

Country snapshot

Beyond the wall

China reveals its hidden tourism potential

The Great Wall twists for nearly 2,000 miles until it finally disappears into the Pacific Ocean. Behind it lies a country emerging from an isolated past, full of contrasts and contradictions, but also ripe with opportunity for the tourism industry.

For a country that kept itself in virtual seclusion until a little more than a century ago, China did not hesitate in making up for lost time when the world came calling.

Today it's one of the world's fastest growing economies. The international press is filled with stories of China's meteoric rise. Not only is China's position as a manufacturing powerhouse and low-cost sourcing marketplace essential for growth, the tourism industry is unquestionably becoming a driver for the country's economic development.

Over the past few years, world tourism has weathered war, terrorism and disease. But depression in the global industry has not dampened China's increasing success, both as a travel destination and a source of outbound tourists.

Enter the dragon's lair

Until the late nineteenth century, China was virtually a closed society. Apart from occasional forays by the ruling elites of

Mongol and Manchuria, the only foreigners who braved its uncharted territory were a few pioneering merchants from far-flung shores and nomads from the wild steppe.

When the tourism industry was given a kick start in 1978, only 1.8 million visitors entered the country and its tourism market ranked 48th in the world¹. By 2002, China had established itself as the fifth most popular tourist destination behind France (the world number one), Spain, the USA and Italy according to the World Trade Organisation. In 2003 it maintained that ranking, attracting 33 million visitors. These impressive figures were achieved despite the SARS outbreak in early in that year.

In the first eight months of 2004, 71 million overseas travellers visited China and tourism revenue rose by 42% over the previous year, to US\$15 billion². The World Tourism Organisation forecasts that China will become the number one tourist destination by 2020.

Modernism meets tradition

One reason China may be so popular now as a leisure destination is pent-up demand. Trying to make up for lost time, the country has opened up more sites each year, such as newly restored ancient temples and sections of the Great Wall.

Not only is China a place of ancient civilization and customs, but it's also at the cutting edge of cool modernity. High-speed trains whisk you from one end of the country to another with astonishing ease. You can catch sight of a farmer tending his paddy field, then turn the corner and find yourself next to a neon-festooned electronic games parlour in the suburb of a sprawling metropolis. One day you could be browsing through fashions in the biggest department store on earth, the next trudging the rough gravel steps of the Great Wall, or revelling in the beauty of nature in Shangri-La. The vast diversity of the country has attracted city lovers as well as travellers looking for a bit of adventure.



The introduction of major international sporting events such as the Formula 1 racing Grand Prix, the Heineken Tennis Open and the China Open golf tournament have also attracted sporting enthusiasts into the country with money to spend. The Beijing Olympics in 2008 is expected to generate millions of dollars for China's already booming economy.

With its impressive growth record and status as a rising manufacturing and sourcing powerhouse, China's business tourism is also on the rise. The China National Tourism Administration estimates that business tourism accounted for 25% of the inbound travel market, and this sector is expected to grow exponentially.

The domestic tourism market is also expanding robustly. Gross Domestic Product (GDP) grew by 9.1% in 2003, resulting in falling unemployment and a wealthier population with disposable income that makes both domestic and foreign travel a realistic aspiration. Real urban incomes grew by an average of 10.8% a year between 1999

and 2003, helping the Chinese to become a major force in the world tourism market.

Outward bound

According to the Economist Intelligence Unit, in 2003 alone some 20 million outbound Chinese travellers generated US\$15.8 billion for the world tourism industry. China National Tourism Administration statistics show that in the first seven months of this year, the number of outbound Chinese tourists had already reached 16 million, increasing 63.7% over the same period last year. These numbers are expected to grow to 100 million by 2020, which would make China the world's fourth largest supplier of tourists³.

This growth in international travel is triggered by an increasingly relaxed tourism policy. Currently, the Chinese Government still restricts the destinations its citizens can travel to. Foreign countries must have 'Approved Destination Status' (ADS) before government-sanctioned tour operators can organise tour groups to visit. Chinese wishing to visit countries without ADS status must go

through the long and complicated process of applying for special visas, normally requiring an invitation letter from the host country.

An increasing number of foreign countries have been granted ADS status over the past year, including nine African countries in October 2004 and 27 European countries in September: the single largest expansion to the ADS list. Although it only recently achieved ADS status, Europe was among the top travel destinations for Chinese during the October National Day Golden Week holiday. During this same period, fewer Chinese chose to visit South-East Asia, the traditional destination for the first significant wave of outbound Chinese tourists due to its early ADS status.

Welcome strategies

Recognizing China's importance in the tourism market, some countries have been quick on the uptake. Singapore has teamed up with Citic Industrial Bank allowing Chinese tourists to submit visa applications at the bank's branches, in an effort to promote Singapore as a travel destination. In September, Vietnam



started allowing Chinese to travel without visas throughout the country, rather than just to seven designated cities.

The Chinese market is definitely worth fighting for, if only for its sheer mass. International hotel chains have been quick to jump on the bandwagon, by including China in their annual forecasts and expansion plans. As a major contributor to overall improved economic performance in Asia, China is of utmost importance to any global hotel company hoping to stay ahead in the race for occupancy.

Marriott International Inc recently unveiled plans to manage a hotel in Guangxi province, in line with the Chinese Government's efforts to develop the South-Eastern region of the country. The InterContinental Group – which includes The Holiday Inn, Crown Plaza and InterContinental hotels – already has 45 properties in China and is hoping to include another in Inner Mongolia by the end of 2004 and three other Crown Plaza hotels in Guangdong and Tianjin by the end

of 2005. A relatively late-comer is the Le Meridien chain which has announced that it is on a global expansion drive and intends to land on Chinese soil by 2005.

The list goes on, but it's interesting to note that these plans often include expansion into areas outside the major metropolitan settlements. Hoteliers clearly expect that both leisure and business tourism will expand into these less travelled areas.

Getting off the ground

China's highly regulated aviation industry has traditionally held back the development of the tourism industry. But in the last year there are signs that the government is preparing to relax the current controls.

In September, a Chinese-Singapore consortium announced plans to operate discount airline services from Guangzhou's Baiyun airport. Malaysia's budget carrier, AirAsia, says it is in talks to operate to Chengdu and Kunming. And the US-China Air Services Agreement, signed in June 2004, is set to increase weekly flights by US carriers

by 195, compared to the current 54. Some industry commentators are sceptical about Beijing's willingness to open up the aviation market to competition. However, if these ambitious plans go ahead, it will be a positive step for the tourism industry, both in China and worldwide.

What next for China?

The evidence is clear. China's growing importance in the world and the further expansion of its economy will have a significant impact on the tourism industry. The world's curiosity about China – as a destination for vacations and business alike – as well as its potential as new source of outbound travellers, will no doubt put China at centre stage for years to come. ●

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1. Source: Outlook on Tourism Industry in China, published by China International Economic Consultants (2001).
2. Source: The World Trade Organisation.
3. Source: The World Trade Organisation.