

## New development in setting up your travel agency in China

### Description

We are helping a Hong Kong travel company (with its shareholders being European travel operators) to set up its WFOE travel agency in Shanghai.

Recently, during a meeting with officials from Shanghai Tourism Bureau, we have learned, orally from the officials in Shanghai, some new development in regard of foreign investment in tourism industry in China.

One of the developments worth a note is that in practice, foreign investors allowed to set up foreign invested travel agency in China are no longer restricted to foreign travel operators. In other words, foreign investors that do not have any track records/history in tourism industry will also be allowed to form travel agency in China. Accordingly, foreign investors that want to form Sino-foreign joint ventures do not have to find their Chinese partners among Chinese travel operators, and now they can also choose other business entities to form their joint ventures.

This is indeed a piece of good news for the travel industry.

Though the new Chinese travel regulations are not explicitly prohibiting non-travel business operators from making investment in Chinese tourism industry, in practice, from those foreign invested travel agencies that have already been set up, it can be shown that foreign tour operators other than other business entities have been favored by China regulators to make investment in Chinese tourism industry, as in the case of three Sino-foreign equity joint venture travel agencies that have been allowed to conduct outbound travel business on a pilot basis (for more information, please click here). Now, according to the official we met, Chinese regulators are now allowing other foreign investors to invest in Chinese travel industry, opening wider door for foreign investment access in the industry.

In addition, this new development allows foreign travel agencies/operators to set up foreign invested travel agencies with Chinese companies that are not travel agencies themselves so as to avoid internal competition and conflict of interests between the parties, relieving foreign investor's worries that their Chinese partners will steal their business knowhow and then start their own business directly competing with the joint ventures.

If you want to know more information about the topic, please write to the author Jason Tian at his emails and phones set out at the top right corner of this page.

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