

# **ECONOMIC THEORY, APPLICATIONS AND ISSUES**

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**Tourism Development as a Dimension  
of Globalisation: Experiences and  
Policies of China and Australia**

**by**

**Clem Tisdell**

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# **Tourism Development as a Dimension of Globalisation: Experiences and Policies of China and Australia**

## **Abstract**

Both China and Australia have participated in the process of growing economic globalisation in recent decades. This paper compares trends in the openness of China's and Australia's economy in terms of international trade and foreign direct investment, and then examines global trends in international tourism. This dimension of growing globalisation indicates an accelerating trend in the second half of the 20<sup>th</sup> century. The article shows how China was able to take advantage of this trend as a consequence of its economic reforms and opening up to the outside world. A mini-case study of the expansion of China's tourism industry and its evolving policy framework is provided. Australia also has obtained significant growth in its tourism industry in recent decades, particularly its international tourism sector. The reasons for this are outlined and some comparisons are made between China's and Australia's tourism industry. A discussion of the observed trends follows. It is argued that while growth in inbound tourism has fostered economic growth, this has been obtained at the price of increased economic vulnerability of this industry. It is speculated that while growing globalisation of industry may promote economic growth, it also often has the unwelcome effect of raising the economic vulnerability of industry

# **Tourism Development as a Dimension of Globalisation: Experiences and Policies of China and Australia**

## **1. Introduction**

An important and visible dimension of growing globalisation has been the upsurge in international tourism in recent decades. This has been a consequence of several factors. They include rising populations with higher incomes, more leisure-time, falling real cost of travel and reduced travel times as well as global media services that make individuals everywhere more aware of the outside world. It can be argued that the upsurge in such travel is partly a consequence of growing economic globalisation and also a contributor to it. Some circular causation is present. Nevertheless, it would be wrong to believe (as discussed later) that growing economic globalisation is the sole source of the worldwide expansion of international tourism.

As mentioned in the opening chapter to this book, a rapid escalation in world economic globalisation began around the mid-1970s measured by world exports (of goods plus services) as a percentage of world GDP and this was reinforced in the mid-1980s, and particularly after the early 1990s, by a massive increase in foreign direct investment as a percentage of world GDP. From the mid-1970s onwards many countries, including China and Australia, began altering their focus from inward-looking economic policies to outward-looking ones.

There are, of course, many differences between Australia and China such as massive differences in their size of populations, different historical experiences, cultural roots and so on. China has a transitional economy but Australia does not. Australia is also ranked as a higher income country but China is a lower income country. Nevertheless, all have been subject to the globalisation process and at a general level, there are some similarities in policy trends and in changes in their degree of economic openness. Both have also experienced and upsurge in international tourism in recent decades as a dimension of their involvement in the globalisation process.

In this chapter, trends in the degree of economic openness of these two nations are compared. Then global trends in international tourism since the 1950s are presented and discussed. That

provides a background for considering trends in such tourism in China and in Australia. Most attention is given to China's changing tourism situation and alterations in its policies affecting that situation. This leads on to comparisons between the Chinese and Australian tourism industries. The chapter concludes with a discussion of issues involved in China's and Australia's future development of international tourism, and with consideration of the economic vulnerability of the tourism industry, particularly its international component.

## **2. Trends in the Comparative Openness of China's and Australia's Economy**

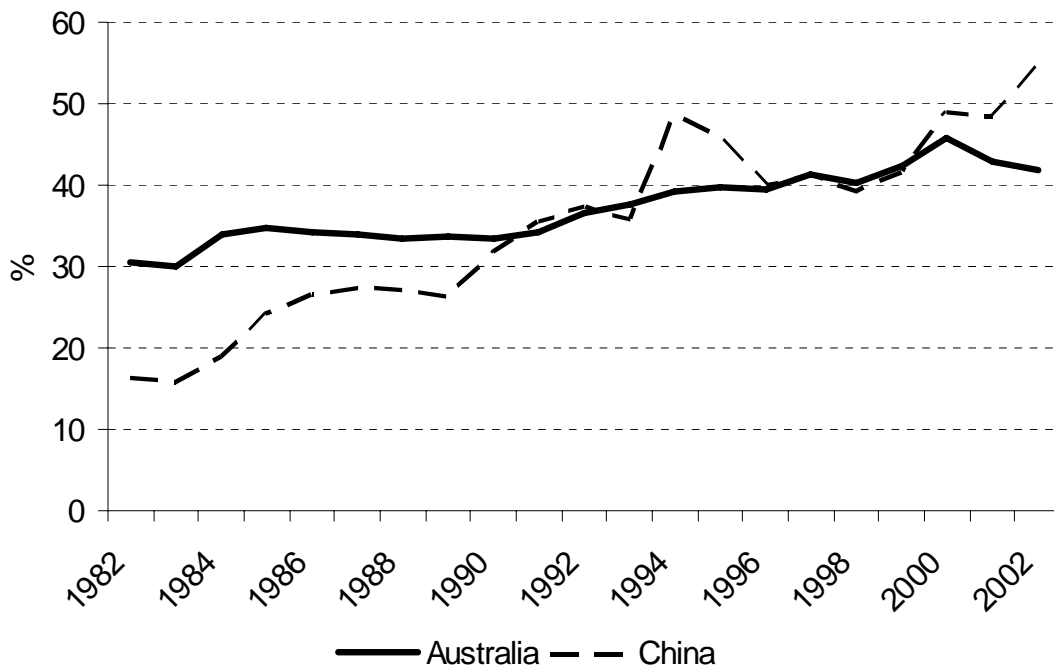
Both China's and Australia's economy have become much more open during the two decades 1980 – 2000. However, as one would expect, the increase in the degree of openness of China's economy in this period was much more marked than in the Australian case.

Before China began its economic reforms in 1978, the Chinese economy was relatively closed with most of its trade confined to the Communist bloc. Its economic reforms proceeded step-by-step (slowly and methodically) after 1978. However, in line with the philosophy of Deng Xiaoping, these always evolved towards greater use of market forces and growing integration with the world economy. China had to transform from a centrally planned economy to an economy increasingly directed by market forces. Major transition was involved.

By contrast, Australia had a mixed economic system in the early 1980s with significant protection of local industry from overseas competition. As pointed out in the earlier chapter on Australia's policy reactions to economic globalisation, Australia began economic reforms in the 1980s designed to open up its economy to greater market competition but they did not gather much momentum until the early 1990s.

As can be seen from Figure 1, China's trade in goods and services as a proportion of its GDP more than trebled between 1982 and 2002. In the same period, Australia's openness using the same measures rose by about 50 per cent. By the end of the 20<sup>th</sup> century, these economies were about equally open on the basis of this measure whereas in the early 1980s, the Australian economic was relatively much more involved in world trade than the Chinese economy.

**Figure 1: International Trade in Goods and Services (% of GDP), 1982-2002, Australia and China**



Source: Based on *World Development Indicator* (WDI), World Bank

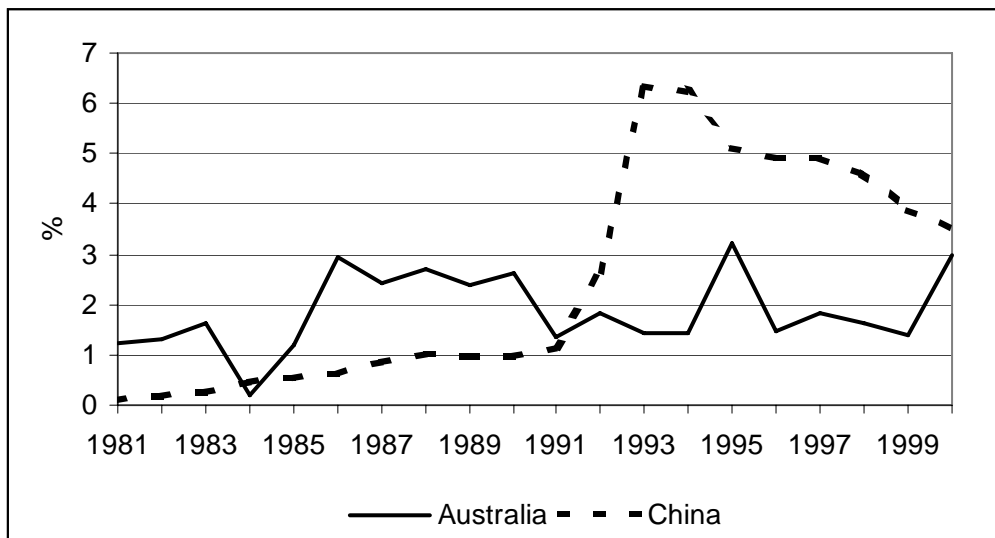
In the early 1980s, Australia’s international trade in goods and services as a percentage of its GDP was about twice the level of China’s but by the early 1990s, China was on par with Australia in terms of this measure (See Figure 1). China has since then had an economy at least ‘open’ as Australia’s, or more ‘open’, according to this indicator. Since the early 1980s, the proportion of Australia’s GDP entering international trade has moved slowly but persistently upwards. China sustained a fast rate of opening up until the mid-1990s and then its proportion of GDP entering international trade fell and remained relatively stationary until 1999 (see Figure 1). Whether China’s entry to the WTO will give a new fillip to China’s relative level of international trade remains to be seen but a strong upward trend is apparent since 1999. Possibly China’s wish to join the WTO was in part motivated by the view that this would provide a stimulus to its international trade.

Observe that because China’s GDP grew at a much faster rate than Australia’s, China’s growth in absolute international trade in goods and services grew at a much faster rate than Australia’s.

As a side point, it might be noted that international trade in goods accounts for a much higher percentage of the GDP of Australia than China. Although this percentage has risen since the early 1980s, both for Australia and China, the Australian upward trend has been steadier and more persistent.

It may also be interesting to compare Foreign Direct Investment (FDI) net inflows of Australia and China. Since the early 1990s, net inflows of FDI for China as a percentage of its GDP have been much higher for China than Australia (see Figure 2). Since about the early 1990s, FDI has on average been relatively more important in China as a source of gross capital formation than Australia (see Figure 3). But FDI as a proportion of gross capital formation in China declined after the mid-1990s. Again Chinese authorities may have had some concerns about this and felt that its entry to the WTO and further economic reforms might provide additional stimulus to FDI in China.

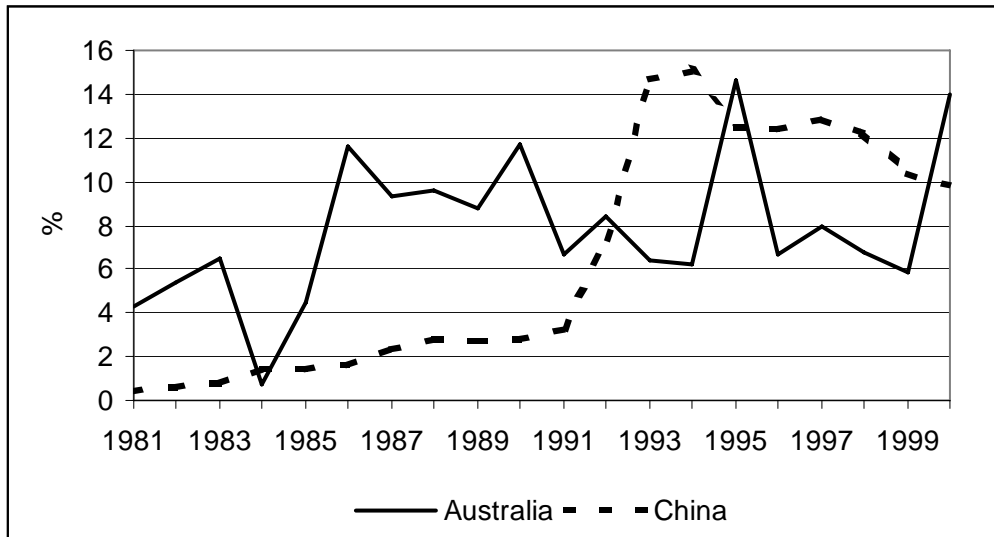
**Figure 2: FDI, Net Inflows (% of GDP), 1981-2000, Australia and China**



**Source:** Based on *World Development Indicators* (WDI) Online, World Bank



**Figure 3: FDI, Net Inflows (% of Gross Capital Formation), 1981-2000, Australia and China**



**Source:** Based on *World Development Indicator* (WDI) Online, World Bank.

In Chapter 1, it was noted that there was a large upsurge in global FDI as a proportion of world GDP in the early 1990s. From Figure 2 it can be seen that China shared in that surge but not Australia. In fact, FDI as a percentage of Australia's GDP has been relatively stationary since about 1986, showing, however, a slight downward trend and a similar pattern can be observed in relation to net flows of FDI as a percentage of Australia's gross capital formation. Whereas globalisation provided a strong stimulus to FDI in China, a similar stimulus does not appear, from Figures 2 and 3, to be present in the Australian case.

Nevertheless, both economies became much more open in the period 1980-2002, particularly in relation to their international trade in goods and services. This was partly a reflection of worldwide trends, and of specific policy measures adopted by both nations to liberalise their economic systems and increase their participation in the international economy. During this period, these nations also experienced substantial growth in their involvement in international tourism. This is another feature of growing globalisation. Let us consider the global growth in international tourism and then consider China's and Australia's position in that regard.

### 3. Growth in International Tourism Globally

There has been an amazing expansion in international tourism in the last half-century or so. Not only has the number of international arrivals risen dramatically but even more significantly there has been a tremendous rise in the percentage of international arrivals as a percentage of world population. That is apparent from Table 1. In 1950 there were about 25 million such arrivals and in 2000, over 700 million. They are predicted to reach more than 1 billion by 2010. At the same time, the average relative frequency of involvement of the world's population in international travel has shown a strong upward trend. It rose from just under one per cent in 1950 to over 11 per cent in 2000; a rise of 11 times its 1950 level. Nevertheless, it should be borne in mind that most of this travel is accounted for by residents of foreign income countries (Tisdell, forthcoming a). Participation in international travel is geographically very uneven and accounted mainly for by residents of higher income nations.

**Table 1: International Tourist Arrivals in Relation to World Population, 1950-2010**

<b>Year</b>	<b>International Arrivals ('000 persons)</b>	<b>World Population ('000 persons)</b>	<b>Percentage of International Arrivals of World Population</b>
1950	25282	2555360	0.99
1960	69320	3020112	2.30
1965	112863	3311621	3.41
1970	165787	3675076	4.51
1975	222290	4057284	5.48
1980	284282	4428422	6.42
1985	327570	4818994	6.80
1990	481134	5250661	9.16
1995	561860	5656213	9.93
2000	700789	6052847	11.58
2010 <sup>(*)</sup>	1006400	6812200	14.77

**Sources:**

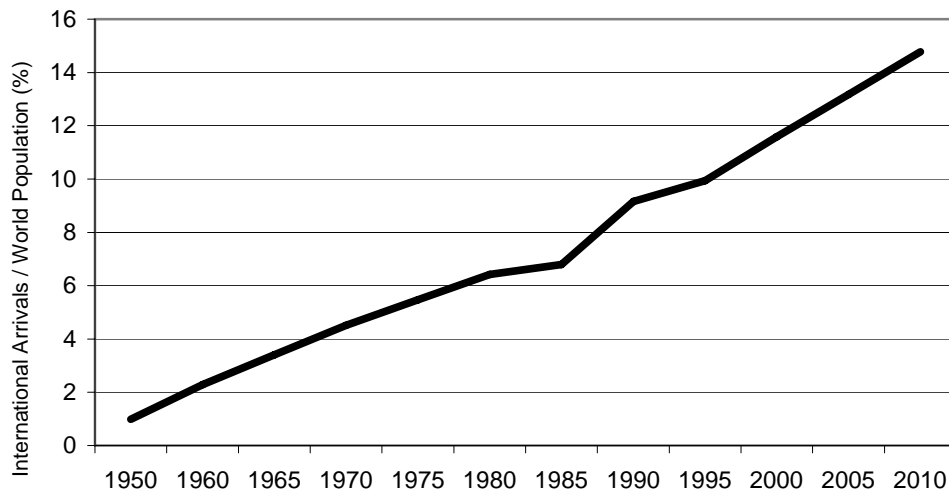
1. The World Development Indicators (WDI) Online (for world population), World Bank
2. The World Tourism Organisation (WTO) yearbooks, various years (for international arrivals)

**Note:** The figures for 2010 are projections by the WTO and World Bank

Figure 4 graphs international arrivals as a percentage of world population. It shows the strong upward trend in international tourism in the modern era. Furthermore, it is distinctly noticeable that this trend accelerated in the 1980s, and that the rate of increase has been higher since economic globalisation has accelerated.

The general upward trend can be attributed to the attainment of high incomes by greater numbers of the world population, greater available leisure-time for more people, lower real costs of international travel and reduced travel times. These factors are quite important for travel for leisure purposes.

**Figure 4: International Arrivals as Percentage of World Population, 1950-2010**



**Source:** Table 1

**Note:** The figures for 2005 and 2010 are projections by the WTO and World Bank

However, an important component of international travel is travel for business or professional purposes. Growing foreign direct investment and greater international trade may be a long-term stimulus to such travel. Therefore, the acceleration in economic globalisation, which was very strong beginning in the mid-1980s, may have also played a role in the uplift in international travel apparent from Figure 4.

Another influence in the 1990s was the consequence of the demise of centrally planned communist systems. The nations involved were highly restrictive of their citizens travelling abroad and of inbound travel. Most international travel of their citizens was restricted to the Communist bloc and usually for professional or political purposes. Restrictions on international travel have been much relaxed in these former centrally planned economies since they have begun their transition to market-led economies. China's experience provides a striking example of a change in the direction of its international tourism policy (and tourism policy generally) following its decision to embark its economic reforms.

#### **4. Expansion in the Chinese Tourism Industry as a Consequence of its Economic Reforms and Opening up to the Outside World**

China's entry into the tourism industry in a major way was relatively late and the growth of its tourism industry was stifled in the period 1949-1977. China's international tourism in this period was limited and often politically motivated with most of its visitors being from other communist countries. Furthermore, domestic tourism was not encouraged because tourism was believed on the whole to be an unproductive service industry.

China's tourism policy changed relatively slowly after 1978. However, by 1987, the Chinese Communist Party accepted that expansion of international inbound tourism was a key requirement for China's economic development. The then General Secretary of the CCP, Zhao Ziyang (1987) emphasised that the expansion of the industry would bring in foreign exchange for China which could be used to fund imports to fuel China's development. Furthermore, it was essential for foreign direct investors, or their representatives, to have access to China if they were going to invest.

After 1987, China's inbound tourism grew more rapidly than its domestic tourism but by the mid-1990s, this appears to have been reversed. In 1992, the Central Committee of the CCP and the State Council made an important decision to increase the relative size of the tertiary industry in the Chinese economy. Thus a positive attitude emerged towards the development of domestic tourism in China.

A third phase in China's tourism policy has been to relax its restrictions on outbound travel. This began in 1990. Prior to 1990 nearly all outbound travel from China was for official or commercial purposes rather than for holidays or recreation. Increasingly, outbound travel for the latter purposes is being allowed. It commenced in 1990 when holiday visits to some southeast Asian countries were permitted. Expansion of outbound tourism helps to offset China's very large trade surplus on its international tourism account.

China's inbound tourism industry has grown spectacularly. The number of its inbound tourists is now more than ten times those in 1988. The number of its domestic travellers is up more than 14 times compared to 1980. The number of outbound travellers has also increased substantially and is still rising. However, China still enjoys a large surplus on its overseas

tourism account. The development of China's inbound outlined in Wen and Tisdell (2001) and so need not be covered here in detail.

Nevertheless, the figures in Table 2 are revealing. They highlight the upward climb since 1985 of foreign tourist arrivals in China. Every year except 1989, 1998 and 2003 saw an increase in such arrivals. Arrivals in 1989 and 1990 were adversely affected by the Tianamen Square incidents in 1989. The Asian Financial Crises explains the decline in arrivals in 1998. The SARS epidemic in China appears to have been an important factor influencing the fall in its arrivals in 2003 but no doubt the global effects of terrorism and the Iraq War also had an impact.

**Table 2: Australia and China's arrivals and departures ('000 persons), 1985-2003**

Year	Australia		China	
	Overseas Arrivals	Australian Departures	Overseas Arrivals (*)	Outbound Departures (**)
1985	1143	1512	1370	n.a.
1986	1429	1540	1482	n.a.
1987	1785	1622	1727	n.a.
1988	2249	1698	1842	n.a.
1989	2080	1990	1460	n.a.
1990	2215	2170	1747	n.a.
1991	2371	2099	2711	1244
1992	2603	2276	4006	1754
1993	2996	2267	4656	1735
1994	3362	2355	5182	3917
1995	3726	2519	5887	4353
1996	4165	2732	6744	4595
1997	4318	2933	7428	5011
1998	4167	3161	7108	4937
1999	4460	3210	8432	4381
2000	4931	3498	10160	4412
2001	4856	3443	11226	4680
2002	4841	3461	13440	5537
2003	4746	3388	11402	n.a.

**Sources:**

1. ABS Overseas Arrivals and Departures, Table 43011 and 34012
2. China Statistical Yearbooks, various years
3. Macao's Statistics and Census Service, at <http://www.dsec.gov.mo>, viewed on 30 Apr. 04
4. Hong Kong Tourism Board, A Statistical Review of Hong Kong Tourism, various years at <http://partnet.hktourismboard.com>, viewed on 30 Apr. 04

**Notes:**

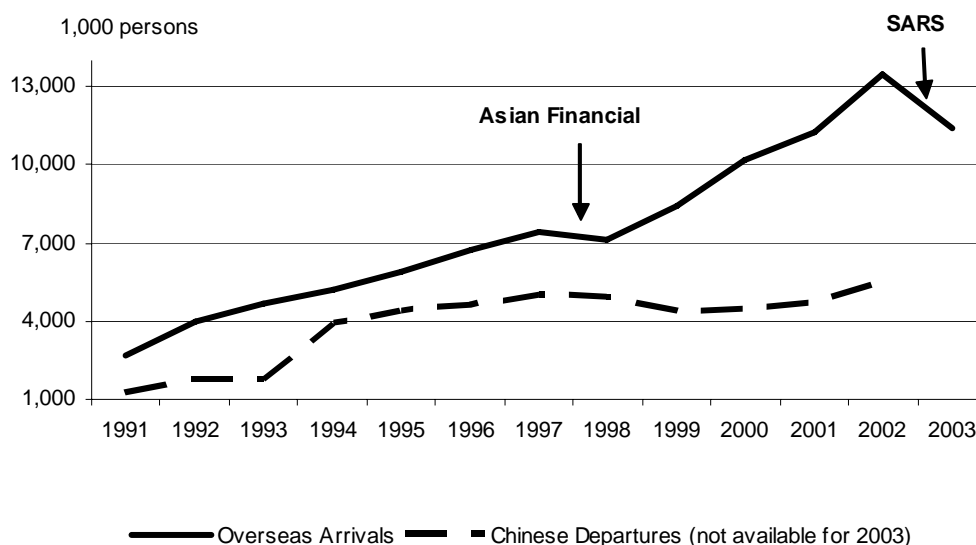
- (\*) Overseas arrivals exclude overseas Chinese and compatriots  
(\*\*) Departures exclude travels to Hong Kong and Macao

It can also be noted from Table 2 that in 1985 Australian and China had a comparable number of tourist arrivals. However, by 2000 China had more than twice the number of tourist arrivals of Australia. Again, while China's tourist departures to foreign countries were less than the number of Australia's overseas tourist departures in 1991, by 1994 China overtook Australia in this regard. Nevertheless, in proportion to their populations, Australia has comparatively many more foreign tourist arrivals than China (Tisdell, forthcoming a) and a much higher proportion of its population travels abroad every year.

Chinese departures showed substantial growth in the early 1990s but after 1994, relatively slow growth, although overall there is an upward trend.

Figure 5 provides information about China's inbound tourist arrivals of foreigners (excluding Chinese from Hong Kong and Macao, and overseas Chinese) and about the departure of Chinese for visits to foreign countries. Strong growth in foreign arrivals is apparent throughout the period and this actually accelerated after 1998. The exception is 2003. The substantial decline in 2003 may be largely explained by the SARS 'epidemic' in China.

**Figure 5: China's Inbound Arrivals of Foreigners and Outbound Departures to Foreign Countries, 1991-2003**



**Sources:**

1. China Statistical Yearbooks, various years
2. Macao's Statistics and Census Service, at <http://www.dsec.gov.mo>, viewed on 30 Apr. 04
3. Hong Kong Tourism Board, A Statistical Review of Hong Kong Tourism, various years at <http://partnet.hktourismboard.com>, viewed on 30 Apr. 04

**Note:** Overseas arrivals exclude overseas Chinese and compatriots. Departures exclude travels to Hong Kong and Macao

Despite the growth in foreign visits by Chinese, China still enjoys a major surplus of foreign arrivals over foreign departures and, in fact, the gap widened after about 1997. China's surplus on its international tourism account will have increased significantly in recent years because foreigners visiting China spend more per visit than Chinese visiting foreign countries.

If short-term visits of Chinese to Hong Kong and Macau are counted as journeys abroad by Chinese, then the growth in the number of Chinese travelling abroad is much increased. However, it now seems more realistic to no longer regard these as foreign destinations (given the changed status of Hong Kong and Macau). In 2000, about half of Chinese outbound departures were to these destinations. Because of the high weight of these destinations in China's outbound tourism, growth in visits to these destinations may mask patterns of growth to other outbound destinations. This can result in possible exaggeration of apparent and predicted growth in China's outbound tourism to foreign destinations. It is said, for example, that "China has the potential to exert greater influence over the development of and marketing of tourism destinations worldwide over the next decade than perhaps any other country on the globe" (School of Travel Industry Management, University of Hawaii at Manoa, 2003, p.1; King and McVey, 2003). However, more analysis of this possibility is required. On the other hand, one should not ignore the change in Chinese policy which has allowed expansion in foreign tourism by Chinese for leisure purposes.

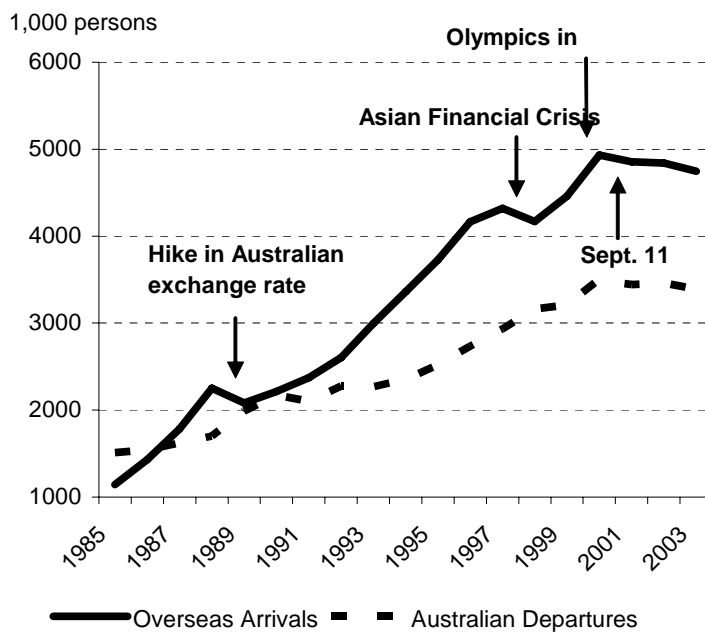
In 2002, the World Tourism Organisation ranked China as number five in the world in terms of inbound tourism arrivals and international tourism receipts. In less than two decades, China went from being an insignificant player in world tourism to one of major significance.

## **5. Trends in Numbers of Australia's International Tourism Arrivals and Departures**

Like China, Australia has shared in the increasing globalisation of tourism but unlike China has never had any major restrictions on such tourism. Numbers of tourist arrivals and departures 1985-2003 are graphed in Figure 6. Until the early 1990s, Australia tended to have a deficit on its international tourism account, with departures of Australians on average exceeding tourist arrivals from abroad. But in the 1990s this situation reversed and Australia enjoyed a growing surplus on its international tourism account. The number of travellers arriving from abroad increasing outstripped the number of Australians travelling abroad.

Factors contributing to the growth in number of tourist arrivals to Australia in the 1990s and into the early 2000s included reductions in the real cost of travel and time involved in travel to Australia. Rising incomes in East Asia also resulted in significant growth in the number of East Asians journeying to Australia. The purchasing power of the Australian dollar was also greater than currencies in the USA and most European countries during most of this period.

**Figure 6: Australia’s Inbound Arrivals and Outbound Departures, 1985-2003**



**Source:** Based on ABS Overseas Arrivals and Departures, Table 34011 and Table 34012

Figure 6 can also be used to illustrate the vulnerability of overseas tourism to episodic or relatively unpredictable events. For example, inbound tourism showed a marked decline in 1998 following the Asian financial crises of 1997. In 2000, the Olympic Games were held in Sydney, Australia. This resulted in a peak in inbound tourism to Australia. Some reduction in inbound tourism following this special event might have been expected in the following year. However, the terrorist attacks of September 11, 2001, and subsequent terror attacks have been amongst the factors contributing to a fall in Australia’s overseas arrivals since 2001. Fears about SARS may have also contributed. It was a significant factor in the fall in arrivals of foreigners in China in 2003, as noted earlier.



## 6. Some Comparisons between China's Tourism Industry and Australia's

Although China's tourism industry is now very large by world standards, comparatively speaking, it is much smaller than Australia's. This is so if account is taken of the differences in the size of populations of the two countries.

In 2002, Australia received about 4.8 million inbound tourists. In 2000, China received about 83 million inbound tourists of which 10 million were foreigners. However, China's population is more than 100 times that of Australia. Thus China would need more than 480 million inbound tourists to have a comparable situation to Australia. Like China, Australia has had a large increase in inbound tourism in recent decades. For example, between 1993 and 2000, inbound tourist arrivals to Australia increased by more than 60 per cent.

Differences in the comparative economic impact of Australia's travel and tourism industry and China's are apparent from Table 3. The figures in Table 3 are based on the World Travel and Tourism Council's estimates for China for 2004 and those for Australia for 2003.

**Table 3: Comparative Economic Impacts of China's and Australia's Tourism and Travel Sector WTTC Estimates 2004, 2003 Respectively**

<b>Impact</b>	<b>China %</b>	<b>Australia %</b>
Employment (direct)	1.9	5.3
Contribution to GDP (direct)	2.3	5.1
Employment (direct + indirect)	7.4	12.5
Contribution to GDP (indirect + indirect)	10.2	12.0

**Source:** Based on World Travel and Tourism Council (2003, a,b)

In Australia, the travel and tourism industry accounts directly for 5.3 per cent of employment and 5.1 per cent of GDP whereas in China, it accounts respectively for 1.9 and 2.3 per cent of these items. Direct plus indirect employment attributed to the travel and tourism industry in Australia is 12.5 per cent and for China it is 7.4 per cent. International tourism receipts for Australia amount to about 14 per cent of the value of its exports of goods and services and around 7 per cent for China. Thus, inbound tourists are comparatively a much more important source of foreign exchange earnings for Australia than for China.

## 7. Discussion

With the anticipated future growth in China's tourism market, strong external pressures are likely to be put on China to further liberalise its travel and tourism sector. For example, WTTC (2003a, p.14) states that China should do more to encourage open markets and skies and remove barriers to tourism growth. It recommends that China should 'progressively liberalise trade, transport and communications through international trading regimes such as the World Trade Organisation's General Agreement on Trade and Services', and states that "China must focus greater attention on liberalising its financial services policies in close collaboration with key stakeholders who provide for the convenient conduct of consumption associated with Travel and Tourism".

Predictions of the WTCC (2003a) for growth in China's travel and tourism sector are quite bullish. WTTC predicts that in the decade to 2013, the direct travel and tourism component of China's GDP will show an average real increase of 10.9% per annum. Increases in employment in China's travel and tourism sector are expected to occur at an average rate of 3.8% per year. Thus, productivity in this sector will rise but its employment generation will lag behind its growth in output generation. Nevertheless, it will continue to be a job-creating sector rather than a jobless growth sector. There are increasing worries that some industrial sectors of the economy are exhibiting jobless economic growth.

There has also been optimism about continuing growth in Australia's tourism sector. For example, in 2003, the Australian Tourism Forecasting Council predicted that in the period 2003-2012 the number of Australia's inbound tourists would rise by 4.8% per annum on average. As a result of this, the number of inbound tourists to Australia, was anticipated to rise from 4.8 million in 2002 to approximately 7.8 million in 2012. But these predictions were made prior to the recent hike in the value of the Australian dollar. If the dollar remains at its current level, these predictions may not be realised.

Long-term predictions of levels of international tourism levels are fraught with difficulties. For example, exchange rates can be volatile and difficult to predict on a long-term basis. In China's case, the United States wants it to appreciate the Renmmbi. If this occurs it will dampen demand for inbound tourism to China.

International tourism is also economically very vulnerable to episodic events such as wars, civil disturbances, terrorism and outbreaks of natural disasters. In that regard, it appears much more risky as an earner of foreign exchange than the export of material goods, even though this is not riskless. International tourism requires the consumer to travel to the country where the tourism commodities are to be consumed whereas the export of material goods for consumption does not involve this. It is the personal commitment of travelling to a foreign country to consume international tourism commodities that makes a high degree of economic dependence on foreign tourism quite risky, even though there are ways in which risk exposure can be reduced (Tisdell, 2003).

Like many other modern relatively capital-intensive industries in which facilities are relatively specialised, most components of the travel and tourism sector face structural vulnerability when the sector reaches a mature state. Substantial economies in utilisation of capacity occur in the operation of hotels, airlines, airports and so on.

Typically sectors of the travel and tourism industry in a long-term competitive situation may reach an equilibrium similar to that in Chamberlin's monopolistically competitive model (Chamberlin, 1950). If all are equally efficient, all will just earn a normal profit. If an unexpected event occurs, such as a major terrorism attack, the demand for the services of all firms falls and in the short run they will make large losses if they keep to a fixed price equivalent to that which corresponded to their pre-existing long-run equilibrium. The loss is made largely because of the steep rise in per unit costs when operating below capacity (see Tisdell, forthcoming a). In order to minimise losses prices might be slashed so adding to the economic difficulties of all in this sector.

Adjustment will eventually take place, but it will probably be more protracted and costlier from an economics point of view if firms in the industry are fairly evenly matched in terms of their competitiveness or economic efficiency rather than disparate in this regard. It may indeed be an advantage for economic adjustment to have inequality in the economic efficiency of firms (Tisdell, forthcoming b) although this would not be an advantage in a long-run equilibrium. Because we do not live in a stationary world, it may not be a good idea to ensure that all firms are equally efficient, for example, that all adopt the best or benchmark practices. There may also be other reasons why economic diversity has economic value in an

evolving world (Tisdell and Seidl, forthcoming) and why we should strive for heterogeneity rather than homogeneity of economic units.

## **8. Concluding Comments**

Since commencing its economic reforms in 1978, China has become increasingly integrated into the world economy as evidenced in this chapter. It has been able to take advantage of the substantial growth that has occurred in international tourism globally. This is most apparent from the high rate of growth it has achieved in its level of inbound tourism. In its early stages of opening up to the outside world, this provided China with much needed foreign exchange and assisted it in importing capital equipment and technology for its economic growth. Commencing in the early 1990s, it has eased its restrictions on outbound travel by its citizens. Nevertheless, China still enjoys a very large surplus on its international tourism account with foreign countries.

In recent times, Australia's economy has also become much more open, although the change has not been as dramatic as in China's case. Nevertheless, a major change did occur in Australia's international tourism sector. This sector has expanded markedly (partly as a result of expanding tourist arrivals from Asia) and Australia has gone from a situation where it had a deficit or near deficit on such tourism to one where it has a substantial surplus.

Both in the case of China and Australia, their tourism sectors have grown to become important segments of their economies. The sector is, however, comparatively larger in Australia's case. Expansion of this sector has helped to foster economic growth in both countries. Nevertheless, the tourism sector, especially its international segment, is extremely vulnerable to unexpected shocks. It is often the case that enhanced economic growth obtained by greater involvement of nations in the global economy is obtained at the cost of their greater economic vulnerability.

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