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Forces shaping the trends and patterns of China's outbound international tourist flows

Sze Ming Tse
Southern Cross University

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Title of thesis

**Forces shaping the trends and patterns of
China's outbound international tourist flows**

Approval Number ECN-07-165

by

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28 February 2009

THESIS DECLARATION

I certify that the work presented in this thesis is, to the best of my knowledge and belief, original, except as acknowledged in the text, and that the material has not been submitted, either in whole or in part, for a degree at this or any other university.

I acknowledge that I have read and understood the University's rules, requirements, procedures and policy relating to my higher degree research award and to my thesis. I certify that I have complied with the rules, requirements, procedures and policy of the University (as they may be from time to time).

A handwritten signature in black ink, reading "Tony Tse". The signature is written in a cursive style with a horizontal line above the first name.

Sze Ming (Tony) TSE

28 February 2009

ABSTRACT

This study concerns itself with outbound tourist flows from China. It is informed by the interpretive social sciences paradigm, and the research methodology is qualitative and inductive in nature. The study uses secondary data analysis, case study, interview/questionnaire and participant observation to answer the research question “How are the trends and patterns of China’s outbound international tourist flows being shaped?”

Secondary-data analysis is used to understand the historical, socio-economic and political context in which China’s outbound tourism has developed. Case study is used to identify the similarities and differences in policy and international tourist flow patterns in Japan, Taiwan and Korea, and provide a benchmark for studying China’s outbound tourism.

A total of 13 academics and industry practitioners and 22 senior China National Tourism Administration officials were interviewed either in person or via questionnaire, to examine the roles played by the Chinese government in outbound tourism. Information about China’s outbound tourism and macro environment was collected from six different forums and seminars.

Seven different forces in the macro-environment were found to be at play in China’s outbound tourism, namely competitive, demographic, economic, technological, cultural, natural and political. The study develops the theory that it is the interplay of these forces that shapes the development of outbound tourism. Among the seven forces, political force, or state control, is the strongest at the moment. The thesis has it that the dialectic interaction between the market economy and state control determines the socio-economic framework shaping the trends and patterns of outbound international tourist flows in China.

The Chinese government is not ambiguous about the fact that it has a role to play in outbound tourism. That role is not just related to quality of living, a level playing field or economic development, but also national dignity, diplomacy, and international relations. To the Chinese government, stability is of such paramount importance that the country’s collective interests are emphasised over the interests of the individual, which are

associated with social instability and disorder. Therefore, outbound travel by individuals will be allowed to flourish as long as it continues to serve the wider national interest of the country and it does not undermine national stability.

How can these findings be of use to destinations? When approaching China as a potential source market, destinations need to take a more holistic approach in order to understand the underlying drivers of its outbound tourism.

LIST OF PUBLICATIONS

The following publications relevant to the thesis have been produced by the candidate:

- Tse, T. (2005). An alternative approach to analyze China's outbound tourism, presented at the 2nd *China Tourism Forum*, Guangzhou, 16-17 December 2005.
- Tse, T. (2006). Analyzing Japan's outbound tourism policy, presented at the 7th *Biennial Conference on Tourism in Asia*, Jeonju, Korea, 11-14 May 2006.
- Tse, T. (2006). Policy implications of outbound tourism in Taiwan, presented at the 4th *Asia Pacific CHRIE & 12th Asia Pacific Travel Association Conference*, Hualien, Taiwan, 26-29 June 2006.
- Tse, T. (2006). China's outbound tourism: Review of the 2nd International Forum on Chinese Outbound Tourism – Beijing, China, 20-21 November 2005. *Journal of Travel & Tourism Marketing*, 20 (3/4), 157-160.
- Tse, T. (2007). The Chinese government's roles in outbound tourism, presented at the *Council for Australian University Tourism & Hospitality Education 2007 Conference*, Sydney, Australia, 11-14 February 2007.
- Tse, T. & Hobson, P. (2007). The forces shaping China's outbound tourism, presented at the 5th *Asia Pacific CHRIE & 13th Asia Pacific Travel Association Conference*, Beijing, China, 24-27 May 2007.
- Tse, T. (2007). Book review of China's Outbound Tourism by Wolfgang Georg Arlt. *Journal of Travel & Tourism Marketing*, 22(2), 89-91.
- Tse, T. & Hobson, P. (2008). The forces shaping China's outbound tourism. *Journal of China Tourism Research*, 4(2), 136-155.

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I am fortunate to have undertaken my part-time study while working at The Hong Kong Polytechnic University's School of Hotel & Tourism Management. The scholars in the School, including Professor Kaye Chon, Professor Bob McKercher, Dr John Ap and Dr Thomas Bauer, have encouraged my pursuit of the study in their own particular ways. Your willingness to share and discuss with me throughout the years have kept the flame inside me glowing. I am indebted to you for your unimposing expectations.

I would like to express my gratitude to those respondents who have discussed their views on my research subject and helped me formulate my thinking. I might not always have agreed with your point of view, but your different perspectives of the world have certainly challenged and expanded mine.

In order to solicit input to the research during my course of study, I have submitted parts of the developing thesis to various conferences and journals as working papers. The reviewers of those papers have provided valuable input and helped shape my final thesis.

Finally, I would like to dedicate the thesis to Irene and Quinton, who have motivated me to embark on this journey. Thank you for listening to my philosophical monologue when nobody else is around. Here's the long answer to your simple question.

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LIST OF ABBREVIATIONS

ADS	Approved Destination Status
ALSCAL	Alternating Least Square Scaling
ARATS	Association for Relations Across the Taiwan Straits
ASEAN	Association of Southeast Asian Nations
BITE	Beijing International Tourism Expo
BITTM	Beijing International Travel and Tourism Market
BOCOG	Beijing Organizing Committee for the Games of the XXIX Olympiad
CAAC	Civil Aviation Administration of China
CCP (CPC)	Chinese Communist Party (Communist Party of China)
CEPA	Closer Economic Partnership Agreement
CITM	China International Travel Mart
CITS	China International Travel Service
CNTA	China National Tourism Administration
CTS	China Travel Service
CTTC	California Travel & Tourism Commission
CUP	China UnionPay
CYTS	China Youth Travel Service
DPP	Democratic Progressive Party
FIT	Frequent Independent Traveller
GDP	Gross Domestic Product
GO	Gross Outbound
IFCOT	International Forum on Chinese Outbound Tourism
IPO	Initial Public Offering
ITDIJ	International Tourism Development Institute of Japan
ITF	International Travel Fair
IVS	Individual Visit Scheme
JNTO	Japan National Tourism Office
JTB	Japan Travel Bureau
JTM	Japan Tourism Marketing
KMT	Kuomintang (Guomindang)

KTO	Korea Tourism Organization
KYST	Kruskal, Young, Shepard, and Torgerson
MBA	Master of Business Administration
MBO	Management Buy-out
MFA	Ministry of Foreign Affairs (China)
MPS	Ministry of Public Security (China)
MoT	Ministry of Transport (Japan)
NPC	National People's Congress (China)
NTO	National Tourism Organisation
OCFP	One Child Family Policy
OECD	Organization for Economic Co-operation and Development
PATA	Pacific Asia Travel Association
PLA	People's Liberation Army
PRC	People's Republic of China
RMB	Renminbi (yuan)
ROC	Republic of China (Taiwan)
SARS	Severe Acute Respiratory Syndrome
SCMP	South China Morning Post
SEF	Straits Exchange Foundation
SEZ	Special Economic Zones
SoE	State-owned Enterprise
UCLA	University of California, Los Angeles
UNWTO	United Nations World Tourism Organization
WTF	World Travel Fair
WTO	World Trade Organization

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CHAPTER ONE

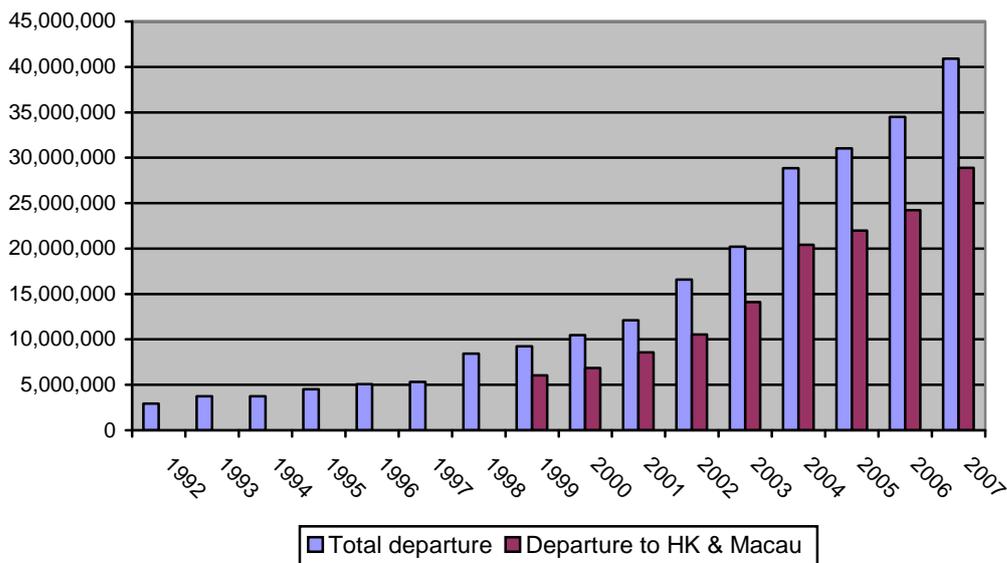
INTRODUCTION

1.0 Background

In the 10 years from 1997 to 2007, the number of Chinese outbound visitors grew from 5.5 million to 40.9 million, averaging more than 20 percent growth each year. According to the World Tourism Organization (UNWTO, 2001) forecast, China will generate 100 million arrivals, ranking fourth in terms of outbound market size in the world in 2020. This will represent 6.4 percent of the global outbound tourism volume. UNWTO revised the forecast in 2007 bringing forward the timeframe by five years, indicating that China will reach the fourth position in 2015 (Tourism Forum 2007, 2007).

Figure 1-1 shows the steady growth of total outbound departures from China from 1992 to 2007 and departures to Hong Kong and Macau from 1999 to 2007.

Figure 1-1: Number of outbound departures from China 1992-2007



Source: The Yearbook of China Tourism Statistics, China National Tourism Administration

With an average annual GDP growth of 7-8 percent in the past decade, Chinese have become much better-off and demand more leisure travel as part of their lifestyle. China with a very low gross outbound (GO) rate of 2.6 percent in 2006, versus Japan's 13 percent, US's 21 percent, Australia's 25 percent, Korea's 22 percent, and Taiwan's 38 percent, has a huge growth potential in outbound tourism. (Note: GO rate defined by UNWTO as the ratio of total overseas departures to total population is a measure of the extent of outbound tourism in a particular country.)

The importance of China's outbound market warrants attention because of its sheer size and growth potential, which can be illustrated by the situation in Australia. In 2004, visitor arrivals from China to Australia were 251,300, accounting for 4.8 percent of the total arrivals and ranking seventh among the top 10 countries of visitor origin. Australia's Department of Industry, Tourism and Resources (2005) estimates that Chinese visitor arrivals in 2014 will increase to 1,202,300, accounting for 12.9 percent of the total arrivals, and will rank second among the top 10 countries of visitor origin.

The growth potential of China's outbound tourism has been an area of great interest among academics and the industry in many destination countries. The following literature review shows the huge interest among different countries and regions beginning 2001.

Strizzi (2001), taking a Canadian perspective, studies China's outbound tourism market, and concludes that if China continues to generate rapid wealth, per capita income continues to rise and the government continues to ease travel restraints, it has the potential to become one of the world's largest generators of international tourist. The report, however, indicates that the longer-term outlook is mixed given mounting domestic, political, economic, social and environmental pressure.

Jeannerat (2002), taking a Swiss perspective, analyses China's outbound market including its structure, environment, purchasing power, segments, characteristics of Chinese tourist, and its competition, and concludes that China is a remarkable market with growing potential for the Swiss inbound tourism industry. The report refers to the opening of China to Switzerland being imminent, and the rapidly growing potential of Chinese customers being a challenge and a huge opportunity.

Blok (2002) adopts an anthropological approach to study the China outbound tourism market for Norway, and concludes that no country rivals China in terms of future potential for outbound leisure travel. The recent economic development in China puts Europe-bound travel well within the capabilities of new urban business elites. The author recognises that while Norway will not be the first destination on Chinese tourists' itinerary, once they have visited Rome, Paris and London, the increasingly experienced and sophisticated Chinese travellers will turn to Norway for new experiences and adventures.

Becken (2003) studies the nature of the Chinese outbound market for New Zealand, and notes that the number of Chinese arrivals to the country is increasing at a very fast rate. The following three segments that deserve further attention are identified: education segment, business travel, and conference tourism. The study finds that the potential for New Zealand is not so much in developing resource-intensive and low-yield group tourism but in attracting FIT travellers who have the time to seek greater involvement and a better experience.

Verhelst (2003) from Belgium studies China's outbound tourism industry by analysing the push factors in China and the pull factors in destination markets. Push factors include the rise of a well-off middle class and the gradual withdrawal of travel restrictions. Pull factors vary in different destinations. For example, Australia offers very different history, culture and natural scenery; France offers historic sites and memories; and Korea offers celebrities. The study concludes that while the Asian countries are the first destinations of most Chinese travellers, travel to destinations further away, such as Europe and the US, is clearly on the rise.

Zhang, Jenkins & Qu (2003) study China's emerging outbound market to Hong Kong and find that ... *Under the current political atmosphere and economic conditions in China, outbound vacation travel should continue to expand. Hong Kong will continue to be the first to benefit from this trend. The growing importance of the China market has significant implications for tourism-related businesses in Hong Kong, including retailing, catering, and hotels, which must strive to ensure that they provide a high level of visitor experience and satisfaction... The outbound travel market will likely continue to grow,*

provided that economic growth in China continues to raise people's incomes, particularly those of the middle class. A second proviso is that the Chinese government does not continue to artificially limit outbound travel. If these two conditions are met, and they are certainly not guaranteed over the short term, there is no reason why China's outbound travellers would not become a major regional and global force, shaping the travel industry market in the next decade and beyond. (pp. 290-293)

Junek, Biney & Deery (2004), taking an Australian perspective, predict that arrivals from China are expected to grow to around 850,000 by 2012, making China the major source market after New Zealand, UK and Japan.

Arlt (2005) from Germany has established the China Outbound Tourism Research Project to provide relevant information in the form of newsletters and free download resources; and has also established the China Outbound Tourism Research Institute to study the development of China's outbound tourism and its opportunities and challenges for the European tourism industry. The Institute offers Chinese outbound tourism information, advises destinations and companies interested in China, and organises the China Tourists Welcoming Award to promote best practices of exemplary services to Chinese travellers.

Care should be exercised in assessing China's outbound market size and reading the departure figures, as the two Special Administrative Regions, Hong Kong and Macau, together account for a substantial 70.7 percent of the Chinese total outbound market in 2007. In other words, if one considers Hong Kong and Macau as domestic destinations, the rest of the world or international destinations receive less than 30 percent of the Chinese outbound departures. In 2007, the top 10 most visited countries and regions by Chinese tourists are, in order of market size: Hong Kong, Macau, Japan, Korea, Vietnam, Russia, Thailand, US, Singapore, Malaysia.

1.1 The Need for Research

It should not be surprising that given the huge potential of China as a visitor source market, a lot of research has been done on China. However, a review of the literature shows that most of the earlier studies took a keen interest in China's inbound tourism rather than

outbound tourism. And among those research studies on outbound tourism, there was an obvious skew towards analysing either the visitor or consumer profiles and the image of destinations. The following two sections illustrate that most of the earlier research studies focus on inbound tourism and the more recent research studies on outbound tourism focus on the consumers or the destinations. There is very little research on China's outbound tourism from the policy perspective.

1.1.1 Tourism Studies Focusing on Inbound Tourism

It is found that most of the earlier tourism studies on international tourism in China focus on inbound tourism rather than outbound tourism. Almost all of these studies took inbound tourism in China as the equivalence of international tourism.

Richter (1983) examines the political implications of Chinese tourism policy, which was an early attempt by an academic to trace the organisational and political dimensions of China's change of policy in opening up the country for inbound tourism after decades of being closed behind the bamboo curtain and relative deprivation. Richter is obviously referring to inbound tourism in her analysis of the tourism policy then ...

If and when the Chinese feel accounts of China are too unflattering or that the economic rewards are insufficient to the effort expended on ungrateful foreigners, Chinese tourism could evaporate. (p. 410)

Richter (1983) concludes that as with every country, tourism was a part of the diplomatic strategy, and she is actually referring to inbound tourism in her analysis of the political nature of international tourism ...

China's interest in tourism historically has been primarily political motivations. The rapid expansion of tourism since 1977 under the leadership of Deng Xiaopeng has been the result of both political and economic motivations. By quickly linking China with the international business community in terms of joint ventures in hotel development, imports of tourist transport, and ties with the international travel industry, tourism has become an increasingly active policy sector allied to Deng's "Four Modernizations" campaign. ...

Tourism is a way of wooing overseas Chinese and Taiwanese in particular – a diplomatic link in which interest is likely to persist. (pp. 410-411)

Oudiette (1990) discusses how international tourism, consisting of a complex and interrelated range of activities that need to be combined in a very flexible way, suffers from the effects of a rigid and centralized organisational framework. In this analysis of China's international tourism, the author uses words such as "Chinese characteristics which are on offer to tourists", "foreign capital to finance tourism development", and "the tourist expects to enjoy this exotic past in a way which removes him as little as possible from his own habitual setting". Oudiette's international tourism in China was obviously synonymous to inbound tourism then.

Sofield & Li (1998) analyse the tensions generated between the Chinese government determination to maintain political stability under the Communist Party and attempt to find the appropriate mix of traditional Chinese culture, socialist culture and modern culture, with reference to developments in tourism. The tourism discussion refers to Chinese ethnic minority, handicrafts and heritage, therefore the authors actually mean inbound and domestic tourism. Sofield & Li (1998) also observe the intricacy among tourism, politics and socialism in China...

Because tourism has embraced cultural heritage, and yet must serve the country's goals of modernization and at the same time remain true to socialism, tourism development in China is highly politicized. ... Tourism, in short, has provided various contradictory forces and interests in China with a means of reconciling at least in part their different objectives and satisfying to some extent their different aspirations, even if that contribution is difficult to measure accurately, and contradictory perhaps a global force of modernity. (pp. 387-388)

Zhang, Chong & Ap (1999) identify three historical periods in modern China with each displaying a different government policy in developing international inbound tourism. They also recognise the Chinese government's roles as Operator, Regulator, Investment Stimulator, Promoter, Coordinator and Educator in inbound tourism.

Although Zhang, Chong & Ap's research is focused on inbound tourism, their approach of analysing environment, demands, decisions, outputs, impacts and government roles in three historical periods is an interesting one, which has inspired the approach taken in this thesis. Chapter Two will provide a more detailed discussion of how Zhang, Chong & Ap's approach has informed this thesis.

Zhang, Pine & Zhang (2000) explained the main stages of international tourism development in China and identified the important changes in the past two decades as follows:

- From nowhere to one of the top 10 world destinations;
- From a seller's market to a buyer's market;
- From long-haul to peripheral market;
- From one-way to two-way flow; and
- From state monopoly to decentralization.

Of the five major changes in international tourism identified by Zhang, Pine & Zhang, four are related to inbound, and only one is related to outbound, i.e., from one-way to two-way flow. This marks the beginning of making reference to outbound tourism in the study of tourism in China.

Richards' (2001) study on "Marketing China Overseas" examining the role of theme parks and attractions is also inbound related. The study reveals that while Dutch non-visitors have a fairly naive image of China, Dutch respondents are fairly conversant with the major cultural attractions of the country. In contrast, overseas Chinese respondents are not so familiar with these attractions.

Zhang, Chong & Jenkins (2002) study the implementation of tourism policy in China, and identify two different patterns of tourism policy implementation: (a) "top-down" and (b) "trial and error-correcting". The study looks at regulations such as the "Provisional Regulation on the Administration of Travel Agencies" and "Regulations and the Star Standard and Star Rating of Tourist Hotels of People's Republic of China". The attention of the study is on regulations governing hotels, tourist attractions, travel agencies and tour

guides. It is implicit in the discussion that the authors are referring to inbound and domestic tourism.

1.1.2 Outbound Tourism Studies Focusing on Consumer or Destination

The above scan of literature shows that most of the earlier studies on international tourism in China are actually focused on inbound tourism. Most studies on China's outbound tourism can be found only recently in and after 1999, when Chinese tourists become more noticeable and there is mounting interest in the potentially huge Chinese market. A review of the literature shows that most of these studies on China's outbound tourism focus either on the visitor characteristics and motivation or the appeal of a destination. This bias to consumer and destination approach in research is illustrated by the following discussion.

Zhang & Lam (1999) analysed Chinese visitor motivations to visit Hong Kong, and identify six push and pull factors. The researchers identify the most important push factors being "knowledge", "prestige" and "enhancement of human relationship"; and the most important pull factors being "high-tech image", "expenditure" and "accessibility".

Cai, Boger & O'Leary (1999) examined the demographic and socio-economic characteristics and trip-related attributes of outbound Chinese travellers to Singapore, Malaysia and Thailand. They found that the average Chinese travellers to Singapore, Malaysia and Thailand appear to be middle-aged, married, male, living in a three- to four-member family, highly educated, and holding managerial positions in state enterprises or foreign joint-venture businesses.

Mok & DeFranco (1999) developed a conceptual framework of dominant Chinese cultural values that influence the behaviour of Chinese travellers. The six cultural values are: "respect for authority", "inter-dependence", "group orientation", "face", "harmony", and "external attribution". The authors suggest that understanding the cultural values and how they shape preferences and expectations is the first step of any business that wants a share of the Chinese market. The authors come up with the following eight hypotheses concerning Chinese tourist behaviour:

- Chinese tourists are likely to engage in shopping activities on their trips;

- Chinese consumers are more likely to be influenced by opinion leaders than westerners;
- Chinese consumers are more responsive to relationship marketing techniques;
- Chinese consumers are likely to be more consumer conscious than westerners;
- Tourism services consumption decisions for individual Chinese are the result of group decisions;
- Chinese consumers are less likely to complain to tourism suppliers about their dissatisfactions than westerners;
- Chinese are likely to be less responsive to advertisements that are openly critical of competitors and their products and services;
- Chinese consumers are sensitive to products and services that concern numbers.

Pan & Laws (2001) studied the Chinese tourism market in Australia by interviewing travel agencies dealing with the Chinese outbound tourism market. The authors identified the characteristics of Chinese tour package in Australia as being all-inclusive in nature, and highlighted several problems with such tour package arrangements. First of all, Chinese tourists are often disappointed at the service levels of hotels because three-star hotel accommodation in Australia is equivalent to two-star hotels in China. It is not unusual that tour groups are promised one thing by their travel agents and they get something inferior on arrival. Second, the tour packages offered to Chinese tourists are very similar in standard, offering rather limited choices for repeat visitors. Third, the inbound tour operators compete on price, resulting in poor-quality services and consequent dissatisfaction for Chinese tourists with their Australian experiences. Fourth, it is necessary for inbound tour operators to set up a strong relationship with designated Chinese travel agencies, and this becomes a barrier for many Australian inbound tour operators wishing to approach the market.

Ryan & Mo (2001) conducted a study to identify the socio-demographics of Chinese visitors to New Zealand and assessed their perception of the country as a destination. The study identifies five clusters of Chinese visitors to New Zealand, and highlights a small group of Chinese visitors who are actively using their holiday to assess educational and investment opportunities in New Zealand. The five clusters of visitors are: Sightseers in

new places; Investment seekers; Package holidaymakers; Low scorers; and New Zealand enthusiasts.

Yu, Wieler & Ham (2001) examined the intercultural competence of Chinese tour guides and the relationship of guides' intercultural competence to Chinese tourists' experiences in Australia. To serve the needs of Chinese tourists in Australia, tour operators often employ guides who were born and raised in China and later became Australian citizens. Such mono-cultural guides are contrasted with bi-cultural guides in their inter-cultural competence. The authors suggest the following factors contributing to tour guides' intercultural competence and the tourist satisfaction: Tour guide's background characteristics; Situational factors; Tour guide's intercultural competence; Tourist's background characteristics; and Tourist trip characteristics.

Jang, Yu & Pearson (2003) analyse the socio-demographic, trip-related characteristics and travel behaviours of Chinese tourists to the US, comparing business travellers and visiting friends and relatives. The study finds that the business travellers spend more money than those visiting friends and relatives by staying in lodging facilities. In searching for travel information on the US, both types of travellers rely heavily on travel agencies, airlines and word of mouth, while business travellers also obtain information from their corporate travel department that assists in airline reservations.

Pan (2003) explored the business partnership relationships in the Chinese inbound tourism market to Australia. The author used in-depth interviews to identify the key factors involved in the process of establishing, developing and maintaining relationships between Australian inbound tour operators and Chinese travel agents. The study argues for a process of building up business networks between the two parties in three layers. The first layer is establishing contact between the two parties, acquiring information and getting to know each other. The second layer is developing trust and friendship, building up personal relationships, and giving and maintaining face. The third layer is forming *guanxi* (关系), or relationships, and gaining *renqing* (人情), or favour. The research has broadened the meaning of *guanxi*, combining working and personal relationships, and found that together with trust, *guanxi* has become the key factor in terms of successfully

establishing, developing and maintaining the business network relationships between Australian and Chinese counterparts.

Tse (2003) analysed outbound tourism from mainland China to Hong Kong, examining the arrivals and spending pattern of mainland Chinese visitors to Hong Kong in the 10 years from 1992 to 2001. The analysis covered the history of growth, administrative regulations, demographics, geographic sub-markets, purpose of visit, duration of stay, travel companions, seasonality and spending patterns. The author concludes that...

Mainland China will become even more important as a source market in future as the country's economy prospers while other major economies such as the US and Japan remain uncertain. It is important to recognise that visitors from mainland China have become not just the largest group but the highest spenders as well. ... Visitors from mainland China are becoming younger, better educated and of higher social status. It is reasonable to assume that they have higher disposable incomes and they value travel more. They are likely to be more discerning and demanding. Many of them come to Hong Kong with their business associates, and there is a tendency towards combined business/training/incentive travel. Their origins are becoming more widespread geographically with reduced concentration in Guangdong Province. The trend towards more spread out source sub-markets tends to make marketing more difficult and costly.
(9th Annual Conference Asia Pacific Tourism Association, 2003)

Li & Carr (2004) analysed visitor-satisfaction levels of Chinese tourists to Australia's Gold Coast, looking at the relationships between level of satisfaction with the destination, level of recommendation, and likelihood of repeat visits. The study indicated that Chinese tourists are satisfied with the Gold Coast as a holiday destination, and that the more satisfied tourists are, the more likely they are to return or to recommend the destination to others.

Quality Tourism Services Association (2004) engaged The Hong Kong Polytechnic University to conduct a survey on the service needs of mainland Chinese visitors to Hong Kong. The survey found that in addition to price, quality is also an important factor for

mainland visitors when shopping in Hong Kong, and shops should compete on quality rather than price in order to maintain a sustainable advantage.

CLSA (2005) conducted a detailed report on the China outbound market, presenting the characteristics of Chinese tourists in terms of where they come from, their income, their travel consideration, appeal of various destinations to them, their purpose of travel and their spending patterns. The study also presented an analysis of the following industries that benefit from the increasing volume of Chinese tourists: retail market, luxury goods, gaming, hotel and leisure, and transport.

Kim, Guo & Agrusa (2005) explored the competitiveness of Chinese tourists' potential destinations and their positioning on the basis of KYST (Kruskal, Young, Shepard, and Torgerson) analysis and employing ALSCAL (Alternating Least Square Scaling) analysis. The study, based on 400 respondents, showed that the following three pairs of destinations were perceived as being quite similar in the minds of Chinese tourists: Singapore and Thailand; Egypt and Germany; and Japan and South Korea. Respondents said that Australia and Germany were strongest because of the "different cultural and historical resources from China" attribute. Australia and Germany were perceived as the most appropriate tourist destinations in regard to the "beautiful scenery" attribute. Japan and South Korea had the most positive perceptions in terms of "ease of arranging travel plans" and "good place for shopping" attributes. With regard to the "inexpensive travel costs", "well equipped tourism facilities", "level of economic development", "good leisure and recreation facilities", and "safety" attributes, Japan is the most favourable destination. Singapore, Japan and South Korea are considered to be the most appropriate destinations regarding "good weather" and "safety". The same study and findings are also reported by Guo, Zhang, Song & Chen (2005).

Huang & Hsu (2005) employed focus groups to identify mainland Chinese residents' perceptions, motivations and perceived behavioural inhibitors of visiting Hong Kong. Results showed that mainland Chinese residents perceived Hong Kong mainly as a shopping destination, and their most prominent motivation for visiting is shopping.

Arlt & Kelemen (2006) studied the shopping behaviour of Chinese travellers, and created a practical guide for those in the international retail and tourism industry who would like to get a bigger share of Chinese tourist spending. The shopping behaviours identified by the researchers were: (1) Chinese tourists go shopping in big groups; (2) Chinese tourists spend a relatively long time in shops; (3) Chinese tourists are brand conscious; (4) Chinese tourists show a sense of distrust when making a purchase; and (5) Chinese tourists tend to bargain.

The SCMP (2006 a) described Chinese tourists as only wanting to see the most famous sites - the Eiffel Tower in Paris, the red light district in Amsterdam, the Brandenburg Gate in Berlin, and to watch the rich at play and have fun at a casino in Nice. The report also noted that Chinese tourists might be grumpy and look bored because they travel cheaply and by bus to these landmarks; they are not really interested in European food and they are downright mean when it comes to accommodation, and they sometimes end up eating cheap meals possibly paid for by the tourist shops that pay guides to bring them to their premises. Nevertheless, Chinese tourists would probably also want to stop by Metzinger for the Boss suits outlet, and spend a fortune on the designer brand; and they spend more than any other groups of foreign customers at Galeries Lafayette in Paris.

Lin & Lin's (2006) study identified the satisfaction attributes of shopping among mainland Chinese visitors to Taiwan and assessed their relative importance in affecting the overall level of satisfaction with shopping in Taiwan. The study found that Chinese visitors are most satisfied with the attribute of "providing home delivery service", and are least satisfied with the attributes "commemoration of the product", "uniqueness of the product" and "price of product".

Zou (2007) conducted a study on Canada as a potential destination for mainland Chinese. The objective of the research was to assess the coherence and/or differences between the perceived destination images of Canada by potential mainland Chinese consumers to the marketing position of Canada by the Canadian Tourism Commission. Using the "Importance and Performance Analysis", the author found that the destination brand showed good performance in general, but there are gaps between perceived image and

promoted image such as the presence of a Chinese, Mandarin-speaking environment, and cold weather, which should be de-emphasised.

1.1.3 Outbound Tourism Studies Focusing on Policy or Industry

There are very few studies on China's outbound tourism that do not focus on either the visitor or the destination. Most studies adopt the consumer approach, trying to comprehend the motivation and satisfaction of Chinese tourists, and the image of a destination in their mind. The following small number of studies adopt a different approach by trying to understand China's outbound tourism from the policy or industry perspective.

Wang & Sheldon (1995) provided one of the earliest studies on China's outbound travel market, examining its determinants, trends and characteristics. The study found that the booming economy and the resultant emergence of a upper-middle class have made outbound travel financially accessible to larger sections of the population. The liberalization of policies and regulations from both China and its destination countries also pave the way for the growth. The authors analysed the economic and political factors underlying the growth, and concluded that if the expansion was to continue, given that no major economic or political shifts occur, certain strategies need to put in place...

First, as long as demand exceeds supply, it is recommended that more travel agencies handling outbound travel be created. Second, it would be advisable to streamline application procedures, including the possibility of paying for the package in China instead of in the destination by a relative. This would enable those who have no relatives in the destination area to travel. Third, further liberalization of restrictions for leisure travel is recommended. This would include cooperation with destination countries and regions on entry policies to facilitate travelling. Countries such as the US have been reticent to remove restrictions because of the concern that travellers may stay in the destination rather than returning home. (p. 52)

Zhang & Heung (2001) in their study of the emergence of the mainland Chinese outbound travel market suggested that the development follows the classic "ripple effect". The

effect of outbound travel over time becomes more geographically distant, like dropping a pebble into a pond. The first ripple is the growth in domestic tourism. The second ripple is outbound travel to Hong Kong as a proximate destination. The third ripple effect comprises intra-Asia travel. The fourth wave refers to travel beyond Asia. The authors suggest that in promoting a particular destination to China, it is important to highlight the destination features that would appeal to the Chinese visitors. The authors see the growth potential of outbound tourism in China under two conditions...

It is likely that the outbound travel market will continue to grow, provided that economic growth in China continues to raise people's incomes, particularly those of the middle class. A second provision is that the Chinese government does not continue artificially to limit outbound travel. If these two conditions are met, and they are certainly not guaranteed over the short term, there is no reason why China's outbound travellers would not become a major regional and global force, shaping the travel industry market in the next decade and beyond. (p. 12)

Guo & Turner (2001) examined the structure of the Chinese travel industry with particular emphasis upon the future changes likely to take place in the provision of travel services. The study focused upon the issue of whether foreign companies could become more involved in the potentially huge Chinese outbound market, from three perspectives: industry, government and World Trade Organization (WTO). From the industry perspective, the authors found that outbound tourism industry in China has its own peculiarity not in line with the theoretical demand-and-supply model ...

According to a PATA survey conducted by Roper Starch of 600 Chinese travellers from Beijing, Shanghai and Guangzhou in 1996, 34 percent put the US as their most desired destination, followed by Japan (11 percent), Australia (8 percent), Singapore (7 percent), and then France, Germany, Italy, Thailand and Taiwan. However, neither the US, Japan, nor Australia received these shares of the market. Instead, 45 percent of the Chinese outbound travellers travelled to Hong Kong in 1996. Macau and Thailand were the secondary and tertiary destinations of the market... While the latent Chinese consumer demand for a particular market is evident, it clearly depends on a favourable Chinese outbound industry structure to convert the potential into tourist number. (p. 55)

From the government perspective, the outbound industry was found to be influenced by the Chinese authorities through controlling who is in business and who is out, and manipulating business and financial targets...

To prevent a hard currency drain, the government has required companies in the industry to balance their outbound operation (spending hard currency) with their inbound operation (earning hard currency) to a certain percentage, for example, 60 percent. In this way, the government policy – earning hard currency first and spending second – will be implemented at the business level. (p. 56)

From the WTO's perspective, the outbound industry was found to be not satisfying WTO entry requirements and many Chinese practices would become redundant under the rules of the WTO...

Admission to the WTO means that China's outbound industry has to be significantly simplified with far less artificial government regulations. To get the full advantage offered by the Chinese outbound market changes, travel operators need to participate actively in the process of structural change to develop and fine-tune their capability to meet market expectations. (p. 57)

Tse (2005) examined how China's outbound tourism market had been studied, evaluated its limitations, and explored an alternative approach to understand the market. The author reported that most of the theories and research methods used to study the China outbound market were built upon the fundamental premises of individuals and were based on a western way of thinking. It is argued that an alternative macro-approach considering the country's outbound tourism policy, legality issues, politics, and elasticity of the market could better explain the dynamics and complexity of the outbound tourism market. Issues that have a determining role in affecting the demand of Chinese travellers and warrant further study include the landscape of domestic, inbound and outbound tourism industry; outbound tourism policy per se, political overtones in determining Approved Destination Status (ADS), air rights and special treatment given to Hong Kong, Macau and Taiwan.

Zhang & Hsu (2005) presented an analytical review of China's outbound travel market in terms of its historical development, government policies, long-term development strategies and significance to countries that would like to attract mainland Chinese visitors. The authors used Hall's (1994 a) tourism policy-making process model to examine China's outbound tourism policy, and make a number of observations and suggestions. Chapter Two will further discuss how this thesis has built upon Zhang & Hsu's study.

Arlt (2006) published the first ever book on China's outbound tourism. It discusses China's outbound tourism from the following angles: economic and social development, government policies, profile of Chinese travellers, motivations of Chinese travellers, marketing by National Tourism Organizations in China and the future development of China's outbound tourism. The author uses Hofstede's cultural dimensions to show the difference of the Chinese from the Japanese, American and Swiss, and its implication in travel. In addition, behavioural differences between Chinese and western outbound travellers, and behavioural differences between Chinese and Japanese travellers are analysed. Chapter Two will further discuss the limitation of Arlt's work, and how this thesis has been informed by Arlt's study.

1.1.4 Identifying the Knowledge Gaps

The interpretation by Peck & Lepie (1989) that the nature of tourism in any given community is the product of complex, interrelated economic and political factors, as well as particular geographic and recreational features that attract outsiders implies that tourism studies are, up to then, primarily concerned with attracting visitors from outside and much less concerned with facilitation or regulation of tourist flows from source market.

Oppermann (1997) confirms that most tourism studies focus on inbound travel and impacts of inbound tourists to a destination country or region, and for a long time, outbound travel has been a neglected aspect of studying tourist flows. An extensive literature review indicates that there is very little research conducted in the area of outbound tourism, even less in China's outbound tourism. This research study will help fill the gap of outbound tourism in general, and outbound tourism from China in particular.

It has also been noted that among the limited studies on China's outbound tourism, most studies adopt a consumer or destination approach. The consumer approach focuses on the motivations of travel, visitor profiles, visitor behaviour, visitor satisfaction, and visitor relationships with destinations. The earlier discussion illustrates the consumer approach commonly adopted in the study of outbound tourism in China and the key findings of the studies.

The theories and research methodologies adopted in the consumer approach are all developed in the western world where capitalism prevails and the socio-economic state is more advanced than that in China. As a socialist country, China's market economy is still at an early stage, and outbound tourism takes place under stringent government scrutiny. For example, outbound tourism is sometimes associated with draining of foreign exchange and exposure to the ideology of the outside world, and there is already concern within China that the rapid growth in outbound tourism might drain the country's foreign exchange too fast and this could negatively affect the country's healthy economic development (Zhang, Yi & Liu, 2005). This fear has resulted in a cautious policy of trying to slow down the increase in outbound tourism, especially to areas beyond Hong Kong and Macau (Arlt & Kelemen, 2006).

Compared to the western world, there is greater government concern, more regulation and tighter control of outbound international tourist flows from China. The theories and research methodologies adopted in the consumer approach do not take into consideration differences between China and the western world, and the great difference in values and political inclinations. While it is generally accepted that tourism development in China is highly government directed, there is a severe lack of understanding of the Chinese government's roles in outbound tourism.

China is unique with regard to its outbound market, not just because of its sheer growth potential, but also because of its socialist system and its outbound tourism policy. China is one of the few major countries with an outbound tourism policy that has huge implications on its outbound tourist flows. For example, the hefty increase of Chinese visitor arrivals in Hong Kong by 45 percent and Macau by 66 percent in 2004 to 12.3 million and 9.5 million arrivals respectively could only be explained by China's tourism policy and

political consideration. Such phenomenon can hardly be explained by the consumer approach alone. China's tourism policy, however, is not very well understood by many destinations, and it often poses difficulties and barriers for those destinations that would like to develop the market. Most countries may have a policy of facilitating and promoting inbound tourism, but rarely has a country had an outbound tourism policy. China is one of the few major countries that have an articulated outbound tourism policy. However, even Chinese tourism experts find the outbound tourism policy ambiguous (Zhang, Yi & Liu, 2004).

There is a gap in the understanding and consideration of China's outbound tourism from the policy perspective. The approach of understanding China's outbound tourism from the policy perspective is as important as, if not more than, the consumer approach because the Chinese government's policies have significant ramifications on its international outbound tourist flows.

This thesis will examine how China's policy and politics impact on the country's outbound tourism. In fact, Hall & Jenkins argue that despite the recognition of the importance of government and tourism organisations, the field of tourism studies has developed with little attention to, and understanding of, the real significance of tourism policy (Hall & Jenkins 1995: xi, cited by Mak 2000). The lack of research on the policy implications of tourism is perhaps even more surprising given the emphasis by politicians on tourism as a means to economic and regional development (Hall, 1994 a). This thesis will fill the gap of tourism policy studies not just in China but in general as well.

Being not satisfied with the consumer approach alone in explaining China's outbound tourism and having identified the knowledge gaps, the researcher poses the question of "How are the trends and patterns of China's outbound international tourist flows being shaped?"

The results of this research on policy and political dimensions of tourism will help answer the above research question, and facilitate and improve tourism planning through increased understanding of the decision-making processes in China. The research will help destination countries develop China as a source market, target the right traveller

segment in China at the right time and with the right approach. In addition, the research will fill the knowledge gaps in outbound tourism and tourism policy. The aim and objectives of the research explained below are derived from the research question and the thesis is organised chapter by chapter to satisfy each objective.

1.2 Aim and Objectives of the Research

The aim of the research is to identify the factors shaping the trends and patterns of outbound international tourist flows from China and use the factors to explain the outbound tourism phenomenon in China. It is believed that these factors lie not in the consumers but in the socio-economic environment, cultural backdrop, state politics and other macro-issues. By understanding how these factors interact and affect China's outbound tourism, the study will contribute to the understanding of outbound tourism as a whole.

In order to achieve the above aim and answer the research question, the research will address the following specific objectives:

1. To understand the historical, socio-economic and political context in which China's outbound tourism has developed. Tourism phenomenon does not exist in a vacuum. Outbound tourism is a social interaction between people of one nation (or origin) with another to experience something different from their home country for a limited period of time. Surely China's fast changing socio-economic environment, rich cultural backdrop and socialist political concerns will have a significant impact on how the country's outbound tourism has developed and will develop. Chapter Six will discuss the cultural environment, socio-economic environment and political environment in China in which the country's outbound tourism has developed. The historical context will be treated as part of the political environment because of the political upheavals in China's modern history.
2. To compare and contrast mainland China's outbound tourism with that of Japan, Taiwan and Korea. The comparison will identify the similarities and differences in terms of policy environment, institutional arrangements and values during the early

phase of outbound tourism development when the restrictions on outbound travel had just been lifted. The comparison will help understand the factors enhancing or inhibiting outbound tourism under different political, social and economic situations. Chapter Five will discuss the case studies of outbound tourism from Japan, Taiwan and Korea, identifying the different socio-economic and political factors at play, and comparing them with China's outbound tourism. The political implications and tourism policy in the four countries and the region will be of particular interest to the analysis.

3. To examine the part played by the Chinese government in outbound tourism. As a socialist state, China plays an active part in managing the development of outbound tourism. It is important therefore to realise that there are in fact many roles played by the Chinese government in facilitating and controlling outbound tourism. Chapter Seven will discuss these roles under the headings of coordination, planning, legislation and regulation, entrepreneur, stimulation, social tourism and interest protector.
4. To develop a theory to explain the factors affecting China's outbound international tourist flows. The ultimate objective of the thesis is to develop a theory to explain the complexity of China's outbound tourism from more of a macro-perspective than a consumer-motivational approach. The theory will be unique to China, and it may or may not be possible to generalise the theory to explain outbound tourism in other countries. Chapter Eight will discuss the forces shaping China's outbound tourism based on the research findings and analysis in previous chapters. Chapter Nine will present the theory and model to explain China's outbound tourism.

Objective 1 is about China in the past and at present. Objective 2 is primarily concerned with case studies in the past. Objective 3 is about the Chinese government at present. Objective 4 is concerned with the present state of play and looking into the future.

China has a relatively short history of about 20 years of recorded outbound travel. The growth of outbound travel became significant in 1997, when China issued the "Temporary Regulations on Chinese Citizen Self-paid Outbound Leisure Travel", which signified the

beginning of leisure travel. The temporary regulation was later superseded by the “Regulations on Chinese Citizen Outbound Leisure Travel” in 2002. “Self-paid” was removed from the title of the regulation, probably because by then it was commonly understood that Chinese citizens paid for their own travelling and no longer relied on travel expenses being paid by someone outside of the country. In order to better recognise the trends and patterns of outbound travel, it is important to understand the historical, socio-economic and political context of the tourism development. The geographical context of China’s outbound tourism is also important because the economic and social situation in such a large country is uneven. Some regions are more advanced in terms of economic growth and travel experience, whereas other regions are less developed.

China’s outbound international tourist flows in recent years will be compared with situations in Japan, Korea and Taiwan in the era when travel bans in the respective countries were lifted. Similarities and differences in the outbound travel patterns and travel policy in these countries will be discussed. The existence, trend and effect of suppressed travel among the four source markets will be compared and investigated. It seems possible that there is suppressed demand for outbound travel as the result of regulations on such travel and administrative obstacles to outbound travellers. How was the pent-up demand in China different to that in Japan, Korea and Taiwan?

Based on the above analysis, the thesis will try to explain the outbound international tourist flows from China. The policy approach developed will supplement the consumer approach, which has been widely adopted to explain tourist motivation and behaviour.

1.3 The Approach Taken

The approach taken in this research starts with being investigatory and finishes with an explanatory model. The research will be descriptive rather than prescriptive in nature. It will try to understand what has happened, why it has happened this way, and the implications of what is happening. The research is not about what should or should not be done.

The research will first investigate the use of the consumer approach in explaining the trends and pattern of outbound travel from China, and discuss its limitations. The research will then supplement the consumer approach with a policy approach, which not only considers tourism policy but the political implications of outbound tourism activity as well.

The thesis has identified two gaps in the study of China's tourism market. The first gap is the lack of consideration of outbound tourism in the study of tourism in China. In fact, there is a bias towards studying inbound tourism, and the bias exists in most of the studies in international tourism around the world, and is not confined to China. The bias exists because countries are naturally more interested in receiving visitors and benefiting from their spending, rather than sending citizens away spending outside of their countries. Wen & Tisdell (2001) say that their book *Tourism and China's development: policies, regional economic growth and ecotourism* concentrates on the study of the development of international tourism because tourism is an important source of overseas income for China.

Similar philosophy and bias exist in favouring exports to imports. Most countries are interested in what they can do in attracting more visitors to their destinations, rather than studying how to facilitate their citizens' outbound travel. However, given that one country's outbound is other countries' inbound, and the outbound market in some countries is several times bigger than the inbound market, there is reason to make a serious study of outbound market.

Leiper (2000) warns against being destination focused and questioned the truism of "Destinations: the heart of tourism". It is argued that the main causal factors of tourist flows are not located in destinations but in traveller-generating regions, in places where trips begin, where the forces that stimulate tourists' motivations are located and where marker systems directing tourists to nuclear elements of attractions begin.

The second gap lies in the lack of consideration of policy issues in the study of China's outbound tourism. As discussed earlier, most of the studies in China's outbound tourism focus on the motivation, segmentation and satisfaction of Chinese travellers, and their perception or satisfaction with various destinations. The thrust of this research is to fill the gap by analysing the outbound tourism-related policies, the context of making such

policies, and the Chinese government's role in outbound tourism. The theory developed will supplement those developed so far, most of which originated from the western world, and are consumer-oriented, destination-focused and inbound-driven.

The primary source of information used in this study comprises in-depth interviews and questionnaires; interviews either in person or by questionnaire with senior executives in China's tourism administration and academics in China's economics, politics or tourism arena. The interviews with the Chinese authorities will help interpret the official policies and understand the government's considerations in developing such policies. As expected, the subject of outbound tourism policy in China is somewhat sensitive in nature, and the official view alone might not be comprehensive enough. Therefore, interviewees are not confined to senior executives in the government and their views are supplemented by tourism academics. The interviews with the academics will provide a more comprehensive and deeper understanding of the unique China tourism market in relation to its economic and policy considerations. It is also necessary to supplement such interviews with public forums in which senior government officials have expounded government policy and their views on outbound tourism.

The secondary source of information used in this study comprises a literature review of tourist motivation and behaviour theories and their applications in China, China's outbound tourism, tourism policy and politics in tourism. The main journals consulted in this respect are *Annals of Tourism Research*, *Tourism Management*, *Journal of Vacation Marketing* and *Asia Pacific Journal of Tourism Research*. The literature in tourism policy reviewed are authored by Michael Hall, Carson Jenkins, Martin Oppermann, Linda Richter, Neil Leiper, Chris Ryan, Lindsay Turner, Agnes de Franco, Wolfgang Arlt, Guangrui Zhang, Cathy Hsu, John Ap, Hanqin Zhang, Vincent Heung, Ray Pine, and Alan Lew. In addition, Chinese literature in China's outbound tourism and tourism policy has also been reviewed. Trade publications, newspaper and China portals are also important sources of up-to-date information.

The research method adopted in this study is qualitative in nature. The qualitative method rather than quantitative method is considered appropriate because the subject of tourism policy is indeed qualitative in nature. In fact, all the research studies on tourism policy

reviewed are qualitative in nature, and this one is no exception. Like all qualitative studies, there is limitation with the findings and discussions in that they cannot be quantified. It is not possible to accept or reject a hypothesis by using a qualitative method. However, the richness and depth of discussion should be able to compensate for the lack of precision and definitiveness in the study.

1.4 Organisation of the Thesis

Chapter One has established the background of China outbound tourism, the huge interest in the subject, the need for research study with a different approach, the knowledge gaps this thesis is trying to fill, the aim and objectives of this study, and the approach to be taken. Two knowledge gaps have been pointed out: the lack of study on outbound tourism in general and the lack of study on China's outbound tourism from the policy perspective in particular. The research question "How are the trends and patterns of China's outbound international tourist flows being shaped?" has been developed. The use of qualitative research methods involving a mix of primary and secondary sources has been described. The point has been made that the study will first investigate the different components of China's outbound travel: consumer motivation and behaviour, context of China's outbound tourism, policy and politics, and then attempt to synthesize a theory to fill the knowledge gaps and supplement existing theories and discussions on China's outbound tourism.

Chapter Two is about literature review and conceptual frameworks adopted by this thesis. It reviews the different theories and models developed by Dann (1977), Crompton (1979 a), Iso-Ahola (1982), Fridgen (1984), Pearce (1988), Fodness (1994), Ryan & Glendon (1998), and Leiper (2004) to explain the motivation and behaviour of tourists, and a number of segmentation theories related to tourists and destinations. This is followed by a discussion on the application of such consumer research in China's context. The chapter points out the limitations of only using a consumer approach to explain the trends and patterns of outbound international tourist flows from China, and proposes to supplement the consumer approach with the study of the macro-environment, particularly policy and politics. The literature that has informed and inspired this thesis is discussed. The three concept frameworks adopted by this thesis in different stages of the study are explained.

Chapter Three discusses the methodological considerations of this research. It begins with a philosophical discussion on ontology and epistemology, followed by different approaches to research and research paradigms. There is a review of qualitative research methodology, different research methods and the issue of validity in qualitative research. The research methods employed in this study, including in-depth interviews/questionnaires, participant observation, secondary data analysis and case study, will be explained.

Chapter Four presents the key findings of the study including the responses from interviews/questionnaires, highlights of several outbound tourism forums and seminars, and secondary data analysis.

Chapter Five presents case studies of outbound tourism from Japan, Korea and Taiwan, and relates the tourism development to the economic, social and political issues in their respective countries and the region. These three source markets in the Asia-Pacific region are chosen for the case study because they share the similarities of going through the stage of transformation from being a closed outbound market to an open market, as China is going through now. Hall's conceptual framework of policy-making process, which encapsulates Easton's conceptual framework of political system, will be used in analysing the case study. The case study will provide a deeper understanding of what is happening in China and insights of how the macro-environment shapes outbound tourism. This chapter serves the research objective 2 of comparing and contrasting mainland China's outbound tourism with that of Japan, Taiwan and Korea.

Chapter Six examines the cultural, socio-economic and political context of China's outbound tourism. How do traditional Chinese values and history of over 2,000 years affect its people in their travel behaviour and shape the government tourism policy in the modern days? China is a huge country with 23 provinces, five autonomous regions and four municipalities, many in different stages of economic development and with diverse level of sophistication across the country. Will the government see and treat outbound travel differently in different regions? Will the outbound travel policy in different regions be different according to their level of sophistication? How does the socialist country

manage outbound tourism which is fundamentally consumer-oriented and market-driven? This chapter serves the research objective 1 of understanding the historical, socio-economic and political context in which China's outbound tourism has developed.

Chapter Seven analyses the roles played by the Chinese government in outbound tourism in terms of coordination, planning, legislation and regulation, entrepreneurship, stimulation, social tourism and interest protector. China's explicit policy of aggressively developing inbound tourism, actively developing domestic tourism, and scrutinising outbound tourism, will be discussed. China's outbound tourism policy is characterised by the unique feature of Approved Destination Status (ADS). A country has to apply for and be granted by China the ADS before receiving tour-group visitors from China. This peculiar arrangement is the foundation of China's outbound travel policy, which gives China the power to control outbound travel. As of April 2008, 134 countries and regions have obtained ADS, which allows them to receive leisure tours groups from China. With the increasing number of countries being granted ADS, will the control function of such policy diminish? How will the policy on ADS evolve? This chapter serves the research objective 3 of examining the roles played by the Chinese government in outbound tourism.

Chapter Eight uses Kotler, Bowen & Makens' conceptual framework of macro-environment to analyse the seven forces impacting on China's outbound tourism: competitive, demographic, economic, technological, cultural, natural, and political. The analysis reveals the interplay between the government as a control and regulating agent, and the market forces in outbound tourism. This chapter expounds the dialectic forces of state control and market economy. The market forces arise not just from within the country, which is embarking on a socialist market economy, but also from active destination marketing from outside. On one hand, the state is exercising control over mobility, planning outbound travel centrally, regularising the travel trade and exerting its diplomatic power in international relations; on the other hand, the outbound market is supported by a buoyant economy, increasing disposable income, more leisure time, influence of foreign visitors, and destination marketing.

Chapter Nine synthesises the issues, factors, theories and models on China's outbound market as discussed in previous chapters and constructs a theory based on Kotler, Bowen

& Makens' framework of macro-environment forces and Easton's framework of political system. The theory and model established by this research fill the two gaps identified earlier in the thesis: lack of consideration of outbound travel in the study of tourism and the lack of consideration of policy and politics in the study of outbound tourism in China. This chapter serves the research objective 4 of developing a theory to explain the factors affecting China's outbound international tourist flows.

The theory and model established by this thesis serves to supplement the consumer approach with a broader approach of understanding the policy and political issues in outbound tourism. In filling the knowledge gaps identified earlier in the thesis, the study identifies the factors shaping trends and patterns of outbound international tourist flows from China.

CHAPTER TWO

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORKS

2.0 Introduction

Chapter One poses the research question “How are the trends and patterns of China’s outbound international tourist flows being shaped?” It is found that most of the studies on China’s outbound tourism focus either on the visitor characteristics and motivation or the appeal of a destination, and there is a gap in the understanding and consideration of China’s outbound tourism from the policy perspective. In order to fill the knowledge gap, it is necessary to find out what the literature says about motivation, satisfaction and segmentation, and how such consumer approach has helped the understanding of Chinese travellers, and the limitation of such approach.

This chapter examines the consumer approach of using motivation and market segmentation theories to explain tourist behaviour in general and Chinese traveller behaviour in particular. Most of the theories and research methodologies used to study tourist behaviour are built upon the fundamental premises of consumers or individuals, who are assumed to have rational and emotional reasons to travel and they can be categorised into groups of similar characteristics. This chapter expounds the limitation of using such consumer theories in explaining outbound international tourist flows from China, and argues to supplement the psychological approach of motivation and sociological approach of segmentation with a more macro approach in the study of China’s outbound tourism. This chapter is not to discredit the use of motivation and market segmentation theories in explaining China’s outbound tourism, but rather to provide a more comprehensive understanding of China’s outbound tourism in the wider context of policy, political, cultural and socio-economic issues.

It is often portrayed in the media that people take holidays and travel “to get away from it all”. Psychologists and sociologists have been studying travellers and trying to understand

what motivates their travel. Many studies have been conducted and theories are put forward to explain travel behaviour. Many studies have been conducted to identify homogenous segments of travellers, in an attempt to predict the behaviour of travellers based on their characteristics and motivation to travel. It is based on such market segmentation studies that marketers hope they can better understand travellers' decision-making processes, develop and differentiate products and services to appeal to specific segments and assess satisfaction of their travel experience.

The discussion identifies the differences in cultural background and stage of development between China and the western world where such theories were developed, and hence the limitation of such consumer approach and the need for an alternative approach.

In developing the alternative approach in this thesis, three different conceptual frameworks will be explained. It will be explained how the different conceptual frameworks fit into different stages of the investigation. The three conceptual frameworks are meant to supplement the psychological approach of motivation and sociological approach of segmentation in unveiling the complexity and dynamic nature of China's outbound tourism. The three conceptual frameworks are Easton's political system, Hall's tourism policy-making process, and Kotler, Bowen & Makens' major forces in the macro-environment.

2.1 Travel Motivation

Before reviewing the literature in travel motivation, it is necessary to first review more basic theories of consumer psychographics. One of the classic theories of consumer psychographics is List of Values (LOV) defined and refined by Kahle & Timmer (1983). They came up with a list of nine values which, in their opinion, are important and terminal in serving as guiding principles in everyday life. The List of Values are: 'Sense of belonging', 'Excitement', 'Fun and enjoyment in life', 'Warm relationships with others', 'Self-fulfilment', 'Being well-respected', 'A sense of accomplishment', 'Security', and 'Self-respect'.

LOV was first developed by Rokeach, who defines values as *enduring beliefs that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state* (Rokeach 1973: 5, cited by Kahle, Rose & Shoham, 2000: 3).

While cross-cultural research using the LOV could potentially be a major step towards improved understanding of political and economic ties between communities and citizens of divergent countries (Kahle, Rose & Shoham, 2000), the concept has its limitation in the understanding of travel motivation. For example, in the application of LOV in the analysis of work and leisure by Pottick (1983), the author concludes that none of the values emerges with a perfect fit to the work and leisure roles; rather, each value group experiences both adaptive and maladaptive outcomes. The LOV concept certainly has had some influence in the development of travel motivation theories, which can be seen in the following sections.

The following sections discuss travel motivation theories by Johnston, Dann, Crompton, Iso-Ahola, Fridgen, Pearce, Fodness, Ryan & Glendon, and Leiper; and review various market segmentation theories including demographic segmentation, image segmentation, segmentation by tourist sentiments, and benefit segmentation. The discussion covers motivation specifically related to travel, why people travel for leisure purposes, and application of the theories in the study of China's outbound tourism.

2.1.1 Travel to Escape

According to Johnston, *the greatest reason for travel can be summed up in one word 'Escape': escape from the dull, daily routine; escape from the familiar, the common-place, the ordinary; escape from the job, the boss, the customer, the commuting, the house, the lawn, the leaking faucets* (Johnston 1970, cited by Dann 1977: 185). It is believed that people need a break every now and then, to be away from home for a short period of time to escape daily chores and feel refreshed.

“Travel to escape” may still be true for some people, however it does not explain the more sophisticated travellers such as the purposeful cultural tourists, tourists having holidays

pre- or post-conference, travellers who choose a particular destination for a holiday because they want to be inspired for their business or career, people who travel to shop, people who visit a location because of its historical and political significance, or students taking overseas vacations to reward themselves after examinations. Study tours, government delegations, performance and competition groups, people visiting friends and relatives are the other types of travellers very common in China, and for them “escape” cannot be not the main reason to travel.

2.1.2 Anomie and Ego-enhancement

In one of the earlier studies, Dann (1977) tries to answer the question “what makes tourists travel?”, and postulates that there are “pull” and “push” factors in tourist motivation. “Pull” factors are those that attract the tourist to a given destination and whose value is seen to reside in the object of travel. Examples of “pull’ factors are beach and culture. Some people are attracted by the sun, sand and sea of Phuket and Bali. Some people are attracted by the Chinese history and culture to visit Xian. “Push” factors, on the other hand, refer to the tourist as the subject and deal with those factors predisposing a person to travel. Examples of “push” factors are escape and nostalgia. Some people are driven by boredom to take a vacation, just to escape from work. Some people are driven by the urge to see the past and visit museums. Dann argues strongly the importance of “push” factors over “pull” factors in understanding tourist motivation, and puts forward “anomie” and “ego-enhancement” as two basic types of tourist “push” factors.

Anomie was originally used to describe the aftermath of the French and Industrial Revolutions, where increasing division of labour and its concomitant individualism had highlighted the tension of the individual in mass society. *Anomie* is now used to refer to the state of alienation from work, feeling of meaninglessness, conflict and detachment from mass society. People seek social interaction from travel and vacation to address *anomie*. The orientation is measured by the need to break away from work, the need to interact with other people, and the need to mix with people of different backgrounds. It is claimed that people have the desire to transcend the feeling of isolation obtained in everyday life, which can only be fulfilled away from the home environment.

According to Dann, travel not only represents the fulfilment of certain basic needs, but also offers an alternative world...

It can be argued, for instance, that in the monotony of suburbia, the faceless city or the public village, life only becomes tolerable with the thought that there are chances of periodic escape from such an existence, and that travel provides the ideal outlets.

Additionally, however, travel has the advantage of permitting the travellers to behave in a manner normally circumvented by the dictates of convention. When on holiday, the tourist can overstep the bounds of fashion, tell a few stories normally deemed improper or inappropriate, wear flashy clothes, eat exotic food, get drunk, become more sexually permissive, alter his timetable, stay up half the night, listen to loud local music, etc., in short, indulge in those kinds of behaviour generally frowned upon in his home environment. (Dann 1977: 188)

Ironically, *anomie* still exists in a socialist country like China. It is an irony because in theory socialism is supposed to cure the alienation stemming from monotonous and repetitive work in a capitalist society. According to The Economist (2007), there are still hundreds of millions of Chinese toiling for long hours at low wages, often in dirty and dangerous conditions, and independent labour unions do not exist. Therefore, one can safely assume that travel, particularly outbound travel, is still needed in China to *serve as a hospital for the societal ill* (MacCannell 1996, cited by Ryan 1998: 954).

Ego-enhancement refers to the status-seeking nature of human being and the need to be recognised. When he mixes with people who do not know him, a traveller can allow himself to be anyone he wants to be. He is released from his normal role and position at home and at work. When he returns from vacation, he can also talk about the places he has travelled to and elevate his status. In this case, the place he travels to is important in relation to status building and self recognition:

A tourist can go to a place where his social position is unknown and where he can feel superior by dint of this lack of knowledge. Additionally, on his return a further boost can be given to his ego in the recounting of his holiday experiences – trip dropping. If he goes to a prestige resort then he can assume greater status by paying a great deal or by mixing

with an exclusive set. If he goes to a corner of the world relatively poorer than his own then he may obtain satisfaction of his need in lording it over the host community. (Dann 1977: 187)

There is a strong fantasy component in the use of *anomie* and *ego-enhancement* to explain travel behaviour, because the theory alleges that a traveller can dream of being the person he wants to be, do the things that he wants to do, because the inhibition level is much lower during travel.

It is difficult to use Dann's *anomie* and *ego-enhancement* concepts to explain why 70 percent of the outbound travellers from China visit Hong Kong and Macau, rather than some other, far-away places where the identity of a Chinese traveller can become more obscure and the destination could be a better cure for an anomic tourist. In fact, *anomie* and *ego-enhancement* are concepts that are so broad that they can be used to explain somehow all kinds of social behaviour.

2.1.3 Socio-Psychological-Cultural Continuum

Crompton (1979 a) puts forward the concept of nine motives located on a socio-psychological-cultural continuum that direct pleasure vacation behaviour, based on his study of 39 unstructured interviews with a sample of adults conveniently available. The continuum starts with very personal motive at one end, moves towards the need for social interaction, and finishes with cultural stimulus at the other end. The nine motives are:

1. *Escape from a perceived mundane environment.* It was found that there is an internal drive to seek change from the social or physical environment in which one normally lives.
2. *Exploration and evaluation of self.* Self-discovery is found to be one of the travel motives, which can only be satisfied when the traveller compares with people who are culturally and socially different to himself.

3. *Relaxation.* Most vacationers seek relaxation, perhaps more mentally than physically. While a vacationer might find himself physically exhausted after a holiday, mostly likely he feels mentally relaxed because he has the time to pursue activities of interest.
4. *Prestige.* Prestige is reported as a primary motivating factor in other people's trips. As travel has become more frequent, it is perceived to be less prestigious. Prestige potential disappears with frequency of exposure.
5. *Regression.* Some vacationers do things that are more reminiscent of adolescent or child behaviour than mature adult behaviour. They are freed of the mores that inhibit capacity for enjoyment at home. Some people seek nostalgia, romanticism, or childhood in their holiday.
6. *Enhancement of kinship relationships.* Family members might want to enhance or enrich their relationships with each other. Pleasure vacation serves as a medium through which family relationships could be enhanced or enriched by being physically together and away from the routine.
7. *Facilitation of social interaction.* Meeting new people in different location is another important motive for pleasure travel. If seeking social exchange with people in the destination is important, such trips are people-oriented rather than destination-oriented. This is particularly relevant when there is a nucleus of people with a common interest that facilitates social interaction. Examples are lawyers, teachers, doctors, rose growers or home builders getting together in a destination for social and intellectual exchange.
8. *Novelty.* This refers to the new experience of actually seeing something in a previously unvisited destination. Many travellers choose a different destination brand each time they travel because they are always looking for fresh cultural stimuli.

9. *Education*. Some travellers feel that they ought to see and experience something in a destination. They perceive education in travel as a means of developing a rounded individual. Travel is seen as an opportunity in a lifetime to see particular cultural phenomena, and if the opportunity is not grasped then educational benefits are lost.

At one end of the socio-psychological-cultural continuum, people seek to satisfy their socio-psychological motives and the destination serves as a medium only. For example, for travellers who are seeking enhancement of kinship relationships, the opportunity to interact with family members is most important and the specific offering of the destination is relatively unimportant. At the other end of the socio-psychological-cultural continuum, some people desire to see new places or do things in a different environment. These travellers seek new stimuli and novelty in their travel destinations, and there is a lack of destination “brand loyalty” among them.

Crompton’s conceptual framework of socio-psychological-cultural continuum was later adapted and modified by Crompton & McKay (1997) to comprise the following seven motivational domains:

1. *Novelty*: A desire to seek out new and different experiences through pleasure travel as motivated by a need to experience thrill, adventure and surprise, and alleviate boredom.
2. *Socialisation*: A desire to interact with a group and its members.
3. *Prestige/Status*: A desire to have high standing in the eyes of surrounding people.
4. *Rest & Relaxation*: A desire to refresh oneself mentally and physically from normal day-to-day stresses.
5. *Education Value/Intellectual Enrichment*: A desire to gain knowledge and expand intellectual horizons.

6. *Enhancing kinship and Relations/Family Togetherness*: A desire to enhance family relationships.
7. *Regression*: A desire to engage in behaviour reminiscent of an adolescent or child.

Crompton's socio-psychological-cultural continuum can be seen as a refined model of Dann's push and pull theory. It is useful in conceptualising tourism motivation as a dynamic process of internal psychological factors that generate a state of tension or disequilibrium within individuals, and the resulting disequilibrium leading to actions designed to restore equilibrium through satisfying the needs. The model illustrates how a motivational approach for tourist segmentation could provide cues and insights around which destinations could develop their products and promotion strategies. Like Dann, Crompton emphasises the importance of socio-psychological push factors in an individual traveller's choice of destination, and downplays the importance of pull factors.

Crompton's travel motivation model has its limitation in explaining tourist behaviour because motivation is just one of the many factors for tourist flows. In fact, this limitation applies to all sociological and psychological models. Crompton himself confessed that...

It is recognised that motivation is only one of many variables which may contribute to explaining tourist behaviour. To expect motivation to account for a large portion of the variance in tourist behaviour is probably asking too much since there may be many other interrelated influences operating (Crompton 1979 a: 409).

The other interrelated influences in the case of China are complex and varied. Chinese travellers are a new breed in a socialist state. In the 100 years before China adopted the open-door policy in the 1980s, concepts like novelty, socialisation, rest and relaxation, intellectual enrichment, kinship and regression were almost non-existent. Now that outbound travel is permitted in China, there are political, social and economic considerations in opening up the market, and the country is handling outbound tourism very cautiously. Policy is gradually being put in place to ensure that the opening up of outbound travel is in line with the overall national development agenda. In order to have an holistic view of China's outbound tourism, it is therefore important not only to

understand the psychological and sociological aspects of travel but also to comprehend the political, social and economic factors shaping the trends and patterns of China's outbound international tourist flows.

2.1.4 Approach and Avoidance

A motive is an internal factor that arouses, directs and integrates a person's behaviour (Murray 1964: 7, cited by Iso-Ahola 1982: 257), and it is believed that there are special motives for travel. Iso-Ahola (1982) developed the theory of tourism motivation based on the premise that there is an awareness of potential satisfaction in future travel. The satisfaction that a tourist anticipates to derive from his travel is linked to two motivational forces: *approach* (seeking) and *avoidance* (escape). A tourist sees potential satisfaction in the travel providing intrinsic rewards (therefore seeking), or helps him to leave the routine environment behind him (therefore escape). *Seeking intrinsic rewards* and *Escaping the everyday environments* are the dichotomy of Iso-Ahola's framework of tourism motivation.

Seeking intrinsic rewards is further subdivided into personal and inter-personal dimensions. A tourist may seek personal rewards such as feelings of mastery and getting renewed, ego-enhancement and prestige. A tourist may seek inter-personal rewards such as varied and increased social interaction, interacting with friendly natives or members of the travel group, interacting with old friends in a new place or with new friends in an old place.

Escaping the everyday environment is also subdivided into personal and inter-personal dimensions. A tourist may escape the personal world such as personal troubles, problems, difficulties and failures. A tourist may escape the interpersonal world such as co-workers, family members, relatives, friends and neighbours.

Figure 2-1 represents Iso-Ahola's social psychological model of tourism motivation with four types of motivational characteristics represented the two-by-two dimensions of *Seeking intrinsic rewards-Escaping the everyday environments* and *Personal-Interpersonal*. The model presents four types of tourism motivation as represented by the four cells in a static state. In reality, tourists may travel for a different combination of

reasons every time they travel, and tourists may also go through different cells in the course of one trip.

Figure 2-1: Iso-Ahola's social psychological model of tourism motivation

		<u>Seeking intrinsic rewards</u>	
		Personal	Interpersonal
<u>Escaping the everyday environment</u>	Personal environment	1	2
	Interpersonal environment	3	4

Source: Iso-Ahola. (1982). *Towards a social psychology of tourism motivation: a rejoinder*

Iso-Ahola's (1982) motivation model is different to Dann's and Crompton's in that...

The model emphasises the dialectical character of tourism motivation and demonstrates that it is futile to attempt to categorically separate reasons from benefits, because reasons (e.g., exploring new places) can be benefits and benefits (e.g., escape from routine) can be reasons of tourism behaviour. For one thing, tourism behaviour is a dialectical-developmental process. Due to social influences, individuals are continuously changing – be it slowly or rapidly: they experience contradictions and conflicts within themselves and others, and such contradictory conditions constitute the basis for change and development. (Iso-Ahola 1982: 260-261)

Iso-Ahola hints at the importance of social influences and the dynamic nature of tourism motivation. What is missing from the motivation models reviewed so far is the lack of consideration of social influences. This is particularly important in the case of China

where at least in the early stage of tourism development travel is very much an interpersonal activity. The need to seek approval by the authority to travel and travelling in a tour group is still the norm. These social influences are often neglected in the study of motivation in tourism.

2.1.5 Environmental Psychology and Tourism Behaviour

Fridgen (1984) adopts Clawson & Knetsch's (Clawson & Knetsch 1966, cited by Fridgen 1984: 19-39) framework of recreation experience and provides a link between environmental and social processes, and travel and tourism behaviour. He applies the five-phase recreation travel framework in tourism, and socio-environmental processes are discussed for each phase. The five phases are: *anticipation, travel to the destination, on-site behaviour, return travel and recollection*. It was argued that to fully understand tourism behaviour, both environmental and social variables must be studied. Tourism involves people moving from one environment through a range of other environments to a destination site and then home via a return trip. Travellers have different expectations and needs, and hence display different behaviour in the five phases. According to Fridgen (1984), the five phases in the context of travel are described as follow:

1. Travel experience starts with the anticipation of getting away from the usual social and physical environment. This is the stage where the image of the destination comes into play, and the traveller forms his own imagination of the destination as well. *As travel decisions are made, people's perceptions of social and environmental situations at home, work and in the community interact with perceptions of vacation destination* (Fridgen 1984: 24). This is particularly relevant in the case of China where many social and environmental factors interact and manifest themselves in the travel-decision process. Landscapes, which are often glorified in Chinese poetry, have a special meaning in travel because *people interpret and supply missing information and complete a setting assumed to fit together* (Fridgen 1980, cited by Fridgen 1984: 26).
2. Travel to the destination is an important phase because it is often said that "getting there is half the fun". The experience of travelling by car, train, ferry or airplane is

an integral part of the total travel experience. The experience includes the physical environment of the mode of transportation as well as the service provided. It is worth noting that in the case of China, most of the transportation means including airlines, airports and train services that are directly or indirectly owned by the government. The government has carried out a series of privatisations to relinquish ownership of these state-owned enterprises, which has had an impact on the management and service quality of the various means of transportation.

3. On-site behaviour is the third phase and is often the focus of tourism studies. *The majority of tourism research centres upon behaviours occurring at, and satisfactions derived from, the destination site, the resort, or the amusement or cultural centre* (Fridgen 1984: 29). The Chinese government is particularly concerned with the behaviour of Chinese tourists on-site, and has started a campaign to educate them on proper tourist behaviour. The involvement of government regulation of on-site behaviour of Chinese tourists will be further discussed in Chapter Eight.
4. Little is known about a traveller's return travel although he might take side-trips or a different route to the one used on his outbound trip. In the case of an official Chinese delegation returning home after an overseas visit, they are likely to take a different route to the one used on the outbound trip. In fact, official visits are so prevalent in China that they have their own characteristics and are worth special attention. Official and business travel as a unique outbound segment in China will be further discussed in Chapter Four.
5. Recollection refers to the process of reaffirming or correcting one's image of the destination after the travel. As a result of the recollection, a traveller might change the perceptions of the home country. The difference between home country and travel destination, both in social and physical terms, is likely to have some impact on a traveller's feelings and appreciation of the home environment. The question of how Chinese travellers, who have been isolated from the outside world for a century, perceive their own country and culture after seeing the outside world is an interesting one but beyond the scope of this thesis.

2.1.6 Travel Career Ladder

Pearce's (1988) Travel Career Ladder model postulates that there exists a developmental, psychological motivation of tourists as a result of their past tourism experiences, which is discernible and leads to changing patterns of behaviour over time. The theory is essentially based upon Maslow's hierarchy of needs and conceptualisations of psychological maturation towards a goal of self-actualisation (Ryan, 1998). Maslow's hierarchy of needs postulates that human beings are motivated by many needs, which can be categorised in five levels. Human beings first seek to satisfy the basic level of physiological needs, and then proceed to seek safety and security. Once these needs are satisfied, they become motivated to seek esteem, a sense of belong, and love. The next level of needs to be satisfied is knowledge and understanding of the world. At the highest level, human beings are motivated to seek self-actualisation and aesthetic experiences.

The Travel Career Ladder model is concerned with the sequence of trips that individuals experience and how they learn, progress and change as tourists, similar to one's career (Leiper, 2004). There are five levels of needs in the model, namely, *relaxation*, *stimulation*, *relationship*, *self-esteem and development*, and *fulfilment*, corresponding to Maslow's hierarchy. According to the model, repeat visitors show more interest in relationship and self-esteem levels. The framework is developmental and dynamic, for as people acquire more experiences as tourists, their motivations change and progress to a higher level. For example, those going abroad for the first time may prefer the security of a package tour, but will opt for independent travel as they become more experienced.

Although the Travel Career Ladder model has its intuitive appeal, Ryan (1998) raised the following issues about the concept:

- The model is philosophically not congruent with Maslow's approach. Maslow was concerned with moral issues and that not everyone became "self actualised".
- The definitive listing of items to be used for measuring the developmental process to self actualisation by tourists has not been identified.
- The research has used open-ended responses and the data have been derived from structured questionnaires.

- The literature fails to mention past consumer behaviour research.
- While the model implies an upward movement on the ladder over time, it cannot be said to be a predictive theory.

2.1.7 Measuring Tourist Motivation

Fodness (1994) developed a self-report scale to measure leisure travel motivation. A series of three qualitative and quantitative studies were used to develop and evaluate the scale that relate leisure travel to specific, generalisable motivators, and results are discussed in terms of the potential that a functional approach holds for understanding, predicting, and influencing the relationship between tourist motivation and behaviour. The five factors revealed in the study are: *value-expressive - ego-enhancement; knowledge function; utilitarian function - punishment minimisation; value expressive - self-esteem; and utilitarian function - maximise reward.*

The study further used a dependent variable framework to develop and compare the profiles of the functional segments. *Descriptor variables were chosen which would seem to contribute to a manager's understanding of his or her product or which conceivably could be influenced by the manipulation of the marketing mix* (Fodness 1994: 571). The study establishes that *the functional segmentation approach developed was capable of producing ostensibly viable market segments that can be differentiated from one another on managerially-relevant variables* (Fodness 1994: 571). The following managerially-relevant market segments are identified:

Segment 1: Travelling parties of this segment are large and the most likely to contain children. Members of this segment are the least likely to travel via recreational vehicle. They indicate relatively long trip-planning periods and are the most likely to lodge in hotels and motels.

Segment 2: This segment is distinguished by its high percentage of single adult households and high percentage of retiree households. They are among the most highly educated of the functional segments. They report the smallest travel party. They are the most likely to use auto clubs and spend the most in restaurants.

Segment 3: This segment contains a relatively high percentage of households with children, in addition to the highest percentage of families with grown children.

Segment members are well educated, with the highest percentage of members having attained post-graduate status or advance degrees.

Segment 4: This segment contains the highest percentage of empty nesters in addition to a high percentage of households with children. This is the segment reporting the least education. They have the highest percentage of members travelling via truck or van and they spend the most on entertainment and on personal souvenirs.

Segment 5: Members of this segment are the most likely to have come from households consisting of married couples without children. This segment also contains a relatively high percentage of single adults. They are by far the most likely to travel via recreational vehicles, to stay in campgrounds, and they spend the most on gas.

2.1.8 Application of Leisure Motivation Scale to Tourism

Ryan & Glendon (1998) conducted a study of 1,127 UK holidaymakers using cluster analysis derived from the Leisure Motivation Scale of Beard & Ragheb (Beard & Ragheb 1983, cited by Ryan & Glendon 1998: 172). The Leisure Motivation Scale indicates that the following four kinds of motives determine satisfaction to be gained from leisure pursuits:

1. An intellectual dimension associated with “knowledge”, “imagination”, and “discovery”;
2. A social component that is concerned with establishing and sustaining existing relationships while on holiday;
3. A relaxation dimension with an escape motivation and a related search motivation;
4. A competence-mastery dimension concerned with the challenge of abilities and their use component in which individuals seek to achieve, master, challenge, and complete.

The study argues that it is possible to construct a Holiday Motivation Scale using the following 14 items to generate statistically significantly different clusters of holidaymakers while retaining the integrity of the original four kinds of motives:

1. Relax mentally
2. Discover new places and things
3. Avoid the hustle and bustle of daily life
4. Relax physically
5. Be in a calm atmosphere
6. Increase my knowledge
7. Have a good time with friends
8. Be with others
9. Build friendships with others
10. Use my imagination
11. Gain a feeling of belonging
12. Challenge my abilities
13. Use my physical abilities
14. Develop close friendships

Studies using this type of cluster analysis are easy to understand for the researchers, respondents and users. It helps identify clusters of tourists that have similar motivational dimensions.

2.1.9 Needs and Motivations

Leiper (2004) makes a distinction between needs and motivations: a need is a state of felt deprivation while a motivation is like a force impelling people to act, attempting to satisfy a need. Based on research findings from projects conducted between 1975 and 2003, Leiper identifies 12 kinds of needs underlying tourist motivations:

1. The need for escape from perceived mundane environments. Going on a trip is an easy form of relief from boredom, escaping from normal place, normal pace, normal faces and normal activities.

2. The need for rest and relaxation. Rest is recovery from physical or mental fatigue, and relaxation is recovery from tension and stress. Tourism is a period away from conditions that cause physical and mental fatigue, tension and stress.
3. The need for sunlight. Some people crave a climate of long hours of sunshine, particularly those who see very little sunlight in their normal routines.
4. The need for regressive behaviour. Regression means reverting, normally temporarily, to an earlier state of existence and behaviour. Regressive behaviour helps children and adolescents grow up, and it helps adults cope with maturity. Tourism is a socially acceptable format for regressive behaviour because a tourist is away from normal contexts.
5. The need for self-evaluation. Away from busy activities and without pressing conditions such as work are times when people have space to reflect and think and discover who they really are, what is really important, where they are heading in life.
6. The need for self-esteem, prestige and confidence. Completing a journey with a degree of success can lead to increased self-confidence. Being a tourist might be seen as prestigious by some people. Travelling to expensive destinations and staying in deluxe hotels might be seen as prestigious by others.
7. The need for social interaction. Human beings are gregarious by nature, and we all need company. Tourism provides an easy and almost certain form of social interaction. Tourists interact with fellow tourists, service providers and local residents of a destination.
8. The need to spend time with relatives and friends. It is common these days that individuals have families and friends scattered around the country and around the world. Millions of people travel every year to meet their friends and relatives. Many families take holidays to build bonds between members of a family.
9. The need to indulge in nostalgia. Nostalgia, *the feeling of loss or anxiety about the passage of time, accompanied by a desire to experience again some aspects of the past ... has emerged as a major motivation for tourism* (Graburn 2000: 415, cited by Leiper 2004: 106). Tourists visiting places known years ago and remembered fondly is one form of indulging in nostalgia.
10. The need for education, to indulge in curiosity. Tourism can be an excellent medium for satisfying the need for education, for it allows individuals to

- personally learn something about the world by having direct experiences in places away from home. When we are away from our home environments, in new, unusual and often strange environments, our perceptions are heightened; we become more alert, we are then more likely to learn. Tourists need open minds to receive new facts and ideas, and they need preparatory knowledge about the sorts of places and cultures they are likely to experience on trips. This kind of education should be distinguished from the organised and institutionalised form of schooling.
11. The need for novelty. People need new experiences, new environments, new activities, new possessions, and tourism can satisfy the need.
 12. Needs underlying tourists' shopping. Tourists buy souvenirs for themselves, and they buy gifts to take home for relatives and friends. *Souvenirs are objects which serve as reminders of people, places events or experiences* (Cohen 2000: 547, cited by Leiper 2004, 107). Acquiring valuable or remarkable goods can also serve tourists' needs for self-esteem and prestige.

Leiper's analysis puts needs in the forefront of travel motivation, with the assumption that motivation is rooted in some primary needs, and notes that a tourist's trip is usually motivated by a mixture of two or more of the needs.

2.2 Market Segmentation

One of the major approaches in studying tourist travel patterns is to group tourists into homogeneous segments in terms of demographics or needs. The underlying assumption is that travellers in the same segment behave in a similar pattern, they have similar needs and wants, and they respond to stimulus in a predictable manner.

According to Orth, McDaniel, Shellhammer & Lopetcharat (2004), since the concept of market segmentation was first introduced by Smith in 1956, the process of dividing markets into smaller segments based on certain criteria such as consumer needs, characteristics and behaviour has become an integral part of modern marketing

There are two broad types of market segmentation: *a priori* and *ex post facto* (Clancy & Roberts, 1983). *A priori* segmentation involves an early selection of a mode or basis of

segmentation based on managerial judgment. Examples of *a priori* segmentation are demographics (for example, age below 30 / age above 30) and frequency of travel (for example, frequent travellers / inexperienced travellers). *Ex post facto* segmentation is based on research and it is the research findings that define the segments. Examples of *ex post facto* segmentation are attitude towards travel (such as: a must / a luxury) and reason for travel (such as: relaxation / intellectual advancement).

Clancy & Roberts (1983) identified the following standards for an acceptable segmentation scheme:

1. The segmentation variables show large discrimination across the total sample
2. The shape of the relationships should be understandable
3. The segmentation variables create subgroups within the overall scheme that are of large enough projected size
4. The scheme makes good marketing sense for developing strategies today and in future

Using financial services as an example, Clancy & Roberts (1983) gave the following criteria for identifying an optimal market target: responsiveness, sales potential, growth potential and decision-making power. Market targets of high responsiveness, high sales potential, high growth potential and high decision-making power are considered of optimal market target.

2.2.1 Demographic Segmentation

Demographic segmentation is the most commonly type of *a priori* segmentation. Age, sex, marital status, life stage, income level, education level, country of origin, etc. are reasonable bases of segmentation. *A priori* segmentation using demographics is easy to understand and easy to use. Demographic segmentation is often used in studies because the differentiation is more visible and identifiable than other types of segmentation such as image and benefit segmentation. One can more easily identify a “couple” walking into a hotel than someone who is “looking for pampering” or “having a positive image of a destination”. Marketers can target a particular demographic group by advertising in magazines most widely read by the target group, and create a special offer to the target

group in mind. This is why demographic segmentation, particularly, life-cycle stage segmentation, is a popular segmentation method.

However, segmentation by demographics does not provide an explanation of consumer behaviour in depth. While it may seem reasonable to create a product targeting a particular demographic profile, it certainly does not guarantee that the particular demographic segment will respond positively to the product. A demographic segment responding very positively now might change in future because of competitive activities and changing needs. It is also very difficult to tell whether a demographic segment will be more responsive to promotional efforts than another segment. It is therefore far too much to expect demographic factors alone to explain travel behaviour adequately.

2.2.2 Segmentation by Destination Image

Segmentation by destination image is an alternative to demographic segmentation, and it is often possible to identify image segments with demographic profile. According to Reynolds, *an image is a mental construct developed by the consumer on the basis of a few selected impressions among the flood of total impressions coming into being through a creative process in which these selected impressions are elaborated, embellished and ordered* (Reynolds 1965: 69, cited by Leisen 2001: 50). The image of a destination is formed by reading reports, news and books about the destination, promotional materials put forward by the destination and word-of-mouth. An individual normally has an image or expectation of a destination before visiting. *The image represents the destination in the traveller's mind and gives him or her a pre-taste of that destination* (Fakeye & Crompton 1991, cited by Leisen 2001: 51). According to Goodrich, *the destination with the most favourable image connotes the greatest level of need satisfaction to the traveller, and therefore, the more favourable the image of a destination, the greater the likelihood of choice.* (Goodrich 1978, cited by Leisen 2001: 51)

Leisen (2001) studied the image of New Mexico as a vacation destination among 4,910 residents of eight states in the US by mailed survey, and identified four clusters of respondents as follow:

- Cluster 1 (23 percent of the respondents): expressing a favourable image of New Mexico's socio-cultural and natural amenities
- Cluster 2 (26 percent of the respondents): expressing the most favourable image of New Mexico's natural amenities
- Cluster 3 (17 percent of respondents): expressing an overall favourable image of New Mexico
- Cluster 4 (33 percent of the respondents): expressing the least favourable image of New Mexico

Highly significant demographic differences are found among the clusters on the following variables: state of residence, gender and age. Moderately significant differences are found on the variables: residential area, children under the age of 18 and household size. No significant difference is found on annual household income, education, marital status and racial/ethnic background of the respondents.

Given the distinct demography of the clusters, marketers can direct their promotional campaigns to the tourist markets that are most likely to choose the given destination. Cluster 1 and Cluster 3 are considered the most attractive target segments for New Mexico and both clusters show intention of visitation well above average. By directing promotional effort at those segments, the destination further enhances its image and it becomes more favourable than other destinations.

Crompton's (1979 b) study also shows that destination image perception is related to demographic factors. According to the study, the further away the US respondents reside from Mexico, the more favourable are their images of Mexico as a vacation destination. It is also found that image segmentation becomes more meaningful and useful when the segments can be related to some identifiable demographic factors.

2.2.3 Segmentation by Tourists' Sentiments

In addition to segmentation by destination image, one can also segment the tourist market by their sentiments. Chen (2003) undertook a market segmentation study of 1,500 Virginia residents by criteria-based analysis through a mail survey. The criteria-based

approach allows marketers to derive segments in relation to dependent variables of interest according to the combination of predictor variables. The study derived distinct segments using three factors (product satisfaction, pricing and needy assistance) that are believed to influence the respondents' recommendation to others for a destination they previously visited. The four distinct segments identified are as follows:

- Segment 1 represents respondents who do not have a positive response to product and service satisfaction
- Segment 2 consists of respondents who are satisfied about service delivery that is not overpriced
- Segment 3 encompasses individuals who have a satisfactory attitude towards the services and products that seem to be overpriced
- Segment 4 embodies respondents who are dissatisfied with the service and products received and who give a neutral or negative response to the price and necessary assistance

Segment 2 and Segment 3 are considered “actionable” because they have a higher likelihood to make recommendations than the overall samples. Demographically they are likely to be female, make their trip decision early, and are older and more apt to spend more money.

Leisen and Chen's studies illustrate that image segmentation intuitively explains travel behaviour better than demographic segmentation. However, image segmentation is difficult to apply in terms of defining the audience and targeting the audience. It would be more practical for marketing professionals if the image segmentation can be related to demographic segmentation, so that marketing efforts can be directed at the demographically clearly defined target audience. Market segmentation can be meaningful and useful when there is a strong explanatory underpinning the demographic factors.

2.2.4 Benefit Segmentation

While motivation is a force coming from an individual seeking to satisfy a need, and image is a force coming from the product or service inducing action, benefit is how the product or service satisfies an individual. If motivation is a “push” factor and image a

“pull” factor, benefit is the dynamic interaction between the push and pull factors. Benefits or attributes desired is commonly considered the most strategically meaningful market segmentation base (O’Connor & Sullivan, 1995).

Benefits can be related to a product or related to a brand. *The major difference between product and brand is that a product is something that offers a functional benefit while a brand is a name, symbol, design or mark that enhances the value of a product beyond its functional value* (Farquar 1989: 24, cited by Orth, McDaniel, Shellhammer & Lopetcharat 2004: 99).

A review of literature shows that no tourism study using benefit segmentation can be found. The closest benefit segmentation study was found in the study of craft beers by Orth, McDaniel, Shellhammer & Lopetcharat (2004). The researchers analysed 350 respondents, and identified the following eight segments, each seeking different combinations of benefits from different brands of craft beers:

1. TV-opposing moderates
2. Unromantic thrill seekers
3. Unexcited romantic
4. Lazy opportunists
5. Interactive party animals
6. Introvert individualists
7. Outgoing socialisers
8. Rushing adrenaline addicts

Using the benefit segmentation approach, one can argue that different destinations offer different benefits to different visitors. In fact, the same destination can offer different benefits to different visitors; and the same destination can offer different benefits to the same visitor. Benefit segmentation suggests classifying the benefits of a destination or a destination brand according to a number of basic dimensions: functional benefit, price, social benefit and emotional benefit. A destination brand can add value of its own to the destination independent of the functional value the destination offers.

2.3 Application of Motivation Theory and Market Segmentation Theory

Researchers have conducted a number of studies on Chinese outbound travellers using various motivation and segmentation theories. The following discussion covers research studies applying the motivation and segmentation theories in analysing Chinese tourists.

Using Dann's motivation theory, Zhang & Lam (1999) analysed Chinese visitors' motivations to visit Hong Kong, and identified six push and pull factors. The researchers used a survey of 109 respondents and identified the most important push factors as *knowledge, prestige and enhancement of human relationships*, with the most important pull factors being *hi-tech image, expenditure and accessibility*. The study concluded that mainland Chinese travellers are looking mostly for a unique, modernised, friendly and convenient place for holidays in Hong Kong, and that there is significant relationship between travel motivations and social demographic factors. The authors acknowledge that the scope of this study is narrow because it only deals with the major mainland market of Guangdong Province and the findings cannot be generalised to the whole outbound traveller population in mainland China.

Cai, Boger & O'Leary (1999) examined the demographic and socioeconomic characteristics and trip-related attributes of outbound Chinese travellers to Singapore, Malaysia and Thailand, and compared this particular group of visitors with two groups of Chinese visitors bound for other Asia-Pacific and outside Asia-Pacific destinations. It was found that the average Chinese travellers to Singapore, Malaysia and Thailand appeared to be middle-aged, married, male, living in a three- to four-member family, highly educated and holding managerial positions in state enterprises or foreign joint-venture businesses. The research identified a number of characteristics and attributes that significantly differentiate this market from the two other markets. While the study might be useful for finding out more about the demographics and psychographics of Chinese visitors to Singapore, Malaysia and Thailand, it is not possible to generalise the findings and make them applicable to other destinations.

Jang, Yu & Pearson (2003) analysed the socio-demographic, trip-related characteristics and travel behaviours of Chinese tourists to the US, comparing business travel with

visiting friends and relatives. With a sample of 206 Chinese travellers to the US (140 travelling for business and 66 visiting friends and relatives), the researchers identified the following six leisure activity factors, with the first factor accounting for the greatest variance of activity participation and appearing to be the representative activity dimension that average Chinese travellers prefer to do during their travel to the US:

- Factor 1: Shopping, dining & city sightseeing
- Factor 2: Outdoor activities
- Factor 3: Culture & arts
- Factor 4: Sports
- Factor 5: Theme parks & casino
- Factor 6: Small town & concert

Jang, Yu & Pearson's study finds that the business travellers spent more money than those visiting friends and relatives by staying in lodging facilities. In searching for travel information on the US, both types of travellers relied heavily on travel agencies, airline companies and word of mouth, while business travellers also obtained information from their corporate travel departments, which assisted with airline reservations.

Using Crompton's motivation theory, Huang & Hsu (2005) employed focus groups to identify mainland Chinese residents' perceptions, motivations and perceived behavioural inhibitors of visiting Hong Kong. Results show that mainland Chinese residents perceived Hong Kong mainly as a shopping destination, and their most prominent visitation motivation to Hong Kong was *shopping*. Other motivations identified in the study were *knowledge enhancement, curiosity, family togetherness and kinship enhancement, sightseeing, experiencing different culture and lifestyle, and visiting friends and relatives*. In addition to *time* and *money* as the most salient perceived behavioural inhibitors, *language, complexity of getting travel documents and improper accommodation supplies* were perceived as inhibiting factors for mainland Chinese residents to visit Hong Kong.

Huang (2007) studied the effects of motivation, past experience, perceived constraints and attitude on revisit intention by employing structural equation modelling analysis on data collected from Chinese who had visited Hong Kong in the past. The study reports a set of

complex relationships among novelty, knowledge, relaxation, shopping, past visitation, satisfaction during past travel, attitude and revisit intention.

2.4 Limitations of Motivation and Market Segmentation Theories

It has been shown that Dann, Crompton, Iso-Ahola, Fridgen, Pearce, Fodness, Ryan & Glendon and Leiper all tried to provide a motivational theory to explain why tourists travel and their behaviour. Their theories are all sound when considered on their own. Many researchers have applied their theories in order to provide a deeper understanding of tourist behaviour in different markets and under different situations. The theories could certainly explain why people travel from a pure psychological or socio-psychological perspective. However it is felt that the psychological or socio-psychological theory alone can no longer explain the complex and multi-faceted travel behaviour adequately. The theories have their own limitations in explaining why people travel to one destination instead of another, and why one destination registers a much higher growth rate in arrivals than another. There is reservation in using such motivation and market segmentation theories in explaining China's outbound tourism because of the following reasons.

2.4.1 Difference between Western and Eastern Cultures

All the motivation and segmentation theories considered so far were developed in the western world, and it is not sure how applicable they are in Chinese society. The differences in cultural value patterns between western societies and Asian societies have been well documented (Parson 1951, Kluckhohn & Strodtbeck 1961, Stewart 1971, Hall 1976, Hofstede, 1980, Bond 1987, Argyle 1986, Triandis, 1994, Schein 1992, Trompenaars 1993, Maznevski, 1994, cited by Reisinger & Turner, 2003: 89).

With the understanding that the Chinese people form a major segment of Asian society, the following dichotomy distinction of cultural orientation by Parson, for example, illustrates the differences in western and Chinese cultures (Parson: 1951, cited by Reisinger & Turner, 2003: 88).

- *Universalism-Particularism.* Western societies are more universalistic, whereas Chinese society is more particularistic

- *Ascription-Achievement*. In western societies, people are judged on the basis of achievement and performance, whereas in Chinese society people are judged on the basis of qualities ascribed to them (e.g., gender, family, heritage, race, ethnic group)
- *Diffuseness-Specificity*. Western societies are more specifics-oriented with individualistic cultures, whereas Chinese society has diffuseness orientation and collectivistic cultures
- *Self Orientation-Collective Orientation*. Western societies emphasise individual goals, whereas Chinese society is more concerned about the interests and well being of others

Therefore it is important to consider tourism in the cultural context and not to accept the motivational theories developed in western societies and apply them in the context of China without considering the cultural differences. The cultural context in which tourism and tourism policy operate in China will be discussed in Chapter Six.

2.4.2 Circular Argument

All motivation and market segmentation theories are built upon the fundamental premise of individuals being treated as the units of analysis. Individuals are believed to exhibit attributes that are so significant that they affect an individual's travel behaviour and pattern. It is also believed that there are clusters of traveller attributes that are significantly different among themselves so that traveller segments can be identified. These traveller segments can then be used as labels to understand travel behaviour and pattern. Such labelling exercise often falls into the trap of being a circular argument. Some tourists are given a label because they exhibit certain characteristics. And some tourists exhibit certain characteristics because they have been grouped and labelled accordingly. An example of a circular argument is "Tourists with reasonable expectations are more likely to be satisfied in travelling." Another example is "The more favourable the image of a destination is, the greater is the likelihood of choice."

2.4.3 Simplification

The motivation and market segmentation theories tend to be linear, dichotomous or two-dimensional grid in nature for simplicity's sake, and do not answer complex questions such as:

1. Why does a person travel to a certain destination instead of another?
2. How does a country's history influence the travel pattern of its people?
3. How does the stage of economic development and degree of openness in a particular country affect the travel pattern of its people?
4. What influence does politics and government policies have on travel?
5. How do the prevailing values of a nation affect its people's travel behaviour?

2.4.4 Different Stages of Development

China is moving into a post-industrial society like many developing and developed countries. So what are the changes the modern society has brought about to impact upon travel behaviour? Parrinello (1993) brought up the characteristics of post-industrial societies relevant to tourism, and put forward five characteristics that have given impetus to the increase in tourism (Kahn & Wiener, 1967; Bell, 1973; and Touraine 1969, 1977 cited by Parrinella 1993: 238). First, there is an increase in the amount of free time giving rise to stronger demand for holidays and travelling. Second, the decentralisation of production and the growth of a tertiary sector has led to the growth of culture tourism. Third, spatial mobility is key in the economy of modern society. Fourth, there is a trend to rediscover "nature" and placing greater importance to places outside the traditional tourist circuit. Fifth, people put more emphasis on friendship and community life. Sixth, the distribution of information in today's global village has taken a quantum leap.

Obviously the stages of modernisation in different countries vary. It is these differences that partly explain why and how people travel and take their holidays in differing ways. While the above six "modern" phenomena might be true to some extent in China, there are other macro-environmental issues in China that have an impact on international tourist flows.

2.4.5 Unique Situation in China

China is unique in its macro-environment, which serves as the context to tourism. First, China has huge foreign reserves and a consistently positive trade balance. According to Du (2004), China's foreign reserves were increasing at an annual rate higher than 30 percent and were expected to exceed US\$500 billion by the end of 2004, and outbound tourism would help ease trade frictions and increasing pressure to appreciate its currency as a result of the building up of its foreign reserves.

Second, people in China are striving to improve their living standards after 30 years of closed economy and austerity. People are seeking compensation of their time lost as the result of political struggles and the Cultural Revolution. They want to make up for the loss of quality living. Outbound travel is an effective way to compensate for the mundane and dreary living in the 1950s, 60s and 70s.

Third, China would like to be a world power politically and economically, and the country wants to play an active role in all international arenas. Tourism is an area in which China can demonstrate her power and exert her influence internationally.

Fourth, China is making an extra effort to preserve and promote the nation's culture. Tourism promoted in a well planned manner is an effective way to ensure sustainable development. Therefore, it can be seen that there are many more complex issues that are impacting on China's outbound tourism, which motivation and market segmentation cannot explain adequately.

2.4.6 Alternative Approach

Franklin (2004) suggests that the prevalent paradigm of tourism theory is largely based on two types of hypothesis, namely: (a) that routine, everyday life in modernity is such that people want or need to get away from it; and (b) the social space of tourism opposes the routine and offers extraordinary experiences that are missing and missed in everyday life. Franklin argues that such motivational and structural accounts do not square with what

happens. Franklin believes that the prevalent theory of tourism resulting from a binary division between the ordinary/everyday and the extraordinary ignores the social and cultural construction and history. He suggests that it is nationalism as an ordering that leads to tourism ordering. Tourists are attracted to the wider world to which they belong. *From this perspective tourism is not fragmented into a repetition of sites and an eternal present, but a formidable socio-technical rhizome, in a globalising line of flight, with a series of substantial ordering effects. In its becoming it established one of the most important networks of connectivity that contributes to (and made possible) globalisation.* (p. 297)

This thesis will try to analyse tourism with an alternative approach to wants, needs and motivation. The research will show that adopting a nationalistic perspective will better explain outbound tourism in China.

2.5 Literature Informing This Thesis

Chapter One has identified three pieces of work that have informed this thesis: (a) Zhang, Chong & Ap's policy approach in analysing China's inbound tourism; (b) Zhang & Hsu's analysis of the developmental process of China outbound tourism; and (c) Arlt's book *China's Outbound Tourism*. The following sections discuss how the literature has informed and inspired this thesis.

2.5.1 Zhang, Chong & Ap (1999)

Zhang, Chong & Ap's (1999) research is based on Hall's (1994) model of tourism policy-making process. Although the study is focused on inbound tourism, the analysis of environment, demands, decisions, outputs, impacts and government roles in three historical periods is the first attempt in using a policy approach in studying China's tourism. The research identifies three historical periods based on the political environment.

The first period (1978-1985) is characterised by the early economic reform after the Cultural Revolution led by Deng Xiao-Ping and Chen Yun. Inbound tourism was considered favourably because it could bring in foreign exchange, which was badly

needed at that time. However, government structure and tourism infrastructure and facilities were underdeveloped in this period, and they could not cope with the development of tourism as an economic activity. In order to speed up the tourism infrastructure and facilities, policy then facilitated enterprise functions separating from government, foreign investment, decentralisation, fluctuation of prices, education and training.

The second period (1986-1991) is characterised by China's modernisation drive and the emphasis of economics over politics. Tourism policy then encouraged coordination by China National Tourism Administration, restoration of tourist attractions, aviation reform and promotion of international (inbound) tourism. The issue of quality of tourism service became a concern, and the government began to step up industry regulation and training.

The third period (1992-1998) is characterised by the government establishing the "market economy under socialism". Tourism policy then expanded the areas of foreign investment, encouraged resort construction, decentralised tourism pricing, allowed the market to regular supply and demand, and intensified tourism promotion.

According to Zhang, Chong & Ap's study, the Chinese government has played the following important roles...

Operator – involving the provision of the infrastructure for tourism development and through ownership and operation of tourism businesses; Regulator – formulating and implementing regulations to run the tourism businesses; Investment stimulator – stimulating tourism investment by granting financial incentives; Promoter – spending money on the international promotion of tourism industry; Coordinator – coordinating the activities among different departments with respect to tourism; and Educator – establishing tourism education institutions and providing tourism education and training programs. (p. 482)

They also find that tourism in China is shifting from being politically driven to more market driven...

Tourism has transformed from being initially a political tool, which was centrally controlled to an economic one which is now driven by market forces... Given the nature of China's economic development under communist rule with strong central government control, it is not surprising to find that the government played a key and decisive role in shaping the development of tourism through the adoption of a series of policies. (p. 482)

Zhang, Chong & Ap's study has inspired this thesis to adopt a policy approach in analysing China's outbound tourism based on Hall's model. The model is explained later in this Chapter and used in the case study of outbound tourism from Japan, Taiwan and Korea in Chapter Five. The analysis based on three historical periods has inspired this thesis to consider the overarching influence of the political environment on outbound tourism, which is discussed in Chapter Six. The identification of government roles has prompted this thesis to do the same in the context of outbound tourism, which is discussed in Chapter Seven.

2.5.2 Zhang & Hsu (2005)

Zhang & Hsu (2005) analysed and reviewed China's outbound travel market in terms of its historical development, government policies, long-term development strategies and significance to countries that would like to attract mainland Chinese visitors. They identified four historical periods with use of Hall's (1994) model of tourism policy-making process to analyse different policies on outbound tourism.

1983-1990 was a period of economic reform and "open-door" policy, and the tourism policy leaned towards restriction. The period of 1991-1996 was one of a market economy under socialism, and the tourism policy continued restriction with some approved outbound destinations. The period 1997-2001 was characterised by rapid growth in the national economy and individual incomes, and the tourism policy was one of abrogation of outbound travel restriction. The post-World Trade Organization period of 2002-2005 showed a shift in tourism policy with a sharp increase in the number of approved international destinations.

Zhang & Hsu developed the following implications to and suggestions for outbound tourism:

- The goal of keeping foreign exchange became less important and the goal of maintaining a well-ordered market became more important as a result of economic development.
- The Chinese government failed to effectively regulate the market order resulting in low service quality and uncompetitiveness of domestic travel agencies.
- The intrusion of unlicensed travel agencies became a threat to licensed travel agencies by attracting tourists with extremely low prices and offering travel destinations not yet approved by the government.
- It is dangerous to restrict the natural development of a free market. The restrictions on outbound market supply eventually leads to a lose-lose situation.
- Market disorder caused by policy failure has not been completely resolved, despite the rules and measures introduced by the government.
- Rules for market regulation must be comprehensive, specific, legally binding and with penalty clauses.

Zhang & Hsu have confirmed the importance and the appropriateness of analysing China's outbound tourism from the policy perspective. The study has inspired this thesis in investigating the institutional arrangements, power arrangements and values in the source market. The study has also inspired this thesis to consider the important influence of economic factors in the development of China's outbound tourism, given the country's strong economic growth since 1997.

2.5.3 Arlt (2006)

China's Outbound Tourism, written by Wolfgang Georg Arlt, is the first book entirely devoted to the topic of outbound tourism in China. The author analyses the topic from the following angles: economic and social development; government policies; profiles of Chinese travellers; motivations of Chinese travellers; implications in marketing by destinations; and the future development of China's outbound tourism.

The author provides a large volume of statistics on visitor numbers, demographics and characteristics, revenue, expenditure, share of destinations; however, much discussion remains descriptive in nature.

In analysing the development of demand in Chinese tourism, the author challenges the classic “ripple effect” and temporal structure of development in phases, and comments on the impact of overseas Chinese on China’s international tourism.

The author uses Hofstede’s cultural dimensions to show the difference of the Chinese from the Japanese, American and Swiss, and its implication in travel. In addition, behavioural differences between Chinese and western outbound travellers, and behavioural differences between Chinese and Japanese travellers are analysed.

In a market where vigorous research is still limited and difficult to conduct, the author uses anecdotal quotes and his own understanding to supplement proper research. For example, the author was able to make some insightful comments in travel agency operation through his own observations, and he was able to discern the subtle differences among inhabitants of Beijing, Shanghai and Guangdong (Tse, 2007).

On product adaptation and marketing of tourism destinations he provides some useful discussion beyond the caution of *face*, *superstition*, *guanxi*, *language*, etc., and gives an interest account of what Chinese visitors want and what they get based on standard treatment.

The author provides a rich nomenclature of different market segments based on his own observation and analysis: first-timers; repeat visitors; westernised travellers; MICE travellers; teenagers; young office girls; honeymooners; one mouth, six pockets; empty nesters; older people; and coastal and urban citizens.

The author has been very comprehensive in his analysis of China’s outbound tourism, investigating the Chinese travellers using the motivational approach, segmentation approach, cross-cultural approach and, indeed, policy approach as well. However, the discussion on government policies is very much limited to “Approved Destination Status”.

Relatively little research was done in how the following push factors in China might have shaped outbound tourism: the modern history of China; traditional Chinese culture; romanticism of landscape and travel in Chinese literature; “Socialism with Chinese characteristics”; the Chinese government’s roles; and the policy of regularising the travel trade.

The author refers to ‘Chineseness’ a few times in the text, but does not elaborate what it means and how it might have affected outbound tourism. How does ‘Chineseness’ differ from ‘Japaneseness’ in affecting outbound tourism in their respective countries?

The author sees China’s outbound tourism in three developmental phases. The first phase covers 1983-1996, with the beginning of family visits to Hong Kong, Macau and some Southeast Asian countries. The second phase of 1997-2004 is characterised by official recognition of outbound leisure travel and growing number of destinations with “Approved Destination Status”. The third phase started in 2005 phase with the government’s recognition of the need to regulate the outbound travel industry. However, it seems to be arbitrary framing of different stages in understanding China’s outbound tourism, with Zhang & Hsu’s (2005) four periods and Arlt’s (2006) three phases.

Arlt’s book has inspired this thesis to compare the outbound tourism development in China with that in Japan, Taiwan and Korea, to identify the similarities and differences in the economic and socio-political environments in the three source markets and study the role of government in outbound tourism. A case study of outbound tourism from Japan, Taiwan and Korea is presented in Chapter Five, and analysis of the Chinese government’s role in outbound tourism is presented in Chapter Seven.

2.6 Conceptual Frameworks

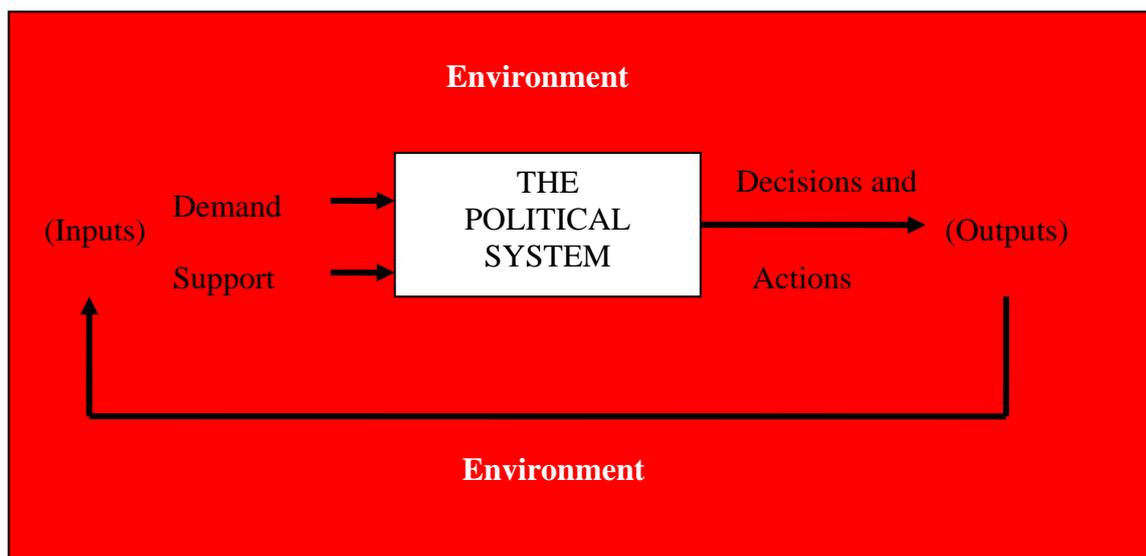
Given the limitation of motivation and market segmentation theories in explaining the trends and patterns of China’s outbound tourism, the researcher suggests that the following three conceptual frameworks could supplement the consumer approach. The three conceptual frameworks are Easton’s political system, Hall’s tourism policy-making process, and Kotler, Bowen & Makens’ major forces in the macro-environment. While

Hall’s conceptual framework is tourism specific, Easton’s and Kotler, Bowen & Makens’ conceptual frameworks are not tourism specific. The three conceptual frameworks will be used to study China’s outbound tourism in different stages of the investigation.

2.6.1 David Easton’s Political System

Easton’s conceptual framework of a political system is used in the analysis because it is felt that politics plays an important part in shaping all kinds of policies in China, and tourism policy is no exception. Easton (1965) depicts the political system as a closed one surrounded by the social environment, with “demand” and “support” acting upon the decision-making process. Outputs from the decision-making process are policy decisions, which impact on the environment. Such impacts may create new demand and new support, which become new inputs acting upon the decision-making process. The process starts all over again with new outputs. Easton sees the political system as a dynamic one that keeps changing as a result of stress from within or outside the system. The system implies that the political system is in a constant flux and it never reaches a stable or equilibrium state. Easton’s conceptual framework is represented by the model illustrated in Figure 2.2. A major criticism of Easton’s political system model based on inputs and outputs is that it is much too simplified.

Figure 2-2: David Easton’s model of a political system



Source: Easton, D. (1965). *A framework for political analysis*

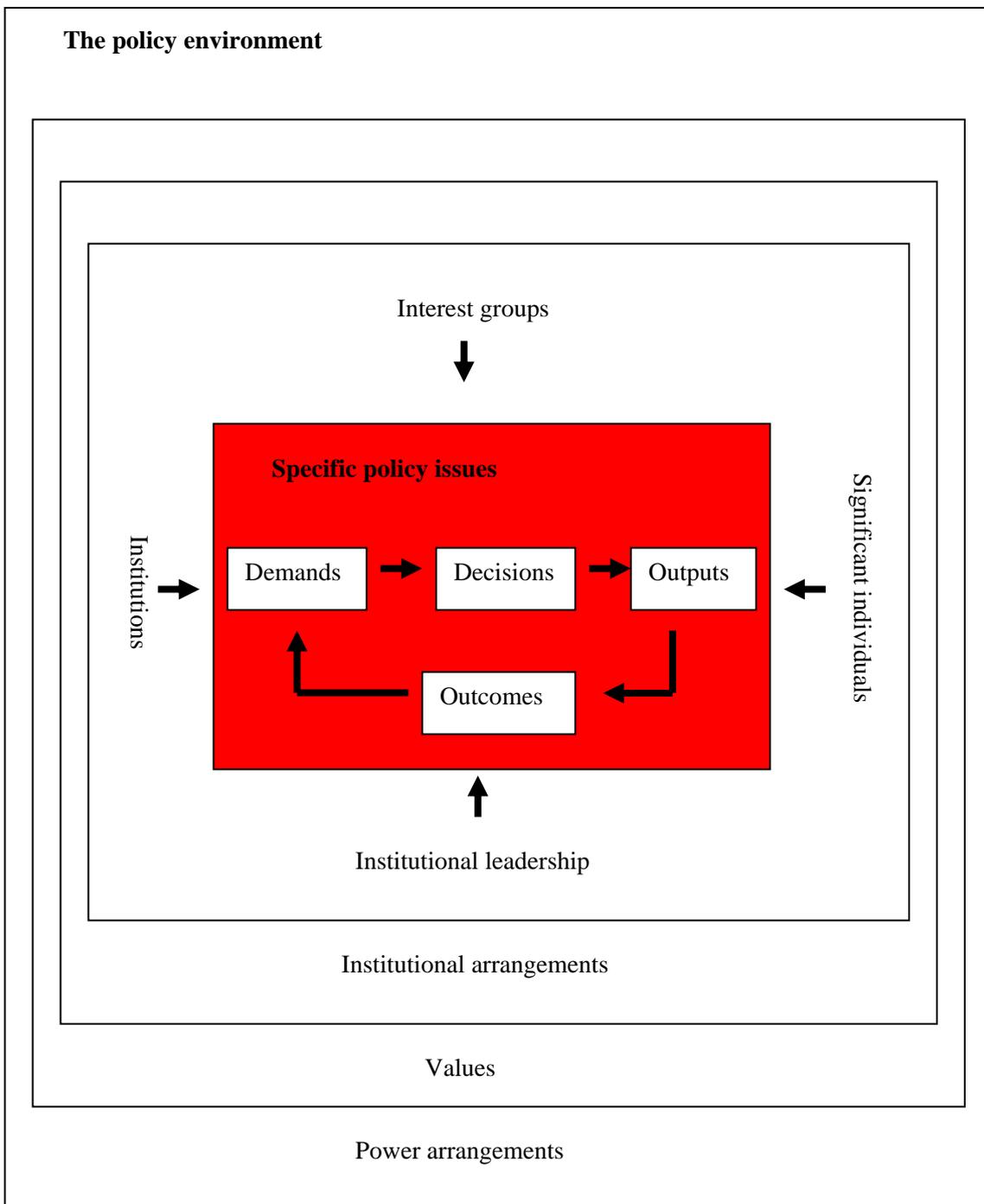
2.6.2 Michael Hall's Tourism Policy-Making Process

Hall (1994 a) develops a model of the tourism policy-making process by building upon Easton's model of a political system. Hall's conceptual framework has Easton's political system as the core with demands, decisions, outputs and outcomes as the key elements in specific policy issues. The key elements operate in a policy arena comprised of interest groups, significant individuals, institutional leadership and institutions. The policy arena exists in the greater policy environment consisting of power arrangements, values and institutional arrangements. In the consideration of any specific policy issues, the four elements of demands, decisions, outputs and outcomes follow a circular and dynamic relationship as depicted in Easton's political system model. Hall's conceptual framework of tourism policy-making process is represented by the model illustrated in Figure 2.3.

Hall's model of tourism policy-making process shifts the attention from inputs-outputs to the more macro-environment of power arrangements and values, as well as the policy arena comprising of interest groups, significant individuals, and institutions.

Hall's model of tourism policy-making process will be utilised to analyse outbound tourism policy in Japan, Taiwan, and Korea in Chapter Five. The economic and political environment in the three destination markets is analysed; their interest groups and institutions are studied; the demands, decisions, and outputs are examined.

Figure 2-3: Michael Hall's model of tourism policy-making process

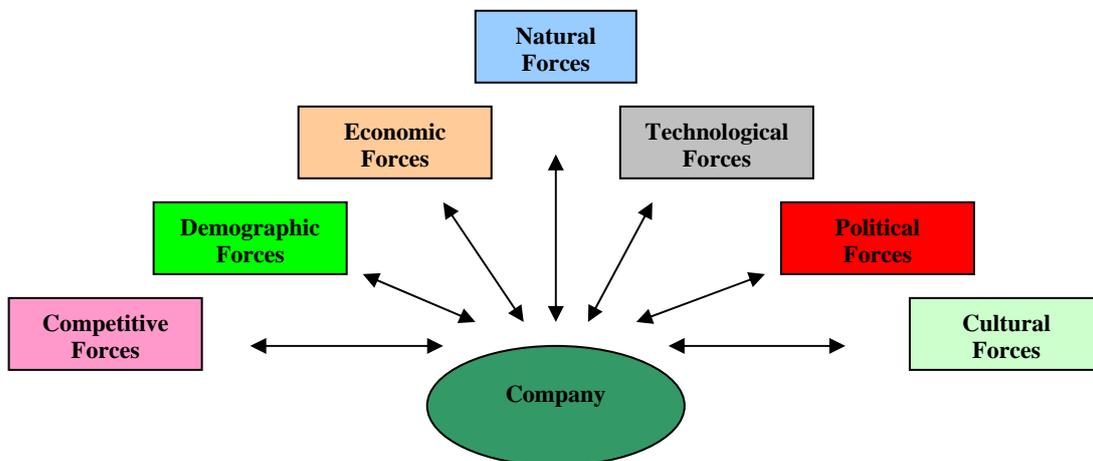


Source: Hall, C.M. (1994 a). *Tourism and Politics: Policy, Power and Place*

2.6.3 Kotler, Bowen & Makens' Major Forces in Macro-Environment

Kotler, Bowen & Makens (2006) argue that a company and its suppliers, marketing intermediaries, customers and public all operate in a larger macro-environment that shapes opportunities and poses threats, and proposes a framework to analyse the macro-environment in which the company operates. According to the framework, the macro-environment consists of seven major forces: competitive, demographic, economic, natural, technological, political and cultural, as depicted in Figure 2-4. It is argued that a company should consider not just its own strengths and weaknesses but also the macro-environment in developing its marketing strategy. This conceptual framework will later be adapted to analyse the macro-environment of China as a potential tourist source market. The analysis helps a destination understand the importance of different institutional arrangements affecting China's outbound tourism.

Figure 2-4: Kotler, Bowen & Makens' model of major forces in a macro-environment



Source: Kotler, Bowen & Makens (2006). *Marketing for hospitality and tourism*

2.7 Conclusion

There are already a number of well developed motivational and market segmentation theories, such as those developed by Dann, Crompton, Iso-Ahola, Fridgen, Pearce, Fodness, Ryan & Glendon, and Leiper, which serve to explain traveller behaviour, and a

number of researchers have applied some of the theories to explain Chinese traveller behaviour. The theories and applications are all sound when considered on their own. The theories have their own limitations in explaining why people travel to one destination instead of another, and why one destination registers a much higher growth rate in arrivals than another.

All the major travel motivation theories were developed in western societies and it cannot be certain that they also apply to Chinese society because of the difference between western and eastern cultures. Some of the research findings in segmentation studies are circular in argument. Labelling travellers with a factor or cluster tends to simplify the complex situation and ignore the macro-environmental influences in China. In addition, China's tourism market is in a very early stage of development compared to western societies, and there is a unique situation in China that the conventional travel motivation theories do not take into account.

Given the limitation of the travel motivation theory and segmentation theory in explaining the outbound tourism of China, it warrants a look into the subject with an alternative approach. This thesis tends to see tourism as an ordering with a strong association with nationalism, and is informed and inspired by Zhang, Chong & Ap (1999), Zhang & Hsu (2005) and Arlt (2006). This thesis adapts the following conceptual frameworks in analysing China's outbound tourism: Easton's (1965) political system, Hall's (1994 a) tourism policy-making process, and Kotler, Bowen & Makens' (2004) macro-environment. The different forces in China's macro-environment, including competitive, demographic, economic, natural, technological, political and cultural, will be investigated to understand their influences on the international outbound tourist flows from China. The investigation findings will supplement the studies using motivation and segmentation theories, and fill the knowledge gap of approaching tourism study from the policy perspective.

CHAPTER THREE

METHODOLOGICAL CONSIDERATIONS

3.0 Introduction

Chapter One has illustrated the high level of interest in China's outbound tourism shown by academics and practitioners and the need for research in this area. It was shown that earlier research in China's international tourism was actually confined to inbound tourism, and it was not until 1999 that researchers started paying attention to China's outbound tourism. Even then there has been a bias towards studying outbound tourism using a consumer or destination approach up to the present time. Most outbound tourism studies in China examine the motivational factors or images of tourists with reference to a specific destination. While the consumer or destination approach is scientific and perfectly legitimate, it is, however, too simplistic an approach to explain the complex phenomenon of the outbound international tourist flow from China, where there are tourism policies in place, albeit difficult to understand, and travel is very much influenced by cultural and socio-economic and political factors. Two research gaps were identified. First, there is a lack of study in outbound tourism or tourism from the source market perspective. Second, there is a lack of study of China's outbound tourism from the policy and politics point of view.

Chapter Two has examined a number of travel motivation and market segmentation theories and their application in understanding Chinese travellers. The results of such studies by and large leave the researchers with a number of consumer labels, segments and factors through sophisticated quantitative analyses. While such studies contribute to the understanding of tourists in general and Chinese tourists in particular, the findings could not answer many questions about China's outbound tourism such as why many more Chinese tourists travel to one destination than another and why some destinations receive more support from the Chinese government than others. Such studies by and large ignore the socio-economic and political environment in a socialist country.

Chapter One leads the researcher to the question “How are the trends and patterns of China’s outbound tourism being shaped?” and Chapter Two suggests approaching the question by adopting three conceptual frameworks that take into account the political system, the policy-making process and the macro-environment. The answers to the research question will complement the findings offered by researchers using motivation and market segmentation theories in understanding China’s outbound tourism. This Chapter discusses the methodological considerations in finding answers to the above research question.

3.1 Philosophical Considerations

This section considers the philosophical questions of epistemology and ontology in the context of this research study. Like all research studies, this thesis is trying to create knowledge, and there are fundamental questions regarding the approach to creating knowledge. Such questions will be addressed and the explanation will clarify the direction taken to achieve the aims of the research.

3.1.1 Ontology

Ontology is the study concerned with the consideration of being, meaning and identity. Ontologists ask questions such as “What exists?”, “What is?”, “What am I?”, and “What is describing this to me?”. They try to find a subject, a relationship, and an object to study. In any research study, it is obviously important to know what the subject is and define it before embarking on the study. By defining the subject, a researcher assumes its existence and conveys what it is.

One might think that tourism is tourism, and it exists objectively in the real world out there. However, if we look at how different tourism scholars define tourism, it is clear that the subject exists quite differently in their mind, and it begs the question “What is tourism?” The following three definitions of tourism illustrate the complexity of defining what it is and the subject, relationships and object in the study of tourism. Each different definition necessarily determines how tourism is being analysed in different ways.

Definition of tourism by Leiper (2004)

Tourism can be defined as the theories and practices for being a tourist. This involves travelling and visiting places for leisure-related purposes. Tourism comprises the ideas and opinions people hold which shape their decisions about going on trips, about where to go (and where not to go) and what to do or not do, about how to relate to other tourists, locals and service personnel. And it is all the behavioural manifestations of those ideas.
(p. 44)

The above definition has a strong psychological underpinning with the tourist being the focus of study. The existence of tourism hinges on the existence of tourists. Tourism is about tourist motivation, their interaction with the environment, their management and their behaviour at attractions.

Definition of tourism by Weaver & Lawton (2006)

Tourism may be defined as the sum of the processes, activities, and outcomes arising from the interactions among tourists, tourism suppliers, host governments, host communities, origin governments, universities, community colleges and nongovernmental organisations, in the process of attracting, transporting, hosting and managing tourists and other visitors.
(p. 3)

The above definition has a strong sociological underpinning with the relationships among social groups being the focus of study. This definition implies the importance of host-guest relationship, and a managerial concern with tourism as a social phenomenon as well as a business.

Definition of tourism by MacCannell (1976)

After considerable inductive labour, I discovered that sightseeing is a ritual performed to the differentiations of society. Sightseeing is a collective striving for a transcendence of

the modern totality, a way of attempting to overcome the discontinuity of modernity, of incorporating its fragments into a unified experience. (p.13)

According to Franklin (2004), MacCannell's definition of tourism is the result of a faulty society of hapless, unhappy people who in their social pathology inside modern capitalist localities find ways out. This definition sees tourism as a cure for the societal ill.

The above three definitions of tourism depict different dimensions, different meanings, and different structural relationships in tourism. With no common and generally accepted understanding of what tourism means, the study of tourism has been highly influenced by many other established disciplines. As Echtner & Jamal observe, the field is still one where researchers tend to approach the phenomenon of tourism from within the specific boundaries of the main discipline in which they have been trained (Echtner & Jamal 1997:868, cited by Hollinshead 2004: 65).

Hollinshead also quotes Hall that tourism studies' researchers have invariably concentrated upon the *prescriptive* and the *economic* worth of tourism, leaving the *descriptive* and *political* importance of the field relatively uncovered (Hall 1994, cited by Hollinshead 2004 a: 65). Hollinshead alleges that tourism is a field littered with standardised "how-to-do" operational styles of research that are inclined to be weak in their political dimensionality and in their ontological rigour.

It is against this backdrop that this thesis is developed with emphasis on descriptive research and the analysis of political forces shaping the trends and patterns of China's outbound international tourist flows.

3.1.2 Epistemology

Epistemology is the study concerned with the nature and limitation of knowledge. Epistemologists ask questions such as "What is knowledge?", "How do people know what they know?", and "How does one know that the knowledge acquired is true?" Such questions are related to notions such as belief, justification, and truth. In the process of creating knowledge, one usually begins with a belief, proceeds to justify the belief or

convince people about the belief being true, and affirms that knowledge is acquired. There are broadly three specific theories of knowledge acquisition: Empiricism, Rationalism and Constructivism.

Empiricism

Empiricism is a theory that sees knowledge as the product of sensory perception and emphasises the experience based on observations. Knowledge is justified by what is being counted, seen, touched, or categorised, through the observer's sensory perception. People "discover" the truth and knowledge objectively by repeated observations.

Rationalism

Rationalism is a theory that sees knowledge as the product of rational reflection. Human knowledge exists independently and is acquired by *a priori* processes, in the mind prior to and independent of experience. Knowledge is justified by intuition, using established concepts and theoretical reasoning. People "discover" the truth and knowledge objectively by the innate ability of reasoning.

Constructivism

Constructivism is a theory that sees knowledge and reality as being constructed. Knowledge is constructed by people who are bound by convention, social experience, culture and values specific to the time and location of the person constructing the knowledge. It is assumed that all knowledge is built up from scratch by human beings without objective empirical data or facts. Therefore, knowledge is necessarily subjective rather than objective, and knowledge cannot be constructed in exactly the same way by different persons. Reality and knowledge are "constructed" by people and represented by human thought.

Tribe suggests that tourism knowledge is not independent of, but rather is conditioned by, the particular culture or society in which it is produced. He quotes Habermas' theory of knowledge-constitutive interests, *where he demonstrates that the pursuit of knowledge is*

never interest free but rather that human inquiry is motivated by one of three interests: first, the technical interest seeks control and management; second the practical interest seeks understanding; and third, the emancipatory interest seeks freedom from falsehood and emancipation from oppression (Habermas 1978, cited by Tribe 2004: 55).

Tribe argues that epistemologically tourism has existed in different forms and that our contemporary understanding is but another social construction, and we are actually creating rather than discovering the phenomenon called tourism. *Research into tourism studies turns out to be not an objective, value-free search for tourism knowledge since the epistemological characteristics of the approaches of different fields and the rules of tourism discourses perform a selector role (Hughes 1992, cited by Tribe 2004: 57).*

This thesis recognises that knowledge is formed through the particular ways of analysing it and knowledge is never interest free. This thesis is motivated by the practical interest seeking understanding of the peculiarity of growing outbound tourism in China, and how its trends and patterns are being shaped. Later in this chapter, the researcher will declare his own value and position.

3.2 Searching for the Research Process

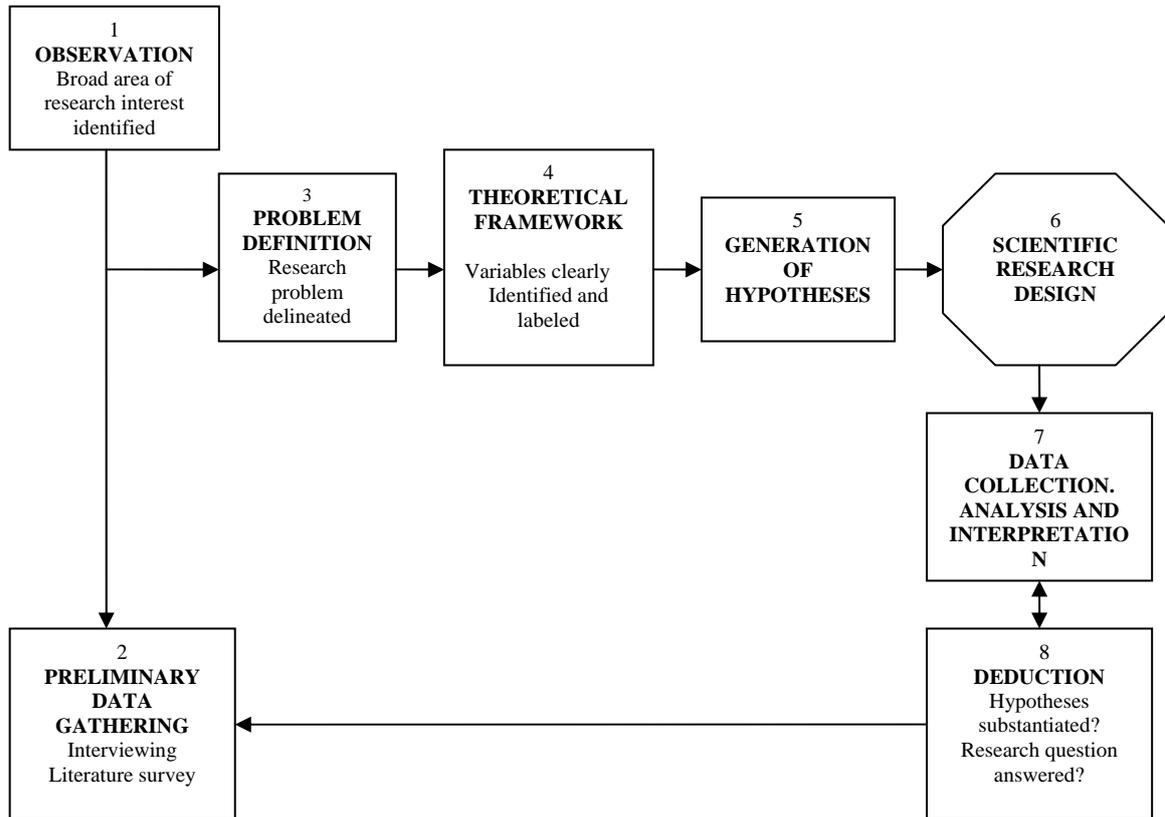
Searching for the right research process to answer the question of “How are the trends and patterns of China’s outbound tourism being shaped?” is a tortuous journey. The journey involves a lot of soul searching, reflection, challenging what has been known for years, discarding old beliefs and embracing new ideas. In fact, the methodological consideration turns to be the most philosophical part of this thesis.

The researcher first turned to the research process for basic and applied research portrayed by Sekaran (1998), who suggests a research process comprising eight steps as shown in Figure 3-1.

The research process provides a clear and easy-to-follow roadmap for answering a research question. While it is reiterative between step 7 (data collection, analysis and

interpretation) and step 8 (deduction), and step 8 may affect step 2 (preliminary data collection), the process is systematic with one step leading to another.

Figure 3-1: Diagrammatic representation of Sekaran’s research process



Source: Sekaran, U. (1998). *Research methods for business*

According to Sekaran’s process, this research has progressed through the following three steps:

1. Observation has been made that there is significant interest in China’s outbound tourism.
2. Literature on motivation and market segmentation has been reviewed, and research gaps identified.
3. Research question of “How are the trends and patterns of China’s outbound tourism being shaped?” has been identified.
4. Theoretical frameworks have been identified: Easton’s political system, Hall’s tourism policy-making process, and Kotler, Bowen & Makens’ macro-environment.

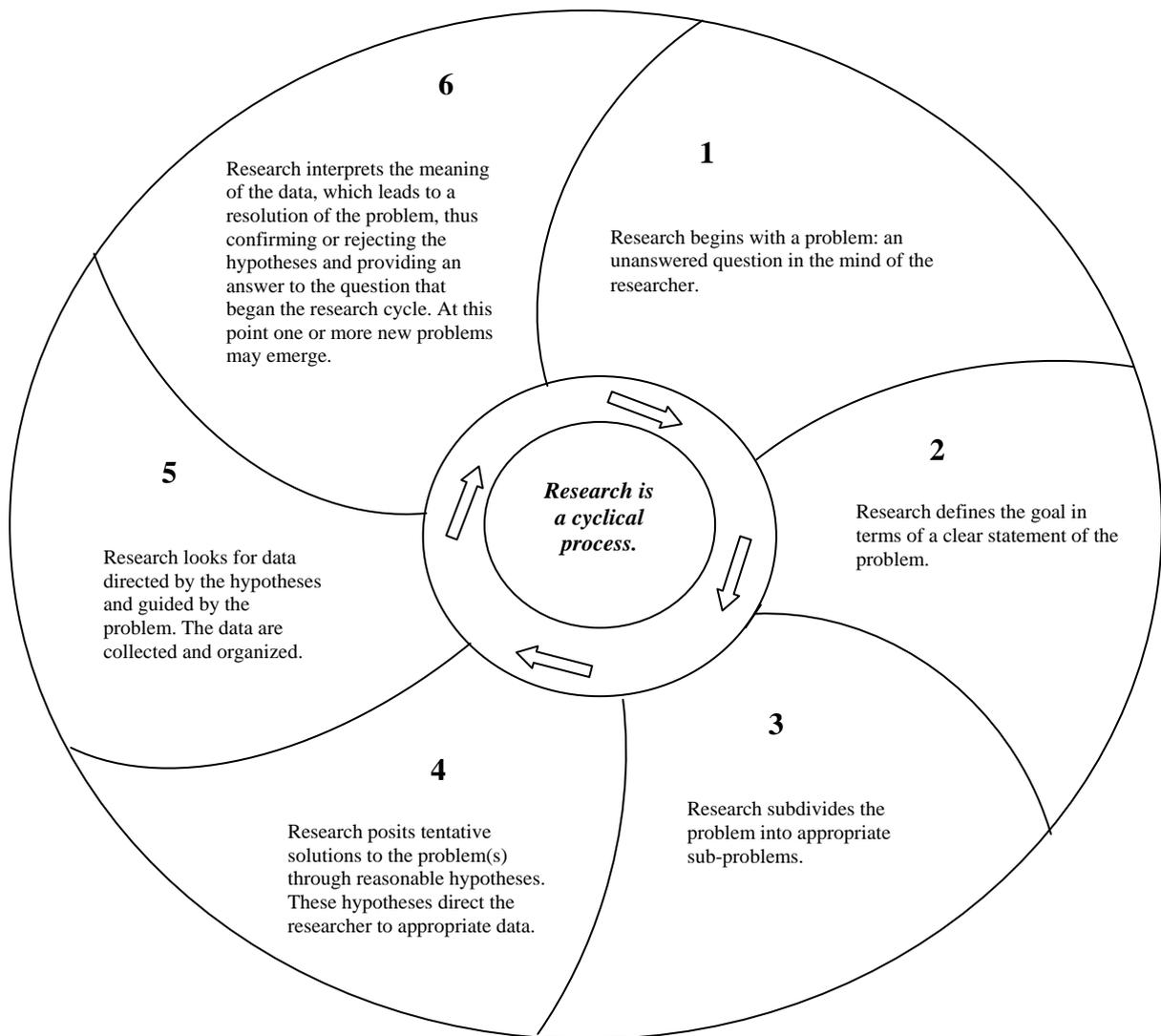
A problem arises when it comes to step 5 (generation of hypotheses) as there is no hypothesis. Without a hypothesis, a scientific research design cannot be developed for step 6 (scientific research design). Without a scientific research design, no data can be collected, analysed and interpreted as in step 7 (data collection, analysis and interpretation). Without data, deduction cannot be carried out and the research question remains unanswered as expected in step 8 (deduction: hypotheses substantiated? research question answered?).

Clearly Sekaran's research process is not the right one for this thesis.

The researcher then turned to Leedy & Ormrod's (2005) research cycle for an alternative research process. Leedy & Ormrod see research as a cyclical process comprising six steps as illustrated in Figure 3-2. The six steps in the research process are:

1. Research begins with a problem: an unanswered question in the mind of the researcher.
2. Research defines the goal in terms of a clear statement of the problem.
3. Research subdivides the problem into appropriate sub-problems.
4. Research posits tentative solutions to the problem(s) through reasonable hypotheses. These hypotheses direct the researcher to appropriate data.
5. Research looks for data directed by the hypotheses and guided by the problem. The data are collected and organised.
6. Research interprets the meaning of the data, which leads to a resolution of the problem, thus confirming or rejecting the hypotheses and providing an answer to the question that began the research cycle. At this point, one or more new problems may emerge.

Figure 3-2: Leedy & Ormrod’s research process



Source: Leedy, P.D. & Ormrod, J.E. (2005). *Practical research planning and design*

Leedy & Ormrod (2005) believe that research is by its nature, cyclical or, more exactly, helical. Research is rarely conclusive. In exploring an area, one comes across additional problems that need resolving, and so the process must begin anew. Research begets more research. Every researcher soon learns that genuine research yields as many problems as it resolves. Such is the nature of the acquisition of knowledge. Such is the nature of “truth”.

According to Leedy & Ormrod's research process, this thesis has progressed through the following three steps:

1. Research begins with a problem:

There are unanswered questions, such as why Chinese tourists visit one destination instead of another and how China manages and controls outbound tourism.

2. Research defines the goal in terms of a clear statement of the problem:

The goal is to explain what shapes the trends and patterns of outbound international tourist flows from China and how.

3. Research subdivides the problem into appropriate sub-problems:

What is the historical, socio-economical and political context in which China's outbound tourism has developed? What are the roles played by the Chinese government in outbound tourism? What are the factors affecting China's international outbound tourist flow?

Problem arises when it comes to step 4 (developing hypothesis) and all the way to step 6 (interpreting data). The researcher does not have a hypothesis to direct the data collection, let alone interpretation of data. Clearly, Leedy & Ormrod's research process does not help this particular research in the discovery of "truth".

So, how can the "truth" be discovered?

3.3 Approaches to Research

In fact, Sekaran's and Leedy & Ormrod's research processes are just one of the several in research. Their approach is probably the most common one in academic and management research. According to Jennings (2001), there are seven approaches to research based on information requirement. The specific research information needs determine which of these approaches will be selected. The seven approaches to research are described below:

3.3.1 Exploratory Research

Exploratory research is conducted when very little or no data exist on the phenomenon being investigated. Exploratory research can draw on secondary sources, expert opinions and observations. Usually a qualitative research method is used in exploratory research, because of the flexible nature of the research, and it does not require random sampling and findings to be representative of a study's population.

3.3.2 Descriptive Research

Descriptive research is interested in the 'who' and 'what' of the phenomenon under study, providing a 'picture' of the phenomenon (Neuman 2000: 21, cited by Jennings 2001: 17). One approach in tourism is merely to describe, not to prove new relationships or to demonstrate the value of new practices. While some scholars denigrate the value of descriptive research, tourism knowledge is in such a stage of infancy that descriptive research is valuable and necessary today. The many facets of the complicated phenomenon called tourism have not even been described adequately. Basic inventory and description are often helpful in decision making. (Gunn 1994: 4, cited by Jennings 2001: 18) Descriptive research may employ quantitative, qualitative or mixed research methods.

Fridgen's (1984) travel framework (based on Clawson & Knetsch's recreation experience) described in Chapter Two is a descriptive model involving the following phases: anticipation, travel to the destination, on-site behaviour, return travel and recollection.

3.3.3 Explanatory Research

The main aim of explanatory research is to explain the "how" and "why" of the phenomenon under study. The researcher is trying to find the cause to explain a specific pattern or behaviour. Explanatory research may use quantitative, qualitative or mixed research methods, and it does not depend on hypotheses.

3.3.4 Causal Research

Causal research starts with a hypothesis describing a causal relationship between two variables, an independent variable and a dependent variable. The research will design data collection and analysis tools to either support or reject the hypothesis and thereby support or reject the proposed causal relationship between the two variables. Causal research unambiguously involves the construction of hypotheses and uses quantitative research methods.

3.3.5 Comparative Research

Comparative research involves comparing research study units across time and space as well as between the study units themselves. In comparative research, the researcher is concerned with identifying the similarities and differences between the sites, groups or pattern under study.

Comparative research may use quantitative, qualitative or mixed research methods. *The outcomes of comparative research can assist with planning and development strategies and policies, legislative requirements, marketing programmes and campaigns, ameliorating impacts, training and educative programme development and community consultation processes* (Jennings 2001: 19).

3.3.6 Evaluative Research

Evaluative research is primarily applied research rather than theory-building research, as the researcher is interested in determining the outcomes of changes in strategies, practices and planning, and legislative mechanisms (Jennings 2001: 19). Evaluative research draws on quantitative, qualitative or mixed research methods.

3.4 Research Paradigms

Once the approach (or approaches) has been determined in regard to the information needs of a research project, an appropriate methodology has to be selected and suitable

tools for data collection and analysis have to be chosen (Jennings 2001: 20). The methodologies are governed by specific paradigms, which Guba defines as *a basic set of beliefs that guides action, whether of the everyday garden variety or action taken in connection with a disciplined inquiry* (Guba 1990, cited by Jennings 2001: 20). The concept of paradigm was first brought up by Kuhn to approach the world in search of an “absolute truth” (Gummesson, 2000), and Gummesson defines paradigm as people’s value judgments, norms, standards, frames of reference, perspectives, ideologies, myths, theories and approved procedures that govern their thinking and action. Research paradigm determines how the world is viewed and how the phenomenon of interest is perceived. In other words, the world and the research subject can be viewed differently, and most likely, answers to the research question could be different depending on the paradigm the researcher subscribes to. It is therefore important to first understand what are the research paradigms governing methodologies.

Jennings (2001) explained six research paradigms based on their ontological, epistemological and methodological considerations as follow:

3.4.1 Positivist Paradigm

The researcher adopting the positivist paradigm perceives the social world as being organised by universal laws and truths. In such a world, human behaviour is therefore predictable, and it can be shaped and controlled once causal relationships have been determined. The paradigm is founded upon observable or testable facts from which generalisations can be made to develop theories to explain behaviour or relationships in the social worlds. The “reality” exists.

The relationship between the researcher and the subjects is one that is objective and value free. The researcher assumes a position that detaches him from the subjects being studied. The researcher is assumed not to impact on or influence the results or findings in a research project. As a consequence, other researchers should be able to replicate the same piece of research and obtain the same findings.

A positivist researcher uses the research methods of the physical sciences, such as “controlled experiments” and repeatable procedures that will achieve the same results each time the “experiment” is conducted. The researcher commences his study from a theory that demonstrates causal relationships, develops a hypothesis that is then tested in the real world to determine the veracity of the theory for explaining a specific behaviour or phenomena. A researcher operating from a positivist paradigm primarily uses quantitative methods to collect and analyse data. Analysis is conducted using statistical calculations and the unit of study will subsequently become numeric representations. The methodology is deductive in nature.

3.4.2 Interpretive Social Sciences Paradigm

The interpretive social sciences paradigm considers the world to be constituted of multiple realities. The researcher adopting the interpretive social sciences paradigm commences his study in the empirical world in order to develop explanations of phenomena. The findings of his study are used as the basis for theory building and generation.

The researcher is obliged to enter the social setting and become one of the actors in the social setting being studied. The researcher/actor has to catch the process of interpretation and the process has to be seen from the standpoint of the acting unit. Consequently, the researcher cannot remain aloof and be an objective observer. The relationship between the researcher and subjects of research is subjective.

The methodology is inductive in nature. To gather knowledge from the empirical world, a researcher informed by the interpretive social sciences paradigm uses qualitative research methods. He seeks to understand phenomena from an insider’s perspective rather than an outsider’s perspective. The insider’s view allows for the identification of multiple realities since the views of all social actors are taken into account. Even exceptions are taken into account rather than discounted. When using an interpretive social sciences paradigm, the researcher needs to be aware that people studied will not be representative of the wider population – findings of a study are specific to those who participated. However, the researcher will acquire an in-depth knowledge of the tourism phenomenon or experience

that is grounded in the empirical world – a world where there are multiple realities rather than only one “truth”.

3.4.3 Critical Theory Paradigm

The critical theory paradigm sees the world as being complex and organised by both overt and hidden power structures. The world involves suppression and exploitation of minority groups who lack any real power. The social world is perceived as being orchestrated by people and institutions in power positions who try to maintain the status quo and subsequently their positions of power.

The relationship between the critical theory paradigm researcher and the subjects is one between objectivism and subjectivism. The researcher sometimes has to be objective and assume a position that detaches him from the subjects being studied. However, the research process involves interaction between the researcher and the minority group being studied and the relationship is a subjective one. There is researcher empathy with the minority group and researcher commitment to effect social change to improve the minority group's social circumstances.

The critical theory paradigm emphasises the need to get below the surface to the real meaning of social interactions and the power plays that are implicit in social interactions. To get below the surface, the researcher predominantly uses qualitative research methods. The methodology is often value laden.

3.4.4 Feminist Perspective Paradigm

The feminist perspective paradigm views the world as being mediated by gendered constructions and these constructions have served to subjugate women and position them in the role of “other”. The dominant hegemony is patriarchal and women have been rendered invisible in the social construction of reality, primarily as a result of their association with the domestic sphere rather than the public sphere. Women are the subject class and men the ruling class. Power relations between men and women are subsequently

unequal and as a result women are oppressed by men. The researcher sees multiple realities existing within one social setting.

The researcher and the women being studied are subjects together, jointly generating knowledge. The relationship is subjective in nature, exhibiting reciprocity in the mutual sharing of experiences between the researcher and the women being studied. There is a close relationship between the researcher and the subjects of study.

The methodology acknowledges the pervasive influence of gender and locates the researcher whose gender influences the “research act”. Researchers usually employ qualitative research methods in the feminist perspective paradigm.

3.4.5 Postmodern Paradigm

Postmodernists perceive that there is no one truth but multiple interpretations of reality. In their opinion, there is no one single theory, method, tradition or novelty of the right form. All truth claims mask and serve particular interests in local, cultural and political struggles. There is a plurality of different postmodern theories and positions in a world in a constant stage of change and differentiation.

The postmodernist perspective is extremely subjective and postmodernists acknowledge their subjectivity in the course of conducting and writing up “research outputs”. The researcher is also an actor in the research process and cannot be withdrawn from the research context.

The researcher gathers information by questioning and even questions the methods and tries to design new ways to gain knowledge. The postmodernist deconstructs the social phenomenon to determine its core essence. Postmodernism allows researchers to be more creative in their reporting of research beyond the standard use of scientific reports and journal articles and to clearly identify the author as “I” within the reports.

3.4.6 Chaos Theory Paradigm

The world in the chaos theory paradigm is made up of unstable, non-linear, dynamic, ever-changing systems rather than stable, static, linear systems. The world is unpredictable and cannot be ordered; small events and minor changes can have significant, unexpected impacts. The relationship between the researcher and the subjects of research is based on scientific experiments. The researcher remains objective and value free. The nature of inquiry is dynamic and the researcher may change the setting altogether. Chaos theory offers a new set of metaphors for thinking about what we observe, how we observe, and what we know as a result of our observations. Chaos theory challenges our need for order and prediction, even as it offers new ways to fulfil those needs. *Researchers will gather data by learning to observe, describe and value chaos* (Patton 1990: 83, cited by Jennings 2001: 54).

3.4.7 Choosing a Research Paradigm and Research Method

The researcher realises that the investigation has come to a stage where one has to decide on the research paradigm. Table 3-1 shows the possible research paradigms and its application in studying China's outbound tourism, based on Jennings' discussion and classification.

Table 3-1: Research paradigms & their application in studying China's outbound tourism

Research Paradigms	Ontology	Epistemology	Methodology	Application in studying China's outbound tourism
Positivism	Universal truths and laws	Objective	Quantitative	The researcher might commence with a theory, gather statistical data of Chinese tourists, and analyse their travel motivation and their image of a particular destination. Hypotheses are developed and tested.
Interpretive social sciences	Multiple realities	Subjective	Qualitative	The researcher might interview key people such as Chinese government officials and study the country's policy to develop

				knowledge of the factors affecting the travel pattern. The facts and information are analysed to develop a theory.
Critical theory	Complex world organised by overt and hidden power	Between objective and subjective	Predominantly qualitative	The researcher might choose to investigate the impact of China's differential tourism policy whereby citizens in the more developed cities are allowed to travel but the under-privileged in the poor rural areas are discouraged from travelling.
Feminist perspectives	World mediated by gendered constructions; men have power	Subjective	Predominantly qualitative	The researcher might choose to focus on the travel pattern as being dominated by men and the role of women in travel decision making.
Post-modernism	World is complex and constantly changing; infinite interpretations	Subjective	Questioning and deconstruction, qualitative forms	The researcher might choose to examine travel patterns and preferences by analysing the types of packages offered in the market through an investigation of promotional materials.
Chaos theory	World is unstable, non-linear and dynamic	Objective	Quantitative and qualitative if used metaphorically	The researcher might focus on the development of descriptive algorithms to demonstrate what past changes in travel patterns (e.g. new destinations, new combination of destinations, new experiences) will mean for the future by factoring them in and focusing on the changes rather than disregarding them as anomalies.

Source: Adapted from Jennings, G. (2001). *Tourism research*

Based on the above discussion and analysis, the researcher decides to adopt for this thesis the interpretive social sciences paradigm with the understanding that there are multiple realities and that research findings may not be representative of the wider population but are specific to what is studied. The qualitative research is not value-free and cannot be repeated with exactly the same findings, however, it is able to develop in-depth knowledge of the tourism phenomenon or experience that is grounded in the empirical world.

In Finn, Elliott-White & Walton's (2000) classification of tourism and research methods, there are only two paradigms. Research that seeks to explain human behaviour through cause and effect falls under positivism. Research that aims to understand and interpret human actions through the individual's own perspective is classified as phenomenology. One uses quantitative research methods to collect numerical data and test theories (deductive thinking); and one uses qualitative research methods to explore meanings through words and text and to develop theories (inductive thinking). Although the distinction is not always clear-cut, the distinction by and large summarises the different research paradigms, research methods and thinking. Henderson believes that *the paradigm of positivism has dominated leisure research, but is now being challenged by an interpretive paradigm where the emphasis is on the richness of meaning* (Henderson 1990, cited by Finn, Elliott-White & Walton 2000: 6).

3.5 The Researcher's Own Value and Position

Gummesson (2000) advises that it is desirable that academic researchers account for their own personal values, at least to themselves. In this section, the researcher declares his own value and position, which could have influenced his selection and interpretation of the research findings.

The researcher of this thesis was informed by positivist paradigm when he started the journey of searching the "truth" to be expounded. He later shifted to an interpretive social sciences paradigm and adopted a constructivism point of view as he struggled with the ontological consideration of what the reality was. He subsequently realised that the research methods in traditional natural science did not help. There was no way he could

use predominantly quantitative research methods to investigate the research question of “How are the trends and patterns of China’s outbound tourism being shaped?”, which is complex, multi-faceted and sensitive. In order to come to grips with the multiple realities, interpretive research methods were used. The researcher had to shed the objective and aloof researcher position, and become part of the research process. The researcher used a multitude of research methods, most of which are qualitative in nature. The researcher collected data, gathered information, read expert commentaries, reflected upon different points of view, participated in forums, compiled case studies, interviewed tourism officials, and then drew his own preliminary conclusions. Inductive reasoning rather than deductive logic was used throughout the study.

The researcher confessed that it was very difficult for him to be entirely objective in conducting the study. The research topic of China’s outbound tourism was conceived by the researcher eight years ago when he was the General Manager of Marketing Communications at the Hong Kong Tourism Board (then the Hong Kong Tourist Association). At that time, mainland China was becoming the most important source market for Hong Kong, and the industry was keen to woo more Chinese tourists. The researcher was perplexed by the fact that a growing percentage of Caucasian tourists to Hong Kong was being replaced by Chinese tourists. Was this something to celebrate or to worry about? Were Chinese people eventually being “liberated” to see the outside world something to be celebrated? Should the industry be cautioned that the boom was in fact at the whim of the Chinese government? Should the tourism board, and in fact, other tourism boards as well, continue to pursue this seemingly unquenchable market segment or put their eggs in different baskets? The researcher had an interest in the phenomenon – both professionally and as a nationalistic Chinese.

Now that the researcher is working as the Programme Director (Industry Partnerships) at The Hong Kong Polytechnic University’s School of Hotel & Tourism Management, China’s tourism continues to perplex him in the sense that China is embracing tourism in such a way that no other countries have ever done in history. While inbound tourism and domestic tourism in China will continue to grow and prosper, outbound tourism has a special mission to achieve. China as a socialist state has had some difficulty in centrally planning outbound tourism because the phenomenon is happening so fast and it is so

dynamic. Outbound tourism is not just an economic phenomenon, not just a cultural phenomenon - there is more to it. It is this mysterious mission of China's outbound tourism that drives this research. The researcher strives to find out the significance of China's outbound tourism and its special mission.

In the researcher's current position at the University, he is fortunate to have had plenty of opportunity to converse with academics, experts and officials in the field of tourism from mainland China. He has been able to use such opportunities to probe into the research topic during such encounters. Such encounters arising from his profession have helped the research tremendously. In this sense, it is difficult for another researcher to repeat the same study.

3.6 Qualitative Research

It has now become clearer that to answer the research question the thesis should be informed by the interpretive social sciences paradigm and the researcher should embark on explanatory qualitative research. This approach is in line with what Jennings (2001) suggests: that in the quest for knowledge as to why tourism phenomena are occurring, researchers usually seek a qualitative methodological paradigm to get at the deeper meanings people attribute to tourism and tourism experiences, events and phenomena.

Compared with quantitative research, qualitative research is more flexible in dealing with social reality, which is fluid and hard to define. It is better suited to handling multiple realities and situations that cannot be repeated time and time again. It embraces alternative world views among different groups and within different settings. Hollinshead (2004 b) explains the unique characteristics of qualitative research as follows:

While quantitative research techniques tend to be applied uniformly, and are inclined to be 'relatively inflexible' in terms of their capacity to respond differentially to ontological considerations, qualitative studies tend to be much more idiosyncratic, vexatious and time-consuming. Under quantitative approaches, the measures or sources of validity are assumed to be knowable, hence under most positivist and neo-positivist lines of inquiry, it is frequently assumed that the subject matter of quantitative study may be observed

similarly and measured similarly here, there and everywhere, without much regard to contextual influences. Under qualitative forms of research, such matters of ontological concern are much more difficult to corral. The qualitative researcher has to map out the profile of competing measures of reality. (p. 72)

In dealing with ontological questions of “What exists?” and “What is?”, qualitative research is able to dwell into the complex and muddy relationships in social phenomena. In most cases of social investigation, researchers are interested in finding out what actually happens and what is happening, and there is no “representative” scenario to be found by statistical sampling. Hollinshead (2004 b) explains how qualitative research helps find out the truth as follows:

Ontologically, the emic fit of resultant qualitative interpretations is often richer or more pertinent where the researcher generates ‘open-ended’ and ‘contingent’ evocations of being and meaning, rather than yielding totalised, clean and tidy, non-complex classifications of lived reality. And since the border parameters which surround a particular realm of human activity are commonly not known in qualitative research settings, the qualitative researcher is obliged to concern themselves with depictions of what is actual rather than judging what is typical, as under quantitative or probability-based techniques of analysis. (p. 73)

Denzin & Lincoln (2005) say that qualitative researchers stress the socially constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape inquiry. Such researchers emphasise the value-laden nature of inquiry. They seek answers to questions that stress how social experience is created and given meaning. In contrast, quantitative studies emphasise the measurement and analysis of causal relationships between variables, not processes.

Denzin & Lincoln (2005) believe that all qualitative research is interpretive and is guided by the researcher’s set of beliefs and feelings about the world and how it should be understood and studied. Some beliefs may be taken for granted, invisible, only assumed, whereas others are highly problematic and controversial. Such interpretive paradigm

imposes particular demands on the researcher, including the questions the researcher asks and the interpretations he or she has.

There are a number of qualitative research methods commonly employed to gather information and data. These qualitative research methods are explained and discussed below.

3.6.1 Secondary Data Analysis

Secondary data analysis could be qualitative or quantitative, and is defined by Hakim as *any further analysis of an existing dataset which presents interpretation, conclusions, or knowledge additional to, or different from, those presented in the first report on the inquiry as a whole and its main results* (Hakim 1982: 1, cited by Finn, Elliott-White & Walton 2000: 41). Secondary data analysis refers to the analysis of information collected for a purpose other than that of the researcher – in this sense the researcher becomes the secondary user of the data (Finn, Elliott-White & Walton, 2000). Just because one is working with existing data does not make the research less interesting, less important or less impressive than the work of someone collecting primary data. It is the research idea and research design that matter. Given a particular set of research objectives, secondary data analysis may well be the most appropriate method, indeed it may well be the only possible research method.

3.6.2 Questionnaire

In questionnaire interviews, people are asked questions with a self-completed questionnaire on which the respondent writes their answers. A questionnaire can be sent and returned by post, or handed directly to the respondent who completes on the spot and hands it back. Questionnaires have the advantage of being inexpensive, and especially suitable for survey people who are dispersed over a wide geographical area (Seale & Filmer, 1998).

3.6.3 Interview

Interviews are a conversation with a purpose (Jennings, 2001). While the interviewer always has a set of questions in mind, the actual interviews can be unstructured or semi-structured, depending on the complexity of the questions. Unstructured interviews can be used as in-depth interview. The interviewer elicits each respondent's unique personal story, and follows up leads where they seem interesting (Seal & Filmer, 1998).

3.6.4 Participant Observation

Participant observation is the method most commonly adopted by ethnographers, whereby the researcher participates in the life of a community or group, while making observations of members' behaviour (Seale, 1998). *Ethnographer conducts research by participating overtly or covertly in people's daily lives for an extended period of time, watching what happens, listening to what is said, asking questions* (Hammersley & Atkinson 1995: 1, cited by Walsh 1998: 217). The investigator is immersed in the culture under study and there is usually intensive fieldwork.

3.6.5 Focus Group

A focus group consists of a small number of people brought together to concentrate on and then discuss a set of pre-determined research questions (Weeden, 2005). The discussion is led or directed by a moderator, who may or may not be the researcher. *The opportunity and potential for group interaction, and the resultant synergy, can be dynamic and exciting, allowing participants to brainstorm with each other* (Berg 2001, cited by Weeden 2005: 180).

3.6.6 Longitudinal Study

Longitudinal study involves the study of the same people or similar sample of people over a set period of time (Jennings, 2001). Data may be collected using interviews, focus groups, participant observation and documentary method.

3.6.7 Delphi Technique

The Delphi technique is a systematic method of collecting opinions from a group of experts through a series of questionnaires, in which the group's opinion is provided between question rounds and anonymity of the respondents is preserved (Garrod & Fyall, 2005). Experts are drawn from technical fields, academic literature and peers who have expertise in the topic being studied.

3.6.8 Case Study

Yin (1994) differentiates three types of case study research: exploratory, descriptive and explanatory. An exploratory case study is usually a pilot study that can be used as a basis for formulating more precise questions or hypotheses. A descriptive case study attempts to describe what happens. In making descriptions, we have to make choices, and these choices are guided by our paradigm, access, and pre-understanding. In other words, even a descriptive case study requires analysis and interpretation. An explanatory case study, sometimes viewed with scepticism, can offer an holistic view of the phenomenon being studied.

Gummesson (2000) differentiates two types of case study by their character. The first one attempts to derive general conclusions from a limited number of cases. The second type seeks to arrive at specific conclusions regarding a single case because this "case history" is of particular interest. The detailed observations entailed in both types of case study enable us to examine many different aspects in relation to one another, view a process within its total environment and also utilise the researcher's capacity for "Verstehen". ("Verstehen" is a German concept meaning the ability to appreciate, know the meaning of something, understand, or be aware of something.)

3.6.9 Action Research

Action research involves a group of people with a common interest within an organisation devising a plan to improve some aspect of operation or practice (Jennings, 2001). The

plan is implemented, monitored and reflected upon, which may result in another iteration of action research process.

3.7 The Research Process

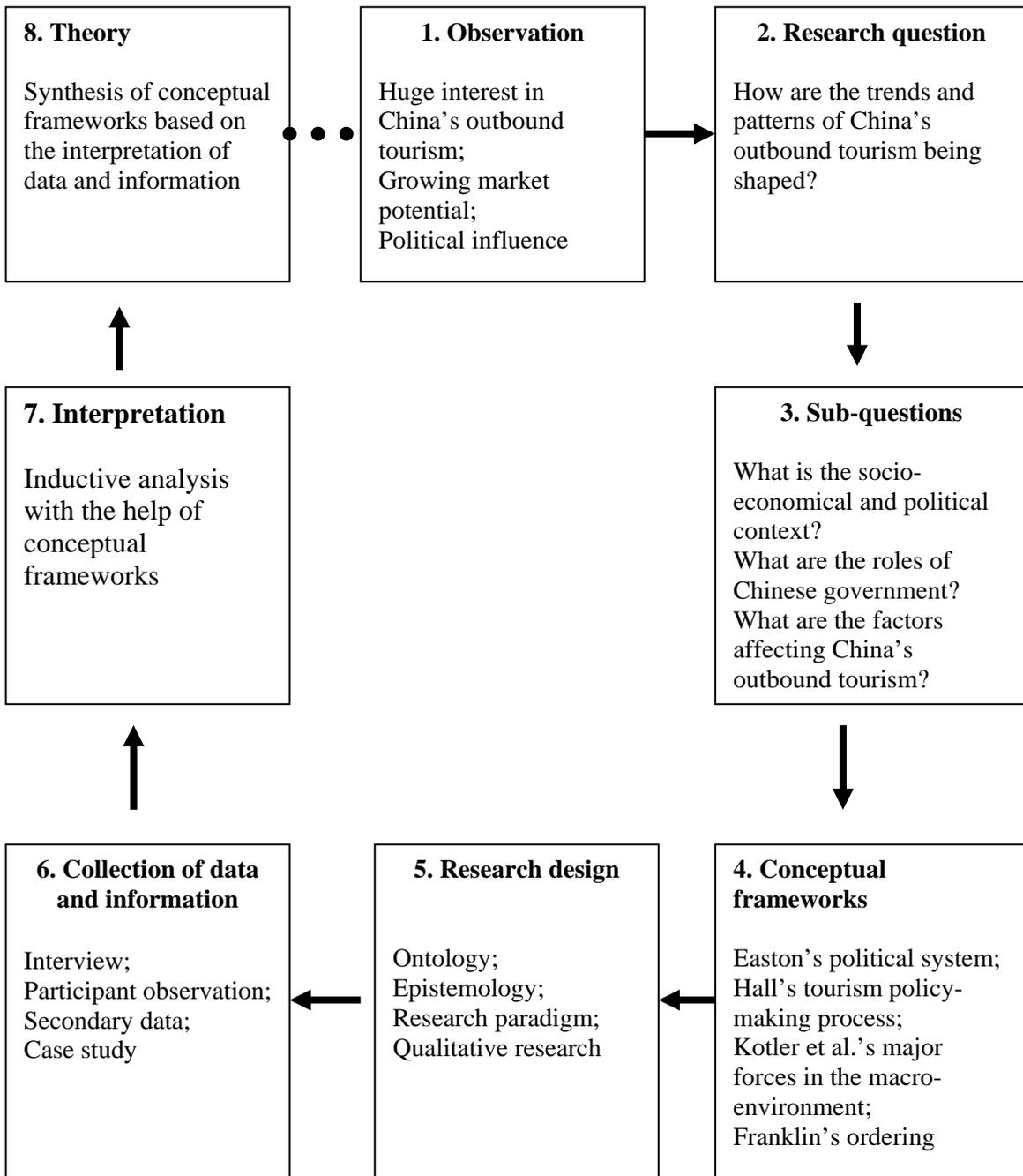
Based on the above discussion on research paradigms and what qualitative research could achieve, this section outlines the research process adopted in this thesis. The research process will help show how each chapter fits together and how collectively they build to provide an answer to the research question “How are the trends and patterns of China’s outbound tourism being shaped?”

The research process is depicted in Figure 3-3, with the following eight steps:

1. **Observation.** It is observed that there is huge interest among researchers and potential destinations in understanding China’s outbound market; growth potential of the market is phenomenal, and a consumer approach kind of study alone cannot explain the peculiar market performance and behaviour.
2. **Research question.** It has been formulated that the research question ‘How are the trends and patterns of China’s outbound tourism being shaped?’ would help better understand what is becoming of China’s outbound tourism.
3. **Sub-questions.** In order to answer the research question, it is necessary to break down the question into small sub-questions, such as what is the socio-economical and political context of China’s outbound tourism, and what is the Chinese government’s role in outbound tourism.
4. **Conceptual frameworks.** In order to answer the research question and the sub-questions, the researcher suggests using three different conceptual frameworks in different stages of the investigation.
5. **Research design.** Based on the methodological considerations, the researcher develops the research design largely based on qualitative research.
6. **Collection of data and information.** The researcher proceeds to collect relevant data and information using the research methods described in the research design.
7. **Interpretation.** The researcher uses inductive reasoning to analyse the data and information collected, with the help of the conceptual frameworks suggested in step 4.

8. Theory. The researcher arrives at a theory that answers the research question. A model is developed to help represent the social reality of China's outbound tourism, and how its trends and patterns are being shaped. It would be interesting to see if the theory and model could help explain the observation made now and in the future.

Figure 3-3: The research process of this thesis



Source: Original for this thesis

3.8 Research Methods Used

This thesis has used four qualitative research methods: interview/questionnaire, participant observation, case study, and secondary data analysis. This section explains why and how the four methods are used in this research. The key findings of interview/questionnaire and participant observation are reported in Chapter Four, case study in Chapter Five, and secondary data analysis is used throughout the thesis, particularly in Chapter Six.

3.8.1 Interview/questionnaire

Chinese government tourism officials, academics and consultants in the field of tourism management were interviewed because they are experts in the field. Interview in the form of conversation is used to elicit each respondent's unique personal story and opinion. In the case where the interview could not be conducted in person because of practical reason, a semi-structured questionnaire was used. Questionnaires were also used to survey people who are dispersed over a wide geographical area in China.

The researcher used interview/questionnaire to find out expert opinion on China's outbound tourism. A total of 13 academics/industry practitioners and 22 Chinese government officials were interviewed.

The researcher explained to the respondents about the survey, sought their consent, and conducted all interviews himself. The researcher asked the respondents the following questions in Chinese, and follow-up questions were used in the case of face-to-face interviews:

1. How would you describe the growth potential of outbound tourism in China?
2. How do you see the relationship among inbound, domestic and outbound tourism?
3. Does the government encourage outbound tourism?
4. If yes, what does the government do to encourage outbound tourism?
5. If not, what is the government's concern?
6. What are the malpractices in the travel industry in outbound business?
7. How does the government regularise the travel industry?

8. What is the current situation of outbound tourism to Taiwan?
9. How do you envisage as the future of ADS now that there are more than 100 countries with ADS?
10. Do you envisage Individual Visit Scheme to be introduced in destinations other than Hong Kong and Macau?
11. What are the roles of the government in outbound tourism?

The 13 academics/industry practitioners were either interviewed in person or they completed a questionnaire and returned it to the researcher by mail, fax or email. They were:

1. Zhang Donghui, Professor of Economics and Dean, School of Business, Shangdong University at Weihai
2. Kong Haiyan, Lecturer, Tourism Counselling and Training Centre, School of Business, Shangdong University at Weihai
3. He Jianwei, Vice-President, Shenzhen Tourism College, Jinan University
4. Duan Kaicheng, Associate President & Associate Professor, Shenzhen Tourism College, Jinan University
5. Hu Shan Feng, Dean and Professor, Tourism College, Huangshan University
6. Zhang Guangrui, Director & Professor, Tourism Research Centre, Chinese Academy of Social Sciences
7. Zhang Hanqin, Associate Professor, School of Hotel & Tourism Management, The Hong Kong Polytechnic University
8. Shen Han, Lecturer, Fudan University
9. Song Haiyan, Professor, School of Hotel & Tourism Management, The Hong Kong Polytechnic University
10. Qin Yu, Associate Professor and Head, Department of Hotel Management, School of Tourism Management, Beijing International Studies University
11. Li Xinjian, Associate Professor, Chief, School of Tourism Management, Beijing International Studies University
12. Wang Xinjun, Managing Director, Ivy Alliance Tourism Consulting Co., Ltd
13. Jennifer Ma, Manager, Marketing Department, China Travel Service Head Office, MICE Service

A total of 22 senior officials of the China National Tourism Administration (CNTA) and its subordinate organisations at regional, provincial, and municipal levels were interviewed during their visit to The Hong Kong Polytechnic University for a two-day Bureau Chief Training Programme. The researcher was one of the instructors on the training programme, and therefore had access to the officials. At the end of the training programme, the researcher invited all the participants to answer the research questions. The participants were asked to fill in their answers on the questionnaires, and return the completed questionnaires on the spot. Of the 22 respondents, 19 identified themselves and three did not. The 19 respondents who have identified themselves were:

1. Cai Jia Cheng, Deputy Director, Xinjiang Tourism Bureau
2. Chen Hong Yuan, Deputy Director, Gansu Tourism Bureau
3. Dong Xian Min, Director, Shanxi Tourism Bureau
4. Gu Xiao Yuan, Deputy Director, Beijing Tourism Bureau
5. Huang Bing Wen, Head, Discipline Section, Guangxi Tourism Bureau
6. Ji Bao Ping, Head, Discipline Section, Shanxi Tourism Bureau
7. Kong Lei, Officer, CNTA
8. Li San Qi, Deputy Director, Guizhou Tourism Bureau
9. Li Yue Zhong, Director, Human Resources & Training Department, CNTA
10. Liu Zun Gang, Deputy Director, Hubei Tourism Bureau
11. Pang Zun Hai, Head, Discipline Section, Ningxia Autonomous Region Tourism Bureau
12. Tong Jing Zheng, Head, Discipline Section, Tianjin Tourism Bureau
13. Wang Shi Yang, Deputy Director, Jilin Tourism Bureau
14. Xu Hao, Deputy Director, Qinghai Tourism Bureau
15. Zhang Gu, Director, Sichuan Tourism Bureau
16. Zhao Jin Yong, Deputy Director, Zhejiang Tourism Bureau
17. Zheng Jia Ning, Deputy Inspector, Inner Mongolian Autonomous Region Tourism Bureau
18. Zheng Wei Rong, Deputy Director, Fujian Tourism Bureau
19. Zhou Jia Lu, Head, Discipline Section, Shandong Tourism Bureau

The researcher used a questionnaire instead of one-on-one interviews because of two reasons. One, the senior officials were in Hong Kong for two days only, and it would not have been possible to arrange a schedule such that they could all participate in the interview. Two, the success rate would be very low if the senior officials were invited to attend an interview to be scheduled. The researcher considered the opportunity of asking all 22 senior officials from CNTA too important to pass and decided to use a written questionnaire to ensure a high participation rate.

To a certain extent, interviewing the 13 academics/industry practitioners and 22 senior officials from CNTA resembles a Delphi technique, which enabled the researcher to seek expert views. The research makes possible geographically dispersed experts to participate in the study without bringing the participants together. The experts can put forward their points of view without being influenced by the face-to-face interaction in a focus group.

Given the need to elicit judgments on issues that are highly complex and necessarily subjective, and the requirement of significant levels of knowledge and expertise on the part of respondents, such a quasi-Delphi technique is considered very helpful in this research.

3.8.2 Participant Observation

It is anticipated that sometimes respondents are reluctant to give away personal opinions on sensitive issues such as government tourism policy in an interview or via a questionnaire. Government officials and academics are more prepared to discuss and explain such policy matters in a public forum or seminar. They feel more obliged to discuss such policy matters and answer questions as invited speakers. Therefore, attending a public forum or seminar is an important research method to gather official views and personal opinions on the subject matter.

The researcher participated in four forums and two seminar related to China's outbound tourism and economic development. The six forums and seminar were:

- 2nd International Forum on Chinese Outbound Tourism (2005) held in Beijing on 20-21 November 2005, a report of which by the researcher has been published (Tse, 2006);
- 3rd International Forum on Chinese Outbound Tourism (2007) held in Beijing on 13 May 2007;
- 4th International Forum on Chinese Outbound Tourism (2008) held in Beijing on 16 April 2008;
- Seminar on China's Outbound Tourism (2006) by Zhang Guangrui, Director & Professor, Tourism Research Centre, Chinese Academy of Social Sciences, held at The Hong Kong Polytechnic University on 19 May 2006;
- Seminar on China's Economic Development (2007) by Cheng Siwei, Vice-chairman of the Standing Committee of National People's Congress, held at The Hong Kong Polytechnic University on 19 April 2007;
- Tourism Forum 2007 (2007) hosted by Tourism Commission of Hong Kong SAR Government on 15 June 2007, in which Shao Qiwei, Chairman of China National Tourism Administration was the keynote speaker.

The researcher participated in the above forums and seminars with the intention of collecting information, government views, industry views and trends about China's outbound tourism. The *International Forum on Chinese Outbound Tourism* is the only one of its kind in China and indeed worldwide. Most of the talks were delivered in Chinese with some delivered in English. As the researcher is bilingual, he was able to comprehend the entire forum delivery.

The *Seminar on China's Outbound Tourism* by Zhang Guangrui was an in-depth analysis by the leading tourism expert in China. Professor Zhang has had 40 years of experience in tourism industry and research, and is arguably the most respected tourism scholar in China. The seminar was delivered in English.

The *Seminar on China's Economic Development* by Cheng Siwei was an important one that gave an official view of China's current economic development and the outlook. Although outbound tourism is not a topic covered in the seminar, it is essential to view and analyse outbound tourism in the context of economic development as it is inextricably

linked with the economy as explained in Chapter Eight. The seminar was delivered in Chinese.

The *Tourism Forum 2007* in which Shao Qiwei delivered a keynote speech on the state-of-play of China's tourism provided an official view of the outbound market situation and touched upon the government's tourism policy. The speech was delivered in Chinese.

3.8.3 Secondary Data Analysis

It has been said that China's outbound tourism does not happen in a vacuum and it should be analysed in the context of the country's political, cultural and socio-economic development. Secondary data analysis is the only means to compose an overview of the political, cultural and socio-economic context in which tourism has developed in China. Extensive use of literature review and analysis of data concerning the country's socio-economic development are needed and indeed carried out. In addition, the case study of outbound tourism from Japan, Taiwan and Korea requires the support of secondary data as well. In addition to books and journals, annual reports, newspapers, magazines, statistical reports, pamphlets, theses, Internet-based bulletins, and websites were used throughout the thesis. The major sources of secondary data are listed below:

- China Daily
- South China Morning Post
- The Australian
- China Travel Agent
- The Yearbook of China Tourism Statistics
- Green Book of China's Tourism
- China Travel Weekly (www.TravelWeekly-China.com)
- China Outbound Travel News (www.cotn.cn)
- eTurboNews (www.TravelIndustryReview.com)
- China Hospitality News (www.ChinaHospitalityNews.com)
- National Bureau of Statistics of China (www.stats.gov.cn)
- China National Tourism Administration (www.CNTA.com)

- e Tour Korea (www.eturkorea.com)
- Japan Tourism Marketing Co. (www.tourism.jp)
- Tourism Bureau Taiwan (<http://admin.taiwan.net.tw>)

It is necessary and crucial to rely on newspapers, bulletins and websites for up-to-date information as China's tourism scene is changing very quickly.

3.8.4 Case Study

Case studies of Japan, Taiwan and Korea's outbound tourism have been used to identify the differences in their policy and international tourist flow patterns, and provide a benchmark for studying China's outbound tourism. The three source markets, Japan, Taiwan and Korea, were chosen for the case study because their outbound tourism development has gone through stages similar to the outbound tourism development in China. They all began with an era of restriction in travel through gradually lifting the ban to a stage of outbound tourism being an important component of international tourism in their respective countries and region. There are also fundamental differences in the economic, cultural and political contexts among the four countries and region.

Stake (2005) sees the advantage of case study in being able to describe the sequence and coincidence of events, interrelated and contextually bound, and being ever-reflective, and pondering the impressions, deliberating on recollection and records without necessarily following preconceived theories.

In fact, the whole thesis can be viewed as one case study on China's outbound tourism. As Beeton (2005) points out, the case study is an holistic empirical inquiry providing an in-depth understanding of a contemporary phenomenon in its real-life context, using multiple sources of evidence. A particular strength of case study lies in its holistic-inductive nature and grounding in actuality with an insider's perspective, which is pertinent to areas of policy development and examination.

3.9 Validity in Qualitative Research

All researchers should be concerned with the validity, or truth status, of their research reports. In quantitative research, validity is whether a measuring instrument measures what it is supposed to measure (Fin, Elliott-White & Walton, 2000). However, the status of research as truth is the subject of considerable philosophical controversy in researching society and culture (Seale, 1998). How can one be sure that a qualitative research is researching what it is supposed to research? How can one be sure that the qualitative research findings are true?

In the issue of validity, Santos (2005) believes that the question is not so much whether validity is important in the field of qualitative tourism research, but, rather, whether that validity is situated within qualitative research or is a remnant of quantitative research. *It has been said that validity reflects a concern for acceptance within a positivist concept of research vigour* (Kincheloe & McLaren 1998: 287, cited by Santos 2005: 156). Given that the traditional criteria utilised to assess validity were formulated by the positivist, it is necessary to re-visit and ponder the issue of validity in qualitative research that is used mostly by the phenomenologist. It has been noted that the positivist uses deductive logic in research, and the phenomenologist uses inductive thinking.

As such, Santos (2005) calls for the approach to validity being replaced with a concern for trustworthiness in one's work. *It is found that [the] qualitative researcher studies social action and cultural sensitivity situated in time and place; and the move to generalise in the traditional sense is neither warranted nor particularly desirable* (Lindlof 1995: 238, cited by Santos 2005: 157). Ultimately, qualitative research is a process, in the sense that the tourism researcher approaches issues from within a set of ideas, a framework and an interpretive community, and as such its work must be constantly reviewed and contemplated.

Hollinshead (2004 b) confessed that *almost all qualitative analyses can only ever be partial, and therefore open-ended, forms of inquiry; many researchers believe they can only ever yield 'findings' tentatively held, and never 'results' firmly concluded.* (p. 73)

The researcher is well aware of the importance of validity throughout the investigation and the limitation of qualitative research. In an attempt to ensure that the thesis studies what it is supposed to research, the researcher uses (a) triangulation, (b) grounded theory analysis, (c) discourse analysis, and (d) reflexivity to ascertain validity of the research findings. These four concepts are discussed below in relation to the thesis.

3.9.1 Triangulation

Triangulation is one way to ensure that a research is studying and reporting what it is supposed to research. Triangulation is a term borrowed from navigation, land surveying and civil engineering, where it is a technique used for the precise determination of distances and angles for location of a ship's position and in such endeavours as road building and tunnel alignment (Gummesson, 2000). If one side and two angles of a triangle are measured, the entire triangle is established. In social sciences, the term triangulation is used for the application of two or more methods on the same research problem to increase the reliability of the results. If the findings of all the methods point to the same results, chances are the "facts" have been obtained.

Triangulation is used in qualitative research when no single method can adequately solve the problem of rival causal factors ... because each method reveals different aspects of empirical reality, and multiple methods of observations must be employed (Denzin 1978: 28, cited by Jennings 2001: 151).

In developing this thesis, the researcher uses four methods: secondary data analysis, case study, interview/questionnaire and participant observation. The following chapters demonstrate how the different aspects revealed by each method are synthesised to explain China's outbound tourism.

3.9.2 Grounded Theory Analysis

Grounded theory was "discovered" by Glaser & Strauss, who argue that theories and models should be grounded in real-world observations rather than being governed by established theory (Gummesson, 2000). Grounded theory approach is concerned with the

generation of theory; it encourages creativity in the understanding of the research subject and finding new ways of approaching reality. This contrasts with the mainstream researcher's testing and refinement of existing theories and models. As opposed to statistical sampling in quantitative research, theoretical sampling in qualitative research is an ongoing process in which the researchers simultaneously collect, code, and analyse their data and decide along this journey what to collect next and where it may be found.

Grounded theory analysis is a systematic qualitative research method that enables the researcher to inductively generate theory from the phenomenon being studied (Strauss & Corbin 1990: 23, cited by Jennings 2001: 210). Like all qualitative research, the final theory generated is limited to those categories, their properties and dimensions, and statements of relationships that exist in the actual data collected (Strauss & Corbin 1990: 112, cited by Jennings 2001: 210).

The analysis of this thesis is grounded in the researcher's real-world observations through secondary data analysis, case study, interview/questionnaire and participation. Inductive thinking is used to generate description and theory to explain the outbound tourism in China.

3.9.3 Discourse Analysis

Discourse analysis refers to a range of techniques, some highly formal, rigorous and systematic, others less so, that are used in the analysis of text, writing and talk (Bhatt, 2004). Discourse analysis is concerned with the production of meaning through talk and texts (Tonkiss, 1998). Researchers using discourse analysis read language not as reflecting reality in a straightforward way, but as constructing and organising that social reality. They are concerned with examining the way that language is used to present different pictures of reality.

One primary approach to discourse analysis is to organise the data into key categories of interests, themes and terms. Identifying recurrent themes can help organise the data and bring a more systematic order to the analytic process. Another useful way to analyse a

piece of discourse is to look for patterns of variation within the text. This allows the researcher to discover conflicting ideas, contradiction, uncertainty and alternatives.

There are two kinds of research validity: internal validity and external validity. Internal validity refers to the coherence and consistency of a piece of research, and in particular how well the data presented support the researcher's conclusions. External validity, on the other hand, refers to whether the findings are generalisable to other research or social settings. Discourse analysis has a particular concern with issues of internal validity.

Selected sections of newspaper reports, an extract from a political speech, policy statements and tourism regulations collected for this research are treated as "discourses" for analysis. The information will be analysed to see if and how the language used marks out a field of knowledge, confers membership and bestows authority (Tonkiss, 1998).

3.9.4 Reflexivity

Reflexivity refers to the sense of seriously locating oneself in one's research (William 1990: 254, cited by Jennings 2001: 116). A notion of strong reflexivity would require that all the objects of inquiry be conceptualised as gazing back in all their cultural particularity and that the researcher, through theory and methods, stand behind them gazing back at his own socially situated research project in all its cultural particularity and its relationships to other projects of his culture – many of which (policy development in international relations, for example, or industrial expansion) can only be seen from locations far away from the scientist's actual daily work (Harding 1991: 162, cited by Jennings 2001: 116).

Adopting a reflexive approach to social research means a critical and open stance towards data and analysis (Tonkiss, 1998). To be reflexive in research, one questions one's own assumptions, critically examines the process of inquiry and considers the researcher's effect on the research setting and research findings. Reflexivity also involves attention to the writing strategies that researchers employ to construct a research account.

The researcher has disclosed his value and position earlier this chapter, and acknowledges the unique and special relationship with the respondents to the interview/questionnaire. The researcher has declared his personal and professional interest in the subject matter. The researcher has played several roles during the research process: researcher, instructor, colleague, host, participant, guest and friend. These different roles allow the researcher to get involved with the respondents and tourism in China.

3.10 Conclusion

Chapter Three has discussed the methodological considerations for qualitative research in general, and for this thesis in particular. This section begins with a consideration of the philosophical questions of ontology and epistemology in the context of this research study, which clarifies the direction taken to achieve the aims of the research. The discussion is followed by a review of the six approaches to research and seven research paradigms by Jennings (2001). It has been concluded that this thesis is predominantly a piece of explanatory research and is informed by the interpretive social sciences paradigm.

The researcher has confessed his own value and position, and acknowledges that research findings will never be value-free. Qualitative research methods will be used to collect and analyse data and information. There are multiple realities and the researcher plays an important role in constructing and interpreting the reality. The researcher is interested in finding out what actually happens and what is happening in China's outbound tourism, and does not try to create a "representative" scenario by statistical sampling.

As this research is descriptive and explanatory in nature, rather than causal, inductive thinking will be used to explore the richness and meaning of the tourism phenomenon and develop a theory. This research is not trying to prove or disprove a hypothesis.

On the issue of validity in qualitative research, it has been argued that the concept reflects a concern for acceptance within a positivist paradigm, and an interpretive social sciences paradigm is more concerned with the trustworthiness of research. It is argued that the qualitative study of tourism phenomenon is situated in time and place, and it is not desirable to generalise in the traditional sense.

It has been explained why and how the specific research methods, i.e., interview/questionnaire, participant observation, case study and secondary data analysis, are used in this research. In an attempt to ensure that the thesis studies that which it is supposed to research, the researcher uses (a) triangulation, (b) grounded theory analysis, (c) discourse analysis, and (d) reflexivity to ascertain validity of the research findings.

The researcher sees the thesis as one big case study on China's outbound tourism. It is in fact an empirical inquiry of a contemporary phenomenon within its real-life context. The thesis adopts the holistic-inductive paradigm of tourism research responding to the "how" and "why" questions. *Such approach is especially pertinent to case study as such questions deal with complex operational links that cannot be adequately examined using other research paradigms such as experiment and survey* (Yin 1994, cited by Beeton 2005: 41).

CHAPTER FOUR

KEY FINDINGS

4.0 Introduction

Chapter Three discusses the methodological considerations for this thesis and explains why and how the following four research methods are used: interview/questionnaire, participant observation, case study and secondary data analysis.

This chapter reports the key findings of the interview/questionnaire and participant observation. The description in this chapter is not merely a recording of what is written or said, but also an interpretation of the words and meanings conveyed. In the case of interview/questionnaire, the researcher analyses the responses and extracts the themes based on content analysis. In the case of participant observation, the researcher states his interpretation alongside the speeches where applicable.

This chapter also reports one important document found in the desk research that is used in the secondary data analysis. The document is the *Administrative Measure for Chinese Citizen Outbound Travel*, originally in Chinese and translated into English by the researcher. The document, which can be accessed in the China National Tourism Administration website, will be analysed to reflect the Chinese government's attitude towards outbound tourism.

4.1 Themes from Interviews with Academics and Industry Practitioners

A total of 13 academics and industry practitioners in tourism management were either interviewed in person based on a questionnaire or asked to complete a standard questionnaire and return it by mail. The responses collected in the interviews were compiled and analysed. The following themes are extracted from the responses of the interview/questionnaire.

4.1.1 Significance of Outbound Tourism

Outbound tourism from China evolved from being suppressed in the 1960s to being legitimised in the 1980s, to being developed in the 1990s, and to being regularised in the 2000s. The development of outbound tourism has signified the growth of wealth among certain segments of the population, the elevation of the country's international status and economic power, and the government's shift away from fostering an "ignorance culture" (愚昧文化). The shift was necessary because Chinese people are no longer isolated from the outside world. The growth of outbound tourism is a step towards the global village, where people are better connected, informed and educated.

Outbound tourism is considered an extension of domestic tourism. Factors favouring the growth of domestic tourism will also encourage outbound tourism.

There are different views as to whether the government should encourage outbound tourism. While some academics support China to encourage outbound tourism, some believe that there is still too large a gap in the people's wealth distribution and that the country is not ready for encouraging outbound tourism yet. They believe that the government's priority should be directed towards elevating the whole country's prosperity rather than promoting the well-being of a selective group who can afford to travel outside the country.

4.1.2 Regulations Not Keeping Pace with Fast Growth

Most respondents believe that the growth of outbound tourism has outstripped the development of regulations. Outbound tourism in China has developed so quickly that the country has been caught unprepared. As a result, many unethical practices in the industry have surfaced. In addition, Chinese people are not well prepared for outbound travel. They do not know how to look after themselves and sometimes become victims of undesirable travel industry practices.

Some travel agents over-promise, and some do not deliver everything they have promised. These travel agents are described to deliver “short by the catty and less by the tael” (短斤少两). In addition, there is the problem of illegal over-staying and agents operating outside of their legitimate business scope. The academics believe that the government should be more proactive in dealing with such irregular industry practices.

4.1.3 Protection of Consumer Rights

As outbound tourism in China has developed so rapidly and the regulations are not able to cope with the development, consumer rights are not well protected. There is a need to advocate consumer rights for travellers. For example, adequate communication of information from travel agent to consumers is vital to avoid misunderstandings, and consumers should be better informed and educated regarding their rights. The government is already implementing measures such as devising and enforcing standard contracts between travel agent and customers to protect consumer rights; and encouraging and rewarding consumer complaints. There is early sign of consumerism in outbound tourism, a movement towards protecting the rights of outbound tourists.

4.2 Themes from Questionnaire Responses from CNTA Senior Officials

A total of 22 senior officials of CNTA and its bureau offices were invited to complete a questionnaire during their visit to The Hong Kong Polytechnic University. The completed questionnaires were collected on the spot and later analysed. The following themes were extracted from the individual responses. Given the senior position of the respondents in CNTA and its bureau offices, the responses can be regarded as representative of the official view.

4.2.1 Strong Growth in Outbound Tourism Anticipated

Most respondents were very positive about the development of outbound tourism in China, and strong growth in future is expected. Outbound tourism is portrayed as a “tidal wave”, the current scenario described as “phenomenal”, the future depicted as “wide and open”, and the growth potential likened to “a shoot sprouting after raining in the spring”.

The majority of the respondents favour relaxation of the policy on Approved Destination Status, and they would like to see more destinations to be “opened”. They believe that travel has economic benefits to both the source market and destination, and it enhances cultural exchange between the two countries. One respondent even said that the more destinations approved the better. One respondent associates the extent of China’s outbound travel with the strength of the country and the world’s dependence on China. The majority of the respondents envisage that the Individual Visit Scheme, now implemented for Hong Kong and Macau only, will be introduced for other destinations gradually.

While the overall impression of outbound tourism among the senior officials of CNTA is positive, their understanding of the government stance on outbound tourism varies. Some officials believe that the Chinese government encourages and supports outbound tourism, some say otherwise, and some are ambivalent. There is no consensus as to whether the Chinese government encourages outbound tourism or not. This shows that the Chinese government while positive about outbound tourism is still apprehensive of and wants to maintain control of the social phenomenon.

4.2.2 Active Government Role in Outbound Tourism

All respondents say or imply that the government has an active role to play in outbound tourism. The respondents subscribe to the official view that the Chinese government should and does manage and control outbound tourism. The government stipulates regulations, gives directives, monitors the industry dynamics, exercises control and provides service to the industry and people. The service being provided includes coordination among different parties, regulating the travel trade and stamping out malpractices.

It is very clear that the respondents, given that they are all CNTA officials, believe in the government’s role in managing and controlling outbound tourism. There is no doubt whatsoever that the government has and should direct the development to ensure the health and quality of outbound tourism.

4.2.3 Protection of Consumer Rights

There is insinuation among some respondents that there is growing need to look after the rights of travellers. There is a need to ensure the quality of travel service being provided and protect consumer rights, for example, by regularising the travel trade. It is implied that the existing laws and regulations are not comprehensive enough to protect consumer rights. It is advocated, for example, that compulsory insurance be imposed on outbound travel and the government should enforce agreements signed between a travel agent and its customers. The Chinese government is also expected to protect the rights of its people when they are travelling abroad. There is general feeling that much has to be done to protect consumer rights in this fast growing industry of outbound tourism.

4.3 2nd International Forum on Chinese Outbound Tourism

The 2nd International Forum on Chinese Outbound Tourism (IFCOT) was hosted by the Beijing Municipal Bureau of Tourism, World Tourism Organization and Pacific Asia Travel Association in the Great Wall Sheraton Hotel, Beijing, on 20-21 November 2005. The forum serves to meet the growing interest in China's outbound tourism by analysing the current situation and trend of the outbound tourism market. The forum facilitates better understanding of the outbound market by the industry and provides an official channel for the Chinese authorities to disseminate and advocate the policy on outbound tourism. The speeches of relevance to this research are summarised below.

4.3.1 Outbound Tourism Policy

Mr. Zhang Xiqin, Deputy Director, China National Tourism Administration, gave a keynote speech on the new policy of outbound tourism. China's policy had been one of "moderately developing outbound tourism". Effective August 2005, the authority has adjusted the policy to be "seriously regularising outbound tourism". While the authority recognises the importance of outbound tourism, it is concerned with the irregularities associated with rapid growth. Such irregularities include overstaying, zero-fare tours and over-promise by travel agents.

The Chinese government believes that it is its role to create “healthy” relationships among the government, enterprises and consumers in tourism. A “healthy” relationship refers to the relationship between the government of the source market (China in this case) and the destination market. A “healthy” relationship also refers to rational consumption by Chinese travellers. The Chinese government believes that it should play the role of regulating the market so that the relationships are “healthy” and consumption “rational”.

4.3.2 Malpractices in Outbound Tourism

Mr. Yu Changjiang, Director of Beijing Municipal Bureau of Tourism, delivered a speech on the need to address malpractices in the rapidly growing outbound tourism marketing. Malpractices include the followings:

- Some travel agents sell packages below cost, giving rise to zero-fare or even negative-fare tours
- Some travel agents over-promise their offer
- Some travel agents offer sub-standard tours
- Some travel agents are poorly managed
- Some travel agents handle businesses beyond their approved scope of business
- Some travel agents offer itineraries dominated by shopping with high commission rebates
- Some tour operations are infiltrated by illegal entities
- Some travel agents take advantage of ignorant consumers

Mr. Yu reiterated the importance of actively regularising industry practices, maintaining order in the market, scrutinising below-cost operations, and controlling frequency of shopping and activities that require additional fee payments in a tour. All in all, the Beijing government shows determination to eradicate price fraud, dishonesty and illusive advertising. The industry is strongly encouraged to build self-discipline and the reputation of being honest.

4.3.3 Outbound Tourism and International Relations

Mr. Zhang Jianzhong, Director, Department of Policy and Regulation, China National Tourism Administration, explained that outbound tourism serves three purposes:

- It exemplifies China being a “tourism superpower”
- It meets the growing travel needs among the Chinese
- It helps balance trade surplus.

Mr. Zhang acknowledged that outbound tourism is a kind of “civil diplomacy” and it communicates a country’s achievements. Prosperous outbound tourism is recognised as one of the conditions of being a strong nation. The association between outbound tourism and national status is illustrated by the phenomenon that China’s outbound tourism is often on the agenda when international leaders visit China. It seems that the Chinese government will regularise the tourism industry with political, legal and market forces to nurture healthy development, good national image, civilised travel and respect for a destination country’s culture.

4.3.4 Outbound Tourism Development

Prof. Zhang Guangrui, Director of Tourism Research Centre, Chinese Academy of Social Sciences, spoke on the topic “Sober Judgment on China’s Outbound Tourism Boom”. He argued that the tourism policy in China was a little vague and the industry is not sure if its understanding of the policy was correct. Prof. Zhang believes that outbound tourism should be channelled rather than blocked: what he means is that control measures should be relaxed and more freedom of movement should be allowed.

It is Prof. Zhang’s theory that freedom of people movement will lead to movement of assets, movement of capital and movement of technology, and the Beijing 2008 Olympic Games should be treated as a springboard for the government to encourage both inbound and outbound travel.

4.3.5 Top-down Approach

The fact that the Chinese tourism authority hosts such a forum on outbound tourism is a phenomenon of significance and interest. The forum sends the message that outbound tourism is taken seriously by the Chinese authorities. The authorities have taken this opportunity to explain the new policy of regularising outbound tourism and the determination to scrutinise the outbound tourism industry. The use of words such as “healthy”, “civilised”, “regularise” and “tourism superpower” demonstrates the top-down approach and the control nature of the government. The Chinese government is not ambiguous that it has a role to play in outbound tourism. The role is not only related to quality of living, level playing field or economic development, but also national dignity, diplomacy and international relations.

4.4 3rd International Forum on Chinese Outbound Tourism

The 3rd International Forum on Chinese Outbound Tourism (IFCOT) was held in Kunlun Hotel, Beijing, on 13 May 2007. The forum was organised by Ivy Alliance Tourism Consulting Co. Ltd., with Global Refund as co-organiser, and the following organisations as sponsors: China Tourism Association, World Tourism Organization and Pacific Asia Tourism Association.

Recognising the high growth rate of the outbound travel market in China and also the immaturity of the market, the forum is held to provide a platform for the discussion of the market trends and characteristics, and problems in the market development. The forum also serves as a window for understanding government policy on outbound tourism in China.

The theme of the third forum was “Cooperation and Win-win Strategy”. There were about 200 participants from travel agents, national tourism offices, hotels, insurance companies, attractions and universities at the forum. The forum comprised six units of presentation and discussion. The topics and key points in each of the relevant units are summarised below.

4.4.1 Outbound Tourism Policy

Mr. Zhang Jianzhong, Director, Department of Policy and Regulation, China National Tourism Administration, commented on the current outbound situation with 132 approved destinations, of which 86 had been implemented. Mr. Zhang expressed his understanding of the government policy being not encouraging and not restricting outbound travel. On one hand, the government recognises the importance of outbound tourism in economic terms and in satisfying people's need, but on the other hand there are many aspects of outbound tourism that warrant attention and further study. The following aspects of outbound tourism were mentioned in the presentation:

- Need to adjust regulations to deal with the shift from travelling as tour groups to free and independent travellers
- Need to adjust the regulations to govern travel agents handling outbound travel of not just Chinese citizens but foreigners and citizens of Hong Kong and Macau Special Administration Regions
- Need to adjust outbound travel volumes according to inbound travel volumes
- Use of outbound tourism as a means to address trade balance
- Need to simplify outbound procedures
- Need to regulate outbound travel for religious purposes
- Need to regulate outbound travel being used as a means of illegal migration
- Qualification and certification of tour escorts
- Traveller safety issues

4.4.2 Current Situation, Trends and Problems

Dr. Wang Xinjun, Managing Director of Ivy Alliance Tourism Consulting Co. Ltd., gave a presentation on "The Current Situation, Trends and Problems of China Outbound Tourism Market". The key points of the presentation are summarised below:

- The outbound market of travelling for private purposes, as opposed to official purposes, has increased dramatically in recent years, reaching 83.4 percent in 2006.

- The increase of travelling for private purposes is a result of the increase in income, free time and holiday entitlement; travel and vacation becoming fashionable; increase of communication between Chinese private entrepreneurs and the outside world; increase in number of destinations with Approved Destination Status; and simplification of procedures for visiting Hong Kong SAR and Macau SAR
- The top 10 destinations in terms of being the first stop in 2006 were in this order: Hong Kong, Macau, Japan, Korea, Thailand, Russia, US, Singapore, Vietnam and Malaysia
 - Friends and relatives were the major source of travel information (41.9 percent) followed by the internet (25.5 percent), which illustrates the importance of the internet in influencing potential Chinese travellers in their choice of destination
 - China's outbound market was forecast to grow to 50 million in 2010, 75 million in 2015 and 107 million in 2020. The growth will be influenced by the following factors: Chinese government's policy on outbound tourism, effect of the Beijing Olympic Games 2008 on tourism, appreciation of the renminbi, continued growth of China's economy, increasing attention of the international community on the Chinese market, and increasing internationalisation of China's trade

4.4.3 Visa Issues

Mr. Andrea Biagini, First Secretary, Embassy of the Republic of Italy in China, said that the issuance of ADS visas through its Beijing, Shanghai and Guangzhou offices increased by 72 percent in 2006, accounting for 50 percent of all visas. The increase was the result of hard work in both Italy and China and the respect of the mutual agreement to promote tourism. The Italian embassy in Beijing has made a new move to staff its visa department with representatives from both the Foreign Ministry and Tourism Board, which makes the process of visa issuance smoother.

Mr. Arturo Claver, Tourism Counsellor at the Spanish Embassy in China, stressed that visas are part of the travel product that a Chinese travel agents has to include as part of its services. Mr. Claver believes that the choice of a destination is determined by promotion and not by visa. He also believes that there is a lack of knowledge and understanding of European destinations on the part of Chinese people. This is because Chinese travellers

tend to tour several European destinations rather than staying in one country for a longer period of time.

Ms Kelly Raj, First Secretary (Immigration), Australian Embassy in China, said that the ADS system was good for clients, travel agents, destinations and China. The issuance of ADS visas by her office doubled in 2006, and it expects to issue 0.75 million ADS visas in 2007. Australia recently introduced a scheme of issuing individual visas to Chinese citizens holding a Visa Gold Card.

Mr. Per Holte, Royal Norwegian Consulate General in China and Chairman of Scandinavian Tourist Board, said that while the ADS scheme was working well for a minimum of five people travelling together, the challenge was to grow individual travellers. Mr. Holte also made the point that more attention should be paid to the smaller destinations.

Mr. Guo Ming, Assistant General Manager, China International Travel Service (Hong Kong), raised some of the problems he has perceived with the ADS scheme. First of all, it seems that the system is not fair to all travel agents, with some travel agents being allowed to handle visas and others not. The interviewing process for getting a visa is somewhat arbitrary with unclear standards. The procedure of issuing individual visas is lagging behind. There are also problems of applications via internet being jammed because of high traffic and telephones not being answered.

Mr. Han Kui, Deputy General Manager, CYTS Outbound Company, said that one of the consequences of the ADS scheme is the decline in business travel. Some business travellers use ADS visas (instead of business visas) for their travel. Mr. Han feels that it is very difficult to understand why some of the visa applications are refused by different destination countries.

4.4.4 Policy and Regulations

Mr. Chen Wenjie, Vice President, China Travel Service Head Office, said that outbound tourism policy and regulations lag behind market development, industry self-regulation is

insufficient, and the development is incompatible with the market in the outside world. On the subject of “zero-fare” tours, Mr. Chen called for closer cooperation among different parties, and the need for a dedicated effort to stamp out the practice. While he believes that the industry has the obligation to change the practice, he also hoped that customers would become more mature in their decision making.

Mr. Guo Dongjie, President, China Comfort Travel Group, said that the outbound tourism policy was rather restrictive and a breakthrough was needed. On the subject of “zero-fare” tours, Mr. Guo said that this happens in a transient stage because of the immaturity of customers. As Chinese customers become more mature, more of them will go for quality and they will not be attracted by “zero-fare” tours. At the moment, 95 percent of the customers are price-sensitive.

Mr. Huang Hanzhong, Board Chairman, Thailand Guotai Travel Group, and Vice Chairman, Thailand Tourism Association, said that their experience showed that there was a trend towards clear division of labour, diversification of products, products being pitched at different price levels, and single-destination instead of multiple-destinations. On “zero-fare” tours, Mr. Huang said that the practice started with Taiwanese visitors 20 years ago. It all begins with an immature market. In the case of Chinese visitors in Thailand, the situation has improved and improper tour practice is on the decline.

Mr. Ray Lau, Managing Director, Miki Travel Asia, related the problem of miscommunication between travel agents and customers leading to disappointment with service quality. Mr. Lau suggests a win-win-win strategy for travel agent, customer and land operator, instead of a win-win strategy for buyer and seller only. To tackle “zero-fare” tours, travel agents should educate consumers, let them experience and learn, and set minimum tour prices.

Mr. Feng Bin, General Manager, Beijing UTS International Travel Service, pictured China’s outbound tourism as being in the early stage, characterised by the product undergoing constant changes, low customer spending and high expectations. Mr. Feng believes that travel agents have the responsibility to educate customer in making a wise

decision. The trend is for travel agents to shift from selling tour packages offering to visit 11 countries in 15 days to three countries in 10 days.

4.4.5 Official and Business Travel

Mr. Yan Gao, Vice President of Ctrip.com, explained that the e-business in travel caters more for FITs than the tour group traveller. Currently, mainland Chinese travellers to Hong Kong comprise 50 percent group and 50 percent FIT; Chinese travellers to Bali are 65 percent group and 35 percent FIT. From a buyer perspective, FITs are usually associated with a standard itinerary, too many shopping stops in a destination and the rather shallow tourism experience in a standard tour package. From a seller perspective, the travel agent faces the problem of having limited choices to offer, inadequate research and development in new products, and low penetration of e-commerce. In this regard, e-commerce provides flexible, convenient and comprehensive product for FITs including 24/7 bilingual hotline service in destinations. An FIT can usually get his or her's money's worth when buying travel products via the internet.

Mr. Wang Suqi, General Manager of CITS Overseas Travel Co. Ltd., pointed out there were peculiar features of outbound business and official travel in China, as a result of the unique situation in China. The peculiarities are explained below:

- Business and official travel in China differs from that in the international market in being non-specific in nature, longer in duration, mixed with incentive travel, and varied in delegate composition. Many such business and official outbound visits do not have a specific purpose with a very mixed group, and the duration of visit could be weeks and months. It is not unusual that there is element of incentive in the outbound travel to reward the delegates. As a result, such travel arrangements are often inclusive of all delegates' expenses related to the travel, and travel agents handle the visit just like a tour group
- Travel agents often face embarrassment and difficulties in dealing with business and official outbound travel in China. The embarrassment and difficulties arise because even travel agents are confused with the definition of the two types of

travel and what kind of travel documents. Travel agents find outbound policy and regulation unclear

- Travel agents are encouraged to grasp the opportunities of business and official outbound travel in China. It is obvious that despite the confusion, the growth potential of business and official travels is very good, and travel agents are advised to establish good reputations, develop relevant human resources, and devise appropriate sales and marketing strategies

Mr. Richard Willis, Chairman of Kuoni Travel China, spoke on “The Art and Skills in Planning Incentive Travel”. Mr. Willis believes that given the strong economic performance in China, appreciation of the renminbi, establishment of more multinationals in China, the need to provide incentives for people with improved performance and the rising number of countries and regions with ADS, incentive travel is a fast growing business in China. He stressed that incentive travel planning is different to ordinary travel planning, and suggested a number of ways to create a stronger impact in incentive travel.

Mr. Colin Bowman, Marketing Director of Flight Centre Limited, talked about the changes in the FIT market with respect to China:

- From being price conscious to rising aspiration
- From being one-size-fits-all to customised solutions
- From being product focus to experience driven
- From being limited choice to individuality
- From being single purpose to multiple experiences
- From being large group to small group
- From being tour oriented to interaction oriented

4.5 4th International Forum on Chinese Outbound Tourism

The 4th International Forum on Chinese Outbound Tourism (IFCOT) was held in Sofitel Wanda Beijing on 16 April 2008. The forum was organised by Ivy Alliance Tourism Consulting Co. Ltd., co-organised by China Association of Travel Services and The Hong Kong Polytechnic University, and sponsored by China Tourism Association, World

Tourism Organization and Pacific Asia Travel Association. The theme of this forum was “Approaching the Destination”. There were about 200 participants from travel agents, national tourism offices, hotels, insurance companies, media and consultants in the forum. The forum comprised six units of presentation and discussion. The two key discussions related to outbound policy are summarised below.

4.5.1 Relaxation of Outbound Policy

Mr Zhang Jianzhong, Director, Department of Policy and Regulation, China National Tourism Administration, spoke about the transition of outbound tourism in China. There was the need for stringent control and approval in the early stage of development 20 years ago, in order to direct, elevate and diversify the market. Mr Zhang suggested that, as the market develops and matures, such control policies and measures could be relaxed. Mr Zhang mentioned that relaxation in the administration of travel agent’s branch offices and guarantee deposit might be introduced in 2008 and the possibility of doing away with the control in outbound volume altogether. Mr Zhang also hinted that the ADS Scheme might also undergo some changes under the general atmosphere of relaxation.

4.5.2 US-China Group Leisure Travel Memorandum of Understanding

Ms Caroline Katzin, Special Counsel to US Secretary of Commerce, spoke about the memorandum of understanding the US and Chinese governments signed on 11 December 2007 regarding group leisure travel arrangements. Chinese regulations restrict companies from organising and marketing package tours for leisure purposes to countries that do not have agreements in place. This memorandum of understanding fulfils this purpose without changing existing laws or policies of the US, including the issuance of visas. Chinese travel agencies will be allowed to work with US companies to organise and market packaged group leisure tours to the US. In addition, US travel destinations will be able to market their brands in China. This agreement is in the implementation process that will provide for an orderly market transition.

It is interesting to note that the US refers to the agreement as a memorandum of agreement rather than an ADS Scheme. The country does not offer a special “group” visa, and

tourists will still apply for and be granted the standard business/tourism visa on an individual basis. On the issue of increased Chinese tourists, Ms Katzin said US destinations would become better known in the Chinese market, and both US and China tour operators and travel agencies would focus their efforts on refining group tour packages to meet the increasing demand of the market.

4.6 Seminar on China's Outbound Tourism by Zhang Guangrui

Zhang Guangrui is Director & Professor of the Tourism Research Centre in the Chinese Academy of Social Sciences. He gave a seminar on "China's Outbound Tourism" at The Hong Kong Polytechnic University on 19 May 2006.

According to Professor Zhang, as China is going through the process of reform, transforming from a planned economy to a market-driven economy, one may witness some irregular patterns. These irregular patterns occur because the country is policy led rather than economy led. This implies that Chinese policy can sometimes be a little unpredictable, and this affects the development of outbound tourism.

Professor Zhang identified three periods of tourism development in China, and they are:

- 1949 - 1978: Tourism is very much treated as a foreign affair, serving the country's politics and as a means to obtain support from the international community
- 1978 - 1977: Major efforts are made to develop inbound tourism as an economic means. Domestic tourism is also developed to stimulate consumption. Outbound tourism is developed in a restrained manner
- 1977 - 2006: The government treats tourism as part of the country's overall development. While inbound and domestic tourism is still important, outbound tourism is developed in a normative way. The government is cautious of its outbound growth and resorts to regulations to manage the growth. The government also pays more attention to "Clean Tourism", which means caring for the environment and nature, emphasising physical and spiritual health, demanding consumer protection, and advocating tourists to act in a more responsible manner

Professor Zhang attributes the growth of outbound tourism to subjective and external factors. The subjective factors are economic growth, availability of leisure time, physical ability to travel and desire to travel. The external factors are political and diplomatic relations.

The government has instigated relaxation of formalities in recent years to facilitate travel, including the issuance of passports, foreign exchange control and the use of credit cards. In addition to a five-day week, there are eight days of public holidays annually, and there are a total of 114 days off in a year. The three week-long holidays, Chinese New Year, Labour Day and National Day, are also conducive to outbound travel.

Chinese people are changing their consumption concept: from saving to consumption, from saving for the next generation to saving for themselves; from buying goods to buying experiences.

China's "open-door" policy and economic reform has resulted in an inbound tourism boom, which is also having an impact on outbound. More promotion by destinations is noted in terms of establishing NTOs in China, holding travel fairs, staging culture weeks, running advertising, creating websites in simplified Chinese and presenting travel awards.

4.7 Seminar on China's Economic Development by Cheng Siwei

Cheng Siwei, Vice-chairman of the Standing Committee of National People's Congress, gave a seminar on China's Economic Development (2007) at The Hong Kong Polytechnic University on 19 April 2007. Mr. Cheng was educated in China and then the US and received his MBA from UCLA in the 1980s. He received his Honorary Doctorate in Business Administration from The Hong Kong Polytechnic University and was conferred Honorary Professor by the University. Mr. Cheng presented his view of China's economy and how it impacted on Chinese people's livelihood. His key points on how the economic development might impact on outbound tourism are summarised and discussed below.

Mr Cheng believes that China is going through a development stage of perfecting the market economic system under the auspices of socialism. The country has been raising

the degree of openness to the outside world in the process of development. It is of paramount importance that harmony is maintained during the process of development, which has the characteristics of unifying (统一性), accommodating (包容性), and adjusting (调适性).

Reading between the lines, the researcher sees that China's economy is negotiating its way forward by accommodating the governance of socialism. While economic achievement is cherished, it will not be achieved at the expense of harmony. The country will try its best to accommodate different views and adjust itself for the sake of harmony, but will not tolerate separatism. The overarching values are harmony and unification.

Mr. Cheng advocates adopting a humanistic approach (以人为本) of putting people first and the concept of building and sharing together (共适共享) in the spate of economic development in China. The researcher's interpretation of such advocacy is that China is aware of the importance of ensuring an equitable system to reward its people: gone are the days when people were willingly sacrificing themselves for the good of others; gone are the days when people willingly accepted a mundane life of hardship everyday. Putting people first, having a sustainable development concept, advancing the economic achievement together with people's all-round development is a brand new approach in China's economic development.

As far as trading is concerned, the policy has always been harsh on importing and relaxed on exporting (严进宽出), and this has led to a consistent trade surplus and huge foreign reserves. Mr. Cheng suggested the following ways to alleviate the problems associated with the exorbitant foreign reserves: increasing imports, increasing overseas investment, relaxing foreign exchange controls, and relaxing outbound travel.

It is interesting to note that China's high foreign reserves can also be seen as a problem, and outbound travel is considered a means to alleviate the problem. High foreign reserves is considered a problem because it can lead to high inflation, it imposes upward pressure on the renminbi exchange rate, and it creates tension on social equality. Such problems

are at odds with the values of harmony and unification. Relaxing outbound travel is for the first time considered a solution to problems associated with high foreign reserves.

4.8 Tourism Forum 2007

Tourism Forum 2007 was hosted by the Tourism Commission of the Hong Kong SAR Government on 15 June 2007, in which Mr. Shao Qiwei, Chairman of China National Tourism Administration, was the keynote speaker. Mr. Shao's speech reflected the Chinese government's official view on tourism, and the following extract summarises his key points regarding outbound tourism.

Mr. Shao began by announcing that the UNWTO forecast had just been revised to bring forward China's outbound travel target by five years. That means China will become the fourth-largest outbound market, generating 100 million visitors by the year 2015 instead of 2020.

Mr. Shao stated that tourism demonstrates a country's soft power (软实力). By choosing such words in describing tourism, Mr. Shao is giving a clear political stance to tourism. He went on to explain that tourism development varies in different regions according to their stages of development. China pursues tourism development in the direction of harmony (和谐), respect (尊重), sustainability (可持续), and diversification (多样化). China also pursues balanced development, seeking collaboration with different parties and levels, supporting each other, and together benefiting from the resulting prosperity.

While tourism is recognised as an important economic growth sector in China, the country is putting more emphasis on the development of people and the environment, and not just economic prosperity in GDP terms, in the 11th Five-Year Plan (2006-2010). This implies that tourism is considered not from a pure economic point of view by the government, but also social and demographic points of view.

Mr. Shao realises that outbound tourism is not all roses and discussed some of the problem areas. For example, he believes that the irregularities in the travel trade industry require urgent and serious attention, travel insurance and emergency support are grossly

inadequate, and the people quality in the industry very much lags behind international standards.

Mr. Shao finished his speech by advocating more international cooperation, accommodating attitudes (包容性思想), high-level collaboration, and competition, and stressed the importance of harmony.

It can be seen from Mr. Shao's speech that tourism is far from being a pure economic activity in China. The use of words such as "soft power", "harmony", "respect", and "accommodating attitudes" shows that outbound tourism has strong political implications, and such orientation gives the government legitimate reasons to exercise control over such activity. The next section shows how the Chinese government controls outbound travel in the form of regulations.

4.9 Administrative Measures for Chinese Citizen Outbound Travel

The *Administrative Measures for Chinese Citizen Outbound Travel* were introduced on 1 July 2002, and the contents can be accessed at China National Tourism Administration's website (CNTA, 2007 a). The *Measures* are available in Chinese only, and the researcher had them translated into English for the purpose of analysing the government's attitudes towards outbound tourism. The English translation of the *Measures* comprising 32 articles is included in the appendix to this thesis.

An analysis of the *Administrative Measures for Chinese Citizen Outbound Travel* shows that the Chinese government is maintaining tight control of outbound tourism. The following control measures are stipulated in the *Measures*.

- The *Measures* legitimise the ADS Scheme and give the state absolute power to determine which country is allowed for outbound leisure group travel
- The *Measures* state that a tourist will be repatriated for overstaying in another country with his passport confiscated, his tour group leader and travel agency qualifications suspended. Illegal overstaying will not be tolerated because this

affects China's international relations, and the tour group leader and travel agency are responsible for maintaining the order

- The *Measures* state that tourists found to be involved in sexual transactions, gambling or drugs will cause their travel agency and tour group leader qualifications to be suspended. The travel agency and tour group leader are expected to ensure civilized traveller behaviour
- The *Measures* state that any travel agency found to be involved in serious malpractices will have its qualification suspended
- The *Measures* state that tour groups must travel together as a whole, and they must exit or return at designated ports only. This helps control the number outbound international tourists
- According to the *Measures*, there is a quota system to help control the number of outbound international tourists. The state determines the annual quota by provinces and regions. The provincial and regional tourism organisations determine the quota for their travel agencies. The quota is partly determined by the inbound performance with a larger inbound market resulting in a larger outbound market quota. In order words, there is a mechanism to tie outbound markets to inbound markets, ensuring a positive tourism balance.

4.10 Conclusion

This Chapter outlines the key findings from interviews, participant observation and desk research for this thesis.

A total of 13 academics and industry practitioners and 22 CNTA senior officials were interviewed either in person or via questionnaire. From the interviews with the academics and industry practitioners, three common themes emerged from their responses. First, the respondents all believe in the significance and growing potential of outbound tourism in China's tourism development. However, the regulations are somewhat outdated and they

cannot cope with the fast growth of outbound tourism, resulting in trade malpractices. Second, the respondents' views gravitate towards the country being not quite ready for the high growth of outbound tourism, and there are political, commercial and consumer issues arising from such high-growth phenomenon. Some respondents believe that control on outbound travel should be relaxed, whereas others believe that control is necessary given the high disparity in income among the population. Even with more control, commercial enterprises are likely to outsmart the government by working in the grey areas and beating the rules. Third, there is common belief in the need for consumer rights protection for Chinese travellers, who are relatively inexperienced.

From the questionnaire responses from the 22 CNTA senior officials, three common themes can be read. First, they anticipate continued strong growth in outbound tourism. Second, they believe in the government's role in managing and controlling outbound tourism. There is no doubt whatsoever that the government has and should direct the development to ensure the health and quality of outbound tourism. Third, they also believe in the need for better consumer rights protection and regularisation of the travel trade industry.

The researcher has participated in the International Forum on China Outbound Tourism (IFCOT) for three consecutive years. The involvement of the Chinese tourism authority in a public outbound tourism forum such as IFCOT sends the clear message that outbound tourism is being taken seriously by the government. The authority tries to send the message about the policy of regularising outbound tourism and the determination to scrutinise the outbound tourism industry. The use of words such as "healthy", "civilised", "regularise" and "tourism superpower" by the authorities in such public forums demonstrates the strong top-down approach by the government. The Chinese government is not ambiguous that it has a role to play in outbound tourism. The role is not just related to quality of living, level playing field or economic development, but also national dignity, diplomacy and international relations.

The researcher also participated in two related seminars with Cheng Siwei and Shao Qiwei as senior official speakers from the central government. They both emphasised the same kind of values and used similar words in their speeches: "humanistic approach", "respect",

“harmony”, “accommodating attitude”, “healthy” “rational consumption”, and “being civilised”. It is clear that the political leaders reflect the official party line of China subscribing to these humanistic values, at least in the public domain, rather than economic achievement in masterminding its tourism policy. Tourism development and economic achievement are of secondary importance compared to the country’s political endeavour, for example, in maintaining harmony within a vastly diverse country and in engaging Taiwan, Hong Kong and Macau.

Analysis of the *Administrative Measures for Chinese Citizen Outbound Travel* shows that the government’s attitude towards outbound tourism is one of tight control. The *Measures* legitimise the ADS Scheme that determines which countries are allowed for outbound travel; condemn illegal overstaying; and impose heavy penalties on the tourists and travel agencies that violate outbound travel regulations. The government expects the travel agencies, tour group leaders and tourists themselves to be responsible for maintaining order in outbound tourism.

CHAPTER FIVE

CASE STUDY OF OUTBOUND TOURISM FROM JAPAN, TAIWAN AND KOREA

5.0 Introduction

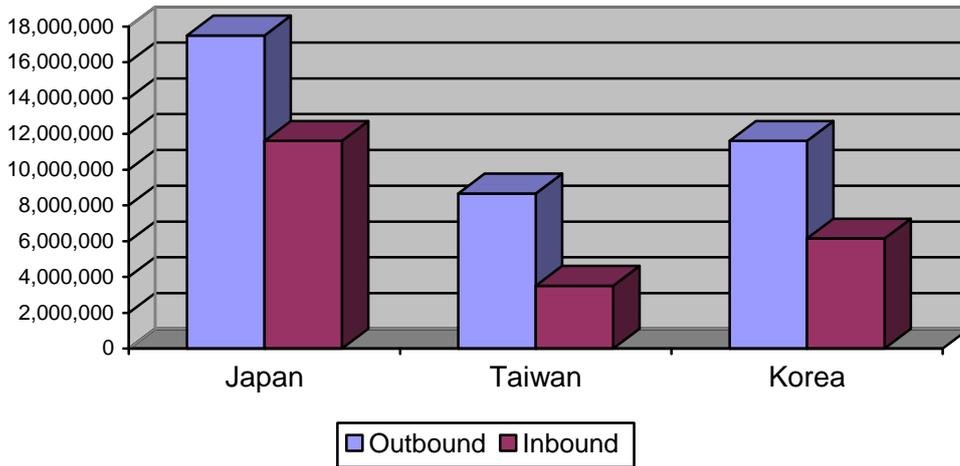
This thesis uses four research methods: interview/questionnaire, participant observation, secondary data analysis and case study. Chapter Four has outlined the key findings of interview/questionnaire, participant observation, and some desk research. This chapter outlines the case study and the findings of outbound tourism development in Japan, Taiwan and Korea and compares them with China.

The case study helps identify the similarities and differences in policy and international tourist flow patterns in Japan, Taiwan and Korea, and provides a benchmark for studying China's outbound tourism. The three source markets, Japan, Taiwan and Korea, were chosen for the case study because their outbound tourism has gone through development stages similar to that in China. They all began with an era of restriction in travel, through gradually lifting of the ban to a stage of outbound tourism being an important component of international tourism in their respective countries and region. There are also fundamental differences in the economic, cultural and political context among the four countries and region, which lead to different outbound tourism policies and tourist flow patterns. While the case study describes what happens, the researcher has to make choices in creating the descriptions, and these choices are guided by the research paradigm, access, and pre-understanding.

One important similarity among Japan, Taiwan and Korea is that their outbound markets are all two to three times bigger than their inbound markets (see Figure 5-1). Mainland China's outbound market, however, is much smaller than its inbound market. In 2007, China's outbound market was 31 percent of its inbound market. Figure 5-2 illustrates China's outbound and inbound markets from 1997 to 2007, which shows that the

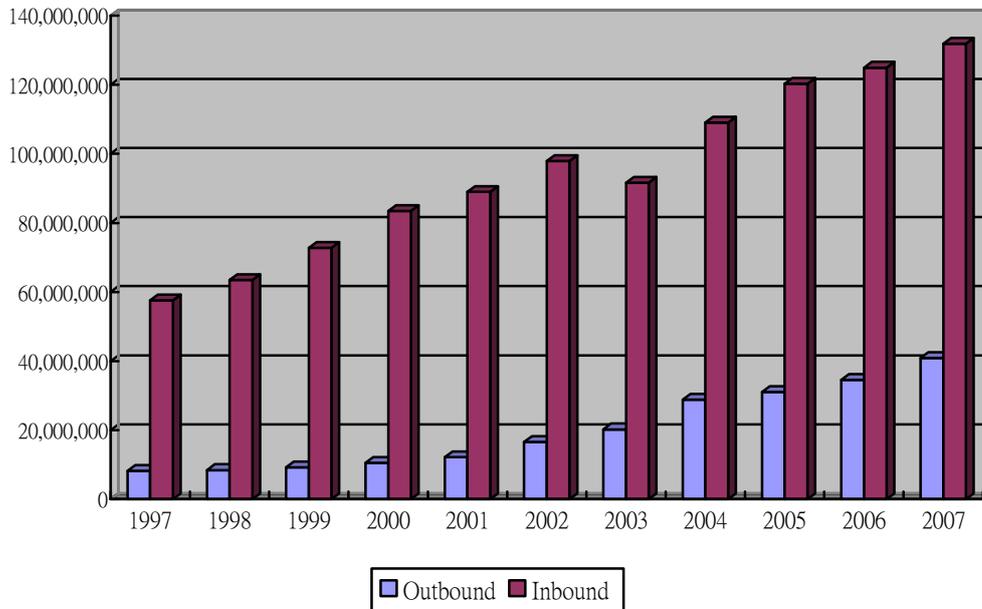
outbound market was consistently smaller than inbound market, although the outbound market was slowly increasing from 14% of the inbound market in 1997 to 31 percent in 2007.

Figure 5-1: Inbound arrivals and outbound departures in Japan, Taiwan and Korea in 2006



Source: Japan Tourism Marketing Co.; Tourism Bureau, Taiwan; Korea Tourism Organization

Figure 5-2: China's outbound market (departures) and inbound market (arrivals)



Source: The Yearbook of China Tourism Statistics, China National Tourism Administration

5.1 The Framework

The case study analysis will be based on Easton's (1965) framework of political system and Hall's (1994 a) framework of tourism policy-making process, as explained in Chapter Two. According to Easton's model of political system, policy decision is made as a result of demands and supports in the environment; and the decisions and outcomes of the policy will have an impact on the political environment that further affects demands and supports. Easton sees the political system as a dynamic system that keeps changing as a result of stress from within or outside the system. Easton does not believe in the political system reaching an equilibrium state.

Hall (1994 a) modifies Easton's model and incorporates the four components - demands, decisions, outputs and outcomes – into his own model creating the tourism policy-making process framework. According to Hall's framework, for specific policy issues, the policy arena is affected by the policy environment, and the policy environment comprises power arrangements, value and institutional arrangement. The policy arena consists of significant individuals, institutions, institutional leadership and interest groups. For specific policy issues, demands, decisions, outputs and outcomes follow a circular and dynamic relationship according to Easton's model.

The outbound tourism from Japan, Taiwan and Korea will be analysed as to what the social, economic and political environment was when their outbound markets first opened; who the interest groups and institutions were; how the demand was expressed; what policy decisions were made; what impacts were created by such policy decisions; and finally a critical analysis of the effectiveness of such policy decisions.

5.2 Japan's Outbound Tourism

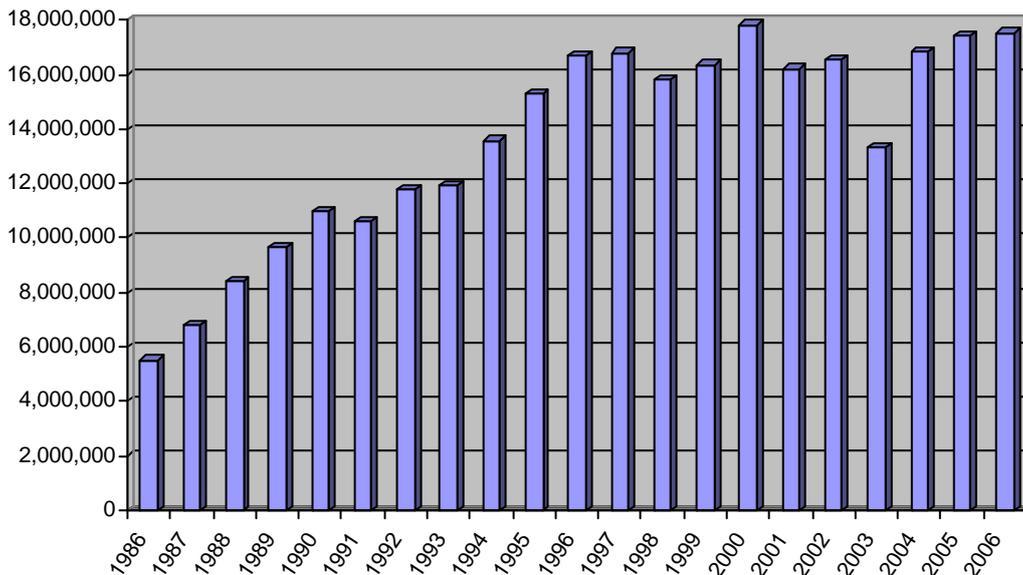
Japan generated 17.5 million departures in 2006, making it the No. 2 tourist generating country in Asia after China. If Chinese departures to the country's two special administrative regions, Hong Kong and Macau, which could be considered as domestic visitors, were excluded, Japan would become the No. 1 tourist generating country in Asia.

The following analysis of Japan’s outbound tourism will show how its strong growth has been affected by the country’s policy and politics.

5.2.1 Overview of Japan’s Outbound Tourism

Figure 5-3 shows the number of Japanese travelling abroad from 1986 to 2006. The growth in outbound international tourist flows from Japan started to pick up in 1986 when the government began officially to adopt a clear outbound tourism policy of promoting outbound travel. The number of outbound departures was 5.5 million in 1986 and reached the peak in 2000 with 17,819,000 departures. Outbound travel showed significant growth in the 10 years from 1986 to 1997, with an average annual growth rate of 12 percent. The outflow of Japanese tourists declined in 1998 as a result of the Asian financial crisis and the country’s sustained economic downturn. Japan suffered another setback in 2003 because of the epidemic SARS (Severe Acute Respiratory Syndrome), and began to pick up again in 2004. The US, China and Korea are the three most popular destinations among Japanese travellers. There are some 60 national tourism offices (NTO) from 50 countries with marketing offices in Japan (UNWTO, 2000 a).

Figure 5-3: Number of Japanese departures 1986-2006



Source: Japan Tourism Marketing Co.

5.2.2 Philosophical Commitment to Outbound Tourism

Japan recovered from the second world war (1930-1945) very quickly and emerged as an economic superpower in the 1960s. Over the two decades after the war, Japan averaged an annual growth rate of 8 percent, enabling it to become the first country to move from 'less developed' to 'developed' status in the post-war era. In 1968, the Japanese economy became the world's second largest, behind that of the US (Japan Access, 2005). The Japanese government was not content with being an economic superpower only, and also wanted to become a "wealthy and happy society" and "a society that gives me space to do my own thing" (McCormack, 1996). The country was appreciative of the leisure culture of holidaying overseas, which is deeply engrained in more developed countries such as the US, UK, Germany and Australia. Japan consciously sought to become an advanced country, and considered having Japanese taking holidays overseas as a manifestation of being an advanced country.

Japanese economic policymakers in the 1970s also began to latch onto the idea that leisure could lead the way for the national's continuing growth. They saw that 'the west' seemed to display the natural progress of economic change, and their leisure development represented part of a crucial shift towards a mass consumer society (Leheny, 2003). Leheny argued that there were two ideas underlying the Japanese leisure policy. The first idea was the intention of the Japanese government for its people to adopt the western practices of enjoying leisure and taking a holiday overseas as part of a "normal" lifestyle. The second idea was the government's recognition that Japanese people and culture were unique and that the "Japaneseness" should be protected. There was fundamental conflicts between the two ideas, with the first idea encouraging exposure and western lifestyles, and the second idea insulating Japanese travellers from western influence. The Japanese government had to adopt a leisure policy that carefully balanced the two ideas.

The Japanese government created public relations campaign in 1987 telling its people that they can (and should) travel abroad. In 1991, Prime Minister Miyazawa Kiichi announced that Japan, having achieved its status as an economic superpower, would need to become a "lifestyle superpower". The following review statement in 1994 by the Ministry of Transport (MoT), which looks after the tourism portfolio, exemplifies the thinking:

With improvements in income levels and the growth of free time, the spread of the package tour, etc., the number of Japanese outbound tourists is definitely growing. Especially with the appreciation of the yen and the relatively cheap prices, there was a big jump, up to 5.52 million travellers in 1986, the first time this number has exceeded five million. Even so, if examined as a percentage of the population, by 1986 only 4 percent of Japanese travelled abroad annually, compared with the other advanced countries: 39 percent of UK citizens, 34 percent of [then] West Germans, 16 percent of French, and 12 percent of Americans, meaning that it is definitely a low level for us. Even when compared with another Pacific country, Australia, we travel abroad less than half their rate of 10 percent. Drawing up the promotion of outbound travel would increase international mutual understanding and would mean the cultivation of our people's sense of the international. It would furthermore promote the economies of other countries, result in an improved balance of payments between our country and others, and will definitely help our country secure a stable existence in international society with greater interdependence. For this reason, the Ministry of Transport, in cooperation with other relevant ministries and agencies, has created the Overseas Trip Doubling Programme and aims within five years to bring the number of Japanese outbound travellers to the level of at least 10 million per year. This would bring us, as a percentage of the population, to about the level in Australia. (MoT 1994, cited by Leheny 2003: 150-151)

The Japanese government believed in the importance of being a “leisure superpower” in addition to an “economic superpower”, and that its people should enjoy the same kind of leisure travel as the “advanced” countries. In a way, Japan was actively seeking club membership among the advanced industrial nations, and having a large outbound market is a good indication of being an advanced industrial nation.

5.2.3 Strong Government and Industry Support

As a result of the philosophical commitment to outbound tourism, there was conscious and strong support by the Japanese government promoting outbound travel. The government effort was led by MoT's launching the “Ten Million Programme” aiming at doubling the number of Japanese outbound figure from five million in 1986 to 10 million by 1991. The

government publicised locally and overseas Japan's commitment to outbound travel. Originally established in 1959 as the marketing organisation responsible for attracting foreign tourists to Japan and the promotion of domestic tourism, the Japan National Tourism Office (JNTO) has been charged, since 1979, with the responsibility of offering services to facilitate the travel of Japanese overseas (Hall, 1994 b). While it is generally recognised that most national tourist organisations are created to promote inbound tourism, the fact that there is a government organisation in Japan promoting outbound activities is quite remarkable.

The government organisation also provides assistance programmes to help other countries, particularly Southeast Asian countries, to develop their tourism infrastructure and ability to receive Japanese tourists in terms of culture and language. MoT has created a special foundation, the International Tourism Development Institute of Japan (ITDIJ) to train people in destination countries with the skills necessary to deal adequately with Japanese visitors. For example, the ITDIJ arranged for young Malaysians in the tourism industries to be trained in Japan on Japanese culture such as bowing slowly and saying "Irasshaimase" to welcome Japanese visitors.

Another example of government support was the establishment of the ASEAN-Japan Centre in 1981 by Japan and nine ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Cambodia and Laos), to promote export from ASEAN to Japan, accelerate investment of Japan in ASEAN and vitalise tourist traffic from Japan to ASEAN. The centre is headquartered in Japan with a permanent exhibition hall serving to introduce ASEAN countries and their products and tourist attractions. It provides travel information on ASEAN countries to individual travellers, the travel industry and the media, as well as offering training programmes and Japanese language classes for people working in the tourist industries in ASEAN countries so that they can learn how to better serve Japanese travellers. The centre organises press trips and dispatches writers and photographers from the Japanese print media to ASEAN tourism destinations for exclusive coverage. It sends out members of the travel industry to take part in tourist-related exhibitions, shows and the ASEAN Tourism Forum. The centre holds a ASEAN Tourism Fair every year, introducing people to the traditions and cultures of ASEAN (ASEAN-Japan Centre, 2005).

At a meeting with the ASEAN heads of Government in Manila in 1987, the Prime Minister of Japan announced that Japan would increase its voluntary contributions to double the centre's current budget of about US\$2 million for the coming fiscal year (ASEAN, 2005). While this was a relatively small amount of contribution on the part of the Japanese government, it was nonetheless a rare gesture of a country supporting outbound tourism.

Established in 1912, the Japan Travel Bureau (JTB) has grown from a government bureau into not just Japan's, but the world's largest travel company with more than 3,000 offices in 24 countries. JTB Corporation has now become a commercial entity and earned a reputation in international travel services. To facilitate the understanding of Japanese overseas travellers, JTB has established Japan Tourism Marketing (JTM) Co. to research and report on the latest trends of the Japanese overseas travel market through an annual survey and joint study with overseas partners.

JTM hosts seminars and provides research reports to international tourism industry representatives and government officials. For example, JTM edits and promotes the annual *JTB Report: All About Japanese Overseas Travellers* (JTB Report 2005), which is a bilingual (Japanese and English) publication reporting and analysing data about and surveys of Japanese overseas travel. The report provides details of the traveller demographics, types of trips, reasons for making trips, overseas experience and preference of potential overseas travel. JTM also edits and promotes the book *Japanese International Travellers: Trends and Shopping Behaviour*, which introduces results of the survey concerning Japanese overseas shopping behaviour, including the enthusiasm Japanese have for branded products, such as fashion items, jewellery, cosmetics, alcohol, etc., as well as the current status of airport shopping patterns and the psychology of overseas. JTM maintains an informative website www.tourism.jp that contains up-to-date outbound statistics.

The depth of information about Japanese overseas travellers available shows the strong support of the outbound tourism market rendered by not just the government but also the industry. Unlike some other countries such as China and Korea where there were many

restrictions in the initial stage of opening up of the outbound market, the Japanese government had been very supportive of the outbound market ever since it first opened up. The travel industry, which is dominated by JTB, has been supportive of the government policy encouraging outbound travel.

5.2.4 Economic Policy on Trade Surplus

Japan's outbound tourism is heavily influenced by the country's economy and economic policy. According to Japan Access (2005), the Japanese economy went through a "high-growth era" between 1950 and 1970; became a "mature economy" in the 1970s and 1980s; and as witnessed the "bubble economy" since the early 1990s. Between 1950 and 1970, the percentage of Japanese living in cities rose from 38 percent to 72 percent, which provided a large industrial work force. The competitive strength of Japanese industry increased steadily, with exports growing on average 18.4 percent per year during the 1960s. After the mid 1960s, a current account balance surplus was achieved every year except for a couple of years following the oil crisis of 1973.

Japan's major export industries maintained their competitiveness by cutting costs and increasing efficiency in the 1970s. Exports reached an all-time high of 42 trillion yen in 1985, and a trade surplus of 11 trillion yen. Despite the "bubble economy", exports continued to be strong and reached 52 trillion yen and maintained a positive trade surplus of 11 trillion yen in 2000. The trade friction that accompanied Japan's growing balance of payments surplus brought increasingly strident calls for Japan to focus more on domestic demand as an engine of economic growth and to increase imports.

In conjunction with a strong export economy, the value of the yen rose considerably. The value of the yen climbed steadily after Japan shifted from the fixed exchange rate system to the floating exchange rate system in 1973. The value rose 2.5 times from 238 yen to the US dollar in 1985 to 94 yen in 1995. The strong yen helped ease the pressure on trade surplus by (1) encouraging imports, and (2) creating a damping effect on exports.

Japan was under strong pressure from its trading-partner countries to reduce the huge trade surplus as a result of its strong exports of vehicles, machinery and electronic goods in the

1980s. In addition to letting the yen rise in value, Japan chose to encourage outbound tourism, which had the same effect of increasing imports. The implicit assumption of using outbound tourism to offset a trade surplus is that the spending offshore by Japanese overseas travellers is significant in comparison to the country's trade surplus. Table 5-1 shows the contribution of Japanese outbound tourism spending to offsetting the trade surplus from 1985 to 2005.

Table 5-1: Contribution of Japanese outbound tourism to offsetting trade surplus

Year	Exports (billion yen)	Imports (billion yen)	Trade surplus (billion yen)	No. of Japanese travelling abroad (000)	Estimated spending per traveller (yen)	Total spending (billion yen)	Percentage of trade surplus
	A	B	A-B	C	D	CxD	(CxD)/(A-B)
1985	41,956	31,085	10,871	4,948	200,000	990	9.1%
1990	41,457	33,855	7,602	10,997	200,000	2,199	28.9%
1995	41,531	31,549	9,982	15,298	225,000	3,442	34.5%
2000	51,654	40,938	10,716	17,819	250,000	4,455	41.6%
2005	60,005	49,170	10,835	17,401	285,000	4,959	45.8%

Source: Japan Statistical Yearbook 2006, JTB Report 2005, and CIA-The World Fact Book

The above figures show that Japanese outbound tourism has played a significant role in balancing the country's trade surplus since 1990. The contribution of outbound tourism spending to offsetting the trade surplus increased from 28.9 percent in 1990 to 45.8 percent in 2005. The above calculation should be treated as a rough indication only, because it assumes that all the spending by Japanese travelling overseas is equivalent to imports. In reality, some of the spending is captured by Japanese companies rather than companies overseas. Nevertheless, even if only half of the spending is equivalent to imports, the contribution still amounts to about 20 percent in the past decade. The figures show that the Japanese government has the economic policy of using outbound tourism to counterbalance the country's large trade surplus, and the policy has been consistent and successful in achieving its purpose.

5.2.5 Investment-Oriented Policy

Tourism development in Japan is closely related to the country's investment environment and investment policy. As Japan moved towards the end of the "mature economy" stage in the late 1980s, the country faced high labour costs, a strong yen, high property values and abundant money supply. The country was looking for investment opportunities, both locally and overseas. One of the reasons for promoting tourism, including inbound, domestic and outbound, is to create investment opportunities and economic activities.

In order to sustain economic growth or to avoid economic depression, Japan has been actively seeking investment opportunities for its private sector. Tourism is considered a "desirable" industry not just because of its leisure nature, but also because of its labour-intensive nature, thus it is a good industry in terms of job creation. It is an industry welcomed by local governments and environmentalists because such developments are relatively pollution free.

The use of tourism in attracting investment can be demonstrated by the passing of The Resort Law in 1987. The Resort Law provided tax concessions and subsidy programmes to encourage the development of ski resorts, golf clubs, marinas, etc. in Japan, which support domestic and inbound tourism. Similarly, outbound tourism also contributes to the economy by generating business for airlines, transportation companies, travel agents, not just in Japan, but also for Japanese companies offshore.

Travel-related enterprises such as Japan Air Lines, All Nippon Airways, New Kansai International Airport, Nikko Hotel, companies investing in hotels, construction companies involved in resort development, and travel agencies such as Japan Travel Bureau (JTB) had to look for investment opportunities overseas towards the end of the "mature economy" stage. Local investment opportunities were becoming scarce and less attractive. All these companies stood to benefit from increased outbound tourism, and there was no reason why the government would not support such investment strategy.

Hall (1994 b) observed that the investment strategy of Japanese transnational corporations in the Asia-Pacific region involves the vertical integration of travel- and tourism-related

services in the generating region, in transit, and in the tourist destination. In other words, it is not uncommon that a Japanese tourist books an overseas holiday through a Japanese travel agent, flies by a Japanese airline, stays in a Japanese hotel, is escorted by a Japanese guide, rides in a Japanese coach and shops in a Japanese-run outlet.

Another factor encouraging investors to look beyond the Japanese shores for tourism and recreational interests is the small geographic size of Japan. With its high population density, many Japanese travel to other countries to participate in western sports such as golf and skiing. This has led to an outflow of money from Japan to invest in such recreation places. A strong Japanese economy and currency has helped make investments in cheaper overseas properties a popular investment (TED Case Studies, 2005).

The TED Case Studies further illustrates how the burgeoning interest in golf and increasingly affordable air travel created a new type of tourism: Japanese golf tourism. Relatively inexpensive golf courses in Indonesia, Thailand and the Philippines were welcome alternatives for the 12 million golfers in Japan. Development of golf courses in developing nations of Southeast Asia by Japanese investors is seen in many ways as one solution to overcoming the limited investment opportunities and scarce land available locally.

5.2.6 Sex Tourism

A problem regarding Japanese tourism is the image of male Japanese tourists being associated with sex tourism. The problem is detailed in the report “The sex tourist’s yen” in *New Internationalist* (1993). According to the report, the original destination of Japanese sex tourists was Taiwan in the 1960s, largely in part because it was once a Japanese colony. Later, travel agents directed sex-tours to South Korea. In the late 1970s, Japanese sex tours expanded to the Philippines and Thailand. Visits by the Japanese Prime Minister to these countries were embarrassingly greeted by protesters chanting, “No more sex tours!”

The “Research Report on the Cheju Island Tourism Development Plan” by MoT was denounced in the Japanese Lower House in 1973, for associating tourism with sex. The

report suggested developing “nightlife” in Korea’s Cheju Island and it was rejected by a committee member with the comment that “Korea is not a sex toilet for the Japanese, and it’s not our vomitorium” (Leheny, 2003).

In December 2003, a group of 200 male Japanese tourists, mostly employees of Kooki, a construction company based in Osaka, took part in a sex holiday in Zhuhai, Guangdong Province, China. A hotel employee and a brothel keeper were sentenced to life imprisonment and another 12 were jailed for up to 15 years, for organising what was described as an orgy for the Japanese tourists. The incidence caused public uproar and an upsurge of anti-Japanese feeling in China (The Guardian, 2005).

The above account shows that tourism is not always “healthy” and “desirable”. The tourist-originating country should be aware of the possible negative image sometimes associated with outbound tourism. The negative image of tourists will have a corresponding effect on the tourist-originating country.

5.2.7 Summary of Japan’s Outbound Tourism

The Japanese government sees strong outbound tourism as a manifestation of being a world superpower and has the policy of encouraging outbound tourism. The outbound market in terms of departures is about 2.5 times of the inbound market in terms of arrivals. The travel industry sees the business potential of outbound tourism being much greater than that of inbound tourism and therefore also supports outbound tourism. Both the government and the industry provide detailed research information and data for facilitating the development of outbound tourism. The outbound tourism plays a significant part in offsetting the huge trade surplus and reducing international trade conflict. Japan supports and encourages investment in outbound tourism also because of the economic activities and employment it generates. The lack of investment opportunities in Japan when the country emerged from the “mature economy” stage was another reason for the country to look for tourism investment opportunities offshore.

One would expect that Japan enjoys a very positive image with its outflow of international tourists and their spending. However, Japan’s tourism investment and aids offshore were

sometimes viewed with scepticism and anti-Japanese sentiment because of its economic dominance over the region. Many countries, particularly, the Southeast Asian countries, are cautious of accepting Japanese aid that might lead to Japanese influence and control over infra-structural and tourism development in their own countries. There is scepticism that Japan invested in golf courses overseas as a result of the opposition by Japanese environmentalists with regard to the destruction of the natural environment and use of insecticides in golf-course development in Japan itself. Sex tourism creates negative sentiment towards Japanese outbound tourism as well.

According to Hall (1994 b), the Japanese government will continue to see inbound travel primarily in diplomatic and cultural terms rather than as a source of foreign exchange, and government attention has, and will continue to be, focused primarily on outbound travel.

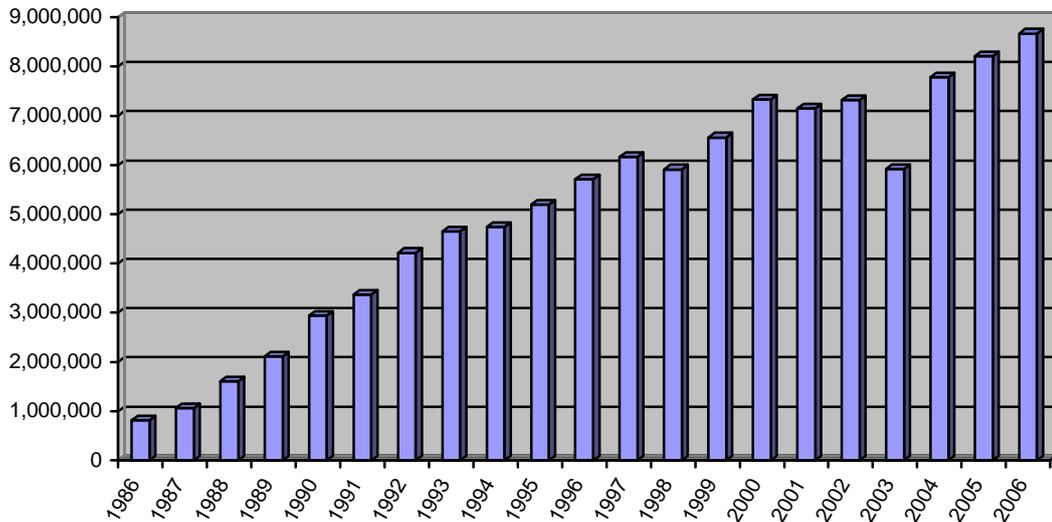
5.3 Taiwan's Outbound Tourism

Taiwan's outbound market began in 1979 when the government relaxed its long-standing ban on overseas travel (Huang, Yung & Huang, 1996). The growth of the outbound market was modest until the restriction of travel to mainland China to visit relatives was lifted in October 1987. The number of outbound departures increased from 812,928 in 1986 to 8,671,375 in 2006, or by more than 10-fold in 20 years. The growth between 1990 and 2000 was particularly strong, and it levelled off in the early 2000s.

5.3.1 Overview of Taiwan's Outbound Tourism

Figure 5-4 shows the number of outbound departures in Taiwan from 1980 to 2006. Three distinct phases in the outbound tourism development can be recognised. Phase one (1980-1986) was a period of slow growth when the annual outbound figure was less than one million. This was the period when exports began to grow and the economy became strong. People were generally more concerned with making a living, saving for the future, and outbound tourism was insignificant then.

Figure 5-4: Number of Taiwanese departures 1986-2006



Source: Tourism Bureau, Ministry of Transportation and Communications, Taiwan

Phase two (1987-2000) was a period of strong growth with outbound tourism reaching over seven million departures in 2000. This was the period when Taiwan became one of the “four dragons” of Asia, and Taiwanese visitors were sought after by many destination countries. In fact, it was departure to mainland China officially commencing in 1987 that added the volume and growth to Taiwan’s outbound tourism. The third phase (2001-2006) was a period of uneven growth in the outbound market with unstable relationships with mainland China and a drop in 2003 largely because of the SARS epidemic.

Taiwan has one of the highest standards of living in Asia, and in 1992, as much as 20 percent of its population travelled abroad during the year (Karwacki, Deng & Chapdelaine, 1997). Asian destinations are most popular because of their proximity to Taiwan. According to 2005 statistics, Asian destinations accounted for 82 percent of the departures, with Hong Kong and Macau accounting for 48 percent. It is estimated that of the 2,807,027 departures to Hong Kong in 2005, 75 percent of them had mainland China as their final destination. The US was the most frequently visited destination outside of Asia, with 578,998 visitor departures in 2005. This distribution pattern of outbound departures has been quite consistent in the past decade. While it is widely known that most of the departures to Hong Kong and Macau are actually en route to mainland China, this is not recorded or reported by the Taiwanese government. Mainland China is not even

recognised as a destination in official reports. This is because of the political impasse between mainland China and Taiwan. In fact, there were no directly air or sea links between Taiwan and mainland China before July 2008, apart from limited chartered flights prior to Chinese New Year to facilitate a large number of Taiwanese working in mainland China to return home for the festival.

5.3.2 Government's Role

Policy making typically involves a pattern of action over time and involving many decisions (Anderson, 1975). In the case of Taiwan, the action and decisions relating to tourism is under the auspices of the Tourism Bureau. The Tourism Bureau was established by the Ministry of Transportation and Communications in 1972, with responsibilities for both inbound and outbound tourism. The government's priority has always been with improving domestic travel opportunities and attracting a greater number of inbound tourists.

The Taiwanese government plays a role in passively promoting outbound travel by relaxing travel restrictions and providing information about the outbound market. In terms of relaxing travel restrictions, for example, the number of allowable overseas trips per person for tourism purposes increased from two to three per year; and the age range during which males were prohibited from travelling was shortened from 16-30 to 16-26 years in July 1988 (Hall, 1994 b).

In terms of providing information about the outbound market, the Tourism Bureau conducts an annual survey of travel by Taiwanese citizens and posts the detailed findings on its website for public consumption. For example, the full report of the *2005 Survey of Travel by Republic of China Citizens* and comprehensive outbound statistics can be accessed by visiting the Tourism Bureau's website <http://202.39.225.136/english>. Details such as proportion of people taking outbound travel, total number of trips by all citizens, average number of trips per person, average number of nights per trip, average expense per person trip and total expenditure of outbound travel by all citizens are provided. The information and statistics help travel agents and destinations evaluate the outbound market and refine their target at the Taiwanese international tourists.

The Tourism Bureau also operates three Tourist Information Services Centres, in Taichung, Tainan and Kaohsiung, providing meeting rooms where travel agents can hold pre-departure presentations for outbound tour groups.

5.3.3 Balancing the Trade Surplus

Taiwan is one of the fastest growing economies in the world. With a relatively small population of less than 23 million, Taiwan ranks third among world economies in terms of foreign reserves at US\$260 billion (Invest in Taiwan, 2007). In 1991, it was the 13th largest trading nation in the world and 12th in the world for exports with substantial balance of trade surplus (Hall, 1994 b).

Table 5-2: Contribution of Taiwanese outbound tourism to offsetting trade surplus

Year	Exports (US\$ million)	Imports (US\$ million)	Trade surplus (US\$ million)	No. of Taiwanese travelling abroad	Visitor bills (US\$ million)	Percentage of trade surplus
	A	B	A-B		C	C/(A-B)
1995	113,342	104,012	9,330	5,188,658	7,149	76.6%
1997	124,170	114,955	9,215	6,161,932	5,670	61.5%
1999	123,733	111,196	12,537	6,558,663	5,635	44.9%
2001	126,314	107,970	18,344	7,152,877	6,346	34.6%
2003	150,600	128,010	22,590	5,923,072	6,480	28.7%
2005	198,431	182,614	15,817	8,208,125	8,682	54.9%

Source: Department of Statistics, Ministry of Finance; Tourism Bureau, Ministry of Transportation and Communications

Table 5-2 shows the amount of the annual trade surplus in Taiwan from 1995 to 2005, and how outbound tourism contributed to offsetting the trade surplus. Taiwanese outbound visitor spending is expressed as a percentage of Taiwan's trade surplus to show its contribution to offsetting the trade surplus. Figures show that outbound tourism contributed a low of 28.7 percent in 2003 to a high of 76.6 percent in 1995. In other words, spending by Taiwanese international visitors is fairly substantial in offsetting the

region's trade surplus. Again, caution should be exercised in reading the figures, as not all tourist spending is captured by foreign companies overseas. Nevertheless, the magnitude of outbound tourism contribution to offsetting the trade surplus has been significant.

5.3.4 Tourism Across the Taiwan Strait

Tourist flows from Taiwan to mainland China are probably the most significant aspect of Taiwan's outbound tourism not just because of the sheer numbers, but also because of the political relationship across the Taiwan Strait.

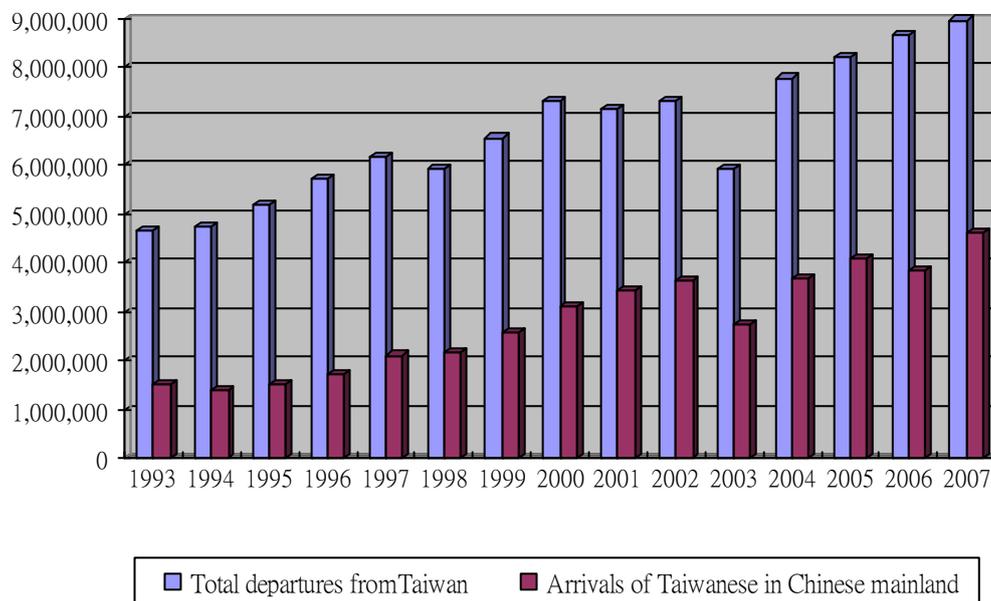
The political development between Taiwan and mainland China has undergone three major phases (Guo, Kim, Timothy & Wang, 2005). The first phase (1949-1977) was a period of military confrontation, ever since the Guomindang (also known as Kuomintang or KMT, which means Nationalist Party) withdrew from mainland China to Taiwan in 1949. The second phase (1978-1995) was a period of peace negotiations with the government of Taiwan formally permitting Taiwanese civilians to visit relatives in mainland China. The third phase (1996-2006) was a period of impasse with mainland China insisting on negotiations on the basis of "one China" and passing the "Anti-Separation Law" in 2005.

The "Anti-Separation Law" states China's view that the mainland and Taiwan belong to one China, that there is only one China, and that the sovereignty of that one China is indivisible; the "Taiwan issue" is a residual problem of the Chinese civil war and is an internal affair of China. It states that in order to maintain peace and stability, the state should, among others, encourage people-to-people contact to foster closer relations and understanding. Taiwan, on the other hand, maintains that the Republic of China (ROC) is also a sovereign state and that the ROC is not a part of the People's Republic of China (PRC). While political negotiations across the Taiwan Strait remains strained, outbound tourism from Taiwan to mainland China continues to grow.

Zhang Guangrui (1993) of the Chinese Academy of Social Sciences found that decades of hostility between Taiwan and the PRC are gradually giving way to contact and cooperation. While the official statistics of tourist flows from Taiwan to the mainland

made available by the Taiwanese authorities are scanty, China National Tourism Administration does provide statistics of arrivals of Taiwanese. By comparing the arrival figures of Taiwanese in mainland China with the number of trips taken by all citizens in Taiwan, one can ascertain the relative importance of mainland China as a destination among Taiwanese travellers. Figure 5-5 compares the two sets of figures from 1993 to 2007, and it is clear that mainland China is becoming an increasingly important destination, accounting for about half of the trips made by Taiwanese in recent years.

Figure 5-5: Total departures from Taiwan vs arrivals of Taiwanese in Chinese mainland



Source: The Yearbook of China Tourism Statistics, National Tourism Administration of PRC; Tourism Bureau, Ministry of Transportation and Communications, Taiwan

While officially Taiwan had been practising the policy of "three nos" – no direct postal communication, no direct air service and no direct trade – before May 2008, the government is pragmatic in allowing Taiwanese investment in the mainland to maintain the economic growth momentum and to create employment. It is estimated that over half a million Taiwanese are working in the mainland, mostly in factories and enterprises with Taiwanese interests. The value of Taiwan's exports to the mainland was nearly US\$53 billion in 2005, more than its exports to Japan and the US combined, according to Taiwan's Board of Foreign Trade (SCMP, 2006 b). In addition to the need for business travel between Taiwan and mainland China as a result of the economic activities, the

Taiwanese government is also trying to satisfy the desire of many Taiwanese either for themselves or for their parents who were originally from the mainland.

From time to time, mainland China suggests new economic and travel links with Taiwan designed to benefit the island's high-tech businessmen, its farmers and many families with loved ones on both sides of the Taiwan Strait (The Washington Post, 2005). Such proposals announced by China's Taiwan Affairs Office are part of a series of conciliatory gestures from Beijing aimed at relaxing tensions across the strait despite fundamental discord between the two governments over Taiwan's status.

In July 2005, China announced that Taiwan residents can be granted multiple entry and exit permits for up to five years (The China Post, 2005). While the Beijing government tries to engage Taiwan by further relaxing the travel of Taiwanese to the mainland, the Taiwanese government, represented by the Democratic Progressive Party (DPP), has been cautious in officially only allowing those with close relatives on the mainland to travel there for the purpose of visiting them. Such restrictions are, however, universally ignored by government and tourist alike (Hall, 1994 b).

For the first time in history, mainland China was invited to participate in Taiwan's Taipei International Travel Fair (ITC, known as 台北國際旅展 in Chinese) in November 2006. "Not to be missed at this year's Taipei ITF is the Cross-Strait Taipei Travel Fair. This is the first time in the history of the event that exhibitors from 31 provinces and cities in mainland China are represented at the fair", according to the Taipei International Travel Fair's official news (Taipei ITF, 2006). Mainland China sent a delegation of 30 officials from China National Tourism Administration led by its Deputy Director, Zhang Xiqin. According to the Taiwanese government, the Chinese delegation attended the fair to promote China tourism and attract more Taiwanese to visit China (Taiwan News Online, 2006). China was, of course, sensitive to the "international" nature of the fair, and therefore created the "Cross-Strait Taipei Travel Fair" (海峡两岸台北旅展) within the "Taipei International Travel Fair" (CNTA, 2006 a). In fact, CNTA only mentioned "Cross-Strait Taipei Travel Fair" and did not mention "Taipei International Travel Fair" at all in their press release. Zhang Xiqin in his opening speech referred to the event as a

historical moment with industry people from both sides of the strait building an important platform for cross-strait tourism.

Taiwanese people's interest in travel was kindled by the rise in per capita incomes (Huang, Yung & Huang, 1996). The increased wealth and increased leisure time of the Taiwanese were the key demand and support factors for government policy on outbound tourism. In addition, as the cold war between China and the western world subsided in the 1980s, the strong desire of the Taiwanese to visit their relatives and for sightseeing on the mainland surfaced. The strong desire grew over time, and was expressed in the form of public demonstrations. The Taiwanese government eventually allowed its citizens to visit relatives on the mainland in October 1987. According to Yu (1997), travel accessibility could be described as "unofficial relations", since there was no direct contact between the two governments at the high-politics level. Travel as a low-politics activity had an indirect impact on the initial reconciliation between the two peoples and governments at this period of time.

As Taiwan's manufacturing industry prospered, exports increased and it became one of the "four dragons" of Asia in the 1980s. A huge trade surplus was created, which could only be offset by outbound tourism in a substantive way. International outcry against the mounting trade surplus must have played a part in affecting the policy change and demanding the opening up of the outbound market.

5.3.5 Cultural Link with Mainland China

In addition to the strong political overtones in tourism across the Taiwan Strait, there is an equally strong cultural link between people in mainland China and Taiwan. The cultural link can be illustrated by the Taiwanese pilgrimage to Mother Ancestor in Fujian Province, China. Mother Ancestor is the common name of "Mazu", a legendary character originally from Quanzhou in Fujian, existing about 1,000 years ago, and known to have supernatural powers, looking after the safety of fisherman and protecting them against natural disasters. Many of the Chinese settlers who flooded to Taiwan from southeast China in the 1600s through 1800s commemorated Mother Ancestor by building hundreds of temples in Taiwan. In the late 1990s, "Mazu" followers successfully negotiated for 500 pilgrims

daily to visit Fujian on a non-Taiwanese vessel. Mainland China considered this a means to deepen cultural ties with Taiwan. Another 257 worshippers of Mother Ancestor in Taiwan took a pilgrimage trip by sailing on a Taiwanese passenger ship “Super Star” to Quanzhou in Fujian in 2002. In Taiwan, the KMT viewed “Mazu” as a symbol of peace and stability across the turbulent strait, whereas the DPP claimed that direct pilgrimage gave the mainland too much political leverage (Koesel, 2004). According to Guo, Kim, Timothy & Wang (2005), the belief of Mother Ancestor has become an important cross-Strait cultural tourism resource, and Mother Ancestor has had a significant impact on Taiwanese travelling to the mainland.

5.3.6 Diplomatic Relations

Taiwan has only a relatively small diplomatic space to manoeuvre, currently enjoying diplomatic relations with 25 nations only. These 25 nations recognise Taiwan as the sole-legitimate government of the whole of China. The number of nations with diplomatic relations with Taiwan is decreasing as more and more nations establish diplomatic relations with the People’s Republic of China instead. Between 1992 and 2003, the following nations switched their diplomatic allegiance from Taiwan to the PRC: Singapore, Saudi Arabia, South Africa, South Korea, Liberia, Dominica and Republic of Macedonia. It is conceivable that the Taiwanese government sees establishing and maintaining tourism with other nations as a way to maintain or prolong diplomatic relations and as a way to maintain an international presence.

Taiwan’s disposition of distancing itself from mainland China has resulted in a rather murky outbound tourism policy towards the mainland. While there is no official endorsement by the Taiwanese government on leisure travel to mainland China, the primary purpose of Taiwanese visits to the mainland has been relaxed and changed from visiting friends and relatives in the earlier years to sightseeing, holiday vacations, business, cultural exchanges, and scientific and technological works in more recent years (Guo, Kim, Timothy & Wang, 2005). In fact, mainland China has become by far the most visited destination among Taiwanese.

While the DPP, in power from 2000 to 2008, adopted the attitude of distancing Taiwan from mainland China, the then opposition KMT was more conciliatory towards mainland China. In his historic visit to Beijing and Shanghai on 26 April 2006, KMT chairman, Lien Chan was greeted by China's president, Hu Jin Tao. Lien Chan made another visit to Guangdong as KMT Honorary Chairman on 13 October 2006.

Taiwan's presidential election ended in victory for KMT's Ma Ying-jeou in May 2008. Ma is known to have conceived a mandate to improve cross-Strait relations and his political orientation facilitates Taiwan working to benefit from its economic relationship with China. A closer cross-Strait tourism tie is anticipated in the new KMT era.

5.3.7 Relaxation of Restrictions

Taiwan's outbound tourism policy started as restrictive in nature, and evolved by responding to its people's demand to travel. The Taiwanese government relaxed its ban on overseas travel in 1979, followed by a series of relaxations in the number of trips per person per year, the age range and the tourist exit fee. Wieman (1989) reported that as of July 1988, the number of allowable overseas trips for tourism purposes increased from two to three per year and the fee for tourist exit and entry permits was halved. The policy decision has been clearly towards relaxation. The relaxation in outbound travel extended to mainland China in 1987 when certain categories of Taiwanese residents were allowed to visit relatives on the mainland. Taiwan's overall policy on outbound travel to the Chinese mainland can be described as evasive and political driven. While the official policy towards mainland China is of "goodwill, active cooperation and permanent peace" according to Taiwan's Mainland Affairs Council, "national security" and "defence" still take precedence to "freedom of travel". For example, civil servants and non-civil servant personnel of the National Security Bureau, Ministry of National Defence, Bureau of Investigation under the Ministry of Justice and their agencies at all levels are not allowed to visit the mainland without special permission by the Ministry of Interior. Any political appointee, mayor, and person engaged in national defence, foreign affairs, science-tech and intelligence who wishes to enter the mainland has to apply to a committee organised by the Ministry of Interior in conjunction with the National Security Bureau, the Ministry of Justice, and the Mainland

Affairs Council of Executive Yuan (Mainland Affairs Council, 2006). A series of complicated and shifting policy decisions on Taiwanese citizens to visit mainland China from 1987 are summarised in Table 5-3.

Table 5-3: Policy decisions by Taiwan on its citizens to visit mainland China

Dates	Policy on Taiwanese citizens to visit mainland China
14 Oct 1987	Lifting the ban on civilians to visit the mainland for visiting families only
25 Feb 1988	Lifting the ban of KMT members and low-level government officials to visit the mainland
5 Mar 1988	Lifting the ban on family members of military personnel to visit the mainland
3 Jun 1988	Reinforcing the policy on length of stay: 3 months per trip and 1 trip per year
8 Aug 1988	Permitting Taiwan scholars to attend international conferences held in Beijing
7 Apr 1989	Lifting the ban on journalists visiting the mainland
26 May 1990	Extending the length of stay on the mainland from 3 months per year to 2 years maximum stay
15 Sep 1990	Permitting high-level KMT committee members and congressmen to visit the mainland
15 Nov 1991	Permitting military personnel with little access to military secrets to visit the mainland
25 Mar 1994	Stopping group travel to the mainland and exchange activities
25 May 1994	Lifting the ban on group travel to the mainland
29 Jul 1996	Allowing governors and mayors to attend cultural activities and international gatherings in the mainland
11 Jul 1997	Banning policy and armed force personnel from travelling to Hong Kong for sightseeing

Source: Yu, L. (1997)

5.3.8 Tourism Support

Taiwan's emphasis on outbound tourism could promote international relations and improve the image of Taiwan (Hall, 1994 b). Some examples of the tourism support by the government are the establishment of the Travel Quality Assurance Association to protect travellers' welfare and to ensure travel quality. and Tourist Information Services Centres to provide instruction on international etiquette and required guidelines for people going abroad so they would have a better understanding of special laws and customs in host countries (Huang, Yung & Huang, 1996). Other support includes the formation of the Tourism Bureau, under the Ministry of Transport and Communications, and the Taiwan Visitors Association. The Tourism Bureau conducts surveys on outbound tourism and publishes the annual Survey of Travel by ROC Citizens, and provides outbound statistics via internet. The Taiwan Visitors Association (2006) is a non-profit private-sector organisation established in 1956, with the objective of promoting domestic and international tourism. The association's major role in outbound tourism is organising the annual Taipei International Travel Fair, running since 1987.

5.3.9 Summary of Taiwan's Outbound Tourism

It seems that Taiwan does not rely too much on inbound tourism to earn foreign exchange, given its strong exports and large foreign reserves. The outbound market in terms of departures is about 2.5 times the inbound market in terms of arrivals.

The policy decisions have significant impact on Taiwan's outbound tourism in terms of facilitating tourist flow. With regard to the tourist flow to mainland China, which accounted for half of the total outbound, there is strong demand from within for more open and direct communication across the Taiwan Strait, for business, family and leisure purposes. The current standoff across the Taiwan Strait leads to travel restrictions and inconvenience. As there is no direct transport link across the Taiwan Strait at the moment, tourists have to travel en-route mostly via Hong Kong or Macau.

With the KMT taking over the ruling party position in 2008, a more conciliatory policy towards mainland China is expected to improve cross-Strait relations. It is anticipated that

a closer cross-Strait tourism tie will emerge in the new KMT era. Unrestricted two-way traffic would bring about economic and social benefits to Taiwan and mainland China. The tourism industries that will benefit from the increased travel include travel agents, tourist guides, coaches, attractions, airlines, hotels, restaurants and retail. Increased tourist flows from both sides will enhance understanding and appreciation among the people, eventually leading to amicable discussion between the two governments.

A more liberal tourism policy and supportive output, not just towards mainland China but all other nations, could benefit Taiwan's international standing as well. Outbound tourism could be used by the Taiwan government as a means to achieve world peace, rather than being used as a bargaining chip.

5.4 Korea's Outbound Tourism

The Republic of Korea (South Korea) has a population of 47 million and is the 13th biggest economy in the world. Outbound tourism in Korea has evolved from being restrictive after the Korean War (1950-1953), to allowing limited foreign leisure travel in 1983, and removal of all travel restrictions in 1989 (Hobson, 1996).

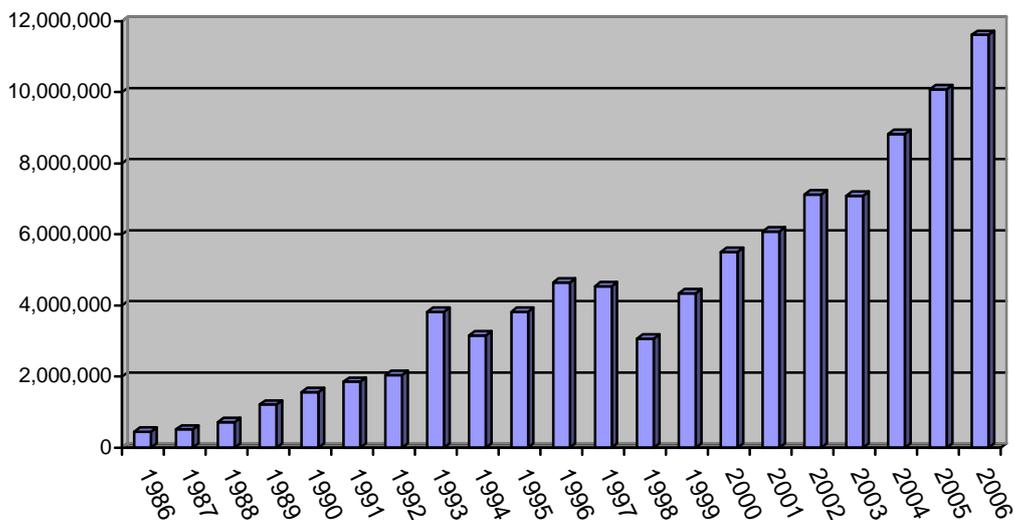
5.4.1 Overview of Korea's Outbound Market

Outbound tourism in Korea was strictly controlled by the government before 1983. From 1983 to 1987, outbound travel was allowed with some age and monetary restrictions. Inbound tourism was first recognised for its economic importance by the Korean government after the success of the Olympic Games held in Seoul 1988, which brought in visitors and raised the profile of the country internationally. As inbound tourism developed, the government began to relax foreign travel restrictions on Korean citizens, leading to a complete relaxation of outbound travel for pleasure travel in 1989 (Lim, 2003). The outbound tourist flow of Korea witnessed rapid growth during 1988-1996 with an average annual growth rate of 26 percent. In 1995, outgoing travellers outnumbered incoming foreign visitors for the first time in Korea (UNWTO, 2000 b).

In the early 1960s, Korea's GDP per capita was comparable with levels in the poorer countries of Africa and Asia. Since then, Korea has achieved an incredible record of growth and integration into the high-tech, modern world economy. In 2004, South Korea joined the trillion-dollar club of world economies and ranked among the top 15 largest economies in the world. This success was achieved by a system of close government/business ties, including directed credit, import restrictions, sponsorship of specific industries, and a strong labour effort (The World Fact Book, 2006). The economic success of Korea and the rise of the affluent middle class have been the main factors in the growth of outbound tourism.

Figure 5-6 shows the number of Korean departures from 1986 to 2006. The total number of Korean departures increased from less than half a million in 1986 to over 11.6 million in 2006, averaging 17 percent annual growth. Given the strong economic performance of the country, the outbound tourism growth has been steady except the setback during the Asian financial crisis in 1998 when Korea's GDP dropped by 6.9 percent and outbound plunged by 32.5 percent. The economy has readjusted since then, and the outbound tourism market has also recovered quickly. The outlook of Korean outbound tourism is strong given the economy is now characterised by moderate inflation, low unemployment, an export surplus and fairly equal distribution of income (The World Fact Book, 2006).

Figure 5-6: Number of Korean departures 1986-2006



Source: Korea Tourism Organization

5.4.2 Government Policy

The Korean government established a five-year plan (1999-2003) named “Tourism Vision 21” in 1999, followed by the second “Tourism Development Plan (2002-2011)”, which served as the framework of the national tourism policy in Korea. “Tourism Vision 21” was clearly focused on inbound and domestic tourism, with the stated goals of establishing Korea as a tourism hub in northeast Asia and encouraging domestic tourism by Korean people. “Tourism Development Plan (2002-2010)” reinforced the importance of establishing Korea as an attractive tourism destination encouraging the participation of Korean citizens in domestic tourism.

Other objectives in the Korean tourism policy included establishing Korea as a sustainable and knowledge-based tourism destination, and ushering in a peaceful era for the Korean peninsula. The Ministry of Culture and Tourism is the government agency responsible for developing national tourism development plans, establishing tourism-related legislation, managing the Tourism Promotion & Development Fund, and supervising the Korea Tourism Organization in the promotion of inbound tourism.

It is obvious that Korean’s tourism policy is inbound focused and it makes little reference to outbound tourism. According to the Organization for Economic Co-operation and Development (OECD), the achievements of the Korean tourism policy are all inbound related (OECD, 2002):

- Expansion of investment in tourism
- Perception of tourism as a strategic industry
- Creation of large-scale tourism infrastructure
- Improvement of facilities for foreign tourists
- Promotion of the international convention industry
- Inter-Korean tourism cooperation.

It is interesting to note that Korean government has been using outbound tourism to support domestic tourism. For example, when departing Korea, Korean nationals have to

pay an airport departure tax of about US\$8, which goes to the Tourism Promotion and Development Fund designed for promoting the domestic tourism industry. The Korean government has launched the “Travel Korea First” campaign in order to encourage domestic tourism instead of outbound tourism by Koreans.

According to Dr. Samuel Seongseop Kim (Dr. Kim from Department of Hospitality & Tourism Management, Sejong University, Korea, was Visiting Professor to the School of Hotel & Tourism Management, The Hong Kong Polytechnic University, interviewed on 27 October 2006), Korean people felt guilty travelling and spending money outside of the country before 1990, and taking an overseas leisure trip was considered conspicuous consumption until 2000. During the Asian financial crisis in 1997-1998, the Korean government appealed to its people to restrict their overseas travel. The government used the mass media to warn the public that if they didn’t cooperate and help conserve the national wealth, the country might collapse financially. Korean people supported the country by reducing outbound departures by 33 percent in 1998.

By and large, the Korean government can be said to be ambivalent to outbound tourism development, except in the case of crisis. There is neither active encouragement by the government nor restrictive measure as far as outbound tourism is concerned. The industry is very much left to thrive or survive on its own, subject to market forces. The case of Australia’s response to Korean outbound tourism (Prideaux, 1998) showed that there was intense price competition among Korean outbound travel agents in Korea, and inbound operations in Australia are almost exclusively provided by Korean-owned companies. Lim (2003) showed that international tourism demand by Korea is both income elastic and price elastic. The role of the Korean government in influencing Korean outbound travel has been limited.

As of January 2000, there were 456 general travel agencies, which run both inbound and outbound travel, 2,621 outbound travel agencies and 2,914 domestic travel agencies, plus 28 national tourism offices or representative offices in Korea (UNWTO, 2000 b). Korea is an example of a country that operates by the principle of “total tourism” – a belief that inbound, outbound and domestic tourism delivers a range of socio-cultural benefits, as

well as an economic-multiplier effect across many sectors of society (PATA, cited by Hotelmarketing.com, 2007).

Public bodies in outbound tourism include: Ministry of Culture and Tourism (www.mct.go.kr), Korean Tourism Organization (KTO) (www.knto.or.kr) and Korea Culture and Tourism Institute (KCTI) (www.kcti.re.kr). The Ministry of Culture and Tourism is responsible for affairs in the areas of culture, the arts, religion, tourism and sports. Under the ministry, there is the Tourism Bureau, which carries out policies under the motto “21st century, tour Korea” to increase the number of foreign tourists, expand sightseeing opportunities for Koreans and promote tourism industry locally and internationally. The KTO is a government-invested organisation, responsible for all promotional activities, development of new tourism resources, research in the tourism industry area, and training of tourism workers in Korea. KCTI is a think tank and research centre on cultural and tourism policies. The three entities are largely concerned with inbound tourism.

5.4.3 Balancing the Trade Surplus

Korea is among the top 15 largest economies and one of the fastest growing in the world. With a population of 49 million, Korea had foreign reserves of US\$239 billion in 2006, ranking fourth among the world economies (Invest in Taiwan, 2007). The high foreign reserves figure is not entirely the result of strong exports, but also other factors such as savings and domestic consumption.

Table 5-4 shows the amount of the annual trade balance in Korea from 1995 to 2005, and how outbound tourism spending contributed to offsetting the trade surplus, if any. Korean outbound visitor spending is expressed as a percentage of the country’s trade surplus to show its contribution to offsetting the trade surplus, if any.

Figures show that Korea’s exports and imports have been well balanced, and the trade surplus, if any, is not significant. In the case where there is a small trade surplus, outbound tourism does contribute to offset the trade surplus. In other words, spending by

Korean international visitors is not a significant factor in offsetting the country's trade surplus.

Table 5-4: Contribution of Korean outbound tourism to offsetting trade surplus

Year	Exports (US\$ million)	Imports (US\$ million)	Trade balance (US\$ million)	No. of Koreans travelling abroad (‘000)	Expenditure of Koreans overseas (US\$ million)	Percentage of trade surplus
	A	B	A-B		C	C/(A-B)
1995	125,058	135,119	- 10,061	3, 819	5,903	N.A.
1997	136,164	144,616	- 8,452	4,542	6,262	N.A.
1999	143,685	119,752	23,933	4,342	3,975	16.6%
2001	150,439	141,098	9,341	6,084	6,547	70.0%
2003	193,817	193,827	- 10	7,086	8,248	N.A.
2005	284,419	261,238	23,181	10,080	11,943	51.5%

Source: Korea Tourism Organization and Bureau of Korea National Statistics

5.4.4 Political Ideologies

With Japan's defeat in the second world war in 1945 and withdrawal from Korea, the Soviet Union took the surrender of Japanese forces and controlled the area north of the 38th parallel and the US controlled the area south of the parallel. The Soviets and Americans disagreed on the implementation of Joint Trusteeship over Korea, with each establishing its socio-economic and political system upon its jurisdiction, leading to the establishment of ideologically opposed governments in 1948. War between North Korea and South Korea from 1950 to 1953 further strained the relationship between the two Koreas. The war also resulted in the separation of over seven million families on two sides of the border. Both North Korea and South Korea proclaim that they are seeking eventual reunification. The two governments signed the North-South Joint Declaration in 2000, in which both sides made promises to seek out a peaceful reunification

While North Korea is a communist one-party state, South Korea has embraced a capitalist society and economy. North Korea subscribes to the "Juche" system, which refers to the

“subject” of the revolution and implies “self-reliance” and fighting against foreign aggression and oppression. During the past 60 years, North Korea has embarked on a centrally planned socialist economy that demonstrates collective and state ownership, government control of resource allocation, and strict adherence to self-reliance characterised by a lack of cooperation with other countries (Kim, Timothy & Han, 2007). The centralised economic structure, top-down decision-making system, minimal economic incentives, ineffective labour system, lack of foreign capital investment, poor industrial structure and lack of advanced technology has resulted in poor economic growth since the mid 1970s. North Korea has experienced recurrent famine and received considerable food aid from international donors, including South Korea.

5.4.5 Tourism Across the Border

North Korea has used Mount Gungang near the border with South Korea as a tourism project to attract foreign currency since 1998. Mount Gungang is located on the east coast of North Korea north of the demilitarised zone and known for its scenic beauty, cultural and historic attractions. A South Korean conglomerate, Hyundai Asian Corporation, established and operated a tourism zone in Mount Gungang, by paying North Korea approximately US\$1 billion royalty between 1998 and 2003. Initial visitor projections were not achieved and Hyundai suffered substantial losses. The South Korean government has continued to support the project as a means to engage North Korea, though tours were suspended following a shooting incident in July 2008.

It is believed that engagement of the North by the South through tourism would result in political reconciliation, reunion of the separated families, and economic cooperation. In the longer term, it is hoped that the support for the project may help move North Korea towards a market economy and eventually reunification with the South (Kim & Prideaux, 2006). While the number of outbound departures from South Korea to Mount Gungang is small, there is political significance in maintaining the destination and sustaining the flow of tourists to the location.

South Korea has shown interest in engaging and seeking cooperation with North Korea in tourism. For example, Korea Culture and Tourism Institute has conducted the research A

Roadmap for Tourism Cooperation between North and South Korea (Shin, 2005), which suggests four principles for North-South Korean tourism cooperation: (1) pursuit of stable business based on law, institution and cooperation systems, (2) pursuit of human exchange such as education, with the help of international organisations, (3) pursuit of programmes that can deliver mutual benefits to the two Koreas, and (4) pursuit of systematic cooperation according to feasibility in the environment.

5.4.6 Summary: Korea's Outbound Tourism

The Korean government has a clear focus on inbound tourism, and has no clear policy on outbound tourism. The government lifted the ban on outbound travel in 1989, and let the outbound market thrive on its own. As a result, the outbound tourism business is very much price driven. In fact, the government is not particularly concerned with the spending overseas as the country has large foreign reserves ranking number four in the world. Korean trade has been well balanced and the country does not have a significant trade surplus issue. Therefore, there is no significant part for outbound tourism to play in balancing the trade surplus.

The Korean government takes a non-interference position in outbound tourism unless there is a crisis or North Korea is involved. For example, the government was quick to appeal to the patriotism of its people during the Asian financial crisis to restrain from travelling and spending overseas. The government was also quick to issue travel warning during the SARS epidemic in 2003 and during the coup in Thailand in 2006. South Korea tries to engage North Korea, and uses outbound tourism to North Korea as a means to maintain the relationship. The two Koreas share the common goal of reunification, see the benefit of cooperation in tourism, and maintain dialogue.

5.5 Conclusion

Hall's (1994 a) model of tourism policy-making process is used to analyse the outbound tourism from Japan, Taiwan and Korea. The tourism policy-making process is compared according to the policy environment, policy arena, specific policy issues and policy outcome and effectiveness in the three countries and region, as shown in Table 5-5.

Table 5-5: Analysis of outbound tourism policy-making process in Japan, Taiwan & Korea

	Japan (from 1980)	Taiwan (from 1985)	Korea (from 1990)
Policy Environment	Attained economic superpower; Large positive trade balance; Large foreign reserves; Trying to emulate the ‘advanced’ countries; Strong desire to preserve ‘Japaneseness’	Achieved economic strength; Large positive trade balance; Policy of “three nos” towards mainland China; Large foreign reserves; Trying to distance from mainland China	Showed emerging economic strength; Large positive trade balance; Demonstrated strong nationalistic patriotism; Trying to embrace North Korea
Policy Arena	Government focus on outbound tourism rather than inbound tourism; MoT, JNTO, ITDIJ, ASEAN-Japan Centre, JTB, JTM actively promoted outbound tourism	Relaxation of outbound travel restrictions; Gradually lifting bans on travel to mainland China by senior government officials; Tourism Bureau and Taiwan Visitors Association showed support of outbound tourism	Government focus on inbound tourism rather than outbound tourism; Benign policy on outbound tourism; Ministry of Culture & Tourism and KTO focused on inbound tourism
Specific Policy Issues	Accumulating wealth and rising income; People’s desire to see the western world; Government’s desire to become lifestyle superpower	Accumulating wealth and rising income; People’s desire to visit mainland China; Striving for political space vis-à-vis China’s diplomatic embracement	Accumulating wealth and rising income; People’s desire to visit the western world; Government’s desire to maintain peace in Korean peninsula
Tourism Outcomes & Effectiveness	Outbound reached the peak of 18 million in 2000; No. 1 tourist generating country in Asia; Gross outbound rate 13.7% in 2006; Outbound spending offset 40%+ of trade surplus; Scepticism of economic dominance and sex tourism	Outbound reached the peak of 8.7 million in 2006; Gross outbound rate 36.4% in 2006; Mainland China accounted for half of the tourist flow from Taiwan; Outbound spending offset more than 100% of the trade surplus in 2004	Outbound reached the peak of 11.6 million in 2006; Gross outbound rate 23.7% in 2006; Outbound affected by economic environment and nationalism rather than government policy

Source: Original for this thesis

The case study on Japan, Taiwan, Korea and mainland China's outbound tourism can be seen as an holistic empirical inquiry providing an in-depth understanding of outbound tourism using multiple sources of evidence. A particular strength of this thesis lies in its holistic-inductive nature and grounding in actuality, which is pertinent to areas of policy development and examination.

Japan, Taiwan and Korea are among the largest outbound markets in Asia after mainland China. They are all strong export economies and have huge foreign reserves, with outbound travel virtually free and completely open. Economic growth and increasing wealth of the people are the immediate factors for the strong outbound market. There are, however, differences in their political, socio-economical and political contexts that drive their outbound markets.

In the case of Japan, there is active government policy support in encouraging outbound tourism. The government sees outbound tourism as a manifestation of being a world superpower. There are also investment opportunities in outbound tourism to be exploited. However, outbound tourism has to be developed while preserving the "Japaneseness".

In the case of Taiwan, the engine for outbound tourism growth is the wish of the people to visit mainland China, be it visiting relatives or for business reasons. However, the Taiwanese government distanced itself from mainland China for political reasons during the DPP era. The government gradually relaxed the restriction of travel to mainland China as the result of strong demand from the people as well as pressure from the industry.

In the case of South Korea, the government does not play an active role in outbound tourism unless there are serious domestic or diplomatic issues. The South Korean government has the desire to engage North Korea for political reasons, and tourism is a means for maintaining dialogue between the two Koreas.

One of the stark differences between outbound tourism in mainland China and outbound tourism in Japan, Taiwan and Korea is the size of the outbound market relative to the inbound market. In the case of Japan, Taiwan and Korea, the outbound market is two to

three times the size of the respective inbound market, whereas the outbound market in China is still much smaller than its inbound market, largely because of government control.

China's outbound tourism resembles that of Taiwan and Korea in their early phase of development in that the market is controlled by the government and restrictions to travel are gradually being relaxed. Outbound expenditure in China is an important factor in offsetting the country's large trade balance, as in Japan and Taiwan, but not Korea. The two key destinations of China's outbound departures are Hong Kong and Macau, which strictly speaking should be considered as domestic destinations, whereas outbound travel in Japan, Taiwan and Korea is truly international.

Political consideration is found in outbound tourism of all four countries and region. In the case of China, it is the government's important and explicit consideration to engage Taiwan and support Hong Kong and Macau through tourism.

The following Table 5-6 compares Japan, Taiwan, Korea and mainland China's outbound tourism in terms of market size, outbound to inbound ratio, development, foreign reserves, trade balance, major destinations, key supporting factors, key impediments and political considerations.

Table 5-6: Comparison of Japan, Taiwan, Korea and mainland China's outbound tourism

	Japan	Taiwan	Korea	Mainland China
Outbound market size 2006	17.5 million	8.7 million	11.6 million	34.5 million
Outbound to inbound ratio	2.5 times	2.5 times	1.8 times	0.3 times
Development stages	Open market	From restrictive to gradually open to no restriction	From restrictive to gradually open to no restriction	From restrictive to gradually open
Foreign reserves in 2006	US\$879 billion (world's no. 2)	US\$266 billion (world's no. 3)	US\$239 billion (world's no. 4)	US\$1,968 billion (world's no. 1)
Trade balance and outbound expenditure	Outbound expenditure an important factor in offsetting large trade balance	Outbound expenditure an important factor in offsetting large trade balance	Trade balance varies, and trade surplus not an issue	Outbound expenditure an important factor in offsetting large trade balance
Major destinations	Korea, China	China, Japan	China, Japan	Hong Kong, Macau
Key supporting factor	Government's policy support	Nationalistic sentiment and economic reasons to visit China	Robust economy	Robust economy and government's selective support
Key impediment	Bubble economy	Government's evasive attitude towards mainland China	Fundamentals of the economy and relationship with North Korea	Government control and international relations
Political considerations	Scepticism from some destinations	Distancing from mainland China by DPP	Engaging North Korea with reunification as the goal	Engaging Taiwan under the "one China" principle

Source: Original for this thesis

CHAPTER SIX

THE CONTEXT OF TOURISM POLICY-MAKING IN CHINA

6.0 Introduction

Chapter Four has discussed the interpretation of China's outbound tourism policy by academics, industry practitioners, and government officials. The discussion provides an in-depth analysis of how tourism policy plays its part under the overarching values of national harmony and unification. The discussion unveils how the government controls outbound travel by measures and regulations. Chapter Five presented a comparative study of the outbound tourism market development in Japan, Taiwan and Korea. China's outbound tourism was also compared with that of Japan, Taiwan and Korea, and the similarities and differences were pointed out. The thesis now turns to a contextual point of view in this chapter. It is understood that outbound tourism does not exist in a vacuum, and therefore it is important to further examine the context in which tourism and tourism policy exist. Chapter Six examines the cultural, socio-economic and political environments of China's outbound tourism. This chapter shows how some of the policy elements can be explained by China's contextual environment.

According to Dye (2005), public policy is whatever governments choose to do or not to do, and governments use public policies to regulate behaviour, organise bureaucracies, distribute benefits, or extract taxes. Political science is the study of public policy – the description and explanation of the causes and consequences of government activity. Dye's definition of public policy implies that governments make conscious decision on action, inaction, decisions and non-decisions (Hall, Jenkins & Kearsley, 1997). Hall (1994 a) identifies two models in the discussion of policy and decision making: (1) prescriptive model and (2) descriptive model. The prescriptive model is scientific and rational, and its objects are to discover what the government can properly and successfully do and how the government can do it efficiently. The descriptive model

emphasises the policy-making process and tries to understand the links between the environment, the political system and the policy.

Tourism public policy is whatever governments choose to do or not to do with respect to tourism (Hall & Jenkins, 1995). Tourism policies are made in the context of cultural, socio-economical and political environments. Tourism policies have to be justified in the specific environment they are made, and be accepted by the people living in the environment. If policies are not accepted by the people, frictions will surface, leading to social instability, as exemplified in the history of China.

A historical perspective is important and is adopted in this chapter of the thesis because it helps understand the present and the future. Gummesson (2000) argued for the importance of using history in understanding the present and future as follows:

- History is a diagnostic instrument that helps us to put a problem in its context and environment
- History provides a fixed point for triangulation; it provides opportunities for comparison
- History helps us avoid reinventing the wheel
- History is interesting only because it teaches us that everything is perishable. We can learn from history what we cannot learn from it – that there are no simple formulas, that history does not provide solutions but a thought process, and that we have to realise and accept ambiguity and complexity
- History can help us change things before we have to: foresee changes, act before they hit us, and prepare to benefit from the new situation

6.1 Cultural Environment

Culture refers to the values and beliefs, and the way of doing things in a society. The classic definition of culture is *that complex whole which includes knowledge, beliefs, art, morals, law, customs, and any other capabilities and habits acquired by man as a member of society* (Tylor 1924: 1, cited by Reisinger & Turner 2003: 5). The values and beliefs in Chinese society are very much shaped by traditional philosophy and

traditions. China has a history of over 5,000 years, and there are traditional values that have evolved over the years and have had significant impact on how Chinese people think and behave. The three major schools of thought that have influenced Chinese thinking most are Confucianism, Daoism (also known as Taoism) and Buddhism.

This section discusses the traditional philosophy and two characters in history that have had significant influence on the concept of travel.

6.1.1 Confucianism

The philosopher who has the most far-reaching impact on Chinese thinking is Confucius. Confucius was a master more than 2,500 years ago, who left behind a legacy of teachings in humanity, politics and education. *He was a bold and tireless traveller in a time when travel was a difficult and hazardous adventure; he was constantly moving from country to country. At times, he was in great physical danger, and narrowly escaped ambushes set by his political enemies. Once in despair, at his lack of success in trying to convert the civilized world into his ways, he contemplated going abroad and settling among the barbarians. On another occasion, he toyed with the idea of sailing away on a seagoing raft, such as were used in his time for ocean voyages.* (Leys 1997: xxii)

The main theme of Confucianism is the emphasis on hierarchical relationships: son subordinate to father, wife to husband, subject to ruler, and young to old (Dreyer, 1993). The kingdom is a family with the emperor as father to his people. Respect for the ancestor is so important that with the rituals attached to it, the respect is sometimes misunderstood as worship. Confucianism is concerned with statecraft and the proper relationships among human beings. It stresses the progression from having regularity at home, order in country, to peace worldwide (齐家治国平天下).

Confucian ethical teachings include the following values: ritual, righteousness, filial piety, honesty, benevolence and loyalty. Confucius taught people self-discipline and self-perfection, adopting the middle-road approach rather than extremes, and the importance of harmony. “Do not impose on others what yourself do not desire” (己所

不欲，勿施于人) and “Extend your love for yourself to the other people” (推己及人) represent two of his key concepts of humanity. Confucius is a scholar and the high respect for him has transpired to a lofty regard for the educated.

Confucius said something that seems to be contradictory to encouraging travel: “Do not travel long distance while parents are still alive, and even if one must travel, one must leave behind information about the whereabouts so that parents do not have to worry” (父母在，不远游，游必有方). Confucius emphasised filial piety as a primary virtue, and this particular teaching is about taking good care of parents, and warning people the risk of being sinful if parents fall sick or die while one travels far away. This saying from 2,500 years ago might have held true when travelling long distances took years, but it is completely outdated now. Given the relatively short travel time even in long-haul travel and the convenience of telecommunications today, the preaching should be interpreted in relation to filial piety only, and not be interpreted as against travel per se.

According to Meskill (1973), Confucius advocates that government would continue to be ruled by the aristocracy, but not simply a man of noble pedigree. Confucius has made it clear that birth was not enough, that the ruling class should be an aristocracy of merit. His ideal country is ruled by “gentleman”, a member of a moral elite, one who possesses an ethical quality achieved by the practice of virtue and secured through education. He acknowledges the power of Heaven to influence men and the world, but he advises his followers to avoid too much speculation about the supernatural and to concentrate their attention on man and society, about which they can do something.

Confucianism has characterised Chinese society by giving it the basic values and structural norms, by staffing the state with a Confucian bureaucracy and guiding the community with a Confucian gentry elite (Yang 1973: 661). But why would a man so highly regarded for 2,500 years and his teachings so influential be repudiated by the Red Guards in 1966 and with his grave dug up to declare him “dead”? What is the philosophy that the ruling party was so wary about and tried to sweep away then? These questions will be further examined in the section Political Environment later in this chapter.

6.1.2 Daoism

Daoism refers to a power that envelops, surrounds and flows through all things, which regulates natural processes and nourishes balance in the universe, embodying the harmony of opposites (Reform Taoism, 2006). The Chinese word “Dao” (道) roughly translates as “the Way”. Daoism believes that a well-ordered society must be in harmony with the Way, and in order to have order in life, one must not defy the Way (Dreyer, 1993). For a Daoist, social harmony follows from a return of man to harmony with nature and its underlying reality, the Dao (Schirokauer, 1991).

In the pursuit of the Dao, one does less every day; one does less and less until one does nothing at all, and when one does nothing at all, there is nothing that is undone (Leung, 2006). The key to understanding the Dao is within oneself and the balancing principle of yin-yang. Yin (阴) is associated with femininity, passivity, cold, darkness, wetness and softness. Yang (阳) is associated with masculinity, activity, heat, brightness, dryness and hardness. The interaction of these two primary principles gives rise to all the phenomena in the universe.

Daoism is about serenity, calmness, inaction and being carefree. Desiring to rule over the people, one must humble oneself before them, and desiring to lead the people, one must follow behind them. Truthful words are not beautiful; beautiful words are not truthful. Good words are not persuasive; persuasive words are not good (Leung, 2006).

As for its political implications, the best government would be that which governed least, the best society a “natural” one of small villages whose members lived in peace with each other and nature and gave no thought to the outside world (Meskill 1973: 31). The Daoist master, Lao Zi, had as his political ideal a return to primal simplicity, when people were content, ignorant, and lived in tune with nature (Schirokauer 1991: 43).

The Daoist sympathy for nature and the natural remained a source of inspiration for Chinese poets and free spirits and provided refreshment for men wearied by the

routines of official life. It contributed greatly to the strain in Chinese culture that produced great nature poetry and fine landscape painting (Schirokauer 1991: 44). The Daoist influence on traditional Chinese poetry and painting on travel will be discussed in the section on Literature and Travel later this chapter.

6.1.3 Buddhism

Buddhism originated in India and took root in China during the Tang Dynasty 1,500 years ago. At the core of Buddha's teaching are the Four Noble Truths. They are: (1) Life from birth to death is suffering; (2) Craving or desire leads to renewed existence and is the cause of suffering; (3) Craving or desire must be impeded to stop suffering; (4) Enlightenment can be reached by following the Path. It is the desire for self-satisfaction, self-existence and self-advancement that create pain and lead people to the eternal Wheel of Life and Death, from which they will never escape. Human beings are urged to seek emancipation and enlightenment in Buddhism, the superpower, in order to be saved.

In the Buddhist view, living beings are subject to reincarnation in one painful life after another. A life of good deeds leads to reincarnation at a higher and more desirable level in the next cycle; evil deeds lead in the opposite direction. The ultimate goal is not rebirth as an emperor or millionaire: it is never be born again. The religious life of vegetarianism, celibacy and abstinence from alcoholic beverages carried to perfection leads to release from reincarnation (Schirokauer 1991: 80).

Buddhism inspired men to undertake journeys, either in quest of the teaching at its source or, on the other hand, to carry the word to those suffering in ignorance abroad. The most famous of all was probably Hsuan-tsang (or Sanzang in pinyin), a Chinese monk who left Chang-an (known as Xian today) in 629 and spent more than a decade in Central Asia and India. When he returned to Chang-an in 645, he is said to have come home with 657 Buddhist books, 150 relics, and many images and pictures; he is usually portrayed carrying all this on a huge baggage rack strapped to his back. (Meskill 1973: 96).

In Hsuan-tsang's book "A record of the western regions", he gave a detailed account of conditions in India and its adjacent regions. His pilgrimage captured the imagination of many Chinese for centuries, and was developed as a novel called "Journey to the West" in the 1570s, and became one of the four classical novels of Chinese literature.

6.1.4 Zheng He's Voyages

Zheng He (郑和) (1371-1435) was an admiral and a eunuch of Muslim faith in the Ming Dynasty, and arguably China's first great traveller. His father and grandfather had travelled on pilgrimage to Mecca, and no doubt he heard them recounting tales of travels to faraway lands. For 28 years between 1405 and 1433, Zheng completed seven voyages, travelled more than 50,000 kilometres and visited over 30 countries and areas, covering Taiwan, Sumatra, Malacca, Java and other parts of Southeast Asia, Ceylon, India, Persia, the Persian Gulf, Arabia and Egypt. He led huge flotillas of more than 100 ships and 25,000 men, and each time his ships set sail for unknown lands.

In each country Zheng visited, he presented gifts from the Ming emperor. The Chinese kingdom had a view that the country was at the centre of the world - hence the name "Middle Kingdom". The Chinese emperor's duty was to attract "all under heaven" to be civilised in Confucian harmony. In return for tribute from other countries, the emperor sent gifts and special seals that confirmed their ruler's authority.

National Geographic commissioned one of its photographers, Michael Yamashita, to follow Zheng He's trail in 2005 to capture Zheng He's travel experiences and sights, and published a book "Zheng He: Tracing the epic voyages of China's greatest explorer". Yamashita said in his book that *Zheng He's seven voyages between 1405 and 1433 brought riches to China, established the empire as the world's superpower and dispersed Chinese culture and settlers to the far reaches of the globe* (Yamashita 2006: 14).

Zheng made the pilgrimage to Mecca during one of his voyages. On the journey, he attacked and destroyed a fleet of pirate ships, captured the leader and brought him back to Beijing for execution. That is why Zheng is still respected and remembered as a hero in southeast Asia. There are towns, caves and temples named after him in Malacca and Java.

In 2005, Malaysia celebrated the 600th anniversary of Zheng He's visit in the name of a Chinese feast festival (Metro Daily, 2005).

According to Levathes (1994), in the brief period from 1405 to 1433, the treasure fleet, under the common of the eunuch admiral Zheng He, made seven epic voyages throughout the China Seas and Indian Oceans, from Taiwan to the Persian Gulf and distant Africa, China's El Dorado... Shortly after the last voyage of the treasure fleet, the Chinese emperor forbade overseas travel and stopped all building and repair of ocean-going junks. The period of China's greatest outward expansion was followed by the period of its greatest isolation. (Levathes 1994: 20)

6.1.5 Xu Xiake's Spirit of Travel

According to China Culture (2006 a), Xu Xiake (1587-1641) was a noted traveller and geographer of the late Ming Dynasty (1368-1644) who refused to take part in the imperial examination, and instead developed an interest in different places and devoted himself to travelling all over the country. During his lifetime, Xu travelled around and conducted surveys in 16 provinces. To ensure that his reconnaissance was real and detailed, he seldom travelled by ship or by wagon, but instead he climbed over mountains and hills and travelled long distances almost entirely on foot.

In order to get a true picture of the natural world, he took expeditions in those mountain areas where roads were difficult to travel and in areas that were sparsely populated. In this way he discovered many marvellous mountains and beautiful scenes. He made repeated visits to the famous mountains across the country at different times and seasons of the year so that he could make observations of the wonderful scenery that kept changing throughout the year.

Acknowledged as the "Marco Polo" of the East, Xu Xiake's legendary life has left great influence on China's tourism (Wu Xi Tour, 2006). Xu is recognised by China National Tourism Administration (CNTA) as the great geographer, explorer and writer who spent 30 years of his life travelling and discovering the vast land of China with the spirit of "travelling without boundaries". CNTA held a tourism festival in 2006 to celebrate Xu

Xiake's (徐霞客) spirit and achievement in travelling. The fact that the Chinese government celebrated Xu 365 years after his death indicates the official endorsement of Xu's spirit of travel.

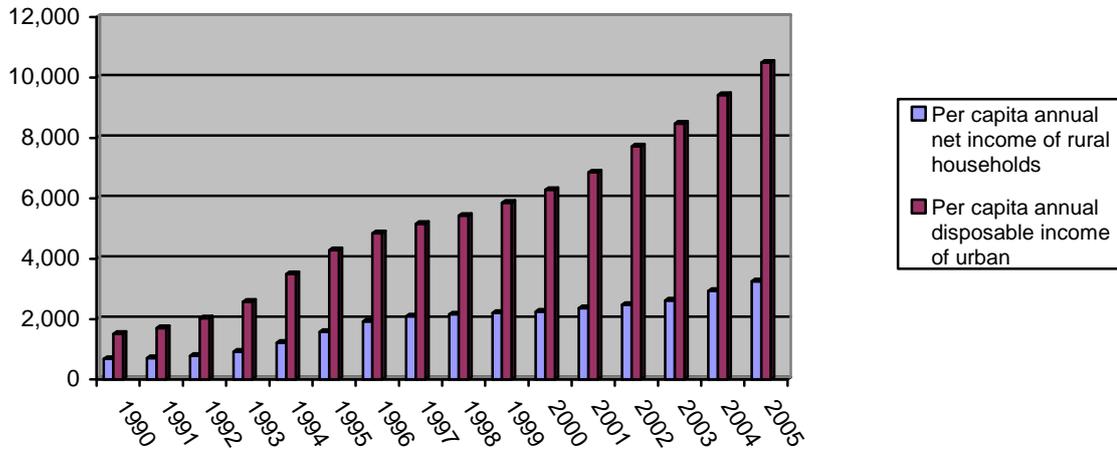
6.2 Socio-economic Environment

The following factors in the socio-economic environment are considered to have an effect on China's outbound tourism: household income, education level, trade balance, leisure time, foreign exchange control, inbound tourism, use of credit cards, accession to World Trade Organization, restructuring of state-owned enterprises, Chinese populations outside of China, Beijing Olympic Games 2008 and Shanghai World Expo 2010. The above factors are discussed in this section.

6.2.1 Household Income

Both urban and rural household income has increased steadily since the "open-door" policy was implemented, as shown in Figure 6-1. Per capita annual net income of rural households increased from RMB709 in 1991 by four fold to RMB3,255 in 2005. Per capita annual disposable income of urban households increased from RMB1,701 in 1991 by more than six fold to RMB10,493 in 2005. As a result of the faster income growth in urban areas, the gap between urban and rural household income is widening. In 2005, urban household incomes were on average 3.2 times larger than those of rural households.

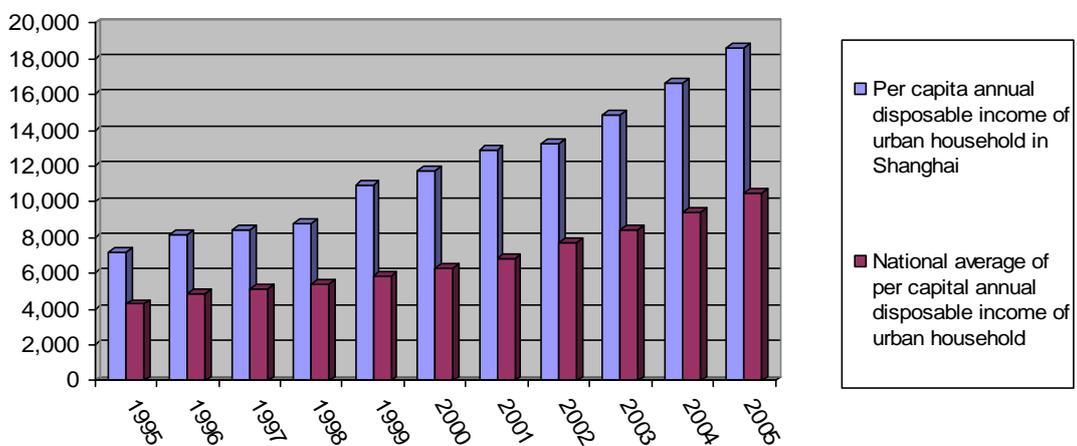
Figure 6-1: Income of rural and urban households in China (RMB)



Source: National Bureau of Statistics of China

Not only is there a widening gap between urban and rural household incomes, but incomes in the developed regions are much higher than those in the less developed regions. Incomes in Shanghai, Beijing and Guangdong, for example, are much higher than those in Shaanxi, Gansu, Qinghai, Ningxia and Guizhou. Figure 6-2 shows that the income gap between Shanghai, the highest income region, and the national average has remained at 1.8 times from 1995 to 2005. There is concern that a persistent income gap between regions could increase the sense of social injustice, personal frustration, and discord in society.

Figure 6-2: Income gap between regions in China (RMB)



Source: National Bureau of Statistics of China

According to Arlt & Kelemen (2006), as of 2005, the top 20 percent of the Chinese population commands 60 percent of the total income, whereas the people who make up the bottom 20 percent have to share 3 percent of the total income among themselves, making wealth distribution in China one of the most uneven in the world.

The existence of such a large income gap in a socialist state is incongruent to the socialist principle of equality, and it can be attributed to the following factors:

- There were plenty of business opportunities when the market first opened up in the 1980s. Those who were entrepreneurial and quick to seize the opportunities made their fortune quickly and easily
- The advancement of reform and the various special policies of Special Economic Zones have benefited the eastern coastal regions and thus contributed to widening the disparity between the eastern region and the central and western regions
- The administrative barrier between urban and rural areas has effectively prevented high mobility and the rural population remains relatively poor without the benefit of industrialisation
- Serious corruption has contributed to some people becoming very rich quickly.

6.2.2 Education Level

The level of education in China has improved steadily in the past decade. Table 6-1 shows the percentage of population enrolled in higher education from 1995 to 2005. As an indication of education levels, the percentage of the population enrolled in higher education increased from 0.24 percent in 1995 to 1.19 percent in 2005. With an increasing level of education, more and more people in China will want to travel outside of the country for leisure purposes, for personal fulfilment or for economic reasons.

Table 6-1: Percentage of population enrolled in higher education in China

Year	No. of students enrolled in higher education ('000)	Total population ('000)	Percentage of population enrolled in higher education
1995	2,906	1,211,210	0.24%
1996	3,021	1,223,890	0.25%
1997	3,174	1,236,260	0.26%
1998	3,409	1,247,610	0.27%
1999	4,134	1,257,860	0.33%
2000	5,561	1,267,430	0.44%
2001	7,191	1,276,270	0.56%
2002	9,034	1,284,530	0.70%
2003	11,086	1,292,270	0.86%
2004	13,335	1,299,880	1.03%
2005	15,618	1,307,560	1.19%

Source: National Bureau of Statistics of China

6.2.3 Trade Balance

China has long enjoyed a substantial trade surplus in recent years. Table 6-2 shows the amount of the annual trade surplus from 1994 to 2005, and how outbound tourism contributed to offsetting the trade surplus. Chinese visitor bills are expressed as a percentage of China's trade surplus, an indication of its contribution to offsetting the trade surplus. Figures show that outbound tourism contributed a low of 21 percent in 1998 to a high of 67 percent in 2004. In other words, spending by Chinese visitors is fairly substantial in offsetting the country's trade surplus. Caution should be exercised in reading the figures, as not all tourist spending is captured by foreign companies and part of the spending goes to Chinese companies. Nevertheless, the figures indicate that the magnitude of outbound tourism contribution to offsetting the trade surplus in China has been significant.

Table 6-2: Contribution of Chinese outbound tourism to offsetting trade surplus

	Exports (US\$ million)	Imports (US\$ million)	Trade surplus (US\$ million)	No. of domestic residents outbound (000)	Visitor bills (US\$ million)	Percentage of trade surplus
	A	B	A-B		C	C/(A-B)
1994	121,010	115,610	5,400	3,734	3,036	56%
1996	151,050	138,830	12,220	5,061	4,471	37%
1998	183,710	140,240	43,470	8,426	9,205	21%
2000	249,200	225,090	24,110	10,473	14,169	59%
2002	325,600	295,170	30,430	16,602	16,759	55%
2004	593,320	561,230	32,090	28,850	21,360	67%
2005	761,950	659,950	102,000	34,500	25,543*	25%

Source: China National Tourism Administration, World Tourism Organization

* Estimate based on 2004 visitor bills

6.2.4 More Leisure Time

The “holiday economy” concept has been identified by the government as a means to boost the national economy, and the domestic tourism industry was the first to benefit from the implementation of more holidays. There is now more free time available in China, which makes leisure travel outside of the country feasible. China has been practicing a five-day week since 1993, and Golden Week holidays were introduced in 1999. The three Golden Week holidays are: Spring Festival in February; Labour Day in May and National Day in October. Together with Saturdays and Sundays, there are 117 days of public holiday in a year. Chinese citizens are encouraged to take their annual leave during the Golden Week holidays, making the three weeks the peak travel time, both for domestic and outbound tourism.

There is now mounting pressure to even out the tourist flows during the three Golden Weeks. The government has tabled the suggestion of reducing the Labour Day Golden

Week in May to a single day and distribute the rest over a series of one-day holidays for the traditional Tomb Sweeping day, Dragon Boat festival and Mid-Autumn festival.

The change stems partly from practical concerns over the huge stress Golden Weeks place on China's tourist infrastructure. Trains, planes, hotels and tourist areas see a massive crush, turning the break into an ordeal for both holidaymakers and those catering to their needs... But it has also covered the government's stated intention of giving new weight to China's own culture, and the relative merits of observing traditional holidays rather than socialism's sacred Labour Day. (The Economist, 2007)

The need to even out the travel peaks was made very obvious by the chaos that ensued when millions of home-bound workers struggled to board trains prior to Chinese New Year in 2008 following extremely heavy snow falls. The infrastructure simply cannot cope with emergencies such as this during times of mass movement of people.

6.2.5 Relaxation of Foreign Exchange Controls

The control on the amount of cash allowed to be carried by a Chinese traveller leaving the country has been relaxed from time to time. The current limit on foreign currency is US\$5,000 cash, and the limit on Chinese currency is RMB20,000 cash (equivalent to about US\$2,500). The relaxation of foreign exchange controls is further exacerbated by the fact that renminbi are now freely convertible to Hong Kong dollars in Hong Kong and Macau, and most shops catering to Chinese tourists in Hong Kong accept renminbi. This phenomenon of renminbi being freely convertible in Hong Kong and Macau is significant because 70 percent of the departures have either Hong Kong or Macau as the destination.

6.2.6 Inbound Tourism

Like most other countries, China tourism policy has always emphasised inbound tourism. Inbound tourism is favoured because it brings spending to the country and the industry is welcome by most people. Tourism is a welcomed industry because it is generally associated with high service quality, relaxation, good food and preservation of heritage and culture, etc., and little pollution. With the “open-door” policy and Deng Xiaoping personally endorsing tourism as a “desirable” industry, inbound tourism has

flourished well since 1980 and has been particularly strong in the past 10 years. With 54 million international arrivals and only 12 million international departures (i.e., excluding Hong Kong and Macau) in 2007, Chinese people might wonder why there is no reciprocal visit of similar magnitude. As Chinese people become more educated, more affluent and meet more foreigners from different countries, there must be a natural response from the Chinese asking why they are not visiting the source countries themselves. The thriving inbound tourism is believed to have an effect on outbound tourism in stimulating the desire for travel. Currently it is estimated that only 3 percent of the Chinese population have had the experience of travelling outside the country (Arlt & Kelemen, 2006), and as more Chinese start to travel, the word-of-mouth will have a multiplying effect.

6.2.7 The Use of Credit Cards

The use of credit cards (信用卡) and debit cards (储值卡) by Chinese was beyond imagination 20 years ago. Spending money before making it was considered very un-Chinese. However, with the advent of so many plastic cards and support from the Bank of China, the swiping of a card in order to make a purchase does not raise an eyebrow these days. China will have about 75 million credit cards that can be used in the international market by 2010, up from three million in 2005, according to a forecast by MasterCard (The Standard, 2005). The Bank of China has issued a double-currency credit card designed for global usage, and the bank offers cash withdrawal in 18 countries and regions around the world (Bank of China, 2006).

Established in March 2002, approved by the State Council and licensed by the People's Bank of China, China UnionPay (CUP) is a shareholding financial service institution established through capital contributions by more than 80 domestic financial institutions, to facilitate the usage of credits by Chinese people internationally. CUP has registered capital of RMB1.65 billion and, as of 2005, a total of 172 member banks. There were 100 million China UnionPay cards issued as of February 2006, and the cards are accepted in Hong Kong, Macau, Korea, Thailand, US, France, Spain, Luxemburg, Belgium, Singapore, Japan, Germany, Australia, New Zealand, Malaysia, Indonesia, the Philippines, and Vietnam (China UnionPay, 2006). In May 2005, China UnionPay

entered into an alliance with Discover Financial Services whereby China UnionPay cards are accepted in Discover's PULSE ATM/debit network with a potential of over 4 million merchant and cash access locations in the US (Discover Financial Services, 2005).

The growing use of credit cards and debit cards will further support the growth of outbound tourism, both in terms of convenience in making a purchase overseas and boosting consumption.

6.2.8 Accession to World Trade Organization

China's exports increased from US\$149 billion in 1995 to US\$762 billion in 2005; imports increased from US\$132 billion in 1995 to US\$660 billion in 2005. The country's Gross Domestic Product (GDP) grew from RMB486 billion in 1981 to RMB18,308 billion in 2005, at an average growth rate of over 9 percent per annum. China has grown to become the world's fourth largest economy behind the US, Japan and Germany.

China officially became a member of the World Trade Organization (WTO) on 11 December 2001, after more than a decade's negotiation and persistence. As a member of WTO, China has agreed to undertake a series of commitments to open and liberalise its regime in order to integrate into the world economy and offer a more predictable environment for trade and foreign investment in accordance with WTO rules. Some of the important commitments to be implemented over a number years are:

- China will provide non-discriminatory treatment to all WTO members
- China will eliminate dual-pricing practices
- China will eliminate differences in treatment accorded to goods produced for sale in China in comparison to those produced for export
- Price controls will not be used for purposes of affording protection to domestic industries or services providers
- China will revise its domestic laws and enact new legislation in compliance with the WTO agreement

- All enterprises will have the right to import and export all goods and trade them throughout the customs territory with limited exceptions
- China will not maintain or introduce any export subsidies on agricultural products (WTO, 2001)

China committed to reducing or eliminating tariffs, quotas, price controls and other barriers on more than 7,000 agricultural and industrial products. Furthermore, China committed to allowing foreign enterprises greater market access in nine broad service areas: business, communications, construction, distribution, education, environmental, financial, tourism and travel-related, and transport (United States General Accounting Office, 2002).

The accession to WTO means the gradual removal of import tariffs and export subsidies, adoption of international practices in foreign trade, and abolishment of discriminatory pricing. According to Fewsmith (2001), the accession to WTO allows China's exports to continue to grow and makes the China market even more attractive. With the erosion of protectionism and curtailment of industrial monopolies, more state-owned enterprises will be exposed and bureaucratic interests broken down. China's entry into the WTO implies that China will start formally to integrate itself into the world capitalist economic and political system, the basic characteristics of which are market economics and democratic politics.

China's accession to the WTO is a double-edged sword in terms of its impact on the economy. It will create new opportunities, and at the same time, it will introduce fierce competition (Yu, Ap, Zhang & Lew, 2003). For industries such as advertising, education, insurance, hotel and transportation, China's accession to WTO means the removal of restriction of participation by foreign enterprises, over a period of three to five years. However, travel agency business is a special case. While there is room for foreign investment in domestic and inbound tourism businesses, China controls outbound tourism by restricting participation by foreign enterprises. According to the regulations, foreign enterprise may set up joint-venture travel agencies in Beijing, Shanghai and Guangzhou, and designated resort areas only, and the travel agencies may offer the following services (Ma & Li, 2003):

- Provision of transport and accommodation service to foreign tourists in China
- Provision of transport and accommodation service to Chinese tourists in China
- Provision of tour guide service to Chinese and foreign tourists in China
- Provision of travellers cheque service in China

In other words, the outbound travel business is still off-limits to foreign enterprises and remains in the hands of Chinese travel agencies, which are under the control of the Chinese authorities in one way or another.

6.2.9 Restructuring of State-owned Enterprises

State-owned enterprises (SoE) are the legacy of a socialist state. China used to have many SoEs and a true market economy will not work with this domination of SoEs. The central planning orientation in SoEs contradicts fundamentally with the profit orientation in free market enterprises. The inefficiencies in SoEs over many years has been stalling the growth of China's economy. In Zhu Rongji's Report on the outline of the Tenth Five-Year Plan made to the NPC in 2000, he said that China's economy had reached the point where it could not further develop without being restructured (Fewsmith, 2001). In fact, China has embarked on a major programme to reform SoEs since the 1980s, but the road to reform has not been smooth. There has been an on-going confrontation between bureaucratic interests and the liberals. In view of the resistance within the bureaucracy, Zhu would rather avail the country of foreign competitive pressure to force restructuring in order to circumvent the opposition of the conservatives (Fewsmith, 2001).

The reform of SoEs took place with the state's withdrawal in three phases: from operational decisions, administrative oversight and then ownership (Green & Liu, 2005). The reform process entailed the following concepts and changes introduced over a period of time:

- Profit retention system: Firms are allowed to retain and invest their own profits instead of remitting them all to the government

- Contract responsibility system: Firms set their own profit target and keep the excess revenues generated (or make up the shortfall)
- Incorporation: Ownership and management of firms are separated with most large firms converted into limited liability shareholding companies eligible for a public listing
- Retaining and Retreating: The strategy of the government is to retain control of large enterprises (retain) on one hand and privatisation of small SoEs (retreat) on the other hand

State-owned enterprises once dominated the Chinese economy, and they still control about one quarter of Chinese industrial output. Upon accession to the WTO, China committed to refraining from influencing SoE's decisions on purchases and sales, and to allowing these decisions to be based solely on commercial considerations (United States General Accounting Office, 2002).

Green (2005) argued that one important characteristic of China's reform of SoEs is the gradual privatisation of state assets, and there is evidence of learning from the process – sales methods appear to be improving, be it management buy-out (MBO) or initial public offering (IPO), or a combination of MBO and IPO. In addition, the administrative capacity is now in place to organise competitive and open sales. Many of the institutions of a market economy – corporate law, a bankruptcy framework, regulations for merger & acquisition activities, rules on corporate disclosure, and various frameworks for sales to foreign investors – are in place.

6.2.10 Chinese Population Outside of China

According to Skeldon (2004), China has been and continues to be one of the great sources of international migration, so much so that Chinese people live in virtually every country of the world today. Towards the end of the 20th century, it was estimated that there were some 33 million ethnic Chinese living outside mainland China, Taiwan, and Hong Kong, representing 2.5 percent of the total population in China. The majority of the Chinese overseas can trace their roots to three southern coastal provinces of Guangdong, Fujian and Zhejiang. These areas were the earliest and most affected by

the seaborne expansion of European colonial powers, which linked them to a wider global system. Chinese ethnicity, however, must not be confused with Chinese migration, because many of the Chinese overseas were born outside China in the lands chosen by their parents and grandparents.

In the mid-19th century, the migration was dominated by men going overseas to work as labourers, while some others travelled to seek their fortunes in the gold fields of Australia, North America and New Zealand. Some moved to southeast Asia, which was being opened up by British and French colonial interests. These Chinese migrants were sojourners who left home with the intention of returning rich, marrying and settling down. However, many died overseas or decided to remain there. This group of Chinese was characterised by male dominance, sojourner mentality, exclusion and marginality. The vast majority of those who stayed behind were poor and engaged in menial activities, but a few became entrepreneurs and exerted economic dominance, particularly in southeast Asia. Most Chinese migrants were not well integrated into the destination communities and they often congregated to form “China Towns”.

The second wave of migration began after the second world war. The migration came from Hong Kong and Taiwan, and some southeast Asia countries such as Malaysia and Indonesia. With the more liberal immigration policies in Canada, the US, Australia and New Zealand, a new type of migration began to emerge: the movement of families and educated and skilled people. Today, the majority of principal applicants to these countries are well educated or possess specialised skills. With China opening up after the economic reforms implemented from 1979, increasing numbers of Chinese began to go overseas, in small numbers at first, but in significant numbers from the mid 1990s.

With almost a century of migration history, a certain degree of exclusion and marginalisation in the destination communities, strong clan relationships and nepotism, together with the need to seek clan support in a foreign country, many Chinese diasporas communities were formed and are now well established in many countries. These countries include the US, Canada, Australia, New Zealand, Singapore, Thailand and Malaysia. Such communities have developed and nurtured the “China Towns”, many with strong Chinese heritage and culture. The “China Towns” have even evolved

into attractions for Chinese visitors and also others. It is not unusual that “China Town” often appears on the itinerary of Chinese tourists in New York, Paris or Singapore. Chinese tourists are interested in tracing the history of their great-grandparents, perhaps satisfying their need to indulge in nostalgia.

One aspect of Chinese migration that has captured considerable attention has been the numbers of Chinese entering countries illegally as irregular migrants. One episode involved the vessel *Golden Venture* in June 1993, in which 286 Chinese were on board for 112 days sailing to New York City via Africa in subhuman condition, ordered by the captain to jump and swim to shore off the coast, 10 of them dying while trying to reach the shore (Liang & Ye, 2001). Another tragic incident involved the smuggling of Chinese to Europe in June 2000, in which 58 Chinese were discovered suffocated in a cargo container at Dover after being smuggled into the UK (Laczko, 2003). Incidents like these not only alerted authorities in the US and Europe to the seriousness of the problem, but also posed stumbling blocks in the issuance of visas and negotiation of ADS.

The majority of Chinese “smuggled” appear to enter willingly into illegal arrangements in order to facilitate their passage to the west, paying up to US\$50,000 or more for the privilege, depending upon the destination and means of transfer. The majority of those smuggled are young men, although women are also represented in the flows. Most of the irregular migrants come from Fujian Province. Its convenient coastal location, connection with overseas smugglers through generations of migration, and a legacy of migration have made Fujian the most vulnerable region for irregular migration. Liang & Ye (2001) identified relative deprivation as a key factor for the widespread illegal practice in Fujian Province. Fujian is one of the more economically prosperous provinces as a result of its vicinity to and investment from Taiwan, therefore it is not absolute poverty that drives people to take the risky path of illegal migration. It is the extravagance shown by those Chinese migrants returning home and the great disparity between the “haves” and “have nots” that drives people to believe that migration is the thing to do, whether legal or illegal.

6.2.11 Beijing Olympic Games 2008 and World Expo 2010 Shanghai

Beijing hosted the Olympic Games in 2008 and Shanghai will host the World Expo in 2010. These are two major world events held in China for the first time in history, and they give China a platform to showcase its achievements and success, not just in sports, but politics, humanity, architecture, construction, finance, marketing and communications. The two events will without doubt further enhance China's international standing and respect, and reinforce the country's position on the world stage.

The Beijing Organising Committee for the Games of the XXIX Olympiad (BOCOG) chose a set of symbols and words to convey to the world the culture and tradition, as well as the images and human spirit of China. It is interesting to note that "One World One Dream" was chosen as the slogan to express the common wishes of people all over the world: to strive for a bright future for mankind. BOCOG chose an emblem "Chinese Seal - Dancing Beijing" to communicate Beijing's hospitality and hopes, and the city's commitment to the world. The official mascots of the games were five "Fuwa" (福娃) or "Fortune Dolls" conveying friendship, peace and blessings from China to children all over the world (BOCOG, 2006).

The slogan of World Expo 2010 Shanghai China is "Better city – Better life", and 157 organisations/countries have confirmed participation as of July 2007 (World Expo 2010, 2007).

It can be seen that China has adopted a very worldly and welcoming stance for this world event, showing that the country has come a long way, not just in becoming part of the global village, but as a leader in the global village.

World events such as the Olympic Games and World Expo are important for tourism in that they bring significant traffic to the host country and generate outbound travel as well. Korea hosted the XXIV Olympiad in Seoul in 1988. A total of 160 countries participated in the games, with 13,304 athletes competing. Korea ranked fourth in terms of overall number of medals, after the USSR, East Germany and the US.

Through hosting the Olympic Games, Korea was able to share its rich history and culture with the world. More importantly, inbound tourism was recognised by the Korean government for its economic importance as the result of the success of the games in drawing visitors and raising the profile of the country internationally. As inbound tourism developed, outbound tourism also began to emerge and prosper.

6.3 Political Environment

This section reviews China's historical setting and the social and political instability in the last century, and discusses the tensions of the current period of peace and stability.

6.3.1 Historical Setting

China's dynasties date back to 1994 B.C. when the Xia dynasty began. A total of 30 dynasties or periods followed until the collapse of the Qing dynasty in 1911. The country's history is dotted with turmoil and civil war. The Tang dynasty (618-907) is considered the high point of Chinese civilisation, with Chang'an (known today as Xian) as the capital city. It encompassed a period of more than 200 years of political stability, economic growth and extensive contact with the outside world. There was contact with Japan, Korea, India and the Middle East. Buddhism, which originated from India, flourished during the Tang period. The Song dynasty (960-1279) covered around 300 years of development in trade, industry, and maritime commerce. It was also a period of refinement in literature, painting and calligraphy. There were new attempts to synthesise Confucianism, Buddhism and Daoism. Neo-Confucian doctrines were exported to Korea, Vietnam and Japan.

The Yuan dynasty (1260-1368) ruled for a relatively short time, but was regarded as alien as it was created by Mongol tribes. Extensive contacts were made with Central Asia, the Middle East and Europe. Islam, Catholicism and Lamaism were tolerated. It was during this period that Marco Polo travelled to China, which initiated Chinese contact with Europe. The Ming dynasty (1368-1644) offered another period of prosperity, with China making contact with Annam (known today as Vietnam) and Zheng He's voyages reaching Africa. The Qing dynasty (1644-1911) of the Manchu

retained many Chinese systems practiced in the Ming dynasty in order to maintain rule and stability. During this period, Outer Mongolia, Xizang (Tibet) and Taiwan were conquered.

A number of traits of Chinese dynasties that may have an impact on outbound travel can be identified:

- China was able to exert influence on its neighbouring countries, leaving imprints of Chinese civilisation in Japan, Korea, Vietnam and Malaysia. The process usually entailed Chinese travelling to those countries, conquering them, settling down, and educating the people
- Chinese, mostly Han people, had to struggle against threats posed by non-Han people living in the north, northeast and northwest. The Han people were wary of invasions
- There was a cyclical pattern of victory, prosperity and downfall in each dynasty, be it Han or non-Han
- China held the view of being in the middle of the world and saw itself surrounded by people whose cultures were inferior by Chinese standards. This was confirmed by what Chinese saw in their voyages and the visitors they met

6.3.2 Modern History

Modern history of China was marked by invasion of foreigners, leading to the downfall of the Qing dynasty, unequal treaties, rebellions, warlords, petitions, revolutions, anti-Japanese war and civil war, until the transition to the People's Republic of China (PRC) in 1949. The discussion below will be divided into two parts. The first part deals with modern history of China until 1949, and the second part deals with modern history of the PRC from 1949.

6.3.3 100 Years of Social and Political Instability (before 1949)

The modern history of China began with the Opium War (1839-1842) in the Qing Dynasty, when contact between China and the west began. China, believing itself to be

the middle of the world and having a culture of higher order, did not want to have any trading relationship with the west or any other foreign country. In fact, foreigners from the west were obliged to follow a centuries-old ritual imposed on envoys from China's tributary states (University of Maryland, 2006). The British was engaged in a third-party trade exchanging large quantities of opium for raw materials and semi-processed goods from China. The Qing government realised the harmful and addictive effect of opium, and wanted to suppress opium traffic. Some 20,000 chests of British opium were confiscated and destroyed in Guangzhou in 1839. The British retaliated with military attack, thus initiating the first Chinese war with the west. China was defeated badly and was forced to sign the Treaty of Nanjing, ceding the island of Hong Kong to the British, which was widely condemned as a national humiliation.

The last 50 years of the Qing dynasty was dotted with unsuccessful events to reform or rebel such as the Taiping Rebellion, Self-strengthening Movement, Hundred Days Reform, and the Boxer Rebellion's anti-foreign movement. All these events were a manifestation of the Qing dynasty's inability to build up a strong military nation to guard against invasion. Failure of reforms and movements opened up more opportunities for foreigners to encroach on China's territories and sign more unequal treaties. They included the Treaty of Wangheia with the US, the Treaty of Whampoa with France, the Treaty of Aigun with Russia and the Treaty of Shimonosiki with Japan. The foreigners did their best to undermine what they considered to be restrictive trading and government regulations. They gained the right to sail up Chinese rivers and waterways and be exempted from Chinese laws if they committed a crime in China (Condensed China, 2006). The anti-foreign sentiment was accumulating.

On 10 June 1900, an army of 20,000 soldiers of Britain, France, Russia, Germany, Japan, Austria, the US and Italy invaded Beijing and met with strong resistance, and turned to occupy Tianjin instead. On 4 August 1900, the Eight-Power Allied Forces marched from Tianjin to Beijing. After they entered Beijing, the city was filled with bloodshed, destruction of palaces, looting and rape. In 1901, the Qing government was forced to accept the terms demanded by the foreign powers, and signed the Protocol 1901, which basically tramped on China's sovereignty and human rights.

Sun Yat-sen, a republican and anti-Qing activist who became increasingly popular among the overseas China, started a revolutionary movement and gained support with regional military officers. His doctrine, the Three Principles of the People (nationalism, democracy and livelihood), is still popular today. The revolution broke out on 10 October 1911, and Sun was inaugurated in Nanjing as the provisional president of the new Chinese republic on 1 January 1912. However, on 1 February 1912, Sun had to let Yuan Shikai, the strongest regional military warlord in Beijing, be the head of the republic in order to avoid civil war. Yuan soon made himself president for life, and in 1915 it was announced that he would re-establish the monarchy. Widespread rebellions ensued and many provinces declared independence (University of Maryland, 2006).

The following years of the first world war saw China yielding to Japan's demand of Shandong, southern Manchuria and eastern Inner Mongolia. This sparked off strong anti-Japanese sentiments. On 4 May 1919, there were massive student demonstrations against the Beijing government and Japan, leading to a national awakening known as the May Fourth Movement, symbolising movement led by students against injustice, corruption and national humiliation. By then Sun Yat-sen had re-established himself in the political party of Guomindang (Kuomintang, abbreviated as KMT, and also known as the National People's Party) in southern China in collaboration with warlords. He turned to the Soviet Union for aid as his alliance with warlords ruptured. At about the same time, the Chinese Communist Party (CCP) emerged as a small party, and was under Soviet instruction to cooperate with the KMT in fighting the Japanese and the warlords. Sun died in 1925 and was succeeded by Chiang Kai-shek. While the KMT was fighting against warlords to gain national control, Chiang imposed restrictions on CCP members' participation in the top leadership and in early 1928 the KMT-CCP rivalry led to outright civil war.

Mao Zedong began as a librarian, who had become a Marxist at the time of the May Fourth Movement, and believed in focusing the revolution on the peasantry. He turned the local peasants into a politicised guerrilla force, and proclaimed the establishment of the Chinese Soviet Republic under his chairmanship. His control of the Chinese Communist movement increased as he won the hearts of more peasants. In October 1934, he decided to embark on the epic journey later known as the Long March to

evade attack by the KMT. He led the 100,000-strong Red Army and its supporters to leave their base and walk for 6,000 miles. Only 8,000 followers survived and arrived in Yan'an in Shaanxi a year later. During the Long March, Mao gained unchallenged command of the CCP, which ensured his place in history.

While the KMT was planning for an encirclement campaign against the CCP in 1936, Chiang was kidnapped on 12 December. After several weeks of intense bargaining, he was released and agreed to cease attacks on the CCP, to guarantee their democratic rights, to host a “national salvation” conference with CCP participation, to make immediate preparations to resist Japan and to improve people’s livelihoods. The CCP in turn agreed to stop its armed insurrections aiming at overthrowing the KMT, to rename the workers’ and peasants’ democratic government it had set up as a special region of the Republic of China, to replace the Red Army under the jurisdiction of the National Revolutionary Army, to discontinue its policy of confiscating landlords’ land, to join in the anti-Japanese united front, and to institute a democratic system based on universal suffrage in the areas under its control (Dreyer, 1993).

Meanwhile, Chinese people suffered horribly under the Japanese occupation. The “three alls” – kill all, burn all, destroy all – were ruthlessly applied in areas where the Japanese met resistance. Those not killed might be marched long distances away from their homes to serve as forced labourers and prostitutes, or become the subjects of grotesque medical experiments. Such measures created deep hatred of the Japanese (Dreyer, 1993). Prior to the second world war, Nanjing was occupied by the Japanese army for about six weeks from December 1937 to February 1938. During the occupation, the Japanese army committed numerous atrocities such as rape, looting, arson and execution of prisoners of war and civilians. Nations outside Japan estimated that 300,000 were killed and the event was known as Nanjing Massacre. It remains one of the most inhuman and horrifying crimes ever committed in the history of human civilisation. The tragic incidence is documented by many sources, both inside and outside of China (University of Houston, 2006).

After the end of the second world war, the Soviets turned over huge stocks of Japanese weapons to the CCP. The KMT was also ready to direct battles against the CCP.

Along with military encounters, the KMT suffered from runaway inflation, serious corruption and low morale. Seeing the rise of the CCP, the warlord controlling Beijing defected to the CCP. On 1 October 1949, Mao Zedong entered Beijing and proclaimed the founding of the People's Republic of China, thus ending 20 years of civil war. Chiang Kai-shek and a few hundred thousand of his troops fled from the mainland to the island of Taiwan, and in December 1949, Chiang proclaimed Taipei the temporary capital of China.

6.3.4 The People's Republic of China (since 1949)

The 100 years of social and political instability before 1949 was not only devastating in terms of human lives, civilisation and productivity, but also disturbing in instilling a strong distrust of and hatred for foreigners among the Chinese. China basically had closed its doors to foreigners for the following 30 years, let alone allow its people to travel to other countries. The country in the ensuing 30 years was inward-looking, self-congratulating, and ego-inflating. The government was highly suspicious of foreign affairs and kept a strong guard against foreign ideological invasion. Everything from foreign countries was regarded as evil and the motherland was glorified as divine. This can be seen as a period of healing from foreign invasion and national humiliation. Contact with foreigners was associated with betrayal. Tourism was condemned as bourgeois and such was the negative connotation of tourism, and outbound tourism in particular, in 1949. It was from this low point that China's international tourism developed.

The road to social and political stability was not at all smooth following the establishment of the People's Republic of China. Although there was no civil war and no foreign invasion, there were series of political upheavals leading to economic setbacks and cultural disorder. Outbound tourism was virtually non-existent until the adoption of the "open-door" policy in the 1980s. Outbound tourism germinated under harsh conditions of political and economic setbacks and later flourished under the influence of different forces, which will be discussed in Chapter Eight.

6.3.5 The One Hundred Flowers Period (1956-57)

There were tensions and conflicts among people with regard to the mass collectivisation introduced with the founding of PRC. In order to deal with those tensions and conflicts, Chairman Mao put forward the idea of “letting one hundred flowers bloom and one hundred schools of thought contend.” Intellectuals were invited to express their views on Marxism, Communism and collectivisation. However, certain criticisms were not considered as fragrant flowers, but rather noxious weeds in the socialism garden. Those who criticised were criticised themselves. More than 300,000 people were identified as rightist, jailed, and reformed through labour or banished to rural areas. Unity was achieved by weeding the dissident rightists.

6.3.6 The Great Leap Forward (1958-1961)

Chairman Mao wanted to prove that communism was the answer to China's problems and he introduced the Great Leap Forward campaign to mobilise the country's huge population, to increase productivity, and to match the productivity of the western world.

Communes were formed to function as basic political as well as economic and social units, integrating all aspects of the lives of their members. As economic units the communes supervised agricultural production and distribution, provided banking services, and also established small factories and machine shops... The communes were further responsible for police functions, and they operated schools and hospitals, provided day-care facilities and mess halls, took care of the aged, and staged plays and other entertainments. (Schirokauer 1991: 360)

In the rural area, peasants were mobilised to increase crop production by collectivising the farms, and the excess labour was used to produce steel and other products. In industry, workers were given much more freedom and they owned the means of production. Intellectuals were sent to the countryside to share their knowledge with the peasants while at the same time learning agricultural techniques. Backyard blast furnaces were used to teach peasants industrial techniques. Work compensation was changed from “paying each according to his productivity” to “paying each according to

his needs”. People ate at the mess everyday so that they did not have to waste time cooking and there was less food wastage.

The Great Leap Forward turned out to be a disaster. Local authorities reported grossly inflated production statistics to prop up the campaign, and actual productivity remained low. Backyard furnaces turned out iron of unacceptable quality. The country was caught unprepared for the bad weather in 1959 and 1960, and over 16 million people died of famine. The jurisdiction was that *the Chinese path to socialism had led over a cliff* (Fairbank 1986: 305, cited by Schirokauer 1991: 362).

6.3.7 The Socialist Education Movement (1962-1965)

Mao was very low-key towards the end of Great Leap Forward period, and let Liu Shaoqi take over as head of the government. After the disappointments of the Great Leap Forward, there was a natural slacking of the revolutionary fervour. This alarmed Mao, and he sought to combat this trend by initiating a socialist education movement in 1962. There was also concern within the CCP leadership that there was a spontaneous tendency towards capitalism, emergence of bourgeois activities, decline in cadre morale and misuse of public funds. To tackle the problem, high ranking cadres were sent to work in the countryside so that they could get close to the people and know their problems. People were strongly urged to study the socialist doctrines and Mao’s thoughts.

6.3.8 The Cultural Revolution (1966-1976)

After the disastrous Great Leap Forward, Mao was worried about the re-emergence of old patterns of bureaucratic arrogance and careerism. He was convinced that drastic measures were necessary to prevent the entrenchment of new vested interests in state and party. In 1966, Mao created the Red Guards - young people who would enforce revolutionary purity at his command, and asked them to attack the headquarters of established authorities who was following the capitalist road. The Red Guards were also asked to attack the “four olds”: old ideas, old culture, old habits and old customs. *These young people organised public humiliations of prominent people, administered*

beatings and took captives, ransacked houses and destroyed books, art, and anything old and foreign. (Schirokauer 1991: 366)

In order to reinforce his command, Mao had his sayings published as the Little Red Book, of which everybody had a copy, together with the Mao badge that everybody wore. One of Mao's "great invincible thoughts" was to *turn the old world upside down, smash it to pieces, pulverise it, create chaos and make a tremendous mess, the bigger the better*. Another of Mao's thoughts was that *Reactionary culture serves the imperialists and the feudal class and must be swept away. Unless it is swept away, no new culture of any kind can be built up. There is no construction without destruction, no flowing without damming, and no motion without rest; the two are locked in a life-and-death struggle. (Ho 2006: 65-66)*

Hundreds of students were mobilised to destroy thousands of cultural objects including paintings, books and graves in the Confucius Temple in Shangdong, because Confucianism was identified as old ideas, old culture, old habits and old customs. Universities were closed, scientific research was ceased, intellectual and cultural life was disrupted, and there was turmoil in the cities. In order to exchange revolutionary experiences, the Red Guards were encouraged to travel extensively, creating even more cultural destruction. MacFarquhar & Schoenhals (2006) described the Cultural Revolution as the most remarkable act of destruction of a priceless cultural relic.

The destruction of Confucianism betrayed Mao's paranoia of the establishment, family ties, respect and order. He was fearful of the old establishment displacing his power base. He was desperate to detach people from the old culture and usher them into a new era of utopia, albeit a misguided one.

Mao did not hesitate to remove those party officials who did not concur with him. Liu Shaoqi, who replaced Mao as head of the government after the Great Leap Forward, was identified as a revisionist. He was later expelled from the party and from all his posts in party and government. Large numbers of high-ranking officials were identified as counter-revolutionary and were tortured or imprisoned; Deng Xiaoping was one.

Millions were victimised in political persecutions. Hatred and violence swept the country.

Su (2006) studied the mass killings in the Cultural Revolution and hinted that the political witch-hunt approach and the bold treatment of opponents was rooted in the Stalinist doctrine of unmasking hidden enemies. *For what it (the Cultural Revolution) turned out to be: an unprecedented wave of state-instigated persecution, torture, gang warfare, and mindless violence* (Walder 1991: 42, cited by Su 2006: 123).

In 1967, industrial output fell by nearly 14 percent and rail freight dropped almost 25 percent, in large part because the nation's train lines were jammed with Red Guards travelling the length and breadth of the country to create revolution. China was being beggared – economically and culturally (SCMP, 2006 c).

After Liu was convicted, Lin Biao rose to become Chairman Mao's closest comrade and was designated as his successor. However, the power struggle continued, this time with Lin being the victim. He was found dead in a plane crash that occurred in Mongolia in September 1971, allegedly fleeing to the Soviet Union after his plot to assassinate Chairman Mao was discovered. The highly respected party leader, Zhou Enlai, died in 1976. A large crowd of people gathered in Tiananmen Square to mourn Zhou's death on the day of Qin Ming Festival for remembering ancestors, which evolved into a demonstration. Deng Xiaoping was blamed for instigating the demonstration, and stripped all his party and government posts for a second time. Later in 1976, Chairman Mao entrusted the succession to Hua Guofeng, before Mao died on 28 July 1976.

Ten days after Chairman Mao's death, Hua arrested the Gang of Four, comprising Mao's widow, Jiang Qing, Yao Wenyuan, Zhang Chunqiao and Wang Hongwen, who were accused and convicted of conspiracy and all the evil deeds associated with the Cultural Revolution. Later Hua rehabilitated Deng and reinstated his positions in the leadership. Deng's power rose and he put his close allies in top position: Zhao Ziyang as premier, and Hu Yaobang as party chief. Later Hua resigned and Deng took over his position as chairman of the state and the Central Military Commission.

There has been much speculation about the real cause of the Cultural Revolution. To ordinary people, it represents the loss of 10 years that could have been spent in proper education, career advancement, cultural development, recreation and travelling. As MacFarquhar & Schoenhals (2006) said, in 1976, the world had passed China by, Asia was flourishing and growing richer, and China itself lay spread-eagled, this time not as a result of foreign invasion or conventional civil war, but by its own hand.

6.3.9 Four Modernisations and the “Open-door” Policy (1977-1988)

After the fall of the Gang of Four, Chairman Hua declared the end of the Cultural Revolution, and concluded with Mao’s evaluation for the Cultural Revolution as 70 percent result, 30 percent mistake. Hua was pragmatic towards developing the economy, and re-introduced the Four Modernisations to boost the agile Chinese economy: modernisations of agriculture, industry, national defence and science and technology. The Four Modernisations was in fact first suggested by Zhou Enlai in the early 1970s but was defused by the Cultural Revolution.

After Hua, Deng also realised that China had to make up for the time lost, not just in the Cultural Revolution, but also the 100 years of disconnection with the outside world, foreign invasion, civil war, warlord infighting and political upheavals. Deng introduced the “open-door” policy to cultivate a more amenable and interactive relationship with the outside world, facilitate the Four Modernisations and boost the economy. Under the “open-door” policy, contact with foreign countries was allowed, foreign investment encouraged and a market economy started to germinate. People were told that being rich was not shameful, and it was alright for some people to become rich before others. Wealth could be inherited. Worker incentive was introduced. People were warned that the “iron rice bowl” would be smashed. Deng put forward the idea of “Socialism with Chinese characteristics”, which could be interpreted as a centrally planned economy with public ownership of means of production but with some privately owned enterprises and limited market economy permitted. Deng did not define the idea of “Socialism with Chinese characteristics” clearly, and it is subject to interpretation.

In 1980, China experimented with the establishment of Special Economic Zones (SEZ) in Shenzhen, Zhuhai, Shantou, Xiamen and Hainan. Special policies were introduced in the SEZs to attract foreign capital, encourage joint ventures, boost exports and allow economic activities to be driven by market. With the success of the SEZs, China opened up another 14 coastal cities to foreign investment in 1984.

Deng practiced the “open-door” policy himself and travelled abroad, and met President Jimmy Carter at the White House shortly after the US established diplomatic relations with the PRC in 1979. In 1984, China reached agreement with Britain for Hong Kong to be returned to the PRC in 1997, based on Deng’s ingenious “one country – two systems” principle. With this approach, Hong Kong would maintain its capitalist system for 50 years without interference from the PRC. China reached a similar agreement with Portugal for Macau to be returned to the PRC in 1999, also based on the “one-country – two systems” principle.

6.3.10 Tiananmen Square Demonstrations (1989)

Among the leadership, there were the reformists (represented by Zhao Ziyang, Hu Yaobang and Hu Qili) and the conservatives (represented by Li Peng, Qiao Shi and Yao Yilin). The reformists believed that allowing greater freedom in the economy was the way forward, but the conservatives wanted to maintain central planning and control. Notwithstanding the “open-door” policy, the debate on reform had never stopped among the leadership. Reforms were introduced gradually, depending on whether the reformists gained the upper hand. With the reforms on reducing retail price control and reducing state subsidies to manufacturers, inflation escalated to 18 percent in 1988. There were signs of serious corruption and social disorder. Some people began to talk about democracy, human rights and governance.

Hu Yaobang, who was very much pro-education and identified with students, died in early 1989. Students once again took to Tiananmen Square in Beijing to mourn Hu’s death and to voice their discontent with the authority. The gathering evolved to become a demonstration, supported and joined by many Beijing residents and organisations. Later students put up a “Goddess of Democracy” in Tiananmen Square resembling

America's Statue of Liberty. As the demonstration went on for days, the sanitation conditions in Tiananmen Square deteriorated, and there did not seem to be an end to it. The authorities showed concessions by meeting the student leaders and listening to them. However, there was no compromise, and the demonstrations continued. Zhao Ziyang showed sympathy to the student protesters by visiting them on 19 May. He was seen on television in tears apologising to the students and begging them to leave the Square, but in vain.

In the early hours of 4 June, 1989, the People's Liberation Army (PLA) troops moved in to remove all the demonstrators from Tiananmen Square by force. Tanks and truckloads of army were seen on the Beijing streets to crack down on the demonstrations. Hundreds were killed or missing, and the military suppression continued. Behind the scene, Zhao Ziyang lost power to those who held the hard line, and was removed from the leadership together with Hu Qili. Zhao was placed under house arrest and never returned to power until he died in 2005.

The Chinese government has condemned the Tiananmen Square demonstration as a riot, and justified its crackdown as legitimate. The government has up till now kept a tight control on the news and views on the Tiananmen Square incident. Any views different to the official one and suggestion to re-evaluate the incident would be rejected by the government.

The most vivid image of Tiananmen Square was captured by CNN, showing a man standing in front of tanks trying to block its way forward near the square on 3 June 1989 (CNN, 1989). The photograph of the man using his body to block the advance of a tank has appeared on book and magazine covers around the world and has become synonymous with the cry for democracy.

6.3.11 Era of Stability (1989-?)

China has enjoyed a period of stability since the crackdown of the Tiananmen Square demonstrations. Jiang Zemin succeeded Zhao Ziyang as secretary general of the CPC Central Committee in 1989, and became president in 1993. China continued with the

“open-door” policy and economic reforms after the Tiananmen Square incident, albeit in a more controlled manner.

In 1990, in line with the policy on SEZs, Pudong New Area in Shanghai was established for spearheading overseas investment and industrial development on a much larger scale. By 1992, most of the main cities were opened for foreign investment. The opening up of the cities over a long period of time (from 1980 to 1990) is an example of how China gradually introduces a new policy and learns from the process of implementation. The continuation of reform after the Tiananmen Square demonstrations also shows that the labelling of “reformist” and “conservative” might not explain the political situation in China very well.

During the 10 years (1993-2003) when Jiang was in power, foreign investment increased, stock exchanges opened, international relationships were at its high and inbound tourism flourished. In 1993, Jiang coined the new term “Socialist market economy”, a seemingly paradoxical statement, to move China’s centrally planned socialist economy into essentially a government-regulated capitalist market economy.

Towards the final years of Jiang’s leadership, he offered a theory called “The Three Represents” (三个代表). The theory states that the CPC should at all time represent the development demands for the advanced productive forces of China; the orientation of the progress of an advanced Chinese culture; and the ultimate interests of the broad masses of China (The People’s Republic of China, 2007). Jiang was very careful in advancing the country economically while at the same time keeping in line with Marxist ideology, therefore the use of words like “advanced productive forces” and “advanced Chinese culture”. In order to maintain the leadership role of CPC, Jiang realised that the party had to represent or look after the interests of “the broad masses”. Implicit in the theory is the increasing attention to human rights and human development, although such exact words were not used.

“The Three Represents” was written into the CPC’s constitution alongside Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory in 2002. However, the theory is difficult to understand for many people, and the common interpretation is that

while representing the productive forces, culture and people, CPC is charged with the duty of advancing the country, meeting the interests of the people. This theory sets the stage and allows room for Jiang and his successors to continue the transition towards a more market-driven economy.

While Jiang was clearly in control of the political stage, he delegated the country's economic governance to the premier, Zhu Rongji, who charged China ahead with further economic reforms towards a market-driven economy playing a more engaging role in the world economy, and led the PRC's accession to the World Trade Organization in 2001.

Jiang visited the US and met President Bill Clinton in 1998, and President George W. Bush in 2002. China's relationship with the rest of the world, with the exception of Taiwan, has been amicable during Jiang's leadership. The sovereignty of Hong Kong and Macau were returned to China by Britain in 1997 and Portugal in 1999 respectively. Hong Kong and Macau have become Special Administrative Regions of the PRC, and the transitions were smooth. There has been minimal interference by the Beijing government since the hand-overs.

Hu Jintao succeeded Jiang Zemin as secretary general of the CPC Central Committee, president of the PRC and chairman of the CPC Central Military Commission in 2003. Hu, together with Premier Wen Jiabao, continued with the direction set by Deng and Jiang and made an effort to address the widening gap of inequality in wealth and living standards in China. They worked on certain sectors of the population, the rural sector in particular, which has been left behind by the economic reforms, and put environmental issues on national agenda. Hu introduced a set of moral standards in March 2006, guiding people towards the honourable and steering them away from the wrong, known as the doctrine "Eight Virtues & Eight Shames":

Eight Virtues 八荣	Eight Shames 八耻
Loving your country 以热爱祖国为荣	Endangering your country 以危害祖国为耻
Serving people 以服务人民为荣	Turning away from people 以背离人民为耻
Aspiring science 以崇尚科学为荣	Being ignorant and unenlightened 以愚昧无知为耻
Diligence and working hard 以辛勤劳动为荣	Indulgence and avoiding work 以好逸恶劳为耻
Team work and united 以团结互助为荣	Selfishness 以损人利己为耻
Honesty and integrity 以诚实守信为荣	Greed 以见利忘义为耻
Law-abiding 以遵纪守法为荣	Lawlessness 以违法乱纪为耻
Plain living and harsh struggle 以艰苦奋斗为荣	Living in extravagance 以骄奢淫逸为耻

Dogmatic as it may sound, the “Eight Virtues & Eight Shames” shows that China is still in the early stages of a market economy when the legal balancing checks and control measures are still lacking and it has to rely on rhetoric and indoctrination. Both Hu and Wen are known to be closer and more sympathetic to the people than their predecessors. They are trying to steer the course of economic reform, making sure that it does not succumb to greed, corruption and unscrupulous practices.

6.3.12 Taiwan Issue

The PRC has always advocated reunification with Taiwan and has establishing three direct links with Taiwan in mail, transport, and trade. However, Taiwan, led by the Democratic Progressive Party from 2000 to 2008, has refuted with the “one country on

each side” model and campaigned with the “three no” attitude: no contact, no compromise, no negotiation.

China under Hu Jintao’s leadership has adopted a tolerant attitude towards Taiwan, although he is unwilling to renounce the use of force if Taiwan declares independence. The PRC passed the Anti-Separation (or Anti-Secession) Law in 2005 to provide the legal ground for using force against Taiwan if necessary. The law states that in order to maintain peace and stability in the Taiwan Strait and to foster cross-strait relations, the state should (1) encourage people-to-people contact to foster closer relations and understanding, (2) encourage cross-strait economic exchanges, (3) encourage scientific and cultural exchanges, (4) encourage joint efforts to fight crime, and (5) encourage efforts to maintain peace and stability across the Taiwan Strait.

Taiwan’s attitude under the DPP’s leadership then can be summarised by the government statement as follows:

The Republic of China (ROC) is a sovereign state with a defined territory and population as it exercises jurisdiction over Taiwan, Penghu (the Pescadores), Kinmen (Quemoy), and Matsu. The People’s Republic of China (PRC) is also a sovereign state. It is an established fact that each side of the Taiwan Strait has been governed separately and that the ROC is not a part of the PRC. This accurately describes the “status quo” in the Taiwan Strait. Any decision on the future development of cross-strait relations must take into account, and duly reflect the wishes of the people of Taiwan. China’s unfriendly act of drafting an ‘anti-separation law’ is opposed by nearly 83 percent of the Taiwanese people. If China is set on enacting the law, such a move will only intensify cross-strait relations, raise tensions, and threaten peace and stability in the Taiwan Strait. Furthermore, once the law is enacted, the “red terror” will have a negative impact on cross-strait exchanges, causing both sides to drift further apart and disappoint the 23 million Taiwanese people. (Mainland Affairs Council, Executive Yuan, 2005)

For the purpose of promoting exchanges and relations between the two sides of the Taiwan Straits with a view to realising the peaceful reunification, the PRC established the

Association for Relations Across the Taiwan Straits (ARATS) as a social organisation under the auspices of the State Council.

The counterpart of ARATS in Taiwan is the Straits Exchange Foundation (SEF). Although SEF is a private organisation responsible for business and technical matters with the PRC, it is under the control of the Executive Yuan's Mainland Affairs Council.

With the change of Taiwanese government from the DPP to the KMT May 2008, there has been active communication between ARATS and SEP. The two parties met in Beijing on 13 June 2008, and signed an agreement on cross-Strait weekend chartered flights. Both parties met again in Taipei on 4 November 2008, and signed an agreement to increase the number of flights from 36 each weekend to 108 scheduled chartered flights per week. It is amazing how quickly the change of government has had an impact on air links, which surely will have a direct positive impact on tourism.

The impact of politics on cross-Strait tourism will be discussed in Chapter Seven.

6.3.13 Human Rights

The notion of stability has become very important in Chinese politics in recent years. The CCP believes that it is imperative that the party keeps absolute control. The current Chinese regime is very wary of any dissidence, either domestically or under foreign influence, which might lead to political turmoil, economic downturn and suffering of the people, as illustrated by modern Chinese history.

According to Li (2005), some scholars emphasise the family and society's collective interests over the interests of the individual, which are associated with social instability, disorder and the undermining of collective national pursuits. Such is the official Chinese attitude that China's foreign ministry, at the 1993 World Conference on Human Rights in Vienna, even put on record the proposition that individuals must put the state's rights before their own (Sen, 1997).

This very different view on stability and human rights also gives rise to the notion of Asian values emphasising order and discipline, and being sceptical of freedom and liberty. *A contrast is drawn between the authoritarianism allegedly implicit in, say, Confucianism and the respect for individual liberty and autonomy alleged deeply rooted in western liberal culture* (Sen 1997: 15).

Sen went on to dispute the usefulness of a grand contrast between Asian and European values. *The so-called Asian values that are invoked to justify authoritarianism are not especially Asian in any significant sense. Nor is it easy to see how they could be made into an Asian cause against the west, by the mere force of rhetoric. The people whose rights are being disputed are Asians, and no matter what the west's guilt may be, the rights of Asians can scarcely be compromised on those grounds. The case for liberty and political rights turns ultimately on their basic importance and on their instrumental role.* (Sen 1997: 30)

Buruma (2001) believes that the obsession with stability is a traditional one, and has existed in China since imperial days, and that the Chinese government is in charge of the political institutions in a cosmic order.

6.4 Conclusion

It is understood that outbound tourism does not exist in a vacuum, and therefore it is important to further examine the context in which tourism and tourism policy exist. This chapter examines the cultural, socio-economic and political environments of China's outbound tourism, and shows how some of the policy elements can be explained by the contextual environment.

Culturally speaking, the two key values coming out of traditional Chinese philosophy are collectivism and harmony. Confucianism and Buddhism prescribe collectivism, a hierarchical structure of authority, status and obedience of superiors (Reisinger & Turner, 2003), emphasising conformity, belongingness, empathy and dependence. According to Leys (1986), the key concept of Chinese civilisation is harmony; whether it is a matter of organising human affairs within society or of attuning individuals to universal rhythms, this same search for harmony equally motivates Confucian wisdom

and Taoist mysticism. Chapter Eight will discuss how cultural forces, particularly the ideas of collectivism and harmony, are impacting on China's outbound tourism.

The legends of Zheng He (1371-1435), and Xu Xiake (1587-1641) suggest that Chinese as a nation are predisposed to travel. In fact, China used to believe that the country was located in the middle of the world, and it was traditional for emperors sending envoys to neighbouring countries. While the influence of Confucianism and Buddhism went as far as Japan and Korea, Zheng He made his mark in southeast Asia. It is interesting to note that Xu Xiake was brought back to revitalise the spirit of travel by the government in the 21st century.

Improving education levels, rising household income, positive trade balance, increasing amount of leisure time, relaxation of foreign exchange controls, development of China as a destination, widespread use of credit cards, accession to WTO, high foreign reserves, restructuring of SoE, and the influence of a large Chinese population outside of the Chinese mainland all contribute to the demand for outbound travel. If Korea's Olympic experience is to repeat itself in China, the Beijing Olympic Games 2008 will serve as an impetus to tourism and outbound travel in particular.

However, a closer examination of China's political struggles in modern history explains why the picture might not be as robust as expected. Although invasion by foreigners and national humiliation are unlikely to happen again, apprehension and caution on the part of the government cannot be dismissed altogether. While nobody would expect a reversal of the "open-door" policy, there is still the influence of the more conservative faction who would not like to see the door being left too wide open. There are many lessons from history to show that if the country lets something "run wild", chaos and political struggle will ensue.

It would be naïve to think that politics does not play a role in shaping China's outbound tourism policy. Many destination countries realise the importance of China as a tourist-generating country, and have to play a balancing act to receive or decline visitors from China. In the course of establishing its political stature, China has effectively turned the position around from seeking permission to visit a country to granting permission to visit a

country. It is believed that many countries are using their diplomatic relations with China to negotiate their ADS, and China is prepared to manipulate ADS in order to advance diplomatic discussions. It is not a secret that the reunification of Taiwan is at the top of China's political agenda. It is China's stated policy to maintain the prosperity and stability of Hong Kong and Macau as two Special Administrative Regions. China's relationship with and disposition towards Taiwan, Hong Kong and Macau plus other delicate political considerations would certainly have an impact on China's tourism policy affecting its inbound and outbound tourist flows.

China is fundamentally a socialist state with top-down control (which is equivalent to management in Chinese). In balancing the conservative and the reformist camps, the central government (or party leaders) is still coming to grips with tourism as a capitalist product. Clearly the government sees that tourism, like any other economic activity, must be managed carefully within the framework of socialism, and its principles of "The Three Represents" and "Eight Virtues & Eight Shames".

In China, outbound tourism is a manifestation of soft power and is inextricably linked with politics. Politics refers not just to the relationships with foreign countries, but also with regions such as Taiwan, Hong Kong and Macau. Tourism policy towards Taiwan, Hong Kong and Macau requires high-level attention as it is a matter of reunification and national dignity. Given the political nature of outbound tourism, the government will exercise control and play active roles in shaping its development so that it will not run wild. Therefore the government sees itself having an active role to play in outbound tourism. The next chapter explores the roles of the Chinese government in controlling (or managing) outbound tourism.

CHAPTER SEVEN

ROLES OF THE CHINESE GOVERNMENT IN OUTBOUND TOURISM

7.0 Introduction

Chapter Four presented key findings of the interviews, participant observations and secondary data analysis in this thesis. It is found that most respondents believe in the significance and growing potential of outbound tourism in China; the regulations, however, are somewhat outdated and they cannot cope with the fast growth of outbound tourism, resulting in trade malpractices. They believe there is the need for the government to manage and control outbound tourism to ensure healthy, quality development. There is strong belief in government taking a more active role in consumer rights' protection for Chinese travellers. The researcher's participant observation has revealed the authority's policy of regularising outbound tourism and the determination to scrutinise the outbound tourism industry. The use of words such as "healthy", "civilised", "regularise" and "tourism superpower" by the authorities in public outbound tourism forums demonstrates the strong top-down approach by the government. The Chinese government is not ambiguous that it has a role to play in outbound tourism. Overarching values such as "humanistic approach", "respect", "harmony", "accommodating attitude", "healthy" "rational consumption", and "being civilised" are found to be governing tourism development in China.

The case studies of outbound tourism from Japan, Taiwan and Korea in Chapter Five has identified the respective policy environments, policy arena, specific policy issues and tourism outcomes and effectiveness of these countries and regions. In the case of Japan, there is active government policy support in encouraging outbound tourism. The government sees outbound tourism as a manifestation of being a world superpower, however, it has to be developed while preserving the "Japaneseness". In the case of Taiwan, the engine for outbound tourism growth is the wish of the people to visit

mainland China, be it visiting relatives or for business reasons. However, the Taiwanese government was found to be distancing itself from mainland China for political reasons during the DPP era. The change of government in 2008 gradually led to relaxation of travel restrictions to mainland China. Cross-strait tourism is expected to grow much faster than before as a result of political support. In the case of South Korea, the government does not play an active role in outbound tourism unless there are serious domestic or diplomatic issues. The South Korean government has the desire to engage North Korea for political reasons, and tourism is a means for maintaining dialogue between the two Koreas. The case studies show that governments have a varying degree of influence on outbound tourism and invariably have political considerations in developing their outbound tourism policy.

Chapter Six explored the cultural, socio-economic and political context of tourism policy-making in China. While there is a number of factors attributable to significant outbound tourism growth, it is argued that China as a socialist state will not allow outbound tourism to develop and grow unbridled. There are concerns with regarding the wide income gap, uneven distribution of wealth, immature market economy and political considerations that warrant the government to play an active role in controlling outbound tourism.

Chapter Four, Five and Six lead to the belief that the Chinese government plays an active role in outbound tourism. This chapter will examine the roles played by the Chinese government in outbound tourism. According to IUOTO (IUOTO 1974, cited by Hall 1994 a: 32), Mills & Morrison (Mills & Morrison 1985, cited by Hall 1994 a: 32) and Hall (1994 a), there are seven functions played by government in tourism: coordination, planning, legislation and regulation, entrepreneur, stimulation, social tourism and interest protection. This chapter will adopt Hall's approach in analysing the Chinese government's role in outbound tourism.

7.1 Coordination

Hall (1994) sees coordination as probably the most important role among all the roles of government in tourism. *Since tourism is a manifold activity consisting of numerous units with divergent and often conflicting interests, it devolves on the State, which is concerned*

with the optimum promotion and development of tourism in the national interest, to harmonise and coordinate all tourist activities. This coordinating role of the State is expanding with the complex problems arising from the fast growth of tourism (IUOTO 1974: 68, cited by Hall 1994 a: 32).

Coordination refers to the act of relating units or decisions so that they fit in with one another, are not at cross-purposes, and operate in ways that are reasonably consistent and coherent (Spann 1979: 411, cited by Hall 1994 a: 33).

7.1.1 China National Tourism Administration

The China National Tourism Administration (CNTA), one of 47 ministries, commissions and administrations directly under the State Council, is the highest state organisation responsible for the portfolio of tourism (State Council, 2006). CNTA's responsibilities can be summarised as follow (UNWTO, 2003):

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

Admittedly, CNTA is not a very high-ranking entity within the State Council. If we compare CNTA to the government structure in Australia, one finds that the tourism portfolio in Australia resides in the Department of Industry, Tourism and Resources, which looks after a diversified portfolio including industry, tourism, resources and energy, innovation, investment and small business (Department of Industry, Tourism and Resources, 2006). It would seem that China accords relatively high importance to tourism as a state affair by putting it under a dedicated department, and the position of CNTA in the hierarchy gives the administration the coordination power throughout the nation.

CNTA plays a very important coordination role in the fast-growing outbound tourism phenomenon at different levels, which can be broadly classified into horizontal function and vertical function. Horizontally, CNTA coordinates with other ministries, commissions and offices at the state level. For example, CNTA coordinates with the Ministry of Foreign Affairs (MFA) and the Ministry of Public Security (MPS) in implementing regulations relating to travel documentation. CNTA coordinates with the Bank of China in determining the amount of local currency and foreign exchange allowed to be carried by outbound Chinese travellers. Vertically, CNTA coordinates with 50 tourism bureaus at provincial, municipal and regional levels, and travel agencies nationwide.

7.1.2 Registration of Travel Agencies

As of May 2006, there were 672 travel agencies in China, authorised to handle Chinese citizens' outbound travel, and 8,686 designated tour operators in 54 approved destinations. Table 7-1 shows the distribution of the 672 travel agencies in different provinces, municipalities and autonomous regions. Table 7-2 shows the distribution of the 8,686 designated tour operators in 54 approved destinations.

CNTA plays the role of coordination as the executive arm of travel-related policies determined by the central government. These policies are mostly concerned with control: control of mobility and currency movement. Judging from the large number of approved destinations, approved outbound travel agencies and designated tour operators overseas, one can see that CNTA also has a coordination role to play with the destination governments and tour operators in those destinations. Such coordination controls which

travel agency and tour operator are qualified to handle the outbound business, and eventually controls mobility.

Table 7-1: Number of travel agencies authorised to handle outbound travel

Provinces/Municipalities/ Autonomous Regions	No. of travel agencies	Provinces/Municipalities/ Autonomous Regions	No. of travel agencies
Beijing	69	Hunan	17
Shanghai	35	Anhui	10
Tianjin	13	Jilin	15
Guangdong	111	Henan	19
Zhejiang	29	Jiangxi	13
Jiangsu	36	Shanxi	17
Liaoning	36	Hainan	9
Guangxi	22	Shaanxi	14
Shangdong	32	Nei Monggol	10
Heilongjiang	23	Guizhou	7
Sichuan	15	Gansu	9
Yunnan	16	Qinghai	5
Fujian	21	Ningxia	4
Hebei	15	Xizang	3
Hubei	19	Xinjiang	15
Chongqing	13		
Total :			672

Source: CNTA (2006 b). <http://www.cnta.com/ziliao/other/cgly/1.htm>

Table 7-2: Distribution of 8,686 designated tour operators in 54 approved destinations

Destinations	No. of tour operators	Destinations	No. of tour operators
Hong Kong	200	Ethiopia	28
Macau	70	Jordan	45
Thailand	384	Zimbabwe	17
Singapore	72	Tanzania	30
Malaysia	93	Mauritius	15
Australia	36	Tunisia	11
New Zealand	23	Seychelles	4
Korea	56	Kenya	50
Japan	82	Zambia	100
Vietnam	42	Northern Mariana Island (Saipan)	2
Cambodia	30	Fiji	8
Myanmar	51	Vanuatu	3
Brunei	34	United Kingdom	63
Nepal	77	Chile	17
Indonesia	90	Jamaica	21
Turkey	269	Russia	19
Egypt	109	Brazil	40
India	768	Mexico	90
Maldives	32	Peru	64
Sri Lanka	98	Antigua & Barbuda	3
South Africa	19	Barbados	43
Croatia	12	Laos	21
Pakistan	8	Mongolia	12
Cuba	8	Tonga	10
European Union	5202	Grenada	5
Iceland	70	Panama	6
Denmark	19	St. Lucia	5
Total :			8686

Source: CNTA (2006 c). <http://www.cnta.com/chujing/chujing.htm>

7.1.3 Top-down Approach

CNTA plays the kind of coordination role that is typical of a socialist state. According to Hall (1990), a socialist state exhibits centralisation of political and economic control and "top-down" nature of decision-making process, and tourism would appear paradoxical to the socialist ideological belief in the sense that tourism is consumer-driven and policy has to be flexible and responsive to changing fashions. While the distribution of outbound goods, services and opportunities is very much market-driven, China continues to exercise highly centralised "top-down" control of outbound tourism. Having adopted the "open-door" policy for 30 years, China has learnt to play a balancing act of controlling people's thinking and behaviour and letting people choose their own lifestyle and pursue happiness. The Chinese government has established a delicate tourism policy and system to adjust the balance, such as controlling the number of approved destinations, the number of authorised travel agencies in China and the number of designated travel agencies in approved destinations.

7.2 Planning

According to Hall (1994 a), planning is an essentially political process, the results of which may be indicative of the dominance of certain stakeholders' interests and values over other interests and values. Government planning of outbound tourism transpires in the development of destinations and creating structures and organisations to facilitate travel, and such planning may occur internationally or nationally.

7.2.1 Approved Destination Status Scheme

While most countries adopt a passive role in outbound tourism, i.e., without undertaking actions which influence or favour outbound travel, China takes an active role, i.e., undertaking deliberate actions shaping the international outbound tourist flows. The Chinese government plans the tourist flows in two dimensions: when and where. This is achieved through the Approved Destination Status (ADS) Scheme officially introduced in 1995. The ADS Scheme is a bilateral arrangement between the Chinese Government and

a foreign destination whereby Chinese tourists are permitted to undertake leisure travel in groups to that destination. According to a study by the American University (2005), ADS is a unique policy adopted by the Chinese government to control its outbound tourism. Only countries with ADS can be listed as group travel destinations and promote their tourism market in China. Through the control of outbound destinations, and of the Chinese outbound industry that promotes it, the Chinese government can manage and monitor the outbound tourism market growth in order to avoid a hard currency drain from its state coffers and thus maintain a positive travel account. In reality, this function is becoming less important as China consistently maintains a positive trade balance and holds over US\$1 trillion in reserves. In fact, outbound tourism can now be used to help ease the trade deficit with certain countries. Another purpose of this control is to protect China's emerging national tourism sector. Chinese tour operators are not allowed to organise tours to countries without ADS, thus artificially controlling the industry competition.

7.2.2 Development of ADS Scheme

The ADS application process has three stages (Arlt & Kelemen, 2006). In the first stage, after preliminary discussion with CNTA, a country hands in an application, which is discussed with the Ministry of Foreign Affairs and the Ministry of Public Security, resulting in a report submitted to the State Council. The approval of the application by the State Council triggers the second stage. There will be rounds of discussions on the details of the agreement, resulting in a memorandum of understanding. This is followed by the third stage of further discussions about the setting up of organised tours. Table 7-3 shows the list of countries and regions with implementation of ADS in chronological order since 1983.

Table 7-3: List of countries and regions with implementation of ADS

Order	Country/Region	Implementation
1	Hong Kong	1983
2	Macau	1983
3	Thailand	1988
4	Singapore	1990

5	Malaysia	1990
6	Philippines	1992
7	Australia	1999
		July 2004
8	New Zealand	1999
		July 2004
9	Korea	1998
10	Japan	2000
		Sept 15, 2004
		July 25, 2005
11	Vietnam	2000
12	Cambodia	2000
13	Myanmar	2000
14	Brunei	2000
15	Nepal	2002
16	Indonesia	2002
17	Malta	2002
18	Turkey	2002
19	Egypt	2002
20	Germany	2003
21	India	2003
22	Maldives	2003
23	Sri Lanka	2003
24	South Africa	2003
25	Croatia	2003
26	Hungary	2003
27	Pakistan	2003
28	Cuba	2003
29	Greece	Sept 2004
30	France	Sept 2004
31	Holland	Sept 2004
32	Belgium	Sept 2004
33	Luxemburg	Sept 2004
34	Portugal	Sept 2004
35	Spain	Sept 2004
36	Italy	Sept 2004
37	Austria	Sept 2004

38	Finland	Sept 2004
39	Sweden	Sept 2004
40	Czech Republic	Sept 2004
41	Estonia	Sept 2004
42	Latvia	Sept 2004
43	Lithuania	Sept 2004
44	Poland	Sept 2004
45	Slovenia	Sept 2004
46	Slovakia	Sept 2004
47	Cyprus	Sept 2004
48	Denmark	Sept 2004
49	Iceland	Sept 2004
50	Ireland	Sept 2004
51	Norway	Sept 2004
52	Romania	Sept 2004
53	Switzerland	Sept 2004
54	Liechtenstein	Sept 2004
55	Ethiopia	Dec 15, 2004
56	Zimbabwe	Dec 15, 2004
57	Tanzania	Dec 15, 2004
58	Mauritius	Dec 15, 2004
59	Tunisia	Dec 15, 2004
60	Seychelles	Dec 15, 2004
61	Kenya	Dec 15, 2004
62	Zambia	Dec 15, 2004
63	Jordan	Dec 15, 2004
64	Northern Mariana Island (Saipan)	Apr 1, 2005
65	Fiji	May 1, 2005
66	Vanuatu	May 1, 2005
67	United Kingdom	Jul 15, 2005
68	Chile	Jul 15, 2005
69	Jamaica	Jul 15, 2005
70	Russia	Aug 25, 2005
71	Brazil	Sep 15, 2005
72	Mexico	Sep 15, 2005
73	Peru	Sep 15, 2005
74	Antigua & Barbuda	Sep 15, 2005

75	Barbados	Sep 15, 2005
76	Laos	Sep 15, 2005
77	Mongolia	Mar 1, 2006
78	Tonga	Mar 1, 2006
79	Grenada	Mar 1, 2006
80	Panama	Mar 1, 2006
81	Argentina	Jan 1, 2007
82	Venezuela	Jan 1, 2007
83	Uganda	Jan 1, 2007
84	Bangladesh	Jan 1, 2007
85	Andorra	Jan 1, 2007
86	Bulgaria	Oct 15, 2007
87	Morocco	Oct 15, 2007
88	Monaco	Oct 15, 2007
89	Syria	Oct 15, 2007
90	Oman	Oct 15, 2007
91	Namibia	Oct 15, 2007

Source: CNTA (2007 b). www.cnta.com/zhuanti/cjy/index.asp

Judging from the historical implementation of the ADS Scheme, one can argue that the Scheme is based upon the following control considerations:

- Chinese people are not allowed to travel in a group for leisure to any country or region until such country or region is approved by the Chinese government. Essentially, the ADS Scheme is a form of control mechanism exercised by the Chinese government, which works in parallel with visa or permit requirements imposed by destination country or region.
- China opened up countries and regions gradually in order to ensure orderliness and smoothness in mobility. By opening up gradually, learning gained in opening up one country or region can be applied to the new country and region to be opened.
- China tended to open up nearby countries and regions first, and gradually moved to open countries and regions farther away, again to ensure orderliness.

- China tended to open up cluster of countries, e.g., Australia and New Zealand in 1999; European Union in September 2004; African countries in December 2004; and South American countries in 2005, to ensure better control.

7.2.3 The Future of ADS Scheme

With ADS now granted to more than 134 countries (of which 91 countries have implemented the scheme) as of April 2008, the control function of ADS Scheme has inevitably diminished somewhat. However, it should be noted that the scheme is not just grouping destinations into two types, the ones that Chinese can visit and ones that Chinese cannot visit. There are much more in the scheme. By maintaining such a scheme, it sends the message to all countries that the Chinese government is in control of leisure travel. Leisure travel from China has to be negotiated, not given. The scheme also gives the government a firm control of the outbound travel agencies in China and designated tour operators in the destinations. In Australia, for example, tour operators that want to handle inbound business from China have to comply with the Department of Industry, Tourism and Resources' *China ADS Code of Business Standards & Ethics*. The code states that an ADS tour operator may only accept ADS business from tour operators that are ADS-approved Chinese travel agents and an ADS service contract must contain some model clauses. Therefore, despite the large number of countries already approved as destinations by China, the ADS Scheme still has its role to play in exercising overall control.

7.2.4 ADS for the US

The most recent addition to the list of ADS countries is the US. The US Commerce Department signed an agreement with China in December 2007 that brings more Chinese tourists to the US by facilitating group leisure travel from China and permit U.S. destinations to market themselves in China. The agreement facilitates travel for Chinese citizens to the US, and may be terminated if significant numbers of group travellers overstay their period of admission into the country.

The negotiation between China and the US took many years, and this illustrates how seriously China treats outbound tourism, and how it can exercise tight control over travel

to a certain country. Bearing in mind that Australia was granted ADS in 2004 and the UK in 2005, the US began serious discussions with China in 2004 and signed a memorandum of understanding in tourism cooperation with China on 6 December 2004. It was anticipated that ADS would be granted to the US soon (Xiamen Evening News, 2004), however, the negotiations took a long and winding path. The impediment to concluding ADS with the US is believed to be related to stringent visa control by the US and the risk of illegal overstaying. If China grants ADS to the US, China would expect the visa issuance be made more smoothly than before. On the other hand, the US is concerned with a possible influx of people overstaying illegally if Chinese group visitors are allowed.

It is interesting to note that even during the time when Chinese group travellers were not allowed to visit the US, the industry was able to circumvent the regulations by arranging visas other than group tourist visas for Chinese to visit the US. The visitors could travel for reasons such as business, conference, education and training, government, science, cultural exchange and sports.

According to China Outbound Travel News (2007 a), 320,000 Chinese travelled to the US in 2006, accounting for 1.5 percent of all overseas visitors. *In the next 10 years, it will probably dwarf any overseas market we may have, with the potential to dwarf all overseas markets combined* (Bruce Bommarito, VP of International Markets Development for the Travel Industry Association, cited by China Outbound Travel News, 2007 a). To pave the way for the Chinese visitors, the California Travel & Tourism Commission (CTTC) led a California tourism delegates visit to China on 16 November 2005 and pledged to increase its marketing efforts in China to better compete with other destinations aggressively promoting to Chinese travellers (San Diego Convention & Visitors Bureau, 2006). A number of US travel and tourism organisations, including Nevada's state tourism office, Texas Tourism and Visit Florida, took part in the Beijing International Travel and Tourism Market (BITTM) in April 2006 to promote their respective destinations. Los Angeles opened the first city-level American tourism promotion office in China, in preparation for the new market arrivals (eTurboNews, 2006). It is clear that while the US government was concerned with federal security and social security, stakeholders in the tourism industry such as CTTC and commercial enterprises were highly in favour of opening up the country for Chinese tourists.

J.W. Marriott Jr., Chairman and Chief Executive Office, Marriott International Inc., openly stated his support of opening up the US market for Chinese tourists in the following article "Let's welcome Chinese tourists" in The Washington Post on 18 February 2006, which also illustrated the differences in value and priority between the two countries:

One of the great benefits of China's rapid economic growth over the past decade is a quickly expanding middle class. And as in all societies with disposable income, the members of that growing middle class are beginning to explore the world. By some estimates, Chinese travellers spend \$75 billion a year travelling to such destinations as Hong Kong, Singapore, Australia, France, Germany and Italy -- everywhere, it seems, but the United States.

In fact, while the number of Chinese travellers has tripled in the past five years (to 32 million in 2005), fewer and fewer are coming to America. In 2000 some 250,000 Chinese visited our country; in 2004 just 200,000 did. In other words, Chinese travel to the United States has been decreasing by 5 percent a year at a time when the dollar has been weak, making travel here less expensive. So why is the United States such an unpopular destination with the Chinese? It's not.

All else being equal, it's safe to say that many more would be flocking to our shores, as they did between 1999 and 2000, when Chinese travel to the United States jumped 18 percent. But all else isn't equal. Several factors keep Chinese travellers, and their tourist dollars, out of this country.

It starts with what the Chinese call "Approved Destination Status," or ADS, which is how the Chinese government designates countries that have complied with certain requirements to facilitate group travel to foreign countries. The United States is not on China's ADS list. This has nothing to do with any geopolitical rivalry between our nations but with a combination of unintended consequences and cultural differences.

The first issue is that after Sept. 11, the United States tightened travel regulations across the board, requiring all visa applicants to be interviewed in person by US consular officers. The problem is that China covers a vast expanse of territory, roughly comparable in size to the United States, and there are only five US consulate offices in the entire nation. To demand that Chinese group travellers go hundreds of miles for interview before they even know whether they'll be granted a visa is hugely burdensome.

To solve this problem, the Chinese want the United States to create a unique visitor visa reserved solely for group applicants from China. The United States, understandably, is reluctant to carve out exemptions for one country. In addition, for all that the Chinese have done to liberalise parts of their economy, we still have fundamental differences when it comes to ideas of fairness and free markets. The Chinese ADS program would require the US government to grant specific US travel agents exclusive contracts with China.

Needless to say, the US cannot give preferential treatment to selected travel companies and grant them the profits from all inbound Chinese travel business. It would violate our laws and our most basic ideas of fairness.

So are we at an impasse?

I hope not. After all, the purpose of diplomacy is to overcome such impasses, especially when the interests of both countries are as clearly aligned as they are here. The US, remember, is suffering a deep and continuing trade deficit. Encouraging increased travel and tourism to this country is essential to bringing our trade accounts into balance.

Meanwhile, the Chinese are hungry to absorb US culture. They buy our consumer products and devour our movies, music and video games. Tens of thousands of Chinese come to study in our schools. During the Cold War, our government subsidised cultural exchange programs between the US and Soviet bloc countries because we believed exposing others to our way of life would convince them of the benefits of freedom and democracy. That same spirit should apply to China. But we don't need to subsidise such travel; we just need to let it happen.

The Commerce Department is negotiating with the Chinese. The State Department, which is responsible for visa processing, also needs to be at the table. [A total of] 75 other countries have signed ADS agreements with China. Of course, we should never jeopardise our security or our free-market principles. But with enough will, we should be able to create a solution that works for all sides. (Marriott Jr., 2006)

The impasse came to an end when discussion was held in the three-day Strategic Economic Dialogue between the US and China in May 2007 when the relevant authorities from the two sides started official consultation on ways to encourage more Chinese to travel around the US, and recognised the importance of the tourism sector in promoting bilateral trade volume (China Daily, 2007). It took three years for the two countries to conclude the ADS agreement from the signing of the memorandum of understanding in December 2004.

7.2.5 ADS for Canada

Canada has been involved in the discussion of ADS with China for three years, and yet there is no breakthrough. According to Reuters (2008), analysts have suggested China's delay in approving Canada ADS is a reprisal for its Prime Minister Stephen Harper's criticism of China's human rights record, and his meeting in 2007 with the Dalai Lama, whom Beijing sees as a traitor and separatist. The two countries have also sparred over the case of Lai Changxing, a former kingpin alleged to have been involved in corruption and smuggling, who fled to Canada, and whose return China has long demanded. It is obvious that the ADS negotiation between Canada and China involves political confrontation.

7.2.6 ADS for Taiwan, Hong Kong and Macau

The consideration of ADS for Taiwan, Hong Kong and Macau is very much politically driven. In the case of Taiwan, the stand-off relationship lasted for nearly 60 years, until the change in the government leadership in May 2008. In addition, Taiwan's Mainland Affairs Council is restrictive in admitting visitors from the mainland by allowing a maximum of 1,000 persons per day with a maximum duration of 10 days per tour group,

though this was increased to 3,000 persons per day in July 2008. China has been working very hard to open up the Taiwan market as a destination, not just for recreational purposes and not entirely because of consumer demand, but more importantly to raise the level of communication across the strait and to be seen as contributing economically to Taiwan. The ultimate political objective is to re-unite Taiwan as one China.

There has been an increasing amount of tourism activities across the Taiwan Strait, but such activities were treated as “unofficial” before July 2008 as the result of political sensitivity. Representatives from Taiwan and mainland China joined the first Cross-Strait Tourist Expo held in Xiamen on 8 September 2005, at which tourism resources across the Taiwan Strait were introduced. Shao Qiwei, Chairman of the China National Tourism Administration, led a delegation of more than 60 tourism officials visiting Taiwan on 28 October 2005 for a 10-day market inspection visit. For the purpose of this visit, Shao went in his capacity as chairman of the China Tourism Association, a non-government organisation, and at the invitation of the Taiwan Visitors Association. This made the visit less official and more acceptable to Taiwan. The group inspected tourism sites and discussed possible cooperation with the tourism industry. For the first time in history, Taiwan participated in the China International Tourism Festival held in Kunming on 23 November 2005, showcasing Taiwanese tourism products.

In view of the complex political nature of the tourist flow between Taiwan and mainland China, the Chinese government formed the Cross-Strait Tourism Association to deal exclusively with such tourism issues on an unofficial basis in November 2005, chaired by the chairman of CNTA. In response, the Taiwanese government formed the Taiwan Strait Tourism and Travel Association chaired by the Director of Tourism Bureau to negotiate with the Cross-Strait Tourism Association (Taipei Times, 2006). The Chinese government believes that the visits and trade functions are important steps to pave the way for opening tourist routes to Taiwan (Taiwan Affairs Office, 2006).

With the change of government from the DPP to the KMT in May 2008, the cross-strait relationship improved dramatically. A market scouting group from mainland China visited Taiwan to inspect the local tourism market, as part of their efforts to send Chinese tourists to the island in July 2008 (The China Post, 2008). The group was headed by Fan

Kueishan, an official with the China National Tourism Administration, in his capacity as deputy secretary general of the Association for Relations Across the Taiwan Straits (ARATS). This demonstrates that the visit is about more than tourism and is diplomatic in nature.

Hong Kong and Macau have long benefited from being the first two regions granted ADS since 1983. Mainland China has been the single most important visitor source for Hong Kong and Macau since 1997, accounting for more than half of the visitor arrivals. More recently, China supplemented the ADS Scheme with the Individual Visit Scheme (IVS) to boost the economies in Hong Kong and Macau. IVS was launched in July 2003, allowing visitors from mainland China to visit Hong Kong and Macau on an individual basis, in addition to tour group basis. The scheme was initially launched in Beijing, Shanghai and eight Guangdong cities, and has since been expanded several times to cover more cities. As of 1 May 2006, over 13 million Chinese residents from 44 cities have travelled to Hong Kong as individual visitors since the inception of IVS three years ago. The main reason for launching IVS was to boost the economies of Hong Kong and Macau.

It is not difficult to understand that IVS was politically driven as a means to prop up the economies of the two SARs soon after their reunification with mainland China after 150 years and 300 years of colonial rule respectively. While other countries are working hard to get a head start targeting the Chinese mass market, Hong Kong and Macau have received unconditional political support from the central government in maintaining continued prosperity.

As far as the Chinese government's role in outbound tourism planning is concerned, it can be argued that there is an amalgam of economic, social and political considerations. While the planning is influenced by economic and social considerations, it is basically in line with the socialist approach of central planning and submitting tourism functions under the political agenda of the state. The planning of leisure and tourism serves state ideological interests including one-China policy, establishing international stature, and reciprocal rights. The handling of Taiwan, Hong Kong and Macau tourism issues illustrates very well the one-China policy. The granting of ADS to many African countries and Pacific Island countries can be seen as a means to strengthen China's

international stature. The ADS issue with the US hinged on human rights and economic freedom, and that with Canada on political stance. When it comes to outbound tourism planning, it would seem that China is making a precarious balance between the state political agenda and consumer demand.

7.3 Legislation and Regulation

The government plays an obvious role in legislation and regulation, ranging from policies on passports, international aviation agreements regarding the passage, landing and pick-up rights of international carriers, to land-use, labour and wage policy (Hall, 1994 a). This section explains what China legislates and regulates in outbound travel and how.

7.3.1 Passport Law

China passed the country's first passport law in April 2006, aiming to standardise application, issue and management of passports (MFA, 2006). According to the new PRC Passport Law promulgated by the Ministry of Foreign Affairs, the types of passport have been simplified (to regular, diplomatic and service) and the Ministry of Public Security will be responsible for issuing the passports. The new law effective on 1 January 2007 was necessary because an increasing number of Chinese have gone abroad for study, business or travel in the past 20 years, and the existing regulations on passports could no longer cope with the changing situation. The law, together with some 20 million valid passports in the country, is the basic outbound control mechanism.

7.3.2 Administrative Measures for Chinese Citizen Outbound Travel

The Administrative Measures for Chinese Citizen Outbound Travel reported in Chapter Four are an example of very comprehensive regulations governing outbound tourism. The Measures govern the outbound quota, what kind of travel agencies can operate outbound travel, the procedure of travelling as a group, the obligations of tour group leader, the penalty involved, and warning against activities involving sex, gambling and drugs.

7.3.3 Foreign Exchange

Another form of control in outbound travel is the amount of money Chinese travellers are allowed to carry. As of 1 January 2005, Chinese travellers are allowed to carry not more than RMB20,000 and US\$5,000 in cash on exit without declaration. Permission from a bank is required for carrying US\$5,000-US\$10,000. Permission from the Foreign Exchange Bureau is required for carrying over US\$10,000.

7.3.4 Regulation Applied Selectively

As a socialist state, China plays an active part in regulating outbound tourist flows by having not just restrictive policies that apply nationwide, but also policies that restrict or allow outbound travel selectively. China is a large country with a high degree of variation in the standards of living and levels of sophistication in different regions. The ADS Scheme for Australia, New Zealand and Japan was implemented in such a way that it started in Beijing, Shanghai and Guangzhou, and then gradually opened to a number of secondary cities. The Individual Visit Scheme explained earlier in this chapter was initially selectively introduced in Beijing, Shanghai and Guangdong cities, which have higher income and are intellectually more sophisticated, and then gradually introduced to some other secondary cities. The thinking behind such selective policies was that some citizens were more prepared and ready to travel than others, and that outbound travel should be arranged in an orderly and gradual manner rather than all-or-nothing.

7.3.5 Regularising Outbound Tourism

Shao Qiwei, Chairman of CNTA, in the National Tourism Workshop held on 31 August 2005, addressed all the tourism bureau directors under CNTA and shared with them his strategic direction in tourism administration. He revealed the change in China's tourism strategy to actively develop inbound, regularise outbound and strengthen domestic tourism. He provided the strategic direction as follows:

Based on the tourism market trends inside and outside of the country, the country's tourism market development strategies will be adjusted to 'strongly develop inbound

tourism, regularise the development of outbound tourism, and strengthen domestic tourism in all aspects'. The adjustment is a response to the changing market development supporting the complementary nature of the two markets and two resources.

Strongly develop inbound tourism. This confirms the primary importance of inbound tourism. There is a need to strengthen and enhance the country's national image and service quality. Image communication and corporate promotion should be further integrated, and various resources should be mobilised to strengthen promotion. Beijing Olympic Games 2008 and Shanghai World Expo 2010 should be used as platforms to launch promotional programmes.

Regularise the development of outbound tourism. The first priority is to follow up with tasks associated with destinations already approved. Both sides should work to establish cooperation channels to address outbound tourism crisis and moderation tactics. The issue of outbound travel tax will be studied when appropriate, for the sake of establishing control.

Strengthen domestic tourism in all aspects. The tourism infrastructure development should be further strengthened, with regard to transportation network, airport and ports. The planning, management and service quality of attractions should be improved. The management and service quality of hotels should be elevated. The construction of toilets in tourism districts should be continued. The arrangement during the Golden Week should be perfected and further elevated. Public tourism services, safety, communication, consultation, reservation, and conflict resolution should be enhanced. (Shao, 2005)

Zhang Xiqin, Deputy Director, CNTA, addressed the 2nd International Forum on Chinese Outbound Tourism held in Beijing in 2005, and highlighted the change of policy from moderately developing outbound tourism to one of regularising outbound tourism. He made the point that while the authority recognises the importance of outbound tourism, it is also concerned with the irregularities associated with the rapid growth. Such irregularities include overstaying, zero-fare tours and over-promise by travel agents. The Chinese government believes that it is their role to create “healthy” relationships among the government, enterprises and consumers in tourism. “Healthy” relationship refers to

the relationship between governments of source market (China in this case) and the destination market. “Healthy” relationship also refers to rational consumption by Chinese travellers. The Chinese government believes that it should play the role of regulating the market so that the relationships are “healthy” and consumption “rational”. How the government promotes “healthy” and “rational” tourism will be explained in Chapter Eight.

Mr. Zhang Jianzhong, Director General, Policy and Regulation Department, CNTA, addressed the 3rd International Forum on Chinese Outbound Tourism held in Beijing in 2007. He commented that on one hand, the government recognised the importance of outbound tourism in economic terms and in satisfying people’s needs, and on the other hand, there are many aspects of outbound tourism that warrant attention and further study, implying that regulation is required, and these are outlined in Chapter Four.

It is not unexpected that, as a socialist state, China exercises extensive control of outbound tourism as illustrated by the stance and approach articulated by senior tourism administrators. The country is imposing on the market what kind of tourism is healthy and what kind of tours and spending are rational. The authority openly condemns sex, gambling and drugs associated with outbound tourism in the Administrative Measures for the Chinese Citizens Outbound Travel, and below-cost tour operation. The authority has also instigated stringent control measures to prevent travel agencies operating outside their permitted scope of business and dealing with illegal overstaying.

Despite the determination of the government to regularise outbound travel, it is reported that outbound tourism is developing so rapidly that it has already outstripped the development of relevant legislations and regulations (Du & Dai, 2006). While it is very difficult to prove that outbound development has indeed outstripped the development of the legislation, there is obviously tension between regulation by the government on one hand, and the trend towards market economy and deregulation. It is relatively easy for the government to exercise control over the traditional state-owned travel agencies. With more and more private enterprise travel agencies now being established, it is much harder for the government to exercise control over their management. Instead of promulgating new regulations to beat the dynamic and fluid travel industry, it seems that the government is resorting to rhetoric to discourage malpractices. Such rhetoric by senior government

officials is loud and clear in all kinds of forums and seminars, as illustrated in Chapter Four.

7.4 Government as Entrepreneur

According to Hall (1994 a), government may not only provide basic infrastructure such as roads and sewage, but may also own and operate tourist ventures including airlines, hotels and travel companies, and serves an entrepreneurial function in tourism.

In China, many state-owned tourism-related enterprises are undergoing major restructuring to separate ownership from management, in order to facilitate business development, enhance competition, become market-driven and be profitable. The restructuring of state-owned enterprises (SoE) as the context of tourism policy-making in China is explained in Chapter Six

7.4.1 Restructuring of Airlines

The highly centralised Civil Aviation Administration of China (CAAC) was broken up into six state-owned regional airlines in 1988 in order to encourage competition and maximise economic returns. This was the first step towards separating aviation administration and airline management. However, ownership and management was still not clearly delineated, which contributed to the less-than-satisfactory business performance of the airlines. The airline companies were further re-organised into three state-owned airlines with the ultimate objective of separating ownership from management. The three airlines are Air China, China Eastern, and China Southern airlines.

According to the “Civil Aviation System Reform Programme” issued by CAAC, China National Aviation Holding Company came into being on 11 October 2002. The airline corporation combined Air China with China National Aviation Company and China Southwest Airlines. Air China remains as the national flag carrier, serving Beijing and the western region. The state-owned enterprise pledged to be gradually transformed into a diversified share-holding limited company or joint-stock company. Later, the enterprise

was indeed publicly listed in the stock markets in Hong Kong, London and Shanghai in August 2006 (Air China, 2006).

China Eastern merged with state-owned China Northwest Aviation and Yunnan Aviation to form China Eastern Airlines in 2002, which was the first Chinese airline publicly listed on the Shanghai, Hong Kong and New York stock markets, with a registered capital of RMB4.9 billion. China Eastern is based in Shanghai, and its business focuses on the economically active regions including Shanghai and the Yangtze River delta area. The state controls 62 percent of the airline through the ownership of China East Aviation Group, which recorded an operating revenue of RMB 26 billion in 2005 (China Eastern, 2006).

China Southern Airlines Co. Ltd. is the third major airline in China, publicly listed on the Hong Kong and New York stock exchanges, with a registered capital of RMB4.4 billion. The airline is based in Guangzhou and is now the largest airline in China operating through a number of previously state-owned airlines. The airline operates a portion of its air transportation business through its subsidiaries including Xiamen Airlines, Shantou Airlines, Guangxi Airlines, Zhuhai Airlines, Guizhou Airlines, China Northern Airlines and Xinjiang Airlines. China Southern together with its subsidiaries recorded operating revenue of RMB38 billion in 2005 (China Southern, 2006).

As illustrated by the above scenario of the airline industry, it can be argued that China gradually let go of the management of airlines and allowed them to operate in a market economy mode. The state, however, is still careful in maintaining ownership of the airlines through a complex network of state-owned enterprises.

7.4.2 Restructuring of Travel Agencies

China Travel Service (CTS) was first established in 1949 as a state-owned travel agency. In 1999, the Communist Party of China and the State Council put CTS under direct management of the central government. The government, through the ownership of CTS and its subsidiaries, controls one of the nation's biggest travel agencies and effectively plays the role of an entrepreneur in travel business (CTS, 2006). According to Du & Dai

(2006), the China Travel Service (CTS) in Hong Kong consolidated with the travel business of China Merchants Group to strengthen and grow the CTS business in 2005. Before this, CTS head office had already merged with China Duty Free, and China International Travel Service with China Travel Trading head office. The reorganised entities are expected to be stronger, more competitive and more profitable.

China International Travel Service (CITS) was first established in 1954, also as a state-owned travel agency specialising in inbound travel of foreigners. It is now the largest travel agency in China, operating both inbound and outbound travel. It operates like a private enterprise with a board of directors and management team comprised of experienced travel executives, raises funds from the financial market, and enters into joint ventures with foreign enterprises such as American Express to form subsidiary travel agencies (CITS, 2006).

The China Youth Travel Service (CYTS) was established under the Communist Youth League of China in 1980. It founded China CYTS Tours Holding Co., Ltd. in 1997, which was listed on the Shanghai Stock Exchange. It raised funds through an initial public offering (IPO) in 1999 and a rights issue in 2000. CYTS operates inbound, outbound and domestic travel, and has diversified into the business of hotel, restaurant, entertainment, transport, aviation, retail and real estate, and has offices in Tokyo, Osaka, Seoul and Hong Kong (China Culture, 2006 b). CYTS formed a joint-venture company with Cendant Travel Distribution Services in 2004 offering online distribution service (CYTS, 2006).

As illustrated by the CTS, CITS and CYTS cases, the government is gradually letting go of the management of travel agencies. The government realises that travel agencies are after all a business, best handled by the private sector and according to commercial practices. However, given the top-down nature of a socialist state, China is very careful in maintaining some form of control over outbound travel through the ownership of travel agencies.

7.5 Stimulation

The government usually chooses to play an active role in stimulating inbound tourism, by the following three ways: financial incentives, sponsoring research, marketing and promotion (Mill & Morrison 1985, cited by Hall 1994 a: 41). However, it is rare for a government to play an active role in stimulating outbound tourism. As discussed in Chapter Five, Japan is one of the few exceptions where the government actively promotes outbound travel by sponsoring research on Japanese travellers and training the industry practitioners in destination countries of Japanese visitors' expectations.

7.5.1 Benign Policy

China adopts the benign policy of not encouraging and not restricting outbound travel, according to Mr. Zhang Jianzhong, Director General, Policy and Regulation Department, CNTA, in his address in the 3rd International Forum on China Outbound Tourism. Compared to the depth of information about outbound tourism Japan, Taiwan and Korea provide, mainland China provides very little data and research information on Chinese travellers. Rather than stimulation, the Chinese government's role in outbound tourism is of control in nature. The government controls which countries its people are allowed to visit, which countries are allowed to market their destinations in China, and where in China these "approved" countries can have their marketing offices in China. The Chinese government is in effect controlling the stimulation by the destination countries.

7.5.2 Government Involvement in Trade Shows

It seems that the control of stimulation is balanced by a joint government-industry force of travel trade and consumer shows that stimulate both inbound and outbound international tourist flows. Unlike most travel trade and consumer shows in other parts of the world, which are hosted by commercial organisations, most travel shows in China are hosted or supported by the government. For example, the China International Travel Mart (CITM) was hosted by China National Tourism Administration for the first time in Beijing in 1998, and then alternatively in Shanghai and Kunming on an annual basis. CITM has since become the largest professional travel market, not just in China, but in Asia as well. Over

1,000 international and domestic tourist organisations, travel agencies, hotels, airlines and other travel-related companies participate in CITM each year (CITM, 2006).

The Beijing International Tourism Expo (BITE) was first organised by Beijing Tourism Administration in 2004, and has become an annual exhibition to target China's domestic and international tourism market. It is largely a trade function for international buyers and suppliers of a variety of tourism-related products and services (BITE, 2007).

Another major travel trade show in China is the World Travel Fair (WTF) hosted by Shanghai Municipal Tourism Administrative Commission, for the first time in Shanghai in 2004. WTF has since become an annual travel trade and consumer show promoting products and services in the rapidly expanding Chinese outbound travel market (WTF, 2006). Over 26,000 visitors and 4,000 trade delegates from 50 countries participated in WTF 2006.

7.5.3 Soft Power

Inbound tourism promotion by government agencies has developed because of the perceived need to promote destinations and establish a distinct destination identity and image in the marketplace (Hall, 1994 a). However, there must be good reasons for government agencies to promote outbound tourism, because outbound tourism means a draining of foreign reserves. In the case of China, it is postulated that China could elevate its international status by sending abroad visitors with high spending power. China could command political superiority in being able to control the outflow of tourists to a particular country, and hence the tourism income in that country. China could also command political recognition and respect in being seen to be actively and openly promoting outbound tourism to the world, and through organising or sponsoring outbound travel trade and consumer shows. This is confirmed by Shao Qiwei, Chairman of CNTA, who refers to outbound tourism as a form of "soft power" as described in Chapter Four.

7.6 Social Tourism

Social tourism refers to the action on the part of government resulting in the participation in travel by economically weak or otherwise disadvantaged elements in society. By extending the physical and psychological benefits of rest and travel to less fortunate people it can be looked upon as a form of preventive medicine (Murphy 1985: 24, cited by Hall 1994 a: 43).

Social tourism has a long history in socialist states. Hall (1994 a) cited social tourism in a number of socialist states, for example, as reproduction of the physical and mental forces of the working population in Poland and Czechoslovakia, as collectivism overcoming individualism in Romania, and as an important ideological function of building social coherence and esprit de corps in East Germany.

While social tourism virtually does not exist in China, there are other forms of tourism that are financed by the government and benefit those who otherwise could not afford to travel or have other priorities. Many government departments, public organisations and state-owned enterprises organise and pay for different kinds of trip for their staff members. There are study trips, technical visits, familiarisation trips, extended training, incentive trips, discussion trips and business trips.

The resemblance of official and business travel to social tourism is confirmed by the comments of Mr. Wang Suqi, General Manager of CITS Overseas Travel Co. Ltd., as described in Chapter Four. Business and official travel in China is very different to that in international markets and resembles social tourism because of the following factors:

- Business and official visits need a certain number of people to make up a group for legitimate travel purposes, therefore the delegation is usually quite large
- Purpose of visit is not very specific because members from different organisations make up different reasons for the travel
- In addition to the official reason for a visit, the delegation need time for personal travel as well, therefore their trip is usually quite long in duration

- Members of a visit can mix the official trip with incentive travel, so most of the travel expenses are covered by their organisation
- Delegate composition is diverse because a certain number of people is needed to make up a group for legitimate travel purpose
- Arrangement is made to cover most of the delegates' expenses related to the travel
- Arrangements are similar to those of a tour group because touring is an important part of a business and official trip.

This alternative form of social tourism in China has its functions. First of all, it creates positive publicity for a Chinese organisation that sends delegates overseas. It rewards performers in a Chinese organisation, who otherwise might not be able to afford the travel expenses. It combines business with pleasure visits, hence making the trips more economic, particularly in the case of long-haul trips. At the national level, it helps reinforce the international status of China. It lends itself to better control of people travelling outside of the country because there is always a team leader in the delegation who knows the members well and the delegation members also keep an eye on one another.

7.7 Interest Protector

According to Hall (2000), public tourism planning, particularly from the community and sustainable approaches in which equity is a major consideration, serves as an arbiter between competing interests. As a result of the rapid development of outbound tourism in China and the difficulty in regularising the industry, ethical issues are surfacing that require attention. Although referring to inbound tourism, the following quotation also reflects the current outbound situation in China:

The unregulated market approach, being relatively amoral, can allow individuals to be immoral. The ethical dimension is important since the market does not provide a sufficient basis for the resolution of the profound moral issues which face us every day; it can play a part in avoiding distorted decision making by individuals and organisations, but it cannot reconcile all of the environmental problems facing society (Haughton & Hunter 1994: 272, cited by Hall 2000: 143).

The Chinese government is found to be concerned with the integrity and honesty of the travel industry at the consumer level and reciprocal rights at the national level.

Chapter Four has outlined a number of issues concerning consumer rights in the rapidly developing outbound tourism market with some travel agents selling below cost, over-promising travel packages, and offering itineraries dominated by shopping, etc. The Chinese government realises the importance of maintaining “order” in the market and protecting the interests of the public. The government has started to scrutinise below-cost operations and control frequency of shopping and activity items that require additional fee payment during a tour. The government shows determination in eradicating price fraud, dishonesty and illusive advertising, and encourages the travel industry to establish the image of integrity and honesty.

Given the high proportion of travellers in China being first-time travellers, they are inexperienced in making travel arrangements and can easily fall into the traps of travel operation malpractices. Many zero-fare and below-cost travel arrangements are used by unscrupulous travel agencies to take advantage of the ignorance of such travellers by forcing them to shop excessively and then collect unreasonable commissions from the shops. This is an area where the Chinese government lags behind in instigating consumer protection regulations.

In addition to consumer rights, the Chinese government is also concerned with reciprocal rights at national level in outbound tourism. While the government does not expect special treatment from other countries, it does expect mutual respect and equal standing in its negotiation with other countries. China is trying to protect the interests of the nation, making sure that it is not being exploited in international tourism. Inevitably, national pride and dignity are involved in the tourism and travel negotiations with foreign countries.

7.8 Conclusion

While there are a number of factors attributable to significant outbound tourism growth, it is argued that China as a socialist state will not allow outbound tourism to develop and

grow unbridled. There are concerns about the wide income gap between the rich and the poor, uneven distribution of wealth geographically, the immature market economy and political considerations that warrant the government to play an active role in controlling outbound tourism.

This chapter investigates the roles played by the Chinese government in outbound tourism in the following areas: coordination, planning, legislation and regulation, entrepreneurship, stimulation, social tourism and interest protection. It is found that the Chinese government, through CNTA and its regional bureaus, plays a very active part in coordinating with departments such as the Ministry of Foreign Affairs and the Ministry of Public Security within the State Council, and with the 50 tourism bureaus at provincial, municipal and regional levels. CNTA also coordinates the many travel agencies authorised to handle outbound travel and designated tour operators in approved destinations. Coordination is very much "top-down" in nature.

CNTA plays the role of planning the ADS Scheme and handling legislation and regulation. It should be noted that the ADS Scheme sends a clear message to all countries that the Chinese government is in overall control of outbound leisure travel. The scheme gives the government a firm control of the outbound travel agencies in China and designated tour operators in the destinations.

The Chinese government plays an obvious role in legislation and regulation. This includes exercising control with the power entrusted by the Passport Law and the Administrative Measures for Chinese Citizen Outbound Travel. In addition, the government exercises control over the use of foreign exchange by travellers and how outbound travel agents operate.

The Chinese government as a whole has embarked on the restructuring of state-owned enterprises, including travel-related organisations such as airlines and travel agencies. While such restructuring makes the organisations more market driven, the government somehow maintains control of the ownership, and can exercise its influence when it comes to major decisions.

The Chinese government is selective in allowing stimulation or promotion by destinations, and shows bias towards Hong Kong and Macau in granting the two SARs the Individual Visit Scheme. The Chinese government supports certain outbound tourism trade shows in China, which is also a form of market stimulation.

Social tourism in China takes on a different format with large delegations travelling on public or organisation funding. It is in effect social tourism in disguise.

The Chinese government is well aware of the need to drive integrity and honesty in the travel industry in order to protect consumer rights. At the national level, the government is very particular about reciprocal rights when it comes to negotiation of tourism arrangements.

Based upon the analysis of the active roles played by the Chinese government in outbound tourism, one can argue that the Chinese government or its policy is a major force shaping the international outbound tourist flows.

It seems that on one hand, the cultural and socio-economic environment is conducive to robust outbound tourism; and on the other hand the government is controlling or managing the tourist flows top-down. Chapter Eight will further examine how the different and seemingly conflicting forces shape the trends and patterns of China's outbound international tourist flows.

CHAPTER EIGHT

THE FORCES SHAPING CHINA'S OUTBOUND TOURISM

8.0 Introduction

Chapter Four identified the common themes about China's outbound tourism by academics, industry practitioners and relevant government officials. It was found that they recognise the significance of outbound tourism in China's tourism development, the importance of regularising the industry, the fact that current regulations are not coping with the fast growth of outbound tourism, and the need for consumer rights' protection. In addition, it is realised that the Chinese authorities have the policy of regularising outbound tourism and they are determined to scrutinise the outbound tourism industry. The use of words such as "healthy", "civilised", "regularise" and "tourism superpower" by tourism officials demonstrates the values of and the top-down approach by the government. The Chinese government sees that it has a role to play in outbound tourism because it is a matter of national dignity, diplomacy and international relations.

Chapter Five presented the cases studies of outbound tourism from Japan, Taiwan and Korea. The case studies show how outbound tourism has developed in the three regions in different political, socio-economic and political contexts. In the case of Japan, there is active government policy support in encouraging outbound tourism. The Japanese government sees outbound tourism as a manifestation of being a world superpower. However, outbound tourism has to be developed while preserving "Japaneseness". In the case of Taiwan, the engine for outbound tourism growth is the wish of the people to visit mainland China, although the Taiwanese government for many years distanced itself from mainland China for political reasons. Because of the strong demand and wishes of the Taiwanese people, the government has been gradually relaxing the restriction of travel to mainland China. The change of government in 2008 also signalled a change of attitude from distancing to accommodating towards mainland China. Such a change of attitude has had a significant impact on Taiwan's outbound tourism to mainland China. In the case

of Korea, the government does not play an active role in outbound tourism unless there are serious domestic or diplomatic issues. The government has the desire to engage North Korea for political reasons, and tourism is a means to maintaining dialogue between the two Koreas.

There is evidence of strong political consideration in outbound tourism based on the case studies.

Chapter Six considered the cultural, socio-economic, and political context of China's outbound tourism. The cultural influence of Confucianism, Daoism, and Buddhism highlights the importance of collectivism and harmony. The legends of Zheng He and Xu Xiake suggest that the Chinese are a nation predisposed to travel. The influence of Confucianism and Buddhism went as far as Japan and Korea, and Zheng He made his mark in southeast Asia. Many positive socio-economic factors also contribute to the demand for outbound travel. However, closer examination of China's political struggles in modern history explains why the picture might not be as robust as expected. There is still apprehension and caution on the part of the government towards outbound tourism. There are many lessons from history to show that if the country lets something "run wild" chaos and political struggle often ensue. The government therefore has to play an active role in managing outbound tourism.

Chapter Seven took an in-depth view of the roles of the Chinese government in outbound tourism: coordination, planning, legislation and regulation, entrepreneurship, stimulation, social tourism and interest protector. Through the various roles the government plays, it exercises control over outbound tourism for political and ideological reasons. One can argue that the government or its policy is a major force shaping the international outbound tourist flows.

It seems that on one hand, the cultural and socio-economic environment is conducive to robust outbound tourism, and on the other hand the government is controlling tourist flows top-down. The Chinese government is aware of the fact that tourism is consumer-driven and policy has to be flexible and responsive to changing trends. In addition, the reform of national airlines and travel agencies mean that these enterprises are now much more

market-driven than they were. This chapter examines the different, seemingly conflicting, forces shaping the trends and patterns of China's outbound international tourist flows.

8.1 The Framework

The analysis in this chapter will be based on the macro-environment framework developed by Kotler, Bowen & Makens (2006). The framework was developed originally to analyse the macro-environment in which a company operates. According to the framework, the macro-environment consists of seven major forces: competitive, demographic, economic, natural, technological, political and cultural. It is argued that a company should consider not just its own strengths and weaknesses but also the macro-environment in developing its marketing strategy.

This framework is adapted to analyse the macro-environment of China when a destination is considering China being a target source market. The framework helps a destination (instead of a company, which the framework is originally intended for) understand the importance of the macro-environment in China and how it shapes outbound tourism in addition to studying the demographics and psychographics of Chinese tourists. This framework helps a destination adopt a holistic approach by looking not just at its own strengths and weaknesses, product development, tourist characteristics and tourist motivation, but also the policy and politics in China.

The following sections will investigate the competitive, demographic, economic, natural, technological, cultural and political forces in the context of targeting China as a tourist source market.

8.2 Competitive Forces

Market competition implies that there are two or more parties acting independently to secure the business of a third party by offering the most favourable terms, according to the Merriam-Webster dictionary. Competition may stimulate innovation and encourage efficiency in a market economy, and is the cornerstone of capitalism.

Does competition exist in China's outbound tourism? There are over 130 countries and regions that have signed agreements with China and classified as "approved destination" for group tourists as of June 2007. Every destination faces a broad range of competitors in satisfying the needs and wants of Chinese visitors. A destination and the tourism-related enterprises in that destination need to adapt not only to the Chinese visitors, but also to the strategies of other destinations. The destinations and tourism-related enterprises in the destinations are competing for a share of the Chinese outbound market.

8.2.1 Presence in China

One of the conditions of a perfect market is the free flow of information. While a perfect market is only theoretical in nature and will never be achieved, the marketing by various destinations in China has contributed towards a free flow of information.

As of June 2007, there were 23 destinations with offices in China providing information about the respective destinations: Australia, Canada, Czech Republic, Finland, Germany, Greece, Hawaii, Holland, Hong Kong, Ireland, Japan, Korea, Los Angeles, New Zealand, Nevada, Romania, Singapore, South Africa, Switzerland, Thailand, and Scandinavia (representing of Denmark, Norway, and Sweden).

Most of the destination offices are located in Beijing, which can be explained by the fact that these offices have to work closely with the central government and China National Tourism Administration (CNTA). These offices coordinate promotional activities with their home offices, liaise with the local travel industry, participate in consumer and trade shows, and work with CNTA on government-related issues.

It is interesting to note that not all the 23 destinations with tourism office in China are "approved destinations". Destinations that have not signed an agreement as "approved destinations" can promote and facilitate travel other than group tours, such as official visits, study tours, conferences and exhibitions.

8.2.2 Destination Marketing

Many of the destinations with offices in China use mass media to promote the destinations. They invite journalists from China to visit their destinations with the objective of generating favourable stories about their destinations in China. According to the Hong Kong Tourism Board, the top 10 destinations in terms of advertising spend in mainland China in 2006 (January to August) were Hong Kong, Australia, Singapore, Korea, Malaysia, Thailand, Japan, Macau, Taiwan and New Zealand. Their total advertising spend in the first eight months of 2006 was RMB164 million, or US\$21 million, 7 percent higher than the advertising spend in the same period in 2005. The marketing efforts by the destinations pose as competitive forces “pulling” Chinese visitors.

8.2.3 Commercial Competition in Airlines

In addition to the competitive forces posed by the destinations promoting themselves in China, there are competitive forces created by the commercial travel organisations targeting Chinese visitors. According to PATA (2005), scheduled airline seat capacity for December quarter of 2005 into China was almost 2.3 times the amount for the same period in the year 2000; weekly scheduled seats from the eastern US to China increased more than five-fold between the fourth quarter of 2000 and the fourth quarter of 2005; and seats from the Middle East more than trebled.

Air China and Cathay Pacific Airways have restructured their respective shareholdings in such a way that Air China acquired a strategic stake in Cathay Pacific and Cathay Pacific increased its strategic investment in Air China in 2006. With this restructuring, Air China and Cathay Pacific entered into an operating agreement, with Air China being exclusively responsible for Cathay Pacific’s passenger sales in mainland China and Cathay Pacific being exclusively responsible for Air China’s passenger sales in Hong Kong, Macau and Taiwan (TDCtrade.com, 2007). Such an arrangement certainly makes Air China more competitive through access to Cathay Pacific’s business base.

China Civil Aviation Administration has announced plans to open its domestic skies by 2010 as part of its plans to liberalise the country’s aviation industry (Travel Industry News,

2007). In fact the aviation industry's growth in China has for long been hampered by stringent government controls over routes, air fares, fuel supply and aircraft purchases. The liberalisation will result in more competition and growth.

The opening up of the aviation market was further exemplified by the bidding of Singapore Airlines in 2007 to buy 24 percent of China Eastern Airlines, China's third largest carrier by revenue. The bidding was hailed as an example of capitalism invading the country's tightly controlled airspace (Time, 2008). The selling off was vetoed, and the Chinese government quickly gave the green-light to CNAC, parent of flag carrier Air China, to offer a \$1.9 billion hostile bid. Beijing is actually trying to steer towards consolidating China's fledgling and fragmented airline industry to form a Chinese "super-carrier" capable of competing on international routes against the world's largest airlines. The offer was also vetoed by China Eastern Airlines' board. The incident illustrates the conflicting forces of market competition and political control.

8.2.4 Commercial Competition in Travel Agencies

According to Du & Dai (2006), travel agencies in China began to realise that inbound operator business was affected by many external factors outside of their control, and therefore they are now shifting their business focus to outbound travel. In addition, as the supplier of customers, the outbound operator is in a more advantageous position when bargaining with land operators. This is particularly true when the China outbound market is growing strongly.

Currently there are some 700 travel agencies providing international outbound services in China, which is a substantial increase from fewer than 10 in the mid 1990s. The major players are China Travel Service (CTS), China International Travel Service (CITS), China Youth Travel Service (CYTS) and Comfort Travel. They are all trying to expand distribution and gain market share.

Although a state-owned enterprise, the CTS head office has restructured itself into a shareholding firm under the governance of a board of directors. The company has followed the market economy model and separated ownership from management. Like any company in

a free market, CTS has to compete with the other 700 players for a share of the outbound market. CTS is a well established brand in China, and its strategy is to pursue franchise management to widen their distribution, with about 40 franchised branches in 2006.

CITS on the other hand prefers to hold equity stake in its branches to ensure management control. Zhang Jianhua, CITS head office president said, “The outbound market has great potential. It’s going to be our new growth engine and we are adjusting our strategy and mindset of the staff” (SCMP, 2005).

Joint-venture and foreign travel agencies for the first time in history are now allowed to operate in China. For example, CITS has a joint-venture agency with American Express to handle business travellers; TUI China is 51 percent owned by TUI, Europe’s largest tour operator, 25 percent owned by CTS, with the rest in the hands of European private investors; Jalpak International, affiliated with Japan Airlines Group, became the first foreign-funded travel agency licensed to operate in China; Star Cruises opened its first wholly owned travel agency in Shanghai in 2006.

Although outbound travel business is still off-limits to foreign travel agencies as explained in Chapter Six, the situation is different for Hong Kong travel agencies. With the Closer Economic Partnership Agreement (CEPA) between mainland China and Hong Kong, special permission has been given to Hong Kong travel agencies to operate group tours to the city. Wing On Travel and Hong Thai Travel are two leading travel agencies in Hong Kong that have received approval from the mainland tourism authority to organise residents in Guangdong to join group tours to Hong Kong and Macau (SCMP, 2008). The opening up of the outbound market to Hong Kong travel agencies will make the market more competitive.

The increasing competition of the outbound market leads to travel agency specialisation and product innovation to meet different consumer demands. Therefore, as the outbound market matures and competition intensifies, the market becomes more and more consumer-led.

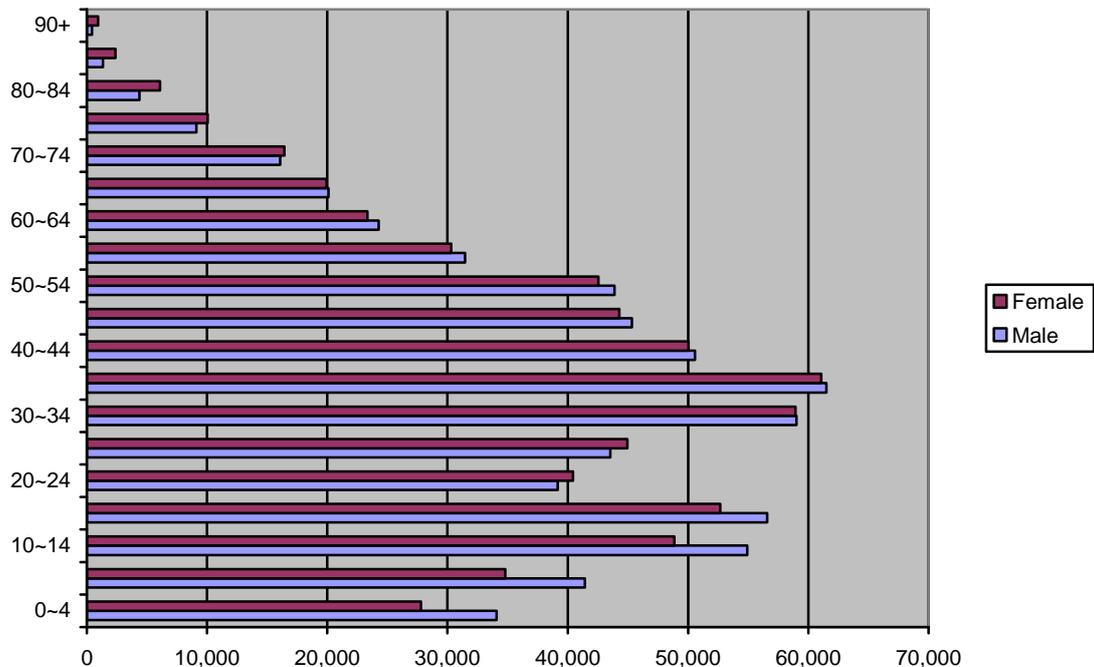
8.3 Demographic Forces

China is the most populous country in the world with 1.3 billion people, or 22 percent of the world's population. The life expectancy is 72, approaching that in developed countries (US, 78; Australia, 80; Japan, 81). The proportion of urban dwellers has increased steadily from about 20 percent in the early 1980s to 43 percent in 2005.

8.3.1 Age Composition

Figure 8-1 shows China's population composition in 2004. The largest population groups were aged between 30 and 44, which accounted for 27 percent of the population. This happens to be the age groups that have the highest propensity to travel. They are most likely to be in their prime earning years, well educated, eager to see the outside world, keen to learn more, want to enjoy life, and can afford to travel. As these groups move up the age ladder, they are likely to take up more senior positions and become even more affluent, and continue to demand travel.

Figure 8-1: China's population by age and sex in 2004 ('000)



Source: National Bureau of Statistics of China

8.3.2 One-child Family Policy

China's one-child family policy (OCFP) was established in 1979 to limit population growth. The policy limits couples to one child. Families in the cities who have a second or subsequent child are subject to penalty. The policy is estimated to have reduced population growth in the country by as much as 300 million people over its first 20 years and has resulted in the disparate ratio of 114 males for every 100 females among babies from birth through children four years of age (About.com, 2007), as explained below.

In a study by Festini & Martino (2004), they found that as a result of the OCFP implemented 25 years ago, the rate of natural increase had dropped from 11.6 per thousand to 8 per thousand in 2001, and the total fertility rate fell from 2.8 in 1979 to 1.8 in 2001. The policy has boosted China's economic growth, giving women more opportunities in education, work and careers. The OCFP has also led to smaller family size. The average size of the family fell from 4.54 in 1980 to 3.36 in 2000, with a growing number of families having just one child. In Beijing, 62 percent of families have only one child and the national average of children in each family is 0.74.

This cohort of only children is known as "little emperors" (小皇帝) and they are most likely to receive the best from their parents. Family travel is very much welcomed by such parents as a way to spend quality time with their only child. In addition, families of two parents and one child are more able to travel internationally: they have less needs to stay home looking after their successive younger children, and they have more money for discretionary spending.

Another outcome of the OCFP is the sex imbalance in the population. Chinese traditionally value boys more than girls because boys are considered more productive when it comes to manual labour in the field and it is boys rather than girls who carry on the family name. In order to comply with OCFP, some families choose to selectively abort female foetuses so that they can try at having a boy again. As a result of the sex discrimination, there are now 23 million more boys than girls in the 0-19 age groups. According to Festini & Martino (2004), it has been hypothesised that such a cohort of

surplus men, socially and biologically frustrated by the impossibility of creating a family, might be prone to socially disruptive behaviour including violence and crime in the future.

The risk of this gender gap was echoed by a report in the International Herald Tribune (2007), which warned that such an imbalance could undermine growth, productivity, and even lead to an increase in violence. The report argues that biology, sociology and history suggest the imbalance will lead to crime and social disorder (Hudson & Boer, 2004, cited by International Herald Tribune, 2007). There is potential of these men engaged in sex tourism as seen in the historical development of outbound tourism in Japan, as explained in Chapter Five. Leisure travel is a socially acceptable means to channel the energy of this potentially “disruptive” group of “surplus men”.

8.4 Economic Forces

China has experienced strong and steady economic growth since it adopted the “open-door” policy in the late 1970s. The country’s Gross Domestic Product (GDP) grew from RMB486 billion (US\$58 billion) in 1981 to RMB18,308 billion (US\$2,347 billion) in 2005, at an average growth rate of over 9 percent per annum, making China the fourth largest economy in world (the US, Japan and Germany are the world’s first, second and third largest economies respectively).

Per capita income increased from RMB489 (US\$59) in 1981 to RMB14,083 (US\$1,805) in 2005. While per capita income is still low in absolute terms, the increase has been phenomenal and it gives Chinese people high spending power in a country of relatively low cost of living.

8.4.1 Large Potential Market

Understandably the absolute income in China is low by world standards, and not all 1.3 billion Chinese people will have the means to travel outside of the country. Some regions are more developed economically than others. Therefore, the economic forces are acting positively in encouraging outbound tourism in selective regions only. In order to estimate the potential outbound market, one can consider the urban population in the top 10 regions,

among the total 31 regions, in terms of per capita annual disposable income in 2005 as the potential outbound market. These 10 regions are Shanghai, Beijing, Zhejiang, Guangdong, Tianjin, Fujian, Jiangsu, Shandong, Chongqing, and Hunan, with a total population of 478 million, and with an urban population of 251 million - this latter figure being the realistic potential market of the outbound tourism from China, which is two times the population of Japan or half the population of the US. The calculation of the potential market is summarised in Table 8-1.

Table 8-1: China's top ten regions by income and their population in 2005

Top 10 regions by income	Total population	Urban population	Per capita annual income of urban households (renminbi)	Total annual urban income (million renminbi)
Shanghai	17,780,000	15,840,000	18,645	295,337
Beijing	15,360,000	12,840,000	17,653	226,665
Zhejiang	48,940,000	27,420,000	16,294	446,781
Guangdong	91,850,000	55,730,000	14,770	823,132
Tianjin	10,430,000	7,830,000	12,639	98,963
Fujian	35,320,000	16,710,000	12,321	205,884
Jiangsu	74,680,000	37,420,000	12,319	460,977
Shandong	92,390,000	41,580,000	10,745	446,777
Chongqing	27,970,000	12,640,000	10,243	129,472
Hunan	63,200,000	23,380,000	9,524	222,671
Total	477,920,000	251,030,000	13,372*	3,356,659

Source: National Bureau of Statistics of China

* The average per capita annual income of urban households in the top 10 regions, 13,372 renminbi, is calculated by dividing total annual urban income (3,356,659 million renminbi) by urban total population (251,030,000).

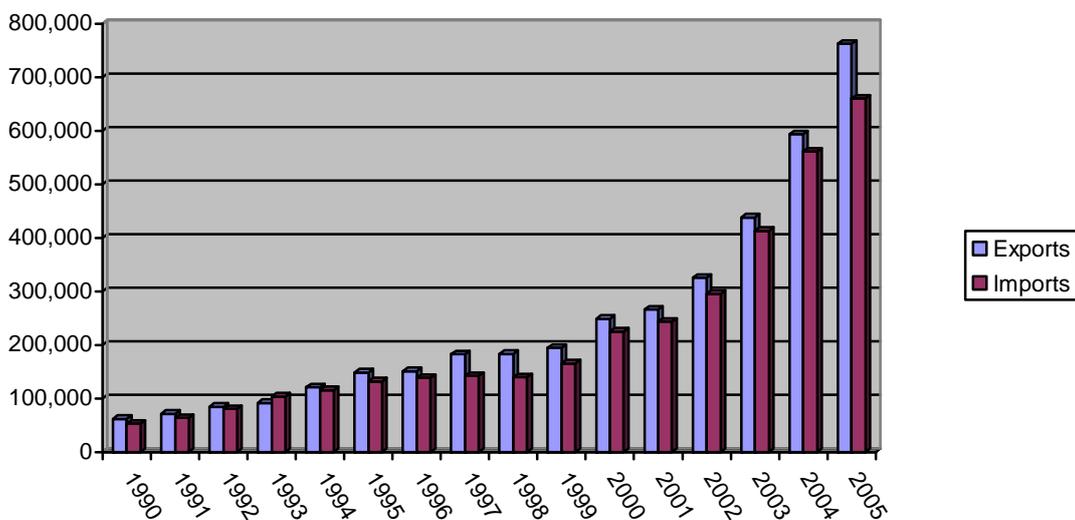
According to the above calculation, per capita annual income of urban households in the top 10 regions, 13,372 renminbi, is 27.4 percent higher than the national average income of urban households of 10,493 renminbi, and is four times the national average income of rural households at 3,255 renminbi. The relatively well-to-do in the urban areas are

shifting from thrift to consumption, and travel is a conspicuous form of consumption. As described by Prof. Guangrui Zhang in his seminar on China's Outbound Tourism reported in Chapter Four, these are the people who are changing from saving to consumption, from saving for the next generation to saving for themselves, and from buying goods to buying experiences.

8.4.2 High Trade Surplus

As a result of the abundance of relatively inexpensive land and labour, China has the comparative advantage in labour-intensive products. On the other hand, China is in need of high-tech products for its developing economy and luxury products for its high-end consumer market. About 70 percent of China's exports to the US, Japan and the EU are labour-intensive, while 80 percent of China's imports are capital-, technology- or knowledge-intensive (State Council, 2005). China's exports increased from US\$149 billion in 1995 to US\$762 billion in 2005; imports increased from US\$132 billion in 1995 to US\$660 billion in 2005. China has been able to maintain a substantial trade surplus each year since 1995. The total value of China's imports and exports from 1990 to 2005 is shown in Figure 8-2. The trade surplus tripled in 2005 and reached US\$102 billion (Goodman, 2006).

Figure 8-2: Total value of China's imports and exports (US\$ million)



Source: National Bureau of Statistics of China

China's foreign exchange reserves exceeded US\$1 trillion in 2006, ranking number one in the world, far ahead of those of Korea, Japan and Taiwan. Consequently, China has been under international pressure, particularly from the US, to reduce the trade imbalance and increase the value of its currency. One way to address the positive trade imbalance, or imbalance in the eyes of the rest of the world, is for China to further open up the outbound travel market.

China today is like Japan in the 1980s - when Japan was under strong pressure from its trading-partner countries to reduce the huge trade surplus as a result of its strong exports of vehicles, machinery and electronic goods. In addition to letting the yen rise in value, Japan chose to encourage outbound tourism, which had the same effect of increasing imports without reducing exports. China is very careful to maintain the value of renminbi in order to control inflation, and therefore the encouragement of outbound travel would seem to be a logical and sensible way to balance the trade surplus.

8.4.3 Stable and Strong Currency

The Chinese government's overall currency policy is to maintain the renminbi's stability. The exchange rate of the renminbi to the US dollar was pegged in 1999 at US\$1 to RMB8.28, and the Chinese government allowed its currency to appreciate by 2 percent in 2005 as a result of strong lobbying by the US government. The strong and steady exchange rate of the renminbi has been a positive factor favouring outbound tourism.

China undertook an exchange rate reform in 2005, and the renminbi was pegged to a basket of foreign currencies, rather than being strictly tied to the US dollar, and allowed to trade within a narrow 0.3 percent band against this basket of currencies. The basket is dominated by the US dollar, euro, Japanese yen and South Korean won, with a smaller proportion made up of the British pound, Thai baht, Russian rouble, Australian dollar, Canadian dollar and Singapore dollar (Reference, Renminbi, 2007). The reform shows the Chinese government's confidence in the country's economic fundamentals and desire to play a more important role in the global foreign exchange market. The renminbi is expected to appreciate in relation to other world currencies in the years to come as the

economy of China continues to grow. The appreciation of the renminbi will make international travel more affordable to the Chinese as their purchasing power increases.

8.5 Technological Forces

The most dramatic force shaping our destiny is technology... The internet has had a profound effect on the hospitality and travel industries. The internet has created a new distribution channel for hospitality and travel products... Today, over 50 percent of business travellers book travel services online, this is up from just two years ago. Most hotel, rental car companies, and hotel chains have set up their own online systems, allowing the guest to book directly on line. (Kotler, Bowen & Makens 2006: 130)

It is estimated that there were 134 million internet users in China in 2005 (SCMP, 2005). They are most likely better educated, more affluent and hungry for information. Travel is considered the most appropriate product to be promoted by the internet because it does not usually involve the delivery of a physical product. In addition, the internet can provide a lot of information, both verbal and visual, to explain and promote a travel product. Travel does not require or does not allow trial, and therefore transactions can be made online conveniently. With a vast country like China, it would seem that the internet is a very effective and efficient way to distribute travel products.

According to China Outbound Travel Monitor 2007, seven in 10 Chinese leisure travellers access destination websites and six in 10 use online travel discussion forums to source information, and traditional travel agents ranked second behind online sources as the most popular source of information for potential travellers (China Outbound Travel News, 2007 b). It was reported in the 4th International Forum on Chinese Outbound Tourism (2008) that 48 percent of Chinese tourists' use the internet as a source of information about destinations, almost the same as travel agencies (49 percent).

8.5.1 Distribution of Travel Products by Internet

There are already many portals offering travel information and services in China facilitating outbound travel. Examples of the major portals are listed in Table 8-2.

Table 8-2: Major portals providing information of travel products in China

Website	Affiliation	Services provided
eLong.com.cn e 龙旅行网	Independent	Booking of hotels and flights
Byecity.com 佰程旅游网	Independent	Specialising in outbound travel offering travel packages
Mangocity.com 港中旅在线	China Travel Service (Hong Kong) Ltd.	Booking of hotels, flights and travel packages
Travelsky.com 信天游	Independent	Booking of hotels, flights and travel packages
51piao.com 中国票务中心	Independent	Booking of hotels, flights and shows
24-a.com 华正商旅网	Independent	Booking of hotels, flights with emphasis on budget tickets; and business travel management
51766.com 中国通用旅游	Independent	Booking of hotels, flights, car rental; with a special section on outbound travel
95160.com 中国民航网	CAAC	Booking of domestic and international travel
Yoe.com 游易航空网	Independent	Booking of domestic and international travel; with a special section on corporate travel
500mm.com 中国国际航空 票务网	Air China	Booking of domestic and international travel; with a special section on budget tickets
Ctrip.com 携程旅游网	Independent	Booking of domestic and international travel, holidays and corporate travel

Source: Original for this thesis

8.5.2 Distribution of Destination Information by Internet

Many destinations are using the world wide web to distribute information and promote themselves. Table 8-3 shows the 18 destinations with websites in simplified Chinese to cater for Chinese travellers and potential travellers.

Table 8-3: Destinations with websites in simplified Chinese

Destination	Website
Hong Kong	www.discoverhongkong.com
Macau	www.macautourism.gov.mo
Canada	www.ontariotravel.net/china
Thailand	www.tourismthailand.org
Malaysia	www.tourismmalaysia.cn
Australia	www.australia.com
New Zealand	www.newzealand.com/travel
Singapore	www.visitingsingapore.com
France	www.franceguide.com
Spain	www.spain.info
Japan	www.jnto.go.jp
Korea	www.korea.net
United Kingdom	www.visitbritain.com
Finland	www.visitfinland.com
Germany	www.germany.info
Holland	www.holland.com
Ireland	www.ireland.ie/tourismireland.com
Andorra	www.andorramania.cn

Source: Original for this thesis

As a result of the rapid adoption of the internet and the fast-growing internet-savvy consumer segment in China, travel booking will become much easier. The availability of travel information and the convenience of making travel transactions online is another factor that has helped boost the outbound tourism market.

8.6 Cultural Forces

The notion of travel is deep-rooted in Chinese culture, and this is reflected amicably and widely in Chinese cultural values and literature.

8.6.1 Traditional Values

As mentioned in Chapter One, Mok & DeFranco (1999) studied Chinese travellers' behaviour and identified six Chinese traditional cultural values that influence their behaviour. The six cultural values identified are: "respect for authority", "interdependence", "group orientation", "face", "harmony", and "external attribution". These values are rooted in Confucianism, Daoism or Buddhism.

Respect for authority is part of Confucius's hierarchical relationships. Such relationships have served effectively to control social behaviour in society. Interdependence comes from the practice of "doing favours" and expecting reciprocity among friends and associates. Face is associated with position, social status and talents; and one must pay attention to protect other people's face, especially the face of superiors. Group orientation or "collectivism" is also identified with Confucian doctrines that emphasise ties of kinship and close personal relationships. Harmony is valued, whereas conflicts and extreme behaviour are abhorred. External attribution refers to the tendency to attribute outcomes to external factors, fate or nature. People become superstitious if everything is attributed to the supernatural.

8.6.2 Proverbs

There are age-old proverbs and sayings that underline the importance of travel as part of life among the Chinese. The common saying "One learns more by travelling ten thousand miles than reading ten thousand books" (读万卷书不如行万里路) points out that travelling to see the outside world is regarded as more important than studying diligently, even though studying is already accorded a very high regard in Confucianism.

“If you have not made it to the Great Wall, you are not a real hero” (不到长城非好汉) is another common saying, denoting the great significance of the Great Wall as well as underlining the importance of travelling to see the real world. The Great Wall was not exactly a tourist spot in the old days and it took strenuous efforts to go there. The saying is a metaphor of making a commitment to travel away from home to see really significant landmarks.

To describe the divine beauty of scenic spots, the Chinese have the following sayings:

- “There is heaven above and Su(zhou) Hang(zhou) on earth.” (上有天堂，下有苏杭)
- “Guilin’s mountain and water (scenery) pales the world.” (桂林山水甲天下)
- “Climb Mount Tai and you can deride the world.” (登泰山而小天下)

The use of poetic licence in glorifying places such as Suzhou, Hangzhou, Guilin and Mount Tai was adopted by many artists and scholars in Chinese history to stretch readers’ imagination. While the original intention was not to encourage travel, the wide adoption of such sayings and their persuasive power must have had an effect on how people want to travel and see those places themselves.

8.6.3 Romanticism of Travel

Landscape and travel are objects often highly glorified in Chinese literature. Petersen (1995) argued that it is the Confucian ethic to seek ultimate truth from the landscape. In fact, much talent and creativity can be found in poetry, paintings and calligraphy inspired by these landscapes (Sofield & Li, 1998). The three best-known poets in the history of China are Li Bai (701-762), Du Fu (712-770) and Wang Wei (701-761). The following description and examples of their works show how travel has its roots in Chinese literature and painting.

Li Bai

Called the Poet Immortal (诗仙), Li Bai (李白) is best known for the extravagant imagination and striking Daoist supernatural lore in his poetry. According to Meskill (1973), Li was renowned for his drunkenness and his fondness for alchemy; his poetry is infused with a spirit of romanticism and a childlike freshness of vision; his language, lush and coloured with the exotic, seems to race along effortlessly, and at times appears about to break free once and for all from the tight regularity.

Li's poetry is like a lively travelogue. His legendary "Leaving White King City" (早发白帝城) illustrates his emotional description of travel:

Early dawn, I left White King City high amid coloured clouds	朝辞白帝乐彩云间
What a voyage to reach the Jiangling thousand miles away in one day	千里江陵一日还
While the monkeys kept chattering on two sides of the cliff	两岸猿声啼不尽
My light boat had already past ten thousand layers of mountains	声轻舟已过万重山

Li spent much of his life travelling and many of his 1,100 poems known today are about nature, the natural scenery and landscapes. Sun (1982) describes Li Bai as an ardent lover of nature, who sings of its peace and serenity, especially its grandeur and wild aspects; who skilfully blends nature's serenity with his love of freedom, the roaring Yellow River and the sky-piercing peaks of Mount Lu with his untamed spirit and his dauntless challenge to the feudal regime.

Du Fu

Also known as the Poet Sage (诗圣), Du Fu (杜甫) spent much of his life working as a government official in different locations. As a result of the relocations, he travelled

from Luoyang, to Chang'an, Jiangsu, Zhejiang, Shangdong, Hebei, Chengdu, Yangtze, and finally died in Changsha. Du's writings are mostly concerned with history, government and ordinary people. His influence went as far as Japan and Korea, and there are a number of notable translations of Du's work in English. Ayscough (1997) admired Du Fu's consummate skill in using allusions in reviewing the past, analysing the present and expressing hope for the future.

Du Fu's poet "Welcoming Guest" (客至) is an emotional way to express his loneliness and delight in welcoming a guest visiting him:

The south and the north of my house is brimming with the view of spring water	舍南舍北皆春水
Only the seagulls come everyday	但见群鸥日日来
The flower path has not been swept for a while	花径不曾缘客扫
The rough door is open specially for you today	蓬门今始为君开
There's not much food variety as the market is far away	盘飧市远无兼味
There's some old brew in this poor house	樽酒家贫只旧醅
If you agree to drink with the old folk my neighbour	肯与邻翁相对饮
We can shout across and drink to the last drop	隔篱呼取尽余杯

Wang Wei

Wang Wei (王维) was a painter, calligrapher and musician as well as one of China's greatest poets. Wang's works often take a Buddhist perspective, combining an attention to the beauties of nature with an awareness of scenery illusion, therefore he is also known as the Poet Buddha (诗佛). He is best known for his quatrains depicting quiet scenes of water and mist, with few details and little human presence. *Su Dongpo (1036-1100) himself a most versatile literary and artistic genius of no lesser stature, commented on this subject: "in every poem by Wang Wei there is a painting, and in every one of his painting there is a poem."* (Leys 1986: 8)

Wang Wei’s most famous poetry “Deer Enclosure” (鹿柴) is about a journey, ostensibly that of himself, which has inspired generations of poets since. The poetry was translated by Yu (1980):

Empty mountain, no man is seen	空山不見人
Only heard are echoes of men’s talk	但聞人語响
Reflected light enters the deep wood	返景入深林
And shines again on blue-green moss	復照青台上

“Journey to the West”

As discussed in Chapter Six, Buddhism inspired men to undertake journeys and the most famous of all journeys was probably the one by Hsuan-tsang (or Sanzang in pinyin), a Chinese monk who left Chang-an (known as Xian today) in 629 and spent more than a decade travelling in Central Asia and India. On his return, he gave detailed account of conditions in India and adjacent regions. His pilgrimage captured the imagination of many Chinese for centuries, and was later re-written as a fiction called “Journey to the West”, which became arguably the first travel book in China.

“Journey to the West” (西游记) by Wu Cheng’en (1500-1582) is one of the four classical novels of Chinese literature; the other three novels being “Three Kingdoms” (三国演义), “Outlaws of the Marsh” (水浒传) and “Jin Ping Mei” (金瓶梅). The novel is a fictionalised and mythologised account of Sanzang to the west in order to obtain the Buddha’s Scripture. According to the novel, Sanzang was accompanied by three disciples, Monkey, Pig and Friar Sand, and throughout the journey, the four travellers had to fend off attacks on their master from various monsters and heavenly spirits. The epic journey encountered 81 calamities of all sorts before reaching its destination. Of all the Chinese fantasy novels published in the 16th and 17th centuries “Journey to the West” is the only one to have become so central to Chinese culture and remained so popular (Jenner, 1994). “Journey to the West” resembles “The Odyssey” by Homer, written in the 5th century BC in that both are legends about travel and have had a great

impact on modern society in terms of the search for identity, upholding of virtues, concept of homeland and practice of hospitality.

8.7 Natural Forces

According to Kotler, Bowen & Makens (2006), a natural environment consists of natural resources required by marketers or affected by marketing activities. For the purpose of this thesis, 'natural forces' refer to the environmental sustainability of tourism to and from China and natural disasters negatively affecting outbound tourism in China.

The Australian government recognises that failure to reduce greenhouse gas emissions will result in change in climate that will negatively affect human settlement and agriculture, and lead to widespread species extinctions and irreversible environmental damage (Department of Climate Change, 2008). Many countries including Australia have set targets to reduce carbon emissions, and China is making efforts to transition to a lower carbon economy and reduce emissions from energy by 20 percent on 2005 levels by 2010. All forms of transport – air, rail, road and sea – contribute an estimated total of 13 percent to global greenhouse emissions and civil aviation accounts for about two percent of global emissions (Department of Infrastructure, Transport, Regional Development and Local Government, 2008). Aviation's contribution to climate change is considered to be significant because of other greenhouse gases emitted and the altitude where most aviation emissions occur. Natural forces are likely to be an issue for tourism development going forward given the global attention to the reduction of carbon emissions and the actions being taken.

Given the large geography of China and its history of natural disasters, it is not unexpected that outbound tourism is occasionally interrupted by such unfortunate incidences. China was hit in January 2008 by the worst snowstorms in 50 years. According to ChinaTravelGuide.com (2008), heavy snow affected China's eastern, central and southern regions leading to deaths, structural collapses, blackouts, accidents, transport problems and livestock and crop losses in 19 provinces. Millions of Chinese were stranded at railway stations, expressways and airports during the peak travel period just before the Spring Festival. A total of 19 major airports were closed at one point. More than 60

people were killed, and the snowstorm damage was estimated to cost more than US\$70 billion. While there is no hard data to show the negative effect of this natural disaster on outbound travel, the arrival statistics in Hong Kong could be an indication of the effect on outbound travel. Hong Kong recorded a decline of 2.6 percent in arrivals from mainland China in February 2008, in a year of strong growth with 9.5 percent increase in arrivals from mainland China from January to October.

China was hit by another natural disaster in May 2008. A powerful earthquake registering 8.0 on the Richter scale hit Sichuan province in south-western mainland China on 12 May, killing 70,000 people, injuring 373,000, and destroying the homes of 15 million people (Taiwan Review, 2008). The earthquake was the deadliest to strike mainland China in 32 years. The State Council declared a three-day period of national mourning for the quake victims on 19-21 May 2008 and the PRC national flag was flown at half mast. This was the first time that a national mourning period had been declared for something other than the death of a state leader, indicating the severity of the disaster and respect for the victims. While the dampening effect of this natural disaster on outbound travel was likely to have been confined to Sichuan province, there was sentiment that overseas official visits should be restrained in consideration of the scale of the disaster.

8.8 Political Forces

While the competitive, economic, demographic, technological and cultural factors mostly favour a more active outbound tourism market, China is fundamentally a socialist state exercising political control from the centre, which is also evident in outbound tourism. *The political environment is made up of laws, government agencies and pressure groups that influence and limit the activities of various organisations and individuals in society* (Kotler, Bowen & Makens 2006: 132). The following analysis shows how the laws, government agencies and pressure groups play a part in controlling outbound tourism.

Richter (1983) argued that China's interest in tourism historically has had primarily political motivations, and like any country, tourism is a part of the diplomatic strategy. Richter's argument was based on China's inbound tourism point of view, as outbound tourism was basically negligible then. However, if we take the argument and apply it in

outbound tourism today, we can also find a lot of truth in it. We can find many manifestations of Deng Xiaoping's "Socialism with Chinese characteristics" model and Jiang Zemin's "Socialist market economy" model in outbound tourism policy. As a socialist state, China believes in the importance of balancing consumer needs and market forces with a degree of control by the authorities to ensure that economic growth is healthy and desirable. The following sections explain how the Chinese government uses political forces to balance or manage outbound tourism, which is a basically a capitalist product.

8.8.1 Tourism as a Capitalist Product

According to Mak (2000), tourism is a new form of imperialism, characterised by the expansion of developed countries at the expense of less developed countries. Implicit in such an allegation is the assumption that developed countries send tourists to less developed countries. However, this is not the case with China, where as a less-developed country it sends tourists to developed countries. In order to analyse how China as a socialist state handles outbound tourism, we need to first understand how tourism works in a capitalist society and its contradictions in a socialist society.

According to Fulcher (2004), the growth of international tourism is one of the most striking manifestations of the increasing economic connections between countries, and international tourism spreads capitalist practices into parts of the world that have been little touched historically by the growth of capitalism. International tourism fuels consumption by generating a greater demand for food production and transport, and provides the basis for the manufacture of souvenirs and replication of relics. The earnings from tourism can increase the money in circulation, and lead to the import of manufactured goods and the establishment of consumption patterns. Fulcher also argued that leisure is the creation of capitalism. Requiring continuous work during work hours and separating out non-work activity as leisure for all the workers proved to be more productive than having work disrupted by the casual taking of days off. Not only that leisure is the creation of capitalism, it also leads to the commercialisation of leisure. Workers pay for leisure activities organised by capitalist enterprises. Mass travel is possible, and whole new industries have emerged to exploit and develop the leisure market, which has become a huge source of consumer demand, employment and profit.

8.8.2 Tourism and Socialism

According to Newman (2005), the most fundamental characteristic of socialism is its commitment to the creation of an egalitarian society. Socialists challenge the property relationships that are fundamental to capitalism, and aspire to establish a society in which everyone has the possibility to seek fulfilment without facing barriers based on structural inequalities. A second feature of socialism is belief in the possibility of constructing an alternative egalitarian system based on the values of solidarity and cooperation. A third feature of socialism is belief in the possibility of making significant changes in the world through conscious human agency, despite the economic determinism inherent in the doctrine. Socialism is belief in some sort of collective or cooperative action as a means of improving the condition of the many poor and hostility to laissez-faire and economic competition implicit in capitalism (Cole, 2003).

Tourism, as a form of leisure, has many features that are incongruent with or dichotomous to socialist values. Tourism is consumption-driven and is about personal fulfilment; whereas, socialism is more concerned with egalitarian values. Tourism portrays service excellence and enjoyment, whereas, socialism values harsh struggle, plain living and hard work. Tourism relies on the free market to determine the price and who gets what, whereas socialism believes in central planning and dictatorship of the party. Tourism goes with marketing and targeting; whereas, socialism portrays a classless society. So allowing tourism to flourish in China seems unthinkable and oblivious to the basic principles of socialism. The contradictions between socialism and tourism are summarised below:

Socialism	Tourism
Central planning	Market-oriented
Production-driven	Consumption-driven
Egalitarian value	Personal fulfilment
Harsh struggle	Enjoyment
Top-down	Consumer-led
Classless society	Segmentation

However, China is able to justify and in fact accommodate outbound tourism by instigating a number of control measures. These control measures counter-balance the free market forces, so that tourism will continue to develop in a healthy direction within the realms of socialism, and can be used as a tool for achieving political goals when needed. The control measures that the government can use relate to the mobility of the population, planning and coordination with destination countries, regulations relating to the travel trade, scrutinising travel trade practices, spiritual civilisation and diplomatic power.

8.8.3 Control of Mobility

China has long adopted a policy on the control of population, not only because of the sheer size of its population, but also because the impact of any shifts in its population on politics is so big and weighty (Greenhalgh & Winckler, 2005). The Chinese government is always wary of large-scale mobility and massive influx to the cities, which may contribute to social instability. This is particularly so for the relatively uneducated rural population, who can be easily manipulated and mobilised for action that is rebellious in nature. That is why China has established an elaborate household registration system known as “hukou” (户口) throughout the country, whereby one’s identity, citizenship, employment and social benefits are tied to one’s household record in a particular location. It is extremely difficult to seek approval to change one’s household registration permanently without a good reason. Admittedly, with the economic reforms in the past 20 years, the household registration system is losing its grip on people because jobs are not centrally allocated anymore. However, it is still a form of mobility control, particularly for those who rely on the government for social and retirement benefits.

8.8.4 Planning and Coordination

China has put in place detailed planning arrangements for outbound tourism in the form of ADS and coordination with destinations on how to handle Chinese visitors. Chinese people can travel to countries and regions with ADS in organised tours offered by officially licensed travel agencies. Countries that want to get ADS have to go through

protracted negotiations with the Chinese government. In the negotiation process, the Chinese government is believed to consider the following factors:

- China enjoys good diplomatic relations with the destination country. It is noted that none of the 24 countries with which Taiwan has diplomatic relations is among the 89 countries and regions with China's ADS Scheme status. This can be seen as a deliberate part of China's policy to isolate Taiwan and urge Taiwan to accept the "One China" principle. In this respect, international relationships and a political agenda are given higher accord than tourism development.
- The destination country adopts a visa-free policy towards Chinese visitor or shows cooperation in issuing visas to Chinese citizens. The very stringent visa policy adopted by the US was one of the impediments in it becoming an ADS country.
- There is adequate infrastructure and tourism support in the destination country to accommodate Chinese visitors.
- There are responsible travel agencies in the destination to handle Chinese visitors in a legitimate and proper manner. Such travel agencies have to be endorsed by the destination government and accepted by the Chinese government.

8.8.5 Regulations

Travel agencies are tightly controlled in the handling of outbound travel. According to the Administrative Measures for Chinese Citizen Outbound Travel described in Chapter Four, travel agencies are allowed to handle outbound travel only when they have satisfied the following three conditions:

- (i) In operation for at least one year since obtaining the qualification as an international travel agency
- (ii) Outstanding performance in the business of inbound tours
- (iii) Good record without any serious law-breaking acts and major problems in service quality

The Measures stipulate that the tourism administration department shall, on the basis of the nationwide performance of inbound tourism in the previous year, the increase in the number of destination countries and the trend of outbound tours, determine by the end of

February each year the annual quotas of outbound tourists, and allocate such quotas to the tourism administration departments of the provinces, autonomous regions and municipalities.

In other words, the state ultimately controls the number of citizens travelling outside the country. The control is exercised through travel agencies and the tourism administration network. The Measures dictate a linkage between inbound and outbound (出入挂钩) serving to adjust the volume of outbound according to that of inbound. Although it is not explicit in the Measures, one expects that China would like to link outbound travel with inbound travel so that there is a net positive balance in tourism trade.

In addition to controlling outbound at the national level, the Chinese government also exercises control at the business level. Travel agencies are licensed to operate in the outbound business based on their record of inbound business. A travel agency has to perform well in inbound business in order to obtain a licence to operate outbound business. This is another way China controls the balance of inbound and outbound travel.

8.8.6 Scrutinising Travel Industry Practices

The travel trade in China was allowed to grow and operate as an economic sector under CNTA's policy of "moderately develop outbound tourism" before 2005. However, the growth has been tarnished by malpractices as reported in the 2nd International Forum on China Outbound Tourism. In August 2005, CNTA changed its policy on outbound tourism from "moderately develop" to "regularise" or "scrutinise". The wording used by CNTA to deal with the outbound travel industry has become very strong, showing its frustration and determination.

To start with, the earlier policy on outbound tourism of "moderately develop" was vague, and was not understood very well by the industry and was open to differing interpretations. It could give people the feeling that while outbound tourism was permitted, the government remained non-committal. It gave the government room to "wait and see", and flexibility to change its policy depending on circumstances. After all, outbound tourism was uncharted water for the Chinese government. The government did not know how its

people would react to the opportunity to travel overseas, or how the destinations would treat Chinese visitors; it did not know how outbound tourism would affect the balance of trade, shape the ideology of its people, or how the industry would react to the business opportunity. After 20 years of experimentation and observation, the Chinese government is now more positive of the potential of outbound tourism. However, it has also encountered loopholes and malpractices in the industry. The change in policy from “moderately develop” outbound travel to “regularise” or “scrutinise” industry practices is to warn the travel trade of their malpractices such as zero-fare tour groups, over-promise of travel advertising, illegal over-staying and operating outside of licensed businesses.

CNTA focused its “scrutinising” effort in 2006 by hosting a number of forums and workshops. On 23 January 2006, CNTA hosted an Honest & Quality Tour Forum in Beijing, with the participation of 20 travel agencies including China International Travel Service, China Comfort Travel and GZL International Travel Service; and national media including China Central Television, Central People Broadcasting, People’s Daily and China Tourism News (CNTA, 2006 d). The CNTA chairman pointed out in the forum that it was important to establish honesty and integrity in travel business, and invited monitoring and support by the industry, the community and the media. One example of the government intervention was to stamp out zero-fare tour groups with the cooperation of the Beijing Tourism Administration and the Hong Kong Tourism Board to promote “Honest & Quality Hong Kong Tour” itineraries featuring sightseeing and pressure-free shopping in Hong Kong (HKTB, 2006).

The Chinese government is developing its role into that of an oversight body using rhetoric to deter malpractices in the travel industry. The travel trade industry is warned of not getting involved in sexual, gambling and drugs vices. After all, the state has the unchallenged power in regularising all businesses and practices, not just the tourism business.

8.8.7 Spiritual Civilisation

“You can take the man out of China but you can’t take China out of the man,” according to the China Economic Review (2006). The saying refers to the behaviour of some

Chinese travellers that is regarded as being incompatible with the nation's economic status and its growing international status. In 2006, the Spiritual Civilisation Steering Committee (中央文明办) of the Communist Party of China Central Committee compiled and published a list of bad habits of mainland tourists at home and abroad. The unsociable manners of Chinese tourists mentioned by the committee included the following (SCMP, 2006 d):

- Littering, spitting and using toilets with flushing
- Ignoring no-smoking rules
- Jumping queues when shopping, sightseeing and using public transport
- Making too much noise in public places such as restaurants and hotels, speaking over the phone loudly, shouting at friends and playing games
- Having a slovenly appearance and taking off shoes and socks in public
- Bargaining in shops that sell products at fixed prices
- Vandalising historic sites and public facilities
- Gaining petty advantages, such as taking more food than needed at buffets and walking off with items in hotels
- Taking photographs of unwilling foreigners and guests
- Not respecting local culture and fooling around at religious sites

The Spiritual Civilisation Steering Committee launched a campaign, including a guidebook and workshops, to help heighten awareness and correct some embarrassing habits of Chinese tourists. The following "Etiquette for Travelling Abroad" is promoted via CNTA website and posters:

- Chinese citizens travelling abroad must observe the relevant etiquette and uphold dignity
- Be hygienic. Protect the environment. Dress appropriately, and don't talk loudly
- Respect senior citizens. Care for children. Be helpful to others. Practice "ladies first" and be courteous
- Be punctual, wait in a queue and stand behind the yellow line
- Be civilised in a hotel and don't damage objects. Eat and drink quietly, and don't waste food
- Go for healthy entertainment, and say no to sex, gambling and drugs

- Follow the rules in sightseeing tours. Observe customs and taboos
- When in doubt or difficulty, make enquiries to the Chinese embassy or the consulate. Be a civilised traveller and enjoy a safe and pleasant trip

The fact that tourist misbehaviour has attracted high-level government attention and action shows that the Chinese government has realised the international facet of tourism and that Chinese tourists are in a way China's "ambassadors". The way Chinese tourists behave while overseas will affect the international image of China being "a country of courtesy and good manners" (礼仪之邦). The government cannot leave Chinese tourist misbehaviour unchecked and allow them to tarnish the image of the country, therefore action has to be taken to "correct" such misbehaviour in order to uphold national dignity.

8.8.8 Diplomatic Power

According to Hall (1994), the encouragement of travel flows between nations may be evidence of a positive political relationship. The positive political relationship can indeed be illustrated by how the Chinese government approaches outbound travel to Hong Kong, Macau and other destinations.

The reunification of Hong Kong with mainland China in 1997, after 150 years of colonial rule by the British, has been successful and there were no major disputes. However, the Hong Kong economy suffered as a result of a number of non-political incidents: the avian flu epidemic in 1997 (a lethal virus called H5N1 first discovered in Hong Kong), the Asian financial crisis in 1998 and another epidemic, this time SARS, in 2003 (a lethal virus transmitted by a visitor from mainland China to Hong Kong). The Hong Kong economy encountered deflation for the first time in its history and record-high unemployment in 2003 and 2004. Hong Kong has thrived on being a financial centre, however, such an economy is very much dependent on the global economy and there is not much Hong Kong can do to fight economic downturn. Hong Kong's manufacturing base has been mostly relocated to mainland China to take advantage of the low labour costs there, therefore manufacturing is not an option to boost the economy either. Inbound tourism was found to be the most immediate and effective solution to prop up Hong Kong's

economy in the face of a rapid economic downturn. Consequently, China introduced the Individual Visit Scheme (IVS) in 2003 allowing visitors from mainland China to visit Hong Kong in their individual capacity, in addition to the regular practice of travelling in a tour group. IVS was first introduced in four Guangdong cities on 28 July 2003 as a liberalisation measure under the Closer Economic Partnership Agreement (CEPA).

IVS is now implemented in 49 mainland cities including all 21 cities in Guangdong, Beijing, Shanghai and Tianjin, with a potential market size of 270 million residents. Over 13 million individual travellers from the mainland visited Hong Kong in the first three years, which contributed RMB65 billion (US\$8 billion) to the economy assuming that each visitor spends RMB5000. This aptly shows the diplomatic power of China's tourism in supporting its new Special Administrative Region when needed.

The same can be said of the support given by the Chinese government to the tourism of Macau. Macau has always been a secondary city surviving on casino gaming and as a short-break destination mostly patronised by Hong Kong residents. Upon the return of Macau's sovereignty to China in 1999 after 300 years of colonial rule by Portugal, the Chinese government had to find a way to prove that it could help boost the economy. The Chinese government not only permitted the gaming economy to continue, but also opened up the gaming industry to foreign investment. The gaming industry and the whole economy benefited by having further investment by the original casino monopoly holder, Sociedade de Turismo e Diversoes de Macau, and other international investors including Wynn (Wynn, 2007), The Venetian (Venetian, 2007), MGM Mirage (MGM, 2007), Melco PBL Entertainment (Melco, 2007), and Galaxy (Galaxy, 2007). By allowing Chinese visitors to casinos in Macau, the Chinese government is in fact supporting Macau's economic development and long-term prosperity. The Chinese government has been using outbound tourism to support Macau, which is evident in the large increase of visitors to Macau since 2003, as illustrated in Table 8-4.

Table 8-4: Number of Chinese visitors to Macau 2001-2005

	No. of Chinese visitors	Total visitor arrivals	Percentage of total
2001	5,196,136	10,278,973	50.6%
2002	5,101,437	11,530,841	44.2%
2003	5,681,102	11,887,876	47.8%
2004	9,518,336	16,672,556	57.1%
2005	10,462,966	18,711,187	55.9%

Source: Macau Government Tourist Office www.macautourism.gov.mo

However, the high dependence of Macau, and in fact any destination, on mainland China as a source market can sometimes be risky. Given that the Chinese tourist flow to Macau is politically driven, the flow is subject to the control of Chinese government. It was reported that there was recently crackdown on granting permits for its citizens to visit Macau by the Chinese government (The Australian, 2007). It is suspected that the Chinese government is concerned with repeat Chinese visitors and officials who gamble until they lose all their money, and the authorities want to control incidences like this before they generate instability across the country.

The diplomatic power of tourism is illustrated not only in the cases of Hong Kong and Macau, but Southeast Asia as well. Thailand, Indonesia, Malaysia, India and Sri Lanka were hit by tsunami in December 2004 and tourism business in some coastal areas was wiped out overnight. More than 200,000 people including local residents and tourists lost their lives, and tourism in those countries came to a halt. According to Du & Dai (2006), China maintained to send visitors to affected Southeast Asian countries to help sustain their tourism business. In fact, Air China launched direct flights from Beijing to the Thai resort island of Phuket in early 2005 and partnered with a number of travel agencies to help tourism recovery in the affected countries. China takes pride in helping neighbouring countries and regions by facilitating outbound tourism to them, which adds to its diplomatic power.

8.9 Conclusion

In approaching China as a potential source market, destinations need to take a more holistic approach to understand the underlying drivers of outbound tourism. While individual tourist characteristics and tourist motivation are a factor, the policy and politics of China need to be understood as well. This chapter has shown the importance and the interplay of macro-environment factors in China in shaping the development of outbound tourism. The major forces at play are: competitive, demographic, economic, technological, cultural, natural and political.

The analysis shows that destinations, together with the commercial operators such as travel agencies and airlines in the destinations, are competing for a share of China's outbound market. The competitive forces cause the destinations and commercial firms to develop new products, services and technologies. This gives consumers greater selection and better products. It is believed that as the outbound market matures and the competition intensifies, the market will become more and more consumer-led.

The analysis shows that China's population age composition makes it a very fertile nation for travel and the one-child family policy in a way encourages outbound travel as well. The economic forces comprising a large potential market, consistently positive trade balance, huge foreign exchange reserves and strong currency, are all positive factors encouraging or favouring China's outbound international tourist flows.

The rapid adoption of information technology in China is another positive force shaping outbound travel. The widespread use of the internet in providing travel information and as a booking vehicle supported by the use of credit cards fuels the growth of travel in a large country like China.

The culture and literature as illustrated by the proverbs and the romanticism of places often mystified by influential poets shows that the desire to travel is deep-rooted in China. The romanticism created by poets like Li Bai, Du Fu and Wang Wei has influenced the minds of Chinese for hundreds of years. The historical and landscape sites in their poems have remained part of the Chinese "common knowledge" today (Petersen, 1995). The

images of these sites bring “spiritual unity” even if the people have never visited them (Sofield & Li, 1998), and when people do visit them, it is like “cultural pilgrimage”. Chinese people from different places find the commonality and their roots in those places.

After all, tourism is very much a capitalist product with many features that are incongruent with or contradictory to socialist values. China is able to justify and in fact accommodate outbound tourism by instigating a number of control measures in its tourism policies. The policies take into consideration controlling mobility, planning and coordination, regulations, scrutinising travel industry practices, spiritual civilisation and diplomacy. These policies counter-balance the competitive, demographic, economic, technological, natural and cultural forces, so that outbound tourism can continue to develop in a healthy direction within the realms of socialism meeting the overarching value of harmony and unification. As a socialist state with a history of invasion by foreigners, political instability and economic upheavals, China resorts to central planning and control in many aspects, including outbound tourism. The reality is the dynamic interaction among the seven forces, and this will be postulated in the final chapter.

CHAPTER NINE

CONCLUSION

9.0 Introduction

This chapter summarises the thesis by outlining the research problem, the research methodological considerations, the analysis, the theoretical model arrived at, and the challenges in China's outbound tourism. This final chapter also explains the limitation of the thesis and makes some concluding remarks. The researcher does not pretend to be value-free on the research subject, and would like to state his point of view in this closing chapter.

9.1 The Research Problem

The thesis started with a research problem originating from the tourism industry. China's outbound tourism is on the rise and many destinations are interested in getting a bigger share of the market. These destinations are interested to know more about the market. As PATA's latest report on China describes, tourism destinations around the world are actively competing for a share of the burgeoning outbound travel market from China (PATA, 2005). However, there is a lack of data and information about China's outbound tourism market. Most of the research conducted on China's tourism that was available before 1999 is about inbound rather than outbound. This is because China tourism began with inbound travel in the 1980s, and outbound travel did not become significant until 1997. The outbound tourism research available after 1999 has mostly been consumer or destination focused. The majority of the researchers are interested in what motivates Chinese tourists, what their psychographics are, what sort of behaviour they exhibit, and what their images of various destinations are. The researchers tend to adopt the motivation and segmentation approaches to understand Chinese tourists. But the issue is that Chinese tourists are not entirely free to visit whichever destination they desire. China has explicit outbound tourism policies that to a large extent determine the outbound

international tourist flows. Motivation and segmentation studies help understand Chinese tourists, but there is a need to understand the dynamics of the overarching macro factors shaping the trends and patterns of outbound international tourist flows from China as well. The research problem or question formulated to address this knowledge gap in this thesis is “How are the trends and patterns of China’s outbound international tourist flows being shaped?”

9.2 Research Methodology

To answer such a research question requires an approach that is explanatory in nature. The research is to explain the “how” and “why” of the phenomenon under study. In conducting the research, the researcher subscribes to the interpretive social sciences paradigm, which considers the world being comprised of multiple realities. The researcher commences his study in the empirical world in order to develop explanations of China’s outbound tourism. The research methodology is inductive in nature. In other words, data is collected, observations are made, and information is gathered, to generate description and theory to explain the phenomenon. Such data, observation and information from the empirical world are mostly qualitative rather than quantitative. The researcher because of his profession seeks to understand the phenomenon from an insider’s perspective rather than an outsider’s perspective. This thesis has used four qualitative research methods: secondary data analysis, case study, interview/questionnaire and participant observation. Unlike quantitative research, it is very difficult to ensure validity of qualitative research. Triangulation, grounded theory analysis, discourse analysis and reflexivity are the means the researcher has used to ascertain validity of this research.

9.3 Analysis

The analysis comprises case studies of outbound tourism in Japan, Taiwan and Korea, examining the cultural, socio-economic and political context of China’s tourism policy-making, investigating the roles of the Chinese government, and finally analysing the different forces shaping China’s outbound tourism.

9.3.1 Comparison with Japan, Taiwan and Korea

Analysis begins with the case study of outbound tourism from Japan, Taiwan and Korea. The case study helps identify the similarities and differences in policy and international tourist flow patterns in Japan, Taiwan and Korea, and provides a benchmark for studying China's outbound tourism. The three source markets of Japan, Taiwan and Korea were chosen for the case study because their outbound tourism has undergone development stages similar to that in China. These three countries and region are among the largest outbound markets in Asia. They are all strong export economies and have huge foreign reserves, with outbound travel virtually free and completely open. Economic growth and increasing wealth of the people is the immediate factor for the strong outbound market. There are, however, differences in their political, socio-economic and political contexts that drive their outbound market.

In the case of Japan, there is active government policy support encouraging outbound tourism. The government sees outbound tourism as a manifestation of being a world superpower. However, the government also realises that outbound tourism has to be developed while preserving the "Japaneseness" of its people.

In the case of Taiwan, the engine for outbound tourism growth is the wish of the people to visit mainland China, be it visiting relatives or for business reasons. The government has had to gradually relax the restriction of travel to mainland China as a result of the strong demand from its people as well as the industry. However, the Taiwanese government represented by the DPP distanced itself from mainland China for political reasons, and tourists from mainland China was restricted.

In the case of Korea, the government does not play an active role in outbound tourism - unless there has been a serious domestic or diplomatic issue. The South Korean government has the desire to engage North Korea for political reasons, and tourism has been used as a means for maintaining dialogue between the two Koreas. While outbound tourism plays a significant role in moderating the large trade surplus in Japan and Taiwan, it is not an important factor in the case of Korea.

While China can be compared with Japan, Taiwan and Korea in many aspects of their outbound tourism for their similarities, there are many differences among the countries and region. China's outbound tourism resembles that of Taiwan and Korea in their early phase of development in that the market is controlled by the government and restrictions to travel have been gradually relaxed. The scale and magnitude of outbound tourism in China is still small compared to the other three countries and region. The outbound markets from Japan, Taiwan and Korea is about twice the size of their respective inbound markets; however the outbound market from China is much smaller than its inbound market – a phenomenon that is at least partly the result of government control. Outbound expenditure in China is an important factor in offsetting the country's large trade balance, as it is in Japan and Taiwan, but not in the case of Korea. The two key destinations of China's outbound departures are Hong Kong and Macau, because of historical and political reasons; whereas, outbound travel from Japan and Korea is truly international.

Political consideration in outbound tourism exists in all four countries and region. In the case of China, it is the government's primary and explicit consideration to engage Taiwan and support Hong Kong and Macau through tourism. In dealing with other international markets, the ADS Scheme has given China strong bargaining power in diplomatic negotiations, which can be illustrated by its close tourism relationship with some African countries that do not have a diplomatic relationship with Taiwan, and its prolonged negotiation with the US.

9.3.2 Context of China's Tourism Policy-making

After examining the cultural, socio-economic and political environments in China, it has become clear that there are many positive factors in the continued development of China's outbound tourism. At the superficial level, the success of the "open-door" policy and the ensuing economic prosperity provides the necessary conditions for outbound tourism. The thesis has identified other important conditions contributing to tourism growth. First, there is more leisure time available to a growing middle class in China who have access to more disposable income. Second, it is part of Chinese culture to glorify and romanticise landscape and travel. Third, the country has developed into a world factory with its trade surplus on the rise and foreign reserves exceeding US\$1 trillion (far ahead of Japan,

Taiwan and Korea). The increasing volume of international trade, particularly after China's accession to the WTO in 2001, has further created the necessity of even more overseas business travel for the Chinese. The Beijing Olympic Games 2008 has given a further impetus to outbound tourism in China and World Expo 2010 Shanghai will continue the momentum.

A closer examination of China's political struggles in modern history explains why the picture might not be as robust as expected. China is fundamentally a socialist state with top-down control (or "management", which is a preferred word by the Chinese authorities). Apart from balancing the conservative and the reformist, the central government (party leaders) is still coming to grips with tourism as a capitalist product. There are many lessons from history to show that if the country lets something "run wild" (be it a capitalist product or not) chaos and political struggle often ensue. Clearly the government sees that tourism, like any other economic activities, must be managed carefully within the framework of socialism, and its principles of "The Three Represents" and "Eight Virtues & Eight Shames".

Outbound tourism is a manifestation of soft power and is inextricably linked with politics. Politics refers not just to the relationships with foreign countries, but also with regions such as Taiwan, Hong Kong and Macau. Consequently the government sees the need to exercise tight control of outbound tourism, and plays active roles in shaping its development according to the state's wider political agenda.

The Chinese Communist Party believes that it is imperative that the party keeps absolute control of the country, as anything less could lead to destabilisation. The current Chinese regime is wary of any dissidence, either domestically or under foreign influence, which might lead to political turmoil, economic downturn and suffering of the people. The government is doing everything possible to avoid the bad experiences of modern Chinese history to repeat themselves. To the Chinese government, stability is of such paramount importance that the country's collective interests are emphasised over the interests of the individual, which are associated with social instability and disorder. Therefore, outbound travel by individuals will be allowed to flourish as long

as it continues to serve the wider national interests of the country and it does not undermine national stability.

9.3.3 Roles of the Chinese Government

The Chinese government sees that it has a key role to play in coordination, planning, legislation and regulation, entrepreneurship, stimulation, developing social tourism, and interest protection. The government plays a very active part in coordination with different departments, planning, and handling legislation and regulation. The government as a whole has embarked on the restructuring of state-owned enterprises including travel-related organisations such as airlines and travel agencies. The Chinese government seems to be selective in allowing stimulation or promotion by destinations, and shows bias towards Hong Kong and Macau in granting the two SARs the Individual Visit Scheme. The Chinese government is peculiar in actively supporting outbound tourism trade shows, and this may have as much to do with exercising control of the market place as it has to do with stimulating foreign travel. Social tourism in China takes on a different format with large delegations travelling on public or organisational funding. Such phenomenon can be considered as social tourism in disguise. The Chinese government is very particular about reciprocal rights when it comes to negotiation of tourism arrangements. The current tourism market is not without issues, and there is much room for enhancing travellers' consumer protection by the government and the industry.

9.3.4 Different Forces at Play

It is found that there are different forces in the macro-environment at play in China's outbound tourism market. The major forces at play are: competitive, demographic, economic, technological, cultural, natural and political. Among the seven forces, political force or state control is the strongest at the moment. To consider those forces that are not directly political, competition is a significant factor in Chinese outbound tourism. A total of 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.

In terms of demographics, China's 22 percent 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 research also notes 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 251 million people live in the urban areas of the top 10 regions in China.

The two other significant forces at work 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 more than 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.

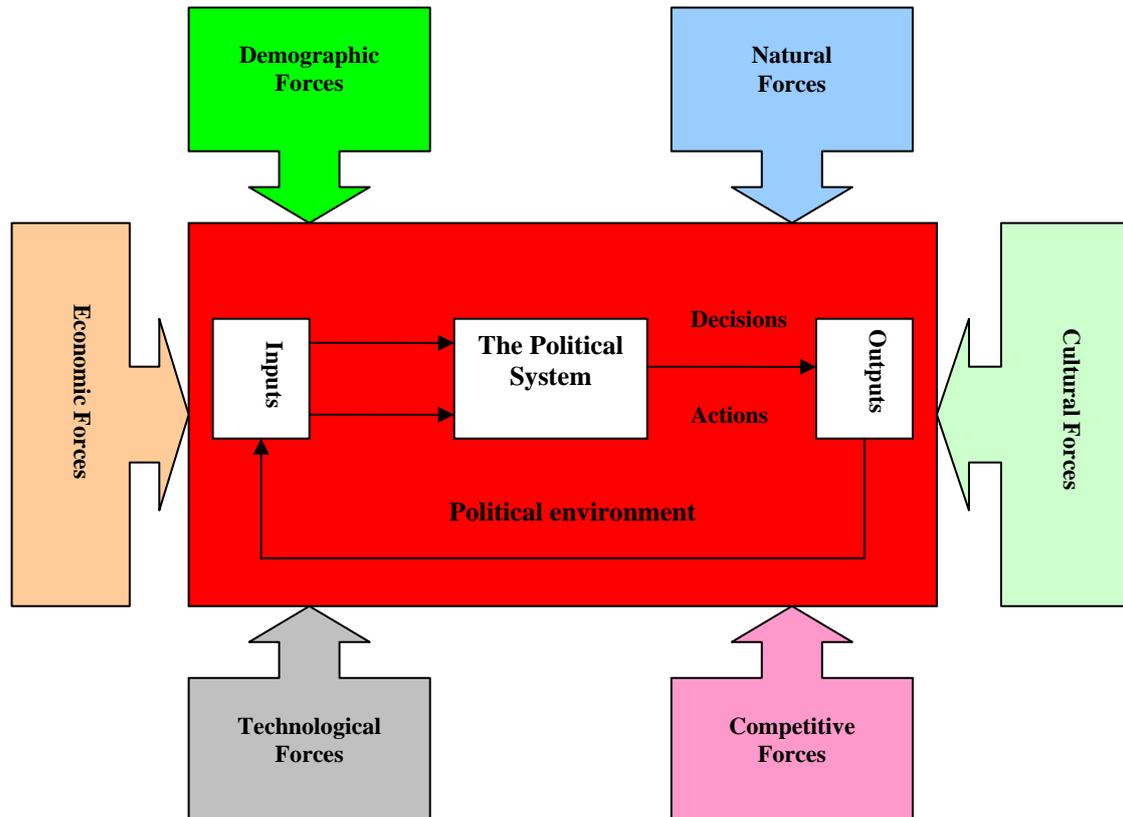
Given the large geography of China and its history of natural disasters, it is not unexpected that outbound tourism is occasionally interrupted by such unfortunate incidences. Natural disasters often have a dampening effect on outbound tourism and they may give rise to the sentiment of curtailing official overseas visits.

9.4 The Model

The thesis begins with Easton's model of a political system as described in Chapter Five. The model portrays the political system to be dynamic in nature without reaching an equilibrium state. Demands and supports from within and outside the system influence the decision making. The policy outcome as a result of the decision making affects the political environment, which, in turn, affects demands and supports. With new demands and supports, there are new decisions made, and the process goes on. The system is active and the process never ending.

In applying Easton’s model to explain China’s outbound tourism, the thesis also considers all the competitive, demographic, economic, technological, cultural, natural and political forces in the conceptual framework by Kotler, Bowen & Makens as explained in Chapter Eight. The political force is of such paramount importance that it is at the centre of all major tourism policy decision-making. The other six forces are “demands” and “supports” acting upon the political system that makes policy decisions, including the tourism policy. The model is dynamic in nature with the different forces acting upon the political system, decisions and actions, with the policy outcome affecting the political environment, and the political environment affecting the inputs to the political system. The forces acting upon the political system may change over time, affecting the inputs to the political system, hence the decisions and actions, and the process goes on producing dynamic changes. Figure 9-1 shows the model of China’s outbound tourism policy-making process developed in this thesis.

Figure 9-1: Model of China’s outbound tourism policy-making process



Source: Original for this thesis

The reality unveiled in this thesis is the dynamic interaction among the seven forces in shaping the trends and patterns of outbound international tourist flows in China. There are five characteristics about this tourism policy-making model:

First, the seven forces may be positive or negative in influencing the decision making and the policy outcome. While the analysis in Chapter Eight shows that the competitive, demographic, economic, technological, natural and cultural forces are largely positive, acting as catalysts for outbound tourism in China, it should be noted that the situation may change in future. For example, the age composition of a country will change, an aging population will not be conducive to international travel, and the demographic forces become negative. The trade balance may turn negative, foreign reserves may be drained, and the economic forces become negative. People may become more interested in domestic travel, and cultural forces may become less favourable towards outbound travel. Although political forces in China are currently associated with top-down control of outbound tourism, the Chinese government may see the need to use outbound tourism in further strengthening its soft power, and consequently the political forces could become more positive in future.

Second, the political system is itself a strong force with interaction and counteraction with the six forces from outside. For example, political forces dominate the expression of opinion in the media, and hence influence cultural forces. Political forces determine the economic blueprint of the country in setting economic targets, and thus set the parameters for economic forces. Political forces adjust the degree of openness of the market, and thus affect competitive forces. Political forces establish such policies as one-child family policy, and hence manipulate demographic forces. Political forces determine what technology and portals are allowed in China, and thus restrain the technological forces. Political forces establish the national response to natural disasters, and thus moderate the natural forces. These six forces, namely, competitive, demographic, economic, technological, natural and cultural, although not entirely under the control of the Chinese government, interact and counteract with the political forces, which are government controlled or managed.

Third, the forces vary in their power and intensity depending on circumstance. In examining the roles played by the Chinese government in outbound tourism, it is clear that the government has many important political considerations. There are internal political considerations such as stability and harmony, income disparity and relationships with Taiwan, Hong Kong and Macau. There are external political considerations such as relationships with the US, international status (or soft power in the Chinese government's words), and trade frictions. As a socialist state, China is exercising top-down control of outbound tourism, and the political forces are currently the dominant ones in shaping the outbound international tourist flows.

Fourth, the model is a dynamic one with the different forces acting upon the political system, decisions and actions, with the policy outcome affecting the political environment, and the political environment affecting the inputs. The forces acting upon the political system may change over time, affecting the input to the political system, decisions and actions, and the process goes on producing dynamic changes.

Fifth, the government has control over the political system and can use it to moderate, adjust, amplify, or counteract the other six forces. The political system outputs, such as introduction of regulations, selective application of regulations, use of rhetoric, direction from the party, and administrative mechanisms such as tying outbound with inbound, are powerful ways to counteract effects of the other six forces. As China is moving from a central-planning economy to a market-driven economy, it is expected that the economic forces at times may contradict the political forces. The contradiction manifests in phenomena such as industry malpractices, the government organisation of trade shows, policy favouring Hong Kong and Macau, and political intervention in the hostile bidding of airlines as recently seen in the attempted takeover of China Eastern Airlines by Singapore Airlines. The current situation of China's outbound tourism policy-making highlights the dialectic interaction of political forces (representing state control) and economic forces (representing market economy).

9.5 Limitations of the Research

As a piece of qualitative research work, this thesis does not prove or disprove anything. There is no hypothesis to be accepted or rejected. The research uses inductive thinking grounded on data, observation, information and reports, to analyse China's outbound tourism and develop a theoretical model to explain the phenomena. The findings and model generated apply to China only, and cannot be generalised. The researcher takes a keen interest in the research subject and the analysis is not value-free. The researcher is conscious of his own values, attitudes and perspective to the research material being presented.

However, the richness and depth of discussion in this thesis should be able to compensate for the lack of precision and definitiveness in the study. Being informed by the interpretive social sciences paradigm, the research findings of the thesis are specific to the people and phenomenon being studied and are not representative of the wider population. The research provides an in-depth knowledge of China's outbound tourism phenomenon that is grounded in the empirical world – a world where there are multiple realities rather than only one “truth”.

9.6 Conclusion

China's economic rise over the past two-and-a-half decades has been nothing short of spectacular and is among the most important developments in recent world history. China is now an economic giant and a formidable global political power. China's economy has already surpassed Japan's to become the second largest in the world and it may well overtake the US as the world's largest economy within the next quarter century. This ongoing Chinese 'economic miracle' is inextricably bound up with the country's move from a socialist economy to one that is ever more capitalist in nature, a transformation that began in the 1980s and has accelerated since 2001, the year China became a member of the World Trade Organization. (Weston 2007: 68)

The prognosis of the World Bank is that by the year 2020, China will be the largest economy in the world - about 25 percent larger than that of the US, which will be in second place (World Bank 1994, cited by FitzGerald 1997: 140).

As a China scholar and Australia's first Ambassador to the People's Republic of China, FitzGerald believes that China politics is inherently unstable and the country has massive problems. But, his view is that there are more factors that suggest that China is going to meet the World Bank's prediction than there is evidence of collapse, and he has urged people to recognise and be prepared for "A Chinese World". According to his analysis (FitzGerald 1997: 146-151), these positive factors are as follows:

1. China has a track record of 30 years of rather extraordinary effective economic and political management since Mao died. This has included the dismantling of communal agriculture, the introduction of modern education, the dismantling of an irrational socialist pricing structure, the establishment of a realistic exchange rate, the opening of industry to foreign participation, and the attraction of foreign investment, etc.
2. There is a large group of Chinese tycoons in Hong Kong, Taiwan and Southeast Asia advising and guiding the Chinese leadership
3. There is strong networking of families and their extended connections and alliances in the government, which contributes to stability
4. Chinese are materialistic by birth. Pursuit of material goods and getting rich are now open to everyone to seek. Political stability is favoured in the interest of materialistic freedom
5. The Chinese tradition of hard work is rewarding people, and also helping them to get rich
6. The population of Chinese residing outside of the mainland now amounts to over 60 million. Many of them in Hong Kong, Taiwan, Malaysia, Singapore and Thailand

happen to control much of the financial resources and are now involved in major investments in China

7. The Chinese system has evolved into a kind of Chinese federalism, which cushions the tensions between the centre and the provinces and distributes powers and functions in a more satisfactory way
8. Chinese nationalism is hardening across the country. Nationalism in turn reinforces Chinese collectivist solidarity

The above eight factors set the stage for the development of politics, economics and lifestyle in China, and outbound tourism is a subset of politics, economics and lifestyle. Nevertheless, there are specific forces shaping the outbound international tourist flows, i.e., cultural, demographic, economic, technological, competitive, natural and political forces. Some of the forces are positive, some are negative, and some are dialectic at times.

9.6.1 Dialectic Forces Shaping Outbound International Tourist Flows

From historical and economic perspectives, there is a pent-up demand for outbound travel among the 1.3 billion Chinese. The desire to travel is very much exacerbated by some incidents in modern history such as the Cultural Revolution, political instability and the return of Hong Kong and Macau's sovereignty to China. As a result of the "open-door" policy since 1978, China has embarked on a series of reforms and liberalisation. State-owned enterprises, including travel agencies and airlines, have been reformed to become more market-driven, profit-conscious and consumer-oriented. The travel market has become very active with the growth in demand, not just for leisure travel but business travel as well. As disposable income increases and with more leisure time available, it is only natural that more people demand travel. Many destination countries target Chinese travellers and actively promote their destination in China with aggressive marketing. The advances in information technology and the internet mean that destination information can be made available to potential Chinese travellers easily. Together with the relaxation on the control of foreign exchange and the widespread use of credit and debit cards, all these

factors in a market-driven economy are positively encouraging the flow of international tourists from China.

However, Deng Xiaoping's "Socialism with Chinese characteristics" and Jiang Zemin's "Socialist market economy" also mean that outbound tourism is not left to operate freely without intervention. The state remains in control of outbound tourism, exercised in the name of outbound tourism policy. The policy of the ADS scheme controls the destination of Chinese travellers, and the regulations control the number of outbound travellers by tying it with inbound tourism. The policy of "scrutinising", or oversight control, of the travel trade means that the government sees that market-driven economy alone does not work well in promoting "healthy" tourism in a "desirable" manner. Clearly the government view is that there are malpractices in the travel trade that have to be fixed, and the state has to look after the consumer interest. On the other hand, consumer travellers have to be educated as in some instances their behaviour has gone beyond certain limits and created an adverse image for the country. Outbound tourism is important as a political tool in demonstrating China's diplomatic power, as shown in its relationships with Hong Kong, Macau and Southeast Asian countries. Engaging Taiwan as a tourist destination is important in view of the long-term goal of re-unification. Negotiation of ADS with the US was conducted like a political tug of war, which was a reflection of the wider trade and political issues at stake.

Outbound tourism in China is shaped by the dominant forces of a market-driven economy and state control. These are two dialectic forces promoting and checking the outbound international tourist flows from China. As Fewsmith (2001) alludes to, Jiang Zemin wants the economic benefits that liberals argue for, such as greater competition and more emphasis on law, without the political effects of democratisation for which they hope. Regarding outbound tourism, this means that the state will let the market forces play in developing the industry, but the state will maintain the ultimate control, and it will not hesitate to intervene to "correct" its path.

The model described in this chapter summarises the different forces shaping the outbound tourism policy-making process in China, with political and economic forces being the dominant ones, and the other forces being cultural, demographic, competitive, natural and

technological. Given the high accord set by the state to maintaining stability and harmony, the leadership tends to move cautiously, avoiding extreme changes that may be destabilising, hard to reverse, and capable of jeopardising economic and political stability. Dougan (2002) labels this cautious and incremental nature of change “gradualism”. The thesis postulates that the state has maintained and will continue to maintain its political forces and system to moderate other forces in order to ensure a smooth and gradual opening up of its outbound tourism.

9.6.2 Challenges Ahead

In the analysis of China’s outbound tourism, several challenges can be identified, and these challenges can only be addressed by the government.

First, consumer protection lags far behind what is needed. As Yu, Zhang & Lew (2003) advocate, appropriate government strategies and policies will be key to the future success of the country’s tourism industry, and instead of the current policies that focus on increasing numbers of international arrivals, greater efforts should be made to improve the productivity of the industry. Communication between the government and local population with an emphasis on education should be promoted in order to avoid or reduce the negative impact of tourism. The large base of inexperienced and hence ignorant potential travellers could be taken advantage of by some unscrupulous operators and sometimes become victims of the immature outbound travel industry. Such immaturity leads to unethical business practices and serious concern in destinations including Australia (King, Dwyer & Prideaux, 2006). More regulations and insurance specific to protecting travellers should be considered and instigated by the government.

Second, widening income gap and wealth disparity among social groups are major considerations for the government in further opening up outbound tourism. According to Crick (1989), tourism is the conspicuous consumption of resources accumulated in secular times, its very possibility, in other words, is securely rooted in the real world of gross economic inequalities between nations and classes. Is China ready to embrace such a capitalist product in its transition from a planned economy to a market economy? The Chinese government has to deal with the difficult task of ensuring a stable and harmonious

society despite large inequality in wealth - letting the relatively well-to-do spend on holiday experiences while some people are still struggling for the basic necessities. How does China come to grips with such social phenomenon with its egalitarian socialist values?

Third, it seems that the tourism industry can play a more active and important role in regulating outbound tourism. While the government is playing coordination and regulation roles, industry leadership is rather invisible. As the government imposes new regulations and control measures, the industry tries to beat the government by finding loopholes. The government and the industry are reactive in the sense that they take on each other as a target. Perhaps the government should encourage and make room for self-regulation by industry bodies such as China Tourism Association, China Association of Travel Services, China Tourist Hotel Association, and China Tourism Automobile & Cruise Association.

Fourth, the government could learn from Japan's experience in managing the country's potential negative image as a result of outbound tourism. China's outbound tourism is already showing gravitation towards superficial sightseeing in a group tour, poor manners, disrespect for local customs, and at times, illegal overstaying. Perhaps manners and respect for local customs are better taught by practice rather than by indoctrination or propaganda. It is therefore desirable to open up outbound travel and let the people learn and grow as international travellers.

9.6.3 Should China Further Open Up Outbound Tourism?

Franklin (2004) suggests that it is nationalism as an ordering that leads to tourism ordering. This thesis concludes by borrowing Franklin's concept in advocating that China should further opens up outbound tourism as a new ordering based on nationalism considerations.

Chinese people are fortunate to have had a considerable period of peace and stability over the past 30 years after more than 100 years of political turmoil and civil wars. A lot of Chinese people want to make up for lost time. Seeing the outside world is one way to make this up, and leisure travel can be seen as a way to reward those who have worked hard. The Chinese government could show more sympathy to such sentiments.

Individualism and emancipation as two main themes influencing western civilisation are also at play in China. Individualism as *the desire that goes beyond the awareness of one's talents and demands room to improve them* (Barzun 2001: 60) and emancipation as the power of *full-blown individual wielding a panoply of rights, including the right to do 'his own thing' without hindrance from authority* (Barzun 2001: xv) have been seeping into the ideology in China since the “open-door” policy in the late 1970s. The Chinese are no different to those in the west in their pursuit of individualism and emancipation. More and more people in China expect freedom to travel as a basic human right, and this is a trend that is very difficult to reverse.

Outbound travel is not just a leisure activity, and it is education as well. Given the “closed-door” policy for over 100 years before 1970, China has a lot of catching up to do. In addition to formal education, outbound travel to certain destinations can be used as a means of live education. There is no better way to teach cleanliness than experiencing cleanliness, no better way to teach politeness than experiencing politeness, no better way to teach respect than experiencing respect, and no better way to teach hospitality than experiencing hospitality. The Chinese government should be able to see the social benefit of outbound tourism.

The Chinese government recognises that tourism symbolises soft power. According to Nye (2004), soft power is the ability to attract, and getting others to want the same outcomes you want. Soft power uses cultures, values and foreign policies as currency, as opposed to using forces in hard power. While China continues to strengthen its hard power, it could also use the country's values and policies to increase the probability of obtaining its desired outcomes on the international front. On one hand, it is generally accepted that outbound tourism is an import in terms of trade. On the other hand, outbound tourism can also be considered as an export in terms of cultures and values. Outbound tourism from China could be a strong statement of soft power because it not only directs income to a destination, it exports Chinese culture and values to other countries and regions as well. The strong association between diplomacy and outbound tourism adds clout to China's command of soft power.

China should pride itself not just in its economic achievements, but also in being able to lead the world for peaceful and sustainable development. Furthermore, China should be confident in its civilisation and the natural resilience of its own values. *A civilisation is strong in proportion to its capacity to tolerate within itself what is foreign to itself* (Ryckmans 1996: 52). As one of the oldest and richest civilisations in the world, China should be confident of what it stands for and it is not necessary to defend and surround the country with walls separating the Chinese from the “foreigners”. By acknowledging the freedom to travel as a human right the Chinese government can also earn higher respect internationally.

Japan and Korea took a completely different stance to outbound tourism after their Olympic Games in 1964 and 1988 respectively, by not just relaxing their outbound restrictions but encouraging outbound travel as well. Although China is at a more developed stage in 2008 than Japan and Korea were in their respective Olympic years, the Beijing 2008 Olympic Games could become a watershed for the country to take a fresh and more liberal look at outbound tourism. Let “One World, One Dream” also inspire China towards further opening up of outbound tourism, and thus contributing to peace, harmony and happiness.

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APPENDIX

This appendix documents *The Administrative Measures for Chinese Citizen Outbound Travel* as translated by the researcher for the purpose of understanding the government policy on outbound tourism. The statements indicating central government's tight control are highlighted and underlined by the researcher.

1. These Measures are formulated for the purpose of administering Chinese citizen outbound travel organised by travel agencies and safeguarding the lawful rights and interests of the tourists and operators of outbound tours.

2. The countries with approved destination status shall be proposed by the tourism administration department of the State Council jointly with the relevant departments of the State Council and published by the tourism administration department of the State Council after submission to and approval by the State Council. No unit or individual may organise tours for Chinese citizens to countries other than the countries with approved destination status published by the tourism administration department of the State Council. Organising temporary tours for Chinese citizens involving sports, culture or other special activities to countries other than the countries with approved destination status published by the tourism administration department of the State Council shall be subject to the approval of the tourism administration department of the State Council.

3. A travel agency that is to operate the business of outbound tours shall meet the following requirements:
 - (i) Operate for at least one year since it obtained the qualification as an international travel agency
 - (ii) Outstanding performance in the business of inbound tours
 - (iii) Good record without any serious law-breaking acts and major problems in service quality

4. A travel agency that applies for operating outbound tours shall submit an application to the tourism administration department of the province, autonomous region

or municipality directly under the Central Government, which shall, within 30 working days from the date of accepting the application, finish the examination thereof in accordance with the requirements set forth in Article 3 of these Measures. Upon examination, if the application is approved, it shall be submitted to the tourism administration department of the State Council for approval. If the application is denied, the applicant shall be informed in writing with the reasons. The tourism administration department of the State Council shall approve travel agencies applying for operating outbound tours on the basis of tourism development plans and the need for rational distribution. Without approval from the tourism administration department of the State Council, no unit or individual may operate outbound tours or conduct such operation in the disguise of business, study or training trips.

5. The tourism administration department of the State Council shall publish the name list of the travel agencies that have obtained the qualification for operating outbound tours (hereafter referred to as authorised travel agencies) and circulate such list among the relevant departments of the State Council.

6. The tourism administration department of the State Council shall, on the basis of the nationwide performance of inbound tourism in the previous year, the increase in the number of destination countries and the trend of outbound tours, determine by the end of February each year the annual quotas of outbound tourists, and allocate such quotas to the tourism administration departments of the provinces, autonomous regions and municipalities directly under the Central Government. The tourism administration departments of the provinces, autonomous regions and municipalities directly under the Central Government shall, on the basis of the performance in operating inbound tours in the previous year, operation capacity and service quality of each authorised travel agency in their respective administrative areas, determine by the end of March each year the annual quotas of outbound tourists to be allocated to each authorised travel agency in a fair, just and open way. The tourism administration department of the State Council shall supervise the determination of the annual quotas of outbound tourists to be allocated to authorised travel agencies by the tourism administration departments of the provinces, autonomous regions and municipalities directly under the Central Government, as well as the organising of outbound tours by authorised travel agencies.

7. The tourism administration department of the State Council shall prepare and print the standard form of Chinese Citizen Roster of Outbound Tourist Groups (hereafter referred to as the roster), and, when allocating the annual quotas of outbound tourists, serially number such rosters and distribute them to the tourism administration departments of the provinces, autonomous regions and municipalities directly under the Central Government, which shall further distribute such rosters to the authorised travel agencies. Authorised travel agencies shall organise tour groups to foreign countries in accordance with the quotas of outbound tourists allocated to them and fill out the roster. Both the names of the tourists and the group leader shall be stated on the roster, regardless of whether the person has travelled out of the country before. No person may be added to the roster after it has been verified.

8. The roster shall be in quadruplicate. One copy shall be for the exit border inspection, one for the entry border inspection, one for examination by the tourism administration department and one to be kept by the travel agency. The authorised travel agency shall, in accordance with the relevant provisions, submit the roster to the relevant departments for examination and record when the tour group leaves or enters the Chinese territory and after such tour group re-enters the Chinese territory. Foreign currencies needed for outbound tours shall be handled by the tourists themselves in accordance with the relevant provisions of the State.

9. Tourists holding valid passports may go through the formalities for their outbound tours directly with the authorised travel agencies; those without valid passports shall obtain the passports in accordance with the relevant provisions of the Law of the People's Republic of China on the Exit / Entry Control of Citizens before going through the formalities for their outbound tours. Authorised travel agencies shall handle the exit formalities for their tourists, including their visas for entering destination country.

10. Authorised travel agencies shall appoint a full-time leader for each tour group. Group leaders shall pass the examination by the tourism administration department of the province, autonomous region or municipality directly under the Central Government, and obtain the tour group leader pass. Group leaders shall wear their tour group leader pass

while leading groups, and comply with these Measures and other relevant provisions of the tourism administration department of the State Council.

11. Members of a tour group shall leave and enter the Chinese territory together as a whole at the open ports designated by the State. Tour groups, when leaving or entering the Chinese territory, shall be subject to the inspection of their passports, visas and the roster by the border authority. Upon approval by the relevant departments of the State Council, tour groups may go through the formalities for visas in destination country in accordance with the relevant provisions of that country. Where it is decided before departure that the group members will re-enter the Chinese territory in several batches, the authorised travel agency shall report the situation for the record in advance to the general exit and entry border authority or the provincial public security and border department. Where a tour group, after leaving the Chinese territory, needs to re-enter the Chinese territory in several batches as the result of *force majeure* or other special reasons, the group leader shall notify the authorised travel agency promptly and the authorised travel agency shall report the case for the record to the general exit and entry border authority or the provincial public security and border department.

12. Authorised travel agencies shall safeguard the lawful rights and interests of tourists. The information on outbound tour services provided by authorised travel agencies must be true and reliable, and no false publicity shall be conducted. The price offered shall not be lower than the cost.

13. In operating the business of outbound tours, authorised travel agencies shall sign written tour contracts with their customer tourists. The tour contract shall specify the starting and finishing time of the tour, itinerary, price, accommodation, transportation, and the liability for breach of contract. The tour contract shall be in duplicate, with one copy kept by the authorised travel agency and the other by the tourist.

14. Authorised travel agencies shall provide services to tourists in accordance with the conditions stipulated in the tour contracts. Authorised travel agencies shall guarantee that their services comply with the tourist personal and property safety requirement. In case of

potential danger to the tourists' personal safety, they shall make true disclosure to the tourists and give explicit warnings, and take effective measures to prevent danger.

15. In organising outbound tours, authorised travel agencies shall choose reputable travel agencies legally established in the destination countries (hereafter referred to as local land operators), and conclude a written contract with them before entrusting them with the land operation.

16. Authorised travel agencies and leaders of the tour groups shall require the local land operators to arrange the tours in accordance with the agreed plan for group activities, not to organise tourists to take part in any sexual, gambling, drug-taking or dangerous activities, not to change the itinerary or reduce tour items without consent, and not to force or force under disguise tourists to take part in activities with additional charges. Where the local land operators violate the requirements posted by the authorised travel agencies and leaders of the tour groups in accordance with the provisions of the preceding paragraph, the authorised travel agencies or leaders shall stop such violations.

17. Tour group leaders shall explain to tourists the relevant laws of the destination countries, their customs and things that need attention, and respect tourists' personal dignity, religious beliefs, customs and habits of ethnic groups.

18. When leading tourists in journey or sightseeing, tour group leaders shall make true disclosure of potential danger to tourists and give explicit warnings, and take effective measures as required by the authorised travel agency to prevent any danger.

19. Where a tour group encounters special difficulties or security problems outside the territory, the tour group leader shall report the situation promptly to the authorised travel agency and the Chinese embassy or consulate in the destination country. The authorised travel agency shall promptly report the situation to the tourism administration department and the public security organisation.

20. Tour group leaders shall not collaborate with local land operators, tour guides, or other commodity or service providers in order to cheat tourists or force them to consume,

and shall not ask for rebates or deductions or accept money or property from local land operators, tour guides, or other commodity or service providers.

21. Tourists shall comply with the laws of the destination countries and respect the local customs and habits, and accept the management of the tour group leader.

22. Tourists are strictly forbidden to overstay abroad. For those who overstay abroad, the tour group leader shall report the situation promptly to the authorised travel agency and the Chinese embassy or consulate in the destination country, and the authorised travel agency shall promptly make a report to the public security organisation and the tourism administration department. When the relevant department handles such matters, the authorised travel agency has to cooperate.

23. Tourists have the right to complain to the tourism administration department against any act violating the provisions of these Measures by the authorised travel agencies or tour group leaders.

24. Where tourists' lawful rights and interests suffer as the result of a breach of the contract by the authorised travel agencies or by the local land operators, the authorised travel agencies shall assume the liabilities of compensation to the tourist.

25. Where an authorised travel agency comes under any of the following circumstances, the tourism administration department may suspend its outbound tour business; if the circumstances are serious, the tourism administration department shall revoke its qualifications for operating outbound tours:

- (i) its inbound tour business drops
- (ii) it fails to conduct outbound tour business within one year because of its own problems
- (iii) complaint is lodged against the travel agency for its poor outbound tour service and the complaint is found to be supported
- (iv) it evades or illegally purchases foreign exchange

- (v) it resorts to deception or trickery in the name of tourism in order to obtain passports, visas or other exit or entry documents, or help other persons to leave the Chinese territory
- (vi) it commits acts that are confirmed by the tourism administration department of the State Council as affecting the order of Chinese citizens' outbound tours

26. Where any unit or individual, in violation of the provisions of Article 4 of these Measures, operates outbound tours without approval or conducts such operations under the disguise such as business, study or training trips, the tourism administration department shall order the violator to stop such illegal operations, confiscate the illegal income and concurrently impose a fine of not less than two times but not more than five times the illegal income.

27. Where any authorised travel agency, in violation of the provisions of Article 10 of these Measures, fails to appoint a full-time leader for the tour group, the tourism administration department shall order it to make corrections and impose a fine of not less than RMB5,000 but not more than RMB20,000, and may suspend its qualifications for operating outbound tours. If it fails to appoint a full-time group leader many times, its qualifications for operating outbound tours shall be revoked.

28. Where any authorised travel agency, in violation of the provisions of Article 12 of these Measures, provides false service information to tourists or offers a price lower than the cost, the administrative department for industry and commerce shall penalise it in accordance with the relevant provisions of the Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers or the Law of the People's Republic of China on Countering Unfair Competition.

29. Where any authorised travel agency or tour group leader, in violation of the provisions of Article 14 or Article 18 of these Measures, fails to make true disclosure to the tourists of the potential danger and give explicit warnings, or fails to take measures to prevent such dangers, the tourism administration department shall order the violator to make corrections and give it a warning. If the circumstances are serious, the qualifications of the authorised travel agency for operating outbound tours shall be suspended and a fine

of not less than RMB5,000 but not more than RMB20,000 shall be imposed, and the tour group leader's pass may be suspended or even revoked. In case of casualties, investigation shall be carried out to determine criminal responsibility and liability of compensation.

30. Where any authorised travel agency or tour group leader, in violation of the provisions of Article 16 of these Measures, fails to require the local land operator not to organise tourists to take part in any sexual, gambling, drug-taking or other dangerous activities, not to change the itinerary or reduce tour activities, and not to force or force under disguise tourists to take part in activities with additional charges, or fails to stop the local land operator violating the above-mentioned requirements, the tourism administration department shall impose on the authorised travel agency a fine of not less than two times but not more than five times the fee it has collected for organising the tour group, suspend its qualifications for operating outbound tours, and suspend the tour group leader's pass. If such case gives rise to bad influences, the qualifications of the authorised travel agency for operating outbound tours and the tour group leader's pass shall be revoked.

31. Where any group leader, in violation of the provisions of Article 20 of these Measures, collaborates with local land operators, tour guides or other commodity or service providers in order to cheat or force tourists to consume, or asks for rebates or deductions or accepts money or property from local land operators, tour guides or other commodity or service providers, the tourism administration department shall order him to make corrections, confiscate the said rebates, deductions, money or property, and impose a fine of not less than two times but not more than five times the value of the said rebates, deduction, money or property. If the circumstances are serious, the tour group leader's pass shall be revoked.

32. Where, in violation of the provisions of Article 22 of these Measures, any tourist overstays abroad and the tour group leader fails to report such situation promptly to the authorised travel agency and the Chinese embassy or consulate in the destination country, or the authorised travel agency fails to report such situation promptly to the relevant department, the tourism administration department shall give a warning, and may suspend

the tour group leader's pass and suspend the authorised travel agency's qualifications for operating outbound tours. Where any tourist has been repatriated for his overstaying abroad, the public security organisation shall revoke his passport.

33. These Measures shall be effective as of 1 July 2002. The Interim Measures Concerning Administration of Self-Funded Outbound Tours by Chinese Citizens promulgated by the National Tourism Administration and the Ministry of Public Security on 1 July 1997 and approved by the State Council on 17 March 1997 shall be repealed simultaneously.