

## Press Release

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### **PolyU Study Finds Chinese Outbound Tourism Policy a Form of Diplomacy**

The Chinese government uses tourism as a form of ‘soft diplomacy in its dealings with other countries writes Dr Tony Tse of the School of Hotel and Tourism Management (SHTM) at The Hong Kong Polytechnic University in a recently published research paper. By exerting control and influence over the development of outbound tourism, the government inextricably links tourist flows to its political agenda. Dr Tse surveys the use of tourism in Chinese international relations, showing how the country uses it to both offer support to and impose sanctions on other countries. Given the sheer size of the Chinese outbound tourism market, this has the potential to have significant effects at both the economic and political levels around the world.

With its huge population, rapidly expanding middle class and booming economy, China has an outbound tourism market with immense potential. Dr Tse points to a sevenfold increase in outbound numbers from only 10 million in 2000 to more than 70 million in 2011. Yet despite the huge economic importance of tourism, little attention is paid to its implications as a “major policy issue”. This is particularly surprising, Dr Tse remarks, “given the emphasis by politicians on tourism as a means to economic and regional development”.

As one of the few countries in the world with a public policy on outbound tourism, China is in an ideal position to use it to influence international relations. Dr Tse explains that the Chinese government uses tourism as a form of diplomatic influence, or “soft power”. Yet the government’s outbound tourism policy is never publically articulated. “Even Chinese experts”, writes Dr Tse, find it “ambiguous”. It is hardly surprising, then, that international destinations wanting to attract more Chinese tourists often face inexplicable “difficulties and barriers”. To clarify the situation, Dr Tse examines the political nature of China’s outbound tourism and the effects that the country’s tourism policy have on various destinations.

China controls its outbound tourism through the Approved Destination Status (ADS) scheme, a series of bilateral agreements with other countries that allow Chinese tourists to travel overseas in tour groups. The economic importance of the scheme is widely recognised, Dr Tse notes, as only countries that are part of the ADS are allowed to promote their tourism markets in China. By 2011, 140 countries had signed ADS agreements.

The withholding of ADS status is also an important political tool. Dr Tse describes how China delayed granting ADS status to Canada as a “reprisal” for the Canadian government’s criticism of China’s human rights record and for the Prime Minister’s

meeting with the Dalai Lama. Eventually, Canada extradited Lai Chanxing, who had fled to Canada following charges of corruption and smuggling. China granted ADS soon after. This, argues Dr Tse, illustrates that the Chinese government is prepared to “manipulate ADS to add clout to its soft power and advance diplomatic discussions”.

The government also uses outbound tourist flows as mechanisms to offer support to other regions and countries. Dr Tse highlights how it has done so to help its two semi-autonomous Special Administrative Regions, Hong Kong and Macau. Hong Kong weathered a series of economic setbacks following reunification with the mainland in 1997, and it was “no coincidence” according to Dr Tse that China introduced the Individual Visit Scheme in 2003. Allowing visitors from the mainland to visit Hong Kong independently rather than as part of a tour group resulted in an increase of HK\$30 billion in tourism income.

The government showed similar support for Macau after the return of sovereignty to China in 1999. To “prove that it could help boost the economy”, the Chinese government opened up Macau’s gaming industry to foreign investment and allowed mainland residents to visit casinos in Macau, even though gaming is illegal in the rest of the country. As a result, the number of mainland visitors increased from 5 million in 2001 to 16 million in 2011.

Further afield, Dr Tse highlights China’s tourism-led reaction to the Indian Ocean tsunami in December 2004. Premier Wen Jibao pledged that China would encourage its tourists to travel to areas hit by the disaster. In early 2005, China Air launched direct flights to Phuket in Thailand and entered partnerships with new travel agencies to help tourism recovery. When Japan faced a similar crisis after its 2011 tsunami, China introduced a number of measures to help support Japan’s struggling tourism industry. These actions, writes Dr Tse, show that the country not only “takes pride” in helping neighbouring countries, but that doing so also helps China to build its “soft power base”.

Indeed, it can be argued that outbound travel flows from China signify positive relations with other countries. Dr Tse uses the examples of the UK, Korea, Thailand and Sri Lanka to illustrate how the development of Chinese tourism can be seen as a “manifestation of positive political relationships”. For instance, the UK’s efforts to increase the number of inbound tourists have focused strongly on the Chinese market, as evidenced by policies such as making the visa process easier for Chinese visitors.

Korea and Thailand have also enjoyed a considerable increase in visitor numbers from China, and Sri Lanka is anticipating an increase from 25,000 in 2012 to 300,000 by 2016. The development of Chinese tourism in such countries suggests that “tourists are becoming unofficial diplomats building the soft power base”, claims Dr Tse.

Dr Tse also provides examples of how China uses tourism as a sanction against countries it is at loggerheads with. For instance, during the territorial dispute with Japan over the Diaoyu Islands, many of China’s leading travel operators stopped promoting Japan. Others cancelled trips and refunded their customers. This led to an estimated 70% fall in Chinese tourist receipts in the country during 2012. Similar actions were taken against the Philippines in the same year, following an escalation in tension over Huangyan Island.

While Dr Tse acknowledges that these were commercial decisions, he argues that they were clearly undertaken with “some kind of consent and encouragement from the Chinese government”. Withdrawing tourism, he argues, is a hostile act that is intended as a punishment, and China is “powerful enough to exercise this kind of sanction”.

Dr Tse concludes that “given the political nature” of China’s outbound tourism, the government uses its control and influence to shape tourism development so that it is “in line with the country’s political agenda”. To benefit from this process, destination markets not only need to “know consumer needs and wants” but they must also “understand the policy and politics” at play.

In a broader sense, Dr Tse writes that the soft diplomacy at work in China’s outbound tourism policy has the potential to increase the country’s “probability of obtaining its desired outcomes on the international front”. That should attract even more attention on the international stage.

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