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Article

Tourism Service Economics in China: Transformation, Integration, and Sustainable Development

Song Hui[*1]

1. China Education Investors Chamber of Commerce, No. 88, East Third Ring Road, Chaoyang District, Beijing, China (100022)

* Correspondence: jiaji@wwec820.com

Abstract: Tourism has become one of the most active parts of China's service economy. It adds a lot to GDP, jobs, and cultural exchange. This paper examines the progression of tourism service economics in China, investigating its historical transformation from a state-controlled endeavour to a market-oriented sector, contemporary trends such as digitalisation and environmental sustainability, ongoing challenges including infrastructural strain and talent shortages, and nascent opportunities like regional diversification and international cooperation. It emphasises the convergence of tourism with urban development, digital innovation, and sustainability, contending that these three forces are not distinct trends but interrelated catalysts of structural transformation. The study highlights the tourism sector's multifaceted role in China's economic modernisation by analysing case studies of significant tourism hubs, such as Beijing's heritage sites, Hainan's duty-free resorts, and rural revitalisation villages in Guizhou and Yunnan, in conjunction with theoretical frameworks from industrial organization, environmental economics, and cultural diplomacy. The paper concludes that China's tourism service economics provides insights for other emerging economies and serves as a framework for comprehending the nation's overarching shift towards consumption, services, and sustainable prosperity. As China becomes more connected to the global tourism market, its policy decisions and new ideas in the industry will have a bigger and bigger impact on the future of tourism economics around the world.

Keywords: Tourism, Service, Economics, Transformation, Integration, Sustainable Development

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1. Introduction

Tourism is more than just a fun thing to do; it's a complicated economic activity that includes hospitality, transportation, cultural services, and retail. Tourism has grown quickly in China over the past 40 years. This is because the country has become more open to the world and its economy has grown. Tourism is a part of the larger service economy. It makes money directly, helps other industries, and promotes cultural diplomacy. It is also a field that shows how China is moving from an economy based on making things to one that values experiences, culture, and services. Tourism service economics is important because it brings together different groups of people, such as businesses, governments, communities, and customers. Tourism is more than just seeing new places; it's also about making experiences valuable, protecting cultural heritage, and encouraging sustainable growth [1]. This paper offers an in-depth examination of the economics of tourism services in China, contextualised within the frameworks of globalisation, digitalisation, and sustainability.

Figure 1. Tourism, AI and SDG (Digital Watch, 2026)

For a large part of the twentieth century, tourism was often seen as a romantic way to get away from the stresses of work and everyday life. But in modern economic thought, such a narrow definition hides a much more complicated truth. At its core, tourism is a complex economic activity that brings together hospitality, transportation, cultural services, retail, and digital infrastructure into a network of value. China is the best example of how this change has happened. In the last 40 years, the People's Republic of China has gone through an economic transformation that has never happened before in human history. Tourism has played a role in both driving and benefiting this change. China has grown from a mostly closed, farming society with little travel outside the country in the 1970s to the world's largest source of outbound tourists and a top domestic travel market. This growth is due to more than just higher disposable incomes and more people moving to cities. The state has also recognised tourism as a key part of the service economy [2].

The importance of tourism service economics is that it can connect people. In traditional manufacturing, value is added in linear supply chains. In tourism, value is created through complex, multi-directional interactions among many different groups of people. These groups include governments that set policy and invest in infrastructure, private businesses like global hotel chains and local street food vendors, host communities that provide authenticity and cultural capital, and consumers whose preferences shape demand for experiences rather than just products. In China, these relationships are made even more complicated by things like a centralised political system that actively plans industrial development, a population that is getting older quickly, big differences between coastal and inland provinces, and a digital ecosystem (dominated by platforms like WeChat, Alipay, and Meituan) that has jumped ahead of many Western counterparts in integrating payment, booking, and social media. Consequently, the examination of tourism service economics in China transcends mere applied microeconomics; it constitutes an investigation into the redefinition of the post-industrial transition by a significant global power.

This paper posits that tourism in China has commenced a new phase characterised by three interrelated dynamics: transformation, integration, and sustainable development. Transformation means going from mass tourism that focuses on volume to travel that focuses on quality and experiences. The time of package tours, where hundreds of tourists followed a guide with a flag through the Forbidden City, is over. Now, people can make their own itineraries, go on niche trips (like heritage tours, wellness retreats, and rural homestays), and use big data to tailor their experiences. Digitalisation has sped up this change. For example, mobile apps now allow for real-time translation, augmented reality at historical sites, and contactless payments. These changes have completely changed how tourists interact with places. Also, the COVID-19 pandemic was terrible for international visitors, but it sped up innovation in China. Tourism companies had to redesign their services to make them safer, more flexible, and more immersive for locals [3].

The second dynamic, integration, works on two levels. First, horizontal integration across service sectors: tourism is no longer a separate industry; it now overlaps with transportation (high-speed rail networks have shortened travel times between major cities), entertainment (theme parks, live performances, and tourism related to movies), retail (duty-free shops and e-commerce platforms selling regional specialities), and even healthcare (medical tourism in cities like Sanya and Chengdu). Second, vertical integration in the tourism value chain: Chinese companies like Ctrip (Trip.com Group) and Alibaba's have made ecosystems that combine flights, hotels, car rentals, tours, and insurance. These ecosystems take advantage of consumer surplus while also collecting detailed data on travel behaviour. This integration makes it cheaper for consumers to do business, but it also raises concerns about market concentration, data privacy, and the loss of small, independent businesses. To do a serious study of China's tourism service economy, you need to know about these tensions.

The third pillar is sustainable development. For many years, China's tourism growth came at a cost to the environment and society. UNESCO sites were too crowded, waterways were polluted, local people were forced to move to make room for mega-resorts, and historic towns turned into souvenir-lined streets. In response, both the national and local governments have started to change their minds. The idea of "ecological civilisation," which is in China's constitution and five-year plans, has been put into action in tourism policies that put green certification for hotels first, set limits on the number of people who can visit fragile sites (like Jiuzhaigou Valley), and promote rural tourism as a way to help people get out of poverty. In this case, sustainable development isn't just about the environment; it's also about cultural sustainability, which means protecting intangible heritage (like festivals, crafts, and oral traditions) from becoming too commercialised while making sure that the communities that host them get economic benefits. As China works toward its "dual carbon" goals (peak emissions by 2030 and carbon neutrality by 2060), tourism services will have to work harder to cut down on carbon emissions, from electric tour buses to energy-efficient hotels [4].

But there are many problems. The same government-led model that made it possible to build infrastructure quickly also makes things less flexible: government interference in pricing, unclear licensing processes for tour operators, and sometimes conflicts between preservation and profit. Also, we can't ignore the fact that China's tourism service economy is global. The Belt and Road Initiative (BRI) has paid for hotels, airports, and resorts all over Southeast Asia, Central Asia, and Africa. This has helped Chinese tourists and businesses spread their influence around the world. The easing of visa rules for some nationalities and the growth of Hainan as a free-trade port with duty-free shopping show that China wants to bring back high-spending international tourists. But geopolitical tensions, currency controls, and the idea that China is still a hard place for independent Western travellers to get to are still problems [5].

The Role of Tourism in the Service Economy

Tourism is not just a nice thing to have; it's a key part of the modern service economy. Tourism is a catalyst in China, where the service sector now makes up more than half of GDP and is growing faster than manufacturing or agriculture. It creates jobs, spreads economic activity across regions, and acts as a vehicle for cultural diplomacy. To understand these roles, you need to look beyond simple numbers like the number of visitors or the occupancy rate of hotels. We need to look at tourism as a system of interconnected parts that creates value through direct spending, indirect multiplier effects, induced consumption, and intangible assets like national image and cultural pride. This research examines three essential contributions of tourism to China's service economy:

economic impact (GDP, employment, and infrastructure investment), cultural exchange (soft power and heritage diplomacy), and regional development (rural revitalisation and urban branding).

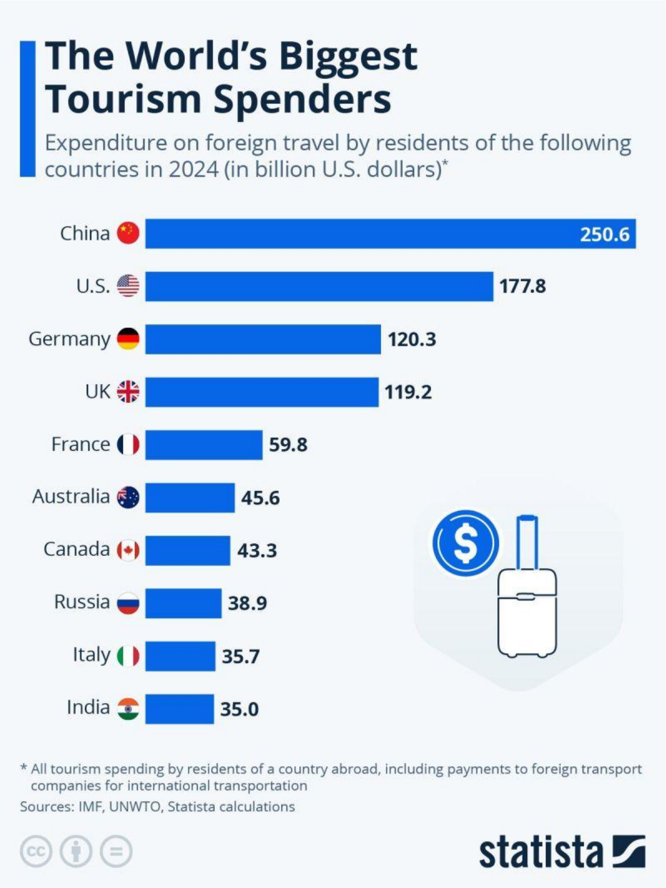

Figure 2. The world's biggest Tourism spenders. (Statistics, Oban International, 2024)

Economic Contribution

The most obvious way to see how important tourism is to the economy is by looking at how much it adds to gross domestic product. The Ministry of Culture and Tourism says that China's domestic tourism market made more than 4 trillion RMB in direct revenue in 2019, the year before the pandemic hit. This was about 4% of GDP. When you add in indirect effects like spending on food for hotels, souvenirs and tour bus production, and travel insurance and currency exchange, the total economic footprint goes up to about 11% of GDP. These numbers show that tourism is as important as big industries like building things or making cars. But tourism is easier for small and medium-sized businesses to get into than extractive or heavy industries, which makes it possible for people of all income levels to take part.

Creating jobs is another important part. Tourism is known for needing a lot of workers. For example, a single resort hotel needs housekeepers, chefs, front-desk staff, maintenance workers, and managers. A heritage site needs ticket collectors, guides, security personnel, and conservation specialists. In 2019, the tourism industry in China directly employed about 28 million people. When you add in indirect jobs (like suppliers, distributors, and jobs that were created by tourism), the total number of jobs was over 80 million. Tourism is important because it offers flexible and part-time jobs that are good for students, retirees, and people who move from rural areas to cities and may not have formal credentials. Women make up almost 60% of the global tourism workforce. In places where manufacturing or construction are still mostly male-dominated, tourism gives women economic freedom. Tourism has shown that it can adapt during times of economic trouble.

For example, the COVID-19 pandemic caused a lot of job losses, but the sector bounced back faster than many experts thought it would, showing that it can adapt [6].

The multiplier effect is something that should be given special attention. When a tourist pays for a hotel room, that money doesn't just disappear. The hotel uses it to pay its staff, who then buy food and housing, buy linens from local suppliers, who then buy raw materials, and make renovations, which employs construction workers. Depending on how well the region is connected to local supply chains, each yuan spent directly by tourists creates between 1.5 and 2.5 yuan of total economic activity. In China, policymakers have worked hard to strengthen these connections through programs like "buy local" campaigns in tourist areas and subsidies for homestays that get their food from nearby farms. On the other hand, leakage, which is when money leaves the local economy to go to multinational chains or imported goods, is still a problem, especially in high-end areas where international hotel brands are in charge.

Lastly, tourism encourages investments in infrastructure that have long-term benefits for more than just the tourism sector. Airports built for international travellers also serve cargo and residents; high-speed rail lines connecting tourist cities also make it easier for businesspeople to get to work; and sewage treatment plants built for resort areas improve public health for whole counties. The Belt and Road Initiative has led to a huge push for infrastructure in China, and some of it is specifically for tourism. For example, the China-Laos Railway now carries both tourists and agricultural exports. So, tourism is a way to pay for and justify public goods that might not get political or financial support otherwise [7].

Cultural Exchange

Tourism's role in cultural exchange can't be measured by economic indicators alone. Since the era of reform and opening up, China has understood that welcoming foreign tourists and encouraging Chinese citizens to travel abroad are both good for diplomacy. Tourism makes international relations more human. For example, a Japanese tourist who eats Lanzhou hand-pulled noodles in Gansu province may feel better about China when they get back home. A Chinese student who studies in Europe through a travel-exchange program becomes an unofficial ambassador. China has put a lot of money into making its cultural offerings more appealing to tourists. The Great Wall, the Forbidden City, and the Terracotta Warriors are all UNESCO World Heritage sites that show how important China's history is. But the state has also promoted intangible heritage, like Peking opera performances, calligraphy workshops, tea ceremonies, and festivals for minority ethnic groups, like the Miao sisters' meal festival in Guizhou. These experiences let tourists see Chinese culture as something that is still alive and not just something that is in a museum. For visitors from other countries, these kinds of experiences can break down stereotypes that come from media stories that only focus on politics or economics [8].

Tourism also makes it easier for people to share their cultures with each other. Chinese tourists have become carriers of their own culture abroad as Chinese travel abroad has grown rapidly, reaching 155 million trips in 2019. How host countries see modern China is shaped by how they spend their money, their manners (which are sometimes praised and sometimes criticised), and what they post on social media. The Chinese government has taken advantage of this by holding "Cultural China" festivals in popular tourist spots and setting up Confucius Institutes that teach language and give travel tips. There are debates about censorship and influence operations, but the main point is still true: tourism is a two-way street for cultural meaning, and China has learned how to use it to its advantage [9].

Regional Development

China's rapid urbanisation has led to huge differences between its coastal megacities (Shanghai, Shenzhen, Guangzhou) and its interior provinces (Gansu, Qinghai, Yunnan). Tourism can help by moving investment to areas that have natural or cultural resources but not enough manufacturing infrastructure. Rural tourism has become a key part of

China's plan to reduce poverty. It's easy to see why: a village with beautiful mountain views or traditional buildings can make money by offering homestays, guided hikes, and craft sales without needing factories or foreign direct investment. The central government has spent billions of RMB to make roads, sanitation, and internet access better in certain "tourism poverty alleviation villages." Tourism income can help families in places like Yuanyang County (Yunnan), which is known for its rice terraces, get above the poverty line and encourage the use of traditional farming methods.

Urban branding is another part of regional development. Cities compete to get tourists not only to make money right away, but also to improve their reputation by being seen as lively, livable, and culturally rich. For example, Chengdu has done a great job of marketing itself as a city of pandas, spicy food, and leisure, which has brought in both domestic and international tourists [10].

This branding helps the economy become more diverse in general because tech and creative companies tend to move to cities with a high quality of life. Xi'an has also used its status as an ancient capital to become a center for heritage tourism and, more and more, for educational travel. Tourism helps what urban geographers call "place competitiveness," which is a city's ability to attract money, talent, and ideas.

Tourism plays a lot of different roles in China's service economy, and some of them are even contradictory. It creates a lot of jobs and GDP, but it is still vulnerable to shocks from outside sources, such as pandemics and geopolitical tensions. It encourages cultural exchange and soft power, but it also raises questions about authenticity and commodification. It encourages balanced growth in different parts of the country, but it can also move people out of their homes or harm delicate ecosystems. None of these tensions make tourism less important; instead, they show how important it is to manage it carefully [11].

Current Trends in China

This research moves on to the present, where tourism plays a key role in China's service economy by making money, promoting cultural diplomacy, and helping regions grow. The Chinese tourism industry is not static; it is being reshaped by four powerful and overlapping trends: digitalisation, government support, sustainability, and global integration. If each trend were to happen on its own, it would be a big force for change. Together, they are changing the basic way that tourism services are made, delivered, used, and controlled. Scholars and practitioners must comprehend these trends to predict the future direction of tourism service economics in China. This research looks at each trend one by one, pointing out both the good and bad things about each one.

Digitalisation

Digitalisation has changed the Chinese tourism industry faster than any other trend. Over the past ten years, China has become a world leader in mobile payments, social commerce, and AI applications. All of these things have found a home in tourism. "Smart tourism" (zhihui lüyou) is a new term in the policy world that means using digital technologies at every stage of the travel process, from planning to booking to experiencing to sharing. Think about the planning stage. Chinese tourists don't need travel agents or paper guidebooks anymore. Instead, they use sites like Ctrip (Trip.com Group), Fliggy (Alibaba), and Meituan Dianping, which combine flights, hotels, restaurants, and attractions into searchable databases with reviews from other users. These sites use big data algorithms to make recommendations that are specific to each user. For example, someone who searches for "family-friendly hotels in Sanya" will see different results than someone who searches for "budget hostels in Zhangjiajie." Dynamic pricing uses the same algorithms to change hotel room rates in real time based on forecasts of demand, competitor prices, and even weather.

Mobile apps help you navigate in real time, add augmented reality (AR) overlays to historical sites, and make payments without touching anything through Alipay or WeChat Pay. For instance, the Forbidden City has an AR guide that lets people point their phones at a hall and see a digital version of how it looked when it was first built. Huangshan Mountain and other scenic areas have also set up sensor networks to keep an eye on how many people are in certain areas. When certain trails get too crowded, visitors' phones get alerts. AI chatbots can answer customer service questions about lost luggage, restaurant reservations, and more in seconds instead of minutes [12].

After travelling, digitalisation makes it possible to share and get feedback that changes how people act in the future. Chinese tourists use Xiaohongshu (Little Red Book) and Douyin (the Chinese version of TikTok) a lot. They post travel diaries, photo essays, and short videos on these sites. These platforms for user-generated content act as unofficial marketing channels, turning places into viral destinations overnight. A single Douyin video of a little-known village with misty mountains can bring in a lot of tourists in just a few weeks. This makes it easier for everyone to promote tourism, but it also leads to problems like too many tourists and problems with infrastructure.

The COVID-19 pandemic sped up the use of digital technology by a huge amount. Health QR codes, which are required to enter most public places, were added to travel apps. People who were stuck at home could "visit" museums and national parks from their living rooms through virtual tours that used 360-degree video and VR headsets. A lot of these new ideas have stuck around after the pandemic, which means that the digital transformation of Chinese tourism is here to stay [13].

Government Help

In China's political economy, the government has a very strong say in how industries grow. Tourism is no different. The central government has made tourism a key industry by including it in its Five-Year Plans and issuing white papers that set high goals for the number of tourists coming to the country from both inside and outside. This support from the top down gives stability, money, and coordination that market forces alone could not provide.

The "Beautiful China" (Meili Zhongguo) campaign, which started in the early 2010s, is a good example of this. The campaign encourages people to visit China to see its beautiful natural scenery, rich cultural history, and environmentally friendly way of life. The government has spent money on improving tourist areas, teaching tour guides how to speak foreign languages, and making sure that service is the same across all provinces. Marketing campaigns in other countries, like the "Beyond Your Imagination" ads that ran on CNN and BBC, try to change people's minds about the country and get wealthy tourists to visit.

More specifically, government support comes in the form of funding for infrastructure, tax breaks, and making it easier to follow the rules. Every year, the Ministry of Culture and Tourism spends billions of RMB to make it easier for people to get to remote scenic areas, build visitor centers, and set up digital ticketing systems. Tourism businesses pay lower taxes in certain areas, like the Hainan Free Trade Port, where duty-free shopping has led to a boom in tourism [14].

Support from the government is also important because it acts as a safety net in times of crisis. When COVID-19 made people less likely to travel, the state stepped in with subsidies, loan forbearance, and wage support programs that helped many tourism businesses stay open. These kinds of interventions make people wonder about their long-term effectiveness and the moral hazard they create, but they also show how strong state support can make things. Investors and operators feel less risk when they know that the government is committed to something, which encourages them to put money into tourism infrastructure.

Sustainability

Sustainability has gone from the edges of the conversation about Chinese tourism to the center of it. For decades, rapid growth was more important than environmental and social concerns. This led to overcrowded historical sites, polluted waterways, and anger among local communities that were forced to move because of resort development.

Regulatory pressure, consumer demand, and long-term business logic are all pushing businesses to move toward eco-tourism and green tourism practices. There are many different types of eco-tourism in China. At one end of the spectrum are strictly protected nature reserves, like Jiuzhaigou Valley National Park. There, the number of visitors is limited, plastic bottles are banned, and electric shuttle buses take the place of private cars. At the other end are community-based programs like homestays in rural Yunnan or Sichuan, where tourists help with organic farming, traditional crafts, and keeping an eye on wildlife. In the middle of these two extremes is a growing market for certified "green hotels" that use less water and energy, create less waste, and get their food from local sources.

The case for sustainability from an economic point of view is getting stronger. Young Chinese people, especially those born after 1990 and after 2000, care more about the environment than their parents do. Polls show that most Chinese travellers who live in cities are willing to pay more for eco-friendly hotels and tours. This preference gives early adopters an edge over their competitors. On the other hand, destinations that don't care about sustainability could hurt their reputation and face fines from the government. The government has set up star ratings for eco-tourism sites and green hotels so that customers can see and compare how eco-friendly they are [15].

There are still problems. It's common to make false claims about how environmentally friendly something is, which is called "greenwashing." The enforcement of environmental laws is very different in each province. Wealthy coastal areas do better than poorer interior areas. And it's still hard to reduce the carbon footprint of long-distance travel, especially air travel. But the path is clear: sustainability is no longer an extra feature; it is now a key part of the economics of tourism services in China.

China as a Superpower in Tourism: Global Integration

The last trend has to do with China's changing role in the global tourism system. In the 1990s, only a few Chinese people went on vacation. Now, in 2019, there were 155 million trips and $250 billion in spending, making Chinese tourists the most valuable outbound market in the world by a wide margin. This spending power has changed places like Thailand (where Chinese visitors make up almost 30% of all international arrivals) and France (where luxury stores hire Mandarin-speaking staff). People used to think that Chinese tourists were only budget-conscious group travellers. Now, they are more likely to be independent, tech-savvy, and looking for real experiences [16].

Inbound tourism is smaller in volume, but it serves strategic purposes. About 65 million people from other countries visited China in 2019. They bring in money from foreign exchange and, more importantly, they act as unofficial ambassadors. A foreigner who has walked the Great Wall, eaten Peking duck, and taken a high-speed train from Beijing to Shanghai has a more complex view than any propaganda film can show. The government has put money into making the experience better for visitors. For example, English signs, Wi-Fi access, and the ability to pay with foreign credit cards are all getting better over time. China's integration into the world goes beyond trade between two countries. Chinese companies have paid for and built tourism infrastructure in dozens of countries through the Belt and Road Initiative. For example, they built hotels in Kenya, airports in Cambodia, and resorts in the Maldives. Chinese travel companies have set up supply chains that send Chinese tourists to Chinese-owned hotels and other businesses. This has created a separate tourism economy. This integration puts China in a position to not only be a part of global tourism, but also to shape its future [17].

Digitalisation, government support, sustainability, and global integration are all parts of the same thing. Digital platforms make it easier to use sustainable practices (like apps that track carbon footprints), government policies encourage green innovation, and global integration spreads Chinese digital standards around the world. The overall result is a tourism service economy that is more efficient, more resilient, and more important than it has ever been.

Opportunities for Growth

This research looks at the other side of the coin: opportunities. It has already looked at the big problems that China's tourism service economy faces, such as pressure on infrastructure, a lack of skilled workers, external shocks, and regional imbalances. There is always a chance to take advantage of a challenge, and China is in a unique position to do so. The country has a lot of land that is very different, a population that is very tech-savvy, a government that can move resources around on a large scale, and a growing reputation around the world. China can change its tourism industry from one that is big but uneven to one that is strong, welcoming, and influential around the world by using these assets in smart ways. This research talks about four important ways to grow: diversifying into different regions, using technology in new ways, working with other countries, and coming up with new policies. Each one is a way not only to get back on track after recent problems, but also to make the tourism economy much better [18].

Regional Diversification

For years, China's tourism growth has followed a set pattern: international tourists flew into Beijing or Shanghai, spent a few days at famous sites, and maybe took a side trip to Xi'an or Guilin. During holidays, domestic tourists flocked to the same places, causing traffic jams and making the experience less enjoyable for visitors. This hyper-concentration meant that tourism's economic benefits didn't reach many areas, like the mountainous west, the pastoral north, and the riverine south. Today, though, regional diversification has become a strategic chance.

Rural tourism is the most promising area to explore. There are tens of thousands of villages in China, each with its own unique features, such as old buildings, traditional crafts, unique foods, or beautiful natural settings. Because of industrialisation and urbanisation, many of these villages have been left behind, which makes them more authentic and appealing to tourists who want to see real places. The government's programs to help the poor have already put money into basic infrastructure like roads, electricity, and the internet in many of these areas. This has laid the groundwork for tourism to grow. Villages in Guizhou province, which is home to many ethnic minority groups, have done a great job of promoting themselves as places to experience different cultures by offering homestays, cooking classes, and handicraft workshops. Farming villages in Zhejiang have also come up with agritourism models where tourists plant and harvest rice while learning about sustainable farming and enjoying the fresh air and beautiful views[19].

Cultural tourism takes this idea to towns and cities that aren't part of the Tier-1 elite. Pingyao (Shanxi) and Lijiang (Yunnan) are two historic towns that have long been popular with tourists. However, many others, like Langzhong (Sichuan) and Shexian (Anhui), are still not well-known. These places have unique architecture, festivals, and customs that can't be found anywhere else. China can spread out tourist traffic and make the experience better by creating themed routes that link several secondary destinations, such as a "Tea Horse Road" circuit, a "Silk Road" itinerary, or a "Revolutionary Heritage" trail. Regional diversification also makes things more stable. If a pandemic or natural disaster closes one destination, others stay open. This diversification is not just a chance in a world that is not sure; it is a need.

Technology Integration

The last research talked about digitalisation as a current trend. However, technology integration as an opportunity is more than just using tools that are already available. It means going beyond what is possible and using AI, big data, and virtual reality not just to make services better bit by bit, but to completely rethink them. This change is possible because of China's technology sector, which is home to the world's best AI and platform economics companies.

Artificial intelligence has a lot of potential. AI-powered recommendation engines can do more than just simple collaborative filtering. It can also take into account things like weather forecasts, real-time crowd data, a traveler's past behaviour, and even biometric signs of mood or fatigue. Think about a travel app that sees you've walked 20,000 steps, checks the weather (it's going to rain in an hour), and suggests a nearby teahouse with open seating and good reviews. Then, with just one tap, it books it for you. This kind of personalised, proactive service is possible. AI chatbots can help customers in many languages, which makes it easier for people to do their jobs and speeds up response times. AI can help with pricing, staffing, and inventory management in the back office, which can make the business more profitable [20].

With big data analytics, destinations can see visitor flows in a way that has never been possible before. Tourism officials can see exactly where tourists go, how long they stay, what routes they take, and where they spend money by putting together anonymous mobile phone data. With this information, you can plan based on evidence: you can open new trails to ease congestion, schedule shuttle buses to match demand patterns, and focus marketing campaigns on groups that aren't doing well. Real-time data can help with evacuations or keep people away from danger during emergencies [21].

Virtual and augmented reality solve the problem of things that don't last long. If you can't travel because of a pandemic, a travel ban, or personal reasons, VR tours can be a good alternative. High-quality VR experiences can make money, keep people interested in a brand, and even encourage people to travel in real life in the future, even though they aren't the same as travelling in person. Millions of people have watched the VR tour of the Forbidden City, which lets people see throne rooms that are normally closed to the public. Augmented reality makes real-life visits better. For example, if you point your smartphone at a historical monument, it can show you information about how it was built, why it is important, and how it was restored. These technologies don't replace real travel; they add to the overall tourism ecosystem [22].

Working together with other countries

China's tourism industry has often grown on its own, using only its own resources and mostly meeting the needs of its own people. The chance for international cooperation comes from breaking down this isolation. China can improve its credibility, compare its performance to international standards, and get more foreign investment by working more closely with global tourism groups like the UN World Tourism Organization, the World Travel and Tourism Council, and regional groups like the Pacific Asia Travel Association [23].

Sharing knowledge is an important part of working together. Countries with well-established tourism industries, like France, Spain, Italy, and Thailand, have learned how to do things that China hasn't yet mastered, like preserving cultural heritage, managing destinations in a sustainable way, certifying service quality, and responding to crises. Study tours, exchange programs, and joint research projects can help Chinese government workers and business people. On the other hand, China is good at things that other countries aren't, like digital payments, high-speed rail integration, and managing big events (as shown by the 2008 Beijing Olympics and the 2022 Winter Olympics). Everyone benefits from two-way knowledge transfer[24].

Chinese tourism companies can also grow their businesses abroad through international cooperation. Joint ventures, acquisitions, and franchising agreements are some of the ways that Chinese hotel chains, tour operators, and travel platforms can get into foreign markets. Not only does this bring in money, but it also spreads Chinese business practices and service standards around the world. The Belt and Road Initiative gives these companies a way to grow. Chinese companies already run resorts in Southeast Asia, Central Asia, and East Africa. As more and more Chinese people travel abroad, having a domestic industry that can serve them there with familiar language, payment methods, and service expectations is a big competitive advantage[25].

Policy Innovation

The last chance has to do with what the state does. The Chinese government has shown that it can change the results of industries by making strategic policy changes. Now is the time to use this ability to help build a more advanced and long-lasting tourism economy. There are many ways to come up with new policies, such as tax breaks, subsidies, public-private partnerships, regulatory sandboxes, and performance-based funding. Tax breaks can help people do things that are good for the environment. If a hotel puts up solar panels, recycles water, or gets a green building certification, it may be able to pay less in corporate income tax. A tour company that buys electric cars for its fleet could get a faster depreciation. These kinds of incentives align the desire to make money with the desire to protect the environment, making sustainability a financial choice as well as a moral one. Subsidies can help people develop their skills, like funding for vocational schools in tourism, scholarships for students from poor areas, and wage subsidies for businesses that hire apprentices [26].

Public-private partnerships (PPPs) are a way for the government and businesses to work together to build infrastructure while sharing the risks and rewards. A PPP could build a new scenic railway, fix up an old neighbourhood, or make a visitor center. The government gives the private partner land use rights, regulatory approvals, and maybe even seed money. The private partner gives the government money, operational expertise, and market discipline. China has successfully used public-private partnerships (PPPs) in its transport and energy sectors. Adapting them for tourism could lead to investments that neither party would make on their own. Regulatory sandboxes, which come from the world of fintech, let businesses try out new models without having to follow all the rules right away. Without worrying about getting in trouble, a startup could use a sandbox to try out drone-based tour guides, blockchain-based ticket verification, or AI-driven dynamic pricing. If the new idea works and is safe, the rules can be changed to fit it. If it doesn't work, the experiment ends without causing a lot of problems. This method strikes a balance between the need for quality standards and consumer protection and the need for innovation to be flexible [27].

Regional diversification, technology integration, international collaboration, and policy innovation are not distinct opportunities; rather, they are synergistic strategies. Diversification opens up new markets for technology, and technology makes diversification possible by making faraway places easier to get to and more appealing. International collaboration brings best practices that help shape policy, and policy innovation makes it possible for all three to thrive. China is at a crossroads: it can keep going the way it is now, seeing the problems as a normal part of growth, or it can use these chances to build a tourism service economy that is truly world-class [28].

2. Conclusion

Tourism service economics in China is a dynamic and growing part of the larger service industry. It has grown from a small activity to a key part of national development. There are still problems, such as pressure on infrastructure, a lack of skilled workers, vulnerability to shocks from outside the country, and ongoing regional differences. However, the industry's amazing ability to adapt and become more connected to global trends makes it a key part of China's economic modernisation. To grow in the future, we need to find a delicate balance: using digital innovation without losing the human touch, pursuing sustainability without hurting the economy, and encouraging international cooperation while protecting cultural sovereignty. The chances for regional diversification, technology integration, international cooperation, and policy innovation are not just dreams; they are real ways to make them happen. China can do more than just be a part of the global tourism economy if it uses its strengths (like its state capacity, technological sophistication, and large domestic market) and is honest about its weaknesses. It can set standards for smart tourism, green development, and inclusive growth that other countries might want to follow.

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