non-local revenues outside these two sectors may arise from the participation of foreign and non-local domestic investors. The main source of erosion to foreign exchange revenues is usually the FDI in the hotel sector.

Taking into account the 40 percent-contract, the benefits of foreign exchange revenues distributed to the local economy of Hangzhou is much less than that we may believe at first

sight. It is not possible to determine the precise amount, as no information for FDI in the tourist sector in Hangzhou is available.

Another source of revenues is government taxation. There is a large number of taxes, some of them visible as a result of state legislation, while others are invisible and, in many cases, only locally raised. The local government can levy surcharges, various fees and fines on tourism enterprises. However, several factors tend to make tax revenues insignificant. All taxes collected at the local level are not local tax receipts. During the 1984-1992 period, there were various different tax-contracts between the different administration levels, and since 1993, a new tax code (tax-sharing between central and local governments) has been implemented (Xu, 1999).

In general terms, even considering only those taxes benefiting the local level, there are still significant leakages. Taking the hotel sector as an example, although an income tax is levied on enterprise profits, exemptions or greatly reduced rates of income tax are applied to joint-venture hotels. Sometimes, locally-run SOEs are loss-making, thus both enterprise revenues and tax yields to the local government are small.

4.1.2. Domestic Tourism Revenues

Information about domestic tourism receipts in the study area is available only for recent years. Only recently has attention been given to domestic tourism, at about the same time that the potential of this enormous market was realised.

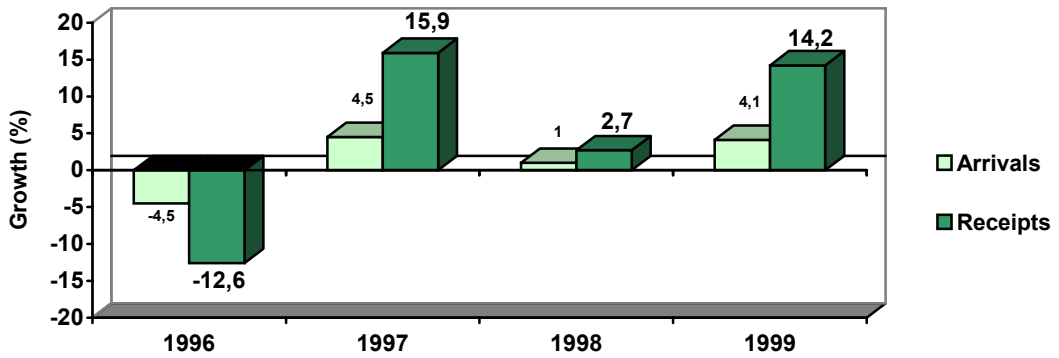
Table 4.9 - Domestic tourism revenues in Hangzhou, 1995-1999

Year	Domestic tourism receipts (in billion RMB)	Growth (%)
1995	14,0	-
1996	12,3	-12,6
1997	14,2	15,9
1998	14,6	2,7
1999	16.7	14,2

Source: HTB, 2000

Due, in part, to the significant volume of domestic tourism, significant economic achievements in Hangzhou have been accomplished over the last decade. From 1995 to 1999, receipts from domestic tourism increased from 14 to nearly 17 billion RMB (table 4.9). Over the same period, tourism receipts grew at an annual average rate of 4,5 percent, while arrivals grew at 1,2 percent a year. Domestic tourism receipts followed the same growth path as arrivals, although they grew faster (chart 4.13). In 1999, 74 percent of domestic arrivals were concentrated within the city proper, generating 83 percent of total domestic receipts (HTB, 2000).

Chart 4.13 - Annual growth rates of domestic tourist arrivals and receipts in Hangzhou, 1996-1999



Source: HTB, 2000

Compared to foreign exchange receipts, the most important aspect of domestic tourism revenues is their contributions to the local economies of the destination area. International tourism tends to serve, in the first place, the national goals, while domestic tourism appears to be much more "friendly of the local economies" (Xu, 1999).

Rough information about the expenditure structure at both national and local levels shows that the largest part of domestic tourism revenues tend to be distributed to the locally-owned tourist enterprises (Xu, 1999). Similar to foreign exchange receipts, domestic tourist expenditure on inter-regional transportation belongs to the revenues of SOEs run by the central government. On the other hand, other services, like accommodations, catering, and retail sales, are provided by locally-run enterprises, many of them private firms.

However, there are some differences in the spending pattern of domestic tourists, between those who stay the night in Hangzhou, and the one-day visitors. In 1999, those tourists who spent the night in Hangzhou spent on average 242,12 RMB per day[10], representing 30,16 RMB more than the spending pattern of one-day visitors who on average spend 211,96 RMB. The national average for domestic tourist expenditures per capita was 394 RMB in 1999, a lower value compared to that of Hangzhou (483,71 RMB)[11].

Surprisingly, individual travellers' spending is higher than among *danwei* organised groups in Hangzhou. The average spending per capita also tends to be higher among the businessmen and the meeting participants, 1.055,14 RMB and 773,68 RMB respectively. Conversely, and for obvious reasons, the segment that spends the least is the VFR. Meeting participants and individual business travellers appear to be among the "richest" of all domestic demand groups. They have much higher demand on such tourist facilities as high-standard hotels, air transportation, luxury local transport vehicle, and so on, and their demands are much less price-elastic than most average individual travellers (Xu, 1999).

[10] The average total spending of overnight visitors was 755,45 RMB.

[11] At the national level no distinction is made between those tourists who spend the night and the one-day visitors, only between rural and urban residents. In order to have a means of comparison, since Hangzhou does not have the urban-rural distinction, the average expenditure of the two categories was estimated.

Table 4.10 - The structure of domestic tourist spending in Hangzhou in 1999

Expenditure	Those who spend the night (%)	One-day visitors (%)
Long distance transportation	15,28	13,25
Sightseeing	11,18	32,88
Accommodation	29,12	-
Food & Beverage	19,23	21,12
Entertainment	4,41	4,13
Shopping	14,28	19,44
Communication	0,88	0,67
Local transport	2,94	4,00
Others	2,68	4,51

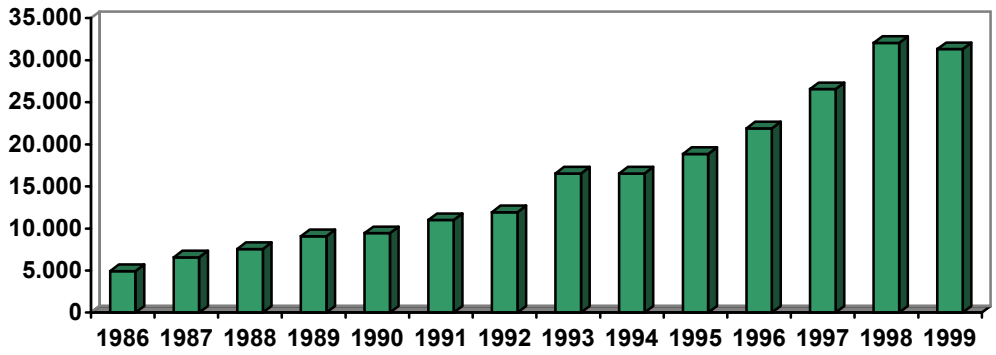
Source: HTB, 2000

Regarding the spending structure between domestic tourists that spend the night in Hangzhou, and the one-day visitors, some differences can be found (table 4.10). Accommodations represent a big share in tourist expenditures for those staying in the city. Long distance transportation tends to be higher among this group, maybe because they came from other regions, thus explaining the need for accommodation. In relative levels, sightseeing is the category where one-day visitors spend more money, nonetheless, because overnight visitors has total expenditures much higher, 11 percent on sightseeing is still larger than the 33 percent of the one-day visitors (84,46 RMB and 69,69 RMB, respectively).

4.2. Tourism Employment

An immediate benefit of tourism development is job creation and, thus, providing for people in affected areas the opportunity to increase their income and standard of living. However, information about the size and nature of tourism employment in Hangzhou is scant, not allowing for a detailed analysis.

Chart 4.14 - Employment in international tourism in Hangzhou, 1986-1999



Source: CNTA, various years

Official statistics on tourism-generated employment in the study area cover only the international tourism sector. From 1986 to 1999, the number of employees in international tourism in Hangzhou rose from 4.164 to 31.302 (chart 4.14). In 1998, people directly engaged in the tourism industry amounted 32 thousands, from which only 670 were university graduates, 2.200 from colleges, and 2.000 with a high school degree. The number of workers indirectly employed in the tourism industry was much greater, reaching 118 thousands (HTB, 1999a).

Direct tourism employment includes jobs in those sectors that sell goods and services directly to tourists. Hotels, restaurants, tourist transportation, souvenir trading and other tourism-specific service sectors are the major sectors offering employment for locals. In Hangzhou there also exist other job opportunities resulting from the fact that a large number of tourist activities are concentrated in gardens and parks, thus, there is the need for management and maintenance of park and garden facilities, which tend to generate more jobs. A considerable amount of tour boats in West Lake constitute another important contribution for more employment generation in the transportation sector.

The size and nature of tourism employment depends not only on tourism-specific factors, such as the stage and type of tourism development, but also on area-specific factors such as the linkages between tourism and other local economic sectors as well as stage of local

economic development (Xu, 1999). Due to its rapid expansion over the past decade, the tourism industry has created a considerable number of jobs for the labour markets in Hangzhou, but precise results of its impact would require more detailed research, which is not the purpose of this work.

Summary

Hangzhou is a city with a long history and tradition, being famous for its natural and cultural scenery. The West Lake is one of the most important tourism resources, around which several other scenic spots have been developed. Hangzhou has a rich cultural patrimony, with many other heritage sites, offering singular folk traditions and festivals.

In mid 1980s, it was selected as one of the seven key tourist cities in China due to its fine resources and geographical location. It has a privileged position in the Yangtze River Delta region, thus benefiting from the rapid economic development accomplished since the open-door policy and the establishment of the SEZs. Its location near important big urban centers, like Shanghai, made possible the development of a good transportation network system within the region. Hangzhou is served by important national railroads and has good road connections with Ningbo, Shanghai and Nanjing. The construction of a second airport in Hangzhou will give a boost in the number of arrivals, since it will be a large-capacity international airport.

For these reasons Hangzhou constitute an important destination among international visitors, as well as for domestic travelers. It is also located near important, nationally and internationally, well-known cities and attractions, thus constituting an important stop-over place for travelers visiting the neighbouring area.

The rapid development of international tourism in the late 1970s led to an urgent need to build infrastructures to receive the rising number of overseas visitors. Good quality international hotels exist in the city, as well as a good amount of other types of accommodation aimed to serve the domestic traveller.

Concerning the organisational structure of the tourism industry, Hangzhou has a municipal tourism bureau, which is responsible for planning, policy formulation and administration, among the most important functions. The HTB is responsible for applying, at the local level, regulations and laws established by the CNTA. It also has the responsibility to elaborate plans concerning the development of its tourism industry.

The main goal to be attained by the HTB is the strengthening of the quality of tourist resources and services in Hangzhou, thus putting a great emphasis on inspection and supervision work. In order to have high quality employees in tourist related activities, Hangzhou possesses several types of education and training programmes, many of them at the university level.

Marketing promotional activities have followed annual thematic campaigns launched by the CNTA, in order to create standardisation. Promotional efforts changed as a result of the Asian financial crisis and market diversification is now seen as a good strategic policy. Besides keeping its promotional activities in Southeast Asian markets, HTB mounted several exhibitions and meetings to promote its tourism industry in the American, European and Australian markets. Most promotional activities in the domestic market were mainly in the main source markets and in the big southern cities, thus, taking advantage of the proximity to Hong Kong and Macao.

In an attempt to diversify the market structure, HTB decided to develop a variety of tourist products to meet the demand, thus targeting new potential markets. The idea was to create an image of Hangzhou centered in a set of products, other than just the West Lake. Measures to protect the environment and tourist resources were also taken.

The enforcement of administration by law is the main philosophy guiding HTB's work. Considering this principle, HTB tried to regulate and inspect travel agencies and hotel operations, especially to improve their service quality. A recent measure undertaken by the Hangzhou Municipal Government, aiming to solve the problem of the shortage of accommodations during high peak seasons, permitted the establishment of private guesthouses, thus creating another form of income generation for Hangzhou's families.

This is mainly a result of the rapid increase of both international and domestic tourism, which has created enormous pressures on tourist facilities and infrastructures.

International tourism, as an industry, started in late 1970s, at about the same time that China started receiving foreign tourists. Since then it has increased greatly, however, experiencing some interruptions in its growth. The worse periods were experienced as soon as the impact of the Tiananmen incident and the One thousand Islet Lake incidents were felt.

Regarding the structure of tourist demand, overseas arrivals are mainly composed of foreign visitors, followed by compatriots. Overseas Chinese account for only a small share of total arrivals, a share that increased significantly only during the period affected by the 1989 incident. This is a very different picture from that of tourism for the country as a whole, where compatriots dominate the overseas tourist market.

The Japanese market leads the list of countries sending tourists to Hangzhou, though its role has been changing over the years. Also loosing market share is the USA market, which attained the second position in 1989. However, this market has been surpassed by emerging sending areas, such as some countries of Southeast Asia.

The domestic tourism market developed parallel to international tourism. It represents the bulk of visitors to Hangzhou, 37 times as many as international tourists in 1999. The majority of these visitors come from the neighbouring areas within the province and other cities in the region.

The effect of the rapid development of the tourism industry in Hangzhou's economy can be measured, partly, in terms of tourism revenues. Another important contribution made by the tourism industry to Hangzhou's economy in job creation, directly and indirectly. Foreign exchange receipts grew faster than international arrivals, representing, in 1999, 15,2 percent of Hangzhou's GDP. Domestic tourism revenues also grew faster than arrivals, producing positive effects in the local economy. Among those tourists who spend

more while in Hangzhou are the business travelers and the meeting participants, who generally choose high-standard services and infrastructures.

Chapter V

The Effect of Tourism Policy Changes in China's Economic Development

1. The Role of the Chinese Government in the Tourism Industry

Government involvement has greatly influenced tourism development, particularly in developing countries with socialist economic systems, in which the government is more actively involved and assumes a key developmental and operational roles in the economy[1]. China is a developing country with a socialist economy where the role of the private sector in the tourism industry has been relatively small. Thus, it is obvious that the government has been decisive in guiding China's tourism development, nonetheless it is necessary to know what type and kind of role that it has played.

Given the nature of China's economic development under communist rule with strong central government control, it is not surprising to find that the government played a key and decisive role in shaping the development of tourism through the adoption of a series of policies. As a result of those policies, government involvement has been successful in the development of tourism from its initial stages to the present day (Zhang et al., 1999).

Over the past two decades, when China had opened its doors to international tourists, the role and nature of tourism has changed significantly. Tourism has been transformed from being initially a centrally controlled political tool to an economic activity driven by market forces. In the same way, the role of government has changed over the years, accompanying the changes in the tourism industry (table 5.1). The initial roles of government as an operator[2], regulator[3] and investment stimulator[4] has now been changed to that of

[1] Hall (1994b:79) identified a number of objectives for a state socialist approach to tourism:

a) Assist the implementation of policies seeking the equal distribution of goods, services and opportunities across the state area;
b) Help improve economic performance and stimulate rapid economic development;
c) Stimulate infrastructural improvements for the benefit of the host population;
d) Aid environmental improvement;
e) Project a favourable image of the host country to the outside world;
f) Promote international peace and understanding, as defined by state socialist dogma;
g) Enhance visitors' cultural and ideological awareness by the host country convincing them of the superiority of socialism;
h) Avoid introducing "anti-socialist", "revisionist" or "capitalist" influences to "turn the heads" of the indigenous population working in the tourist industry and coming into contact with foreign tourists.

[2] Involving ownership and provision of the infrastructure for tourism development and operation of tourism business activities.

[3] Formulating and implementing regulations to control tourism businesses.

[4] Stimulating tourism investment through the provision of financial incentives.

Table 5.1 – Summary of the components of Chinese government policies after 1978

Period	Policy making environment	Policy demands	Policy decisions	Policy outputs	Policy impacts	Government roles
1978-1985	Power arrangement and significant leaders (Deng Xiaoping and Chen Yun) ↓ Change of the attitude of the Chinese government towards tourism : **The nature of tourism shifted from politics only to both politics and economics**	1. Ineffective tourism administration 2. Insufficient tourism infrastructure 3. Non-profit oriented tourism pricing 4. Ineffective management and poor service quality	1. Separation of enterprise functions from government functions 2. Introduction of foreign investment in the hotel sector 3. Decentralisation of tourism investment and operation 4. Reform controlled tourism pricing mechanism 5. Enterprise reform 6. "Red and Professional" education policy	1. Tourism administration became a government function 2. Increased tourism infrastructure and facilities – hotels, travel agencies and airlines 3. Flexible and profit oriented tourism pricing established 4. Enterprise reform success in the hotel sector 5. Different types of education institutions established	Intended impacts: 1. Increased tourism receipts Unintended impacts: 2. 'Disorder' in the industry emerged	Roles of operator, regulator, investment stimulator and educator
1986-1991	Change of the attitude of the Chinese government towards tourism: **The nature of tourism shifted from both politics and economics to economics over politics**.	The goals stated in the *National Tourism Plan 1986-2000*: 1. Improve service quality 2. Develop infrastructure	1. Coordination at government level 2. Mass restoration and development of tourist attractions 3. Aviation reform 4. Intensification of tourism education and training 5. Regulation of the travel agency and hotel sectors of the industry 6. Promotion of tourism	1. Coordination mechanism between CAAC and CNTA established 2. Unique attractions restored or developed 3. Six state-owned and operated airlines established 4. Airports transferred to local government control 5. Tourism education and training system in place 6. 'Disorder' problem reduced	Intended impacts: 1. Tourism developed as a significant industry Unintended impacts: 2. Tourism goals not achieved due to June 4 incident 3. Persistence of poor service quality	Roles of operator, regulator and educator were intensified. Roles of planner, coordinator and promoter emerged.

(Cont.)

1992-present	Power arrangement and significant leader (Deng Xiaoping) ↓ Change of the attitude of the Chinese government towards tourism : **Tourism should be developed in the Socialist Market Economy Model**	1. Tourism further opened to foreign investors 2. Tourism geared to international markets and Chinese nationals overseas travel	1. Expansion of the areas of foreign investment 2. Planning and construction of resorts 3. Decentralisation of tourism pricing 4. Regulation of tourism based on the market mechanism 5. Intensification of tourism promotion 6. Permission granted for Chinese national overseas travel	1. Joint venture airlines and travel agencies 2. Foreign investment was introduced for the resort developments 3. Construction of 12 resorts 4. Tourism corporations operating in a free market economy environment 5. Registration of tour guided introduced and implemented 6. Establishment of 'Quality Deposit System' for travel agency 7. Hotel management companies set up 8. Promotion stimulated tourism growth	Intended impacts: 1. Tourism industry gradually geared to the market economy 2. Further expansion of tourism as a significant industry 3. Achieved goal to obtain 8-10 billion USD in revenue by 2000	Investment stimulator, regulator and promoter roles were intensified. Operating role in pricing released to tourism corporations. The role of planner extended from the national plan to resort development. The role of educator continued and remained unchanged.

Source: Zhang et al., 1999

promoter[5], and coordinator and planner[6], while the role as educator[7] has continued to evolve over time (Zhang et al., 1999).

New roles of the government have been adopted to overcome unexpected problems that had arisen. Therefore, government has been adapting and reacting to new and unforeseen situations, rather than forecasting changes in the market and planning for them before they occur.

2. Major Changes in Tourism Policy Since 1978

2.1. From a Diplomatic Activity to an Industry of Economic Importance

For many years after the establishment of the People's Republic of China, tourism was considered as a part of China's foreign affairs, with no intention of seeking economic benefits. Because of this the SATT used to be under the direction of the Ministry of Foreign Affairs, and local tourist issues were handled by the local Foreign Affairs Offices. China used tourism primarily for the purpose of promoting the achievements of Socialist China, to expand China's political influence, and to promote international understanding and friendship through receiving invited guests and tourists (Zhang et al., 1999). Travel services were run by the Chinese government as non-governmental diplomatic activities rather than a business (Zhang, G R, 1989).

> "Overseas tourists, though small in number, were treated as VIPs, with endless banquets, meetings with leaders, courtesy calls, and visits to working units. These were all arranged by the host regardless of the real interests of the visitors. In China, it was the destination which selected the tourists rather than the tourists who choose the destination." (Zhang, G R, 1995:9)

[5] Spending money on the promotion of tourism in the international market.
[6] Coordinating activities of different government departments with respect to tourism and elaborating plans for tourism development.
[7] Establishing a system of tourism education institutions and providing tourism education and training programs.

Following the introduction of the economic reform policies of Deng Xiaoping in 1978, the nature of tourism gradually shifted and changed to an economic activity. At the time of the adoption of the economic reform policy, China was in an urgent need of foreign exchange to finance further economic development activities. Deng Xiaoping's consistent and favourable attitude toward tourism development led to positive changes in tourism policy, starting the shift of tourism from being a political instrument to being a major economic activity. One of the first steps was to set up SATT as an independent body under the State Council, separate from the Ministry of Foreign Affairs. However, tourism policies and practices still put politics before economic activities. In this stage it can be said that the nature of tourism was politics plus economics.

In 1986, the government declared tourism to be a comprehensive economic activity with the main purpose of earning foreign exchange for China's modernisation. Thus, tourism was incorporated in the 7th FYP as a key component for economic and social development. Since then, the Chinese government has continued to stress the importance of tourism as an important service industry which is seen to "require less investment, yet have quicker results, better efficiency, larger employment potential, and a greater potential to improve people's livelihood than many other tertiary service sectors"[8].

These fundamental changes in the concept of tourism and the corresponding changes in policy served as the basis for the development of the modern Chinese tourism industry (Zhang, G R, 1989).

2.2. From International Tourism to Domestic and Outbound Travel

After 1978, the tourism industry was promoted mostly in seeking the international market. Domestic travel had been discouraged since the establishment of the PRC, and it was not encouraged in the reform period either, as it was seen as competitive in its use of infrastructures intended for the international tourists, and also was not a source of the foreign exchange earnings needed.

[8] Statement from the "*Decision of the Central Committee of the CCP and the State Council on Speeding Up the Development of Tertiary Industries*" issued in June 1993 (in Zhang, G R, 1995:9).

After the initial resistance in developing domestic tourism and the restrictive policies adopted for that purpose in the early 1980s, significant changes in tourism policy occurred since the mid-1980s. In fact, with the increase of disposable income and available leisure time, domestic tourism had developed, even before any actual government involvement in encouraging that market in mid 1980s.

The push for domestic tourism development was purely economic. Despite the hesitation in policy-making of the central government, local authorities in some parts of the country had become aware of the importance of domestic tourism on local economic development. "The argument that ignorance of domestic tourism was "inappropriate and misleading" began to gain good currency in the mid-1980s. Consequently, official attitudes toward domestic tourism had changed first from "temporarily not suitable" to "correctly to direct", and then "actively to promote"" (Xu, 1999:74). It was the growing knowledge about the potential economic effects of domestic tourism that has created a favourable policy environment for its rapid growth.

Outbound tourism also underwent a process of changing government policies, when it was allowed only for the purpose of visiting relatives to a phase were, although not being encouraged, it is permitted to some extent. Since this policy change, outbound tourism has been increasing at a rapid pace.

2.3. From Monopoly to Decentralisation in Tourism Business Operations

For a long time, the public sector was the only investor and developer in tourism development, and just a few official travel services were the only organisations to run the business. Hotel and transport services were also centralised at the national level, with little participation by regional and local entities (Zhang, G R, 1995). Now, in addition to many government departments, collectives, individuals and foreign investors are encouraged to improve and build the tourist infrastructure. These changes are a result of the 1985 national policy to bring the initiatives of all sectors into the much-needed improvement of China's tourism infrastructure. Therefore, many travel agencies and hotels came into being. In order to improve air services, the administration of civil aviation has been separated from the former CAAC airline, leading to the creation of a great number of independent airlines.

2.4. From Micro-Management and Control to Macro-Management and Service

From 1949 to the mid 1960s, there was no single state organ responsible for tourism due to its small scale. The CBTT was set up in the mid 1960s under the jurisdiction of the Ministry of Foreign Affairs. Travel to China by overseas ethnic Chinese was treated as a foreign affairs activity and was controlled by the Office of Overseas Chinese Affairs under the State Council. All aspects of tourism were controlled by the national government, including visas, travel permits, tour pricing, places to visit, and tour guides. Local Foreign Affairs Offices or Overseas Chinese Affairs Offices were responsible for the local arrangements of incoming tours, based upon instructions given by their superior administrations.

The CNTA when established in the mid 1980s to replace SATT, became China's principal national tourism organisation under the direct jurisdiction of the State Council. It became independent from the Ministry of Foreign Affairs, and its functions were to be different from its predecessor. It concentrated on the macro-management of the tourism industry through the development of tourism plans for the whole nation. The CNTA was also involved in the formulation of rules and regulations governing tourism, conducting major overseas travel promotions, facilitating state-to-state cooperation, and providing tourism information, education, and training services (Zhang, G R, 1995). Business operations of CNTA gradually were separated from its governmental functions.

2.5. From a Product-Oriented to a Market-Oriented Mode

The fact of being closed to the outside world for so many years, made China, in the early stage of tourism development, enjoy the benefits of being in a seller's market. The demand was far greater than the facilities offered. Taking advantage of this demand, China exercised a product-oriented policy. The sudden popularity of China gave the false impression that its tourism industry had an endless supply of customers, and thus China showed little interest in marketing or market research.

However, after a few years, when more facilities were provided, and more places were open and ready to receive more tourists, the industry suddenly found that visitor numbers

were lower than expected. Only then did China began to realise the market had changed and it was necessary to attract the mass tourism market. By the late 1980s, China finally began to take the international tourist market seriously, and since then it has been launching promotional campaigns every year and participating in international tourist events.

3. Impact of Tourism Policies

3.1. The Legacy of Political Movements

Although it was in 1978 that the tourism sector began to develop in China, some tourism activities already existed in China before then, especially in the 1960s, although a "tourism industry" did not exist in the real sense of the word. The Cultural Revolution had serious impact on tourism activities, leading to a decrease in tourist arrivals. It also prevented travel agencies from keeping up with the improvements in technology occurring outside China. Problems of internal organisation and bureaucratic control that resulted from a lack of experience and political controls, were a legacy from the Cultural Revolution.

Another political movement that greatly affected tourism in China was the Tiananmen Square incident of 1989. The period following that incident can be characterised by a change in the type of visitor to China. Roehl (1995) attributes this change directly to the long-term effects of the incident. Despite the contribution of the Tiananmen incident to this change, changes in the international political environment were also important contributions. Even before the incident, some changes in the type of visitor to China were already taking place, partly due to the lifting of bans on travel to China in countries that soon became major sources of visitors, like Taiwan, Russia, Korea and some Southeast Asian countries.

These changes produced other changes, as per capita expenditures of tourists from Western countries was likely to be much higher than the expenditure by visitors from these emerging markets. In fact, many of these new visitors were not traditional pleasure travellers (Roehl, 1995). In addition, the Russian market was of greater importance to

inland destinations, such as Heilongjiang and Xinjiang. The changes in the type of visitor also had other geographical implications. Compatriots and overseas Chinese have always had travel preferences for southern cities, such as Guangzhou, Shenzhen and Zhuhai. In contrast, other important destinations such as Beijing, Shanghai, Xi'an and Suzhou, which also received a large number of tourists, were visited by a much higher percentage of non-Chinese visitors.

> "Change in the visitor mix, stressing the emerging markets, have distinct regional implications. So even if the aggregate difference in per capita spending between western visitors and compatriots can be compensated through increasing the volume of compatriot visits, there is still likely to be a considerable regional redistribution of economic impact, with destinations in south China benefiting." (Roehl, 1995:36)

The slowdown in tourism growth following Tiananmen Square incident has given China's tourism policy-makers an opportunity to re-evaluate the direction which Chinese tourism has taken. The restructuring of the domestic aviation industry and the continuing support of the modernisation policy clearly indicates the seriousness that some authorities have paid to enhancing China's competitiveness as a destination (Hall, 1994a). Inbound tourism recovered steadily after 1989 because of the maintenance of the open door policy; the improved image through hosting the 11th Asian Games in Beijing and the restoration of law and order and the lifting of martial law.

3.2. Enterprise Management Policy

In 1983, the separation of the CITS from CNTA, a measure that was part of a broader policy aiming at the separation of administration and management, enhanced the management of tourism. As a result, the tourist industry changed its structure through the granting of power to lower levels and implementing various economic responsibility systems. Till then, managers' authority in tourism enterprises was restricted. As China had a planned-economy since 1949, resource allocation was fully controlled by the government with enterprise managers having little autonomy. Due to the traditional politics-command

structure, branch secretaries of the CCP were responsible for operations rather than managers, leading to a decision-making process that was not necessarily based on economic rationality (Zhang, 1995).

With the adoption of corporate management, tourism enterprises were separated from administrative bodies, enjoying autonomy over personnel, finance and operational matters, at least to a certain degree. Overall management was the responsibility of the manager, rather than the Party secretary, and staff began to be reward based on their performance. This allowed managers more freedom and flexibility in operations, and enterprises were able to be run under economic principles rather than politics.

3.3. Decentralisation Policy

The effects of decentralisation and liberalisation were obvious. The number of travel agencies increased greatly, and domestically-owned hotel development was also stimulated. Many central government departments, local governments, government enterprises and even individuals participated into hotel construction. Travel conditions have improved greatly since then.

Decentralisation has helped enliven the industry, however it has also brought about negative consequences. The policy decision of decentralisation of authority to deal with foreign tour operators, which allowed branch offices to establish direct contact with tourists, resulted in overbooking and other problems, such as unexpected delays and unsatisfactory changes in itineraries, especially with respect to popular tourist destinations. It was impossible to coordinate all activities, since there were many different organisations responsible for the organisation of travel activities in the same local, thus functional and jurisdictional overlapping among agencies were common. Moreover, the problem of quality was exacerbated and complaints from both tour operators and travellers were very frequent.

Furthermore, travel agencies seemed to be competing against each other by cutting prices rather than in promoting the destination as a whole. The proliferation of travel organisations created confusion as prices and service quality varied greatly among

different agencies and no national standards were implemented. Decentralisation also made the coordination of tourism operations and developments for the country more important and more difficult. Both government and private investment throughout the country was not well coordinated, with very little integration of infrastructure, transportation, trained manpower and other required resources. For example, a severe lack of coordination in decision-making in the provision of hotels resulted, especially since five different bodies in China can build hotels (Tisdell and Wen, 1991a). Another factor contributing to poor decision making in the supply of hotels has been the failure to separate hotel management and ownership. "Often the trustees are motivated by political rather than economic considerations. This may lead them to favour the building of hotels in their own locality, or in areas favoured for personal reasons and may result in their detrimental interference with management" (Tisdell and Wen, 1991a).

Although the policy diversifying investment resulted in the intended acceleration of hotel development, it fell short in terms of national hotel planning. Lacking the necessary expertise and funds to carry out its responsibility for hotel planning, the CNTA has been unable to coordinate and implement its policies. It also lacked the authority to influence other more established branches of government. Thus hotel rating was an attempt to rectify this situation by giving greater autonomy to the CNTA (Liu and Liu, 1993). Nonetheless, while the CNTA is the central government agency in charge of hotel rating, ratings of one to three-star hotels are done by the local tourism bureaux.

3.4. Overprovision in the Hotel Sector

Because of the lack of exposure to the demands of mass domestic and international travel, the Chinese tourism infrastructure was very poorly developed when tourism began to be encouraged in 1978. Lack of appropriate guidance and planning in the provision of necessary facilities and services produced some problems within the sector. Since then, the tourism industry has been characterised by an unbalanced investment in tourism infrastructure. Accommodations were overbuilt, while investment in transportation and attractions lagged behind.

In the beginning, the shortage of hotel capacity appeared to be the factor limiting tourist growth in China. However, this was remedied by the rapid development of new 3 to 5-star hotels, many being joint venture hotels. Tourist accommodation was thus the area of the industry that has improved most since the early 1980s, largely as a result of foreign participation, which brought international category facilities as well as management practices.

With the decrease in foreign visitors coinciding with the opening of these new hotels (mid-to-late 1980s) there was a major problem of hotel overcapacity. Many hotels were in financial difficulty in the early 1990s even though the needs of tourists for suitable accommodations were not being met as a result of the irrational distribution of the types of hotels being built. Hotels were in the wrong locations and in the wrong price range to take advantage of the growing compatriot tourist market that had sustained China's tourism industry since 1989 (Tidell and Wen, 1991a).

Excess investment in luxury hotels was not a result of central government favouring this type of investment, but of the preconceptions at lower levels of government that luxury hotels are likely to be profitable and/or prestigious acquisitions (Tisdell and Wen, 1991a). Local bureaucrats tended to regard modern hotels as a sign of their achievement. Many authorities only recently empowered to approve development projects seized opportunities to set up real-estate joint ventures with foreigners only because they wanted the prestige of being connected to a joint-venture, not paying any regard to the reduced taxes that such association involved (Zhu, 1997).

Although the State Council issued rules to restrain the construction of buildings, especially hotels, in 1988, in order to curb hotel oversupply, local governments continued to invest in hotels leasing to increased the imbalance between demand and supply in some peripheral sites (Wen and Tisdell, 1996).

The fast growth of hotels in the last two decades in China has brought about major changes in the industry, mainly the overprovision of hotel rooms, fierce competition (leading to declines in profit margins, room occupancy rates and productivity of Chinese tourism

hotels), multiform ownership and management systems, and unbalanced geographic distribution (Pine et al., 2000). The oversupply of luxury hotels has coexisted with an underprovision of medium-price and budget hotels with an acceptable quality to overseas tourists. Tourist facilities oriented towards domestic tourists were also in short supply, compared with the availability of high-class hotels for foreigners.

According to Zhao (1989), overprovision of hotel accommodation, disproportionate allocation of investment to the construction of high-grade hotels for foreign tourists and regional imbalances are the result of a lack of knowledge about the hotel industry, an unreasonable investment policy, and archaic finance and management systems. In Tisdell and Wen's view (Tisdell and Wen, 1991a), these problems arose mainly from the optimistic view among CCP leaders about economic prospects for foreign tourism in China. This resulted in the widespread availability of soft loans and grants for hotel construction, which in turn, led to the building of hotels without adequate analysis of demand or adequate project evaluation.

3.5. Underdevelopment of the Transportation Sector

A further difficulty in developing the tourism industry in China continues to be the transport infrastructure. The railroad system, which serves as the backbone of inter-regional passenger transportation, is very congested[9] with domestic travel and the road system is poor and generally not used by foreign tour groups, unless no other form of transport is available. Many tourist spots are quite inaccessible; to get from one spot to another, a visitor often must travel back to a big city and startover. This hinders the development of an integrated, attractive and rational touring itinerary. The capacity utilisation of hotels also is low, especially in remote areas, possibly because of transport difficulties and unrealistic expectation that sufficient supply of hotel accommodation is all that is needed to attract foreigners (Tisdell and Wen, 1991a).

[9] The highest traffic densities appear in the eastern part of the country, especially along three major transportation axes: Beijing-Shanghai, Beijing-Guangzhou and Beijing-Shengyang.

The development of a modern transport network has been a major priority in the revitalisation of the Chinese economy and was a key component of the 8th Five-Year Plan. Tourism has greatly benefited from the increased provision of tour buses, taxi cabs, trains and air networks. Nonetheless, transport development have still tended to lag behind hotel construction with substantial problems occurring on domestic air and rail routes where serious problems of peak season congestion, overcrowding and overbooking occur (Hall, 1994a), constituting the greatest limitation on the expansion of inbound tourism.

Although the Chinese authorities decided to decentralise air transportation, they continue to maintain a centralised control of fleet expansion, traffic rights and other key supply-side variables. The airlines industry in China has grown very fast since 1985, placing enormous pressure on aviation infrastructure and airline management. There have been severe shortages of trained personnel, particularly pilots and maintenance engineers, inadequate airport and air traffic control systems and no sophisticated computer equipment that might have helped to ease the burden. By 1994, in the face of this uncontrolled expansion, CAAC introduced restrictions in an effort to close the gap between the ambitious plans of the airlines and the realities of China's ability to cope (Ballantyne, 1996b). China's recent investments in airport construction are substantial, with the 9th FYP allocating 12 billion USD for construction, renovation and expansion of 41 airports (WTTC, 1998).

3.6. Foreign Investment

In a developing country with no tradition of tourism, many of the inputs to the primary stage of tourism development have to be imported. Scarcity of domestic capital or a reluctance to use what is available for investment in tourism often results in governments having to specifically encourage foreign investors by making investment incentives available. When foreign investors undertake this initial development, it is likely that they will import not only capital, but also senior management and its existing market connections (Jenkins and Henry, 1982).

This is the case of China, where significant incentives for foreign investment were set up. Foreign involvement has not only allowed for the construction of tourist facilities but also led to the adoption of technical innovations, skill level improvement and the application of

modern hospitality management skills. However, some problems have emerged in the growth of foreign involvement in the Chinese tourism industry (Hall, 1994a). The fear of foreign domination of the hotel sector was high because the substantial returns that overseas investors seek from their ventures[10] and also because the payment of large management fees to management operations were to be made regardless of the profitability of the venture.

China has to pay a great amount in interest annually on the foreign capital used, and since most of the investment had been guaranteed by the Chinese government, it might have to meet some of the debt burden. It also has to pay large sums in management fees to foreign hotel management companies that manage some hotels in China. Foreign managers control purchasing by the hotels they manage and are tempted to spend foreign currency in overseas markets to obtain discounts for themselves. Thus, high-class hotels depend more on imports, with considerable import-leakage. In short, investment in this type of tourist facility is not likely to encourage the strong growth of other domestic economic sectors.

There has been no central administration to control and coordinate overall tourism investment in China and information about tourism investment plans overall has been patchy. This has led to duplication of investment in some tourist facilities. Furthermore, some government officers with little or no knowledge about this industry have the power to determine tourism investment policies and believe that feasibility studies are unnecessary for many projects. They assume that tourism can earn foreign currency at a lower cost than commodity exports. In addition, economic organisations in peripheral areas often put capital into tourism projects to demonstrate their construction expertise and physical achievements, but at a wasteful economic expense (Tisdell and Wen, 1991a).

By linking the country with the international business community in terms of joint ventures, imports, and ties with the international travel industry, tourism has become an increasingly active policy sector. Though this alliance has given added impetus to tourism

[10] China's law on joint ventures was brief and vague. It set the minimum proportion of investment by the foreign partner at 25 percent, but set no upper limit. The joint venture was allowed to remit profits abroad and to apply for a tax exemption for the first two to three profit-making years.

development, it also accentuates the sector's dependence on the outside world (Richter, 1989), either in raising capital and obtaining expertise. In order to reverse this tendency, China took an active role by encouraging the development of indigenous skills or training.

3.7. Education and Training Programs

Due to problems of ineffective management and poor service quality, emphasis on tourism education and training was stressed by the central government. However, investment in tourism education and training had lagged substantially behind the development of physical infrastructure.

The aim of rapidly developing the tourism industry placed a low priority on training. Between 1980 and 1983, the number of cities open to foreign tourists more than doubled to 146 from 60, and in a single season (1982/3) the number of hotels receiving foreign guests rose from 200 to 300 (Hunt, 1984). Under these circumstances, CITS was able to keep pace with demands for additional staff only by recruiting untrained personnel. To partially alleviate the problem of staff shortage, the Chinese government has also eased mobility restrictions for those Chinese who were qualified in hotel operations so that they could work in other parts of the country, mainly Beijing, Shanghai and Guangzhou where the staff shortage was more acute (Huyton and Sutton, 1996).

The shortage of skilled workers and the low quality of service resulted from the absence of tourism education before 1978 (Zhang, G R, 1987), and because of the impact of the Cultural Revolution. The Cultural Revolution had a drastic effect in the decline in educational standards, as for more than a decade there were no disciplines, no exam system, and teachers were unable to do their job. As a result, the educational system suffered severe damage, and it did not recover in just a few years. Even those who returned to school after 1977 had little knowledge of the world outside China, or even of the country's own history and cultural background. Standards of language teaching at the secondary level remain very low (Hunt, 1984). After 1978, some younger faculty members had studied abroad, but they constituted a small percentage of the total management faculty, especially in the case of hospitality management. A substantial number of Chinese

sent abroad to study did not return to China, making the brain-drain a serious problem (Cullen, 1988).

Lack of experience of tourism personnel in dealing with foreign tour operators and managing tourism facilities made the tourism development process difficult. The Chinese expected visitors to be so impressed with being allowed in the country that they would be unlikely to quibble over the arrangements (Richter, 1989).

> "The management of the Jing Jiang Hotel has tried to make foreigners feel at home by copying the little extras most western hotels put in each room: a room-service directory (with no numbers), stationery (with no pens), and sewing kit (with no needle). Guests even have at their disposal a no-nonsense wake-up call. Answer the phone and the voice shouts 'Get up!'." (Goldsmith, 1981)

To understand and to appreciate international service standards and visitors' expectations of quality was a problem for the Chinese, as only a limited number of Chinese citizens travelled or worked outside China. The lack of knowledge on the part of foreigners of the existing political, social, cultural environment in China and the industry's organisation also constituted a difficulty.

In 1986, the CNTA sponsored a national tourist-education conference, which elaborated a plan for the development of China's hospitality-education establishment and for dealing with such problems as a lack of funds for qualified personnel and good teaching materials (Schrock et al., 1989). Under a policy introduced by the CNTA, in 1996, a job qualification certificate began to be required for certain positions in the industry. As a result, the quality of tourism and hospitality employees has shown a considerable improvement (Xiao and Liu, 1995). Chinese tourism authorities have been making great efforts in developing tourism and hospitality education programs. However, the demand for qualified managerial and service personnel remains high.

3.8. Domestic Tourism

When a country wants to develop international tourism, particularly for its foreign exchange and other economic benefits, it needs to develop attractions, facilities, services, and infrastructure for the international markets. Then it often happens that, as the country's economy expands based in part on international tourism, the domestic tourism sector also develops (Inskeep, 1991).

In fact, China's domestic tourism, although not encouraged at first, has increased much faster than expected. The success of domestic tourism is attributed to reforms in China and a new level of economic development. The improvement in the overall standard of living coupled with some new benefits for the working class has raised the demand for tourism and, as a result of the increase in their income, people can now afford to spend more time and money on travelling.

In the face of deflationary pressures, realising domestic tourism's economic potential, the Chinese authorities have implemented the nation-wide holiday system to try to stimulate economic growth through increased domestic consumption. The government, since the latest deflationary economic cycle started three years ago, tried to make people to take their money out of the bank and spend it. And since people tend to spend more while travelling, incentives to domestic travel have been set up.

While the presence of domestic tourists increased congestion at popular tourist attractions and in railway stations, they were less likely to compete with foreign tourists for hotel and transportation accommodations, as the class of the services which most Chinese commoners used was well below that which the typical foreign tourists would be willing to accept (Lew, 1987).

The growth of domestic travel opportunities has had a substantial impact on the establishment of domestic tourism operations. For example, in 1996 China had more than 3.275 travel businesses handling mainly domestic travel, before 1980 hardly any existed. Most of the first and second-category travel services also set up departments to handle the growing domestic tourism demand.

3.9. Overall Economic Impact

From 1978 to the end of the 6th Five-Year Plan, the goal to earn more foreign exchange was achieved, with tourism receipts increasing from 262,9 million in 1978 to 1,25 billion USD in 1985, more than a three-fold increase. The share of tourism receipts in total foreign exchange earnings from exports increased from 2,7 percent in 1978 to 4,6 percent in 1985, and the foreign exchange growth rate from tourism was also faster than that of other export categories.

During the 7th FYP, marking a major achievement in recognising tourism as an important economic activity, the policies implemented did not achieve the objectives desired, largely due to the consequences of the Tiananmen Square incident. Neither tourism arrivals, nor tourism receipts achieved the goals set in the National Tourism Plan. In 1991, foreign tourist arrivals were less than 3 million, far short of the goal of 5 million which had been set for 1990. Moreover, poor service quality was still a persistent problem in the hotels, although it did improve, primarily in the foreign invested and managed hotels.

In an attempt to overcome these problems that the tourism industry was facing, new policies were introduced. The government assumed the new roles of coordinator and planner through the establishment of the NTC and the adoption of a National Tourism Plan, respectively.

In the mid 1990s, tourism had already recovered from the dramatic drop in visitor arrivals experienced in 1989 and started to develop quickly. Since then, both visitor and tourism receipts have been increasing steady, with the share of tourism receipts in total foreign exchange earnings from exports increasing from 3,96 percent in 1991 to 7,23 by 1995. It seems that the goal set in the National Tourism Plan to generate 80-100 billion USD in revenue by 2000 has been achieved. It is generally considered that these remarkable achievements have mainly occurred as a result of the mass promotional campaigns. The other impact was that China's tourism gradually geared itself to the free market economy environment (Zhang et al., 1999).

Domestic tourism expenditure has also been increasing, mainly as a result of the economic holiday policy aimed at stimulating domestic consumption. Domestic tourism, although not contributing to foreign exchange earnings, has an enormous impact in the country's economy. Besides stimulating the surge of business-related operations, and the economy in general, it creates many job opportunities.

4. Regional Differences in Tourism Distribution and Development

The impressive growth of the tourism industry in China during the last two decades is undeniable, however, there is the need to evaluate the prospects for the extension of this growth. Some characteristics of the development of tourism industry also should be considered, such as spatial disparities, imbalances between inbound and domestic tourism and between nature-based and city-based tourism, as well as the increasing negative environmental effects from tourism.

While statistics show that China achieved phenomenal growth in arrivals and revenues since 1978, problems associated with this growth also began to surface. With the opening up of the country to foreigners, initial travel and tourism policies were developed to encourage a high growth rate in tourist arrivals. In order to achieve this high growth rate, the PRC government opened 122 cities and regions to foreign tourists, simplified entry and visa procedures, renovated old and constructed new facilities, and opened tourism schools to train personnel.

However, China's regional economic structure is clearly reflected in the spatial patterns of tourism. Most tourist attractions opened to tourists were located in the eastern part of China where the economy is highly developed and society is predominantly urban (Zhang, 1995). During the 7th Five-Year Plan period, China designated seven key tourism localities, where a substantial amount of money had been set aside to develop and restore internationally recognised historic sites and monuments, but only one was located in the interior. The State Council has twice designated places with favourable tourism resources as "*State Level Scenic Wonders and Historical Sites*". Of the 84 attractions, 44 designated in 1982 (see appendix 5.1) and 40 designated in 1988 (see appendix 5.2), only a few are

located in western China. Among the 12 Tourism and Vacation Zones (see appendix 2.9) approved by the state in 1993, only one is located in the interior. This is only a partial view of the problem, nonetheless it does show that vast areas in the western part of the country have a much smaller role in the overall development of China's tourism. In contrast, a survey conducted in 1991 of both domestic and international tourists about their most favoured attractions found that more than half were located in the interior (Wen and Tisdell, 2001).

The opening of minority areas in recent years aimed at balancing the regional distribution of development, but, at the same time, it was said to offer an opportunity for domestic and international tourists to see how "well integrated and diverse" Chinese minorities were (Matthews and Richter, 1991). Unfortunately, the size of China, its distance from the major tourist originating countries, and the distance between major tourist cities in China and these remoter areas provide obstacles for visitors. Accessibility, supporting facilities and services, and restoration and preservation of the attractions fall well short of the requirements and demands of visitors due to the limited funds available and inadequate management. Also mistakes had been made in creating tourist attractions, like copying something foreign and simply restoring anything old, regardless of its true value and market demand (Zhang, G R, 1989).

Economic wealth is heavily concentrated on the coastal area, which accounts for 40 percent of China's population and produces about 58 percent of its GDP on 14 percent of the nation's land area (Wen, 1998). Examining demand-side indicators, the same pattern can be observed. It has above average receipts per hotel room and more tourists per hotel employee. In addition, tourist receipts in the coastal area per inhabitant are about twice those of China as a whole, as is the number of tourist per inhabitant of the coastal area (Wen and Tisdell, 1997).

Wen and Tisdell (Wen and Tisdell, 1996; Wen,1998; Wen and Tisdell, 2001) argue that, with the existing unbalanced distribution of general economic activities throughout the country, tourism reinforces this inequality when concentrating in the coast. "It might be thought that China's substantial tourism development would play a role in moderating this

regional inequality but inbound tourism has in fact exacerbated it" (Wen and Tisdell, 2001). Also, the spatial distribution pattern within the Chinese tourism industry indicates that the supply of tourism facilities is not proportionate to receipts earned from tourism operations. Coastal areas obtain a larger fraction of tourism receipts compared to the quantity of their inputs than interior areas and economic gains from tourism are more concentrated on the coastal localities than is the supply of hotel rooms and hotel staff (Wen and Tisdell, 1996).

Selective allocation of incentives and state participation, and the provision of tourism infrastructure have in fact favoured tourism development in the coastal provinces, leading to the explicit spatial concentration of tourist activities. Reinforcing this spatial preference are, among others, the infrastructure constraints and the unbalanced regional development strategy in the post-reform period. The establishment of twelve coastal regions with the status of SEZs provided them with access to development finance and foreign investment which is not available to the interior regions and more isolated rural areas (Sofield and Li, 1997).

Thus, emphasis on the coastal area in tourism policy and also in tourism promotion by Chinese authorities has been a factor adding to the spatial disparity of tourism in China. Tourism promotions often neglect the interior, resulting in limited appreciation of the diversity of tourism resources across China. Over concentration in both marketing and planned itineraries on the coast affects consumer choice and produces narrow views about the attractions of China, leaving the inland area less opportunity to benefit from tourism and reducing tourists' satisfaction (Wen, 1998).

The disparity of tourism between the coast and inland areas is made more serious in that the direct economic impact of inbound tourism to China favours the coastal area and the indirect effects of tourism are frequently higher along the coast (Wen and Tisdell, 1996). In addition, when the income-multiplier effect is taken into account, leakages from tourism receipts in inland China are most likely higher than along the coast because coastal areas have a more dynamic economy and better ability to supply consumption goods for tourists.

Thus the economic disparity of the coastal tourism compared to that in the interior is likely to be magnified after regional leakages are taken into account (Wen and Tisdell, 1996).

Higher profitability also is observed in tourism operations in coastal areas, maybe due the higher number of tourist arrivals, higher capital to labour ratios, labour supply of better quality, better management, and more market-oriented management instead of labour-absorbing management under political pressure as sometimes happens in the inland areas where employment opportunities are limited (Wen and Tisdell, 1996). Thus, in China, tourism development may not have helped the rural areas and inland areas catch up with more developed areas and may even have made the disparities worse.

In summary, the eastern part of China possesses the most advanced tourism facilities, receives the most travellers, and produces most of the nation's tourism income. The western part of the country, on the other hand, remains largely untapped for tourism. With its tremendous tourism resources, however, this area is most likely to become a popular destination in the future, when adequate funds for development become available.

In regard to the distribution of tourism indicators within China's inland area, it can be observed that the spatial distribution is relatively more even than in coastal region, showing greater equality within this region than in China as a whole (Wen and Tisdell, 2001). In recent years the role of the inland region in tourism has been increasing. More attention has been given to environmental protection and to the problem of regional inequality, leading us to believe that the government is creating opportunities to tourism development in inland regions, mainly through the establishment of ecotourism projects, which are more economically and environmentally friendly to the local populations.

Domestic tourism can also help to reduce some of the disparity between the eastern coastal regions and the interior. The rich symbolism, philosophical affinity and traditional relationship which most Chinese have with their rural landscapes, many of the most famous of which are dispersed throughout the interior regions, can contribute to the attenuation of regional inequality. However some controversy could arise from the idea of using domestic tourism to alleviate tourist geographical concentration, as some types of

organised travel is financed, partially or wholly, with public money, questioning its contribution to national income and enabling corruption in abusing the use of public funds.

Some other arguments have been presented in relation to possible solutions to this problem of regional economic inequality. The idea of taking privileges away from SEZs was suggested by a Chinese economist. However, criticism of this idea have already been made as this could only contribute to slowing down growth along the coast, without necessarily improving performance in the interior areas (Wen, 1998). In this regard, it is argued that incentives be given to those industries in which non-coastal areas have a relative economic advantage.

Summary

Before the economic reform of the late 1970s, the lack of stability in the growth rate in tourism is a direct reflection of the lack of political stability in terms of China's external relations with the outside world, shifting domestic attitudes and values, and a failure to understand the complex nature of the international tourism industry (Hall, 1994a).

Objectives set for tourism have been confined to a few gross incremental parameters such as "total tourist arrivals", "international hotel capacity" and to most economic performance indicators, such as "gross tourist receipts". "These development thinking puts heavy emphasis on quantitative expansions of tourist infrastructure" rather than on tourism qualitative development (Xu, 1999). The Chinese government's over-emphasis on the quantity of tourism rather than its quality brought about a series of problems that China has had to face for several years, some of which still remain unsolved, although they exist on a smaller scale than before. China's tourism industry, without proper planning and lack of coordination and central-control, also has had results that hindered its sustained development, thus affecting its economic performance.

International tourism has not promoted economic and social development in both non-coastal and rural regions equally to that in coastal areas. Nonetheless, overall, tourism has produced considerable economic development in the country, generating income,

diversifying the sources of foreign exchange earnings and creating employment opportunities in both tourism and tourist-related businesses.

Given that the Chinese economy has been strongly influenced by governmental policy decisions rather than market forces, it can be concluded that tourism development and its impacts have been profoundly influenced by policy. The Chinese government has always exercised a tight control on every aspect of tourism development, especially in the early stages of development. The introduction of some liberalisation and decentralisation policies contributed to some changes within the sector, but the State has always had the ultimate saying, as the administration structure continues to be centralised in a few key organisations. The role of government has been changing over the years, adapting to the evolution of the nature of tourism. However, the government's main goal has remained the same: to promote tourism growth, leading China to be the world's number one destination in two decades. In this regard China has been launching tourism policies in accordance to national plans (FYP), adapting at the same time to the international environment, and trying to solve some problems that might surge in the tourism development process.

Conclusion

Travel and tourism has been developing in the last five decades and is now the world's largest industry. In 1999 it generated, directly and indirectly, throughout the world's economies 11 percent of GDP, 200 million jobs, which represented 8 percent of total employment, and will generate 5,5 million new jobs per year until 2010.

Before the Chinese government's decision to open the country to the outside world and to promote tourism as a vital economic force to earn foreign exchange earnings to help finance its modernisation program, there was hardly any international tourism in China. Outbound travel was limited to government officials and diplomats, and domestic tourism hardly existed. Tourism was not thought of as an industry but considered as a part of foreign affairs, as the government's main objectives in international tourism were political rather than economic. It was essentially a public relations exchange with representatives of a few friendly countries.

Thus, China had not followed the world's development path in relation to the tourism industry. However, with the introduction of reform and the open-door policy since 1978, tourism in China had caught on and entered the international tourist market. China's late entry into the tourist race was, in one sense, a trump card, as Chinese officials could benefit from the accumulated experience of other countries (Oudiette, 1990). In terms of economic organisation of the tourism industry, China avoided many of the glaring mistakes made earlier in third world tourism (Richter, 1983b).

In the past two decades, tourism has been a boom industry in China, and has come to play an extremely significant role in economic and regional development, and in international relations as well. China has taken important steps since 1978 in its tourism development, and progress has been made in understanding tourism, in searching for basic standards and principles for tourism development, and in seeking a way to develop tourism in accordance with the socialist politics and economics in the PRC.

The dramatic growth in travel and tourism in China since the introduction of the open door reform policy in the late 1970s has been the result of several factors that can be summarised as follows:

- the economy's massive and rapid growth;
- China's unique attractions, which are in the mainstream of evolving global tourist demand;
- government efforts to improve tourist products and services;
- attraction of private capital, including foreign investment;
- international interest in China as a new destination and in the changes brought about by economic reform;
- the increased accessibility of Chinese destinations to foreign visitors;
- the development of Asia as a major tourist generating market.

The Chinese government saw tourism as an attractive way of diversifying the economy and escaping from dependence on traditional exports, it was considered to be "the goose which lays golden eggs" (Zhu, 1997). There was a prevailing feeling, expressed in many speeches and editorials, that the "export of scenery" needed relatively little backing to generate handsome returns, tourism was regarded as an industry in which investment was small, results were quick, costs were low, and profits great (Goldsmith, 1981).

As China is a socialist state, it is natural to expect that the government would play the predominant role in the development of the tourism industry, to an extent that would be unthinkable in a capitalist county. Until the 1980s, the state controlled every aspect of the tourism industry. However, with increasing decentralisation, state control is enforced to a lesser extent. While local authorities have greater autonomy in many fields, they must still follow national policies, plans and regulations, always adapting them to regional realities when possible. In the case study analysed, the HTB, having realised the potential of tourism development, has been preparing annual and long-term plans in order to follow a sustained growth path. However, the goals of tourism development in Hangzhou have been defined in accordance with national plans and policies launched by the CNTA.

Initial policies affecting tourism were directed to maximising growth rates of visitor arrivals. After 1982, separate travel permits were no long required in addition to entry visas to visit each city on an itinerary. Relaxation of entry formalities and the increased number

of entry and exit points were introduced to permit more flexibility in travelling to China, especially in terms of last minute decision to visit China and individual travel to specific points of interest.

Chinese government looked to foreign travellers, especially Japanese and Americans, as key sources of hard currency. Foreign sources that historically dominated the volume of visitors, like the American and the Japanese markets, became less important, while new origins, including Russia, Korea and the Southeast Asian countries, became more important in the late 1980s and in the 1990s, resulting in a more diversified market.

The most numerous consumers of Chinese tourism, in terms of numbers, are and will continue to be domestic travellers. Of international arrivals, by far the greatest proportion are compatriots. Both segments are of limited interest to Chinese policy makers since they tend to spend relatively little, and, overall, contribute minimally to foreign exchange revenues, the primary goal of national tourism planning. Nonetheless, ethnic Chinese who live outside China constitute a major force in the country's tourism development. They form the majority of travellers to China and are the principal foreign investors in its tourism industry. Since the majority of overseas Chinese have origins in localities in Guangdong and Fujian Provinces, they frequently include these provinces on their itinerary. Their concentration in these areas is a major source of income and economic development for rural southern China.

Foreigners spend more per capita touring the country than ethnic Chinese tourists, who generally stay and eat in their relatives' homes or seek lower-price accommodations than do foreigners. In addition, to show a political "united front", ethnic Chinese tourists were charged 20 to 30 percent less than foreigners for the same service provided by state-owned travel services and hotels until the end of 1988 (Cai and Woods, 1993).

However, unlike the domestic and compatriot tourism industry, which is conditioned largely by location and access, the foreign tourism market is competitive and risky, it is highly dependent upon fashion trends, political, economic and social stability. It is obvious that domestic events and policies can greatly damage the country's image.

Experience has shown that the special character of the tourism industry makes it more liable to independent events than other sectors. It is vulnerable to changes in politics and economics, as well as any major change in policy or ideology, and these changes can significantly modify its development process. However, up until now, there is nothing that leads us to believe that China would change its reform and open door policy; on the contrary, major policies within the tourism sector show a greater openness to the outside world, mainly as a result of China's intention to join the World Trade Organisation. The increased dependence on tourism as a source of economic growth also shows that it would be extremely difficult for China to halt tourism development.

Nonetheless, tourism is considered to be one of the most difficult industries that a developing country can choose to develop, as it needs to get everything right all at once, from having an "efficient infrastructure and minimum bureaucratic red tape, to trained staff and familiar food" (Lynn, 1993:4). In fact, some events have led to considerable difficulties within the Chinese tourism industry for planning and investment and have posed substantial problems for improving the image of China as a tourist destination.

Despite the great importance attached to tourism in China, its development has not been methodical and carefully planned as part of the national effort, resulting in an increased number of problems that hindered the sustained development of the tourism industry. The role and importance of tourism has not been always fully recognised. In fact, various government administrations have invested very little in the development of tourism due the lack of funds. The transportation sector is the most affected by this. The hotel industry has absorbed a great amount of foreign investment mainly because the initial high profitability and incentives offered by the Chinese government, solving the problem of lack of accommodations that China had to face immediately after it opened its doors to international travellers. Investment in tourism attractions development was limited, taking into consideration the rapid growth in the number of tourists visiting many destinations, leading to overcrowding at some sites during peak seasons and subsequent deterioration of the site values and the tourist experience satisfaction.

The most obvious attempt of the government to diffuse overseas visitor flows and allow areas throughout the country to benefit from tourism has been the striking increase in the number of cities open to foreign tourists. In view of limited investment capital to build the necessary tourist infrastructure, the laudable desire to distribute tourism gains around the country by opening up more and more cities simply over-stretched an already inadequate tourist infrastructure (Jenkins and Liu, 1997:119). This rapid diffusion process has also encouraged false hope in many backward regions where luxury hotels have been built at the expense of other more productive investments, such as transportation, agriculture and manufacturing industries, resulting in low occupancy rates. Large benefits from tourism development are still concentrated in a few key regions.

China has experienced uneven regional development since commencing its program of economic reforms and this has resulted in incomes in the coastal provinces rising considerably above those in the interior. Tourism development is now being pursued as a means to encourage economic growth in a number of the interior regions and promotion of ecotourism is a part of this strategy. Ecotourism is expected to contribute to economic development of its destination areas, especially in its role of earning foreign exchange, diversifying regional economies and in providing income directly and indirectly to regional and local economies.

Overall, the tourism industry is producing comprehensive, extensive and lasting special effect on promoting economic development and social prosperity. In the next 20 years, China should achieve another historic leap from being a tourism power in Asia to a tourism power in the world, the proportion of tourism in the GDP should reach 8 percent. China's long history, culture, natural scenery, multiple nationalities and uniquely abundant tourist resources have a great appeal to overseas tourists.

There is little doubt that tourism will continue to grow in China. It has become increasingly clear that tourism is playing an irreplaceable role in expanding domestic demand and stimulating consumption, and in improving the quality of life. At present, the enthusiasm displayed by various localities in developing the tourism industry has soared to an unprecedented height; an encouraging situation has universally appeared which features

government attention, departmental united action and public participation. Under this situation, speeding up the development of the tourism industry, so that it will genuinely become a pillar industry of the national economy is not only possible, but also necessary.

Appendices

Appendix 2.1

Roles of governments in the tourism industry

Public sector policy objectives that may be sought from tourism include: the creation of income and wealth; job creation; maintaining and improving the image of an area, its environment and the quality of life; maintaining and improving links both within and between nations; and contributing to the nation's balance of payments position (Hartley & Hooper, 1992). However, when analysing the evolution of these objectives, one can say that over the last decades there have been changes in the framework of government intervention in order to achieve them.

> "According to the OECD, post-1945 tourism policies can be divided into three distinct phases: in the late 1940s and 1950s "there was a need to dismantle and streamline the many police, currency, health and customs regulations which were the legacy of a war and immediate post-war situation"; in the 1950s governments moved into promotion as they "became aware of the "dollar gap" and hence the need to increase their earnings of both dollars and any other hard currency"; while, latterly, governments have become concerned with the problems of tourism supply and with the link between this and regional development. By the 1970s and early 1980s broader social and environmental issues had become the dominant issues in the tourism policies, at least of northern Europe." (Williams and Shaw, 1988b:230)

From the quote above we can tell that tourism policies were not constant. A study made of the OECD countries (WTO, 1993a) shows how their national tourism policies have evolved over the years in line with their main policies. Following the tourism boom after the Second World War, governments having realised the potential of propaganda from their wartime experience, rapidly set up overseas information offices to promote tourism in their respective countries. During this period, the role of the national tourism authorities was characterised initially by an almost excessive emphasis on promotional activities.

Up to the mid-1960s, to meet the demand for private travel, governments had to provide appropriate infrastructure. In addition to the investment in transportation facilities and infrastructures, they also injected a massive amount of public funds to compensate for the initial lack of private sector investment in the accommodation sector. The shortage of trained hotel staff also obligated them to invest in training programs. In this stage the government acted more as a stimulator of private investment.

In the early 1960s, the rise in the prices of tourism services led governments to implement price controls to protect both the consumer and the international competitive position of their respective countries. Some countries began to regulate the activities of tourism enterprises, showing a shift from quantity to quality. In 1965, several countries, with the aim of recovering some of the investment made in infrastructure, introduced or raised boarding taxes in airports and seaports. With other concerns related to balance of payments problems, some countries also limited the amount of currency that tourists could take abroad. These developments increased the importance of international tourism organisations. These international bodies helped to broaden the perspective of national tourism policies on other levels, like encouraging the protection of the natural, historical and cultural heritage of countries. Governments took, in this phase, a more interventionist approach concerning the tourism industry.

In the 1970s, national tourism bodies were restructured in some countries. All OECD member countries introduced stricter eligibility criteria for official financial assistance, this being encouraged, in some countries, by new regional political structures. In other countries, it stemmed from the need to coordinate responsibilities. At the national level, the creation of various bodies to promote more balanced regional economic development increased further the problems of coordination.

The constraints on resources made necessary a new division of responsibilities between units within the public sector, and encouraged them to implement promotional programmes in cooperation with the private sector. In a similar vein, national tourism bodies began to decentralise tourism development by providing local and regional bodies with both financial and technical assistance in drawing up development plans. The unpredictability of

international tourism also encouraged several countries to pay more attention to domestic tourism.

Nowadays, several authors have been devoting their attention to the question of the proper role of government in the tourism industry. It is common to agree that governments can assume either a passive, an active, or a somewhat intermediate role in the development of tourism. A passive involvement can take two forms: mandatory or supportive (Jenkins and Henry, 1982). A passive mandatory involvement is usually linked with legislative provisions. Government uses mandatory authority to introduce legislation, which relates to the country as a whole and is not intended to discriminate in favour of the tourism sector, although these measures may have implications for tourism. A passive supportive involvement could arise where government does not deliberately inhibit the development of tourism, but does not encourage it actively either.

In Jenkins and Henry's view (1982), active involvement implies, not only recognition by government of the specific needs of the tourism sector, but also of the necessity for its operational participation to attain stated objectives. In this case the government can assume managerial and developmental functions. The government not only sets tourism objectives but also introduces necessary organisational and legislative support to attain the objectives. Developmental involvement is seen when government or its agencies undertake an operational role in the tourist sector. This role might be taken because of ideological reasons, as in many centrally-planned economies. However, in developing countries, the government usually undertakes this role because of the inability or unwillingness of the private sector to become involved in tourism.

Jenkins and Henry also note that the nature and extent of the involvement will reflect not only the stage of development of a country, but also the political philosophy of its government. For each developing country, the degree of active involvement by government in the tourism sector will reflect the importance of tourism in the economy. This economic importance is usually measured by its contribution to GDP and national income; earnings from foreign exchange; employment and income generated; and contribution to government revenues.

Some authors (Jenkins and Hall, 1982; Inskeep, 1991) have argued that some degree of government intervention is essential. Accordingly to Inskeep (1991:411), "government should assume the overall responsibility for tourism management with respect to development policy and planning, setting and maintaining facility and service standards, some aspects of marketing, and increasingly the environmental quality of tourism areas".

In developing countries, a greater degree of intervention by government is required to achieve material objectives because of the absence of a developed and innovative private sector (Jenkins and Hall, 1982). In many developing countries, the government must play a strong role in tourism development, including marketing and making capital investments or offering investment incentives in order to encourage the commencement of tourism (Inskeep, 1991).

The WTO believes that the main task of the State is to set up the favourable environment that will give the citizens conditions for their mobility and coexistence, and to ensure that market forces develop freely in an appropriate legal and fiscal framework. The State should be able to provide a suitable legal, regulatory and fiscal framework to enable the tourism industry to develop efficiently. It should also foster the expansion of tourism by means of encouraging investment in infrastructure, especially in the least favoured areas. Other functions include providing training for independent employees, promotion on foreign markets, dissemination of tourism information domestically, the balanced growth of tourism, measures to offset seasonality, among others support for the development of tourism (WTO, 1993b).

The WTO classified public sector actions into four categories: policy, planning, development and regulation (WTO, 1997b). Policy generally refers to an overall, high-level plan that includes goals and procedures. Policies are generally found in formal statements, such as laws and official documents and speeches. However, they can also be informal and unstated, and can be discerned from patterns or trends of governmental actions. Tourism policy is generally considered to be an area within a nation's overall economic policy. A nation's various policy areas are interrelated, so impacts in one policy

area will likely effect changes in other areas, thus the coordination function that the government plays is very important.

Planning is particularly important for tourism development because it is a complex industry that stretches across many different sectors and businesses, and is a site-specific industry. It is thus necessary to minimise the negative impacts, and to maximise the benefits. Government can also play the role of developer, as in many cases it has to replace the role of the private sector in investing in tourist infrastructures. In other cases, giving the size and importance of certain projects to the country, the government is always required a leading role. The regulatory role of government is very important for the tourism industry because so much of it is required for protecting the consumer, the environment, and the cultural and historical heritage.

Appendix 2.2

International involvement in the tourism industry

After the Second World War, international tourism was primarily a matter of the western industrialised nations. With the supervision of the OECD Tourism Committee, these countries worked upon the establishment of general favourable conditions to reconstruct the European tourism industry that had been destroyed during the war. The first measures taken were to abolish travel obstacles and restrictions in the OECD zone. This liberalisation policy created the bases of the tourist boom in the 1960s and 1970s, and permitted the development of solid supply infrastructures (Keller, 1999b).

After several critiques made by the less industrialised countries, which were lagging behind in the development process, a worldwide organisation was constituted with the objective of promoting tourism in the developing countries. In the 1970s the status of this new organisation was formulated by means of an official tourism organisation, the International Union of Official Travel Organisations (IUOTO), being transformed into the WTO, which began its functions in 1976. Nowadays, the membership of the WTO is composed of more than 100 countries and territories, and over 300 affiliate members from both the public and private sectors. The WTO is an executing agency for the United Nations Development Program (UNDP) of the United Nations.

The world tourism market has changed considerably over the past decades. The importance of some traditional destinations has declined as new destinations have entered the market. The new conditions of this growing globalisation are leading to a kind of hyper-competition in tourism, which has not yet reach its peak (Keller, 1999a). In this context, tourism policy has a role to play and the role of intergovernmental organisations is now much more important for the purpose of ensuring that fair rules apply in the world tourism market.

The diversity of policy issues affecting tourism is a result of the industry's unique structure, which stretches across many different economic sectors and has various social impacts. Tourism thus requires a great deal of communication and cooperation among

government, business and host communities. Because of the need for communication and cooperation, many kinds of organisations, including those with voluntary membership, have been established to serve travel and tourism-related interests. Through these organisations, their members can also create networks, pool resources and benefit from efficiencies in scale and size that might not be attained by them individually.

Besides the already mentioned international political organisations, to be discussed in the next section below, other forms of international government involvement exist, such as multilateral trade agreements. These agreements contain principles and practices that guide the signatory countries' economic and trade relations. The General Agreement on Tariffs and Trade (GATT), General Agreement on Trade in Services (GATS), North American Free Trade Agreement (NAFTA) and European Union (EU) are examples of efforts by countries to create greater efficiency and predictability in trade and commerce across national boundaries by forging comprehensive agreements (WTO, 1997b).

The GATT is dedicated to reducing tariffs and other obstacles to trade. Throughout its history, several rounds or trade conferences have been held to address various issues and problems. The last round, which lasted for eight years, culminated with the dissolution of GATT and its reorganisation as the World Trade Organisation. Unlike GATT, which did not address trade in services, GATS is specifically dedicated to the issues and problems of such trade, including those related to tourism.

Bilateral air agreements also constitute a form of international government involvement, which, from the perspective of tourism, represent a special kind of international agreement. They spell out the terms and conditions of air transportation rights between two countries, and are therefore critical for the success of international tourism.

Important Tourism and Tourism-Related Organisations

The WTO is, with no doubt, the world's largest and most influential government tourism organisation. It is directly responsible for the application of intergovernmental policies, constituting a central and decisive coordination body within the tourism sector. But there

are other international political organisations within the UN that also play a major role in the sector, although not being specific to tourism. The most important are the UNDP, the UNESCO, the United Nations Environment Program (UNEP), and the International Civil Aviation Organisation (ICAO), which is an inter-governmental body devoted to cooperation in setting international aviation standards.

The OECD, with nearly 30 member countries, is another organisation not exclusively concerned with tourism-related issues but rather with economic development in general, nonetheless it plays an important role within the industry. It focuses on governmental policies and how they interact with those of other countries.

The WTTC was established in 1990 as a global organisation to represent the private sector of the travel and tourism industry. It comprises several entities from leading international companies in the airline, hotel, transportation and travel agency industries. Being a private-sector organisation, several of its primary objectives are concerned with introducing changes in the public sector.

Regional tourism organisations constitute other important mean by which governments can contribute to cooperation. Examples include the Pacific Asia Travel Association (PATA), representing the public and private sectors of the travel industry; the Caribbean Tourism Organisation (CTO); the Tourism Council of the South Pacific (TCSP); and the Association of Southeast Asian Nations Tourism Association (ASEANTA). The CTO is comprised of national tourism administrations, while ASEANTA membership is based on ASEAN, an established regional governmental organisation.

The ASEAN jointly with the EU constitute two examples of major regional organisations not exclusively devoted to tourism, but whose actions with respect to the industry are important to its member nations. The EU provides significant funds to finance tourism-related investment and infrastructure projects, and to projects that upgrade cultural and historical resources. The funds were directed particularly towards tourism development in regions that are underdeveloped, suffering from economic decline, or concerned with development of rural areas. The ASEAN promotes economic, social and cultural

development of the Southeast Asian region through cooperative programs. Tourism, as an increasingly important economic activity for this region, represents an area of importance for the organisation.

International organisations have for many years been major suppliers of capital for tourism infrastructure investment. The World Bank (also known as the International Bank for Reconstruction and Development – IBRD), Inter-American Development Bank and Arab Development Bank are important examples. The World Bank, a UN specialised agency, was established in 1945 and is owned by the governments of 174 countries. It makes loans for tourism-related infrastructure projects rather than directly to tourism projects. Loan recipients are generally countries with developing economies (WTO, 1997b).

Additional international organisations are those multinational corporations including hotel chains, airlines, tour companies, and credit facilities, which have come to dictate fashion and prices in this industry (Richter, 1989). Their relations with individual countries are very important politically as many of these organisations have more financial assets than any other entities in a country. Another example, not a corporation, but an association of corporations, is the American Society of Travel Agents (ASTA). Another association, this time representing the airline industry, is the International Air Transport Association (IATA), that first appeared in 1945 with 57 members covering mainly European and North American countries. Since then the airline industry has experienced a huge growth, and now it has 230 members from 130 nations worldwide.

Appendix 2.3

Annual promotional activities organised by the CNTA

After the success of "*Visit China Year*" in 1992, the next promotional campaign was based on China's natural resources. China was divided into five large regions, each offering an itinerary, to attract people with different interests. In 1994, the focus was on ancient Chinese history and culture, and on the value of protecting the cultural heritage. Fourteen itineraries were drawn up allowing visitors to become familiar with important figures in Chinese history.

In 1995, promotion strategy was to direct promotional efforts mainly to the Asian market. It aimed to introduce China's 56 ethnic groups, their customs, traditions, traditional festivals and way of life. "*China Holiday and Resort Tour '96*" promoted the 12 national holiday resorts opened since 1992 to meet the growing demand for leisure products on the international tourism market.

1997 was the second "*Visit China Year*", and for that reason the 16 finest itineraries of the previous five years were selected, offering the best food, accommodations, travel arrangements, shopping and recreational opportunities. The 1998 promotional theme was designated to show how much all of China, both urban and rural, had changed since the reform and opening up policy were instituted in 1978.

"Go back to nature, understand her and protect the environment" was the slogan of China "*Ecotour '99*", jointly launched by the CNTA and the State Environmental Protection Agency. This aimed to rationally develop programs that contribute to environmental protection while taking advantages of the ecotourism resources to promote tourism and economic development in less developed regions of the country. (Xia, 1999b) These two agencies together developed and constructed a group of ecological tourist zones (Beijing Review, 1999b).

In the end of 1999, Japan, Germany and Middle Eastern nations were announced as being the target markets of a new promotion campaign (China Online, 15/12/1999). China has

also began to pay more attention to its immediate neighbours, especially Russia, Vietnam and India (Xia, 1999). To encourage Southeast Asian tourism, CNTA developed lower-cost short package trips to coastal areas in southern China, and has focused more on expanding the Indian and Russian markets which China sees as currently underdeveloped (Lew, 2000). In spite of being hurt in 1998 by declining wealth in Southeast Asia, the CNTA's director stated that China's tourism industry will never give up this market (The Asian Wall Street Journal, 20/2/1998). Many Asian tourists cancelled their plans to travel to China because of the sinking value of their domestic currency and the emergence of more inexpensive destinations. China's currency, on the other hand, remained relatively strong compared to others in Asia.

In 2000, the CNTA launched a theme tour entitled "*New Millenium China 2000*" "to greet the coming of the new century". Promotional campaigns were centered on China's 21 UNESCO World heritage sites (see note below) and more than 30 large-scale festive activities, including China Ice and Snow Festival, Qiantang River Tide-viewing festival, Dalian International Garment Festival and Qingdao International Beer Festival (Xia, 2000).

This year, in June, the CNTA organised several cultural events on the East Coast of the USA. "*Come, Visit China*" was the message behind these events, which took place in seven cities (Washington, Philadelphia, Richmond, Kissimmee, Miami and Chicago). The road show began in Washington, at Freedom Plaza. The location symbolises "freedom to travel" in China for US travellers (Press Release, 07/06/2001). The chairman of CNTA said that "the road show is the first of its kind we have ever organised in the USA. We believe it will give Americans a glimpse of the world's most wonderful tourist destination in China. It will also significantly promote understanding between the two countries on a people-to-people level. We intend to organise similar events in other parts of the country" (Press Release, 07/06/2001).

Note:

In 1985, China officially joined in the UNESCO Convention on the Protection of World Cultural and Natural Heritage. A year after, it began its application work for being added to world heritage list. In 2000, it had 21 sites classified as world heritage.

World cultural heritage

1. Great Wall
2. The Palace Museum (Beijing)
3. Summer Palace (Beijing)
4. Temple of Heaven (Beijing)
5. Peking Man Relic Site at Zhoukoudian (Beijing)
6. Magao Grottoes at Dunhuang (Gansu)
7. Qinshihuang's Mausoleum and Terracotta Army (Xi'an)
8. Chengde Summer Resort and Surrounding Temples (Hebei)
9. Confucius' Residence, Temple and Tomb (Shandong)
10. Ancient Buildings on Wudang Mountain (Hubei)
11. Potala Palace in Lhasa City (Tibet)
12. Lushan Mountain (Jianxi)
13. Classical Gardens in Suzhou (Jiansu)
14. Pingyao Ancient City (Shanxi)
15. Lijiang Ancient City (Yunnan)

World natural heritage

16. Wulingyuan (Hunan)
17. Jiuzhaigou (Sichuan)
18. Huanglong (Sichuan)

World cultural and natural heritage

19. Taishan Mountain (Shandong)
20. Huangshan Mountain (Anhui)
21. Emei Mountain and Leshan Giant Budha (Sichuan)

In addition, in 1998, China had four natural reserves listed on UNESCO World Man and Biosphere Program (MAB): Maolan (Guizhou), Tianmushan (Zhejiang), Fengli (Heilongjiang) and Jiuzhaigou (Sichuan).

Appendix 2.4

Olympic Games in China

After being defeated by Australia's application to host the 2000 Olympics, China kept up its efforts to become the host of the 2008 Olympics. In August 2000, the International Olympic Committee informed Beijing that it had been accepted as one of the nine potential host cities, the others being Cairo, Havana, Bangkok, Kuala Lumpur, Seville, Osaka, Paris, Toronto and Istanbul. The final vote was held in July 2001 in Moscow, making Beijing the winner.

The main reasons that lead a country to apply for hosting this kind of sports event are mainly the millions of dollars in revenue from visitors and corporate sponsorships, as well as the prestige that this event gives.

> "But for China, possibly the biggest motive in wanting to host the games is publicity. The world's cameras will be focused on the whole of the country for two solid weeks, documenting every mark of progress China has made in the last 30 years. In essence, the Olympics could serve as China's "coming out" party to the world. This is exactly what Chinese officials want. They want to show the world that much has changed in the last decade. Hosting the Games will put a face to the country's 1.2 billion anonymous souls." (Bergman, 2000:29)

The value of hosting the Olympics rests with the forum it offers for demonstrating the strengths and achievements of the host society, and the value of participating is designed to do the same (Richter, 1983). But winning this bid had a special meaning, because when China lost in 2000, it was deeply upsetting to China's leaders and the general public. "Many Chinese felt they had been slapped in the face by the western world, loosing again would have cast a dark shadow over the CCP's 80th anniversary" (The Economist, 16/17/2001). This will be the time to show, after the "humiliation" suffered from foreign powers from the mid-19th century, that China has returned to the world stage as a great and vigorous nation.

Appendix 2.5

Outputs of the National Tourism Conference held in 1984

The National Tourism Conference held in 1984 stressed the need to introduce major changes in the work of the tourist departments (Zhang, G R, 1985):

- tourist departments, besides still doing their reception work, should be more involved in the development and construction of tourist resources;
- departments should control both international and domestic tourism, instead of being in charge of international tourism only;
- the monopoly of investment in tourism development by the state should be replaced by multiple investment agents (state, localities, cooperatives, departments and individuals, together with the use of both domestic and foreign capital;
- tourist operators should shift from government-supported institutions to independent business enterprises.

In this conference, SATT asked local bureaux to work out plans and measures for tourism development in line with the overall state programme, under the guidance of local authorities. It also discussed drafts of tourism law, provisional regulations for tourist price control and provisional regulations for the management of travel services.

To improve the situation and open up new opportunities for China's tourism, the SATT produced a report, approved by the Central Committee and the State Council, which was transmitted throughout the country. The report defended the need to view tourism more than an economic subject. Rather, it is a comprehensive subject involving politics, economics, science and culture. In light of China's specific conditions, and aiming to obtain both political and economic benefits, the SATT, thus, programmed two phases of development for tourism up to year 2000. The first phase, up to 1990, aimed to initiate and develop Chinese-style tourism[1], in order that China enter the ranks of the advanced tourist

[1] This concept emerged after the National Conference on Tourism held in 1981.

countries. The second phase, from 1990 to 2000, was intended to enable China to be one of the advanced tourist countries of the world (Zhang, G R, 1985).

The Chinese-style road for tourism should "reflect the superiority of the socialist system, emphasise the fine tradition of hospitality of the Chinese people and highlight the historical attractions, ethnic diversity and ancient cultural traditions of the land" (Gao and Zhang, 1983:78). However, in Oudiette's view (Oudiette, 1990), the intention of Chinese to develop a Chinese-style tourism was hard to put into practice in the context upon which it was formed. It was difficult to construct a national form when the only experience to which Chinese could relate was foreign.

In 1984, in order to meet the needs of the rapid development of the country's tourism industry, the privileges of CITS, CTS and CYTS of having direct business links with overseas counterparts and issuing visas were decentralised. This produced a rapid growth of other travel agencies of various types, so that a substantial part of the big, national-level travel agencies' customers were gradually taken over by local agencies (Zhang, L Y, 1991). The deregulation of the travel industry redefined the role of CNTA in the government. In 1984, it was charged with defining and implementing the overall travel and tourism policy for the country.

Appendix 2.6

Laws, regulations and documents issued in the People's Republic of China concerning the tourism industry, 1951-1998[2]

A) Period between 1949 and 1978

- 1950s

1951 – The Government Administration Council of the Central People's Government of the PRC（中央人民政府政务院）authorised the Ministry of Public Security（公安部）to issue and execute two documents concerning the movement of foreigners in China: "*Temporary Regulations on Foreign Immigrants Leaving China*" 《外国侨民出境暂行办法》 and "*Temporary Regulations on Foreign Immigrants Travelling Inside China*" 《外国侨民旅行暂行办法》.

1952 – The Government Administration Council of the Central People's Government of the PRC authorised to put into practice "*Temporary Regulations Concerning the Security Check When Entering and Exiting the Country*" 《出入国境治安检查暂行条例》.

1955 – The Ministry of Public Security distributed a document from the Ministry of Foreign Affairs (外交部) concerning the improvement of diplomats' travel card 《关于改进外交人员"旅行证"的意见》.

1956 – The Sate Council (国务院) approved a report of the Ministry of Foreign Affairs concerning the loosening of some measures when authorising individual foreign tourists to China
《关于批准外国私人旅行游览者来华旅行游览放宽尺度问题的报告》.

1957 – The Ministry of Public Security promulgated a "*Notice about Relaxing Travel Limits of Foreign Immigrants*"
《关于加强中国国际旅行社对自费来华外宾接待工作的通知》.

[2] Adapted from He, 1999b.

– The State Council published a "*Report about Strengthening CITS's Reception Work of Self-Expenses Foreign Visitors Coming to China*" 《关于加强中国国际旅行社对自费来华外宾接待工作的通知》.

1958 – The State Council authorised a document proposed by the China International Travel Service – CITS (中国国际旅行社): "*Measures to Favour the Movement of Self-Expenses Foreign Tourists*"
《关于国际自费旅行者交通优待办法》.

– The Ministry of Public Security and the Ministry of Foreign Affairs jointly published a "*Report about the Publication of Measures Concerning the Checking and Authorisation of Self-Expenses Foreign Visitors Entering China*" 《关于颁发〈对外国人自费来华旅行游历的入境审批办法〉的联合通知》.

– The Ministry of Foreign Trade (对外贸易部) released a document concerning the supervision and administration of luggage of passengers crossing Chinese borders 《中华人民共和国海关对进出国境旅客行李物品管办法》.

1959 – CITS formulated three documents concerning interpreter guides: "*Regulation on CITS Interpreter Guides' Work*" 《中国国际旅游社翻译导游工作守则》, "*Observations on Interpreters that Accompany Trips*" 《陪同全程译员注意事项》 and "*Eight Conditions to Become an Interpreter and a Guide*" 《翻译导游人员的八项条件》.

- 1960s

1963

September – The Central Committee of Overseas Chinese Affairs (中央华侨事务) and the People's Bank of China (中国人民银行), jointly with 6 more ministries and commissions, published a "*Notice about the Contribution of Overseas Chinese and Compatriots from Hong Kong and Macao to the Increase in Foreign Exchange Revenues*"
《关于开展华侨和港澳同胞旅行业务以增加国家外汇入问题的通知》.

1964

– The Standing Committee of the National People's Congress (全国人大常委会) authorised the publication of the State Council's "*Administrative Regulation on the Entrance, Transfer of Residence and Visits of Foreign Visitors in China*" 《外国人入境过境居留旅行管理条例》.

March – The Central Committee of the CCP (中共中央) dispatched a report submitted by the Foreign Affairs Work Directorate of the CCPCC (中央外事工作领导小组) about the development of the tourism sector in China 《关于开展我国旅游事业的报告》.

September – The State Council authorised the Foreign Affairs Office (外事办公室) and the Finance and Trade Office (财贸办公室) to publish several notices about the execution of provisional stipulations concerning the price and origin of products available for foreign visitors in China 《关于执行〈供应外国旅客商品的价格和货源等问题的暂行规定〉的几项通知》.

November – The Foreign Affairs Office under the State Council printed and distributed a "*Notice about the Opening of Several Cities to Self-Expenses Foreign Tourists Between 1965 and 1969*"
《关于1965年至1969年对外国自费旅行者开放若干城市的问题的通知》.

1968

May – The China Bureau of Travel and Tourism – CBTT (中国旅行游览事业管理局) submitted a report to the Central Committee of the CCP and to the State Council requesting instructions about the reception of a delegation of Japanese students, professors and employees
《关于接待日本学生教职员友好参观团的请示报告》.

- 1970-1977

1970

February – The Ministry of Foreign Affairs approved a CBTT's document about the methods to charge foreign groups and individual tourists 《关于对外国旅行团（者）的收费暂行办法》.

1971

October – The Ministry of Foreign Affairs approved CBTT's "*Suggestion about the Improvement of the Reception Work of Foreign Tourists*": 《关于对进旅游接待工作的意见》.

1972

March – The State Council approved CBTT's "*Report about the Organisation of Two Chinese Groups to North Korea*" 《关于组织两批中国赴朝鲜友好参观团的报告》.

July – The Ministry of Foreign Affairs authorised two documents of the CBTT: the "*Request of Instructions about the Criterion of Charging Self-Expenses Foreign Tourists*" 《关于对外国自费旅行者的综合服务收费标准和实施办法的请示》 and the "*Request of Instructions about the Reception Work Upon Arrival and Departure, Banquets, Interviews, Among Other Issues Concerning Self-Expenses Foreign Tourist Groups or Individuals*" 《关于接待外国自费旅行团（者）的迎送、宴会、会见、检验、等规定的请示》.

1973

September – The Ministry of Foreign Affairs and the Ministry of Finance (财政部) jointly printed and distributed a document concerning the attribution of funds to the reception work of self-expenses foreign tourists 《关于接待外国自费旅行者拔款办法的通知》.

1975

December – The Ministry of Foreign Affairs, the Ministry of Commerce (商业部), the Ministry of Railways (铁道部) and the Civil Aviation Administration of China – CAAC (中国民用航空总局) jointly published a document concerning concrete measures about the use of economic class by self-expenses foreign tourists 《关于接待部分自费外费外宾用“经济等”的具体北方的通知》.

1976

February – The Ministry of Foreign Affairs authorised CBTT's "*Report on the Ministries and Central Committees Using CITS's Name to Receive International Tourists*" 《关于解决中央各部委借用国际旅行社名义安待外宾问题的报告》.

B) Period from 1978 till the end of the 6th Five-Year Plan (1978-1985)

- 1978-1980

1978

March – The Central Committee of the CCP dispatched and transferred a request of instructions submitted by the Leading Party Members' Group of the Ministry of Foreign Affairs (外交部党组) concerning the development of the tourism sector 《关于发展旅游事业的请示报告》.

August – The State Council dispatched a joint report from the Ministry of Light Industry (轻工部), the Ministry of Foreign Affairs and the Ministry of Commerce about the production and commercialisation of souvenirs and handcrafted articles《关于搞好旅游纪念品、工艺品生产和销售有关问题的报告》.

1979

January – The Ministry of Finance and the State General Administration for Travel and Tourism – SGATT (国家旅行游览事业管理总局) published a "*Regulation on the Financial Administrative System in the Tourism Sector*" 《关于旅游事业财务管理体制的规定》.

February – The SGATT issued three documents: "*Regulation on Tourist Vehicles' Drivers*" 《关于汽车驾驶员守则》, "*Charging Criterion for Tourist Vehicles*" 《关于旅游汽车收费标准》 and "*Administration and Maintenance System of Tourist Vehicles*" 《关于旅游汽车的管理和保养制度》.

May – The State Council approved two documents issued by SGATT: the "*Request of Instructions about the Change of Domestic Investment to Overseas Chinese Investment to Construct Tourist Hotels*" 《关于调整1979年国内投资利用侨外资建造旅游饭店的请示》 and the "*Proposal about the Change in the Administrative System of High-Standard Hotels*" 《关于改变全国高级饭店管理体制的建议》.

June – The State Council approved a document issued by the State Planning Commission (国家计委) and the State Economic Commission (国家经委) about the optimisation in packaging, dispatching and sending mail of foreign visitors, overseas Chinese and compatriots from Hong Kong and Macao 《关于作好外宾、华侨、港澳同胞的商品包装托运和邮寄工作的通知》.

August – The State Council promulgated a document concerning foreign receipts from foreign trade 《关于大力发展对外贸易外汇收入若干问题的规定》.

September – The State Council approved a document of the State Bureau of Commodity Prices (国家物价局), the Ministry of Commerce and the SGATT concerning prices of products and services offered to foreign tourists 《关于涉外价格座谈会情况的报告》.

November – The SGATT and the State Bureau of Commodity Prices published a document stating the changes in the criterion of charging general services to self-expenses foreign tourists

《关于调整外国自费旅行者综合服务收费标准的通知》.

1980

– The State Council dispatched a document submitted by the State Economic and Trade Commission (国家经贸委) concerning several questions about the production and commercialisation of souvenirs and handcrafted products 《关于旅游纪念品工艺品生产和经营若干问题的暂行规定》.

January – The State Council authorised the CAAC to collect 10 RMB per person, only in Beijing, as an airport departure tax for international passengers.

February – The SGATT elaborated several stipulations, including the following ones: "*Basic Requirements of Service in Tourist Hotels*" 《旅游饭店服务基本要求》, "*Tasks to be Done in Hotel Bedrooms*" 《客房要做到》 and "*Tasks to be Done in Restaurants*" 《餐厅要做到》.

May – The SGATT and the CAAC published a "*Joint Notice about the Attribution of Foreign Exchange Quotas by CITS to Acquire Plain Tickets for Foreign Guests*" 《关于中国国际旅行社购买外宾飞机票划拨外汇额度办法的联合通知》.

May – The SGATT and the Ministry of Railways published a "*Joint Notice about the Payment Methods to Acquire Train Tickets and Others by CITS*" 《关于中国国际旅行社购买火车票等结算方法的联合通知》.

September – The State Administration of Exchange Control (国家外汇管理局), the State Administration Committee of Imports and Exports (国家进出口管理委员会) and the Ministry of Finance published a "*Detailed Regulation About the Retention of Foreign Exchange Not Resulting From Commerce*" 《非贸易外汇留成实施细则》.

October – The State Administration for Industry and Commerce (国家工商行政管理局) published a *"Notice About the Strengthening of Market Administration in Tourist Places*" 《关于加强旅游参观点市场管理的通知》.

- 1981-1985

1981

March – The State Council dispatched a report submitted by the State Bureau of Urban Construction (国家城建总局), the Environmental Protection Directorate of the State Council (国务院环境保护领导小组), the State Cultural Relics Bureau (国家文物局) and the SGATT: "*Report on the Reinforcement of Protection and Administration of Famous Natural and Historical Sites*" 《关于加强风景名胜保护管理工作的报告》 .

March – The SGATT issued the "*Temporary Regulations on Tourist Vehicles Administration*" 《旅游汽车经营管理工作暂行规定》 .

April – The Propaganda Department of the CCP Central Committee (中共中央宣传部), the Ministry of Public Security, the Ministry of Culture (文化部), the Ministry of Commerce, the Ministry of Communications (交通部), the State Administration of Travel and Tourism – SATT (国家旅游总局), the General Administration of Industry and Commerce (工商行政管理总局) and the General Administration of Customs (海关总署) published a document about the inspection and prohibition of books, paintings and other pornographic materials
《关于查禁淫书淫画和其他淫秽性物品的通知》.

September – The CAAC promulgated a communiqué deciding to collect 10 RMB per person as an airport departure tax for international passengers, excluding diplomats, passengers doing stop-over within 24 hours and children under 12 years old.

October – The State Council issued a "*Resolution on the Reinforcement of Tourist Work*" 《关于加强旅游工作的决定》.

November – The SATT published the "*Regulation on the Unification of Tourist Contracts with Other Countries*" 《关于统一旅游对外联络工作的规定》.

December – The SATT announced the "*Regulation on Tourists' Expenses on Drinks*" 《关旅游者饮料费开支的规定》.

1982

January – The Ministry of Finance published a notice about the non-retention of foreign exchange when non-tourist entities receive self-expenses foreign tourists 《关于非旅游单位接待外国自费人员的外汇收入不实行留成的通知》.

February – The State Council announced the first group of famous historical and cultural cities. At the same time dispatched a report submitted by the State Construction Commission (国家建委) about the protection of historical and cultural famous cities: "*Regulations on the Protection of China's Historical and Cultural Famous Cities*" 《关于保护我国历史文化名城的规定》.

February – The General Office of the State Council (国务院办公厅) published a document about the prohibition in dealing with international tourism by non-tourist entities 《关于非旅游部门不得经营对外旅游业务问题的通知》.

February – The SATT published a document concerning the basic demands to optimise tourist hotels 《关于办好旅游饭店的基本要求的通知》.

February – The General Administration of Customs published the "*Regulation on the Inspection and Administration of Luggage of Foreign Tourists Entering and Exiting China*" 《海关对进出境外国旅游者行李物品的监规定》.

March – The Propaganda Department of the CCP Central Committee and the General Office of the State Council published a "*Temporary Regulation on Internal TV Programs in International Hotels*"
《关于旅游饭店闭路电视宣传问题的暂行规定》.

August – The SATT published a document about the prohibition of alcohol consumption by tourist vehicles' drivers while working 《关于严禁旅游汽车驾驶员执行任务时饮酒的通知》.

October – The State Council and the Military Commission of CCCCP (中央军委) published a document about the dispatch and promotion of the regulation concerning travelling activities of foreigners in China 《关于批转公安部、总参某部、外交部、国家旅游局〈关于外国人哉我国旅行管理的规定〉的通知》.

November – The State Council distributed a notice about the request of instructions about the examination and approval of the first group of China's famous historical and cultural cities
《关于批转城乡建设环境保护部、文化部、国家旅游局〈关于审定第一批国家重点风景名胜区的请示〉的通知》.

1983

January – The General Office of the State Council distributed a document concerning the rigorous control of leisure travel and the end of public-funded tourist trips 《关于严格控制外出参观和制止公费旅游的通知》.

February – The China National Tourism Administration – CNTA (国家旅游局) published a document concerning several questions related to the promotion of the economic

responsibility system in the tourism sector 《关于在旅游部门推行经济责任制若干问题的通知》.

March – The CNTA and the Ministry of Communications published a joint notice about the method of attributing quotas to CITS concerning the purchase of boat tickets 《关于中国国际旅行社购买外宾轮船客票划拨外汇额度办法的联合通知》.

July – The General Office of the State Council issued a document prohibiting the organisation of meetings, during the peak seasons, in the most visited cities by foreigners 《关于在旅游旺季不要到接待外宾多的城市开各种会议的通知》.

December – The CNTA announced the "*Administrative Methods on Tourist Cars and Boats*" 《旅游汽车、油船管理办法》. At the same time it published *the "Regulation of Tourist Drivers*" 《旅游汽车贺驶员守则》 and the "*Methods for Calculation for the Price of Tourist Vehicles*" 《旅游汽车计费办法》.

1984

April – The CNTA published a document about the change in the liquidation methods of foreign exchange in the tourism sector 《关于改变旅游外汇结算方法的通知》.

May – The CNTA and the CAAC published a "*Joint Notice about the Change in the Attribution of Quotas by CITS to Acquire Plain Tickets for Foreign Guests*" 《关于改变中国国际旅行社购买外宾飞机票结算办法的联合通知》.

May – The CNTA and the Ministry of Communications published a "*Joint Notice about the Change in the Payment Methods to Acquire Boat Tickets by CITS*" 《关于改变中国国际旅行社购买外宾船客票结算方法的联合通知》.

May – The CNTA and the Ministry of Railways published a "*Notice about the Change in the Payment Methods to Acquire Train Tickets and Others by CITS*" 《关于改变中国国际旅行社购买火车票等结算方法的通知》.

May – The CNTA published a document about the change in the liquidation methods of foreign exchange resulting from the rent of military tickets to tourist government agencies

《关于改变国旅系统包乘空军飞机票款空军飞机票款外汇结算办法的通知》.

May – The CAAC issued a "*Regulation on the Transport of Passengers' Luggage Inside China*" 《旅客行李国内运输规定》

June – The CNTA published an announcement about the strengthening of administration in the tourism sector in China 《关于加强对国内旅游管理的通知》.

July – The State Council dispatched a document submitted by the CNTA concerning the demand of instructions about administration methods for the Jiangguo Hotel in Beijing in order to establish the basic principles for the development of China's hotel industry 《关于推广北京建国饭店经营管理方法有关事的请示》.

August – The General Office of the CCPCC (中共中央办公厅) and the General Office of the State Council published a document about the inconvenience in organising mass travel groups outside the country on their own expenses 《关于不宜组织群众自费旅游团出国访问的通知》.

September – The CNTA published a notice about the promotion of the Jiangguo Hotel's administrative methods in 50 hotels 《关于确定推广北京建国饭店经营管理方法50个试点饭店名单的通知》.

1985

February – The State Council dispatched a report submitted by the CNTA and the People's Government of the Tibet Autonomous Region (西藏自治区人民政府): "*Report on the Project of Development of Tourism in Tibet*" 《关于西藏旅游事业发展规划的报告》.

February – The State Council approved a report submitted by the People's Government of Liaoning Province (辽宁省人民政府) and the Ministry of Urban and Rural Construction and Environmental Protection (城乡建设环境保护部): "*Report on the Planning and Exploration of Xingcheng Tourist Zone in the Liaoning Province*" 《关于规划和开发辽宁兴城旅游区的报告》.

April – The General Office of the State Council distributed a document about the promotion of the regulation methods concerning the correction of irregular practices in the tourism industry presented by the CNTA 《关于转发国家旅游局〈关于纠正旅游系统不正之风的规定〉的通知》.

April – The CNTA published a notice about the strengthening of administration of the contacts with the outside world 《关于加强对外联工作管理的通知》.

May – The State Council promulgated the "*Travel Agencies Administration Temporary Regulations*" 《旅行社管理暂行条例》.

June – The State Council promulgated *the "Famous Scenic Zones Administration Temporary Regulations*" 《风景名胜区管理暂行条例》.

August – The General Office of the State Council published a document about the reinforcement of administration on areas opened to the outside world, on tourist spots and on guesthouse
《关于加强对外开放地区、旅游点和宾馆管理的通知》.

October – The General Administration of Customs issued a "*Regulation on the Administration of Luggage of Overseas Chinese Visiting Their Families*" 《中华人民共和国海关对回国探亲华侨进出境行李物品的管理规定》.

December –The CNTA and the State Bureau of Commodity Prices jointly published the "*Temporary Regulations on the Administration of Prices in China's International Tourism*" 《中国国际旅游价格管理暂行规定》.

December – The CNTA published a document clarifying the "*Travel Agencies Administration Temporary Regulations*"
《国家旅游局关于〈旅行社管理暂行条例〉有关问题的解答》.

C) Period of the 7th Five-Year Plan (1986-1990)

1986

January – The State Council promulgated the "*Temporary Regulations on the Administration of General Aviation*"《通用航空暂行规定》.

January – The General Office of the State Council promulgated a document about internal TV in tourist hotels 《关于旅游饭店闭路电视的管理办法定》.

February – The Ministry of Labour and Personnel (劳动人事部), the Ministry of Finance and the State Council authorised the CNTA to promulgate "*Trial Measures on the Payment of Overtime Work of Travel Agencies' Interpreters and Tourist Guides*" 《旅行社翻译导游人员"陪同超时补贴"试行办法》.

May – The CNTA and the Ministry of Finance published a notice that updated the methods of hiring personnel for tourist hotels and tour bus companies 《关于修订旅游饭店、旅游汽车公司人员配备、工作服务标准的通知》.

June – The "*Notice Concerning the Decisions of the State Council's Meetings*" 《中央会议决定项通知》 stated that domestic tourism should be developed and that CNTA should reflect about this issue and be responsible for its development.

September – The CNTA, the Sate Bureau of Commodity Prices and the State Administration of Exchange Control announced some provisional stipulations on the execution of measures to valorise foreign exchange 《关于实施外汇保值措施的几项暂行规定》.

November – The State Council published a notice about international loans for hotel construction 《关于使用国际商业贷款自建旅游饭店有关问题的通知》.

December – The State Council authorised the Ministry of Public Security to issue "*Provisional Methods on the Administration of Travel for Personal Reasons by Chinese Residents to Hong Kong and Macao*" 《中国公民因私事往来香港地区或者澳门的暂行管理办法》.

December – The State Council authorised the Ministry of Public Security, the Ministry of Foreign Relations and the Ministry of Communications to issue "*Detailed Stipulations on the Execution of the Administration Law on the Entrance and Exit of Chinese Nationals*" 《中国人民共和国公民出境管理法实施细则》.

December – The State Council authorised the Ministry of Public Security and the Ministry of Foreign Affairs to issue "*Detailed Stipulations on the Execution of the Administration Law on the Entrance and Exit of Foreigners in China*" 《中国人民共和国外国人入境境管理法实施细则》.

1987

March – The General Office of the State Council distributed a document of the State Economic Commission about the increase in the production and commercialisation of tourist articles 《关于扩大旅游商品生产和销售的若干规定》.

June – The CNTA, the Ministry of Railways and the CAAC jointly published a stipulation about several questions related with the strengthening of tourism cooperation, and the development of individual tourism and special tourist segments 《关于加强合作发展散客旅游和专业旅游若干问题的规定》.

August – The State Council authorised the CNTA to promulgate rules about the rigorous prohibition of tourism workers to receive commission 《关于严格禁止在旅游业务中私自收受回扣和收取小费的规定》.

October – The CNTA published a notice about the participation of travel agencies in the external promotion 《关于全国各旅行社上交对外宣传费的通知》.

October – The General Office of the State Council promulgated a notice about the reception methods for compatriots from Taiwan coming to Mainland China for the purpose of visiting their families and for tourism reasons 《关于台湾通报来祖国大陆探亲旅游接待办法的知》.

November – The State Council authorised the Ministry of Public Security to publish the "*Administrative Methods on Security in Hotels*" 《旅馆业治安管理办法》.

1988

January – The CNTA published the "*Provisional Methods on the Concession of Certificates to Tourist Guides in the PRC*" 《关于颁发中华人民共和国导游证书的暂行办法》.

January – The CNTA published an urgent notice about the strengthening of security in the tourism sector 《关于切实加强旅游安全工作的紧急通知》.

February – The State Council dispatched the request of the People's Government of Tibet Autonomous Region about the reopening of Tibet to foreign tourists 《关于恢夏西藏对外国旅游者开放的请示》.

March – The CNTA and the Ministry of Finance announced some provisional stipulations about several issues regarding the financial management of tourist state-owned enterprises 《国营旅游企业财务管理若干问题的暂行规定》.

March – The Ministry of Finance and the CNTA promulgated the "*Detailed Regulations on the Management Costs of State-Owned Enterprises in the Tourism Sector*" 《国营旅游企业成本管理实施细则》.

March – The Ministry of Labour and Personnel and the CNTA promulgated an opinion about the execution of the personnel contract system in the tourism sector 《关于旅游行业实行技师聘任制的实施意见》.

May – The Ministry of Foreign Affairs published a document regarding the procedures to handle dead foreigners in China 《外国人在华死亡后的处理程序》.

June – The CNTA and the Ministry of Public Security published a notice about the further strengthening of security and defence in tourism 《关于进一步加强旅游安全保卫工作的通知》 .

June – The CNTA promulgated the "*Provisional Methods on the Liquidation of Expenses of Foreign Travel Agencies*" 《对国外旅行社旅行费用结算的暂行办法》.

June – The Ministry of Construction (建设部), the Ministry of Public Security and the CNTA promulgated the "*Provisional Methods on the Administration of Taxis in the Cities*" 《城市出租汽车管理暂行办法》.

July – With the authorisation of the State Council, the General Office of the State Council distributed a joint document of the State Planning Commission and the CNTA requesting instructions about the authorisation process of joint-venture tourist hotels 《关于严格执行合资、合作建设旅游饭店审批程序的请示》.

July – The Ministry of Finance published "*Detailed Stipulations on the Trial Execution of Incentives with Non-Commercial Foreign Exchange*" 《非贸易外汇奖励试行办法实施细则》.

August – The State Council authorised the CNTA to promulgate rules about the star rating system of tourist hotels 《中华人民共和国评旅游涉外饭店星级的规定》 and to issue criterion about the categories of hotels receiving foreign tourists in the PRC 《中人民共和国旅游涉外饭店星级标准》.

November – The CNTA promulgated a preliminary opinion about the regularisation of travel agencies 《关于整顿旅行社的初步意见》.

1989

January – The State Council's Standing Council (国务院常务会议) approved the "*Provisional Regulations on Compensations for Physical Damages on Passengers Travelling with National Air Companies*" 《国内航空远输旅客身体损害赔偿暂行规定》.

January – The State Council authorised the Ministry of Public Security to publish a notice about the opening to the outside world of Yining and other cities and counties 《关于增加伊宁市等十一个市、县为对外开放地区的通知》.

February – The CNTA promulgated a notice about the execution of administration of tourist guides through contracts 《关于对导游人员实行合同管理的通知》.

March – The State Council authorised the CNTA's request of instructions about the intention of authorising the organisation of travel to Singapore with the purpose of visiting relatives, in a trial basis, in Guangdong Province 《关于拟同意广东省试办中国公民赴新加坡探亲旅游业务的请示》.

May – The CNTA published some stipulations about the realisation or participation in international tourist expositions 《关于旅游行业聘请高级技师的意见》.

May – The CNTA and the Ministry of Labour promulgated an opinion about the hiring process of superior technicians in the tourist sector 《关于参加或举办国际旅游展销会的若干规定》.

September – The CNTA promulgated some stipulations about the administration of tourism external promotion 《旅游对外招徕管理的若干规定》.

September – The CNTA announced the "*Provisional Methods on the Administration of the Development of Self-Expenses Tourism in the Border Areas with the Soviet Union*" 《关于中苏边境地区开展自费旅游业务的暂行管理办法》.

September – The CNTA announced the "*Provisional Methods on the Administration of International Tourist Groups coming from Third Countries and from Hong Kong and Macao, a Joint Development with the Soviet Union*" 《关于与苏方联合开展第三国和港澳地区旅游团（者）跨国旅游业务的暂行管理办法管理办法》.

September – The State Council authorised CNTA, the Ministry of Finance, the State Bureau of Commodity Prices and the State Administration of Taxation (国家税务局) to promulgate a "*Regulation on the Change of Service Tax in Tourist Hotels*" 《关于旅游涉外饭店加收服务费的若干规定》.

December – The CNTA announced the concession and administration of certificates for tourist guides 《关于颁发和管理导游证书的通知》.

December – The CNTA and the State Administration of Exchange Control promulgated the "*Provisional Methods on the Administration of Foreign Exchange Coming from the Tourism Sector*" 《旅游外汇管理暂行办法》.

1990

January – The State Council authorised a joint report from CNTA and the State Bureau of Commodity Prices about tourist prices after exchange rates' regularisation 《关于汇率调整后旅游价格安排意见的报告》.

January – The State Council authorised CNTA's request of instructions about the intention of authorising the Heilongjiang Province Tourism Bureau to organise exchange travel groups on their own expenses to Soviet Union, in a trial basis 《关于拟同意黑龙江省旅游局组织少量自费旅游试验团统苏联进行对等交换的请示》.

February – The CNTA and the People's Insurance Company of China (中国人民保险公司) promulgated a notice about the unification of accidents' insurance concerning foreign tourists received by travel agencies while their stay in China 《关于旅行社接待的海外旅游者在华旅游期间统一实行旅游意外保险的通知》.

February – The CNTA announced the "*Provisional Stipulations about the Internal Auditing in the Tourism Sector*" 《旅游行业内部审计工作暂行规定》.

February – The CNTA and the Ministry of Finance announced the methods of collecting service taxes from tourist hotels by tourist administration agencies 《旅游涉外饭店加收服务费上缴旅游主管部门的办法》.

February – The CNTA promulgated the "*Provisional Methods on the Administration of Security in the Tourism Sector*" 《旅游安全管理暂行办法》.

March – The CNTA announced "*Detailed Regulations on the Calculation of Prices for Foreign Tourists*" 《旅游对外销售计价细则》 and the rewarding methods for foreign travel agencies that bring tourist groups to China 《奖励海外客户组团来华旅游的优惠方法》.

March – The CNTA promulgated the "*Provisional Methods on the Administration of the Establishment of Tourist Agencies in Foreign Countries*" 《关于在国外设立旅游经营机构的暂行管理办法》.

March – The CNTA and the State Administration of Commodity Prices published an additional notice about the charging criterion for foreign tourists in 1990 after the exchange rates' alteration

《关于汇率调整后1990年度海外来华旅游者收费标准的补充通知》.

March – The China Tourism Association (中国旅游协会) presented to the CNTA and to the State Council a proposal about the punishment on corruption, the ban on receiving commission and on the resale of foreign exchange in the tourism sector 《关于在旅游业中惩治腐败禁止私收回扣、小费和倒卖外汇的建议》.

March – The CNTA published a notice about the trial execution of economic contract systems with the outside world

《关于试行涉外旅游业务经济合同制度的通知》.

March – The CNTA promulgated an opinion about auditing the liquidation of foreign exchange in tourist hotels with business activities with the outside world in some provinces and cities

《关于在部分省、市开展对涉外饭店收汇、结汇审计的意见》.

April – The State Council authorised CNTA's opinion about keeping with the reorganisation process of travel agencies

《关于进一步清理整顿旅行社的意见》.

April – The CNTA, the State Planning Commission, the Ministry of Foreign Trade and Economic Cooperation – MOFTEC (对外贸易经济合作部) and the General Administration of Customs published an announcement about the reiteration of the rigorous execution of the authorisation process in constructing joint-venture hotels

《关于重申严格执行中外合资、合作建设旅游饭店审批程序的通知》.

April – The CNTA announced the "*Provisional Methods on the Administration of Basic Construction in the Tourism Sector*" 《旅游基本建设管理暂行办法》.

June – The CNTA organised a meeting that gathered the general directors of tourism offices of seven provinces and cities, with the purpose of requesting opinions about the "Tourism Law".

July – The State Council authorised the joint request of the CNTA, the Ministry of Light Industry and the Ministry of Commerce about the increase in the limit of luggage that foreign tourists can carry from China during shopping holiday seasons 《关于在购物节期间放宽海外旅客携带物品出境限重的请示》.

July – The CNTA published detailed stipulations about the execution of the "*Opinion about the reorganisation of Travel Agencies*"

《"关于治理整顿旅行社的意见"的实施细则》 and the "*Decision about the Cancellation of Central Level Category II Travel Agencies*" 《关于中央二类旅行社撤并的决定》.

August – The CNTA promulgated an "*Administrative Stipulation about the Participation and Organisation of International Tourism Expositions*" 《关于参加和举办国际旅游展销会的管理规定》.

September – The CNTA published an announcement about the correction of irregular practices 《关于深入开展纠正行业不正之风工作的通知》.

October – The CNTA announced the "*Administrative Methods about the Organisation of Leisure Trips of Chinese Citizens to Three Southeast Asian Countries*" 《关于组织我国公民越南南亚三国旅游暂行管理办法》 .

November – The CNTA promulgated trial stipulations about training in tourist enterprises 《关于旅游业岗位培训的试行规定》.

December – The Auditing Administration (审计署) distributed a notice about its opinion regarding several questions about the auditing of travel agencies 《关于对旅行社业审计中若干问题处理意见的通知》.

C) Period of the 8th Five-Year Plan (1991-1995)

1991

January – The State Council dispatched a CNTA's request of instructions about the intention of authorising Hainan Province Tourism Bureau to organise trips for local residents to three Southeast Asian countries 《关于拟同意海南省旅游总公司组织省内居民赴东南亚三国旅游的请示》.

January – The CNTA and the Sate Bureau of Commodity Prices distributed an additional stipulation about the criterion in charging foreign tourists during their stay in China in 1991 after the exchange rates' modification 《关于汇率调整后1991年度海外来华旅游者收费标准的补充》.

January – The CNTA, the Ministry of Finance and the State Administration of Exchange Control jointly published a notice about several question related with the policies of state-owned hotels regarding foreign tourists 《关于国营旅游涉外饭店若干政策问题的通知》.

February – The State Council authorised CNTA's request of instructions about several issues regarding the strengthening of tourism administration 《关于加强旅游行业管理若干问题的通知》.

April – The 4th Session of the 7th National Assembly (第七届全国人大第四次会议) approved the "*Tax Law on Joint-Venture or Solely Foreign-Owned Enterprises in the PRC*" 《中华人民共和国外商投资企业和外国企业所得税法》.

April – The CNTA and the Ministry of Foreign Affairs jointly distributed the "*Stipulations about Tourist Visas*" 《国营旅游签证的规定》.

April – The CNTA distributed a notice about the promotion of the "Two Five" juridical system in the tourism sector
《国营全国旅游系统中开展"二五"法制宣传教育的通知》.

May – The CNTA published a notice about the basic criterion of services offered in the tourism sector 《关于下达〈旅游行业对客人服务的基本标准〉的通知》.

June – The Director of the CNTA signed a CNTA's order concerning complains in the tourism sector 《旅游投诉暂行规定》.

July – The CNTA transmitted a document from the Beijing Tourism Administration (北京市旅游事业管理局) about the promotion of tourism in the Beijing area, the need to reorganise the market and the ban on illegal acts 《关于在全市旅游行业开展"整顿旅游市场、打击不法行为"专项斗争的决定》.

August – The CNTA distributed an announcement about the distribution and fixation of posters concerning the refuse of commission in the tourism sector 《关于发放、张贴"谢绝小费"标志的有关事项的通知》.

September – With the authorisation of the State Council, the CNTA, the CAAC, the Ministry of Finance and the General Administration of Commodity Prices jointly published a notice about the increase of airport fees 《关于提高机场费的通知》.

December – The State Council published the "*Administration Methods on Chinese Citizens' Travel to Taiwan*" 《中国公民往来台湾地区管理办法》.

1992

January – The State Administration of Exchange Control and the CNTA jointly distributed the "*Methods on the Administration of Foreign Exchange coming from the Tourism Industry*" 《旅游外汇管理办法》.

February – The State Council included the "*Tourism Law*" 《中华人民共和国旅游法》 in the legislation plan, but due to several reasons it was not published.

March – The CNTA and the Ministry of Economy and Commerce (经贸部) jointly distributed a notice about the dispatch of goods bought in China by foreign tourists 《关于做好海外旅游者来华购物办理商品托运业务工作的通知》.

April – The CNTA distributed some stipulations about the personnel working in the tourism sector accredited abroad
《关于旅游驻外人员出国有关问题的若干规定》.

April – The CNTA and the Bank of China (中国银行) distributed a joint notice about the liquidation of credit cards 《关于共同做好信用卡结算服务的联合通知》.

May – The CNTA distributed a notice about the method of evaluating the quality of services in the major tourist cities
《关于对主要旅游城市服务质量工作综合评定办法的通知》.

May – The State Council authorised the Guangxi Autonomous Region (广西壮族自治区) to develop tourism in the Sino-Vietnamese border region.

July – The State Council dispatched a CNTA's document about the development of border tourism with the purpose of socio-economic development of those border areas 《关于扩大边境旅游，促进边疆繁荣的意见》.

July – The CNTA and the China Petrochemical Industry Commercial Company (中国石化工业销售公司) jointly distributed an announcement about the installation of paid toilets in oil service stations along roads 《关于在旅游公路没线加油站设立收费厕所的通知》.

August – The State Council distributed a notice regarding several issues related to the trial-establishment of tourist and vacation zones
《关于试办国家旅游度假区有关问题的通知》.

October – The CNTA, the Ministry of Constructions, the State Cultural Relics Bureau and the State Bureau of Commodity Prices jointly distributed an announcement about the regularisation of ticket prices in special visiting places 《关于调整特殊游览参观点甲种门票价格及有关问题的调整》.

November – The State Council dispatched a CNTA's report about several issues related to the fast development in the production and sale of tourist products 《关于加速发展我国旅游商品生产和销售若干问题的报告》.

November – The CNTA and the Ministry of Finance jointly published a document about accountancy reports of foreign invested enterprises in the tourism sector 《外商投资旅游企业会计科目和会计报表》.

November – The State Administration of Taxation (国家税务局) distributed a notice about tax collecting in tourist and vacation zones 《关于国家旅游度假区有关税收问题的通知》.

December – The Ministry of Finance, the CAAC and the CNTA distributed a notice about the funding for tourism development 《关于按时上缴旅游发展基金的通知》.

December – The CNTA, the Ministry of Construction and the State Bureau of Land Administration (国家土地管理局) distributed a notice about the importance of having a terrain in the hometown 《关于建设"拥有一片故土"大型旅游工程的通知》.

December – The Ministry of Labour published the "*List of Classification of Labour in the PRC*" 《中华人民共和国工种分类目录》.

1993

March – The General Office of the State Council distributed a notice about several issues regarding the implantation of free-duty shops and markets 《关于设立外币免税商店（场）有关问题的通知》.

March – The CNTA published the "*Trial Methods in Authorising and Administrating Enterprises Producing Tourist Products*" 《全国旅游商品定点生产企业审批及管理实行办法》.

March – The CNTA distributed a notice about the further fighting against prostitution 《关于进一步做好打击嫖娼卖淫工作的通知》.

March – The International Relations Department of the CNTA (国家旅游局国际联络司) and the Administration Bureau of Entry and Exit of the Ministry of Public Security (公安部出入境管理局) jointly distributed a document about the indication of some Hong Kong and Macao based travel agencies to organise tour trips and to deal with collective visas 《关于指定港澳地区部分旅行社组织旅游团申办团体签证的规定》.

March – The General Administration of Customs distributed a document concerning the administration of goods, imported and exported, in the tourist and vacation zones 《中华人民共和国对国家旅游度假区进出口货物管理规定》.

March – The MOFTEC distributed a notice about the regularisation of commerce of tourist products 《关于调整旅游商品小额贸易限额的通知》.

April – The CNTA and the Ministry of Public Security jointly distributed a document about the stipulations on tourism in Southeast Asian countries 《关于严格按规定办理东南亚旅游业务的通知》.

April – The CNTA distributed the "*Trial Methods on the Information System about Major Accidents on Tourism*" 《重大旅游安全事故报告制度实行办法》 and the "*Trial Methods about Procedures to Deal with Major Accidents on Tourism*" 《重大旅游安全事故处理程序实行办法》.

April – The CNTA and the State Bureau of Commodity Prices jointly distributed a notice about the reform of prices concerning international tourism 《关于国际旅游价格管理方式改革的有关问题的通知》.

April – The CNTA distributed a notice about the simplification of procedures when dealing with tourist visas 《关于简化旅游签证手续的通知》.

July – The State Council authorised the Yunnan Province to develop tourism in the China-Vietnam and China-Myanmar borders.

July – The CNTA distributed a document about management enterprises administrating hotels 《饭店管理公司暂行办法》.

August – The CNTA distributed a notice about the importance of evaluating the rating system of hotels destined to foreign tourists 《关于加快旅游涉外饭店星级评定

工作的通知》.

August – The CNTA and the Ministry of Public Security distributed a notice about the strengthening of security administration in international tourist hotels in order to prevent major incidents
《关于加强旅游涉外饭店安全管理、严防恶性案件发生的通知》.

October – The General Office of Central Committee of the CCP (中共中央办公厅) and the General Office of the Sate Council distributed a notice about the prohibition of using public funds to leisure travel in foreign countries
《关于严禁用公费变相出国（境）旅游的通知》.

October – The Ministry of Culture published the "*Administrative Methods on Leisure Places with dancing and Singing with Commercial Purposes*"
《营业性歌舞娱乐场所管理办法》.

November – The CNTA distributed a document about the process of dealing with unauthorised tourist services abroad 《关于擅办出国（境）旅游业务的通知》.

November – The General Office of the State Council distributed a CNTA's document regarding the active development of domestic tourism 《关于积极发展国内旅游业的意见》.

December – The State Bureau of Technological Supervision (国家技术监督局) distributed a document about the administration in the tourism sector
《关于对旅游行业归口管理范围的批复》.

1994

January – The State Council dispatched a document from the Ministry of Construction and from the State Cultural Relics Bureau requesting instructions about the authorisation to classify the third group of historical and cultural cities and about the strengthening of their administration and protection
《关于审批第三批国家历史文化名城和加强保护管理的请示》.

January– The State Council distributed a notice about the list of the third group of important famous scenic zones 《关于发布第三批国家重点风景名胜区名单的通知》.

January – The CNTA published the "*Detailed Regulation on the Execution of Provisional Methods about the Security on Tourism*" 《旅游安全管理暂行办法实施细则》.

January – The CNTA published a report about the budget and liquidation of tourist enterprises after the unification of exchange rates 《关于汇率并轨后旅游企业报价结算问题的通知》.

March – The State Council authorised and distributed a document about the attributions, organs and personnel of the CNTA 《国家旅游局职能配置、内设机构和人员编制方案》.

April – The CNTA distributed an urgent report about the continuous strengthening of security in the tourism sector 《关于进一步加强旅游安全工作的紧急通知》.

May – The CNTA distributed a notice about the decentralisation of competencies to authorise three-star hotels 《关于下放三星级饭店审批权限的通知》.

May – The CNTA distributed a document authorising the settlement of foreign tourist enterprises in China 《关 于 外国企业在中国设立旅游常驻代表机构的审批管理办法》.

June – The State Administration of Exchange Control of the State Planning Commission (国家计委外汇管理局) published a document about the prices designed to foreigners and the methods to calculate those prices 《涉外价格和收费标价、计价管理暂行办法》.

July – The CNTA and the Sate Administration of Exchange Control distributed a report about the opening of accounts in foreign exchange for first category travel agencies 《关于一类旅行社开立外汇账户有关问题的通知》.

July – The CNTA and the Ministry of Construction jointly distributed a notice about the resolution of problems concerning toilets in tourist spots 《关于解决我国旅游点厕所问题实施意见的通知》.

August – The Central Committee of the CCP and the State Council distributed an opinion about the fast development of Tibet and the defence of the social stability 《关于加快西藏发展，维护社会稳定的意见》.

August – The State Council authorised the Heilongjiang Province to develop three kinds of program activities (four-day tours) with Russia.

September – The State Council authorised the Ministry of Public Security, the Ministry of Foreign Affairs, the CNTA and the General Administration of Customs to distribute the "*Administrative Methods on Providing Facilities to the Organisation of Foreign Tourist Groups Visiting Hong Kong to Visit the Shenzhen Special Economic Zone*" 《关于为到香港的外国人组团进深圳经济特区旅游提供便利的管理办法》.

September – With the authorisation of the State Council, the General Office of the State Council dispatched a CNTA's document, which required instructions about the strengthening of the quality of travel agencies and the protection of tourists' rights 《关于加强旅行社质量管理，保护旅游者权益的请示》.

September – The CNTA published a notice reinforcing the non-authorisation of installing branches of first category travel agencies without authorisation 《关于重中央一类旅行社不能擅自审批设立分支机构的通知》.

October – The Personnel Department of the CNTA (国家旅 游局人教司) distributed a notice about the classification of tourist guides, the criterion and the detailed regulations on their execution 《关于下发〈导游员等级评定的意见〉、〈标准〉和〈实施细则〉的通知》.

1995

January – The director of the CNTA authorised the publication of the "*Temporary Stipulations on the Quality Guarantee Found of Travel Agencies*" 《旅行社质量保证金暂行规定》 and the "*Detailed Regulations on the Temporary Stipulations on the Quality Guarantee Found of Travel Agencies*" 《旅行社质量保证金暂行规定实施细则》.

March – The General Office of the State Council distributed an announcement about the strengthening of protection and administration of famous scenic zones 《关于加强风景名胜保护管理工作的通知》.

April – The CNTA published a document about the non-authorisation of public functionaries in joining in banquets that might damage the impartiality in the execution of services and the non-authorisation in participating in recreational activities paid by public funds 《关于不准机关工作人员接受可能对公正执行

公务有影响的宴请和不准参加公用款支付的营业性娱乐场所活动的规定》.

June – The CNTA and the Ministry of Finance published a "*Notice on the Publication of the Provisional Methods on the Financial Administration of Quality Guarantee Funds of Travel Agencies*"
《关于颁发〈旅行社质量保证金财务管理暂行办法〉的通知》.

July – The director of the CNTA authorised and published the "*Provisional Methods on the Indemnity of Quality Guarantee Funds of Travel Agencies*" 《旅行社质量保证金赔偿暂行办法》.

July – The director of the CNTA published "*Provisional Methods on the Organisation and Administration of Quality in the Tourism Sector*" 《全国旅游质量监督管理机构组织与管理暂行办法》.

August – The CNTA published a notice about the strengthening of administration of enterprises producing tourist articles 《关于加强全国旅游商品定点生产企业管理工作的通知》.

August – The State Bureau of Environmental Protection (国家环境保护局), the CNTA, the Ministry of Construction, the Ministry of Forestry (林业部) and the State Cultural Relics Bureau jointly published a notice about the strengthening of environmental protection in tourist zones 《关于加强旅游区环境保护工作的通知》.

E) Period comprising the first three years of the 9th Five-Year Plan (1996-1999)

1996

March – The CNTA, the Ministry of Foreign Affairs, the Ministry of Public Security and the General Administration of Customs jointly formulated, and the State Council approved, the "*Provisional Regulations on the Management of Border Tourism*" 《边境旅游暂行管理办法》.

September – The CNTA issued a document concerning its opinion about the execution of the administrative punishment law
《国家旅游局关于贯彻实施〈行政处罚法〉的意见》.

October – The State Council's 205th Order (国务院第205号令) announced the enforcement of the "*Regulations on the Administration of Travel Agencies*": 《旅行社管理条例》.

November – The CNTA formulated its 5th Order (国家旅游局第5号令): "*Detailed Regulations on the Administration of Travel Agencies*" 《旅行社管理条例实施细则》.

November – The CNTA issued an "*Announcement about the Execution of the Regulation on the Administration of Travel Agencies*" 《关于贯彻实施〈旅行社管理条例〉的通知》.

December – The CNTA's 6th Order (国家旅游局第6号令) issued a document concerning the economic responsibility of tourist enterprises' legal representatives 《旅游企业法定代表人离任经济责任审计规定》.

1997

– CNTA issued an "*Announcement on the Distribution of Temporary Measures on the Organisation and Administration of Tourism Quality Check and Administration Institutions and on Experimental Criterion of Compensations Funds in Travel Agencies*" 《国家旅游局关于下发〈全国旅游质量监督管理所机构组织与管理暂行办法〉和〈旅行社质量保证金赔偿试行标准〉的通知》.

March – Approved by the State Council, a document was jointly released by the CNTA and the Ministry of Public Security, concerning the "*Temporary Measures of the Administration of Chinese Self-Expenses' Citizens Outbound Travel*" 《中国公民自费出国旅游管理暂行办法》.

March – The CNTA's 7th Order (国家旅游局第7号令) promulgated the "*Temporary Measures on Compensation System of Travel Agencies*" 《旅行社质量保证金赔偿暂行规定》.

May – To implement the regulations on the administration of travel agencies promulgated by the State Council, the CNTA issued its 8th Order (国家旅游局第8号令): concerning the "*Administrative Measures on the Qualification System for Managers of Travel Agencies*"
《旅行社经理资格认证管理规定》.

May – The CNTA's 9th Order (国家旅游局第9号令) promulgated the "*Temporary Regulation on Travel Agencies' Insurance*"
《旅行社办理旅游意外保险暂行规定》.

1998

May – The CNTA issued its 10th Order (国家旅游局第10号令) concerning the "*Regulations on the Management of Tourism Statistics*" 《旅游统计管理办法》.

June – The CNTA, the Ministry of Foreign Affairs, the Ministry of Public Security and the General Administration of Customs issued the "*Provisional Detailed Regulations on the Administration of China-Russia Border Tourism*" 《中俄边境旅游暂行管理实施细则》.

December – Approved by the State Council, a document was jointly released by the CNTA and the MOFTEC: "*Temporary Measures on the Trial Establishment of Sino-Soviet Joint-Venture Travel Agencies*" 《中外合资旅行社试点暂行办法》.

Appendix 2.7

Airlines created from or were affiliated to the former CAAC in 1995

Airline	*Base*	*Route network*	*Remarks*
Air China 中国航空公司	Beijing 北京	Intercontinental, international and mainline domestic routes. Main link with Japan.	Took over CAAC's international network on 1st July 1988.
China Southern 中国南方航空公司	Guangzhou 广州	Extensive international route network, mainline domestic routes. Main link with Hong Kong. Trans-Pacific routes.	Took over CAAC's operations in February 1991, but had been operating since 1989. Formed GAMECO maintenance/overhaul base. Invested in Xiamen Airlines. Largest of "Big Three" Chinese airlines.
China Eastern 中国东方航空公司	Shanghai 上海	International and mainline domestic routes. Trans-Pacific and European intercontinental services.	Established in December 1987, took over CAAC's operations in May 1988. Main link Shanghai-Hong Kong. One of China's "Big Three".
China Northern 中国北方航空公司	Shenyang 沈阳	Domestic routes to major Chinese cities, and throughout the provinces of Northeast China. International routes to Russian Far East, Korea and Japan.	Founded in 1988.
China Southwest 中国西南航空公司	Chengdu 成都	Mainline and feeder routes from points in Sichuan. Main link with Lhasa, Tibet.	Founded in October 1987 from CAAC regional directorate and attained full autonomy in 1989.
China Northwest 中国西北航空公司	Xi'an 西安	Domestic services in northwestern provinces of Shaanxi and Gansu.	Former CAAC regional directorate, attained local autonomy in December 1989.

China Xinjiang 中国新疆航空公司	Wulumuqi 乌鲁木齐	Domestic routes, mainly in Xinjiang AR.	Founded in 1985.
China Yunnan Airlines 中国云南航空公司	Kunming 昆明	Domestic routes, mainly in Yunnan Province. International route to Hanoi.	Began operations in 1993.
China United 中国联合航空公司	Nanyuan 南苑	Contract work for Chinese Government.	Transport Division of Chinese Air Force, but also operates commercially. Founded on 25th December 1986.
China General Aviation 中国通用航空公司	Taiyuan 太原	Only large general aviation operator in China, but operates a few scheduled and charter services.	Established in July 1989.

Source: Davies, 1997:423

Appendix 2.8

Chinese provincial, private or municipally-owned airlines in 1995

Airline	*Base*	*Route network*	*Remarks*
Shanghai Airlines 上海航空公司	Shanghai 上海	Domestic routes to major cities of China, and to Hong Kong.	Formed late in 1985 by the Shanghai Municipality and local investors. Largest of the Chinese new independent airlines.
Xiamen Airlines 厦门航空公司	Xiamen 厦门	Domestic routes in southeast China, radiating from Xiamen, and linking Shanghai and Hong Kong.	First independent airline to be established under the new liberal policy. Close association with China Southern, which acquired 50 percent shareholding.
Shenzhen Airlines 深圳航空公司	Shenzhen 深圳	Routes mainly to southern China, providing air links with Shenzhen SEZ.	Started operation on 15th October 1993.
Hainan Airlines 海南航空公司	Haikou 海口	Routes from Hainan island to Chinese mainland cities.	Started operations on 1st April 1993 – first route to Shenzhen.
Wuhan Airlines 武汉航空公司	Wuhan 武汉	Domestic routes radiating from Wuhan.	Wuhan is strategically situated at the hub of main north-south and east-west trunk routes.
China Great Wall Corporation 长城航空公司	Chongqing 重庆	Domestic services mainly in Sichuan.	Also known as Air Great Wall. Founded on 21st July 1992 by Civil Aviation Flying Institute of China.
China Xinhua 中国新华航空公司	Beijing 北京	Domestic services based in Beijing.	Founded in August 1992 by Beijing Municipal Government and private investors.
Fujian Airlines 福建航空公司	Fuzhou 福州	Local services in Fujian Province.	Founded on 8th August 1993 by China Southern.
Guangxi Airlines 广西航空公司	Nanning 南宁	Local services in Guangxi AR and to Guangzhou.	Founded in 1994 by Guanxi Local Government.

Guizhou Airlines 贵州航空公司	Guiyang 贵阳	Local services in Guizhou Province	Founded by Guizhou Government in 1991.
Nanjing Airlines 南京航空公司	Nanjing 南京	Local services in Anhui Province and to Shanghai.	Founded in 1994 by Nanjing Local Government in collaboration with China Northwest.
Shandong Airline 山东航空公司	Jinan 济南	Domestic routes mainly in eastern China.	Founded in November 1994 by Shandong Provincial Government.
Shanxi Airlines 山西航空公司	Taiyuan 太原	Domestic routes linking Taiyuan with main cities in China.	Possibly the first independent airline to be established under the new liberal policy, but only (at first) as a charter company, in 1984.
Sichuan Airlines 四川航空公司	Chengdu 成都	Domestic services, linking main cities of Sichuan with other large cities of China.	Founded in 1986 as the provincial airline of Sichuan Government. First service in July 1988.
Tianjin Airlines 天津航空公司	Tianjin 天津	Domestic services.	
Zhejiang Airlines 浙江航空公司	Hangzhou 杭州	Local services, connecting mainly Hangzhou with Shanghai .	Founded on 7 September 1990 by Zhejiang Provincial Government and China Eastern.
Zhongyuan Airlines 中原航空公司	Zhengzhou 郑州	Local services, connecting Henan with main cities of eastern China.	Founded on 17 May 1986 as the Henan provincial airline.
China Flying Dragon Aviation 中国飞龙航空公司	Harbin 哈尔滨	Operates local services in northeastern provinces, but also performs general aviation work, forestry protection, etc.	Founded in 1981 by Harbin Aircraft Manufacturing and Ministry of Geological-Mineral Resources. Limited airline service as Feilong Airlines.
Air Changan 长安航空公司	Xi'an 西安	Local services in Shaanxi province.	Formed in 1991 as a joint venture between Xi'an Municipal Government and Shaanxi aircraft manufacturing companies.

Source: Davies, 1997:421

Appendix 2.9

Foreign investment policy

The government has encouraged foreign investment since initiating the "Four Modernisations" policy. The first industry sector opened to foreign investment was hotels. In 1979, Deng Xiaoping instructed that the first group of tourist hotels should be set up with foreign investment (under the 1979 Joint Venture Law). Since then, huge amounts of capital have been invested in China's accommodation and transportation sectors to meet the growing needs of travellers. From 1979 to the end of 1996, China's tourism industry consumed a total of 20 billion USD in foreign investment, making up 7 percent of the total amount of foreign capital that China had introduced during this period. Most of the money has come from compatriots, followed by investments from Western industrial countries and overseas Chinese, primarily citizens of Southeast Asian countries (Lew, 2000).

The booming hotel construction in the 1980s produced some problems within the industry, which led to a restrictive policy for joint venture hotels construction in 1988. However, the visit of Deng Xiaoping to the south of China in 1992 marked the surge of new opportunities for foreign hotel developers. The State Council approved the establishment of China's first 12 national holiday resorts[3], in which foreign investors could develop resorts and other leisure facilities.

State level tourism and vacation zones

Tourism and Vacation Zone	Province
South Lake	Guangdong
Jinshi Beach in Dalian	Liaoning
Lake Taihu in Wuxi	Jiangsu
Lake Taihu in Suzhou	Jiangsu
Old Stone Man in Qingdao	Shandong
Zhijiang River in Hangzhou	Zhejiang
Yintan Beach in Beihai	Guangxi
Hengsha Island	Shanghai
Dianchi Lake in Kunming	Yunnan
Meizhou Island and Wuyishan Mountain	Fujian
Yalong Bay in Sanya	Hainan

Source: Cooper, 1997

[3] In 1993, CNTA split the Lake Tai zone into two areas centered around Wuxi and Suzhou, bringing the official number of zones to twelve.

Most resorts absorbed overseas funds, especially investments from Hong Kong, Macao, and Taiwan, as well as from some foreign countries. Investment in these resorts enjoy preferential tax policies (Shen, 1993). To sponsor the "*China Holiday Resorts '96*", construction of state-level and provincial tourism resorts was accelerated.

The MOFTEC has issued, in 1996, a new policy on the approval of foreign investment in 12 specific industrial sectors, among them, hotels and travel agencies. It attempts to unify policy and practice in the approval of foreign investment in specific industries and sectors, as well as the approval of specific types of foreign investment vehicles (Dolais, 1998). In 1998, a new guideline for preferred industrial sectors and products replaced the former one, making an effort to broaden opportunities and achieve greater market access for foreign investors and to promote support for China's entry into the World Trade Organisation. Wholly foreign-owned hotels and the establishment of high-class hotels are still in the restricted project category. The same treatment has happened with travel agencies. Under the 1995 guidelines, foreign investments in travel agencies were prohibited. Now, Sino-foreign equity travel agencies within national tourist and holiday resort areas are permitted, but branches can not be established in other areas.

Understanding the immaturity of its domestic travel agencies, China had been very strict in limiting foreign participation in the travel and tourism sector. Lengthy and sometimes over-restritive rules are imposed on foreign ventures. This is to level the playing field for domestic agencies, so that despite their overall strength, professional experience and modernised operating capability, foreign travel agencies will not be able to dominate the market. Nonetheless, foreign participation in China's travel agency industry will likely expand once China joins the World Trade Organisation.

With the promulgation in early 1999 of the "*Trial Establishment of Sino-foreign Joint-Venture Travel Agencies*", China's tourism industry has been opened wider to the outside world. However, foreign projects in high-class hotels and travel agencies are still in the restricted project category and the approval procedure still remains complicated. Foreign investment in the tourism industry, as well as development of the different forms of tourist activities, are strictly controlled by the State (Dolais, 1998).

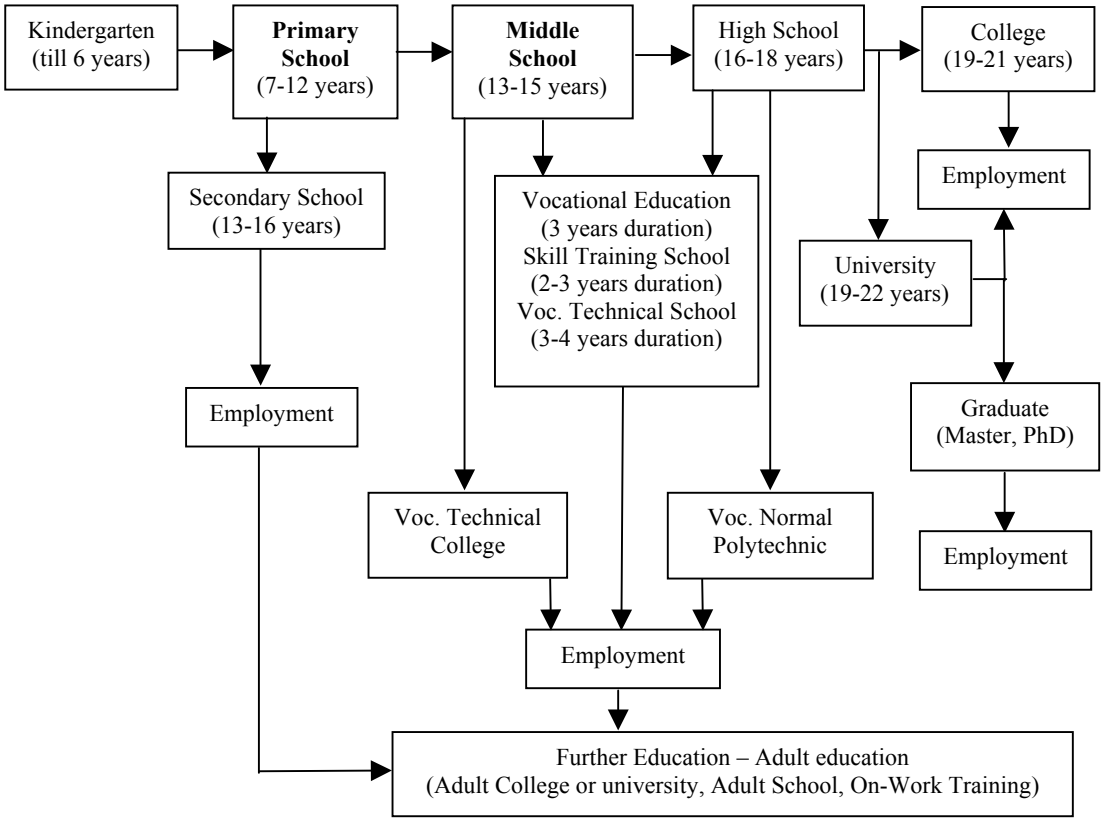
Appendix 2.10

Tourism and hospitality education in China

1. Institutional Organisation

The education system in China mainly embodies a nine-year period of compulsory universal education. Then it begins to branch into ordinary education and vocational education.

Education Systems of China



Note: Education levels with bold letters are compulsory.

Source: adapted from Heung et al., 1999

In general, the State Education Commission (SEC) controls education in China, and the CNTA (former SATT) is responsible for tourism education and training for the whole

country under the leadership of the SEC (Zhang, G R, 1987). The major responsibilities of the CNTA in the field of tourism education are to:

- draw up the national programme for tourism education development and the ways to carry it out;
- give instructions and suggestions to the local tourist bureaux;
- supervise the tourism educational institutions under its direct jurisdiction;
- help to improve the quality of education and organise the preparation and revision of teaching materials, and other relevant matters.

The various tourism and hospitality education programs in China are institutionalised in many different ways. Generally speaking, there are three kinds of tourism educational institutions in terms of jurisdiction:

1. direct-affiliated – tourism institutes directly administrated by the CNTA, like Shanghai Tourism Institute and the Beijing Tourism Institute (the former Beijing Second Foreign Languages Institute);
2. joint-run departments or specialities – some universities (like Nankai University and Zhejiang University – former Hangzhou University) have set up a department of tourism or a speciality of tourism in their departments of economics with the help of the CNTA in providing finance and human resources;
3. locally-run schools of tourism – provinces or cities with better conditions for tourism development (like Jiangsu and Sichuan) have set up their own secondary or vocational schools of tourism, with or without financial help from the tourist bureaux.

In addition, there are also some private schools or vocational schools of tourism run by individuals. The major differences between private institutions and the others are that these schools do not receive funds from the government; they are not responsible for assigning jobs to their graduates according to the state plan; and the students have to pay tuition fees (Zhang, G R, 1987). However, they issue certificates to qualified graduates, which are equally acceptable to employers.

2. Educational Levels and Program Development

Currently, a tourism educational system at various institutional levels and including various subjects has been established in the country. The programs being developed and piloted at present in China's tourism education have covered a wider range and reflect a richer variety of developments. Some 30 educational programs of and/or related to tourism have been offered at different educational levels and in various institutions, covering the major areas of this multifaceted industry.

2.1. Tourism Higher Education

China's tourism higher education institutions comprise three-levels, namely institutes (two to three years), colleges or universities (three to four years) and post-graduate courses (two to three years). Institutes and universities or colleges are to train mainly the medium and higher level managerial staff for tourist organisations and the industry, and the postgraduate courses are to train lecturers in the tourism higher education institutions and macroeconomic managerial personnel (Zhang, G R, 1987).

Among the 192 tourism higher institutes that existed in 1997, 19 of them offered master's degrees in tourism/hospitality management and other tourist-related disciplines, and just 2 offered a master's degree in tourism economics (Xiao, H G, 1999; Xiao and Liu, 1995). Although doctoral degrees have been conferred by a number of universities in tourism related disciplines, like in the Geography Department in Beijing where tourism is a major focus (Xiao and Liu, 1995), no university in China so far has been able to offer doctoral degree programs exclusively in tourism and hospitality management (Hong, 1999).

Bachelors' programs that issue diplomas or certificates fall more directly into the domain of tourism education, and can be classified as to the following categories (Hong, 1999):

- language learning program – with strong orientation of tourist service or tourist guiding and includes mainly English, Japanese, French, German, Spanish, Arabian, Russian, Korean and Italian in the curricula;

- economics and management programs – programs such as tourism management, hotel management, tourism economics, tourism finance and accounting, tourism resources development and planning, and tourism marketing, are among the most popular curricula;
- teacher-training program – aims at training the educators for vocational schools of tourism and hospitality. Curricula commonly offered cover hotel management and operation, catering and cuisine, and language for specific purposes. The first program for hospitality education was introduced by Zhongshan University in Guangzhou;
- skill-oriented programs – is part of the national occupational higher education plan which become operational in the second half of 1999. It includes, among others, hotel service and operation, food preparation and cuisine, tourism sales and promotion, and food/beverage service and operation.

2.2. Tourism Secondary Education

Secondary tourism education refers to secondary schools of tourism, polytechnics, vocational schools and technical schools of tourism. Training periods range from two to four years. These schools, which recruit qualified students who have had three years of junior high school education, are for training medium and low-level managerial staff, and various service personnel and technicians (Zhang G R, 1987).

China's tourism vocational education system has been formed within the context of multiple-levels and with diversity, reflecting the variable rates of development of China's tourism. The typical education mode consists of the three-level distribution of primary, junior and high schools. Thus vocational tourism education also is divided into three levels: primary, middle and advanced (Heung et al, 1999).

The hierarchically lower level exists in senior vocational and technical schools, run jointly with tourism and hospitality enterprises. The training is usually shorter and more flexible in periods of concentred learning. These technical and vocational schools often serve the purposes of pre-employment training and they turn out skilled or semi-skilled front line

workers for their co-operative enterprises. Curricula in this category include, among other courses, language learning for tourist guiding and services purposes, hotel and tourism services, business communication, hotel promotion and sales, bartending, food preparation and service (Xiao, H G, 1999).

Middle vocational education is in many forms, including:

- vocational high school – run by Education Department;
- tourism skill training school – run by Labour Department;
- tourism vocational technical school – run by the Tourism Bureau.

The National Education Ministry, mainly its vocational education department, takes overall charge of the development and management of national tourism vocational education. The National Labour Ministry and each special bureau also take partial responsibilities for this vocational training.

Local governments of the major tourist areas are encouraged to run these kinds of schools and job-training centers with help from other organisations. Since the reforms of 1978 each level of government and local region have taken a series of measures to develop vocational education. The development of tourism vocational education appears to have the status of "two points big and middle small" which means to indicate the system of tourism vocation education is undergoing structural adjustment and the level of education is being upgraded (Heung et al, 1999).

2.3. Adult Education

Adult education centers were to be set up to improve the quality of personnel already working. Full-time centers for training managerial staff and catering technicians were set up in Tianjin and Nanjing (Zhang, G R, 1987). The courses in adult education include hotel management, travel agency management, tourism administration, and foreign languages. Provinces, autonomous regions and municipalities have established training centers, which play an important role in the training of local tourism personnel. On-job training is an

important part of adult education, and it is the responsibility of three levels: the CNTA, the local tourism administrations and the large or mid-sized enterprises (Huang, 1995).

2.4. Publications and Research

A more completed tourism education system, which covers the whole country and has all kinds of courses, is taking shape. The number of teachers has rapidly increased and the structure is improving (Heung et al, 1999).

Publication and research information in the tourism field have also appeared in a large number of related journals or is published by various publishers. Nevertheless, current publication of tourism research is mainly dominated by China Tourism Publishing House (Beijing), Tourism Education Press (Beijing) and Guangdong Tourism Education Press (Guangzhou). Major research forums are Tourism Science (launched in 1981, bimonthly, Nanjing), Journal of Beijing Second Foreign Language Institute (launched in 1982, bimonthly, Beijing), Tourism Forum (launched in 1989, quarterly, Guilin), Tourism Management (launched in 1991, bimonthly, Tianjin) and Hotel World (launched in 1987, bimonthly, Shanghai).

3. Curriculum Development

Courses offered in Chinese tourism and hospitality institutions follow educational guidelines and policies established by the government to meet the needs of the industry. However, most of the schools when setting up tourism and hospitality courses adopt, to varying degrees, international pedagogical methods and curriculum structure, which in most cases have been established in economically developed countries, largely because the operation of advanced education institutions requires considerable resources.

> "The focus of most of these programs has been on courses and training designed to equip graduates for employment in societies in which tourism is part of a highly sophisticated economic and technological environment. This focus of existing programs ignores a serious need on the part of developing countries for trained tourism policy-makers, planners and personnel. In fact, it can be argued that such

> countries have an even greater need for tourism education programs given their dependency on tourism as a mechanism for providing funds necessary for overall economic development." (Jafari and Ritchie, 1981:30)

In China, majors offered in schools of higher education typically include economics, hotel management, tourism finance, food and beverage management, culinary arts, and tour guiding and interpretation. Tourism economics and hotel management programs are normally found in the economics and business management departments of four-year comprehensive universities. Tour guiding programs are often offered in the foreign language institutes since the primary requirement for a tour guide is the ability to speak a foreign language.

A unified national qualification examination for tour guides has been conducted annually since 1989. In order to improve the professional level of those tour guides, who already have acquired qualification certificates, a tour guide grading examination has been drawn up. Tour guides are graded into four levels according to their performance and ability in work. This grading system was launched on a trial basis and only in some parts of the country (Huang, 1995).

Majors offered in secondary school tourism programs are usually limited to hotel service and management, and cooking skills. There are also specialised tourism and hospitality education colleges, professional schools, and high schools that offer comprehensive training with academic degrees and professional certificates. Other schools simply offer tourism and hospitality courses in their curricula as a career focus (Xiao and Liu, 1995).

Little thought, however, has been given to how this educational system relates to the existing social and cultural framework of the host country, to the problems of communication between guest and host, or to the demands and stresses placed upon those in the front lines of the industry, whose potential for "culture shock" far exceed that of their foreign guests (Blanton, 1981).

Blanton (1981) suggests that programs based on human relations and social studies are needed for several groups: hotel and tourism industry students; workers already in the industry; training staff; and host country and expatriate managers. In addition, special educational programs could well be designed for those in the informal sector of the economy who frequently interact with foreign tourists and for use in public school systems in countries where tourism is highly visible. This is true for China, where a wide cultural gap between Chinese hosts and their foreign guests exists.

In a study conducted in the late 1980s (Wei et al., 1989), scientific exchange visits to China were analysed in order to identify the source of cultural conflicts between hosts and US visitors. The major conclusions of this analysis suggested four categories of cultural conflicts. Cultural ethnocentrism was identified in both groups, but focusing in the Chinese people, it was mainly a result of the long tradition of being isolated from the exterior world. "Traditional approaches are widely respected and new ideas or ways of doing things are not rapidly embraced" (Wei et al., 1989:324).

Communication problems were very common, as well as problems arising from the lifestyle differences and the poor quality of service. Employment in service positions in China was considered to be less prestigious than working in other jobs (Choy and Gee, 1983). Serving others in a formal employment context in China has been traditionally regarded as demeaning because it has been associated with servitude, as a consequence a low level of service was frequent and a tradition of hospitality did not exist either.

In China, there is the common belief that people should be motivated in order to improve the service quality (Schrock et al., 1989), material incentives and non-material incentives together form the compensation system for most state-owned travel services[4] (Cai and Woods, 1993). These incentives are intended both to reward employees for their service and to motivate them to improve their performance. Conversely, "criticism and penalties"

[4] Article 10 of China's constitution stipulates that the government "applies the policy of combining moral encouragement with material reward, with stress on the former in order to heighten citizens' socialist enthusiasm and creativeness in work" (in Cai and Woods, 1993).

were destined for bad attitudes and neglect of duties. Tipping in China is forbidden, as it is believed that the payment for service is already included in the fee.

Until 1979 material incentives (wages, welfare and bonuses) were mostly distributed regardless of an employee's achievements. However, this situation changed with reforms.

> "The changes brought about by the breaking of the iron rice bowl, increase in labour cost and high turnover suggest that human resources development investment must make its return to Chinese owners in terms of achievement of business objectives and the provision of the necessary skills and knowledge for the workplace and personal growth." (Goh, 1994:70)

Moral encouragement as a non-material incentive in China relates to a fundamental Marxist principle of "fighting the self", individuals should aim to emulate the ideal of self-interest sacrifice for the general welfare and civilisation of the society (Cai and Woods, 1993). However, according to Huyton and Sutton (1996:23), the idea that all is for the people rather than for the individual appears to be diminishing with respect to attitudes toward service, a changing idea accelerated by the one-child policy. As parents can not rely on their children any more, nor in the iron bowl rice philosophy, they promote a "greater impetus towards intrinsic motives for individual success".

Appendix 3.1

Taiwan's policy on travel between the Mainland and Taiwan, 1987-1997

Dates	Policy on its citizens to visit the Mainland	Policy on Mainlanders to visit Taiwan
1987		
October	Lifting the ban on civilians to visit Mainland for visiting families only	
November	First group of Taiwan visitors arrived Guangzhou	
1988		
February	Lifting ban of Kuomintang Party members and low-level government officials to visit the Mainland	
March	Lifting ban on family members of military personnel to visit the Mainland	
June	Reinforcing the policy on length of stay: three months per trip and one trip per year	
August	Permitting Taiwan scholars to attend international conferences held in Beijing	
	Permitting middle-level government officials with little access to state secrets to visit the Mainland	Permitting Mainlanders to visit their sick relatives and attend funeral functions of relatives in Taiwan
November		Allowing some outstanding scientists and scholars from the Mainland to visit Taiwan
1989		
April	Lifting the ban on journalists visiting the Mainland	
1990		
February		Permitting Taiwanese natives who settled on the Mainland before 1949 to return to Taiwan
May	Extending the length of stay on the Mainland from three months per year to 2 year maximum stay	
September	Permitting high-level Kuomintang Party Committee members and congressmen to visit the Mainland	
1991		
April		Lowering the age limits on Mainlanders who moved to join their families in Taiwan
August		Allowing Mainland journalists to visit Taiwan
November		Permitting Mainland brothers and sisters to visit Taiwan relatives
	Permitting military personnel with little access to military secrets to visit the Mainland	

1992		
September		Permitting indirect Mainland family members to visit Taiwan
1994		
March	Stop group travel to China and exchange activities	
May	Lifting the ban on group travel to Mainland	
1996		
July		Mainland journalists were permitted to stay in Taiwan on a one-year work visa which is renewable annually
	Governors, mayors were allowed to attend cultural activities and international gatherings in Mainland	
1997		
March		Direct sea link opened, first cargo arrived in Kaohsiung
July	Taiwan China Airlines and CAAC signed service accord on passenger ticketing and transfer at Hong Kong and Macao, and on account settlement	
	Taiwan police and armed forces personnel are banned from travelling to Hong Kong for sightseeing	
	Application to attend conferences in Hong Kong will be approved on a case-by-case basis	

Source: Yu, 1998

Appendix 5.1

Scenic wonders and historical sites approved by the State Council in 1982

Location (number of sites)	List of sites
Sichuan (10)	Mt. Jinfuo, Mt. Gongga, Jianmenshudao, Yalong River, Chongqing's Mt. Jinyun, Southern Sichuan's Sea of Bamboo, Mt. Emei, Mt. Qingchengshan and Dujiang Yan, Yellow Dragon Temple and Jiuzhaigou, Three Gorges of Changjiang (Sichuan and Hubei)
Zhejiang (7)	Mt. Tiantai, Hangzhou West lake, Shengsi Liedao (Islands), Mt. Yandang, Mt. Putuo, Fuchun and Xin'an Rivers, Nansi River
Yunnan (6)	Jade Dragon Snow Mountain, Three Parallel Rivers, Mt. Dali Cangshan, Lunan Stone Forest, Lake Dianchi of Kunming, Xishuangbanna
Guizhou (5)	Red Maple Lake, Dragon Palace, Huangguoshu Falls, Zhijin Cave, Wuyang River
Liaoning (5)	Gold Stone Shoal, Xingcheng Beach, Yalu River, Dalian Beach-Luchun, Mt. Qianshan
Anhui (4)	Mt. Huangshan, Mt. Tianzhushan, Mt. Jiuhuashan, Mt. Langyashan
Fujian (4)	Mt. Qingyuanshan, Mt. Tailuaoshan, Gulangyu-Wanshishan, Mt. Wuyishan
Hebei (4)	Waibamiao, Mt. Cangyan, Wild Three Hills, Qinhuangdao-Beidaihe
Jiangsu (4)	Nanjing's Mt. Zhongshan, Mt. Yuntai, Lake Taihu, Shugang-Lake Souxi
Jiangxi (4)	Mt. Lushan, Mt. Longhushan, Mt. Jingganshan, Mt. Sanqingshan
Guangdong (3)	Mt. Xiqiao, Mt. Danxia, Star Lake of Zaoqing
Guangxi (3)	Mt. Guiping Xishan, Guilin Li River, Huashanfeng
Henan (3)	Longmen in Luoyang, Mt. Songshan, Mt. Jigong
Hubei (3)	Mt. Dahongshan, Mt. Wudang, East Lake
Hunan (3)	Wulingyuan, Lake Dongting-Yueyang Tower, Mt. Hengshan
Shandong (3)	Jiaodong Beach, Qingdao Laoshan Beach, Mt. Taishan
Shanxi (3)	Mt. Wutaishan, Mt. Hengshan, Yellow River and Hukou Waterfalls
Heilongjiang (2)	Lake Jingbo, Wudalianchi
Jilin (2)	Lake Songhua, Jingyuetan Lake
Shaanxi (2)	Mt. Lishan in Lintong, Mt. Huashan
Beijing (1)	Badaling-Shisanling
Gansu (1)	Mt. Maijishan
Ningxia (1)	West Xia Three Tombs
Xinjiang (1)	Heavenly Pond of Mt. Tianshan

Source: Zhang, 1995

Appendix 5.2

Most favoured tourist spots in 1988

Attraction (rank ordered)	Location
The Three Gorges of Changjiang	Sichuan, Hubei
Guilin Lijiang River	Guangxi
Huangshan Mountain	Anhui
Lushan Mountain	Jiangxi
Hangzhou West Lake	Zhejiang
Emeishan Mountain	Sichuan
Huang Guo Shu Waterfalls	Guizhou
Taisahn Mountain	Shandong
Beidaihe Beach in Qinghuangdao	Hebei
Huashan Mountain	Shanxi
Jiuzhaigou Yellow Dragon Temple	Sichuan
Tonglu Yaolin Wonderland	Zhejiang
Gold Embroidery Cavern	Guizhou
Mt. Wushan Little Three Gorges	Sichuan
Jinggangshan Mountain	Jiangxi
Southern Sichuan Bamboo Sea	Sichuan
The Great East Sea – Ya Long Bay	Hainan
Wulingyuan	Hunan
Five Great Lakes	Heilongjiang
Hukou Falls of the Yellow River	Shanxi
The Badaling Great Wall	Beijing
Leshan Mountain Great Buddha	Sichuan
Suzhou Gardens	Jiangsu
Forbidden City	Beijing
Dunhuang Mogao Cave Paintings	Gansu
Qufu Three Confucius Sites	Shandong
Summer Palace	Beijing
Ming Tombs	Beijing
Nanjing Sun Yatsen Tomb	Jiangsu
The Summer Villa – Waibamiao	Hebei
Qinshi Huangdi Tomb and the Terracotta Museum	Shaanxi
Zigong Dinosaur Museum	Sichuan
The Yellow Crane Place	Hubei
Beijing Daguan Garden	Beijing
Shanhai Gate and the Old Dragon Head Great Wall	Hebei
Genghis Khan Tomb	Inner Mongolia
Zhuhai Tourist City	Guangdong
Shenzhen's 'Magnificent China'	Guangdong
Confucius temple and the Qin-Huai River	Jiangsu
The Gezhouba Dam	Hubei

Source: Zhang, 1995

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