Trends in China's domestic tourism development at the turn of the century

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Abstract
China's domestic tourism has developed quickly in the past 20 years. This article briefly reviews the scale of expansion in domestic tourism in China and summarizes three important factors contributing to that great change. In search of development trends, the article examines the main products of domestic tourism and government policy changes that influence tourism development. The conclusion is that China's domestic tourism has shifted to the 3H (high input, high risk and high output) pattern. Besides intermediate-long-haul sightseeing and business tourism, domestic tourists frequently take medium-short-distance sightseeing trips and short-distance weekend vacations, which forms ReBAM (Recreational belt around metropolis), a new tourist spatial pattern.

Introduction

With the notable progress of China's economy, international tourism has developed rapidly since the policy of openness was adopted in 1978, and domestic tourism achieved similar growth. According to international experience, people generated travel motives after GDP per capita reached about ¥3,500 (US$ 1 = ¥8.3). In 1985, the GDP per capita of China exceeded that amount, with an even higher level in cities. It was reported that domestic tourist arrivals in 1998 totaled 694 million, with an annual growth rate of 7.8 per cent; per capita expenditure of urban and rural tourists was ¥607.0 and ¥197.1 respectively; the total domestic tourism expenditure reached ¥239.118 billion, jumping by 13.2 per cent above the previous year. According to prediction, the number of domestic tourist arrivals in China will keep growing to more than three times and tourism income nearly five times from 1997 to 2010 (China National Tourism Administration, hereafter CNTA, 1998).

Studying the economic situation in China since 1978, especially in the 1990s, three factors can be identified that have greatly promoted the development of China's domestic tourism: growth of income per capita; increase of leisure, particularly in cities; and structural adjustment of the national economy. First, China's economy developed steadily from 1990 to 1999. In 1990, GDP per capita was ¥1,645 (more than US$400), and the income of urban citizens increased significantly, which stimulated the growth of mass tourism in the country. In 1996, GDP per capita reached ¥5,634.0 (about US$700), doubling that of 1990. The saving rate in 1999 remained over 30 per cent, and the successful handling of the Southeast Asia financial crisis assures the steady growth of income and the resulting satisfactory growth of domestic tourism in China. Travel has been regarded as one of the three consumption hotspots on a par with cars and real estate. Second, Chinese citizens, especially urban citizens, get much more free time with the five-day week system and the new national holiday system, introduced in 1995 and in 1999 respectively. The two-day weekend, the seven-day holiday of the Spring Festival, National Day, International Labor Day and some other short-time holidays add up to over one-third of the whole year. Finally, the economic structure in China is unbalanced and in great need of adjustment. The service sector grew quickly to deal with overproduction of manufacturing goods and the deficiency of domestic demand. As an important component of the service sector, the domestic tourism industry is entering a new period of development at the turn of the century.

Domestic tourism turned out to be a new growth point in many areas of China. It makes a significant contribution in promoting regional economic growth, improving local economic structures, driving the development of related industries, enhancing employment and activating domestic demands. Various aspects of domestic tourism attracted the attention of many authors, including Wu (1999), Zhang (1999), Wang (1999), Zhang *et al.* (1999), and Zhao (1999), etc. Their research focused on market segmentation and the relationship between resource areas and distance decay. This article analyzes the market characteristics of domestic tourism in China, discusses the changes of government policy, and then suggests the trend of China's domestic tourism development under the dual regulation of market and planned economy. Through a close examination of China's domestic tourism development at the turn of this century, the article tries to provide effective theoretical guidance for the

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development of regional tourism and to introduce market opportunity to foreign enterprises.

Product supply and demand in domestic tourism

Owing to the economic gap between the different regions of China and the persistent income differentials, the travel preferences of domestic tourists appeared to cover a complete spectrum from traditional sightseeing with lower expenditure to special interest tourism with higher expenditure all through the 1990s. With incomes increasing, the travel preferences of sightseeing destinations shifted from historic and cultural areas (e.g. Beijing, the capital city of the country, and Hangzhou, Zhejiang province) with large carrying capacity to natural landscape areas with smaller carrying capacity (e.g. mountain resorts far away from cities); from traditional national parks (e.g. Huangshan Mountain, Anhui province, and Guilin, Guangxi Autonomous Region) to newly developed areas (e.g. Jiuzhaigou, Sichuan province, and Zhangjiajie, Hunan province). Animation tourism including folk tourism, recreation, and educational tourism were on the rise. Special tourism programs such as outbound tourism (leaving the country), eco-tourism and sports tourism have already emerged. Greatly influenced by the dynamic income ladders, travel preference on the higher ladders tended to replace that on the lower ladders; thus each tourism product has a relatively long life-cycle.

Since tourism is still in its early phase of development in China, sightseeing is the main form of tourist product, mostly taking national parks as destinations. At present, there are 119 national parks and 500 provincial parks in the country. The former occupies 0.6 per cent of the total area of the country. But the per capita level is only one twentieth of the average level of the world (Xie, 1998, pp. 9, 14).

Theme parks, sports/leisure services, arts performance and cultural entertainment industries in cities have gradually been identified as a new trend of development, stimulated by domestic tourism and real estate development. The construction of entertainment parks is booming. Large-scale entertainment parks are almost all in the form of theme parks, such as Splendid China, Window of the World, and Chinese Folk Culture Village in Shenzhen, Guangdong province. On the other hand, traditional city parks are generally overlooked as part of the tourism products. The function is confined to daily recreation for local citizens with little service for tourists.

Folk tourism is a new type of tourist product, fairly lively and participatory. It attracts tourists with local culture and daily life scenes, especially involving minority nationalities, usually in the form of folk villages, family visiting and special festivals. In Yunnan Province of China, folk tourism as an important tourism product has been well developed into three types: folk dance and musical dinner; ethnic minority village tour and complex tourism area with folk custom and natural landscape, such as Kunming and Xishuangbanna (Dong, 1993). It is not surprising that the tourism industry in Yunnan has kept growing at an annual rate of about 30 per cent in the past 20 years (CNTA, 1998).

Neither the market nor the product of vacation tourism is mature in China. The State Council encouraged its development (Mao, 1993). A total of 12 national vacation tourism areas were established, mostly located in Southeast China with its warm climate, nearby densely-populated cities and close to high technology development areas.

Some sports/leisure services and cultural entertainment facilities popular abroad were introduced into China with the development of tourism and international hotels, promoting further development in sports tourism. The number of bowling lanes increased to over 5,000 in 1995 from fewer than 100 in 1985, and the number of anglers increased to 70 million in 1994, compared to 30 million in 1988 (Chi, 1998).

While people gradually get bored with traditional mass tourism, they become more and more interested in eco-tourism because it has the function of protecting the environment and maintaining communal interests and embodying high-rated attractions. However, eco-tourism remains a great challenge and many issues need to be solved. For example, which kind of product is more attractive, how to promote it, what is the appropriate tourist scale, how to finance it and balance the budget, how to protect the environment, how to manage it ecologically, and how to supervise and carry out regulations. In the 1980s, forestry tourism emerged quietly and got full development. Until 1995, there had been more than 750 forest parks of all levels throughout the country, dispersed in 27 provinces and autonomous regions, with the total area up to more than 6,300 million hectares. The intention of building forest parks is to develop tourism on the basis of protecting

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and enhancing forest resources. In 1995, Chinese forest parks in all received more than 30 million visitors, with an overall income of more than RMB¥400 million.

Changes in government policy

With the development of tourism, especially domestic tourism, government policy on tourism changed correspondingly, and experienced a transition from restraint to nonintervention and then to positive encouragement. Before 1978, a strict household registration system limited the migration of people; as the economic reform started, the central government released controls over local economic development. Governments of all levels paid little attention to the development of tourism; in the 1990s, particularly at the turn of century, domestic tourism grew rapidly and rose up to be a new growth point of the local economy, which increasingly arouses governments' interest and obtains more and more policy support and encouragement.

Tourism development has surely benefited local economy as well as many other fields. Thus it has been taken more and more seriously by government. In December 1998, the Central Government Economic Conference was held in Beijing at which the tourism industry was for the first time established as a new growth point in the national economy. Until April 1999, there had been 24 provinces and autonomous regions of China that had determined to support and encourage the tourism industry as a pillar industry or key industry (He, 1999). And the number of the provinces, autonomous regions, and cities directly administered by central government, where the decision to accelerate development of tourism industry had been issued, was 24, 80 per cent of the total number of provincial-level regions in China (Liu, 1990).

In those regions encouraging tourism development, tax, finance and some related favorable policies are adopted to meet the demand of tourism construction. For example, Shandong province has issued the most favorable policies for tourism development. The government of Shandong province decided that the tourism industry should be involved in the planning of national economy and social development; profit projects of tourism can be listed in the plan of infrastructure construction, and nonprofit ones listed in the appropriation plan; the construction of infrastructures for tourism development in the urban areas will be treated in the same way as urban infrastructure, included in government's financial budget and investment plan; domestic and foreign enterprises are encouraged to take part in tourism development, enjoying favorable policies such as "two items free and three items less" after tourism projects are constructed. For some large tourism projects listed in the provincial planning, a proportion of an initiating fund could be allocated by the government to improve tourism infrastructures, orient investment and promote financing. Meanwhile, capable tourism enterprises take priority in the issuing of bonds and stocks. During the first five years of the twenty-first century, all the taxes handed in by the directly administered tourism enterprises will be delivered back to the bureau of tourism administration of the same level, for tourism investment (Government of Shandong Province, 1999).

Conclusions

China's domestic tourism development entered a new period of development at the turn of the century. In the 1980s, China's tourism industry largely depended on international tourism. Tourist products in the supplier's market were those of international prestige, such as the ancient city and terracotta warrior and horse figures in Xi'an, the picturesque landscape in Guilin, and the Forbidden City and Great Wall in Beijing. All the attractions in these destinations are high-rated and particular, without much investment in transforming resources into products. Efforts should be put into the construction of infrastructure and accommodation facilities, instead of the development of tourism product or attractions. It is called "resource co-generating with product" and the industrial pattern is low input and high output. "Low input and high output" was the most salient feature of development of the tourism industry in the 1980s.

The situation changed thoroughly in the 1990s: market orientation to tourism development was increasing and government support of the industry also strengthened. The supply of tourist products became abundant in amount but fewer changes took place in product type while the demand for tourist products became diversified, classified and specialized. The demand side determined the market, allowing tourists to select widely and make decisions more freely. Various substitutes for tourist product competed so fiercely that it became impossible for tourist products to be directly

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transformed from resource to attraction without a large amount of investment. The development structure changed to become "resource promoted to product", and the industry in this period shifted to a 3H (high input, high risk and high output) pattern. During the 1990s, the construction of highway and airport developed quickly and infrastructure and accommodation facilities were no longer the "bottleneck" of tourism development. Investors have more concerns with the quality of attractions and services themselves.

Tourists have different demand elasticity for various tourism products after they generate travel motives. For domestic tourism in China, products with smaller demand elasticity are mostly intermediate-short-haul sightseeing and short-haul weekend vacation, i.e. most travellers will select these two types, and their market shares are estimated at more than 70 per cent. The product ranking third is the long-haul sightseeing travel with people travelling to scenic areas or natural conservation areas with excellent environment quality and beautiful landscape far away from their own residence. Eco-tourism also appeared with the rapid urbanization and the fashion of postmodernization, but it is still not the mainstream. The last type is culture tourism. It has the largest demand elasticity, largely dependent on the experience or education of tourists. At present, domestic tourists are willing to select the first two tourist products, which has formed ReBAM (recreational belt around metropolis) spatially in some cities in China (Wu, 1999).

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