China Outbound Tourism: A Missed Opportunity for the U.S.? 

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China Outbound Tourism – An Overview

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Overview of China’s Tourism Industry

Inbound Tourism

2005 Border Crossing – 120.3 million (up 10.3%)
Foreign tourists – 20.26 million (up 19.6%)
Hong Kong tourists – 70.19 million (up 5.5%)
Macao tourists – 25.73 million (up 17.6%)
Taiwan tourists – 4.11 million (up 11.5%)
2005 Overnight stay tourists – 46.81 million

2005 Inbound tourism receipts - $29.3 billion
(up 13.82% from 2004)

Source: China National Tourism Administration, 2006.
Overview of China’s Tourism Industry

- **Domestic Tourism**
  
  2005 – 1212 million (up 10% from 2004)
  
  Urban dweller – 496 million
  
  Rural population – 716 million

  2005 Domestic tourism receipts - $66.7 billion
  
  (up 12.2% from 2004)

Source: China National Tourism Administration, 2006.
China Domestic Tourism, 1994-2005

Source: China National Tourism Administration, 2006.
Overview of China’s Tourism Industry

- **China Outbound Tourism**
  - 2005 – 31.03 million (up 7.5% from 2004)
  - **Government & business travel**
    - 5.89 million (19% of total)
  - **Private & leisure travel**
    - 25.14 million (81% of total)

Source: China National Tourism Administration, 2006.
China Outbound Tourism, 1992-2005

Source: China National Tourism Administration, 2006.
Factors Influencing China Outbound Tourism

- Increased disposable income
- Increased public holidays
- Rising interest in overseas travel
- Relaxed political restrictions – Approved Destination Status (ADS)
- Revaluation of Chinese yuan
- Increased incentive travel
- Diversified Travel products and services
- Promotions by ADS destinations
The Development of ADS

Approved Destination Status (ADS) – bilateral government agreement defining the responsibilities of organizing China outbound tourist group (a minimum of five tourists) on the parts of the two countries.

Original Purpose of ADS

- Control mobility of Chinese citizens
- Protect the development of domestic tourism
- Limit outflows of foreign currency
The Development of ADS

China has designated 81 ADS by March 1, 2006

- The first ADS in 1983
  Hong Kong & Macao

- Australia – First open to Beijing, Shanghai & Guangzhou residents in 1999, and then to six other provinces in 2004

- United Kingdom – 2005

- The latest five ADS by March 1, 2006
  Mongolia, Tango, Bahamas, Grenada, St. Lucia
Operations of China Outbound Tourism

In China, ADS agreement places the onus on 672 accredited Chinese travel agencies licensed by CNTA

- Travel agency posts a bond with CNTA
- Travel agency pays an annual licensing fee to CNTA
- Liable for tourist overstays
- Screening applicants
- Vet visa applications
- Set deposit amount: varying from $6,250 to $37,500 determined by applicant background and applied destinations
- Passports are sometimes held by tour guide if one is assigned
Operations of China Outbound Tourism

In ADS countries, the host national tourism authority selects and designates qualified travel agencies to handle inbound Chinese tourists.

- Greece – 1492 designated travel agencies
- Germany – 842
- Italy – 724
- Thailand – 384
- Vanuatu – 3

Source: China National Tourism Administration, 2006.
Impact on Global Tourism Development

- 1950s-1960s, U.S. & Europe propelled global tourism market growth
- 1960s-1980s, the 100 million program by Japan
- 2000-2020, the next global tourism boom fueled by China?
  - 2005 – 31 million outbound tourists
  - 2006 – estimated 34 million (CNTA)
  - 2020 – estimated 100 million (WTO)
  - 2020 – new estimate 115 million (CLSA, 2006)
Growing Demand for Leisure Travel to the U.S.

A recent American Express study shows (2006):

Top destinations for overseas travel preferred by wealthy Chinese earning more than ¥120,000 annually ($15,000) in 8 cities ($n=1200)$:

U.S., France, Hong Kong, Australia

Demand for luxury/brand goods
U.S. as an ADS

Currently, primarily two kinds of visitors to the U.S.: business (government and private) and visiting friends and relatives (VFR) (Jang, Yu and Pearson, 2003).

No pure leisure tourists to the U.S.

Immigration issue
How to Open the U.S. Market to China Outbound Tourists?

- Single destination approach such as opening Hawaii first.
- Limiting originating markets to Beijing, Shanghai and Guangzhou only.
- Selecting the top tier market by levying high deposit, from $12,500 to $37,500 depending on the individual applicant.