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# China: Government Policy and Tourism Development

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## Introduction

In 2015, according to the China National Tourism Administration (CNTA), China welcomed 133.8 million inbound visitors; it witnessed 130 million outbound trips by its citizens; and more than 4 billion Chinese residents took domestic trips around the country. International arrivals generated almost US\$60 billion, outbound tourists from China spent an estimated US\$229 billion (GfK, 2016), and domestic tourism generated ¥(Yuan)3.3 trillion or US\$491 billion (CNTA, 2016). By 2020, Beijing anticipates that domestic tourists will spend ¥5.5 trillion yuan a year, more than double the total in 2013, to account for 5 percent of the country's GDP. In 2014, the combined contribution from all three components of the tourism industry to GDP, covering direct and indirect expenditure and investment, in China was ¥5.8 trillion (US\$863 billion), comprising 9.4% of GDP. Government forecasts suggest this figure will rise to ¥11.4 trillion (US\$1.7 trillion) by 2025, accounting for 10.3% of GDP (Wang *et al.*, 2016).

Few governments in the world have approached tourism development with the same degree of control and coordination as China, and certainly not with outcomes numbering visitation and visitor expenditure in the billions in such a short period of time. In 1949 when Mao Zedong and the Communist Party of China (CCP) achieved complete control over mainland China, his government effectively banned all domestic tourism by making internal movement around the country illegal (CPC officials excepted), tourism development was removed from the package of acceptable development streams as a bourgeoisie activity, and international visitation was a diplomatic tool to showcase the Communist Party's achievements, that was restricted to a relative handful of 'friends of China'. From 1949 until the death of Mao in 1976 and the ascendancy of Deng Xiaoping with his 'Open Door' policies of 1978 some three decades later, fewer than 250,000 international visitors penetrated the 'Bamboo Curtain' that Mao drew over China. However, as one component of Deng's policies, tourism became an approved area for development, and overseas visitors were progressively permitted to enter China. It is thus only in the last 38 years that tourism has witnessed planned growth of domestic tourism, inbound international tourism and, since 1996, outbound tourism by Chinese citizens, from virtually nothing in all three areas to its current colossal proportions whereby it is a world leader.

The effects of tourism growth in China have been substantial in terms of its economy, its society, its culture and national identity, and its environment. This extraordinary growth has taken place in the context of China's stable transformation from a centrally-controlled command economy of orthodox communist ideology to one where market forces are increasingly manifest, in contrast to the disruption that characterized the transition of most other former communist countries to a market economy (Organization for Economic Co-operation and Development, 2003). Tourism has been elevated and integrated into this transition by very specific government policy and planning as 'a pillar industry' in a way that has not occurred in any other socialist/communist country (Sofield and Li, 2011). However, strains are beginning to appear in Chinese society as its debt levels increase and the economy struggles to retain its former growth rates, and doubts about the capacity of the CPC to continue its relatively smooth transformation to a modern economy are emerging. The tourism sector in all three areas (inbound, outbound and domestic) is inevitably impacted by these developments. This chapter examines the role of successive Chinese communist party governments in working with tourism over the past four decades.

## A short history of government in China since 1949

Since the assumption of power by the Communist Party in 1949, three main stages in the evolution of tourism development can be identified. First there was 'non-tourism' under Mao Zedong (Sofield and Li, 2011), followed by what has been recognized within China as the 'two phases' phenomenon. Phase one is known as 'cultivation', 1978–1991, when tourism emerged as a new and acceptable form of development from the restrictive emphasis of Mao on collectivization of industry and agriculture through State-owned enterprises (SOEs) or *yangqi*; and Phase two as the 'growth phase' from 1992 to the present, when a private tourism sector began to emerge that has progressively adapted to a market economy (Zhao *et al.*, 2006). Because of its elevation to the status of a 'pillar industry' in 2009, one can suggest that in fact tourism in China then embarked on a third phase which is still continuing, called here 'Phase Three – Strategic national development contributor'. As noted, the rigid restrictions that curbed travel under Mao Zedong from 1949 until Deng's open-door policies of 1978 constituted a 30-year period of very deliberate 'non-tourism' policy that set mid-twentieth century China apart from virtually all other countries, including its counterpart communist countries of Eastern Europe whose workers were entitled to annual vacation leave in mega resorts provided by the state. In China, by contrast, only highly-ranked CPC cadres were privileged to stay in government guesthouses. In brief, under Mao, leisure travel was prohibited for all but a favoured few (Li and Sofield, 1994).

The evolutionary phases of the development of tourism in China are better understood when situated against a background of the path of modernization that China's economy and politics have followed since 1978. Deng's reform era was initiated at the Third Plenum of the 11th Central Committee in 1978 with the official launch of the 'Four Modernizations program', designed to transform the economics of agri-

culture, industry, national defense, and science and technology in China. Politically, Deng also implemented ‘collective leadership’, a specific measure designed to avoid the dictator-like imposition of Mao’s personality cult in the future, in which checks and balances were institutionalized within the CPC structure (Chang, 1988). Justification for embracing the move towards a more market-oriented economy was that China’s previous planners had failed to understand that the economy could not leapfrog from an agrarian economy to industrialization without transiting through capitalism which could provide the wealth needed to achieve true socialism (in Deng’s famous phrase: “No matter whether the cat is black or white, it is a good cat if it catches rats” – Li, 1977: 107). China’s modernization has thus involved a dual adjustment from: (i) a centrally planned economy to a more market-oriented economy ‘with Chinese characteristics’; and (ii) a traditional agricultural to a modern industrial society. These changes are far from complete as China finds itself coping with “parts of the traditional, the socialist, the modern, and the market, all mixed up in a jumble of mind-boggling complexity” (Naughton, 2007: 4). Tourism industry development and activity span both. (Editors’ note, see also Hinch and Achary, this volume for discussion of a not dissimilar process occurring in Cuba).

For the past 30 years, China has been the world’s fastest-growing economy, averaging 10% per annum for the decade 1995-2004, and 7.5% for the decade 2005-2014 (OECD, 2016). By 2005, its gross domestic product (GDP) had reached US\$2.225 trillion, surpassing the GDPs of Britain and France to become the fourth-largest economy in the world. It is currently the world’s second-largest trading nation – in 2014 its GDP amounted to USD\$10.35 trillion. It has the world’s largest population at more than 1.381 billion despite a declining birthrate, and the combination of its rapid economic growth and massive human resources has propelled it to the forefront of world economies. Yet it is still fighting poverty, with more than 100 million people living at or below the subsistence level, and its GDP per capita is only US\$7,590 per year compared with \$54,629.50 per capita for the United States (Table 4.1) (World Bank, 2016).

Year	2012	2013	2014	2015
China	\$6,264.6	\$6,991.9	\$7,590.0	\$7,924.7
USA	\$51,456.7	\$52,980.0	\$54,629.5	\$55,836.8

**Table 4.1:** GDP per capita income 2012-2015.

Source: <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

As China has embraced the major features of a market economy and powered into the twenty-first century, disparities in incomes and diversity in living standards have increased. Despite the complexities and difficulties, the World Bank (2000), commenting on the success of China in lifting more people out of poverty than any other country in a very short period of time, re-categorized China from ‘lower income’ to ‘lower middle income’ status. The Chinese themselves use an ancient saying to describe their steady, calculated progress: “Crossing the river by feeling underfoot for the stones”.

China has progressed along this path with four characteristics that may be considered unique to China: (i) a gradualist *transformation* to a market economy rather