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## **STUDY OF THE OUTBOUND TOURISM INDUSTRY OF THE PEOPLE'S REPUBLIC OF CHINA**

The Probability of a Bilateral ADS Agreement between the PRC and the  
Shengen Area

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见多识广

“He who travels far knows much”

## Preface

Throughout the world more people than ever travel and stay abroad. Modern tourism, characterized by huge movements of people for leisure purposes, can be said to have started during the 1950s. (A. Lockwood & Medlick S., 2001:viii) After the Second World War, people enjoyed higher levels of income and paid holidays, which contributed to the increase of international travel. (Carson L. Jenkins, 1997:55)

However, different groups of population in the world have different urges to go abroad. The term “groups of population” refers to every group that shows a common, main tendency in its travel pattern. On every continent a manifold of cultures results in a wide variety of habits and attitudes towards traveling. Europe on its own, for instance, could be considered as a group apart. Due to the removal of the internal frontiers in the Shengen area,<sup>1</sup> crossing borders within this area to travel has become a lot easier.<sup>2</sup> But while many Europeans, who all live in relatively small countries, can regularly cross the borders of their homelands, to larger, non-EU countries, outbound travel is still a huge issue. Another consideration is that a country with a large population can be expected to produce more outbound visitors annually than a country with a small population. (Douglas Frechtling, 2001:45)

As each population group has its own preferences in travel destination, it is interesting to see to which destinations they are heading. Therefore, it is useful to form a general understanding of what tourism exactly is. Tourism rests on three pillars: domestic tourism, inbound tourism and outbound tourism. Whereas domestic tourism is very appealing in the United States of America, some countries focus on inbound tourism. France, as the top receiver of foreign visitors, comes to mind.<sup>3</sup> Japan on the other hand, has an outbound market that is three and a half times its inbound market. As above mentioned markets have already been analyzed many times, the investigation of this essay goes out to a less known market: the outbound tourism market of the People’s Republic of China. The focus will be on Mainland China, as outbound travel isn’t a new pillar to Hong Kong, Macao or Taiwan. The group of

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<sup>1</sup> In 1985, Belgium, France, Germany, Luxemburg and the Netherlands signed an agreement to end controls on their internal frontiers in the Luxemburg town of Shengen. This so-called “Shengen agreement” came into effect in 1995. By 2003, already 15 countries are Shengen members and the area will expand further and further. These 15 countries are: Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Italy, Greece, Luxembourg, Netherlands, Norway, Portugal, Spain and Sweden. Available at: <http://www.eurovisa.info/SchengenCountries.htm>

<sup>2</sup> See Appendix I.

<sup>3</sup> “Quan Faguo dou zai shengqing huanying lai ke 全法国都在盛情欢迎来客(All France is Waiting the Visitors from the World)”, Quzhongjingmao 欧中经贸(Europe-China) 1997:7, p. 22.

population that will be relevant for the investigation constitutes of the mainlanders of the People's Republic of China.

The Asian outbound markets are all new, sometimes even very new. (Lockwood & Medlick, 2001:138) Since the ease of travel restrictions by the Chinese government, there is a growing amount of independent travel and an increasing number of people who desire to travel abroad at least once a year. (*ibid.*, p. 139) With the rapid growth of both domestic and outbound travel flows, tourism in China changes from a country that only receives inbound tourists to one that combines inbound tourist reception with domestic and outbound travel operation. (Carson L. Jenkins & Zhen-Hua Li, 1997:119) With 57.6 million international inbound tourist arrivals in China in 1997 compared to only 5.3 million Chinese outbound travelers in the same year,<sup>4</sup> China, as well as other large regional countries such as India, Indonesia, Pakistan and the Philippines, will largely remain tourist receiving countries in the foreseeable future. (Jenkins, 1997:49)

In this essay, an answer will be provided to a couple of questions. As Chinese outbound tourism - and more specifically travel for pleasure for Chinese Mainlanders - is such a recent phenomenon, the first questions that pop up are: what is so special about the outbound tourism of China? What are the characteristics of China's tourism industry? Why do other countries apply a different strategy concerning their inbound tourism towards Chinese travelers? What are the causes for the huge growth in tourism activity in China the last decade? In order to find an answer to these questions, different aspects of the country and its population were investigated. In search for the motivations for both potential and experienced tourists several so-called "push and pull factors" are discovered. Very useful indicators are the legislation, the demand of Chinese people to travel, restrictions of the government, prices of the trips, etc.

Another important topic in this paper is the system of the "Approved Destination Status" (ADS). This is a status the Chinese government invented and granted other countries. The countries that obtain this status are officially open to Chinese travelers who wish to travel on the basis of tourist visas. This essay shows the details of those agreements, which countries have obtained this status, and which countries will potentially obtain it in the future. This last part leads to the case-study in this paper. When Germany had gotten the ADS-status from China in 2001, it was interesting to investigate the consequences of this agreement for other European countries, since Germany is member of the Shengen countries. Therefore, it might

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<sup>4</sup> Roth, Sylvia, The Chinese Outbound Travel Market: Overall Situation and Specific Aspects of Travel to Europe. Project of Austrian National Tourist Office, ETC Report, 1998, p. 5.

be interesting to see if a potential agreement between the Shengen-area and China could be possible in the (near) future.

As only a few books about the outbound tourism of China have been written yet, the sources of this paper are mainly reports of embassies and international organizations (such as the World Tourism Organization, the European Travel Commission, the Australian Tourism Commission, the Canadian Tourism Commission...), and papers and essays discussed on the fifth biennial conference on tourism in Asia, held on May 23-25, 2002. This was a conference held for tourism analysts and students working on a paper about tourism. Other important sources are interviews with specialists from the Immigration Service in Brussels and Chinese travel agencies both in China and in Europe, with Chinese and non-Chinese professors specialized in tourism, and finally with a Chinese guide and Chinese students in Europe. Their help was very useful in the search for information. However, the topic implicates a study of very recent materials, and some information, for example concerning ADS, is not easy to obtain. Therefore, some questions still remain partly unanswered.

Véronique Verhelst, May 27, 2003

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CONCLUSION

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# A Closer View of China's Outbound Travel Market

## 1 Defining Terms

In this first chapter, an introduction will be given to certain terms that are often used in this essay. First of all, a definition will be searched for “the Chinese outbound tourist”. This will prove important in order to understand the details about Chinese outbound tourism, which is explained in the second section of this chapter. This second section will present several travel motivations, a detailed explanation about the three types of outbound destinations for Chinese travelers and finally, the overwhelming choice for group tours will be discussed.

### 1.1 Definition of a “Chinese outbound tourist”

Before analyzing the outbound tourism of China, a description of “What exactly is a Chinese outbound tourist?” may well be on its place.

The Chinese tourist industry has long been suppressed due to the political climate and the economic situation of China, so the profile of “the Chinese traveler” is much different from the profile of, for instance, “the Belgian traveler”. The use of the brackets is to indicate that there is no such thing as “the Chinese or Belgian traveler”, but although every individual is different, travelers originating from the same country often show common characteristics.

The concept ‘tourist’ in general has been described by many researchers. Examples of such definitions are summed up in the Dictionary of Tourism of Charles Metelka (1981:77): “[A Tourist is] someone who has traveled at least 100 miles from home, who stays overnight away from home, who is traveling away from home primarily for pleasure (nonbusiness)” or “any person traveling outside of his normal commuting radius for the purpose of pleasure or business.” According to that same book, the United Nations paraphrases a tourist as following: “One who spends more than one night and less than one year away from home for business or pleasure, except for diplomats, military personnel, and enrolled students.” Metelka finally also cites the definition of the World Tourism Organization: “[A tourist is] a temporary

visitor staying at least twenty-four hours in a **foreign country** visited for the purpose of **leisure** or business.” An additional definition noted in a report of the EU Heads of Mission of the Member States (HOM) and the Commission in Beijing issued in November 2000, defines travel with the purpose of tourism as ‘traveling **on your own expense**’, whereas the expenses of business trips are accounted for by the company and not by the individual himself.<sup>5</sup> A combination of these last two definitions, from the WTO and the HOM, is used to find a suitable description of the Chinese outbound tourist. The parts in bold are to indicate which parts of the two definitions have been integrated in the description of the Chinese outbound tourist considered in this essay: [A Chinese outbound tourist is] a resident of Mainland China, who travels abroad for leisure purpose,<sup>6</sup> on his own expenses. Abroad includes Hong Kong and Macao.

## 1.2 What is Chinese Outbound Tourism?

### 1.2.1 Travel Categories

Now that the reader has a general image of the Chinese outbound tourist, it is interesting to see that every tourist can be placed in a more specific category, according to one’s travel motivations. First, several **categories of outbound travel** will be presented, and then the **evolution in the purpose of travel** of the Chinese tourists to Singapore, Thailand, and Hong Kong will be shown. In this chapter, attention will be paid to the fact that the categories are **not always clearly separated**. This will be illustrated with the example of a kind of trip that allows a combination of business and leisure, which happens mostly within the framework of ‘incentive travel’.

Every tourist can be placed in a *certain category* according to their motivations for foreign travel. People engage in tourism for different purposes such as pleasure, recreation, holiday, sport, business, visiting friends and relatives, missions, meetings, conferences, health, studies, religion, etc. (Frank Go, 1997:5) So, as some people go abroad for hitchhiking in the mountains, other people travel in order to attend, for instance, a business meeting or maybe the wedding of a relative. According to one’s travel motivation, one is subjected to specific regulations. It is therefore interesting to take a look at the classification of the different kinds of tourism. Four kinds can be distinguished: business or official trips, students

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<sup>5</sup> Also in : China Outbound Travel Market Report, Scandinavian Tourist Board, Tokyo, June 2002, p. 32.

<sup>6</sup> Synonyms for ‘pleasure’ used in this paper are leisure, vacation and sightseeing.

going abroad to study, visits to friends or relatives, and pleasure trips. If we make a distinct separation between these four types, then most of the Chinese travelers officially belong to the first category. Go and Jenkins write that “tourism is distinctly a twentieth-century phenomenon, because people in earlier periods tended to travel for purposes other than leisure”. (Go, 1997:5) The Canadian Tourism Commission notes that according to the China National Tourism Administration (CNTA)<sup>7</sup> the primary purpose of trips for Chinese traveling abroad in 1999 was business,<sup>8</sup> representing over one half of the amount of the total trips, namely 53.8 % or nearly 5.0 million. Trips for private or personal purposes totaled 4.3 million, or 46.2 %. (Nicholas Strizzi, 2001:11)

The abovementioned figures of 1999, however, are the result of *ten years of outbound travel*. Although business travel has dominated the whole outbound travel activity of Chinese citizens in the 70s-80s, the past decade has revealed itself as a transitional period. Travelers using public funds have been decreasing and those traveling at their own expense, that is, for leisure, are becoming much more common. The WTO-ETC<sup>9</sup> joint research on China (2002:34) points out that there have been changes in the purpose of travel of Chinese to Thailand and Singapore over the last decade. The purpose of 94.28 % of the Chinese travelers to Thailand appears to be leisure and holiday whereas business travel only accounts for 3.66 %. Singapore notes a rise in leisure travel in the last 12 years from 28.7 % to 59.8 %, while business travel declined from 29.8 % to 7.9 %. A difference between these two destinations is that 12 % of the travelers to Singapore are in fact transit travelers. Another example is Hong Kong, the major reasons for traveling to Hong Kong in 1994 were vacation or sightseeing (37 %), business (36 %), and visiting friends and relatives (20 %). (Qu Hailin & Isabella Li, 1997:39) Compared to figures of previously mentioned destinations, both leisure and business seem to account for the biggest part of the travel motivations.

It is important to notice that people who go on business travel *don't spend the whole day working*. A lot of these trips include some more pleasant activities. The Dictionary of Tourism describes business travel as follows: “[Business travel is] travel that is the result of

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<sup>7</sup> China National Tourism Administration (CNTA), China Tourism Annual Report 1999, Beijing, China, 2000.

<sup>8</sup> Business and official travelers were mostly part of<sup>8</sup> 1. A trade delegation that engages in some business activities such as seminars and trade talks with their overseas trade partners, etc.; 2. A study tour to visit factories or engage in exchange of business knowledge. This term is now also used to describe a school related trip.; 3. A sales mission that organizes or takes part in exhibitions or trade shows in foreign countries, and other sales activities; 4. A specialist tour, this is for members of professional bodies and institutes like engineers, technicians, medical doctors, etc., who take part in seminars and meetings with their counterparts in other countries. (Murray Bailey, 2001:18)

<sup>9</sup> The European Travel Commission (ETC), is created in 1948 by 26 directors of National Tourist Offices in Europe.

one's occupation. In the case of conventions or where a side trip is added to what would otherwise be strictly called business, pleasure may also be involved. Business travel involves a special market requiring some special services (typists, meeting rooms) and expectations that differ from those of the purely-for-pleasure tourist.”(Metelka, 1981:5) In other words, combinations between the different types of travel are often made. Most business trips are organized by travel agencies and they do include sightseeing. According to Murray Bailey, (2001:18), one travel agency claims that this is the case for not less than 80 % of all business groups. A reason for the inclusion of sightseeing in business trips can be found in the company's motive for sending its staff abroad. Sylvia Roth (1998:9) says a lot of these trips are ‘incentive’ trips; they are meant to reward and stimulate Chinese employees in managerial positions. Through these trips, they can also get acquainted with the country and the customs of the business partner, which will result in better co-operation with the respective company. Another remark about business travel is that, according to a survey conducted in 1997, the professional and technical category (business) accounted for 49.5 % of the interviewees, whereas travelers from the Chinese government or military made up only 3.2 % of the entire sample. Soocheng Jang, Larry Yu and Thomas E. Pearson (2003:105) conclude that some government or military officials might have identified themselves as going on a business trip when filling out the survey form, particularly government officials with communist party affiliation.

### 1.2.2 Three Types of Outbound Destinations

According to the Bureau for China Inbound and Outbound Administration (BCIOA), Chinese outbound tourism can be classified in three different types, depending on the destination: travel **within the territory of P.R. China**, travel to the countries near to the mainland **borders** and travel to **official destination countries** approved by the national government. (Don Qun & Dou J., 2001:44-45) Most of the travel within the Chinese territory is regarded as domestic travel, with the exception of *Hong Kong and Macao*. These two special administrative regions (SAR) have been foreign property for about hundred years, and they have returned to the mainland in 1997 and 1999, respectively. Although they are now Chinese property again, tourism to Hong Kong and Macao is still classified as “outbound”.

*Border travel* includes travel across the border of south-west China to Vietnam, Cambodia, Laos and Burma, and travel across the Chinese north-eastern border to Russia,

P.R. Korea and Mongolia. The table below shows the number of Chinese travelers (in millions) to boundary destinations from 1993 to 1996:

<b>Year</b>	<b>Burma</b>	<b>Vietnam</b>	<b>Russia</b>	<b>P.R. Korea</b>
<b>1993</b>	----	4.59	10.09	1.36
<b>1994</b>	0.56	----	4.94	0.73
<b>1995</b>	23.39	12.24	7.03	1.81
<b>1996</b>	47.22	14.69	5.56	2.34

In 1987, the Chinese government approved a one-day travel service between Mainland China and the P.R. Korea. (Don & Dou, 2001:45) Since 1984, the Chinese city Dandong in Liaoning province and the Korean city Xinyizhou exchanged visitors, on the basis of a one-day visit with fixed tourist activities. (He Guangwei, 2000:V) Along the 410-km Sino-Vietnamese border, travelers of both countries can visit each other's villages, experience the local people's life and witness the changes that have taken place there.<sup>10</sup> In 1998, a navigation route has been opened in the upper reaches of the Mekong River, which links six countries together: China, Myanmar, Laos, Thailand, Cambodia, and Vietnam. The river, also known as the Lancan river in China, stretches 4,880 km, of which almost half of it lies in China.<sup>11</sup> Between China and Russia, tourism originates from barter trade. Forty years of barter trade along the Sino-Russia border has led to the occurrence of barter tourism. (Zhao Xinluo, 1994:65-67) Barter tourism started between two cities along the China-Russia border in 1988. The two cities are Heihe in China's Heilongjiang province, and Blagoveshchensk in the Amur State of Russia. In the 1960s, when the two countries were on friendly terms, the people of both countries went to visit each other on a regular basis. However, during the 25 years of bad relationship between China and Russia, there was no tourism anymore between the two countries, only the barter trade continued. As the Chinese people had a strong desire to see the outside world, the Heihe government of China, came in September 1988 with the idea of tourism trade with Russia. The renewed friendship led to the revival of tourism. In groups of 40, the tourists enjoyed complete package tours with meals, transportation and guide service included. In 1988, each side sent 520 people across the border and in 1989 the number increased to 8,000 and even to 49,000 in 1992. According to Don and Dou (2001:45),

<sup>10</sup> "Sino-Vietnamese Border Tour Becomes Fashionable", *Beijing Review* 41:46 (1995), p. 26.

<sup>11</sup> "Route Linking China and Southwest Asia", *Beijing Review*, 41:18 (1998), p. 24.

the Chinese go to Russia mainly for business and pleasure. Because the Chinese government tightly controls foreign currency, barter tourism provides a unique opportunity for foreign travel. To improve the administration of cross-border tourism the State council issued a special regulation in 1996, designed to help the development of cross-border tourism from Mainland China. Until the first half of 1998, already seven Chinese provinces and autonomous regions, namely (Heilongjiang, Inner Mongolia, Liaoning, Jilin, Xinjiang, Yunnan and Guaxi), have started border travel with Russia, Mongolia, Korea, Kazakhstan, Kirghizstan, Tadjikistan, Burma and Vietnam. By now, the number of “border destinations” has reached fifty-six and the one-day visits are prolonged to eight-day visits. (He, 2000:V)

The third type of outbound travel consists of travel to *official destination countries* approved by the Chinese national government. (Don & Dou, 2001:45) These countries have obtained the Approved Destination Status (ADS), given by the Chinese government to other countries to ease travel for Chinese citizens to these countries.<sup>12</sup>

Besides travel to Hong Kong, border areas and official destination countries, *other destinations*, such as the United States and Europe, are also accessible to Chinese mainlanders, as long as those visits are not on the basis of leisure. Chinese people who would like to undertake a trip to this last category of countries, should travel on the basis of commercial, cultural or educational exchanges. Visitors to the US, for instance, are technically not pleasure travelers, due to visa restrictions by the US government. Therefore, most of these travelers are registered as being on a business trip or visiting friends or relatives (VFR). Nevertheless, according to Jang, Yu and Pearson (2003:90), almost all the Chinese travelers include a significant component of sightseeing in their itinerary. The three authors claim that a lot of US-bound Chinese travelers visit Disneyland or engage in a multi-city tour across the country.

### 1.2.3 Preference for Group Tours

A remarkable characteristic of Chinese travel is the overwhelming choice for group travel. A first remark is that the Chinese government obliges Chinese outbound travelers to travel in group. Secondly, most of the Chinese people appear to feel very comfortable in group. There is only a small number of people that is less satisfied with this restrictive form of group travel. Third, the composition of these groups may differ.

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<sup>12</sup> Chapter five explains the whole system of ADS.

Go and Jenkins (1997:5) distinguish several forms of travel, including foreign independent tours (FIT), group travel and backpacking. However, according to Roth (1998:9), Chinese people have no choice. When they want to go on a leisure trip, they are obliged to travel in groups of at least three people. The only kind of private travel that can be done without joining a group is visiting relatives.

Nevertheless this group traveling has advantages, because, as Chinese tourists rarely speak foreign languages, they feel more secure in a group when they travel abroad. (Roth, 1998:18) According to Yvette Reisinger and Lindsay W. Turner (2002:308), Asians prefer to avoid uncertainty, so group travel solves the problem of language difficulties when they travel overseas. Hofstede's<sup>13</sup> 'collectivism' identifies the importance of ties of kinship and close personal relationships in the Chinese culture. Individuals are considered to be a part of a network of social relations. According to Hofstede, the Chinese people find their identities in relation to others: they adopt group goals and opinions in exchange for reciprocal care and protection. The interpersonal connections they maintain with one another, or '*guanxi*', also find their reflection in their travel behavior. Tourism literature has consistently reported that Chinese people prefer to travel in groups rather than individually. Reisinger and Turner (*ibid.*, p. 307) state that, in Asian cultures, an individualistic behavior is regarded as being on the expense of others. Besides the '*guanxi*'-element, there can be several reasons for this group travel. First of all, it is convenient and has economic benefits. Another reason may be their inexperience to take overseas vacations. Even in the case of domestic travelers, the majority of them are independent travelers, however, more and more are joining inclusive tours for convenience, guaranteed accommodation, and transport facilities. (Jenkins & Liu, 1997:119)

Embassies or consulates of ADS countries are less willing to hand out visas to individual travelers. Within the group tours however, there are several possibilities. You can join either in all inclusive packages or in partial packages. The latter is mostly used for familiar, nearby destinations such as Hong Kong and Macao, whereas the former is preferred for most of the other international destinations. Interviews between tour operators showed that some Chinese travelers, particularly well-educated young people (from the age of 25-34 years old) and experienced travelers, are becoming increasingly dissatisfied with group package tours. Whenever possible, they will choose less restrictive forms of travel. The groups often consist

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<sup>13</sup> Hofstede is a researcher who investigated international differences in work-related values. He distinguishes four dimensions of cultural variability: Uncertainty Avoidance, Power Distance, Masculinity-Femininity, Individualism-Collectivism, Confucian Dynamism.

of people with completely different interests, which may cause problems when time has to be allocated between activities such as sightseeing and shopping. (Roth, 1998:18)

According to an analysis of socio-demographic characteristics of Chinese travelers to the US, the average size of a Chinese travel party to the US is 2.75 people. As for travel companions, more than half of the business travelers visited the US with a business associate and 35.1 % traveled alone. On the other hand, 42.8 % of VFR travelers were free independent travelers (FIT) and about 30 % were accompanied by a spouse. (Jang, Yu & Pearson, 2003:97) There is a difference in the travel company for Chinese outbound tourists to Europe. Roth (1998:21-22), notes that the majority of these Europe-bound group travelers are accompanied by friends or colleagues (47 %), whereas 37 % travel with spouse or family. About 15 % of the Chinese travelers travel alone. Almost two thirds are male. Roth further adds that tourist visas are very difficult to obtain for single women.

## **2 Will There Be a Booming Outcome of the Travel Industry?**

The second chapter of the overview of China's outbound market is focused on the evolution of the three pillars of Chinese tourism, mentioned in the introduction. In order of importance for the Chinese policy, they are inbound tourism, domestic tourism and last (and presently still least): outbound tourism.

### **2.1 Inbound Travel Paves the Way for Domestic Travel...**

Although this study is focused on China's outbound travel market, this is certainly not the most important part of the travel market in China. It is only since the 90s that the outbound tourism industry started to evolve in China, and before 1978, even the tourism industry in general didn't receive much attention. A short summary will explain the **evolution** of the Chinese tourism industry since the birth of the People's Republic of China in 1949. As the tourism industry is interdependent with other industries, the rise of the tourism industry will be linked with the overall development of the Chinese economy. Further, a few words

will be said about China's tourist attractions. A big impact on China's tourism industry has been the size of both the **workweek and the holidays**. (R.J. Perrins, 2001:390)

Under the Maoist regime, tourism was severely restricted. Long holidays were non-existent because traveling was seen as a bourgeois activity. Moreover, most Chinese people had little discretionary income, which made it almost impossible to spend money on traveling anyway. (Trevor H.B. Sofield, 2002:2) Before the late 1970s, domestic traveling, which consists of Chinese citizens traveling within China, was limited to business trips, visiting relatives and traveling for study and health reasons. If there was any pleasure travel in China, it happened in very small numbers. The economic and physical conditions necessary for large-scale tourism in China did not exist. (Zhang Wen, 1997:565) Changes came with Deng Xiaoping's 'Open Door' policy in 1978. Due to a series of market reforms, China enjoyed political stability and increasing economic wealth. (Sofield, 2000:10)

In the first 10 years of China's economic reform and opening up between 1979 and 1989, not much attention was given to the development of domestic tourism. During this period, China was implementing systematic reform in all the sectors of its economy, and was laying the foundation for its modernization program. To finance this whole operation, the government wanted to attract foreign revenue by taking measures to attract tourists from other countries. These measures included: offering incentives to developers to build hotels of international standards in order to provide accommodations acceptable to inbound tourists; giving priority to foreigners in booking flights, buying train tickets and arranging other means of transportation; developing special shopping centers with an abundance of good quality commodities for foreign tourists; and issuing foreign exchange currency to ensure that foreigners could enjoy this preferential treatment. Due to the rapid progress of reforms, domestic tourism was ready to take off.

China's domestic tourism has known noticeable growth since then. Zhang states that the reason for this growth is threefold. *Firstly*, the priority given to international tourism, that is, receiving inbound tourists, boosted both the international and domestic tourism businesses. *Secondly*, despite the fact that China is an economically poor country with low tourist consumption levels, the tourism resources are rich, allowing for a greater number of Chinese tourists to travel. *Thirdly*, the improving living standard, as the result of a healthy and stable national economy and a cultural appetite for tourism, has contributed to the rapid growth of this industry. (Zhang, *o.c.*, p. 565)

From 1979 to the end of 1996, China's tourism industry consumed a total of US\$20 billion in foreign investment, making up 7 % of the total amount of foreign capital China had

introduced during the period. Foreign investors brought their managerial expertise to China, which made it possible for the country to build a booking network. (Kuang Lin, 1999:16) However, according to Liu Yi, ex-director of China National Tourism Administration, from 1989 on, domestic tourism had to be the foundation of China's tourism. By the end of the 1980s, China's government had changed its strategy from *mainly attracting international tourists* to the *simultaneous development of both international and domestic tourism*. The economic foundation for continuous growth of tourism has gradually been consolidated, which enabled domestic tourism to begin a larger scale of development.

China is a country of abundant tourism resources and from the beginning of the 1990s China has undertaken a thorough improvement of its tourist attractions. In 1992, the State Council approved twelve state holiday resorts; these resorts formed the start of the construction of large-scale tourist areas. As domestic tourism began to flourish, more and more restaurants, lodges and souvenir shops opened around tourist attractions. The most appealing places for shopping and sightseeing appeared to be Beijing, Shanghai and Guangzhou. (Zhang, 1997:568)

During the 90s, the overall development of the world economy was at a low level, while China's GNP increased by 9 % per year on average. (*ibid.*, pp. 565-566) In 1998, China's economy grew by 9.8 % on an annual basis. This is 6.5 % higher than the world average, 7.3 % higher than the growth of developed countries and 4.8 % higher than the one of developing countries.<sup>14</sup> Before, Chinese people had to struggle for basic life necessities such as food and shelter, but as the consumption level of the Chinese citizens increased dramatically in the 90s, China saw a rise in the upper middle class.<sup>15</sup> Tourism was now accepted as a form of national economic development, as well as an officially approved behavior pattern.

While in the early 1990s, China's domestic tourism was still in its infancy with 280 million arrivals, this number had, by 1996, already risen to 640 million,<sup>16</sup> which is an increase of 17.62 %. (Zhang, *o.c.*, p. 567)

In the late 1990s the Chinese government introduced a *national holiday system* that enabled each employee to have a 7-15 days annual leave, this period was based on the length

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<sup>14</sup> "China remains first in GDP Growth", *Beijing Review* (1999:1), p. 20.

<sup>15</sup> Grace, Wen Pan & Bill Faulkner, "Guanxi and Business Network Relationships associated with the Chinese Outbound Tourism Market to Australia", *Tourism in Asia: Development, Marketing & Sustainability: The Fifth Biennial Conference*, Hong Kong, The Hong Kong Polytechnic University, 2002, pp. 443-454.

<sup>16</sup> These numbers should be put in its true perspective, as it is more difficult to measure domestic tourism than international tourism, because domestic tourists do not cross borders nor do they have to exchange money for foreign currency. Therefore few regular records are kept of domestic travel.

of service. In 1994, a *five-days workweek* was gradually implemented throughout the whole country. In the month after the implementation of this five-days workweek, the number of tourists visiting scenic spots increased by 22.6 % compared to the previous month. (*ibid.*, p. 568) Although the rise in domestic tourism was remarkable between 1990 and 1995, the rise was milder in 1996.<sup>17</sup> Domestic tourism was given a boost in 2000 with the introduction of national weeklong holidays around Chinese New Year, 1<sup>st</sup> May Day and the Chinese National Day, on October 1. These three extra public holidays on the official calendar, added with the weekends, brought the total number of days off to 114. The data of the China National Tourism Administration shows that this move made the total number of domestic tourists exceed 700 million in 2000,<sup>18</sup> and according to Sofield (2002:2), China saw more than 840 million domestic travelers in 2001.

The main conclusion of this section is that tourism industry in China has shifted from mainly emphasizing inbound tourism to stimulating both inbound and domestic travel. Inbound tourism was responsible for the growth in economic development, which together with the implementation of the national weeklong holidays, enabled the Chinese tourists to travel domestically themselves.

## 2.2 A Budding Outbound Travel Industry

Outbound international travel, by contrast, remains one of the most strictly controlled and sensitive components of tourism for China. For many years only business travel was allowed; no visas were granted for traveling for pleasure. Although the traveling instinct of the Chinese citizens became stronger and stronger, the Chinese government refused a fast opening-up of the outbound travel market. Instead, they favored a more **gradual approach**. According to HOM<sup>19</sup> (2000:2), the government's reasons for the slow opening-up of the outbound travel industry was threefold: control of mobility of Chinese citizens, protection of the national tourism sector and an attempt to limit the outflow of capital. This restricting policy is translated in several rules: travel agencies are not allowed to organize or promote

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<sup>17</sup> This slower growth rate can be explained by the increase in transportation fares. In March and October 1996, fares for train and coach doubled, while rail fare alone increased 120 % in October of the same year. In many parts of Asia surface transport is generally inadequate. (Go, 1997: 23) In 1997, passenger transportation was the bottleneck of development, which contributed to the fact that the goal of 1 billion domestic tourist arrivals in the year 2000 could not be reached. (Zhang, 1997:570-571)

<sup>18</sup> Perrins, R.J., *China: Facts and Figures, Annual Handbook 26*, Florida, Academic International Press, 2001, p. 390.

<sup>19</sup> HOM refers to the Heads of Mission of the EU Member States.

tourism groups to overseas destinations that have not been granted the Approved Destination Status (ADS),<sup>20</sup> foreign tour operators are not allowed to promote outbound tourism services, foreign airlines are limited in the frequency and capacity of their flights by means of restrictive air agreements, etc. To get a passport and a visa, travelers have to proof that their friends or relatives in the destination country would pay for their trip. By 1994, local travel agencies adopt a rather lax attitude towards this regulation. From mid-1997, people are officially allowed to pay for their holidays themselves. (Pamela Yatsko & Rodney Tasker, 1998:67)

In order to fully understand the Chinese situation with regard to its outbound tourism, an overview of **China's outbound market liberalization** may prove useful.

<b>Since 1949</b>	Outbound travel is permitted only for government business.
<b>1983</b>	Personal travel to visit relatives in Hong Kong was permitted to residents of Guangdong Province.
<b>1984</b>	Personal travel to visit relatives was permitted to all Chinese citizens, but only to Hong Kong and Macao.
<b>1990</b>	Singapore, Malaysia, and Thailand are granted ADS. A private passport is difficult to get, and the process takes at least 6 months.
<b>1995</b>	The private passport application process gets streamlined and the waiting time reduced to one month.
<b>1997</b>	A maximum of US\$2000 can be exchanged at official rate. Private passports are available within 10 days for urgent situations.
<b>1997</b>	First tourism law is passed to regulate outbound leisure travel.
<b>1997</b>	Authorized outbound travel operators are allowed to establish agents upon permission.
<b>1998</b>	South Korea, Australia, and New Zealand are granted ADS.
<b>2000</b>	Japan is granted ADS.
<b>2000</b>	Passport processing times is reduced to 15 days. The number of documents for passport application is reduced as well.
<b>2001</b>	The number of Approved Destination increases to 21.

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<sup>20</sup> Explained in chapter 8.

This table shows that outbound traveling, for most of the Mainland Chinese is a recent phenomenon. In the 80s, travel to Hong Kong and Macao was permitted, but notice that both regions were to become Chinese territory again, respectively in 1997 and 1999. For this reason a question mark can be put whether, in the long run traveling to both Hong Kong and Macao in the 80s should be considered outbound tourism or domestic tourism. It is only since the 90s that significant changes have come forward with Singapore, Malaysia and Thailand as the first three countries receiving the ADS status. From 1993 to 1996, the number of outbound Chinese tourists in group tours organized by travel services, increased by 300,000 people annually. (Zhang Wen & Tang Fei, 2002:653) According to the Ministry of Public Security, 2.4 million people visited 197 countries and regions during 1996, which was a record at that time.<sup>21</sup> In 1997, because of the Asian economic crises, the number of outbound tourists dropped to 1.43 million. However, in 1998, the number bounced back to 1.81 million, an increase of 26.6 % compared with 1997. (Zhang & Tang, *o.c.*, p. 653)

In 1998, South Korea, Australia and New Zealand received ADS and so did Japan in 2000. This may sound very promising, except for the fact that trips to Japan, New Zealand and Australia for pleasure purpose are limited to the Chinese residing in Beijing, Shanghai and Guangdong, and that these travelers are obliged to join group tours. These groups have to be organized by the authorized tour operators in one of the three regions. Guo and Turner (2001:52) argue that the reason for such concentration was the ease of controlling the business behavior of the travel companies rather than limiting the market access to foreign destinations.

According to Vicky L. Seiler, Sheauhsing Hsieh, Michael J. Seiler and Chiali Amber Hsieh (2002:499), international travel is booming. Outbound travel in East Asia is growing at a faster pace than anywhere else in the world. If the numbers of both domestic and outbound travelers recorded by CNTA during the last decade are put together, a nice overview of the recent travel activity of Chinese citizens appears. Please note that the numbers of domestic travelers and outbound travelers are shown in millions and thousands, respectively.

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<sup>21</sup> "More People Travel Abroad", Beijing Review 40:19 (1997), p. 29.

### A Comparison of China's domestic and outbound travel 1993-2000.<sup>22</sup>

Year (numbers in millions)	Domestic	Outbound		
		Total	For Public Affairs	For private purposes
1993	---	3.740	2.28	1.46
1994	524	3.730	2.09	1.64
1995	629	4.520	2.74	2.05
1996	639	5.060	2.65	2.41
1997	644	5.320	2.88	2.44
1998	659	8.425	5.24	3.19
1999	720	9.230	4.97	4.27
2000	744	10.473	4.84	5.63
2001	784	12.133	---	---
2002	---	16.600	---	---

With 3.74 million outbound travelers in 1993, China became the third ranking tourist exporting country in Asia, after Japan and Taiwan. However big this number may look in the eyes of a small country, with 1.186 billion people in China, this number only represents 0.31 % of its total population. (Qu & Li, 1997:37)

There were at least 10 million people traveling overseas in 2000, with a total expense of over US\$10 billion. In only the first half of 2001 the number of mainland outbound tourists amounted to 5.487 million, an increase of 10 % compared with the same period in 2000. According to the predictions of the World Tourism Organization in 1998, China will become the fourth largest originating market in the world in 2020,<sup>23</sup> with an estimated 100 million outbound travelers, which is 6.2 % of the world total. (Strizzi, 2001:14)<sup>24</sup> Most Chinese overseas trips will be to other destinations in the Asia Pacific region. (Kevin Chamberlain, 2001:138) The top ten receiving countries will also change significantly when China,

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<sup>22</sup> Source: China National Tourism Administration & Yearbook of China Tourism Statistics 1993-2000. (He Guangwei, 2000)

<sup>23</sup> Zhang, Wen & Tang Fei, "Understanding the Evaluations of the Destinations of Outbound Chinese tourists", *Tourism in Asia: Development, Marketing & Sustainability: The Fifth Biennial Conference*, Hong Kong, The Hong Kong Polytechnic University, 2002, p. 653.

<sup>24</sup> In 2020 the top three outbound countries in the world will most likely be Germany in the first place, with around 163.5 million arrivals, followed by Japan with 141.5 million arrivals and the United States with 123.3 arrivals. (WTO, 1998:4)

currently not part of these ten, becomes the leading destination in 2020, with a predicted 130 million arrivals. (Suzanne Cook, 2001:179)

### **3 Conclusion**

The first part of this essay wanted to take a closer look on China's outbound travel market.

First, the concepts of both a Chinese outbound tourist and Chinese outbound tourism are explained. The findings were threefold: pleasure is not one of the main travel motivations of Chinese travelers, China recognizes three types of outbound destinations whereby Hong Kong and Macao are included, and finally, most of the Chinese travel in group.

Second, an evolution of the three pillars of Chinese outbound tourism - inbound, domestic and outbound tourism - shows that outbound tourism, presently, is still the smallest pillar.

# Statutory Requirements

## 4 Required Travel Documents

Go and Jenkins (1997:5) describe contemporary tourism as ‘a temporary migration stream’. For the travel destination country, inbound travel implies the temporary stay of foreigners in its territory. It is important for these countries to know which foreigners are visiting their land. Therefore when the tourist makes the decision to undertake a trip to a foreign country, it is necessary to apply for all the obligatory documents such as a passport, a visa, if necessary, and in some cases you need to add other additional documents.

**Passports** of the People’s Republic of China are issued to Chinese citizens as proof of their nationality and identity, when they cross the Chinese border.<sup>25</sup> Depending on the nature of the travel, there are different conditions for each travel type. For instance, those who travel for business, require different passports than those who choose for self-funded, purely recreational travel.<sup>26</sup> Chinese passports can be divided into the following five types: Diplomatic Passport, Service Passport, Ordinary Passport, Hong Kong Special Administrative Region Passport and Macao Special Administrative Region Passport. The Ordinary Passports further consist of Ordinary Passports for Public Affairs and Ordinary Passports for Private Affairs. The maximum validity of Diplomatic Passports, Service Passports and Ordinary Passports is five years, with the possibility to renew them before the expiry date. Both the Hong Kong SAR Passports and the Macao SAR Passports have a longer validity period: they expire only after ten years. The difference between these two is the handling of minors: Hong Kong SAR Passports issued to those under the age of sixteen years are valid for five years, while the same validity period for Macao SAR Passports goes for youngsters under the age of 18.

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<sup>25</sup> Chinese Passports and other Travel Documents, Ministry of Foreign Affairs of the People’s Republic of China, see also : [www.fmprc.gov.cn](http://www.fmprc.gov.cn)

<sup>26</sup> Bailey, Murray, China Outbound Market Report, Thailand, Bangkok, Pacific Asia Travel Association (PATA), December 2001, p. 18.

The kind of passport the applicant will get depends on his or her profile. Hong Kong SAR Passports are issued by the Immigration Department of the Hong Kong SAR to Chinese citizens who hold permanent identity cards of Hong Kong. The Macao SAR Passports are issued by the Identification Department of the Macao SAR to Chinese citizens who are permanent residents of the Macao SAR.<sup>27</sup> Diplomatic passports are generally issued to senior officials of the Communist Party, the governmental and the People's Liberation Army, principal leaders of the National People's Congress, the Chinese People's Political Consultative Conference, and all democratic parties, diplomats, consular officers and their accompanying spouses, underage children, diplomatic couriers, etc. Service Passports are generally issued to officials of governmental offices ranking division chief or higher, staff members of diplomatic and consular missions in foreign countries, members of the United Nations' Organizations and its specialized agencies, and their accompanying spouses and underage children, etc.

Yet the main emphasis in this paper is on the Ordinary Passports. These can be Ordinary Passports for Public Affairs, principally issued to staff in the governmental offices at all levels and to employees of state-owned enterprises or institutions, or Ordinary Passports for Private Affairs. The latter is more relevant for this paper's topic; it is issued to overseas Chinese and those who go abroad for personal affairs, such as residing, visiting friends or relatives, inheriting properties, studying, working or sightseeing, etc. Since the advent of the Approved Destination Status (ADS), the Chinese government has created a new type of private passport in order to facilitate travel to these ADS destinations: *the tourist passports*. These passports are valid only for one year and for one exit and one entry. But as explained before, the travel motivations are not univocal and therefore the demarcation between going abroad for public or private reasons is not always clear. (ETC-WTO, 2002:11) The issuance, renewal and endorsement of Diplomatic Passports, Service Passports and Ordinary Passports for Public Affairs are under the control of the Ministry of Foreign Affairs, while the Ministry of Public Security arranges Private Passports.<sup>28</sup> Before 1979, only a small number of people traveled abroad for private reasons. Since the opening-up of China, more and more people have applied for private passports. Between 1979 and 1986 about 350,000 people went to meet their family and relatives this way. In the late 1980s the share of students in the total private passport holders increased and around 1990, 1/3 of the total number of private passport

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<sup>27</sup> Chinese passports and Other Travel Documents, Ministry of Foreign Affairs of the People's Republic of China.

<sup>28</sup> Chinese passports and Other Travel Documents, Ministry of Foreign Affairs of the People's Republic of China.

holders consisted of self-funding students and people visiting family and relatives. In the 1990s, more and more Chinese citizens found their way abroad at their own expense. Wang Suqi, manager of the Outbound Travel Department of the China International Travel Service (CITS), says that more than 3 million sought passports for private affairs in 2000. The number of applicants was nearly the same in 2001.<sup>29</sup> According to the ETC-WTO joint research report (2002:12), in 1999, the amount of self-paying tourists handled by travel agencies already reached 4.3075 million, they accounted for 70 % of the total number of outbound tourists with private passports. This is a positive evolution compared to the decrease of travel for public reasons during the 1990s. Between 1993 and 2000 the number of public passports rose from 2.27 million to 4.84 million, which is an increase of 113 %. In the same period, the private passports rose from 1.47 million to 5.63 million, an increase of 386 %. The following table illustrates the results of the ETC-WTO joint research report (2003:23):

#### A Classification of Outbound Market Development (1,000)<sup>30</sup>

Year	Outbound Mkt Total No.	Public Passports			Private Passports		
		Number	Change(%)	Share(%)	Number	Change(%)	Share(%)
1993	3,74	2,274	-	60.8	1,466	-	39.2
1994	3,734	2,091	-8	56	1,642	12	44
1995	4,521	2,467	18	54.6	2,064	25.1	45.4
1996	5,061	2,647	7.3	52.3	2,414	17.5	47.7
1997	5,324	2,884	9	54.2	2,44	1.1	45.8
1998	8,426	5,235	81.5	62.14	3,19	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	53.77
2001	12,133	5,188	7.2	42.67	6,945	23.3	57.33

It is obvious that the growth rate of the private sector is higher than that of the public sector. Because of the gradual relaxation of restrictions by the government on outbound travel, the percentage of people traveling with private passports will most likely grow further in proportion. (ETC-WTO, 2002:12) The tourist passports are only issued for leisure trips to the designated countries in South Asia, as well as to the other ADS destinations. As Europe

<sup>29</sup> "Outbound Travel Now in Vogue", March, 2002. Available at: <http://www.vur.is/interpro/utanr/vur.nsf/5012de0d3dad13d300256983005028b9/b5996442e23a9f6500256b9800357c4c?OpenDocument>

<sup>30</sup> Source: The Yearbook of China Tourism Statistics

has not yet received the ADS status, the Chinese government does not yet approve leisure trips on the basis of tourist passports, to those countries. However, it appears to be possible when there are “special connections” (bribery) of the travel agency with Chinese passport control officers. (Roth, 1998:10) A Chinese person declares in the Wall Street Journal of the 26<sup>th</sup> of December, 2002, that about 15 years ago, he had to wait in long lines at the Ministry of Public Security Department to obtain a passport but, when three months later he still didn't manage to obtain one, he gave up. Presently, it only takes 10 days to get a passport.<sup>31</sup> Before, when applying for a passport, the traveler first needed approval of the *danwei* (work unit), and then he or she had to go to the police station and the municipal authorities, which was followed by several months of investigation. The Chinese traveler also had to provide a letter of invitation from a foreign country. It often occurred that the traveler had to place an amount of money on a Chinese bank account as a guarantee for his or her return to the Mainland. Now, one still needs permission of one's *danwei*, but the application form can be sent by mail or one can download it from the internet. Application costs are 200 Renminbi (RMB).<sup>32</sup> Nevertheless, although outbound travel is on the rise, for most of the 1.3 billion Chinese people it is still beyond reach. According to the Renminribao only 1/10 of the Shanghai people is holder of a passport.<sup>33</sup>

Besides the passports, there are also **other types of travel documents**, for example, a travel permit, a seafarer's passport, a Hong Kong Document of Identity, a Hong Kong seaman's Identity Book or a travel permit of the Macao SAR. The only one relevant for this paper is the Travel Permit, which is an alternative to the Chinese passport. According to the term of validity, there are two categories. One is valid for one year and for a single journey to and from China, the other is valid for multiple journeys within two years. They can be used to travel to all countries and regions in the world. A difference from normal passports is the inability to renew a Travel Permit, and no additional visa pages can be added to it. It is the Ministry of Foreign Affairs, Chinese diplomatic and consular missions or other authorized

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<sup>31</sup> Zhongguoren jingwai guanguang cheng quanqiu lüyouye liangdian 中国人境外观光成为全球旅游业亮点 [Chinese Outbound Travel is the World Tourist Industry's Ray of Hope], Hua'erjie Ribao 华尔街日报[the Wall Street Journal], December 26, 2002. Available at: <http://www.china.org.cn/chinese/ch-yuwai/253529.htm>

<sup>32</sup> Zhongguoren jingwai guanguang cheng quanqiu lüyouye liangdian 中国人境外观光成为全球旅游业亮点 [Chinese Outbound Travel is the World Tourist Industry's Ray of Hope], Hua'erjie Ribao 华尔街日报[the Wall Street Journal], December 26, 2002. Available at: <http://www.china.org.cn/chinese/ch-yuwai/253529.htm>

<sup>32</sup> Chinese passports and Other Travel Documents, Ministry of Foreign Affairs of the People's Republic of China.

<sup>33</sup> Zhongguoren jingwai guanguang cheng quanqiu lüyouye liangdian 中国人境外观光成为全球旅游业亮点 [Chinese Outbound Travel is the World Tourist Industry's Ray of Hope], Hua'erjie Ribao 华尔街日报[the Wall Street Journal], December 26, 2002. Available at: <http://www.china.org.cn/chinese/ch-yuwai/253529.htm>

institutions in foreign countries who are responsible for the issuance of Travel Permit. Chinese nationals who have lost their passports while traveling abroad and urgently need to return to China can apply for the Travel Permit.<sup>34</sup>

Concerning **visas** in this matter, China grants them to visitors from every country. However, some countries have set up various limits to the entry of Chinese citizens.<sup>35</sup> China has written agreements on visa exemption with 52 countries.<sup>36</sup> For all other countries visas are required.<sup>37</sup>

## **5 Approved Destination Status: a Unique Characteristic of China's Outbound Travel Business.**

This chapter, divided in four parts will first explain the term "Approved Destination Status". Second, a list will be provided of all the countries granted ADS up till now (May, 2003). The case-study will investigate the probability of a future bilateral ADS agreement between China and the Shengen area. Finally, the consequences of ADS agreements will be highlighted.

### **5.1 What is the "Approved Destination Status"?**

China is an emerging market in the fields of both domestic and outbound tourism. The Chinese government applies protectionist strategies in order to secure its tourism market against fierce international competition. These strategies are translated by the Chinese government into many restrictions with regard to the Chinese people and the Chinese travel agencies on the one hand, but also with regard to foreign countries on the other hand. This section takes a closer look at a special type of strategy concerning outbound tourism of the Chinese people of the Mainland: the adoption of the Approved-Destination-Status-system.

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<sup>34</sup> Chinese passports and Other Travel Documents, Ministry of Foreign Affairs of the People's Republic of China.

<sup>35</sup> Kou, Zhengling, "China's Tourism: Opportunity and Challenge", *Beijing Review* 37:36 (1994), p. 11.

<sup>36</sup> "List of Agreements on Visa Exemption Signed Between the People's Republic of China and Foreign Countries", *Zhonghua renmin gongheguo waijiaobu* 中华人民共和国外交部 (Ministry of Foreign Affairs of the People's Republic of China), 2000. Available at: <http://www.fmprc.gov.cn>. (Appendix G)

<sup>37</sup> A detailed list of visa regulations for Chinese tourists traveling to the Shengen area is given on pp. 30-31.

The Approved Destination Status or ADS is a program developed by the Chinese government to establish a well-managed, orderly and controlled system of travel abroad for a greater number of its citizens.<sup>38</sup> It is based on a bilateral agreement whereby a foreign government allows Chinese tourists to travel to its territory. (ETC-WTO, 2003:34) The Chinese people no longer need to have direct contacts with the embassies or consulates in order to obtain a visa to ADS countries. The assessment of the visa applications is then executed by official outbound travel agents authorized by the China National Tourism Administration (CNTA).<sup>39</sup> Since the system was introduced by China in 1995, many countries have already been granted this status by the Chinese government.<sup>40</sup>

The ADS-system enables the Mainland Chinese to use personal passports and apply for tourism visas to countries approved for visitation. However, the visas are *restricted by the itinerary*, which has to be fixed at the beginning of the trip. Travelers are obliged to travel in a *tour group* and are not allowed to extend their stay or apply for other types of visas. In short, the ADS-system enables people to travel *for pleasure* on their own expenses to destinations with this status. This means, purely travel for pleasure is not allowed to non-ADS countries. If Chinese people want to travel to non-ADS countries, their trip must include business, study or a Visiting Friends or Relatives (VFR) component in order to attain a visa. The Scandinavian tourist board informs that the purpose of the ADS scheme is to make sure that the Chinese outbound market is opening up gradually and in a controlled way. Each destination country needs to negotiate individually with the CNTA in order to be granted ADS.<sup>41</sup>

How does one obtain the status of ADS? China has a special procedure for these negotiations. The ADS negotiation procedure involves two rounds. (ETC-WTO, 2002:76) In the first round the applicant country sends an application letter to the CNTA. The CNTA will then discuss this application with the Ministry of Foreign Affairs and the Ministry of Public Security. From now on these three parties will participate in all further negotiations. This discussion will result in a report that will be sent to the State Council. In case the State Council approves, it will announce the approval to the applicant country. As we can derive from the second step in the first round, the application will be discussed by tourism authorities as well as immigration authorities. This is important because both authorities usually have a

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<sup>38</sup> Shundich, S., Australia targets tourism from China, 1999. Available at:

[http://www.hotelbenchmark.com/Features/Hi/research\\_hot\\_issues\\_australia\\_tourism\\_china.htm](http://www.hotelbenchmark.com/Features/Hi/research_hot_issues_australia_tourism_china.htm)

<sup>39</sup> Maison de la France, « Les conséquences de l'ADS », *La Chine, marché émergent*, Pékin, 18 novembre 2002, p. 39.

<sup>40</sup> For a detailed list of the countries involved, see further.

<sup>41</sup> *China Outbound Travel Market Report : Research Report June 2002*, Japan, Tokyo, Scandinavian Tourist Board, p. 76.

different point of view. The tourism authorities will pay closer attention to the commercial aspect of the agreement, while immigration authorities worry about potential illegal immigration and overstay.<sup>42</sup> In the second round the details of the agreement will be further discussed, which will hopefully lead to the agreement and signing of a memorandum of understanding. The agreement is now final and operational.

## 5.2 Countries Granted ADS

As ADS is a rather recent phenomenon, the list of ADS countries is still limited. Most of them are Asian countries, although some European countries have started showing interest, none of them have been fully granted ADS yet. According to Beijing Review, Switzerland has the first State-ratified European tourism representative office in Beijing, since 1998. Switzerland Tourism has organized similar activities every year with a view to the promotion and exchange of tourism between the two countries, the country hopes to become a tourist destination of the Chinese travelers.<sup>43</sup> Currently about 21 countries enjoy the privilege of receiving Chinese tourists under the bilateral ADS agreement. The Chinese government first granted the Approved Destination Status to all ten ASEAN countries. To get an idea of the time when ADS was received, the following dates were available from China National Tourism Administration in chronological order: Hong Kong (1983), Macao (1983), Singapore (1990), Malaysia (1990), Thailand (1988), Philippines (1992), Australia (1997; operational from 1999), New-Zealand (1997), South Korea (1998), Japan (1998; operational from 2000), Vietnam (1999), Cambodia (1999), Burma (1999), Brunei (1999), Laos (1999), Indonesia (2000), Nepal (2000). In addition some European countries take their first steps in this new tourism field: Malta (July, 2002), Turkey (May, 2002), Egypt (2002), Germany (2002; operational from 2003, but negotiations are still going on).

There are several remarks to be made from this list. *First of all*, the first two destinations in this list, Hong Kong and Macao, were both going to be Chinese property again at the moment they received the Approved Destination Status. As explained earlier,<sup>44</sup> this may raise doubt about whether to regard them as true outbound destinations or not. *Secondly*, the next three countries, Singapore, Thailand, and Malaysia, are Asian countries with large Chinese populations. They were designated by the CNTA as “Tourism Liberalization

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<sup>42</sup> China Market Report 2002, Tokyo, Scandinavian Tourist Board, p. 76.

<sup>43</sup> Wu, Ming, “Back to the Soul of Switzerland”, Beijing Review 43:17, 2000, p. 28.

<sup>44</sup> Chapter 2, section 1.2.2.

Countries”. *Thirdly*, Australia is the first “western” country to receive ADS. *Fourthly*, although an article in Beijing Review (1998:24) mentions that Air China increased the number of scheduled flights between Beijing, Shanghai, and cities along the eastern and western coasts of the United States, the US do not (yet) appear in the list. According to the findings of the ETC-WTO joint report (2002:23), this country is apparently not interested in ADS as the United States do not like a regime, that restricts traveling abroad nor a system, that limits the number of domestic operators. *Fifthly*, as Germany is a member state of the Shengen area, the question may rise whether the agreement of China with Germany will have consequences for all other member states. *A sixth remark* is that some countries in the list are followed by two periods, whereby the first year stands for the moment the agreement was accorded, while the second date shows when the agreement finally became operational. So when ADS is first officially granted, it does not mean that the business of Chinese tour groups traveling to this destination automatically begins. A detailed implementation plan is required to be drafted out before starting the business of sending Chinese tour groups to this destination. *A final comment* with regards to the abovementioned list of countries is that individual countries of the Shengen area, such as Germany, are now trying to reach an agreement with China. Although many publications pretend that the agreement with Germany is final, the discussions are in fact not completely over yet. The negotiations are continuing with the CNTA on such details as visas, routes and accommodations.<sup>45</sup> The biggest issue in this matter is that Germany belongs to the Shengen countries and so its agreement with China may have consequences for the whole Shengen area. The Chinese government is eager to make an arrangement with EU/Shengen countries but it is obvious that this arrangement would be more complicated than arrangements made with single countries.

### **5.3 Case Study: The Probability of a Bilateral ADS Agreement between the PRC and the Shengen Area**

It is impossible to give a complete overview of the visa regulations of all the countries with regard to Chinese tourists. As Europe has remained the main tourist destination in the world, with more than 60 % of the world tourist arrivals (Qu Hailin & Zhang Hanqin Qiu, 1997:35), the emphasis in this paper is on this tourist-attracting area: the Shengen area. The

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<sup>45</sup> “Outbound Travel Now in Vogue”, March, 2002. Available at: <http://www.vur.is/interpro/utanr/vur.nsf/5012de0d3dad13d300256983005028b9/b5996442e23a9f6500256b9800357c4c?OpenDocument>

findings of this paper will show that currently Europe and China have not come to an agreement concerning ADS, (yet). For a long time many countries considered the mainland China outbound market a dilemma. According to Don and Dou (2001:47), these countries on the one hand see the potentially huge number of Chinese travelers, who could do a lot of consumption, but on the other hand they fear illegal immigration and the possible effect on their countries. The question whether Europe will obtain the ADS status, and whether this will happen soon, cannot be answered yet. Nevertheless, the EU is under pressure from Germany, Spain and other members to allow Chinese tourists to travel openly as tourists to Europe, the world's most popular destination. The current restrictions by the Chinese government with respect to destination countries and issuance of passports, as well as the obstacles in visa applications at foreign embassies and consulates, force Chinese travel agencies into illegal activities.<sup>46</sup> Presently, the general opinion of Chinese travel agencies is that visas can be obtained more easily from some Shengen embassies or consulates than from others. They even admit that it is easier to obtain tourist visas for European countries than for Australia, New Zealand and the United States. The first part of this chapter discusses the cases of Belgium, the Scandinavian countries, Malta, which will become a member of the EU soon, Germany, France, and the posture of the US in this dilemma. Because, presently, Germany is the only Shengen country granted the ADS status, detailed information will be given about the bilateral ADS-agreement between Germany and China. This is to show which difficulties may arise when a Shengen country reaches such an agreement with China. The second part of this chapter explains the potential problems of an ADS-agreement that may arise, whereby the case of Switzerland, a European country that is currently not a member of Shengen, will be discussed.

The Belgian Immigration Service notes that in the case of **Belgium** there are only two countries that are not qualified for receiving tourist visas from the Belgian embassy: China and Algeria. The Service also notes that up till now no Chinese tourists with the purpose of sightseeing have been able to obtain a Shengen visa yet.<sup>47</sup> No steps towards ADS or other agreements concerning Sino-Belgian tourism have been made yet, and as presented in the table below, the same counts for the Netherlands, Luxemburg and Ireland. (ETC-WTO, 2003:43)

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<sup>46</sup> Roth, Sylvia, The Chinese Outbound Travel Market: Overall Situation and Specific Aspects of Travel to Europe, Project of Austrian National Tourist Office, ETC Report, 1998, p. 25.

<sup>47</sup> Barbaix, Kristian, Immigration Service, Belgium, Brussels, 2003, March 25<sup>th</sup>.

### Regimes Applied to Chinese Tourists by the EU Member States<sup>48</sup>

Policy concerning	AU	BE	DK	FI	FR	GE	GR	IE	IT	LU	NL	PO	SP	SW	UK
<b>Policy concerning tourist visa</b>															
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										
<b>Policy concerning travel agents</b>															
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
<b>Policy concerning interviews of tourists</b>															
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												
<b>Policy concerning Returning tourists</b>															
Non-applicable															
(no tourist visas)		X						X		X	X				
Checks to follow-up															
on tourist's return	X			X		X	X		X				X	X	

\* = 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\*.

The Far Eastern Economic Review states that none of the **Scandinavian countries** have received Approved Destination Status (ADS) yet, so no travel purely for pleasure is

<sup>48</sup> Source: EU member state embassies in Beijing.

possible for Chinese travelers to this area.<sup>49</sup> In the table above can be derived that Finland (FI) issues individual tourist visas to Chinese people. However, the Scandinavian Tourist Board recognizes only one category of Chinese outbound travelers: the business or technical visit travelers.<sup>50</sup> Both the business and technical visit travelers need to present an invitation letter from a foreign organization in order to obtain a visa. Because some countries refuse individual tourist visas for Chinese, many Chinese travelers travel on business visas. (David Murphy, 2002:23)

Nevertheless, due to the lack of an ADS-agreement between the Shengen-Area and China, some individual European countries did manage to reach an agreement about tourism. **Malta** was the first European country to gain Authorized Destination Status (ADS) from the Chinese government in 2001.<sup>51</sup> An article in *De Financieel-Economische Tijd* of the 17<sup>th</sup> of April, 2003, explains that Malta is not yet part of the European Union but in April 2003, Malta, together with ten new members, signed the Accession-treaty to the EU. Their membership will become effective on the 1<sup>st</sup> of May 2004. The article did not mention anything about the consequences of this treaty with regard to Chinese outbound tourism to Europe, however it is obviously a matter that will have to be dealt with in the (near) future.

What **Germany** is concerned, from the site of the German Embassy in Beijing, Chinese people are able to download a German/Chinese version of the application form for a Shengen visa.<sup>52</sup> (Appendix J) In section 29, where one has to indicate one's travel purpose, the option "Tourismus / 旅游" [travel for pleasure] exists. As Germany is China's largest trading partner in Europe,<sup>53</sup> this may possibly be the reason that Germany is the first Shengen country that has been "granted" ADS by the Chinese government. (Zhang Qihua, 1994:4) "Granted" is put between brackets as the details of the agreement are still being discussed. According to the

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<sup>49</sup> *China Market Report 2002*, Tokyo, Scandinavian Tourist Board, pp. 3-4.

<sup>50</sup> The business travelers are government officials or employees of state owned enterprises, and are regarded as very status-conscious; they can obtain visas easier than technical travelers, who are either self-employed or employed by private companies. The technical travelers have more problems in obtaining visas. The board also notes that as technical visit travelers are more price-conscious, they want value for their money and the main accent of their trip will be on sightseeing instead of on technical visits.

<sup>51</sup> The first group of Chinese tourists visited Malta in March of 2003. "First Chinese Package Tour Bound for Malta, Egypt". Available at: <http://www.china.org.cn/english/travel/56592.htm>

<sup>52</sup> Shen gen guojia qianzheng shenqingbiao 申根国家申请表 (Antrag auf Erteilung eines Schengen Visums), Deutsche Botschaft Peking VR China, <http://www.deutschebotschaft-china.org>

<sup>53</sup> In 1994, the trade volume between China and Germany has reached US\$10 billion, which was a record-high and accounted for half of the trade volume between China and the European Community.

Chinese magazine for outbound travel Chuguo, Germany has officially received the first Chinese travel group of 35 people in Berlin in March 2003.<sup>54</sup>

On the 1<sup>st</sup> of July 2002, the Federal Ministry of Economy and Technology of Germany has signed a ‘Memorandum of Understanding’ with the Chinese National Tourism Administration about the execution of group tours of Chinese citizens to Germany.<sup>55</sup> In the memorandum it is stated that the Chinese side should name the list of all the Chinese travel agencies that are authorized by the China National Tourism Administration to organize group travel of Chinese citizens to Germany, hereafter referred to as “Approved Chinese Travel Agencies”. The German side will then send to the Chinese side a list of all the German travel agencies that will handle the incoming Chinese groups. Following a request of the Chinese side, the German Tourism Department will do its best to inform the Approved Chinese Travel Agencies about the possibilities for travel to and in Germany, about the prices and other information. The establishment of a hotline in Chinese in case of an emergency is also considered to be very handy. The Chinese side wants to urge the Approved Chinese Travel Agencies to appoint one or more couriers to bring the visa applications for the travel groups to the German Embassy or consulate. These couriers will therefore receive a certificate which enables them to enter the German Embassy or consulate. The application of the visa by the approved Chinese travel agencies at the German Embassy or consulate should be accompanied by the following documents: a signed letter of the representative of the approved travel agency with details about the date of departure, about the payment of the travel costs, information about the insurance, the member list of the travel group, and the application form and passport of each member of the travel group. If required, the Chinese travel agencies can also add additional documents. The visa has to contain the addition “ADS”. If the German Embassy or consulate accepts visa applications of non-approved Chinese travel agencies, then the Chinese side will disclaim responsibility for further possible problems in Germany. The Chinese side makes sure the Chinese groups travel together in and out of Germany. The approved Chinese travel agencies should appoint guides for every group. The groups should consist of at least five members. The German side will, as laid down in the contract, take care

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<sup>54</sup> De Bolinshi kaolü zengjia zhongwen daoyou 德柏林市考虑增加中文导游 [The German City Berlin Thinks about Augmenting the Number of Chinese Guides], Chuguo zai xian 出国在线 [Magazine for Outbound Travel], 2003, March 23. Available at: <http://travel.chuguo.org.cn/news/show.asp?id=2878>

<sup>55</sup> Memorandum of Understanding zwischen dem Bundesministerium für Wirtschaft und Technologie der Bundesrepublik Deutschland und der Staatlichen Tourismusverwaltung der Volksrepublik China über die Durchführung von Gruppenreisen chinesischer Staatsbürger nach Deutschland, Deutsche Botschaft Peking VR China, 2002, July 1. Available at: <http://www.deutschebotschaft-china.org>. (Appendix H)

of the Chinese citizen's entry and exit of Germany. When a member of the travel group remains illegally in Germany, the travel agencies of both sides should react immediately in order to trace the illegal person as soon as possible, and to send, respectively take, back this person. For a smooth and ordered realization of these travel activities, both sides are willing to cooperate and exchange information. They will also try to work together in finding solutions to problems that may arise. The implementation of the organized group travel of Chinese citizens will begin as soon as the necessary preparatory work is done.

Presently, Malta and Germany are the only two countries with ADS, however, some other European countries also have reached non-ADS agreements, promoting tourism, with China. **France**, for instance, has agreed upon cooperation with China concerning promotion, training of tourism personnel, and exchange of information. The French and the Chinese travel service have established a joint venture in China. According to the French State Secretary in charge of tourism Michelle Demessine, the Chinese people's main chosen destination in Europe is France, as they are attracted to the French culture. In 1998 the country received 50 % more Chinese travelers than the year before, the number rose from 20,000 to 30,000 people. (Tang Xiangsheng, 1997:21) The Director General of "Office de tourisme de Paris" expresses the wish that China and France will agree on an ADS-status for France as he hopes this way more Chinese travelers will come to France. He further thinks that an ADS agreement will enhance the relationship between both countries. (Hélène Miao, 1997:29)

The US embassy in Beijing has signed special agreements with some Chinese travel agencies, granting them a special status to apply for tourist visas to the US.<sup>56</sup> These travel agencies have to check their customers carefully in order to prevent illegal immigration by their travelers. After the tourists return to China, the passports have to be presented to the US Embassy. In case there are illegal immigrants, the agreement is immediately terminated. The US has reason to fear illegal overstays of Chinese tourists, as the country has large Chinese communities, which seems to be a 'pull'-factor for potential illegal immigrants.(Roth, 1998:13) However, as the Chinese government continues to liberalize its policy on international travel and the bilateral economic relationship between China and the US is expected to develop further, the number of Chinese travelers to the US will increase accordingly. The possibility that leisure travel to the US may start some time in the near future cannot be excluded. (Jang, Yu & Pearson, 2003:93) Travel to Europe and to the US is

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<sup>56</sup> Note: This agreement is called "Beijing Travel Agency Referral Program for non-Immigrant Visa to the United States"

clearly on the rise, according to the latest numbers of the China National Tourism Administration, in 2003, mainland arrivals to Europe were up 30 % compared to the previous year, and the US experienced a 20 % rise. (Scott Neuman, 2003:A7) According to Concordia International Travel Agency in 2000, about 400,000 Chinese people went to the United States, and the majority of them had the status of tourist.<sup>57</sup>

There are two **potential problems** for the EU in relation to ADS: the trade policy, and as mentioned before, the immigration policy. The first issue concerns the trade policy. The ADS agreement might give preferential market access to the private tourism companies of the two parties. This would mean a violation in the EU-field of competition rules. Nevertheless, at this very moment Greece, Finland and Spain are already in negotiation with China for receiving ADS. (ETC-WTO, 2002:25) As for the immigration policy, the biggest issue is the implementation of a 'readmission clause': this clause enables repatriations of illegal Chinese people from other countries back to China. Any Chinese person traveling to one of the Shengen countries under an existing bilateral ADS-agreement might be able to settle down illegally in another Shengen country. As the EU/Shengen countries do not have a single immigration control apparatus, it would be very complicated to investigate in exactly which country a person is located. (ETC-WTO, 2002:24) The entry in the Shengen area is not the main issue, but the weakness of the Shengen visa policy is the lack of control concerning the departure of travelers. (Roth, 1998:14) This was also a big issue in the negotiations with Germany. Germany wanted the inclusion of a readmission clause but the CNTA was firmly against it. Although the Ministry of Foreign Affairs of the People's Republic of China notes that the Chinese government has adopted a cooperative attitude towards accepting repatriations of illegal Chinese people from other countries, the main problem is to verify and to prove whether the illegal entrant is in fact a Chinese citizen.<sup>58</sup> CNTA is afraid this clause would make it possible to send non-Chinese, Asian-looking terrorists, criminals, etc. to China. (ETC-WTO, *o.c.*, p. 27) Nevertheless, the Chinese government is prepared to further strengthen the cooperation with many countries and international organizations in the process of verification and repatriation of illegal migrants.<sup>59</sup> The CNTA points out that it is also a matter of international image. The CNTA claims that there is no need for a readmission

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<sup>57</sup> Zhongguoren jingwai guanguang cheng quanqiu luyouye liangdian 中国人境外观光成全球旅游业亮点 [Chinese Outbound Travel is the World Tourist Industry's Ray of Hope], *Hua'erjie Ribao* 华尔街日报 [the Wall Street Journal], December 26, 2002. Available at: <http://www.china.org.cn/chinese/ch-yuwai/253529.htm>

<sup>58</sup> Frequently Asked Questions on Consular Affairs, Ministry of Foreign Affairs of the People's Republic of China, [www.fmprc.gov.cn](http://www.fmprc.gov.cn)

<sup>59</sup> Frequently Asked Questions on Consular Affairs, Ministry of Foreign Affairs of the People's Republic of China, [www.fmprc.gov.cn](http://www.fmprc.gov.cn)

clause, as the ADS-system will not lead to illegal immigration because the system executes control over the travel agencies. Another reason to put the illegal immigration problem in perspective is the fact that the Chinese economy and society has developed in a positive way, and together with the grow of the outbound travel market, the quality of Chinese tourists is improving rapidly. (Don & Dou, 2001:47)

For now, the ADS pact is being held up by EU insistence that the clause allows the repatriation of those who go to Europe as tourists and stay on for work. Despite the lack of an ADS agreement with the EU, Chinese tourists spent 1.5 billion euros in the EU in 2000. According to Alfred Brader, general manager of Austrian Airlines in Beijing, tourism would explode if the EU and China do reach a pact. (Murphy, 2002:24) However, this agreement would be inconvenient for **Switzerland**, as the country is not a member of Shengen. The majority of tours will only be within the Shengen countries, due to the one visa policy. Therefore, the Swiss government had taken the initiative in 1998 to become Europe's first destination country approved by the Chinese government. (Wu Ming, 2000:28) The country is less concerned about illegal immigration as it only has a very small Chinese community. On June 15, 1998 the Swiss and Chinese governments reached a Memorandum of Understanding, which concerned the establishment of tourism offices<sup>60</sup> and the mutual exchange of know-how in tourism and related areas. Together with this Memorandum, a note was submitted to the Chinese government asking for designation of Switzerland as a destination country. However, while Malta and Germany have obtained the status already, Switzerland is still on the waiting list. As of May 1999, Switzerland no longer considers the Shengen agreement a disadvantage in this matter, as Chinese travelers holding a Shengen visa do not need a visa for Switzerland anymore. (Roth, 1998:15-16)

As a conclusion, about the question whether the Shengen area will reach an agreement with China concerning ADS, one can say that there are two possible answers. Lets suppose that the decision depends on the approval of the majority of the Shengen members. When the majority thinks that the negative consequences outnumber the positive consequences, then the possibility to reach an ADS-agreement is very small, however, this does not necessarily means that all hope is gone, because the situation in both China and the Shengen-area may change. These changes can be the gradual expansion of the EU, with the entrance of more and more members, or the change in the economical situation in China. Another consideration is that some strong countries have already reached agreements with China, such as Germany and

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<sup>60</sup> China and Switzerland also opened a jointly owned tourist office, whereby China holds 51 % share in the business. (Sun Weijia, 1997:30)

Malta, but also France and Switzerland. These countries may put Europe under pressure to accept an agreement that covers the whole of the Shengenarea, with regards to ADS.

## 5.4 The Consequences of ADS

So far ADS has been defined as “a program developed by the Chinese government to establish a managed, orderly and controlled system for a greater number of its citizens to travel abroad”. But what exactly are the consequences for China and for the destination countries? Both parties in the ADS agreement have to play according to certain rules. This section takes a closer look at the conditions both countries meet concerning ADS. More specific, one will learn that an ADS-agreement involves limitations as well as benefits and costs for both sides of the agreement.

An ADS agreement contains a number of built-in **limitations**, some of which are applicable to *all* ADS agreements, others are specific for one ADS country, only. An example of such a limitation is the number of tour operators. The limitation of tour operators counts for both sides. Outbound travel of China is organized by Chinese outbound travel agencies and approved inbound travel agencies of the foreign country. Both parties have to cooperate with the authorities of both countries. (Maison de la France, 2002:38-39) In 2002, China counted a total of 7725 domestic travel agencies and 1256 international ones, of which only 67 were licensed to handle outbound travel.<sup>61</sup> (ETC-WTO, 2002:30) And in the case of Australia, among these 67 travel agencies, only 22 of them are registered as Authorized Travel Agencies (ATA's). This means that only these 22 Chinese agencies are permitted to organize escorted group travel for Chinese citizens to visit Australia for tourism purposes. (Sofield, 2002:4) For Australia's part, 31 inbound tour operators are allowed to co-operate with its Chinese counterparts. This limited number eases the Australian Government's task of monitoring the incoming Chinese group travelers to Australia. (*ibid.*, p. 5)

Another limitation of the ADS agreement is the obligation for Chinese travelers to travel in groups. Travel groups further have the obligation to take a Chinese guide that is certified by the China National Tourism Administration. The guide is obliged to carry the passports of all the people in the group. For fear that there are people in the group who do not wish to return to their home country, the Chinese travel agency will be held responsible for that person if it does not have that persons' passport in their possession. The travel agency

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<sup>61</sup> See Appendix M.

will then be sanctioned by the CNTA and it will temporarily lose its consular approvals, if that happens the travel company has a high risk of resulting in a bankruptcy. (Lin Xiaowei, 6<sup>th</sup> of October, 2002)

The above mentioned limitations count for all ADS-agreements, however, some restrictions are *different from case to case*, such as, the limitations on Chinese travelers based on their residence. The ETC-WTO joint report (2002:23) mentions the case for travelers to Australia. Australia is very attractive for genuine tourists but also for prospective immigrants. Therefore, the ADS agreement with this country also contains the limitation that only Chinese citizens from Beijing, Shanghai and Guangzhou are allowed to travel to Australia. These three cities are designated as 'Try-out areas' or trial places under the bilateral agreement. (Sofield, *o.c.*, p. 4) During the trial period only permanent residents with household registrations in one of these three municipalities are permitted to travel to Australia as self-sponsored group tourists. (*ibid.*, p. 5)

It is important to take notice of the possible **benefits and costs** of getting ADS-status for foreign countries. For China, the ADS system has great advantages. With granting the Approved Destination Status to selected countries and regions, the benefits for the Chinese government is that it can more easily control the development of the outbound tourism market. This control is needed in order to prevent sudden drainage on China's currency reserves, when Chinese people suddenly decide to buy a lot of foreign currency that they can use on their outbound trips. (He L. & Chen X., 1997:55)

Foreign countries can benefit from the system as well, if the economic gains outweigh the possible negative sides of the agreement. For the EU countries ADS could be of significant importance. Asian travelers have become the main drivers of *growth* in expenditure of international tourism in Australia. The Australian economy is becoming more dependent upon the mass non-Japanese Asian tourism market. (Vicky Seiler, 2002:501) The main advantage of having an ADS-agreement with China has been an *increase* in the number of Chinese recipients of tourism services traveling to ADS areas. The Approved Destination Status enables a country to regard Chinese tourists as a (new) part of their inbound travelers. Foreign travel agencies of ADS countries are also no longer prohibited of *promoting* their destinations. (ETC-WTO, 2002:23) Another benefit for ADS countries is that the Chinese travel agencies will do the first round *assessment* of visas, which will save the extra work for the embassies or consulates of the destinations concerning visa applications. Presently, for travel to non-ADS countries, Chinese people still need to go to the embassy or consulate of

that country for an individual dialogue but under the ADS-agreement the Chinese travel agents will handle the cases.

However, besides the benefits that an ADS-agreement may well bring, there is also another side of the coin. Since the travel agents take care of the visas for tourist groups and individuals are no longer personally interviewed, ADS leads to a *decrease in direct control* on visa-issuing, as these agents will most likely be less strict in the selections than a qualified visa-officer. Unless the EU/Shengen countries turn up with a proof monitoring system, strict controls on these selections could be necessary and probably lead to a greater workload for visa sections. (HOM, 2000:7) One must also consider the costs in terms of *illegal immigration*. This can occur if the negotiated control mechanism established in the agreement is not sufficient. At the moment, the identification and repatriation of illegal immigrants of Chinese nationality is a difficult process. Therefore, there is a need for including a readmission clause in the bilateral ADS agreements.<sup>62</sup> This clause, however, is not an ideal solution, as it would have to be proved that the person to be repatriated is an overstaying ADS tourist. However, one should not ignore that the Chinese government will exercise control on their travel agents. Any abuse of Chinese tour operators, by sending outbound travelers to non-ADS destinations with false business visas, will be punished and they may have their license revoked. Out of fear for illegal immigration, it is common practice of Chinese travel agencies to demand deposits from private travelers when traveling to Europe or the United States. These amounts, which are between RMB 20,000 and 50,000, are a kind of security that the Chinese traveler will return from overseas. (Roth, 1998:19) Australia conducts a rather soft attitude concerning the readmission clause, but this is not eligible for the EU/Shengen countries as it is harder to monitor ADS tourists in these countries. It is very difficult to trace a person who crosses the border to another Shengen country. Due to the lack of a unified electronic monitoring system, it is almost impossible to identify someone who has been admitted to one country but applies for asylum in another country.

This section has given an insight in the consequences for both the Chinese and the foreign side in an ADS-agreement. The agreement involves limitations relevant for all ADS-agreements, other restrictions are specific for one case only. In the second part, potential benefits and costs were described. Possible benefits are the growth in international tourism, the rise of Chinese consumers in the ADS-countries, the allowance for destination countries to promote their country for tourism, the workload of the assessment of visas that will diminish.

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<sup>62</sup> Explained in the Case Study (5.3)

That last point, however, can also be regarded as a cost. The first-round assessment by the Chinese travel agencies simultaneously means a decrease in control by the foreign side of the ADS-agreement, which can lead to illegal immigration.

## **6 Conclusion**

There appear to be several statutory requirements for Chinese outbound travelers.

Since the adoption of the ADS system, Chinese people can travel on the basis of special tourist passports. A visa is required for travel to most countries.

The second chapter defines ADS as a system that is invented by the Chinese government to ease travel restrictions. In the case-study, several opinions are given on whether China and the Schengen area are likely to agree on a bilateral ADS agreement. Optimistic elements are the existence of an agreement with Germany (and Malta), and the urge of other European countries to obtain ADS. A negative element is the fear of illegal immigration.

## Stimulators of the Outflow of Chinese Tourists

Push and pull dimensions is the concept that people travel because they are pushed by their own internal forces and pulled by the external forces of destination countries. These dimensions can be different for tourists from different countries. (Zhang Qiu Hanqin & Terry Lam, 1999:588) Push factors are related to the needs and wants of the traveler, such as the desire for escape, rest and relaxation, adventure, prestige, health and fitness, and social interaction.<sup>63</sup> As China's outbound travel market is still very young, the motivations of Mainland Chinese may be dissimilar to tourists from more mature markets. (Zhang & Lam, 1999:588) According to David B. Klenosky (2002:385-386), push and pull factors occur at a different point in time, first the traveler will decide whether to go, and later he will decide where to go. Another possibility is that travelers are simultaneously pushed by their own internal forces and pulled by the external forces of the destination and its attributes. But Klenosky also refers to the opinion of another researcher Dann (1981), who says, "tourists in deciding where to go take into consideration various pull factors which correspond...to their motivational push". Since push factors often precede pull factors, what "pushes" a person to travel will first be discussed and in the second chapter why a traveler chooses a certain destination.

## 7 Push Factors of the Chinese Outbound Tourism Market

A survey was conducted using a questionnaire to collect primary data about travel motivations of Guangdong travelers to Hong Kong. The ten main push factors, in order of

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<sup>63</sup> Klenosky, David B., "The "Pull" of Tourism Destinations: A Means-End Investigation", Journal of Travel Research 40:4 (2002), p. 385.

importance, were: the urge to see something different, facilitating family and kinship ties, visiting friends and relatives, increasing knowledge about a foreign destination, being with one's family, physically resting or relaxing, being able to share the travel experiences after returning home, experiencing a different lifestyle, visiting cultural or historical attractions, visiting a destination which most people value and/or appreciate, and going to places the traveler's friends want to go. (Zhang & Lam, *o.c.*, p. 589) The pull factors will be discussed in the following chapter. The results of the study showed that some significant differences across certain demographic variables occurred for both push and pull motivation factors, such as income, age, gender and travel frequency. For instance, the higher the income, the more important the 'prestige' factor for traveling to Hong Kong becomes. (*ibid.*, p. 591)

This chapter will focus on the above-mentioned 'internal forces', that urge people to travel. These "internal forces" can be internal for a Chinese individual, but also for China. The first section will deal with the first type, a detailed overview of the characteristics of the Chinese traveler will be given. In the second section, the internal forces of China, which are the influences of China's level of economic development and the politics of the country on Chinese travel behavior, will be explained. Sometimes the separation between the two types is not completely clear, for example, the experience of domestic travel can be an internal force of both the individual and China.<sup>64</sup> But as domestic travel has already been discussed in a previous chapter,<sup>65</sup> it will not be mentioned here any further.

## 7.1 Demand

In economic terms, the difference between push and pull factors can be compared with supply and demand. The push factors in this context stand for the demand of a population to travel, whereas the pull factors reflect the efforts a foreign country does to reach its potential inbound tourists. In this section, the characteristics of a Chinese tourist will be looked at from several angles, such as the traveler's place of residence, age, profession, level of education, level of income and working conditions.

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<sup>64</sup> Domestic travel as an internal force of the individual can be seen as the experience a person has of domestic travel. Domestic travel as an internal force of China means that China can manipulate its population's domestic travel, with restrictions, holidays, etc.

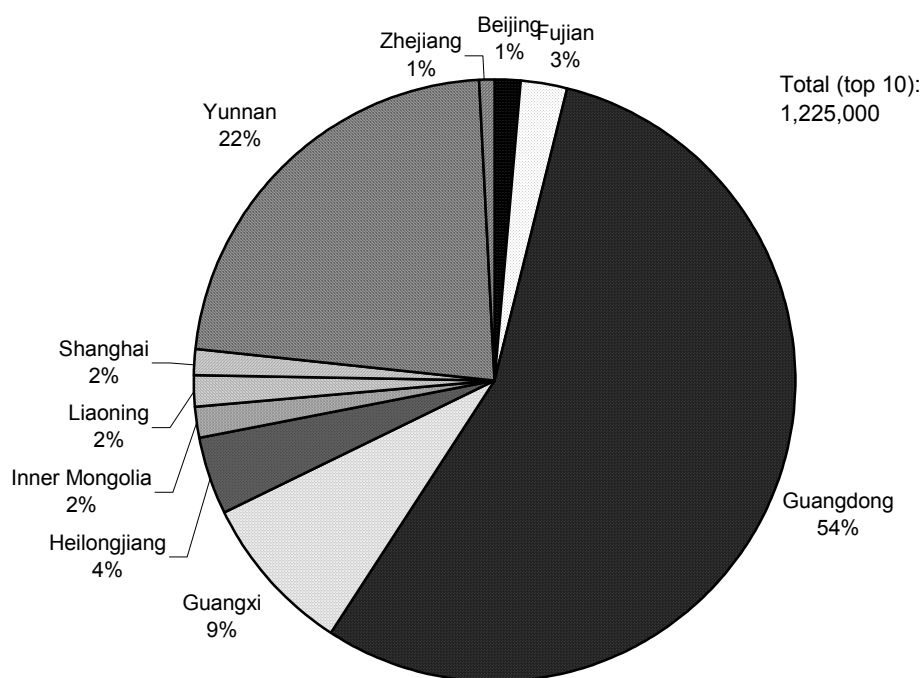
<sup>65</sup> Chapter 2.

## 7.1.1 Characteristics of 'a Chinese Tourist'

### 7.1.1.1 Sources of Chinese Private Travelers

According to Don and Dou (2001:46), despite the size of the Chinese territory, outbound tourists come mainly from a few provinces, most of them are located along the sea and near the borders. Or the travelers are from the large cities, such as Shanghai and Beijing, and well-to-do places, especially Guangdong province. These three major metropolitan areas have a higher per capita income. (Jang, Yu & Pearson, 2003:91) In 1983, citizens from Guangdong province were allowed to travel to Hong Kong and Macao, while the rest of the mainlanders had to wait one year longer before they received the same permission. (Don & Dou, *o.c.*, p. 45)

#### Major Regional Sources of China Outbound Travel (Private Travelers), 1995<sup>66</sup>



This graph shows the importance of the Guangdong province as a source of Chinese outbound travelers in 1995. In 1996, the Guangdong Province, which accounted for 1/3 of the number of total Chinese outbound tourists, ranked as No.1 of all the provinces. (Don & Dou, 2001:751) The ten leading provinces of mainland Chinese outbound tourists in 1996 were in

<sup>66</sup> Source: Adsale Exhibition Services, CNTA

order of importance: Guangdong, Yunnan, Guanxi, Heilongjiang, Fujian, Liaoning, Shanghai, Beijing, Inner Mongolia and Sichuan. The main destinations of the citizens from Guangdong and Fujian were Hong Kong and Macao. (Don & Dou, *o.c.*, p. 46) These two provinces were regarded as the forefront for travel in general, both inbound and outbound. One reason is that most overseas Chinese originate from these provinces. Another is that the two provinces also have extensive business contacts with overseas countries. (Bailey, 2001:70) Vietnam, Laos and Burma appeared to be attractive destination countries for Chinese mainlanders originating from the southern border provinces of Yunnan and Guangxi. As explained in an earlier chapter,<sup>67</sup> in the context of barter tourism, Russia and Mongolia mainly receive tourists from the Chinese Heilongjiang province and Inner Mongolia. Travelers from Liaoning province, which is the sixth biggest source of Chinese travelers, mainly go to the P.R. Korea. And finally, citizens from Shanghai, Beijing and Sichuan prefer a trip to South-east Asia or Hong Kong. (Don & Dou, 2001:46) However, one should take notice of the fact that the travelers are sometimes 'manipulated' by external factors, for example, such as the ADS agreement with Australia. This only allowed Chinese citizens from Beijing, Shanghai and Guangzhou to travel to Australia. As explained in chapter five, the Australian government believes that this limitation can help diminish the risk of illegal overstays. (ETC-WTO, 2002:23)

#### 7.1.1.2 Age & Profession

Traveling abroad *for pleasure* is a privilege to the rich, and therefore to the older people. An aging population has more discretionary income, better health and more leisure time than any other age group. (Go, 1997:10) With this time and money on their hands, they set the tone in the leisure travel market. The change in the population's demographic composition will have a positive influence on the tourism market, because the proportion of young people will fall drastically in the coming years and the percentage of senior citizens will increase. (Hansruedi Müller, 2001:63) Even the leisure of financially secure younger people in prosperous countries is constrained because although they also have time, they lack the money to spend on travel. (Clark Colin, 2001:73)

According to Lin Xiaowei (6<sup>th</sup> of October, 2002), most of the Chinese outbound travelers are between 35 and 45 years old. Roth (1998:22) confirms this, as she points out that the majority (76 %) of Chinese traveling to Europe are aged between 30 to 49 years old and 20 % are 50 to 60 years old. This implies an older middle-class. A study conducted by the

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<sup>67</sup> Chapter 1, Section 1.2.2.

China National Tourism Administration stated that business travelers to the US consisted mainly of top or middle managers, whereas many non-business travelers appear to be older intellectuals such as teachers, doctors and engineers. (Jang, Yu & Pearson, 2003:92-93) An article in the Beijing Review reveals that the intellectuals tend to be familiar with other cultures and show more curiosity. According to the National Tourism Administration, in 1996, about 60 % of tourists to southeast-Asia and over 70 % of visitors to the United States and Europe were middle-aged or older Chinese. In most cases the children of the elderly paid or helped pay for the trip in a traditional show of filial duty, and to show their gratitude for raising children and working.<sup>68</sup>

The largest segment of the Chinese population, however, is the 10-35 years group. (Bailey, 2001:13) As most travelers are above 30-35 years old, this may also contribute to the fact that there is a relatively low percentage of outbound travel activity in China, only 1.29 % of its total population.<sup>69</sup>

#### 7.1.1.3 Educational factors

A report made in 1966 has already shown that there is a trend throughout the world of more people having the advantage of higher education, which has been pointed at as an important factor in the development of tourism.<sup>70</sup> Traditionally, travel surveys have noted a relationship between education and the desire to travel. However, the world today shows us no difference. At a more and more younger age people go abroad on educational base, think of organizations such as AFS,<sup>71</sup> NAFSA, etc.<sup>72</sup> that offer scholarships to students. But while these students are in the foreign country, they aren't only locked up in their rooms buried in

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<sup>68</sup> "Senior Chinese Enjoy Tours Abroad", Beijing Review 39:48 (1996), p. 25.

<sup>69</sup> The percentage is based on the table in section 3.2 of this paper. In 2002 around 16,6 million Chinese people went abroad for pleasure. The total population was 1.276 billion in 2001 (This is the most recent information from "China Facts&Figures 2002". Available at: <http://www.china.org.cn/english/shuzi-en/en-shuzi/gq/htm/biao/4-1.htm>) Another internet site, Nation by Nation.com, however, states that China's total population in 2002 was 1.284 billion people. Available at: <http://www.nationbynation.com/China/Population.html> As the first source seems most reliable to me, but the second one shows the same trend, the information will be based on the number of 2002.

<sup>70</sup> "Study on the Economic Impact of Tourism on National Economies and International Trade", Travel Research Journal, Geneva, International Union of Official Travel Organizations, 1966, p. 15.

<sup>71</sup> AFS stands for American Field Service. In 1914 the American Ambulance was founded in conjunction with the American Hospital at Neuilly to assist in evacuating the wounded from the battlefield during World War I. In World War II, volunteer ambulance drivers again rescued the battlefield wounded. After the experience of the devastation of the two world wars, these young ambulance drivers, not much older than our AFS students today, met to discuss what they could do to help prevent these horrible wars. They believed that if people would understand each other more, it would be harder to fight with one another. They formed the American Field Service (AFS), dedicated to promoting peace through student intercultural exchanges.

<sup>72</sup> NAFSA, which is an Association of International Educators, promotes international educational exchange between the United States and the rest of the world. Available at: <http://www.nafsa.org/>

their books, on the contrary, they want to go out and learn from practical experiences too, traveling is what is on their minds. 20 % of travelers are students. Many of them take the opportunity to travel during their years at university as well as before or after. However, young people are entering a much more competitive employment market, and are often in debt at the end of their studies. Therefore they are more likely to take earning a living more seriously than earlier generations. In addition they are told they must maintain their employability and begin saving immediately for a long retirement. (Colin, 2001:73)

Although these scholarships can be granted for a number of reasons, the goal remains the same: gaining a broader knowledge by intercultural exchange of students. The Prime Minister of the United Kingdom, Tony Blair, presented eight Chinese students with scholarships to the UK in order to let them learn more about human rights.<sup>73</sup> He may not only have been concerned with their study of human rights law, since with this action one inevitably builds a bridge between the Chinese and the British scholars. In this way he doesn't only widen the knowledge of these Chinese students, he also narrows the gap for potential Chinese tourists to the British territory. Britain has several reasons for being a leading destination for more Chinese tourists in the future. The country is Europe's leading investor in China, as well as the former sovereign of Hong Kong, and therefore, it's no stranger to the Chinese people.

#### 7.1.1.4 Demographic Factors: Level of Income and Working Conditions

Many studies of tourism demand show the relevance of four exogenous variables to explain tourism demand: the levels of income of the potential tourists, the relative price levels in the two countries as well as in alternative destinations, the cost of travel from the point of origin to the destination, and the currency exchange rate.<sup>74</sup> According to Qu Hailin and Sophia Lam (1997:593), the increasing number of Chinese tourists traveling abroad and the future growth of this market depends on two essentials: the financial ability to travel, and the permission, to do so. Both statements, of the different studies of tourism demand and the statement of Qu and Lam, have one thing in common: **the importance of income level for travel behavior**. The rise of income can affect outbound travel of a nation in two ways. It provides the *financial resources* to fund travel, especially for leisure purposes, and it also

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<sup>73</sup> BBC online network, Wednesday, October 7, 1998. Available at: <http://news.bbc.co.uk/1/hi/education/188125.stm>

<sup>74</sup> Qu, Hailin, & Sophia Lam, "A Travel Demand Model for Mainland Chinese Tourists to Hong Kong", *Tourism Management* 18:8 (1997), p. 594.

indicates a *rise in business activity*, which can stimulate business travel to foreign markets. (Frechtling, 2001:39) According to the China Statistical Yearbook, in 2000 total trade increased over 30 %. Bailey (2001:10) states that this is a remarkable percentage given the size of the market.

The connection between the financial resources, or the rise in income, and the travel activity, is confirmed by a report of the Pacific Asia Travel Association (PATA) on the Chinese outbound travel market. This report found that when the monthly gross domestic product (GDP) per capita reaches US\$400, there is a demand for domestic travel. And when it passes US\$800, there is a demand for international travel. Since 1978, the People's Republic of China has experienced a rapid economic growth. The GDP increased more than seven times, from RMB 717 billion in 1984 to RMB 5,773 billion in 1995. During the same period, the disposable income per capita increased more than 7.2 times, from RMB 608 to 5,004. The average standard of living for Mainland Chinese was steadily improving, especially for the residents of the coastal cities and the special economic zones, but the GDP per capita across the country remained low by international standards, less than US\$500 per year. Although most people can still not afford to travel, there is a growing proportion of the population that does have the financial power to travel abroad. (Qu & Lam, 1997:594) The emergence of a middle class, who has a higher level of disposable income, may translate into increased travel and higher spending on leisure activities. The travel industry is set to be among the primary beneficiaries of fundamental economic change in China. (Connie Mok & Agnes L. DeFranco, 1999:111-112) This together with the lowering costs of outbound products will allow more and more people to enter the outbound travel market. (Bo Hu & Liping A. Cai, 2002:210) However, a richer population does not necessarily spend its money on travel. Many people are working towards supporting their families in other parts of the country, or working to set up a business near their home. Therefore, their interest in international travel is likely to be less than their relative income would normally indicate. And even when they could afford it and have enough vacation time, they prefer to return to their home province instead of to travel overseas. (Bailey, *o.c.*, pp. 10-11) It is also important to notice that in different stages of a family's life cycle, these families have different financial commitments that will influence the amount they spend on travel. (IUOTO, 1966:15)

Nevertheless, tourism may still be considered a luxury for most Asians who, for whatever reasons, cannot yet take part in it. When people want to travel, they are not only dependent on their income, but the **working conditions** are also crucial when making travel decisions. Working conditions include the hours of work, the number of paid holidays, and

the role of the *danwei* or work-unit.<sup>75</sup> In most of the tourism-generating countries leisure time is shaped by laws defining working hours, public holidays and often, within that framework, by agreements between employers and employees. The tourism growth of the past forty years reflects rising incomes, cheaper travel and increasing leisure time. The working week became shorter, holiday entitlements grew and working life tended to start later and finish earlier. (Colin, 2001:72-73) In 1997, the Chinese government announced a *five-days workweek policy* to boost domestic travel, it would also bring more mainlanders to Hong Kong. (Vincent C.S. Heung, 1997:132) The ETC-WTO joint research on China (2002:15) mentions that China will introduce the system of paid holidays for the working people in the next five years. Many Asian Pacific countries are countries with strong traditions of public holidays but where the legal entitlement to a paid holiday is relatively new. (Colin, 2001:73) The number of paid holidays Asian workers receive is limited,<sup>76</sup> and the length of their holidays is and most likely will remain short. (Kevin Chamberlain, 2001:139) Colin (*o.c.*, p. 77) notes that in 2001 a comparison about paid leave and public holidays in 18 countries showed that some Asian countries such as Japan, Singapore and China enjoyed only 10 days of paid leave compared to 20 to 30 days in European countries. The Korean Republic had most public holidays, 18 days, followed by Japan with 14 days. China brought up the rear with only 7 days. However, Jang, Yu and Pearson (2003:89) sum up the following public holidays or “*three golden weeks*” enacted by the Chinese government: May Day (May 1), National Day (October 1) and Spring Festival (late January or early February). In this way Colin’s 7 days might be interpreted as an average number of days per holiday. In recent years, because of the increased competitiveness of the world economy, many people all over the world are spending more time at work than previously. (Colin, *o.c.*, p. 73)

Every Chinese citizen who works for government organizations or state-owned enterprises can only travel abroad after permission from their *danwei* (work unit). A *danwei* or work unit is an institution under Party control to which every Chinese employee must belong and which regulates virtually every aspect of an employee’s life. (Roth, 1998:10) Most of the Chinese traveling to Europe work for privately owned enterprises or overseas funded enterprises. As these last companies do not use the system of *danwei* (work units), it is not necessary for their employees to obtain a permission to travel abroad. Despite the restriction for the first two types of companies, there is also a high proportion of travelers from state

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<sup>75</sup> Study on the Economic Impact of Tourism on National Economies and International Trade, Travel Research Journal, Geneva, International Union of Official Travel Organisations, 1966, p. 15.

<sup>76</sup> Go, Frank M., “Asian and Australasian Dimensions of Global tourism Development”, Tourism and Economic Development in Asia and Australasia, England, London, Wellington House, 1997, p. 12.

organizations and state-owned enterprises. These trips are mainly business trips and study trips of Chinese delegations. (Roth, 1998:22-23)

In conclusion, income levels and working conditions are important factors that determine whether a person is able to travel or not. As they are driving forces in the decision to undertake a trip, these elements are clearly push-factors of outbound tourism.

## 7.2 The Level of Economic Development in the Country

Since the 1970s Asia and Australasia have achieved a higher rate of growth than other parts of the worlds. They maintained their economic performance during the 1980s and it is anticipated that the rise of Asia and Australasia will continue into the next century. (Go, 1997:11-12) Before 1987, the ordinary Chinese purchases were limited to durable products such as bicycles, sewing machines, watches and radio sets. In the end of the 1980s, they switched to more expensive materials, such as color TVs, washing machines and later even air conditioners. An article in Far Eastern Economic Review of February 2003 mentions massive housing sales, spending on cars, mobile phones, computers and other consumer products. According to the statistics of Consensus Economics Inc. the estimated growth rate in private consumption in 2002 was up 8.9 %, the forecast for 2003 is a rise of 9.2 %, followed by a rise of 10.1 % in 2004.<sup>77</sup> Spending money on tourism has only recently become popular in China. Zhang Qizi from the Chinese Academy of Social Sciences notes that smaller families and the improved social security system have led Chinese to spend more and deposit less. (Perrins, 2001:390)

The WTO<sup>78</sup> projections of 1998 share the same opinion: they assume that the foundations of the Chinese economy are fundamentally sound and strong, with positive medium- to long-term growth potential. (Strizzi, 2001:14-15) Two decades of rapid economic reform have produced a solid middle class in the metropolitan cities and along the coastal regions. In 2001, Shanghai reached the economic status of upper-middle income economy defined by the World Bank. With increased disposable income, these citizens are eager to see the outside world and to learn about the way of life of other cultures. (Jang, Yu & Pearson, 2003:88-89) However, the direction of China's long-term economic growth and political and social development remain subject to substantial uncertainty. Wang Yue en Pauline J.

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<sup>77</sup> Murphy, David, "Consumers Drive Growth", Far Eastern Economic Review 166:6 (2003), p. 44.

<sup>78</sup> WTO in this case refers to the World Trade Organization, not to confuse with World Tourism Organization!

Sheldon (1995:45-46) warned that although the Chinese outbound market would keep growing at a consistent pace, future outbound travel might be negatively influenced by unpredictable political, economic or trade relations with other countries, inconsistent and unpredictable domestic policies, and only a few authorized travel agencies. Therefore, WTO's relatively optimistic projections of China's future outbound tourism growth should be tempered for a number of reasons. (Strizzi, 2001:14-15) *Firstly*, only about 3 % of Mainland Chinese people possess private passports.<sup>79</sup> *Secondly*, by 2003, only twenty-one countries have been granted Approved Destination Status. In the absence of the Approved Destination Status, the ability of non-ADS destination countries to grab a larger share of outbound travel from China will be seriously hindered. *Thirdly*, China's outbound travel will continue to be highly influenced by current and future income and employment growth. If the current domestic and international macroeconomic conditions maintain their negative tendency, it could lead to reduced income and job growth. In relation to the drop in personal incomes, consumer purchasing power will lead to lower demand for travel. *Fourthly*, China's future unemployment rate will most likely remain high and rising, especially as financial sector and state-owned enterprise reforms intensify. The official urban unemployment rate, 6 million people, is most likely heavily underestimated. There may be approximately 16 to 18 million unemployed people in China's urban centers and over 100 million jobless people in rural areas. Government and military downsizing and rationalization, as well as the consolidation of the agriculture sector, will add to the growing ranks of unemployed people in China. According to researchers at Texas A&M University (TAMU), there could be as many as 200 million surplus rural laborers by the end of 2000 and 300 million by the year 2010. *Fifthly*, poverty remains problematic in China. In a World Bank study it is estimated that there might be as many as 350 million Chinese people that fall below the internationally regarded poverty line of US\$1 a day. As the average Mainland Chinese person spends most of his money on basic products, such as food, clothing, housing, medical care and education, only a little disposable income is left for a luxury product such as travel. *Sixthly*, due to the sharp decline of regional and global stock market and the devaluation of currency, Chinese tourists will favor closer tourist destinations instead of long-haul international destinations. Slower economic and export growth, continued banking and financial problems in Asia and Russia, a slower US economy, commodity price volatility, exchange and interest rate uncertainty and rising international protectionist pressures could further constrain China's economic growth

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<sup>79</sup> The passports are discussed in Chapter 4 of this essay, pp. 22-24.

and outbound tourism potential. Finally, if the Chinese currency devalues further, China's tourism products will become cheaper than their competitors' products. That would be favorable for inbound tourism to China but, on the other hand, it would encourage locals to travel domestically instead of vacationing abroad, given the reduced buying power of their currency.

In conclusion, tourism has been stimulated by the general economic development of the East Asian region, which has greatly enhanced the opportunities for Asians to travel. (Tony Griffin & Simon Darcy, 1997:67) However, the potential of China becoming a major outbound travel market depends on several factors: the domestic political, economic, social and environmental pressures. If China continues its rapid rise of income levels and if its government continues to ease travel restrictions, then China's outbound tourism market is likely to keep up its growth. But if, on the other hand, wealth and incomes fail to grow rapidly and travel restrictions are not eased, then the majority of Chinese will not travel abroad. Product, price, quality and delivery of tourism goods and services will be a determining factor in attracting Chinese outbound tourists and encouraging repeat travelers in the next decade and beyond. (Strizzi, 2001:17)

### 7.3 Politics of the Country

When a closer look is taken at the influence of politics on tourism, one can notice that China has both an open and a reserved attitude towards outbound tourism of China's mainlanders. Until recently, China, Taiwan, Japan, and South Korea were all closed economies, as they imposed restrictions on both outbound business and pleasure travel. (Go, 1997:13) The Chinese government heavily regulates the business scope and operations of the travel trade, both at macro and micro levels.

**Macro** policy regulation is about the system of *Approved Destination Status* (ADS), explained in chapter five. On the one hand, the system enables Chinese people to travel abroad and therefore can be considered a push factor, but on the other hand, it serves as a brake on the growth of the outbound tourism market, as the list of ADS countries is limited.

The *China National Tourism Administration* (CNTA), created in 1964, is the controlling government organization for the whole of China's travel industry at **micro** level. (Roth, 1998:4) CNTA<sup>80</sup> is in charge of formulating and implementing regulations concerning

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<sup>80</sup> CNTA and CITS (China International Travel Service) separated in 1982, to enhance tourism management.

all tourism sectors, including outbound travel. (Kuang, 1999:16) Some regulations can be regarded as push factors, others as restraints. (Bo & Cai, 2002:209-210)

*Stimulating regulations* are, for instance, “The Provisional Regulations on Management of Organizing Chinese Citizens to Travel to Three Countries in Southeast Asia”, that enable Chinese citizens to visit friends and relatives in Thailand, Singapore and Malaysia, at the expenses of their overseas relatives and friends. In 1992, the Philippines were added to the list of destinations. Travel costs had to be paid for by their overseas relatives and friends, this way, China would receive foreign exchange. (Don & Dou, 2001:45) In the “Provisional Regulations on Quality Service Guarantee Funds of Travel Agencies” of 1995, it is stipulated that the outbound travel agencies and operators, as well as the agencies dealing with inbound and domestic travel sectors, are required to deposit a sum of cash with CNTA as a means to guarantee quality service. (Bo & Cai, 2002:209) These deposits will be used as indemnities to compensate travelers in cases when services provided do not meet the conditions set forth in travel contracts or as refunds to pre-paid customers when travel agencies go bankrupt. The provisional regulations are aimed at encouraging travel agencies to provide good service. This regulation clearly expresses concern for the Chinese traveler, and will make the potential Chinese traveler feel safe about traveling abroad. Therefore, also this regulation can be regarded as a tourism-stimulating measure. In 1997, the government issued two regulations removing the condition that the cost of travel of the Mainland Chinese must be paid in advance by overseas sponsors such as relatives and friends. They were “Provisional Regulation on Administration of Chinese Citizen Outbound Travel at Own Expense”,<sup>81</sup> sanctioned by CNTA, and the “Means of Foreign Exchange for Private Outbound Purposes”, by China National Foreign Exchange Administration.<sup>82</sup> Chinese travelers were unable to purchase foreign currency before this regulation was issued. In fact, all Asian countries, except Hong Kong and Malaysia, impose currency restrictions on outbound travelers that limit the potential to travel. (Go, 1997:13) Thanks to the new measure of the Chinese government, Chinese travelers who carry the travel-related documents of the tour operator, are now permitted to buy a limited amount of foreign currency with Renminbi (RMB). At first, Chinese travelers could take US\$2000 per person for overseas travel for the entire year. By 2001, the government had increased the amount of foreign currency that the first-time

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<sup>81</sup> Don, Qun & Dou Jie, “A Study of Mainland China Outbound Tourism Markets”, *Tourism Review* 56:1,2 (2001), p. 45.

<sup>82</sup> Bo, Hu & Liping A. Cai, “Policies, Products, and Promotions of China’s Outbound Travel: Travel Intermediaries’ Perspective”, *Tourism in Asia: Development, Marketing & Sustainability: The Fifth Biennial Conference*, Hong Kong, The Hong Kong Polytechnic University, 2002, p. 209.

outbound traveler can buy at the official exchange rate to US\$2,000 per trip abroad, this amount counted for every destination. The deregulation of foreign exchange has contributed to the increasing volume of outbound travelers. (Jang, Yu & Pearson, 2003:89-91) Another option was to change renminbi in a foreign country. In 1997, China allowed travelers to bring out RMB 6,000 to Hong Kong. (Heung, 1997:129)

An example of a *restraining factor* is a 1997 CNTA regulation entitled “Provisional Regulations on Chinese Citizen Private Outbound Travel”. This regulation describes both the procedures for applying for a leisure outbound trip, and the requirements of outbound travel operations. (Bo & Cai, 2002:10) Chinese outbound trips are required to be group tours and should be organized by authorized outbound travel intermediaries. There is a quota on the amount of outbound travelers that each tour operator can accept in its tour groups. It is one of the tasks of the CNTA to control this amount. The quota of each tour operator depends on the number of inbound travelers it receives. The more inbound travelers a tour operator can accept, the more outbound travelers they may handle. Therefore the quota system could be considered as a restraining factor. Because it can take several months to get all the necessary forms and documents in order, travelers are required to book their trips months in advance. CNTA also implemented other controlling regulations that same year, called “Establishing Agents by Authorized Outbound Tour operators”. This regulation requires the tour operators authorized for organizing outbound travel, to accept applications from their retailing agents. (Bo & Cai, 2002:10) These retailing agents are restrained in several ways: they need permission from multiple levels of government offices before they can represent the authorized tour operators, and are not allowed to organize trips abroad or promote their own products. Their business scope is limited to promoting the tour operators’ products, taking travel applications, providing trip related information, and getting travelers’ feedbacks after the trips.

However, the government has not created further restrictions during the last few years, moreover, there is a tendency for gradual relaxation of strict tourism policy. This, together with the growing number of countries receiving ADS, makes traveling abroad a more attractive leisure activity.

## 8 Pull Factors of the Chinese Outbound Tourism Market

In order to attract Chinese visitors, a destination must know how to promote itself to this specific market. It is important to know what tourists are looking for when they go on a trip. In this chapter, a better knowledge of the strengths and weaknesses of selected tourist destinations, will be gained. There will be examined which destinations are popular and whether there is an evolution in their popularity. A rather rough overview will show which expectations Chinese travelers have for traveling.

### 8.1 The Most Chosen Destinations

Interviews with the three largest of the authorized travel services, China International Travel Service (CITS), China Travel Service (CTS) and China Youth Travel Service (CYTS), suggest that the **choice of a destination depends on several factors**. These factors are: economical welfare of the destination country, financial position of the traveler, ability to get a visa, seasonal differences, frequency of outbound tour, tour prices, etc. (Zhang & Tang, 2002:655-657) People with a low *consumption capacity*, for instance, will choose relatively cheaper tours to Hong Kong, Macao, Southeast Asian countries and South Korea, while those with stronger economic capacity will choose more expensive destinations such as Australia, New Zealand and Japan. As one tour escort points out, RMB 4,000 seems to be the demarcation line between high and low consumption capacity. The most accepted prices among the Chinese travelers are between RMB 3,000 and 4,000. First time travelers prefer to choose Thailand and South Korea as their destinations because of the lower tour prices. A six-day package trip to Bangkok from Shanghai during Spring festival costs only RMB 3,800. (Yatsko & Tasker, 1998:66) Also, it is easier to apply for a visa to these destinations. More experienced travelers, however, are attracted by countries with greater cultural differences, such as Australia and New Zealand. (Zhang & Tang, 2002:657) The next two tables examine the evolution of destination choices of Chinese outbound travelers:

### Major destinations for Chinese outbound travelers 1994-1996<sup>83</sup>

Destination	Chinese tourist arrivals			% change
	1994	1995	1996	1996/95
<b>Americas</b>	175,498	192,062	238,947	24.4
USA	157,887	166,520	209,604	25.9
<b>East Asia Pacific</b>	3,383,901	4,108,342	<b>4,654,211</b>	13.3
<b>Europe</b>	491,925	578,189	<b>552,489</b>	-4.4
Russian Federation	328,368	390,470	349,449	-10.5
Germany	102,723	117,069	132,950	<b>13.6</b>
UK	19,000	31,000	31,000	0.0
Spain	13,944	14,477	15,010	3.7
<b>Middle East</b>	6,657	7,776	8,703	11.9
Egypt	4,292	5,930	7,001	<b>18.1</b>
<b>South Asia</b>	22,928	26,046	26,537	1.9
<b>World</b>	4,089,921	4,936,118	5,506,800	11.6

Among the favorite outbound destinations of the Chinese people, the East Asia Pacific region is the most appealing, this can easily be explained by the geographical factor. This region is just a stone's throw away compared to America or Europe, so it's logical to suppose the Chinese people are most willing to travel there. According to Zhang & Fei (2002:657), the destinations most chosen for travel of outbound Chinese tourists are: Hong Kong, Macao, Southeast Asian countries (mainly Singapore, Malaysia, Thailand), Japan, South Korea, Australia and New Zealand.<sup>84</sup>

### Chinese Outbound Travelers in 2000<sup>85</sup>

Destination	Number (persons)	Up to 1999 (%)	Destination	Number (persons)	Up to 1999 (%)
<b>Subtotal in Asia</b>	<b>8,845,908</b>	<b>13.22</b>	<b>Subtotal in America</b>	<b>523,081</b>	<b>21.69</b>
Hong Kong, CN	4,142,191	15.99	USA	395,107	19.15
Macao, CN	1,644,421	6.04	Canada	100,178	31.03
Taiwan, CN	86,154	2.45	<b>Subtotal in Europe</b>	<b>1,079,089</b>	<b>31.03</b>
Japan	595,66	10.78	Germany	112,824	20.52
ROK	400,958	29.27	France	96,485	9.86
DPRK	194,97	10.81	Britain	61,129	42.80
Mongolia	63,044	24.58	Russia	606,102	38.46
Singapore	262,776	24.50	<b>Subtotal in Oceania</b>	<b>150,231</b>	<b>26.08</b>
Philippines	33,647	-4.80	Australia	126,852	23.89
Malaysia	86,696	2.84	New Zealand	18,288	45.25
Thailand	707,456	-13.08	<b>Subtotal in Africa</b>	<b>47,521</b>	<b>15.40</b>
Indonesia	19,963	31.32	<b>Subtotal in Others</b>	<b>3,625</b>	<b>-33.56</b>
Kazakhstan	44,226	-10.53	<b>TOTAL</b>	<b>10,649,455</b>	<b>15.35</b>

<sup>83</sup> Source: World Tourism Organization (WTO).

<sup>84</sup> See Appendix L.

<sup>85</sup> Review of China's Tourism Industry: Main Destinations of Outbound Travelers in 2000, China National Tourism Administration. Available at: <http://www.cnta.com/lyen/2fact/outbound%20tourism-1.html>

The second table illustrates that Chinese nationals made over 10.6 million trips to overseas destinations in 2000, up nearly 15.4 % from the year before. Of these, 83.1 % (8.8 million Chinese tourists) traveled to destinations within Asia. Hong Kong and Macao attracting nearly two-thirds, or about 4.1 million and 1.6 million tourists from mainland China, respectively. Thailand has decreased in popularity by 13.1 %, while Japan is doing well, with a rise of nearly 11 %. As already derived from the first table, there is an enormous demand for travel to Europe and the United States. According to Roth (1998:3) these destinations are more appealing for Chinese than South-East Asia, because the scenery and the people are very different from China. As explained earlier in this section, the main attraction of Europe is its cultural and historical richness and diversity. Roth (*o.c.*, p. 8) also claims that package tours to Europe are already presented in travel brochures or advertised in Chinese newspapers. Although the selling of these package tours is not officially approved by the Chinese government, it has been tolerated so far. Jang, Yu and Pearson (2003:90) believe that even though current travel purposes for the United States are confined to business or VFR, the potential size of the market will be great once free travel to the US will be allowed.

### 8.1.1 Expectations of Chinese Travelers on Outbound Tour Trips

Destination countries are well aware that they have to find out what pulls Chinese travelers to a destination. Therefore, destinations tend to carry out a market analysis, in order to find out how to promote themselves to the Chinese market. The main source for information about the pull factors of Chinese outbound tourism is first of all the needs and wants of the Chinese traveler. Starting with their expectations, one can examine which destinations meet their needs.

According to Favor Travel Service Company (FTS), a Chinese travel agency that also organizes travel tours for Chinese citizens to Europe, Chinese people expect **at least a 3 star** hotel. Roth (1998:21) explains that the Chinese costumers like to show that they can afford a higher standard and better quality of service. Also, since most people who share a room are neither married nor relatives, it is preferred that the rooms have **separated beds**. It is recommended that the hotel has a **large lobby** and that it is **close to the city center**, so nightlife can be enjoyed without discomfort. In the morning, a buffet breakfast is acceptable, preferably with some hot food like scrambled eggs or sausages, but **lunch and dinner should be Chinese** style. The Pay Channel TV inside the hotel should have **Chinese instructions**, which would also help to raise the spending potential. A **Chinese speaking guide** is an

absolute must, the same counts for **enough shopping time**. A little adventure now and then makes the trip more attractive, the trip should not include too much culture nor too many detailed explanations, unless they are requested. An **introduction to the specific customs of the visited countries is very welcome and useful**. (Victor K. He, 8<sup>th</sup> of August, 2002)

These expectations however, are the opinion of only one travel agency. Following the results of the survey about the push factors of the Guangdong traveler to Hong Kong, discussed in the previous chapter, in this chapter one will see which of their travel motivations were designated as pull factors. The pull factors in decreasing order of importance are: A **positive attitude** of Hong Kong residents and service staff to mainland tourists, convenience of **transport**, quality of local transportation system, **international cosmopolitan city**, quality of tourist **services**, '**shopping** paradise', **ease** of travel arrangement, acceptable **climate**, seven-day **visa** free policy for transit passengers from China, capital of modern **technology**. (Zhang & Lam, 1999:589)

However, the hierarchy of leisure activity factors differs from destination to destination. A survey that Chinese travelers to the US showed, see **shopping, dining**<sup>86</sup> and **city sightseeing** as the three most important leisure activities. These were followed by outdoor activities, culture and arts, sports, amusement or theme park, casino, touring the countryside and going to a concert. (Jang, Yu and Pearson, 2003:102)

These three sources share a striking similarity: the emphasis on shopping. A research note in Tourism Management about tourism shopping in Hong Kong defined 'tourism shopping' as 'the expenditure on goods purchased in Hong Kong, by international visitors, either for consumption in Hong Kong or for export but not including expenditure on food, drink or grocery items'.<sup>87</sup> Especially during the Christmas season Chinese mainlanders like to hunt for bargains while Hong Kong retailers offer extravagant discounts.<sup>88</sup> According to Zhang and Fei (2002:658), the purchasing capacity of Chinese is sometimes higher than that of tourists from Japan and South Korea. Competition between the shopping paradises is already extremely fierce to the extent that only those which can offer a complete tourist product will survive. (Myriam Jansen-Verbeke, 1991:11) In regard to the US, tour operators should be aware of the fact that Chinese travelers need to be given a considerable amount of

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<sup>86</sup> According to a survey about the leisure activity participation of Chinese travelers to the US, 47.1 % of the questionnaires liked dining in restaurants while they visited the US.

<sup>87</sup> "Research Note: Tourism Shopping and its contributions to Hong Kong", Tourism Management 19:4 (1998), p. 383.

<sup>88</sup> "Hong Kong lures mainland shoppers", Shanghai Government, October 17<sup>th</sup>, 2002. Available at: <http://www.sh.gov.cn/gb/shanghai/English/Highlights/userobject22ai679.html>

time and opportunity for shopping during their stay in the US, and the merchandise must suit their needs. (Jang, Yu and Pearson, *o.c.*, p. 105) According to a survey about the leisure activities of Chinese travelers to the US, 66 % of both the business and the VFR travelers declared that they went shopping. (*ibid.*, p. 101) Therefore, many specialty gift shops were set up in Chinatowns in New York, San Francisco, Los Angeles, Washington DC, Chicago to meet the shopping needs of the Chinese travelers. These gift shops are known as the Service Center for Chinese Outbound Tourists (chuguo renyuan fuwubu 出国人员服务部), they sell goods that are popular in the Chinese homes, such as Korean ginseng, nutrition supplements, cosmetics, etc. (*ibid.*, p. 105) Besides shopping for themselves, they buy gifts for their relatives, particularly the elderly. This is a way to show respect to them. Favors done for others are often considered what may be called ‘social investments’, and returns are certainly expected. These ‘social investments’ are formulated in a Chinese proverb: cong huan lian jie hong, lian huan cong jie zhi 恩宦变塔广,变宦恩塔忒 (If you honor me a linear foot, I should honor you ten feet in return). It is believed that Chinese people keep track of who owes them favors and whom they owe. When marketing a destination, such facilities should be emphasized. This could be done by including enough time for shopping activities in the package tours, or by giving tour guides the responsibility to give recommendations and advice about shopping places, bargains and other special items. (Mok & DeFranco, 1999:106)

In conclusion, the expectations, wants and needs of Chinese travelers varied. From the above-mentioned list, the following three characteristics of Chinese travelers can be derived: besides the most striking characteristic of Chinese outbound travelers, their emphasis on shopping, Chinese people travel mainly in groups and they tend to hold on to a familiar environment. Group traveling requires several facilities such as a hotel with separate beds, and a large lobby. According to the abovementioned information, Chinese travelers seem to be very attached to their Chinese habits: they prefer Chinese food, a Chinese guide, and Chinese instructions on their Pay Channel TV.<sup>89</sup> (A later section in this essay will show that many tourist spots provide Chinese explanations). All of the three sources mention the interest in cities, and further, Chinese travelers are also said to show interest in the customs and the attitude of the locals.<sup>90</sup> Apart from these expectations, the travelers wish to enjoy convenient

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<sup>89</sup> In-dept interviews of tour escorts working for China’s three largest travel services CITS, CTS and CYTS, pointed out that Chinese people are often dissatisfied with the food in foreign countries; this is largely because the Chinese tourists are not accustomed to the food outside China. (Zhang & Tang, 2002: 659)

<sup>90</sup> According to a questionnaire survey, whereby Chinese tourists evaluated travel destinations, the role of ethnicity as a pull-factor does not appear to be very dominant. The destinations that underwent the assessment were mainly Hong Kong, Singapore, Malaysia, Thailand, South Korea and Australia, as they form the core

transportation, the ease of travel arrangements. For example, when traveling to Hong Kong, they do not wish to be bothered with unnecessary visa requirements.

## 8.1.2 Strengths and Weaknesses of Selected Destinations

Now that is investigated what the average Chinese traveler is looking for on an outbound trip, one can start examining which destinations meet their needs and wants. The main Asian markets receiving Chinese travelers as well as some European countries will be discussed. For example, Hong Kong and Macao are the most mature markets in Asia in terms of Chinese outbound tourists of the Mainland. Also, Thailand, Singapore, Malaysia, the Philippines, Australia, New Zealand, Korea, and Japan will be discussed. The assessment of these countries, is mainly based on the finding of the ETC-WTO joint report on Chinese outbound tourism of 2002. In the European field, only France and the Scandinavian Countries will be examined, because the case-study already mentioned a lot of European countries. In order to easily compare which destinations meet the expectations, discussed in the previous section, the similarities between the expectation and what the destinations offer, are marked in *italic*.

### 8.1.2.1 Asia

#### ***8.1.2.1.1 Special Administrative Regions in China***

##### **8.1.2.1.1.1 Hong Kong: from Tourist Destination to Transit-City?**

According to the Pacific Asia Travel Association (PATA), the main destinations of Chinese travelers are **Asian countries** as “their environment is most appropriate to receive

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destinations of the Chinese outbound tourists. As mentioned in an earlier chapter, Chinese outbound tourism mainly consists of all-inclusive package tours, which means that Chinese outbound tourists join sightseeing tours. Due to their tight schedules, packed activities, and their moving around in groups, they have only very limited chances to get involved with the local people. Zhang and Tang (2002:659-660) say that whenever they do get the chance to meet the local people, Chinese people show a friendly and respectful attitude towards them, as hospitality and friendliness are traditional aspects of the Chinese culture. The local people’s attitude towards the Chinese is said to be mutual. 73 % of the Chinese tourists in the survey stated that local residents at the destinations were friendly. However, there seems to be a difference between people from less developed areas, such as Thailand, and those from more developed countries, such as Japan and Korea. People from less prosperous countries are more hospitable to Chinese tourists. In cases where some of the Chinese tourists behave improperly, such as dropping litter and making noise in public areas, the local people could be annoyed. (*ibid.*, pp. 659-660.)

Chinese guests”.<sup>91</sup> Because of its geographical proximity to China and its family ties, **Hong Kong** is the number one destination for the mainland Chinese travelers. (Qu & Li, 1997:37) More and more locals are attracted by the special administrative region to go shopping, for some of them it has even become the sole purpose of their visit.<sup>92</sup> Besides the fact that Hong Kong is close to the Mainland, another attractive feature of a trip to Hong Kong is its price.<sup>93</sup> According to local travel agencies, a five-day package tour to Hong Kong by air costs around RMB 3,880, which makes this destination a lot more competitive than Japan.<sup>94</sup> Travel by train is even cheaper,<sup>95</sup> the price is about RMB 1,000 lower than the airfare.<sup>96</sup> But as Shi Qiqing of Huating Overseas Tourist Co. says: competition does not lie only in **price**, but also in **service** and **tour allocation**.<sup>97</sup>

Therefore, some hotels have changed their strategy in order to “pull” these new tourists. Based on the findings of an interview in the European Wall Street Journal with the general manager Nelson Lee of Royal Pacific Hotel in Hong Kong, the hotel has adopted a new strategy in order to fully meet the needs of the Chinese travelers. For example, the green bottles of Perrier in the minibar, a favorite of the Japanese, are replaced by *distilled water*, preferred by the mainland Chinese, and instead of bottles of Coca-Cola, *Chinese tea*, a cup of instant noodles and a bag of dried fish snacks. Lee further claims that visitors from the mainland are the future, so the hotel does its best to adapt to their needs. *Budget Chinese tours* have replaced Japanese visitors as the largest segment of leisure travel in Asia. The hotel industry must understand the taste of these new travelers. Lee continues that laundry revenue has fallen 15 % since 1996, as stays for the tour groups are shorter, guests no longer have time to use services such as laundry. Chinese mainlanders tend to do their laundry themselves and hang them to dry overnight in the bathroom. This encourages hotels to rethink their strategy towards these new guests. Mr. Lee ‘confesses’ that ten years ago a lot of hotels actually refused to book Chinese visitors, since they believed that big mainland tour groups, their

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<sup>91</sup> Zhongguoren jingwai guanguang cheng quanqiu luyouye liangdian 中国人境外观光成全球旅游业亮点 [Chinese Outbound Travel is the World Tourist Industry’s Ray of Hope], *Hua’erjie Ribao* 华尔街日报 [the Wall Street Journal], December 26, 2002. Available at: <http://www.china.org.cn/chinese/ch-yuwai/253529.htm>

<sup>92</sup> “Research Note: Tourism Shopping and its contributions to Hong Kong”, *Tourism Management* 19:4 (1998), p. 383.

<sup>93</sup> Appendix E contains a price table of outbound tours.

<sup>94</sup> “Hong Kong lures mainland shoppers”, Shanghai Government, October 17<sup>th</sup>, 2002. Available at: <http://www.sh.gov.cn/gb/shanghai/English/Highlights/userobject22ai679.html>

<sup>95</sup> According to Zhang Huizu, the overseas department manager of Shanghai International Travel Agency, for the elderly travel by train is more appealing because of the cheaper yet also comfortable deals

<sup>96</sup> “Hong Kong lures mainland shoppers”, Shanghai Government, October 17<sup>th</sup>, 2002. Available at: <http://www.sh.gov.cn/gb/shanghai/English/Highlights/userobject22ai679.html>

<sup>97</sup> “Hong Kong tours still limited”, Shanghai Government, October 17<sup>th</sup>, 2002. Available at: <http://www.sh.gov.cn/gb/shanghai/English/Highlights/userobject22ai837.html>

behavior, the way they dressed, and the language they used would disturb some of the other guests. Nevertheless, with the coming of more and more Chinese travelers, the *Mandarin speakers* in the Royal Pacific Hotel are now in demand. (Neuman, 2003:A7)

Despite the efforts of hotels such as the Royal Pacific Hotel, the number of Chinese travelers that chose Hong Kong for their travel destination decreased. The ETC-WTO joint research report (2002:67) shows that travel to Hong Kong underwent the following changes: the size of the groups are becoming smaller, the stay in Hong Kong is getting shorter, tour prices and per capita spending in Hong Kong are diminishing, and there is a rise in the percentage of transit travelers and those who do not stay overnight in Hong Kong. New market strategies might be useful to boost Mainland travel to Hong Kong again. According to Jang, Yu and Pearson (2003:92), Hong Kong needs to consolidate its image as a high-tech multinational city in order to attract Mainland Chinese visitors.

#### **8.1.2.1.1.2 Macao**

Macao was opened for tourists from the Mainland approximately at the same time as Hong Kong. Macao receives a smaller number of mainland travelers than Hong Kong, but the growth rate is the same as Hong Kong. Compared to Hong Kong, Macao has a market advantage in the tour costs and *prices for meals and shopping*. In addition, because Macao has been a Portuguese colony for 442 years, the island is more *exotic* than Hong Kong.<sup>98</sup>

#### **8.1.2.1.2 Thailand, Singapore and Malaysia: the First ADS-countries**

Thailand, Singapore and Malaysia are the among the first destinations open to Chinese tourists. According to the findings of the ETC-WTO joint research report (2002:68-71), the advantages of Southeast Asia are: the *exotic* scenery, the suitable *price* level, the *close location* to China, and the *easiness to go there*. However, in recent years, travel to these destinations declined, which is due to the fact that these countries have become matured destinations. Travelers now, are more sophisticated and their view on traveling has changed. While the earlier concept of a trip was to visit as much places in a limited time, the new traveler tends to spend more time at one destination, buffets are replaced by more special flavor meals, and there is a need for new scenic spots on their itinerary.

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<sup>98</sup> Borgna, Brunner, "Portugal: End of an Empire: The Portuguese Colonial Empire Comes to a Close". Available at: <http://www.infoplease.com/spot/macao.html>

#### **8.1.2.1.3 Philippines: too Dangerous for Tourists?**

The Philippines, opened to Chinese tourists for ten years already, experienced a strong decline (12 %) in 1999. The drop is explained in the ETC-WTO joint research report (2002:72) by the kidnapping of some foreign tourists by Abu Sayyaf and the murder of one Chinese technician. Many travelers regard the Philippines as a dangerous place, therefore, many travel agencies decided to stop selling tours to this country. From February 2002, the country has done its utmost best to bring the inbound tourism to a higher level again. The Philippine Embassy in Beijing and Consulates in Xiamen, Guangzhou and Hong Kong, have *reduced the visa fee* for Chinese travelers by 20 %, and the *procedures for visa application have been simplified*. (ETC-WTO, 2002:73) In an optimistic view, these efforts may boost international travel to the Philippines again, but one must not forget the importance of safety when choosing a destination.

#### **8.1.2.1.4 Australia & NZ: Pioneers of the Western ADS-Countries**

Australia was the *first western country* that received ADS, which is a market advantage of Australia, compared to other western countries. Compared to other Asian destinations, Australia is more *different* in history, culture, tourist resources and even seasons. The attraction of the country also lies in its beautiful and vast natural scenery, and very important: good places for *shopping*. The negative side of the coin is that tour prices to Australia, as well as to New Zealand are rather high, in high seasons there is a shortage of airline seats, only residents from Beijing, Shanghai and Guangdong can obtain ADS visas to Australia. (ETC-WTO, 2002:75)

According to the ETC-WTO joint research report (2002:77), the further growth of Australia lies not in price reduction but in developing new products, an element we have also seen in the marketing of other destinations.

New Zealand, with tourist resources similar to Australia, is seldom sold as a single destination. The reasons are: the high price, the lack of a direct air service between China and New Zealand, the tourism authority is not as active as Australia in promoting the country in China. (*ibid.*, p. 77)

### 8.1.2.1.5 Korea

Officially approved as an ADS country in 1999, Korea's market advantages are: the short *distance*, the *low prices* and the flexibility in products combination. In wintertime, Korea offers ski holidays at the same price as a ski holiday in the Northeast of China, which makes travelers tend to choose Korea to go skiing. The negative points are the lack of difference both in natural environment and in culture compared with China. (*ibid.*, p. 78) Another positive point however, is: the influence of travel commercials on television, foreign movies, internet, newspapers, magazines, etc. is pretty big. Presently in China, movie stars are used for travel commercials: **Malaysian, Japanese, Korean** celebrities are attracting a lot of Chinese people to travel to their countries.<sup>99</sup>

### 8.1.2.1.6 Japan

Since 2000, outbound travel to Japan showed a slower growth than before. According to the ETC-WTO joint research report (2002:79) this is because Japan is a rather expensive travel destination. When the Chinese government began permitting leisure travel to Japan in 2001, local travel agencies were charging about RMB 16,000 for weeklong air-hotel packages. In 2002, Shanghai Huating Overseas Travel Agency had already *cut its prices* from RMB 11,800 to 9,800 for a five-day trip to Japan and Shanghai China International Travel Agency lowered its seven-day tour price from RMB 15,800 to 13,800. In March 2002, the Shanghai China Youth Travel Agency together with four other travel agencies, slashed the price for a five-day trip to Okinawa to a record low of RMB 4,999.<sup>100</sup> In the report Japan is further mentioned as a country with oriental characteristics just like China, as a single destination, and as a country is only open to residents from Beijing, Shanghai and Guangdong and the ADS visas they obtain require a long time to deliver. The Shanghai Government states that up till now, Shanghai residents still have to register one month in advance because the travel agencies need the time to go through all the travel formalities in Beijing. It would be more convenient if Japanese tourist visas could be obtained in Shanghai, that would take only

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<sup>99</sup> Mofei, Daiwei 默菲戴维, *Ruguo wo neng xiaofei de qi, wo wei shenme bu qinshen qu ganshou ne?* Zhongguoren "you" xiang shijie 如果我能消费得起, 我为什么不亲身去感受呢? 中国人"游"向世界[If I Can Afford to Spend, Why Would I not Go There and Experience It Myself? Chinese People Travel Abroad], *Yuandong jingji pinglun* 远东经济评论[Far Eastern Economic Review], March 7, 2002. Available at: <http://www.snweb.com/gb/gnd/2002/0321/m0321001.htm>

<sup>100</sup> "Package tours to Japan cheaper", Shanghai Government, October 17<sup>th</sup>, 2002. Available at: <http://www.sh.gov.cn/gb/shanghai/English/Highlights/userobject22ai592.html>

ten days to register for Shanghai citizens.<sup>101</sup> However, the more attractive side of Japan, mostly to travelers from Guangdong, is *modernization*. The travelers from Beijing mainly come from rich families. Presently, travel to Japan by the general public has not yet begun. The travelers from Shanghai are mainly white-collars or high-level employees in foreign enterprises, the report concludes that the market of Japan will not be booming in the near future.

### 8.1.2.2 Europe

Europe is very eligible as a tourist destination due to its rich culture and history. According to Daiwei Mofei (Chinese transcription), a very strong point for non-Asian countries, such as European countries, is that the Chinese want to experience *other cultures*, and are not interested in visiting cities that look like Chinese cities.<sup>102</sup> According to Roth (1998:17), the most interesting destinations for both leisure and business travel in Europe are Italy, France and Switzerland. **France** will be taken as example to see its efforts in attracting Chinese tourists.

France and China have similar features: they both have a rich historical and cultural patrimony. France has several *historic sites* of all eras. The Chinese have a specific term for this kind of travel: Huiyilüyou 回忆旅游[remembrance travel], or Huaigulüyou 怀古旅游[recalling-antiquity-travel], which refers to travelling to places that make people remember the wars. For the people who are less interested in cultural or historical places, France also offers a type of ‘industrial traveling’, whereby you can visit all kinds of factories.<sup>103</sup>

“Office de tourisme de Paris” helps the tourism companies to understand this new market better, so that these companies are prepared to provide a *good service* to the Chinese people. For instance, every tourist spot is accompanied by *Chinese explanations* and *Chinese guidebooks*. (Tang, 1997:21) The French Tourist Department decided to often go to China to promote travel to Paris, to understand the needs of the Chinese travelers, to invite Chinese

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<sup>101</sup> “Package tours to Japan cheaper”, Shanghai Government, October 17<sup>th</sup>, 2002. Available at: <http://www.sh.gov.cn/gb/shanghai/English/Highlights/userobject22ai592.html>

<sup>102</sup> Mofei, Daiwei 默菲戴维, Ruguo wo neng xiaofei de qi, wo wei shenme bu qinshen qu ganshou ne? Zhongguoren “you” xiang shijie 如果我能消费得起, 我为什么不亲身去感受呢? 中国人”游”向世界[If I Can Afford to Spend, Why Would I not Go There and Experience It Myself? Chinese People Travel Abroad], *Yuandong jingji pinglun* 远东经济评论[Far Eastern Economic Review], March 7, 2002. Available at: <http://www.snweb.com/gb/gnd/2002/0321/m0321001.htm>

<sup>103</sup> “Quan Faguo dou zai shengqing huanying lai ke 全法国都在盛情欢迎来客(All France is Waiting the Visitors from the World)”, *Ouzhongjingmao* 欧中经贸(Europe-China) 1997:7, p. 22.

journalists to come to France, and to hold symposia to jointly develop this tourist market. (Miao, 1997:29)

Roth (1998:16) further mentions that **Scandinavian countries** such as Denmark, Finland, Norway and Sweden are famous for their *beautiful scenery*, but their colder climate and generally high prices work as a brake on the Chinese tourism to these countries. Another restraining factor for Chinese tourism to Scandinavian countries, such as Finland is the lack of sufficient flights. According to Mikko Rautio, general manager of **Finnair** China, transportation remains a real issue. Finnair does not have enough capacity for their Chinese costumers, the manager hopes that they will get permission to open more flights from Shanghai to Finland, especially during the holidays.<sup>104</sup> (Appendix N)

### 8.1.3 Promotion of Outbound Tourism Products

In this chapter, one will get acquainted with the present situation of outbound tourism promotion, several means of promotion as well as the situation of tourism marketing in Europe.

In 2002, promotion for outbound tourism is still underdeveloped. About 78-80 % of the total promotion budget goes to the *local newspaper*. Some newspapers have travel columns and there are also *TV channels* with programs about foreign sceneries and society. In the advertisements, most large travel agencies emphasize on their reputation of providing high quality service, while smaller agencies attract their costumers with low prices. In search for travel information on the US, both business and VFR travelers rely heavily on the *travel agency*, *airline companies* and the traveler's *friends and relatives*. An additional source of information for the business travelers is their *corporate travel department*. (Bo & Cai, 2002:212)

Statistical significance was found in the different ways airline reservations were made between the two groups. 69.4 % of the VFR travelers, made their airline reservations through a **travel agency**, while only 56.2 % of business travelers used a travel agency for making airline reservations. The business travelers were assisted with airline reservation by their corporate travel department. This finding also suggests that airline companies and destinations marketers establish close relationships with major Chinese travel agencies handling outbound travel. It should be marked that these figures were collected in 1997, when internet use was

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<sup>104</sup> "Increasing Numbers of Wealthy Chinese Traveling Abroad", Xinhua News Agency, October 5, 2002. Available at: [http://english.peopledaily.com.cn/200220/05/eng20021005\\_104454.shtml](http://english.peopledaily.com.cn/200220/05/eng20021005_104454.shtml).

still limited in China. According to Jang and Yu (2003:104-105), the use of internet might have already changed in the way Chinese travelers search for travel information on overseas destinations and for making travel reservations.

Siu-Ian So and Alastair M. Morrison (2002:539-540) explain that owing to the world-wide use of the **internet**, Chinese people can more easily access websites with information about other countries. Internet has become a hot topic in Asia Pacific tourism. Destinations often use *National Tourist Offices* (NTO) to market themselves. (Magiel Venema, 2002:590) National Tourism Organizations in East Asia have developed websites and are using them as an important element of their marketing strategies.<sup>105</sup> The importance of the World Wide Web (WWW) in tourism has increased substantially in recent years. (So & Morrison, 2002:539-540) The proportion of travel companies with their own website or pages in a collective one is high. It is an important medium for travel intermediaries to promote their products, especially to the young people. Internet sales are still small in percentage terms but are growing every month. According to Kevin Chamberlain (2001:137), in the future, the Asia Pacific travel industry will continue to develop its capacity to use the Internet and other information technology and will be a match for any region in these fields. A technical perspective measured by an online service<sup>106</sup> noted that Hong Kong, Singapore, and Thailand did a better job in marketing the destination on their websites than other Asian Countries. China, Indonesia, Japan, Taiwan, Philippines, Vietnam, Laos PDR, and Myanmar were not effectively applying marketing principles on their websites. Most of the East Asian NTO websites were user-friendly and were easy to navigate, although China was among the countries that needed some improvement in their websites. All the countries, China included, performed well in providing destination information. (So & Morrison, 2002:544-545) Nonetheless, travel companies in China are barred from advertising a country without ADS as a tourist destination. (Murphy, 2002:23) So and Morrison (*o.c.*, p. 547) conclude that all the results taken in consideration, the NTO's in the East Asia region were not making the most effective use of their websites yet.

With the rise of internet use all over the world, it is interesting to investigate the importance of **online travel websites versus travel agencies** in booking a trip. To some researchers, on the one hand, the accessibility of online travel websites reduces the

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<sup>105</sup> NTO's have two main marketing tasks, which include formulating and developing the tourist products of the destination, and promoting them in appropriate markets. (So & Morrison, 2002:539-540.) However, according to the tourism researcher Magiel Venema (2002:588), many tourist offices do not possess a real good insight and they miss the right attitude towards the travel industry. (Venema, 2002:590.)

<sup>106</sup> [www.websitegarage.com](http://www.websitegarage.com)

importance of travel agencies, and will ultimately result in travelers bypassing travel agencies altogether. On the other hand, the key strength of travel agencies is their ability to provide personal information and advice to travelers continuously. It is unknown whether travelers consider travel agencies less valuable at the presence of travel websites. An International Visitor Survey of Hong Kong from October to November 2001 investigated 416 qualified respondents, who had visited at least one travel website. Empirical results showed that the number of people who have and have not visited a travel website is approximately the same. Chinese, both from the Mainland and from Taiwan, had lower percentages of surfing and online purchasing experiences, and no significant difference was found between male and female respondents. The percentages of both visiting and online purchasing decreased with increasing value of age groups, however increased with increasing educational levels. The surfing behavior was similar among different income groups, but the higher income travelers tended to purchase more online. (Rob Law, Kenith Leung & James Wong, 2002:289) *Short haul travelers* are more willing to get more information from travel web sites than *long haul travelers*. The short haul travelers from Mainland China who have had a relatively short history of using the Internet, tended to have a lower Internet acceptance level compared to their long haul counterparts. Travel Industry Association of America (TIAA 1998) stated that although online travel services keep on increasing, travelers still rely on travel agents for providing the kind of human touch services. (Law, Leung & Wong, *o.c.*, p. 293-294) At present, China's outbound travel market is still young and the use of internet for sales is still limited, which means that it is still too early to pass judgment on the importance of travel agencies versus internet in booking of (international) trips.

Although the majority of the Chinese outbound travelers are first-time travelers abroad (Zhang & Fei, 2002:660), China already has a large amount of more experienced travelers in absolute numbers. These so-called '*New Tourists*', have more travel experience and more money than ever to spend. Instead of a holiday, they want an experience. The importance of the services of tour operators is less for this group of travelers. The function of a tour operator for saving in time and costs searching for attractive holidays is disappearing in the age of internet. Another function of the tour operator, risk brokerage, meaning protecting the customer for unpleasant surprises, becomes less and less important. The majority of the new tourists are perfectly able to deal with the unexpected. (Venema, 2002:588)

Europe has a market advantage in the tourism field, as the **countries in Europe share similar structures**, the same types of tourism supply, demand and budgetary methods, and substantial networks of offices overseas, which other groups of competitors lack. However,

Robert Hollier (1997:195-198) marks another clear trend in tourism development: the gradual disengagement of many States from their responsibilities in promoting tourism. The promotional budget of Maison de la France, for instance, has been reduced in the middle of 1996. Plans for 1997 foresaw a further reduction of 12 %. The article further mentions that, on the one hand, good promotion is expensive, but, on the other hand, it is effective in the larger markets.

The Hamburg Senate has signed a memorandum for 2003-2004 with the city of Shanghai to enhance cooperation in the tourism sector, and a representation office has been built in Shanghai in January 2003. Hamburg Tourismus GmbH's Agency (HHT) in the People's Republic of China is taken over by Caissa Touristic AG on the 1<sup>st</sup> of January 2003.<sup>107</sup> Their tasks will be tourism promotion, advertising and public relations for the destination of Hamburg. The agency will do its best to rouse the interest of travel agencies, tourist companies, transport companies as well as the trade press and mass media in China. HHT has published the annual Magic Cities<sup>108</sup> brochure in Chinese, and also its homepage<sup>109</sup> has provided information in Chinese.<sup>110</sup> The website of Maison de la France, the French Government Tourist Office, is also accessible in Chinese, which lowers the barriers for those people who are not so fluent in English or French.<sup>111</sup>

## 8.2 Assessment of the trip by Chinese travelers

According to the government administrative departments, travel services authorized with outbound travel trade are required to investigate customer satisfaction. But because of the strong growth of China's outbound trade, these travel services are too occupied to complete a detailed survey. They provide questionnaires for the customers but as the travel agencies lack the time to do a thorough analysis of the data, they only handle the most serious complaints. (Zhang & Fei, 2002:654) Watermark Hotel's Senior Sales Manager Mark Cooper states that, as first time travelers, the Chinese were very easy to please.<sup>112</sup> However, according

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<sup>107</sup> The Caissa Touristic Group Shanghai Office: Caissa Trade & Fair Promotion GmbH, 4E No. 16 Lane 1097, Zhujiang Rose Garden, Pudong Avenue Shanghai 200135, PR China.

<sup>108</sup> The "Magic Cities" refer to a union of German cities.

<sup>109</sup> <http://www.hamburg-tourismus.de>

<sup>110</sup> "Press Briefing. Hamburg Meets China: Hamburg Tourismus GmbH Plans 2003 Representation in Shanghai, Agreement to be Signed on 15<sup>th</sup> of November in Shanghai", November, 2002. Available at:

[http://www.hamburg-tourismus.de/tzh\\_service/presse/Pressedienste/Hamburg\\_meets\\_China\\_e.rtf](http://www.hamburg-tourismus.de/tzh_service/presse/Pressedienste/Hamburg_meets_China_e.rtf)

<sup>111</sup> <http://www.franceguide.com.cn>

<sup>112</sup> "China Takes off", *Tourism Queensland News*, April 9, 2002. Available at: <http://www.qttc.com.au/tqnews/issue09/index.html>

to Mok and Defranco (1999:109) it is found to be quite difficult to investigate whether Chinese costumers were satisfied or not about their trip, because in their value for harmony, Chinese people tend not to complain to consumer councils or service providers even though they were dissatisfied with the products or services, unless they had serious complaints. The Chinese saying “Xishi ningren”息事宁人, illustrates the avoidance of Chinese people of anything that may cause trouble, such as conflicts or complaints. (Mok & Defranco,1999:104) However, along with the rise in outbound tourists, the number of complaints from this group has gone up, mainly due to their lack of travel-related knowledge and poor service on the part of travel agencies. According to Cao Tiandian, head of the Consumers Association of China, some travel agencies operate illegally and the tourists have to be careful when choosing a travel agency. Zhang Jianzhong, deputy-director of the Management Department of CNTA, said that China will further enhance quality control in the tourism sector, and those who are caught cheating on tourists will be punished. There is even a special phone number for tourist’s complaints: 010-65275315.<sup>113</sup>

In short, the assessment of the trips has two difficulties: the travel agencies have not or do not make enough time for a survey, and secondly, Mok and Defranco (*o.c.*, p. 106) explained that Chinese travelers do not tend to complain easily. These two factors make it hard to find out about the satisfactions of Chinese travelers of their trips.

### **8.3 Connection with some kind of event.**

#### 8.3.1 China's Entry in the World Trade Organization

Before the entry of China into the World Trade Organization (WTO), an official of the China National Tourism Administration already made remarks about the effects of the entry on the country’s tourism business. Since the adoption of the country’s Reform and Opening up policy in 1978, the tourism industry has been developing fast. This means the development of the domestic and inbound tourist market. With the opening up of the tourism sector to foreign businesses, China will be dealing with strong competition. China’s tourism sector is well aware of its overseas competition. This will encourage domestic companies to make their travel operations more efficient in accordance with international standard. In the long run

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<sup>113</sup> “Outbound Travel Now in Vogue”, March, 2002. Available at: <http://www.vur.is/interpro/utandr/vur.nsf/5012de0d3dad13d300256983005028b9/b5996442e23a9f6500256b9800357c4c?OpenDocument>

international competition will help to improve the efficiency of the travel trade in general, upgrade service quality and cut service costs. Under the negotiated terms of WTO entry, the Chinese outbound travel sector is currently exempt from opening to foreign travel service providers.<sup>114</sup> According to the WTO, these exceptions will be reconsidered after five years and will normally not last for more than ten years.<sup>115</sup> This means that in the near future foreign investors will be able to compete on fully equal grounds. With the entrance of China in the WTO, the government has applied a more relaxed travel policy and travel restrictions diminish more and more.<sup>116</sup> Therefore, some of China's current tourist regulations should be revised. According to CNTA, foreign travel companies are already permitted to establish joint travel services with Chinese partners in Beijing, Shanghai, Guangxi, Xian, and other government designated regions, on the condition that the Chinese partner holds the majority of ownership.<sup>117</sup> In other words, foreign firms are not allowed to set up fully-owned travel agencies in China. According to CNTA, this restriction will be omitted by the end of 2003. Foreign investors will be able to set up solely-owned travel agencies by 2006.<sup>118</sup> Another restrictive measure is that all tourist guides in China must be citizens of the People's Republic of China. These stipulations act like protective barriers to separate China's tourism from the global tourist industry. GATT membership requires the removal of trade protectionism and reduction of planned economic control and administrative interference. At the Uruguay Round (1994), members of the European Community (EC) set three requirements for China's tourism: 1. allowing foreign companies to establish tour agencies in china; 2. eliminating the restrictions on nationality of tourist guides; and 3. lifting the limitation on the proportion of foreign investment in a joint hotel, which shall be no less than 25 % of the registered capital. GATS is based on a market economy and trade liberalization. In order to link its tourist economy with the global trade in service, china must restructure its economic system. Chinese tourist enterprises first have to enter the market and become independent commodity managers taking sole responsibility for their profits and losses. The state-owned enterprises

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<sup>114</sup> "China's Travel Industry's Promises in WTO", China Tourism News, November 23, 2001, Available at: <http://www.cnta.gov.cn>.

<sup>115</sup> WTO here refers to the World Trade Organization.

<sup>116</sup> Mofei, Daiwei 默菲戴维, Ruguo wo neng xiaofei de qi, wo wei shenme bu qinshen qu ganshou ne? Zhongguoren "you" xiang shijie 如果我能消费得起, 我为什么不亲身去感受呢? 中国人"游"向世界[If I Can Afford to Spend, Why Would I not Go There and Experience It Myself? Chinese People Travel Abroad], Yuandong jingji pinglun 远东经济评论[Far Eastern Economic Review], March 7, 2002. Available at: <http://www.snweb.com/gb/gnd/2002/0321/m0321001.htm>

<sup>117</sup> "China's Travel Industry's Promises in WTO", China Tourism News, November 23, 2001. Available at: <http://www.cnta.gov.cn>.

<sup>118</sup> "China's Travel Industry's Promises in WTO", China Tourism News, November 23, 2001. Available at: <http://www.cnta.gov.cn>.

should be transformed into legal entities enjoying civil rights and competing on an equal footing under a socialist market economy. Tourism is interdependent with other sectors such as civil aviation, railways, commerce and textile and light industries. Therefore, re-entry in the GATT first required lower custom duties in order to open the protected domestic market to the outside world, and to enable foreign products to enter freely. (Kou Zhengling, 1994:12)

### 8.3.2 External Factors of Influence on Tourism

Besides the strong and weak points of destinations, and the internal (within China) factors, such as the entrance of China in the WTO, there are other factors that influence the 'pull power' of a destination. These factors of influence can be the tragic accident on the 11<sup>th</sup> of September 2001, the SARS-outbreak, political instability in the destination countries, etc.

Although the *September 11* terrorist attacks on the United States have caused a slower growth in most Asian markets, the Chinese market has been remarkably resilient.<sup>119</sup> This can be demonstrated with the case of travel to Singapore. Due to the September 11 impact, inbound travelers to Singapore dropped by 2.2 %, but there was a two-digit increase of Chinese travelers. (ETC-WTO, 2002:69) Tourism to the United States decreased significantly, which resulted in much cheaper airfares between China and the United States. (ETC-WTO, 2002:88)

On March 15, 2003, the world faced a new disease called *Severe Acute Respiratory Syndrome* or SARS. It is believed that this "flu like" illness began in South East Asia with early reports from China, Vietnam and Hong Kong. Within a very short period of time the disease spread across the globe. The World Health Organization (WHO) believes the disease is "a worldwide threat". However, the virus is not heavily contagious, one needs very close contact to get infected. (Marga Van Zundert, 2003:32) A sad side effect of the spread of the SARS-virus is the growing discrimination of Chinese people, who have more and more difficulty to obtain a visa for some countries. Malaysia holds the strictest attitude, as it refuses to grant visa for almost all Chinese, the citizens from Hong Kong and Taiwan included. The country however, has only had one deadly case of SARS (April 2003). The Hong Kong air company Cathay Pacific cancels its three daily flights to Kuala Lumpur. Actors and filmmakers from Hong Kong and Taiwan were denied access on the festival of the Asian Movies in Udine, Italy. All people from Singapore, Toronto, Hanoi and the Chinese provinces

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<sup>119</sup> "China Takes off", *Tourism Queensland News*, April 9, 2002. Available at: <http://www.qttc.com.au/tqnews/issue09/index.html>

Guangdong and Shanxi, were put on the blacklist. Also Panama refuses to further grant visa to Chinese citizens. Not only traveling to these destinations is a point of discussion, repatriating SARS-patients is also a delicate topic. Some air companies, and even special medical charter airplanes refuse to transfer infected persons. A Belgian ambassador regards the discrimination of Chinese people in this matter as not completely fair, as also travelers with other nationalities could already be infected. (M.L., 2003:32) According to Metro, the Chinese government has annulled the yearly 1-7 May vacation week. The government wants to prevent Chinese people to travel to other countries, as that could stimulate the spread of the SARS-virus.<sup>120</sup> There is also the fear that SARS in combination with other diseases, such as bird pest, may cause new pathogens. (Van Zundert, *o.c.*, p. 33) SARS has already caused 260 deaths worldwide and 4000 people had to be placed in quarantine in Beijing,<sup>121</sup> so the negative effect on the travel industry is enormous. Presently, it is not yet known at this moment when the disease will be conquered, doctors all over the world are doing their best to find a cure. The size of the damage to the travel industry is already big, and will most probably even worsen in the future.

Other external influences are for instance the feeling of *unsafety*: the *conflicts* between Palestine and Israel, the war in Iraq, kidnapping of tourists in the Philippines, the instability of the political situation in Indonesia, which makes travel to these areas a lot less attractive. (ETC-WTO, 2002:72-73,88)

## 9 Conclusion

The last major part of the essay served as a guideline through the world of push and pull dimensions of Chinese outbound travel. Push dimensions were linked with the demand side and with the “internal forces” of both the Chinese individuals and China. Pull dimensions provide a view on the supply side, which consists of the natural resources and efforts a destination country does to attract Chinese visitors. Both push and pull factors have complementary “power” in travel decisions.

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<sup>120</sup> “Britse kostscholen geven Aziatische leerlingen tien dagen langer vrij [British Boarding Schools Give their Asian Students Ten Days More of”, Metro, April 22, 2003. p. 16.

<sup>121</sup> 4000 Chinezen in SARS-quarantaine [4000 Chinese people in SARS-Quarantine], Gazet van Antwerpen, April 25, 2003, p. 3.

## Conclusion

The purpose of this essay was to examine the current changes of China's least developed tourism market: the outbound travel market. With so many reports written on both its inbound and domestic markets, the outbound market was lying in wait to be investigated.

The essay consists of three major parts. The first part serves as introduction to the magnificent world of Chinese outbound tourism. This part provides an answer to the question about the characteristics of China's outbound travel market. First, the "Chinese outbound tourist" was defined as a Chinese Mainlander who travels abroad for leisure purpose and on his own expense. Typical for China are its three types of outbound destinations: Hong Kong and Macao, Approved Destination Status countries, and border travel. Another special feature of Chinese outbound tourism is the overwhelming "preference" for group travel. "Preference" is put between brackets, because most Chinese people simply are not allowed to travel individually.

The second part, which is also the most important part of this essay, explains the whole system of the Approved Destination Status. It also deals with the question of whether the Schengen-area is likely to obtain an ADS-agreement with China. As this is a question that can not be provided with a fixed answer yet, the main idea of this case-study is to give directions to a possible outcome. As mentioned in the introduction, some questions can only be partly answered.

The third part deals with the factors that stimulate the outflow of Chinese tourists, also referred to as the so-called "push and pull" factors. A rough profile of "the Chinese outbound traveler" shows a middle-aged or older resident of Beijing, Shanghai or Guangdong, who is an intellectual or a businessmen, with an income higher than US\$800 per month. Further, the rise of a well-off middle class and the gradual withdrawal of the restrictions on outbound travel also prove to be obvious push factors for Chinese outbound travelers. The pull factors serve as a guide through several destinations. Starting from the expectations of the Chinese travelers when going on a trip abroad, some strong and weak points of the different destination countries are shown. While the Asian countries are the first destinations of many Chinese travelers, travel to destinations further away, such as Europe and the US, is clearly on the rise.

The purpose of this study was to provide a present image of China's outbound travel market, however, as the information goes till May 2003, this whole essay is already history at the moment this sentence is read.

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