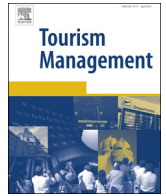




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## China's outbound tourism – Stages, policies and choices<sup>☆</sup>

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### H I G H L I G H T S

- Describes current developments in Chinese tourism policies.
- Indicates Chinese use of “soft power” through tourism policies.
- Provides indications of official thinking behind Chinese tourism policy making.

### A R T I C L E I N F O

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### A B S T R A C T

China's outbound tourism has developed rapidly in recent years. This development has been accompanied by a continuous and expanding deficit in the tourism balance of trade, triggering debate among government officials and academia about whether China's outbound tourism development has outgrown general economic development. Understanding China's growth in outbound tourism and its impact has therefore become more than an academic issue; it also affects the future orientation of China's tourism policy. This paper provides a detailed analysis of the tourists, spatial flow, market size, and expenditure. Despite the above concerns, it is suggested that China's outbound tourism is still in a preliminary stage of development and furthermore complies fully with national policies. Therefore, orderly guidance and discretionary market policies are proposed to further facilitate the growth of the outbound tourism market in China.

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### 1. Introduction

In 1984 China's outbound tourism commenced with officially sanctioned visits by Chinese nationals to relatives residing in Hong Kong and Macau. Six years later the China National Tourism Administration promulgated “Provisional Measures Concerning the Administration of Arranging Chinese Citizens to Southeast Three Countries” in October 1990, to be followed by the China National Tourism Administration and the Ministry of Public Security jointly promulgating “Provisional Measures Concerning the Administration of Outbound Travel of Chinese Citizens at Their Own Expenses” in 1997. With the removal of restrictions over time through the agreed Approved Destination Scheme (ADS) and the growth of China's economy and national income, outbound tourism developed

quickly. By the end of the 2012, the approved ADS countries numbered 115. China has become the fastest major growing source market with the number of outbound tourists increasing from 2,988,700 to 70,250,000 between 1992 and 2011. Equally inbound tourism also grew and tourism became an important source of foreign exchange earnings, but such was the growth of outbound tourism the industry has recorded a trade deficit. In total trade deficit of US\$372 billion was recorded from 2009 to 2011, and it continues to grow. Based on international comparisons, many scholars indicated that China's outbound tourism had developed far too quickly.

Such concerns stimulated further research, and it was quickly taken up by researchers outside of China who commenced research into the trend by examining consumption behaviour, economic impact, and policies and regulations (Du, Li, Qin, & Li, 2002; Li, 2006; RT, 2002; RT, 2003; Xi & Yin, 2009; Zhang, 2005). Among all of these studies, major concerns were expressed over the implication of the trend and the impact of enlarging the tourism trade deficit. Among the issues noted were the growing gulf between rich and poor, the large amount of public funds being used for overseas travel, suggestions as the taxation of outbound travel

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expenditure to decrease foreign exchange loss and concerns over leakages from domestic demand (Dai, 2005; Dai, 2012; Dai & Deng, 2008; Dai & Wu, 2006). On the other hand some argued that outbound travel was simply an objective reflection of the internationalism of citizen behaviour that is achieved when the national and regional economy achieves a given level of development. Thus it always been that outbound tourism increases with a growing GDP (Lei & Shi, 2008), and meanwhile, it was influenced by many macroeconomic factors, such as economic policy (Zhang & Tan, 2011). In short the industry's trade deficit was simply an inherent part of the trend of economic development (Su & Li, 2012). It was symptomatic of China's economy achieving both modernity and being in step with wider global trends (Yang, 2006; Zhang & Liu, 2001; Zhang & Yang, 2007).

From that perspective, a renewed emphasis was placed on policy making and its role in China's global developing strategy. Based on the current understandings, and while recognizing that differences existed at the different stages of development, two conclusions stood out, namely: 1) the development of the outbound tourism market correlated with economic development; and 2) at any specific stage, policy intervention might skew the development of both tourism and the economy.

When combining changes in China with those in the remaining parts of the world, a new structure occurs within the three markets of inbound tourism, domestic tourism, and outbound tourism. The relationship of tourist resource and destination, tourism industry development and economic development has changed fundamentally. With such a macro-background, how to understand the characteristics of the current stage of outbound tourism, and the increasing trade deficit of recent years, is not only an academic issue, but a practical one relating to tourism marketing policies of the new age.

## 2. The stages of China's outbound tourism development

Previous quantitative studies about China's outbound tourism, no matter whether longitudinal based on previous secondary data, or horizontal based on cross sectional data, are all based on the same hypothesis: that is, the national and regional outbound market is considered as homogeneous. This unrealistic hypothesis ignored differences in the generations of the tourists and their respective expenditure structures. Whilst China's outbound tourism has specific characteristics for each of its different stages of the development, such as its integration into the macro-economy, the generation and extension of the trade deficit, and the impact of industrial policies, many of differences are both relatively shallow, and yet hide the underlying fundamental structures of outbound tourism from a policy perspective.

This paper describes therefore the character of each stage on the viewpoint of the tourism system in terms of the tourists' resource, spatial flow, market size, and expenditure.

### 2.1. Tourist resource: more from high-income areas, and less from low-income areas

The development of China's outbound tourism was not a completely gradual process. An imbalance in tourist generation was caused by regional differences in economic development, notably between the east and west of China. Both GDP and per capita disposable income of eastern China are all higher than central and western China. In 2010, GDP per capita was RMB46,354 in the eastern region, and per capita disposal income of an urban citizen was RMB 23,273 which figures are 1.91 and 1.46 times higher than those of central China, and 2.06 and 1.47 times higher than in western China. Aided by increasingly convenient visa application

process and transportation, the eastern zone has been the main outbound tourism generating area for some time. Table 1 shows the figure of outbound tour operators in China from 2011. In terms of GDP which is the measurement of regional development and per capita disposable income, and hence a measure of consumption, the eastern area is in or close to the threshold interval of an explosive phase of outbound tourism that was proposed by previous studies (Dai, 2012). In addition, it is thought that due to large amounts of "hidden income", the actual income of the eastern region is probably higher than that indicated by official figures. On one estimate, the per capita disposable income of high-income households is three times higher than the previous official figure, which in itself represented 10% of all urban households, and the income of other residences was also higher than the official data (Wang, 2007). This was consistent with observations and data relating to consumer expenditure. Such discrepancies begin to better explain the official estimates of outbound expenditures and numbers of outbound tourists where the latter apparently outperformed the former.

### 2.2. Spatial flow: more outbound tours, less overseas tours

From the impacts of political factors and history of development, China's outbound tourism can be divided into three categories: (a) Hong Kong and Macau tours, (b) border tours, and (c) multiple destinations (China National Tourism Administration, 2011; Zhang, 2002). With the early opening and close relationship with mainland China, Hong Kong and Macau are the main overseas destinations. In 2003 individual visitation to Hong Kong and Macau was rationalized under the *Mainland and Hong Kong Closer Economic Partnership Arrangement*. The number of mainland Chinese visiting Hong Kong and Macau continually increased year by year until 2013/14. The numbers of Mainland tourists visiting Hong Kong and Macau occupied about 70% of Chinese total outbound tourists from 2004. Taiwan was opened in 2008 for individual visit with the implementation of the *Mainland Residents to Taiwan Tourism Agreement*. The number of tourists visiting Taiwan increased dramatically, and Taiwan became the fourth outbound destination for mainland households. Because of these large flows of tourists to Hong Kong, Macau, and Taiwan, in the strict sense, the number of real outbound tourists is still a relatively small minority. Among the 70,250,000 outbound tourists in 2011, there were 28,320,700 tourists who visited Hong Kong, 19,765,300 tourists to Macau, and 18,450,000 tourists visited Taiwan, and only 22,164,000 tourists attended border tours and overseas tours that accounted for 30% of the total number.

Of those visiting Hong Kong and Macau, the main form of traditional visit is in the nature of a day trip because of the geographic position and the close economic and social relationships. For example, in Hong Kong, 51.2% of visiting mainland tourists took day tours in 2011, and this number increased to 56.4% in January to October in 2012. Among these tourists, 25.1% tourists transferred, or visited friends and relatives instead of undertaking trips classified as holidays, business and conferences. The average expenditure of a day tour was HK\$ 2439 which was 29.7% of the expenditure of stay over tourists (HKD 8220). As the main part of China's outbound tourists, tourists visiting Hong Kong and Macau significantly differ as to trip distance, destination, duration, and expenditure from the main body of outbound tourists. From this point, as the derivatives market, China's outbound market is still in a transition period from domestic tourism to outbound tourism. Equally, the demonstrations of 2013 and 2014 served to show the sensitivity of these markets, not only to the demonstrations per se, but also to the policy statements of the Beijing government, and the controls put in place.

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