

**CCG Report  
No. 8. July. 2017**

# China Ought to Boost Its Inbound Tourism Vigorously as It Sees a Booming Outbound Tourist Wave



With the development of globalization and new technologies, international tourism grows dramatically recently. According to the data of a report issued by CCG and Ctrip, the tourism now contributes to the 10 percent of the global GDP and creates as many as 10 percent of the worldwide jobs. Moreover, the growth rates of the global tourist revenue have been overtaking those of world economic growth in the past six straight years. Chinese tourists become popular around the world due to their massive numbers and strong consumption power.

As President Xi forecast at the Davos Economic Forum in 2017, China's outbound tourists will reach 700 million in the next five years. However, compared to the rapid growth of China outbound tourism, inbound tourism's rise is lackluster. The data from the State Statistics Bureau show the number of inbound tourists in China increased from 12,029 in 2005 to 13,382 in 2015, a compound growth rate of 11.2% during the 11 years, or averagely 1% per year, which is a stark contrast to the 312.9% growth in outbound tourists during the same period.

As the second largest economy with long and splendid history, China ought to improve its tourist attractiveness to match up to its economic development and world influence. This becomes even more necessary as Asian Pacific has surpassed Americas in terms of the number of international visitors, and become a new engine for global tourism industry.

International tourists are part of flow of global talents that stands for the globalization. Attracting foreign tourists could be an important approach to upgrade national image and soft power. The Belt and Road initiative starts with tourism. A widening tourism deficit has led to a big shortfall of foreign currency income, which casts a negative influence on the promotion of the Belt and Road initiative.

Aiming to resolve this kind of incompatibility, to improve the international tourism supply chain, and to reduce China's tourism deficit, Center for China and Globalization (CCG) published this joint report together with Ctrip. This report is divided into 3 chapters: an investigation about the current dilemmas in regard to outbound tourism development, a research about the loopholes in the inbound tourism supply chain, and an analysis of the fundamental factors that cause China's tourism deficit.

## Tourism has turned to be one pillar industry based on the double 10 percentages



Source: United National World Tourism Organization (UNWTO), Annual Report 2016

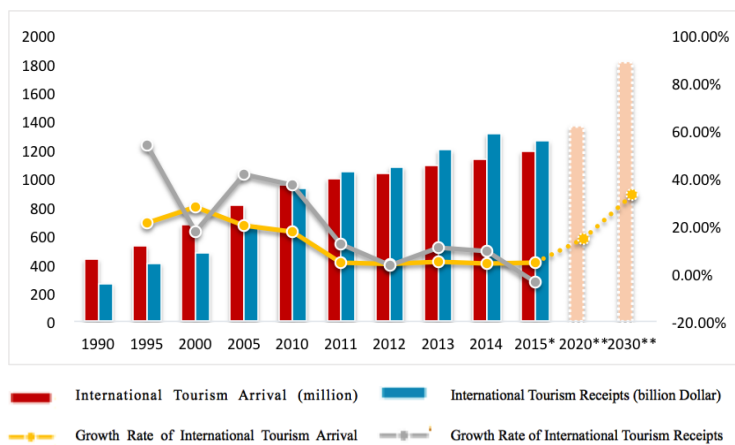


Chart 1: International Tourism Arrivals and International Tourism Receipts (1990-2015)

Source: UNWTO, Annual Report 2016

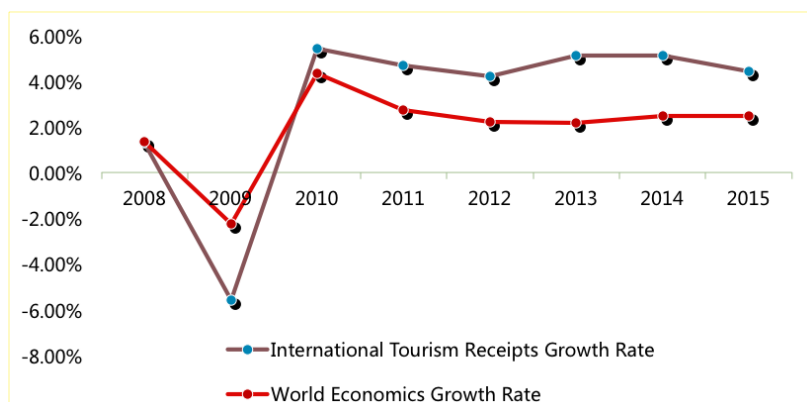


Chart 2: International Tourism Receipts Growth Rate and Global Economic Growth Rate (2008-2015) Source: UNWTO, Annual Report 2016; World Bank, Global Economic Prospects Report

According to the data in the report, the whole revenue of the global tourism reached \$7.6 trillion in 2016 and the industry also provided 292 millions of jobs which accounts for 10 percent of the whole posts of the world. In 2015, the tourist revenue constitutes up to 10 percent of the global GDP.

**Asian Pacific has surpassed Americas in terms of the number of international visitors, and become a new engine for global tourism industry.**

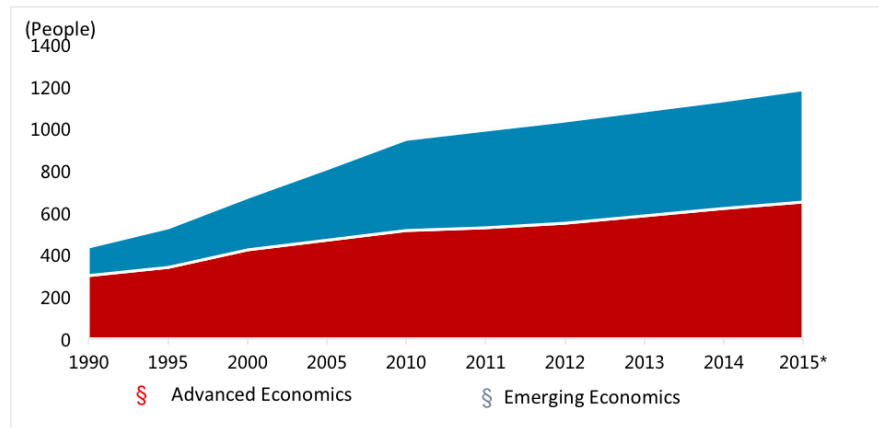


Chart 3: International Tourists to Advanced Economies and Emerging Economies (1990-2015)

Source: UNWTO, Annual Report 2016; World Bank, Global Economic Prospects

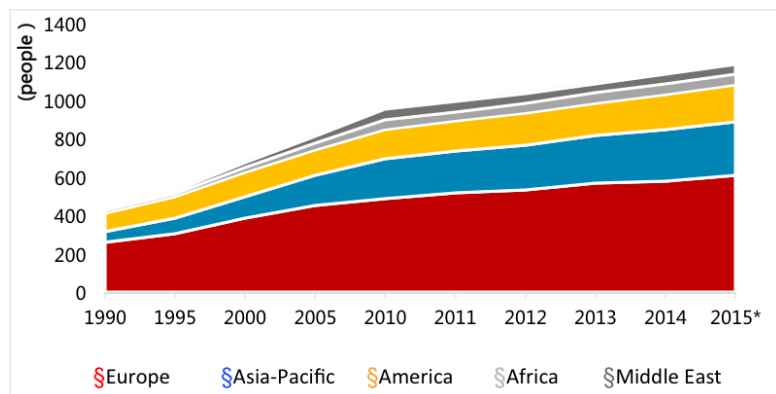


Chart 4: International Tourism Arrivals by Region (1990-2015)

Source: UNWTO, Annual Report 2016; World Bank, Global Economic Prospects

According to the report, international tourist arrivals in emerging economies have increased from 136 million in 1990 to 533 million in 2015. Meanwhile, their share in the global total also grew from 31.26% to 44.94%. Among all continents, Europe remains the top destination for international tourists, followed by Asia Pacific and Americas. Prior to 2005, Americas has been holding the second place but was eventually surpassed by the emerging economies in Asia Pacific.

**All the countries are making effort to attract Chinese tourists, whose overseas spending ranks the No.1 in the world.**

According to the report, along with growing national economy and improving living

condition, Chinese tourists are becoming more in favor of international destinations and overseas consumption. In 2015, outbound Chinese tourists amounted to 128 million, increased by 9.4% from 2014, which accounted for more than 10% of the global total, making China the largest source of international tourists. As President Xi forecast at the Davos Economic Forum in 2017, China's outbound tourists will reach 700 million in the next five years.

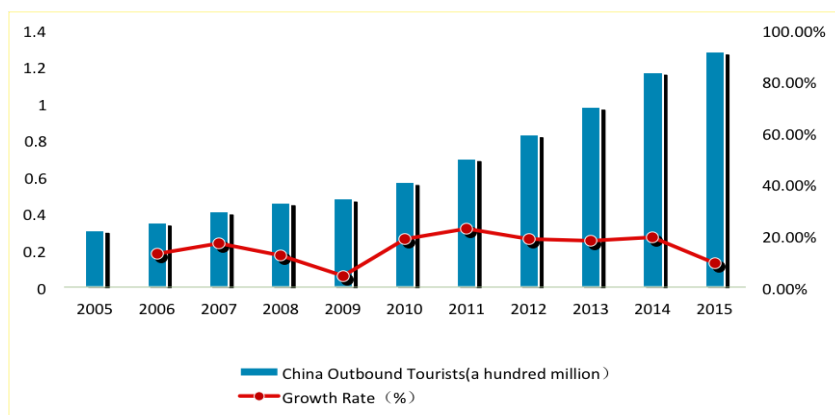


Chart 5: China's Outbound Tourist Amount and Growth Rate (2005-2015)

Source: <http://data.stats.gov.cn/easyquery.htm?cn=C01>

Chart 6: Top 10 Tourist Spending Countries and Regions (2015-2016)

Rank	Nation	International Travel Expenditure			International Departure(million)				
		(billion dollar)			Share	Daytime Visit		Overnight Stay	
		2015	2016			2015	2016	2015	2016
1	Mainland China	249.8	261.1	20.9	127.9	135.1	-	-	
2	United States	112.9	121.5	9.5	130.4	-	74.0	-	
3	Germany	77.5	81.1	6.5	-	-	83.7	-	
4	United Kingdom	63.3	63.6	5.3	65.7	70.4	64.2	-	
5	France	38.4	40.9	3.2	30.6	-	26.6	-	
6	Canada	30.1	29.1	2.5	56.0	53.0	32.3	31.3	
7	South Korea	25.3	26.6	2.1	19.3	22.4	-	-	
8	Australia	23.8	25.3	2.0	9.5	9.9	9.5	-	
9	Italy	24.4	24.7	2.0	61.2	62.6	27.9	28.7	
10	Hong Kong	23.1	24.1	1.9	89.1	91.8	-	-	

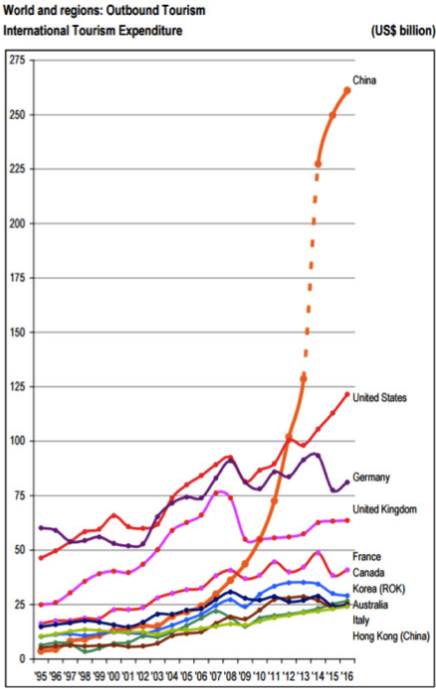


Chart 7: Changes in International Outbound Tourist Expenditure (1995-2016)  
Source: UNWTO, Annual Report 2016

In the meantime, China is driving world tourism economy through rapidly growing overseas spending, which has reached US\$ 261 billion in 2016 and accounted for 20.9% of the global total tourism consumption. Based on MOFCOM’s statistics, half of Chinese tourists’ overseas spending went to shopping and have significantly benefited tourism destination countries, especially Japan, Republic of Korea and Thailand.

**Belt and Road countries are gaining popularity among Chinese outbound tourists**

Chart 8: Top 10 Outbound Destinations for Chinese Tourists (2016)

Destination	Amount(people)
Thailand	8,757,000
South Korea	8,067,722
Japan	6,372,984
United States	3,006,000
Singapore	2,863,582
Vietnam	2,696,848
Malaysia	2,124,942
Indonesia	1,429,000
Russia	1,288,000
Australia	1,200,000

Among all the tourism destinations overseas, Hong Kong, Macau and Taiwan remain the top choices because of their proximity, cultural connection and accessibility for Mainland Chinese tourists. The top 10 international destinations are Thailand, ROK, Japan, USA, Singapore, Vietnam, Malaysia, Indonesia, Russia and Australia. Thanks to the Belt and Road Initiative, the countries and regions along the routes in Central and East Europe, Central Asia and South Asia are gaining popularity among Chinese tourists.

Chart 9: (2015) Rankings for potential outbound tourists at provincial level

Province (District, City)	Tourism Capacity Score	Rank	Province (District, City)	Tourism Capacity Score	Rank
Beijing	1.0000	1	Anhui	0.3174	17
Shanghai	0.9562	2	Heilongjiang	0.3102	18
Guangdong	0.8542	3	Shanxi	0.3009	19
Jiangsu	0.7430	4	Jilin	0.2945	20
Zhejiang	0.7314	5	Jiangxi	0.2898	21
Tianjin	0.6498	6	Neimenggu	0.2895	22
Shandong	0.5693	7	Hainan	0.2653	23
Liaoning	0.4943	8	Guangxi	0.2309	24
Fujian	0.4879	9	Xinjiang	0.2249	25
Hubei	0.4152	10	Yunnan	0.1814	26
Hebei	0.3998	11	Ningxia	0.1401	27
Henan	0.3799	12	Gansu	0.0921	28
Hunan	0.3503	13	Guizhou	0.0856	29
Sichuan	0.3270	14	Qinghai	0.0573	30
Shanxi	0.3257	15	Xizang	0.0000	31
Chongqing	0.3201	16			

Geographically, the top 10 sources of Chinese outbound tourists are Beijing, Shanghai, Guangdong, Jiangsu, Zhejiang, Tianjin, Shandong, Liaoning, Fujian and Hubei.

### Foreign countries have adapted visa application and approval polices to attract Chinese outbound tourists.

According to the official statistics from the Bureau of Exit and Entry Administration of the Ministry of Public Security, as of March, 2017, up to 130 countries and regions have signed visa exemption agreements with China. Other incentives include lowering visa application requirement, extending period of visa validity and reducing visa application fee. Some countries, such as USA, Canada, Australia, Singapore, ROK, Israel and Argentina, even created special visa process procedure for Chinese applicants.



The growth rate of the inbound tourists to China is lower than the average level in Asia Pacific, and China is facing widening tourism deficit.

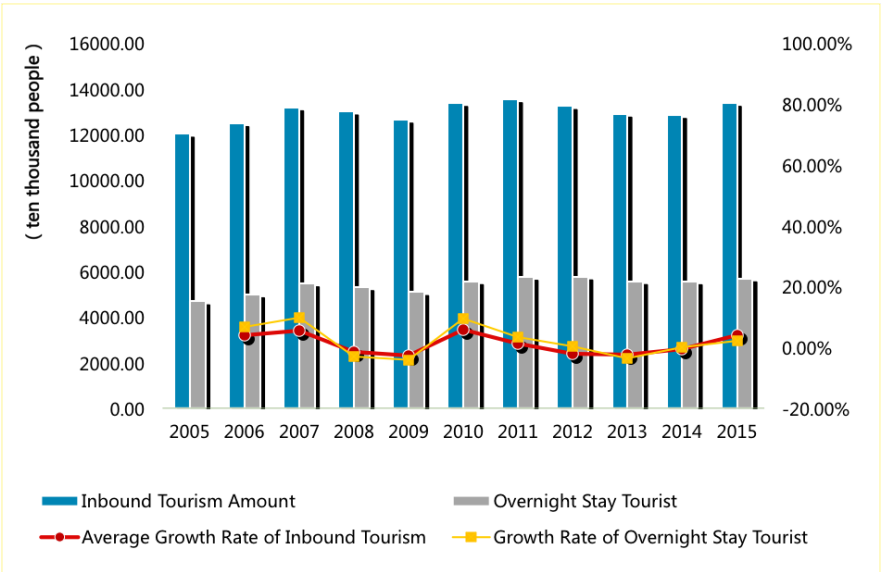


Chart 10: Changes in Inbound Tourist Amount (2006-2015)

Source: <http://data.stats.gov.cn/easyquery.htm?cn=C01>

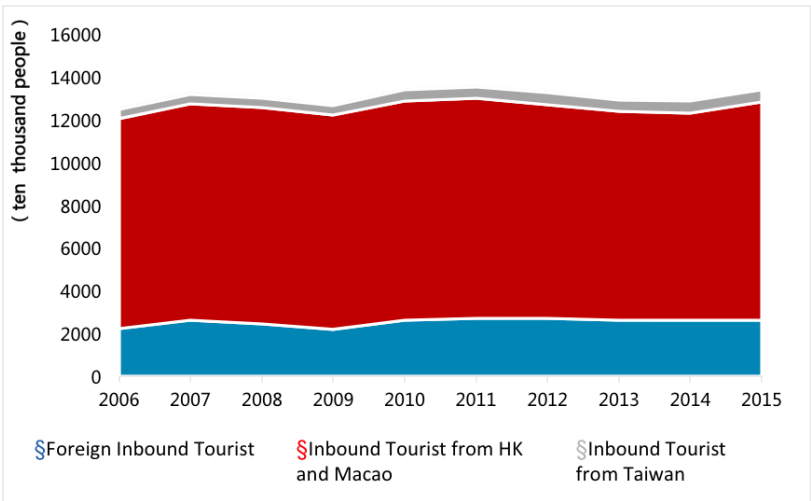


Chart 11: Geographical Distribution of China's Inbound Tourists (2006-2015)

Source: <http://data.stats.gov.cn/easyquery.htm?cn=C01>

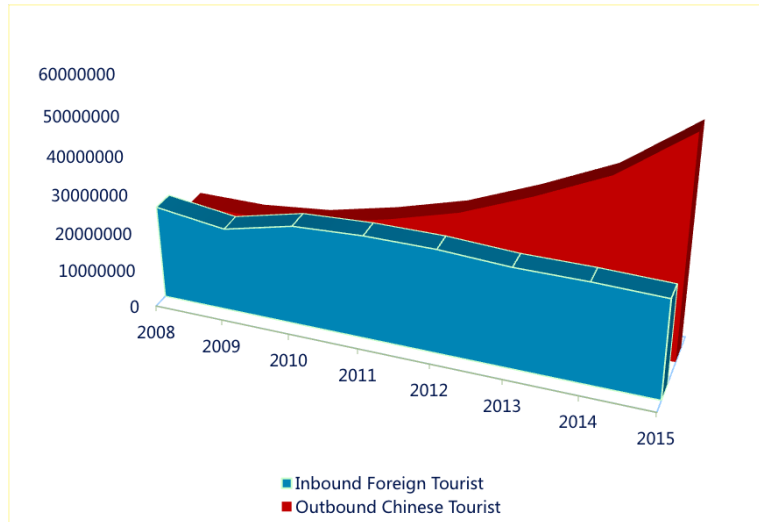


Chart 12: The Data between Outbound Tourists and Inbound Tourists in China (2015)

Source: <http://data.stats.gov.cn/easyquery.htm?cn=C01>

Compared to the rapid growth of China outbound tourism, inbound tourism's rise is rather lackluster. The data from the State Statistics Bureau show the number of inbound tourists in China increased from 12,029 in 2005 to 13,382 in 2015, a compound growth rate of 11.2% during the 11 years, or averagely 1% per year, which is a stark contrast to the 312.9% growth in outbound tourists during the same period. Based on the current situation, it is expected that the tourism deficit will be further widened and may hit 100 million in the next five years.

### **The rising demand of Chinese outbound tourists requires more internationalized services**

Chinese outbound tourists require more tailored, professional and internationalized services, as they are gaining more experience and knowledge of traveling abroad. However, from the supply side, most tourist products are marketed and provided through domestic channels that are faulted with illegal and inappropriate practice as well as unfair competition. More regulatory effort and industrial policies are needed to match the supply of tourism services with the rising market demand.

### **The international tourism supply chain needs to improve to reduce China's tourism deficit.**

The report provides an analysis of the factors that cause China's tourism deficit, such as the lack of tourism destination promotion abroad, too many unnecessary restrictions on foreign visitors' visa application, and China's tourism service falling behind international standards.