

# Outbound Tourism Shaped by Market and State in China

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An interaction between the market economy and state control determines the socio-economic framework of outbound tourism in China, argues the SHTM's Programme Director (Industry Partnerships) Mr Tony Tse in a recently co-authored paper. Although market forces are at play in determining the development of tourist flows out of China, the state intervenes to "correct" the situation whenever it feels necessary. Given that the number of mainland Chinese tourists travelling internationally is increasing by more than 20% per year, this trade-off should have significant implications for planning and promotion in destination markets.

## The Outbound Tourism Market

Seeking to capture the unique make-up of the Chinese outbound tourism market, the researchers avoid the usual focus on the individual tourist. This, they argue, may not be appropriate given that the individual is a Western philosophical construct which might not apply to China. It also ignores the significance of tourism policy within a socialist state that "plays an active role in controlling and managing public activities". Instead, the focus should be on the "macro-environment" of outbound tourism, which will allow potential destination markets to understand the changing circumstances in China.

This macro-environment is shaped by "competitive, demographic, economic, technological, cultural and political" forces. To consider first those forces that are not directly political, competition is a significant factor in Chinese outbound tourism. The researchers note that 132 countries and regions have signed agreements with China to become "approved destinations" for group tours, and that 23 destinations, not all of which are "approved", have offices undertaking promotion within the country. These destinations rely on the services of around 700 travel agents that provide outbound services.

In terms of demographics, China's 22% of the world population includes a large 30-44 year old age group, which

has a high potential for travel. Combined with the one-child policy, this means that small family travel is appealing. The researchers also note that per capita income is increasing rapidly, along with spending power in a country with "a relatively low cost of living". This is occurring mainly in the more highly developed regions, but nevertheless has the power to help address trade imbalances with destination markets, given that around 478 million people live in these areas alone.

The two other significant non-political forces at work, explain the researchers, are technological advances and cultural traits. The Internet is ideal for travel promotion and travel service transactions such as hotel and flight bookings. There are already 10 major portals in China that cater for outbound tourism, and 18 major destinations offer websites in simplified Chinese characters. In terms of culture, the Chinese adage that "one learns more by travelling ten thousand miles than reading ten thousand books" indicates the vast potential for outbound tourism, as does the appreciation of "romantic landscapes" that has long been fostered by Chinese literature.

## Political Considerations

Injected into this mix of forces is the decisive factor of political considerations. The researchers note that leisure is a creation of capitalism, with its regimented work days and strict division between productive and non-productive activities. As a consumption-based leisure activity focused on individual fulfilment, travel is in contrast with the socialist concern for egalitarianism and the good of the group. The Chinese state is also wary of the extent to which tourism "relies on the free market to determine the price and who gets what". In this sense, market controls are not only necessary but inevitable.

Official approval for destinations is a feature of these controls, note the researchers, ensuring that destinations have good diplomatic relations with China, offer visa-free entry for Chinese nationals, provide adequate infrastructure

and support for Chinese tourists, and have acceptable travel agents. Internally, Chinese travel agents can only offer outbound services after operating for a year, must have already achieved outstanding results in domestic travel and must not have broken the law. The state also determines the number of people who can use these services, based on a link with the level of inbound tourists.

The China National Tourism Administration, charged with these considerations, has become more positive about the benefits of outbound tourism recently, turning its attention from restriction to scrutinising industry practices. The state is also encouraging outbound travel etiquette for tourists, and is using tourism as a form of “diplomatic power”. For instance, following the devastation of the Indian Ocean tsunami in December 2004, China deliberately maintained the levels of outbound tourists going to Southeast and South Asia to sustain the local tourism industries. Air China quickly partnered with a number of travel agencies and launched flights from Beijing to Phuket, write the researchers, “to ensure recovery from the crisis”.

### **Impact on Destination Markets**

Given the benefits of these diplomatic efforts, the growth in demand for outbound travel in China and the potential for further growth in the future, destination markets should give careful consideration to the ways in which political decisions overlie the more obvious market dynamics in the country's tourism industry. In approaching China as a potential source market, the researchers conclude, “destinations need to take a more holistic approach to understanding the underlying drivers of outbound tourism”.

### **Points to Note:**

- The market economy and state control combine to determine the macro-environment of outbound tourism in China.
- That macro-environment is shaped by competitive, demographic, economic, technological, cultural and political forces.
- Once socio-economic factors are accounted for, political considerations ultimately determine the level of tourist flows out of China.
- Destinations should thus take an holistic approach to understanding how the outbound market is constituted and operates.

Tse, Tony S. M. and Hobson, J. S. Perry (2008). The Forces Shaping China's Outbound Tourism. *Journal of China Tourism Research*, Vol. 4, 136-155.