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## EXECUTIVE SUMMARY

China's outbound tourism has gone through the process of travel to Hong Kong and Macao, travel to the border regions and travel to foreign countries, which officially started in 1990. Subsequently, travel to foreign countries by private Chinese citizens has been growing quickly. From 1998 to 2001, the number of outbound travellers has experienced an annual increase of one million. The number reached 12.13 million in 2001. According to a forecast from the World Tourism Organization, China will have 100 million outbound travellers and become the fourth largest source of outbound travel in the world by 2020.

The official Chinese policy on outbound tourism is one of controlled development. Primarily, the China National Tourism Administration (CNTA) exercises the control, which is the official body in charge of tourism. Chinese tourists are officially only allowed to travel to countries, which have obtained an "Approved Destination Status (ADS) Agreement" with China. Today, the only industrialized countries with an ADS-agreement are Australia and Japan, and Germany is the European country closest to an agreement. However, the negotiations between China and Germany are reportedly in a deadlock at the moment (August 2002). A common European Union (EU) -approach to enter into ADS-negotiations with the CNTA is currently being sought in Brussels. Major obstacles exist, however, to a EU-agreement with China: There are clear differences between the EU and China concerning immigration policy as well as trade policy issues (ADS-agreements include a limitation in the number of tour operators authorized to engage in outbound tourism on both the Chinese and foreign side). Experiences from Australia and Japan show that the ADS-system functions well. It is therefore recommended that these experiences are highlighted to European authorities by the European travel industry.

An important way to promote tourism in China is through establishment of a national tourism office. Currently, nine countries are operating a national tourism office. Offices can be opened by both ADS and non-ADS countries and it is generally becoming easier to establish an office lasting between a half and one year. National tourism offices are only allowed to engage in non-profit activities.

The outstanding features of China's outbound tourist market are: Most of the travellers join tour groups and they go to several countries on one trip. They are ready to spend large amounts of money on the destinations. Travel is concentrated during the three official Chinese holiday periods – the Spring Festival (Chinese New Year) in January or February, the May Holiday, and the National Day Holiday. The main generating areas are the three highest economically developed regions of Beijing, Shanghai and Guangzhou. In order to explore the outbound tourism market of China, it is necessary to understand the distinguishing features of the Chinese consumers and the characteristics and differences of the three major generating regions. It is also necessary to develop tourist products to meet the special demands of the Chinese travellers and conduct marketing and promotion activities in view of the Chinese market.

## 1.1. Geography

The People's Republic of China is situated in the Eastern part of Asia with the Pacific Ocean to her East. China has fifteen neighboring countries on land. To the North there are Russian Federation and Mongolia; to the West there are Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan and Pakistan; to the South, China borders on India, Nepal, Sikkim, Bhutan, Myanmar, Laos and Vietnam; to the East, China borders on the Democratic People's Republic of Korea, To the East and the South, across the Yellow Sea, the East China Sea and the South China Sea are Japan, Philippines, Malaysia, Indonesia and Brunei. China has an area of 9.6 million square kilometers, the largest country in Asia.

As for the administrative system, China has 23 provinces (including Taiwan Province), 5 autonomous regions, 4 municipalities directly under the central government and 2 special administrative regions (Hong Kong and Macao). So there are all together 34 administrative units of provincial level.

Since the implementation of the policy of reform and opening up, with the rapid economic development, urbanization has speeded up. In 1978, the urbanization rate was 17.9%. It has gone up to 30.9% in 1999. In China, there are three major urban belts or three major economic regions. They are: Beijing and Tianjin Belt which covers Beijing, Tianjin and other cities; the Yangtze River Delta which covers Shanghai, Jiangsu and Zhejiang; and the Pearl River Delta which includes Guangdong and the Special Administrative Regions of Hong Kong and Macao.

### The basic situation of urbanization in China

Year	National population	Urban population rate (%)	Urbanization rate (%)	No. of cities
1978	962,590	172,450	17.92	193
1984	1,043,570	240,170	23.01	300
1985	1,058,510	250,940	23.71	324
1990	1,143,330	301,910	26.41	467
1992	1,171,710	323,720	27.63	517
1994	1,198,500	343,010	28.62	622
1995	1,211,210	351,740	29.04	640
1998	1,248,100	379,670	30.42	668
1999	1,259,090	388,920	30.89	667

Source: "China Statistics Almanac"

## 1.2. Population

According to the 5th national census in 2000, the population of the Chinese mainland was 1,270 million. In the same year, the government of Hong Kong Special Administrative Region announced that Hong Kong's population was 6.78 million and

the government of Macao Special Administrative Region declared the population figure as 440,000. Taiwan announced the population figure for Taiwan and the islands of Jinmen and Mazu as 22.28 million. By the end of 2000, the total population of China was 1,295 million, including Taiwan.

Traditionally, China has been an agricultural society. In the recent 50 years, especially in the past 20 years since the implementation of the reform and opening up policy, the Chinese society has undergone profound changes which is the process of transforming a traditional society to a modern society, an agricultural society to an industrial society; a process of transforming the system of planned economy to the system of socialist market economy. This transformation has found its expression on the changes in the structure of social stratum. According to the “China Economy Almanac” and “China Population Statistics Almanac”, the changes in the Chinese social stratum can be found in the following areas: Since 1978, the number of agricultural workers has been greatly decreased. In 1978, agricultural workers occupied 67.4% of the employed total. They dropped to 44% in 1999. The main channel for the agricultural workers to social mobility is to go out for jobs or business, to run village or township enterprises, to receive higher education and urbanization of their villages. With the annual decrease of agricultural workers, the lower and middle-lower stratum of the society is shrinking. The industrial workers are also undergoing changes. The upgrading of the enterprises and the adoption of new technology have turned some factory workers into people with modern technology who have moved upwards and become members of the middle stratum of the society. A middle class is appearing and is beginning to take shape. Private entrepreneurs, managers, small industrial and commercial enterprises owners and people in the service trade are quickly increasing. The social stratum, which has the control of or directly operates the economic resources is rising and developing. Apart from the government and social management, managers have formed a relatively independent social stratum. Both these managers and private entrepreneurs are bound to increase in number. The original social structure, which was like a pyramid, is now gradually becoming the shape of an olive.

**The evolution of the social strata in China (1952–1999) (%)**

	<b>1952</b>	<b>1978</b>	<b>1988</b>	<b>1991</b>	<b>1999</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
State and social management personnel	0.5	1.0	1.7	2.0	2.1
Managers	0.1	0.2	0.5	0.8	1.5
Private entrepreneurs	0.2	0.0	0.0	0.0	0.6
Technical personnel	0.9	3.5	4.8	5.0	5.1
Office workers	0.5	1.3	1.7	2.3	4.8
Small business owners	4.0	0.0	3.1	2.2	4.2
Service trade workers	3.1	2.2	6.4	9.3	12.0
Industrial workers	6.4	19.8	22.4	22.2	22.6
Agricultural workers	84.2	67.4	55.8	53.0	44.0
Unemployed and semi-unemployed	–	4.6	3.6	3.3	3.1

Source: “China Statistics Almanac” “China Population Statistic Almanac”