

JESA INVESTMENT & MANAGEMENT CO., LTD.

In this issue:

- **I viaggiatori cinesi e la destagionalizzazione del turismo nostrano**
- **Tourism: how Chinese travellers can stabilize a season-dependent industry**
- **Greece and Puerto Rico: Why in the US do crises hurt less?**

I viaggiatori cinesi e la destagionalizzazione del turismo nostrano

By Saro Capozzoli, Tommaso D'Amico, Enrico Borsari – Jesa

Nell'ultimo decennio l'indotto del settore turistico mondiale è stato notevolmente influenzato dal numero crescente di viaggiatori cinesi. Nel solo 2012, la spesa internazionale cinese ha raggiunto la cifra record di 102 miliardi di dollari, con uno scarto netto del 40% rispetto al 2011. Nel 2013, la Cina ha continuato a primeggiare incrementando la sua spesa di 27 miliardi di \$, raggiungendo il nuovo primato di 129 miliardi di \$ (stime UNWTO United Nations World Tourism Organisation). Il risultato risulta essere in linea con la crescita del turismo cinese degli ultimi 15 anni. Il volume di viaggi internazionali è infatti passato da 10 milioni nel 2000 a 112 milioni nel 2014, definendo il più alto tasso di crescita al mondo con un incremento atteso del 9% annuo fino al 2020.



Ad oggi, complice l'irrobustimento economico di Pechino, i cinesi spendono in viaggio di più rispetto a turisti di qualsiasi altra nazionalità, assestandosi su una soglia di spesa media di circa 1000 dollari al giorno tra ristorazione e boutique di lusso (spese di alloggio escluse).

Nel 2011 le mete predilette rimanevano concentrate in Asia, in particolare a Hong Kong e Macao. Già allora tuttavia, seppure fosse solo il 4% la percentuale di turisti diretti verso l'Europa, l'Italia rappresentava la prima destinazione per numero di spostamenti.

Nel 2014 quasi 500 mila turisti cinesi si sono diretti alla volta delle varie città italiane, confermando la spiccata preferenza cinese per il belpaese. Secondo i dati del China Tourism Research Institute, nella prima metà del 2015, l'Italia, è la settima destinazione su scala mondiale e la seconda destinazione Europea, dietro la Francia. I turisti cinesi sono attratti in Italia dal mito di città come Venezia, Firenze e Roma, e dalla possibilità di vivere un'esperienza turistica comprensiva di shopping di lusso e cucina pregiata.

Tuttavia, la passione per la cultura italiana, molte attrazioni turistiche in Italia non sembrano essere indirizzate verso il viaggiatore cinese medio. Diversamente da quanto si potrebbe pensare, i turisti cinesi non solo hanno abitudini turistiche differenti, ma dispongono di periodi vacanzieri perlopiù distanti dalla tradizionale stagione turistica a cui siamo abituati (a Febbraio in occasione del Capodanno Cinese e ad Ottobre per la "Golden Week"). Questo aspetto non è stato ancora pienamente preso in considerazione dagli operatori nostrani, legati a modelli di business pressoché uguali a quelli usati negli anni '60. In Italia, infatti, molte attrazioni sono disponibili solo durante il periodo

estivo e gran parte dell'offerta è destinata perlopiù a soddisfare le esigenze di un tipo di turismo "marittimo", occidentale e mediterraneo che non interessa il turista medio cinese. Il tempo a disposizione per il viaggio è solitamente limitato, ed i cinesi, come i Taiwanesi ed i residenti ad Hong Kong, preferiscono le città piuttosto che il sole e le spiagge affollate (per altro non praticabili a Febbraio ed Ottobre). E' d'altronde risaputo che il mondo asiatico in generale preferisca evitare l'esposizione prolungata ai raggi solari, ritenuta deleteria e poco salutare, e quand'anche lo faccia preferisca mete più vicine come la Thailandia, l'Indonesia e le Filippine.

Il turismo cinese può essere ricondotto a due tipologie diverse: il cosiddetto turismo del "primo viaggio" e quello dei "viaggi successivi". Il turista del "primo viaggio" è solitamente attratto dalle località turistiche che parte dell'immaginario collettivo globale quali la Torre di Pisa, il Colosseo, Venezia e Milano. Il turista dei "viaggi successivi" sceglie mete più ricercate, come la Sicilia e/o città storiche minori come Siena e Verona, per esempio. Firenze è spesso associata allo shopping e alla presenza dei grandi Mall nelle vicinanze.

Sarebbe dunque semplice trarre beneficio da un tale patrimonio culturale per meglio allinearsi con il tempismo e le modalità di viaggio cinesi. A tal proposito, i francesi si sono strutturati già da tempo promuovendo il paese come Sistema e rivolgendosi ai cinesi in maniera coordinata. Quello che fa registrare l'Italia invece è solamente una sovrapposizione di iniziative regionali mal coordinata dall'ENIT che spende, pare, più soldi per gli stipendi dei propri manager espatriati, che per le sue iniziative (<http://www.iltempo.it/cronache/2015/07/01/all-enit-stipendi-da-20mila-euro-al-mese-1.1432331>).

Se si pensa che la promozione dei flussi turistici potrebbe generare influssi miliardari, sarebbe comune auspicare investimenti per centinaia di milioni di Euro.

Il solo turismo internazionale ammonta a circa l'1,6% dell'intero Pil italiano, ma potrebbe contribuire di più se riuscissimo a convogliare meglio i flussi provenienti dall'Asia. Basti pensare che si potrebbero sfruttare e monetizzare anche periodi meno "turistici" per la tradizione italiana, sfruttando le bellezze del suolo italico per non più solo 3 mesi estivi. Città come Rimini, tipicamente volte ad un turismo di tipo balneare potrebbero essere rivalutate in modo strutturale e trarre beneficio dall'unicità delle proprie bellezze storiche.

Fonti di guadagno nella sola stagione estiva/invernale non rappresentano il modo più stabile per sostenere il settore. Investire sul turismo cinese comporterebbe l'accesso a maggiori afflussi durante i periodi meno affollati, contribuendo a rendere stabili entrate fortemente stagionali. Infrastrutture e risorse costose o inattive potrebbero essere meglio ammortizzate e generare profitti più a lungo incidendo ulteriormente sulla riduzione del costo del lavoro. Inoltre, sarebbe possibile assicurare livelli di servizio più alti e garantire una minor dipendenza dei ricavi dai periodi di operatività annuali e dai limiti capacitativi dell'alta stagione.

Dal momento che il turismo non rappresenta soltanto una fonte di sostentamento economico ma riflette positivamente l'immagine italiana nel mondo, per l'Italia come nazione, investire nel settore porterebbe ad un miglioramento generale della sua immagine all'estero

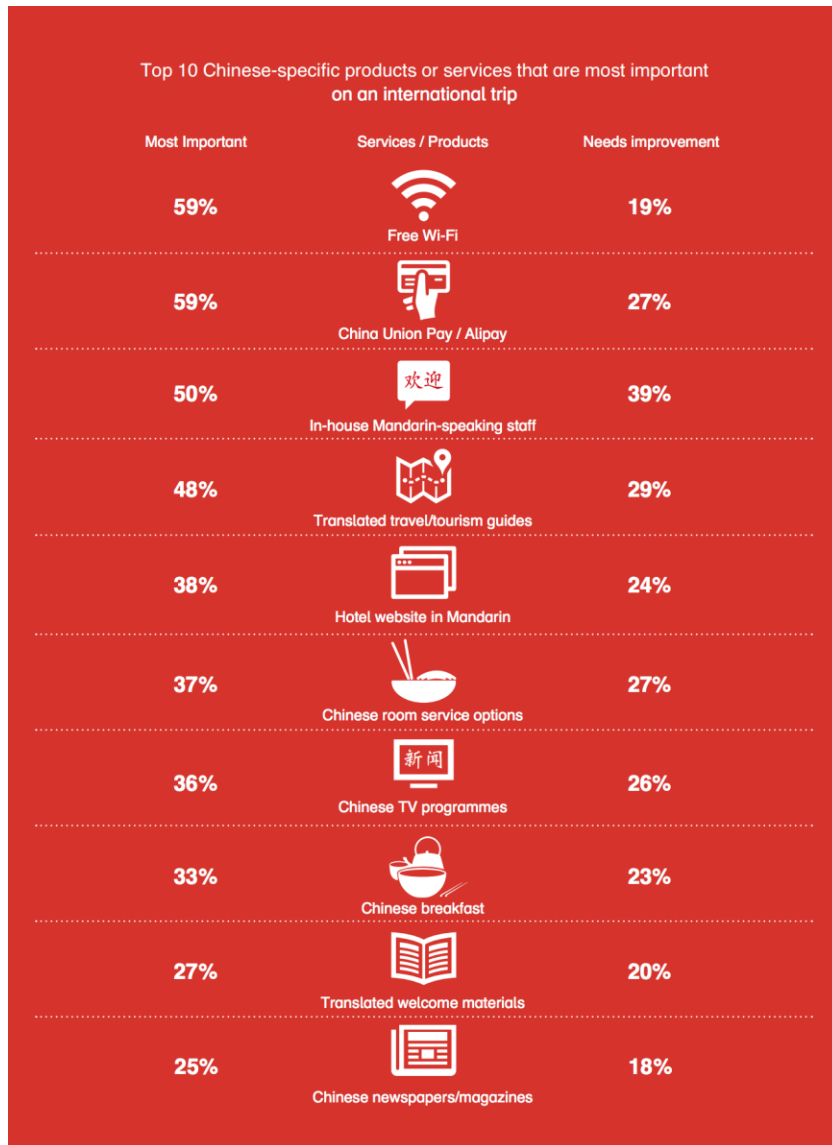


Figura 1: I servizi e gli accorgimenti più richiesti dai turisti cinesi.

Courtesy of Chinese International Travel Monitor 2014

Tourism: how Chinese travellers can stabilize a Season-dependent industry

Chinese travellers are now the top source of tourism cash worldwide. Boosted by an ever-rising economy, Chinese travellers spent a record USD 102 billion on international tourism in 2012, a 40% rise from 2011. In 2013, China extended its lead, increasing expenditure by US\$27 billion to a record US\$129 billion, according to the UN-WTO (the United Nations World Tourism Organisation). The results fall right in line with China's outbound tourism growth over the last 15 years. The volume of international trips by Chinese travellers grew from 10 million in 2000 to 112 million in 2014, making it the fastest-growing market in the world. Estimates expect this volume to keep rising until 2020 with an average growth of 9%.

Moreover, the Chinese tourist has recently become the highest spender while traveling, averaging around 1000 USD a day on high-end shopping and dining (accommodation costs excluded).



In 2011, the majority of Chinese tourism was focused in Asia, particularly in Hong Kong and Macao. However, from the 4% of Chinese outbound tourism that was directed in Europe, Italy was the first destination for number of trips.

As for recent years, in 2014, almost 500.000 Chinese tourists choose Italy as destination for their vacations, confirming the evidence of a growing preference toward Italian beauties. According to China Tourism and Research data, during the first half of 2015, Chinese people ranked Italy as the 7th preferred destination worldwide and the 2nd preferred European destination. Due to its characteristic cities, such as Venice and Florence, the luxury shopping and for the exemplary food, Italy attracts Chinese tourists for an all-around vacation.

Although Chinese people are passionate about Italian culture, not many touristic attractions are directed towards the Chinese traveller. Differently from other places worldwide, Chinese people have different vacation periods that result in high seasons in February for the Chinese New Year and in October for the Golden Week.

This aspect has not yet been fully considered by the touristic market in Italy, as many attractions are only available during the summer time, hence reflecting a business model likely belonging to the sixties. Most of the current Italian tourism is intended at the coastlines and involve seashore activities as part of its entertainment, which does not appeal to the average Chinese tourist.

The time for travelling is usually limited and Chinese people do prefer cities rather than sun and crowded beaches (anyway not accessible in October and February). Whenever Asiatic people show some interest in getting tanned, they are willing to do that in closer places, such as Thailand, Indonesia and Philippines.

The Chinese tourism can be reduced to two different kinds: the so-called "first experience" tourism and the "beyond the first experience" one. Travellers that choose the former are usually attracted by country landmarks and mainstream locations (that are most time seasonless) such as Pisa's leaning tower, the coliseum, Venice and Milan. Travellers belonging to the "beyond the first experience" category usually choose more sophisticated destinations, such as Sicily or *second-tier* cities (Siena, Verona and the like). Florence is commonly associated to shopping and big malls.

It will be easy to take advantage from such a kind of heritage to go much in line with Chinese desires and vacation timing. For instance, the French system is already well adapted to host Chinese people. French hosts are advertising the country as a system and are promoting France in a totally coordinated and well-framed way. For what concerns Italy, regions and cities' initiatives most times overlap with each other. Italy does have a central governmental agency (ENIT), but the latter seems to be spending more funds for its *spread-around-the-world* managers (<http://www.iltempo.it/cronache/2015/07/01/all-enit-stipendi-da-20mila-euro-al-mese-1.1432331>) than coordinating efforts and fostering initiatives. With the right promotional investment and fostering activities, Italy could benefit from billions of inflowing capital. For this reason, it is reasonable and it should be envisaged to spend more and more in promoting tourism.

International tourism alone reflects roughly 1.6% of the entire Italian GDP (based on import percentages) but it could contribute more if only we would be able to better guide and funnel Asiatic money flow. What's more, as revenues mostly come from the summer or win-

vertime, in Italy, tourism is not the most stable way to sustain a business. However, it could be possible to take advantage of the Chinese seasonal tourism to broaden the Italian touristic business period beyond the traditional 3 months. Cities like Rimini, nowadays addressing the needs of a *seaside-kind* of traveller could indeed benefit from promoting campaign and efforts highlighting not only the seaside life style, but also the heritage the city bases upon.

An investment in Chinese tourism would mean obtaining access to higher inflows of tourists during less crowded times, creating a more stable business input with ultimately more “high seasons”. This can vastly benefit tourism as facilities and other resources that would be idle or costing could keep generating profit for longer.

To invest on Chinese travellers would assure higher quality offerings, more services and less dependency on the market’s wellbeing during specific times of the year. This would mean, in turn less worries about capacity abilities during high season. The inflow of Chinese tourists during the working period can ultimately have a series of positive impacts on the touristic business, increasing facilities functionality while lowering labor costs. Since traveling does not only represent an economic gain but it also reflects positively on Italy’s image worldwide, for Italy as a country, this would mean an improvement of the nation overall image abroad.

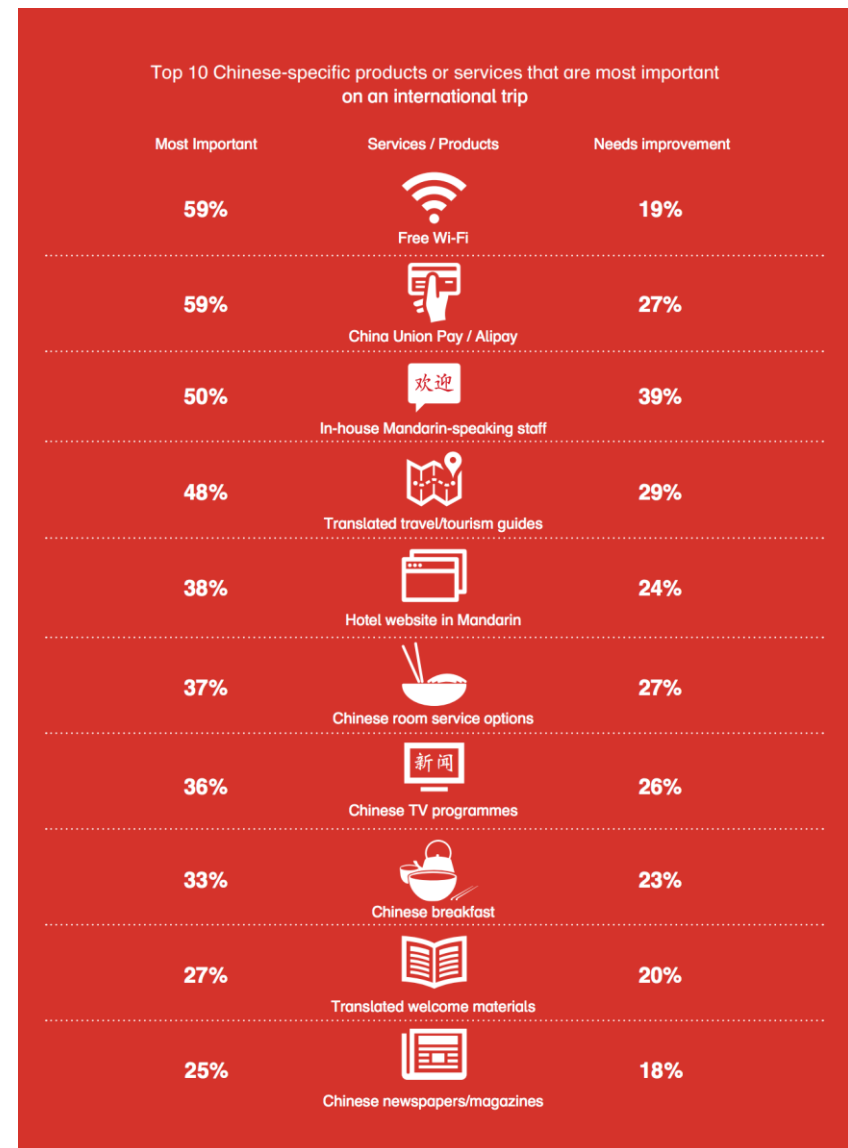


Figure 1: Chinese travellers most required service and products
Courtesy of Chinese International Travel Monitor 2014

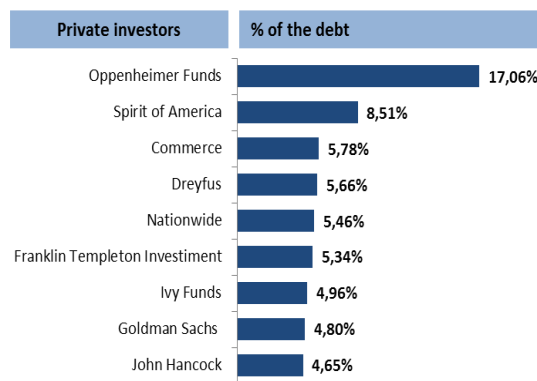
Greece & Puerto Rico: why in US do crises hurt less?

By Saro Capozzoli, Dario Antognozzi – Jesa

On July 13th, newspapers from all around the world reported the agreement reached between Greece and its European creditors. The latter would have backed Greece’s bailout with 86€ billion against the promise of a tight program of reforms.

The 4th of August, Puerto Rico, a United States territory located in the north-eastern Caribbean, failed to meet a bond payment of \$58 million, placing for the first time a member of the United States in default and increasing concerns on its ability to pay back its \$72 billion in debt. Actually, the default of the little Caribbean island was not a surprise for investors since in many circumstances the governor, Alejandro Garcia Padilla, publicly declared the inability of the country to return its public debt.

Puerto Rican Debt

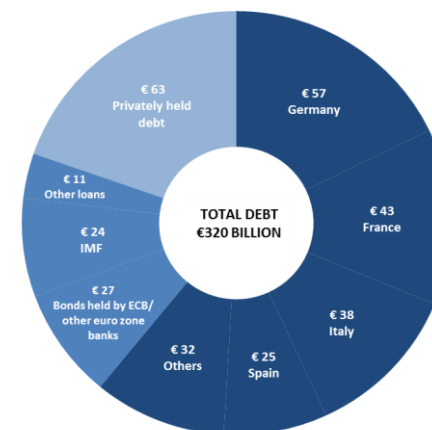


Sources: Morningstar

At first, the comparison between the Greek debt crisis and the Puerto Rican one could seem a little bit hasty, but an accurate analysis highlights that the two economic systems have much more in common than it seems. First, both are a minor part of a larger monetary union

-the euro and the dollar, thus they have neither control over their currencies nor the authorisation to devalue them during a crisis. As consequence, as opposed to independent nations, during economy’s stagnation they cannot easily mitigate debt burdens through a devalued currency. In addition, both countries are not members of a real political union, since Greece maintains its sovereignty in many subjects and Puerto Rico, as already said before, is not a US State but rather an American territory.

Greek Debt



Sources: The New York Times base on data of Deutsche Bank, IMF, Reuters, Bloomberg

A further common feature bounds with corruption. In fact, both countries have a common history of political corruption indeed and show very negative scores in the Corruption perceptions index compared to their respective unions. In addition, they share negative scores in the Ease of Doing Business ranking as well. Puerto Rico positions itself 47th while Greece 61th, showing an unfavourable climate for doing business. If one were to sum up all these common features,

it would not be surprised to see Greece and Puerto Rico in financial and economic crises.

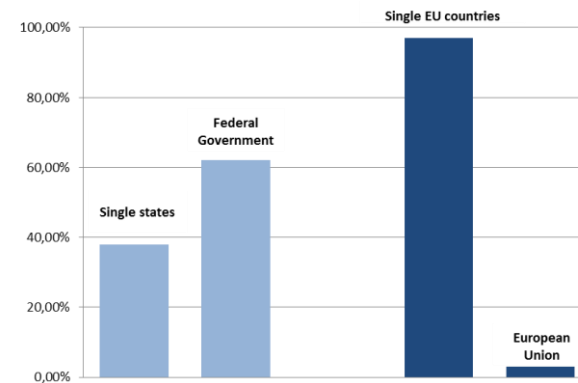
Although the huge debt crisis of Puerto Rico, the framework of the island's default is as opposite as the Greek one. Financial markets are silent. No newspapers inquired about a potential "PuertoExit", no queues at Puerto Rican banks, no protests in the island's streets against the central government. The reason why the debt crisis in Puerto Rico was not perceived as serious as the Greek one by investors and newspapers lies behind the different institutional setups of the two monetary unions.

Apart from the size of the Puerto Rican and Greek crises -the latter is much more indebted, when comparing the two cases it must be noticed how the US union structure seems to be much more ready to diminish the consequences of a member debt crisis than the European Union does.

The reasons of the higher readiness must be ascribed to US and Europe different banking, and fiscal setups. In first instance, while the US concluded the unification of the banking system, the EU is still stuck halfway. The European monetary union must be sustained by a Banking Union (already launched but not completed yet) and by a real Economic and fiscal Union, in which all the members respect the rules and share the risks and the financial resources.

During the Puerto Rican crisis, the US comprehensive banking union saved three banks in 2010 and one bank in 2015. The cost of this rescues amounted to the 7% of Puerto Rico's GDP and was financed by federal funds. Thanks to a federal banking structure compelling guarantees over Puerto Rican banks' deposits up to \$250.000, the risk

exposure of the Caribbean island during the crisis was extremely lowered. Europe also created a European fund in 2012, but it lacked resources to support the Greek crisis in the way the US supported the Puerto Rican one. Nevertheless, the unification process of the banking system, initiated in 2012 as a response to the Eurozone crisis, must proceed with further implementations towards a unique supervisory and resolution mechanism. During the crisis' peak, European banks resolution was to buy Greek government bonds.



Sources: JP Morgan based on US Census, Tax Foundation and Eurostat (2012)

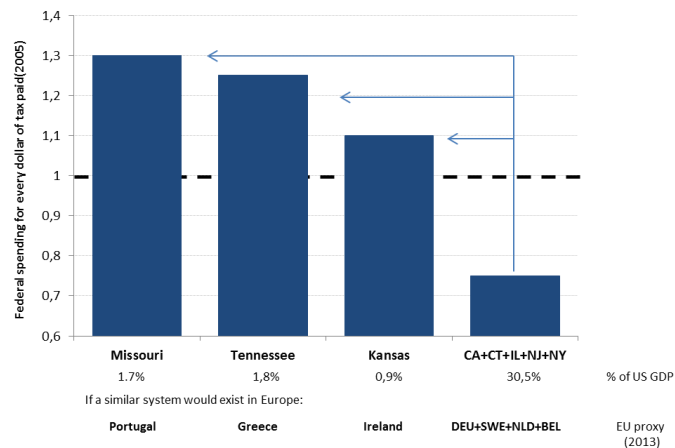
The action amplified the crisis and upgraded it at European level generating a vicious cycle between the State solvency and the Banks one. On the other hand, the US Federal Reserve does not have control over Puerto Rican banks and government. For this reason, Puerto Rico's default and debt restructuring will not cause systemic effects on the US banking system.

What's more, the US are a fiscal union, and Europe is not. Most of taxes paid by US citizens directly goes to the federal government, while the European system provide that the majority go to single coun-

tries. In this sense, central authorities are currently discussing the introduction of a European tax that might be the first step towards a fiscal union. Nevertheless, the path is full of hurdles. As a matter of fact, by accepting a supranational tax, European countries will have to agree first and transfer then their sovereignty on a fundamental subject like taxation.

As for our case, Puerto Rico receives federal transfers as well. Particularly, the transfer amount grew as Puerto Rico's economy slowed down, moving from 13% of pre-crisis GDP to 21% of GDP during the crisis. Since the Eurozone has not a comparable fiscal union, Greece obtains net transfers from Europe equal to 3% of its GDP. Such amount was kept fixed even during its crisis.

Fiscal transfer in US



Sources: JP Morgan based on US Census, Tax Foundation.

To better understand what a US-wise fiscal system could entail, let us better explain how the fiscal transfer between US richest states and poorest ones works. In the US, different states enjoy a different degree of federal spending. This means that for every dollar of tax paid, the five richest US states, which account for more than 30% of US GDP, receive less in federal spending than the poorest states. The US federal government uses automatic fiscal transfers, like for instance Medicaid, to protect the indigent, old and sick, no matter where they reside. Hypothesizing a similar fiscal transfer system in Europe, Greece would receive more than what it pays.

Because of different institutional setups, the social and political consequences of the crisis were much less dramatic in the Caribbean island than in Greece. For instance, since the beginning of the crisis, Puerto Rico's GDP has dropped 9% compared to Greece's 25% fall, and current unemployment rate is 14% in Puerto Rico, while it reaches 27% in Greece.

However, despite all the institutional differences between US and Europe, Puerto Rico has defaulted, indicating that an introduction of a similar system in Europe would not eliminate the risk of default (even though it would help to reduce its negative consequences). Moreover, US and Europe present many structural, cultural and economic differences that must be taken into account before delving into any sort of comparison.

In 1849, Victor Hugo, in his masterpiece *Les Miserables*, stated: "A day will come when you France, you Italy, you England, you Germany, you all, nations of the continent, without losing your distinct qualities and your glorious individuality, will be merged closely within a superior unit and you will form the European brotherhood". Even though day might not even being close, our Union urges a fiscal and banking system convergence.

CONTRIBUTORS:

Scott Sun (Supervisor)
Saro Capozzoli
Enrico Borsari
Tommaso D'Amico
Dario Antognozzi

For inquires and suggestions regarding this newsletter or for any other concerns, please contact us anytime at:

enrico@jesa.com.cn

Our Newsletters:

<http://www.jesa.com.cn/jesa/Index.php/Publication/news.html>

www.jesa.com.cn
www.jesacapital.com



Good planets suitable for
Humans are hard to find.
Please think of the environ-
ment before printing

Appuntamenti di Novembre 2015

Saro Capozzoli, fondatore e GM di Jesa, sarà relatore ad una serie di conferenze per spiegare cosa sta accadendo in Cina e a presentare le opportunità e le sfide future presenti nel sud-est asiatico e Cina.

Contattateci per ottenere il modulo per la NECESSARIA conferma di partecipazione.

Le tappe:

In Partnership con Unicredit

- | | |
|------------------------|------------|
| ✓ Trieste | 02/11/2015 |
| via Cassa Risparmio 10 | ore 9.30 |
| ✓ Roma | 05/11/2015 |
| via de Burro 147 | ore 9.30 |
| ✓ Lecce | 06/11/2015 |
| viale Gallipoli 39 | ore 9.30 |

In Partnership con Confindustria di Reggio Emilia, Modena, Bologna, Ferrara:

- | | |
|------------------------|------------|
| ✓ Reggio Emilia | 09/11/2015 |
| Via Toschi 30, | ore 14.30 |
| ✓ Bologna | 10/11/2015 |
| Via San Domenico 4, | ore 9.30 |

SHANGHAI's Headquarters



**LANE 112 FENYANG ROAD – House 4
200031 SHANGHAI - CHINA**
Tel +86 21 64331555
Fax +86 21 62880072

**Offices also in:
Saudi Arabia, Mongolia, Chile, Finland**

LEGAL NOTICE

The content of this newsletter is composed and written by JESA, and thus it is not reproducible and cannot be diffused indiscriminately without JESA's consent. The purpose of this newsletter is to keep our contacts informed about important changes occurring in China and worldwide. Any use of it must be authorized by JESA.