

***TRAVEL & TOURISM
IN CHINA:
A MARKET ANALYSIS***



China Contact

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Address: 19, Bramford Court, High Street, Southgate,
London N14 6DH, UK

Telephone: +44-20-8350-7150

Fax: +44-20-8882-4986

E-mail: chinacontact@accessasia.co.uk

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Contents

INTRODUCTION	1
Report Coverage	1
Executive Summary	2
1 MARKET BACKGROUND	3
1.1 Fast Facts	3
1.2 Exchange Rates	4
1.2.1 Exchange Rates: China	4
Table 1.1 AVERAGE ANNUAL EXCHANGE RATES BETWEEN RMB AND US\$ 1994–2000	4
1.2.2 Exchange Rates: Hong Kong	5
Table 1.2 AVERAGE ANNUAL EXCHANGE RATES BETWEEN HK\$, RMB & US\$ 1994–2000	5
1.3 Regions of China	6
Map 1.1 CHINA: PROVINCES AND MUNICIPALITIES	7
1.4 Demographics	8
1.4.1 Demographics: Total Population	8
Table 1.3 TOTAL POPULATION 1994–2000	9
1.4.2 Demographics: Population by Location	9
Table 1.4 POPULATION BY URBAN-RURAL DIVIDE 1994–2000	9
1.4.3 Demographics: Population Breakdown by Location	9
Table 1.5 POPULATION BREAKDOWN BY URBAN-RURAL DIVIDE 1994–2000	10
1.4.4 Demographics: Population by Province	10
Table 1.6 POPULATION BY PROVINCE 1999/2000	11
1.4.5 Demographics: Population Density by Province	11
Table 1.7 POPULATION DENSITY BY PROVINCE 2000	12
1.4.6 Demographics: Population Concentration	12
Map 1.2 CONCENTRATION OF POPULATION BY PROVINCE 2000	13
1.4.7 Demographics: Population by Gender	14
Table 1.8 TOTAL POPULATION BREAKDOWN BY GENDER 1994–2000	14
1.4.8 Demographics: Population by Age Group	14
Table 1.9 POPULATION BY AGE GROUP 1994–2000	15
1.4.9 Demographics: Population by Age Group	15
Table 1.10 POPULATION BY AGE GROUP 1994–2000	15

1.5 Consumer Wealth	16
1.5.1 Consumer Wealth: GDP and Cost of Living	16
Table 1.11 GDP AND COST OF LIVING INDEX 1994–2000	17
1.5.2 Consumer Wealth: Provincial Differences in GDP	17
Table 1.12 GDP BY PROVINCE 1994–2000	18
1.5.3 Consumer Wealth: GDP Growth by Province	19
Table 1.13 GDP GROWTH BY PROVINCE 1994–2000	19
1.5.4 Consumer Wealth: GDP Per Capita by Province	20
Table 1.14 PER CAPITA GDP BY PROVINCE 1999/2000	20
1.5.5 Consumer Wealth: Concentration of Wealth by Province	21
Map 1.3 VALUE OF GDP PER CAPITA BY PROVINCE 2000	21
1.5.6 Consumer Wealth: The Major Cities	22
Table 1.15 LEADING CITIES KEY ECONOMIC INDICATORS 2000	23
1.5.7 Consumer Wealth: The Significance of China’s Accession to WTO	23
1.6 Households	25
1.6.1 Households: Overview of Household Conditions	25
1.6.2 Households: Total Households by Size	26
Table 1.16 NUMBER OF HOUSEHOLDS BY SIZE 1994–2000	26
1.6.3 Households: Total households by Urban/Rural Divide	26
Table 1.17 NUMBER AND SIZE OF HOUSEHOLDS BY LOCATION 1994–2000	27
1.6.4 Households: Income Earners Per Household	27
Table 1.18 AVERAGE NUMBER OF INCOME EARNERS PER HOUSEHOLD 1994–1999	28
1.7 Employment	29
1.7.1 Employment: Number of Workers by Sector	29
Table 1.19 NATIONAL EMPLOYMENT BY SECTOR 1994–2000	29
1.7.2 Employment: Growth by Sector	30
Table 1.20 GROWTH IN EMPLOYMENT BY SECTOR 1994–2000	30
1.7.3 Employment: Workers by Gender	31
Table 1.21 TOTAL NATIONAL WORKFORCE BY GENDER 1994–2000	31
1.7.3 Employment: Workers by Habitation	31
Table 1.22 NATIONAL WORKFORCE BY HABITATION 1994–2000	32
1.7.4 Employment: Unemployment	32
Table 1.23 URBAN UNEMPLOYMENT RATES 1994–2000	32
1.8 Consumer Market	33
1.8.1 Consumer Market: Consumer Spending Trends	33
Table 1.24 CONSUMER EXPENDITURE* BY BROAD SECTOR AT CURRENT PRICES 1994–2000	33
1.8.2 Consumer Market: Per Capita Consumer Expenditure	33

Table 1.25	PER CAPITA CONSUMER EXPENDITURE* BY BROAD SECTOR AT CURRENT PRICES 1994–2000	34
1.8.3	Consumer Market: Retail Sales and Consumer Spending	34
Table 1.26	RETAIL SALES AS A PROPORTION OF CONSUMER EXPENDITURE 1994–2000	34
1.8.3	Consumer Market: Urban Income and Spending Compared	35
Table 1.27	URBAN AVERAGE ANNUAL INCOME AND EXPENDITURE 1994–2000	35
1.9	Consumer Trends	36
1.9.1	Consumer Trends: Consumer Response to Political Change	36
1.9.2	Consumer Trends: Consumer Response to Economic Change	36
1.9.3	Consumer Trends: Changes in Lifestyle Expectation	37
	Livelihood	37
	Housing	38
	Possessions	38
	Travel	40
	Entertainment	40
	Purchasing Influences	41
	Taboos	42
2	THE TRAVEL & TOURISM MARKET	43
2.1	Inbound Tourism Market	43
2.1.1	Inbound Tourism Market: Tourist Arrivals	43
Table 2.1	TOTAL INBOUND TOURIST ARRIVALS 1994-2000	44
2.1.2	Inbound Tourism Market: Total Tourist Receipts	44
Table 2.2	TOTAL INBOUND TOURIST RECEIPTS 1994-2000	44
2.1.3	Inbound Tourism Market: Tourist Receipts by Major Visitor Group	45
Table 2.3	BREAKDOWN OF TOURISM RECEIPTS BY MAJOR VISITOR GROUP 1999/2000	45
2.1.4	Inbound Tourism Market: China's Global Position	45
2.1.5	Inbound Tourism Market: Sector Trends	45
Table 2.4	INBOUND TOURISM BY METHOD OF ARRIVAL 1994-1998	46
2.1.6	Inbound Tourism Market: Sector Shares	46
Table 2.5	BREAKDOWN OF INBOUND TOURISM BY METHOD OF ARRIVAL 1994-1998	46
2.1.7	Inbound Tourism Market: Sector Growth	46
Table 2.6	GROWTH INDICES OF INBOUND TOURISM BY METHOD OF ARRIVAL 1994-1998	47
2.1.8	Inbound Tourism Market: Tourist Origins	47
Table 2.7	VISITOR ARRIVALS TO CHINA BY BROAD REGIONAL CATEGORY 1999/2000	48
2.1.9	Inbound Tourism Market: Arrivals From Hong Kong	48
Table 2.8	TOTAL NUMBER OF HONG KONG RESIDENTS VISITING CHINA 1995-2000	48
2.1.10	Inbound Tourism Market: Arrivals To China by Country	49

Table 2.9	TOTAL NUMBER OF VISITORS BY COUNTRY 1999/2000	50
2.2 Outbound Tourism Market		51
2.2.1 Outbound Tourism Market: Total Market Size		51
Table 2.10	TOTAL OUTBOUND TOURISM FROM CHINA 1993-1999*	52
2.2.2 Outbound Tourism Market: Destinations		52
Table 2.11	FOREIGN COUNTRIES WITH APPROVED DESTINATION STATUS 2000	54
2.2.3 Outbound Tourism Market: Paris		54
Table 2.12	CHINESE VISITORS TO PARIS 1997-1999	54
2.2.4 Outbound Tourism Market: New Zealand		54
2.2.5 Outbound Tourism Market: Japan		54
2.3 Outlook		55
2.3.1 Outlook: Forecast Trends		55
2.3.2 Outlook: Forecast Tourist Arrivals		55
Table 2.13	FORECAST TOTAL TOURIST ARRIVALS 2000-2005	56
2.3.3 Outlook: Forecast Tourist Receipts		56
Table 2.14	FORECAST TOTAL TOURISM RECEIPTS 1999-2003	56
2.3.4 Outlook: Forecast Sector Trends		56
Table 2.15	FORECAST INBOUND TOURISM BY METHOD OF ARRIVAL 1999-2003	57
2.3.5 Outlook: Forecast Sector Breakdown		57
Table 2.16	FORECAST PERCENTAGE BREAKDOWN OF INBOUND TOURISM BY METHOD OF ARRIVAL 1999-2003	57
2.3.6 Outlook: Forecast Sector Growth		57
Table 2.17	FORECAST GROWTH INDICES OF INBOUND TOURISM BY METHOD OF ARRIVAL 1999-2003	58
2.4 Current Issues		59
2.4.1 Current Issues: Legislation		59
2.4.2 Current Issues: Festivals & Holidays		60
Table 2.18	TRADITIONAL CHINESE FESTIVALS & NATIONAL HOLIDAYS IN CHINA 2001	60
2.4.3 Current Issues: Leading Attractions		60
Table 2.19	CHINA'S LEADING ATTRACTIONS, 2000	61
Table 2.20	CHINA'S LEADING ARCHITECTURAL ATTRACTIONS, 2000	61
Table 2.21	LIST OF WORLD HERITAGE SITES IN CHINA 2001	62
2.4.4 Current Issues: Forest Parks		62
2.4.5 Current Issues: Baby Adoption Tours		63
2.4.6 Current Issues: Duty-free		63
2.4.7 Current Issues: Treasury Bond Issues to Support the Tourism Industry		63
Table 2.22	TOURISM PROJECTS IDENTIFIED FOR PRIORITY GOVERNMENT FUNDING 2001	64
2.4.8 Current Issues: Toilets		64
2.4.9 Current Issues: Introduction of Travel Insurance		64
2.4.10 Current Issues: Tourist Shows		65

2.4.11 Current Issues: Amusement Parks	65
2.4.12 Current Issues: Internal Transport	67
Trains	67
Passenger Airlines	67
Roads	68
2.4.13 Current Issues: Car Rental	68
2.4.14 Current Issues: Price Wars	69
2.4.15 Current Issues: Tourist Websites	69
2.4.16 Current Issues: Tourism Joint-Ventures	72
2.4.17 Current Issues: Summer Camps	72
2.4.18 Current Issues: Tourism Loans	73
2.4.19 Current Issues: Holiday Trains	73
3 PROVINCIAL INITIATIVES	74
3.1 Anhui Province	74
3.2 Beijing Municipality	74
3.2.1 Beijing Municipality: Beijing's Tourist Industry	74
3.2.2 Beijing Municipality: Recent Attractions Development	74
3.2.3 Beijing Municipality: Upgrading of Tourism Infrastructure	76
3.2.4 Beijing Municipality: Vacation Activity	76
3.2.5 Beijing Municipality: Future Developments	77
3.2.6 Beijing Municipality: Tourism Arrival & Receipts Statistics	78
3.3 Chongqing Municipality	78
3.4 Fujian Province	79
3.5 Guangdong Province	79
3.5.1 Guangdong Province: Tourism Activities	79
3.5.2 Guangdong Province: Guangzhou	80
3.5.3 Guangdong Province: Guangdong/Hong Kong/Macau Co-operation	80
3.5.4 Guangdong Province: Shenzhen	81
3.5.5 Guangdong Province: Yangjiang	81
3.6 Guangxi Zhuang Autonomous Region Province	82
3.7 Guizhou Province	82
3.8 Hainan Province	83
3.8.1 Hainan Province: Tourism Industry Activities	83
3.8.2 Hainan Province: Recent Developments	84
3.8.3 Hainan Province: Future Developments	85
3.8.4 Hainan Province: Tourism Arrival Statistics	85
Table 3.1 TOTAL MARKET FOR TOURISM IN HAINAN 1998-1999	85
3.9 Hebei Province	85
3.10 Heilongjiang Province	86
3.10.1 Heilongjiang Province: Tourism Industry Activities	86
3.10.2 Heilongjiang Province: Recent Developments	87
3.11 Henan Province	87
3.12 Hubei Province	87

3.13 Hunan Province	88
3.14 Inner Mongolia Autonomous Region	89
3.15 Jiangsu Province	89
3.15.1 Jiangsu Province: Jiangsu's Tourism Industry	89
3.15.2 Jiangsu Province: Suzhou	89
3.16 Jiangxi Province	90
3.17 Jilin Province	91
3.18 Liaoning Province	91
3.18.1 Liaoning Province: Tourism Activity	91
3.18.2 Liaoning Province: Future Developments	92
3.19 Ningxia Hui Autonomous Region	92
3.20 Qinghai Province	93
3.21 Shaanxi Province	93
3.22 Shandong Province	94
3.22.1 Shandong Province: Tourism Developments	94
3.22.2 Shandong Province: Qingdao	94
3.22.3 Shandong Province: Yantai	95
3.22.4 Shandong Province: Qingzhou	95
3.22.5 Shandong Province: Penglai	95
3.22.6 Shandong Province: Jinan	96
3.22.7 Shandong Province: Provincial Tourism Statistics	96
3.23 Shanghai Municipality	96
3.23.1 Shanghai Municipality: New Developments	96
Table 3.2 MAJOR VISITOR ATTRACTIONS IN SHANGHAI 2000	97
3.23.2 Shanghai Municipality: Pudong New Area	98
3.23.3 Shanghai Municipality: Future Developments	98
3.23.4 Shanghai Municipality: Tourist Arrivals & Revenues	99
3.24 Shanxi Province	99
3.24 Sichuan Province	100
3.24.1 Sichuan: Tourism Activities	100
3.24.2 Sichuan: Future Developments	101
3.25 Tianjin Municipality	101
3.26 Tibet Autonomous Region	101
3.26.1 Tibet Autonomous Region: Tourism Developments	101
3.26.2 Tibet Autonomous Region: Tourist Arrivals & Revenues	102
3.27 Xinjiang Uygur Autonomous Region	102
3.28 Yunnan Province	103
3.28.1 Yunnan Province: Tourism Activities	103
3.28.2 Yunnan Province: Recent Developments	104
3.28.3 Yunnan Province: Dali	104
3.28.4 Yunnan Province: Lijiang	105

3.28.5 Yunnan Province: Jinghong	105
3.28.6 Yunnan Province: Tourist Arrivals & Revenues	105
3.29 Zhejiang Province	106
3.29.1 Zhejiang Province: Tourism Developments	106
3.29.2 Zhejiang Province: Hangzhou	106
3.29.3 Zhejiang Province: Tourist Arrivals & Revenues	107
3.30 Opening-up of the Western Regions	108
4 MARKETING & CONSUMER PROFILES	109
4.1 Marketing Trends	109
4.2 Consumer Profile	109
4.2.1 Consumer Profile: General Chinese Tourists	109
4.2.2 Consumer Profile: Chinese Students	110
4.2.3 Consumer Profile: Package vs Self-Organised Holidays	110
5 TRAVEL AGENCIES	111
5.1 Travel Agencies: Domestic Agencies	111
5.2 Travel Agencies: Foreign Agencies	112
6 SWOT ANALYSIS	113
6.1 Strengths	113
6.2 Weaknesses	113
6.3 Opportunities	114
6.4 Threats	115
7 LEADING COMPANY PROFILES	116
7.1 China International Travel Service (CITS)	116
7.1.1 CITS: Company Details	116
7.1.2 CITS: Company Background	116
7.1.3 Shanghai CITS Ltd.: Financial Results	116
Table 7.1 SHANGHAI CHINA INTERNATIONAL TRAVEL SERVICE LTD.: FINANCIAL RESULTS 1996/1997	116
7.1.4 CITS: Future Strategy	117
7.2 China Travel International Investment Hong Kong (CTIIHK)	117
7.2.1 CTIIHK: Company Details	117
7.2.2 CTIIHK: Company Background	117
7.2.3 CTIIHK: Financial Results	118
7.2.4 CTIIHK: Future Strategy	118
7.3 China Youth Travel Service (CYTS)/CYTS Online Ltd	119
Table 7.2 CHINA YOUTH TRAVEL SERVICE: FINANCIAL RESULTS 1998-2000	119
7.4 Hutchison Whampoa Ltd	120

7.4.1 Hutchison Whampoa Ltd: Company Details	120
7.4.2 Hutchison Whampoa Ltd: Company Background	120
7.4.3 Hutchison Whampoa Ltd: Financial Results	120
Table 7.3 HUTCHISON WHAMPOA LTD: FINANCIAL RESULTS 1999/2000*	121
7.4.4 Hutchison Whampoa Ltd: Future Strategy	121
Shanghai	121
Chongqing	121
Beijing	121
8 OTHER COMPANIES	123
8.1 Beijing Jingxi	123
Table 8.1 BEIJING JINGXI TOURISM DEVELOPMENT CO. LTD.: FINANCIAL RESULTS 1998-2000	124
8.2 Beijing Sanyuan Foods Company Ltd	124
8.2.1. Beijing Sanyuan Foods: Company Details	124
8.2.1. Beijing Sanyuan Foods: Company Background & China Activities	124
8.2.2 Beijing Sanyuan Foods: Financial Summary	125
Table 8.2 BEIJING SANYUAN: FINANCIAL RESULTS 1998/1999*	125
Table 8.3 BEIJING ENTERPRISES HOLDINGS LTD.: FINANCIAL RESULTS 1998/1999	126
8.3 Beijing Sihai Cross-Boarder Travel Booking Co. Ltd.	126
8.4 Brilliance International E-Business Network Inc.	126
8.5 China Eastern Airlines Executive Air Service	127
8.6 Ctrip.com Computer Technology (Shanghai) Co. Ltd.	127
8.6.1 Ctrip.com: Company Details	127
8.6.2 Ctrip.com: Company Background & Activities	127
8.7 EgoChina.com	128
8.8 Et-China.com	128
8.8.1 Et-China.com: Company Details	128
8.8.2 Et-China.com: Company Background & Activities	129
8.9 Hong Thai Travel Service Agency	129
8.10 Japan Travel Bureau	130
8.11 Orient	130
8.12 China Pan-Tourism Industry Development Co. Ltd.	131
Table 8.4 CHINA PAN-TOURISM INDUSTRY DEVELOPMENT CO. LTD.: FINANCIAL RESULTS 1997-1999	131
8.13 Pegasus	131
8.14 Shanghai Ancient Chinese Sex Culture Museum	132

8.15 Shanghai Dazhong International Travel Service	132
8.15.1 Shanghai Dazhong: Company Details	132
8.15.2 Shanghai Dazhong: Company Background	132
8.15.3 Shanghai Dazhong: Tourism Related Activities	133
8.16 Shanghai International Travel Service	134
Table 8.5 SHANGHAI INTERNATIONAL TRAVEL SERVICE: FINANCIAL RESULTS 1999-2000	134
8.17 Shanghai Spring International Travel Service	135
8.17.3 Shanghai Spring International: Company Details	135
8.17.3 Shanghai Spring International: Company Background & Activities	135
8.18 Song Dynasty Town Tourism Development Group Company	136
8.19 STA Travel	137
8.20 Walt Disney International	137
8.20.1 Disney: Company Information	137
8.20.2 Disney: Company Background	137
Table 8.6 THE DISNEY COMPANY: FINANCIAL RESULTS 1999/2000*	138
8.20.3 Disney: Asian Activities	138
8.20.1 Disney: China Activities	138
8.21 Wharf Holdings Ltd	140
8.21.1 Wharf Holdings Ltd: Company Details	140
8.21.2 Wharf Holdings Ltd: Company Background & China Activities	140
8.21.3 Wharf Holdings Ltd: Financial Results	140
Table 8.7 WHARF HOLDINGS: FINANCIAL RESULTS 1999/2000*	141
Table 8.8 WHARF HOLDINGS LTD: TURNOVER BY BUSINESS SECTOR 1997/1998	141
8.22 Yunnan Golden Horse Tourism Trading House	142
8.23 Ananda Wing On Travel (Holdings) Limited	142
8.23.1 Ananda Wing On Travel: Company Details	142
8.23.2 Ananda Wing On Travel: Company Background	142
9 CONTACTS	143
9.1 Travel Agencies	143
9.1.1 Travel Agencies: Bao Steel Group Shanghai International Travel	143
9.1.2 Travel Agencies: Beijing Shenzhou International Tourism Service Group	143
9.1.3 Travel Agencies: China Base Travel Service	143
9.1.4 Travel Agencies: China Travel Service (CTS)	144
9.1.5 Travel Agencies: China International Travel Service Beijing	144
9.1.6 Travel Agencies: China International Travel Service Shanghai	144
9.1.7 Travel Agencies: China International Sports Travel Co.	144
9.1.8 Travel Agencies: China Comfort Travel	144
9.1.9 China Comfort Travel Shanghai	144
9.1.10 Travel Agencies: China Women's Travel Service	145
9.1.11 Travel Agencies: China International Travel	145
9.1.12 Travel Agencies: CYTS Tours Corp Shanghai	145

9.1.13 Travel Agencies: China Everbright Travel Inc.	145
9.1.14 Travel Agencies: China Golden Bridge Travel Shanghai Co.	145
9.1.15 Travel Agencies: China International Travel Service Shanghai	145
9.1.16 Travel Agencies: China Merchants Shanghai International Travel Co.	145
9.1.17 China Shanghai Spring International Travel Service	145
9.1.18 Travel Agencies: East Shanghai International Travel Service	146
9.1.19 Guangdong China Travel Service	146
9.1.20 Travel Agencies: Guangdong Railway China	146
9.1.21 Travel Agencies: Guangzhou International Travel Service	146
9.1.22 Travel Agencies: Huating Overseas Tourist Company	146
9.1.23 Travel Agencies: Jinqiao Travel Agency	146
9.1.24 Travel Agencies: Oriental International Travel & Transport Corp.	146
9.1.25 Travel Agencies: Shanghai Airlines Tour International	147
9.1.26 Travel Agencies: Shanghai Buddhist Pilgrim International Travel	147
7.1.27 Travel Agencies: Shanghai Business International Travel Service	147
9.1.28 Travel Agencies: Shanghai China International Travel Services	147
9.1.29 Travel Agencies: Shanghai China Travel Service	147
9.1.30 Travel Agencies: Shanghai China Youth Travel Service	147
9.1.31 Travel Agencies: Shanghai Changjiang Cruise Overseas Travel	147
9.1.32 Travel Agencies: Shanghai Citic International Travel Service	147
9.1.33 Travel Agencies: Shanghai Dazhong Travel Service	148
9.1.34 Travel Agencies: Shanghai Dazhong International Travel Service	148
9.1.35 Travel Agencies: Shanghai Donghu International Travel Agency	148
9.1.36 Travel Agencies: Shanghai Donghu International Travel Service	148
9.1.37 Travel Agencies: Shanghai Donglian International Travel Service	148
9.1.38 Travel Agencies: Shanghai Everbright Tour Aviation Ticket Service Center	148
9.1.39 Travel Agencies: Shanghai FASCO International Tours & Travel Company Ltd.	148
9.1.40 Travel Agencies: Shanghai Great World International Travel Service	149
9.1.41 Travel Agencies: Shanghai Hengshan International Travel Co.	149
9.1.42 Travel Agencies: Shanghai Holiday Travel Ltd.	149
9.1.43 Travel Agencies: Shanghai Huating Overseas Tourist Co.	149
9.1.44 Travel Agencies: Shanghai International Airlines Service Co.	149
9.1.45 Travel Agencies: Shanghai International Culture Travel Co.	149
9.1.46 Travel Agencies: Shanghai International Goodwill Travel Service	149
9.1.47 Travel Agencies: Shanghai Jin Hai - Jet Air Int'l Forwarding	150
9.1.48 Travel Agencies: Shanghai Jingjiang Tours Ltd.	150
9.1.49 Travel Agencies: Shanghai KangHui Holiday Travelling Co.	150
9.1.50 Travel Agencies: Shanghai Merchants International Travel Services	150
9.1.51 Travel Agencies: Shanghai Nanjiang Tourist Co.	150
9.1.52 Travel Agencies: Shanghai New Asia International Travel Agency	150
9.1.53 Travel Agencies: Shanghai New Asia International Travel Service	151
9.1.54 Travel Agencies: Shanghai Oriental Pearl International Travel	151
9.1.55 Travel Agencies: Shanghai Orient United International Tourism & Trade	151
9.1.56 Travel Agencies: Shanghai Peace International Tourist Corp.	151
9.1.57 Travel Agencies: Shanghai Peace International Travel Service Company Ltd.	151
9.1.58 Travel Agencies: Shanghai Railway International Travel Service	151
9.1.59 Travel Agencies: Shanghai Railway International Travel Service	151
9.1.60 Travel Agencies: Shanghai Shihua International Travel Service	152
9.1.61 Travel Agencies: Shanghai Sports International Travel Service	152
9.1.62 Travel Agencies: Shanghai Tea Metropol International Travel Service	152
9.1.63 Travel Agencies: Shanghai Tourist Corp.	152
9.1.64 Travel Agencies: Shanghai Worker's International Travel Service	152
9.1.65 Travel Agencies: Shanghai Women's International Travel Service	152
9.1.66 Travel Agencies: Shanghai Xinhua Travel Service	152
9.1.67 Travel Agencies: Shanghai Yangzi International Travel Service	153
9.1.68 Travel Agencies: Shanghai Youth Travel Service	153
9.1.69 Travel Agencies: Spring-Autumn International Travel Service	153
9.1.70 Travel Agencies: Xinjiang Asia International Travel Service	153

10 GOVERNMENT DEPARTMENTS & ASSOCIATIONS	154
10.1 China National Tourism Administration (CNTA)	154
10.2 Tibet Tourism Administration	155
10.3 Shanghai Travel Information Service Center	155
10.4 Hong Kong Tourist Association (HKTA) Shanghai Office	155
10.5 State Administration for Cultural Heritage.	155
10.6 Institute of Tourism under Beijing Second Foreign Language Institute	155
10.7 China Tourism Science Institute	155
11 EXHIBITIONS & TRADE SHOWS	156
11.1 The International Scenic Spot & Resort Exhibition for China	156
11.2 Dalian International Recreational Facilities & Amusements Expo	156
11.3 China International Tourism Fair	156

Introduction

Report Coverage

Travel & Tourism in China covers three key sectors of the market:

- Inbound tourism from overseas
- Outbound tourism by Chinese nationals overseas
- Domestic tourism

The report covers current issues in the industry as well as a review of individual provincial tourist initiatives and activities.

Other reports of interest in the Access Asia China Contact series include:

- Travel & Tourism in Hong Kong
- Hotels in Hong Kong
- Travel & Tourism in Macau
- The Prospects for Car Hire in China
- Passenger Airlines in China
- Hotels in China

Executive Summary

As the travel industry becomes increasingly global in its nature so underdeveloped markets such as China are embracing the industry as a central pillar of growth. Tourism is a growth industry in China no matter how poor the level of infrastructure, accommodation, internal transportation or amenities. China holds foreigners fascinated, and also to a great extent, its own people. To look at the burgeoning Chinese tourism industry as simply one of importing foreigners is now too limited. Surely, the number of foreigners visiting China has grown annually for the last decade, yet it is the potential for domestic tourism that will propel the industry forward. Additionally, for a number of years it will inevitably be necessary to run the two sectors of the tourism industry side-by-side.

Across China people are realising that tourism is a money-maker. Twenty-four of China's 31 provinces, municipalities and autonomous regions have made tourism one of their pillar industries, and Hong Kong and Macau are already well-established destinations. The tourism industry directly employs a growing number of people annually in attractions, tourist sites, hotels and restaurants. But tourism naturally impinges on the fortunes of China's airlines, car rental companies, restaurant trade and a hundred other sectors.

There is also the question of China's outbound market. A 1999 survey by the China Consumers' Association ranked travelling third in all desired expense items among Chinese consumers. Growing annually and at present following the patterns of Chinese emigration over the years – Australia, UK, USA etc. – but increasingly a section of Chinese society is travelling abroad for pleasure. Most of this is to Hong Kong and Macau but it is a growing sector. The domestic market is booming, locations such as Hainan Island, Beijing and Qingdao are evidence of this.

Ultimately the Chinese tourism market is about foreigners visiting. At the moment this is largely group-based but the prospects for independent travel grow annually. According to the World Tourism Organisation 625 million tourists visited a foreign country, a 2.4% global growth, in 1998 with receipts, excluding air fares, growing 2% to US\$ 445 billion.

China's tourism sector is expected to earn US\$ 14 billion of foreign exchange in 2000 while domestic tourism revenue is projected to reach RMB 260 billion (US\$ 31 billion). By then, tourism revenue will account for 5% of China's GDP. China's tourism revenue accounted for 4% of GDP in 1998. Tourism-related foreign exchange is projected to reach US\$ 40 billion by 2010, while domestic tourism revenue will reach RMB 1.3 trillion (US\$ 156 billion). At present China attracts 24 million foreign tourists annually, while the number of Chinese travellers going abroad has grown to 8.4 million.

1 Market Background

1.1 Fast Facts



Area:	9,596,960 sq km
2000 population:	1,273,290,000
Capital (population):	Beijing (12 million)
Government:	Single party communist dictatorship
Ethnic groups:	Han Chinese 92%, 55 minority nationalities 8%
Languages:	Mandarin Chinese (official), plus numerous other Chinese dialects and minority languages
Religions:	Predominantly atheist, though many still Follow Buddhism, Daoism, Confucism and Islam
Currency:	Renminbi (RMB) or Yuan = 10 jiao or 100 fen
GDP per capita:	1999 = US\$ 815, 2000 = US\$ 874

1.2 Exchange Rates

1.2.1 Exchange Rates: China

The Chinese state central bank – the People’s Bank of China - is attempting to maintain a steady value for the RMB, in order to aid its transition from a soft currency (previously fixed in value under the centrally planned economy) into a fully-fledged hard currency, capable of being traded in the global money market.

The RMB was originally set to attain full convertibility by late 1996, but the Chinese government became more cautious about floating the currency in the money markets. This caution was rewarded when the RMB was protected from the effects of the economic crisis that hit other Asian currencies in 1997.

Being a “soft” currency, the RMB was not directly affected by the currency crisis experienced by the rest of Asia. However the exchange rate was weakened slightly in 1998 due to lost export revenue from overseas trade in the countries affected by the crisis.

The trade agreement struck between China and the US in 1999 has meant that China’s entry into the World Trade Organisation is now likely to go ahead, and that the currency will therefore eventually be made fully-convertible.

Table 1.1 AVERAGE ANNUAL EXCHANGE RATES BETWEEN RMB AND US\$ 1994–2000

<i>RMB</i>	1994	1995	1996	1997	1998	1999	2000
US\$ =	8.62	8.36	8.31	8.29	8.28	8.28	8.28
Euro* =	na	na	na	9.22	9.30	8.89	7.72
UK£ =	13.82	13.81	13.79	13.77	13.72	13.45	12.66
Japanese Yen =	0.06	0.06	0.06	0.06	0.06	0.07	0.08
Canadian \$ =	5.90	5.86	5.83	5.80	5.59	5.55	5.61
Swiss Franc =	5.85	5.84	5.82	5.80	5.72	5.60	4.93
Singapore \$ =	5.09	5.09	5.06	5.03	4.96	4.89	4.81
Australian \$ =	5.54	5.52	5.50	5.49	5.21	5.34	4.89

Source: National and international statistics/People’s Bank of China

Note*: 1997 & 1998 figures are for the European Currency Unit (ECU) and 1999 & 2000 are for the Euro

1.2.2 Exchange Rates: Hong Kong

Table 1.2 AVERAGE ANNUAL EXCHANGE RATES BETWEEN HK\$, RMB & US\$ 1994–2000

<i>HK\$</i>	1994	1995	1996	1997	1998	1999	2000
US\$ =	7.73	7.74	7.73	7.74	7.77	7.77	7.79
RMB =	1.25	1.08	1.07	1.07	1.03	1.03	1.02

Source: National and international statistics

1.3 Regions of China

China is now divided into 22 provinces, 5 autonomous regions and 4 municipalities, including Chongqing, which became a municipality in March of 1997.

Hong Kong, formerly a British Crown Colony, returned to Chinese sovereignty on July 1st 1997, becoming the Hong Kong Special Administrative Region (SAR). The former Portuguese colony of Macau reverted to Chinese rule at the end of December 1999.

The 5 autonomous regions, which include Inner Mongolia, Guangxi Zhuang, Ningxia Hui, Xinjiang Uygur and Tibet, act as provinces. Their populations mainly comprise minority races, with additional resources being allocated to these regions to promote minority culture and languages. However, the Han Chinese remain politically dominant and continue to settle in these regions.

The 4 municipalities are Beijing, Shanghai, Tianjin and Chongqing. All have the status, function and responsibility of the other provinces.

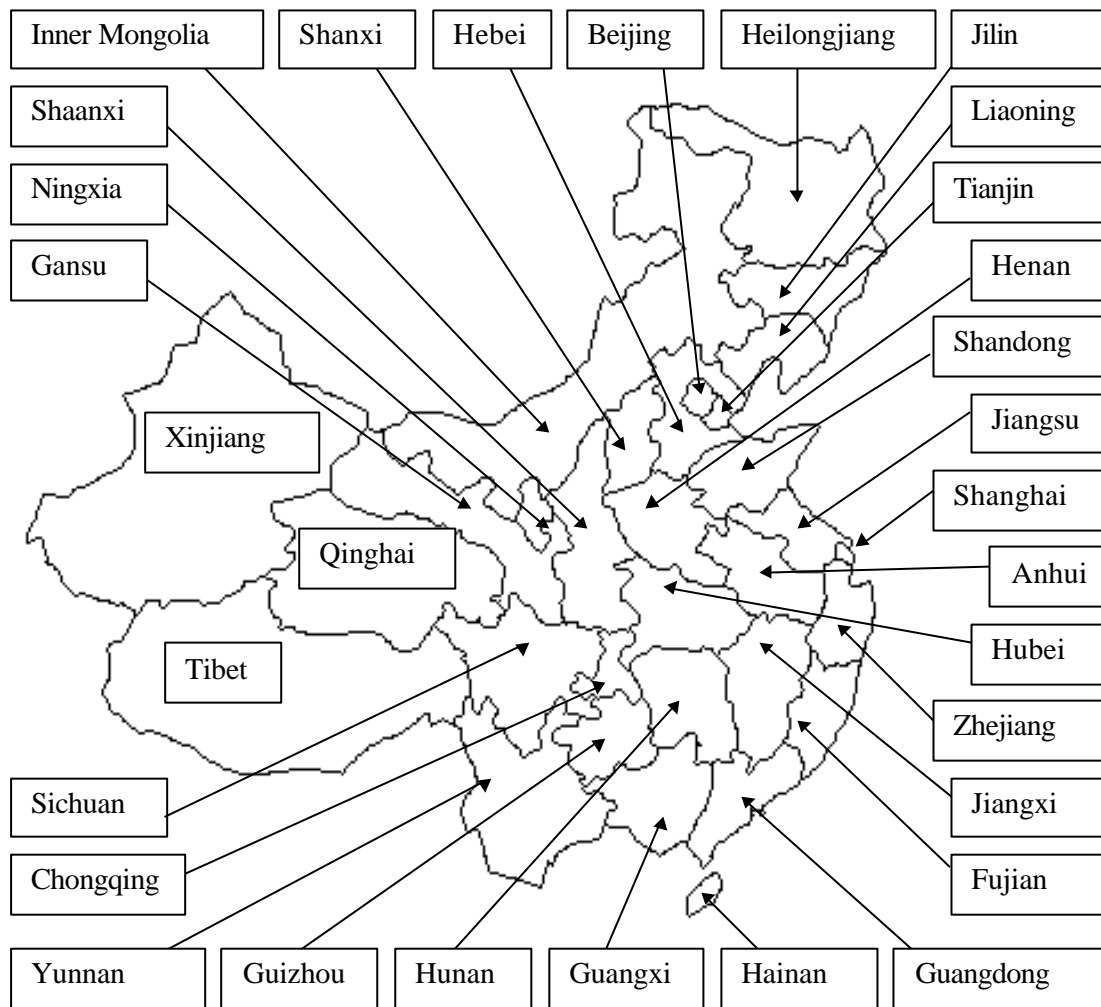
This status allows municipal authorities the right to approve foreign-invested enterprises worth up to US\$ 30 million, and brings with it significant political sway. 8 other major cities, including Dalian, Guangzhou, Harbin, Ningbo, Qingdao, Shenyang, Wuhan and Xi'an, all enjoy "deputy province-level" economic status. This gives them a high degree of economic autonomy in their own right.

With most economic development in China having been focused on the coastal regions, since the country opened-up its economy to foreign involvement, the government is now keen to spread development further inland. To this end, both central and local government is now actively encouraging greater foreign investment in the internal regions of the country.

Of particular focus at present, are the provinces and autonomous regions of Western China. These areas have been particularly slow to develop, and remain relatively very poor in comparison with the Eastern coastal provinces.

Much of the new focus in development lies in promoting existing industries, such as agriculture and mineral extraction, but there is also an increasingly pressing drive to encourage new industries to develop. These regions are expected to become much more significant within the economy of the country over the coming years, and are likely to produce many new business opportunities for both foreign and domestic companies.

Map 1.1 CHINA: PROVINCES AND MUNICIPALITIES



Source: Access Asia China Contact

1.4 Demographics

- China's population growth has continued to slow down, and the population as a whole is ageing, due to the One Child Policy and improved healthcare
- Average household sizes are shrinking, the number of households increasing in proportion with the population as more housing becomes available
- The number of income earners per household has shrunk with the size of households, most having 2 income earners

1.4.1 Demographics: Total Population

China has the largest population of any country in the world, reaching over 1.27 billion individuals in 2000.

Growth rates are slow, thanks to the government's One Child Policy, which limits most families in China to only one child.

Despite the slow-down in population growth, the United Nations estimates that China's population will reach 1.3 billion by the year 2003.

However, such predictions are now being called into question. Recent surveys conducted in China, carried out in an attempt to pre-empt the likely outcome of the forthcoming census (due in February 2001), have found that China's population may in fact be bigger than currently estimated.

According to the One Child Policy, parents are allowed only one child, with exceptions only being granted to some rural families and national minorities. Couples having more than one child can face penalties of up to two thirds of their salaries being taken in fines, or be punished in other ways, such as losing certain social rights. Thus, many rural families have tended to hide their illicit children (known as "black children") from the authorities.

Problems have therefore arisen from people not registering all of their children. The result is that there is a large population of un-recorded children in China, which means that official population statistics could be significantly off the mark.

There is also a problem in calculating population arising from the increasingly large migrant population in China. Forced by economic necessity, many rural workers have moved to China's cities, illegally, looking for work. Such people are therefore unlikely to be registered for the census, and may well be missed completely from census statistics.

Table 1.3 TOTAL POPULATION 1994–2000

	<i>Population (million)</i>	<i>% annual growth</i>
1994	1,198.5	1.4
1995	1,211.2	1.1
1996	1,223.9	1.0
1997	1,236.3	1.0
1998	1,248.1	1.0
1999	1,260.9	0.9
2000	1,273.3	0.8

Source: Access Asia based on national statistics/Xinhua News Agency

1.4.2 Demographics: Population by Location

The majority (more than two thirds) of China's large population continues to live in a rural location, with most of these rural areas being relatively under-developed in relation to China's urban centres. In particular, the retail trade infrastructure is less developed and dispersed in these rural regions.

Lower average incomes in rural areas, combined with a less well developed transport infrastructure, mean that such areas have not yet become as significant in terms of available spending power, nor are they as easily supplied as the urban areas. This economic disparity has also led to an increasing workforce shift, away from the countryside, and into the cities. Although this is causing problems in the cities, such as overcrowding and increased crime rates, as many rural workers send much of their earnings home to their rural families, this is adding supplementary income to local rural economies.

Table 1.4 POPULATION BY URBAN-RURAL DIVIDE 1994–2000

<i>Million persons</i>	1994	1995	1996	1997	1998	1999	2000
Urban	343.01	351.74	359.50	369.89	379.42	388.00	397.10
Rural	855.49	859.47	864.39	866.37	868.68	872.86	876.19
TOTAL	1,198.50	1,211.21	1,223.89	1,236.26	1,248.10	1,260.87	1,273.29

Source: National Statistics and Access Asia based on national statistical and other agency estimates

1.4.3 Demographics: Population Breakdown by Location

Although the urban population has continued to increase as a proportion of the total, this trend is, according to official figures, slowing down. However, there is some dispute as to what the real breakdown is, and many authorities regard the urban population to be

growing much faster than official rates would admit, largely due to large-scale migration of workers from rural to urban areas.

Official statistics do not count such migrant workers as urban dwellers, despite these workers living most of the year in the main cities. These workers do not have residence permits for the main cities, and so are still registered as living in their home counties.

Table 1.5 POPULATION BREAKDOWN BY URBAN-RURAL DIVIDE 1994–2000

%	1994	1995	1996	1997	1998	1999	2000
Urban	28.62	29.04	29.37	29.92	30.40	30.77	31.19
Rural	71.38	70.96	70.63	70.08	69.60	69.23	68.81
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: National Statistics and Access Asia based on national statistical and other agency estimates

1.4.4 Demographics: Population by Province

In 2000, the total population reached just under the 1.27 billion mark, with Henan being the most populated province with a total of 100 million people, representing 7.9% of the total national population. Henan took over as the most populous province, when Chongqing split off from Sichuan province, when it became an autonomous municipality in 1997.

The mountainous and poorly developed autonomous region of Tibet has the smallest population, with only 2.5 million, spread over an area that is approximately three times the size of Poland.

The sheer size of China, and its diverse topography and range of climate, means that the population is spread across a very diverse set of living circumstances. Thus, the lifestyles of the population is also highly diverse, from nomadic herding peoples in the West and Northwest, to sophisticated city dwellers in the East. Chinese people's lifestyles are also shaped by climate, with those in the north and mountainous regions, living in sub-polar conditions, whilst those in the south live in a sub-tropical climate.

The shape of the topography has significant influence on people's lifestyles. Farmers living by China's major rivers face the constant threat of flood, and rely on controlling the water supply to irrigate their crops. In the central mountains, farmers face the problems of drought, soil erosion and difficulty of getting crops to market across rough, mountainous terrain.

The coasts of China provide the main ports of entry into the country for many goods, but are also the home of China's significant marine

fishing fleet. In the West, desert oases have been developed into major regions of fruit and other crop production.

Table 1.6 POPULATION BY PROVINCE 1999/2000

<i>Population (million)</i>	1999	2000	2000 % share of total
Henan	99.38	100.47	7.89
Shandong	95.01	96.05	7.54
Sichuan	88.26	89.23	7.01
Jiangsu	75.59	76.42	6.00
Guangdong	71.23	72.01	5.66
Hebei	70.17	70.94	5.57
Hunan	69.11	69.86	5.49
Hubei	61.58	62.25	4.89
Anhui	56.16	56.77	4.46
Guangxi	47.44	47.96	3.77
Zhejiang	46.38	46.89	3.68
Jiangxi	45.59	46.09	3.62
Liaoning	43.21	43.69	3.43
Yunnan	40.97	41.42	3.25
Guizhou	37.79	38.20	3.00
Shaanxi	36.74	37.14	2.92
Fujian	33.43	33.80	2.65
Shanxi	33.43	33.80	2.65
Chongqing	30.67	31.01	2.44
Heilongjiang	29.20	29.52	2.32
Jilin	28.01	28.31	2.22
Gansu	25.90	26.19	2.06
Inner Mongolia	24.85	25.12	1.97
Xinjiang	17.44	17.63	1.38
Shanghai	13.22	13.37	1.05
Beijing	11.89	12.02	0.94
Hainan	7.54	7.62	0.60
Tianjin	5.94	6.01	0.47
Ningxia	5.55	5.61	0.44
Qinghai	5.29	5.35	0.42
Tibet	2.51	2.54	0.20
TOTAL	1,259.49	1,273.29	100.00

Source: Access Asia based on national statistics

1.4.5 Demographics: Population Density by Province

China's population density is highest in the more developed industrial and agricultural regions of China, the cities of Shanghai, Beijing and Chongqing being three of the most densely populated areas.

Shanghai is the most densely populated, with over 2 million people for every square kilometre. This contrasts sharply with the population density in Tibet, where there are just over 2 people per square kilometre.

Table 1.7 POPULATION DENSITY BY PROVINCE 2000

	<i>Sq. Km</i>	<i>Density (people/km2)</i>
Shanghai	6,186	2,154.2
Beijing	16,000	749.1
Jiangsu	102,600	742.7
Chongqing	48,000	644.1
Shandong	156,700	611.2
Henan	167,000	599.9
Tianjin	11,300	529.9
Zhejiang	101,800	459.3
Anhui	130,000	435.5
Guangdong	178,000	403.4
Hebei	187,700	376.8
Hubei	186,000	333.7
Hunan	211,800	328.9
Liaoning	147,500	295.3
Fujian	121,700	276.9
Jiangxi	166,900	275.3
Hainan	34,000	223.5
Guizhou	176,100	216.3
Shanxi	156,300	215.6
Guangxi	236,000	202.6
Shaanxi	205,600	180.1
Jilin	187,400	150.7
Sichuan	522,000	170.4
Ningxia	51,800	108.0
Yunnan	394,000	104.8
Heilongjiang	454,000	64.8
Gansu	454,000	57.5
Inner Mongolia	1,183,000	21.2
Xinjiang	1,600,000	11.0
Qinghai	722,300	7.4
Tibet	1,200,000	2.1
TOTAL	9,515,686	133.4

Source: Access Asia based on national statistics

1.4.6 Demographics: Population Concentration

The highest concentration of China's population resides in the eastern central region, geographically defined as the fertile flood plains at the lower reaches of China's two principle rivers, the Yellow River and the Yangzi River.

These two rivers deposit silt that makes the flood plain the richest agricultural area in China. This area is where China's main cities have been located, along with its key industrial regions, and is therefore one of the most economically advanced region of China.

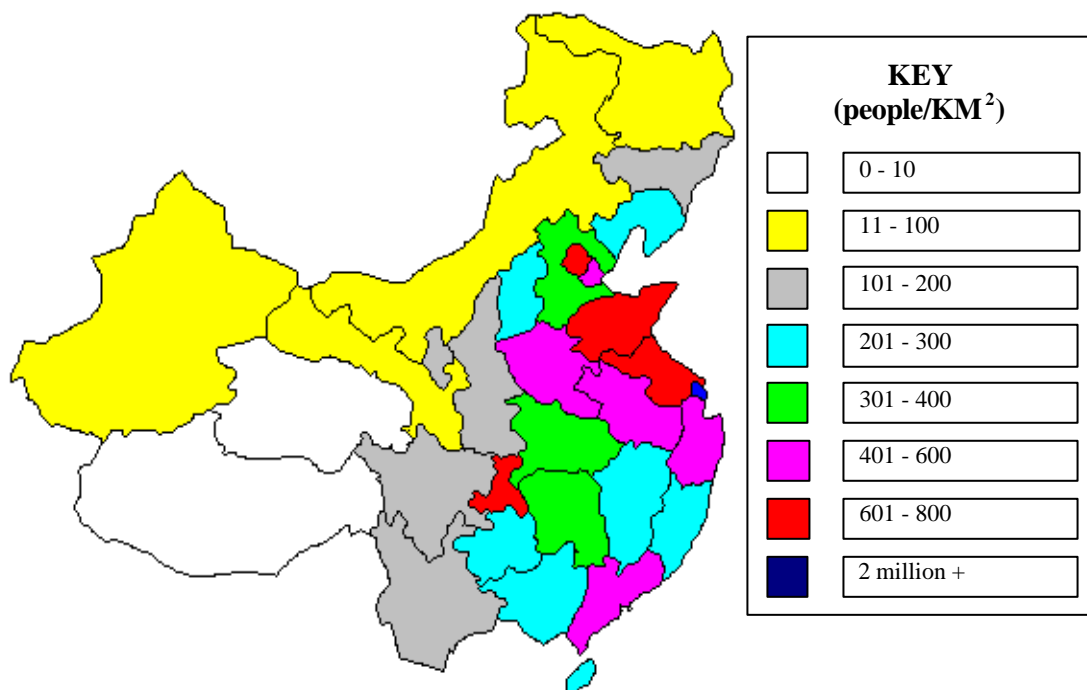
West of this region, China's topography is largely mountainous, which creates both more dispersed populations, and more direct obstacles to distribution infrastructure.

Large areas of desert and high plateau dominate the western provinces of Xinjiang, Qinghai and Tibet, which are inhabited by sparse populations of largely nomadic peoples.

Government statistics indicate that the number of cities grew from 193 in 1979 to 668 in 1997. The bulk of the newly emerging cities can be attributed to the rapid development of new industrial capacity within many county-level towns. As China continued its reform of urban areas, big cities with populations of more than 500,000 also increased from just 12 to 81, according to the bureau statistics.

The five past decades witnessed the rapid increase of the size of urban areas. In 1984, 295 cities across the nation took up just 7.6% of the land. But by 1996, urbanisation had pushed that figure to 18%.

Map 1.2 **CONCENTRATION OF POPULATION BY PROVINCE 2000**



Source: National Statistics and Access Asia based on national statistical and other agency estimates

1.4.7 Demographics: Population by Gender

China's population is unusual in having a greater proportion of men than women have, although this balance is shifting.

Despite the communist state's firm belief that women are as capable of any kind of work as men, and should therefore earn equal wages and have equal job opportunities, Chinese society is basically patriarchal, and men tend to attain most of the key positions in society.

However, women are a very strong economic force in China and are traditionally the underlying power within the basic social structure of Chinese society, the family. Women are usually behind most of the key spending decisions in a family, including purchase of large ticket items.

Women are also increasingly important within the workforce, especially in new high-growth industries such as electronics and services, and are becoming economically more significant because of this. Women have also become a significant part of the office-based workforce in China, and are increasingly attaining high levels of seniority within such work situations.

Table 1.8 TOTAL POPULATION BREAKDOWN BY GENDER 1994–2000

<i>Million persons</i>	1994	1995	1996	1997	1998	1999	2000
Male	616.20	622.51	628.89	635.08	640.99	644.30	648.48
% of total	51.41	51.40	51.38	51.37	51.36	51.10	50.93
Female	582.30	588.70	595.00	601.18	607.11	616.57	624.81
% of total	48.59	48.60	48.62	48.63	48.64	48.90	49.07
TOTAL	1,198.50	1,211.21	1,223.89	1,236.26	1,248.10	1,260.87	1,273.29

Source: National Statistics and Access Asia based on national statistical and other agency estimates

1.4.8 Demographics: Population by Age Group

The ten to 35 age group is the largest within the Chinese population. This generation of Chinese is very dynamic, being less restrained by the dogma of past eras, and more open to new, modern concepts, and less inclined to the conservatism of older generations. It is the younger generation that has also been at the forefront of creating the new rich classes in China. This new rich class can be defined as consumers earning over RMB 10,000 per month.

The significant under-ten sector of the population is not in itself a major consumer base, but is the focus of much consumer spending by older age groups. As, once married, parents may only have one child,

they and their immediate families tend to lavish high levels of expenditure on providing for these children.

Better health care has ensured that more babies live past their first one to two years, and high per capita spending on children is ensuring that these children are provided with increasingly expensive food, clothing and other goods.

Table 1.9 POPULATION BY AGE GROUP 1994–2000

<i>Million persons</i>	1994	1995	1996	1997	1998	1999	2000
0 to 14 years	321.70	322.40	323.10	323.69	324.00	324.75	325.44
15 to 64 years	806.10	816.11	826.09	835.67	844.93	854.93	865.71
65 years and over	70.70	72.70	74.70	76.90	79.17	81.19	82.24
TOTAL	1,198.50	1,211.21	1,223.89	1,236.26	1,248.10	1,260.87	1,273.29

Source: National Statistics and Access Asia based on national statistical and other agency estimates

1.4.9 Demographics: Population by Age Group

The middle-aged and elderly populations are growing more rapidly in recent years, thanks to better healthcare. As the population ages, so it is becoming wealthier, as there are more people at an age where they have accrued substantial savings and established careers with sustained incomes.

This also means that adults have more money to spend on children, so the per capita spend per child has increased dramatically, which has had a significant impact on products aimed at children.

Table 1.10 POPULATION BY AGE GROUP 1994–2000

<i>%</i>	1994	1995	1996	1997	1998	1999	2000
0 to 14 years	26.84	26.62	26.40	26.18	25.96	25.76	25.56
15 to 64 years	67.26	67.38	67.50	67.60	67.70	67.80	67.99
65 years and over	5.90	6.00	6.10	6.22	6.34	6.44	6.46
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: National Statistics and Access Asia based on national statistical and other agency estimates

1.5 Consumer Wealth

1.5.1 Consumer Wealth: GDP and Cost of Living

Economic growth was strong for most of the first half of the 1990s, with 1997 showing a slight drop in growth, mainly due to the government tightening controls on credit, thus limiting the development of new ventures, etc. This move has not only calmed down what was an over-heated economy, but has also brought to an end wasteful practices in the financial system, whereby companies could accrue debts which they could not afford, and could never pay back.

These moves have also helped China to avert the same economic problems that have dogged other Asian countries in recent years. Despite the slow down in growth, GDP still reached RMB 7.7 trillion in 1999. China also expects to either match or exceed the 7.1% economic growth rate it achieved in 1999 in 2000. Official forecasts are for growth of about 7.2%, although much will depend on continued confidence in the economy, and much of this will be gauged by the amount of progress towards WTO membership for China.

Accession to the WTO is expected to offer the perfect opportunity for China's commercial sector to reconstruct itself according to international standards. After the country embraces WTO conditions, China will open up to hundreds and thousands more imported goods. This will force the domestic companies to modernise and improve in order to remain competitive. WTO membership will mean a more open commercial market, with greater protection for consumers and *bone fide* competitors.

The impact of increased foreign competition after WTO won't be immediately felt, but is expected to be a gradual process and benefits will be reaped gradually. New development in distribution systems will be crucial to the success of all commercial enterprises in China in the coming years. Retail sales continue to drive the consumer market, having risen by 9.9% in September 2000, over the same period in 1999. This is despite more consumers spending increasing amounts of their income on non-retail purchases, such as cars and private accommodation. Holiday periods tend to be key focus points for retail sales, with the Spring Festival (Chinese New Year) being the equivalent to Christmas in the West.

Despite the rise in consumers' spending, the effect of increased competition in most markets, coupled with consumers continuing to be highly cost-conscious, has meant that price inflation has slowed significantly in more recent years, helping to keep the economy from overheating, and allowing less wealthy regions of the country to catch up with the more developed regions in terms of consumer spending power.

Table 1.11 GDP AND COST OF LIVING INDEX 1994–2000

	1994	1995	1996	1997	1998	1999	2000
<i>RMB billion, current prices</i>							
GDP	4,675.9	5,847.8	6,788.5	7,446.3	7,939.6	8,503.3	9,183.5
% growth	35.0	25.1	16.1	9.7	6.6	7.1	8.0
<i>Cost of living index</i>							
1993=100	114.6	142.2	166.5	180.4	194.8	200.6	207.8
<i>RMB billion, 1993 constant prices</i>							
Real GDP	4,080.2	4,112.4	4,077.2	4,127.6	4,075.8	4,238.9	4,419.4
% growth	17.8	0.8	-0.9	1.2	-1.3	7.1	8.0

Source: National statistics/Xinhua News Agency/Access Asia

1.5.2 Consumer Wealth: Provincial Differences in GDP

China is too big a country to treat as a unified whole in economic terms, being much the same size as mainland Europe; with equally as wide a range of cultural and economic variation. The most advanced provinces in terms of economic growth are the eastern coastal provinces - historically centres for trade, agriculture and industry - which have benefited from most of the inward and domestic investment in industry and infrastructure over recent years. Sichuan province is in fact relatively poor in comparison with Guangdong, for instance, but has a high total GDP thanks to its very large population.

Beijing's Gross Domestic Product saw a 10% increase in 1999 compared with the previous year. The RMB 216.97 billion GDP was 1% higher than anticipated by the government at the beginning of the year. Beijing is expected to achieve GDP of RMB 235.5 billion in 2000.

While the GDP of primary industries (raw materials production and heavy industry) should increase by 3%, secondary industries (light industry and manufacturing) should jump by 9.1%. High-tech industries should account for at least 27.5% of the industrial total. Tertiary industry (supply and service industries) should achieve an increase rate of 9.2%, contributing 58% to the city's GDP.

To aid further development of the tertiary industry, the major contributor of Beijing's economy, the city government has promised a 5% increase in local residents' income for 2000, while stressing the development of the retail, tourist, real estate, internet, insurance, cultural and social service trades.

In 1999, the annual per capita income of Beijing workers was RMB 13,500 (US\$ 1,626.5), while that of farmers was RMB 4,316 (US\$ 520). While Beijing will have roughly the same targets for exports and foreign investment this year as in 1999, which are US\$ 3.2 billion and US\$ 2.9 billion respectively, it is set to increase the tourist revenue from 1999's US\$ 2.5 billion to US\$ 2.6 billion in 2000.

Shanghai recorded 9.6% economic growth during the first half of 1999. The city's GDP reached RMB 181.43 billion by end of June that year. The manufacturing sector grew 8.9% to RMB 89.98 billion, while the services sector increased by 11.2% to RMB 88.87 billion. Shanghai maintained its double digit growth in exports, in contrast to a general nationwide decline in exports. The city's export volume grew by 17% on year to US\$ 8.13 billion. Of these, the export of machinery and electronics jumped by 35.4%. The city concluded 764 foreign invested projects during the first six months, a 16.1% increase on the previous year. However, the city's foreign direct investment decreased, with total contracted capital down 27.8% to US\$ 2.07 billion. Actual FDI also fell, dropping 11.1% year-on-year to US\$ 1.3 billion.

Table 1.12 GDP BY PROVINCE 1994–2000

<i>GDP (RMB billion)</i>	1994	1995	1996	1997	1998	1999	2000
Guangdong	436.9	546.2	646.2	707.8	759.5	819.8	889.8
Shandong	399.0	507.7	590.8	643.5	686.9	741.6	803.4
Jiangsu	418.0	523.2	595.2	646.4	690.6	738.4	796.5
Zhejiang	274.8	357.7	411.0	448.8	478.4	517.4	560.6
Henan	229.2	304.7	362.9	394.7	417.8	458.4	498.8
Hebei	225.4	289.2	342.3	382.6	408.2	444.4	484.2
Hubei	193.6	242.7	294.4	333.8	355.3	388.3	424.2
Shanghai	203.2	249.9	287.7	325.1	353.7	377.8	410.5
Liaoning	253.6	283.5	313.0	337.7	372.3	381.6	407.1
Fujian	173.6	219.3	256.1	290.3	319.4	342.9	374.4
Hunan	174.6	222.8	262.4	289.6	308.0	334.5	363.4
Sichuan	286.2	358.6	295.9	321.3	343.4	330.8	338.1
Anhui	153.4	203.3	231.9	258.3	269.1	294.1	319.0
Heilongjiang	166.8	204.4	238.2	262.1	271.7	294.2	317.4
Beijing	111.7	141.6	160.2	175.1	192.9	204.8	221.9
Guangxi	127.9	163.0	185.3	195.0	182.5	203.2	215.5
Jiangxi	97.7	122.3	150.4	166.0	177.6	193.8	211.5
Yunnan	100.3	122.5	147.9	159.1	172.1	185.0	200.7
Shanxi	88.0	110.9	129.7	143.2	153.6	165.7	179.9
Jilin	96.5	114.6	132.5	140.0	149.4	158.3	169.7
Shaanxi	84.1	101.5	116.5	128.3	132.5	142.6	153.4
Chongqing	na	na	116.9	130.6	137.1	142.0	150.9
Tianjin	74.7	93.4	109.3	120.0	128.2	138.2	149.8
Inner Mongolia	70.3	84.5	97.6	105.9	114.4	121.4	130.9
Xinjiang	69.4	83.7	90.4	101.6	107.1	113.0	121.1
Gansu	46.5	56.2	70.8	75.6	83.4	89.9	97.9
Guizhou	53.7	63.9	70.7	76.7	80.7	85.1	91.0
Hainan	34.1	37.0	38.6	39.7	42.1	42.1	43.8
Ningxia	13.8	17.2	19.2	20.4	21.8	23.1	24.8
Qinghai	14.2	16.8	18.2	19.6	21.1	21.9	23.3
Tibet	4.7	5.7	6.4	7.4	8.7	9.1	9.9
TOTAL	4,675.9	5,847.8	6,788.5	7,446.3	7,939.6	8,503.3	9,183.5

Source: China Contact from national statistics

1.5.3 Consumer Wealth: GDP Growth by Province

Central-eastern provinces remain in the forefront of economic growth, with provinces such as Hubei and Henan leading in terms of GDP growth over the 1994 to 2000 period, both seeing growth over 190%.

However, more significant growth is now being seen in some of the western provinces, such as in Gansu and Tibet, where GDP growth was over 180% over the same period.

Table 1.13 GDP GROWTH BY PROVINCE 1994–2000

	<i>% growth 1994-2000</i>
Hubei	119.1
Henan	117.6
Jiangxi	116.5
Fujian	115.7
Hebei	114.8
Tibet	110.6
Gansu	110.5
Hunan	108.1
Anhui	108.0
Shanxi	104.4
Zhejiang	104.0
Guangdong	103.7
Shanghai	102.0
Shandong	101.4
Tianjin	100.5
Yunnan	100.1
Beijing	98.7
Jiangsu	90.6
Heilongjiang	90.3
Inner Mongolia	86.2
Shaanxi	82.4
Ningxia	79.7
Jilin	75.9
Xinjiang	74.5
Guizhou	69.5
Guangxi	68.5
Qinghai	64.1
Liaoning	60.5
Hainan	28.4
Chongqing	29.1
Sichuan	18.1
TOTAL	96.4

Source: Access Asia from national statistics

Note*: Chongqing growth calculated since 1996, to account for the establishment of Chongqing as an autonomous municipality in 1997.

1.5.4 Consumer Wealth: GDP Per Capita by Province

GDP per capita is the best gauge of how rich each of the provinces are, and in these terms China's three leading industrial cities (Shanghai, Beijing and Tianjin) are the wealthiest. The wealthiest provinces are all regions that have enjoyed the high economic growth - due to receiving the bulk of recent investment - that has created some of the richest people in China.

Table 1.14 PER CAPITA GDP BY PROVINCE 1999/2000

<i>GDP per capita (RMB)</i>	1999	2000	% growth, 1999-2000
Shanghai	28,577.9	30,703.1	7.4
Tianjin	23,266.0	24,925.1	7.1
Beijing	17,224.6	18,460.9	7.2
Guangdong	11,509.2	12,356.6	7.4
Zhejiang	11,155.7	11,955.6	7.2
Fujian	10,257.3	11,076.9	8.0
Heilongjiang	10,075.3	10,752.0	6.7
Jiangsu	9,768.5	10,422.7	6.7
Liaoning	8,831.3	9,317.9	5.5
Shandong	7,805.5	8,364.4	7.2
Xinjiang	6,479.4	6,869.0	6.0
Hebei	6,333.2	6,825.5	7.8
Hubei	6,305.6	6,814.5	8.1
Jilin	5,651.6	5,994.3	6.1
Hainan	5,583.6	5,748.0	2.9
Anhui	5,236.8	5,619.2	7.3
Shanxi	4,956.6	5,322.5	7.4
Inner Mongolia	4,885.3	5,211.0	6.7
Hunan	4,840.1	5,201.8	7.5
Henan	4,612.6	4,964.7	7.6
Chongqing	4,629.9	4,866.2	5.1
Yunnan	4,515.5	4,845.5	7.3
Jiangxi	4,250.9	4,588.8	7.9
Guangxi	4,283.3	4,493.3	4.9
Ningxia	4,162.2	4,420.7	6.2
Qinghai	4,139.9	4,355.1	5.2
Shaanxi	3,881.3	4,130.3	6.4
Tibet	3,625.5	3,897.6	7.5
Sichuan	3,748.0	3,789.1	1.1
Gansu	3,471.0	3,738.1	7.7
Guizhou	2,251.9	2,382.2	5.8
TOTAL	6,751.4	7,212.4	6.8

Source: Access Asia from national statistics

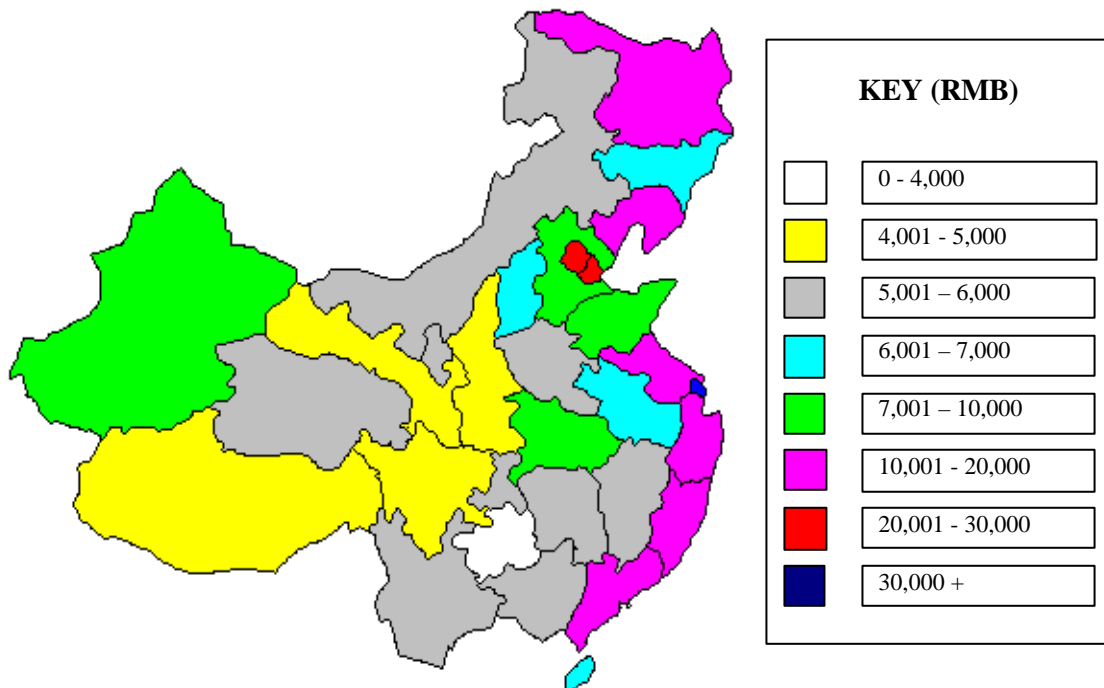
1.5.5 Consumer Wealth: Concentration of Wealth by Province

The concentration of wealth is highest in the provinces that lie along China's east coast, the interior regions lagging behind in terms of economic development.

The significance to retail markets is that these high economic value regions are where consumer spending is strongest, and consequently where the retail trade is best developed. These are also the regions of highest population concentration.

Investment is beginning to reach interior China, creating more wealth in these regions, and opportunities are already opening up in the relatively wealthy and well-populated interior province of Hubei. New tax breaks provided to foreign investors setting up operations in these interior provinces are expected to accelerate the growth of inward investment into these regions, thus increasing economic output and average wealth.

Map 1.3 VALUE OF GDP PER CAPITA BY PROVINCE 2000



Source: Access Asia from national statistics

1.5.6 Consumer Wealth: The Major Cities

The south coast cities of Xiamen, Haikou, Guangzhou and especially Shenzhen are where consumers are spending the most in China, with average per capita retail sales being over RMB 10,000 in all of these places (Shenzhen being exceptional at over RMB 20,000 per capita).

In many cities, average per capita sales are greater than average per capita incomes, indicating that more consumers are now dipping into their savings in order to buy more goods. This indicates a significant shift in the attitudes of consumers in these most developed regions, and that consumers are giving up the traditional impulse to save rather than spend.

As wealth begins to spread out from the major cities to surrounding areas, so the development of retailing is expected to follow in a similar way to that which has been seen in the cities. However, more out-of-town complexes are also likely to be developed, designed increasingly for those consumers with access to a private vehicle.

China has seen dramatic urbanisation during the past five decades, as cities have become the economic backbone of the country. Government statistics indicate that the number of cities has grown from 193 in 1979 to 668 in 1997. The bulk of the newly emerging cities can be attributed to the rapid development of counties since China adopted its economic reform policy in 1978.

The Gross Domestic Product (GDP) of urban areas, a critical economic index, has been growing at a stunning speed, annually reaching 18% during the 1988 to 1996 period. In 1997, 34 out of 226 cities at the prefecture level or higher achieved an RMB 20 billion GDP or higher.

The rapid urbanisation of China owes much to the economic development of Southeast China, where people are more outward-looking and the economic infrastructure is better developed than the rest of the country. The trend of urbanisation became obvious in the 1980s, when the population growth in urban areas of the region was much higher than the rest of China.

Table 1.15 LEADING CITIES KEY ECONOMIC INDICATORS 2000

	Total population (million)	Total retail sales (RMB billion)	% share of national total	Retail sales per capita (RMB)	Avg. income per capita (RMB)	Per capita sales as % avg. income
Chongqing	31.0	71.5	1.9	2,305.5	8,336.6	27.7
Shanghai	13.4	186.4	4.9	13,913.3	15,086.0	92.2
Beijing	12.0	148.0	3.9	12,331.3	13,320.9	92.6
Chengdu	10.0	57.6	1.5	5,762.4	9,585.4	60.1
Tianjin	6.0	75.2	2.0	12,541.1	17,015.0	73.7
Shijiazhuang	8.8	28.3	0.7	3,210.5	8,745.3	36.7
Wuhan	7.5	65.6	1.7	8,746.1	8,634.2	101.3
Changchun	7.0	28.5	0.8	4,076.0	7,380.7	55.2
Shenyang	6.7	59.7	1.6	8,913.7	7,526.6	118.4
Xi'an	6.8	35.0	0.9	5,142.0	8,388.3	61.3
Guangzhou	6.7	113.0	3.0	16,867.1	16,575.5	101.8
Hangzhou	6.2	38.5	1.0	6,203.6	12,906.2	48.1
Harbin	9.8	47.8	1.3	4,881.0	6,515.4	74.9
Nanjing	5.6	48.5	1.3	8,666.6	10,024.6	86.5
Dalian	5.6	50.6	1.3	9,041.2	9,283.6	97.4
Jinan	5.5	36.9	1.0	6,713.5	10,397.1	64.6
Qingdao	7.1	27.4	0.7	3,861.0	10,054.4	38.4
Zhengzhou	6.1	30.4	0.8	4,975.5	8,731.7	57.0
Kunming	4.0	19.2	0.5	4,790.3	9,621.7	49.8
Changsha	5.9	26.4	0.7	4,480.4	9,113.3	49.2
Nanning	3.0	14.3	0.4	4,755.4	8,705.7	54.6
Shenzhen	2.0	45.7	1.2	22,867.7	15,876.9	144.0
Xiamen	1.4	18.6	0.5	13,287.1	12,288.3	108.1
Haikou	0.6	7.7	0.2	12,820.8	8,666.8	147.9
CITIES TOTAL	178.7	1,280.9	33.9	7,167.7	10,532.5	68.1
NATIONAL TOTAL	1,273.3	3,775.9	100.0	2,965.4	6,286.6	47.2

Source: National statistics

1.5.7 Consumer Wealth: The Significance of China's Accession to WTO

Accession to the World Trade Organisation (WTO) offers a key opportunity for the China's commercial sector to reconstruct itself in line with international standards. Once the country embraces WTO conditions, this will mean the opening up of much more of the domestic market to imported goods.

Domestic businesses in the commercial sector are still not yet as sophisticated as their foreign counterparts, which tend to be lower cost operations, with more efficient and more market-oriented management strategies. However, anticipating the rise in foreign competition, many domestic companies have been forced to modernise their operations. Foreign competition is not a new concept in the major cities such as Shanghai, which was one of the very first cities to open to the outside world.

Consumers will find that they will have a wider range of product and service choice, leading to lower prices, forced down by increased competition. This will mean that Chinese consumers will find that they will be able to obtain more for their money, giving them more confidence to spend more readily, thus bringing renewed vigour to the consumer market. Not only will their existing cash buy them more, but wages are also likely to rise, as the economy grows. This is likely to compound the general “feel-good” factor in the economy.

The result will be that consumers in China will become more able and willing to purchase large-ticket items, such as a car or private housing. It will also mean that small purchases will require less thought or concern over affordability.

The growth in the existing consumer market will create new opportunities for the development of under-developed, or as yet non-existent niche markets in the economy. Thus consumers will find that they are faced with even greater choice than before. It will also mean that consumers are likely to become more interested in niche products, creating greater demarcation between types of consumers.

1.6 Households

1.6.1 Households: Overview of Household Conditions

In as crowded a country as China, living space is a crucial concern to most consumers. Not only is living space highly desirable in itself, as an escape from the crowded city streets, but also as room to keep all the goods that consumers aspire to buy. Out of all urban Chinese, Guangzhou residents tend to have the most living space, compared with residents of Beijing and Shanghai. On average, Guangzhou residents have living space of 67.9 square metres (730 square feet) per household and 20 square metres per capita. Most of these households are three-person, nuclear families, a factor attributable to the central government's family planning policies since the 1970s. However, extended three-generation families continue to make up a visible proportion of the community.

Urban overpopulation has led to a shortage of toilet facilities. However, things are improving, and some of the wealthiest households even have two, three or more toilets. In Beijing, households with their own toilets constitute 3.3% of all households, whilst in Shanghai such households represent 9.1% and 11.8% in Guangzhou. However, shared toilets with neighbours remain commonplace. In Beijing and Shanghai, shared toilets are used by 17.5% of households, whilst in Guangzhou, such households only represent 3.3%. The remainder of households use public toilets.

Yet more striking is the fact that households with home telephones but without toilets constitute 6.6% in Beijing, 8.1% in Shanghai and 2.7% in Guangzhou.

Home ownership also varies widely from city to city. In Beijing, as many as 61% of residents live in apartments they do not own. Yet, in Guangzhou, as many as 57% of residents live in housing owned by the resident, whilst in Shanghai, the mix between public and private housing ownership is approximately 50:50.

Government housing reform continues to encourage private ownership and it is expected that an increasing proportion of urban residents will buy their own apartments, either from the government, their employers or real estate developers, over the coming years. About 17% of urban residents have indicated in surveys that they intend to buy an apartment over the short-term. Yet ignorance about buying property remains high. More than 86% of urban residents have been unable to name any real-estate company in surveys, and much confusion remains regarding the process of applying for a mortgage and the red-tape connected with buying a property.

1.6.2 Households: Total Households by Size

Household numbers are growing more quickly than China's population, as more people move out of the traditional extended family dwelling situation. Young Chinese in particular increasingly aspire to own accommodation once married, separate from that of their direct families. Due to increased average incomes, they are now more able to achieve these aspirations.

This has meant that three person households are now the most common form (usually 2 parents and 1 child), with 4 person households representing a large number of young married couples still living with one set of parents, whilst waiting to find affordable, separate accommodation.

The increase in households in proportion to the population is creating a greater potential volume market for many household consumer products.

The plethora of new mortgages now provided by the leading retail banks in China is also helping to boost private accommodation purchase. The government is eager to commercialise the housing market, and to rid itself of the mainly state-owned housing, often provided for only nominal rent, that used to dominate the housing market.

Table 1.16 NUMBER OF HOUSEHOLDS BY SIZE 1994–2000

<i>Households million</i>	1994	1995	1996	1997	1998	1999	2000
One person	18.1	20.3	22.3	23.3	23.8	26.7	28.9
Two person	34.6	38.9	42.7	44.6	45.6	51.1	55.3
Three person	80.8	90.7	99.3	101.2	103.1	114.7	123.0
Four person	79.3	89.0	97.5	99.2	101.1	112.5	120.7
Five person	50.7	56.9	62.3	63.3	64.5	71.7	76.9
Six person	24.0	27.0	29.6	30.2	30.8	34.3	36.8
Seven person	11.2	12.6	13.7	13.9	14.1	15.7	16.8
Eight or more	9.5	10.7	11.7	11.8	12.0	13.4	14.3
TOTAL	308.1	346.1	378.9	387.6	395.1	439.9	472.7

Source: Access Asia based on national statistics

1.6.3 Households: Total households by Urban/Rural Divide

The extended family living situation has survived longer in the rural regions, where households tend to have more space, and the nature of the agricultural work lends itself to keeping extended families together. Urban households are more restricted by living space, and urban occupations do not require family co-operation in work. This

means that urban households are on the whole much smaller than rural households.

Households in both situations are shrinking though, the trend in rural areas being created by the migration of many workers from poorer rural regions to take up more lucrative employment in the more affluent urban areas.

This migration of workers from the countryside is creating mounting pressure on the supply of housing in the main cities. This increasing pressure has forced the development of much new housing in suburban areas, to which more established city centre dwellers are moving, creating more room for newcomers to live in the city centres.

As new suburban districts emerge, so this is creating new opportunities for retailers and other service providers (such as laundrettes, taxi companies and leisure activity centres) to extend their chains of businesses into these new districts.

Table 1.17 NUMBER AND SIZE OF HOUSEHOLDS BY LOCATION 1994–2000

<i>Million households</i>	1994	1995	1996	1997	1998	1999	2000
Urban households	110.6	129.2	146.1	156.7	167.1	191.9	213.5
Average persons per household	3.10	2.72	2.46	2.36	2.27	2.02	1.86
Rural households	197.5	216.9	232.8	230.8	228.0	248.0	259.2
Average persons per household	4.33	3.96	3.71	3.75	3.81	3.52	3.38

Source: Access Asia based on national statistics

1.6.4 Households: Income Earners Per Household

As the number of household members has decreased, so have the number of wage earners in the average household. This is due to a reduction in the average number of adults per household. Most households in urban areas have two adults earning wages, with both husband and wife having careers.

In rural areas, because the whole family is involved in the planting and harvesting of crops, and the rearing, slaughter and sale of livestock, all adult members are considered employed.

Table 1.18 **AVERAGE NUMBER OF INCOME EARNERS PER HOUSEHOLD
1994–1999**

<i>Persons</i>	1994	1995	1996	1997	1998	1999	2000
Urban	1.95	1.93	1.92	1.93	1.94	1.93	1.93
Rural	2.91	2.89	2.9	2.88	2.87	2.86	2.85
TOTAL AVERAGE	2.59	2.56	2.53	2.51	2.49	2.46	2.44

Source: Access Asia based on national statistics

1.7 Employment

1.7.1 Employment: Number of Workers by Sector

The agricultural sector remains the most significant employer in China, with over half of all employed Chinese working in either agriculture, animal husbandry, forestry or fisheries. Manufacturing employment saw a sharp decline between 1994 and 1997, as many bankrupt state-owned enterprises (SOEs) were closed down, creating mounting unemployment. However, as more new manufacturing companies have been successfully set up in more recent years, so there has been a recovery in manufacturing employment, which has risen by 6.5% since 1997.

The retail and wholesale trade has flourished as the consumer market has expanded, and this has created many more jobs in this sector of the economy. The rapid growth of new supermarket, hypermarket and convenience store chains has been of most significance in pushing up the employment prospects in this sector.

The construction industry has also benefited from the rapid growth in the economy, with many new buildings being constructed in all of China's city and town centres. This has created many new jobs, especially for the multitude of migrant rural workers who have moved into the cities in order to find more lucrative work.

Table 1.19 NATIONAL EMPLOYMENT BY SECTOR 1994–2000

Million workers

	1994	1995	1996	1997	1998	1999	2000
Agriculture, forestry & fisheries	333.86	330.18	329.10	330.95	332.32	330.59	330.36
Manufacturing	96.13	98.03	97.63	96.12	83.19	85.88	88.58
Wholesale, retail and catering trade	39.21	42.92	45.11	47.95	46.45	50.18	52.13
Construction	31.88	33.22	34.08	34.49	33.27	34.60	35.01
Transport, storage, post and telecoms	18.64	19.42	20.13	20.62	20.00	20.94	21.33
Education, culture and the media	14.36	14.76	15.13	15.57	15.73	16.18	16.53
Government and social agencies	10.33	10.42	10.93	10.93	10.97	11.25	11.03
Service sector	6.26	7.03	7.47	8.10	8.68	9.28	9.87
Mining & quarrying	9.15	9.32	9.02	8.68	7.21	7.32	6.87
Health, sports & social welfare	4.34	4.44	4.58	4.71	4.78	4.92	5.03
Banking and insurance	2.64	2.76	2.92	3.08	3.14	3.30	3.44
Utilities (water, gas & electricity)	2.46	2.58	2.73	2.83	2.83	2.98	3.08
Scientific research	1.78	1.82	1.83	1.86	1.78	1.83	1.83
Water conservancy	1.39	1.35	1.29	1.29	1.16	1.14	1.09
Real estate	0.74	0.80	0.84	0.87	0.94	0.98	1.03
Others	41.55	44.84	45.63	48.62	51.18	53.28	55.58
TOTAL	614.72	623.89	628.42	636.67	623.63	634.65	642.78

Source: Access Asia based on national statistics

1.7.2 Employment: Growth by Sector

The service sector has seen the most significant rise in employment figures over the last decade, the strong consumer market having given rise to many more new consumer service industries. Sectors such as household repair and decoration, car repair and servicing, private child care, laundry services and even domestic cleaning services have all grown strongly in recent years, helping to take many laid-off manufacturing workers out of the ranks of the unemployed. Women have been particular beneficiaries of the rise in new service sector jobs.

The fast development of new housing, combined with the arrival of competitive mortgages, have combined to create a rapidly growing real estate industry. This has created many new jobs for real estate agents. The development of retailing and wholesale ventures has meant that the distributive industries have also been taking on many new staff. The retail chains have been particularly significant in this, taking on many former manufacturing workers.

The creation of competition in the retail banking sector has meant that the leading consumer banks in China have been in an all-out rush to expand their chains of branches. This has created many new jobs in the banking sector. Also, as the insurance market in China has emerged, so the number of jobs in the insurance industry, especially for direct sales agents, have mushroomed.

**Table 1.20 GROWTH IN EMPLOYMENT BY SECTOR
1994–2000**

	<i>% growth, 1994–2000</i>
Service sector	57.7
Real estate	38.6
Wholesale, retail and catering trade	33.0
Banking and insurance	30.2
Utilities	25.3
Health, sports & social welfare	15.9
Education, culture and the media	15.1
Transport, storage, post and telecoms	14.4
Construction	9.8
Government and social agencies	6.8
Scientific research	2.8
Manufacturing	-7.9
Agriculture	-1.0
Water conservancy	-21.7
Mining	-24.9
Others	33.8
TOTAL	4.6

Source: Access Asia from national statistics

1.7.3 Employment: Workers by Gender

The split between men and women in the workforce has remained fairly steady over the past decade, with minor fluctuations in the ratio, one way or the other. The whole employment market is still in the process of being reformed, thanks to the ending of the concept of a “job for life” (the so-called “iron rice bowl”). The closure of many non-viable state-owned manufacturing enterprises created significant job losses, whilst the opening-up of new sectors has created many new jobs. A balance is now being reached in terms of the unemployment rate.

What has been interesting has been the way in which laid-off workers have been quickly able to adapt (through necessity – the state benefit system being rudimentary) in order to fill vacancies in new industries. Many women have found that their more nimble fingers have been a particular benefit to them in the high-tech industries. Women are also finding increasingly dominant roles in the service sectors.

Men are tending to stay in the manufacturing sector, only shifting from making one type of product to making another. However, many men, especially older men, less able to adapt to new manufacturing processes, are finding work in the retail and wholesale sectors.

Table 1.21 TOTAL NATIONAL WORKFORCE BY GENDER 1994–2000

Million workers

	1994	1995	1996	1997	1998	1999	2000
Male	380.99	383.05	385.22	389.82	387.16	386.90	405.16
% of total	62.0	61.4	61.3	61.2	62.1	61.0	63.0
Female	233.73	240.84	243.20	246.85	236.47	247.74	237.61
% of total	38.02	38.60	38.70	38.77	37.92	39.04	36.97
TOTAL	614.72	623.89	628.42	636.67	623.63	634.65	642.78

Source: Access Asia based on national statistics

1.7.3 Employment: Workers by Habitation

The shift in the Chinese economy is ever more towards an urban-based economy. Urban employment has risen from 27% of the total in 1994 to over 30% by 2000. Not only does this reflect the migration of many rural workers into the cities, but it also reflects the fact that most new industry is being set up in urban, rather than rural regions.

This shift has been noticed by the Chinese government, which is attempting to redress this imbalance by providing tax breaks and other incentives for both domestic and foreign companies to invest in rural regions, especially in the interior of the country. However, it will take quite some time before such measures begin to reverse the current trend.

It is therefore likely that the gradual importing of labour from the countryside into the cities will continue for some time yet. This will create increased pressure on the local urban job and housing markets, and will continue to deprive the rural economy of a significant amount of labour. This might force the government to take more radical measures, such as sending unemployed urban workers out into the countryside to help make-up shortfalls in rural manpower.

Table 1.22 NATIONAL WORKFORCE BY HABITATION 1994–2000

<i>Million workers</i>							
	1994	1995	1996	1997	1998	1999	2000
Urban	168.44	175.31	180.86	184.84	184.33	191.07	196.65
% of total	27.4	28.1	28.8	29.0	29.6	30.1	30.6
Rural	446.28	448.58	447.56	451.83	439.30	443.57	446.12
% of total	72.6	71.9	71.2	71.0	70.4	69.9	69.4
TOTAL	614.72	623.89	628.42	636.67	623.63	634.65	642.78

Source: Access Asia based on national statistics

1.7.4 Employment: Unemployment

Urban unemployment rates have continued to rise thanks to the closure of many failing state-owned enterprises. It is officially estimated that the total number of unemployed in China reached over the 6 million mark in 2000. However, official estimates tend to ignore the problems of migrant workers, who are often out of work for significant parts of the year. This means that real unemployment levels are probably higher. The official unemployment rate continues to stay at above 3%, and at present does not look set to decrease.

The main problem is not a shortage of manual labour work, of which there is plenty, but that there are too many un-skilled labourers. In industries where a more skilled workforce is required, there are shortages of staff in certain areas, particularly in the high-tech industries, and in management in most industrial sectors. The government has attempted to introduce several retraining schemes for laid-off workers, but with only limited success. There continues to be a lack of more focused retraining for the unemployed.

Table 1.23 URBAN UNEMPLOYMENT RATES 1994–2000

	1994	1995	1996	1997	1998	1999	2000
Million workers	5.07	5.20	5.45	5.70	5.71	5.96	6.14
% unemployment rate	3.01	2.97	3.01	3.08	3.10	3.12	3.12

Source: Access Asia based on national statistics

1.8 Consumer Market

1.8.1 Consumer Market: Consumer Spending Trends

Total consumer expenditure grew by 41% between 1994 and 2000, rising to RMB 5.8 trillion. Of this, nearly 44% of consumer spending is made on food products and services. This includes institutional spending, as well as the purchasing of the distributive trades.

Consumption is rising in all sectors of the economy, indicating how strong the domestic market in China is at present, despite the social problems the country faces, which have been created by such meteoric growth rates.

In order of the rate of growth over the 1994 to 2000 period, are medicines & healthcare (190.8%); housing (144.1%); education & entertainment (123.6%); transport & communications (103.6%); household durable goods (59.9%); services (58.0%) and food (16.4%). Only one sector of consumer spending has declined, and that has been clothing and footwear, and even in this sector the decline in growth was only -2.6%.

Table 1.24 CONSUMER EXPENDITURE* BY BROAD SECTOR AT CURRENT PRICES 1994–2000

<i>RMB billion</i>	1994	1995	1996	1997	1998	1999	2000
Food	2,189.01	2,139.02	2,415.95	2,420.96	2,424.55	2,429.56	2,547.42
Medicines & healthcare	99.78	133.37	157.54	190.63	224.26	258.68	290.17
Clothing and footwear	661.12	580.41	735.57	693.49	650.15	606.30	643.72
Household durable goods	284.08	359.66	290.07	342.38	395.51	449.92	454.34
Transport & communication	173.29	207.13	225.69	257.95	290.68	324.23	352.77
Education & entertainment	309.49	378.76	423.91	491.25	559.62	629.67	691.98
Housing	230.44	303.02	317.16	381.87	447.62	514.93	562.57
Services	167.98	183.37	199.56	215.54	231.71	248.33	265.35
TOTAL	4,115.18	4,284.73	4,765.44	4,994.07	5,224.10	5,461.61	5,808.31

Source: Access Asia based on national statistics

Note*: Includes institutional spending and expenditure by distributive trades

1.8.2 Consumer Market: Per Capita Consumer Expenditure

Per capita spending trends largely match those for total consumer spending. What is most significant is that per capita expenditure (including institutional spending) in China reached RMB 4,562 (US\$ 551) per annum in 2000, up by almost one-third on the value in 1994. This illustrates how strong the consumer economy within China is at present.

Table 1.25 PER CAPITA CONSUMER EXPENDITURE* BY BROAD SECTOR AT CURRENT PRICES 1994–2000

<i>RMB per capita</i>	1994	1995	1996	1997	1998	1999	2000
Food	1,826.45	1,766.02	1,973.99	1,958.29	1,942.59	1,926.89	2,000.66
Medicines & healthcare	83.256	110.11	128.72	154.2	179.68	205.16	227.892
Clothing and footwear	551.62	479.20	601.01	560.96	520.91	480.86	505.55
Household durable goods	237.03	296.94	237.01	276.95	316.89	356.83	356.82
Transport & communication	144.59	171.01	184.40	208.65	232.90	257.15	277.06
Education & entertainment	258.23	312.71	346.36	397.37	448.38	499.39	543.46
Housing	192.27	250.18	259.14	308.89	358.64	408.39	441.82
Services	140.16	151.39	163.05	174.35	185.65	196.95	208.39
TOTAL	3,433.61	3,537.56	3,893.68	4,039.66	4,185.64	4,331.62	4,561.66

Source: Access Asia based on national statistics

Note*: Includes institutional spending and expenditure by distributive trades

1.8.3 Consumer Market: Retail Sales and Consumer Spending

Consumer expenditure (including institutional spending), despite having grown strongly and steadily, has not seen anything like the rapidity of growth achieved by retail sales. Retail sales grew by 136.2% between 1994 and 2000, proving that the driving force behind the economy is the domestic consumer market amongst private individuals, as opposed to institutional spending. Thus, the Chinese economy is no longer one ruled by a planned economic model where institutions rule consumption, but is now one where the individual consumer is the key to economic growth.

As a result of robust growth in the retail sector, retail sales have risen as a proportion of consumer expenditure, from 39% in 1994, to 65% in 2000.

Table 1.26 RETAIL SALES AS A PROPORTION OF CONSUMER EXPENDITURE 1994–2000

<i>RMB billion</i>	1994	1995	1996	1997	1998	1999	2000
Consumer expenditure*	4,115.2	4,284.7	4,765.4	4,994.1	5,224.1	5,461.6	5,808.3
% change	-	4.1	11.2	4.8	4.6	4.5	6.3
Retail sales	1,598.7	2,043.9	2,389.6	2,730.4	3,090.3	3,377.7	3,775.9
% change	-	27.8	16.9	14.3	13.2	9.3	11.8
Retail sales % of expenditure	38.8	47.7	50.1	54.7	59.2	61.8	65.0

Source: Access Asia based on national statistics

Note*: Includes institutional spending and expenditure by distributive trades

1.8.3 Consumer Market: Urban Income and Spending Compared

Urban spending has continued to grow strongly up to the end of 2000, although growth slowed down in 1998. However, although incomes have continued to grow rapidly over this period, spending has generally decreased as a proportion of income, indicating that consumers are now saving more than previously. This is despite many consumers dipping into their savings in order to buy goods. Many households are now putting money away to build deposits to put down on a new car, or to buy private accommodation, or money is also being invested in less-secure ways, such as in company stock.

The average income for all urban dwellers is much lower than the average for the largest cities. In 1998, in Shanghai the average annual income was RMB 49,563, in Beijing RMB 50,491, in Guangzhou RMB 58,847 and in Chongqing RMB 23,468.

Table 1.27 URBAN AVERAGE ANNUAL INCOME AND EXPENDITURE 1994–2000

<i>RMB per capita</i>	1994	1995	1996	1997	1998	1999	2000
Avg. household income	8,622	10,285	11,551	11,840	13,462	14,409	15,418
Avg. household expenditure	7,819	8,012	8,864	9,139	9,403	9,722	10,199
Expenditure as a % of income	90.7	77.9	76.7	77.2	69.9	67.5	66.2

Source: Access Asia based on national statistics

1.9 Consumer Trends

1.9.1 Consumer Trends: Consumer Response to Political Change

China has been through about the most tumultuous century of its entire history, most of which has been brought about by massive political change. Within the last 100 years, China has gone from being a feudal empire, through being a republic, a group of warring regions, a country under foreign invasion, finally becoming a communist country. Even once the People's Republic emerged, China underwent several huge political upheavals, including the Great Leap Forward, the Cultural Revolution and finally the opening up of the country and the economy to the outside world under the leadership of late premier Deng Xiaoping.

China continues to change rapidly. Its political system is becoming ever more open, corruption in government is being rooted-out, political leaders are now much more accountable to both popular sentiment and the rule of law.

Under such rapid change, the people of China have seen many of their traditional values and attitudes changed significantly. The Chinese are now much more outward looking, and are more open to new ideas and concepts than ever before. The influence of foreign culture is now much more apparent in everyday life than in any other previous generation.

There has also been a reaction to the rapid change. An undercurrent of popular protectionism toward the Chinese identity and Chinese culture has emerged, both popularly and within government. The national pride of Chinese people has never been so strong (as witnessed by the celebrations of the 50th anniversary of the founding of the People's Republic in 1999), and there has been a resurgence in interest in Chinese culture, craftsmanship and design.

With World Trade Organisation membership set to come about in early 2001, China will become even more of a member of the global community. This will bring with it both more influence for China on the political stage (China is already a permanent member of the UN Security Council), and a greater amount of foreign influence within both the Chinese economy and Chinese society. Foreign influences in the theatre of social and political thinking are therefore bound to emerge as ever more pertinent forces over the coming years.

1.9.2 Consumer Trends: Consumer Response to Economic Change

The break-neck speed of development in China's economy, since opening up to the outside world in the 1980s, has taken everyone by surprise, not least the Chinese themselves. Ordinary Chinese have

seen their whole environment altered beyond recognition. Their cities are being completely rebuilt; their incomes have increased several times over; the products available to buy have burgeoned and all of this has completely altered the way people live, and their lifestyle aspirations.

However such rapid economic development has not been without its casualties. Many people who had a job for life with one of the old state-owned enterprises, have seen their companies closed due to not being economically viable, and have had to retrain completely in order to re-enter the workforce. Many rural workers have had to completely uproot themselves from their home towns in order to find more lucrative work, leaving behind rural communities struggling to keep up with the pace of development in other areas.

Economic development has also brought with it manifold social problems. Crime rates are up (especially white collar crime), as is drug abuse, prostitution, urban deprivation, social unrest amongst rural communities, etc. The whole country has been in a state of flux since economic reform began, and is learning to deal with the new problems that accompany such rapid social, political and economic change.

Many are reaping the benefits of the consumer economy though. Increased spending power has helped many Chinese to lift their lifestyle expectations, has given them the opportunity to get a better education, to travel more (both domestically and overseas), to aspire to better housing, better careers and buy more of life's luxuries.

Such economic empowerment has given Chinese consumers more confidence in being able to demand better governance, better municipal and social services and better service and product quality. People in China are now much more attuned to their rights as consumers, and are increasingly demanding in terms of the quality of service and product that is supplied to them.

1.9.3 Consumer Trends: Changes in Lifestyle Expectation

Livelihood

The rapid rise in the average income of most Chinese has meant that more people can afford to obtain a better education, look for better jobs in a wider variety of industries and aim to achieve ever higher standards of living.

Educational loans supplied by the leading retail banks in China have meant that more families are able to afford to put their children through high school, college or university. These families have high hopes that their offspring will have better opportunities than they did, and are encouraging their children to pursue careers in high-earning industries such as finance, law, the Internet and Hi-Tech manufacturing.

Increased levels of income have not only meant that people are able to spend more on day-to-day items such as food, clothing and durable goods, but are also coming into the market for more significant investments, such as pensions, savings, stock shares, cars and private accommodation. This has meant that consumers' outlook on what their money is for has changed. The state provides less subsidies for housing and healthcare than previously, and so more families are having to look at financing more of their own lifestyle protection. Consumers are therefore having to think much more long term in the way they plan their finances, whilst still spending on the daily necessities and occasional luxuries.

Housing

Housing used to be provided by the state, or by the work unit that provided the job for life, health care, work meals, and other such benefits. All of this has now changed. State-owned companies are selling off their housing stock, and people are being forced into the private housing market, both in terms of purchasing property, and renting it.

The construction boom in China continues to provide much new housing for private residents – although the quality of some is dubious. The retail banks in China are now offering increasingly competitive mortgage packages that allow an ever increasing number of people to buy their own homes.

All of this is changing consumer attitudes to housing. Many more families are now saving up to place a deposit on a property, which has reduced some aspects of the retail market. However, as more people buy their own homes, they are finding that they have more requirement to buy more goods to furnish their new homes. This has led to a marked increase in sales of goods such as furniture, soft furnishings, DIY goods, electrical appliances, etc.

As more people move out of the city centres, into the newly built suburban garden estates, so there are more families with houses with attached gardens. This has led to the creation of a market for gardening goods, plants, seeds, lawnmowers, etc.

So the increase in private home ownership is altering the buying and monetary planning patterns of many households in many ways. This is in turn changing the shape of the consumer market, introducing new companies manufacturing products for more niche product sectors and creating new retail chains that are extending out into new suburbs.

Possessions

At the height of the rule of communist doctrine, personal possessions were viewed as bourgeois, and most people only had a few personal belongings, mostly basic household goods and furnishings, perhaps a collection of books and records, but not much else. Since the

adoption of the socialist (note the shift in the tone of language) free-market philosophy, the accumulating of personal possessions became not only acceptable, but desirable: Consumers buying goods began to mean a healthy domestic consumer market, rather than an unhealthy adoption of western materialism.

As the economy grew, so average incomes increased. With the rise in incomes came the rise in spending power, just as more products began to appear on the average department store shelves. Consumers began to find that they could now afford to buy more luxury goods, such as TV sets, video machines, more comfortable furniture, etc. Consumers were also finding that they had more choice of products and services.

Chinese consumers range across strata of ownership levels of consumer goods, from the poor (who have fewer possessions) to the rich (who have much more). As wealth trickles down through the economy, so more people move up each stage of consumption level. This situation is by no means unique to China, but what is unique is the speed at which the economy has grown, and the rapid shift of consumers up the echelons of spending power.

The rapid shift upwards from subsistence living, through the first shoots of consumption and aspiration into full blown consumer spending has happened within a generation, and the rapid change has not only altered consumers' perceptions about their whole environment, but indeed has changed their living environment beyond recognition.

Whereas previously most Chinese aspired to a colour TV set, now most households have at least one. Many households have also acquired fridges, microwaves, videos, Hi-Fi systems, etc., and are now aspiring to computers, DVD players, more expensive furniture, private housing or a car.

Brand names and prices have are the chief factors in influencing Chinese consumer purchasing decisions. According to nationwide surveys, 38% of consumers buy Coca Cola because it is a famous brand and 19.2% do so because of the drink's moderate price. 56.6% of those surveyed stated that TV commercials are the biggest influence on their decision to buy, while 8.9% were more influenced by newspaper ads, 5.3% by magazine ads and only 0.7% by advertising on the Internet.

While domestic and foreign brands each shared about an equal proportion of most market sectors, overwhelming dominance by one leading brand name is seen in most product sectors. For instance, Wrigley's Double Mint chewing gum accounts for just over 90% of the chewing gum market and Nescafé nearly 90% of coffee sales.

Travel

Not only have consumer perceptions of what can be attained in terms of material possessions been changed in China, but also how leisure time can be spent. Indeed, for many, actually having any leisure time is a novelty in itself.

One of the most exciting prospects for newly wealthy Chinese is the possibility of travelling more. Although traditionally very parochial in outlook, due to displacement by work or the ravages of the Cultural Revolution, many Chinese now live some distance away from their home town or village. To a Chinese, the ancestral home is a tangible part of their genealogy, and most people will still have cousins, aunts, uncles or other extended family members living in their ancestral home, known in Chinese as the “guxiang”.

Having become more wealthy, many Chinese take the opportunity to travel back to their guxiang as frequently as they can afford, in order to visit family, especially during key vacations such as Chinese New Year (Spring Festival). However, China is a large country that proudly promotes its huge diversity, and many Chinese are interested in visiting many of the famous scenic and historic towns and sites around the country. Thus the domestic tourist industry has burgeoned.

Many upper-middle income families will travel to places around China on vacations more than once each year, with popular destinations being the town of Qingdao and adjacent seaside resorts in Shandong Province, the subtropical province of Hainan Island in the South, or the historic cities such as Xi'an, Beijing or Nanjing. The economic centres of Guangzhou and Shanghai are also popular destinations for shopping, with Shenzhen being particularly popular thanks to its many theme parks, and its proximity to Hong Kong.

As more Chinese experience travel abroad, either for work or during terms of study, so more are becoming attracted to visiting foreign countries on holiday. Although still beyond the economic reach of the majority of Chinese, foreign holidays are becoming more affordable and widely available, and many newly wealthy Chinese are aspiring to travel overseas in order to experience the lifestyles of other countries. This is bound to have an impact on how such travellers will view their own lifestyles in comparison, and will ultimately add to the influences changing Chinese society.

Entertainment

Although the Chinese are increasingly travelling, both domestically and overseas, most still prefer to stay at home with their family watching television during their leisure time. 62% of consumers polled in a recent survey in the major cities stated that they preferred watching television with family members as their favourite week-night pastime. Reading came in a distant second, with 26% and playing sports coming third at 18%.

Despite the rapid growth in Internet use in China, it remains a pastime of choice among only a minority. Only 6% of consumers in the major cities surf the Internet everyday for entertainment.

Shopping remains a strong preference as a leisure activity, with about 10% of city dwellers taking time to go shopping during week days, rising to 25% at the weekend. Still, watching television remains the favourite form of weekend recreation.

According to recent surveys, Beijing residents are more inclined to play sports than people in either Shanghai or Guangzhou. The survey found that 28% of Beijing residents play sports during the week, and 31% at the weekend. Only 11% of Shanghai respondents said they enjoyed sports during the week, and 10% at the weekend.

The Shanghainese tend to like going out to bars, clubs and restaurants. One in 10 Shanghai residents go out singing during the week, compared with 6% in Beijing and 2% in Guangzhou. Shanghai residents also tend to be more independent in their leisure activities, and while over 60% of all Chinese prefer to spend their leisure time with family, nearly half of all Shanghai residents are just as likely to go out by themselves. This compares with a fifth of Guangzhou residents and about 15% of Beijingers.

Leisure trends vary not only by region, but also by age group. Families tend to spend a lot on their children, with parents buying expensive clothes, pianos, tonics and computers. They will also spend a lot on their children's leisure time, taking them on treats to theme parks, adventure playgrounds, bowling alleys, cinemas and burger bars in order to keep them entertained. By contrast, the food, clothes and entertainment for elderly family members costs only one third of what is normally spent on a child.

Chinese households also spend markedly more during holidays, buying expensive clothes, brand name liquors and cigarettes, gold and silver jewellery, and increased quantities of more expensive foods – in a similar way to spending trends in Western Europe and North America during the Christmas season. Consumption during the Chinese New Year holidays takes up an estimated 16% of families' annual expenses.

Emerging leisure fashions include golf (for those who can afford it), ten-pin bowling, karaoke (a perennial favourite), freshwater fishing, football (soccer), basketball and night clubbing. And then there is always shopping.

Purchasing Influences

Chinese consumers tend heavily towards products, stores and services they know and trust. The same philosophy applies to product brands, with word-of-mouth recommendation being a strong reason for consumers to change brands. However, advertising is increasingly influencing the Chinese as their media exposure increases.

Most consumers remain strongly loyal to Chinese products, considering foreign brands to be over-priced, or more likely to be fake. However, high price, when backed up with high quality, is not necessarily prohibitive to achieving good sales. There is a preparedness amongst Chinese consumers to pay more for better quality, service, and convenience.

Another factor is variety of choice. Most consumers who can easily reach large stores will prefer to shop in such places, finding the lack of product choice in smaller stores (especially in terms of range of price) to be off-putting. Larger stores are also seen as providing more bargains, pointing to the opportunistic streak in Chinese shoppers. Such stores are also viewed as being more convenient to shop in, leading to the successful development of the discount retailing sector over recent years.

Cementing customer loyalty is crucial to success in China, and requires providing increasingly attentive customer service. Although quality of product at a competitive prices with a good brand image will lead to first sales, it is customer service that is often the key to sustaining repeat sales. Foreign goods can no longer rely on their exoticism in order to attract sales, but now have to compete with domestic products on the key elements of quality, packaging, price, renown and service.

Taboos

Despite the liberalising effects of economic development, Chinese society still struggles to come to terms with many of the trappings of a modern consumer society. The cultural upheaval experienced by the Chinese during the 20th century has not swept away the traditional conservatism of most Chinese.

Rebelliousness in any form is at least frowned upon, and at worst stamped out. However, this has not nullified the creativity of China's youth, who are just as expressive and imaginative as teenagers elsewhere in the world. Street fashions flourish in China, mostly aping those of the West, including some of the more extreme styles, such as punk hairstyles and body piercing. However, such nonconformity in a society that remains highly conformist is still looked on with much concern by many older Chinese, and only in the major cities is society liberal enough to permit such experimentation.

One recent trend to come to the fore is temporary tatoos painted onto the body, the fashion appearing in Beijing during the summer of 2000. Young trend-setters are having tattoos applied onto their arms, waists, ankles, backs or even faces. Because tattoos are not acceptable to most Chinese because of cultural traditions, tattoo artists are exploring the market with more varieties and cheaper prices.

2 The Travel & Tourism Market

2.1 Inbound Tourism Market

2.1.1 Inbound Tourism Market: Tourist Arrivals

Tourism contributes towards 47 million jobs in China presently (6.7% of the total workforce) according to the tourism authorities. By 2008, it is expected that tourism will affect 69 million jobs in China, or 8.5% of the population.

In 1997, China had a total of 57.6 million arrivals, up 12.6% over 1996. Of these, the number of foreigners was up 10% to 7.43 million and the number of visitors from Hong Kong and Macau rose by 13% to 47.9 million. Also the important Taiwanese market rose by 22% to 2.12 million in 1997.

The market continues to open up as the provinces and more remote regions become tourist centres. China now has a total of 1,314 cities and counties open to tourism.

In 1999, more than 72.79 million overseas travellers visited China, bringing in more than US\$ 14.1 billion in foreign currency. In that year, Chinese travellers spent RMB 1.9 trillion to RMB 2.7 trillion (US\$ 228 billion to US\$ 325 billion), 7 and 10 times more than the figure for 1998.

There were 66.22 million overseas travellers during January-November in 1999, compared to 63.47 million during 1998, a rise in numbers of 4.3%.

China enjoys the largest domestic tourism market in the world, and according to China Travel Statistics Yearbook for 1999, China's tourist spending now ranks it seventh in the world.

The number of overseas tourists grew by 18.2% in January 2000 on an annual basis, with a 11.4% rise in revenue, according to the State Tourism Administration. China received 6.45 million overseas travellers in January. In the first month since the return of Macau to China, Macau tourists made 990,000 trips, a rise of 41.4% year on year. Overnight tourists increased by 17% to hit 2.3 million in January. Most of them were from Macau.

Table 2.1 TOTAL INBOUND TOURIST ARRIVALS 1994-2000

	<i>'000 Arrivals</i>	<i>% annual growth</i>
1994	43,676	-
1995	46,389	6.2
1996	51,127	10.2
1997	57,590	12.6
1998	65,555	13.8
1999	72,796	11.0
2000	83,481	14.6

Source: Access Asia from national statistics

2.1.2 Inbound Tourism Market: Total Tourist Receipts

China's tourism industry has experienced a major growth in recent years. The domestic tourism income totalled RMB 239.1 billion (US\$ 28.8 billion) in 1998, an annual increase of 13.2%, rising by 43.8% in 1999 in US\$ terms (according to CNTA figures), indicating a sharp rise in growth in the market. In 2000 tourism accounted for 5% of total Chinese GDP.

Overseas travellers brought the tourism industry a total revenue of US\$ 1.14 billion in January. Foreign tourists spent US\$ 440 million, up more than 30% from the same period in 1999, which rose by approximately 30% again in 2000. Compared with January 1999, the number of overseas travellers from the five continents all had a double-digit growth, with Asia and Oceania leading the other three.

Table 2.2 TOTAL INBOUND TOURIST RECEIPTS 1994-2000

	<i>Receipts (US\$ million)</i>	<i>% annual growth</i>
1994	7,323	-
1995	8,733	19.3
1996	10,200	16.8
1997	12,100	18.6
1998	28,800	138.0
1999	41,400	43.8
2000	54,200	30.9

Source: Access Asia/trade sources/CNTA/national statistics

2.1.3 Inbound Tourism Market: Tourist Receipts by Major Visitor Group

Foreigners are the major spenders in china, though these statistics include accommodation and many Hong Kong and Macau residents stay with relatives or only visit for one or two days.

Table 2.3 BREAKDOWN OF TOURISM RECEIPTS BY MAJOR VISITOR GROUP 1999/2000

	<i>% of total receipts</i>
Hong Kong	32.6
Macau	6.4
Taiwan	17.2
Overseas Chinese	0.3
Foreigners	43.5
TOTAL	100.0

Source: Access Asia from national statistics

2.1.4 Inbound Tourism Market: China's Global Position

World tourism, as with China's, is growing annually. This has been in spite of the Asian regional crisis in 1997 and 1998. South Asia and Africa are major growth areas, though the war in Yugoslavia and tensions in the Indian sub-continent may affect numbers in 1999/2000.

In 1998, there was a 2.4% rise in global tourism according to the World Tourism Organisation (WTO). Receipts from tourists rising by 2% internationally compared with a static situation in 1997.

Asia-Pacific as a whole suffered declines in 1998 with visitor numbers falling 1.2% and receipts by 4%. This was largely a result of currency devaluation's against the American dollar. Australia, Hong Kong and Singapore all suffered adverse declines with only China and South Korea showing significant gains in arrivals.

Inevitably each year has several special occasions that promote tourism to one region or another. The Millennium celebrations promoted an increase in travel, especially to Asia/Pacific, as people headed east in order to celebrate the shift into the new century in the countries where the date change happened first.

2.1.5 Inbound Tourism Market: Sector Trends

Road travel into China, which mainly consists of people travelling into China from Hong Kong, Macau and the former Soviet central Asian states, remains the main method of entry.

Rail travel has become increasingly expensive, and thus restricted more to business and tourist travel, rather than travel for other purposes.

Air travel has increased very rapidly with the expansion of China's airports allowing for a much greater flow-through, and the growth in the Asian cruise ship industry has helped expand entries by sea.

Table 2.4 INBOUND TOURISM BY METHOD OF ARRIVAL 1994-1998

'000	1994	1995	1996	1997	1998
Road	34,001	36,398	40,624	46,417	47,406
Air	4,225	4,813	5,325	6,037	6,535
Sea	4,101	3,997	4,164	4,172	4,527
Rail	1,349	1,181	1,014	964	826
TOTAL	43,676	46,389	51,127	57,590	59,293

Source: Access Asia from national statistics and trade sources

2.1.6 Inbound Tourism Market: Sector Shares

Road and air entries have increased much faster than sea entries, while rail entries have declined.

The increase in air traffic volume has both prompted and been a symptom of the many new airport expansion schemes that have been started and completed over recent years.

Table 2.5 BREAKDOWN OF INBOUND TOURISM BY METHOD OF ARRIVAL 1994-1998

%	1994	1995	1996	1997	1998
Road	77.8	78.5	79.5	80.6	80.0
Air	9.7	10.4	10.4	10.5	11.0
Sea	9.4	8.6	8.1	7.2	7.6
Rail	3.1	2.5	2.0	1.7	1.4
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: Access Asia from trade sources

2.1.7 Inbound Tourism Market: Sector Growth

Tourist entries by air have been the fastest growing, with road entries also having grown strongly. This is indicative of the increased capacity of China to cater for tourists from abroad, both in terms of

airports, but also in terms of having more hotels and resorts that have been upgraded in order to attract more foreign tourists.

Table 2.6 GROWTH INDICES OF INBOUND TOURISM BY METHOD OF ARRIVAL 1994-1998

<i>1994=100</i>	1994	1995	1996	1997	1998
Road	100.0	107.0	119.5	136.5	139.4
Air	100.0	113.9	126.0	142.9	154.7
Sea	100.0	97.5	101.5	101.7	110.4
Rail	100.0	87.5	75.2	71.5	61.2
TOTAL	100.0	106.2	117.1	131.9	135.8

Source: Access Asia from trade sources

2.1.8 Inbound Tourism Market: Tourist Origins

95% of all foreign tourists enter China on organised visits, as part of organised tourist groups. In contrast, only 45% of visitors from Taiwan and 5% of visitors from Hong Kong and Macau are on organised trips. The vast majority of visitors from Hong Kong visit China on work-related trips to Shenzhen or Guangzhou.

The bureau will also continue its multi-layered sales promotion in the American market. The bureau will approach American tourism wholesalers, and continue its television campaign in the US. The bureau has plans to select locations with high annual visitation rates to hold "Chinese Tourist Festival" activities. It will also conduct sales promotion in the US through direct mail to specific consumer groups.

The third plank of the bureau's marketing plan will reinforce its marketing activities in Hong Kong, Macau, and Taiwan.

The majority of visitors to China come from Hong Kong and Macau with a number also from Taiwan (which China classifies as Greater China). Foreigners account for 12% of the total number of visitors to China. The number of overseas Chinese is declining as more ethnic Chinese from other countries prefer not to be classified as overseas Chinese.

Table 2.7 VISITOR ARRIVALS TO CHINA BY BROAD REGIONAL CATEGORY 1999/2000

<i>Region</i>	<i>'000 people</i>	<i>% growth over 1999</i>
Hong Kong & Macau	70,099.32	10.73
Taiwan	3,108.59	20.27
Overseas Chinese	76.02	-29.7
Foreign	10,196.93	20.9
TOTAL*	83,480.92	14.6

Source: Access Asia from national statistics

Note*: Total may not sum due to rounding

2.1.9 Inbound Tourism Market: Arrivals From Hong Kong

The growth in the number of Hong Kong residents visiting China is reportedly having an adverse affect on Hong Kong's retail and catering sector with prices lower across the border.

According to statistics, Hong Kong residents made more than 45 million trips to the mainland during 1999 and spent RMB 30 billion (US\$ 3.62 billion). Since 1995, the number of Hong Kong residents making trips to the mainland has increased annually.

In 2000, a total of 58,559,730 visits were made by Hong Kong residents to China. This obviously equates to a number of visits per resident, approximately eight per resident. However, the strong family ties across the border, sightseeing, shopping and business all account for the multiple entries.

Table 2.8 TOTAL NUMBER OF HONG KONG RESIDENTS VISITING CHINA 1995-2000

	<i>Million visitor of arrivals</i>	<i>% annual growth</i>
1995	26.43	-
1996	28.79	8.9
1997	33.67	27.4
1998	39.14	48.0
1999	45.17	70.1
2000*	58.60	29.7

Source: Access Asia/trade sources/national statistics

Note*: January-October 2000

2.1.10 Inbound Tourism Market: Arrivals To China by Country

China has become the second most popular tourist destination for Russian tourists. In 1997, over 11.2 million Russians travelled abroad with Turkey, China and Finland major destinations. Russian tourism tends to be a long distance shopping exercise with China and Turkey major destinations for cheap goods and Finland close to St. Petersburg. 647,000 Russians visited China in organised groups in 1997, double the 1996 total. By 2000 this had risen to over one million.

About 70% of visitors from other Asian countries are men, this share being significantly lower for those from Europe and North America at 60% and Australia/New Zealand at 64%. The excess of male visitors is due to a high proportion of business travel from these countries, with the majority of Asian business travellers being men. Business travellers represent about 45% of total foreign tourists, but closer to 60% of visitors from other parts of the world.

In 2000, the number of tourists from Indonesia, the Republic of Korea, the Philippines, Russia and Australia all grew by more than 20%, while that from the United States, Canada, Britain and Germany rose by less than 10%.

China has designated Japan as its key market for the development of its nascent tourist industry. China's Tourism Administrative Bureau has defined three main development objectives for 2000. The first strategic decision was to select Japan as its key market. The bureau's objective is to form new selling points in the Japanese market and to introduce a series of product portfolios on China's UNESCO-class resources.

Table 2.9 TOTAL NUMBER OF VISITORS BY COUNTRY 1999/2000		
	<i>'000 people</i>	<i>% growth over 1999</i>
Greater China:		
Hong Kong	58,559.73	10.73
Macau	11,539.59	31.38
Taiwan	3,108.65	20.27
Sub-Total	73,207.97	-
Asia-Pacific:		
Japan	2,201.53	18.67
South Korea	1,344.72	35.6
Philippines	363.85	22.0
Singapore	399.38	13.3
Malaysia	441.01	18.3
Sub-Total	4,750.49	-
North America:		
USA	896.18	21.7
Canada	236.56	10.7
Sub-Total	1,132.74	-
Europe:		
UK	283.88	9.7
Germany	239.06	9.9
France	184.96	18.8
Russia	1,080.21	29.7
Sub-Total	1,788.11	-
Australasia:		
Australia & New Zealand	234.10	15.0
Others:		
	2,367.51	-
TOTAL	83,480.92	14.6

Source: Access Asia from national statistics

2.2 Outbound Tourism Market

2.2.1 Outbound Tourism Market: Total Market Size

1991 was the first year that Chinese citizens were permitted to travel internationally for leisure purposes. 2.1 million departures were recorded in 1991 after a mere 620,000 in 1990.

In the summer of 1993, the Chinese government clamped down on corruption and this campaign lasted until the summer of 1994. The clamp down on corruption discouraged overseas leisure travel and resulted in a dip in the numbers in 1994.

In 1997, growth was also restricted as the government imposed stricter quotas on travel by Chinese citizens to Hong Kong SAR.

The Lunar New Year (Spring Festival) is the longest public holiday in China and is increasingly being used for travelling. In 1998, 100,000 Beijingers alone travelled abroad during the festival. Over 300 Chinese families visited Sydney, Australia, an increasingly popular centre of Chinese emigration.

More Chinese have also visited China's own tourist attractions, including Hainan, the island province in South China, and Harbin, the northern city famous for its ice festival. This trend is growing and is witnessed by the fact that Beijing Railway Station added 16 trains to its schedule to help cope with the summer holiday surge in passengers in 2000. Beijing West Railway Station set up special waiting rooms for students and the Railway Bureau expanded several railway routes to popular tourist cities.

A record 4.3 million Chinese people took private trips outside the mainland in 1999, an increase of 52.2% from the previous year, according to figures from the Ministry of Public Security. Among the departed, 2.88 million went to foreign countries while 1.32 million went to Hong Kong and Macao. More than 1.93 million people travelled abroad as tourists, up 60% on 1998. Tourism topped the list of reasons for travel. Chinese can now travel to 11 Asian countries, plus Australia and New Zealand.

An increasing number of rich Chinese are travelling abroad now for the Spring Festival, which is traditionally a holiday for family reunions. According to official statistics, 536,000 mainland residents visited overseas relatives last year. More self-financed Chinese - 80,000 last year - also went abroad to study in 1999. This number does not include those sent to study abroad by the government or government-run institutes. The main travellers appear to be in Guangdong province which accounts for 40% of all outbound travel from China.

80% more people, or 774,000, went to Hong Kong and Macao last year versus 1998. Another 92,000 mainland Chinese were allowed to visit Taiwan, nearly 40% more than in 1998. About 80,000 visited the island to meet relatives, the rest of visitors being comprised largely of business people.

It is the Public Security Ministry that approves private citizen's overseas travel. Even though Hong Kong and Macau have returned to China in the past three years, mainland residents must still get permission before entering these two regions. The ministry indicates that the development of China's economy, simplified entry-exit procedures and the solid Renminbi have all contributed to encourage more people to visit Hong Kong and Macau.

Exit-entry departments also approved 32,000 people to work in foreign countries in 1999. More than 230,000 people travelled abroad for personal businesses, or to back private companies. This group grew by 28% over 1998.

Table 2.10 TOTAL OUTBOUND TOURISM FROM CHINA 1993-1999*

	<i>Departures ('000)</i>	<i>% annual growth</i>
1993	3,740.0	27.7
1994	3,733.6	-0.2
1995	4,520.0	21.1
1996	5,061.0	12.0
1997	5,320.0	5.1
1998	5,682.0	6.8
1999	6,044.0	6.4

Source: Access Asia/trade sources/national statistics/CNTA

Note*: Includes travel to Hong Kong and Macau

2.2.2 Outbound Tourism Market: Destinations

For Chinese outbound travellers to visit abroad for self-funded tourism purposes they must go to countries that have been designated with 'approved destination status'. A current list is below.

New Zealand was the most recently added in 1999 and by March had already received over 16,000 Chinese tourists. The New Zealand Tourism Board believes that tourism from Chinese could be worth up to US\$ 33 million annually by 2001/2002.

Chinese citizens can now travel to Australia and New Zealand on private trips. For the immediate future only permanent residents of Beijing, Shanghai and Guangdong province are permitted to go on these tours. It is expected that the business will eventually be expanded to other regions of China. The tours are group tours with at least nine people. In the initial stage, 22 travel agencies in Beijing, Shanghai, and Guangdong are to be allowed to handle the business.

The Australian Tourist Commission (ATC) opened a Shanghai Office in 1999. Australia was the first Western country to have been approved by the Government to be a self-funded destination for Chinese tourists. Over 76,000 Chinese visited Australia in 1998.

Thailand is the destination most Chinese profess they would like to visit in surveys. In 1999, 800,000 Chinese nationals visited Thailand, mostly on package tours. Typically Chinese visitors pay US\$ 12 a day for inclusive deals with transport, food and accommodation. At present Thai tourism officials admit that a profit cannot be made at that level, however, they believe that this initial wave will be followed by wealthier Chinese able to pay more for accommodation. The Tourism Administration of Thailand has held seminar for the travel industry in China. China has become Thailand's third-largest tourist source. The average price for a seven-day package trip to Thailand is RMB 3,000 to RMB 3,700.

Chinese tourists to Malaysia in the first half of 1999 totalled 112,645, a growth of 59.3% over the first half of 1998. The number has grown from less than 10,000 in 1991.

Industry analysts believe that China is the Japan of 25 years ago with much speculation about rising arrivals abroad and emphasising the need to produce Chinese-language menus and guides to cater to them.

Chinese residents planning tours abroad can now apply for personal passports with a certificate proving they have at least US\$ 4,000 in the bank. In the past, all personal passport applicants were required to provide letters of invitation and financial guarantees from their relatives and friends abroad, to ensure they had someone to turn to for help if they encountered problems during their trip. This will henceforth only be required when emigration officials deem it necessary.

The Public Security Bureau has also simplified procedures for payment of passport and service charges as well as for passport applications for those leaving the country on business. Bureau staff were snowed under with work in 1998, handling more than 130,000 passport applications. The bureau handled more than 90,000 applications in the first six months of 1999, some 30,000 more than the same period last year. The bureau has even installed facilities such as drink machines and air-conditioning in its new 1,000-square-metre reception room.

Given the number of Chinese now resident there, it is not surprising that Canada is eager for approved destination status. In April 2001 the Tourism Industry Association of Canada (TIAC) opened an office in Beijing. While Canada is a major source of tourists to China, Canada is also striving to earn the status as the Destination for Chinese Tourists.

Table 2.11 FOREIGN COUNTRIES WITH APPROVED DESTINATION STATUS 2000

Australia
 Japan
 Singapore
 South Korea
 Thailand
 Philippines
 Malaysia
 New Zealand

Source: Chinese Government Sources

2.2.3 Outbound Tourism Market: Paris

Paris, the capital of France, has become an increasingly popular destination for Chinese visitors. This reflects the growth in the freedom of movement, the fact that Chinese can visit France without visas (unlike the UK where visas are required) and the links to Paris from Beijing and Shanghai via Air France.

Table 2.12 CHINESE VISITORS TO PARIS 1997-1999

	<i>No. of visitors</i>	<i>% annual growth</i>
1997	150,000	-
1998	300,000	100.0
1999	400,000	33.3

Source: Access Asia/national statistics

2.2.4 Outbound Tourism Market: New Zealand

New Zealand has welcomed 17,000 Chinese during 1998, according to the New Zealand Tourism Bureau. The figure was a slight increase over 1997, and most of visitors are on business travel. New Zealand expects more Chinese tourists because it recently made the top 10 list of overseas tourist destinations of China. Representatives from New Zealand tourism bureaux, travel agencies and hotels met with Chinese travel agents recently, seeking further co-operation.

2.2.5 Outbound Tourism Market: Japan

As of September 1 2000, Chinese tourists are now allowed to visit Japan following a conditional agreement. However, the agreement only covers designated package tours.

The main concern for the Japanese was the use of tour groups as vehicles for illegal immigration. Initially, only tour groups from Beijing, Guangzhou and Shanghai will be allowed to visit.

2.3 Outlook

2.3.1 Outlook: Forecast Trends

- Worldwide tourism is expected to grow by 4.7% in 1999 and will be worth over US\$ 400 billion with events such as the Millennium boosting tourism.
- In the next ten years the industry is forecast to generate 5.5 million new jobs internationally and will account for about 12% of world GDP. China is expected to be at the forefront of this growth.
- China's tourism sector is expected to earn US\$ 14 billion of foreign exchange in 2000 while domestic tourism revenue is projected to reach RMB 260 billion (US\$ 31 billion).
- China represents over 9% of the worldwide tourist market in US\$ terms in 1998 and this significance is set to grow. China is forecast to attract 230 million tourists annually by the year 2020, making it the world's top tourist destination, according to the World Tourism Organisation (WTO).
- Cruises are expected to become increasingly popular along the Yangtze, other inland routes and destinations from southern China into Laos, Cambodia, Vietnam and other neighbouring countries. Cruises are now being advertised on Shanghai and Beijing TV and have aroused a strong interest amongst Chinese tourists. Some wealthier Chinese have also taken advantage of relatively low cost cruise packages from Hong Kong.
- Naturally, all eyes are now focussing on Beijing for the 2008 Olympics. However, it also looks likely that either Beijing or Shanghai will get the 2010 World Fair (Expo).

2.3.2 Outlook: Forecast Tourist Arrivals

Total tourist arrivals into China are forecast to reach over 150 million by 2005, rising by 85% over 2000.

The sharp rise in tourist arrivals will help to bring added cash into the Chinese economy, and help accelerate development in industries such as hotels, restaurants, theme parks and attractions and other tourist related industries.

This is also expected to have a profound impact on outbound tourism, with Chinese travellers increasingly heading outside China for vacation and business travel purposes.

CNTA predicts that by 2010, China will have between 2 billion and 2.5 billion domestic travellers and earn RMB 1 trillion (US\$120.77 billion) in revenues from tourism.

**Table 2.13 FORECAST TOTAL TOURIST ARRIVALS
2000-2005**

	<i>'000 Arrivals</i>	<i>% annual growth</i>
2000	83,481	14.6
2001	96,420	15.5
2002	108,473	12.5
2003	123,008	13.4
2004	139,245	13.2
2005	154,701	11.1

Source: Access Asia

2.3.3 Outlook: Forecast Tourist Receipts

Tourism revenue will account for 5% of China's GDP by 2005. China's tourism revenue accounted for 4% of GDP in 1999/2000.

Tourism-related foreign exchange is projected to reach US\$ 40 billion by 2010, while domestic tourism revenue will reach RMB 1.3 trillion (US\$ 156 billion).

**Table 2.14 FORECAST TOTAL TOURISM RECEIPTS
1999-2003**

	<i>Receipts (US\$ million)</i>	<i>% annual growth</i>
2000	54,200	30.9
2001	63,033	16.3
2002	75,935	20.5
2003	86,444	13.8
2004	97,500	12.8
2005	108,000	10.8

Source: Access Asia

2.3.4 Outlook: Forecast Sector Trends

Road entries into China will remain the dominant means, largely due to entry across the border with Hong Kong and Macau by regular visitors to China on business. Road entries are forecast to increase to nearly 75 million by 2003.

Tourist entries by air are forecast to rise to over 10 million thanks to increased capacity at China's main international airports, whilst growth in the sea cruise industry will help entries by sea to increase. Rail travel is forecast to decline as a means of entry into China, due to the slowness of trains into China, and the main countries of origin, Russia and Mongolia, declining as sources of visitors.

Table 2.15 FORECAST INBOUND TOURISM BY METHOD OF ARRIVAL 1999-2003

'000	1999	2000	2001	2002	2003
Road	56,067	60,785	65,509	70,239	74,972
Air	7,696	8,430	9,166	9,905	10,645
Sea	4,851	5,023	5,191	5,355	5,516
Rail	741	613	480	344	205
TOTAL	69,355	74,851	80,347	85,843	91,339

Source: Access Asia

2.3.5 Outlook: Forecast Sector Breakdown

Road entries are forecast to grow to over 82% of total tourist entries by 2003, whilst entries by air increase to just under 12%. Entries by other means are likely to decline in significance, although sea cruise ships are expected to be an increasingly significant source of high spending tourist visitors in years to come.

Table 2.16 FORECAST PERCENTAGE BREAKDOWN OF INBOUND TOURISM BY METHOD OF ARRIVAL 1999-2003

%	1999	2000	2001	2002	2003
Road	80.8	81.2	81.5	81.8	82.1
Air	11.1	11.3	11.4	11.5	11.7
Sea	7.0	6.7	6.5	6.2	6.0
Rail	1.1	0.8	0.6	0.4	0.2
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: Access Asia

2.3.6 Outlook: Forecast Sector Growth

Air travel is expected to remain the most dynamic growth area in terms of bringing in tourists into China. The heavy investment in new airports and improved facilities at existing airports will be a significant factor in this growth, as will the increased quality and variety of tourist destinations and facilities in China, as both will be crucial in attracting foreigners to visit China.

Table 2.17 FORECAST GROWTH INDICES OF INBOUND TOURISM BY METHOD OF ARRIVAL 1999-2003

<i>1998=100</i>	1999	2000	2001	2002	2003
Road	118.3	128.2	138.2	148.2	158.1
Air	117.8	129.0	140.3	151.6	162.9
Sea	107.2	111.0	114.7	118.3	121.8
Rail	89.7	74.2	58.1	41.6	24.8
TOTAL	117.0	126.2	135.5	144.8	154.0

Source: Access Asia

2.4 Current Issues

2.4.1 Current Issues: Legislation

A new law designed to protect the interests of Chinese and foreign tourists has been introduced in Beijing in early 1999. The law, adopted by the Standing Committee of the Beijing Municipal People's Congress, targets travel agents and forces them to publicise their services and fees.

The law encourages both Chinese and foreign businesses and individuals to invest in tourism, and government departments are encouraged to provide incentives for investment in tourist projects in suburban and outlying county areas.

The quality of China's urban entertainment facilities have been the subject of legislative debate with many operators accused of poor management and lack of regular safety examinations. Of China's approximately 200 manufacturers of entertainment facilities, only 68, or less than 34% currently have official licences.

From October 1, 1999, Beijing relaxed foreign exchange restrictions for private Chinese citizens travelling outside China. Now Chinese citizens can exchange money every time they travel abroad. Previously citizens were limited to a single exchange per year.

The major law affecting travel agencies remains the Provisional Regulations on the Administration of Travel Agencies, promulgated in 1985 by the State Council. China permitted overseas partners to participate in the local travel agency business in 1998 following the implementation of the Interim Procedures for Overseas-Invested Travel Agencies.

In June 2001, the China National Tourism Administration (CNTA) issued a new rule active from September 1, 2001, requiring China's travel agencies to purchase liability insurance, with the aim of providing Chinese and foreign tourists with protection against losses while travelling. The law will cover compensation for injury or death of tourists; compensation for transportation and medical costs incurred by tourists due to relevant medical care; compensation for the handling and returning costs for the remains of sickened tourists; the cost of necessary rescue of tourists; compensation for the loss, damage and theft of tourists' luggage and belongings; and any litigious cost caused by disputes for which the travel agencies' are responsible. The standard for the insurance values will be at least RMB 80,000 (US\$ 9,676.21) per domestic tourist travelling in China and a minimum of RMB 160,000 (US\$19,352.42) per Chinese tourist travelling abroad or foreign tourist visiting China.

2.4.2 Current Issues: Festivals & Holidays

Table 2.18 TRADITIONAL CHINESE FESTIVALS & NATIONAL HOLIDAYS IN CHINA 2001

New Year's Day	January 1
Spring Festival	January 24
Lantern Festival	February 7
International Women's Day	March 8
International Labour Day	May 1
International Children's Day	June 1
Dragon Boat Festival	June 25
Founding of the Chinese Communist Party (80 years)	July 1
Army Day	August 1
Mid-Autumn Festival	October 1
National Day	October 1
Double Ninth Festival	October 25

Source: Access Asia

2.4.3 Current Issues: Leading Attractions

The attractions below are rated by the Chinese tourism organisation and refer to visits by both foreign and domestic visitors.

The Badaling Great Wall near Beijing has received about 120 million domestic and overseas tourists since 1979.

For domestic tourists, 2001 has also seen a large number of people combining their vacations with the 80th anniversary of the Chinese Communist Party (July 1). Various sites have seen additional visitors with a major exhibition in the Millennium Clock in Beijing.

Additionally, the venue in Beijing where the founding meeting of the CCP was held is attracting between 5-10,000 visitors per day.

Other so-called "red travel" spots include: the Jिंगgang Mountains, where Mao Zedong set up China's first farmer revolutionary base in 1927 and; Yan'an (Shaanxi Province) home to the Committee of the Communist Party in 1936-47.

The city is looking to raise additional revenues from tourism and has instituted price rises at most popular sites to raise additional revenue and funds for development. For instance, The Summer Palace has increased its ticket price to RMB 20 (US\$2.4) from RMB 8 (US\$0.96), while in peak season the price will be RMB 30 (US\$3.6). The Forbidden City has raised its prices from RMB 30 to RMB 40. Price rises have also occurred at the Temple of Heaven, the Imperial Tomb and Beijing Zoo.

Table 2.19 CHINA'S LEADING ATTRACTIONS, 2000

<i>Attraction</i>	<i>Location</i>
The Great Wall	Beijing
The Lijiang River	Guilin
The West Lake	Hangzhou
The Forbidden City	Beijing
The Suzhou Gardens	Suzhou
Mount Huangshan	Anhui
The Yangtse River Gorges	Various
The Imperial Resort	Chengde
Terracotta Warriors	Xi'an

Source: Access Asia from National Tourism Administration of China

Table 2.20 CHINA'S LEADING ARCHITECTURAL ATTRACTIONS, 2000

<i>Attraction</i>	<i>Location</i>
Neolithic ruins near Jiangyin	Jiangsu
Wunushan city remains	Liaoning
Wanfabozi ruins, Tonghua	Jilin
Shang Dynasty city ruins, Jiaozuo	Henan
Han tomb, Yuanling	Hunan
Yangfutou tombs, Kunming	Yunnan
Yuhong Tomb of the Sui Dynasty, Taiyuan	Shanxi
Great Canal ruins of the Sui/Tang dynasties, Huaibei	Anhui
Capital of the Yuan Dynasty, Zhangbei	Hebei
Brewery ruins, Chengdu	Sichuan

Source: Access Asia from national tourism authorities/ State Administration of Cultural Heritage

Table 2.21 LIST OF WORLD HERITAGE SITES IN CHINA 2001

<i>Site</i>	<i>Year listed</i>
Mount Taishan	1987
The Great Wall	1987
Imperial Palace of the Ming and Qing Dynasties	1987
The Mogao Grottoes	1987
1st Qin Emperor Mausoleum & Terracotta Warriors	1987
Peking Man Site (Zhoukodian)	1987
Mount Huangshan	1990
Jiuzhaigou Valley Scenic & Historic Area of Interest	1992
Huanglong Scenic & Historic Area of Interest	1992
Wulingyuan Scenic & Historic Area of Interest	1992
The Mountain Resort & Outlying Temples	1994
The Potala Palace (Tibet)	1994
Confucius' Temple & Kong Family Mansion	1994
Ancient Building Complex, Wudang Mountains	1994
Lushan National Park	1996
Mount E'mei & the Leshan Giant Buddha	1996
The Ancient City of Pingyao	1997
The Gardens of Suzhou	1997
Lijiang Old Town	1997
The Summer Palace, Beijing	1998
The Temple of Heaven, Beijing	1998
Mount Wuyi	1999
Dazu Rock Carvings	1999
Mount Qingcheng & Dujiangyan Irrigation System	2000
The Ancient Villages of Xidi & Hongcun, Anhui	2000
Longmen Grottoes	2000
The Imperial Tombs of the Ming & Qing Dynasties	2000

Source: Access Asia from the UN

2.4.4 Current Issues: Forest Parks

China has created a total of 870 forest parks, which are becoming tourist attractions. In total the forest parks cover in excess of 7.48 million hectares in 31 provinces, autonomous regions and municipalities accounting for 0.78% of China's territory.

Of these forest parks, 292 are State-level parks, covering 5.3 million hectares. Apart from some natural forests, most of these parks were formerly windbreaks and man-made forests planted at the sources of major rivers.

Gradually, forest departments are turning the forest parks into natural ecological environment and including facilities to meet the needs of tourists.

One of the most popular, Stone Forest Tourist Park, advertises on Chinese CCTV television.

2.4.5 Current Issues: Baby Adoption Tours

From February 2000, China is allowing travel agencies to organise tours for overseas nationals to visit the country's inland areas to adopt Chinese babies.

The first of these tours have been for 15 days and cost at least RMB 33,080 (US\$ 4,000) including all necessary translations, legal services and registration, as well as the fees for official papers and visas.

The average total cost for adopting a Chinese child is RMB 213,366 (US\$ 25,800) according to local press reports.

Adoption of Chinese babies by foreigners is a long established practice and has been overseen by the state-run China Adoption Affairs Centre since 1996. Between 1995 and 1999 foreigners have adopted 21,000 Chinese babies.

The major target audiences for these adoption tours are Americans (who adopted 4,174 Chinese children in 1999). Other major markets include Canada, the Netherlands and Denmark.

2.4.6 Current Issues: Duty-free

China has increasingly come to realise the profitability of duty-free sales to tourists.

The national tourism authorities are urging duty-free companies to commence and expand operation in China.

Primary among those is the China National Duty Free Merchandise Corporation (CNDFMC). CNDFMC is opening duty-free shops in cities to provide overseas tourists with better shopping facilities and earn additional tourism revenues.

The first group of these new duty-free shops is to be in Beijing, Shanghai, Dalian, Qingdao and Xiamen. Such shops have traditionally been located in airports. Altogether China has 140 duty-free shops.

2.4.7 Current Issues: Treasury Bond Issues to Support the Tourism Industry

China's State Development Planning Commission is to continue to keep using treasury bonds throughout 2001 and 2002 year to develop the tourism industry.

The Beijing government has earmarked RMB 1.3 billion of its total RMB 150 billion in T-bonds issued in 2000 year for 114 tourism projects covering transportation, waste treatment, scenic preservation and other infrastructure developments. For instance, China built over 2,700 kilometres of roads in scenic areas in 2000 alone.

The government has set aside 70% of its tourism T-bonds for projects in central and western China as part of the larger-scale drive to develop the west.

Table 2.22 TOURISM PROJECTS IDENTIFIED FOR PRIORITY GOVERNMENT FUNDING 2001

<i>Project</i>	<i>Province</i>
Italian-style Tourism Area	Tianjin
Eastern Imperial Mausoleum of the Qing Dynasty	Hebei
Western Imperial Mausoleum of the Qing Dynasty	Hebei
Zushan Scenery at Qinhuangdao city	Hebei
ancient city in Pingyao County	Shanxi
Wutai Mountain	Shanxi
Huhnoer Grasslands, Hulun Buir Prefecture	Inner Mongolia
Grassland Ecological Tourism Area, Xilin Gol	Heilongjiang
Keshiketeng Baiyin Aobao Grassland Tourism Area,	Chifeng city
	Inner Mongolia
Haotuala City Tourism Area, Fushun city	Liaoning

Source: Access Asia from Chinese government sources

2.4.8 Current Issues: Toilets

Toilets are a major problem for the tourism authorities in China. Most public toilets are considered below standard for foreign tourists and a source of major complaint.

Some tourist attractions have begun to improve their toilet facilities and cities such as Shanghai have introduced new, modern public toilets in major tourist centres such as Nanjing Lu's pedestrian shopping street.

Beijing officials have pledged funding of RMB 240 million for 677 toilets at 148-tourist sites city-wide and have purchased 70 environmentally safe toilets and put two portable toilets for Tian'anmen Square.

2.4.9 Current Issues: Introduction of Travel Insurance

The China Insurance Regulatory Commission (CIRC), the insurance industry regulator in China, is actively working on changing the current regulations to allow for wider sales of tourist personal accident insurance.

Traditionally, travel insurance in China has not been developed and is still only provided in the major tourist areas or at airports. Also, currently tourist accident insurance is only valid with additional insurance policies.

This means that Chinese tourists involved in accidents currently have to pay any hospital bills incurred themselves, with claims only being met after the insurance companies finish the investigation.

At present China's only travel assistance organisation is the China International Travel Service (CITS), which co-operates with foreign insurance companies to provide services to foreign tourists in China.

Initially, several companies will be allowed to issue tourist insurance including Taikang Life Insurance

2.4.10 Current Issues: Tourist Shows

Traditionally, tourists to Beijing were taken to traditional or revolutionary operas, or juggling troupes. However, the Beijing Tower Song & Dance Ensemble has changed the fare on offer with the introduction of Magic Theatre held at the new Big Tower building on Chang'an Avenue in the Chaoyang district of Beijing.

Magic Theatre is similar in style to Parisian type cabarets such as the Moulin Rouge and the Lido. Restaurant services are available and after-show dancing. The theme changes but has included old Egyptian, cowboy and others. A later show features 'Enchanting Ladies'.

2.4.11 Current Issues: Amusement Parks

The number of theme parks to appear in China in recent years has been impressive, with foreign investors attracted by the possibility of 1.2 billion people plus some foreign tourists looking for something to do.

However, this niche sector of the travel industry has been unprofitable for the vast majority of investors in China with many half-built parks left unfinished across the country.

China has an estimated 2,000-amusement/theme parks with an estimated 85% losing money. However, the largest such as Shenzhen's Window on the World Park topped other tourist sites in revenues (including places such as the Forbidden City). Losers have included otherwise successful business operators such as the DFS duty-free company.

The major problems appear to be too many parks between too few park-goers. Small-time tourist locations such as Wuxi have six or seven parks available to customers and Sichuan province has 100 parks within a short ride from Chengdu alone. An estimated ten are moneymaking.

Major problems appear to be poor safety records, a lack of locally-specific attractions (most are modelled on American parks and do not reflect Chinese traditions) and the fact that most are inaccessible to non-car owning Chinese.

Free tickets and free passes for groups have become the norm with gate prices being dropped in a bid to encourage people to at least visit the park. Repeat customers, a feature crucial to the success of places like Disneyland in the US, are non-existent in China.

China's State Quality and Technical Supervision Administration is drafting new regulations to tighten supervision over the production and operation of amusement rides and facilities. The regulations require that designs of amusements should be scrutinised closely by quality experts. Production of such products will not be allowed to begin until design papers are given approval by special State-designated appraisal centres. This is to augment production licence systems that the country adopted in 1990, to better ensure the quality of entertainment facilities and prevent all possible hazards.

The regulations, expected to go into effect later this year, were prompted by a series of tragic accidents that occurred during recent years that were related to design faults and the poor quality of entertainment facilities.

In January 1999, Ye Fei, a 22-year-old taxi driver celebrating his birthday fell off a zigzag slide in a recreational park in Chengdu, Sichuan Province and was killed instantly. An unscientific design was cited as a major cause of the accident, local media reported. Problems with the design and welding of a giant spinning chair were also cited as causing a major accident in Shanghai that killed one tourist and injured nine others during summer 1998.

During a nationwide inspection launched by the administration of amusement facilities in May, a number of hidden risks were found to be related to design defects. In two amusement parks in Gansu Province, 20% of the entertainment facilities were found without sufficient safety precautions to protect visitors from electric shocks. Meanwhile, much to the surprise of the inspectors, only 68 of more than 200 amusement ride manufacturers covered by the inspection could provide production licences issued by the State.

To ensure maximum tourist safety, regulations further require that every amusement ride produced by licensed manufacturers should be thoroughly tested after they are installed. The new regulations require that local quality bureaux submit detailed reports to the administration to give the exact number of casualties and to state the cause of every accident related to amusement facilities.

2.4.12 Current Issues: Internal Transport

Trains

China is expected to complete investment of RMB 250 billion (US\$ 30 billion) in railway construction by the end of 2002, which should greatly improve internal rail transport services.

Cao Qing of the Ministry of Railways has told the Chinese press that '...by 2002, a massive railway construction programme will extend China's railway network beyond 70,000 kilometres in length. China was racing against time in planning an express train link between Beijing and Shanghai.' Cao was also reported as saying that he hoped construction of this rail link would begin sometime in 2000.

In a potentially interesting move, Japan has offered bullet train technology to China. The bullet train, or Shinkansen, could be used on the Beijing-Shanghai route. The train can carry 1,000 passengers compared to the 200-300 typical for European high-speed trains.

However, the French TGV and the German high-speed rail system ICE are also possibilities. The European contenders are consortiums featuring companies such as Alstom and Siemens.

The Beijing-Shanghai rail link will be 1,300km and cost an estimated US\$ 12 billion though will cut the travel time between the two cities from fifteen hours to six (the plane is one hour forty minutes). Construction is scheduled to begin in 2000 and be finished before 2010.

Passenger Airlines

Until the 1980s, passenger airline services in China were controlled by the military. However, since responsibility was turned over to the CAAC, the market for passenger services and airlines in China has boomed. This boom has been driven by growing internal demand for flight services, relaxed restrictions on international trade, a growing tourism industry and the return of Hong Kong to Chinese rule in 1997.

Between 1993 and 1997, the number of passengers on Chinese airlines has grown by nearly 100% to approximately 60 million. Most importantly, between 1993 and 1995 the market grew exceptionally strongly, by 73%, as the new airlines began to increase the number of routes covered.

The most popular routes are those between major cities and commercial centres such as Shanghai, Beijing, Guangzhou, Chengdu and Shenzhen. These carry both the highest number of passengers and the highest frequency of shuttle services between them.

China Southern Airlines is the largest of the domestic carriers in terms of total passenger numbers, at just over 14.5 million annually.

In tandem with this growth has gone the further development of China's aviation infrastructure with new airports under construction and existing ones being expanded. Growth is virtually assured as the Chinese government has pledged to double the 1994 passenger and cargo totals by 2000 as part of the current Ninth Five Year Plan.

For more details on China's passenger airlines industry see Access Asia's China Contact report 'Passenger Airlines in China'.

Roads

Road travel remains uncomfortable and lengthy for most destinations, and so rail remains the most popular, and cheap, for of transport. However, as Chinese business people become wealthier, more are turning to air transport.

Road travel remains significant only in terms of local transportation, within a city or county. As such, the demand for high-speed motorways is coming largely from regional freight hauliers, and the small but growing number of private car owners who now live outside the major cities, but commute in by car. The latter remains a very small minority. The other significant users of highways in China are taxis, again mostly covering journeys restricted to within a local area.

New highways are being built in China, and the increase in new building has been dramatic. The total amount of roads grew by 13% between 1993 and 1997, at an average of about 34,000 per annum since 1993.

New government spending targets are aimed at providing 33,000 km of new roads, about a third of which are to be expressways and A class highways.

The goal set out during the Ninth Five-year Plan, to increase the total length of China's roads to 1.25 million km by 2000, has already been met. However, plans to establish a national highway system linking major urban centres and providing greater access to under-developed inland regions remain unfinished. New plans to achieve this aim are rapidly being formulated.

2.4.13 Current Issues: Car Rental

Across Asia, self-drive rental for pleasure and business is becoming increasingly common and traditionally closed and restrictive markets such as Japan are opening up. However, in the PRC it remains difficult to rent vehicles and virtually impossible for tourists.

Additionally, as tourists visit neighbouring territories of the PRC such as Hong Kong and Macau they are increasingly wanting to take their hire cars onto the Mainland. This is becoming a desire as China's road network improves and upgrades.

In total, about 20,000 vehicles are available for rent in China according to the Ministry for Internal Trade.

Car rental in Hong Kong is a small market due to the size of the city and the excellent public transport system. As with Hong Kong car rental is not a popular option in either due to the territory's size and efficient, low-cost public transport system.

Only people with a valid Chinese driver's license can hire a vehicle in China with only a few exceptions.

For more details on the prospects for the future development of car rental services and the possible local and foreign entrants to the market in China, see Access Asia's China Contact report, 'Car Rental in China'.

2.4.14 Current Issues: Price Wars

The Guangdong Provincial Tourism Administration has taken measures to discourage price wars among travel agencies offering overseas travel packages. The administration has deemed that no travel agency may readjust its price for such packages without receiving its prior approval. To achieve this regulation, the administration will set up a regular meeting system to co-ordinate prices, fix the price index as a guide to travel agencies and disseminate agency standards.

Overseas trips are a special tourism product controlled by the State, and the administration has a duty to guide and adjust prices to prevent runaway competition. Some domestic tourists, especially those visiting Thailand, have been unable to enjoy their trips because some agencies have merely sought profits by herding them into designated stores that offered kickbacks to the agencies.

2.4.15 Current Issues: Tourist Websites

The Huachen Group, which has invested RMB 83 million in the development of e-commerce market since its official registration late in 1999, recently held a meeting in Shanghai to demonstrate the use of its newly opened tourism business payment network. The network serves tourists from all over the world, but especially from Europe and the United States where credit cards are popularly used. After opening the www.chinae-net.com website, users can get information about hotels and tourism services on the tourism page. Hotels and services can be reserved and payments made through credit cards. This is one of many new websites offering tourism services specifically for China.

E-commerce is expected to bring a revolution to China's tourism sector. Wei Xiao'an, director of the Planning and Finance Department of the National Tourism Administration (NTA), has stated that tourism e-commerce companies, with their low cost, wide

coverage, and direct sales, will are likely to take an increasingly large market share from traditional tour companies.

These remarks are supported by the recent promotional activities of a number of e-commerce companies. China now has more than 300 professional tourism websites. However, tourism-related e-commerce in China is still in the preliminary stage, and services need to improve in line with market changes and become more open to collaboration with foreign companies.

At a recent National Work Conference on Tourism Management, NTA Director He Guangwei stated that China is to build a nationwide website on tourism management linking the NTA with all local tourism management departments, and will be choosing partners to launch a state-level tourism e-commerce website.

Li Lu'an, who is the general manager of China International Travel Service (CITS) and board chairman of China Travel Network Co Ltd (CTN), has stated in a recent press interview that CITS has is combining traditional travel services with on-line business. In the past two years, the CITS upgraded its service to include 25 travel agencies and 90 hotels through the nation's Internet. About 90% of the programmes for CITS tour groups have been sold over the network.

In order to face fierce market competition, CITS tried to use the advanced means of communication as early as 1982 when it established its internal computer network within 14 cities in China. In 1997, the agency co-operated with two partners to set up the first on-line tourism agency in China, China Travel Network Co Ltd. CTN.com.cn informs tourists about more than 2,000 hotels, 1,000 tour routes and sightseeing spots, communications, restaurants, climate, folklore, history and culture in Chinese, English, French and Japanese.

Overseas and Chinese travellers are visiting the on-line sites for information on booking hotels and tickets, while travel agencies are seeking more opportunities on Internet.

The Cheung Kong Group's Internet arm Tom.com has formed a partnership with CTN to set up a joint business venture to provide China-related travel content and online travel agency services. The new company - itravel - will operate a multi-lingual website focusing primarily on the rapidly growing inbound China travel market. Tom.com holds a 55% stake in itravel while CTN holds the remaining 45%. The new online travel site, which can also be accessed via Tom.com, focuses on serving both consumers and the travel trade. The strategic partnership with CTN will be the best position for the firm to take advantage of the market opportunity.

For consumers, the website will offer a full range of China travel options, online booking and e-commerce capabilities with full customer service support. Customers will also have access to

extensive and in-depth knowledge of their destinations to help them get the most out of their China travel.

For the travel trade, the website will be a virtual marketplace where they can build contacts, extend networks and create links with other travel partners to offer competitive travel packages.

Initially, the new venture will focus on launching the site in the top five inbound markets to China, including Hong Kong, Taiwan, Japan, the United States and Korea. Under the joint venture agreement, CTN will supply the itravel website with exclusive travel information databases and content. The website's content will offer one-stop travel information and related services, including flight schedules, price comparisons, accommodation, ground transportation, visa requirements, personalised trip planning tools, events and exotic tour destinations.

Ctrip.com has hired 15 senior managers from rival Smart Travel - one of the mainland's largest traditional hotel-booking agencies - to aid its expansion. The move by the Shanghai-based on-line travel agency has raised concerns among traditional travel companies that their survival may be endangered unless they embrace the Internet. While growth of on-line business was expected to be rapid, it would still account for only about 3% to 5% in the next three years, he added. On-line business now accounts for less than 0.1% of the mainland's RMB 400 billion market.

While some traditional firms will set up their own on-line operations, they may also form alliances with established on-line agencies in order to expand operations and spread operating costs over a larger business volume. On-line agencies like Ctrip can benefit by linking with traditional agencies, whose entrenched industry relationships and established fulfilment infrastructure take years to build.

Ctrip.com offers on-line booking of hotels, tours, rail and airline tickets, as well as information about mainland tourist destinations. Launched in October, Ctrip.com is aiming to achieve sales of between HK\$ 5 billion to HK\$ 8 billion in 2000. The company will make use of the extensive hotel relationships of the Smart Travel executives, to help strengthen its hotel-booking network. Smart Travel, which has annual revenues of more than RMB 250 million, is majority-owned by a Hong Kong-based investment fund.

On-line travel agency www.EgoChina.com also began trial operations recently. The Beijing-based website is supported by the China Construction Bank, China Travel Service, Anderson Consulting and Hewlett-Packard. It targets both multinational companies and individual tourists. The website provides reservation services for air tickets and hotels, packaged itineraries, tourism information and accepts on-line payment.

At present most Internet-based travel agencies operate without government approval. Travel agencies in China are required to have

permits to operate. An application to operate a travel agency and provide travel services undergoes a process of strict inspections and approval. The government has announced that online providers of travel services must also adhere to these processes and regulations.

2.4.16 Current Issues: Tourism Joint-Ventures

Beijing has signalled an expansion in its experiment with Sino-foreign joint-venture travel agencies, allowing larger foreign participation in the booming tourism sector. Only three Sino-foreign joint-venture travel agencies operate in the mainland - all on a trial basis. One is in Yunnan province and the other two in Guangdong.

Expected entry into the World Trade Organisation is accelerating the mainland's push for more joint-venture travel agencies. As part of the move, Beijing is expecting to see the launch of its first joint-venture travel agency - an alliance between Beijing Tourism and a Malaysia-based company. Agreements have been reached between the two parties, with the contract expected to be sealed this month pending approval from the State Tourism Administration.

Joint-venture talks were also being held between a Beijing Tourism member and Accor, the giant French travel, hotel, and tourism group. Swiss company Diethelm was the first foreign company to break new ground in terms of mainland joint ventures. In May 1998, it set up a travel agency with state-owned Yunnan Tourism Group and China International Travel Services.

Hong Kong tour operators have also ventured into the mainland travel industry to tap the fast-growing market. SAR-based Hong Thai Citizens Travel Services and Wing On Travel had formed Sino-foreign joint ventures with mainland-based travel companies in Guangdong.

2.4.17 Current Issues: Summer Camps

Summer camps are being set up in China to train teens to be more competitive. Besides the traditional activities of summer camp, such as sitting around a campfire, picnicking and playing games, summer camps will soon teach Chinese teenagers how to improve their individual competitiveness in society.

The idea was devised by the Central Committee of the Communist Youth League, an organisation serving the youth of China, to cope with the world's rapidly-growing challenges. New training courses are designed to upgrade the survival instincts, development and innovation abilities of Chinese teenagers and to raise their environmental consciousness.

The programme is scheduled to kick off in Beijing, Kunming, Harbin and Yichang this month. Camp-goers participating in the capital city will undergo field survival exercises to enhance their ability to adapt

to external environmental changes and learn how to protect themselves.

Teenagers in Kunming are expected to learn how human beings can develop harmoniously with nature. Camps in Harbin will teach artistic activities to foster a love for the arts. The Three Gorges environmental protection camp in Yichang will organise youngsters to conduct an on-the-spot investigation of the water source, vegetation and environmental status along the Yangzi River. Committees at lower levels will set up quality-upgrading bases involving subjects such as national defence, ecology, labour, survival and environmental protection across the country.

2.4.18 Current Issues: Tourism Loans

The Beijing Commercial Bank and the Domestic Travel Co. of the China Travel Service jointly began to provide travel loans to Beijing's consumers in July, 1999. China's banks have expanded their consumer loan services in response to the country's nagging deflation problem. The travel loans are geared toward China's upper income earners, who hold about half of the country's bank savings, according to a recent survey endorsed by the People's Bank of China.

The loans will be eligible to Beijing residents over 20 years old who have either stable income or other means to repay. The minimum amount for the travel loans is RMB 3,000 (US\$ 362). Loans for domestic travel may not exceed RMB 20,000 (US\$ 2,416), while loans for foreign travel may not exceed RMB 50,000 (US\$ 6,040). The term of the loans is 6 to 12 months, and the borrower can repay the loan either all at once or on a monthly basis.

2.4.19 Current Issues: Holiday Trains

The Shanghai Railway Bureau has begun introducing holiday trains and other regional Railway Bureaux are expected to follow. The move is both a response to growing passenger demand and a profitable source of revenue.

The trains carry special names such as the Greyhair Special and provide residents of Shanghai with package tours for holidays and weekends breaks. The holiday trains depart on Friday afternoons or evenings and arrive at a tourist destination the following morning; they return on Sunday night and reach Shanghai on Monday morning.

The number of holiday trains departing Shanghai has increased from six in 1995 to 115 in 1999. 160 are expected to be put on in 2000, 12 every week in peak times and two at off-peak times. Destinations include Hangzhou, Wenzhou (Zhejiang Province), Shangrao (Jiangxi Province), the Yellow Mountains (Anhui Province), Hong Kong and Macau. In 1999, holiday trains earned the railway bureau RMB 45 million (US\$ 5.4 million) up from RMB 14 million (US\$ 1.7 million) in 1998.

3 Provincial Initiatives

3.1 Anhui Province

Despite being a relatively poor province Anhui is within easy reach of Shanghai and could begin to attract more visitors from that region.

The province also includes the Yangtse River and the relatively historic city of Hefei. There is some aquatic wildlife including dolphins and Chinese alligators that attract visitors.

The province's major draw is Huangshan Mountain (Yellow Mountain), one of China's top ten attractions. Cable cars rode to the summit and the Yungusi Temple for RMB 40 (US\$ 4.83) each way. Another car goes halfway up to a hot-springs resort, for RMB 35 (US\$ 4.23). Sedan chairs are available for between RMB 200 (US\$ 24.16) and RMB 300 (US\$ 36.24) per person. There is a RMB 60 (US\$ 7.25) entrance fee at the peak.

3.2 Beijing Municipality

3.2.1 Beijing Municipality: Beijing's Tourist Industry

Key personnel: Shi Xiaoming - director of the Beijing Tourist Market, Yu Changjiang - director of the Beijing Tourism Bureau.

Beijing is probably the centre of both the domestic and the international tourism industry in China, acting as both a magnet for overseas tours and Chinese citizens visiting their capital city.

Tourism in the city is overseen by the Beijing Municipal Tourism Administration, (BMTA) which in 1999 set up a team of tourism inspectors to implement BMTA Regulations. The inspectors attempt to maintain standards in the tourism industry. This is the first time that Beijing's tourism industry will be covered by specific regulations.

According to BMTA tourism is already one of Beijing's major industries, bringing in around US\$ 7.46 billion annually (US\$ 8 billion in 1999) and providing nearly 300,000 jobs. Beijing won the title of China's "Best Tourist City" in 1998.

3.2.2 Beijing Municipality: Recent Attractions Development

The Beijing municipal government in 1999 will upgrade the Museum of Chinese History and the Museum of Chinese Revolution. This is largely to improve their earthquake resistance. The renovation will

cost some RMB 100 million. The second phase of the project, the interior decoration of the two museums, started in late 1999. The two museums have been ranked among the ten most important cultural institutions in Beijing since their foundation in 1959.

The Beijing Sub-Council of the China Council for the Promotion of International Trade and the Beijing Tourism Bureau have launched a new project aimed at both domestic and overseas tourists combining a tour of Beijing's high-tech development sites and more traditional sites.

Beijing is planning to make the journey to nearby scenic spots easier through using the railways around the city for tourists. The first so-called touring train is based at the Pingguoyuan Railway Station, in western Beijing. The train stops at Dajue Temple, Jiufeng and Yangtai Mountain. All three spots are well-known resorts that have suffered due to inconveniences in transportation. Two more touring trains leaving from Beijing and Xizhimen Railway Stations stop at Hongluo Temple and Yanqi Lake.

Beijing is also restoring some older tourist sites including the Zizhu Dock in the city's Zizhu (Purple Bamboo) Park. This is the first restoration of the network of nine docks along Beijing's Changhe River and the Kunyu (Kunming Lake at the Summer Palace to Yuyuantan Lake) section of the Jingmi (Beijing to Miyun Reservoir) Diversion Canal. From summer 1999 the canal will be open to recreational boats.

Beijing's Chaoyang Park, the largest park in Beijing, plans to build five major projects on an area of 60,000 square metres at a cost of US\$ 100 million. Projects to be built include a water park, a multiplex cinema, an amusement park and a beach resort. Chaoyang Park covers 320 hectares, including 67 hectares of water space, in eastern Beijing and opened in September 1999 as one of 67 key projects marking the 50th anniversary of the People's Republic of China.

From summer 2000, artists from China and foreign countries have begun regularly staging performances at the foot of the Great Wall sponsored by the Great Wall Society and the local Beijing government.

In August 2001, Beijing opened its new Police Museum, which traces the history of policemen and China's public security bureau. The museum is operated by the Beijing municipal public security bureau and contains 7,000 objects, photos and models ranging from the Han Dynasty (206 BC-AD 220) to the present.

3.2.3 Beijing Municipality: Upgrading of Tourism Infrastructure

The Beijing authorities are now planning to thoroughly remould the local tourist industry over the next few years. The plans were outlined by vice-mayor of Beijing Zhang Mao at the Beijing 2000 Conference on the Tourism Industry. The General Arrangement on Development of Beijing's Tourism, approved by the central government last year, is a long-term development outlook for the city's tourism during the next decade. This will revolve around improving the city's infrastructure, upgrading the quality of its tourism personnel and developing sound regulations for the tourism industry.

According to the capital's blueprint for 2000, Beijing will construct six municipality-administrated tourist zones and strive to promote more modern tourist-oriented activities such as expositions and educational tourism. Meanwhile, the establishment of several tourist companies and joint ventures is under consideration. Furthermore, to catch up with world-class developed tourism cities, the municipal government will spare no effort in upgrading various services, including tourism information consulting.

Statistics indicate investment earmarked for the capital's tourism development, including the improvement of relevant infrastructure, increased to RMB 1.03 billion (US\$ 124 million) during 1999. The city is expected to play host to 2.6 million overseas visitors in 2000, generating an income of US\$ 2.6 billion, up 4% from last year. About 9.72 million domestic travellers are expected to visit the capital, with spending estimated at RMB 47.17 billion (US\$ 5.68 billion) this year, 5% more than that of 1999.

Last year, the municipal government issued Regulations on the Beijing Tourism Industry, which further standardised the city's tourism market in accordance with the law. Under the regulations, tourists complaints about tourism services can be dealt with. According to official statistics, the Beijing Municipality Tourism Board accepted 79 cases concerning tourist complaints, of which more than 60 cases were resolved by the municipal industrial and commercial department, the public security bureau or BMTB.

Beijing's 10-Year General Arrangement on the Development of Beijing's Tourism has been published and envisages three tourism circles, involving a shopping and entertainment circle, a suburban recreation circle and a mountain area of the Great Wall sightseeing circle.

3.2.4 Beijing Municipality: Vacation Activity

During the Labour Day vacation in China this year, thousands of Chinese citizens went travelling in response to government encouragement to use extra vacation time to spend money to spur an

economy over-reliant on state spending. Workers were given a whole week off to mark the May 1 vacation.

A survey was quoted as saying 15% of Beijing's residents had planned to leave for vacation spots during the week. Beijing railways handled 1.87 million passengers, it said. Highways leading out of the city were clogged with bumper-to-bumper traffic. The survey also said that 6.7% went abroad to take advantage of discount fares.

Spending by consumers also shot up. Beijing's Blue Island department store racked up sales of RMB 6.13 million on May 1, compared to average daily sales of RMB 4.68 million.

3.2.5 Beijing Municipality: Future Developments

Beijing has announced plans to spend RMB 800 million on construction of a specialised theatre for Beijing Opera. The 1,200-seat, 100,000 square metre China Beijing Opera House (located on the corner of Ping'an Avenue and the western side of the Second Ring Road and also called the China Grand Theatre of Peking Opera) has been under way since 1994 and a design had been submitted to the Beijing Planning Bureau for approval. The centre will also include a permanent exhibition of photographs, sculptures and costumes from the Beijing Opera.

Additionally, the 95-year-old theatre Jixiang Theatre is to be rebuilt in Wangfujing with an investment of RMB 300 million (US\$ 36.2 million). In 1994, the original theatre was dismantled and a shopping centre built in its place.

In April 2001, a new state museum dedicated to ancient and modern history, national culture & customs, art & international friendship was announced by the State Administration for Cultural Heritage. Construction of the new museum will be started during the current 10th Five-Year Plan (2001 to 2005) though not completed until the 11th Five-Year Plan (2006 to 2010).

Beijing is also starting construction on the Huangchenggen Relics Park, or the Imperial City Wall Relics Park, in downtown Beijing between the Forbidden City and Wangfujing. The Park represents an investment of RMB 850 million (US\$ 102 million) and major relocation of 900 households and the 270 work units (many of who live in historic, though run down, Hutong dwellings). Ultimately, the park will join Chang'an Avenue in the south and Ping'an Avenue in the north with a 2.8-km long and 30-metre wide green 'corridor'. The Park is expected to be completed by October 2001.

To improve access to the Great Wall at Badaling, a magnetic levitation (maglev) train is being constructed along a 2.1-km line at an estimated cost of RMB 200 million (US\$ 24 million). The line is being jointly funded by Beijing Holdings Ltd, the Beijing Badaling Tourism Development Company Ltd and the National Defence Science and Technology University. Reportedly, the train will take

three minutes from a new car park to the Wall transporting 20,000 people per day.

Beijing is also planning to spend RMB 10 billion to rebuild the Liulichang area, south of Tiananmen Square and best known for known for shops such as the Rongbaozhai antique store and China Bookstore. Liulichang's old-style brick and stone buildings mostly house shops selling brushes, ink and paper for art and handicrafts. The redevelopment will be completed by 2007. The redevelopment will include two high-rise buildings with businesses promoting the art trade.

Beijing is constructing a new Planetarium representing an investment of approximately RMB 200 million (US\$ 24.15 million). The building will be located to the east of the present Beijing Planetarium and have over 20,000 square meters (215,280 square feet) of floor space.

3.2.6 Beijing Municipality: Tourism Arrival & Receipts Statistics

Beijing received 1.05 million tourists in the first half of 1999, up 11.4% over the same period in 1998, according to the city's tourism agency. On average, the number of visitors from Asian countries went up 2%. The number of tourists from the South Korea increased 141% over the corresponding period in 1998, while those from Thailand and Malaysia went up 126 and 54.6% respectively.

Future projections for Beijing are strong and the city is expected to receive 2.8 million visitors in 2005 and 3.5 million overseas visitors in 2010, generating revenue of approximately US\$ 3.1 billion and US\$ 3.8 billion in 2005 and 2010. Shenzhou.

3.3 Chongqing Municipality

Chongqing is a municipality at the top of the Yangzi and benefiting from the Three Gorges Dam interest. It is the largest industrial city in south west China with 30 million residents.

There is little immediate interest to tourists except the geography of the city itself. However, the city is the end point for many Yangzi cruises and also a centre of revolutionary history.

Chaotianmen, where the Yangzi meets the Jialing River is an increasingly popular destination and known as the Mountain City with narrow alleyways and a view of Chongqing's skyline.

Also being restored is the Luohan Temple (RMB 4 [US\$ 0.48]) with 524 statues of Luohans (Buddhist saints).

Other sites include the Liberation Monument and Pipa Park with palm trees and hanging air plants as well as Communist leader Zhou

Enlai's Former Residence, the Osmanthus Gardens, the US-Chiang Kai-shek Criminal Acts Exhibition Hall and the Sino-American Co-operation Organisation (SACO).

In December 2000, Chongqing Wild Animal World opened. The World is operated by the State Forestry Administration (SFA) and covers 333 hectares in Yongchuan County.

3.4 Fujian Province

East China's Fujian Province is largely promoting tourism to Quanzhou, a coastal city and the original hometown of many overseas Chinese that left in the last century. The city received over 9.2 million domestic and overseas tourists in 1999, including 420,000 from abroad. Quanzhou has 400 historical and cultural sites, including the Kaiyuan and Xuefeng Temples.

However, Fujian attracts few domestic or international visitors and is mostly visited as a stopping off point on routes to Guilin or Shanghai. The inland Wuyi Shan region is noted for its scenery and the possibility of cross-Straits travel between Fujian and Taiwan could revitalise the province's tourism potential.

The city of Quanzhou, originally known as the start of the Silk Road linking China's coast to the Arab world, is investing RMB 21 million (US\$ 2.5 million) to construct a 6,000 square metre museum housing Islamic art, carvings and Islamic tomb covers. There will also be an Islamic culture institute and library. The museum is scheduled to open by the end of 2001.

3.5 Guangdong Province

3.5.1 Guangdong Province: Tourism Activities

Guangdong's capital Guangzhou is aiming to be a tourism gateway to China. To accomplish this the city is concentrating on overarching urban problems such as traffic congestion, street cleansing and public transport which have deterred tourists from overseas, domestically and Hong Kong SAR.

Guangdong does have 800 km of coastline and is generally tropically verdant. The province is draw due to its proximity to Hong Kong as well as its indigenous Cantonese cuisine. Guangzhou is a popular city for both international and domestic visitors and there is some traffic to Shenzhen and Zhuhai (the latter of which links to Macau).

Other places of growing tourism include the former treaty port of Shantou, the Stone Age town of Shaoguan and ancient towns including Chaozhou and Meizhou.

There have also been some more recent developments to cater to the wealthier Guangzhou and Hong Kong market including white water rafting on the Han River and cruising.

3.5.2 Guangdong Province: Guangzhou

Key personnel: Liu Ping – Director, Guangzhou Tourism Bureau

Guangzhou has earmarked RMB 17.1 billion (US\$ 2.06 billion) for infrastructure development in 1999 to, in part, engender a tourism industry. Crucial to this is the completion of the Number 2 Subway Line, expressways ringing the city and the new international airport. The first subway line in Guangzhou went into operation in June 1999. The Guangzhou metro is considered the most advanced in the country.

The city is starting to preserve older buildings and monuments as well as encourage new building as well as an art museum and soccer stadium. The plan is for the city to increase tourism activities by 10% in 1999. This means receiving 21 million tourists, 3.13 of whom will have to be foreign. Gross tourism earnings are projected to reach RMB 35.6 billion (US\$ 4.29 billion).

Guangzhou is also planning to build an opera house. The venue will attract a total investment of RMB 1 billion and have 1,800 seats, a 2,500 m² multifunctional hall, a 4000 m² lobby hall and other facilities. Land has been requisitioned and the project is scheduled for completion in 2002. The Guangzhou Culture Bureau is overseeing the project.

3.5.3 Guangdong Province: Guangdong/Hong Kong/Macau Co-operation

Perhaps the best opportunity for Guangdong province's tourism industry to co-operate with the more advanced Hong Kong and Macau tourism authorities on a joint venture centred around the Pearl River Delta. The Pearl River Delta Marketing Organisation (PRDMO) is a joint venture between the HKTA, the Macau Government Tourist Office, and the Guangdong Province Tourism Bureau.

Part of Hong Kong's 1999 tourism strategy is to encourage more people from the Chinese mainland to tour Hong Kong by making the region's tourism resources better known. Additionally the Hong Kong Tourism Authority (HKTA) is aiming to promote Hong Kong as a gateway to China in a possible 'Enter The Dragon' campaign.

Closer co-operation across the three tourism authorities could encourage foreign tourists staying in Hong Kong and Macau to visit Guangdong province; while at the same time encouraging more Guangdong citizens to visit Hong Kong and Macau, expanding their tourism-related industries and helping to reduce the negative impact

of the Asian financial turmoil on the tourism industry in Hong Kong and Macau.

The three sides have also agreed to standardise pricing as well as service items of travel agencies to protect visitors' interests.

Additionally, since the handover of Macau to China the SAR is to adopt 'flexible measures' to make it convenient for Taiwan tourists to enter Macau. Taiwan has been a major source of tourists to Macau as they enjoy visa-free access if they held a passport issued by the Taiwanese authorities.

3.5.4 Guangdong Province: Shenzhen

Shenzhen Special Economic Zone has targeted for 16.7 million tourists in 1999, including 2.39 million from overseas. The target for tourism receipts is US\$ 1.05 billion.

The city is making funds available for the development of scenic spots in the city centre, along the coast, within the Overseas Chinese Town and the Guangming Overseas Farm. A - seaside promenade lined with tropical scenery was completed by the end of 1999. Shenzhen has also completed an elevated monorail system that will appeal to visitors.

Shenzhen received 15.9 million visitors in 1998, a 9.3% increase over 1997. The number of overseas tourists who spent at least one night in Shenzhen reached 2.34 million, rising 5.7% over 1997. Shenzhen's total income from tourism reached RMB 19.5 billion (US\$ 2.35 billion), up 4.6%, and foreign exchange earnings rose 6% to US\$ 987 million.

Co-operation in tourism development between Shenzhen, Hong Kong and other cities on the Pearl River Delta is to be enhanced and Shenzhen's theme and attraction parks will be promoted in Hong Kong.

3.5.5 Guangdong Province: Yangjiang

For Guangdong Yangjiang is an isolated city. However, it is now intent on investing to become a tourism centre. Initial investment is on infrastructure - roads and railways.

Yangjiang has Guangdong's (and claims to have China's) largest bathing beach and in 2000 hired Australian consultants to develop nearby Hailing Island into a "Chinese gold coast".

In 1999, Yangjiang received 1.62 million in 1999 up from just 300,000 in 1998. Yangjiang's revenue from tourism increased from RMB 100 million (US\$ 12 million) in 1998 to RMB 877 million (US\$ 106 million) in 1999.

3.6 Guangxi Zhuang Autonomous Region Province

Zhong Xinmin - director of the Guangxi Zhuang Autonomous Region tourism administration

Beihai in Southwest China's Guangxi Zhuang Autonomous Region is to develop tourism. Without much organised effort, Beihai has begun to evolve into a tourism city due to its natural scenery and good beaches. 2.86 million visitors, both domestic and foreign, arrived in Beihai in 1999, a rise of 14.8% over 1997. Beihai's tourism sector earned total revenues of RMB 673 million (US\$ 81 million) in 1998, an increase of 16% over 1997.

The major draw of the province is its terrain and lush climate. This is best symbolised by Guilin. Despite its popularity, Guilin is in need of redevelopment as increasing numbers of tourists have overloaded the existing infrastructure. Now Guilin is investing RMB 10 billion (US\$ 1.21 billion) between 2001-2005 in an environmental improvement programme. The project will link the Lijiang and Peach Blossom rivers with the Mulong, Gui, Rong and Shan lakes. New water will be introduced into the lakes, sludge and debris will be removed, and new embankments will be built.

Beihai has benefited from the growth in tourist traffic between Vietnam and China. Beihai is a hot spot for domestic and overseas tourists on their way to Vietnam. 70% of tourists to Beihai went on to visit Vietnam.

With the opening of Sino-Vietnamese border, an increasing number of Chinese tourists have visited Vietnam via Beihai. The number of tourists to Vietnam exceeded 1 million since 1998, including more than 20,000 over the Spring Festival period in 2000.

In 1999, Beihai began construction of an aquatic theme park and an undersea sightseeing project on Weizhou Island. These parks will build on the success of Beihai's plantation-style agricultural development zone, which covers 866 hectares and has received over 10,000 tourists a day since opening in early June 1999.

3.7 Guizhou Province

Guizhou province, in China's Southwest, received approximately 165,000 overseas visitors in 1998 who spent US\$ 52 million during their stays. Domestic tourists added another 19 million visitors to the province spending US\$ 506 million. Guizhou estimates that it earns US\$ 542 million annually from tourism. The province is known for its karst landscape and waterfalls as well as being home to 13 separate ethnic groups.

Guizhou is best known for its scenery rather than tourist facilities. The province's limestone soils and mountainous regions attract

visitors as well as the province's minority peoples including Yi and Hui minorities. The Anshun Falls and Zhijin Caves are within reach of the capital Guiyang and the Caohai Hu lake is also a draw for ornithologists. Zunyi is a historic city and near the holy mountain of Fanjing Shan.

The provincial government is expected to invest RMB 5 million (US\$ 600,000) this year for infrastructure construction and RMB 3 million (US\$ 360,000) in tourism development. The tourism industry has been set as the pillar industry of the province. In the first quarter of 2000, tourism increased by more than 56% compared with the same period last year.

The city authorities in Guilin (the capital of Guizhou Province) are planning to broaden the city's tourism appeal following a total of Seven million overseas visitors between 1973 and 1998. Income from tourism was RMB 921 million (US\$111 million) in 1998, 31 times that of 1980.

Guilin claims to be the only city in China in which tourism revenues exceed income from foreign trade. Largely this growth in tourism is due to the improved environmental situation in the city which was previously a pollution blackspot with the tourist destination of the Lijiang River now much cleaner than previously.

3.8 Hainan Province

3.8.1 Hainan Province: Tourism Industry Activities

Cheng Chuangmin - director of the Bureau of Tourism of Hainan,
Han Jiguang, vice-director of the Bureau of Tourism of Hainan

Hainan, 'China's Hawaii', is an island province off the coast of southern China with the capital in Sanya, and with an average 25C tropical climate in November, is an attractive lure to tourists from most other parts of China when the cold winter season begins. The island has become a popular destination for internal tourism and in 1999 set a target for tourism revenue of RMB 1.5 billion (US\$ 180 million), compared to an achieved income of RMB 1.36 billion (US\$ 164 million) in 1998.

Hainan received 6 million tourists during the first eight months of 1999 ending, an increase of 12.5% over the same period in 1998. Tourism earned US\$ 72 million for Hainan during the eight months, a 13.8% increase compared with 1998.

According to the Hainan Tourist Board it costs Beijingers RMB 3,300 (US\$ 398) to tour Sanya for five days compared to only RMB 3,800 (US\$ 458) to go to Thailand for seven days. For foreign visitors Hainan is targeting Southeast Asia and Russia as well as

Japan. A marketing team visited France and Hong Kong in 1998 to pick up some tips of promoting Sanya.

Tourists coming to the island can go scuba diving, or visit the ethnic villages of Li and Miao minority peoples. People interested in nature are able to join special tours to explore the island's virgin forest. Some sporting activities are also held on the island. China's traditional dragon boats and a sailing boat rally from Hainan to Hong Kong is to be held in November 2000.

Hainan has also become a popular location for weddings at the scenic location of "Tianya Haijiao", where thousands of new couples from across the country have their marriage ceremonies.

In order to make it easier for foreign tourists to get around the island, new signs in several foreign languages have been put up across the island.

3.8.2 Hainan Province: Recent Developments

A weekly boat service between Malaysia and Sanya will open in April 2000.

Hainan has also developed the 397-hectare Qionghai Boao Tourist Holiday Resort. Built by the Hainan Boao Investment Holding Co Ltd, the resort is costing RMB 12 billion (US\$ 1.4 billion) and will feature China's biggest coastal spring and only whole-island links-style golf course.

Hainan is to host a travel festival at the end of 2000, to show travel and tourism businesses what the island has to offer to tourists. Co-sponsored by the China National Tourism Administration and Hainan Province, the festival is scheduled to be held from November 3 to 24 2000. During the festival, a series of Hainan-based tourism and entertainment projects will be presented.

The tourist festival will focus on visitors from both China and abroad. The organising committee has invited tourist agencies from around the world to inspect Hainan's tourist facilities, hoping that those agencies will recommend more tourists from abroad to visit.

In August 2000, the government of Hainan began to regulate the local tourism market by banning travel agencies, tour buses, drivers and tour guides without proper accreditation. The prices of goods in tourist centres will also be regulated.

In 2001, members of tourist groups from 21 countries (including most of Europe, north America and South East Asia) do not need visas to visit Hainan for less than 15 days.

3.8.3 Hainan Province: Future Developments

Dadonghai is being developed as a resort area and has several dive centres including the South Seas International Ocean Centre (SSIOC) run by Hong Kong interests. The area also includes the large and popular Gloria Resort hotel complex.

Hainan Bo'ao Investment (Holdings) Company Ltd is investing RMB 8 billion (US\$ 964 million) in expanding Bo'ao, the venue of the Bo'ao Asia Forum, within three years. The development is designed to be an environment-friendly international conference centre and tourism resort.

3.8.4 Hainan Province: Tourism Arrival Statistics

According to a survey conducted by the Bureau of Tourism of Hainan, domestic tourists to the island come mainly from Beijing, Shanghai and Guangzhou with only a small number of foreigners in the total. Over the National Day holidays in October 1999, Hainan received 305,000 domestic tourists.

Hainan has two five-star, nine four-star and 25 three-star hotels with another 300 hotels below the star grade. To accommodate the growing number of tourists the local authorities purchased 220 sightseeing buses in 2000 to meet expected tourist demand.

Package tours to Hainan from Chinese cities typically cost RMB 1,420 for a tour of several days duration.

Table 3.1 TOTAL MARKET FOR TOURISM IN HAINAN 1998-1999

	<i>No. of visitors (million)</i>	<i>Tourism receipts (RMB billion)</i>
1998	8.56	1.36
1999	9.30	7.25

Source: Provincial/national statistics/ Bureau of Tourism of Hainan

3.9 Hebei Province

Hebei, in Northern China, is only starting to investigate tourism as a commercial strategy for the province. At present tourism contributes less than 4% of provincial GDP.

The major problem for Hebei is that it is split around the Municipalities of Beijing and Tianjin with large industrial areas and intensive farming. The Great Wall runs through part of the province, notably at Shanhaiguan. There is also the seaside resort of Beidaihe. Along the coast are a number of crowded resorts popular with Chinese holidaymakers.

Hebei has identified 500 'scenic spots' and 17 potential tourism 'resorts'.

3.10 Heilongjiang Province

3.10.1 Heilongjiang Province: Tourism Industry Activities

Ning Shimin - director of the Heilongjiang Provincial Tourism Bureau.

The provincial capital Harbin is a growing destination for commercial visitors due to its proximity to the northeast Chinese industrial belt. The city itself has expanded facilities including a new Shangri-La hotel. Harbin is famous for its ice sculptures during its annual winter festival, skiing facilities and European-style architecture influenced by Russian migration in the early twentieth century.

Heilongjiang is also working on developing ski tourism largely centred on Yabuli, 200 kilometres from Harbin, capital of Heilongjiang Province. In and around Yabuli there are now 20 ski resorts. The major resort is the Yabuli Ski and Vacation Resort and the Windmill Village. Windmill Village has 100 buildings shaped like windmills and accommodated athletes competing in ski and other winter sports in the February 1996 Asian Winter Games.

The Province is also developing ecological tourism, which emphasises the protection of the environment and nature. The provincial government plans to spend the next 5 to 10 years building Heilongjiang into a leading ecological tourism province. To achieve the goal, the government is concentrating its attention on 8 special assets amenable to tourism, including icy landscapes, primary forests, prairies, lakes, water sports and hunting, unique landforms and wild animals. Several sightseeing routes connecting major scenic spots across the province have been designed to meet the needs of domestic or foreign visitors, he said.

Eco-tourism is expected to help protect the environment and sustainable development in China in many ways. The creation of numerous new jobs related to eco-tourism in the 21st century will, in turn, provide an incentive for the protection of resources that form the basis for those jobs. With almost 42% of its land area covered by forests, Heilongjiang has 50 forest parks and more than 30 natural reserves owned by the State and the province. The province has the country's largest wetland and well-preserved relics of volcanic eruptions.

3.10.2 Heilongjiang Province: Recent Developments

In August 2000, Hegang City in Heilongjiang opened China's first nudist beach. However, male and female sunbathers are separated.

Following the new and improved relations with Russia, Heilongjiang has opened 27 Sino-Russian border tour routes along the province's 3,000-kilometre-long border. These routes are largely aimed at attracting Russian tourists and, indeed, 255,000 tourists visited Suifenhe, a border city between China and Russia in 2000 while 152,000 Chinese visited tourism sites in Russia in 2000, a growth of 80% over 1999.

3.11 Henan Province

Henan Province in central China has begun to actively promote itself as a tourist destination and has formed the Yugang Tourist Company, a joint venture between Henan province and Hong Kong SAR. Yutai, a Thai-Henan venture, has commenced trial charter flights linking Zhengzhou, the provincial capital, with Hong Kong, Macao and Taipei. The three routes had carried 300,000 passengers by late 1999.

Shangqiu, in Henan is a historic Chinese city that is aiming to attract cultural tourists. The local government has decided to move out most of the local residents and all the industrial facilities to restore the city's original look.

Kaifeng, the traditional capital of seven Chinese dynasties, is constructing five Song dynasty (960-1279) tourism projects. The first stage of the project is reportedly costing RMB 318 million (US\$ 38.3 million).

3.12 Hubei Province

Hubei is the historic centre of Han China and famous for its Chu Dynasty relics and bronze work. Hubei is also home to the Three Gorges Dam and the main stretch of the Yangzi. Wuhan is the home of many of China's legends and other towns including Yichang, Shashi, Jiangling and Chibi all have historic associations. There is also the historic mountain at Wudang Shan and the Shennongjia Forest Park.

Hubei's major tourist attraction is The Three Gorges Tour. With the new dam nearing completion, travel agencies in Hubei Province and neighbouring Chongqing Municipality are working with the China International Travel Service (CITS) to standardise the new Three Gorges/Yangzi River tour offered by CITS. This involves a fleet of four luxury boats called the "Presidential Cruises," which officially started voyages in late 1999.

However, the Beijing newspapers have reported that the anticipated surge in overseas tourists wanting Yangzi River cruises has failed to materialise, with the number of overseas tourists taking a Three Gorges cruise dropping from a peak of 100,000 in 1994 to fewer than 50,000 in 1999 up to November. It is thought that the drop-off is due to fears of ugly construction work and adverse publicity for the project in the West.

Despite this there has been a growth in domestic tourism to visit the Three Gorges project. 430,000 domestic tourists visited in 2000, 50% more than in 1999.

3.13 Hunan Province

Hunan is often promoted as the typical China of agriculture as well as the birthplace of Mao. There are a number of historic towns including Yueyang and Dongting Hu (China's largest lake) as well as the Wulingyuan Scenic Reserve.

Hunan province in central China began to promote eco-tourism in September 1999 following the 1999 International Forest Protection Festival in Zhangjiajie, a popular tourist destination in Hunan Province. The province's new eco-tours feature environmental protection technology and folk arts. The Forest Protection Festival attracted 100,000 visitors to Zhangjiajie which was China's first National Forest Park established in 1982. Zhangjiajie's Wulingyuan area was included on the World Heritage List by UNESCO in 1992.

The Zhangjiajie National Park was China's first national park, founded in 1982. Other attractions include the Tianzishan Nature Reserve and the Suoxiyu Nature Reserve – sometimes called China's Yellowstone Park – and featuring waterfalls and limestone caves as well as being home to the Miao, Bai, and Tujia national minorities.

Shimen County in Hunan Province is constructing China's first orange museum to be completed in October 2001. The museum will hold an Orange Festival every October. The museum and festival are sponsored by the Ministry of Agriculture and the provincial government of Hunan.

Hunan has committed to spend RMB 20 million (US\$ 2.5 million) to upgrade a memorial hall in Mao's honour in his birthplace of Shaoshan. The authorities will also repair Mao's former residence and three of his other ancestral halls.

3.14 Inner Mongolia Autonomous Region

At present the Inner Mongolia Autonomous Region is one of the least developed regions of China in terms of tourism. Currently it is the region's very remoteness that is strengthening its tourism industry. There is, however, little reminiscent of Genghis Khan though horse-riding holidays have grown in popularity on the province's grasslands.

As a start to promoting greater levels of tourism to the region the governments of Chifeng and Balinyouqi have held an exhibition of Chinese Balin Stone at the Chinese History Museum in Beijing to raise awareness of Inner Mongolia.

3.15 Jiangsu Province

3.15.1 Jiangsu Province: Jiangsu's Tourism Industry

Jiangsu Province in eastern China is a highly developed region with a strong industrial base (home to a large number of electrical appliance manufacturers including Chunlan, Little Swan and Panda), scenic sites, historic interest and proximity to the Shanghai metropolis. The province is home to the Grand Canal and a stretch of the Yangtze. Silk farms are a growing attraction in the province and Nanjing is a popular destination.

So far, tourism in Jiangsu has been over reliant on the capital city of Nanjing. There have been attempts to lure wealthy urban residents and ex-patriots based in Shanghai. Typical of these is the Grand Yacht Club at Dianshan Lake. Dianshan Lake has been developed as a Tourism Development Area by the Jiangsu authorities. Water-skiing, jet skiing, sailing, windsurfing and other water sports are available at Dianshan Lake.

Changzhou is a growing destination for tourists. Indeed, Chengzhou means 'typical town' in Chinese. However, the old part of town is relatively undeveloped. Changzhou draws its tourists largely from Shanghai.

The former Presidential House of the Kuomintang government in Nanjing is to be rebuilt into a museum of contemporary Chinese history. The project is budgeted at RMB 100 million (US\$ 12 million).

3.15.2 Jiangsu Province: Suzhou

The city of Suzhou in Jiangsu was named a UNESCO World Heritage Site in 1998. Suzhou is best known for its landscaped gardens and five of the gardens are expected to be specially listed on

the UNESCO World Heritage list. The five gardens are: Canglangting, Shizilin, Yipu, Ouyuan and Tuisi.

Additionally, Suzhou is building a new park on Jinji Lake. Designed by US-based EDAW, the park will be located in the Suzhou Industrial Park and cost RMB 1.1 billion (US\$ 133 million). It will feature a square, a botanical garden, an aquarium and an art gallery.

3.16 Jiangxi Province

Key personnel: Xie Yuanming - deputy director of Jinggangshan Tourist Bureau

In 1999, tourism accounted for 4.3% of Jiangxi's GDP. Despite this the province is a tourism backwater with a stretch of the Grand Canal and a major lake at Poyang Hu. There are also some sites of revolutionary history in the province including the area around Jinggangshan, which was an early base of the Communist Party of China (CPC) in the 1920s and 1930s. Jinggangshan earn in excess of RMB 160 million (US\$ 19.3 million) and receives 15,000 tourists per day.

The province is now actively promoting its major tourist sites which include the Lushan Mountain, Jinggangshan (a famous site in Chinese revolutionary history); Longhushan and Sanqingshan (Taoism sites), Poyang Lake (the largest fresh water lake in China) and Jingdezhen city, which is well-known for porcelain production.

The local tourism authority has arranged a number of events for 2000 including the Dayu Plum Festival in January, the Lushan International Tourism Festival in June, the Jingdezhen International Porcelain Festival in July and the Longhushan Taoist Culture Festival in November.

Jiangxi is also an important area in the history of the Chinese Communist Party and benefited in 2001 from the 80th anniversary celebrations of the Party. Some of the revolutionary sites are also State-level scenic spots. For instance, the Jinggang Mountains, which spread across Central China's Hunan Province and East China's Jiangxi Province, are famous for their waterfalls, sea of clouds, peaks and azaleas as well as their role in Communist history as forward bases. In the first half of 2001 190,000 tourists visited the Jinggang Mountains, up 45% over the first half of 2000.

3.17 Jilin Province

The city of Hunchun in Northeast China's Jilin Province is hosting an international tourism fair in August and September 1999, in an attempt to promote international economic co-operation in the Tumen River region. The United Nations Development Programme (UNDP), the Beijing Secretariat, the Jilin provincial government and the Hunchun city government will sponsor the fair. Both domestic and international travel services and agencies are scheduled to participate in the fair.

3.18 Liaoning Province

3.18.1 Liaoning Province: Tourism Activity

Liaoning is China heavy industry province and not necessarily suited to tourism either in terms of infrastructure, access or climate. However Liaoning's State Council approved the development of a tourism zone in late 1997. The Jinshitan (Golden Pebble Beach) Tourist Zone is located 58 kilometres from Dalian and is 20 kilometres beyond the new Dalian port.

The zone, which was approved by the central government in October 1992, has a designated area covering 62 square kilometres of land and 58 square kilometres of sea. A new road links the tourist zone to the business centre of Dalian. An 18-hole golf course has been completed, along with hotel and residential accommodation.

Liaoning Province has done a lot to promote its tourism industry and attract more domestic and overseas tourists. At present, 80% of the cities in Liaoning have decided to speed up the development of their tourism sectors. Shenyang, the provincial capital, and other cities, such as Dalian, Anshan, Fushun, Benxi, Yingkou, Panjin and Huludao, regard tourism as a pillar and leading industry. Shenyang has established a tourism development office and aims to build the city into an international tourism metropolis. In the last three years, it has invested more than RMB 600 million (US\$ 72 million) into constructing green areas, squares and shopping lanes for pedestrians.

As the heart of the Manchu Dynasty the province has invested RMB 600 million (US\$72.3 million) to establish a garden of Manchu minority customs as well as to improve transportation around the county and to develop the tourist market in Hetualacheng, the Yongling tombs, as well as religious temples of Taoism and Buddhism.

The coastal city of Dalian plans to turn itself into a tourism centre for the whole of Northeast Asia. Since 1996, the municipal government has invested RMB 100 million (US\$ 12 million) to beautify the city, improve its environment and tourism facilities. Now the city has

become a popular place for overseas investors, and it also hosts many important activities, such as national and international conferences.

According to statistics, government at all levels in the province invested nearly RMB 1.1 billion (US\$ 132 million) in 1998 to improve the infrastructure. From 1990 to 1998, the province attracted 2.26 million overseas tourists. In the same period, the number of overseas tourists had on average an annual growth rate of 17.4%. Meanwhile, the total foreign exchange earnings reached US\$ 1.47 billion, with an annual growth rate of 18.2%. The province's foreign exchange earnings rank 7th in the country and 2nd in northern China, after Beijing.

In 2000, the total tourism revenues in the province hit RMB 18.4 billion (US\$ 2.2 billion), accounting for 4.8% of the gross national product. Focusing on its beautiful scenery, historical tourist attractions and large-scale tourism festivals, the province has launched many businesses providing leisure and holiday tours. Dalian was the main generator of revenue raising revenues of RMB 9 billion (US\$1.1 billion), or 8% of the city's GDP in 2000.

By 2002, the province plans to attract 550,000 overseas tourists, earning US\$ 350 million in foreign exchanges. The plan is also to receive 42 million domestic tourists, resulting in a total revenue of RMB 24 billion (US\$ 2.89 billion). The combined tourism revenues will account for 5% of the province's GNP.

3.18.2 Liaoning Province: Future Developments

Dalian is being targeted for tourism development with a nationwide campaign to raise awareness of the city's clean environment (a debatable description), architecture and successful football club. To achieve this Dalian has sent tourism promotion missions to Southeast Asian countries and has established co-operation ties with more than 20 overseas tourism organizations since 1999.

3.19 Ningxia Hui Autonomous Region

Ningxia, in north west China, is woefully underdeveloped in terms of tourism. The region's capital Yinchuan has poor facilities and the population of the region is only 4.2 million.

One development is the Liupan Mountains areas which has become a state controlled forest park and has been an official scenic spot since 1995.

3.20 Qinghai Province

Key personnel: Wu Youzhong - vice-director of the Qinghai Provincial Tourism Administration

Qinghai is aiming to attract tourists to the Qinghai-Tibet Plateau for summer vacation. Qinghai Province has a cool climate in summer (19-27 centigrade) and efforts are being made to attract heat-stressed tourists from the southern cities. The main attractions are scenery, religious culture and ethnic folklore.

12 travel routes have been opened around the Silk Road including , bus tours from Beijing to Tash Kurgan), trekking near Anyemaqen Mountain, river rafting tour along the Yangtze and Yellow Rivers and trips into the Gobi desert.

Qinghai is also opening up the Ta'er Lamasery (Great Lamasery of Kumbum), an important lamaseries for Buddhists built in 1560.

Another growing tourist spot is the 4,500 square km Qinghai Lake, China's largest continental lake, which includes Bird Island.

Xihai Town, in Haibei County, Qinghai Province was the test site for China's first atom and hydrogen bombs. Xihai is developing tourism on these sites following the retirement of the sites as military bases in 1995.

3.21 Shaanxi Province

Shaanxi is aiming to capitalise on its Zhou, Qin, Han and Tang dynasty heritage with the Qin Culture Tourist Area and the Hanyang Tomb as the major historical attractions. A new development at the tombs will include a Bronze Chariot Pavilion, subordinate Tomb Pavilion and the Worker's Tomb. The existing Terracotta Warriors tomb and display will be upgraded.

The Terracotta Warrior Museum has been visited by more than 40 million visitors since it opened to the public in 1980. In the surrounding area, a Han Culture Scenic Area is being developed at the Jing Emperor Tomb of the Western Han Dynasty north of Xi'an. Recent findings of mass burials should encourage further tourism to the site.

Though long a destination for foreign tour groups, Xi'an is now also becoming increasingly popular with domestic travellers. During the extended National Day holiday in October 1999, Xi'an received 340,000 domestic tourists and earned a reported RMB 180 million (US\$ 21.7 million) during the period. Both the number of tourists and the amount of income doubled that of the same period in 1998. The

Shaanxi town of Pingyao was named a World Heritage Site by UNESCO in 1998.

China's largest imperial palace (34.5 hectares), the E'Fang Palace from the Qin Dynasty (221-207 BC) has been rebuilt in Xi'an, representing an investment of RMB 130 million (US\$ 15.7 million).

3.22 Shandong Province

3.22.1 Shandong Province: Tourism Developments

Chen Xiangqun - vice bureau chief of the Shandong Tourism Bureau

Shandong Provincial Tourist Bureau and the Jinan Information Service Company Ltd jointly established a network in 1998 to provide better services for tourists from China and abroad. The Tourist Information Network of Shandong Province is China's first provincial tourist information network. As part of the province's effort to make tourism a central pillar of the local economy, the network covers all the province's scenic spots and historical sites. It lists tourist routes, travel agencies, hotels, and related laws and regulations.

Tai'an municipal government is building a holiday resort in the Mount Taishan area. The 9.6-square-km Taishan Tourism and Holiday Resort will be surrounded by mountains and lakes. Tai'an city is to invest RMB 250 million (US\$ 30 million) in the development of 153 projects in the construction of Tianwaicunlu portion of the Taishan tourism project. An exhibition featuring a literary archive, theme park and natural beauty spot has been built at Mount Taishan and buses, cable-cars and chair-bearers offer rides to the summit and the famous Black Dragon Pool.

The investment includes the restoration of historical relics, environment improvements, resident resettlement, improved transportation, telecoms and electricity supply. The improvements will include public toilets at 134 scenic spots in the province. An information desk in the railway station has been opened to provide 24-hour service to tourists and also features a tourist hotline to collect complaints and opinions.

3.22.2 Shandong Province: Qingdao

One of Shandong's major tourist attractions is Qingdao (sometimes known as the Oriental Switzerland), major city and brewing centre. Qingdao has been making attempts to build on its reputation as a seaside resort with a seafood festival every July followed by an International Beer Festival in late August. Qingdao is best known for

its Tsingtao beer brand, which features prominently during both festivals.

Regional authorities are aiming to transform Qingdao into a more attractive tourist destination as well as a business centre with a pollution control campaign involving a two-year investment of RMB 3.65 billion (US\$ 440 million). Qingdao and Shandong province both advertise on CCTV, China's state broadcaster.

One example of new development in Qingdao is the Qingdao National Aquatic Sports Centre, which will be used for the sailing and windsurfing events at the 2008 Olympic Games. Construction begins in 2002 and the arena will cover an area of 420,000 square metres adjacent to Fushanwan Beach, a local scenic spot.

Qingdao has become an increasingly popular destination for domestic tourists. During the 1999 National Day holiday in October, Qingdao received 610,000 Chinese, a 52% increase compared with the holiday period in 1998. Approximately RMB 380 million (US\$ 45.8 million) in tourism income was earned, a growth of 57% over 1998.

3.22.3 Shandong Province: Yantai

The port city of Yantai in Shandong is also a growing tourist destination receiving tourists travelling along the Yellow River.

3.22.4 Shandong Province: Qingzhou

Qingzhou in Shandong has developed 400 carved stone Buddha figures, (dated to 1,500 years ago), and a giant Chinese character "longevity" carved on a cliff as well as the local wine-making industry, to promote tourism. The city has also been selected as a State-level resort because of its dense forests.

3.22.5 Shandong Province: Penglai

Ling Lihua - director of the Penglai Municipal Tourism Bureau.

Penglai is a coastal city with a growing tourist trade that has been increasing an average 20% per annum over the past five years. Gross tourism receipts for the city exceeded RMB 600 million (US\$ 72.3 million) in 1999, 15% per cent of the gross domestic product of the city. 2.4 million people visit Penglai annually and 1.8 million visited during the first half of 2000 alone.

The city's major attractions include the Penglai Pavilion which generated RMB 65 million (US\$ 7.86 million) in 1999, while the city's total tourism income was RMB 600 million (US\$ 72.6 million).

To further build on this success Penglai has budgeted RMB 200 million (US\$ 24.1 million) to the development new scenic spots and historical sites. Visitors to Penglai are expected to total 2.8 million in

2000. Current tourism projects include a hot spring sanatorium, a forest park and an international golf course.

Since 1996 Penglai has invested over RMB 500 million (US\$ 60.5 million) into restoration of historical relics including a 600-year-old fortress, the former residence of national hero Qi Jiguang of the Ming Dynasty (1368-1644), and some walls of the famous Water City.

Additionally, a new tourist and conference project is being built by Hong Kong investors to be called a 'fairyland'. The investment is reportedly US\$ 30 million.

3.22.6 Shandong Province: Jinan

Jinan will build a culture park to mark the 2,550th anniversary of the birth of Confucius, the leading scholar in ancient China. The park, to cost RMB 200 million (US\$ 24 million), will be located in the city of Rushan and cover an area of 4 hectares, with 20,000 square metres of buildings. Confucius (551 BC-479 BC) is regarded as the founder of Confucianism and a great thinker and educator.

3.22.7 Shandong Province: Provincial Tourism Statistics

During the first three quarters of 1999 Shandong province received 543,000 foreign tourists, a growth of 15.5% over the first three quarters of 1998. Foreign exchange earnings from tourism increased by 17.4% to US\$ 186 million. Total tourism receipts in Shandong in 1998 reached RMB 26.38 billion.

3.23 Shanghai Municipality

3.23.1 Shanghai Municipality: New Developments

The City of Shanghai is one of the most visited in China, not least due to the fact that it has a growing range of air and sea links with foreign countries.

Shanghai held its first working conference on tourism in March 2000, with Vice-mayor Zhou Muyao, who is also director of the Municipal Tourism Administrative Committee stating at the conference that Shanghai is taking steps to make itself an international tourist metropolis by 2015.

In late December 1999, Shanghai's new Southern Railway Station opened. The station covers services to suburban Shanghai, Hangzhou and Jiashen. Located in the Xuhui district the station is linked to the Xinlonghua Metro stop and the Caohejieng light rail station (still under construction). The station replaces the more remote Meilong station.

One major reason for the new station is to improve tourist services from Shanghai to Hangzhou. The station has three platforms, five rail lines and a 1,350 square meter waiting area. The original station in Meilong has been renamed Nanpu Station.

The city is also promoting the Dongping State Forest Park on Shanghai's Chongming Island as a visitor attraction.

The City is also planning to establish a Guinness World Records Exhibition Centre (similar to those found in London and other cities) in 2000. It will be located in The Great World Entertainment Centre, which already has some Guinness exhibits. Wang Yizhou is the general manager of the Shanghai Great World Guinness Headquarters. The headquarters, set up in 1992, is China's only institution for handling of applications for Guinness world record titles.

By the end of 1999, the city had set up 10 special tourist bus lines linking all of Shanghai's major tourist attractions. Road travel links between Shanghai and neighbouring tourist cities of Suzhou and Hangzhou have also become faster and easier. Ten tourist information centres have also been built across the city to provide various services to tourists. Another 10 will be built during 2000.

The Shanghai History Museum on Hongqiao Road in west Shanghai has been relocated to the Pudong New Area, near the Oriental TV Tower. The new Shanghai History Museum opened in July 2000 with a permanent display called A History Display of Shanghai Urban Development. the new site features a 4,000 square metre exhibition hall, 1,000 artefacts and exhibits and a performing zone.

Shanghai is to build a 300,000-square-meter sculpture park in the city's south western Minhang District, situated in the city's region.

The Huangpu River is to be developed into a tourist and recreational areas over the next few years as part of the general clean up of the river.

Table 3.2 MAJOR VISITOR ATTRACTIONS IN SHANGHAI 2000

The Bund ('Waitan')	waterfront views
People's Square	park area & museums
Oriental Pearl TV Tower	Pudong
Lujiazui Finance & Trade Zone	Pudong
Hongqiao Development Zone	airport
Everbright City	adjacent to Shanghai Railway Station
Nanjing Road	retailing
Xujiahui Commercial Area	retailing
Huaihai Road	retailing
Yuyuan Gardens	park area

Source: Access Asia from Shanghai Tourism Festival

3.23.2 Shanghai Municipality: Pudong New Area

The new economic area of Pudong, besides developing its finance and economic services, is also trying to develop some tourism. The Pearl Oriental TV tower and the Jin Mao Tower are both tourist attractions (the Jin Mao has a restaurant and bar at the top). With the completion of the new Pudong International Airport more visitors to the city may be encouraged to stay on the Pudong side of the Huangpu River. The local tourism authorities have located several events there including the 1999 Shanghai Beer Festival and elements of the 1999 Shanghai Tourism Festival while the Central Greenland in Lujiazui is now one of the top 10 locations for wedding ceremonies.

The Jin Mao Tower received its millionth tourist in March, an American Chinese from San Francisco. As China's No1 skyscraper, the Jin Mao Tower has become one of the symbolic buildings in Shanghai. To better serve tourists, the Jin Mao Group has established co-operative relations with over 600 international and domestic travel agencies. During the peak days, the number of visitors to the Tower is as high as 13,000.

The new Shanghai Metro Line II has stimulated Pudong's tourism industry since it came into operation. The Pudong New Area Tourism Administration has stated that Pudong received 5.3 million tourists in the first six months of 2000 compared with 3.4 million in the first half of 1999 generating revenues of RMB 930 million, a growth from RMB 640 million in the first half of 1999.

Pudong is also now home to Shanghai's new Science & Technology Museum, which opened in April 2001 at a cost of RMB 800 million (US\$ 96.3 million). The museum is adjacent to the new Century Park.

Pudong is also accessible via the new sightseeing tunnel, which runs five metres under the sea bed linking Puxi to Pudong. The train and tunnel (wai tan guan guang sui dao) opened in October 2000 and takes three minutes at RMB 15 per ticket.

3.23.3 Shanghai Municipality: Future Developments

Shanghai is reportedly planning a Bionic Tower at an investment of US\$ 14.49 billion. The 1,000 meters (3,281.13 feet) tower, if approved, will be finished in 2014, be 300 stories and include private residences, hotels, offices, theatres, hospitals and parks.

Following the success of the Xintiandi development (near Huai Hai Lu), Shanghai is intending to redevelop additional new sites to attract tourism. according to the Municipal Construction and Management Commission Shanghai is renovating a total of 15 million square metres of old downtown areas, all built before 1930.

Shanghai is building a endangered species and bird sanctuary on Chongming Island, the first in Shanghai. The city government is investing US\$ 2.3 million in the project, which will include a visitors centre.

Additionally, Shanghai's cultural authorities are investing US\$72 million in redeveloping the Chedun Film Studio in southwestern Shanghai. The plan is to create a movie-related theme park across 200 hectares with tours of stage sets and street scenes.

3.23.4 Shanghai Municipality: Tourist Arrivals & Revenues

In 1999, 1.6 million foreign tourists visited Shanghai, bringing US\$ 1.36 billion into the city's economy. Shanghai received 1.75 million foreign tourists and 81.75 million visitors in 1998, bringing in RMB 71.93 billion. Revenue from tourism accounted for 4.9% of the city's total GDP.

Between January and June 2000, Shanghai received 810,000 foreign tourists, an increase of more than 3% over the same period in 1999.

Shanghai International Travel Service received 96,400 foreign tourists in the first six months of 2000, a growth of 27.64% over 1999.

3.24 Shanxi Province

Shanxi is an underdeveloped province in tourism terms. However, the province is scenic being essentially a mountain range. The province includes sections of the Great Wall and the Yellow River as well as bordering the Gobi Desert.

Shanxi is home to many ancient buildings from the Song and Tang dynasties as well as cave temples near Datong.

The province is currently constructing a new museum at a cost of RMB 300 million (US\$ 36.1 million) to house provincial relics and historical items. The 11.2-hectare museum will focus on the traditions of the region as well as Shanxi's more recent revolutionary history.

3.24 Sichuan Province

3.24.1 Sichuan: Tourism Activities

A new rail system was opened in January 1999 on the scenic E'mei Mountain in the Southwest of the province. The rail system carries tourists to the summit and Wanfo (10,000 Buddhas) Peak. This is the first time Wanfo Peak has been open to tourists.

In an interesting development Sichuan has also opened several of its hydrogen bomb storage and test sites as tourist attractions.

Zigong City, near Chengdu the capital of Sichuan province, is to build its own version a Jurassic Park-style theme park. The project will cost RMB 400 million. Zigong is known for its dinosaur fossils and has been a major excavation site since 1972. The 8.1 square km park theme park will featuring fossils as well as mechanical dinosaurs and is to be called Dinosaur Kingdom. The park is being designed by US company Land Mark and Zigong will meet the cost of construction through the issuance of special bonds and investment from Hong Kong.

Chongqing municipality, near the border with Sichuan, has announced plans to spend over RMB 200 million to develop seven Spinulose Tree Parks near the Dinosaur Kingdom. The spinulose tree is a fern from the age of the dinosaurs that continues to survive only in parts of Sichuan.

The Sichuan Provincial Port of Entry Office and the provincial government have started to make overseas tourists trips to the province easier by issuing on-the-spot visas at the Chengdu Shuangliu International Airport. Foreigners with a valid passport can apply for a visa upon landing at Shuangliu Airport, which handled 250,000 international travellers in 1999.

Additionally, the province has established a Tourism Service Supermarket, in Chengdu, which has various information, trade exchanges and consultation services on tour programmes, hotels, transportation and travel agencies. The Supermarket has 45 travel agencies, hotels and transport companies in the co-operative.

Sichuan is opening its tourist attractions to private development. The Sichuan Provincial Tourism Bureau is opening 10 scenic spots to the private sector in order to develop the province's tourism resources. They include the Sanxingdui Ruins, Jiuzhaigou Forestry Park and the Sigunian Scenic Spot.

An increasingly popular attraction in Sichuan is the Bamboo Sea (Zhu Hai) National Park, in Changning county, 60 kms south of Yibin. The park protects over 30 species of bamboo on 12,000 acres, making it the largest bamboo forest in the world. The park charges an entrance fee of RMB 57 (US\$ 6.89) and includes the Abode of the

Immortals (Xianyudong) trail constructed in the Three Kingdoms period (AD 220-280).

3.24.2 Sichuan: Future Developments

The Oriental Buddha Park is being built on the outskirts of Chengdu, Sichuan's capital city. The Park will have 3,000 Buddha statues cut into a mountainside including replicas of Buddha statues from other countries including those destroyed in 2001 in Bamiyan, Afghanistan.

3.25 Tianjin Municipality

Tianjin used to be part of Hubei province and was the state capital. However, it has expanded as a port and commercial centre and become its own municipality. The city has also grown as a tourist centre due to its colonial architecture, proximity to Beijing (80km), concessions and access to several emerging coastal resorts including Beidaihe.

Tianjin has announced plans to build a large 'humour city' with an initial investment of RMB 300 million (US\$ 36 million) as the site for an international humour festival. Comedians from all over the world will be invited to perform at the festival to be held on an annual basis. The humour city will have a total area of 300,000 square metres with spaces designated for sculptures, 'humouristic stories' and caricatures, performances by comedians, a humour museum and children's entertainment centre.

Beidaihe (with a 7-km beach) is the traditional summer resort of China's Communist Party leaders and new rich, though in recent years has begun to lose out to Hainan Island. It is also famous for Kiesslings restaurant, a German restaurant left over from when Tianjin was a concession.

3.26 Tibet Autonomous Region

3.26.1 Tibet Autonomous Region: Tourism Developments

Tibet is benefiting from improved air links following upgrading of Lhasa Airport, additional flights to Tibet from around China and improved rail links to Tibet from western China. However, there are other developments ongoing in the region.

The Yarlung Zangpo Canyon is being developed as a tourist attraction (one of the world's biggest canyons). The project is also suitable for the eco-tourism theme of the Tibet Tourism Authority. However, tourist numbers will be limited to protect local fauna and flora.

Tibet is to further develop the Qiangtang Nature Preserve as a state listed wildlife protection centre. The site covers 247,120 square kms at 5,000 metres elevation.

3.26.2 Tibet Autonomous Region: Tourist Arrivals & Revenues

A total of 180,000 overseas visitors went to Tibet in 1999, an increase of 12% over 1998. The amount of foreign exchange earned from tourism in 1999 amounted to US\$36 million a growth of 9% over 1998.

Tibet received 236,330 tourists in the first half of 2000, up nearly 100% over the same period in 1999. However, tourists from overseas increased significantly, by 105.9% to 52,318. Chinese tourists increased by 78.7% per cent in the same period to 184,012.

In the first of 2000, Tibet earned RMB 130 million (US\$ 15.6 million) through tourism.

3.27 Xinjiang Uygur Autonomous Region

Xinjiang, the Uygur national minority home, is growing as a tourist destination due to interest in the Silk Road, archaeological finds in the region and improved access. In 1998, Xinjiang had 200,000 tourists from overseas bringing in US\$ 80 million in receipts.

Capitalising on the growth in tourism centred on the Karakoram Desert and the Silk Road, Urumqi, the capital of Xinjiang, has introduced double-decker tourist trains between Urumqi and Kurle.

Tourism to Urumqi is being boosted by the completion of the Urumqi-Dahuangshan and Urumqi-Kuitun expressways, which allow faster access to the Silk Road.

Tianchi Lake (115 kms) from Urumqi is growing in popularity as a tourist destination due to its proximity to the Tianshan Mountain range. It is a popular activity holiday destination for horseback riding, hiking, boating and yurt (local-style tent living). For yurt trips RMB 40 (US\$ 4.83) per night is the average cost.

There are plans to build a desert nature park in Turpan Basin, the world's lowest basin below sea level, to attract more domestic and overseas visitors. The Park will cost RMB 33.1 million (US\$ 4 million) and be located in Shanshan county with a total area of 54 square kms. The park will include sand therapy, sand surfing and aerial observation facilities. 500,000 tourists visit the Turpan Basin annually.

3.28 Yunnan Province

3.28.1 Yunnan Province: Tourism Activities

Tourism in Yunnan Province has maintained an average annual increase of 10% in recent years. In 1999, Yunnan received 800,000 overseas tourists alone. The province is poorly supplied in terms of infrastructure though the opening of a border crossing with Vietnam and Yunnan's warm climate are aids to potential expansion.

Kunming, the capital of Yunnan, was the host of the 1999 China Domestic Travel Fair. The three-day fair, at the Kunming International Trade Centre, attracted over 6,500 delegates. The State Tourism Bureau and the Yunnan provincial government jointly sponsored the fair, the seventh of its kind. Kunming is also attempting to establish itself as a centre of eco-tourism and is the 1999 host of the International Horticultural Exposition on a 218 hectare site and resort named the Golden Temple.

Yunnan is also looking to introduce tourism to the province's national minority populations such as the Dai community. Tourists are now able to access Yunnan's Xishuangbanna region where the Dai live. A major draw is expected to be the Water-Splashing Festival, which is the New Year of the Dais. Villagers have built modern toilets in their courtyards and move hog lots away from the lower parts of their houses to encourage visitors.

Yunnan is also hoping to attract visitors with the newly opened Xishuangbanna Primeval Forest Park which cost RMB 86 million (US\$ 10.39 million) to build. The Park was developed by the Zhejiang Jinzhou Group to develop eco-tourism in China. It covers 18.8 square kms and includes the Jinhu International Holiday Village, a three star hotel.

In early 1999, a Sino-Swiss joint venture initiated foreign capital participation in Yunnan's tourism industry. China International Travel Service (CITS), Yunnan Tourism and the Diethem Company of Switzerland established the Yunnan Diethem Tourism Company.

Due to the success of Yunnan's Expo '99, tourism industry hit historic heights, with total value increasing 48.9% to RMB 20.4 billion (US\$ 2.46 billion). Overseas visitors soared by 38.6% to hit 1.04 million last year, while the Chinese visitors reached 36.73 million, up 30.2% over 1998.

Kunming has plans to become a centre of tourism, finance, horticulture and a communications hub linking China and Southeast Asia. Kunming has 10 city-improvement projects in the works, including a water-supply project at the Zhangjiu River, the project to clean up the Dianchi Lake, the construction of Caohai Ecological Garden and a clean-up of the upper reaches of the Jinsha and Zhujiang rivers. All this is aimed at making the city cleaner and more

beautiful. Kunming hosted the China '99 International Horticultural Exposition, which raised its international profile.

3.28.2 Yunnan Province: Recent Developments

Visitors to Xishuangbanna can now have a bird's-eye view of the local tropical rain forest, a key tourist attraction, from a suspension bridge between trees. The 700-metre-long wood-plank bridge supported by steel cables sits between Wantian trees, the tallest trees in the forest. The suspension bridge, 50 metres above the ground, is said to be the highest of its kind in the world. An official from the Mengla Nature Reserve said that a one-kilometre-long route has also been opened in the rainforest under the suspension bridge, which enables visitors to see the forest floor. The Dai Ethnic Autonomous Prefecture of Xishuangbanna in Yunnan Province boasts 70,000 hectares of primitive forests.

In July 2001, the Lancang-Mekong River was opened for travel between China and Southeast Asia. The waterway begins at Simao Port in Yunnan and ends at Louang Prabang Port in Laos. There are plans to develop a cruise business along the River.

In June 2001, Yunnan lifted all accommodation restriction on overseas visitors. Previously, overseas visitors were required to stay only in the hotels that were government designated for foreigners.

3.28.3 Yunnan Province: Dali

Dali is the most tourist-friendly city in Yunnan with English-language signs and western food more common than elsewhere in the province. The city has launched a new tourism development strategy and is working with neighbouring towns such as Lijiang (which was added to UNESCO's list of World Heritage sites in 1997), and Diqing.

Many attractions in Dali have been restored including the Yutong Buddhist Guanyin Temple and the ancient city wall. The city's tourism bureau has modified Dali's traditional one-day tour to make it a two-day or three-day tour. Dali was the political, economic and cultural centre in Yunnan for many centuries and was the capital of the Nanzhou Kingdom and the Dali Kingdom, established separately during the Tang Dynasty (AD618-907) and the Song Dynasty (AD960-1127). Restorations are being planned for the Three Pagodas of Chongshengsi Temple and the Butterfly Spring site. Further a Cangshan Mountain natural ecological tour is being planned.

Dali is Yunnan's second-largest generator of tourism revenue after Kunming. In 1998, 4.35 million domestic visitors and 68,400 overseas tourist visited Dali, generating revenues of RMB 1.35 billion (US\$ 162.6 million). Signs of growth are apparent as Dali received 2.13 million domestic visitors and 36,686 foreign guests during the first five months of 1999.

3.28.4 Yunnan Province: Lijiang

Tourism to Lijiang has increased by 30% annually since 1996.

A total of RMB 100 million (US\$ 12 million), or 5% of local revenue, has been invested in tourist infrastructures in the Ninth Five-Year Plan (1996-2000) in the city to promote visitor arrivals.

A major attraction is Naxi minority culture especially Naxi dancing, art, rituals and philosophy. It is estimated that visitors to see the Naxi raise RMB 10 million (US\$ 1.2 million) for the prefecture annually.

3.28.5 Yunnan Province: Jinghong

Jinghong is a border town in Yunnan which acts as a major crossing into Vietnam, Laos, Thailand and Myanmar (Burma). 400,000 Chinese visit the city annually on their way into the Golden Triangle region.

Most are headed for Mong La in Myanmar which has become a boom town with casinos, strip shows and so-called 'human zoos' featuring minority tribes people.

However, China may crack down on the trade through Jinghong as allegations of drugs money, trafficking and other illegal activities have given the town a bad reputation.

3.28.6 Yunnan Province: Tourist Arrivals & Revenues

Yunnan Province received 19.8 million domestic tourists between January and June 2000, a growth of 9% over the same period in 1999. Income from domestic tourists was reported at RMB 8.8 billion (US\$1.06 billion), an increase of 14%. However, overseas visitors to Yunnan dropped by 14% to 410,000 though foreign exchange from the tourism sector grew to RMB 10 billion (US\$ 1.2 billion), a growth of 10% over the first half of 1999, according to the provincial tourism bureau.

In 2000, Yunnan received over one million overseas tourists bringing in over US\$ 300 million in foreign exchange earnings.

The province's 10th Five-Year Plan (2001-2005) envisages Yunnan handling 1.5 million overseas tourists and 55 million domestic tourists by the year 2005, with an average annual growth rate of 9.5% and 8.3% respectively. At this rate Yunnan's foreign exchange tourism revenues will total US\$ 550 million in 2005 while domestic tourism revenues will reach RMB 28 billion (US\$ 3.4 billion) with an average annual growth rate of 9.2%.

3.29 Zhejiang Province

3.29.1 Zhejiang Province: Tourism Developments

Zhejiang province, on China's southern coast is planning to develop several of its offshore islands into tourist destinations. The Zhejiang tourism industry is aiming to earn US\$ 459 million in foreign exchange in 2000 by receiving an expected 1.04 million overseas visitors throughout the year, an increase of 12% and 10%, respectively, on 1999 figures. The province is also aiming to attract 58.65 million domestic visitors and earning RMB 42.4 billion over the year.

There were 465 travel agencies engaged in business in Zhejiang province by the end of 1999. Four hundred hotels and restaurants had been licensed to receive foreign tourists. About 230 of them were rated as "starred" hotels or restaurants. The provincial government is to launch a series of promotional activities in 2000 to attract more foreign and domestic tourists. Overseas markets in Europe, North America and Southeast Asian countries will be refocused in its promotional activities in coming years.

The promotional campaign, "Millennium Tour of Charming Zhejiang", includes a series of festivities, tourism trade fairs and other publicity actions to be staged at home and abroad. To tap domestic markets, publicity actions are to be carried out in Beijing, Shanghai and Guangdong during late 2000. The Zhejiang Tourism Trade Fair, the first of its kind in the history of the province, was held in Hangzhou, in March 2000.

Tourism is a pillar industry in Zhejiang. The province has a coastline covering 250,000 square kms (96,527.34 square miles).

Ningbo, a major port city in Zhejiang Province and the famous ancestral home of many overseas Chinese, plans to stage a series of tourism activities during 2000. The activities will include a seafood festival, a mountain climbing festival, a wax berry festival, and a celebration to mark the 1,700th anniversary of the famous Tiantong Temple.

Zhejiang Province is looking for investment in 140 tourism projects. The 140 projects include 20 key ones for this year. The province wants to raise RMB 5.73 billion (US\$ 686 million).

3.29.2 Zhejiang Province: Hangzhou

The capital city of Hangzhou hosted the 1999 Hangzhou Golden Autumn International Tourism Festival in September and October 1999. In a somewhat less traditional way of attracting attention 1,000 newly wed couples from Hangzhou, and neighbouring cities and counties, took part in a Grand Millennium Wedding Ceremony, held in the city's central Wuling Square in the middle of October 1999.

A record number of 525,000 foreign visitors are to visit the capital of Zhejiang Province in 1999. Given the momentum of the first half of the year, the city was confident of fulfilling its target set at the beginning of the year - annual tourism revenue of US\$ 220 million. Statistics indicated that 249,000 foreign tourists had visited Hangzhou by the end of May, an increase of 36.8% over the same period in 1998. They brought the tourism sector of Hangzhou an income of US\$ 96.5 million, up 35.1% compared to the same time in 1998.

The steady development of the tourism sector was due to the effective marketing strategies and in-depth development of tourism resources in the city. The municipal government set aside RMB 6.7 million (US\$ 807,000) as a special fund for tourism promotion in 1998, a significant increase compared to that of RMB 1.7 million (US\$ 204,820) in 1997.

Most of the funds were used to tap overseas markets, such as Europe, America and Australia. More than 10 promotional tours were organised in 1997 and 1998, presenting Hangzhou to the world. Trips to apiary bases on the outskirts of Hangzhou, one of their offers, turned out to be Japanese tourists' favourite. To tap the potential of domestic markets, Hangzhou held two promotion conferences in Shanghai and Guangzhou early this year.

The West Lake, a major tourist attraction close to Hangzhou, will soon become clearer. The local government said the problem of pollutants from rivers entering the upper reaches of the lake will be solved by the end of 2000. This city will spend more than RMB 200 million (US\$ 24 million) on dredging silt from the lake. When the project is completed, the average depth of the lake is expected to increase from the current 1.65 metres to 2.15 metres. Rubbish and polluted water will be banned from the lake, illegal housing will be dismantled, and trees and grass will be planted within a margin of 10 metres from the lake water.

Hangzhou Orient Culture Park, a 133 hectare traditional Chinese culture theme park, was finished in May 2001, after an investment of RMB 300 million (US\$ 36 million). The park includes presentations of traditional culture including Confucianism, Buddhism and Taoism all located around the restored Yangqi Temple (built in 1209).

3.29.3 Zhejiang Province: Tourist Arrivals & Revenues

Tourism revenues in Zhejiang grew 14.5% to RMB 40.9 billion (US\$ 4.92 billion) in 1999. Tourism income in 1999 accounted for 7.3% of the province's GDP and international tourism in the province recovered from the lingering negative influence of the Asian financial crisis. 947,800 foreign tourists visited Zhejiang in 1999, an increase of 15.6% over 1998. Domestic tourism of the province drew 51 million visitors, up 21.4%, with income from domestic tourism

growing by 14.7% to a record high of RMB 37.5 billion (US\$ 4.51 billion).

3.30 Opening-up of the Western Regions

At the opening of the National People's Congress in March, China unveiled its plans to develop the western regions, a central part of which is developing tourism. Tourism creates new jobs and brings in new capital into the regions, increasing trade and information exchange. In Yunnan Province, for example, the tourism industry employed 1.5 million workers in 1999 and brought in RMB 20.5 billion (US\$ 2.5 billion) in revenue, 10% of the province's total GDP. Stimulated by tourism, Yunnan's tertiary industry increased by 10.4% in 1999, and replaced the secondary industry as the most dynamic sector of the economy.

The western regions have a wealth of tourist attractions, including famous mountains, unique topographic features, ancient minority cultures and key sites such as ruins of the Loulan State and the Silk Road. However, in spite of the rich natural tourism resources, the tourism industry in the western regions has developed rather slowly.

According to sources from the State Development Planning Commission, the total foreign exchange receipts of the western region only accounted for 7% of the national total in 1998. The number of foreign tourists to the region only accounts for 10.4% of the total. Geographic location and poor infrastructure are cited as the main obstacles to the development of western regional tourism.

Not many international airlines fly to the region, the roads from cities to the outlying tourist spots are often poor and there are few hotels. In 1997, there were 720 tourist hotels in the 10 western provinces, only 13.8% of the national total. Yet, tourist trade is on the increase, with foreign exchange receipts from tourism in the 10 provinces being about US\$ 1 billion in 1999, 82.9% more than that 1995 levels. Now with the central government's preferential policies, the tourism sector should gain more momentum and advance the tertiary industry in the region.

4 Marketing & Consumer Profiles

4.1 Marketing Trends

China's tourism marketing machine tends to emphasise a theme annually. 1999 was Eco-tourism year. 2001 is "Discover China in the New Century" year.

There is a growing trend towards collaborative efforts for marketing between provinces and regions. The Pearl River Delta Tourism Organisation was the first example of this combining resources across Hong Kong, Macau and Guangdong province.

The practise is spreading with Yunnan and Hong Kong collaborating through the Yunnan Provincial Tourism Bureau and the Hong Kong Tourism Association (HKTA). According to the agreement, Yunnan and Hong Kong will promote personnel and information exchanges to help attract overseas tourists to each other. Local residents in region will be encouraged to tour in the other region.

4.2 Consumer Profile

4.2.1 Consumer Profile: General Chinese Tourists

Chinese consumers certainly appear to have strong and fixed vies regarding the regions of China. A recent survey revealed that would-be Chinese tourists rated Beijing first in terms of cultural and educational attractions while Shanghai was hailed the city people like best.

95% of China's urban residents have travelled as tourists, spending an average of RMB 615 (US\$ 74.3) per capita annually. Chinese urban residents spent RMB 174.8 billion (US\$ 21.1 billion) on domestic tours in 2000, accounting for 61.7% of total expenditures for domestic travel.

In a 1999, China Travel Services survey, 50% of respondents in Beijing, Guangzhou and Shanghai stated that they would spend additional income on travelling abroad if they had it. 35% of respondents stated that they expected to travel abroad on holiday within the next three years.

However, at present, most Chinese planning to take holidays are opting for traditional destinations such as the coastal resorts around Dalian, Qingdao, Yantai and Beidaihe.

As regards travel times, a recent survey of urban Chinese found that 40% would like to travel while on vacations from work; 20% would

like to travel on public holidays such as the Spring Festival, Labour Day or weekends; and 40% would like to travel during students' summer and winter vacations.

4.2.2 Consumer Profile: Chinese Students

Younger people are keener on social and recreational travel than older people. A recent survey conducted by the Beijing Evening News found that more than 80% of college and high school students planned to travel in the summer of 2000.

Additionally, activity holidays are growing in popularity with young people. An increasing number of students are attracted to summer camps offering programmes such as adventure hunting and river sports. In China these include summer military schools where guests receive military training.

Students have begun to take advantage of air travel, as student qualified for 40% discounts from July 1 to September 15, 2000.

Students are also the biggest users of tourism web sites. Reportedly, students say they are finding it easier to make travel plans, check local weather and find good tour companies.

4.2.3 Consumer Profile: Package vs Self-Organised Holidays

However, the most affordable package tours do not appear to be popular with many Chinese consumers. A survey of urban residents in China in 2000, found that 60% of those polled said they would not choose a package tour.

This appears to be due to bad word-of-mouth publicity regarding package tours as 73% said they or their relatives had taken a package tour and had not been satisfied with the service. Additionally, the spate of stories concerning problematic travel agencies has affected public opinion. 68% of respondents said they would not choose a package tour because it has been reported that some travel agencies fail to carry out their commitments while 50% questioned the safety of package tours.

Price remains a sticking point with a quarter of respondents stating that agencies charged too much and 40% disliking tour guides. However, prices of package tours have been falling. For instance, presently a seven-day tour to Thailand costs approximately RMB 3,000 to RMB 3,700.

On the other hand there is an interest in solo travel with over 50% of those polled saying that they would like to try self-service travel, though less than 30% had actually experienced self-service travel while 63% had taken a package tour.

5 Travel Agencies

5.1 Travel Agencies: Domestic Agencies

China's travel agents have suffered from traditionally not exhibiting a strong service bias or ethic. A 1998 survey found that complaints about travel agency services were invariably concerning transportation problems (80%). Ticket cancellations have been a problem at peak times and curtailed itineraries were also cited as problematic and detrimental to Chinese citizen's enjoyment of their holidays.

A further survey found that tourists regularly complained about the quality of services such as hotels with promised establishments not living up to travel agent descriptions in terms of luxury and hygiene.

In another recent survey, it was found that travel guides caused most of travellers' displeasure, as tourists had spent most of their journeys with them, and that ill feelings led to overall bad impressions of travel agents. 20% of respondents to the survey said they were not satisfied with the way in which their agents arranged their tours. 50% said those trips were merely adequate. The "incompetence of travel guides" and "service standards lower than promised," ranked as major reasons with 30.8% of those interviewed. Most interviewees said they would not choose the same travel agents again unless service improved.

The poll also found that 90% of families earning less than RMB 2,000 (US\$ 242) a month will not choose group travel. More than 50% of families earning over RMB 5,000 (US\$ 604) opted for sightseeing arranged by travel agents. About 50% of families stated they would like to try self-service travel, which does not involve an agent's help.

Over 50% of families earning at least RMB 2,000 a month indicated interest in trying self-service travel. Less than 33% of those earning under RMB 2,000 a month prefer self-service. Students tend to represent the majority of independent travellers. 40% of tourists tend to travel during school-calendar winter and summer holidays, and 50% of people aged between 30 and 50 tend to travel with their children when school is out.

In 1999, selected post offices were trialed with CITS-backed travel agency services. Nanjing was one trial site with travel products sold in 28 post offices. These services have included package tours of Southeast Asia as well as information on local tourist attractions. They are aimed at domestic rather than foreign tourists. Under the system the post office counter become an intermediary for CITS. Some travel agents believe that the Post Office will weaken their market growth through their established network and name.

In January 2000, the Shanghai Travel Commission announced that it would not authorise new State-owned travel agency. The aim is to

encourage international travel agencies to restructure asset while domestic agencies transform from State-owned enterprises to stock or limited companies.

Shanghai has 39 international travel agencies and 429 domestic travel agencies (with 143 thought to be loss making) at present with 41.8% being state-owned; 31.8% collective-owned, 6.7% organised as stock companies; 18.9% as limited companies 0.8% as stock co-operative companies. This ownership structure has restricted the development of this industry, and need to be transformed. Turnover for Shanghai travel agencies was RMB 1.79 billion in 2000, up by 29.2% over 1999 with profits down 34.1% over 1999.

Travel agencies are a target for the government that believes that they need better management. For instance, the State Administration of Foreign Exchange (SAFE) plans to regulate foreign currency management by travel agencies as the impact of overseas travel on the state's foreign reserve balance has been increasing. The so-called Notice on the Management of Foreign Currency Income and Expenditure for Tourism by Travel Agencies was implemented on March 1 2001. The notice reiterates that travel agencies must only accept foreign currency as payment from foreign tourists, with no payment in RMB allowed.

5.2 Travel Agencies: Foreign Agencies

Restrictions on foreign agencies are at present strict in China and the country has just eight Sino-foreign joint venture travel agencies which are forbidden to sell, the more profitable, international tours.

Both domestic agencies and foreign companies are keen to establish joint ventures to improve management and start to specialise in various areas of the tourism sector.

In 2000, joint venture travel agencies had a turnover share of 0.6% of the travel agency sectors total.

Joint venture agencies include those between the Beijing Tourism Group and French-based Accor and that between Japan Travel Bureau and the China International Trust Investment Corporation. Other foreign agencies reportedly interested in entering China include Germany's C&N, Switzerland's Kuoni and the UK's Thomas Cook.

Foreign agencies are limited to being minor stakeholders in joint ventures.

Foreign agencies are thought to be most interested in specialist areas of business including convention tours and the high-end tourism market.

6 SWOT Analysis

6.1 Strengths

Strong growth in the tourism industry has been driven by rising levels of average consumer income, along with the rising need for supplying the business travel sector. These combined to promote strong growth in the value and volume of the tourist trade, and both factors look set to continue to flourish.

Government promotion of the tourist industry, both at national and local level, is also adding to the momentum in the industry. This is not only encouraging the development of new tourist facilities and travel infrastructure, but it is also encouraging more people to travel in China, both from within China and from abroad.

The government has also opened up more of the country to foreign travellers, and is lifting restrictions for the free travel of local Chinese. This is encouraging a greater spread of tourist income into more areas of China, opening up economies in less developed parts of the country.

WTO entry, should it go ahead, will also force modernisation in the local industry, open the industry up to more foreign investment and help raise the volume of incoming tourists and business visitors from outside China.

Beijing's successful bid for the 2008 Olympics should boost the industry across the board both in the run up to the event and in 2008 itself.

6.2 Weaknesses

Weak infrastructure in many parts of China is a key weakness in the market at present. This includes poor roads, limited rail links and slow, inefficient trains, a lack of good hotels in many regions and few tourist attractions away from the already well-established tourist areas.

The lack of marketing of certain regions has also been a factor in the lack of development in certain areas. This problem is now being addressed, but will take time to put right. Better marketing of many regions will rely on an increased investment in facilities, so that there are more places for travellers to visit and improved travel infrastructure to get them there.

China still holds a sense of fear for tourists from many countries, especially outside the East Asian region. The Chinese government needs to promote itself as being more friendly to foreign people in order to overcome many fears about its political system in particular.

China also needs to become more appealing to non-Chinese speakers, and thus enhance its accessibility to those who are not able to speak the language.

Crucial to this process is the need for better-trained staff in the tourism industry. CNTA is working to improve the quality of employees in the industry by improving training and increasing penalties for misconduct. Examples of misconduct include coercing tourists to make prolonged, excessive and unplanned purchases; wilfully changing the frequency, venue, and itinerary for shopping excursions; lowering the standard of accommodation and transportation and; corruption by tour guides.

6.3 Opportunities

Activities witnessed in the Chinese airline and hotel industry with loyalty schemes and code sharing indicate that China is following the global opportunities provided by the increasing pooling of frequent flyer programmes and pooled marketing.

The Chinese outbound market is full of opportunities. In 1998, 167 million Japanese travelled abroad (many industry specialists see the growth of Japan's outbound market as a model for China). China has ten times the population of Japan and Chinese tourism officials predict that by 2020, 100 million Chinese will travel abroad for a holiday annually.

The Indonesian Government is to implement a new immigration policy that will allow additional Chinese tourists to enter Indonesia from mid-2000. Chinese citizens will be awarded "free visa short stay" facilities.

Many Chinese coastal regions are also opening up tourist resort areas. This will enhance the country's image as a place for people to go on holiday for reasons other than sight-seeing and cultural tours. The development of water sports facilities, ski resorts, theme parks and seaside resorts are all creating new opportunities in these areas of the market.

The Internet is coming to play an increasingly important role in China's travel industry. According to government statistics in 2000 tourism e-commerce sales will top US\$ 63 billion, in relation to total expected sales of US\$ 420 billion.

The China National Tourism Administration (CNTA) will reportedly completely lift the ban on Sino-foreign travel agencies in 2001 to date seven travel-service joint ventures have been established in China, largely in Guangdong and Beijing with the majority being Hong Kong invested. However, only Chinese partners will be allowed to have controlling rights in the joint ventures and they will be required to provide domestic travel services.

6.4 Threats

Delay in entering the WTO is creating a hindrance to the development of the market. This would mean that the currency would continue to be soft, and so difficult for people to buy outside China. Further delay of WTO entry will also hinder the development of more business links within the Chinese tourism industry and the lack of outside investment and competition would both frustrate the modernisation of the industry.

Economic and political stability are always an issue of concern, despite the recent past history of stable government and economic stability. Political unrest between China and Taiwan is also an issue, which might cause many overseas travellers to think twice before booking a holiday in China.

WTO entry would help to alleviate many of these problems.

7 Leading Company Profiles

7.1 China International Travel Service (CITS)

7.1.1 CITS: Company Details

Address: 103 Fuxingmennei Avenue, Beijing 100800, PR China

Tel: +86-601 1122/601 2055

Fax: +86-601 2013/512 2068

Key Personnel: Zhu Yuening – chairman, Zhang Jianhua - CITS deputy general manager, Jiang Haihua - manager

7.1.2 CITS: Company Background

CITS is China's major tourism agency, reporting US\$ 180 million in business volume and receiving 400,000 tourists annually.

CITS formed an alliance with the Geneva-based Sita organisation in February 2000 to launch an Internet-based travel services in the Mainland. The joint venture is called China Travel Hi-tech Computer and will offer e-commerce services including the booking of hotels rooms and transport tickets by credit card. Hong Kong Telecom owns 10% of the venture.

CITS announced on March 8, 2000, that it has joined the Madrid-based World Tourism Organisation. CITS will benefit from all the information services offered by the World Tourism Organisation business council and will participate in all of the international travel market's sales and marketing activities.

7.1.3 Shanghai CITS Ltd.: Financial Results

Table 7.1 SHANGHAI CHINA INTERNATIONAL TRAVEL SERVICE LTD.: FINANCIAL RESULTS 1996/1997

<i>RMB million</i>	1996	1997
Turnover	503.6	491.6
Pre-tax profits	44.9	23.4
Turnover growth	5.1	-2.4
Profit growth	8.8	-47.9
Profit as % of turnover	8.9	4.8

Source: Access Asia from company stock market report

7.1.4 CITS: Future Strategy

CITS is now looking for third party distributors of travel agency services across China. This process has begun through the inclusion of various travel agency services in post offices in selected provinces. CITS is aiming to become the major ticketing agent for the Disney theme park in Hong Kong when it opens.

7.2 China Travel International Investment Hong Kong (CTIIHK)

7.2.1 CTIIHK: Company Details

Address: 12th Floor, CTS House, 78-83 Connaught Road, Central, Hong Kong SAR

Tel: +852-2851 9336

Fax: +852-2851 7538

Established: 1992

Key personnel: Zhu Yuening – chairman, Lam Haw Shun, Dennis – managing director, Shen Zhuying - general manager

Ticker: HKSE - 0308

7.2.2 CTIIHK: Company Background

China Travel International Investment Hong Kong, CTIIHK, is a member of China Travel Service (Holdings) which is a major Mainland Chinese owned company in Hong Kong. However, the Hong Kong company has no capital relation with the mainland-based China Travel Service. CTIIHK operates three scenery and theme parks in Shenzhen, Guangdong Province as well as freight forwarding and transportation businesses. CTIIHK is the largest tourism group in Hong Kong with 42 overseas branches.

Tours to Hong Kong and Macau are arranged for PRC citizens and there are related hotels and property activities under the Hing Kong Holdings division. In recent years CTIIHK has expanded into infrastructure development with interests in a power station in Shaanxi, the Beijing-Shanghai Expressway and Citybus Group in Hong Kong.

However, hotel and tourism operations remain the company's major function as freight forwarding and theme park operations have declined in importance. CTIIHK has acquired the rights to operate a golf course in Shenzhen, Guangdong province, and is looking to become involved in golf courses in both Beijing and Shanghai.

7.2.3 CTIIHK: Financial Results

China Travel International Investment Hong Kong Ltd, which sank into the red in 1998, is expecting a better 1999 performance. The travel company, a unit of tourism conglomerate CTS, reported a net loss of HK\$ 411.2 million (US\$ 49.5 million) for 1998 compared with net profits of HK\$ 499.08 million (US\$ 60 million) the previous year. China Travel has said that its strategy for its existing businesses would be to improve management practices, strengthen risk control, streamline its organisational structure, tighten operational costs and expand its customer base.

The assets of CTIIHK reportedly total HK\$ 11.6 billion (US\$ 1.49 billion).

7.2.4 CTIIHK: Future Strategy

CTIIHK has obvious interests both in bringing tourists to Hong Kong and Macau from the PRC as well as improving the tourism infrastructure, in its widest sense of roadways etc., back in Mainland China. The company also appears keen to exploit the potential opportunities for golf courses in Mainland China.

CTIIHK has announced plans to invest HK\$ 2 billion (US\$ 256.4 million) to acquire Mainland tourism companies. The major targets of acquisition appear to be Beijing, Shanghai and the eastern coastal provinces of Guangdong, Fujian and Hainan Island.

7.3 China Youth Travel Service (CYTS)/CYTS Online Ltd

Address: 8th floor, Fanya Building, 128, Zhichun Road, Haidian District, Beijing 10006, PR China

Tel: +86-10-6524-3388

Fax: +86-10-6524-9809

URL: www.cytsonline.com

Key personnel: Cao Dongxin – president; Jiang Jianning - CYTS online president, Zhang Ling - general manager

Ticker: SSE - 600138

CYTS Online Ltd is backed by and is the Internet service of China Youth Travel Service (CYTS). Initial investment for the site is reportedly RMB 100 million (US\$ 12 million). China CYTS Tours Holding Company Ltd, will hold 74% of CYTS Online Ltd, and will invest RMB 290 million (US\$ 36 million) in the project. Other partners include the venture-capital firm Fine Goal Investment and China Youth Travel Services (Hong Kong).

Cytsonline.com will act as a platform for trading travel products for CYTS companies and other small and medium-sized travel agencies in China. Primarily though Cytsonline.com is an agent for over 500 tour routes operated by CYTS.

China CYTS Tours Holdings went public in 1997 and saw a net profit of RMB 100 million (US\$ 12 million) in 1999. 2001 revenues are expected to be RMB 200 million (US\$24 million). The company estimates that RMB 120 million (US\$14.5 million) of revenue will come from booking services.

**Table 7.2 CHINA YOUTH TRAVEL SERVICE:
FINANCIAL RESULTS 1998-2000**

<i>RMB million</i>	1998	1999	2000
Turnover	582.1	844.5	1,026.6
Pre-tax profits	98.3	174.1	221.9
Turnover growth	-	45.1	21.6
Profit growth	-	77.1	27.5
Profit as % of turnover	16.9	20.6	21.6

Source: Access Asia from company stock market report

7.4 Hutchison Whampoa Ltd

7.4.1 Hutchison Whampoa Ltd: Company Details

Address: Hutchison House, 22nd Floor, 10 Harcourt Road, Hong Kong SAR

Tel: +852 2128 1188

Fax: +852 2128 1705

URL: www.hutchison-whampoa.com

Established: 1983

Employees: 50,000 (worldwide)

Key personnel: Key personnel: Li Ka-Shing – chairman, Victor TK Li – deputy chairman, Li Tzar Kai, deputy chairman, Canning Fok – group MD, Susan Chow Woo – deputy group MD, Frank Sixt – group CFO, Stephen Ngan - director of wireless sales and marketing, Karen Tang Suk-tak - multimedia service director

Products and brands: Harbour Plaza, Sheraton

Ticker: HKSE – 13, OTC - HUWHY

7.4.2 Hutchison Whampoa Ltd: Company Background

Hutchison Whampoa is a major diversified Hong Kong-based conglomerate with interests in property, construction, ports and containerisation, retailing, manufacturing, hotels and a range of other sectors.

Hutchison Whampoa has hotel interests through its property and development divisions as well as its retailing and other interests division. It is expected that in 1999 the North Point Twin Tower office and hotel complex will be finally completed with a total of 212,000 square feet of office and commercial space and 770 hotel rooms and suites.

Additionally, Hutchison is involved, through a 25% interest, in the Kowloon-Canton Railway Terminus in Hung Hom, which will include a 1,000-room hotel and shopping plaza for completion in 2000. Hutchison's hotel interest in Hong Kong suffered as a result of the decline in visitors to the SAR in 1997/1998.

7.4.3 Hutchison Whampoa Ltd: Financial Results

Like all hotel operations, Hutchison suffered in 1997/1998 from falling visitor numbers and consequently room occupancy rates. However, this was due in part to ongoing renovation of the retailing

and reception facilities at the Sheraton. The Harbour Plaza performed above average for the hotel sector in Hong Kong with strong occupancy rates and high sales of food and beverages.

In 1999 Hutchison sold its 44.81% stake in Orange for £8.75 billion (about HK\$ 113.57 billion) to the German engineering conglomerate Mannesmann.

Table 7.3 HUTCHISON WHAMPOA LTD: FINANCIAL RESULTS 1999/2000*

<i>US\$ million</i>	1999	2000
Revenue	7,135.4	7,310.2
Gross profits	3,764.0	2,925.5
Net income	15,102.3	4,373.9
Revenue growth (%)	-	2.4
Gross profits growth (%)	-	-22.3
Net income growth (%)	-	-71.0

Source: Access Asia from company information

Note*: Financial year ends December 31st

7.4.4 Hutchison Whampoa Ltd: Future Strategy

Shanghai

Hutchison has a 21% interest in the city's 687,000 square feet Westgate Mall on Nanjing Road in the Jing An district (Shanghai's prime retailing location). The Mall opened in 1997 with a range of above average quality anchor tenants to attract upmarket shoppers. Above the mall is a further 367,000 square feet of office space.

Construction has begun on the 1.6 million square feet development in the Xuhui district that will comprise four residential towers, an international school and office/hotel tower. The project is scheduled for completion in 2001 and Hutchison has a 39.2% interest in the development.

Chongqing

Hutchison has constructed a 957,000 square feet shopping podium called Metropolitan Plaza in Chongqing. The project has secured anchor tenants and is virtually completely let and comprises a luxury hotel and office tower adding another one million square feet of space. Hutchison has a 40% interest in the project.

Beijing

Hutchison has an 18% share of the Oriental Plaza project in Beijing. Wangfujing is the city's prime retailing location close to Tiananmen Square and the Forbidden City. The development is called the

Oriental Plaza and it has been designed to be the city's retailing and leisure flagship location.

Hopefully, Oriental Plaza will be open by October 1, 1999, the 50th anniversary of the founding of the People's Republic.

When completed the Plaza should add considerably to the retail facilities on Wangfujing with a five-star hotel, shopping centre and a new purpose-built subway station.

8 Other Companies

8.1 Beijing Jingxi

Address: 4th & 5th floor, Longquan Baihua Hotel, 35, Xinqiao Street, Mentougou District, Beijing 102300, PR China

Tel: +86-10-6983-1967

Fax: +86-10-6983-1957

URL: www.jxtour.com.cn

Ticker: Shenzhen SE - 0802

Key personnel: Mr Zheng Changqing - general manager

Beijing Jingxi Tourism Development Co., Ltd. (Jingxi Tourism) is the first Chinese tourism company to have listed. The company is involved in providing tours. These tours include scenic tours of the countryside around Beijing, hotel bookings, tours of industrial sites, wholesaling of general merchandise and site building maintenance. At present, the company's net capital is RMB 376 million. The number of employees is 2,589.

The holding company has ten subsidiary companies. The company manages its own hotel, the Dragon Spring Hotel, which has recently been undergoing renovation. The company has been involved in the tourist development and environmental protection of several tourist sites around Beijing, including the Ling Mountain and Yongding River, the ancient buildings of Miaofeng Mountain, Tanzhe Monastery, Jietai Temple.

Since listing, the company has established other subsidiary companies such as the Mentougou General Merchandise Company, Mentougou Architecture & Engineering Company, Beijing Construction & Development Company. This diversification has meant dramatic changes in the company's management structure, and long-term development plans.

This has meant moving into ever more new industrial areas, such as development of software, electronic tools, electric bicycles manufacturing, retailing, wheelchair manufacturing, to name but a few.

The company has seen continued strong growth in both its turnover and profit. Profit margin has remained steady at over 30% in recent years, and the overall financial health of the company remains strong.

Table 8.1 BEIJING JINGXI TOURISM DEVELOPMENT CO. LTD.: FINANCIAL RESULTS 1998-2000

<i>RMB million</i>	1998	1999	2000
Turnover	179.7	232.9	240.0
Pre-tax profits	59.1	70.7	72.7
Turnover growth	-	29.6	3.0
Profit growth	-	19.7	2.9
Profit as % of turnover	32.9	30.4	30.3

Source: Access Asia from company stock market report

8.2 Beijing Sanyuan Foods Company Ltd

8.2.1. Beijing Sanyuan Foods: Company Details

Beijing Enterprises Holdings Limited: 34th Floor, Shun Tak Centre West Tower, 168-200 Connaught Road, Central, Hong Kong SAR

Tel: +852-2915-2898

Fax: +852-2857-5084

Key personnel: Hu Zhao Guang – chairman, Yi Xi Qun - vice chairman, Xiong Da Xin - executive vice chairman & president, Bai Jin Rong - vice president

Ticker: Beijing Enterprises Holdings Ltd: HKSE - 0392

8.2.1. Beijing Sanyuan Foods: Company Background & China Activities

Beijing Sanyuan is a major Chinese company in the milk production sector which is a division of the red-chip conglomerate Beijing Enterprises Holdings Ltd.

The company has recently purchased 85% of the foreign-owned shares in the China operations of Kraft Foods Inc. (a division of Philip Morris) for US\$ 9.3 million. Prior to the acquisition Sanyuan Food owned 15% of the Kraft unit making Sanyuan the sole owner. Sanyuan is now marketing dairy products under the Kraft brand name in Beijing. Kraft is now focusing on soft drinks, confectionery, coffee and biscuit products in China.

Sanyuan controls 90% of Beijing's milk market and owns 50% of Beijing McDonald's, the operator of the McDonald's fast food chain in Beijing.

Sanyuan is 72%-owned by Beijing Enterprises, though is preparing split from its parent company in order to list A shares on the Shanghai Stock Exchange.

Beijing Enterprises is engaged in four sectors of business: consumer goods, infrastructure, services and technology. Consumer goods sector includes manufacture, distribution and sale of beer, wine, dairy products and processed meat and seafood products. Infrastructure sector includes management and operation of the Capital Airport Expressway and the operation concession of a water treatment plant. Services sector includes provision of tourism, retail and hotel services. Technology sector is mainly represented by the Group's 40% interest in BISC, which is a joint venture with Siemens producing switching system. The Group has also started several technology related projects.

8.2.2 Beijing Sanyuan Foods: Financial Summary

The turnover of Sanyuan Food increased 28% to HK\$ 464 million while operating profit after tax grew by 88% to HK\$ 45 million in 1999 over 1998. In part, this was due to the fact that Sanyuan's production capacity was enhanced by the completion of a new factory at Shuangqiao, Beijing, and the upgrading of existing facilities in Beijing.

Beijing McDonald's expanded its number of restaurants again in 1999/2000 and grew profits despite the adverse effects on the American chain of the bombing of the US embassy in Belgrade.

Table 8.2 BEIJING SANYUAN: FINANCIAL RESULTS 1998/1999*

<i>HK\$ million</i>	1998	1999
Revenues	364	464
Pre-tax profits	24	45
Revenue growth (%)	-	28.0
Profit growth (%)	-	88.0
Profit as % of revenues	6.6	9.7

Source: Access Asia from company information

Table 8.3 BEIJING ENTERPRISES HOLDINGS LTD.: FINANCIAL RESULTS 1998/1999

<i>HK\$ '000</i>	1998	1999
Turnover	3,396,578	3,823,713
Operating profits	474,460	485,030
Turnover growth (%)	-	12.6
Operating profits growth (%)	-	2.2
Operating profits as % of turnover	14.0	12.7

Source: Access Asia from company information

8.3 Beijing Sihai Cross-Boarder Travel Booking Co. Ltd.

The Beijing Sihai Cross-Boarder Travel Booking Company was jointly established by the Technical Facility Management Public Company of the UK (TFM.PLC) and Beijing Chijun Net Consulting Service Company in February 2000. The J-V is the first Sino-foreign joint global booking system in China. The system offers services in Chinese and English, including the flight booking via Global Distribution System (GDS), Internet booking, and a nationwide hotel database.

Beijing Sihai Cross-Boarder Travel Booking Company's central booking system is expected to begin operation on July 1, 2000.

8.4 Brilliance International E-Business Network Inc.

Brilliance International E-Business Network Inc. has launched e-net.com, a China customised web travel site and hotel booking facility. The system was launched in China in January 2000.

The Brilliance system is being operated in conjunction with Citibank, IBM and Bank of China, to allow international on-line transaction and resettlement platform as well as get around the problem of the lack of credit cards in China.

8.5 China Eastern Airlines Executive Air Service

China Eastern Airlines—Executive Air Service is a new subsidiary dealing with ground services. Based in Shanghai, the subsidiary caters to all of China's airports and offers to maintain direct ramp access for arrivals and departures, hangar space for aircraft up to B747-400s, customs clearance and transportation of passenger and crew luggage. Additional services include in-flight catering, hotel reservations, car rentals and tourism information.

(For more information on China Eastern Airlines – see Access Asia's Airlines in China report)

8.6 Ctrip.com Computer Technology (Shanghai) Co. Ltd.

8.6.1 Ctrip.com: Company Details

HQ Address: 22nd Floor, Gangtai Plaza, 700 Yan'an Road, Shanghai 200001, PR China

Tel: +86-21-3313-4545/5385-0200/5385-0199

Fax: +86-21-5385-0929

Freephone: +86-800 820 6666

URL: www.ctrip.com

Key personnel: 'Neil' Shen Nanpeng – chairman, Liang Jianzhang – CEO

8.6.2 Ctrip.com: Company Background & Activities

Ctrip.com is one of China's largest tourism web sites presently. Ctrip was formed in 1999, and provides comprehensive services aimed at individuals whereby most traditional travel agencies in China target the group travel market. Ctrip claims to be receiving 100,000 hits per week. The company provides hotel (1,000 establishments are available online), airline and car rental booking facilities and tailored itineraries. Ctrip charges commissions to hotels and tour operators not customers. As well as China Ctrip covers other Southeast Asian destinations. Investors in Ctrip include Softbank China Venture Investments, Orchid Asia and the Morningside Group.

Revenues have reportedly grown from RMB 100,000 (US\$ 12,100) in November 1999 to RMB 1.5 million in February 2000. In 2001 Ctrip is aiming for sales of between US\$3.6 million, 80% of which will come from retail booking sales. 2001 is proving a strong year for Ctrip and the company made 20,000 room bookings during the May Day holiday.

Ctrip has 70,000 registered users as of June 2000 for both its English language and Chinese language web sites. Motor sites are planned in French, Japanese and German in the future.

8.7 EgoChina.com

Tel: +86-10 6418 3366
Fax: +86-10 6418 1890/1945

URL: www.egochina.com

Beijing-based EgoChina.com is a new travel and ticketing website backed by the China Construction Bank, China Travel Service, Anderson Consulting and Hewlett-Packard. The site includes reservation services for air tickets and hotels, packaged itineraries, tourism information and accepts online payment through China Construction Bank.

EgoChina provides a full range of services including flight booking and hotel reservations. The service is being extended from Beijing to Shanghai and Guangzhou.

8.8 Et-China.com

8.8.1 Et-China.com: Company Details

Et-China Ltd: Room 1414-1416, Metro Plaza, 183 Tianhe Bei Road, Guangzhou, PR China

Tel: +86-20-8755-2970
Fax: +86-20-8755-3486

Floor 2nd Appending Building of Airport Hotel, Baiyun International Airport, Guangzhou, PR China

Tel: +86-20-8613-0423
Fax: +86-20-8613-0428

Et-China Holdings Ltd: Level 25, Bank of China Tower, 1 Garden Road, Central, Hong Kong SAR

Tel: +852-2251-1687
Fax: +852-2251-1618

Et-China.com investment Pty Ltd: Level 25, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia

Tel: +61-2-9293-2973
Fax: +61-2-9293-2979

Established: 1999

Key personnel: Matthew Ng – CEO

8.8.2 Et-China.com: Company Background & Activities

Et-China.com was established by an Australian e-commerce company and China Southern Airlines. It provides e-ticketing services for airlines both internationally and domestically as well as travel, hotel, rail, car and package trip booking online. The web site also features maps and tourist information.

Et-China is an overseas investment holding company. Et-China's shareholders include China Southern Airlines, The Wheelock Group of Hong Kong and Worldspan, based in Atlanta, USA. The company also has partnership agreements with the Bank of China, China Construction Bank, Guangdong Mobile Communications Corporation (GMCC) and local ISP, Sina.com.

Et-China's air ticket delivery and distribution network covers Guangzhou, Beijing, Shanghai, Tianjin, Dalian and other cities in China.

The company is planning to include online magazine subscriptions and event ticketing on its site in the future.

8.9 Hong Thai Travel Service Agency

Hong Kong-based Hong Thai Travel was established in 1966 and has 36 subsidiaries in Hong Kong, Macau, Australia and Singapore with a total annual turnover of HK\$ 2 billion.

In October 1999, China's National Tourism Administration gave permission for a tourism joint venture in Guangzhou, Guangdong Province, to be called the Hong Thai International Travel Service Company Ltd. The joint venture, between the Guangzhilu International Travel Service Company and the Hong Kong-based Hong Thai Travel Service Agency. The J-V has RMB 5 million (US\$ 602,410) in registered capital. Hong Thai holds 49% of the stake in the J-V. The J-V utilises Hong Thai's management expertise and serves both overseas and Chinese tourists in China.

Guangzhilu is one of China's leading tourism companies with more than 20 subsidiaries.

8.10 Japan Travel Bureau

HQ address: JTB Building, 2-3-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo, Japan

URL: www.jtb.co.jp

Established: 1963

Employees: 3,500 (worldwide)

Key personnel: Isao Matsunashi – chairman, Ryuji Funayama – president & CEO, Norio Takahashi – MD, Sho Nakanishi – MD, Akio Kambara – MD International Travel Division, Shin-ichi Nikaido – director Finance/Business Services Centre

The Japan Travel Bureau (JTB) has established a joint venture in Beijing with a local travel agency. It is the first Sino-Japanese joint venture in the Chinese travel business, although J-V hotels have been established in the past. The firm is capitalised at RMB 5 million with JTB's Chinese subsidiary accounting for 49% and a subsidiary of the China International Trust & Investment Corporation (CITIC) retaining 51%. The company began operations in April 2000 and is aiming to handle 25,000 travellers annually.

JTB's major stockholders include the Japan Travel Bureau Foundation, East Japan Railways, JTB Contract Hotel Association, Central Japan Railways and West Japan Railways. JTB has 64 offices globally and 52 JTB Global Assistance desks.

8.11 Orient

One example of online booking is Orient who have been operating an online ticketing operation since March 1999. The system uses IBM hardware and software and co-ordinates document authentication from the Shanghai Electronic Certificate Authority Center. Online payment is realised through the Shanghai Commerce Value-Added Network. The Industrial and Commercial Bank of China (ICBC) Shanghai Branch issues the required bankcards.

8.12 China Pan-Tourism Industry Development Co. Ltd.

Address: 1, Dongsanhuan Beilu, Beijing 100027, PR China

Tel: +86-10-6466-8846

Fax: +86-10-6467-7859

Ticker: Shanghai SE - 600118

Key personnel: Wang Dongping – general manager; Fu Hong – president; Jiang Hua – chairman.

Pan-Tourism has two main areas of business, the first being tourist product business development and the other being tourist facility development. Since listing on the Shanghai Stock Exchange, the company's management has been concentrating mostly on the latter interest. This has meant investing in new ventures, which has eaten into the company's profits.

Of the company's current key interests, it has been focusing on developing the activities of several subsidiaries. These subsidiaries are active in the areas of tourist site contract cleaning, duty free stores, food service, vehicle sales, electrical and machinery sales to the tourist industry, wholesaling and hotel supply services. Despite heavy investment in new business development, the company is still run at a profit, and following a drop in turnover in 1998, has since been enjoying a strong revival in income.

Table 8.4 CHINA PAN-TOURISM INDUSTRY DEVELOPMENT CO. LTD.: FINANCIAL RESULTS 1997-1999

<i>RMB million</i>	1997	1998	1999
Turnover	190.2	157.2	164.7
Pre-tax profits	na	15.4	15.2
Turnover growth	-	-17.4	4.8
Profit growth	-	na	-1.3
Profit as % of turnover	na	9.8	9.2

Source: Access Asia from company stock market report

8.13 Pegasus

Pegasus, a leading Austria-based travel company, established a representative office in Beijing in 1999 to help potential Chinese tourists to better understand Austria. It will offer Chinese tourists special services tailored to their needs, such as local Chinese-speaking tour guides and Chinese meals while travelling.

8.14 Shanghai Ancient Chinese Sex Culture Museum

Address: 8th Floor, 479 Nanjing Road East, Shanghai, PR China

Tel: +86-21-6351-4381

Key personnel: Professor Liu Dalin - curator & owner, Hu Hongxia - vice-director

Opening Hours: Daily 10:00-21:00

The Shanghai Museum has been operating in the red despite its 1,000 exhibits and lowered admission fee from RMB 50 to RMB 30. The museum has been receiving only 30 to 40 visitors daily. The museum is located in the New World Group department store building (Sincere Department Store, Nanjing Road East. The New World Company currently funds the exhibition with between RMB 5,000 and 8,000 each month. The museum has had to make staff cutbacks from 21 to 11 people.

8.15 Shanghai Dazhong International Travel Service

8.15.1 Shanghai Dazhong: Company Details

Dazhong HQ Address: 100 Longyang Road, Pudong New Area, Shanghai 200233, PR China

Tel: +86-21-6428-8888

Fax: +86-21-6428-8660

Shanghai Dazhong International Travel Service: 255 Xizhang Bei Road, Shanghai 200070, PR China

Tel: +86-21-6353-2945/6354-0524/6317-9190

Fax: +86-21-6317-9189

Established: 1988

Employees: 3,238

Key Personnel: Zhou Xinhua – chairman, Yang Guoping – general manager, Yang Yuchen – secretary, Li Ai Juan – manager sales department, Qiou Wen - manager sales department,

8.15.2 Shanghai Dazhong: Company Background

Shanghai Dazhong is a local company listed on the Shanghai A Stock Exchange since 1992 and operating subsidiaries in car leasing, rental, property management, tourism services, insurance and real estate development. The Chinese government maintains a 26.7% stake in the company.

The company has constantly been expanding its 5,000 strong taxi fleet and introduced people carriers as well as saloon cars to the fleet. In an interesting diversion Shanghai Dazhong has acquired 20% in a biomedical business based in Shanghai. The group also operates the Shanghai Dazhong Travel Service and Shanghai Dazhong Mansion, a multi-functional building with offices, hotels and gymnasiums, set up by a joint venture and located near the Hongqiao Development Zone

Shanghai Dazhong has eleven taxi divisions at different locations in Shanghai. Each taxi division has its own management structure, fleet of taxis, drivers and general maintenance and service capabilities.

In December 1999, Shanghai Dazhong Group of Science & Technological Pioneering Work Co Ltd (Dazhong Technology), a subsidiary of Dazhong Taxi acquired Wuxi Dazhong Taxi Services Company Ltd. Wuxi Dazhong operates taxi services in the neighbouring province of Jiangsu. In total Shanghai Dazhong runs 19 subsidiary out of town taxi companies in the hinterland surrounding Shanghai.

8.15.3 Shanghai Dazhong: Tourism Related Activities

Founded in May 1992, Shanghai Dazhong International Travel Service is a wholly-invested enterprise set up by Dazhong Transportation Co., Ltd. The fixed assets amount to RMB 35 million, with more than 100 tourist coaches. Shanghai Dazhong ITS now owns Shanghai Dazhong Travel Company, Shanghai Dazhong Meeting Service Co.,Ltd., Shanghai Dazhong International Exchange Center, Japanese Department, Asian & European Department, Overseas Department, Ticket-booking Center, Business Tour Department and Pudong Department. During the last few years, Shanghai Dazhong ITS has successfully offered more than 100 tourist itineraries around China, and Dazhong Travel Company was listed on the top fifty of the Domestic Travel Company six times successively. Dazhong ITS offers guest services including meetings and exhibitions, culture exchanges, international business travel, overseas travel for Chinese citizens, as well as hotel reservations, air ticket bookings and car & coach rental services for both organisations and individuals.

8.16 Shanghai International Travel Service

Address: Guolu Building, 1277, Beijing West Road, Shanghai
200040, PR China

Tel: +86-21-6289-8899

Fax: +86-21-6289-4928

URL: www.scits.com

Ticker: Shanghai B - 900929

Key personnel: Song Chaoqi – president; Zhou Longshan - chairman

Shanghai International Travel Service (SITS) was established in 1954, being listed on the Shanghai Stock Exchange B Index in 1994. It is a leading member of the China Tourism Association and the Asia-Pacific Tourism Association.

The company's staff includes over 300 qualified tour guides, and its main activities include providing tours within China for foreign tourists and tours for Chinese citizens both within China and abroad. The company also provides a ticketing service, property development, advertising, tourist vehicle hire, international transportation and cargo and hotel management. The company also has offices in Hong Kong and Tokyo.

The company presently has registered assets of RMB 133 billion, and fixed assets of RMB 64 billion. It is the leading tourism company based in Shanghai, and is one of the world's 100 largest tourism companies.

Table 8.5 SHANGHAI INTERNATIONAL TRAVEL SERVICE: FINANCIAL RESULTS 1999-2000

<i>RMB million</i>	1999	2000
Turnover	463.5	541.1
Pre-tax profits	78.7	84.9
Turnover growth	-	16.7
Profit growth	-	7.9
Profit as % of turnover	17.0	15.7

Source: Access Asia from company stock market report

8.17 Shanghai Spring International Travel Service

8.17.3 Shanghai Spring International: Company Details

HQ address: 1558 Dingxi Road, Shanghai 200050, PR China.

Tel: +86-21 6252 0000

Fax: +86-21 6252 3734

Domestic Tour Company: 342 Xi Zang Zhong Road, Shanghai 200010, PR China

Tel: +86-21-6351-6666

Fax: +86-21-6322-1191

Spring International USA Inc.: 1045 East Valley Boulevard, Suite A116, San Gabriel, CA 91776, USA

Tel: +1-626-574-0028

Fax: +1-626-574-0969

URL: www.china-sss.com

Established: 1981

8.17.3 Shanghai Spring International: Company Background & Activities

Shanghai Spring International is a diversified company involved in travel, tourism, conferences, exhibitions, retailing, real estate, trade and transportation. However, since 1994, Spring International has concentrated on its domestic tour business. Spring International has 20 branch offices in China. Subsidiaries include:

The Business Travel Company - offering corporate, leisure, incentive and meeting travel services internationally and domestically as well as airline reservations & ticketing, ticket delivery, hotel reservations.

Spring International Inbound Tour Company – deals exclusively with overseas tourists from Europe, the US and Japan. The company provides tour guides and organised tours.

Outbound Tour Company - organises overseas trips for Chinese citizens.

The Domestic Tour Company – has offered travel routes throughout China since 1994 and organises flight and/or boat reservations and ticketing.

Spring International USA Inc. - a wholly owned subsidiary of Spring International, formed in 1992 to organise Chinese groups visiting

North America for business promotion, professional training, attending exhibitions, and on incentive tours.

Spring International Ticket Centre – is a designated sales agent for Chinese airlines offering reservation and ticketing services for foreign and domestic airlines.

Spring International Conference & Exhibition Service Ltd. – operates branches across China including Beijing, Tianjin, Nanjing, Guiyang, Xinjiang, Dalian, Guilin, Kunming, Sanya and also in Los Angeles, USA organising conferences, exhibitions and incentive tours.

8.18 Song Dynasty Town Tourism Development Group Company

Tel: +86-571-709-0000

Fax: +86-571-709-0471

Established: 2000

Song Dynasty Town Tourism Development Group Company, based in Hangzhou, Zhejiang province, became the first joint-stock enterprise operating mainly in the tourism and recreation industry in March 2001. The company is now reportedly preparing for an initial public offering (IPO).

Song Dynasty Town Group has assets of RMB 1.8 billion (US\$ 217.72 million). The group has developed scenic areas covering 260,000 mu (42,822 acres), and the company handles four million visitors annually.

Song Dynasty Town's interests include the Song Dynasty Town, American City, Hangzhou Paradise, the Radon Hot Spring, a Golf Club, Tennis Club and interests in the State Dragon Spring Mountain Virgin Forest Park.

8.19 STA Travel

HQ address: 161 Drury Lane, London WC2B 5PN, UK

China address: 179 Huan Shi Xi Road, Guangzhou 510010, PR
China

Tel: +86-20-8667-1455

Fax: +86-20-8667-7462

URL: www.statravel.com/www.statravelgroup.com

In May 1999, leading student travel agency STA Travel of the UK opened a Chinese branch. STA operates under the slogan, 'Not Your Parents Travel Agency' which is undeniable in China at least. STA operates over 200 branches internationally in 50 countries specialising in travel for younger people in full-time higher education and offering discounted airfares and other travel services. Annual turnover is in excess of US\$ 575 million.

STA is represented in China by China Travel Holiday Services in Guangdong and is targeting Chinese and foreign students who require hotel reservations, visas, overseas study itineraries and airfares.

8.20 Walt Disney International

8.20.1 Disney: Company Information

HQ address: 500 S. Buena Vista Street, Burbank, CA 91521-9722,
USA

Tel: +1-818-560-1000

Fax: +1-818-560-1930

URL: www.disney.com

Employees: 120,000 (worldwide)

Key personnel: Michael Eisner – chairman & CEO, Roy Disney – vice chairman, Walt Disney Feature Animation, Robert Iger – president & COO, Thomas Staggs – SEVP & CFO, Peter Murphy – EVP & chief strategic officer, Steve Ticht MD Hong Kong Disneyland

8.20.2 Disney: Company Background

The California-based theme park and entertainment giant that was founded by Walt Disney and is internationally known for animation,

characters, theme parks and entertainment products. Disney is the world's second largest entertainment group, after AOL Time Warner.

Disney has a strong portfolio of media properties in the US, including the ABC television network and cable sports channel ESPN (80% stake), as well as Internet investments through Walt Disney Internet Group. The company also owns the Miramax film studio and 38% of A&E Television Networks

Outside the US, the company has interests in theme parks in France and Japan as well as syndicated programming, movie production, radio and merchandise retailing. Latterly the company is looking at e-commerce opportunities for merchandise retailing.

Table 8.6 THE DISNEY COMPANY: FINANCIAL RESULTS 1999/2000*

<i>US\$ million</i>	1999	2000
Revenues	23,402.0	25,402.0
Gross profits	3,231.0	2,848.0
Net income	1,300.0	920.0
Revenue growth (%)	-	8.5
Gross profit growth (%)	-	-11.9
Net income growth (%)	-	-29.2
Net income as % of revenues	5.6	3.6

Source: Access Asia from company information

Note*: Financial year ends September 30th

8.20.3 Disney: Asian Activities

Walt Disney is working on building the Disney brand in Asia, rather than trying to replicate its strategy of media diversification as seen in the USA.

The company has been brand building in China, despite problems with fake goods and has expressed a desire to have a Disney TV channel specifically for China and Japan and use the channel to support Disney's operations in Asia. However, piracy of Disney's intellectual property in China remains a problem. In part this is due to the fact that Disney does not have an organised retail distribution network in China.

The Japanese theme park, near Tokyo, is operated by a local franchisee.

8.20.1 Disney: China Activities

In 1999, the Disney Corporation decided to build a new theme park on Hong Kong's Lantau Island. Certainly Hong Kong had lobbied hard seeing the Disney park as a potential answer to the city's

economic problems. However, there had been lobbying from the Chinese side, largely from Shanghai with former Mayor and now Premier Zhu Rongji rumoured to have personally lobbied Disney executives on Shanghai's behalf.

Hong Kong is considered more stable and the reaction in China to the Embassy Bombing in Sarajevo reportedly stalled talks with the Chinese.

Following the decision to locate in the SAR Walt Disney, the Hong Kong government and China Travel Service (Holdings) Hong Kong Limited (CTS Group) are reportedly working on a plan to allow residents of the Mainland to visit the theme park for between 24 and 72 hours without a visa.

Disney may also grant CTS Group the exclusive right to manage group tours from the Mainland.

Preliminary research by the Hong Kong government indicates that Mainlanders are expected to spend HK\$ 1,200 a day, while local SAR visitors to the park will spend HK\$ 680. The spending includes an entrance fee of between HK\$ 250 and HK\$ 300.

However, it was reported in July 2000, that Walt Disney International was planning a new Disney theme park in China. Shanghai is thought to again be a candidate for the next Disney theme park.

8.21 Wharf Holdings Ltd

8.21.1 Wharf Holdings Ltd: Company Details

Address: 16th Floor, Lane Crawford House, 70 Queen's Road Central, Hong Kong SAR

Tel: +852-2118-8118

Fax: +852-2118-8018

URL: www.wharf-holdings.com/www.marcopolohotels.com

Established: 1886

Employees: 12,800

Key personnel: Gonzaga Li - chairman & CEO, Stephen Ng - deputy chairman & MD

Products and brands: Marco Polo, Prince

Ticker: HKSE – 1137/0004

8.21.2 Wharf Holdings Ltd: Company Background & China Activities

Wharf Holdings was formed in 1886, making it an old, established company in the former British colony. Wharf was listed on the Hong Kong Stock Exchange and the London Stock Exchange before the Second World War.

Wharf Holdings is engaged in a variety of activities including: Property – including the Harbour City, Times Square and Diamond Hill developments in Hong Kong; Infrastructure – wharves, air cargo terminals, Star ferries, tramways and cross-harbour tunnel activities in Hong Kong; China – property and infrastructure interests in China largely in Beijing, Shanghai, Wuhan, Dalian and Chongqing; Hotels – various interests in Marco Polo and Harbour City hotel developments and; Communications – wharf cable, New T&T telecoms and COL Ltd.

The three Marco Polo Ltd hotels and the Prince Hotel in Hong Kong are owned by Wharf Holdings.

8.21.3 Wharf Holdings Ltd: Financial Results

Wharf began to be affected by the Asian economic crisis in the second half of 1997 and into 1998. However, overall turnover was up by just 0.3% in 1998 over 1997 though pre-tax profits fell by nearly 1%. Wharf's cable TV operations began to grow in terms of revenues in 1998. However, the hotels and clubs operation continued to suffer from the slump in tourism and consumer spending.

However, by 2000 the company was recovering and had remerged as a growing company.

Table 8.7 WHARF HOLDINGS: FINANCIAL RESULTS 1999/2000*

<i>HK\$ million</i>	1999	2000
Turnover	10,521	12,023
Gross profits	2,257	2,480
Turnover growth (%)	-	14.3
Gross profit growth (%)	-	9.9
Gross profit as % of Turnover	21.5	20.6

Source: Access Asia from company information

Note*: Financial year ends December 31st

Table 8.8 WHARF HOLDINGS LTD: TURNOVER BY BUSINESS SECTOR 1997/1998

<i>HK\$ million</i>	1997	1998	% change
Property	4,215.1	4,234.6	0.5
Terminal & Warehouse Operations	2,752.0	2,846.1	3.4
Cable TV Operations	1,016.6	1,212.2	19.2
Hotel and Club Operations	886.9	608.4	-31.4
Public Transport Services	304.6	306.6	0.7
Treasury Management, investments & Telecom Operations	771.7	765.2	-0.8
TOTAL	9,946.9	9,973.1	0.3

Source: Access Asia from company annual report

8.22 Yunnan Golden Horse Tourism Trading House

Yunnan Golden Horse Tourism Trading House is ostensibly a jewellery company though is using its production of jade to promote tourism to Yunnan Province. The company is offering jade tours to Chinese citizens as well as promoting its services in regional markets such as Hong Kong, Singapore and other Southeast Asian countries. Yunnan Golden Horse Tourism Trading House is backed by RMB 610 million (US\$ 72.3 million) in capital and is Yunnan's largest jewellery and jade business.

8.23 Ananda Wing On Travel (Holdings) Limited

8.23.1 Ananda Wing On Travel: Company Details

Address: 17th Floor, Ananda Tower, 57-59 Connaught Road, Central, Hong Kong SAR

Tel: +852-2852-6868

Fax: +852-2815-7661

URL: www.wingontravel.com

Established: 1964

Employees: 2,000

Key personnel: Chan Yeuk Wai - chairman), Chan Yeuk Pun - deputy chairman & MD, Lee Chun Ting, Alex, Luk Yee Lin, Ellen

8.23.2 Ananda Wing On Travel: Company Background

Ananda Wing On Travel is an investment holding company and now a wholly owned subsidiary of Ananda Group. Its subsidiaries are principally engaged in the business of providing package tours, travel, transportation and other related services.

More than 90% of the Group's turnover and contribution to operating results are attributable to travel and related services and these activities are carried out or originated principally in Hong Kong.

Ananda has 36 branches in Hong Kong and is the SAR's largest travel agency. Additionally, the company has offices in Macau and Guangzhou as well as subsidiaries in Australia, Canada, France, the UK and Turkey.

Wing On International Travel Service Co. Ltd Guangdong, established in 1999, is jointly owned by Wing On Travel and China International Travel Services (CITS) Guangdong.

9 Contacts

9.1 Travel Agencies

This directory is not comprehensive, but aims to list some of the country's leading travel agencies.

9.1.1 Travel Agencies: Bao Steel Group Shanghai International Travel

Tel: +86-21-5678-3888

Fax: +86-21-5660-1924

9.1.2 Travel Agencies: Beijing Shenzhou International Tourism Service Group

Beijing Shenzhou International Travel & Tour is a division of the Beijing Tour Group, and was established in January 2000. The company aims to develop new markets of outbound tours and domestic tours for Chinese citizens.

According to statistics from the Shenzhou Group, its sales volume for the 15 days during the Spring Festival in 2000 was three times the total of the same period in 1999.

In January 2000 six tourist services under the Beijing Tourism Group and two related enterprises jointly set up the Beijing Shenzhou International Tourism Service Group and five subsidiaries.

There are only 11 tourist services approved to handle foreign business. Three of them were part of the Shenzhou merger.

Beijing Shenzhou also runs the Hancunhe Village Tour, which attracted more than 1,000 foreign travellers in its first few months of operation. Foreign visitors stay in the homes of local residents while on the tour.

During the Spring Festival holiday in 2001 Beijing Shenzhou International Tourism Service Group chartered 50 flights to and from popular cities such as Haikou, Hainan, and Xiamen, Fujian province.

9.1.3 Travel Agencies: China Base Travel Service

Address: Room 703, 1197 Fuxing Zhong Road, Shanghai, PR China

Tel: +86-21-5456-2253

9.1.4 Travel Agencies: China Travel Service (CTS)

Head Office, 8 Dongjiaomingxiang, Beijing 100005, PR China

Tel: +86-10-6512-9933

Fax: +86-10-6512-9008

Key Personnel: Ge Qun - general manager of domestic tourism.

9.1.5 Travel Agencies: China International Travel Service Beijing

28 Jianguomenwai Street, Beijing 100022, PR China

Tel: +86-10-6515-8562

Fax: +86-10-6515-8602

9.1.6 Travel Agencies: China International Travel Service Shanghai

Key Personnel: Tang Wenbo - senior executive

9.1.7 Travel Agencies: China International Sports Travel Co.

4 Tiyuguan Road, Chongwen District Beijing 100061, PR China

Tel: +86-10-6701-7364

Fax: +86-10-6701-7370

9.1.8 Travel Agencies: China Comfort Travel

57 Di An Men Xi Dajie, Beijing 100009, PR China

Tel: +86-10-6601-6288

Fax: +86-10-6601-6336

Key Personnel: Wang Junlong - deputy general manager of China Comfort Travel Shanghai.

9.1.9 China Comfort Travel Shanghai

Tel: +86-21-6317-8705

Fax: +86-21-6317-4751

9.1.10 Travel Agencies: China Women's Travel Service

103 Dongsi Nan Street, Beijing 100010, PR China

Tel: +86-10-6513-6311

Fax: +86-10-6512-9021

9.1.11 Travel Agencies: China International Travel

Service Shaanxi, 32 North Changan Road, Xian 710061, PR China

Tel: +86-29-751-2066

Fax: +86-29-751-1453

9.1.12 Travel Agencies: CYTS Tours Corp Shanghai

Tel: +86-21-6473-3730

Fax: +86-21-6433-0507

9.1.13 Travel Agencies: China Everbright Travel Inc.

Tel: +86-21-5643-3205

Fax: +86-21-6437-3256

9.1.14 Travel Agencies: China Golden Bridge Travel Shanghai Co.

Tel: +86-21-6548-5344

Fax: +86-21-6399-9617

9.1.15 Travel Agencies: China International Travel Service Shanghai

Tel: +86-21-6321-7200

Fax: +86-21-6329-1788

9.1.16 Travel Agencies: China Merchants Shanghai International Travel Co.

Tel: +86-21-6472-3958

Fax: +86-21-6472-6992

9.1.17 China Shanghai Spring International Travel Service

Tel: +86-21-6252-0000

Fax: +86-21-6252-3734

9.1.18 Travel Agencies: East Shanghai International Travel Service

Address: 535 Dongfang Lu, Shanghai 200120, PR China

Tel: +86-21-5081-5000

Fax: +86-21-5882-8842

9.1.19 Guangdong China Travel Service

In 2001, Guangdong China Travel Service acquired Shenzhen Luohu China International Travel Service, also based in Guangdong province. Luohu is the major border crossing between China and Hong Kong.

9.1.20 Travel Agencies: Guangdong Railway China

Youth Travel Service, 69 Dadao Road, Dongshan, Guangzhou 510600, PR China

Tel: +86-20-8775-2401/8775-2407

Fax: +86-20-8776-2509

9.1.21 Travel Agencies: Guangzhou International Travel Service

Key Personnel: Zheng Hong – President

9.1.22 Travel Agencies: Huating Overseas Tourist Company

Address: 4th floor, 501 Wulumuqi Bei Road, Shanghai, PR China

Tel: +86-21-6248-0088/6249-1234

Fax: +86-21-6248-5470

Huating is one of China's five largest travel agency operations.

9.1.23 Travel Agencies: Jinqiao Travel Agency

Address: 2400 Siping Road, Shanghai, PR China

Tel: +86-21-5505-0302

9.1.24 Travel Agencies: Oriental International Travel & Transport Corp.

Tel: +86-21-6247-7972

Fax: +86-21-6247-0585

9.1.25 Travel Agencies: Shanghai Airlines Tour International

Tel: +86-21-6233-3998

Fax: +86-21-6233-1308

9.1.26 Travel Agencies: Shanghai Buddhist Pilgrim International Travel

Tel: +86-21-6439-7301

Fax: +86-21-6439-2964

7.1.27 Travel Agencies: Shanghai Business International Travel Service

Address: Room 808, Gangtai Plaza, 700 Yan an Dong Lu, Shanghai, PR China

Tel: +86-21-5385-0603

Fax: +86-21-5385-0847

9.1.28 Travel Agencies: Shanghai China International Travel Services

Address: 1277 Beijing Xi Lu, Shanghai 200040, PR China

Tel: +86-21-6289-8899

Fax: +86-21-6289-4928

9.1.29 Travel Agencies: Shanghai China Travel Service

Tel: +86-21-6247-8888

Fax: +86-21-6247-5521

9.1.30 Travel Agencies: Shanghai China Youth Travel Service

Tel: +86-21-6433-1826

Fax: +86-21-6433-0507

9.1.31 Travel Agencies: Shanghai Changjiang Cruise Overseas Travel

Tel: +86-21-6472-8239

Fax: +86-21-6482-6438

9.1.32 Travel Agencies: Shanghai Citic International Travel Service

Tel: +86-21-6352-2358

Fax: +86-21-6352-1548

9.1.33 Travel Agencies: Shanghai Dazhong Travel Service

Tel: +86-21-6317-9189
Fax: +86-21-6317-9190

9.1.34 Travel Agencies: Shanghai Dazhong International Travel Service

Address: 255 Xizang Bei Lu, Shanghai 200070, PR China

Tel: +86-21-6354-0524/6981
Fax: +86-21-6317-9189

9.1.35 Travel Agencies: Shanghai Donghu International Travel Agency

Address: 7 Donghu Road, Shanghai, PR China

Tel: +86-21-6472-0631
Fax: +86-21-6472-9974

9.1.36 Travel Agencies: Shanghai Donghu International Travel Service

Tel: +86-21-6474-7266
Fax: +86-21-6472-9338

9.1.37 Travel Agencies: Shanghai Donglian International Travel Service

Tel: +86-21-6438-9958
Fax: +86-21-6438-9961

9.1.38 Travel Agencies: Shanghai Everbright Tour Aviation Ticket Service Center

Address: 608 Changshou Lu, Shanghai 200060, PR China

Tel: +86-21-6277-2222/6299-3088
Fax: +86-21-6277-0415/7339

9.1.39 Travel Agencies: Shanghai FASCO International Tours & Travel Company Ltd.

Address: Room A, 15th floor, No.1 Plaza, 800 Nanjing Dong Road, Shanghai 200001, PR China

Tel: +86-21-6350-0170/1/72
Fax: +86-21-6361-2115

9.1.40 Travel Agencies: Shanghai Great World International Travel Service

Tel: +86-21-6320-4293

Fax: +86-21-6322-4210

9.1.41 Travel Agencies: Shanghai Hengshan International Travel Co.

Address: 4th Floor, Xingheng Apartment Block, 508 Zhonghua Road, Shanghai 200050, PR China

Tel: +86-21-6415-6538/6226-6226/6433-6651

Fax: +86-21-6471-5429

9.1.42 Travel Agencies: Shanghai Holiday Travel Ltd.

Tel: +86-21-6384-9999

URL: www.shanghai-holiday.com

9.1.43 Travel Agencies: Shanghai Huating Overseas Tourist Co.

Address: 503 Wulumuqi Bei Road, Shanghai 200040, PR China

Tel: +86-21-6249-1234/6248-0118

Fax: +86-21-6248-5470/0009

9.1.44 Travel Agencies: Shanghai International Airlines Service Co.

Tel: +86-21-6252-0000

Fax: +86-21-6252-8795

9.1.45 Travel Agencies: Shanghai International Culture Travel Co.

Tel: +86-21-6247-5636

Fax: +86-21-6247-6545

9.1.46 Travel Agencies: Shanghai International Goodwill Travel Service

Tel: +86-21-6248-1108

Fax: +86-21-6248-3773

9.1.47 Travel Agencies: Shanghai Jin Hai - Jet Air Int'l Forwarding

Tel: +86-21-6219-0481

Fax: +86-21-6219-1770

9.1.48 Travel Agencies: Shanghai Jingjiang Tours Ltd.

HQ Address: 27th Floor Union Building, 100 Yan'an Road East.
Shanghai 200002, PR China

Tel: +86-21-6326-2910/6329-0690

Fax: +86-21-6320-0595

Office Address: 191 Changle Road, Shanghai, PR China

Tel: +86-21-6466-2828

9.1.49 Travel Agencies: Shanghai KangHui Holiday Travelling Co.

Tel: +86-21-6373-7248

Fax: +86-21-6373-3652

9.1.50 Travel Agencies: Shanghai Merchants International Travel Services

Address: room 608, China Merchants Plaza, 333 Chengdu Bei Lu,
Shanghai 200041, PR China

Tel: +86-21-6271-0800/6272-4476

Fax: +86-21-6267-6163

9.1.51 Travel Agencies: Shanghai Nanjiang Tourist Co.

Tel: +86-21-6377-9683

Fax: +86-21-6377-0897

9.1.52 Travel Agencies: Shanghai New Asia International Travel Agency

Tel: +86-21-6352-8633

Fax: +86-21-6237-6543

9.1.53 Travel Agencies: Shanghai New Asia International Travel Service

Address: 69 Xizang Zhong Road, Shanghai 200003, PR China

Tel: +86-21-6359-5988

Fax: +86-21-6327-6543

9.1.54 Travel Agencies: Shanghai Oriental Pearl International Travel

Tel: +86-21-6329-0137

Fax: +86-21-6329-0087

9.1.55 Travel Agencies: Shanghai Orient United International Tourism & Trade

Tel: +86-21-6438-9958

Fax: +86-21-5866-9480

9.1.56 Travel Agencies: Shanghai Peace International Tourist Corp.

Tel: +86-21-6248-9009

Fax: +86-21-6248-1898

9.1.57 Travel Agencies: Shanghai Peace International Travel Service Company Ltd.

Address: 2F-A, 157 Changshu Road, Shanghai 200031, PR China

Tel: +86-21-6474-3948/9999

Fax: +86-21-6433-2400

9.1.58 Travel Agencies: Shanghai Railway International Travel Service

Tel: +86-21-6317-7573

Fax: +86-21-6317-7312

9.1.59 Travel Agencies: Shanghai Railway International Travel Service

Address: 88 Tianmu Dong Road, Shanghai, PR China

Tel: +86-21-6357-3149/6393-3579/6357-7668

Fax: +86-21-6357-3151

9.1.60 Travel Agencies: Shanghai Shihua International Travel Service

Address: 12th Floor, (E) Sinopec Building, 1525 Pudong Avenue, Shanghai 200135, PR China

Tel: +86-21-5821-3614/3239
Fax: +86-21-5885-5234/5821-0490

9.1.61 Travel Agencies: Shanghai Sports International Travel Service

Tel: +86-21-6439-5105
Fax: +86-21-6439-6295

9.1.62 Travel Agencies: Shanghai Tea Metropol International Travel Service

Tel: +86-21-6329-8888
Fax: +86-21-6329-1989

9.1.63 Travel Agencies: Shanghai Tourist Corp.

Tel: +86-21-6321-7200
Fax: +86-21-6329-1820

9.1.64 Travel Agencies: Shanghai Worker's International Travel Service

Tel: +86-21-6270-8593
Fax: +86-21-6219-3505

9.1.65 Travel Agencies: Shanghai Women's International Travel Service

Address: 4/F, 309 Hankou Road, Shanghai 200001, PR China

Tel: +86-21-6466-2410
Fax: +86-21-6437-7200

9.1.66 Travel Agencies: Shanghai Xinhua Travel Service

Address: 156 Huangxing Road, Shanghai 200090, PR China

Tel: +86-21-6467-8881/2410
Fax: +86-21-6518-3222/6539-6380

Key personnel: Zhang Chunxiao - department manager

9.1.67 Travel Agencies: Shanghai Yangzi International Travel Service

Address: Room 109-112, Huali Apartment No. 6, 485 Qinzhou Bei Road, Shanghai 200233, PR China

Tel: +86-21-6495-6502

Fax: +86-21-6475-6501

9.1.68 Travel Agencies: Shanghai Youth Travel Service

Address: 2 Hengshan Lu, Shanghai 200031, PR China

Tel: +86-21-6433-1826

Fax: +86-21-6433-0507

9.1.69 Travel Agencies: Spring-Autumn International Travel Service

Tel: +86-21-6251-5777/6250-0000

Fax: +86-21-6252-3734

Key personnel: Mr Shi - manager

Spring International in Shanghai specialises in organising local trips within China for various prices including seven days to Beijing/Zhenjiang/Yangzhou and Shanghai for US\$ 390 to one day Suzhou trips for US\$ 30 and four-day five-night round trips to Hainan for RMB 1,490 (US\$ 180).

Spring International claimed to have only made approximately 0.8% profit its 1999 income.

9.1.70 Travel Agencies: Xinjiang Asia International Travel Service

Address: Renmin Lu, Urumqi 830002, PR China

Tel: +86-991-284-0493

10 Government Departments & Associations

10.1 China National Tourism Administration (CNTA)

Tel: +86-10-6520-1427/1405

Fax: +86-10-6512-2851/2096

URL: www.cnta.com

Key Personnel: He Guangwei - director-general, Zhang Xiqin – deputy director, Li Renzhi - vice-director & head of the Quality Inspection Department, Sun Gang - deputy director

CNTA is China's leading tourism body. In 1999, CNTA issued the Provisional Regulations on the Management of the Development Programme of Tourism aimed at the sustainable development of the industry.

The regulations, contained in four chapters and 27 articles, require management of the national and local tourism industry programme be guided by the CNTA and local tourism administrations. The regulations stipulate tourism development must not be at the expense of protecting natural resources and preventing environmental pollution. The tourism programme should generally be a five-year plan or longer, and establish the scale, structure and rational distribution of the industry.

CNTA is reportedly drafting a Tourism Programme General Rule (State Standard) and detailed technical specifications for developing tourism.

At peak holiday times, CNTA operates two 24-hour safety and complaint hotlines for tourists covering travel agencies and other travel and tourism related issues.

CNTA is planning to offer several new packages to stimulate tourism to China. These include the New Millennium Tour in 2000, the Sports and Health Tour in 2001, the Folklore Arts Tour in 2002, the Chinese Cuisine Tour in 2003 and the Everyday People's Life Tour in 2004. In 2005, the CNTA is planning to organise its third Tour China Year.

10.2 Tibet Tourism Administration

Address: Yuanlin Road, Lhasa, Tibet 850001, PR China

Tel: +86-891-633-5472

10.3 Shanghai Travel Information Service Center

Address: Room 410/412/414, 2525 Zhongshan Xi Road, Shanghai, PR China

Tel: +86-21-6439-9806/8947/0977

URL: www.tourinfo.sh.cn

10.4 Hong Kong Tourist Association (HKTA) Shanghai Office

Address: Room 808, Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, PR China

Tel: +86-21-6385-1242

10.5 State Administration for Cultural Heritage.

Zhang Wenbin - director-general

10.6 Institute of Tourism under Beijing Second Foreign Language Institute

Key personnel: Wang Fude

10.7 China Tourism Science Institute

Key personnel: Xu Fengju - deputy director

11 Exhibitions & Trade Shows

11.1 The International Scenic Spot & Resort Exhibition for China

Date: April

Venue: Dalian Xinghai Convention & Exhibition Centre, Dalian, Liaoning Province

Organisers: Dalian Xinghai Convention & Exhibition Centre

Tel: +86-411-480-9647

11.2 Dalian International Recreational Facilities & Amusements Expo

Date: August

Venue: Dalian Xinghai Convention & Exhibition Centre, Dalian, Liaoning Province

Organisers: Dalian Xinghai Convention & Exhibition Centre

Tel: +86-411-480-9647

11.3 China International Tourism Fair

Date: September

Venue: Jinan, Shandong Province