Rising Chinese overseas travel market and potential for the United States.

ABSTRACT

Chinese overseas travel market has increased rapidly since the beginning of the 1990s. It is listed as one of the top ten origin markets for many Asian countries, and its potential for the United States is great. This paper describes the current size of Chinese overseas travel market, types of travelers to the United States and their characteristics. The paper also estimates the potential and implications of the rising Chinese overseas travel market for the United States, and lists some barriers that may affect the development of the new market. Finally, some suggestions on how to tap the potential market are presented.

INTRODUCTION

The purpose of the study is to identify a new potential tourist market in China and give the United States' tourism industry a better understanding of the importance of Chinese overseas travel. The paper has three objectives: To identify the social, economic and cultural conditions which facilitate the growth of Chinese overseas tourism, the market potential and trends; to estimate the potential and implications of Chinese overseas travel for the United States; to explore the barriers that may affect its development; and to offer suggestions on how the United States' tourism industry can tap the rising market.

Over the past 20 years, the number of international tourists visiting China has increased dramatically. Since the beginning of the 1990s, China has also risen as a major source of international tourists, as well as strengthening its position as a tourist destination. The rising Chinese overseas travel market is due to the
country's rapidly growing economy, gradually liberalized policy on traveling abroad and people's strong desire to travel.

**Economic Development**

Since China adopted an open-door policy in 1979, it has tripled the size of its economy (Purves, 1993). China's gross domestic product (GDP) has been steadily increasing at a 12 percent annual rate while foreign exchange reserves increased dramatically from US$19.4 billion in 1992 to US$73.6 billion in 1995 (People's Daily, 1997). As China's external debt decreased, and direct foreign investment continued to flow in, China has become the fastest growing economy in the world. According to the International Monetary Fund (IMF), in 1993 China's economy vaulted from being the tenth largest to the third largest economy in the world after U.S. and Japan (Liscio, 1993). The Washington-based U.S.-China Business Council predicts that by 2010 China's economy may be the world's largest (Miller, 1993).

This fast economic growth has increased wealth and improved quality of life for the Chinese people. From 1991 to 1995, the inflation-adjusted per capita personal income increased at an annual rate of 7.7% for urban population, and 4.5% for rural population (Li and McCleary, 1996). In 1996, the total savings for urban residents reached US$453.2 billion while that of the rural population was US$9 billion. The booming economy has made it possible for a huge number of Chinese people to finance their overseas travel.

**Policy Liberalization**

Although there is no official document indicating that the Chinese government encourages its people to travel abroad, the government's gradually liberalized policy on traveling abroad has made it easier for the Chinese people to travel overseas. Since the formation of the People's Republic of China in 1949, there had always been some government overseas travel. In 1983, private overseas travel was officially allowed (Bailey, 1994). Since that time, only those whose relatives were living in other countries had the privilege to travel abroad. In 1991, the government began to allow Chinese nationals to join tours organized by authorized travel services to the Southeast Asian countries (Bailey, 1994). In 1993, some authorized travel services began to introduce Chinese groups to more distant destinations, such as USA and Europe (Li and McCleary, 1996). By the beginning of 1995, the application procedures for getting a private passport were very complicated and took a long time, at least half a year. In 1995, Chinese nationals were allowed to get a private passport within one month. At the beginning of 1997, a new policy was issued stating that people can get a private passport in ten days if a reason exists for an urgent situation (Ministry of China's Public Security, 1997).

Although currency regulation does exist for overseas travel from China, there has
been no strict control in practice. Before 1994, a traveler must show a passport and visa to receive a permit from the Bank of China to obtain US $1000. Due to strong economic growth, the Chinese people now can freely deposit and withdraw US dollars from their bank accounts.

People's Interest, and Travel Demand

With increasing personnel incomes, more Chinese are seeking opportunities to improve their life style and travel overseas, which can be traced to the roots of Chinese culture. The great Chinese poet, Li Bai, in Tang Dynasty, said, "to be wise, a man should read ten thousand of books, travel ten thousand of miles." In China, a person with lots of travel experience is regarded "a wise man" or "an experienced man", who is highly admired by others. So, with enough income, Chinese people would love to travel in order to increase their knowledge.

On the other hand, with the Chinese government's open policy, exotic cultures have entered China. For most Chinese people, who have been forbidden for several hundred years from the outside world, those cultures expose them to a completely new and different world. They are amazed and curious first. Then they begin to travel, which is called "walk outside and have a look". Meanwhile, many Chinese people have begun to change their traditional way of spending Chinese New Year, which lasts for fifteen days and have been used to gather for a family union dinner in their hometown. More people now like to use the holidays to travel. A new trend is to travel abroad.

At present, most of the Chinese travelers have gone to the South-east Asian countries due to government's policy, geographic convenience, and similar cultural background. As China is already in the top ten tourist origin countries for some destinations in South-east Asia (Li and McCleary, 1996), it is the United States, Japan, Europe and Australia which are regarded as "advanced countries" with high technology and science that Chinese travelers really want to see (Muqbil, 1996). According to a survey conducted by the Pacific-Asian Tourism Association (PATA) in 1996 among six hundred Chinese travelers, 34% of respondents put the U.S. as their most desired future destinations, followed by Japan (11%). Australia and Singapore were preferred by 8% and 7% of the respondents respectively (Muqbil, 1996). Statistics from Chinese Exit-Entry Administration showed that in 1996 the most popular tour destinations for Chinese travelers were the United States, Thailand, Japan, the Republic of Korean, Australia, Singapore, Malaysia and Canada (Beijing Review d, 1997). It is anticipated that as the Chinese overseas travel market matures, the United States will be the first choice for majority of Chinese travelers.

RISING CHINESE OVERSEAS TRAVEL MARKET

Types of Overseas Travel
There are two main types of overseas travel in China: Official travel and private travel (Li and McCleary, 1996). Official travel refers to business purposes or to conduct government affairs. This type of travel is paid for by government or government-run company funds, and the travelers usually hold "official passport" which is valid for two years. Private travel refers to overseas travel made by people with "private passport" and is valid for five years for personnel purposes, and is financed with personnel funds.

**Current Size and Growth rate**

Since the birth of the People's Republic of China in 1949, there has been official overseas travel. Although private overseas travel was allowed in 1983, the awareness by Chinese people started at the beginning of 1990, while at the same time official travel began to increase greatly. From 1990 to 1996, overseas Chinese travelers increased at an average annual rate of 20%. Table I presents the incremental numbers by years.

![Table 1](image)

**Table 1**

<table>
<thead>
<tr>
<th>Overseas Chinese Travelers, 1990-1996 (in millions)</th>
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<tbody>
<tr>
<td>-----------------</td>
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<tr>
<td>Official Travel</td>
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<td>Private Travel</td>
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<tr>
<td>Total</td>
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![Table 2](image)

**Table 2**

<table>
<thead>
<tr>
<th>% Change of Overseas Chinese Travelers on Previous Year, 1990-1996</th>
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<tr>
<td>-----------------</td>
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<tr>
<td>Official</td>
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<td>Private</td>
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During this period, the number of Chinese overseas travelers increased more than five times. With official travel representing the majority of travelers, however, private travel was increasing at a much faster and steadier average annual rate, 22.56% (See Table 2). The total increase from 1991 to 1996 for private travel was 173%, while that of the official travel was only 113%. Meanwhile, the number of
travelers organized by travel agents increased as well. Table 3 indicates overseas travelers organized by agents from 1993 to 1996.

<table>
<thead>
<tr>
<th>Year</th>
<th>1993</th>
<th>1994</th>
<th>1995</th>
<th>1996</th>
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<tbody>
<tr>
<td>Travelers</td>
<td>0.72</td>
<td>1.09</td>
<td>1.26</td>
<td>1.64</td>
</tr>
<tr>
<td>% Change (over previous year)</td>
<td>N/A</td>
<td>51.4</td>
<td>15.6</td>
<td>30.2</td>
</tr>
<tr>
<td>% of Total (Chinese overseas travelers organized by travel agents)</td>
<td>19.25</td>
<td>29.4</td>
<td>27.9</td>
<td>32.4</td>
</tr>
</tbody>
</table>


Expenditure

In terms of expenditures, Chinese travelers can be a lucrative market (Li and McCleary, 1996). Table 4 lists the amounts Chinese overseas travelers spent from 1990 to 1995.

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</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>470</td>
<td>511</td>
<td>2,512</td>
<td>2,797</td>
<td>3,036</td>
<td>3,500</td>
</tr>
<tr>
<td>% Change</td>
<td>9.56</td>
<td>8.72</td>
<td>391.59</td>
<td>11.35</td>
<td>8.54</td>
<td>17.0</td>
</tr>
</tbody>
</table>

Source: Year Book of Tourism Statistics World Tourism Organization

In 1995, China was ranked as the sixth biggest spending market in the Asian region by the World Tourism Organization (WTO). The big increase was in 1992, due to the Chinese government’s open policy which allowed Chinese people to travel abroad on their own funds to the Southeast countries. The spending potential of Chinese travelers may be underestimated The impact of a Chinese traveler may be more like a group of travelers (Bailey, 1994). The Chinese travelers make purchases not only for their own family, but also for a whole group of friends, neighbors and relatives (Bailey, 1994).

Market Potential
It is the rapid growth rate in Chinese overseas travel, rather than the absolute numbers involved, which remain relatively small compared to the United States and Japan, as the factor that has drawn attention to the importance of China as a travel market in the first place (Bailey, 1994). At present, only 0.6% of China's population travels overseas. With the average annual growth rate 20%, it can be anticipated that in the coming five years, China will have more than 1% of its population traveling overseas, approximately 14.73 million travelers, which is more than 10% of the Japanese population. China clearly has a potential to become one of the world's major origin markets (Bailey, 1994). Meanwhile, Hong Kong, a leading international tourist destination and a top tourist origin market, its reversion to China will bring great synergy to China's international tourism. Up to now, a total of 27 countries and regions have agreed to grant holders of Hong Kong Special Administration Region (HKSAR) passport visa-free access which greatly promote the development of overseas travel in Hong Kong in the coming years (China Daily, 1997).

### Development Trends

A very obvious trend in Chinese overseas travel market is that private travel will likely replace official travel as the dominant strength in Chinese overseas travel market within five years. With the growth rate of 22% for private travel and 17% for official travel, private travelers are estimated to be 7.94 million and official travelers to be 6.79 million by 2001. But the development of private travel indicates regional variations. Much of the growth has been concentrated in certain cities and regions with relatively higher average annual income. Table 3 indicates that more and more overseas tours are likely to be organized by travel agencies in the coming years. Another trend in Chinese overseas travel market is the gradual expansion of destinations. In the past years, Chinese travelers' main destinations were in Southeast Asia. Those countries included Singapore, Malaysia, Thailand, Macao, Vietnam, Brunei, the Philippines and Indonesia. The former Soviet Union and many other border countries were also Chinese travelers' destinations. Since 1994, Chinese travelers have begun to explore the rest of the world including South Korea, Australia, New Zealand, the United States and Japan. The United States is becoming an increasing popular destination for East Asian and Pacific tourists (Gaede, 1994). The most desired destination is the United States, followed by Japan, Australia and some European countries.

### CHINESE OVERSEAS TRAVELERS TO THE UNITED STATES

#### Types of Chinese Overseas Travel to the United States

There are several types of travel to the United States, which consist of business, visiting friends and relatives (VFR), cultural exchange, studying, working and scholars' visiting. Business travel, which is the major type in the rising market, includes both official and private travel. The official travel is usually featured by"
study-pleasure" tour of Chinese officials while private travel is made by newly-rich Chinese people, including employees in foreign companies or joint venture, owners of private business and famous entertainers. VFR, another major type of Chinese travel to the United States, is completely self-funded.

The first organized Chinese tour group came to the United States in October 1994 as a pilot experiment between mainland China, Hong Kong and the United States travel agencies. In 1994, there were 158,103 Chinese people travelling to the United States (Travel Business Monitor, 1996). Since then, the United States has became the first choice for most Chinese travelers (Beijing Review, 1997).

**Characteristics of Chinese Travelers to the United States**

According to the Chinese National Tourism Administration (Beijing Review d, 1997), over 70% of visitors to the United States are middle-aged and older Chinese in the 31-50 age group and 22% are over 50, while 80% of them have a college education. The business travelers are mainly top or middle managers and can speak English while many non-business travelers are old intellectuals including teachers, doctors and engineers. The boom market of senior Chinese people's travelling abroad is due to Chinese traditional culture: filial duty. In most cases, children of the elderly pay for the tour and are pleased to show their gratitude to their parents.

The Chinese travelers to the United States are mainly from big cities or special economic zones (SEZs). For most of them, it is the first time to travel to the United States. The official business travelers usually come by groups and stay in mid-range hotels or motels because they prefer spending money on purchasing commodities rather than on hotels or eating. Their average stay in the United States is 10 to 15 days and usually includes several destinations. Chinese food is always important for them. Although they would love to try different food, they think only Chinese food can satisfy them. Their strong interests range from advanced science and technology to exotic landscape, gaming, shows and daily commodities which have been popular in the Chinese market. Their average expenditure (including transportation, accommodation, meals and entrance tickets of sightseeing which usually pay in advance) is approximately $5,500 (Price List of China International Travel Service, 1997). Although Chinese overseas travel to the United States is still in its developmental stage, great potential can be anticipated.

**POTENTIAL AND IMPLICATIONS FOR THE UNITED STATES**

**Potential**

In China, the emergence of a new class of affluent consumers consists of mostly private overseas travelers with a ever-increasing disposable income. They will be the key to the growth of the rising Chinese overseas travel to the United States.
The new class is called "middle-upper level", formed under the conditions of the income gaps between regions and between occupational groups which includes employees of foreign companies, hotel and travel agency top managers, leaders of government-run big enterprises, owners of private business, stock brokers and famous entertainers. They make up 7% of the total population with an average annual income of approximately US$10,000. Recent government projections predicted that, within the first few years of 21st century, this middle-upper level class individuals, equivalent to 95 million, would have an annual income in the US$ 18,000-20,000 (Asia Information Associate Limited, 1997). Combining the low cost of living with strong saving habit, these middle-upper level class individuals can afford to travel to more distant countries.

On a conservative estimate, based on the survey conducted by PATA among the 600 Chinese travelers, 34% of the travelers ranked the United States as the most desired future destination (Muqbil, 1996). Multiplying the 34% preference rate by the estimate of Chinese overseas travelers in 2001, potential Chinese travelers for the US would be 2.97 million (34% of 8.74 million). China would be a significant tourist-generator to the United States.

Hong Kong, now one of China's cities, used to be a major international tourist origin market for the United States. Its handover to China has greatly changed the size of China's overseas travel market to the United States. The United States have announced that the HKSAR passport holders will be treated the same as British Nationals Overseas or BN (0) passport holders in the coming years (China Daily, 1997). This policy will keep Hong Kong's overseas travel prosperous to the United States. Macao's handover in 1999 will create synergy to China.

With the further technical exchange and cooperation between China and the United States, there will certainly be more Chinese business travelers going to the United States. At present, applications for allowing Chinese people travel to Hawaii and Guam have been set forth (Beijing Review e, 1997).

**Implications**

Increasing Chinese overseas travel to the United States would directly benefit the United States. China is now the US fourth largest trading partner, with an estimated 170,000 U.S. jobs dependent on American exports to China (Fact Sheet, US Department of State, 1997). This dynamic Chinese overseas travel will benefit not only the US tourism industry, but also the airline industry, lodging industry, gaming industry and merchandise industry. Meanwhile, it can create job opportunities and strengthen the business cooperation between the two countries.

Since 1985, the United States' trade deficit with China has grown. The increasing Chinese overseas travel to the United States would be helpful in reducing this gap.
China is likely to become a major tourist resource to the United States in the beginning of the 21st century. On the other hand, the dynamic overseas travel to the United States will expose more Chinese to the United States' capitalist system, and they could eventually help China's economic reform and improve understanding of each other's cultures.

**BARRIERS ON THE RISING MARKET**

The Chinese government has not completely liberalized the policy on overseas travel. As more Chinese people are taking the opportunity to travel abroad, the government doesn't want to encourage it, believing expenditure overseas to be an unnecessary financial loss for China (Travel Industry Monitor, 1997). In order to strengthen the control of overseas travel, the government has introduced a number of new laws and regulations governing foreign travel which have made the formalities complicated, including exit from and entry into China, access to foreign exchange, and the import and export of goods by travelers.

The Chinese travel industry is controlled by a number of different regulatory organizations. Each of them controls different areas, but often their jurisdictions overlap which intangibly discourages the development of the rising market.

As a new phenomenon in China and a lucrative market, overseas travel is experiencing its beginning difficulties. Services offered for overseas travelers are limited and not professional because of shortage of experienced and professional staff (Li and McCleary, 1996). There is no standard and regulation for charge which often causes overcharge. In China, there are currently sixty-seven travel agencies authorized to organize overseas tours, which can not meet the great demand.

China and the United States are two different countries in culture. Language is a distinctive factor. Different habits and outlooks have great impact on Chinese people's choice of destinations. Meanwhile, the United States' tourism industry hasn't realized the importance of Chinese overseas market yet. There is no direct promotion or advertising activities at all in China. Chinese people's impression about the United States is rather vague, biased or distorted. Most of them think the United States is not safe for travelling and too expensive.

A visa is the biggest barrier. Chinese tourists still have to face major obstacles when trying to arrange tours to the United States. The United States' government has been reluctant to remove restrictions because of the concern that travelers may stay in the US rather than return home (no detailed data).

**PROPOSALS FOR APPROACHING THE RISING MARKET**

Although the number of Chinese overseas travelers is still small, it is growing quite rapidly. How to catch the potential market is first dependent on the amount of attention paid to the rising market by the United States' tourism industry.
Chinese overseas travel market has received high amount of attention from the Asia-Pacific countries which attended tourism trade exhibition held in China. Some of them have established representative offices in China to promote their tourism. By the end of 1997, Australia Tourism Commission will establish its first Chinese office in Shanghai, China's biggest city. In 1997, about 54,000 Chinese tourists from Mainland China went to Australia, an increase of 26.7% over the previous year. The Australian Tourism Commission predicted that by 2001, some 600,000 Chinese tourist will go to Australia (Beijing Review e, 1997). The distance and flight time are the same from China to Australia as to the United States. And the United States is in a more favorable position to catch the rising market.

Information about the United States as a tourist destination in China is quite limited. Up to now, Chinese travelers' understanding about the United States' tour destinations are on big cities, historic sites and famous sightseeing such as New York, Washington D.C., Las Vegas, Walt Disney World in Orlando, and Grand Canyon. The United States tourism industry needs to establish exclusive promotion office in China. In a rising market, usually who enters first gets the benefits first.

In Chinese culture, travelling is a kind of learning. Before arrange to travel, people think first what they can get from the experience or whether the experience is worthy. Both enjoyment and learning are important in travel. Another important culture is that Chinese people believe in fate. They think their life is fixed already by their past life. So they like to try their "hand luck" if they have chances. That can be used to explain why Chinese people like gaming. By understanding Chinese culture, the American tourism industry's promotion can be more purposeful and effective.

Official business travel has been the main type of travel to the United States and will maintain that dominant position for a long time. While emphasizing on this market, the great potential private travel market can not be ignored.

Another approach to open the potential market is to get both governments' involvement and cooperation on relaxing policies and visa regulations. Visa has been a big barrier to the Chinese overseas travel to the United States. To efficiently control Chinese travelers' entry and departure while making profits from the market, visitors can be allowed entry in manageable groups and through travel agents with a group visa. Furthermore, this kind of travel can overtake the language barrier.

CONCLUSION

Chinese overseas travel is the natural growth of China's reform, open policy, an indication of the improving standard of living and cultural interest, an index of the country's political stability, economic prosperity, and social development (Xinhua new agency, 1997). Chinese government made new regulations in 1997 to
establish a basic system for rapidly growing Chinese overseas travel industry for proper management. Chinese people will be allowed to travel to more destinations. Although the number of Chinese overseas travelers is not very large at present, it is growing quite rapidly. Its great potential to the United States and other countries can be anticipated. It is likely to be one of the United States major international tourists market within the first few years of next century. The development of this potential overseas market will bring great benefits to the United States in the areas of travelling, lodging, gaming, flying and merchandising. This could be helpful in offsetting the United States' giant trade deficit with China. Meanwhile, the United States' exposures to the Chinese people will help China's economic reform and merger with the world. To capitalize on this potential market requires a lot of attention and efforts from the United States' tourism industry and government. It is still not too late for the United States to make a grand entrance into this new and exciting Chinese overseas travel market.

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