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How China (PRC) Will Impact Asia

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SINCE ITS reform process started in 1979, China (PRC) has become the world's fastest growing economy. The average annual GDP growth rate was 9.6 percent 1979-2000. Measured by purchasing power parity, China (PRC) is the world's second largest economy. The average annual growth rate of trade in 1980-99 was 12.6 percent, exceeding the GNP growth rate by three percent.

China (PRC)'s integration with the Asian economy has moved slightly faster than its pace of integration with the global economy. Its annual growth rate of total trade in 1980-99 was 12.6 percent, but the annual growth rate of trade with Asia was 13.3 percent.

Japan is China (PRC)'s largest trade partner. Most Asian economies have a trade deficit with Japan but China (PRC) has a small trade surplus. From 1980 to 1999, the average annual growth rates of China (PRC)'s imports from and exports to Asia excluding Hong Kong SAR and Japan were, respectively, 20.8 percent and 13.3 percent.

China (PRC)'s integration with the world economy started with commodity trade but proceeded quickly to the capital market. The total amount of foreign direct investment (FDI) 1979-1983 was only US\$1.8 billion, and increased to US\$45.5 billion in 1998. Since the mid 1990s, China (PRC) has been the world's second largest recipient of FDI, next only to the United States, and the largest recipient among developing countries. This has contributed much to China (PRC)'s economic and trade growth.

However, China (PRC)'s per capita income is still very low. According to the World Bank, the GNP per capita in 1999 was US\$780 and ranked 140 in the world. When measured by purchasing power parity, the GNP per capita in

1999 was US\$3,291 with a slightly improved ranking to number 128 in the world.

The large per capita income gap between China (PRC) and the developed countries indicates China (PRC)'s potential to maintain rapid growth in the coming decades by adopting an open market system and by borrowing technology from advanced countries, the same path taken by Japan and other Asian Tigers in their fast growing period.

It is widely predicted that China (PRC) will maintain a seven to eight percent GNP growth rate per annum in the coming decades and catch up with the U.S. in economic size around 2020. But first, it will be required to complete the transition from a centrally-planned to a market economy, strengthen its financial system, tackle the budget constraints of state enterprises, mitigate regional income disparities, improve the environment, and maintain political and social stability.

In the newly approved 10th Five Year Plan, the Chinese government has committed to further pursuing a market-oriented reform and open door policy. The targets of annual GNP growth and trade growth for the period 2001 to 2005 are seven and eight percent respectively.

Moreover, China (PRC) will need to better use its comparative advantages to develop its industries. Today, China (PRC) is rich in labour and relatively scarce in capital and natural resources. It is expected that China (PRC)'s labour-intensive industries will continue to develop dynamically in the coming decades, especially the labour-intensive sections of many capital-intensive industries. Furthermore, because of its large market, China (PRC) will have a competitive edge on assembling technologically mature heavy equipment for its large domestic market with key components imported from advanced countries.

All this will further integrate the Chinese economy with global production networks. In future, China (PRC) is expected to export more labour-intensive final products to

CHINA (PRC) RESTRUCTURES ITS AVIATION SECTOR

China (PRC)'s multi-billion dollar aviation industry is being restructured in preparation for the liberalisation and competition that will come with its entry into the WTO.

According to a newly-released research study by the Sydney-based Centre for Asia-Pacific Aviation (CAPA), immense opportunities await those seeking to sell associated products and services as China (PRC) liberalises its traffic rights, strengthens airport hubs, privatises some of its airports, and restructures its airlines. This is necessary for them to become part of global alliances. However, the priority is to ensure that its huge market potential best serves Chinese interests by enhancing their negotiating positions in the deal-making to come.

The first study of its kind, *The Essential China Book 2001: Airports, Airlines and Tourism* has undertaken the complex task of bringing together all the policy and forward planning positions of the China Civil Aviation Administration (CAAC) as it strives to slowly but surely modernise and strengthen China (PRC)'s aviation sector.

In his preface, CAPA Managing Director, Mr. Peter Harbison, says: "The potential of China (PRC)'s aviation and tourism markets defies comparison. It is immense. But the path to realisation of this potential is fraught with challenges – for policymakers, for infrastructure interests and for service providers."

The study notes: "If aviation and tourism are to flourish, foreign investment and joint venture partnerships will be essential. But while consistent internal profitability is absent, so is any private capital rush to invest. An unpredictable investment regime with – as yet – limited transparency and lingering government intervention has not helped."

The book notes that from 1978 to 2000, airport passenger movements grew 29-fold to 134 million. About 70 new or substantially expanded airports were added, with about US\$7.9 billion being invested in the last five years alone.

Its 48 large and small airlines operate 596 air routes linking 139 civilian airports.

According to CAPA Research Director Mr. Derek Sadubin, while China (PRC)'s WTO membership will not immediately affect commercial air services rights – the WTO does not yet have jurisdiction in that area – it will have explicit implications for attempts to protect a budding aircraft repair and maintenance

industry as well as selling and marketing of computer reservations systems.

Outbound tourism is likely to rise after WTO membership. A more open economy generates a greater propensity to travel and more countries are also likely to be designated as approved destinations in response to trading pressures and free trade rules. For inbound tourism, short-to medium-haul markets (from Northeast and Southeast Asia) dominate current arrivals in China (PRC) and are expected to continue to do so through the next five years.

However, the single most significant operation under way in China (PRC)'s aviation industry which will impact airlines, airports and tourism, is the CAAC's ambitious airline merger plan. In the blueprint, 31 airlines and 17 branch carriers are to be gradually restructured under the three pillars of Air China, China Eastern and China Southern, which operate respectively out of the country's three major hubs: Beijing, Shanghai and Guangzhou.

Mr. Sadubin says that this could achieve what in other countries took years of market and regulatory evolution, by:

- Reducing competition, thereby delivering some commercial certainty to shareholders and capital providers (lenders and investors)
- Providing a solid international base for China (PRC)'s airlines to compete internationally with increasingly large European and U.S. operators
- Placing the newly strengthened airlines in a much more powerful position in negotiations with global alliance partners
- Permitting China (PRC)'s air services negotiators to focus route grants on a limited number of gateways, thereby allowing greater control of onward traffic distribution (so that it travels on Chinese carriers behind these gateways, a policy which has played an important role in the growth of many of the world's stronger carriers), and
- Focusing on airport infrastructure which is being put in place in parallel with the big three airlines. The three airports in Beijing Capital, Shanghai Pudong and Guangzhou are all undergoing, or have undergone, major upgrades.

the world and import from abroad more raw materials or components, which are produced with capital-intensive technology. Judging from past trends, China (PRC) will import more from Asian economies than export to Asian economies, especially from areas other than Hong Kong SAR.

A large amount of FDI will continue to come to China (PRC) in the coming decades both for tapping China (PRC)'s large domestic market and for using it as a manufacturing base for the world market.

The larger the market size for a product, the greater the possibility of a division of labour in its production process. Chinese firms will be able to achieve higher degrees of division of labour and have larger economies of scale in production by relying on the large domestic market, compared with firms in other developing countries at a similar stage of development. Therefore, Chinese firms could be more competitive than firms of similar products in other economies with a similar stage of development. To compensate for China (PRC)'s large-economy advantage, firms in other economies may need to focus more on certain resources and to export those commodities to the Chinese market.

China (PRC)'s dynamic growth will become an engine of growth for other trading partners. The accession to the World Trade Organization (WTO) will make China (PRC)'s domestic market more accessible to other economies, including Asian economies at a similar stage of development.

China (PRC)'s trading partners, in both more and less developed economies, will need to adjust their domestic economies and trade patterns in order to benefit fully from the opportunities and challenges. Growth in China (PRC) will become the engine of growth for many of its trading partners. It will become increasingly important in the coming decades to global economic stability and growth, especially in Asia.

While adjustments are necessary for any economy, they can prove painful for some segments. Short-term political reasons may make it difficult for governments to adopt policies that are inconsistent with the need to make the necessary adjustments, which may only lead to a sacrificing of the gains from trade.

It is important for China (PRC) and the world to have a consultation mechanism to exchange views, positions and so on to solve possible conflicts arising from dynamic change. The WTO is a good institution for this purpose. China (PRC) will also welcome other regional forums, bilateral meetings and other new initiatives for dialogue and consultation.

The Growing Market for Pilgrimage Tourism

SLOWLY BUT surely, the travel and tourism industry is awakening to the realisation that both religion and religious travel are critical components of the global travel and tourism industry. Two international conferences to be held within the next few months are early indicators of a trend certain to gain momentum in the years ahead.

The PATA region is home to a tremendous diversity of religious beliefs, nearly all of which have some requirement for a pilgrimage. Indeed, for hundreds of years, pilgrimage travel has been one of the greatest sources of human movements. The Islamic Haj, an annual event, sees about three million people converging for what is essentially a seven-day event. In the Holy Land, millions of Christians joined the Pope in his recent journey of forgiveness following the footsteps of Christ.

The recent Kumbh Mela in India brought together nearly five million devout Hindus. Thousands of people visit Thailand every year to learn to meditate with Buddhist monks.

International Institute for Peace Through Tourism (IIPT) Executive Director, Dr. Louis L'Amore, says: "It is increasingly recognised that travel, in all its dimensions, has a vital role to play in promoting an appreciation of the diverse cultures that make up the global family and the awesome beauty and wonder of all creation."

Behind every pilgrimage lies a gargantuan logistical exercise, a huge mounting of transportation, accommodation and municipal infrastructure for what is basically a one-off seasonal event. Embassies have to gear up for a deluge of visa applications. Airlines of countries with sizeable Islamic populations charter special aircraft every year to ferry the Muslim pilgrims. Cleaning up after the event is no easy task. While some countries have the money and infrastructure to support the multitude, others are not so fortunate.

There is no doubt, however, that Pilgrimage Tourism is a vast market that can do justice to both the Prophets and profitability. As pressure-cooker lifestyles lead to more stress, higher levels of instability and insecurity, people will realise that simply going to spas, health farms and retreats is not going to cut it. A global movement has emerged of people seeking to retain what little remains of their rapidly

diminishing culture in the face of globalisation. Here are two upcoming conferences seeking to link travel, tourism and religion. Expect many more in future.

IIPT Spirituality in Tourism Conference

In Assisi, Italy, October 13-17, 2001, the IIPT is organising a conference for tour operators in support of the U.N. International Year for a Dialogue Among Civilisations and the U.N. Decade of Peace and Non-Violence for the Children of the World.

Assisi, a World Heritage Site, has been the inspirational setting of other spiritual gatherings in the spirit of St. Francis of Assisi. One such gathering was in October 1986 – the U.N. International Year of Peace – when Pope John Paul II brought together 90 religious leaders from all faiths to acknowledge the central role of religions in promoting tolerance, understanding and peace among all peoples and nations. The IIPT Assisi Conference serves to commemorate the 15th anniversary of this gathering.

Topics to be discussed will range from "Travel as a Spiritual Experience" to "Spirituality in Tourism Development." Featured speakers include: Professor Lama Gangchen, Founder of the Lama Gangchen World Peace Foundation; Fr. Don Conroy, Director, International Consortium on Religion and Ecology; Dr. Noel Brown, President, Friends of the United Nations; Mr. Carlos Warter, Global Tour Leader to sacred sites; Ms. Helene Shik, noted visionary; Rev. Maximilian Mizzi, Founder, Franciscan Centre for Inter-Faith Dialogue; Ms. Marsha Smoke, Indigenous Leader; Mr. Marcello Palazzi, Founder, Progressio Foundation; Ms. Nancy Rivard, President, Airline Ambassadors International; and others.

The first two days of the conference will consist of guided walks in the "Footsteps of St. Francis," led by Franciscans at the Franciscan Monastery in Assisi. Emphasis will be given to an interactive dialogue among all delegates with a view to identifying positive steps that can be taken in giving concrete expression to the spiritual dimensions of travel.

The focus on the last day of the conference will be on specific projects that can be undertaken in Africa, such as the Children's Peace Centre, community-based tourism initiatives, addressing the digital divide, and other possibilities. These proposed projects will feed forward for further definition and implementation to the First IIPT African Conference on Peace Through Tourism. This will be held in Mpumalanga Province, South Africa, March 3-7, 2002. The event is being organised in collaboration with the Africa Travel Association (ATA) and Mpumalanga Tourism Authority (MTA).

A limited number of rooms have been reserved at the conference venue, La Citadella. As participation is being limited to 100 delegates to preserve the interactive nature of the conference, registration is best done as soon as possible via the IIPT Web site at: www.IIPT.org. Interested parties can e-mail skayod2000@yahoo.com or IIPT@together.net.

IIPT is a non-profit institute, organised in 1986 with the mission of fostering a "culture of peace through tourism." Recent activities have included organisation of the Global Summit on Peace Through Tourism in Amman, Jordan, which saw the participation of 450 travel and tourism leaders from more than 50 countries.

Promotion of Buddhist Tourism Circuit

Senior tourism officials from countries that are home to historic sites of the Buddhist religion are scheduled to meet September 5-7, 2001 for a seminar on regional tourism cooperation which focuses on Buddhist heritage. Organised by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the seminar is being funded by the government of Japan and held at the Kazusa Akademia Park, Kisarazu City, Chiba Prefecture.

National, provincial and district level officials and NTOs from Bangladesh, Cambodia, China (PRC), India, Lao PDR, Myanmar, Nepal, Sri Lanka, Thailand, and Vietnam are expected to participate, along with international tourism organisations.

Presentations will examine a broad range of issues such as the value of Buddhist cultural heritage as tourist attractions; sustainable development of the Buddhist tourism circuit; preservation and maintenance of Buddhist heritage; public/private partnership and sectoral cooperation; effective promotion activities; improving the quality of guides; and future prospects.

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