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ВСЕМИРНАЯ ТУРИСТСКАЯ ОРГАНИЗАЦИЯ

Chinese Outbound Tourism

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EXECUTIVE SUMMARY

China's outbound tourism has gone through the process of travel to Hong Kong and Macao, travel to the border regions and travel to foreign countries, which officially started in 1990. Subsequently, travel to foreign countries by private Chinese citizens has been growing quickly. From 1998 to 2001, the number of outbound travellers has experienced an annual increase of one million. The number reached 12.13 million in 2001. According to a forecast from the World Tourism Organization, China will have 100 million outbound travellers and become the fourth largest source of outbound travel in the world by 2020.

The official Chinese policy on outbound tourism is one of controlled development. Primarily, the China National Tourism Administration (CNTA) exercises the control, which is the official body in charge of tourism. Chinese tourists are officially only allowed to travel to countries, which have obtained an "Approved Destination Status (ADS) Agreement" with China. Today, the only industrialized countries with an ADS-agreement are Australia and Japan, and Germany is the European country closest to an agreement. However, the negotiations between China and Germany are reportedly in a deadlock at the moment (August 2002). A common European Union (EU) -approach to enter into ADS-negotiations with the CNTA is currently being sought in Brussels. Major obstacles exist, however, to a EU-agreement with China: There are clear differences between the EU and China concerning immigration policy as well as trade policy issues (ADS-agreements include a limitation in the number of tour operators authorized to engage in outbound tourism on both the Chinese and foreign side). Experiences from Australia and Japan show that the ADS-system functions well. It is therefore recommended that these experiences are highlighted to European authorities by the European travel industry.

An important way to promote tourism in China is through establishment of a national tourism office. Currently, nine countries are operating a national tourism office. Offices can be opened by both ADS and non-ADS countries and it is generally becoming easier to establish an office lasting between a half and one year. National tourism offices are only allowed to engage in non-profit activities.

The outstanding features of China's outbound tourist market are: Most of the travellers join tour groups and they go to several countries on one trip. They are ready to spend large amounts of money on the destinations. Travel is concentrated during the three official Chinese holiday periods – the Spring Festival (Chinese New Year) in January or February, the May Holiday, and the National Day Holiday. The main generating areas are the three highest economically developed regions of Beijing, Shanghai and Guangzhou. In order to explore the outbound tourism market of China, it is necessary to understand the distinguishing features of the Chinese consumers and the characteristics and differences of the three major generating regions. It is also necessary to develop tourist products to meet the special demands of the Chinese travellers and conduct marketing and promotion activities in view of the Chinese market.

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A GENERAL SURVEY OF CHINA

1.1. Geography

The People' Republic of China is situated in the Eastern part of Asia with the Pacific Ocean to her East. China has fifteen neighboring countries on land. To the North there are Russian Federation and Mongolia; to the West there are Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan and Pakistan; to the South, China borders on India, Nepal, Sikkim, Bhutan, Myanmar, Laos and Vietnam; to the East, China borders on the Democratic People's Republic of Korea, To the East and the South, across the Yellow Sea, the East China Sea and the South China Sea are Japan, Philippines, Malaysia, Indonesia and Brunei. China has an area of 9.6 million square kilometers, the largest country in Asia.

As for the administrative system, China has 23 provinces (including Taiwan Province), 5 autonomous regions, 4 municipalities directly under the central government and 2 special administrative regions (Hong Kong and Macao). So there are all together 34 administrative units of provincial level.

Since the implementation of the policy of reform and opening up, with the rapid economic development, urbanization has speeded up. In 1978, the urbanization rate was 17.9%. It has gone up to 30.9% in 1999. In China, there are three major urban belts or three major economic regions. They are: Beijing and Tianjin Belt which covers Beijing, Tianjin and other cities; the Yangtze River Delta which covers Shanghai, Jiangsu and Zhejiang; and the Pearl River Delta which includes Guangdong and the Special Administrative Regions of Hong Kong and Macao.

The basic situation of urbanization in China

Year	National population	Urban population rate (%)	Urbanization rate (%)	No. of cities
1978	962,590	172,450	17.92	193
1984	1,043,570	240,170	23.01	300
1985	1,058,510	250,940	23.71	324
1990	1,143,330	301,910	26.41	467
1992	1,171,710	323,720	27.63	517
1994	1,198,500	343,010	28.62	622
1995	1,211,210	351,740	29.04	640
1998	1,248,100	379,670	30.42	668
1999	1,259,090	388,920	30.89	667

Source: "China Statistics Almanac"

1.2. Population

According to the 5th national census in 2000, the population of the Chinese mainland was 1,270 million. In the same year, the government of Hong Kong Special Administrative Region announced that Hong Kong's population was 6.78 million and

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the government of Macao Special Administrative Region declared the population figure as 440,000. Taiwan announced the population figure for Taiwan and the islands of Jinmen and Mazu as 22.28 million. By the end of 2000, the total population of China was 1,295 million, including Taiwan.

Traditionally, China has been an agricultural society. In the recent 50 years, especially in the past 20 years since the implementation of the reform and opening up policy, the Chinese society has undergone profound changes which is the process of transforming a traditional society to a modern society, an agricultural society to an industrial society; a process of transforming the system of planned economy to the system of socialist market economy. This transformation has found its expression on the changes in the structure of social stratum. According to the “China Economy Almanac” and “China Population Statistics Almanac”, the changes in the Chinese social stratum can be found in the following areas: Since 1978, the number of agricultural workers has been greatly decreased. In 1978, agricultural workers occupied 67.4% of the employed total. They dropped to 44% in 1999. The main channel for the agricultural workers to social mobility is to go out for jobs or business, to run village or township enterprises, to receive higher education and urbanization of their villages. With the annual decrease of agricultural workers, the lower and middle-lower stratum of the society is shrinking. The industrial workers are also undergoing changes. The upgrading of the enterprises and the adoption of new technology have turned some factory workers into people with modern technology who have moved upwards and become members of the middle stratum of the society. A middle class is appearing and is beginning to take shape. Private entrepreneurs, managers, small industrial and commercial enterprises owners and people in the service trade are quickly increasing. The social stratum, which has the control of or directly operates the economic resources is rising and developing. Apart from the government and social management, managers have formed a relatively independent social stratum. Both these managers and private entrepreneurs are bound to increase in number. The original social structure, which was like a pyramid, is now gradually becoming the shape of an olive.

The evolution of the social strata in China (1952–1999) (%)

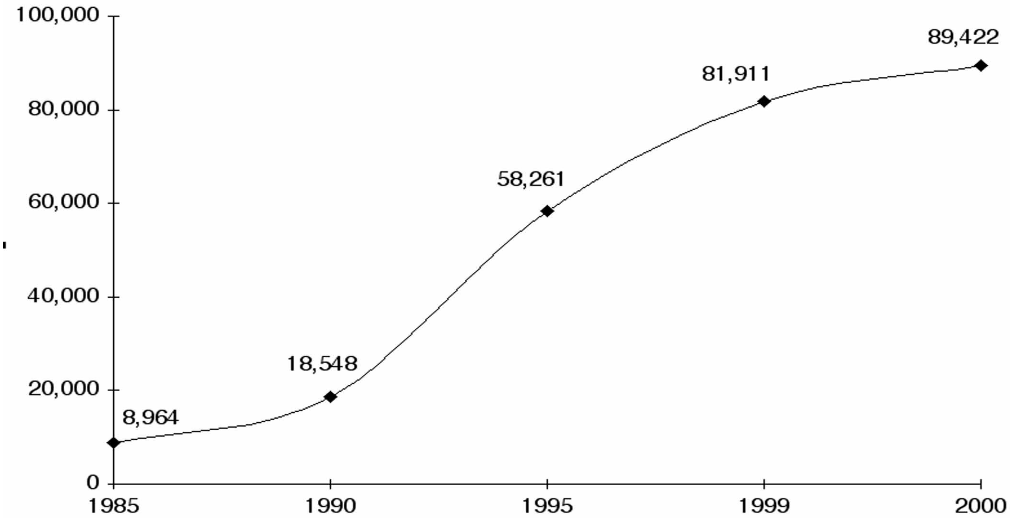
	1952	**1978**	**1988**	**1991**	**1999**
Total	**100**	**100**	**100**	**100**	**100**
State and social management personnel	0.5	1.0	1.7	2.0	2.1
Managers	0.1	0.2	0.5	0.8	1.5
Private entrepreneurs	0.2	0.0	0.0	0.0	0.6
Technical personnel	0.9	3.5	4.8	5.0	5.1
Office workers	0.5	1.3	1.7	2.3	4.8
Small business owners	4.0	0.0	3.1	2.2	4.2
Service trade workers	3.1	2.2	6.4	9.3	12.0
Industrial workers	6.4	19.8	22.4	22.2	22.6
Agricultural workers	84.2	67.4	55.8	53.0	44.0
Unemployed and semi-unemployed	–	4.6	3.6	3.3	3.1

Source: “China Statistics Almanac” “China Population Statistic Almanac”

1.3. Economy

Since the implementation of the reform and opening up policy in 1978, the Chinese economy has seen a rapid development. From 1991–1995, the average annual GDP growth rate is 12%. From 1996–2000, the growth rate is 8.3%. In 2000, GDP reached 8,900 billion Yuan, or over US$ 1,000 billion, which is 6.3 times that of 1980, ranking no. 7 in the world.

The growth of GDP (100 million Yuan)



Source: "China Economy Almanac".

In the past 20 years, the per capita GDP in China has increased by seven times. In 2000, the per capita GDP was over 7,000 Yuan. According to the current exchange rate, it equals to US$ 840–850, a triple increase from 1980.

From 1995-1999, the annual average per capita spending rose from 803 Yuan to 3,143 Yuan in China. Among urban residents, the per capita spending rose from 4,874 Yuan to 6,750 Yuan. The total amount of bank savings in China rose from 2,966 billion Yuan to 5,962.2 billion Yuan, an increase of over 100%.

The consumption structure of both the rural and urban residents has made obvious changes: they spend more money on high-grade commodities. For example, in the past, people often spent ten thousand Yuan to buy something important. Nowadays, they often spend a hundred thousand Yuan to buy a house or a car. The area of their consumption is becoming wider. The proportion of spending on culture, education, tourism, recreation and sports is rising. In 2000, the proportion of spending on education, leisure, tourism and recreation rose from 12.3% in the previous year to 14%. In 2001, Beijing was elected to host the Olympic games in 2008 and China joined the World Trade Organization. All these have favorable impact on the development of

China's economy and on private consumption. The consumption confidence index rose to 98.1 in November 2001, an increase of 2.6 percentage points.

The degree of satisfaction with the quality of life has increased significantly among urban residents. According to a survey carried out in ten cities by the National Statistical Bureau in 2001, the degree of satisfaction has been greatly enhanced when city residents compared their life in the recent five years with the preceding five years. 70% of them said that they have more income. 40% of the people have increased per capita living space. 61% of residents have bought their houses during the housing system reform. 55% of them have bonds, stocks, bank savings or cash. 91% think that it is more convenient and comfortable now to go on a journey. Now what people long for the most is good health and ease of mind. Five years ago the order of priority was: to become prosperous, to be able to get together with family members, good health and ease of mind. Now the order is reversed: good health and ease of mind comes first, followed by being able to get together with family members, and then comes prosperity. This change indicates that when the quality of life of the people is improved, their thinking is also changed, from seeking survival to enjoyment and development.

China has a vast territory. There are many differences both in the degree of economic development and in people's income. There are differences between town and country, between different trades, between different areas and even within cities and within the country. In terms of per capita GDP figures, the population of the ten highest-ranking provinces and municipalities put together is 35.8% of the national total, while their GDP combined is 64.9% of the total GDP of the country. These ten provinces and municipalities are the Beijing-Tianjin area and Liaoning and Heilongjiang provinces, the East China with Shanghai as the center (Shanghai, Zhejiang, Jiangsu and Shandong provinces), and the South China (Guangdong and Fujian Provinces). The tourism industry is rather developed in these areas and people there travel a lot.

Per capita GDP of the first 10 provinces and municipalities in 2000

Province	Population (1,000)	Place No.	GDP (US$/billion)	Place No.	Per capita GDP (US$)	Place No.
Shanghai	16,740	25	55.10	8	3,291	1
Beijing	13,820	26	29.79	15	2,155	2
Tianjin	10,010	27	19.85	22	1,982	3
Zhejiang	46,770	10	72.93	4	1,559	4
Guangdong	86,420	3	115.09	1	1,453	5
Jiangsu	74,380	5	103.93	2	1,397	6
Fujian	34,710	18	47.56	11	1,367	7
Liaoning	42,380	13	56.52	7	1,334	8
Shandong	90,790	2	103.42	3	1,139	9
Heilongjiang	36,890	15	39.77	13	1,007	10

Source: "China Statistics Almanac"

Tourism is a kind of high-level demand, which is based on an economic condition in which people do not worry about their daily necessities. China has a population of 1.3

billion people. At present, people who can afford to go somewhere for holiday, especially to go abroad, are mainly those from high and middle-income strata. These strata chiefly consist of the following people: private enterprise owners who have emerged since the implementation of the policy of opening up and reform; White-collars working in foreign and joint-venture enterprises; teachers, lawyers, engineers and other professionals with senior or mid-level professional titles; people in the media, sport and entertainment circles. At present, middle level income means: an average annual personal income of US$ 3,100-4,300 and a family income (three people in a family with two wage earners) of US$ 6,100-8,500. And high-level income means a family annual income of US$ 24,000 and above. According to a survey of the National Statistical Bureau in 2001, people of mid-level income constitute 10% of the urban population (39 million) and people of high level income is less than 1% of the entire population (13 million). People of middle level income would spend their money on houses, cars, regular travel and other cultural and social activities to meet their growing cultural or spiritual demands in addition to their daily expenses.

According to a survey carried out in October 2000 by SSIC in Beijing, Tianjin, Shanghai, Guangzhou and Wuhan, the income of a family has a direct impact on the frequency of their travel. The higher their income, the more travel plans they make. 71% of those polled think seriously about their spending on travel.

Family income and their travel plans (%)

Family monthly income	One trip	Two trips	Three trips
Below US$180	25		
US$180 – 360	55	2	
US$360 – 550	70	9	
Above US$550	34	58	3

Source: Survey of 5 cities by SSIC 2000

1.4. Tourism

In the past 20 years, the structure of the national economy has changed greatly. The agricultural output dropped from a 31.2% share of the total GDP in 1979 to 17.3%, while service trade rose from 21.4% to 32.9%. Tourism as a new industry has made great strides forward. The following is the proportion of tourist receipts in the total receipts of the national economy: 3.7% in 1996, 4.2% in 1997, 4.2% in 1998, and 5% in 2000, 5.2% in 2001.

After 20 years' development, the tourist market in China now is composed of three parts: inbound, domestic and outbound tourism. The policy of the Chinese government is to actively develop inbound tourism, vigorously develop domestic tourism and outbound tourism should be developed in an appropriate way.

1.4.1. Inbound Tourism

In China, the modern international tourism industry started in 1978. In the past 20 years, China's long history, rich culture, colourful local conditions and customs and the changes made since the reform and opening up policy is carried out have attracted more and more visitors. In 1980, the inbound visitor figure was 5,703 million. In 1990 it rose to 27.46 million, 4.8 times the figure of ten years ago. International tourism receipts were US$ 1.13 billion in 1984. It went up to US$ 2,218 billion in 1990, an increase of 196%. The inbound visitor figure rose from 27.46 million in 1990 to 83.44 million in 2000, the fifth largest in the world. In the same period, the international tourism receipts went up from US$ 2,218 billion to US$ 16,224 billion, the seventh largest in the world.

The development of the inbound tourism market

Year	No. of visitors (1,000)	Change (%)	Foreigners (1,000)	Change (%)	Receipts (Billion US$)	Change (%)
1990	27,462		1,747		2.22	
1991	33,349	21.4	2,710	55.1	2.85	28.3
1992	38,115	14.3	4,005	47.8	3.95	38.7
1993	41,527	9.0	4,656	16.2	4.68	18.7
1994	43,685	5.2	5,182	11.3	7.22	*
1995	46,387	6.2	5,887	13.6	8.73	19.3
1996	51,128	10.2	6,744	14.6	10.20	16.8
1997	57,588	12.6	7,428	10.1	12.07	18.4
1998	63,478	10.2	7,108	4.3	12.60	4.4
1999	72,796	14.7	8,432	18.6	14.10	11.9
2000	83,444	14.6	10,160	20.5	16.22	15.1
2001	89,013	6.7	11,226	10.5	17.79	9.7

Source; " The Yearbook of China Tourism Statistics"

Note: Since 1994, the international tourism receipts have been calculated according to WTO requirement.

According to the predictions of the World Tourism Organization (WTO), China will receive 61.8 million international tourists in 2010, and 130 million in 2020. The average annual growth rate is 7.8% in the period of 1995 to 2020.

1.4.2. Domestic Tourism

Beginning from 1990, with the development of national economy and the increased disposable income and public holidays, China's domestic tourism began to develop at an unprecedented pace. In 1999, the State Council promulgated the " National holidays and memorial days" to increase public holidays. This gave rise to the potential demand for travel among the people and formed the three "golden weeks": the Chinese Spring Festival, May 1 holidays and October 1 National Day holidays. In 2000, domestic tourists amounted to 744 million, an increase of 2.7 times of the figure of 1990. 58.8%

of the people traveled one way or the other. In 2000, the domestic tourism receipts reached 317.554 billion Yuan (US$ 38.44 billion), an increase of 18.7 times over that of 1990. In 2000, the domestic tourism receipts during the three “golden weeks” were 16.3 billion Yuan, 18.1 billion Yuan and 23 billion Yuan respectively. These earnings constituted 18% of the total domestic tourism receipts of the year. The proportion of domestic tourism receipts in the total tourism receipts rose from 61.8% in 1994 to 70.5% in 2001. The size, the development speed and the potential of China’s domestic tourism market is unique among the domestic tourism markets of the world.

The development of the domestic tourism market

Year	Nª visitor (Billion)	Change (%)	Receipts (Billion US$)	Change (%)	Share in total (%)
1990	0.28	--	2.06	--	--
1991	0.30	7.0	2.42	17.6	--
1992	0.33	10.0	3.03	25.0	--
1993	0.41	24.2	10.46	245.6	--
1994	0.52	27.8	12.39	18.5	61.8
1995	0.63	20.0	16.65	34.4	65.6
1996	0.64	1.6	19.84	19.1	65.9
1997	0.64	0.8	25.58	29.0	67.9
1998	0.69	7.8	28.95	13.2	69.5
1999	0.72	3.6	34.28	18.4	70.8
2000	0.74	3.5	38.44	12.1	70.3
2001	0.78	5.3	42.64	10.9	70.5

Source: “The Yearbook of China Tourism Statistics”

1.4.3. Outbound Tourism

Outbound tourism has been developing at an accelerating pace in accordance with the open policy, the degree of economic growth and the improvement of the living standard of the Chinese people. During the period of 1991 to 1997, the average annual growth rate of outbound travellers was 17.3%. From 1998 to 2000, the average annual growth rate was 30%. To meet the increasing demand for outbound travel of the Chinese citizens and to cope with the trend of expanded international cooperation, the Chinese Government has approved more destinations for travel by Chinese citizens. By May 2002, 17 countries and regions have received Approved Destination Status (ADS) by China. Border travel is going on with almost all the neighboring countries. Tours to the special administrative regions or Hong Kong and Macao are constantly increasing. In 2001, the figure of Chinese outbound passengers reached 12.13 million. The proportion of outbound travellers for private reasons rose to 57.3%. China has become a quickly growing and new generating market for outbound tourism in Asia.

The development of the outbound tourism market

Year	No. of visitor (1,000)	Change (%)
1993	3,740	--
1994	3,734	-0.2
1995	4,520	21.1
1996	5,061	12.0
1997	5,324	5.2
1998	8,426	58.3
1999	9,232	9.6
2000	10,472	13.4
2001	12,133	15.90

Source: " The Yearbook of China Tourism Statistics"

According to the data of WTO, the expenditure of Chinese outbound tourists rose from US$ 2,797 billion in 1994 to US$ 10,864 billion in 1999. If we divide the outbound expenditure of US$ 10,864 billion in 1999 by 9.23 million outbound visitors in the same year, then the per person spending is US$ 1,176.73.

Outbound travel expenditure

Year	Expenditure (million US$)	Change (%)
1994	2,797	
1995	3,036	8.5
1996	3,688	21.5
1997	4,474	21.3
1998	9,205	105.7
1999	10,864	18.0

Source: WTO " Tourism Market Trends"

Chinese outbound tourism is in a preparatory stage for a high-speed development. With China's entry into the World Trade Organization and as a result of the development of the national economy and the growing demand for outbound travel of the citizens, the Chinese Government will further relax the policy restrictions on outbound tourism. WTO has forecasted that the average annual growth rate of Chinese outbound tourism will be 12.5% in 1995–2020, which is three times the growth rate of the world in the same period. China will have 100 million outbound passengers in 2020, the fourth largest in the world.

THE DEVELOPMENT OF CHINA'S OUTBOUND TOURISM

2.1. The history of outbound tourism

The outbound travel of the Chinese citizens is composed of three parts: travel to Hong Kong and Macao, to the border areas and to foreign countries.

2.1.1. Hong Kong and Macao

Travel to Hong Kong and Macao originated from visiting relatives with tours in Hong Kong and Macao. On 15 November 1983, for the convenience of the mainland residents who wished to visit their relatives or friends in Hong Kong and Macao, Guangdong Provincial Travel Corporation began to organize "Tours for visiting relatives in Hong Kong and Macao". In 1984, the State Council approved the organization of tours to Hong Kong and Macao for visiting relatives for mainland residents. This was the prelude to the outbound tourism of Chinese citizens. At that time, the State Council stipulated that all the travel affairs concerning the visits to Hong Kong and Macao by returned overseas Chinese, the family members or relatives of overseas Chinese, or relatives of Hong Kong, Macao and Taiwan residents, be handled solely by China Travel Service Head Office and it's branch offices.

In 1992, the Hong Kong and Macao Affairs Office of the State Council gave approval to Fujian Overseas Travel Corporation and Hua Min Travel Company to do this business.

In 1998, the Hong Kong and Macao Affairs Office of the State Council and the government of Hong Kong Special Administrative Region decided to increase the volume of tourists to Hong Kong and China International Travel Service Head Office was given approval to operate tours to Hong Kong and Macao.

On 1 January 2002, the Hong Kong government and China National Tourism Administration decided to abolish the quota system regarding travel to Hong Kong. As a consequence, all the 67 travel companies[1], which are entitled to do outbound travel business, now can organize tours to Hong Kong and Macao. In the past, only 4 companies were allowed to do so.

2.1.2. Travel in the border areas

In November 1987, China National Tourism Administration and the Ministry of Foreign Trade and Economic Cooperation gave approval to the border city of Dandong in Liaoning Province to operate one-day tours to the border city of Sinuiju in the Democratic People's Republic of Korea. This was the beginning of travel in border areas for Chinese citizens. By June 1998, the seven provinces and autonomous regions of Heilongjiang, Inner Mongolia, Liaoning, Jilin, Xinjiang, Yunnan and Guangxi have been approved by the government to operate border area travel with the Russian Federation,

1 The Chinese Government has licensed 461 new agencies as of September 2002

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Mongolia, Kazakhstan, Kyrgyzstan, Myanmar and Vietnam. All together 56 travel programs were approved, ranging from one-day tours to eight-day tours. Each year, about 2 million Chinese citizens visited the neighboring countries through the channel of border travel. Over 3 million foreign tourists came to China in the same way.

After a development of 20 years, many changes have taken places with border tourism. They are:

1) More and more people who do not live in the border areas make border travels.

2) The border travel routes have extended from border cities to the inland. For instance, border travel to D. P. R. Korea has not only extended to Pyongyang, but also reached Panmunjom at the 38th parallel, the demarcation line.

3) The stay of the border tourists in the foreign countries has become longer, such as from one day to 8 days. Actually, to a certain extent, there is no big difference between border travel and outbound travel.

2.1.3. Travel to foreign countries

Travel to foreign countries by Chinese citizens has evolved from visiting relatives in foreign countries. In 1988, approved by the State Council, Chinese citizens were allowed to go to Thailand for visiting relatives and travel, provided their relatives paid for their expenses and offer guarantee for them. In October 1990, Singapore and Malaysia were added to this list, followed by the Philippines in July 1992.

On 1 July 1997, “Provisional measures concerning the administration of outbound travel of Chinese citizens at their own expenses” was jointly promulgated by the China National Tourism Administration and the Ministry of Public Security and approved by the State Council. Thus outbound travel by Chinese citizens officially started.

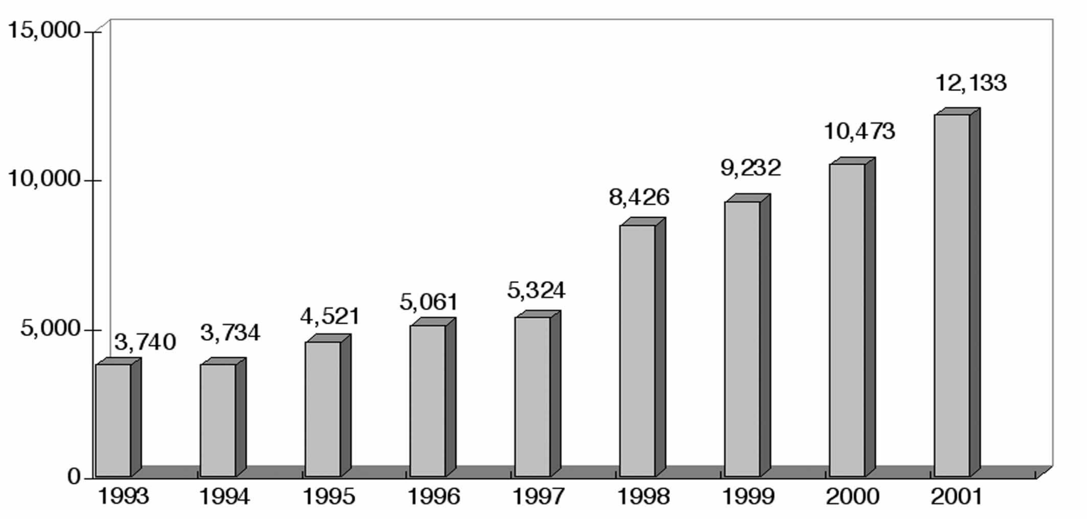
The government then approved new destinations for outbound travel. Australia, New Zealand and the Republic of Korea were approved in 1999; Japan in 2000, and Vietnam, Cambodia, Myanmar and Brunei were added to this list in 2001. Regarding the Approved Destination Status, the Chinese government and the governments of Germany, Malta, Egypt, South Africa, Indonesia, Turkey and Nepal have reached initial agreement. But there are details to be discussed. So it will take some time before these countries are open to Chinese tourists.

In November 2001, a national conference of public security work concerning the exit and entry control was convened to meet the new situation arising from China’s entry into the World Trade Organization. At the conference, a series of reform plans concerning the work of exit and entry control in the coming five years was examined. In this regard, six major reform measures will be put forward. The following measures are closely connected with outbound travel of Chinese citizens: Starting from 1 December 2001, the quota system in the travel to Hong Kong and Macao was revoked. In 2002, the requirement that Chinese citizens should produce invitation letters from abroad when they apply for passports will be cancelled and the practice of issuing exit registration cards with passports will be terminated. In 2002, in 12 airports in Beijing, Shanghai and other cities, special lanes for homing coming Chinese nationals will be open. By 2005, residents in big and medium cities can apply for their passports with their ID cards and residence booklets.

2.2. An analysis of the development of outbound tourism

The growth of China outbound tourism is basically steady. However, there is one thing that should be noted that since 1998 some of the requirements for statistics have changed. On the basis of original statistics requirements, a new item of the statistics of staff is added. As a result, the outbound figure of 1998 rose from 5.32 million compared to the previous year to 8.43 million, a growth rate of 58.3%.

The growth of Chinese outbound tourism (1,000)



Source: “The yearbook of China tourism statistics”.

2.2.1. Different types of passports

Because of the different nature of travel, there are three different types of passports, namely, public passports, private passports and passports for seamen. They are under the control of the Ministry of Foreign Affairs, Ministry of Public Security and Ministry of Communications respectively.

Public passports are issued to:

1) people sent abroad by the government for economic, technical, cultural, education and health aid projects;

2) people in the state-owned enterprises going abroad for economic and trade activities;

3) people going abroad to attend various international conferences, or for scientific and educational visits;

4) people sent abroad to study or teach as visiting scholars in accordance with agreements;

5) people in joint venture enterprises going abroad for the business of their enterprises;

6) people going abroad for contracted projects and workers sent abroad by the government or state-owned enterprises;

7) people of nongovernmental organizations going abroad;

8) media people going abroad;

9) people going abroad for performances or exhibitions;

10) athletes going abroad for competitions;

11) aircrew members and crew members on international trains and escorts of international posts, and

12) permanent representatives of government organizations or state-owned enterprises abroad.

Private passports are issued to people going abroad to settle down, to visit relatives or friends, to inherit property, to study or for employment or travel. In recent years, to facilitate travel to the approved destinations, a new type of private passports came into being – *the tourist passports*. These passports are valid only for one year and for one exit and one entry. The passport holders must travel with a tourist group. The procedure for applying such passports is relatively simple.

Since more and more people are going abroad and their reasons are more diversified, sometimes the demarcation between going abroad for public or for private reasons is not very clear.

2.2.2. Going abroad for public reasons and for private reasons

Before 1979, few people went abroad for private reasons. Since the adoption of opening up policy in 1979, the number of people applying for private passports increased gradually. From 1979 to 1986, 350,000 people went abroad for private reasons. Their purpose was quite simple: to meet with their family members or visit their relatives. In the late 1980's, the proportion of students studying abroad at their own expenses was increasing in the total number of private passport holders. Around 1990, the percentage of self-paying students and people visiting their relatives each occupied one third of the total number of private passport holders. In 1990's, more and more Chinese citizens traveled abroad at their own expense. In 2000 alone, 5.63 million people went abroad with private passports. Nowadays self-paying tourists are the majority of the people going abroad with private passports. In 2000, outbound tourists handled by travel agencies were 4.3 million, which was over 70% of the total number of people going abroad with private passports.

The "Yearbook of China Tourism Statistics" published by CNTA shows that on the outbound market, in the eight years form 1993–2000, there was a decrease of people going abroad for public reasons in four years. And there was a continuous decrease from 1998–2000. On the contrary, the number of outbound travellers with private passports increased continuously for eight years. The growth rate was over 30% in succession from 1998 to 2000. In the eight years from 1993–2000, the total outbound figure rose from 3.74 million to 10.47 million, an increase of 280%, and a net increase of 6.73 million. Among them, people holding public passports rose from 2.27 million in 1993 to 4.84 million in 2000, an increase of 113% and a net growth of 2.57 million. In the same period, people with private passports went up from 1.47 million to 5.63 million, a rise of 386% and a net growth of 4.16 million. Both the growth rate and the net increase of the private sector are higher than those of the public sector. The number of outbound travellers with private passports is larger than the number of people with public passports.

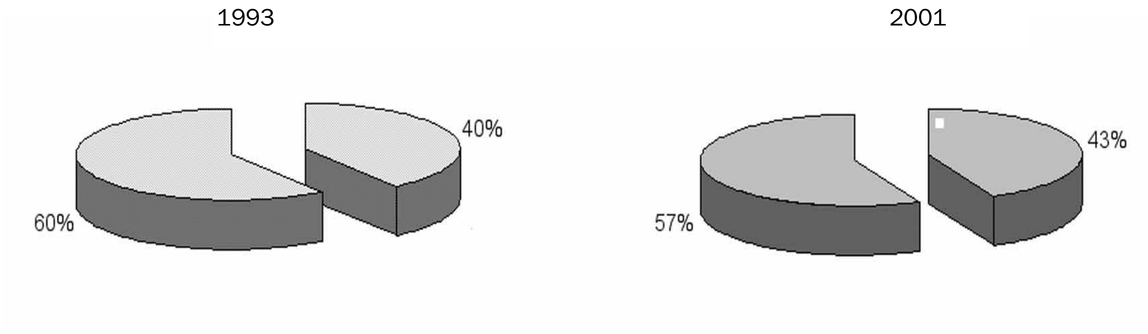
A classification of outbound market development (1,000)

Year	Outbound Mkt	Public Passports			Private Passports		
	Total No.	Number	Change (%)	Share (%)	Number	Change (%)	Share (%)
1993	3,740	2,274	-	60.80	1,466	-	39.20
1994	3,734	2,091	- 8.0	56.00	1,642	12.0	44.00
1995	4,521	2,467	18.0	54.60	2,054	25.1	45.40
1996	5,061	2,647	7.3	52.30	2,414	17.5	47.70
1997	5,324	2,884	9.0	54.20	2,440	1.1	45.80
1998	8,426	5,235	81.5	62.14	3,190	30.7	37.86
1999	9,232	4,966	- 5.1	53.79	4,266	33.7	46.21
2000	10,473	4,843	- 2.5	46.23	5,631	32,0	53.77
2001	12,133	5,188	7.2	42.67	6,945	23.3	57.33

Source: "The Yearbook of China Tourism Statistics"

On the outbound market, there is a big change in the proportion between the public passport holders and private passport holders. In 1993, the proportion was 60:40 between public and private passport holders. In 2001, the proportion is basically reversed, it became: 43:57. People with private passports have surpassed public passport holders in number. With the gradual loosening of control over outbound travel by the government, people traveling with private passports will grow further in proportion.

Proportion of private passport holders (%)



Source: "The yearbook of China tourism statistics".

2.2.3. Outbound tours organized by travel agencies

Among the outbound passengers with private passports, a considerable number of them join tours. From 1993–1996, the average annual increase was 300,000 people, with an annual growth rate of 42% in average. In 1997, because of the financial crisis in Southeast Asia, the number of outbound travellers who bought tours dropped. In 1998 –2000, there was a strong increase of outbound tourists handled by travel agencies. 1999 saw an increase of 700,000 people and there was a growth of 2.5 million people in 2000. The outbound figure of 2000 equals the combined outbound figure of 1998 and 1999.

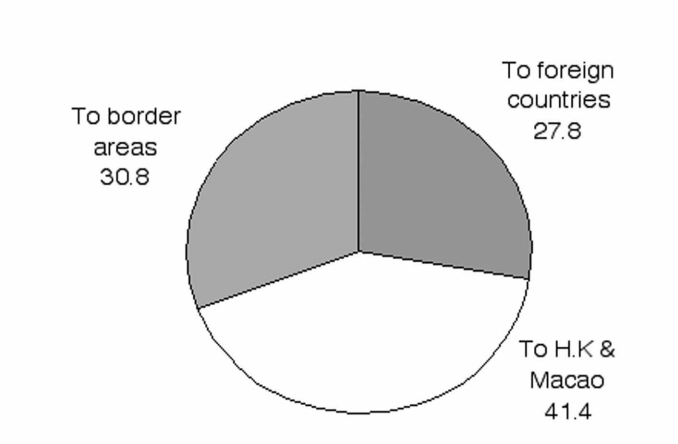
The growth of outbound tourism organized by travel agencies (1,000)

	1993	1994	1995	1996	1997	1998	1999	2000
Tourist No.	724	1,098	1,260	1,640	1,431	1,811	2,496	4,308
Change (%)		51.8	14.7	30.2	-12.8	26.6	37.8	72.6
Share (%)	19.3	29.4	27.9	32.4	26.9	21.5	27.0	41.1

Source: "The Yearbook of China Tourism Statistics"

In 2000, outbound tourists handled by travel agencies reached 4.31 million. The total number of outbound people with private passports was 5.63 million in the same year. So travel agencies handled 76.5% of the outbound people with private passports. In the outbound tours organized by travel agencies, 1.19 million people traveled to other countries, which was 27.8% of the total; 1.78 million people visited Hong Kong and Macao, which was 41.4% of the total. And 1.32 million people traveled to the border areas, which was 30.8% of the total.

Different types of outbound tours organized by travel agencies in 2000 (%)



Source: "The yearbook of China tourism statistics".

2.3. The prospects of outbound tourism

In the past 12 years, the total figure of Chinese citizens traveling abroad is over 130 million with an average annual growth rate of 27.9%. In 2000, 5.04 million Chinese applied for passports, which is 6.6 times of the figure of 1989. Based on a population of 1.3 billion, with a fast speed of economic and tourism development, outbound tourism in China faces a broad prospect.

2.3.1. China outbound tourism draws universal attention

According to the 2001 Tourism Market Trends of WTO, in 2000, the international tourists to the East Asia and Pacific area exceeded 100 million for the first time, with an increase rate of 14.7%, which doubled the growth rate of world tourism of 7.4%. The share of the East Asia and Pacific area in the world tourism market rose from 14.6% in 1999 to 16%.

International tourism market trends in Asia

	1999		2000	
	No. (million)	Change (%)	No. (million)	Change (%)
International inbound to Asia	103.3	10.8	118.3	14.5
International inbound to East Asia & Pacific	97.5	10.8	111.9	14.7

Source: WTO "Tourism Market Trends Asia"

As to the reasons for the growth, WTO gave six reasons. One of them is: China opened more Approved Destination Status for her citizens. As a result, Southeast Asia as well as Japan, Republic of Korea and Australia obviously benefit from China's outbound tourism. The contribution of outbound tourism of China to Asian tourism and even to world tourism is growing. According to the statistics published by CNTA, in 2000, China's outbound figure exceeded 10 million, with a growth rate of 15.4% over the previous year. Among them, 5.63 million traveled with private passports, an increase of 32%. 8.85 million people, or 83.1% of the Chinese outbound total, traveled to Asia.

China outbound tourism market trends

	1999		2000	
	No. (million)	Change (%)	No. (million)	Change (%)
Total Chinese outbound	9.23	9.58	10.47	15.35
to Asia	7.81	9.92	8.85	13.22
to Oceania	0.12	11.83	0.15	26.08
to Europe	0.82	6.97	1.08	31.03
to Americas	0.43	8.39	0.52	21.69

Source: CNTA "China Tourism Annual Report"

2001 was a lucky year for China. The economic situation continued to look good. China joined World Trade Organization, Beijing was elected to host the Olympic Games in 2008. After the September 11 terrorist attack in New York, China successfully hosted the APEC meeting in Shanghai. Chinese football team became qualified for the first time to take part in the 2002 FIFA World Cup finals. All these important events made the Chinese people more confident about the future of the country and they are proud of being Chinese. In the week following the terrorist attack in New York, some major airlines in the world started to lay off employees in large numbers. Some even came to the edge of bankruptcy. On the contrary, airlines on the Chinese mainland increased 1,376 flights. According to Australian Tourist Commission, inbound tourists to Australia dropped by 16% in October 2001, compared with the same period of the previous year. But the inbound tourists from China increased by 24%. On 10 December 2001 "Newsweek" carried an article entitled "The Chinese Exports", saying that some Asian countries were facing economic depression and weakened demands from the west, they place more hope on the influx of Chinese tourists. It is estimated that in 2002, about 10 million Chinese tourists will travel in Asia and they will spend about US$ 18 billion. Some people in the travel trade said: “Only the Chinese tourists are using cash. They come in large groups. Today, many countries regard them as a hope for economic recovery.”

2.3.2. A good prospect for China’s outbound tourism

The Chinese economy will maintain a favorable growth. According to “The 10th Five Year Plan for National Economy and Social Development”, China’s GDP annual growth rate from 1995–2000 was 8.3%. From 2001–2005, 7% annual growth rate is expected. In 2001, an increase rate of 7.3% has been realized. By 2005, China’s total GDP will reach 12,500 billion Yuan based on the price of 2000. The per capita GDP will be 9,400 Yuan. The disposable income of the urban residents and the net income of the rural residents will have an annual increase of 5%.

A report from the Development Research Center of the State Council indicates that from 2001–2010, the annual growth rate of GDP in China will be 7–8% and it will be 5.5–6.6% in 2011 to 2020. It is estimated that in 2005, the per capita GDP will be US$ 1,140 and US$ 1,260 is a higher aim. It is possible that per capita GDP will reach US$ 1,700 in 2010.

In the coming 20 years, the disposable income of Chinese residents will steadily increase. Their mode of consumption will change when they become better off. Their spending on leisure items including travel will increase.

China will introduce the practice of holidays with pay for the working people in the next five years. At present the peak season for outbound travel is the three golden weeks. Many people especially whole families usually take outbound travel in these holidays. Too many people try to travel abroad in the same time; as a result, some of them cannot go because the air tickets or tours are already fully booked. At the moment, government office workers and employees of some institutions have holidays with pay. The state will introduce a comprehensive holiday with pay system in 2001–2005. It is expected that working people will have holidays with pay for two weeks a year in average. People with 1–3 years of service will have 6 days holiday, 3–5 years of service 10 days, 5–10 years of service 14 days. People having more than 10 years of service will have one more day for each additional year of employment. The ceiling is 30 days. This means that apart from the public holidays, the Chinese citizens will have additional holidays, which they can decide when to spend. This will help even out the big passenger volume at the peak season. Consumers will be able to extend their holidays from one week to two weeks or even longer. Thus the outbound tourists may go farther and stay longer in foreign countries. At the moment, the “ holiday economy” is based on the fact that people rush to travel in a few days. In the future, it will gradually develop into a more balanced tourism economy.

Domestic tourism is the basis of outbound tourism. When people can afford tourism, they first travel in their own country. Having seen some places and gained some experience, they would go to other countries. If we compare the figure of domestic tourists with that of outbound tourists, the proportion was 140:1 in 1994. Then the gap becomes smaller each year. Especially in the period of 1998–2001, the gap quickly diminished. In 2001, the proportion became 65:1. This means that among 65 domestic tourists, there was 1 outbound traveller.

Ratio of domestic tourists to outbound tourists (1,000)

Year	Domestic tourists	Outbound tourists	Ratio
1994	524,000	3,734	140.35: 1
1995	629,000	4,520	139.14: 1
1996	639,000	5,061	126.27: 1
1997	644,000	5,324	120.96: 1
1998	694,000	8,426	82.36: 1
1999	719,000	9,232	77.88: 1
2000	744,000	10,473	71.04: 1
2001	784,000	12,133	64.62: 1

Source: "The Yearbook of China Tourism Statistics"

According to WTO forecasts, the number of Chinese outbound travellers will reach 100 million by 2020. The averaged annual growth rate from 1995–2020 will be 12.8%. China's share in the world outbound market will rise from 0.9% in 1995 to 6.4% in 2020. China is forecasted to become the fourth largest outbound tourism source in the world.

World's Top Outbound Countries in 2020

	Base Year (Million) 1995	Forecast (Million) 2020	Average Annual Growth Rate (%) 1995-2020	Market share (%) 1995	2020
1. Germany	75	153	2.9	13.3	9.8
2. Japan	23	142	7.5	4.1	9.1
3. United States	63	123	2.7	11.1	7.9
4. China	5	100	12.8	0.9	6.4
5. United Kingdom	42	95	3.3	7.4	6.1
6. France	21	55	3.9	3.7	3.5
7. Netherlands	22	46	3.0	3.8	2.9
8. Italy	16	35	3.1	2.9	2.3
9. Canada	19	31	2.0	3.4	2.0
10. Russian Federation	12	31	4.0	2.1	1.0
Total (1-10)	**298**	**809**	**4.1**	**52.7**	**51.8**

Source: World Tourism Organization (WTO)

The level of outbound tourism development indicates the degree of openness of a country. The most important factor, which determines the development of outbound tourism of China, is the policy of the government. The policy of reform and opening up of the Chinese government remains unchanged. In order to enhance the cooperation between China and the rest of the world and promote the economic development in China, the world should have a better understanding of China, and the Chinese people should know more about the world. These are the two sides of a coin. China's entry into the World Trade Organization will speed up the further opening up of the country. The restrictions concerning the interflow of passengers between China and other countries will gradually be eased and some of the restrictive regulations will be repealed step by step. For example, in January 2002, the quota system on the tours to Hong Kong was revoked. Originally, there were only 4 travel agencies, which were entitled to organize tours to Hong Kong. Now 67 travel agencies can do this business. The procedure for the Chinese citizens to apply for passports has been simplified. We have every reason to believe that in the coming 20 years, the Chinese government will adjust its relevant policies and further loosen the restrictions on outbound travel.

The degree of development in its outbound tourism is a symbol of the economic growth of the country and the indicator of the livelihood of the people. In the coming 20 years, the economic development in China will be more stable than the past 20 years. The standard of living of the Chinese people will be further improved and the concept and modes of consumption of the people will be modernized. Their purposes of outbound travel will be more diversified. In addition to general sightseeing, demands for beach tours, leisured tours in the cities, cultural tours, fitness tours, incentive travel or taking part in large-scale cultural and art festivals or sports competitions will grow quickly. The outbound passengers will come from more extensive areas. Consumers in the three major generating areas will be more matured. More and more families will put outbound travel into their annual budgets.

During the period of 2001–2005, holidays with pay will be generally introduced to the Chinese citizens step by step. So the consumers will have more holidays at their disposal and they can take outbound tours more freely and stay longer in foreign countries. The implementation of the general development plan of the country, including the development of the western regions of China, will gradually close the gap between different regions in the country as well the gap between town and country. As China has a population of 1.3 billion, when the standard of living of the people is improved and the well-to-do stratum grows, the outbound tourism market will expand and more and more residents from the inland and border provinces will be able to make outbound travel. It is likely that in the 20 years to come, China's outbound tourism market will become matured.

In the near future years, more countries will apply for ADS status. The implementation of the development strategy in Western China will promote several cooperations with the neighbouring countries and accelerate the development of border trade and border tourism. Countries bordering China's Western regions (Kazakhstan, Kyrgyzstan, Tajikistan...) and countries bordering China's Southwest regions (Vietnam, Myanmar, Nepal...) will have more and more Chinese travellers. The Chinese people on the two sides of the Taiwan Straits are looking forward to the opening of the Taiwan market.

The mainland has been open to Taiwan for many years. The number of annual visitors from Taiwan exceeds 3.44 million (2001). Since 2000, the investment craze of Taiwan businessmen is becoming a high tide of moving to the mainland to live. It is estimated that in Shanghai and the Yangtze River Delta, the number of Taiwan businessmen and their families who permanently live there amounts to 400,000, and the number is growing. However, to this date, the Taiwan authorities have imposed many restrictions on the visits to Taiwan by people from the mainland. Leisure tourism to Taiwan has not started. The direct air, sea, and postal services and trade between the two sides are in active preparations. Once the restrictions on the mainland residents to visit Taiwan are removed, China's outbound tourism will see another breakthrough in its growth.

3.1. Governmental Bodies

CNTA – China National Tourism Administration

The China National Tourism Administration is the government body responsible for the tourism industry and as such is an organization at ministerial level reporting directly to the State Council. The responsibilities can be summarized as follows:

- Drafting plans, policies, laws and regulations about the tourism industry.
- Opening the industry to overseas investors, promoting the growth of tourism enterprise groups and the tourism market.
- Approving travel-service companies, guiding the rating of tourist hotels; overseeing tourism service quality, directing tourist safety and entertainment.
- Coordinating the management of national tourism resources, approving tourism investment projects, supervising national tourism resorts, organizing the development of tourist products, providing related information and statistics and tapping into international tourism markets, regulating outbound travel by Chinese citizens, and approving and administering overseas offices and foreign tourism institutions in China.

The CNTA is comprised of the following departments:

- General Administration Office
- Policy and Legal Department
- Marketing & Communications Department
- Planning and Finance Department
- Industry Management Department
- Human resources Department
- Quality Inspection Department

The CNTA also has 13 overseas offices in important tourism generating countries[2].

The CNTA is competent for inspecting travel agencies and punishing those offering illegal or unauthorized overseas travel services and unapproved destinations. It draws

2 Please refer to Appendix 2 for a list of the CNTA overseas offices.

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up guidelines to develop the industry, issues legislation and produces industry standards.

However, the CNTA is by no means the sole decision maker on tourism issues. The Ministry of Public Security and the Ministry of Foreign Affairs have a heavy influence. This was indicated during interviews made with the CNTA in Beijing in March 2002, where the question of CNTA's autonomy in decision-making was raised. The reply was that "they (Ministry of Public Security) have their priorities, the CNTA cannot decide alone". While this is not a surprise, it nevertheless indicates – together with other statements made during the interview – that the CNTA is much more open to changes in Chinese outbound tourism policies than other ministries.

At the local level, the CNTA operates offices in all provinces and cities in China. These will not be of relevance to deal with for foreign companies in a foreseeable future.

China Tourism Association (CTA)

Established in 1999, China Tourism Association (CTA) is a comprehensive national travel trade association formed by tourism social bodies, enterprises and institutions on an equal and voluntary basis and having the status of an independent aggregate corporation. As many other Chinese industrial associations, CTA is a semi-governmental organization, directly under the CNTA.

The main functions of CTA are to carry out surveys and studies on tourism restructuring, intensify tourism management, and the improvement of economic efficiency and service quality of tourism. It has given support to the establishment of local travel trade organizations and provided them with consulting services. CTA has established friendly relations with its counterparts in other countries and regions, and joined the Universal Federation of Travel Agents' Associations (UFTAA) and its affiliated UFTAA Asia Pacific Alliance (UAPA) and the American Society of Travel Agents (ASTA). CTA has also published a large number of tourism books and periodicals to meet the needs of tourists, both at home and abroad.

3.2. Chinese Tourism Policy

The surge in retail sales following the -May Day holiday has led the government to believe that holiday economics can stimulate consumer spending. Despite differences in opinion over the efficiency of this so-called "holiday economics", the seven–day holidays that mark Labour Day (1 May) and National Day (1 October) are likely to become fixtures on the mainland Chinese calendar. With the working week now officially limited to five days, white-collar workers in China enjoy up to 120 work-free days – about one -third of the whole year.

Holidaying is a recent phenomenon, and still largely restricted to urban populations in areas where disposable income is rising. However, the authorities are keen to develop the local tourism industry and to encourage local consumers to go on holiday. By stepping up development of its domestic tourism industry, the Chinese government aims to tap into a massive source of consumer capital. Chinese people took some 719 million domestic trips in 1999, and that figure is expected to rise to 740 million in 2000 – generating estimated revenue of CNY 330 billion (US$40 billion).

According to a 20-year tourist development plan issued by the government, tourism revenue from both local and foreign tourists will contribute some 8% to total GDP by 2020.

3.2.1. Outbound Tourism Policy

The Chinese outbound policy has often been referred to with the explanation that China is a developing country and therefore must develop internally and protect the interests of its domestic industries. However, a number of factors, including a growing interest and pressure from the expanding number of affluent Chinese have, resulted in a new policy of opening-up to Chinese outbound tourism since the mid-1990s. The policy can best be characterized as a mix of continued containment and slow opening-up with the purpose of:

1. Protecting the national tourism sector

2. Limiting the outflow of foreign currency

To meet these purposes, the following main rules are in operation:

- Chinese tour operators are not allowed to organize or promote tourism groups to overseas destinations, which have not been granted Approved Destination Status (ADS).

- Foreign tour operators are not allowed to promote outbound tourism services. At present, they are not even allowed to establish a representative office in China to provide outbound tourism services.

- Foreign airlines are limited in their frequencies and capacities by means of restrictive air agreements.

The mobility control of the Chinese people has been a major concern of the Chinese government since 1949. The issue is part of the issue of social stability, which is of overriding importance to the Chinese government, especially with the accession to the World Trade Organization and the many structural changes, which follows suit, such as increasing unemployment. In terms of further opening-up of outbound tourism, the Ministry of Public Security will be a restrictive force. The CNTA is expecting that in five years all the chinese will travel freely

The question of course is, which of these seemingly different views will prevail, and the time frame for an opening-up. It is practically impossible to answer this question. But the likely development is that the gradual, controlled opening-up we have seen so far will continue. Since tourism has not been specifically dealt within China's WTO-accession agreement, this will not have an impact on the opening-up – at least in the short term. On the other hand it is evident that China will have to follow international competition rules, and open up for, for instance, the establishment of foreign tour operators.

Asked directly in a recent interview whether the ADS-system could evolve or disappear quickly due to the liberalisation, opening up and deregulation path followed by China (i.e.. accession to the WTO), the CNTA replied that the ADS is a young system (1997) and should therefore not be repealed any time soon. Nevertheless, being a temporary system adapted to the present circumstances, is likely to evolve. Questioned about the issue, CNTA did not want to elaborate on the potential effect on ADS of the growing number of private-sector players in the Chinese travel industry.

3.3. Approved Destination Status (ADS)

The main purpose of this section is to give a background of the ADS-regime, experiences from other countries, and to shed light on the possibilities for a EU-agreement with China on ADS. This information is obviously of major importance for the travel industry in order to tailor its strategies for the Chinese market.

The section on the Approved Destination Status will, in its description of ADS-agreements in force, focus on countries in Asia and Oceania, as it is the countries of this region – with a few exceptions –, which have obtained ADS-agreements with China so far. Of these, Australia and Japan, with Singapore and New Zealand, are the most relevant develop countries with an ADS agreement with China[3]. For some countries outside of the EU, this will also be of relevance, since some of these countries are expected to become members of the EU within the near future. Another reason is of course the "spill-off" effect that travel to one country may have on nearby countries.

3.3.1. Background

The ADS-system is based on a bilateral tourism agreement whereby a government allows Chinese tourists to travel to its territory. The restriction regarding the promotion of tourism to non-ADS countries has an effect in practice only on group tourism. An individual Chinese passport holder, provided that he or she has the financial resources

3 Developing countries, such as Thailand, Malaysia, and Myanmar, are considered as having a lax policy concerning Chinese travellers, i.e. the economic benefits outweigh the costs of illegal immigration. At the same time immigration is not as attractive for Chinese people to developing countries as it is in the case of Australia, North America, and Europe.

and a visa, has no restrictions on traveling abroad, as long as the country of destination issues individual visas for tourists.

The ADS-system was introduced in 1995, when agreements were made with Hong Kong and Macao. In 1997 was signed up the first ADS-agreement with Australia, a non "affiliated" country[4].

Nowadays 19 countries have made ADS-agreements with China. Among them, Malta is the only European country that has concluded on May 2002.

The 19 ADS Countries & Areas – Operational – as of May 2002

1. Hong Kong (Area)	
2. Macao (Area)	
3. Singapore	
4. Malaysia	
5. Thailand	
6. Philippines	
7. Australia	(1997 – operational from 1999)
8. New Zealand	(1997)
9. Republic of Korea	(South Korea)
10. Japan	(1999 – operational from 2000)
11. Vietnam	
12. Cambodia	
13. Myanmar	
14. Brunei	
15. Indonesia	
16. Malta	(2002)
17. Turkey	(1 May, 2002)
18. Nepal	
19. Egypt	

ADS Countries & Regions – Non-Operational (2)

20. Laos
21. Germany

3.3.2. Negotiation procedure and status

The procedure of negotiations with China on ADS-agreements is of interest in order to explain the obstacles, especially for EU/Schengen countries, in obtaining ADS. Therefore the procedure has been outlined below:

4 In 1995, the agreements for China's takeover of Hong Kong and Macao were already in place.

ADS Negotiation Procedure

First Round
1. The applicant country sends an application letter to CNTA
2. CNTA discusses with the Ministry of Foreign Affairs and the Ministry of Public Security (these 3 parties participate in all further negotiations)
3. A report is sent to the State Council
4. Approval by the State Council
5. Announcement of approval to the applicant country

Second Round

6. Discussion of details of the agreement
7. A memorandum of understanding is agreed and signed
8. The agreement is *final* and *operational*

According to the CNTA, the status on ADS-countries and negotiations (May 2002) can be summarized as follows:

- 21 countries have achieved "ADS-status" in the Chinese terminology (i.e. completed the first round)

- Of these 21 countries, 19 countries have finalized the second round of the procedure above, i.e. ADS is *operational*

- Of the 21, the remaining 2 countries, Laos and Germany, are negotiating the details at the moment.

- 20 countries have handed in their application (i.e. are in the first round).

In the case of the United States, this country is apparently not interested in ADS.

3.3.3. Experiences of countries, which have an ADS agreement with China

The main advantage experienced (and reason) of having an ADS agreement has been an increase in the number of Chinese recipients of tourism services traveling to ADS areas. Moreover it doesn't require the increase of human resources dealing with visa matters in embassies or consulates because the Chinese travel agencies do the preliminary assessment of the visas.

Another advantage has been to bring to the surface hidden tourism – previously taking place as business trips, etc.

Finally, the overstay-rate (for those countries concerned about this problem – Australia and Japan) has been significantly reduced (0.3% for Australia and 0.2 for Japan, compared to 5.1% in the case of non-ADS tourist traveling to Australia). But the nature and implications (both formal and substantial) of a bilateral ADS-agreement of an EU Member States for the rest of the Union would be far more complex than the implications of the same agreement for a “single contracting country” like Japan or Australia.

Australia

Taking a look at existing agreements, there are a number of built-in limitations, such as limitations in the number of tour operators, as well as limitations on Chinese travellers based on their residence[5].

The example of Australia is probably the most interesting for European countries, as Australia is attractive for genuine tourists and for prospective immigrants. Australia’s ADS-agreement has, like all other existing ADS-agreements, a limitation on tour operators who can co-operate with the 67 approved Chinese tour operators. However, it also contains the limitation that only Chinese citizens from Beijing, Shanghai, and Guangzhou are allowed to travel to Australia.

The reasons for Australia to agree to the ADS-agreement with the Chinese government were as follows:

- To promote Australia in China as a tourist destination with a legal status
- To legitimize existing and future tourism groups traveling to Australia
- To gain productivity, i.e. to reduce the workload and expenses concerned with assessing visa applications by tourists since this is done on a preliminary basis by the tour operator (The main advantages for ADS-visa procedure is that the visa is issued within 48 hours versus 15 working days by non-ADS tourist visa).

The results of the ADS-agreement:

- The Australian embassy does not assess the ADS applications anymore. It trusts the travel agents and the approval rate is 99.9% (the travel agents only need to hand in an application form for each person – no other documents required)
- The overstay percentage of ADS tourists is 0.3% only
- The majority of tourists still apply for non-ADS tourist visas. The Australian visa department issues these tourist visas after having them assessed (based on hukou/urban residence permit, income, employers status, marital status, family background, savings and so on). Approval rate is here a mere 76%
- The overstay percentage of non-ADS tourists is 5.1% (compared to 14% three years ago).

5 It has not been possible to obtain copies of existing ADS-agreements, but a more detailed record of the contents of the ADS-agreements of Australia and Japan can be seen in Appendix 1.

Statistics of Australia and Japan

	Australia (2000-2001)	Japan (2000)
Total visas	106,512	140,000
Tourist and visit to friends/family visas	67,232	-
Business visas	39,280	-
ADS visas	25,000	11,679*
Overall visitor's Overstay rate	6,3%	-
Non-ADS tourist's Overstay rate	5,1%	Not applicable
ADS tourist's Overstay rate	0,3%	0,2% *

* Sept 2000–June 2001

Source: Embassies of Australia and Japan, Beijing

Japan

Japan obtained the ADS in January 1999. However, the agreement did not become operational until September 2000 after the two parties agreed on a management scheme in June 2000.

The new system has added – during the 10 months to July 2001 – another 11,679 visas (620 groups) to the numerous ones already issued by the Japanese Embassy (roughly 70,000 a year plus another 70,000 for the consulates and bureaus in Shanghai, Guangdong, Shenyang, Dalian and Chongqing). But, it does not seem to have dramatically increased the burden of the Beijing consular office. Only one Japanese employee and one local staff have had to be hired. The reason is that the Japanese consular services have chosen to rely on the screening made by the Chinese agencies. The procedure is much faster than for ordinary individual visas, e.g. business (individual tourist visas are not issued).

By the end of June 2001, only 25 Chinese tourists had been overstaying, which gives a surprisingly low overstay percentage of around 0,2%.

Even though the total of Chinese ADS group-tourists to Japan remains limited (roughly 14,000 for the first year), the positive impact for certain parts of the tourism sector is already felt.

While the examples of Australia and Japan must be described as very successful, especially with the short time of operation in mind, it should be pointed out that any comparison between the EU/Schengen area and single countries might be inappropriate. In fact, any Chinese tourist traveling to one Schengen-country in the framework of an existing bilateral ADS-agreement might aim to settle down illegally in another country of the area. Broadly speaking, the nature and implications of a bilateral ADS-agreement of an EU member state for the rest of the EU would be far more complex than the implications of the same agreement for a single country (with a single immigration control apparatus).

In particular, the system works for Australia because it can monitor at any time where the ADS-tourists are located within its territory, and when they leave the country – which wouldn't be the case of EU/Schengen countries.

3.3.4. The status of ADS for the EU/Schengen area

The CNTA originally approached the EU with the objective of making a common agreement with the EU instead of bilateral agreements. The EU did not respond within some time to this approach. This was seen by the CNTA, as well as many EU member states, as a lack of interest or political will to engage in the matter.

Therefore, some member states proceeded with their internal procedures required before they could start out individual applications. The most prominent example is Germany. The case of Germany has received a lot of attention as Germany, together with France, is the larger recipient of Chinese travellers to Europe already, and because an ADS-agreement between Germany and China would have major consequences for the other member states of EU/Schengen.

The case of Germany

The German Ministry of Economy began the German bilateral approach. The position of the German government in regard to EU-competence is that the tourism industry is a key industry for every single member state, and therefore a bilateral approach makes more sense.

As opposed to what has been announced in various media[6], Germany does not seem close to concluding an ADS-agreement with China. The first round, approval by the Chinese State Council, has been completed. But according to the latest available information, the second round of detailed negotiations on content have been put to a hold – no new meetings have been arranged between Germany and the CNTA. The reason is that Germany is demanding a readmission clause, a demand that cannot be waived, and which the CNTA on the other hand has firmly declared that they cannot agree to.

The Finnish Ambassador in Beijing handed over Finland's application for ADS to the CNTA on 18 March 2002, and according to information from the CNTA, Spain and Greece will soon hand in their applications as well. The latter cannot be confirmed by other sources, which indicate that Spain and Greece have only announced their interest in a bilateral agreement, but are awaiting discussions at the EU-level for a common EU-approach.

6 E.g. CCPIT Trade Promotion, 23 December 2001, p. 43: "Chinese tourists can now take trips to Germany, Egypt, and Malta... thanks to approval by the CNTA. The announcement was made by vice-chairman of the CNTA Zhang Xiqing on November 9 in Kunming..."

A Common EU-approach

In December 2001, the EU took action on the ADS-issue and had its first meeting with CNTA to open up discussions on a common EU-agreement. In January 2002, there was a meeting in Brussels between member states to discuss the issue. Currently, further feedback from Brussels is awaited in the form of a “Proposal for Negotiation Mandate”, which means that formal negotiations with the CNTA to obtain an ADS-agreement can start out[7]. The expected time for this to happen has been continuously postponed, but is currently May 2002.

The issues – and potential problems – for the EU in relation to ADS are the following:

1. Immigration policy (including readmission clause)

2. Trade policy

Immigration Policy

Acquiring ADS might bring with it some costs in terms of illegal immigration, for instance if the negotiated control mechanism established in the agreement is not sufficient.

Presently, the identification and repatriation of illegal immigrants with regard to Chinese nationals is a difficult process therefore bilateral ADS-agreements should include a binding readmission clause (the country from which they come illegally must readmit these travellers and the airlines or transport companies have to bear the costs). But, as useful as it might be, a readmission clause in an ADS-agreement is not a waterproof solution since it would have to be proved that the person to be repatriated is an overstaying ADS-tourist (persons whose identities are established are usually easily repatriated to China anyway).

In any case, a very "lax" or "soft" readmission clause like the one obtained by Australia might not be sufficient for EU/Schengen countries as it is unlikely to address all of their concerns in this regard. Generally, any ADS negotiation should provide for the necessary guarantees in order to prevent illegal immigration in the respect of the Common Consular Instructions[8]. These instructions lay down clear obligations on the checks of travel documents and travel purposes.

It is also worth nothing that, under the current ADS-agreements involving a developed country (Australia, New Zealand, Japan and Singapore), identification has been facilitated as each ADS-tourist has to hand over his/her passport to the responsible travel agent upon passing the entry immigration control.

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7 It has not been possible to obtain copies of existing ADS-agreements, but a more detailed record of the contents of the ADS-agreements of Australia and Japan can be seen in Appendix 1.

8 The Common Consular Instructions is the main legal document within the EU concerning visa.

ADS could also lead to a decrease in direct control on visa issuing: since the travel agent takes care of the visa for a tourist group and individuals are therefore no longer personally interviewed. At the moment, most EU embassies in China have these individual interviews. The selection of tourists by the Chinese travel agent will most likely be less strict than a selection performed by a qualified visa-officer on the basis of an interview. Other controls under ADS could be useful, the efficiency of which would depend on the terms negotiated for the ADS. Nevertheless, until such time that a proof EU/Schengen monitoring system would be in place, a strict control on this selection could be necessary and probably lead to a greater workload for visa sections.

Existing cases of ADS-agreements involving a developed country show very low rates of overstay/potential illegal immigration. However, these examples may not be comparable with the case of the EU/Schengen Area. For instance, monitoring of ADS-tourists in Europe will be much more difficult than in the case of Australia as the Schengen countries do not have a unified electronic monitoring system.

Like for the incomes, the costs in terms of immigration might not be evenly distributed between the different member states and ADS-tourism, as tourism in general (including also the "hidden" one currently experienced in the EU), might have a "displaced" effect on illegal immigration into other countries of the area – whether or not they have ADS themselves. Any reflection on a possible ADS agreement with China will thus have to carefully address the issue of how to monitor the entry and exit of Chinese tourists.

Trade Policy

An ADS agreement may very well include preferential market access for private tourism companies, which are nationals of the party concluding the agreement. Indeed, ADS may give exclusive right to all or some of these companies to handle the tours of Chinese tourists to the ADS country. This would be a violation of community trade policy regulations (competition rules). It would furthermore be a violation of market access commitments made by China in the framework of the accession to the World Trade Organization, i.e. in the sense that if preferential access is granted to foreign companies of one WTO member, others may request similar treatment.

Finally, it should be mentioned that in the case of conclusion of an ADS-agreement between an individual EU member state and China, and which does not adhere to regulations on immigration and trade above, the EU will allegedly take legal action to have the agreement invalidated.

The attitude of the CNTA vis-à-vis an agreement with the EU

The CNTA is very interested in an ADS-agreement with the EU or, rather, with the Schengen area. Because of the lack of response from the EU, the CNTA has until recently (the German case) followed the strategy of negotiating on a bilateral basis only. CNTA is aware that any EU/Schengen country reaching an ADS-agreement would have to submit it to its partners in the area, but apparently has not understood until the German case, how serious the implications of this are.

The original view of the CNTA was apparently to conduct negotiations with only one partner (i.e. the EU), but also to think that the EU is too complicated to deal with because of the internal decision making process among the countries.

The CNTA's position regarding the possible inclusion of a readmission clause, has earlier been expressed by the CNTA as "not being a problem", while mentioning the precedents of the agreements with Australia (which comprises a rather weak clause) and with Japan. The latter agreement does not formally contain such a clause, but is in practice completed by a readmission system, which, according to both the Japanese Embassy and CNTA, is working in a satisfactory manner.

CNTA also stresses that China attaches great importance to its international image and wants to make sure that the system does not lead to illegal immigration. This is why – according to the CNTA – the ADS-prospective countries need to accept the management system that CNTA has put in place, i.e. the control on the travel agencies.

3.3.5. Current EU member state practices on outbound tourism

Given the described difficulties and obstacles in terms of EU/Schengen reaching an ADS-agreement with China, it is of relevance to look at other ways of being able to receive Chinese tourists. The access for Chinese to obtain individual tourist visa is of interest in this regard, and therefore an overview of the current visa issuing practices followed by EU-countries is given in the chart below:

Regimes applied to Chinese tourists by the EU Member States

Policy concerning tourist visas	AU	BE	DK	FI	FR	GE	GR	IE	IT	LU	NL	PO	SP	SW	UK
Do not issue any type of tourist visas		X						X		X	X				
Issues individual tourist visas*	X		X	X		X	X		X			X	X	X	X
Issues group tourist visas					X										
Policy concerning travel agents															
Non-applicable (no tourist visas)		X						X		X	X				
Do not accept any applications by travel agents				X						X			X	X	X
Accept applications by travel agents**	X			X	X	X	X								X
Policy concerning interviews of tourists															
Non-applicable (no tourist visas)		X						X		X	X				
Request interviews for all applicants						X			X					X	
Request interviews from some applicants				X	X		X					X	X		X
Do not request interviews***	X		X												
Policy concerning returning tourists															
Non-applicable (no tourist visas)		X						X		X	X				
Checks to follow-up on tourist's return	X			X		X	X		X				X	X	

Source: EU member state embassies in Beijing.
* = in the case of Denmark and Sweden, this only concerns a limited number of "bona fide" applicants.
** = in the case of Britain, applications submitted by travel agents are accepted on an "ad hoc" basis
*** = for Denmark, see *.

As can be seen from the above, a number of embassies have started to develop ways of co-operation with Chinese travel agencies and tour operators. These are described in further detail in the section below on alternative practices.

It is worth mentioning that in addition to these practices both the CNTA and the EU member states in practice allows the organization of large (in some cases around 600 people) tourist group visits in connection with sports, cultural, or trade events. This kind of tourism can be developed further, and does, and will in future, alleviate some of the losses incurred from not being able to handle "regular" Chinese tourists. But this will of course continue to be a second-best solution severely complicating the operations of the tourism business.

3.3.6. Alternative co-operation models between EU Embassies and Chinese travel agents

The Austrian Embassy is co-operating on a verbal-agreement basis with two Chinese travel agencies. The travel agencies usually handle approximately 350 applications. No figure of overstaying traveller is available and the co-operation has not reduced the workload of the consular services because all the required documentation is still being checked.

The Embassy of Finland, together with Finnair, co-operates on an informal basis with a number of agencies. About 2,000 applications are submitted annually and there has only been one case of overstay until the date. The Embassy in Beijing describes the workload of the visa-section as having been reduced to some extent. However, the workload is still rather significant as screening and interviews are being carried out according to the Schengen-regulations. This means that the expedition time for a tourist visa is 3 weeks. According to the Embassy, the follow-up system is well functioning, including a good co-operation with the Finnish border guards.

The Embassy of Greece has a scheme open to all travel agencies. There is no written agreement. Travel agencies usually submit applications for 15-23 people. For the second trimester of 2001, 200 tourist visas have been issued. The travel agencies are carefully selected and monitored. The rate of overstay is very small and the co-operation with travel agents discontinued in the event of recurrent incidents.

The German Embassy has a scheme of control, which is, in general, open to all travel agencies. Travel agencies, which want to participate in this scheme, have to present a list of documents (business licence, etc.) before they are carefully selected by the Embassy. The travel agencies have to sign a written declaration that they will report to the Embassy either in the case a group member splits from the tourist group or a change in the itinerary of the group occurs. Travel agencies, which did not abide by the declaration, have been suspended from the scheme. Thus, tourist agencies are kept responsible for meeting the required standard by an economic sanction regime. Once the travel agencies are approved to participate in the scheme they are allotted interview appointments for members of their travel groups and are allowed to present them to the visa section for interviewing. In total, the Embassy has issued 10,214 tourist visas in Beijing in 2000. The rate of overstay is very small.

The British and French consular services in China are also accepting applications by travel agents and the latter is issuing group tourist-visas as well. According to the EU Chamber of Commerce in China, France is the member state issuing the most tourist visas for Chinese tourists.

The French Visa section accepts applications from Beijing-based travel agencies (up to 20 applications per agency a day, for not more than 5 travel agencies). The applicants do not need to be interviewed by the visa section but their applications are assessed individually and according to their own merits, without any input from the travel agent.

Given that past experience has demonstrated that local travel agencies were not always reliable, there is no formal co-operation with them.

In Great Britain, applications submitted by travel agents are accepted on an "ad hoc" basis. There is no formal arrangement with specific travel agents at present but such arrangements are being explored and may be introduced in 2002.

The consular services of the Benelux countries, Denmark, Ireland, Italy, Portugal, Spain and Sweden have no relations with travel agencies at present.

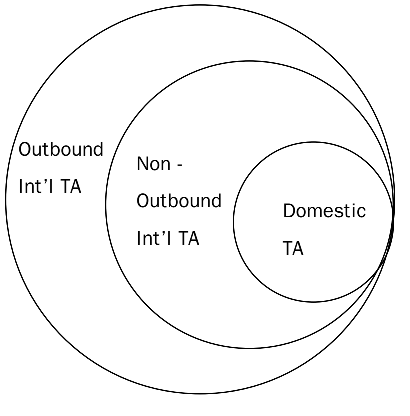
3.4 Chinese Tour Operators

By the end of 2000, there were all together 8,993 travel agencies in China. In 2001, 1,638 new travel services were added in, of which, 32 were international travel services and 1,606 were domestic travel services. Most of the Chinese travel agencies are directly or partly under the control of central and local government organizations.

According to the business scope, Chinese travel agencies can be divided into two categories: domestic and international. Domestic travel agencies are only allowed to handle domestic tourism. International travel agencies can receive foreign travellers and handle both inbound travel and inland tours. In 2000, there were 7,725 domestic travel agencies and 1,268 international ones.

However, in respect of outbound tourism, not all international travel agencies are fully "international". Among the large number of international travel agencies[9], only 67 have been licensed to handle outbound travel[10].

TAs' business



3.4.1 Outbound International Travel Agencies

The 67 outbound international travel agencies are spread out over provinces. Besides the six at the national level, each province, autonomous region and municipality has at

9 In September 2002, the Government licensed 461 more agencies to operate outbound tourism.
10 Please refer to Appendix 3 for a complete list of the 67 outbound tour operators.

least one outbound international travel agency. Provinces that have a higher demand on outbound tourism have up to five outbound international travel agencies.

These agencies are selected mainly according to their inbound tourism performance. Those international travel agencies, which have received most of the overseas tourists, are licensed to be engaged in outbound tourism. In the mean time, they are given a quota of how much outbound travel they can handle each year, based on the number of inbound tourists received in previous years. With the market being further opened, many travel agencies expect the quota system will fade out soon.

The authorized agencies are requested to pay an additional deposit of CNY 1 million to the Tourism Quality Inspection Department of CNTA, which handles complaints from travellers. (Standard deposit: domestic TA CNY 100,000, international TA CNY 300,000, and outbound international TA CNY 600,000). In case of disoperation, the agencies will be fined directly from the deposit. This is not only to secure the customers interest but also to press all agencies to minimize the occurrence of overstay and illegal immigration. After the payment of deposit, agencies can register at the Ministry of Public Security and be announced to the public as licensed outbound international travel agencies.

The most important international travel agencies are China International Travel Service (CITS), China Travel Service (CTS) and China Youth Travel Service (CYTS).

China International Travel Service (CITS) (http://www.cits.net) is one of China's largest comprehensive tourist enterprises catering to foreign tourists, overseas Chinese and compatriots from Taiwan, Hong Kong and Macao. With its 160 domestic and 12 overseas branch companies, CITS is currently the largest tour operator in China. CITS is the biggest player in inbound tourism, which accordingly receives the largest quota for outbound tourism. However, CITS' outbound business ranks after CTS.

China Travel Service (CTS) (http://www.chinatravelservice.com/) was set up in November 1949, immediately after the founding of the People's Republic of China. CTS, with more than 250 branches in various provinces, autonomous regions and major tourist cities, has established itself as the biggest and most comprehensive tourism service network in the country. CTS has the largest market share in outbound tourism. It is the first outbound travel agent, which combine tourism and culture, sport, and other international activities.

China Youth Travel Service (CYTS) (http://www.chinatour.com/cyts/a.htm) is the first Chinese travel agency listed on the Chinese stock market – CYTS Holding Company. It utilizes a strong team of well-experienced sales managers and guides offering service in over 20 foreign languages. It has 56 CYTS branches in major cities throughout China. Besides, it has established a tourism e-business subsidiary, CYTS E-Business Co., Ltd, providing travel services online.

Proceeding from the strong demand of outbound travel, the CNTA expects to license more outbound travel agencies. In fact, many unethical operators have emerged in regional cities, producing outbound travel through some leeway. Several practices, which are not in line with the regulations or even could be considered illegal, are commonly used:

- Against payment of a so-called "management-fee", non-outbound travel agencies could act as a branch of outbound travel agencies to handle outbound tours.

- Large outbound travel agencies usually have quota larger than they need. They then resell part of their quota on a commission basis to smaller ones, which gain back the margin by lowering the standard of travel or making commissions from shops.

- Chinese travellers need business or tourist visa for most destinations. Since embassies and consulates are situated mostly in Beijing, Shanghai and major cities, travel agencies in other parts of China often ask the assistance in visa application by travel agencies in main cities upon payment of fees or commissions.

- In the Southern provinces of China, many travel agencies produce outbound travel via Hong Kong based travel agencies. In this case, Chinese travel agencies collect the customers, whilst all the Hong Kong agencies handle all the travel arrangements.

3.4.2. Foreign travel agents in China

Travel agencies are the final sector of the tourism industry to open up to foreign participation. At the end of 1998, the CNTA launched pilot projects of foreign-funded agencies in selected areas. Seven Sino-foreign joint ventures were approved in the following three years, as compared to eight in 2002. The two giant travel agencies, CITS and CCT, have already set-up joint ventures with foreign partners. In connection with China's entry into the World Trade Organization, the CNTA is speeding up the deregulation of the tourism industry and allow more foreign travel agencies to enter the sector. However, there are still many limits at the moment.

Foreign wholly owned travel agencies are not permitted. Activities of foreign travel agencies' representative offices are strictly limited to non-commercial activities.

As for Sino-foreign joint venture travel agencies, only international Chinese partners would be allowed to have controlling rights. (On the Chinese side, only existing international travel agencies may apply for the establishment of joint venture.) Approved joint ventures are limited to inbound and domestic travel.

The CNTA expects to allow foreign travel agencies to have controlling rights in joint venture travel agencies by the end of 2003, and allow foreign wholly owned travel agencies no later than 2005. But it still does not have any plans to open the sector of Chinese outbound tourism to foreign travel agencies in the near future.

CITS & Amex Co., Ltd.

On 29 January 2002, the Chinese Government officially approved the first Sino-American joint venture travel Co. in China, the CITS & AMEX CO., LTD. The establishment of this business travel joint venture is one of CITS' moves to boost its non-core businesses. For 50 years, CITS has focused on domestic leisure tours as its main source of business. However, as the largest travel agency in China, CITS generates only CNY 200 to 300 million from business travel service per year. Single-service structure lends itself to risk when the domestic leisure market fluctuates. CITS hopes to diversify its business strength and develop new growth areas by introducing advanced foreign management know-how and technologies. American Express expects the joint venture to become industry leader by securing more than 10 per cent of the market share. As for the core business of domestic travel, CITS sees no need to introduce foreign investors since it has performed well.

4.1. Chinese outbound tourists

4.1.1. Gender

According to the tourism boards of Thailand, Singapore and Malaysia, in 2000, about 55% of the Chinese travellers to the above countries are males, and 45% are females.

The statistics of Singapore Tourism Board of 1989–2000 show the changes in the percentage of Chinese travellers in their genders. In the late 1980’s and early 1990’s, 70–80% of the Chinese tourists were males. Then the percentage of females rose year by year and it reached 43.9% in 2000. From this change one can see that in the early years when the Chinese began to go abroad, many people used public funds. Subsequently, with the growth of passengers using their own money, the proportion of males and females is becoming basically balanced.

Changes in gender (%)

	1989	1993	1997	1998	1999	2000
Males	76.4	80.5	64.4	58.2	56.4	56.1
Females	23.6	19.5	35.6	41.8	43.6	43.9

Source: Singapore Tourism Board

4.1.2. Age

The statistics of the Tourism Authority of Thailand indicate that among the Chinese tourists to Thailand, people below 25 years account for 10%, those between 25–34 years for 27.2%, those between 35–44 years for 28.5%, people between 45–54 years account for 19.3 % and people above 55 years for 15.0%.

In the past 12 years, Chinese travellers to Singapore showed certain changes in their ages. The percentage of people below 19 years rose from 2.9% to 3.8% in the traveller’s total and those above 65 years rose from 3.6% to 5.5%. The number of people between 25–34 years rose from 21.9% to 25.3% and those between 35–44 years rose from 23.5% to 26.4%. On the other hand, people between 45–54 years dropped from 26.5% to 19% and those between 55–64 years dropped from 14.7% to 11.7%. Passengers of 20–24 years remain at 5%. The average age of travellers dropped from 41.7 years to 39.9 years. From these figures one can see that family travel is on the rise and travel by public funds is decreasing.

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The age structure of Chinese outbound travellers (%)

	1989	1993	1997	1998	1999	2000
Below 14 years	2.9	0.9	3.0	3.6	3.6	3.8
15-19 years	1.1	0.7	1.5	2.1	2.1	2.5
20-24 years	5.4	3.4	5.4	5.0	5.1	5.4
25-34 years	21.9	16.5	26.9	25.7	24.7	25.3
35-44 years	23.5	29.3	26.6	26.5	26.3	26.4
45-54 years	26.5	28.9	20.3	18.9	19.1	19.0
55-64 years	14.7	18.1	12.2	12.9	13.1	11.7
65 and above	3.6	1.7	3.5	4.5	5.6	5.5

Source: Singapore Tourism Board

4.1.3. Occupation

In 2000, among the Chinese travellers to Malaysia, 23% were professionals; students, housewives and retired people occupied 23%; administrative and management personnel take 22%; sales people constituted 16%; workers made up 6%; government employees 8%; servicemen and people without jobs 1% each.

Occupation of Chinese tourists (%)

Professional/Technical & Related	23
Administrative & Management	22
Sales & Related	16
Students/Housewives/Retired	23
Manual Workers	6
Government employees	8
Military Service	1
Unemployed	1
Others	1

Source: Ministry of Culture, Art & Tourism Malaysia

4.1.4. Purpose of travel

The past decade was a transitional period for outbound tourism in China, in which travellers using public funds have been decreasing and those using their own money are becoming the mainstream. Now, for the majority of outbound travellers, their purpose of travel is holiday and leisure. The statistics of the Tourism Authority of Thailand show that the purpose of 94.3% of the Chinese travellers to Thailand is leisure and holiday, while business travel is only 3.7% and 0.5% for attending conferences. In the past 12 years, changes have taken place regarding the purpose of Chinese travellers to Singapore. Holidaymakers rose from 28.7% to 59.8%, while business travel dropped from 29.8 % to 7.9 %. What is different from tourists to Thailand is: among Chinese travellers to Singapore, 12% are transit travellers.

Changes in purpose of travel of Chinese (%)

	1989	1993	1997	1998	1999	2000
Holiday	28.7	49.9	48.1	55.2	62.9	59.8
Business	29.8	10.4	11.8	8.1	6.7	7.9
Business & leisure	2.9	2.1	1.5	1.0	1.0	1.0
Transit	15.2	20.0	13.1	11.6	9.5	12.2
Visiting relatives		3.7	6.8	5.1	4.9	5.0
Convention/incentive	1.0	1.2	2.6	2.0	1.8	2.0
Study	1.8	1.6	2.1	1.7	1.7	1.6

Source: Singapore Tourism Board

4.1.5. Modes of entry

The modes of entry vary in different destinations. From 1995–1999, the way in which Chinese mainland travellers entered Macao shows a curve of obvious change. A parabolic curve indicates that the number of travellers entering Macao by sea first increased and then decreased. On the contrary, the number of travellers entering Macao on land first decreased and then increased. Since Macao Air opened its service to the mainland in 1997, travellers entering Macao by air increased year by year.

In the past 12 years, the number of Chinese travellers entering Singapore by air dropped from 95% to 83%. After a period of rapid growth, now travellers entering Singapore on land remain around 15%. They go to Singapore from Johor Baharu, Malaysia on their tour of Malaysia and Singapore.

Macao - Modes of entry by mainland travellers (%)

	1995	1996	1997	1998	1999
By sea	52.5	67,0	72.8	54.7	39.9
On land	47.3	28.7	24.7	42.4	56.6
By air	0.3	0.1	2.6	2.9	3.5

Source: Macao Government Tourism Office

Singapore - Modes of entry by Chinese travellers (%)

	1989	1993	1997	1998	1999	2000
By air	94.9	90.0	77.9	82.0	85.1	82.8
By sea	3.9	1.5	2.1	2.0	1.9	2.0
On land	1.2	8.5	20.0	15.9	13.1	15.2

Source: Singapore Tourism Board

4.1.6. Modes of travel

Among Chinese tourists to Thailand, 77% participate in tourist groups, the highest percentage among the three countries of Thailand, Singapore and Malaysia. Group tours to Singapore and Malaysia are similar in percentage, between 60–65%.

Group tourists to Thailand, Singapore and Malaysia (%)

	Thailand	Singapore	Malaysia
Group tourists	77.3	60.4	64.0
Non-group tourists	22.7	39.6	36.0

Source: Tourism boards of Thailand, Singapore and Malaysia (2000 figures)

It is a trend that the percentage of group tourists is decreasing. According to the statistics of Singapore Tourism Board, in 1993, Chinese group tourists made up 73%. The figure dropped to 56.6% in 1997. It was 60.4% in 2000. The statistics of Macao Government Tourism Office show the percentage of group tourists from the mainland. In 1995, it was 78%; in 1996 it was 67.2%; in 1997 the figure was 67.6%; in 1998 it became 58.15 % and it dropped to 36.5% in 1999.

4.1.7 The length of stay

Among the five destinations which Chinese tourists visit most (Thailand, Singapore, Malaysia, Hong Kong and Macao), Thailand and Malaysia have the longest stay by the Chinese tourists: more than five days per person. Singapore and Hong Kong come next, with over three days per person. The average length of stay in Macao is the shortest with a stay of only slightly more than one day.

In the past 12 years, the average per person stay of Chinese travellers in Singapore dropped from 14 days to 3 days. Travellers staying for one day rose from 19.2% to 62% and passengers staying for two days increased from 6.5% to 8.3%. Travellers who stayed for three days came down from 5.4% to 3.8%.

The length of stay in Hong Kong of the mainland travellers is decreasing year by year. It dropped from 6 days in 1994 to 3.3 days in 2000.

During 1990–2000, the average stay of mainland travellers in Macao has been over one day without obvious change.

The average days/per person in Thailand, Singapore, Malaysia, Hong Kong & Macao

Thailand	Singapore	Malaysia	Hong Kong	Macao
5.7	3.02	5.1	3.33	1.19

Average per person stay of Chinese travellers in Singapore (%)

	1989	1993	1997	1998	1999	2000
1 day	19.2	59.5	58.9	67.6	71.3	62.0
2 days	6.5	16.1	13.2	12.3	9.1	8.3
3 days	5.4	3.5	4.4	3.7	3.5	3.8
Average	13.9	4.19	3.91	3.02	2.8	3.02

Average length of stay of mainland travellers in Hong Kong (Day)

1994	1995	1996	1997	1998	1999	2000
6.05	5.85	5.47	4.97	3.89	3.91	3.33

Average length of stay of mainland travellers in Macao (Day)

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
1.3	1.7	1.6	1.5	1.4	1.3	1.4	1.2	1.3	1.2	1.2

Source: Tourism Board of the above destinations

4.1.8. Per person expenditure

According to the statistics of the tourism boards of Thailand, Singapore, Malaysia, Hong Kong and Macao, per person/day expenditure of Chinese tourists in Thailand is US$ 106.9. The total expenditure in Thailand is US$ 430 million based on the number of inbound Chinese tourists in 2000. In Singapore the per person expenditure is S$ 498, with a total expenditure of S$ 220 million. In Malaysia, the per person expenditure is RM 2,884, with a total expenditure of RM 1.23 billion. In Hong Kong, the per person expenditure is HK$ 4,831, with a total expenditure of HK$ 18.29 billion. In Macao, the per person expenditure is MOP 2,661, with a total expenditure of MOP 4.38 billion.

China is a developing country. Neither the per capita GDP nor the disposable income is high. But the expenditure ability of Chinese outbound tourists should not be underestimated. In 1996, the per capita expenditure of mainland travellers in Macao was the fourth highest among travellers of all countries and regions, only after Southeast Asia, Taiwan, and Japan. Since 1997, per capita expenditure of the mainland passengers has been the highest, much higher than the average expenditure. In January 2001, Beijing China Travel Group organized a “Golden Tour” to Austria with 400 passengers. In addition to their tour costs, passengers spent US$ 2,000 in average. The fact that they spent US$ 800,000 in the country has a greater impact on the market than the size of the group does.

Expenditure of Chinese travellers in major destinations

	Monetary unit	Per person/day expenditure	Per person stay	Per person expenditure	Visitor number	Total expenditure (Million)
Thailand	US$	106.9	5.70	609	704,080	429.02
Singapore	S$	164.9	3.02	498	434,329	216.29
Malaysia	RM	565.5	5.10	2,884	425,246	1,226.43
H.K.	HK	1,450.8	3.33	4,831	3,785,845	18,289.41
Macao *	MOP	2,128.8	1.25	2,661	1,645,193	4,377.85

Note: 1. Macao 2000 inbound figure not is available, so the figure of 1999 is used here.
2. Local currencies for all destinations except Thailand

Per capita expenditure of travellers from various countries and regions in Macao (MOP)

	1996	1997	1998	1999	2000
Chinese mainland	1,806	2,374	2,796	2,661	2,401
Hong Kong	1,005	899	884	836	934
Japan	1,982	982	1,104	1,247	1,187
Taiwan	2,228	1,485	980	866	942
Southeast Asia	2,405	1,819	1,539	1,811	1,876
Oceania	1,630	1,336	1,203	1,191	1,165
The Americas	1,327	1,217	1,145	1,604	1,078
Europe	1,708	1,016	1,611	1,448	1,117
Average	1,273	980	1,392	1,373	1,367

Source: Tourism board of the above countries and regions.

The main reasons why the Chinese outbound tourists spend a lot are:

1) It is the first-time overseas trip for most of the outbound tourists. To people from the hinterland and border regions, it might be a long time before they can take another outbound trip. So they are willing to spend a lot of money on their trip.

2) The Chinese people have a traditional concept of "to economize at home, but take enough money in route". At present, according to the government regulation, each passenger going to a foreign country can buy US$ 2,000 from the bank. Generally speaking, they will spend this sum of money on the trip. Since the Chinese currency RMB is accepted in Thailand, Singapore, Malaysia, Hong Kong and Macao, there is no limit for Chinese outbound tourists in their spending.

3) While outbound travel using public funds is decreasing, incentive travel is on the rise. In addition, there are people doing business travel plus leisure. These people have a higher spending ability.

4) The Chinese love shopping. They admire famous brands and commodities with local characteristics, such as articles made of crocodile skin in Thailand, gold or

silverware in Hong Kong, woolen products in Australia, garments and handbags of famous brands in Europe.

4.1.9. Accommodation

According to the statistics of Malaysia Tourism Board, 95 % of Chinese tourists stayed in accommodation facilities, which they paid for. The statistics of Singapore Tourism Board show that 75% of Chinese tourists stayed in hotels, the rest stayed with their relatives or friends.

When China first started outbound tourism, travel agencies mostly arranged three star hotels for outbound tourists. With the development of the market and passengers becoming more sophisticated, they now have a higher demand on hotels. More and more people from the well-off stratum in the big cities and the frequent outbound travellers require four or five star hotels. The accommodation for mainland passengers in Macao during 1995-1999 indicated this trend.

Mainland traveller's accommodation in Macao (%)

	1995	1996	1997	1998	1999
5 star hotels	31.4	37.9	42.2	48.1	15.4
4 star hotels	--	--	--	--	34.2
3 star hotels	47.4	43.0	42.6	40.1	38.4
2 star hotels	18.7	16.1	10.6	7.9	7.9
Others	2.2	3.0	4.6	3.9	4.1

Source: Macao Government Tourism Office

4.1.10. Repeaters

Outbound travel in China has a history of merely over ten years. Among the several million or even ten million outbound travellers in a year, the majority are first-time outbound tourists. In 2000, among the Chinese travellers to Thailand, Singapore and Malaysia, which are the first ADS-destinations for Chinese tourists, 85%, 69% and 74% were first-time visitors respectively. As a result of the development of China's outbound market and the increase of ADS, the proportion of people who travel abroad for the second time or more will increase. In 1993, first-time visitors to Singapore were 84.5%, which dropped to 68,9 % in 2000.

The trend of the development in China's outbound market shows that with the growth of the market and the increase of ADS, the proportion of tourists who make a second or even more overseas trip will grow. Passengers from Beijing, Shanghai, Guangzhou, Shenzhen, the Pearl River Delta and the Yangtze River Delta are more affluent and have a new concept of consumption.

With the easing of entry and exit control, a growing number of travellers from these places will take more outbound trips. To go abroad every year is becoming the way of life for certain people from the rich stratum. In the hinterland and remote border provinces, the proportion of one-time outbound tourists will be higher than that in developed areas. The proportion of repeaters will be slightly higher in provincial capitals than in other cities.

The proportion of Chinese repeaters (%)

	Thailand	Singapore	Malaysia
First-time visitors	85.43	68.9	74
Repeaters	14.57	31.1	26

Source: Tourism boards of Thailand, Singapore and Malaysia

4.2. The generating places of outbound tourists

The main ports of entry and exit

There are altogether 228 ports of entry and exit for travellers in China. According to the statistics of the Entry and Exit Administrative Bureau of the Ministry of Public Security, the ten first provinces and municipalities according to traveller volume are: Guangdong, Beijing, Shanghai, Fujian, Heilongjiang, Inner Mongolia, Liaoning, Shandong, Yunnan and Xinjiang.

The traveller volume of these ten provinces and municipalities occupies 97% of the country's total in 1999. Guangdong Province alone constitutes 86%. Beijing and Shanghai each has about 3%. The rest 7 provinces combined have 5%. Here we can see that the traveller flow is rather concentrated.

Most of these 228 ports are on land. From 1996-2000, passengers coming to or leaving China by air occupies about 11% of the total passengers. Beijing and Shanghai have only airports for entry and exit. Passengers coming to or leaving China through these two airports are 6% of the total, but is more than 50% of the total traveller volume of all the airports of entry and exit of the country. Travellers using Beijing and Shanghai as points of entry or exit are mostly international travellers, including both foreigners and outbound Chinese passengers.

The percentage of passengers using ports of entry and exit on land is increasing from 78% in 1996 to 82% in 2000. Passengers using ports on land are mainly people to and from Hong Kong and Macao as well as tourists to border areas. Guangdong Province, which is close to the Special Administrative Regions of Hong Kong and Macao, has the biggest share of passengers using ports on land. Travellers using ports in Heilongjiang Province are mainly tourists to border areas.

The main ports of entry and exit (by types of ports) (%)

	1996	1997	1998	1999	2000
By airports	11.6	11.6	10.6	11.2	11.3
By sea ports	10.4	9.9	7.7	6.7	6.4
By ports on land	78.0	78.6	81.8	82.2	82.3

Source: The Entry and Exit Administrative Bureau

The main ports of entry and exit (in provinces and municipalities) (1,000)

	1996	1997	1998	1999
Total	118,594	131,199	142,965	163,512
Guangdong	100,979	111,391	123,300	140,547
Beijing	4,396	4,732	4,473	5,328
Shanghai	3,928	4,500	4,676	5,755
Fujian	1,488	1,639	1,492	1,588
Heilongjiang	1,238	1,461	1,320	1,532
Inner Mongolia	1,100	1,444	1,381	1,454
Liaoning	997	1,127	1,025	1,310
Shandong	718	797	803	1,010
Yunnan	504	551	544	1,002
Xinjiang	443	517	565	522

Source: The Entry and Exit Administrative Bureau

Note: The figures in the table show the combined numbers of inbound and outbound travellers which cover the entries and exits of both the overseas travellers (day-trip travellers included) and the Chinese travellers. The total volume of entries and exits at the ports is calculated on the basis of one entry and one exit of each traveller.

The share of the main ports of entry and exit in the total passenger volume (%)

	1996	1997	1998	1999
Guangdong	85.2	84.9	86.2	8.6
Beijing	3.4	3.3	3	2.9
Shanghai	2.9	3	2.8	3.1
Fujian	1.3	1.3	1.0	1
Heilongjiang	1.0	1.1	0.9	0.9
Inner Mongolia	0.9	1.1	1	0.9
Liaoning	0.8	0.9	0.7	0.8
Shandong	0.6	0.6	0.6	0.6
Yunnan	0.4	0.4	0.4	0.6
Xinjiang	0.4	0.4	0.4	0.2

Source: The Entry and Exit Administrative Bureau

The main generating areas

According to a survey which used 46 indexes in five areas such as social structure, population quality, economic results, quality of life and public order to make a comprehensive appraisal of all the provinces and municipalities on the mainland, the first ten are: Beijing, Shanghai, Tianjin, Zhejiang, Jiangsu, Guangdong, Liaoning, Fujian, Heilongjiang and Shandong. These ten provinces and municipalities are also those first ten in regard to per capita GDP.

The sequence of provinces and municipalities in the volume of outbound tourists handled by travel agencies are: Guangdong, Yunnan, Guangxi, Liaoning, Heilongjiang, Fujian, Shanghai, Beijing, Inner Mongolia and Zhejiang. Among them, passengers from Guangdong are mainly going to Hong Kong and Macao, those from Yunnan to Myanmar and Vietnam, those from Guangxi to Vietnam, those from Heilongjiang to Russia, those from Liaoning to Korea, the DPRK and those from Inner Mongolia to Mongolia. They are mainly border area tourists. Outbound travellers from Shanghai, Beijing and Zhejiang are mainly going to foreign countries. Some of the travellers from Guangdong are also going to foreign countries.

Sequence of scores showing the social development of provinces in 2000

Place	Province/city	Scores	Social structure	Population quality	Economic results	Life quality
	Nation's average	**54.5**	**10.9**	**9.9**	**10.0**	**18.5**
1	Beijing	82.0	18.1	15.7	14.7	29.8
2	Shanghai	79.7	17.2	15.5	15.4	28.0
3	Tianjin	72.2	15.1	14.0	13.0	26.0
4	Jiangsu	64.2	12.5	11.9	13.2	22.2
5	Zhejiang	64.1	12.4	11.5	12.3	24.6
6	Guangdong	64.0	13.7	9.8	12.2	24.1
7	Liaonin	61.8	12.7	11.8	12.0	20.3
8	Fujian	59.2	12.3	9.2	11.2	22.0
9	Heilongjiang	59.9	10.7	9.5	12.5	20.4
10	Shandong	58.8	9.9	10.4	11.8	21.6

Source: " 2002: The Analysis and Estimates of the Situation of the Chinese Society"

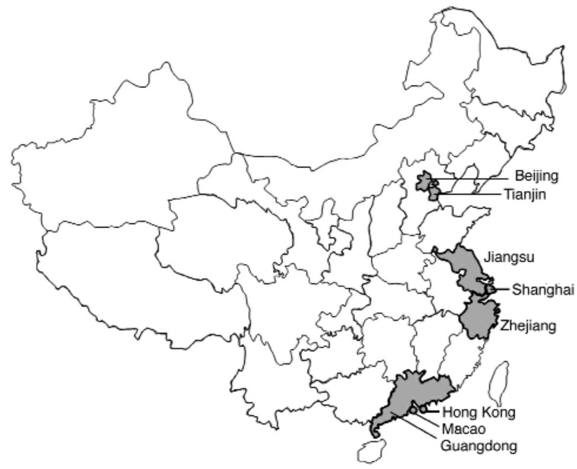
As mentioned in chapter 1, the bulk of China's economy is in the three major urbanized economic areas:

1) The Beijing and Tianjin area, which includes the two municipalities directly under the central government;

2) The Yangtze River Delta economic area that includes Shanghai Municipality, Jiangsu and Zhejiang Provinces;

3) The Pearl River Delta economic area, which covers Guangdong and the two special administrative regions of Hong Kong and Macao.

These three areas include most of the provinces and municipalities, which are the first ten in a comprehensive appraisal of economic development in China. These areas also



have a relatively well-developed tourism industry as well as being major generating places for outbound tourists.

In this report, survey and analysis have been made in five provinces and municipalities. Beijing, Shanghai and Guangdong are the main targeted areas

for the survey, which are also major ports of entry and exit in China. In addition, Zhejiang Province, which has a lot of outbound passengers but has no international airport, Heilongjiang Province, the outbound travel of this border province is directed to a certain market, also are on the list of survey. This report tries to illustrate the basic features of the generating places of outbound tourism in China by means of field survey and comprehensive analysis.

4.2.1. Beijing

Beijing, the capital of the People's Republic of China, is the political, economic, scientific, cultural and transportation center of China. The city has an area of 16,800 square kilometres with a population of 13.82 million.

4.2.1.1. The economy and livelihood of the people

In 2000, The GDP of Beijing exceeded US$ 29 billion and revenue of the city was US$ 4.14 billion, the growth rate of which was over 20% for five years running. In 2001,the economy had a growth rate of 9% and the city's revenue growth rate was still higher than that of GDP.

According to the theory of development economics, when the per capita GDP is ranging from US$ 2,000 to 10,000, it is considered to be in the phase of accelerated economic development. When the per capita GDP exceeds US$ 3,000, the area is considered to be a rising industrialized area. In 2000, Beijing's per capita GDP was US$ 2,600 and it exceeded US$ 3,000 in 2001. The economy growth rate of Beijing in 2001–2005 will be around 9% and per capita GDP is expected to exceed US$ 4,000 by 2005. During the period of 2006–2010, the annual growth rate of the economy will be around 7% and per capita GDP will reach US$ 6,000.

According to “Beijing Development Report”, the per capita disposable income continued to grow at a rather high speed from 1996–2000. It was US$1,253 in 2000. After the price factors were deducted, the real growth rate was 12.7%.

The per capita disposable income of Beijing residents 1996-2000

	1996	1997	1998	1999	2000
Per capita disposable income (US$)	834	946	1,026	1,112	1,253
Growth rate (%)	17.3	13.5	8.4	8.4	12.7
Real growth rate without price factors (%)	5.1	7.8	5.9	7.8	8.9

Source: “ 2001: Beijing Development Report”

Generally speaking, when the per capita income reaches US$ 300–400, people will have the desire to travel in their own countries. When it reaches US$ 800–1,000, they will wish to go to the neighboring countries. When it is more than US$ 3,000, they would have the desire of traveling to faraway places. In 1999, the per capita disposable income of Beijing residents was US$ 1,112. In 2000, the per capita disposable income was US$ 1,253, which means that Beijing residents are financially capable of traveling to neighboring countries.

According to an estimation based on statistics of developed countries, the structure of consumption will see drastic changes when the per capita income reaches US$ 1,000. This is a period in which people will turn their demand to tourism, education and information when their basic needs have been met. In recent years, the two outstanding demands of Beijing residents are housing and tourism or cultural activities. These two hot spots show the significant changes in the consumption structure of the residents. Their demands start from food then to manufactured goods of daily use and then leap to housing and tourism.

However, for the majority of the residents, it will take a process of accumulation before they can afford a new house or a new car, which costs more than US$ 12,000. At present, only a few people can buy commodity houses or cars. For the majority, the upgrade of their consumption means they now turn to travel, education, cultural activities, sports, other hobbies and information. Holiday consumption is on the rise.

4.2.1.2. Outbound tourism in Beijing

Beijing Capital International Airport is the largest airport of the country and is the only port of exit and entry in Beijing. According to the statistics of the Bureau of Entry and Exit Administration of the Ministry of Public Security, in 2000, inbound and outbound passengers at Beijing Airport amounted to 6.23 million, which was composed of inbound and outbound foreign passengers and inbound and outbound Chinese passengers.

Inbound and outbound traveller volume in Beijing (1,000)

	1996	1997	1998	1999	2000
Inbound & outbound total	118,594.	131,199	142,965	163,512	187,240
Inbound & outbound at Beijing	4,009	4,318	4,276	4,804	6,231
Change %	--	7.73	-0.98	12.34	29.73
Share in the country's total	3.38	3.29	2.99	2.94	3.33

Source: Entry and Exit Administration Bureau

The statistics of outbound travellers of ten travel companies in Beijing made by the Beijing Tourism Administration show: In 1994, the outbound tourists handled by travel companies were 10,396. The figure rose to 105,205 in 1999.The market size grew from 10,000 people to 100,000 people. The year of 2000 saw an increase of 30%. The organized outbound passengers reached 137,106. Among them, passengers to Hong Kong and Macao occupied 52.5%, showing a downturn, but there was a continuous rise in the percentage of passengers going to foreign countries. The figure rose from 22.4% in 1994 to about 50% in 2000.

Reports from travel companies indicate that in 1996, 50% of the outbound tours handled by travel agencies were from various units and organizations using public funds. Since then, the proportion of tourists spending their own money became bigger and bigger. In 2000, travel with public funds was less than 1% of the total business of travel agencies.

Outbound travel of Beijing residents handled by travel agencies (1)

Year	Total outbound	Change (%)
1994	10,396	--
1995	16,197	55.8
1996	27,096	67.3
1997	37,558	38.6
1998	65,506	74.4
1999	105,205	60.6
2000	137,106	30.3

Source: "Beijing Tourism Statistics"

Outbound travel of Beijing residents handled by travel agencies (2)

Year	To Hong Kong & Macao			To Foreign Countries		
	Number	**Change** (%)	**Share** (%)	**Number**	**Change** (%)	**Share** (%)
1994	8,064	-	77.57	2,332	-	22.43
1995	7,176	- 11.0	44.30	9,021	286.8	55.70
1996	16,943	136.1	62.53	10,153	12.5	37.47
1997	25,032	47.7	66.65	12,526	23.3	33.35
1998	39,929	59.5	60.95	25,577	104.2	39.05
1999	65,150	63.2	61.93	40,055	56.6	38.07
2000	71,947	10.4	52.48	65,159	62.7	47.52

Source: "Beijing Tourism Statistics"

4.2.1.3. Consumption behavior of Beijing residents in outbound travel

During the Spring Festival of 2001, Beijing Tourism Bureau and Beijing Statistic Information Advisory Center conducted a sample survey into the houses of residents. Afterwards a "Findings report on the holiday travel of Beijing residents" was written. This report shows that the proportion of outbound tourists in Beijing residents is 3.1% from January 2000–February 2001. This is an increase of 24% over the previous year. The proportion of people who have plans for outbound travel is 4.4%, a rise of 29.5%.

Seasons for outbound travel

Among the outbound passengers, the young and middle-aged employees tend to have their outbound tours in the peak season, while senior citizens prefer to the off-season because of the cheaper price and better service.

On the whole, the peak season for outbound travel is the three golden weeks, especially the Spring Festival. The public holidays in these golden weeks are seven days each, but May and October are in the busy season and employees will not ask for leave in addition to the public holidays. But the Spring Festival is in the off-season and some enterprises have longer holidays than the public holidays. And some employees would utilize their unused holidays or weekends in the Spring Festival. So the real holiday is longer than a week.

To the outbound passengers it is more convenient to buy tours of 8, 10, 12 or even 15 days' duration in the Spring Festival. Since it is rather cold in Beijing in winter, many people like to go to a warm destination for their outbound travel. The outbound passengers in the Spring Festival rose by 40% in 2001 compared with 2000.

Seasons for outbound travel of Beijing residents (%)

Total	Spring Festival 2000	May 1 2000	Oct. 1 2000	Spring Fest. 2001	Others
3.2	0.5	0.2	0.2	0.7	1.6

Source: "Findings report on the holiday travel of Beijing residents"

More people travel with their families

According to a survey, among the traveling Beijing residents, 71.9% traveled with their families, which in average is composed of 3.1 persons. In the traveling families, people in the age group of 35 to 44 are the majority. They have both elders and children. If time and money permit, they would travel with their families. It is also the hope of many people to travel with their kids in summer or winter vacations. The same survey shows that 76.8% of the potential tourists will travel with their families in 2002.

Proportion of Beijing residents traveling with families (%)

Spring 2000	May 2000	Oct. 2000	Spring 2001	May 2001	Oct. 2001	Spring 2002
68.5	73.6	75.6	79.6	75.4	79.1	81.9

Source: "Findings report on the holiday travel of Beijing residents"

Families with children (primary or middle school students) occupy 20% of the outbound tourists handled by travel agencies. Children over 12 years pay the same price as adults.

Expenditure on outbound travel

A survey shows that the average expenditure for a family in one outbound tour was US$ 1,442 in 2000. In average, the per person spending is US$ 797. The average expenditure in the three golden weeks is: US$ 3,028 in Spring Festival which is the highest, then US$ 1,628 in October 1 and US$ 791 in May 1. The difference in the amount of expenditure is connected to the length of outbound travel. When the holidays are short, many people can only go to Thailand, Singapore, Malaysia, Hong Kong and Macao. During the Spring Festival many people will go to Australia or New Zealand for 8, 10 or 12 days. It is noteworthy that the same report shows that the budget of families, which plan to travel overseas in 2002 rises to US$ 1,932 on average.

Most of Beijing residents join tours handled by travel agencies when they take outbound trips. In average the household size in these tours is 1.5 persons. The average length of stay abroad is 6.6 days and the expenditure per person per day is US$ 150. As for the components of their expenditure, the packaged fee is 65.8% of the total. Shopping abroad is about 20%.

Average expenditure on outbound travel for Beijing residents in 2000 (US$)

Average expenditure per family	Per person	In Spring	In May	In Oct
1,142	797	3,028	791	1,628

Expenditure on tours organized by travel agencies

Average household expenditure	US$1,522.8
Average number of persons	1.5
Average number of days abroad	6.6
Average expenditure per person per trip	US$996
Average expenditure per person per day	US$150

The components of expenditure on outbound travel of Beijing residents

Average total (US$)	**Average packaged fee** (%)	**Average expenditure on shopping** (%)	**Others** (%)
1,522.8	65.8	19.6	14.6

Source: "Findings report on holiday travel of Beijing residents"

4.2.2. Guangdong Province & the Pearl River Delta

4.2.2.1. Guangdong Province

Guangdong Province is situated in the south of the Chinese mainland adjacent to Hong Kong and Macao. The province has a land area of 178,000 square kilometers and a sea area of 350,000 square kilometers. The population of the province is 86.42 million, the third largest in the country. Since ancient times, Guangdong has been the province with the most marine traffic as well as emigrants to other countries. Overseas Chinese of Guangdong origin and residents in Hong Kong and Macao amount to 30 million. They live in more than 100 countries and regions of the world. At present, there are over 20 million returned overseas Chinese and relatives of overseas Chinese living in Guangdong Province. 55% of the residents of the province are living in cities or towns. The urbanization level of the province is much higher than that of the country.

The reform and opening up policy was first carried out in Guangdong Province. In the past 20 years, the speed of economic development of Guangdong has been higher than that of the country. Now the economy of Guangdong occupies 10% of the economy of China.

GDP growth rate of Guangdong in comparison with the national average (%)

	1981-1985	1986-1990	1991-1995	1996-2000
Guangdong	12.3	13.3	19.2	10.4
The country	10.8	7.9	11.6	8.5
Difference %	1.5	5.4	7.6	1.9

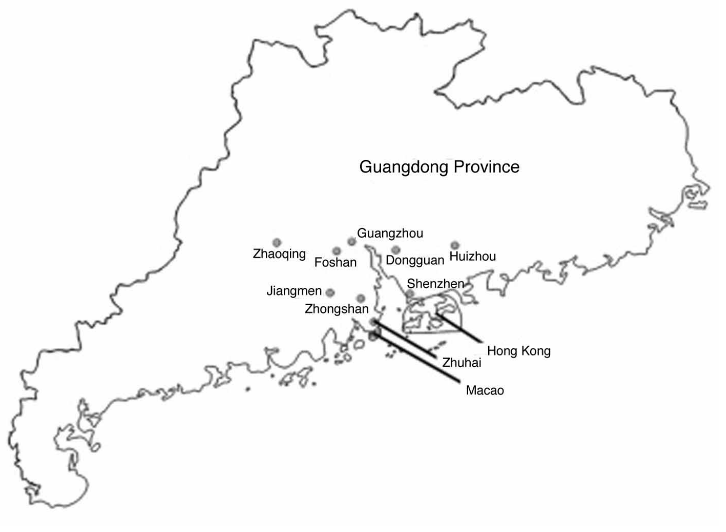
Source: "Analysis and Estimates of the Economic Situation of Guangdong"

According to the development plan of national economy, China's GDP will double in the period of 2001–2010 and the economic growth rate of the country in the coming 10 years should be over 7%. In Guangdong Province, GDP annual growth rate will be about 9%. In 2010, GDP of the province will reach 2,000 billion Yuan and per capita GDP will be US$3,200. The share of the economy of Guangdong Province will rise to 12% of national GDP.

4.2.2.2. The Pearl River Delta

Agriculture is of great importance in Guangdong Province. The rural population is 65% of the total population of the province. There are three economic regions in the province: the Pearl River Delta, the mountain region and the east and west flanks of the province. The Pearl River Delta is the pillar of Guangdong's economy. The Delta has only 23% of the land and 31% of the population of the province, but it makes 78% of the total volume of the economy of the province. In the past two years, the Pearl River Delta has contributed 80% of the growth of GDP, 83% of the provincial revenue and 91% of the growth of the revenue. In 1999, the per capita GDP in the Delta was US$ 3,014, a rise of 38% over that of 1997.

There are nine cities in the Pearl River Delta: Guangzhou, Shenzhen, Zhuhai, Huizhou, Dongguan, Zhongshan, Jiangmen, Foshan, and Zhaoqing. Guangzhou and Shenzhen take the leading role. The economy of these two cities combined is 53.7% of the total volume of economy in the Delta. The per capita income of the two cities also takes first and second place in the Delta. In 2000, per capita GDP of Guangzhou was US$ 4,164, and in the urban area of Guangzhou it was US$ 4,684. The per capita GDP of Shenzhen is US$ 4,811. The outbound travellers of the two cities occupied 48.6% of the provincial total. The per capita GDP of Dongguan also exceeds US$ 3,000.



Dongguan is one of the key areas in the Pearl River Delta for investment by Hong Kong, Taiwan and foreign businessmen. The export-oriented and private enterprises in Dongguan are in the forefront of the country. Foshan and Zhongshan are two important generating places for outbound travel as well. Both cities have a lot of overseas Chinese. About one million overseas Chinese or residents in Hong Kong and Macao came from Foshan and 600,000 came from Zhongshan.

The main economic indexes of nine cities of the Delta in the share of the province (%)

	GDP	Social investment in fixed assets	Total sales in social consumption
1996	71.41	65.70	62.3
1997	73.25	70.27	68.5
1998	75.52	67.48	68.6
1999	77.94	71.68	69.4
2000			69.9

Source: "Analysis and Estimates of the Economic Situation of Guangdong"

Some statistics of the nine cities in the Delta (2000)

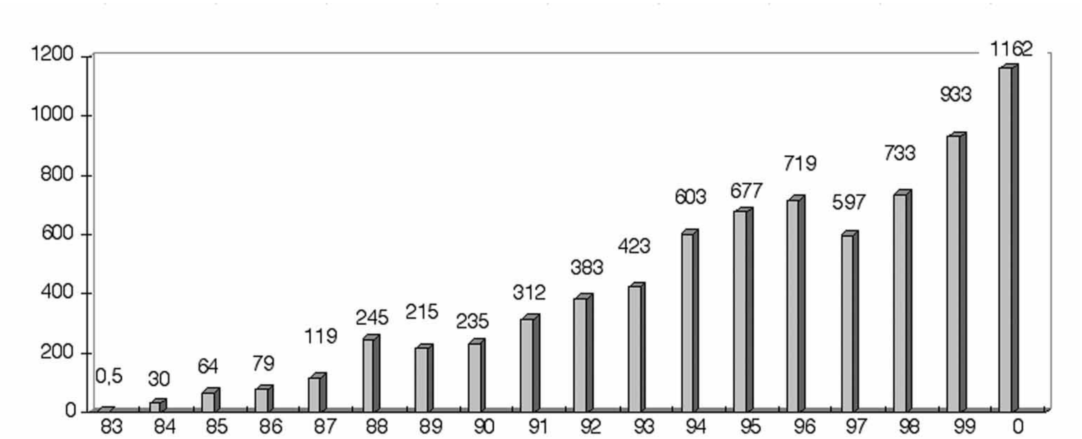
	Population (1,000)	Per capita GDP(US$)	Outbound passengers	Share in province (%)
Guangzhou	7,007	4,164	330,853	28.5
Shenzhen	4,329	4,811	233,534	20.1
Zhuhai	739	3,220	51,829	4.5
Huizhou	2,778	1,940	14,863	1.3
Dongguan	1,526	3,898	50,360	4.3
Zhongshan	1,337	2,850	74,039	6.4
Jiangmen	3,808	1,804	64,318	5.5
Foshan	3,325	3,502	207,058	17.8
Zhaoqing	387	1,209	14,309	1.2
Total	2,872		1,041,163	89.6

Source: "The Almanac of Guangdong 2001"

4.2.2.3. Outbound tourism of Guangdong & The Pearl River Delta

Outbound travel in China started from Guangdong, which has always been the number one outbound generating market of China. The outbound figure of the province rose from 30,000 in 1984 to 1.16 million in 2000.

Outbound tourism in Guangdong (1,000)



Source: "Guangdong Tourism Statistics"

The development of outbound travel in Guangdong

	Passenger number	Change (%)	To Hong Kong	To Macao	To foreign countries
1998	732,850	22.7	241,000	291,400	200,500
1999	933,458	27.4	286,400	340,600	306,500
2000	1,162,000	24.5	340,700	520,000	301,300

Source: "Guangdong Tourism Statistics"

Guangdong, Hong Kong and Macao are close to each other. Historically, Hong Kong and Macao were under the administration of Guangdong Province and residents there are mostly of Guangdong origin. People in these three places have a bond of kinship between them. Since the policy of reform and opening up was initiated, there have been more contacts between the three places and their relationship is even closer. In 2000, among the outbound travellers organized by travel agencies in Pearl River Delta, 273,710 visited Hong Kong, which is 80.3% of the total of the province and 519,947 traveled to Macao, which occupies 95.5% of the total of the province. There were 301,341 passengers who visited foreign countries, making 89.9% of the provincial total. The proportion between travel to Hong Kong, Macao and foreign countries is: 3: 4.5: 2.5.

Outbound travel from the Delta organized by travel agencies (2000)

	To Hong Kong		To Macao		To foreign countries	
	Volume	% in province	Volume	% in province	Volume	% in province
Provincial	340,671	100	519,947	100	301,341	100
the Delta	273,710	80.3	496592	95.5	270,861	89.9
Guangzhou	108,617	31.9	113,526	21.8	108,710	36.1
Shenzhen	83,745	24.6	60,505	11.6	89,284	29.6
Zhuhai	2,116	0.6	46,128	8.9	3,585	1.2
Huizhou	11,268	3.3	2,191	0.4	1,404	0.5
Dongguan	20,022	5.9	14,900	2.9	15,438	5.1
Zhongshan	7,420	2.2	49,899	9.6	16,720	5.5
Jiangmen	13,726	4.1	44,813	8.6	5,779	1.9
Foshan	24,114	7.1	154,947	29.8	27,997	9.3
Zhaoqing	2,682	0.8	9,683	1.9	1,944	0.6

Source: "Guangdong Tourism Statistics"

4.2.2.4. Outbound tourists

The economic development in Guangdong is good, so the number of consumers who are capable of traveling abroad is increasing. At present time, outbound travellers mainly come from the middle and upper strata. There are four categories of people:

1) Small business owners. The reform and open policy in Guangdong begun with the development of privately owned small businesses. In 1992–1993, there were 600,000 to 800,000 privately owned small businesses. In 2000, the figure rose to 1.53 million, which is the 5th largest among Chinese provinces. The number of private enterprises amounted to 184,000 in 2000, which had the first place in the country.

2) White-collar management staff of foreign enterprises and export-oriented enterprises. Guangdong Province was the first province open to foreign investment. There are 72,000 foreign enterprises or joint-venture enterprise and 50,000 export-oriented enterprises. 90% of the above 120,000 enterprises are medium and small enterprises and 80% of them are in the Pearl River Delta. They have formed "textile towns', "electronics towns", "garments towns" and "lamps towns". The export value of foreign and joint-venture enterprises in Guangdong is 52% of the total export value of the province and 42% of the export value of the foreign and joint-venture enterprises of the country. There are 7 million people working in foreign enterprises. In the Pearl River Delta, the word of "white-collar" means someone whose monthly pay is above US$ 500.

3) Owners or executives of real estate companies or foreign enterprises. In the Pearl River Delta the definition of so-called "golden-collar" is someone whose annual salary is above US$ 60,000.

4) Peasants in the suburbs. With the rise of village and township enterprises and as a result of the contract system in the countryside, a large number of peasants have left their farmland and entered towns or cities for setting up factories, doing business or working in factories. This has accelerated the process of urbanization of the countryside. In the Pearl River Delta, on average, there is a town in every 100 square kilometers. 40% of the agricultural population is now in towns or big villages. The countryside is basically urbanized. With the expansion of cities, peasants in the suburbs have sold their farmland to the government. They can have a fairly good life with the money they got from the government. Sometimes, when peasants receive dividends from the village, hundreds of them would travel together. They go to Europe, North America or Australia and New Zealand respectively.

Workers from other provinces to Guangdong play an important role. According to the Guangdong Daily, the result of the 5th census of the province shows that there are about 20 million workers from other provinces, which is two thirds of the "outside" workers of the country. Of these 20 million workers, 90% are in the Pearl River Delta and one third of them are in Shenzhen. 18% of them are in Dongguan, 12% of them are in Foshan and 8% in Zhongshan as well as in Guangzhou. In 1999, "outside" workers in Dongguan remitted US$ 1.4 billion back home through post offices. In addition, some people asked their friends or relatives to bring the money back and some sent their money back from the bank. According to a new regulation, "outside workers" who have worked for more than one year in Guangdong and have temporary residence papers, can go to the police bureau with their labor contracts and ID to complete the procedures for travel to Hong Kong and Macao. In 2001, 4,000 outside workers visited Hong Kong and Macao. With the relevant policy becoming more open and the procedures for outbound travel simplified, outside workers in Guangdong will become a new stratum on the outbound market.

4.2.2.5. The patterns of consumption in outbound travel

Outbound travel has a history of over 10 years in Guangdong and it has become a part of life for many people. A lot of people have made outbound travel several times. Outbound passengers are becoming more experienced and the market is getting matured. Their main characteristics are:

Passengers lay stress on enjoyment and comfort. Starting from the second half of 2001, passengers from Guangzhou prefer a direct flight to their destination to a detour via Hong Kong, which involves one more entry exit formality and one more landing and taking off and more waiting time.

More and more people take outbound travel once or twice a year. They often come to a travel agency and ask: "Do you have anything new to recommend?" Travel agencies feel the need of updating their tour products. Passengers now have a higher requirement on tour products. For one destination, they at least ask for five different itineraries to compare and choose the best one. A travel agency can hardly get any clients if they offer only one itinerary for a destination.

There are more and more FIT passengers. When outbound travel just started, the majority of the passengers thought it was cheap and carefree to join tour groups. In recent years, more and more people design their own itineraries and form their own groups. Repeaters often ask travel agencies to design a new route for them and then they would invite their relatives or friends to form a group.

Tour groups of less than ten people are increasing which are more expensive than groups with over 16 people. Since 2001, the number of FIT travellers has increased conspicuously. They ask travel agencies to book their air tickets, hotel accommodation and coaches (with guides). At the destination, they travel at will and ask the guide to recommend what to see and what to eat. In Guangdong, there is a saying: "the poor go group traveling and the rich go holidaying". In the future, the Chinese will get more experienced in travel and the younger generation will have less language barriers. People will have more income and there will be more and more FIT travellers.

Many senior people join tour groups. Some of the seniors are retirees who get their pension. Others have children to pay for their trips. Group travel for the aged started in 1999. Their itineraries are leisurely arranged, do not have too many days and are without transfers on the trip. Usually, price is US$ 25-s lower than in general tours. Such groups mainly go to Thailand, Singapore and Malaysia or only to Thailand. Travel agencies are planning tours to Australia. Since it is a long flight, they will send a doctor with the group.

Corporate incentive travel is rising. Most of the clients are foreign corporations such as P&G, Amway, AIA, and China Pingan Insurance and so on. A corporation will send several hundred even one thousand people on one trip. Their destinations include Southeast Asia, Republic of Korea, Japan and Australia. For instance, Amway's Headquarter for China is in Guangzhou. It sent over one thousand people on an incentive tour to Malaysia. Some passengers started from Guangzhou and others from Beijing. Incentive travel is about 20 % of the total business of travel agencies.

In general, the more developed countries they go to, the bigger the spending of the passengers is. And they require more personalized services.

More and more passengers in Guangdong and the Pearl River Delta in particular are using credit cards. Banks often go to travel agencies to arrange international credit cards for their passengers. People with a sound financial background can get a credit limit of US$2,500 to US$ 3,800.

4.2.3. Shanghai and the Yangtze River Delta

4.2.3.1. A glimpse of Shanghai

Shanghai is situated to the East of the Asian continent and is in the middle of the East coast of China. The city has an area of 6,340 square kilometers with a population of 13.22 million. The urban population is 11.37 million, which is 86% of the total population.

Shanghai is the largest commercial city in China. The output of Shanghai's tertiary industry occupies 50.6% of its GDP. The financial and insurance business takes the first place in tertiary industry, which makes 15.1% of the GDP of the city. By the end of 2000, 91 countries and regions have investment in Shanghai. There are over 20,000 foreign enterprises. Among the top 500 transnational corporations in the world, 257 have offices in Shanghai.

As a result of the improvement of quality of life of the residents, spending on services becomes a trend. The percentage of spending on services of the city residents in their total personal consumption expenditure rose from 17.5% in 1999 to 19% in 2000. The per capita spending on entertainment, education and cultural services grew by 18.6%, much higher than the growth rate in the spending on commodities.

In 2000, the per capita GDP was US$ 4,180, which is US$ 460 more than the previous year. Among urban families, the per capita disposable income is $ 1,419, an increase of 7.2%. Shanghai residents prefer to the use of credit cards.

Per capita social and economic quotas (US$)

	1999	2000
Per capita GDP	3,729	4,182
Average annual pay	1,713	1,867
Per capita disposable income of city residents	1,323	1,419
Expenditure on consumption of city residents	998	1,074
Savings of urban and rural residents	2,394	2,312

Source: " Shanghai Almanac"

Income by social strata (%)

	Leading officials	Clerks	Professionals	Commerce	Workers & service
Personal monthly income					
Above US$ 610	8.3	33.3	47.9	10.4	0.0
US$ 365–610	10.7	39.3	41.1	5.4	3.6
US$ 122–365	6.6	34.5	15.2	18.7	25.0
Below US$ 122	3.0	24.9	3.7	22.3	46.1
Family monthly income					
Above US$ 610	7.8	36.5	44.3	5.2	6.1
US$ 365–610	8.2	38.0	16.3	13.0	24.5
US$ 122–365	5.1	27.9	8.4	21.9	36.7
Below US$ 122	2.9	25.8	4.8	26.8	39.7

Source: “Report on Shanghai Society”

Shanghai social strata include the following:

1) Leading officials of state organs, party and mass organizations, leaders of enterprises and institutions, owners of private enterprises. They constitute 5.7%;

2) Clerks and related personnel (31.3%);

3) Professional people such as lawyers, actors and actresses, doctors, teachers, scientists, reporters, researchers or engineers (15.1%);

4) People working in commerce (18.4%);

5) Workers, peasants and people in the service trade (29.6%).

Judged by personal and family monthly income, many professionals and clerks have a higher income. A survey shows that most of these white-collars with a monthly income of US$ 360 and above are working with financial, insurance, scientific research and technical services. The survey also shows that 98.5% of the white-collar families in Shanghai have financial assets (bank savings, securities, cash and insurances) of over US$ 36,300.

The internationally accepted standard to judge the quality of life is: below Engle Coefficient 0.2 is most affluent and 0.2–0.4 is affluent; 0.4–0.5 is well to do; 0.5–0.59 is a hard life and over 0.59 is absolute poverty. The survey shows that 31.9% of Shanghai white-collars are below Engle Coefficient 0.2; 40.2 % of them are between Engle Coefficient 0.2–0.4; and 8.5% of them are between Engle Coefficient 0.4–0.5. The total amount of the three percentages is 81%, what means that the majority of white-collars are having a well-to-do life or even better. White collars in Shanghai are leading or trying to lead a leisured life of good taste. They love to read books or newspapers, listen to music, browse the Internet or travel.

Types of leisured life (%)

	Leading officials	Clerks	Professionals	People in commerce	Workers, peasants & service trade
Study type	17.8	21.6	35.6	20.5	3.2
Recreation type	13.4	20.8	11.6	20.9	34.7
Sports type	34.4	13.8	19.5	17.4	55.0
Social type	21.1	25.0	18.2	21.7	5.1
Tourism type	13.3	18.8	15.1	19.5	2.0

Source: " Report on Shanghai Society 2001"

4.2.3.2. The Yangtze River Delta

The Yangtze River Delta covers Shanghai Municipality and Nanjing, Zhenjiang, Changzhou, Wuxi, Suzhou, Yangzhou, Nantong and Taizhou of Jiangsu Province and Hangzhou, Jiaxing, Huzhou, Shaoxing, Ningbo and Zhoushan of Zhejiang Province, altogether 15 cities and an area of 99,700 square kilometers. The population is 74.46 million.

The Delta lies at the East coast of China with a lot of factories along the river. It has an easy access to the sea and the river and it is situated in the middle of the coastline. The Delta has been an economic and cultural center of China since the Sui and Tang Dynasties (581–907 A.D.) and a main source of revenue of the central government. Since the 1990's, the economic growth rate of the area is higher than that of the country by one third. In 1997, the delta with the 1% of land and 6% of population of the country produced 20% of GDP in China and 23% of the revenue of the central government.

The Delta has the highest level of urbanization in China. There are 54 cities of big, medium and small sizes and 1,396 towns. On average, there are 68 cities and towns in every 10,000 square kilometres. The density of cities and towns in the delta is ten times higher than the national average. Especially along the 660 kilometer of Shanghai-Nanjing, Shanghai-Hangzhou and Shanghai-Ningbo Railways, there is a city in every 30 kilometers on average. The urbanization rate is over 40%.

Judged by GDP and per capita GDP of this area in 2000, the Delta could be divided into four layers. The first layer is Shanghai which has a per capita GDP of over US$ 4,000; the second is Wuxi, Suzhou, Hangzhou, and Ningbo whose per capita GDP is between US$ 2,500–US$ 3,500; The third layer covers Nanjing, Shaoxing, Changzhou and Zhenjiang with a per capita GDP of US$2,000–2,500. Last comes the rest of the cities whose per capita GDP is below US$ 2,000. Cities in the first three layers are the main generating areas for outbound tourism.

Social and economic quotas in the delta cities (2000)

	Population (1,000)	**GDP** (US$ billion)	**Per capita GDP** (US$)
First layer			
Shanghai	13,220	55.1	4,182
Second layer			
Wuxi	5,180	14.5	3,348
Suzhou	6,920	18.7	3,232
Hangzhou	6,220	16.7	2,704
Ningbo	5,410	14.2	2,638
The third layer			
Nanjing	6,240	12.4	2,285
Shaoxing	4,330	9.4	2,184
Changzhou	3,850	7.3	2,135
Zhenjiang	2,900	5.5	2,054
The fourth layer			
Jiaxing	3,310	6.5	1,980
Huzhou	2,560	4.6	1,791
Zhoushan			
Yangzhou	4,670	5.7	1,273
Nantong	7,650	8.9	1,135
Taizhou	4,870	4.9	978

Source: "Shanghai Economic Almanac"
"Zhejiang Economic Almanac" "Jiangsu Economic Almanac"

4.2.3.3. Outbound tourism of Shanghai and the Yangtze River Delta

Airports are the main way of exit/entry in Shanghai since very few people use the seaport. Before 2000, Hongqiao Airport was the unique international airport in Shanghai and in 2000, Pudong Airport was put into operation, with traveller 4.74 million and 1.82 million passenger volume respectively in 2000.

Tourism statistics in Shanghai show that the number of outbound tourists rose from 27,500 in 1996 to 140,200 in 2000. The rate of growth has been rather high.

Exit/entry traveller volume in Shanghai

	1996	1997	1998	1999	2000
Total Exit/entry number of the country (1,000)	118,594	131,199	142,965	163,512	187,240
Exit/entry number in Shanghai (1,000)	3,416	3,876	4,010	5,064	6,565
Change (%)	--	14.08	2.9	26.3	29.6
Shanghai's share in China (%)	2.9	3,0	2.8	3.1	3.5

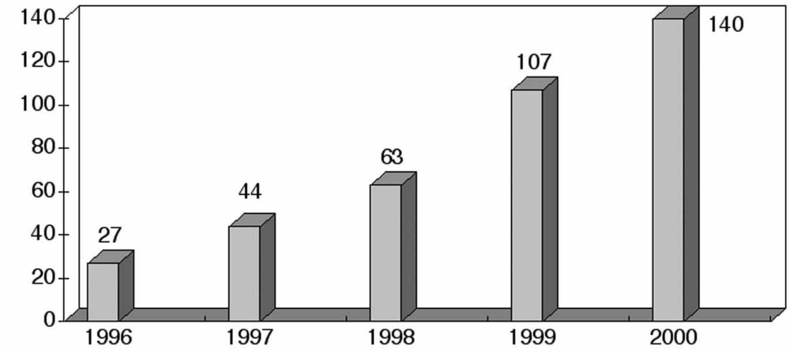
Source: The Exit/Entry Administration of the Ministry of Public Security

Statistics of outbound tourism of Shanghai

	1996	1997	1998	1999	2000
Outbound total	27,452	43,849	63,176	106,533	140,201
Change (%)		59.7	44.1	68.6	31.6
Hong Kong	16,769	23,584	28,069	43,762	46,768
Change (%)		40.6	19.0	55.9	6.9
Macao	9,805	15,372	20,767	34,809	37,045
Change (%)		56.8	35.1	67.6	6.4
Thailand	15,096	25,653	40,773	59,303	57,899
Change (%)		69.9	58.9	45.4	--2.0
Singapore	4,049	5,634	8,973	12,336	17,794
Change (%)		39.2	59.3	37.5	44.2
Malaysia	3,118	6,244	7,837	11,395	16,770
Change (%)		100.3	25.5	45.4	47.2
Korea, Republic					13,807

Source: "Shanghai Tourism Statistics"
Note: Travellers to the destinations are not counted according to their first stops. If they went to three countries, then all the three countries are included. So when the travellers to all destinations are jointly considered, the figure is bigger than the total outbound figure.

The development of outbound tourism in Shanghai (1,000)



Source: "Shanghai Tourism Statistics"

In the sequence of the number of travellers, the outbound destinations in 2000 are: Thailand, Hong Kong, Macao, Singapore, Malaysia and Republic of Korea. In the trend of development, Hong Kong and Macao showed a slowdown in growth and Thailand showed a decrease, while Singapore and Malaysia had an increase of over 40%. Despite the fact that the statistics of 2000 did not show the figures about Australia and Japan, people in travel agencies said that Australia had a growth stronger than that of Republic of Korea and Japan.

In 2000, 140,000 travellers from Shanghai, 73,000 from Zhejiang Province and 42,000 from Jiangsu Province took outbound tours organized by travel agencies. The amount of the three figures together is 255,000. Zhejiang travellers mainly came from Hangzhou, Ningbo, Wenzhou and Jiaxing. Jiangsu travellers mainly came from Nanjing, Suzhou and Wuxi.

There are quite a number of airports in the Delta and its density is increasing: Shanghai, Hangzhou and Nanjing have two airports and Wuxi, Suzhou, Ningbo, Changzhou and Zhoushan have one. But only Shanghai has international airports.

In China, international airports are mainly in Beijing, Shanghai and Guangzhou. In each provincial capital city, there is an air service to Hong Kong. At present, outbound passengers from the provinces have the following ways to leave the country:

1) To take a flight from an international airport. Beijing airport is the major airport of the country with the most international flights. Shanghai has the main airports in East China and Guangzhou is the major airport in South China.

2) To exit by land. A lot of passengers come to Guangdong and make their exit there. For instance, many senior people from Zhejiang Province like the itinerary of Guangzhou – Shenzhen – Zhuhai – Hong Kong. Another example is a 10–day tour by a special train from Hangzhou to Hong Kong. The train left Hangzhou at 10 PM and arrived in Hong Kong at 6 AM the third day morning. Participants are mostly senior people and students. There are special trains from all provinces including Xinjiang to Hong Kong.

3) To take a flight to Hong Kong from their provincial capital. But such flights are limited in number.

4) Chartered flights to destinations. For instance, several travel agencies in Zhejiang jointly chartered a weekly flight to Bangkok. They also have about a dozen unscheduled chartered flights to Malaysia a year. There are also chartered flights from Ningbo to Bangkok and Kuala Lumpur. In the Spring Festival of 2002, The Overseas Travel Company of Hangzhou chartered five planes to Bangkok that were fully booked in half a day.

In recent years, some changes have taken place in the choice of ports of exit by the passengers. In Zhejiang Province, for instance, when outbound travel just started, 80% of the passengers went to Guangdong and then made their exit by land. Now 30% of the passengers fly from Hangzhou to Hong Kong, Macao or Bangkok; 50% of them go to Shanghai to take international flights and 20% go to Guangdong and then go out. In the past, 80% of passengers used port of exit on land and 20% of them used airports for exit. Now the proportion is reversed. The reasons for such changes are:

1) Transportation facilities in the Yangtze River Delta have improved. Since the Shanghai – Hangzhou freeway was completed by the end of 1998, it takes only two hours to go to Shanghai from Hangzhou by car. Consequently, more and more outbound passengers go to Shanghai for exit. 80% of the outbound group passenger would get together and disperse at Shanghai airports. Since many people in the Delta have their own cars, it is very convenient for them to get to the airport to meet the rest of their tour groups.

2) There are more and more international flights from Shanghai airports, especially to the destinations. So the passengers have a wide range of choices.

3) Even if it is cheaper, more and more tourists and wage earners in particular do not choose a port of exit on land, instead they choose to use an airport for exit because it is faster and more comfortable.

Their local travel agencies handle the outbound passengers of Shanghai who want to exit from Zhejiang, Jiangsu, Anhui and Shandong provinces, including the necessary documentation. But travel agencies in Shanghai arrange their international air tickets and seats. There are 3 to 4 travel agencies in Shanghai, which arrange tickets and seats for passengers from other provinces. They handle about 100,000 passengers a year. The situation in Beijing and Guangzhou regarding exit passengers from other provinces is similar to that of Shanghai.

4.2.4. Zhejiang

4.2.4.1. The social and economic situation of Zhejiang Province

Zhejiang is situated at the Southeast coast of China and in the Southern wing of the Yangtze River Delta. The province has an area of 101,800 square kilometers, is one of the smallest provinces in China. The population of Zhejiang is 45.93 million.

Historically, Zhejiang has been one of the richest provinces of the country. Commerce and maritime trade in Zhejiang has a long history. Wenzhou and Ningbo are important seaports for international trade in southeast China. Ships can sail from there to Japan, the Republic of Korea, and Southeast Asia.

Many talented people have been brought up in Zhejiang. In the past two thousand years, over 1,000 men of letters (about one sixth of those of the country) have been recorded in history. Now 20% of the academics are from Zhejiang.

Since the policy of opening up and reform is carried out, Zhejiang has become one of the economically most vigorous provinces in China. The outstanding features of Zhejiang's economy are:

1) **Market economy has an early development in Zhejiang.** GDP of the province rose from 12.4 billion Yuan in 1978 to 603.6 billion Yuan (US$73.04 billion) in 2000, with an average annual growth rate of 12.2%. It moved forward from the 12th place to 4th place in the country. Per capita GDP rose from 331 Yuan to 13,461 Yuan (US$ 1,630), which is an advance from 16th to 4th place in the country. Per capita disposable income has experienced an average annual increase of 7.4%. Per capita disposable income of urban residents is the fourth largest and that of rural residents the third largest of provinces in China.

Quotas concerning the livelihood of the people in Zhejiang (1) (US$)

	1999	2000
Per capita GDP	1,457	1,630
Per capita disposable Income of urban residents	1,020	1,123

Source: "Zhejiang Statistics 2001"

2) **A diversified economy.** In the total economic volume of the province, economy of non-public ownership occupies 47% and individual economy takes up 40%. In the total industrial output value of the province, the state owned economy has a share of 6.5%, the collectively owned economy has 14.8%, the economy of shareholders occupies 19%, the individual economy has a share of 49% and foreign enterprises have 10.7%. During the period of 1995–2000, workers and employees in the state owned economy were decreasing, while the number of people in private enterprises or privately owned small enterprises were increasing. By 2000, the number of self-employed workers surpassed the number of workers in the state owned economy.

The number of workers in the state owned economy and in the private economy (1,000)

	1995	1999	2000
Workers in state economy	2,946	2,331	2,082
Workers in private economy	964	1,633	2,086

Source: " Zhejiang Statistics 2001"

3) Medium and small sized enterprises are very active and makes up 70% of the economy of the province.

4) Village and township enterprises are booming. There are 1.08 million village and township enterprises in the province with 8.88 million workers. In 1998–2000, for three years running, the total economic volume and the main economic quotas of the village and township enterprises take the first place in China.

As a result of economic development, the disposable income of urban residents is increasing. In household spending, the share of entertainment, cultural activities and tourism is growing. In 1995, money used on such items took 8% of household spending. The figure rose to 13% in 2000.

Quotas concerning the livelihood of the people in Zhejiang (2)

	1999	2000
Household actual expenditure (US$)	997	1,064
Of which spending on consumption (US$)	790	856
Of which spending on entertainment, cultural activities and tourism (%)	12.2	13

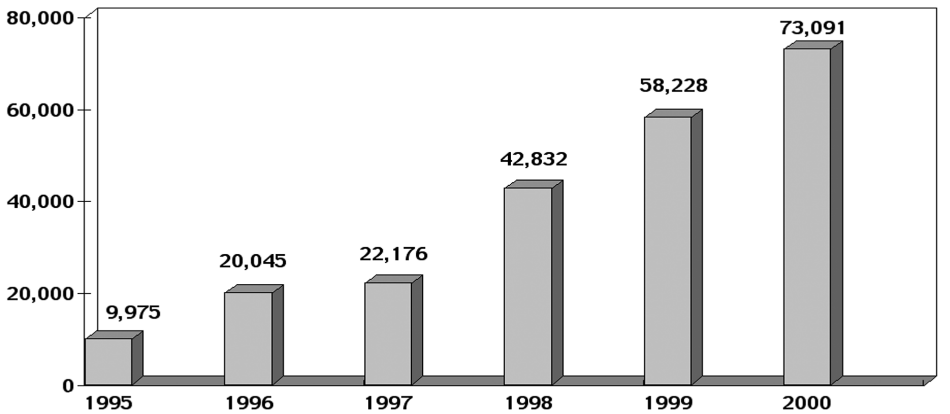
Source: "Zhejiang Statistics 2001"

During the 9th Five Year Plan (1996–2000), the average annual growth rate of GDP of the province was 11% and that of per capita was 10.5%. During the 10th Five Year Plan (2001–2005), the average annual growth rate of GDP is expected to be about 9%. In 2005, GDP is expected to reach 920 billion Yuan and per capita GDP will be 20,000 Yuan (US$ 2,400–2,500). The urbanization rate will reach 45%. In the province, non-agricultural population will count for 63% of the total population.

4.2.4.2. Outbound tourism of Zhejiang Province

Outbound travel organized by travel agencies has developed quickly since 1995. The number of outbound passengers was less than 10,000 in 1995. It rose to over 70,000 in 2000, which indicates an increase of seven times in six years.

Growth of outbound travel in Zhejiang province



Source: "Zhejiang Tourism Annual Report 2000"

Outbound tours organized by travel agencies in Zhejiang

	1995	1996	1997	1998	1999	2000
Outbound figure	9,975	20,045	22,176	42,832	58,228	73,091
Change %		101.0	10.6	93.1	35.9	25.5

Source: " Zhejiang Tourism Annual Report 2000"

Zhejiang is the hometown of many overseas Chinese. Demand for outbound travel is strong in the province. Especially since 2000, outbound travel by people of middle-income stratum (family annual income above US$ 7,300) is increasing notably and many people in Zhejiang tend to follow the trend. In the past, during the Spring Festival, grown up children usually gave money (about US$ 1,000) to their parents to show their filial affection. Now many of them would buy tours to Beijing or even to Southeast Asia for their parents.

Hangzhou, Ningbo and Wenzhou are the main generating places for outbound passengers. Hangzhou has the highest per capita GDP, followed by Ningbo, Shaoxing and Wenzhou. But Wenzhou has the highest per capita disposable income, followed by Ningbo, Hangzhou and Shaoxing.

Economic quotas of major cities in Zhejiang (2000)

	Population (1,000)	Per capita GDP (US$)	Per capita disposable income of urban (US$)
Hangzhou	6,216	2,704	1,170
Ningbo	5,409	2,638	1,275
Wenzhou	7,363	1,375	1,459
Shaoxing	4,327	2,184	1,141
Jiaxing	3,312	1,980	1,131
Huzhou	2,558	1,791	1,051

Source: "Zhejiang statistics 2001"

Hangzhou is the city with most outbound travellers in the province. In 2000, per capita GDP of the urban residents of the city for the first time exceeded US$ 3,000 (US$ 3,265) and per capita disposable exceeded 10,000 Yuan (10,896 Yuan or US$ 1,319). The high-income strata are executives in financial, insurance and telecommunication business and white-collars in foreign enterprises. Their consumption pattern is similar to white-collars in the big cities. The mass consumers in the outbound market are similar to those in the biggest cities.

What is worth mentioning is the city of Wenzhou, which is not in the Yangtze River Delta. Wenzhou is situated in the Southeast of the province, on the South bank of Oujiang River. One of the outstanding features of the economy of Wenzhou is the leading role of private economy. One of the characteristics of the people of Wenzhou is that they like to go abroad. Most families have someone living overseas. In Europe, Wenzhou's people own many Chinese restaurants. On the outbound market, following are the special features of Wenzhou travellers:

1) They do not travel by public funds but with their own money. Many families take overseas trips every year. Their plan is to make money and then travel. It is common that several families' travel together every year and each family will pay for the whole group in turn.

2) The rate of repeaters is high. New tour products are selling well in Wenzhou. Some families take a new tour each year. Some families have been to North America, Europe, Australia and New Zealand and now they turn to Brunei and Maldives.

3) They travel in a leisured way. They do not go to many countries on one trip, but stay in one country for a few days. For instance, they will stay in Switzerland for ten days.

4) They are willing to pay. To make a comparison, Hangzhou people mostly pay the travel agencies for their overseas trip within the time limit; but Wenzhou people often book their tours two to three months in advance and make the payment.

They do not join big groups but several families go together. If there are less than 16 people in the group, they are willing to pay the extra. They want to stay in 4–5 star hotels and they must go shopping. Some of them bring tens of thousands of U.S. dollars in cash to go shopping, so shopping malls are essential to them. In Hong Kong, they do not go to those shops frequented by tourists (such as gold and jewelry shops), but to famous boutiques. In Thailand, they are willing to pay for extra items. In the Republic of Korea, they buy large amount of ginseng. Travel agencies at the destinations welcome groups from Wenzhou. The philosophy of Wenzhou people is: "When I do business, I earn money from other people. Now I buy things from others and it is normal for them to earn some money from me".

The repeat travellers are about 20–30% of the outbound passengers in Zhejiang. The proportion is higher in Wenzhou.

The three golden weeks and the summer and winter vacations are the high season for outbound travel. The profits of travel agencies earned in the Spring Festival and the summer vocation occupy 45% of the total profits of the year. In the summer and winter vacations, family travel is 50% of the outbound travel. The children of these families are mostly students from first year in junior middle schools to first year in senior middle schools.

As for their destinations, because of the restrictions policy, people in Zhejiang can only go to Hong Kong, Macao, Thailand, Singapore, Malaysia and the Republic of Korea. Both travellers and travel agencies think there are few choices for them. A few people who are not content with the present situation will find their own way to go to other destination, as Wenzhou people mentioned above. The majority just hopes that Australia, New Zealand and Japan will open to more provinces of China and more destinations will be open too.

Destinations of outbound travel organized by travel agencies

	1999	**2000**	**Change** (%)	**Share** (%)
Hong Kong	50,029	53,036	6.0	32.5
Macao	37,191	45,834	23.2	28.1
Thailand	37,864	34,018	- 10.2	20.8
Singapore	13,958	14,112	1.1	8.6
Malaysia	14,096	13,290	- 5.7	8.1
The Philippines	232	811	249.6	0.5
Korea, Republic		21,82		1.3

Source: “Zhejiang Tourism Annual Report 2000”

4.2.5. Heilongjiang

4.2.5.1. A short introduction to Heilongjiang Province

Heilongjiang Province is situated in the Northeast of China at high latitudes, where the sun rises the earliest among all the provinces. The province has an area of 460,000 square kilometers, the sixth largest in China. The population of the province is 38.07 million. The province borders on the Russian Federation, with a borderline of 3,045 kilometers. There are 25 ports, 10 of them ports of entry and exit for passengers.

Heilongjiang is an industrial province. The biggest oilfield in China – Daqing Oilfield – is here. The profits and taxes contributed by Daqing Oilfield occupy nearly 70% of the revenue of the province. In the recent years, border tourism has brought benefits to the local economy: For example, before 1988, Suifenhe was only a small town with a population of 10,000 people. Since border tourism begun to develop in the area, local economy has been growing quickly. Now the former small town has become a city of prefecture level with a permanent population of 50,000 people and another 50,000 business people from other provinces. In 2000, the per capita GDP of the city exceeded US$ 3,000. Its per capita telephone, cellular phone and automobile take the first place in the province. The income from tourism is US$ 42.4 million, which is 37% of the city’s GDP.

Social and economic quotas of Heilongjiang Province

	1978	1985	1990	1995	1999	2000
Population (1,000)	3,130	3,357	3,543	3,701	3,792	3,807
Per capita GDP (RMB)	564	1,062	2,028	5,419	7,660	8,562
Per capita GDP (US$)					927	1,037
Disposable income of urban residents (RMB)		742	1,211	3,375	4,595	4,913
Disposable income of urban residents (US$)					556	595

Source: "Heilongjiang Almanac 2001"

Major social and economic quotas of the three cities in 2000

	Haerbin	Daqing	Mudanjiang
Population (1,000)	9,346	2,506	2,693
Per capita GDP (US$)	1,279	5,021	937
Disposable income of urban residents (US$)	682	1,101	587

Source: " Heilongjiang Almanac 2001"

Haerbin, Daqing and Mudanjiang are the main generating cities for outbound travel. Haerbin is the provincial capital with a developed industry and a prosperous international trade. Daqing became a city because of the oilfield. Per capita GDP of Daqing is US$ 5,021, higher than that of Shanghai. Mudanjiang is the major city and it is situated in the Southeast of the province. The percentage of forest cover of the city is 57.8%, hence a developed forestry. The city has a number of ports of entry and exit, so the border trade is brisk. The population and GDP of these three cities is 38.2% and 68.9% of that of the province respectively. The per capita GDP and disposable income of rural residents of the three cities are in the forefront of the province.

4.2.5.2. Border tourism

In Heilongjiang, travel at the border areas started in 1988. It has gone through three stages.

The first stage is 1988 to 1992. In this period, the way of doing border travel was exchanging tourist groups on equal bases. Both parties sent the same number of tourists to the other side. In border trade, they used a system of barter to avoid the problem of settling accounts with money. In the five years from 1988 to 1992, the Chinese side sent 3,689 groups of 110,073 passengers and the Russian side sent 3,662 groups of 102,042 passengers. The number of groups and passengers from both sides were basically equal. Most of the Chinese passengers to Russian Federation were businessmen doing border trade, and few of them were tourists.

The second stage is from 1993 to 1995. During this period, cash of hard currency was used in border trade, and as a result, border trade saw a fast growth. In border travel, the method of exchange of groups was abolished. Passengers from Russian Federation to China gradually surpassed the number of Chinese travellers to Russia. In the three years of 1993–1995, 7,150 tour groups of 210,900 passengers from China visited Russia and 17,186 Russian tour groups with 407,678 tourists went to China. The number of Russian travellers almost doubled the number of Chinese travellers. Among the Chinese outbound travellers, the proportion of tourists rose quickly. Most of them were from Heilongjiang Province.

The third stage is from 1994 to 2000. After rectification and consolidation, border tourism and trade was under standardized administration. The incoming Russian traveller number was still bigger than the Chinese outbound figure. Among the Chinese outbound travellers, the number of border trade businessmen was relatively stabilized at a certain amount. The increase mainly comes from tourists and most of them are from other provinces of the country.

The development of inbound and outbound tourism of Heilongjiang Province

	Inbound		**Outbound**	
	No. of travellers	**Change** (%)	**No. of travellers**	**Change** (%)
1988	520		520	
1989	8,200	1476	7,940	1426
1990	17,053	107	18,666	135
1991	31,201	82	33,288	78
1992	51,368	64	49,659	49
1993	101,857	98	73,000	47
1994	119,915	17	68,349	- 6
1995	186,406	55	75,592	10
1996	285,808	53	83,561	10
1997	328,399	14	89,589	7
1998	330,045	0	127,170	41
1999	300,000	-9.1	130,000	2.2
2000	400,000	33.3	200,000	54
Grand total	**2,160,772**		**957,334**	

Source: Heilongjiang Provincial Tourism Administration

The main ports of entry/exit in Heilongjiang are Heihe, Suifenhe, Dongning, Tongjiang and Fuyuan. In 2000, 200,000 passengers exited from the ports of Heilongjiang. Among them, 58% (116,000 people) made their exit at the ports of Mudanjiang. Among the ports of Mudanjiang, the busiest port is Suifenhe, which had a share of 52% (60,000 travellers).

There are both railway and highway at the port of Suifenhe. The railway system is operating all year round with daily train service to both directions. But the port on the highway is closed on both Chinese and Russian holidays and on weekends. So the train service is more convenient and has bigger traveller volume. About two thirds of the outbound travellers take the train and one third of them use the road.

Concerning the composition of the outbound travellers, border trade businessmen were the majority at the beginning of the border travel. In the early 1990's, the proportion of businessmen and tourists was 7:3. In the following years, the number of border trade businessmen is relatively stabilized but the number of border tourists is increasing. In 2000, the proportion was inversed to 3: 7.

At the beginning of the border travel, travellers were mainly from the province. After a few years, travellers from other provinces take bigger and bigger share of the market. Now they have occupied 85% of the total number of passengers. A statistic of Mudanjiang Tourism Administration, which is based on the outbound documents, shows that travellers from the province take 15%. Among travellers from other provinces, Beijing has the most travellers (12.1%), followed by Yangtze River Delta, which includes Shanghai, Jiangsu and Zhejiang (20.7%), Guangdong (7.6%), and the three provinces in the Northeast (Heilongjiang, Liaoning and Jilin combined 25.7%). The amount of the four figures is 66 % of the total. Most of the travellers from other provinces are tourists using their own money. There are also people who come to Heilongjiang Province for conferences or business and take the opportunity to have a border trip.

Outbound traveller composition of Mudanjiang (%)

Province	Beijing	Shanghai	Liaoning	Guangdong
14.9	12.1	9.7	7.7	7.6

Jiangsu	Zhejiang	Shandong	Hunan	Jilin
5.5	5.5	4.3	3.5	3.1

Source: Mudanjiang City Tourism Administration

Many of the outbound travellers from other provinces fly to Haerbin, capital of Heilongjiang Province, and then go to entry/exit ports. For example, in Suifenhe, passengers take the evening train at 7:20 to leave Haerbin and arrive in Suifenhe at 5:51 the next morning. Then they will complete the formalities at the immigration and the customs and leave the country. Others may leave China by plane. For instance, there are two flights a week between Mudanjiang and Vladivostok by Russian airlines. Chinese travel agencies block the seats. But it is a small plane with only 36 seats.

From Heilongjiang, travellers will go to the following places:

1) From Suifenhe or Dongning to Vladivostok. Suifenhe, the border town in the northeast of Heilongjiang, has been an import and export port for over a hundred years and nowadays it is a first class port. The distance between Suifenhe and Vladivostok is 230 kilometers. A railway line and two highways connect the two cities. The port of Dongning, a first class port, was put into operation in 1990 and it is 153 kilometers far from Vladivostok. Vladivostok is situated in the southern tip of the Mulayev – Amur Peninsula and is the terminus of the Trans-Siberian Railway. The city used to be the main base of the Pacific fleet of the former Soviet Union as well as the capital of the border region.

2) From Heihe to Blagoveshchensk. The Heihe port, which is situated on the southern bank of the border river of Heilongjiang in the North of the province, has a history of over 100 years. Crossing the river by boat, we will reach Blagoveshchensk, the oldest city in the Far East of Russian Fed.

3) From Tongjiang or Fuyuan to Khabarovsk. Tongjiang is situated in the northeast of the province and is separated from the border area of Khabarovsk by the Heilongjiang River. Fuyuan Town is 239 kilometres to the northeast of Tongjiang and crossing the border rivers of Heilongjiang or Wusulijiang from Tongjiang or Fuyuan, we will arrive to Khabarovsk, the largest city in Russia's Far East. In recent years, about 10% of border tourists go as far as Moscow or St. Petersburg.

The major trends of the development in border travel are:

1) More and more passengers use their own money for border travel, which by nature is mass tourism. A 4-day tour from Suifenhe to Vladivostok costs US$ 210–220. Now 60% of passengers are individuals who sign up at a local travel agency, which in turn will ask a travel agency in Heilongjiang to make arrangement. Individual passengers will go to a city in Heilongjiang to meet others to form a group. They will go to Russia in a group and come back in the same group. The size of a group may vary, from 5 to 40 passengers.

2) Russian Federation will soon become an ADS for China. Once Russian Federation is open, border travel and outbound travel to Russia will be combined into one.

4.2.5.3. Outbound travel

The main customers for outbound travel are small enterprises owners, building contractors, people in the oil industry, teachers and civil servants.

The characteristics of outbound tourism are:

1) The ADS-countries open for people in Heilongjiang are Hong Kong, Macao, Thailand, Singapore, Malaysia and Republic of Korea. Most of the consumers would like to go to these places once if they could, but there is a very small possibility for them.

2) People in the Northeast are bold and uninhibited in their nature. They regard spending money at will as "understanding how to live well". They have strong purchasing power when they go abroad. A tour from Heilongjiang to Southeast Asia costs US$ 610–730. But travellers usually bring cash three or four times more than the tour price for shopping or entertainment at the destination. Some of them are regarded as "mad about shopping".

There is no direct flight from Haerbin to outbound destinations except two flights a week to Hong Kong. So most of the passengers have to transfer in Hong Kong. 30% of the passengers take a direct flight to Hong Kong and 70% of them go to Guangdong and then go to Hong Kong by land. The reasons for going to Hong Kong to transfer are:

1) There are many airline companies and many flights in Hong Kong to choose from and because of the competition, prices may be cheaper;

2) The Southeast Asian market is controlled from Hong Kong. Travel agencies in Hong Kong are familiar with the market and skillful in operation. Travel agencies in Hong Kong handle a considerable part of tourist groups from the mainland. Among them, Koni and Galifer Travel have rather big shares.

The next goal for outbound travel is Europe. 60–70% of passengers who have been in Thailand, Singapore, Malaysia, Hong Kong and Macao, are able and interested to go to Europe. The reasons why they are interested in Europe are: At the beginning of the 20th century, with the building of Zhongdong Railway, Haerbin became influenced by European culture. Some buildings in Haerbin and the St. Sophia Church in particular, still maintain a European touch, so people in Heilongjiang Province feel close to European culture. There are a lot of countries in Europe, which have rich culture, a developed economy and beautiful scenery. So, Europe is very attractive.

Among the existing European travel products, multi-nation itineraries are most welcome. Generally speaking, people in Northeast China will take a tour of 15 to 16 days to 10 countries. To many people, Europe is worth of a second visit. Travellers, who can go to Europe for the second time, will make careful choice of the itinerary and will see the places in details. In Europe, the most popular countries are: France, Italy, Germany and Switzerland. They also want to visit Britain, but for the moment, it is not possible.

Travellers from North China rely on travel agencies in Beijing for tour arrangements to Europe. They most often come to Beijing to start their trips to Europe. At the moment, the cost of a business study trip to 10 European countries for 15 days in a group of 30 people is between US$ 2,100 to 2,300. People in Northeast China like full packaged tours: more items included, better is the tour.

4.3. Outbound Destinations for China

By the end of 2001, the Chinese government has approved 17 destinations for Chinese outbound passengers (see chapter 3).

The statistics are based on figures from border control offices, so they are accurate. But the destinations only show the first stops of the passengers. Actually most of the travellers go to several countries on one trip. Therefore, there is a discrepancy in the number of travellers to a destination publicized by the Chinese authority and the figures provided by each destination.

Main destinations for Chinese outbound tourists

Destination	1999			2000		
	No. of passenger	Change (%)	Share (%)	No. of passenger	Change (%)	Share (%)
Asia	**7,813,193**	**9.9**	**84.63**	**8,845,908**	**13.2**	**83.1**
H.K	3,571,228	5.9	45.7	4,142,191	16.0	46.6
Macao	1,550,772	-2.9	19.9	1,644,421	6.0	18.6
Taiwan	84,094	19.7	1.8	86,154	2.5	1.0
Japan	537,637	7.2	6.9	595,660	10.8	6.7
Korea, Republic	310,159	44.9	4.0	400,958	29.3	4.5
Thailand	813,941	43.4	10.4	707,456	-13.1	8.0
Singapore	211,072	9.6	2.7	262,776	24.5	3.0
Malaysia	84,304	6.3	1.1	86,696	2.8	1.0
Philippines	35,342	-19.8	0.5	33,647	-4.8	0.4
Indonesia	15,202	-31.6	0.2	19,963	31.3	0.2
Korea, DPRK	175,942	80.3	2.3	194,970	10.8	2.2
Mongolia	50,605	68.0	0.7	63,044	24.6	0.7
Kazakhstan	49,430	2.3	0.6	44,226	-10.5	0.5
America	**429,831**	**8.4**	**4.7**	**523,081**	**21.7**	**4.9**
USA	331,596	4.1	77.2	395,107	19.2	75.5
Canada	75,937	30.3	17.7	100,178	31.0	19.2
Europe	**823,553**	**7.0**	**8.9**	**1,079,089**	**31.0**	**10.1**
Russia	437,740	0.9	53.2	606,102	38.5	56.2
Germany	93,617	11.8	11.4	112,824	20.5	10.5
France	87,826	39.7	10.7	96,485	9.9	8.9
Britain	42,807	17.4	5.2	61,129	42.8	5.7
Oceania	**119,153**	**11.8**	**1.3**	**150,231**	**26.1**	**1.4**
Australia	102,387	10.3	85.9	126,852	23.9	84.4
New Zealand	12,591	41.9	10.6	18,288	45.3	12.2
African	**41,179**	**2.8**	**0.5**	**47,521**	**15.4**	**0.5**
Others	**5,456**	**27.6**	**0.1**	**3,625**	**-33.6**	**0.0**
Total	**9,232,365**	**9.6**	**100**	**10,649,455**	**15.4**	**100**

Source: “China Tourism Annual Report”

Notes: 1. The share of each continent means its percentage in the inbound total

2. The share of each destination means its percentage in the continent’s total

In this report, the survey of each destination mainly demonstrates travel with private funds. The data showing the arrivals of Chinese passengers to a destination come from five sources:

1) Arrival figures provided by the tourism boards of Thailand, Singapore, Malaysia, Hong Kong and Macao;

2) Inbound figures of member countries in “Tourism Market Trends 2001: Asia” of the World Tourism Organization;

3) Inbound figures of member countries of the European Tourism Commission;

4) Number of visas issued to Chinese nationals provided by Australian and Canadian Embassies in Beijing;

5) The outbound figures as publicized in “China Tourism Annual Report” of the CNTA. The principle in the adoption of figures is to use the figures provided by destinations in the first place. When such figures are absent, figures from CNTA are used, based on the statistics of the first stops of Chinese outbound passengers.

4.3.1 Hong Kong and Macao

Hong Kong

Hong Kong is one of the first destinations that have been opened to Chinese outbound tourists. Since 1983, there has been a rapid growth in the number of mainland passengers traveling to Hong Kong. In the first year the number was 121,000. In 1992 it rose to 1 million. 1995 saw a figure of over 2 million. In 1999 the number exceeded 3 million. In 18 years, the number of tourists to Hong Kong has increased by 30 times.

Number of mainland travellers to Hong Kong (1,000)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Tourist No.	121	215	309	363	485	684	730	754	875	1,149
Change (%)	--	76.9	43.8	17.6	33.3	41.1	6.8	3.3	16.0	31.3

	1993	1994	1995	1996	1997	1998	1999	2000
Tourist No.	1,733	1,944	2,243	2,389	2,364	2,672	3,206	3,786
Change (%)	50.8	12.2	15.4	--	-1.1	13.0	20.0	18.1

Source: Hong Kong Tourism Board
Note: Figures from 1996 onwards include travellers coming from Macao who are not Macao residents.

Travellers to Hong Kong handled by travel agencies from some provinces and cities (2000)

	Guangdong	Beijing	Shanghai	Zhejiang
No. of travellers (1,000)	341	50	47	53

Source: Statistics from relevant provinces and cities

The mainland has become the most important generating market for Hong Kong. In October 2001, affected by the September 11 terrorist attack in New York, the main generating markets for Hong Kong–North America, Europe and Japan showed a two-digit plunge. But travellers from the mainland increased by 25.5%. From January to October, passengers from the mainland amounted to 3.58 million and their share in Hong Kong’s inbound total rose from 29.2% of the same period in the previous year to 31.8%.

Guangdong is the largest generating market in the mainland’s outbound tourism to Hong Kong. In 2000, 341,000 Guangdong residents visited Hong Kong through the arrangement of travel agencies. Meanwhile, Beijing, Shanghai and Zhejiang generated about 50,000 travellers each to Hong Kong.

Travellers to Hong Kong fall into following categories:

1) **Visiting relatives or friends and travel.** Such passengers are basically from Guangdong. So far Guangdong Province has issued more than 170,000 travel documents for going to Hong Kong and Macao valid for multiple entry/exit. Since most Guangdong residents have relatives or friends in Hong Kong, 70% of Guangdong passengers do not stay in hotels, but 60% of them stay in hotels when they go to Macao. This is the most obvious difference between Guangdong passengers and passengers from other parts of China. Family members of employees working in Hong Kong companies owned by the mainland often go to Hong Kong for family reunion. It is very convenient for them to buy a Hong Kong tour from a travel agency to go to Hong Kong. An air ticket plus documentation is US$ 390. They may stay in Hong Kong for 13–28 days. They enter and leave Hong Kong in a group, but disperse and get together again at the airport.

2) **Business plus travel.** Such passengers mainly come from Beijing, Shanghai and the Yangtze River Delta, the Pearl River Delta and provincial capitals. Hong Kong is a bridgehead for the entry of foreign capital into the Chinese market. The headquarters for China or Asia-Pacific of many transnational corporations are based in Hong Kong and many foreign enterprises in the Chinese mainland send their staff to Hong Kong for training. As Hong Kong has the best exhibition facilities in Asia, a lot of companies take part in exhibitions in Hong Kong. About one third of Shanghai travellers to Hong Kong handled by travel agencies, are for business or convention/exhibition.

3) **Holiday and leisure.** A considerable part of travellers from the hinterland choose tours to Thailand, Singapore, Malaysia, Hong Kong and Macao. The reason is that Hong Kong has a lot of flights and by doing so they can see more places. Passengers from the hinterland also take tours to the Pearl River Delta, which includes Guangzhou, Shenzhen, Zhuhai, Hong Kong and Macao. They take a train journey to Guangdong and then go out on land. Travel to Hong Kong and Macao has become affordable to the common people in the big generating areas. A 4-day trip to Hong Kong including hotel accommodation, airport transfer and a return air ticket from Hangzhou costs US$ 350. After passengers arrive in Hong Kong, they may join a one-day tour with three meals for US$ 36, which is an acceptable amount for working people. In Beijing, Shanghai and other big cities, rich people (for example, famous actors and actresses, big shots in business circles and some executives) go to Hong Kong in their holidays. Some of them go there quite frequently for shopping of fashionable garments.

4) **Transit and travel.** Travellers living in cities without direct air links to their destinations often go to Hong Kong for transit. For example, Shanghai passengers go to Hong Kong and transfer to New Zealand, Vietnam, Philippines or Cambodia. For provinces like Zhejiang which is not far from a major airport, about 20% of their outbound passengers have transit in Hong Kong. People living in remote provinces such as Heilongjiang which has no direct flights to most of the destinations except

two flights a week to Hong Kong, will go to Hong Kong for transit to Southeast Asia in most cases. About 30% of them take direct flight to Hong Kong and 70% will go to Hong Kong from Guangdong province by land.

The reasons why people go to Hong Kong for transit are:

(1) there are a lot of flights between Hong Kong and the destinations. There are more choices so competition leads to cheaper prices;

(2) travel agencies in Hong Kong handle many tourist groups to Southeast Asia from the hinterland and remote provinces.

Travel to Hong Kong has undergone the following changes:

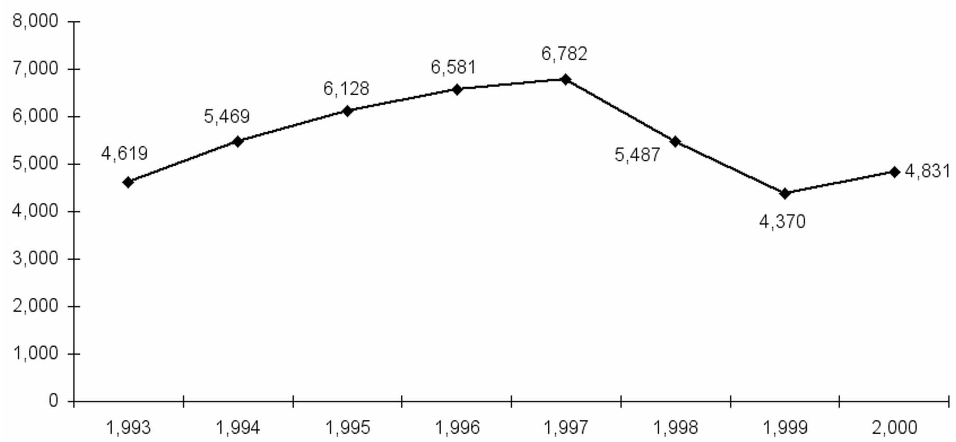
1) the size of groups are becoming smaller;

2) the stay in Hong Kong is getting shorter;

3) tour prices and per capita spending in Hong Kong are coming down. A full packaged 8-day tour in Hong Kong is reduced from US$ 569 to U.S$340–360. A half-packaged 8-day tour (no meals and no sightseeing) has come down from US$ 260 to US$ 195. In 2000, per person spending of mainland travellers in Hong Kong was HK$ 4,800, which is more than US$ 615.

4) The proportion of transit travellers and those who do not stay overnight in Hong Kong is growing. In 2001, the number of Guangdong tourists to Hong Kong handled by travel agencies decreased, but the number of outbound travellers who had transit in Hong Kong increased. According to Hong Kong Tourism Board, in the period of January-October 2001, 31.5% of the total passengers to Hong Kong did not stay overnight.

Per person expenditure of mainland travellers in Hong Kong (HK$)



Source: Hong Kong Tourism Board

Macao

Macao was opened as a destination the same year as Hong Kong. The number of mainland travellers to Macao was smaller than to Hong Kong, but the growth rate is at the same level as for Hong Kong. Especially since Air Macao started its service to the mainland, the number of travellers to Macao has grown quickly.

Number of mainland travellers to Macao (1,000)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Number	15	27	272	245	550	608	529	817	1,645
Growth (%)		76.1	919.5	-9.9	113.5	10.4	-12.8	54.2	101.4

Source: Macao Government Tourism Office

In the outbound market to Macao, Guangdong Province is the largest generating area. In 2000, 520,000 travellers visited Macao handled by travel agencies. The number of travellers to Macao from Beijing or Shanghai is smaller than that from Zhejiang Province, which demonstrates that more people from inland provinces link Hong Kong and Macao together on their tour than people from Beijing and Shanghai do.

Number of travellers to Macao handled by travel agencies from some provinces and municipalities in 2000

Provinces/municipalities	Guangdong	Beijing	Shanghai	Zhejiang
Travellers (1,000)	520	22	37	46

Source: Tourism statistics from provinces and municipalities concerned

In Guangdong Province there are more people going to Macao than to Hong Kong. The main reason is both the tour costs and prices for meals and shopping in Macao are lower than in Hong Kong. In addition, Macao is more exotic than Hong Kong. There are buildings of Portuguese style and Portuguese cuisine in Macao. There are more museums (automobiles, wine, sea trade, science museums and the Macao Museum) in Macao than in Hong Kong. Travel agencies sell attractive travel products in Macao successfully. For example, in 1998 about 10,000 tourists bought the “Cycling in Macao” tours. Parents take their children in summer or winter vacations to “Family rejoicing tour”. “Tours to Macao museums” are mainly for children. Residents in the Pearl River Delta like to go to Macao during their holidays. During the main festivals, the daily volume of passengers to Macao is about 5,000, an amount that Macao can hardly cope with. So some passengers are accepted as long as they don’t ask for a hotel accommodation. About 30% of the passengers to Macao are frequent visitors. In the Spring Festival of 2002, due to the shortage of hotel accommodation, several thousand-mainland tourists had to postpone their visit to Macao.

4.3.2. Southeast Asia

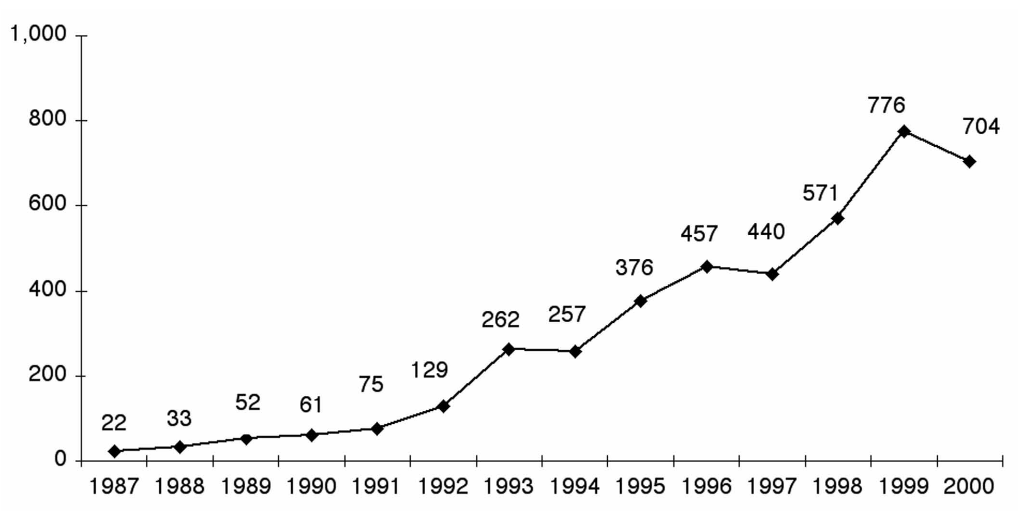
Thailand, Singapore and Malaysia

According to the Tourist Authority of Thailand, Chinese tourists to Thailand rose from 21,000 in 1987 to 704,000 in 2000, with an average annual growth rate of 30.8%. From 1987 to 1993, the average annual growth rate was 51.7% and from 1994 to 2000 the average growth rate was 18.3%. Looking at the growth curve, we can see that the figure of the outbound travellers to Thailand has surpassed the highest point in the parabola and started a downturn. In 2000, according to the CNTA, the number of outbound tourists to Thailand dropped by 13%. According to travel agencies in the five municipalities and provinces, which this report covers, there is a downturn in the number of travellers to Thailand. The reasons are:

1) Travel to Thailand has been open for more than ten years. As the life cycle of a product develops to a certain stage, it is necessary to consider upgrading of the product;

2) As more destinations are becoming available, passengers have more choices and as a result, the competition between destinations is getting fiercer.

Chinese travelers to Thailand (1,000)

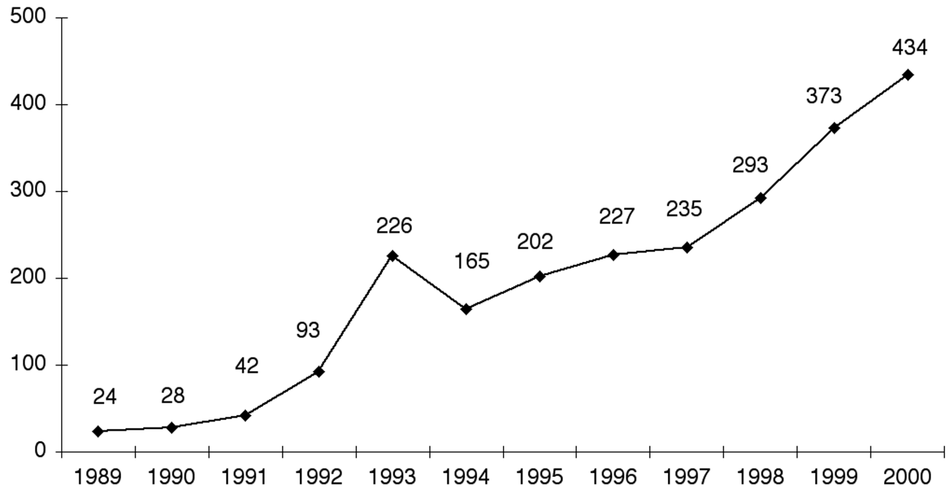


Source: Tourism Authority of Thailand

The statistics of the Singapore Tourism Board show that from 1989 to 2000, the number of Chinese visitors rose from 24,000 to 434,000. The average annual growth rate was 29.5% from 1991 to 2000. During the period of 1996–2000 the averaged annual growth rate was 17.7%. Judging from the growth curve, we can realize about the continuous increase. In 2000, according to the CNTA, there was a 25% growth in the number of travellers to Singapore. In 2001, because of the impact of the September

11 terrorist attacks, inbound travellers to Singapore dropped by 2.2%. But there was an increase of two digits of Chinese travellers. The performance of travel agencies in the five provinces and municipalities shows a strong increase in travellers to Singapore. Because there is no direct flight to some new destinations such as New Zealand and Brunei, some travellers go first to Singapore and then transfer to these destinations. These transit passengers have contributed to the growth.

Chinese travelers to Singapore (1,000)



Source: Singapore Tourism Board

The statistics of the World Tourism Organization show that from 1995 to 1999, the number of Chinese travellers to Malaysia rose from 103,000 to 191,000. The statistics of the Malaysian Tourism Board indicates that in 2000, 425,000 Chinese travellers came to Malaysia.

Chinese travellers to Malaysia (1,000)

	1995	**1998**	**1999**	**Growth** (%) **1999-2000**	**Annual growth** (%) **1995-2000**
Number (1,000)	103	160	191	122.5	32.8

Source: WTO " Tourism Market Trends: Asia-2001"

Thailand, Singapore and Malaysia are the earliest destinations except Hong Kong and Macao. They were the hot spots for travel with public funds in the first half of the 1990's, which brought the first high tide of influx of Chinese tourists. Outbound travel with private funds grew quickly in the second half of the 1990's, which saw the second high tide of Chinese tourists to the above three destinations. In the new century, more destinations have brought more choices to Chinese outbound travellers. Those who have been to Southeast Asia will turn to new destinations, thus outbound tourists will spread widely to more destinations. However, Australia, New Zealand and Japan are only open to residents of Beijing, Shanghai and Guangdong Province. So to the residents of the majority of provinces, these three countries remain their first choice.

The advantage of Southeast Asia lies in the following areas:

1) The exotic scenery of the subtropical climate in Southeast Asia is very attractive for the people of North China, especially during winter vocation and Spring Festival.

2) The price level is suitable to the working people and the general public. Tour prices to Southeast Asia have been coming down over the years. In 1992, a tour to Thailand was sold for US$ 1,450; it came down to US$ 436 in 2000 and further down to US$ 400 in 2001. A 10-day tour to Thailand, Singapore and Malaysia costs US$ 550, and US$ 726 to the above three countries as well as Hong Kong and Macao. At the present time, generally speaking, a tour to Southeast Asia is about US$ 485, similar to the price of a domestic long-haul tour (a one-way air ticket from Guangzhou in South China to Haerbin in Northeast China costs about US$ 245). So Southeast Asia is the first choice for many outbound passengers who have traveled around the country.

3) These three countries are closely located; consequently it is easy to go to the three countries on one tour. Outbound passengers increase by several million a year and many of them are first-time outbound tourists. They wish to visit several countries on one trip. At present, tours of 7 to 10 days going to Thailand, Singapore and Malaysia or Thailand, Hong Kong and Macao are popular.

Taking into account tour itineraries, travel agencies usually take Thailand as the center to form an itinerary of Thailand, Singapore and Malaysia; or Thailand, Hong Kong and Macao, or Thailand, Singapore, Malaysia, Hong Kong and Macao. Sometimes they just go to Thailand or Thailand and Malaysia. In the past, many passengers had the mentality that it was no easy thing to go abroad, so they should go to as many countries as possible. Therefore, tours coving several places such as Thailand, Singapore, Malaysia, Hong Kong and Macao sold well. In recent years, there is a decrease in sales of 15-day tours going to above five places. The reasons are:

1) Working people usually do not have such long holidays. Since 1999 when there are three “golden weeks” in a year, most travellers would use these holidays for their outbound trips.

2) Since travellers are becoming sophisticated, more and more people are beginning to accept the concept of leisured holiday. More people take one-destination tours (Phuket, Thailand, for instance). Many of the travellers to Phuket are first-time tourists. According to the CNTA, in 2000, outbound traveller figures to Thailand, Singapore and Malaysia, the number of travellers to Thailand surpassed Singapore greatly and travellers to Singapore are far more than those to Malaysia. The

CNTA's statistics are based on the outbound figures to the first stops. If we compare these figures with figures published by tourism boards of the three countries, we will have a rough idea about how tour itineraries to the three countries are arranged.

A comparison of figures of Chinese travellers to the three countries (2000)

	Thailand	Singapore	Malaysia
Inbound figures by destinations* (1,000)	704	434	425
Outbound figure by China** (1,000)	707	263	87

Source: * From tourism boards of Thailand, Singapore and Malaysia
** "China Tourism Annual Report"

Among travellers to Southeast Asia, working people and retirees are the majority. 95% of the travellers joined tourists groups. In the past two years, both family travel and incentive travel by foreign enterprises are doing well. The former usually take place in Spring Festival or summer and winter vacations. The latter usually are of four or five days.

Southeast Asia market is facing challenges. In absolute figures, Thailand, Singapore and Malaysia still are the main destinations, but their market share is shrinking quickly. In 1999, travellers to the three countries occupied 79% of the total outbound passengers of Guangdong Province. This percentage came down to 57% in 2000. Newly opened destinations such as Republic of Korea, Australia, Japan, Brunei and Vietnam are on the rise.

The development trend of major destinations

	Total	Thailand	Singapore	Malaysia	Republic of Korea	Australia
1999	**425,963**	171,513	84,379	80,586	38,851	9,714
Share (%)	**100**	40.3	19.8	18.9	9.1	2.3
2000	**482,093**	128,757	75,148	70,208	40,309	16,947
Share (%)	**100**	26.7	15.6	14.6	8.4	3.5

Source: "Tourism Statistics of Guangdong Province"

Thailand, Singapore and Malaysia are matured destinations. The market is looking forward to new travel products in these countries. In Beijing, Shanghai, Guangdong and the two deltas, consumers are becoming more experienced and sophisticated and their concept of travel is changing too. Beijing residents pay more attention to experience and participation. Shanghai residents emphasize leisure and Guangdong residents think highly of enjoyment.

All these features have their manifestation in passengers' choice of travel. In these areas, Chiang Mai and Phuket of Thailand, Langkawi and Sabah of Malaysia are attracting the attention of passengers. For example, travel companies in Guangdong have developed deluxe tours to these destinations. They shortened the duration from 5 nights/6 days to 4 nights/5 days. Instead of midnight flight, they use midday flight and come back in the afternoon. They use 4-star or 5-star hotels instead of 3-star hotels, which they used in the past. Travellers will have fewer buffets but more special flavor meals with such delicacies as lobsters and swallow's nest.

New places like Phuket and Chiang Mai and new scenic spots (the Dream Land and the Tiger Park) are included in the itinerary. In this way travellers think that they are really having an enjoyable holiday. Passengers who visited these places five years ago will find something new and feel more comfortable when they come again. In Shanghai, for young white-collars, it is chic to travel at weekends. They leave on Friday and come back on Monday midnight flight and arrive in Shanghai at 7:00 A.M. on Tuesday and hurry to their office. These young people know how to enjoy life. In Beijing, many families go to Phuket in winter vacation. It is generally believed that it is inappropriate to bring children to Pattaya, but not to Phuket. In Beijing, some people go to Southeast Asia to play golf at the weekend, or spend the weekend there with their families or friends. They usually do not join tour groups but go as FITs.

People who live in places other than Beijing, Shanghai and Guangdong do not have many new choices if they can afford another outbound tour because of policy restrictions. So they would like to go to some new places on their second trip. If they went to Bangkok and Pattaya on their first trip, then they would wish to go to Phuket and Chiang Mai on their second one. Some people just like to go to one place, Phuket or Langkawi. A new route in Thailand is Bangkok-Ayutthaya-Nakhon and Payhom-Ratchaburi-Hua Hin.

Family travel is becoming more popular. During the Spring Festival, family travel is about 20–30% of the outbound total. The reason is that every member of the family can have a holiday at the same time. Summer vacation is just for students and teachers, and most families cannot go out together during the summer vacation. Tour prices are most expensive during the Spring Festival. In Hangzhou, tours to Southeast Asia were sold at US$ 730 in the Spring Festival of 2002 and still could not meet the demand.

Singapore has limited natural tourist resources, but it has one of the largest airports in Asia. So the role of Singapore is irreplaceable. For example, as we know, Australia is open as an ADS-country to China, but Qantas and Ansett withdrew their services to China. So some Shanghai travellers to Australia will fly to Singapore and then transfer to Australia. Another example is that when Chinese travel agencies promote South Africa and Brunei, very often their products are Singapore-South Africa and Singapore-Brunei. Such arrangement is not only because of the flight connection but also because of the good service of Singapore Airlines and the nice environment and service at Changi Airport, where travellers can easily spend a few hours waiting for the transfer.

Malaysia has much more tourist resources than Singapore. But Malaysia is in the last place in tour programs, which consist of Thailand, Singapore and Malaysia. The reasons are:

1) Malaysia does not issue double entry visas, so travel agencies have difficulty in making flexible arrangement of tour itineraries;

2) The immigration office facility for an arrival visa in Johor Baharu's airport in Malaysia is limited. As a result, passengers have to wait for a long time at the airport. So travel agencies would rather have on arrival visa in Singapore;

3) The Malaysian Embassy and Consulate needs 5 working days for visa processing, but the Thai Embassy and Singapore Embassy only needs 3 days;

4) The air fare of Malaysia Airlines is more expensive than that of Thai Airlines or Singapore Airlines. The airfare for Beijing to Bangkok is US$ 290–3315. From Beijing to Singapore by midnight flight the fare is US$ 242. From Beijing to Kuala Lumpur it is US$ 387–3424. So travel agencies usually send their tours to Thailand or Singapore as the first stop.

In general, the market advantage of Thailand, Singapore and Malaysia will not change with the lapse of time. The sun, beach, sea and tropical forests have their market. But it is necessary to put out new products, new scenic spots and new combination of products to meet the changing market demand.

4.3.3. Philippines

The Philippines has been open for Chinese tourism for ten years now. According to WTO statistics, 21,000 Chinese travellers visited Philippines in 1999, which is a decrease of 12.5% of the previous year.

Chinese travellers to the Philippines

	1995	1998	1999
Number of travellers	9,000	24,000	21,000
Change (%)		166	- 12.5

Source: WTO " Tourism Market Trends 2001: Asia"

Since the Philippines became an approved destination for Chinese tourists, some travellers visited the country through the arrangement of travel agencies. Their itinerary includes Beijing-Manila in 5 days at US$ 605. In the peak-season the tour covers Hong Kong. Travellers do sightseeing in the Philippines and do shopping in Hong Kong. Guangdong Province has generated more passengers to the Philippines than other provinces. But the market has been greatly affected by the kidnapping of foreign tourists by the terrorists headed by Abu Sayyaf. What hit the market most is the murder of a kidnapped Chinese technician. Many travellers see the Philippines as a dangerous place and travel agencies virtually stopped the selling of tours to Philippines. However, there are still a small number of tourists from Guangdong Province who go there on the weekend. They start on Friday evening and come back on Sunday. They only go to Laoag and Subic Bay at the cost of US$ 280. China Southern Airlines has direct flights between Guangzhou and Laoag for one hour and ten minutes. There are also flights between Hong Kong and Laoag. In Laoag, tourists will visit the National Museum, the Sinking Belltower, the palace of former President Marcos and St William Cathedral. They can ride on horseback on the beach or drive four-wheel drive cars, go angling or shooting arrows. If time permits, they can see some relics of the period of the Spanish rule.

Starting from February 2002, the Philippine Embassy in Beijing and Consulates in Xiamen, Guangzhou and Hong Kong reduce the visa fee for Chinese passengers by 20%. On February 4, 2002, the Ministry of Foreign Affairs of the Philippines declared that the procedures for visa application by Chinese citizens will be simplified and applicants will get their visa in two days. In his announcement, the Philippine Ambassador said that he hopes this more friendly policy will encourage the Chinese to regard Philippines as a pleasant destination for holiday and business. Anyhow, safety is still the first consideration in choosing a destination.

4.3.4. Indonesia

Indonesia is expected to become an approved destination for Chinese tourists in the near future. The country has rich tourist resources. The famous beach resort of Bali, - one of the greatest Buddhist relics in the world - Borobudur and Yogyakarta, the culture center of Java are very attractive to Chinese tourists. However, the instability of the political situation plays an important role in affecting the choice of the holidaymakers. At present, only a small number of businessmen go to the country. Travel agencies have not started organizing tours to Indonesia.

Chinese travellers to Indonesia

	1995	1998	1999
Number of travellers	39,000	34,000	19,000
Change (%)		- 45.4	- 44.1

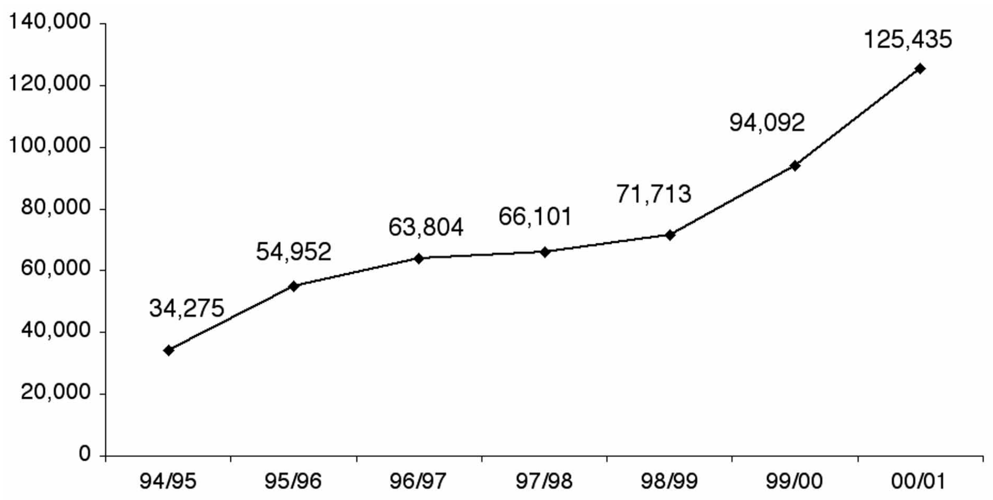
Source: WTO, “Tourism Market Trends 2001: Asia”

4.3.5. Australia and New Zealand

Australia

Australia and New Zealand were open to Chinese tourists in 1999. According to the statistics of visas issued to Chinese by Australian Embassy in Beijing, the number of Chinese tourists rose from 32,275 in 1994–1995 to 125,435 in 2000–2001. After the country was openned to China, the speed of growth has quickened. In the two years of 1999–2000 and 2000–2001, the number of visas increased by 30%.

Number of visas issued to Chinese citizens



Source: The Australian Embassy in Beijing

Since 1995–96, the embassy in Beijing and the consulates in Shanghai and Guangzhou have issued Australian visas. Visas issued in Beijing always take the first place among the three cities. Guangzhou grows quickly and has surpassed Shanghai to be the second. In the year of 2000–2001, 58,504 visas were issued in Beijing, which was over 46% of the total. 30,446 visas were issued in Shanghai, which was 24%. In Guangzhou, 36,485 visas were issued which was over 29% of the total.

Visas issued in Beijing, Shanghai and Guangzhou

	Total	Beijing		Shanghai		Guangzhou	
	Number	**Number**	**Share**(%)	**Number**	**Share**(%)	**Number**	**Share**(%)
1994–95	34,275	25,591	74.7	8,684	25.3	–	–
1995–96	54,952	31,157	56.7	17,007	30.9	6,788	12.4
1996–97	63,804	31,997	50.1	18,121	28.4	13,686	21.5
1997–98	66,101	29,644	44.8	18,266	27.6	18,191	27.5
1998–99	71,713	31,345	43.4	21,588	30.1	18,980	24.5
1999–00	94,092	44,565	47.4	23,009	24.5	26,518	28.2
2000–01	125,435	58,504	46.6	30,446	24.3	36,485	29.1

Source: Australian Embassy in Beijing

Visas issued by the Australian Embassy or Consulates are classified as visitors, immigrants, students and transit visas. The visitor's visa is about 80% of the total. In the recent three years, the proportion of visitors visa increases every year. In the visitor's visa category, there are two types of visa: business visitors visa and tourists visa. In the past three years, tourist visas grew more quickly than business visas. In the two years since the country received ADS, tourist visas increased by 50% annually. The percentage of tourist visas in total visitors visas rose from 50.2% to 63%. In 2000–2001, 66,903 tourist visas were issued.

Business and tourist visas

	Total		Business			Tourists		
	Number	Share %*	Number	Change %	Share % **	Number	Change %	Share % **
1998–99	57,380	80.0	28,562		49.5	28,815		50.2
1999–00	78,269	83.2	35,291	23.6	45.1	42,978	49.2	54.9
2000–01	106,074	84.6	39,259	11.2	37.0	66,903	55.7	63.0

Source: The Australian Embassy in Beijing
Note: * The share in "total" indicates the proportion of visitor visas in total visas issued
** The proportion of business visas and tourists visas in visitors visas respectively

Let us look at the proportion of business visas issued in three places. Beijing has the biggest share of 55–60%, namely, 22,229 visas in 2000–01. In Shanghai, 10,307 visas were issued which is 26%. Guangdong occupied 17% with 6,723 visas.

Business visas issued in Beijing, Shanghai and Guangzhou

	Beijing		Shanghai		Guangzhou	
	Business visas	Share* %	Business visas	Share* %	Business visas	Share* %
1998–99	15,657	54.8	7,947	27.8	4,058	14.2
1999–00	20,727	58.7	8,906	25.2	5,658	16.0
2000–01	22,229	56.6	10,307	26.3	6,723	17.1

Source: The Australian Embassy in Beijing
Note: * The share indicates the proportion of each place in the total of business visas

As for tourist visas, Guangdong province has the lion's share of 40%. In 2000–01, 27,143 visas were issued there. Beijing comes second. Visas issued in Beijing occupied 47% of the total visa number. As for tourist visas, 22,890 visas were issued, which is equal to 34% of the total. It is noteworthy that Beijing's share in tourist visas is increasing year after year. But Shanghai's share is coming down. In 2000/01, Shanghai had 25% with 16,870 visas.

Tourists visas issued in Beijing, Shanghai and Guangdong

	Beijing		Shanghai		Guangzhou	
	Tourists visas	Share* %	Tourists visas	Share* %	Tourists visas	Share* %
1998-99	7,433	25.8	9,617	33.4	11,765	40.8
1999-00	13,089	30.5	11,417	26.6	18,470	42.9
2000-01	22,890	34.2	16,870	25.2	27,143	40.6

Source: The Australian Embassy in Beijing
Note: *The proportion of each place in the total amount of tourist visas

In 2000, Chinese travellers to Australia amounted to 125,000, an increase of 35% over the previous year and ranking as the fifth highest among Asian countries in the inbound market of Australia. According to the Australian Tourism Commission, the 35% growth rate will continue to 2003. That means, in 2001, the number of the Chinese travellers was 168,000, and 207,000 in 2002 and 299,000 in 2003. With the increase in the number of travellers, the growth rate will come down. If the increase rate will be 28% in 2004, the passenger number will reach 383,000. If the growth rate will be 25% in 2005, the traveller figure will be 480,000. Thus, China will become the second largest generating market for Australia only after Japan in Asia.

The market advantage: Of the 17 ADS-countries, most are in Asia. Australia has obvious advantages because of the psychology of the Chinese travellers. The differences in the history, culture, tourist resources and even seasons between China and Australia add to the attractiveness of the exotic destination of Australia. In the eyes of the Chinese, Australia is a western culture, a remote destination. They are willing to accept it even if the price is higher.

Among the ADS-countries, tour prices to Australia and New Zealand are rather high. A 10 to 12 days tour costs US$ 2,400 in average. In the peak-season it is US$ 2,560 and US$2,195 in the off-season. A tour to both Australia and New Zealand in 12 days costs US$ 2,660, 16 days for US$ 2,926. The per person spending of Chinese travellers in Australia is US$ 3,000.

Among travellers to Australia,

1) **There are more experienced outbound travellers than first-time tourists.** Their social position is generally higher than that those travellers to Southeast Asia and a higher proportion are white-collars. In October 2001, China Youth Travel Company had a tour to Australia called “The red setting sun” with 200 participants. Their average age was over 60. Most of them were retired officials, teachers or doctors.

2) **The proportion of family travel is rising**. One of the reasons is the difference in the four seasons. Australia is in the southern hemisphere where seasons are different

from China. So many families prefer to go to Australia in winter to escape the cold weather and go there in summer to avoid the hot weather. Another reason is that some rich families are willing to put more money into the education of their children. Some of the families are considering sending their children to Australia for study. Some parents bring their children on a tour to Australia to get some understanding of the country.

3) **Incentive travel is beginning to take place.** Foreign and private enterprises in Beijing, Shanghai and Guangdong have organized incentive tours to Australia. Even some good enterprises in Zhejiang Province also sent their clients on an incentive tour to Australia. In 2001, a famous children clothes factory "Good Children" approved by the Ministry of Public Security sent an incentive tour of 600 people to Australia.

The selling points of Australia in the first place is the beautiful and vast natural scenery, the Sydney Opera House, Golden Coast, the Movie World, the Ocean Park, Aboriginal culture… In Australia, there are a lot of tourist activities in which travellers can participate, such as sheep shearing and horse riding on a farm and to watch animals unique to Australia such as koala bears, kangaroos and platypuses. Shopping is also a selling point. Sheepskin and woolen products are much cheaper than in China. It is attractive to buy these, especially as gifts to friends. Most of the passengers have a good impression of Australia.

At present, Australia and New Zealand are only open to residents of Beijing, Shanghai and Guangdong. They will get ADS visas. Travellers from other provinces will get 676 visas. They need to produce more information and wait for a longer period. But for most cases, their applications will be approved. Generally speaking, few travellers from provinces other than Beijing, Shanghai and Guangdong go to Australia, because travel agencies there are not entitled to do Australian business. Other provinces, which are more developed economically, look forward to the further opening up of Australia and New Zealand. For instance, many residents in Zhejiang Province wish to visit Australia, because they think the natural environment in Australia is very different from that in their province. Zhejiang is rich in tourist resources with beautiful blue mountains and green waters. But they do not have vast land, nice beaches or the Great Barrier Reef. People in Zhejiang love Australian woolen products, because many homes are not heated in winter. At present, people in this area will go to Shanghai and then to Australia. The Australian Consulate in Shanghai handles visas applications from Shanghai, Jiangsu and Zhejiang Provinces.

The further growth of the Australian market does not lie in price reduction but in developing new products. At the moment, in the Chinese market, tours to Australia mainly cover Melbourne, Sydney, Canberra, Brisbane and Gold Coast. Travel agencies in Beijing and Guangdong are now pushing Cairns, Adelaide and Kangaroo Island. Another point is to try some new things. For example, from Sydney to Brisbane, instead of by air, travellers may use coaches. They will spend two nights en route. They may drive cars themselves on beaches and catch crabs or pay visit to farms. As for Cairns, the attitude is not the same among passengers from Beijing, Shanghai and Guangdong. People from Beijing and Guangdong love Cairns. More and more people are willing to pay US$ 250–360 extra for going to Cairns. But travellers from Shanghai are different. They are shrewd and less interested in participation when they are on a tour. An Australian tour including Cairns is equal to a tour to both Australia and New Zealand. For the same price, Shanghai travellers would like to go to one more country.

The Australian market is growing, but the problem is the shortage of airline seats in high seasons. Qantas stopped its service to Shanghai in May 2001 and Ansett went bankrupt. All this has added to the difficulty in arranging flights to Australia. Air China cannot make Australia domestic connections and Qantas does not provide through traffic. Therefore, booking of international and domestic sectors should be made separately. This makes it more difficult for travel agencies to operate and their costs will get higher with more risks. At the moment, some travellers to Australia from Shanghai will transfer to Qantas in Hong Kong and use the airline for the domestic sectors. Others take Dragon Air from Shanghai to Hong Kong and then to Australia. Dragon Air has code sharing agreement with Qantas, so it is easy to make domestic connections. Another way out is to transfer in Singapore. Such transfer has brought more transit passengers to Hong Kong and Singapore. But these transit passengers are different from other outbound travellers from the inland provinces who also go to Hong Kong and Singapore for transit. Shanghai travellers just take the next flight, so they increase the number of transit passengers who do not stay overnight in Hong Kong and Singapore.

New Zealand

New Zealand was open to Chinese outbound tourists with Australia. But the original market base of New Zealand is smaller than that of Australia. The statistics of the World Tourism Organization show the market base and its growth in recent years. The statistics of the China National Tourism Administration indicate the difference in the market size between the two countries. In 1999–2000, the growth rate of New Zealand is higher than that of Australia. It is partly because of the original small market base. The annual number of Chinese travellers to New Zealand published by the CNTA is smaller than the figure of WTO. The reason is that the CNTA's figure does not include those travellers who first come to Australia and then to New Zealand.

Chinese travellers to New Zealand

Number				Growth (%)	Annual growth (%)	
1995	**1998**	**1999**	**2000**	**98/99**	**99/00**	**1995/2000**
9,000	16,000	23,000	34,000	41.6	44.2	30.0

Source: WTO "Tourism Market Trends 2001: Asia"

Chinese travellers to Oceania

Destinations	1998		1999		2000	
	Number	**Change** (%)	**Number**	**Change** (%)	**Number**	**Change** (%)
Australia	92,819	–	102,387	10.3	126,852	23.9
New Zealand	8,874	–	12,591	41.9	18,288	45.3

Source: "China Tourism Annual Report"

The type of tourist resources of New Zealand is similar to those of Australia. Travellers have a deep impression of the unpolluted natural environment there. To many people, a trip to New Zealand is an enjoyment. But it is difficult to sell the country as a single destination. Because:

1) The price is rather high. A tour to New Zealand (both the South and North Islands) is US$ 1,450–1,830.

2) There is no direct air service between China and New Zealand.

3) The tourism authority of New Zealand is not as active as Australia in promoting the country in China.

At present, New Zealand is mostly sold together with Australia. However, there are also products of New Zealand alone. Beijing and Auckland are sister cities. In order to develop this market, Beijing Shenzhou Travel Corporation organized a tour of 180 travellers to both South and North Islands of New Zealand with the name of "Fresh Air, New Vitality". Another tour to Australia and New Zealand by this company in cooperation with "Beijing Morning News" had 280 participants. The name of the tour was "To welcome the first lights of the new century". The mayor of Auckland received both tours.

4.3.6. Republic of Korea

The Republic of Korea was opened in 1999 as an ADS-country and the market is experiencing rapid growth. According to the statistics of the WTO, in 1998, 211,000 Chinese travellers went to the Republic of Korea. The figure rose to 317,000 in 1999, which is a growth of 50%. Another rise of 40% was registered in 2000, with 443,000 travellers. In 2001, the Republic of Korea had 4.75 million foreign visitors and 9.3% of them were Chinese. China has become the second generating market after Japan for inbound tourists to Republic of Korea.

The average stay per person of Chinese visitors in the Republic of Korea is 6 days. The spending per person is US$ 726, amount that is equal to that of Japan.

Chinese travellers Republic of Korea

Number				Growth (%)		Average annual growth (%)
1995	1998	1999	2000	1998/99	1999/00	1995/2000
178,000	211,000	317,000	443,000	50.3	39.8	19.9

Source: WTO "Tourism Market Trends 2000: Asia"

The Republic of Korea is open to all Chinese citizens. Travellers from North and West China go to the Republic of Korea from Beijing. People from the Yangtze River Delta start from Shanghai and residents in South China leave the country from Guangzhou. Judging from the traveller figures to Korea by travel agencies in Beijing, Shanghai, Guangdong and Zhejiang, we can see that the three major ports are the main generating areas for Korea. The reasons are:

1) The outbound market in these three places is matured and the proportion of frequent outbound travellers is high;

2) Travellers from other places have to come to a port city first and then go out. The domestic flights add to the cost of their tours. At present, 40% of the Chinese travellers to the Republic of Korea are from Guangdong Province.

Number of travellers to the Republic of Korea from 4 places through travel agencies (2000)

	Beijing	Guangdong	Shanghai	Zhejiang
Number	30,811	40,309	13,807	2,182

Source: Tourism statistics of Beijing, Guangdong, Shanghai and Zhejiang

The market advantage of the Republic of Korea is: the short distance, the low prices and the flexibility in products combination. A tour to Korea may last for 2 days, 3 days, 4 days or 5 days. A 2-day weekend tour, which leaves China in Saturday morning and comes back in Sunday evening costs US$ 350. A 2-night/3-day tour costs US$ 412.

The disadvantage of the Republic of Korea market is the lack of difference both in natural environment and in culture compared with China, which reduces the attractiveness in general. Few people would go there for the second time.

The Republic of Korea's best selling point is winter. The selling point of winter is skiing and hot springs. The market should be directed towards South China. Winter activities are less attractive to Chinese people in the North who prefer Australia, New Zealand or Southeast Asia in winter. But people in the South, and Guangdong in particular, like to go to Korea in winter. The first tour to Korea was from Guangdong. December-February (the Spring Festival) is the best period in Guangdong for the Korean market. In the past, people in Guangdong liked to go to the Northeast in winter. Now they turn to the Republic of Korea, and often whole families go together.

The key product on Guangdong market is “A dream holiday in the snow land of Korea”. Tours to Korea in the Spring Festival are sold out one month in advance. A key item of a winter tour to Korea is to the Alpine Ski resort, which has the best snow in Korea. Travellers may touch ice and snow and have a dip in the hot spring. They will also tour the scenic spots near Seoul. Another selling point is the show and entertainment in an amusement park in Seoul. A new item has come into being – to visit the venue of the FIFA 2002 World Cup.

In the past two years, Chinese and Korean travel companies had a “Snowball Fight” in winter. The cost for skiing in the Northeast of China and skiing in Korea for the same days is almost the same. To the consumers, if the cost is the same and skiing is also the same, they would rather go to Korea. The Republic of Korea has put forward a new theme activity of “Love of the White Snow”, in which travellers may choose from a number of skiing fields and hot springs in snow at reasonable prices.

Another program travel companies are selling is “A Romantic Voyage to Korea”. Passengers will board the cruise ship “Lilac” at the port of Shanghai and sail to Inchon. They will see the sunrise on the sea. After they land at Inchon, they will tour the parks and then visit Seoul but sleep on board the ship. The tour is of 6 nights and 7 days at the price of US$ 314. In the spring of 2002, tours of 6 nights and 7 days to Seoul and Saipan Island were sold at US$ 847 in the Yangtze River Delta.

4.3.7. Japan

The sea separates China and Japan. The shortest distance between the two countries is less than two hours by plane. Before Japan was open as an ADS-country, there were frequent exchanges of visits by people in the fields of trade, economy, science, technology, culture and art. According to the statistics of the WTO, 221,000 Chinese citizens visited Japan in 1995. The following years saw an increase of 10% annually. In 2000, 352,000 Chinese visited Japan. Japan was officially open as an ADS-country to Chinese tourists in 2000, but there has not been a quick growth in the number of Chinese tourists going to Japan. Most of the several hundred thousand of travellers are business and trade people. After China has become a member of World Trade Organization, Toshiba, Sony, Panasonic, Canon and other Japanese companies have declared that they are going to expand their business in China. In the meantime, Haier Group, a big Chinese company producing household electric appliances has joined hands with Sanyo Electric to get into the Japanese market. The scope of the exchange in business, training and conferences is getting bigger and bigger.

Chinese travellers to Japan

Number				**Growth** (%)		**Annual growth** (%)
1995	**1998**	**1999**	**2000**	**1998/99**	**1999/00**	**1995/2000**
221,000	267,000	295,000	352,000	10.4	19.3	9.8

Source: WTO “ Tourism Market Trends 2001: Asia”

Since 2000, outbound tourists to Japan did not show a quick growth. The reasons are:

1) The prices are rather high. When Japan became open, ten travel companies in Beijing came to an agreement to fix the price of tours to Japan at US$ 2,195, but few passengers came. Now the price came down to US$ 1,460.

2) Psychologically, to Beijing and Shanghai residents, Japan is a destination of oriental characteristics and not far from China, but the price (not only the tour, but also the cost in Japan) is too high. Australia is also expensive, but it is more attractive.

3) Japan is a single destination. Some travel agencies tried to bundle Japan and the Republic of Korea together in their itinerary, but were unsuccessful. As a single destination of a trip, the price to Japan seems more expensive.

4) At the moment, Japan is only open to residents of Beijing, Shanghai and Guangdong, and travellers will get group visa (ADS). The Japanese side requires that all visas be issued in Beijing. It takes 14 days for travel agencies in Guangdong to process the visas. Such a long time makes it very difficult on the part of travel agencies to ask for any additional application or changes.

On the Japanese market, the demand in Guangdong Province is rather strong, while it is weaker in Beijing and Shanghai.

In Guangdong

The reasons why there is strong demand in Guangdong are:

1) People in Guangdong value Japanese economy and its impact on the world. In the early 1980's when the open policy was just adopted in China, all the imported household electric appliances came from Japan. Guangdong people wish to go to Japan to experience the fast train, the flyovers and the quick tempo of the society. In one word, to feel the modernization of Japan

2) Guangdong is influenced by the culture of Hong Kong and Taiwan, and Hong Kong and Taiwan are influenced by Japan. Therefore, Guangdong people are apt to accept things from Japan.

In Guangdong, the selling points for Japan are: Modernization. Many travellers ask to visit the Toyota car factory. The second is hot springs. The hot springs in Hokkaido and Kyushu are famous and it is an enjoyment to go there. The third is maple leaves and cherry flowers. Many travellers to Japan have been to Australia already.

Outbound tourism to Japan started officially in October 2000, and it doubled in 2001. The local tour prices in Japan have so far been rather high, but decreasing from 2001.

Prices came down with more air services available. The price of a tour of 7 days was reduced from US$ 1,820 to US$1,450 and that for 5 days was sold at US$1,210. Now the price level of Japan is similar to that of Australia. Travel agencies offer tours to Japan for 5 days at US$ 1,000, which go to Tokyo, Osaka, Yokohama and Fuji Mountain. But these tours do not sell well. Tours including Hokkaido and Kyushu for 8 days at US$ 1,800 are more popular. The mentality of the travellers is: since we are going there, we should see all the attractive places. In the Spring Festival of 2002, tours of 7 days to Hokkaido to see snow were well received in Guangdong, which were sold for US$ 120 more than the usual price.

Among the tour operators in the province, “GZL International Travel Service” is quite strong on the Japanese market. In 2001, the company sent over 2,000 travellers to Japan.

In Beijing

To the Beijing market, Japan seems to be a destination of close distance with little cultural difference but high prices. Rich families who went to Japan in the Golden Week, constituted the first group of passengers. Their average age was about 40, with a few seniors. In the Spring Festival of 2000, a tourist group of over 30 people from Beijing went to Japan. They were from 10 families. Among them 50% were businessmen and the other claimed to be jobless. The latter actually are shareholders of businesses of furniture and garments. The tour price was US$ 2,439, and each family gave the same amount of money to their children as spending money. When they came back, these 13 or 14-year-old children were all in clothes of famous brands and holding latest digital cameras or camcorders. These businessmen go abroad once or twice a year. At the moment, travel to Japan by the general public has not started.

Tours to Japan sold by travel agencies in Beijing are: panoramic Japan tour of 11 days going to Tokyo, Hakone, Atima, Nagoya, Kyoto, Osaka, Nagasaki and Fukuoka; 6 days tour to Okinawa and 6 days to Hokkaido. In the summer of 2001, several travel agencies chartered 5 planes to Japan with a tour price of US$ 1,100. China International Travel Service chartered 2 planes to Japan for 5 days going to 5 cities (Tokyo, Osaka, Hakone, Nara and Kyoto) at US$ 1,010. The two planes were full with over 400 passengers. In the Spring Festival of 2002, China International Travel Service sold its tours to Japan at US$ 1,195. There is still room for price reduction on travel to Japan. The profits are rather high in the air transportation between China and Japan. The air service capacity between China and Japan will increase by 50% and it is hoped that the prices will come down.

In Shanghai

People in Shanghai think that Japan had attractiveness 20 years ago. Nowadays, the underground, flyovers and neon lights are just commonplace to the residents of Shanghai, and they think that Shinjuku may not be as prosperous as Pudong of

Shanghai. To them, tourist resources in Japan are not very rich and a hot spring bath is no more than a one-time consumption and Japanese temples are less magnificent than Chinese temples. Besides, they are not used to the taste of Japanese food.

Travellers to Japan are mainly white-collars or high-level employees in foreign enterprises. They usually bring their children with them. Well-educated families think Japan is more suitable for the education of their children than Thailand. Tokyo Disneyland, Universal Studios in Osaka, the city construction of Japan and the museums are good for the children.

In Shanghai, travel agencies do not offer products to Japan as rich as those in Guangdong and Beijing. In Shanghai, a tour to Tokyo and Hokkaido for 8 days costs US$ 2,030 with minimum of 25 travellers. In order to lower the tour price, travel agencies have made alteration of the traditional routes and put the more popular cities together with the less popular ones. For instance, they offer tours which begin with Tokyo and end at Fukushima, or start from Okayama and end at Osaka or begin with Fukuoka and finish in Nagasaki. The tours are no more than 7 days with prices between US$ 1,573 and US$ 1,695. In the winter vacation, travel agencies offered cruise tour to Japan. The ship's sailing time is 48 hours. The tour lasted for 9 days and travellers spent 2 nights in hotels on land and the rest on board the ship. The two ships were full with 150 passengers on each ship.

From April 2002, Japan Airlines will increase its service to Shanghai. It is expected that the airfares between Japan and Shanghai will be lowered by US$ 48-60. People in the travel agencies of Shanghai think that a tour to Japan now generally costs US$ 1,815. If it is lowered by US$60, travellers will not feel the difference. The high tour price comes from the high prices offered by Japanese travel agencies. If the Japanese travel agencies do not reduce their prices, there is no big room for the reduction of tour prices to Japan. In short, the market of Japan will not be booming in the near future.

4.3.8. Europe

So far Europe is not an officially open destination for Chinese outbound tourism, except Malta. However, Chinese travellers to Europe are increasing in recent years. According to “China Tourism Annual Report”, in 1999, 823,553 Chinese citizens visited Europe. The figure raised to 1,079,100 in 2000, with a growth rate of 31.0%, the highest growth rate among all continents. The proportion of Chinese travellers to Europe rose from 8.9% in the total number of outbound travellers in 1999 to 10.1% in 2000, which makes it the second largest destination of all continents. At the moment, travel agencies can only handle business study groups to Europe, but not private tourists. If residents in Guangdong or Shanghai wish to travel to Europe, they often go to Hong Kong or Macao and buy a tour from a local travel agency with their private passports. Residents in Beijing, for example, do not easily enjoy this possibility, so the majority of them have to wait. Once Europe is open, the market will develop quickly with all the publicity and open operation of travel agencies.

Continents of destination for Chinese travellers

	1999			2000		
	Number	**Change** (%)	**Share** (%)	**Number**	**Change** (%)	**Share** (%)
Asia	7,813,193	9.9	84.6	8,845,908	13.2	83.1
Americas	429,831	8.4	4.7	523,081	21.7	4.9
Europe	823,553	7,0	8.9	1,079,089	31.0	10.1
Oceania	119,153	11.8	1.3	150,231	26.1	1.4
Africa	41,179	2.8	0.5	47,521	15.4	0.5
Others	5,456	27.6	0.0	3,625	-33.6	0.0
Total	9,232,365	9.6	100	10,649,455	15.4	100

Source: "China Tourism Annual Report"

Chinese outbound travellers are looking forward to the faraway Europe. Once Europe is open, the market will be booming. In their choice of destination, differences play an important role. The more different from China the destination is, the more attractiveness it possesses. The main purpose of travel to another country is to seek for differences: The bigger the difference, the greater the attraction and outbound travel is to seek difference. Culture, art, cities, architecture, scenery and customs of the people in Europe are very different from those of China. This is the difference between the East and the West. For many Occidentals, the East is a mysterious continent. For many Orientals, the true meaning of going to the world is to go to the faraway West.

The advantage of the European market lies in the following:

1. Psychologically, to Chinese passengers, Europe means exotic culture, scenery and custom, so they are willing to accept a higher price to Europe.

2. There are many countries in Europe, so it is easy to work out a number of tour routes and a variety of tour products. The travel agencies that are organizing business study groups to Europe can offer 5-6 different tours.

3. First-time tourists to Europe may go to a number of countries on one trip and because of the facts that there are many places where they have not been and that they want to know in detail the places they have visited, Europe is worthy of repeated visits.

Following categories of people who wish to visit Europe:

1. Intellectuals who have come to know the long history, rich culture and enormous natural resources of Europe from novels, history books, music and art. They know something about Paris, Rome, Venice, London or Vienna, so they want to see with their own eyes Europe, which they know a lot about but have never seen.

2. Rich people and those who have been to Southeast Asia, Australia, New Zealand and Japan. Now they turn to faraway and more interesting destinations.

3. The mass tourists on the outbound market who will save money for a trip to Europe to realize their dream.

4. The young people. If the older generation has been edified by world classics, then the younger generation is more influenced by science, technology and fashion in the West. It would be a matter of significance to a young white-collar, if he or she, after three year's saving, could take a trip to Europe.

The selling point for Europe is different in each province or city of China. Generally speaking, the residents of Beijing are the most cultivated in the country. They are more interested in the history, culture, art and architecture of Europe. People of Guangdong love excitement. They like to listen to the Big Ben on New Year's Eve, or take part in the Munich Oktoberfest and Edinburgh Festival. And people of Shanghai, apart from visiting the attractions, they love to buy garments, perfume, wine and watches.

Concerning the prices, a business trip to Europe of 10 days to 5 countries costs US$ 1,926. A trip of 15 days to 8 countries is US$ 2,440. A 9-day tour to Germany, France, The Netherlands, Belgium and Luxembourg costs US$ 1,800. In travellers opinion, a trip to Europe should not cost over US$ 2,400. If travel agencies can lower their price to US$ 2,200, the market will accept it.

Most of the Chinese travellers wish to go to several countries when they go to Europe, because it is a long and expensive journey. It is rather easy to arrange a tour of 5 European countries and use a coach to take them from country to country. At the moment, business study groups to Europe from Beijing, Shanghai and Guangdong are taken care of by local travel agencies. Travel agencies in the port of entry/exit mainly handle such groups from other provinces or municipalities. Travel agencies in Beijing handle most of the groups from inland provinces, especially from the North and the Northwest, firstly because

1. Many international flights are available and secondly because

2. Travel agencies in Beijing are familiar with the European market.

Groups from the Yangtze River Delta will go through Shanghai. It is rather expensive to get a Chinese-speaking guide in Europe for a tour to several countries. At present, some tour managers from Taiwan are active on the mainland's outbound market to Europe. They are very familiar with things in European countries. They take tours from Beijing or Shanghai to Europe. They are tour managers as well as tour guides. Travel agencies in Beijing and Shanghai are training their employees so that they will be tour managers as well as guides on trips to several countries.

At the end of 2001, the Chinese government approved Germany as an ADS-country. But the details are yet to be worked out before an agreement will become effective. Now travel agencies are closely watching the development. When, and if, Germany is open, it means that all Schengen members or Europe are in fact open as well. Consumers are also concerned. Travel agencies have received many enquiries about travel to Europe. Tourists are looking forward to visiting Europe soon.

There are many countries in Europe and they are not open to China. As a result, the statistics of Chinese travellers are lacking. However, The European Travel Commission has provided the inbound figures of some member countries, which are used in this report. It should be noted:

1) Some countries are not covered in this report because there are no statistics available about them;

2) Many Chinese tourists go to several European countries on one trip. Western Europe and Southern Europe are into one subtitle in this report.

3) The grouping of European countries is made in accordance with WTO "Tourism market Trends". The United Kingdom is thus put under Northern Europe.

Western Europe and Southern Europe

According to the statistics of the European Travel Commission, in 2000, the sequence of countries in Western and Southern Europe in the number of inbound Chinese travellers are: Italy (323,475), France (250,000), Germany (213,897), Belgium (55,384), Austria (50,026), Switzerland (44,800) and Malta (882). In the sequence of growth rate the countries are: Malta (68.9%), Italy (67.7%), France (38.9%), Germany (32.5%), Austria (31.9%), Switzerland (16.1%) and Belgium (7.7%).

Chinese travellers to Western Europe

	1998 **Number**	**1999** **Number**	**1999-1998** **Change** (%)	**2000** **Number**	**2000-1999** **Change** (%)	**1998-2000** **Change** (%)
Austria	37,933	43,223	13.9	50,026	15.7	31.9
Belgium	51,428	57,642	12.1	55,384	-3.9	7.7
France	180,000	208,000	15.6	250,000	20.2	38.9
Germany	161,454	177,467	9.9	213,897	20.5	32.5
Switzerland	--	38,600	--	44,800	16.1	

Source: European Travel Commission

Chinese travellers to Southern Europe

	1998 Number	1999 Number	1999-1998 Change (%)	2000 Number	2000-1999 Change (%)	1898-2000 Change (%)
Italy	192,854	267,405	38.6	323,475	21.0	67.7
Malta	522	669	28.2	882	31.8	68.9

Source: European Travel Commission

At present, Chinese tourists are mainly going to France, Italy, Germany and Switzerland in Western or Southern Europe. They are interested in the rich Renaissance culture, art, architecture in Italy and France; the natural scenery in Switzerland (snow mountains and green land) and castles and old towns in Germany. Now tours are available to go to France – Switzerland – Italy – the Vatican – Germany; or Germany – France – Belgium – the Netherlands – Luxembourg.

One of the tours to 5 European countries is a 12-day tour to France/ Germany/The Netherlands/Belgium/Luxemburg: Paris (the Louvre, Eiffel Tower, Champs Elysées, Place de la Concorde, Versailles Palace and Notre Dame) – Luxembourg – Brussels (Grand Palace, the big square, Manneken Pis), the Hague (International Court of Justice) – Amsterdam (windmills, Dam Square, House of clogs, diamond factory) – Bonn (Parliament Building, Beethoven Square) – Koln (Cathedral) – Heidelberg (old bridge) – Frankfurt (square, opera house, stock exchange).

A 13-day tour to Italy – the Vatican – Austria – Switzerland – Liechtenstein includes following cities: Rome (The Colisseum, The Trevi Fountain, St. Peter’s Square, cathedral, old market) – Pisa (Leaning Tower) – Florence (Michelangelo Square, David, Duomo Cathedral, Bridge Ponte Vecchio) – Venice (St. Mark’s square, Bridge of Sighs, gondolas) – Vienna (Belvedere Palace, St. Stephen’s Cathedral, City Hall, National Opera House, Parliament Building) – Salzburg (Mozart Square) – Innsbruck (old streets) – Liechtenstein – Luzern (Lake Luzern, Covered Bridge, Lion Monument) – Zurich (Fraumünster Church, Bahnhofstrasse) – Geneva (The Jet d’ Eau of Geneva, The Flower Watch, Lake Leman, United Nation’s Office).

There are tours of 7 countries in 18 days, such as: France (Paris) – Belgium (Brussels) – The Netherlands (The Hague, Amsterdam) – Germany (Bonn, Koln, Heidelberg, Frankfurt, Stuttgart) – Switzerland (Zurich, Lausanne, Geneva) – Italy (Milan, Venice, Florence, Rome) – The Vatican.

A 16-day tour goes to following cities: Frankfurt – Berlin (the old church partly destroyed in the second world war, the remnants of the Berlin Wall, Brandenburg Gate) – Hamburg – Hannover (site of the World Expo) – Amsterdam – Brussels – Luxemburg – Paris – Nice – Monaco – Barcelona (site of 1992 Olympic Games, the port, cultural village, Monument to Columbus, Gaudi’s “Sagrada Familia”) – Madrid (Palace, Plaza Mayor, Bullfight, Monument of the Civil War, Cathedral) – Lisbon (Monarchy Square, the City Hall, old city wall, the fortress and fishing village).

Tourists of different social strata or from different provinces have different choice of tours when they go to Europe. Generally speaking, First-time tourists to Europe will choose a long tour of many countries. The repeaters will make careful choice and see the places in details. Those who are capable of visiting Europe several times will have a plan for their future trips.

Since residents in Beijing, Shanghai and Guangdong have more chances to go abroad than people in other provinces, they tend to have short trips to Europe. For instance, in Shanghai, tours to France, Switzerland and Italy at US$ 1,573 to US$ 1,694 are selling very well. But in Jiangsu and Zhejiang Provinces tours to Europe will cover 10 countries and sometimes 14 countries.

If a tour includes many countries, then the stay in each country must be short. According to the statistics of the European Travel Commission concerning the Chinese traveller number and the length of their stay, the average days of stay per person in each country are as follows: In France, 3 days, in Germany 2 days and in the rest of the countries one day. The average stay in most countries is getting shorter, except in France.

Average per person stay in Western and Southern Europe

	1998		1999		2000	
	Passenger days	Stay/ per person	Passenger days	Stay/ per person	Passenger days	Stay/ per person
Austria	76,767	2.0	84,485	2.0	90,616	1.8
Belgium	79,083	1.5	83,227	1.4	76,822	1.4
France	540,000	3.0	624,000	3.0	825,000	3.3
Germany	388,380	2.4	397,309	2.2	467,654	2.2
Switzerland	--		75,100	2.0	83,200	1.9
Italy	340,216	1.8	452,095	1.7	579,859	1.8
Malta	4,969	9.5	5,151	7.8	8,364	9.5
Portugal	21,036		16,605		17,913	

Source: European Travel Commission

Northern Europe

Statistics are available only for United Kingdom, Finland and Iceland. In 2000, 41,000 Chinese passengers visited United Kingdom, which is the highest figure among the three countries. But the quickest growth rate is in Iceland, which also has the smallest base. According to the estimate of the Swedish immigration, about 9,000 visas are issued to Chinese annually.

Chinese travellers to Northern European countries

	1998 Number	1999 Number	1999-1998 Change (%)	2000 Number	2000-1999 Change (%)	98-2000 Change (%)
Finland	12,000	14,000	16.7	15,000	7.1	25.0
Iceland	265	403	52.1	564	39.9	112.8
Britain	32,000	46,000	43.8	41,000	–10.9	28.1

Source: European Travel Commission

The United Kingdom is an attractive country with rich tourist resources. Chinese tourists want to go there, but it is rather difficult to do so. Travel agencies generally do not want to take the trouble to apply for UK visa in addition to an Schengen visa. When Mr. Zhang Jian, a Chinese swimmer, was going to cross the English Channel, China Youth Travel organized 400 passengers to witness this event. Because of the difficulty to obtain UK visa, only a small number of passengers went to Britain to see him off and the majority went to France to welcome him.

At present, most of the visits to the United Kingdom are for business. Some middle school students from rich families go to Britain in summer vacation on study tours organized by travel agencies in Beijing. They would spend two weeks in a language school for learning English and have some sightseeing in London. The UK is a hot spot for overseas study for Chinese students. Among overseas study destinations, the UK is the most expensive country. In average, a Chinese student needs US$22,000 a year for both tuition and living expenses. Still, many young people are longing to study there. In his recent interview with a reporter from “English Salon”, Mr. Michael O’Sullivan, Cultural Consular of the UK Embassy in Beijing said that the number of Chinese students going to UK is growing quickly. In 2000, about 23,000–24,000 people in China took part in the IELTS tests and it is estimated that 50,000 people did so in 2001. About 16,000 Chinese students went to UK to study in 2001, which is an increase of one third over the previous year.

Products of travel agencies often put the four Scandinavian countries together in a tour itinerary. For example, a 14-day tour to the four countries is like this: Copenhagen (The Little Mermaid, Parliament Building, City Hall) – Oslo (Vigeland Sculpture Park, the Viking Ship Museum) – Stockholm (City Hall, Royal Garden, the concert hall where Nobel prizes are awarded, the Palace) – Helsinki (Cathedral, the Parliament Square, the site of the Olympic Games and the Observatory).

The Nordic countries are beginning to show their interest in China. The 7th December 2001, the governor of Lapland, Finland, and her delegation participated in the International Tourism Forum and a Finland tourism promotion presentation in Beijing.

Eastern Europe

The statistics from Eastern European countries are incomplete, in particular from Russian Fed. At present, people going to Eastern Europe are going for business. During the late 1980's and 1990's, Chinese businessmen extend their business with the Russian Fed to Eastern European countries, especially to Hungary. In recent years, the business high tide to Eastern Europe is over, but tourism to these countries did not follow up. Now very few travel agencies do travel business to Eastern Europe, even business travel.

Chinese travellers to Eastern Europe

	1998 Number	1999 Number	1999-1998 Change (%)	2000 Number	2000-1999 Change (%)	98-2000 Change (%)
Bulgaria	3,141	3,733	18.8	3,850	3.1	22.6
Estonia	1,160	1,300	12.1	1,206	–7.2	3.9
Hungary	16,809	16,649	–0.9	17,772	6.7	5.7
Poland	5,900	5,400	–8.5	5,000	–7.4	–15.3
Romania	11,828	8,420	–28.8	9,457	12.3	–20.0
Slovenia		606		537	–11.4	–11.4

Source: European Travel Commission

The Russian Federation and China have common borders and tourism in the border areas has a history of over ten years and the market size is rather big. According to the "China Tourism Annual Report", in 1999 the proportion of Chinese travellers to Russia constitutes 53% of the total Chinese travellers to Europe. In 2000 the percentage rose to 57%. This shows that travellers to Russia occupy more than half of the European market.

Chinese travellers to the Russian Federation

	1996	1997	1998	1990	2000
Number	66,000	75,100	434,066	437,740	606,102
Change (%)	–6.7	14.5	478	0.85	38.46
% in European market				53.15	56.17

Source: " China Tourism Annual Report"

The Chinese are familiar with the history, culture and art of Russia. During the 1950's, Soviet novels, films, music and art were very popular in China. People over 50 years of age can sing a few songs of the former Soviet Union. Chinese intellectuals know the works of Tolstoy, Pushkin and Gorky. They are familiar with the famous music of Tchaikovsky. In the course of the survey of this report, people in the travel agencies said that when people talk about Europe, they often mean Western and Southern Europe.

How about Eastern Europe? If the Russian Federation and Eastern Europe are open, there will be a market for them. Now China and Russian Fed have come to a common intention regarding the opening of Russia as an outbound destination for China and specific procedures are under discussion. Once Russian Fed is open, with the publicity of travel agencies and their regular operation, the market will develop further and bring along the whole of Eastern European market.

4.3.9. North America

Figures about Chinese travellers to North America have been taken from the WTO "Tourism Market Trends 2001: Americas". It shows that from 1995 to 2000, Chinese travellers to the United States rose from 167,000 to 249,000 with an average annual growth rate of 10.6%. Figures of Chinese travellers to Canada are only available for 1998 and 1999. In 1999, 60,000 Chinese visited Canada.

Chinese travellers to North America

	1995 Number	1998 Number	1999 Number	1999/1998 Change (%)	2000 Number	2000/1999 Change (%)	1995/2000 Annual change (%)
U.S.	167,000	209,000	191,000	–8.5	249,000	30.5	10.6
Canada		52,000	60,000	15.1			

Source: WTO " Tourism Market Trends 2001: Americas"

The Canadian Embassy in Beijing has provided the number of visitor visas issued to Chinese in 1998–2001. In 1998, 29,717 visas were issued and 36,789 visas were issued in 2001. The visitor visas are divided into two categories – business and private. Since Canada is not yet a destination for Chinese outbound travel, there is no tourist visa category. 65–70% of the visitor visas are business visas and the remaining 30–35% are private visas. The Canadian Consulate General in Shanghai deals with applications from Shanghai, Jiangsu and Zhejiang. About 12,000 visas are issued in a year. So the annual figure of Chinese travellers to Canada is about 48,800 (11,700 student visas are not included).

Number of visas issued by Canadian Embassy and Consulate

1998 Number	1998 Change (%)	1999 Number	1999 Change (%)	2000 Number	2000 Change (%)	2001 Number	2001 Change (%)
29,717	–	30,293	1.9	34,450	13.7	36,789	6.8

Source: The Canadian Embassy in Beijing

At present, it is not an easy thing for Chinese tourists to go to the United States, because the probability of a visa approval given to private individuals is rather low. Sometimes, visa applications of some members of a business group are rejected while others are approved. According to the visa regulations of the United States, people should make their visa application in the area where they live, not on the place of their household registration. For example, if someone's household registration is in Beijing but he works and lives in Shanghai, then he should apply in Shanghai. The American Embassy is in Beijing and there are Consulates General in Shanghai, Guangzhou, Chengdu and Shenyang. Visa applications should be made according to the areas covered by the Embassy and Consulates.

Areas covered by the embassy and each consulate general

Embassy in Beijing	Beijing, Tianjin, Gansu, Xinjiang, Qinghai, Shaanxi, Inner Mongolia, Shanxi, Shandong, Henan, Hunan and Hubei
Consulate in Shanghai	Shanghai, Anhui, Zhejiang and Jiangsu
Consulate in Guangzhou	Guangdong, Fujian, Guangxi and Hainan
Consulate in Chengdu	Chongqing, Sichuan, Yunnan, Guizhou and Tibet
Consulate in Shenyang	Liaoning, Jilin and Heilongjiang.

The guiding principles for issuing non-immigration visa to the United States are:

1) The applicants should have proper reasons to visit the United States;

2) They should have sufficient money for their travel;

3) They should come back to China according to their schedules. The following people have better chances of getting approval:

- Rich people;

- People who have been out of China several times;

- Married seniors;

- People with real estate in China;

- People having a formal invitation from big companies or exhibitions.

At the present, travel agencies handle only a few business study groups to the United States and do not accept private tourists. A travel agency in Zhejiang Province had such experience: some passengers from Wenzhou asked this travel agency to arrange their tour to the U.S. The travel agency asked these passengers to apply to the U.S. Consulate for their visas by themselves. Finally, these rich people with overseas travel experience got their visas and this travel agency made travel arrangements for them. These rich businessmen toured not only the United States, but also cruised the Caribbean Sea.

Travel agencies offer the following tours to the United States:

1) To the west coast for 8 days: Los Angeles (Disneyland, Universal Studios) – San Diego – The Grand Canyon – Las Vegas (Hoover Dam, MGM Hotel, in the evening performance on the pirate boat and songs and dances);

2) To both the east and west coasts for 13 days: San Francisco (Golden Gate Bridge, Fisherman's Wharf, Alcatraz Island) – New York (Central Park, Times Square, Statue of Liberty, United Nations, Rockefeller Center) – Philadelphia (the Independence Hall, the Liberty Bell Pavilion, the US Mint) – Washington (the White House, the Capitol, Lincoln Memorial, Jefferson Memorial, the Space Museum) – Las Vegas – Los Angeles;

3) To the U.S. and Canada for 16 days: San Francisco – New York-Philadelphia – Washington – Buffalo (the Niagara Falls) - Toronto (city tour, CN Tower) – Las Vegas – Los Angeles – Hawaii (Palace, Waikiki Beach, Pearl Harbor, songs and dances).

Travel to North America is expensive. A tour to the U.S. and Canada for 16 days is sold at US$ 2,900 in Guangdong. A survey shows that the average stay of Chinese passengers in the United States is between 10–15 days. The average per person expenditure is US$ 5,500 (including transportation, hotel accommodation, meals and admission fees, etc.).

Since the September 11 terrorist attacks, tourism to the U.S. has decreased significantly. The airfares between China and the United States have been reduced by big margin. In December 2001, a return air ticket from Beijing to Los Angeles was US$ 399.

4.3.10. Other destinations

In addition to the above-mentioned destinations, travel agencies also send business study tours to the following places:

Turkey and Israel

The ADS-agreement between China and Turkey became effective the 1st 2002. To Chinese tourists it is not only a dream to see the sunset at the Bosporus Bridge which links Asia and Europe or listen to an Islamic chant in the Blue Mosque in the evening, but the fact that the country is situated in two continents. 97% of Turkey's territory is in Asia, and the rest is in Europe, which has most of the tourist attractions. Istanbul, with the ancient civilization of both Persia and the Arabs, is a must for tourists. The main attractions include the Blue Mosque and the Topkapi Palace. Few Chinese tourists will take Turkey as the sole destination of their tour. Some will put Turkey and

Egypt together on their itinerary or visit Istanbul on their way to Europe. At the moment, travel agencies do not have travel products for Turkey, but will arrange the itinerary according to the request of their clients. Travel agencies in Shanghai estimated that if there will be more flights between Shanghai and Istanbul, a tour to Turkey will cost about US$ 1,820 and the market may become booming.

Israel is a country with unique attractiveness. Jerusalem, the Dead Sea and the Wailing Wall have a historical and religious background. But the conflicts between Palestine and Israel have hindered tourists to this area, especially during the period of fighting.

Egypt and South Africa

For the ordinary tourists, Egypt is their first choice in the African continent and South Africa is the second. At the moment, travel agencies can make arrangements for business tours to Egypt and South Africa upon the requests of their clients.

In 2001, China Youth Travel Company, with the approval of CNTA, organized a tour to Egypt in the name of “The Kiss of the Great Wall and the Pyramids”. Tours to Egypt are for the public with a minimum group size of 16 participants. Travel agencies offer tailor-made programs for their clients too.

A tour to Egypt includes: Cairo (Great Pyramids, museum) – Luxor – Aswan (High Dam) – Alexandria. Tours offered by China Youth Travel Company are:

1) Egypt and Turkey in 8 days: Istanbul – Cairo – the Red Sea – Suez Canal – Luxor at US$ 2,007;

2) Egypt and Singapore in 8 days: Singapore – Cairo – Aswan - Luxor at US$ 1,890;

3) Egypt and Singapore in 9 days: Singapore – Cairo - the Red Sea - Suez Canal – Luxor – Alexandria at US$ 1,890.

In South Africa, tours go to Johannesburg, Cape Town, and Kruger National Park. In Guangdong Province, a tour to South Africa is sold US$ 1,350. Tourists mainly come from the middle and upper stratum.

Today, more and more countries have been aware of the great potential of Chinese outbound tourism and the national tourism organizations are putting a lot of efforts in the Chinese Market.

It has been proven to be easy to obtain an approval for the establishment of a NTO representative office in China, which is defined as 'residential representative office of foreign governmental tourism department'.

However, the ADS status is crucial to have a fully operating NTO Representative Office. Only NTO Representative Offices from ADS countries are allowed to promote Chinese outbound travel, while the others have to attract tourists through "Guanxi" and word of mouth promotions. Any "pro-active" promotion by non-ADS countries' NTOs is strictly prohibited and will be sanctioned by the Chinese authorities. On the other hand, NTOs from non-ADS countries are trying to attract more Chinese travellers by promoting the country image hence to increase the incentive for Chinese authorities to grant ADS status.

5.1. Set-up Procedures

The establishment and operation of NTO Representative Offices is under the administration of the CNTA, in consultation with relevant departments of Chinese government. In June 1998, the CNTA issued the Provisional Administrative Regulation regarding the Establishment of Residential Representative Office in the People's Republic of China by Foreign Governmental Tourism Department[11].

According to the Regulation, the applicant country's government tourism department shall submit an official application letter to the CNTA[12]. The letter shall include the Representative Office's name, functions, number of residential staff and residential city. Documents regarding the recruitment of residential staff shall also be attached. Since there is no standard application form or format, it is suggested that NTOs submit as much specific information as possible, and present the application through the Embassy in China in order to underline the seriousness of the application.

Once the CNTA approves, it will forward the application letter to the relevant officials in the Ministry of Foreign Affairs, who in most cases follow the CNTA's recommendations and officially approve the application.

The whole approval procedure may take half to one year. In order to shorten the application process, it is however helpful to establish a good relationship with the Chinese officials, especially within the CNTA and the Ministry of Foreign Affairs.

11 See Appendix 4.
12 Within CNTA, it is the Division of Foreign Affairs under the Marketing & Communications Department that is in charge of the administration of NTOs representative offices in China. (Tel: +86 10 6520 1501, Fax: +86 6523 1758).

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5.2. Status of NTOs in China

In 1997, Switzerland National Tourism Organization (NTO) opened its Representative Office in Beijing - the very first NTO representative office in China. Up to April 2002, nine foreign National Tourism Organizations (NTO) have established their representative offices in China. Among them, three are from ADS countries, namely, Australia, Japan, and Singapore.

Foreign National Tourism Organisations in China

1. Austrian Tourism Office

(Within Commercial Section, Austrian Embassy)

Add:	Room 2280, Sunflower Tower No. 37 Maizidian Street, Chaoyang District, Beijing 100026
Tel:	+86 10 8527 5050
Fax:	+86 10 8527 5049
Email:	Peking@wko.at

2. Australian Tourism Office

(Within the Commercial Section of Embassy)

Add:	Suite 1101, Shanghai Bund Int'l Tower, 99 Huangpu Road, Shanghai 200080
Tel:	+ 86 21 6307 7051
Fax:	+86 21 6307 0069

Year of establishment: 1999
Form of establishment: Representative Office
Main activities: Promote Australia in China, media releases, coordinate tourism between the Australian Tourism Office and the CNTA

3. Canadian Tourism Office

(Within the Immigration Dept. of Embassy)

Add:	Kerry Center, No.1 Guang Hua Road, Chaoyang District, Beijing 100020
Tel:	+86 10 8529 6297
Fax:	+86 10 8529 6299

Email: ctcchina2001@yahoo.com
Contact person: Mr. Richard Liu

4. Finnish Tourism Office

(Agent – New Angle Marketing Co., Ltd.)

Add:	Room 619, AMEC Plaza, No.2 Dongsanhuan Nan Rd, Beijing 100022, China
Tel.:	+86 10 6567 0281/82
Fax:	+86 10 6567 0283
E-mail:	btapek@public.bta.net.cn
Contact person:	Mr. Albert An, General Manager

5. French Tourism Office
(Air France at Maison de la France)

Add:	Room 1301, Novel Plaza No. 128, Nanjing Xi Lu, Shanghai 200003
Tel:	+86 21 6350 9268
Fax:	+86 21 6350 9161
Email:	diwang@airfrance.fr

Year of establishment: 1999
Form of establishment: Representative Office
Main activities: Promote France through news articles and pictures, promotion events

6. German National Tourism Office
(Within German Chamber of Commerce)
German Industry and Commerce

Add:	Unit 0811, Landmark Tower 2 8, North Dongsanhuan Road, 100004 Beijing
Tel.:	+86 10 6590 0926, ext. 215
Fax:	+86 10 6590 6148
E-mail:	gntobj.xu@ahkbj.org.cn
URL:	www.germany-tourism.de; www.ahk-china.org
Contact person:	Mr. Xu Shengli, Representative China

7. Japanese National Tourism Organization

Add:	Room 610, Chang Fu Gong Office Building, No. 26 Jianguomenwai Dajie, Beijing 100022
Tel.:	+86 10 6513 9023
Fax:	+86 10 6513 9221

Year of establishment: 1999
Form of establishment: Representative Office
Main activities: Promote Japan through news releases, seminars for Chinese travel agents

8. Singaporean Tourism Board

Add:	Room 1103, Shuion Plaza, No. 333 Huaihai Middle Road, Shanghai 200021
Tel.:	+86 21 6336 0607
Fax:	+86 21 6336 8565
Email:	stbsh@newasia-singapore.com.cn

9. Switzerland Tourism Office

Add:	610 Scitech Tower, 22 Jianguomenwai Dajie, Beijing 100004
Tel.:	+86 10 6512 5427
Fax:	+86 10 6512 0973
Email:	Wenjia.zhang@switzerlandtourism.ch
Contact person:	Mrs. Zhang Wenjia

Location

Beijing, Shanghai and Guangzhou are the main outbound tourism generating areas in China. Consequentially, they are also the best locations for NTO Representative Offices. Among the current nine NTO Representative Offices, five are in Beijing, two (Australia and Singapore) in Shanghai. It is reported that Singapore will have another office in Beijing to further develop the Chinese market.

Set-up

Most NTOs have chosen to establish their Representative Offices within the Embassy or under the Chamber of Commerce in China. The advantage of this set-up is to have easier access to the Chinese official and commercial circles through the established network of the Embassy or the Chamber of Commerce, and also to lower the operation costs by sharing the resources. In Finland's case, a Chinese company, which has experience in the tourism industry, has been appointed to carry out the work on commercial terms.

Staff

To have some local staff with experience and connections is essential for the work of NTO Representative Offices. NTOs will not have much difficulty to find its local staff with working experience for Chinese tour operators. The media sector could be considered as another source to find the right person.

Activities

According to the regulations, NTO Representative Office are only allowed to be engaged in non-profit activities such as promotion, consultation, liaison and co-ordination, but shall not carry out any commercial activities or convert commercial activities.

No matter representing ADS or non-ADS countries, all NTO Representative Offices in China have been working closely with Embassies and Airlines to promote their own countries through Chinese tour operators and Chinese medias. In the mean time, NTO Representative Offices are also trying to co-operate more among themselves. Regular Tourism Working Group meetings are organized in Beijing, with the participation by representatives from Airlines and Embassies.

a. Liaison with tour operators approved to handle outbound tourism

A main part of the NTO Representative Offices work, if not the most important part, is to provide information and assistance to the Chinese tour operators, be it general information on countries, tourism statistics and reports, or contact information of their counterparts.

NTOs from ADS countries can go further to do real travel promotions by introducing tourist resorts and various travel programmes. From time to time, they organise workshops in China or even in the destination country, to give Chinese tour operators detailed introduction and assist them to work out special travel programmes for Chinese travellers.

As for non-ADS countries, the liaison with tour operators is by no means less important due to the fact that operators are allowed to handle ‘business visit’ or ‘study visit’, which is considered legal even to countries without ADS status. Besides, CTS, CITS and CYTS do have opportunities to obtain special approval on outbound travels to non-ADS countries on a case-to-case basis.

Given the large number of the tour operators in China, NTOs are mainly focusing on those big players in Beijing (6 national level, 3 local level), Shanghai (5 national, 30 local) and Guangzhou.

b. Co-ordinate promotion activities

With a representative office in China, NTOs are able to better arrange and co-ordinate their promotion activities in China, such as Road Shows, Tourism Fairs, TV programmes, advertisements or articles in business and tourism newspaper and publication, as well as online promotion.

Chapter 6 of this report will further introduce different kinds of promotion activities launched by various parties in the sector, including NTOs and their representative offices in China.

China International Travel Mart (CITM)
-- The most important Tourism Fair in China --

CITM is the largest travel show in Asia in terms o numbers of participants and stands. The first ever CITM was launched in Shanghai Mart, in October 1998.

The 2nd CITM was held in Shanghai Everbright Exhibition Centre in October 2000, attracting nearly ten thousand participants and 48,000 visitors. The total number of exhibition stands reached 1,208, with their total area amounting to 24,000 square meters. 1,182 exhibitors from 42 countries and regions attended the mart, 72.4% of them from Hong Kong and Macau, 13% from Asia, 6.7% from Europe, 4.1% from Americas and 3.3% from Oceania.

The 3rd CITM was held in Kunming of Yunnan Province in southwest China, between the 8th and 11th November 2001. The total number of exhibition stands reached 1,256, with their total area amounting to 25,000 square meters. 1,500 exhibitors from 39 countries and regions attended the mart.

China National Tourism Administration (CNTA), the Shanghai Municipal People's Government and the Civil Aviation Administration of China (CAAC) will jointly host the 4th China International Travel Mart (CITM), scheduled for November 14-17, 2002. This will be the 3rd time that Shanghai becomes the CITM host city.

CITM Secretariat
Add: Room 1404, 9A Jianguomennei Ave., Beijing 100740, China
Tel: 86 10 6520 1404, 6513 6288
Fax: 86 10 6520 1442, 6512 2851

c. Study on the Chinese outbound tourism market

Since the Chinese government's priority is on the inbound and domestic tourism, the government has not put much effort on the study of the outbound tourism. Information and statistics within this sector is very much limited. It is therefore important for NTOs' representative offices to collect information and follow the market development closely in order to get an in-depth understanding of the Chinese outbound tourism business. Currently, the Finnish NTO's agent in Beijing is offering a monthly report, on commercial basis, to NTO Representative Offices. The report includes newspaper clipping and a brief analysis on the Chinese outbound tourism to various countries.

Co-operation among NTOs in China

NTOs in Beijing maintain relative close contact among each other to exchange information and sometimes arrange joint promotion activities. Meetings are organized from time to time for information discussions.

The EU Chamber of Commerce in China organizes regular tourism working group meeting with participation of NTOs from EU member countries. The tourism working group of the EU Chamber of Commerce in China is chaired by Ms. Antonella Silvestri, who can be reached by e-mail at: antonet@public.bta.net.cn

6.1. The individuality of a small market and the diversity of a big market

China is a vast country with a huge population. The local culture, the structure of economy and the patterns of consumption are different from province to province. The manifestation of such difference on the outbound tourist market is the individual demand of each generating place as well as the diversified demands on the outbound market as a whole. Therefore, marketing on China outbound tourism should be based on the understanding of such individuality and diversity.

Beijing, Shanghai and Guangzhou are the three cities with the most typical characteristics on the consumer market of China. They are also the three generating centers for outbound tourism. Relatively speaking, the Pearl River Delta is most vigorous on the outbound market. A survey of 5,386 families in ten big cities of Beijing, Shanghai, Guangzhou and others by Zero Point Company about their intention of major consumption indicates that the outstanding difference on the first major consumption item between the three cities. In Beijing, the spending on purchase of cars is much higher than the average level. In Guangzhou, the spending on travel is the highest of the country. In Shanghai, people tend to spend a lot of money on insurance. Historically, Guangzhou was a commercial city. The Silk Road on the sea went through Guangzhou. Influenced by the commercial culture, Guangzhou people love to go out to see the world. They are willing to spend money for new experiences.

People from the three cities have different concepts of outbound travel as well. People from Beijing stress experience in life and cultural taste as well as personal participation. Shanghai people are very practical. They will calculate how much they spend and how many attractions they will see. People in Guangdong pay much attention to enjoyment, such as good food and entertainment.

When a new destination is openned, the market in Beijing and Guangdong will immediately get moving. But people in Shanghai will wait and see before they take any action. People in the three cities have different degree of fondness for the same destination. For instance, passengers from Guangdong like Japan more than passengers from Beijing and Shanghai do. Winter tours to Korea sell much better in South China than in North China. Such differences also apply to a city. For example, passengers from Beijing and Guangdong love Cairns, Australia, much more than the people in Shanghai do.

People in Beijing and Shanghai have different ways of getting tourist information. For residents of Beijing, the main channel for tourist information is the recommendation of family members or friends and then, TV programs and commercials. Advertisement and articles in newspapers come third. Past experience also plays a role. For residents in Shanghai, the first source of tourist information is advertisement on TV, newspapers and magazines. Recommendation of friends comes next. Brochures also play a certain role. To a certain extent, such difference is a reflection of the different disposition of

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the people in the two cities. People in Beijing like social intercourse. They like to chat with their friends and exchange information. While people in Shanghai tend to take care of themselves.

Channels to get tourist information for people in Beijing (%)

Channels	Recommendation	TV	Newspapers	Experience
Proportion	59.3	38.2	28.9	24.5

Source: "Survey on Holiday Tourism of Beijing Residents"

Channels to get tourist information for people in Shanghai (%)

	Leading officials	Clerks	Professionals	Commerce	Workers, peasants, Service trade
Brochures, leaflets	6.5	4.5	3.4	2.6	4.3
Ads on media	43.5	50.3	52.3	47.9	53.9
Recommendation	15.2	20.9	19.3	23.2	19.2
Shop promotion	4.3	9.2	8.0	8.4	7.1

Source: "Report on Shanghai Society 2001"

6.2. Travel products become more diversified

In general, at present, the main outbound travel products are sightseeing tours conducted in groups. In recent years, in Beijing, Shanghai and Guangdong as well as the two deltas, where travellers are relatively matured, travel agencies start to develop new products according to the demand of the passengers.

Case 1: FIT travel

FIT travel as a new trend is developing. As some travellers become more experienced and sophisticated, some well-educated white collars begin FIT travel. They ask a travel agency to book their air tickets, airport transfer and hotel accommodation. But they will take care of themselves at the destination. For example, Beijing CITS Outbound Travel Company offers a tour to Hong Kong with return air tickets, 3 nights in 4-5 star hotels and airport transfer at US$ 470. Travellers will take care of all the sightseeing and other activities by themselves. In the Christmas of 2001, in one day, 180 people bought this tour. The same tour had 120 travellers on the New Year's Day of 2002.

Case 2: Cruise tours

Since 2000, travel agencies in Beijing and Guangzhou have been promoting a new leisure product – cruise tour. Travellers will fly to Singapore and stay there for half a day, then get on board a cruise ship. They will stay on the ship for 3 nights/four days. The ship will call at Phuket, Thailand and Langkawi, Malaysia. Travellers can have a total relaxation on board the ship, and pay for the extra. The tour has 5 nights/6 days in total and is sold at US$ 730 normally, but during the Spring Festival the price rises to US$ 1,000. Travellers of such tours are from the rich stratum or senior white-collars. Such product is not targeted at big groups, but at FIT or small groups. They will go together with a group, take the same flight and come back together with a group. But they are free for the rest of the time. In this way, **1)** everything is in conformity with the government regulation; **2)** FIT passengers can buy air tickets at group prices.

Case 3: Shopping tours

In a tour group, the interest of the male and female travellers sometimes is the same, and at times it is different. Women especially love shopping. The present way of conducting a tour, with limited time for shopping, cannot satisfy the need for shopping of the female passengers. In 2001, after a survey on the traveller background, tour itineraries and the degree of satisfaction of tour arrangement on the part of the travellers, China Women Travel Service put forward a series of travel products for ladies. The first targeted destination is Japan and the name of the product is “A tour to Japan for housewives”. The special features of the product are:

1) The target is a clear – rich housewife.

2) Enough time for shopping and leisure. In Tokyo, a whole day is arranged for shopping at Ginza to give enough time to the travellers to enjoy the pleasure of shopping and walking around at Ginza.

3) Shopping maps of Tokyo and Osaka have been prepared for housewife passengers. The Tokyo shopping map indicates the locations of shopping malls and major shops in Ginza as well as the commodities on each floor. In this way, the passengers know where to go.

   To provide the travellers with a Chinese – Japanese Conversation booklet having 20 sentences for shopping to reduce the language barrier.

5) After shopping, travellers will take a hot spring bath to feel the hot spring bath culture of Japan.

6) To arrange Visa credit cards for the travellers in advance, so that they will avoid the inconvenience of carrying a large amount of cash. Women Travel Service has promoted this product in cooperation with several women’s clubs in Beijing.

Case 4: Drive-a-car tours

Beijing Peace International Travel Service is a company under the General Corporation for the Service of Foreign Enterprises. The clients of this travel service are mainly white-collars with foreign enterprises. In recent years, to meet the need of new travel products on the part of their clients, the company has developed a new tour of driving cars in Thailand. This travel company made investigation of the routes in Thailand including gas stations and maintenance service as well as sightseeing attractions. They negotiated with car rental companies in Bangkok about the prices. They help the clients to get international driving licenses before they go. They also hire local guides for their passengers. Now this tour program is available on the market. Passengers will fly from Beijing to Bangkok and rent a car there. Then they will drive along the road to the North, visiting Chiang Mai, Ching Rai and other places. Travel agencies in Guangdong are promoting driving tours to Australia.

Case 5: Sightseeing tours plus some important activities

Sightseeing tours plus some important activities are mainly to destinations not yet open to China's outbound market. In this way, the Chinese travel companies try to tap the market as well as expand the impact of the company. For example, for three consecutive years, CITS has organized Vienna New Year Concert Tours. Each year about 300 people have traveled to Vienna to attend the famous New Year Concert at the Golden Hall in Vienna. The 300 passengers were divided into many groups and took Air France, Alitalia, Austrian Airlines, Finnair and Air China. Vienna was put into different sectors on different itineraries but the passengers came to the city at the same date. Another example is the tours organized by China Youth Travel Service, in which some of the 400 passengers went to UK to see the swimmer Mr. Zhang Jian off to cross the English Channel and the others went to France to welcome him. Another tour organized by China Youth Travel was called " Kiss of the Great Wall and the Pyramids", which was a cultural exchange tour with several routes such as Egypt–Turkey and Egypt–Singapore. At present, if travel agencies want to organize tours with large-scale activities to destinations not yet openned; they should get the approval from the China National Tourism Administration. Travel companies in Beijing have some advantage because of their location.

Case 6: Study tours

In the past 20 years, 300,000 Chinese students went abroad to study. Now each year about 25,000 students go abroad to study, among them the government sends about 2,000. The number of student visa issued by the Canadian Embassy and the Australian Embassy in Beijing shows how fast the number of students grows.

Number of students to Canada

	1998	1999	2000	2001
Number of student visa issued	1,733	3,804	7,427	11,700
Change (%)		119.5	95.2	57.5

Source: The Canadian Embassy in Beijing

Number of students to Australia

	94/95	95/96	96/97	97/98	98/99	99/00	00/01
Student visa	964	1,568	1,878	2,304	3,371	5,983	8,717
Change (%)		62.7	19.8	22.7	46.3	77.5	45.7

Source: The Australian Embassy in Beijing

The student market in China is attracting the attention of more and more countries. Since 1998, there have been each year several exhibitions attended by foreign education delegations with the participation of several hundred schools. The most recent one is the "2002 China International Higher Education Exhibition" held in March 2002 in Beijing, attended by 124 universities or colleges from the United States, Canada, UK, France, Germany, The Netherlands, Ireland, Australia, Denmark, Russian Fed, New Zealand, Switzerland, Singapore, Greece, Japan, Malaysia, Thailand and South Africa.

As a result of going abroad for education, study tours have come into being. Families intending to send their children abroad, will make a tour around the chosen country in order to get some information. Other families will send their children to study tours during winter or summer vacation to see the outside world. Guangdong Travel Company organized a "Happy Family Study Tour to Australia" with an itinerary of 14 days. They stayed in Sydney for 8 days during which the kids attended a local school for practicing English while the parents did shopping or other leisure activities.

6.3. Marketing and promotion

6.3.1. Promotion by destinations

6.3.1.1. Promotion in China

Case 1: The strategic marketing of the Australian Tourist Commission (ATC)

Setting the target

The target of ATC on Chinese market

	2000	2001	2002	2003	2004	2005
Number of travellers	124,000	168,000	207,000	299,000	383,000	480,000
Growth rate (%)	35	35	35	35	28	25

Focusing on the key areas
There are three layers: (1) Take China as the key point in exploring the market of Northeast Asia; (2) In China, Beijing, Shanghai and Guangdong are the key areas; (3)

From 2002, Beijing is treated as the key area among the above three places. They plan to put in US$ 605,000 for advertisement on TV in Beijing.

Expanding the market

To enlarge the generating areas. With the continued opening up in China, the generating areas will be expanded from Beijing, Shanghai and Guangdong to Jiangsu, Zhejiang and other provinces.

To extend the cooperation with Chinese travel agencies. When the Chinese tourism authority approves new travel agencies for doing outbound tourism, ATC will start cooperation with these new agencies.

To increase the variety of travel products. At present, Chinese passengers go to Australia mainly for sightseeing. ATC will promote convention/incentive and study travel.

Exploiting the market

To do market research. In 1999, ATC conducted an investigation in Beijing, Shanghai and Guangdong, and found that the travellers in the three areas have different mentalities. Beijing travellers have a stronger pursuit of cultural satisfaction. When they come to the Sydney Opera House, they are not content with taking a few pictures of the exterior of the building but want to see the interior of it. Another example is that passengers from Guangdong and Beijing believe what the travel agencies say about the destination. But passengers from Shanghai will ask for brochures about the destination and also a clear explanation about the tour price.

To have a closer cooperation with the people in the travel trade. ATC has plans for discussions, symposiums and exchange activities and plans to design tourist products together with the travel trade.

To improve the service of the tourist guides. There are no licensed guides in Australia and there are not enough qualified Chinese speaking guides. ATC will intensify the training of the local Chinese-speaking guides on the one hand, and on the other hand, it is exploiting the possibility of the Chinese tour manager acting as local guides as well to give explanation of the sights or attractions to the passengers. In August 2001, ATC launched an “Aussie Specialist Program” for sales personnel and tour managers for the Australian market in the outbound travel agencies of Beijing, Shanghai and Guangdong, so that they will have a better knowledge about Australian tourism. After learning on line for two months, 29 people have passed the exam of 9 areas on the first level and received the first level credentials of Aussie Tourist Specialist. “China Tourism Paper” carried photos of these sales people and the names and addresses of the travel companies they work with.

ATC has fully realized that with the continued expansion of the Chinese outbound market, in a few years, some of the passengers will go to Europe or North America. So Australia must intensify its marketing and promotion to face the challenge and make further development in the competition.

Case 2: A touring promotion of the Ministry of Culture, Arts and Tourism, Malaysia

430,000 Chinese tourists visited Malaysia in 2000. The target of Malaysia for 2001 was to get 600,000 Chinese travellers. Tourism officials of Malaysia think that the country entered into the Chinese market after Thailand and Singapore and their promotion started even late (in 2000). So Malaysia has been just a part on a tour of Thailand, Singapore and Malaysia. The aim of the Malaysian tourism authority is to strengthen the marketing and promotion on Chinese market, so that more Chinese passengers will choose Malaysia as their sole destination.

Measures taken for strengthening marketing and promotion:

1) **In 2001, a Malaysian tourism promotion delegation of 35 people, led by the Deputy Minister of Culture, Arts and Tourism, Mme Huang Yan Yan, went to six cities of China for a touring promotion.** In addition to Beijing and Shanghai, the targets of this touring promotion included Tianjin (a municipality under the central government with great potentials and close to Beijing), Nanjing (the capital of Jiangsu Province), Qingdao (a port city in Shandong Province) and Shenyang (the capital city of Liaoning Province). The promotion was carried out taking part in the Shanghai Tourism Festival, the Conference of Chinese Businessmen in Nanjing, and the International Tourism and Cultural Week in Beijing. By presenting Malaysian dances to the Chinese, the delegation gave them more knowledge about Malaysia. The slogans for the promotion were: "Malaysia, a fascination in Asia", "Malaysia, a diversified culture' and "Malaysia, a shopping paradise". Wherever the delegation went, it resulted in a "fever" for travel to Malaysia.

2) **To adjust tourism-related policies to facilitate Chinese passengers the entry/exit to Malaysia.** In 2001, a tourism section was set up both in the Malaysian Embassy in Beijing and in the General Consulate in Shanghai. The Malaysian immigration office has speeded up the issue of on arrival visas to Chinese passengers. The minimum passenger number has been reduced from four to one. Taking notice of the complaints of the Chinese passengers that it takes a longer time to get a Malaysian visa than a Singaporean or Thai visa and that the waiting time for a on arrival visa is too long, the Malaysian tourism authority will further contact the immigration department and try to improve this situation.

3) **To put forward new travel products in cooperation with travel agencies.** For instance, to link Sarawak and Sabah in East Malaysia with Brunei in a tour route and put Kuala Lumpur, Ipoh, Penang and Langkawi into a tour itinerary. Besides, there are special products such as family holiday tour, leisure tour, keep fit tour or honeymoon tour.

Case 3: The promotion of skiing by Republic of Korea National Tourism Corporation

Travellers from Guangdong occupy 30% of the total Chinese travellers to the Republic of Korea. So the Korea National Tourism Corporation pays great attention to the market in Guangdong. In December 2001, the director of its Hong Kong office went to Guangdong to promote tours to the Republic of Korea under the title “A skiing paradise and the football World Cup”. The Hong Kong office’s responsibility covers the five provinces in South China. This director comes to Guangdong twice a month. In their promotion, the Koreans gave out four-page brochures in Chinese entitled “Easily slide into the snow world”, which teaches the beginners the elementary skills for skiing, such as the basic posture, falling down and standing up, stopping and turning around, going uphill and downhill, etc. These brochures, together with tour products of Korea, are placed on the shelves in the salesrooms of travel agencies for the travellers. These brochures help the travellers who do not know skiing to make up their mind to buy a winter tour to Korea.

Case 4: Tourism promotion by the ambassador of South Africa

At the 2001 Kunming International Tourism Fair, the new ambassador gave the presentation of South Africa. He said that tourism is one of the realms in which South African government carries out the policies for sustained development (eight tourists will create a new job). In 2000, 10,000 Chinese passengers visited South Africa. At present, the Chinese who come to South Africa are mostly business people and the ambassador invites more Chinese to experience the magnificent scenery, which Zheng He (a famous Chinese explorer in the 15th century – the author) witnessed in South Africa.

Besides, some destinations carry out promotion in cooperation with travel agencies in Beijing, Shanghai and Guangdong. For instance, Hong Kong Tourist Association and CITS Guangdong did advertising together. Tourism Authority of Thailand in cooperation with CITS Shanghai did promotion in Parkson shopping mall in Shanghai. They presented Thai songs and dances, gave out brochures and gifts.

Generally speaking, Chinese outbound tourists do not get adequate information about their destinations, especially maps, brochures or pamphlets in Chinese.

6.3.1.2. To create a favourable environment for the tourists

The tourist environment in a destination plays a very important role. In 2001, the Chinese Foreign Ministry on two occasions issued travel advisories to Chinese citizens. The first time was because of several kidnappings and two killings of Chinese in the Philippines, and the Chinese Foreign Ministry advised the Chinese outbound travellers “to be vigilant and take precautions to protect themselves”. The second time was because of the repeated robberies in Paris against Chinese travellers. The Foreign Ministry advised that the Chinese travellers should avoid going to France or postpone their trips.

To attract more Chinese tourists to the Republic of Korea during the 2002 World Cup, since March 2002 Chinese language was added to the broadcasting system in the subway of Seoul and on the bus stops there were be signs in both English and Chinese. A subway map in Chinese was made and the city government of Seoul selected 900 Chinese-speaking interpreters for the World Cup.

For the convenience of the mainland passengers, from 2002, a special lounge is open in Hong Kong International Airport terminal building for tourist groups from there. Travellers can wait for the completion of the procedures in a comfortable environment and browse the tourist information brochures there. The guide from the travel agency can explain things to the passengers there too. The airport authority is making efforts to give putonghua (standard Chinese pronunciation) training to the staff, so that they can speak it more fluently.

A new phenomenon during the Spring Festival is the activities specially arranged for Chinese passengers on the destinations. Normally, on their trip during the Spring Festival, Chinese people spend a lot of money on entertainment and shopping (more than their tour cost, sometimes multiplied by 3 or 4) and during the Spring Festival of 2002, about 75,000 Chinese tourists went to Thailand and brought US$ 16 million into the country in two days.

According to the Hong Kong Tourist Association, about 400,000 mainland travellers visited Hong Kong during the Spring Festival of 2002, bringing HK$ 2 billion to Hong Kong. On the Spring Festival, 22 art troupes in Hong Kong put on performances. In the evening of the following day, a large-scale fireworks display was held at the Victoria Harbor with 250,000 people viewing this spectacular scene of “fiery trees and silver flowers, a night without darkness”. All chefs in Hong Kong gave up their holidays and all the restaurants were open to welcome their guests. To cater to the interest of football fans, which were there for the holiday, Hong Kong invited the Chinese national football team to Hong Kong for matches. The Hong Kong Tourist Association spent HK$ 6 million on advertising for travellers to come to Hong Kong during the Spring Festival.

6.3.1.3. Travel companies in foreign countries

In each destination, there are a number of travel companies, which do Chinese inbound business, and some of them also send their passengers to China, so it is a two-way traffic. In countries not yet open to Chinese outbound tourists, especially in Europe and North America, local ethnic Chinese owns most of the travel companies, which handle Chinese business study groups. In Europe, the biggest travel company handling Chinese business groups is the Caissa group in Germany.

The Caissa tourist group was set up in 1993, specialized in international business travel and holiday travel. In five years, its business increased ten times. Starting from a small company of only two people, nowadays the company has become one of the largest travel companies in Europe owned by ethnic Chinese. It has branch companies or offices in Paris, Rome, Barcelona and Vienna. Since 1993, the company has received over 500 Chinese groups sent by different ministries and various provinces. The aims of these groups are: study, visit, training, business and exhibitions. The fields of study and training include: land management, city construction, shareholding system, logistics in commerce, warehousing, advanced financial management, national and local taxation, judicature, highway bridge construction, machine building, chemical industry, medicine, education, finance, insurance and employment, etc.

Some training and study subjects arranged by Caissa

01 Water resources in Europe and its comprehensive utility
02 Sewage disposal in Europe
03 The use of Euro and its impact on the economy of the member countries
04 The role of knowledge economy in the development of national economy
05 Mass media in Germany and the creation, planning and making of an advertisement
06 Environment protection, computer network and environment bulletins in Germany
07 Human resources management of the German government
08 City construction and management in Germany
09 German architecture
10 Traffic and road construction in Germany
11 Forestry and protection of the ecological environment
12 German agriculture
13 Policy of land management and its application
14 The history and development of beer industry in Germany
15 Animal husbandry in Germany
16 The banking system in Germany
17 The reorganization and appraisal of assets in Germany
18 The taxation system in Germany and how to protect against tax evasion
19 Urban economic development and the adjustment of economic structure
20 The development of population and the corresponding financial policy
21 Wine-making industry in Germany
22 Frankfurt —a financial city in Europe
23 Chain stores in Germany
24 The vocational education in Germany
25 Advanced financial training in Germany
26 Financial securities in Germany
27 ISO9000 system in Germany
28 Prevention of forest fire in Germany
29 The catering business, food processing and machinery in Germany
30 The advertising business in France
31 French agriculture
32 French wine
33 Vocational education in France
34 The history and development of trade union in France

35 Protection of historical towns in France
36 The development of cooperative economy in the market economy of France
37 Building energy saving methods in France
38 Agriculture and horticulture in the Netherlands
39 Animal husbandry in the Netherlands
40 Agricultural machinery in the Netherlands
41 The disposal of paper mill sewage in Spain
42 Fishery and processing of aquatic products

6.3.2. Marketing and promotion by outbound travel agencies

Travel agencies in Beijing, Shanghai and Guangdong have their special features in their marketing and promotion.

Travel agencies in Beijing are rather rational in their marketing and promotion, the manifestation of which is:

- **They make a decision on the basis of market investigation.** CITS Outbound Company is sending questionnaires to their clients to ask what the decisive factors are in their choice of destination. The results show that the first factor is the recommendation by relatives or friends and afterwards the media. The sequence of media is: “Beijing Evening Paper”, the radio station (arts and traffic channels), “Beijing Youth Daily”, “Elite Shopping Guide”, etc.

- **To have a clear target for their promotion.** For example, there are about 400,000 private cars in Beijing. Since 2000, several travel agencies opened special programs on radio stations, which are addressed to car drivers. CITS outbound company opened a special program “Good morning, CITS” on FM 87.6 MHz of music channel and the traffic channel at Beijing Radio Station at 8:00-8:30 AM. China Youth Travel Service opened a special “Good song on line of CYTS” at 8:00-8: 30 AM on the art channel on FM 97.4 MHz. China Travel Service also opened a special program “Oriole’s songs for CTS” on FM 97.4 MHz at 6:00-6:30 PM. These programs are broadcasted during the rush hours when the car owners are driving and listening to the radio. Another example is to have advertisement on the magazine “Chic” which is mainly for the white-collars. This magazine is rather expensive (US$ 2.4 a copy as against “Beijing Evening Paper” at US$ 0.06 a copy), but it has a stable readership. The white-collars think it is of good taste to have a subscription to this magazine. China Youth Travel Service also has ads on such magazines as “Target”, “Quick Delivery in Life” which are given free of charge to households in high class communities.

- **All the authorized outbound travel companies have their ads on media such as** “Beijing Evening Paper”, “Beijing Youth Daily”, “Beijing Morning Daily”, “Beijing Times”, “Xinbao”, and “Elite Shopping Guide”. In 2000 they started to use the radio stations and in 2002 they begun to use TV stations. CITS outbound company has a program “CITS ‘s Wonderful World” every Thursday evening at 8:30 on the 7th channel of Beijing TV station. In the past two years, travel agencies started to pay attention to the Internet. China Youth Travel Service has opened its web site (www.cytsonline.com) for on line booking of air tickets and hotels as well as outbound tour itineraries with prices. Passengers, who cannot come to the briefings before the departure, can get the information for their destinations on line.

- **Changes have taken place in the contents of their advertisement.** A few years ago, in the newspapers and magazines the advertisement of travel agencies was a kind of “hard ad”, which only had tour itineraries and prices. Now they use the TV and Radio station for “soft ad” which features the tourist destinations and theme travel.

Media often used by tourist enterprises for advertisement in Beijing

	Media	Target	Advertisers
Newspapers	“Beijing Evening Paper”	City residents	CITS, CTS, CYTS
	“Beijing Youth Daily”	City residents	CITS, CTS, CYTS
	“Elite Shopping Guide”	Middle and upper class consumers	CITS, CTS, CYTS
	“Chic”	White collars	CITS, CTS, CYTS
Radio stations	“Good morning, CITS!” Beijing Radio Station	Car owners	CITS
	“Good songs on line of CYTS ” Beijing Radio Station	Car owners	CYTS
	“Oriole’s songs for CTS” Beijing Radio Station	Car owners	CTS

Note: CITS - China International Travel Service
CYTS - China Youth Travel Service
CTS - China Travel Service

Travel agencies in Guangzhou make concentrated promotion on newspapers. The most popular newspapers are “Yangcheng Evening Paper” with a daily circulation of 1.5 million and “Guangzhou Daily” with one million circulations. Most families have subscribed to one of them. “Yangcheng Evening Paper” has a tourism edition every Monday and “Guangzhou Daily” every Tuesday. Travel agencies have their advertisements about their tour itineraries, prices and their new products on the papers. The potential tourists will pay attention to these two tourism editions and compare the contents. The tourism editions of the newspapers have become a source of information for outbound passengers.

Media used by travel enterprises in Guangzhou

Media	Daily circulation	Days of tourism edition	Target	Advertisers
"Yangcheng Evening"	1.5 million	Every Monday	Travel lovers	Travel agencies
"Guangzhou Daily"	1 million	Every Tuesday	Travel lovers	Travel agencies

Travel agencies in Shanghai have different ways of promotion, unlike travel agencies in Guangzhou, which have their ads in two newspapers or travel agencies in Beijing, which often contact each other. Travel agencies in Shanghai go on their own. Before 2001, most advertisements of travel agencies were short-term oriented. For instance, the ads in mid-March were for May 1 holiday and the ads in mid-December were for tours in the Spring Festival. Since 2001, they began to place regular advertisements on newspapers. Shanghai Youth Travel Service chooses "Liberation Daily", "Labor Daily" and "Shenjiang Service News" for its advertisements. The former two are mostly paid by public funds. Nearly all enterprises have subscribed to the "Liberation Daily", and white-collars buy "Shenjiang Service News" which is a weekly with a circulation of 400,000. The ads will appear twice a month in the newspapers. When the stock market is booming, they would have ads on the "Securities Paper". When the stockholders have made money, some of them would go for travel. CITS Shanghai has its ads twice a month on "Shengjiang Service News" and irregular ads on "Morning News". Some travel agencies have their ads on radio stations for a period of time, for instance, during October to December in the rush hours on the traffic channel. Because taxi drivers like to listen to this channel, their passengers can also hear it. In Shanghai, "Xinmin Evening Paper" has the largest circulation. But few travel agencies place their ads in it because of the high cost.

Media frequently used by travel enterprises in Shanghai

Media	Target	Advertisers	Notes
"Liberation Daily"	Office workers	Travel agencies	Subscribed by all enterprises and institutions
"Labor Daily"	Office workers	Travel agencies	Subscribed by most trade unions
"Shenjiang Service News"	White collars	Travel agencies	Bought by white collars
"Securities Paper"	Stockholders	Travel agencies	Bought by stockholders
Traffic channel of the radio station	White collars who use taxis	Travel agencies	Most white collars use taxis

Outbound tourism has become a hot topic and a focus of attention in the economic life of modern China. So there are all kinds of special columns on tourism on the media. They talk about the exotic sceneries, local customs of foreign countries and the basic knowledge for traveling abroad. These features are not only about the ADS-destinations but anything, which might be of interest to the readers. For instance, in the article "Special streets in foreign countries" in the China Times, the author talked about a "music street" in Vienna, the newspaper street (Fleet Street) in London, a bookshop street in Tokyo, and a street in New York, which is said to be a center for single people.

6.3.3. Promotion online

As of 31st December 2001, there were 33.7 million Internet users in China, an increase of 49.8% over the previous year. Most of the users are young people, 79% of them are males and 87% of them have had higher education; 78% are below 30 years of age.

The distribution of Internet users is very close to that of the outbound market. According to the "Statistical report on the development of Internet in China", the sequence of the distribution of domain names and users is: Beijing, Guangdong, Shanghai, Jiangsu, Shandong, Zhejiang.

Market distribution of the Internet in China (%)

	Beijing	Guangdong	Shanghai	Jiangsu	Shandong	Zhejiang	Others
Registered domains	37	15	9	5	5	4	25
Users	21	13	11	6	5	5	39

Source: "Statistical report on the development of Internet in China" 2000

In Beijing, Shanghai, Guangdong and the Yangtze River Delta, a considerable amount of white-collars are travel enthusiasts as well as Internet users. The Internet has become a part of their life and the source of information. Outbound travel companies often recommend overseas web sites in their brochures to the educated people and young travellers.

Overseas web sites recommended by Chinese tour operators

Hong Kong Tourist Association	www.chinaholiday.com
Macao Government Tourism Office	www.macao.tourism.gov.mo
Tourism Authority of Thailand	www.tattpe.org.tw
Malaysian Tourism Promotion Board	www.tourism.gov.my
Singapore Tourist Board	www.singapore.com
Indonesian Tourism Promotion Board	www.tourism.indonesia.com
Philippines Tourism	www.tisnet.net.tw
Korean National Tourism Corporation	www.knto.or.kr
Japan National Tourism Association	www.jnto.go.jp
Australian Tourist Commission	www.aussie.net.au
Victoria Tourist Commission	www.tourism.vic.gov.au

Queensland Tourist Commission	www.geec.com.au
New Zealand Tourist Board	www.nztb.govt.nz
French Tourist Board	www.franceguide.com
Dutch Tourist Board	www.klm.com./go-holland
German Tourist Board	www.germany-tourism.de
Swedish Tourist Board	www.sweden.gvg.org
Switzerland Tourist Board	www.switzerlandtourism.com
Spanish Tourist Board	www.spaintour.com
British Tourist Authority	www.visit/britain.com
Finnish Tourist Board	www.mek.fi
Danish Tourist Board	www.dt.dk
Norvegian Tourist Board	www.fjordnorway.no
Disneyland	www.disneyland.com
Hawaiian Tourism Bureau	www.visit.hawaii.org

Recommendations on the issue of Approved Destination Status

For EU Countries: ETC members are advised to lobby for each country to voice their interest to the CNTA in bilateral agreements, and prepare for bilateral ADS-negotiations in order to position themselves in case the EU cannot agree a common approach, or future EU-China negotiations should fail. As this report shows, the first step involving an approval by the Chinese State Council needs to be taken before real negotiations on the detailed agreement can start. Therefore, it is recommended at least to obtain this initial approval.

Another recommended road would be to lobby for national governments to use other practices, cf. the description above on alternative practices on visa issuance. It is important, however, to emphasize that such changes can only be made by a change of immigration policy in the respective country. The immigration issue (the readmission clause) is the main obstacle to an ADS-agreement between China and the EU, and therefore the lobbying efforts should concentrate on this. In this respect, the case studies of Australia and Japan would be considered as good arguments for very low overstay rates, i.e. could be used as evidence that the Chinese system of restricting outbound services to a limited number of agencies is actually working in favor of the immigration policies and concerns of the EU countries. In conclusion, it could be argued that in order to satisfy the immigration policy issue, less priority should be given to trade policy issues.

For non-EU countries: Members of the ETC are advised to lobby the relevant national authorities to proceed to address the CNTA and emphasize their (possible) willingness to make an agreement on the Chinese terms. This will give these countries a major advantage as tourist destinations.

Without an ADS-agreement, it is still possible to have rather extensive Chinese (de-facto) tourism in Europe, as shown in this report, and this could be developed further. Especially the possibility of arranging large groups for special events is interesting. It could also be recommended to utilize the opportunity given by the increasing number of friendship-city agreements between Chinese and foreign cities. On the Chinese side – and probably also on the European side in terms of immigration policies – travelling with reference to friendship-city agreements is administered with much less strictness than ordinary travelling.

Recommendations on the establishment of National Tourism Offices

It is recommended to seek to establish NTO's as early as possible. Lobby the CNTA to continue to loosen regulations for opening NTO's, as well as in regard to the allowed activities of the NTO. The list in the appendix of this report can be used for consulting with established NTO's, including embassies, might be useful as supporters of the lobbying efforts in China as well as the EU Chamber of Commerce in China through their tourism working group, specifically focused on the issues of this report[13]

13 The tourism working group of the EU Chamber of Commerce in China is chaired by Ms. Antonella Silvestri, who can be reached by e-mail at: antonet@public.bta.net.cn

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APPENDIX

Appendix 1. Content of existing ADS agreements – Australia and Japan

In general, ADS-agreements contain the following main items:

- Limitations in the number of ADS tourism service providers both from China and from the ADS country in question.
- A number of restrictions on tourism service providers/consumers regarding itinerary, date of departure/return, and minimum number per group.
- Economic sanctions on tourism service providers for overstay of Chinese tourists. Unlike Japan, Australia managed to introduce some sort of a readmission clause in its agreement, but it is a provision of a very general kind.
- In some cases limitations on Chinese tourism services consumers, based on residence (only those residents in Beijing, Shanghai and Guangzhou).

Australia

The first ADS visitors arrived in Australia in August 1999. Since then, over 32,000 ADS visa-holders have visited Australia.

Conditions to effectively apply the Australian type-ADS are:

- To be able to monitor and control the tourist group-members traveling to Australia from the date of entry in and departure from Australia. Everybody entering Australia is being registered upon entry and exit, and will be traced as soon as one doesn't leave Australia in time.
- Travel agents have to do the assessment of the tourist applications and are kept responsible for the tourists by means of an economic sanction regime (2 months suspension).

Conditions for Chinese tourism groups and travel agents within the agreement are:

- Chinese authorities designated a number of travel agents in China to establish links with Australian-nominated travel agents to arrange group travel to China. The Australian ones are selected by the Australian Tourism Export Council (ATEC).
- Only 22 Chinese travel agents are authorized to organize tourism groups to Australia.
- Only Australian travel agents approved by the Australian government are allowed to handle the Chinese inbound business (currently about 30).

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- Only citizens with a passport issued in Beijing, Shanghai and Guangdong can apply for ADS tourist visa[14].

- When entering Australia, one is not entitled to any other visa application (except refugee).

- Date of issue and validity traveling dates are strict (only a few days margin).

- Only citizens with a one-year tourism passport (ADS passport) can apply[15].

- Only groups of minimum 9 persons can apply (8 persons plus one "tour-leader").

- Agreed itinerary that cannot be altered.

The CNTA, in conjunction with relevant agencies in Australia, has developed a number of procedures to regulate the operation of travel agents in China. These procedures include:

- Restriction of ADS to registered residents of Beijing, Shanghai and Guangdong province.

- Under Chinese regulations, authorization of 22 travel agents by the PRC Government to initially handle self-paid outbound travel by Chinese citizens to Australia.

- Written agreements between agencies nominated by the CNTA and inbound tourist agencies nominated by ATEC.

- Operators restricted to organizing group tours of no less than nine members, with a Chinese tour escort. The escort is responsible for keeping the group on schedule and returning all travelers to China.

- Monitoring the performance of each agent by Chinese authorities.

- Passports issued and exit controlled through the Ministry of Public Security (MPS). Chinese citizens will use ordinary passports, valid for one year, and apply for tourist visas to visit Australia.

- Travel costs fully paid by the traveller.

- A requirement that all travellers in every group must return to China, and

- Sanctions for travel agencies who do not meet the required standards (for example, financial penalties imposed by CNTA and/or loss of their approved status).

The readmission clause obtained by Australia is a very general one and it seems thus rather unlikely that it could be enforced in a really efficient manner.

14 This rule has been relaxed since people with a four-year residency in Beijing, Shanghai and Guangdong can apply for a passport issued in these respective areas.
15 This rule has been relaxed since the one-year passport visa has been cancelled - and therefore it does not apply anymore.

Requirements on Australian inbound tour operators handling Chinese tourism

ADS Code of Ethics

The China National Tourism Administration (CNTA) will only approve in China appropriately qualified agents to handle outbound ADS group leisure travel to Australia. Chinese nationals will only be able to obtain visas for travel to and entry into Australia through the approved Chinese travel agents. These will be required to deal with Australian inbound operators who meet basic statutory and fiduciary requirements and who can show experience of and commitment to the China inbound market.

1. Your obligations

As your organisation has applied for and has been accepted for listing, we now seek your agreement to the following operating standards:

1.1 Requirements:

That during the time you are listed to act as an ADS group leisure inbound operator in Australia from the China market, your organisation agrees to comply with the following requirements:

1.1.1 China Market Commitment: That it will be active in dealing with the China market and will demonstrate a commitment to maintaining and developing the market via sales calls to the market.

1.1.2 Experienced, Professional & Qualified Staff: That it will have in its employment:

- a full time staff member with a minimum of one year experience handling tour operations in Australia who can pass a test for written and oral Chinese language skills;
- experienced selling staff with written and oral Chinese language skills;
- appropriate meet & greet staff or contractors who speak Chinese;
- experienced Chinese speaking guides, ensuring that every tour party which arrives in Australia from China, for which it is responsible while in Australia, is adequately serviced by Chinese speaking tour guides who must have a minimum of one year's experience in guiding in Australia.

1.1.3 China Approved Agents only: That you will deal only with agents in China approved by CNTA for the handling of outbound ADS group leisure tourism to Australia.

1.1.4 Sub Agency Organisations not approved as ITOA Nominated inbound tour operators on the list for the ADS group leisure travel market are not to be appointed as sub agencies for sourcing further business or any other purpose.

1.2 Importance of Industry Professionalism Maintaining a professional standard when dealing in the China market is important, therefore it is agreed that:

- your organisation works in harmony with other inbound operators on the ITOA Nominated inbound tour operators list and relevant industry suppliers to help achieve the best long term results for the Australian tourism industry;

- you demonstrate professional standards of service and accountability;

- you accept and discharge a commitment to help educate and train key industry suppliers in the proper and professional handling of visitors from China;

- you become an active member of an appropriate industry association

1.3 Advance Payment / No Credit Your organisation agrees that for all new business with all CNTA approved agents, it will receive payment in advance for the costs of the services and that you will agree not to advance credit under any circumstances.

2. PRICING AND QUALITY CONTROL

As an ITOA Nominated inbound tour operator in the ADS group leisure travel market, you agree to the following terms on pricing and quality control:

2.1 to provide a fully inclusive package price quotation, which is not subsidised by shopping commissions;

2.2 to provide a quality holiday experience tailored to the needs of the client;

2.3 to commit to deliver itineraries, agreed upon prior to departure, and should any amendments to said itinerary be required, the substitutions must deliver comparable value and experience to the client.

3. YOUR OPPORTUNITY

3.1 Provision of Approved List of Chinese Agents ITOA agrees to provide your organisation with a list of agents in China approved by the CNTA to handle tourism outbound from China. It will be up to you to make the contacts and establish the appropriate business relationships with those you select from the list of approved agents in China.

If you have any queries regarding the Code of Ethics or ADS, please do not hesitate to contact the ATEC national office on (02) 9360 5955.

Japan

The system applies to groups (5 to 40 people, with one “tour-leader” for every group) and only for travellers registered in Beijing, Shanghai or Guangdong. Even though it has consulates in Shanghai and Guangzhou, the Japanese Embassy only accepts ADS-applications in Beijing. Chinese travel agents make the checking of the applicants. Each party has designated a number of agencies in its country.

The visas issued are single entry with duration of 15 days valid for 3 months. There is no requirement as far as the type of passport is concerned.

Each party is competent to impose penalties on the travel agents of its own country. The Japanese side has a ‘point-system’ by which its companies can be punished by having points retrieved from their total point-capital of 10. The Japanese council of travel agents is responsible for the implementation of the system. Deposits – refundable – are also requested from the agents. On the Chinese side, there has already been a case of an agency being punished by CNTA after some of its customers went missing in Japan.

There is no readmission clause as such a demand has been considered by Tokyo as likely to prove unacceptable for Beijing and, thus, to prevent an agreement from being reached. However, according to both, the Japanese Embassy and CNTA, “there is a way to solve this problem” without necessarily having to include a readmission clause in the agreement. The repatriation issue is to be directly settled by both travel agencies (one Japanese, one Chinese) involved. The system has been working fine up to now according to the Japanese Embassy and CNTA.

Other conditions (once considered by the Japanese Ministry of Security as the age, job or status requirements imposed on the applicants) have also been dropped eventually by the Japanese negotiator. The same applies to compulsory deposits.

The June 2000 agreement provides for a “close co-operation” between the two governments and for consultations every 6 months.

Appendix 2. CNTA Overseas Offices

China National Tourism Administration (CNTA Headquarter)
Add: 9A Jianguomennei Ave., Beijing 100740, China
Tel: (0086-10) 65201114
Fax: (0086-10) 65122096
Web: www.cnta.com

China National Tourism Administration Tokyo Office
Add: Air China Building, 2-5-2 Toranomon, Minato-Ku, Tokyo, Japan 105
Tel: 0081-3-35918686
Fax: 0081-3-35916886

China National Tourist Office, New York
Add: 350 Fifth Avenue, Suite 6413 Empire State Building New York, NY 10118, USA
Tel: 001-212-7608218
Fax: 001-212-7608809

China National Tourist Office, London
Add: 71 Warwick Road, London, SW5 9HB,UK
Tel: 0044-20-73730888
0044-20-1600188(Info)
Fax: 0044-20-73709989

China National Tourist Office, Madrid
Add: Gran Via 88, Grupo 2, Planta 16, 28013 Madrid España
Tel: 0034-91-5480011
Fax: 0034-91-5480597

China National Tourism Administration Osaka Office
Add: 4F OCAT Building, 1-4-1 Minatomachi, Naniwa-Ku, Osaka, Japan, 556
Tel: 0081-6-66353280
Fax: 0081-6-66353281

China National Tourist Office
Add: Los Angeles 600 West Broadway, Suite 320 Glendale, CA 91204, USA
Tel: 001-818-5457507
Fax: 001-818-5454506

Office du Tourism de China
Add: Paris 15, rue de Berri, 75008 Paris, France
Tel: 0033-1-56591010
Fax: 0033-1-53753288

Fremdenverkehrsamt der VR China in Zürich
Add: Genfer-Strasse 21 CH-8002 Zürich, Schweiz
Tel: 0041-1-2018877
Fax: 0041-1-2018878

China National Tourist Office in Singapore
Add: 7 Temasek Boulevard # 12-02A Suntec Tower One, Singapore 038987
Tel: 0065-3372220
Fax: 0065-3380777

China National Tourist Office, Toronto
Add: 480 University Ave., Suite 806 Toronto, Ontario M5G1V2, Canada
Tel: 001-416-5996636
Fax: 001-416-5996382

Fremdenverkehrsamt der VR China in Frankfurt
Add: Ilkenhansstrasse 6, D-60433 Frankfurt M, Deutschland
Tel: 0049-69-520135
Fax: 0049-69-528490

China National Tourist Office, Sydney
Add: 11th Floor, 234 George Street, Sydney, NSW 2000, Australia
Tel: 0061-2-92529838
Fax: 0061-2-92522728

Asia Tourism Exchange Centre Limited
Add: B1, 20/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel: (00852) 28657183, 28662371
Fax: (00852) 28611371

Appendix 3. Authorised Chinese Outbound Tourism Operators

(67)	Company Names	Add	Tel	Fax
	Anhui Province (1)			
1	Anhui Overseas Tourist Corporation	No. 153 Meishan Road Hefei, Anhui 230031 China	86-0551-2821325 2848817 2812931	86-0551-2812855 2817108
	Beijing Municipality (10)			
2	China Int'l Travel Service Head Office (CITS)	No.103, Fuxingmennei Street, Xicheng District,100800 China	86-10-64647265	86-10-66012013
3	China Travel Service Head Office (CTS)	No.2 East Road, North Sanhuan, Chaoyang District, Beijing, 100028 China	86-10-64622288 -6606 6621	86-10-64612597
4	China Youth Travel Service Tours Holding Co., Ltd (CYTS)	23C Dongjiaominxiang, District, Beijing 100006, China	86-10-65243388	86-10-65249809
5	China Comfort Travel Co., Ltd (CCT)	Jingchao Mansion, No.5, South Nongzhan Road, Chaoyang District, 100026 China	86-10-65940881	86-10-65940890
6	China Merchants International Travel Co., Ltd	6F Huapeng Mansion,No.19 Dongsanhuan North Rd, Chaoyang District, Beijing 100020 China	86-10-65975059	86-10-65975001
7	China Women Travel Service	No.103 Dongsinandajie, Beijing 100010, China	86-10-65231439	86-10-65129021
8	Beijing Tour Group International Travel & Tour (BTG)	Beijing Tourism Building, No. 28, Jianguomen Wai St, Beijing, China, 100022	86-10-65157515, 65157384, 65158798	86-10-65150213
9	Beijing North Star International Tourism Corporation	No.10/3 Anhuili, Chaoyang District Beijing 100101 China	86-10-64910683	86-10-64910684
10	China Peace International Tourism Corp.	5F6A,Hanwei Mansion, No. 7 Guanghua Road, Chaoyang District, Beijing, 100004 China	86-10-65611617	86-10-65611639
11	China Travel International Ltd. (CTI)	Rm1-3,level 5, Tower E1, The Towers, Oriental Plaza NO.1 East Chang An Ave., Dong Cheng District, Beijing China	86-10-85183131	86-10-85188066
	Chongqing Municipality (1)			
12	Chongqing Overseas Tourist Group Corp.Ltd	No. 63 Zaozinanya Zheng Street, Yuzhong District, Chongqing, 400015 China	86-023-63850092	86-023-63850095
	Fujian Province (5)			
13	Fujian Tourism Company (FJTC)	8F Libaotianma Plaza, No.1 Wuyi North Road, Fuzhou, Fujian, 350001 China	86-0591-7541412	86-0591-7533789
14	Fujian Overseas Tourist Enterprise Corp (FJOETC)	9F Libaotianma Square, No. 1 Wuyi North Road, Fuzhou, Fujian, 350001 China	86-0591-3340070	86-0591-7529250
15	Fujian China Travel Service (CTS FJ)	No. 116 Wusi Road Fuzhou, Fujian, 350001, China	86-0591-7532687	86-0591-7535110
16	China International Travel Service Fujian	6/F Tianma Plaza, No.1 Wu Yi Bei Rd. Fuzhou, Fujian 350001, China	86-0591-3378558 3378568 3357818	86-0591-3360076/ 3370077
17	Xiamen Tour & Travel Group Co., Ltd	1F Huajian Mansion, No. 78 Xinhua Road, Xiamen, Fujian, 361003 China	86-0592-2015482	86-0592-2020330

	Gansu Province (1)			
18	Gansu Silk Road Int'l Travel Service (GSRITS)	No. 198, West Minzhu Road, Lanzhou, 730000 China	86-0931-8465965	86-0931-8466723
19	**Guangdong Province (6)**			
20	Guangdong Overseas Travel Corporation (GDTC)	No. 185, West Huanshi Road, Guangzhou, 510010 China	86-20-86666889-8405	86-20-6666284
21	China Travel Service Guangdong (CTS Gd)	No. 10 Qiaoguang Road, Guangzhou, 510115	86-20-83336888	86-20-83332247
22	Shantou Tourist Corporation (STTC)	No. 35 Yuejin Road , Shantou 515031 China	86-0754-8297612	86-0754-8293678
23	Shenzhen Tourist (Group) Corporation (SZTC)	12F, 4flat, No. 190 Luofang Road, Shenzhen, 518003 China	86-0755-5108633	86-0755-5117531
24	GZL International Travel Service Ltd. (GZL)	13F Huanqiu Plaza, No. 829-831 North Renmin Road, Guangzhou, 510170 China	86-020-81073490	86-020-81098082
25	Zhuhai Holiday International Travel Service (ZHHITS)	No. 3 Changshen Road, Gongbei, Guangdong, 519020 China	86-0756-8873873	86-0756-8885272
	Guangxi Autonomous Region (1)			
26	China International Travel Service Guilin	No. 41 Bingjiang Road, Guilin, Guangxi, 541002 China	86-0773-2827190	86-023-63850095
	Guizhou Province (1)			
27	Guizhou Overseas Travel Corporation	No. 98 Hequn Road, Guiyang, Guizhou, 550001 China	86-0851-5866778	86-0851-5823095
	Hainan Province (1)			
28	China Int'ltravel Service Hainan (CITS)	3F Changlong Mansion, Airport Road, Haikou, 570203 China	86-0898-5363161	86-0898-5363172
	Hebei Province (1)			
29	China Hebei Overseas Tourist Corporation	No. 175, Yucai Street, Shijiazhuang, Hebei, 050021 China	86-0311-5815636	86-0311-5815368
	Helongjiang Province (1)			
30	Heilongjiang Overseas Tourist Corporation	6F Dongfang Mansion No. 235, Hua Yua street, West Dazhi Street, Nangang District, Ha'Erbin, 150001 China	86-0451-3634000	86-0451-3621088
	Henan Province (1)			
31	Henan Tourist Group Co., Ltd	No. 288, Chengdong Road, Zhengzhou, Henan450003 China	86-0371-5961133	86-0371-5952273
	Hubei Province (2)			
32	Hubei Overseas Travel Service	Xiaonanju Mansion, No. 26, Taibeiyilu Road, Wuhan, Hubei, 430017 China	86-027-85784089	86-027-85784089
33	Wuhan Overseas Travel Service	No. 48, Baofeng Road, Hankou, Wuhan, Hubei 430030	86-027-83626473	86-027-83626601
	Hunan Province (1)			
34	Hunan China Int'l Travel Service	11F Xiaoyuan Mansion, East Wuyi Road, Changsha, Hunan, 410001 China	86-0731-2280444	86-0731-2280455
	Inner Mongolia Autonomous Region (1)			
35	China Travel Service Inner Mongolia (CTS Inner Mongolia)	No. 95, Art Hall South Street Xincheng Dis, Huhhot, Inner Mongolia, 010010 China	86-0471-6926774	86-0471-6967924 6936487

	Jiangsu Province (5)			
36	Jiangsu Overseas Tourist Co.	No. 202-1, Zhongshan North Road, Nanjing, Jiangsu, 210003 China	86-025-3428999	86-025-3428954
37	Jiangsu China Travel Service (JSCTS)	No. 313, Zhongshan North Road, Nanjing, Jiangsu 210003 China	86-025-3431502	86-025-3426533
38	Nanjing Overseas Tourist Co., Ltd (NJOTC)	No. 4, South Dongguashi, Nanjing, Jiangsu 210024 China	86-025-3310176	86-025-3316950
39	Suzhou Overseas Tourist Co.	No. 115, Shiquan Street, Suzhou, Jiangsu, 215006 China	86-0512-5223783	86-0512-5233593
40	Wuxi Overseas Tourist Co.	No. 7, Xinsheng Road, Wuxi, Jiangsu, 214001 China	86-0510-2762480	86-0510-2716780
	Jiangxi Province (1)			
41	Jiangxi Overseas Tourist Corporation	4F, Jiangxi Hotel, Nanchang, Jiangxi, 330006 China	86-0791-6214429	86-0791-6224844
	Jilin Province (1)			
42	Jilin Overseas Tourist Corporation	No. 14, Xinmin street, Changchun, Jilin, 130021 China	86-0431-5609120	86-0431-5642419
	Liaoning Province (3)			
43	Dalian Overseas Tourist Corporation	No. 1 Changtong Street, Xigang District, Dlian, Liaoning, 116011 China	86-0411-3689859	86-0411-3687831
44	Liaoning Overseas Tourist Corp. (LNOTC)	No. 26-1 Middle Kunshan Road, Huanggu District, Shenyang, Liaoning, 110031 China	86-024-86248150	86-024-86228632
45	Shenyang China Travel Service (CTSS Shenyang)			
	Ningxia Autonomous Region (1)			
46	Ningxia China Int'l Travel Service	No. 116, West Jiefang Street, Yinchuan, Ningxia, 750001 China	86-0951-5047228	86-0951-5043466
	Qinghai Province (1)			
47	Qinghai Tourist Corporation	No. 156, Huanghe Road, Xining, Qinghai, 810001 China	86-0971-6133643	86-0971-6131080
	Shanghai (5)			
48	Shanghai China International Travel Service Co., Ltd.	No. 1277, west Beijing Road Shanghai 200040, China	86-021-62898899 62893486	86-021-62894928
49	Shanghai China Travel Service	No. 881, Yan'An Middle Road, Shanghai, 200040	86-021-62471816	86-021-62475878
50	China Youth Travel Service Shanghai	No.2, Hengshan Road, Shanghai, 200031 China	86-021-64331826	86-021-64330507
51	Shanghai Jinjiang Travel Service Co., Ltd.	No. 191, Changle Road, Shanghai, 200020	86-021-64662828	86-021-64662297
52	Shanghai Huating Overseas Tourist Co.	4F, No. North 503, Wulumuqi Road, Shanghai, 200040 China	86-021-62491234	86-021-62485470
	Shandong Province (2)			
53	Shandong China International Travel Service (Group)	No. 88, Jingshi Road, Jinan, Shandong 250014 China	86-0531-2965858-6407	86-0531-2962750
54	Qingdao China International Travel Service	No. 9, Nanhai Road, Qingdao, Shandong, 266003 China	86-0532-2870830	86-0532-2870983
	Sichuan Province (2)			
55	Sichuan Overseas Tourist Corp. (SCOTC)	No. 65, South Renmin Road, Chengdu, 610021, China	86-028-6673689	86-028-6663794

56	China Chengdu Overseas Tourist Corporation (CDOTC)	No. 258 Wuhou street, Chengdu, 610016 China	86-028-5587976	86-028-5587977
	Shaanxi Province (2)			
57	Xi'an China International Travel Service Corporation Limitd	No. 48, North Section, Changan Road, Xi'an, 710061 China	86-029-5262066 5261455	86-029-5262066 5261455
58	Shanxi China Travel Service Corporation Limitd	No. 45, Xingqin Road, Xi'an, 710048 China	86-029-3244352	86-029-3241058
	Shanxi Province (1)			
59	Shanxi China International Travel Service	No. 38, Pingyang Road, Taiyuan, 030012 China	86-0351-7232188	86-0351-7244312
	Tianjin Municipality (1)			
60	Tianjin China Int'l Travel Service	No. 22, Youyi Road, Hexi District, Tianjin, 300074 China	86-022-28358349	86-022-28352619
	Tibet Autonomous Region (1)			
61	Tibet Tourist Corporation	No. 208, West Beijing Road, Lasa, 850001 China	86-0891-6832980 6836626	86-0891-6836315
	Xinjiang Autonomous Region (1)			
62	Xinjiang China International Travel Service	No. 51 North Xinhua Road, Wulumuqi, 830002 China	86-0991-2821427	86-0991-2810689
	Yunnan Province (2)			
63	Yunnan Overseas Tourist Corporation (YNOTC)	No. 96, East Dongfeng Road, Kunming, 650041	86-0871-3123281	86-0871-3132508
64	Kunming China Int'l Travel Service (KMCITS)	No. 285, South Huancheng Road, Kunming, 650011 China	86-0871-3132895	86-0871-3132895
	Zhejiang Province (3)			
65	Zhejiang Overseas Tourist Co. (ZJOTC)	No. 380, Fengqi Road, Hangzhou, Zhejiang, 310006 China	86-0571-5064302	86-0571-5064242
66	Hangzhou Overseas Tourist Co. (HZOTC)	No. 45, Shuguang Road, Hangzhou, Zhejiang, 310013 China	86-0571-7993888	86-0571-7994366
67	China Travel Service Zhejiang (CTS Zhejiang)	No. 200, Guangfu Road, Hangzhou, Zhejiang, 310006 China	86-0571-7080888	86-0571-7089220

Appendix 4. Provisional Administrative Regulation regarding the Establishment of Residential Representative Office in the People's Republic of China by Foreign Governmental Tourism Department

Issued by the China National Tourism Administration

Article One

This Regulation is formulated in order to promote international tourism exchange and to strengthen the administration of the residential representative offices established in China by the foreign governmental tourism departments (including the semi-governmental tourism departments authorized by foreign governments) and the inter-governmental international tourism organizations (hereafter referred to as foreign tourism departments).

Article Two

China National Tourism Administration is the authority for the administration of the residential representative offices established by foreign tourism departments in China.

The foreign tourism department shall submit an application in written form to China National Tourism Administration to request the establishment of a residential representative office in China. Only after the application is approved by China National Tourism Administration with consultation with relevant departments can the residential representative office be established.

Article Three

The foreign tourism department applying for establishing her residential representative office in China should submit the following documents and materials:

1. Original copy of the official application letter duly signed by the person in charge of the foreign tourism department and sealed with an official stamp. The letter shall include the representative office's name, the number of the residential staffs, function and residential city and so on.

2. Original copy of the certificate of appointment, curriculum vitae, photo and the personal identification document of the residential staff appointed the foreign tourism department shall submit an application in written form to China National Tourism Administration to request the establishment of a residential representative office in China. Only after the application is approved by China National Tourism Administration with consultation with relevant departments can the residential representative office be established.

Article Four

The residential representative office of a foreign tourism department established in China with the approval may be engaged in non-profit activities such as promotion, consultation, liaison and coordination, but shall not carry out any commercial activities of covert commercial activities.

Article Five

The foreign staffs employed by the residential representative office of a foreign tourism department in China shall go through the formalities of working and residential permits in accordance with the "Administrative Regulation on Foreigners' Employment in China". The staff sent directly from the foreign tourism department applies for his working visa at the Chinese embassy or consulate in his country with the official visa notice and the confirmation letter of his representative appointment issued by China National Tourism Administration; and after his arrival in China, he applies for his working permit through the labor security department with his representative certificate and working visa, before applying for his residential permit through the public security department with his representative certificate and working permit.

Article Six

If the residential representative office of a foreign tourism department in China needs to change the name of the office, residential staff or place, it shall submit an application in written form to China National Tourism Administration and go through the formalities to get the approval for the change. With the approval, it shall go through the relevant formalities of the change through the labor department and the public security bureau where the office is located.

Article Seven

The residential representative office of a foreign tourism department in China and its staffs shall go through the necessary formalities, like opening a bank account, renting a building, filing and applying for importing public or private articles in the Customs, receiving vehicle plates and driving licenses, with the approval documents issued by China National Tourism Administration and other relevant certificates and in accordance with the laws and regulations of China.

Article Eight

The employment of the Chinese staffs by the residential representative office of a foreign tourism department in China shall be under the unified management at the provincial–level in China and be designated to the professional foreign affairs service organization to undertake it.

The residential representative office shall submit the list of the Chinese staffs it will employ to China National Tourism Administration for file. The file shall include name, birthplace, date of birth, education level, the used working place and position.

Article Nine

The legal interests of the residential representative office of a foreign tourism department in China, its personnel and family members are protected by the laws of China. All the activities of the representative office, its staffs and their family members shall abide by the laws, regulations and relevant rules of China.

Article Ten

If a residential representative office of a foreign tourism department in China violates this Regulation, China National Tourism Administration jointly with relevant departments shall give a disciplinary warning to it or disqualify it from being a residential representative office in China. Any residential representative office established without the approval will be suppressed.

Article Eleven

If the residential representative office of a foreign tourism department in China will terminate its vocational activities, it shall notify China National Tourism Administration in written form thirty days prior to the desired termination date and go through the formalities of cancellation registration after clearing all its debts and other related matters. The department sending the residential representative office shall undertake further responsibility for any matters which are not settled after the cancellation registration is finished.

Article Twelve

The residential representative office, agency, general affairs office, liaison office or any office under other names established in China by a foreign tourism department shall be deemed as the residential representative office and this Regulation shall be applied.

Article Thirteen

This Regulation shall become effective on the date of its promulgation.