Research Letter

An empirical study of outbound tourism in Japan during the international tourism transformation period

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Abstract

This paper aims at discussing outbound tourism demand during Japan's economic boom period. Although inbound tourism is generally regarded as significant in present-day Japan, outbound tourism was mainstream from the 1970s to the 1990s as a means of balancing international trade. This situation was also convenient for travel agencies, since many Japanese took the opportunity to travel overseas. Demographical analysis results show that male travelers dominated in 1971, while the number of female and younger travelers increased by 1989. This paper also applied a regression model to demonstrate tourism demand and found that the distance friction increased in 1989. This result was influenced by tourists' preference for Asia-Pacific regions as opposed to European destinations. In terms of price competitiveness, many tourists were likely to visit more expensive countries, a finding that contradicts general theory. In this paper, it was concluded that at this time, many tourists demanded luxury goods and services with respect to overseas trips. Moreover, the economic situation, such as the increased cost of living in Japan, influenced the results.

Keywords

outbound tourism, international tourism demand, Japan's economic boom period, elasticity, regression model

1. Introduction

The tourism market in Japan developed after World War II. Soshiroda [2005] provided an overview of the history of international tourism and asserted that external international tourism demand has been the focus since the 1950s in order to obtain foreign currency. At that time, the economy had stagnated due to damage caused by the war. Around that time, Japan's international tourism situation gradually changed since the 1964 Olympics. In preparation for the Olympic games, the tourism association was established, and tourism promotion policies such as the five-year tourist industry promotion plan and the tourism nation promotion basic law were implemented to promote inbound tourism. After the games, the 1960s tourism market grew, and other events, such as the World Expo and the winter Olympics, were planned. Around this time, inbound tourism was the main perspective on international tourism in Japan.

However, the economic boom started around the 1970s, and the tourism trends shifted. Disposable income increased in Japan. As a result, many people travelled. In fact, outbound tourists dominated in the 1970s. The economic boom continued until the early 1990s, and during this time, the ten million program to promote outbound tourism was launched to reduce friction in international trade. This was also the time when the Japanese currency was at its strongest. Thus, the number of departures rapidly increased until 1989.

This paper aims at discussing the development of outbound tourism in Japan during the economic boom period. It is more important to capture the trends in outbound tourism than those in inbound tourism at this time because of the socioeconomic situation, particularly the rapid economic growth that was occurring [Soshiroda 2005]. Although inbound tourism tends to be focused on present studies since it is directly affected to the economy, it is also significant to understand the mechanism of outbound tourism in economic booming situations, especially for the states which economy is growing.

Furthermore, the paper discusses the historical aspect. This perspective is needed to understand tourists' tendencies during the economic boom, such as with respect to China. For example, Zhu et al. [2021] reflected on the development of modern institutions and conceptual modernity over time with regard to outbound tourism in China.

Of course, inbound tourism is important to many countries, though this paper shows that outbound tourism also needs to be considered in order to analyze tourism demand. Therefore, crucial points that are relevant to modern-day inbound and outbound tourism may be raised, although this paper mainly focuses on the past.

2. Previous works and study background

In international trade, tourism is regarded as one of the service trades. In fact, some countries and organizations estimate expenditures and revenue for the various tourism subsectors. From this perspective, inbound tourism is considered to be an export sector, while outbound tourism is an import sector.

Previous works that have analyzed international inbound tourism are diversified. For example, Kaplan and Aktas [2016] utilized a gravity model to demonstrate the impact of tourism demand in Turkey. Othman et al. [2018] estimated the inbound tourism demand in Malaysia also using a tourism gravity model. These works mainly focused on inbound tourist flows and discussed the effects of economic and social factors on tourism demand. Inbound tourism is likely to influence receiving countries' revenue, especially in nations where the economy is heavily reliant on tourism and tourism-related industries.

In tourism studies, the tourism-led growth hypothesis

(TLGH) is discussed. According to Brida et al. [2016], the relationship between tourism activity and economic growth has been discussed since around the early 2000s. TLGH was influenced by export-led growth, which assumes that economic growth is likely to generate export revenue and expand the amount of labor and capital. This hypothesis focuses on regions where tourism industries are significant. For instance, small islands are appropriate for the application of this idea [Schubert et al., 2011; Seetanah, 2011]. Spain is also one of the representative countries for this hypothesis, as its economy is tourism-based [Balaguer and Cantavella-Jorda, 2002; Perles-Ribes et al., 2017]. For these countries, inbound tourism plays a significant role and exerts a strong influence on the economy.

In Japan, inbound tourism has been expected to boost the economy since the early 21st century. Nakazawa [2009] evaluated the inbound tourism policy using a gravity model and found some effect for tourism demand. Soshiroda [2005] performed an analysis using descriptive approaches and discussed Japan's tourism history. In the early 20th century, inbound tourism was important. According to his study, the development of international tourism in Japan can be divided into five stages. During the early period, inbound tourism was linked to national development, specifically economic growth and the absorption of Western culture. Although inbound tourism in Japan had been significant since World War II, the situation shifted around the 1970s because of the economic boom.

When the situation changed, many Japanese started traveling abroad. Although outbound tourism is regarded as generating import revenue in the international trade statistics, in many countries, it is linked to domestic firms such as travel agencies and airlines. Many Japanese travel agencies sold Japanese travelers tour commodities to foreign countries from the 1970s to the 1990s. Soshiroda [2005] called this period the "era of the transformation of international tourism policies." In this period, less emphasis was placed on acquiring foreign currency, and outbound tourism was encouraged to reduce the trade surplus. Nowadays, inbound tourism is often discussed in Japan, though outbound tourism was once a significant policy to balance international trade.

From this perspective, outbound tourism is likely to be important in regional situations. For instance, the economic situation would be a factor. Previous works have found that economic variables affected outbound tourism demand. In

Turkey, real income is the variable that outbound tourism influenced the most during the period 1970-2005 [Halicioglu, 2010]. Price, including relative price, has also been discussed in the case of Australia [Seetaram et al., 2016] in a study showed that origins and destinations' competitiveness price index is significant to Australian tourists. In addition, Kim et al. [2012] examined the wealth effect of Korean outbound tourism demand from 1989 to 2009 and found that the real estate wealth effect was related to outbound tourism demand. China, which is one of the countries experiencing growth, has also seen an increase in outbound tourism volumes [Dai et al., 2017; Zhu et al., 2021). Based on these papers, modernity and economic growth can be listed among the key factors that concern outbound tourism.

Although the outbound tourism perspective is an important field in the tourism market, few studies have discussed it. Inbound tourism has been a more prominent concern in Japan, since the international tourism demand trend shifted beginning in 2000 [Soshiroda, 2005]. Therefore, few Japanese tourism studies have focused on outbound tourism. To fill this research gap, this paper focuses on the period when many Japanese went abroad, i.e., the 1970s and the 1990s. This study's findings are likely to be significant to other nations in terms of overviewing the history of tourism demand in Japan, which is a worthwhile endeavor because that period is similar to some countries' present-day situation.

3. Methodology

3.1 Data and targeted period

In this study, the data period was 1971 and 1989. In 1973, the exchange rate system changed from fixed to floating. The yen was strong beginning in this period. In the existing literature, the type of exchange system is regarded as an influential factor in the context of tourism demand. Furthermore, the economic boom started from around the mid-1980s and continued until the early 1990s. During this period, the social situation changed dramatically. International tourism in Japan has also changed, and the number of outbound travelers has increased.

To compare the tourism situation with regard to international outbound tourism, the researchers conducting this study collected data based on passport statistics published by Japan's Ministry of Foreign Affairs. These data were suitable for capturing the relevant situations because the study's time period incorporates crucial international tourism events, such as the change in the type of exchange system and the economic boom.

3.2 Tourism demand estimation model

This paper applied an estimation model to explain tourism demand determinants, as shown below.

$$Y_{ijpa} = f\,(INCOME_i, SIZE_i, PRICE_{ijpa}, Distance_{ijpa}) \qquad (1)$$

where i denotes the destination, jpa is Japan as the country of origin, Y represents Japan's tourism demand for the destination, "*INCOME*" indicates the destination country's income, "*SIZE*" refers to the destination country's market size, and "*PRICE*" is the price difference between Japan and the destination. This variable generally shows negative elasticity for tourism demand, as many tourists prefer the cheaper service. "*Distance*" represents the geographical distance between Japan and the destination. In general, tourists tend to choose closer destinations. Hence, this variable would show the negative. The estimation model is regarded as a low-power functional relationship and is modified to both sides of the logarithmic model to determine the coefficients interpreted as elasticity as shown

below.

$$log\,(TF_{ijpa}) = a + b1log\,(GDPCAP_i) + b_2log\,(POP_i) + b_3log\,(PRICE_{ijpa}) + b_4log\,(DIST_{ijpa}) + e \quad (2)$$

where b represents the coefficients that interpret the elasticity for the dependent variable *TF*, which shows tourism flow from the origin, Japan, to the destination, *i*.

Table 1 gives the data definition of the explanatory variables for this model. *GDPCAP* indicates the gross domestic product per capita for the income variable. This variable is interpreted as the income elasticity for tourism demand. *POP* represents the population size at the destination to show the scale effect on tourism demand. *PRICE* represents the price difference between Japan and each destination. This variable is calculated using the equation shown below.

Table 1: The data definition of explanatory variables

Name	Variable Definition	Souces
GDPCAP	Output-side real GDP at current purchasing power parity (PPP) in 2017US$. Varable is divieded by populasion (POP).	Penn World Table
POP	Population (Unit: millions)	Penn World Table
PL	Price level of GDP (PPP / XR), price level of USA GDP in 2017 = 1	Penn World Table
DIST	Geo distnce between origin and destination	CEPII

$$Price = PLi / PLjpn \quad (3)$$

where *PL* represents the purchasing power parity adjusted by the United States dollar exchange rate. If this value is lower/higher than 1 for country *i*, it indicates that destination *i* is cheaper/more expensive than Japan. "*DIST*" is the distance between the origin and the destination, and *e* represents the error term.

This paper conducted a cross-sectional analysis of the years 1971 and 1989. The ordinary least squares method was applied to compare elasticity in each year.

4. Result

4.1 Tourist demographics

At first, this paper focuses on tourists' demographical data. Table 2 shows reasons for outbound travel in the years 1971 and 1989.

Although Table 2 includes several reasons for travel, tourism is a relatively popular purpose in both years, with tourism travel increasing from 71.3 % in 1971 to 92.5 % in 1989. This result shows that outbound tourism in Japan grew substantially over about 20 years.

Travelers' age group also changed during this time. Table 3 shows travelers' age groups in 1971 and 1989. In 1971, people in their 20s and 30s comprised the main group. In the same year, the number of travelers in the 20-29 age group was 32.5 %, with 26.2 % falling into the 30-39 category. The distribution changed slightly by 1989. As shown in the table, the number of younger travelers increased, especially in the under 19 group, which grew from 2.8 % in 1971 to 10.4 % in 1989. The Kolmogorov-Smirnov test was applied to compare the frequency distribution in both years, and the results were significant. Hence, each of the two comparison years had a different distribution.

Moreover, travelers' gender composition also changed between the two comparison years. Table 4 shows the outbound tourism gender composition in Japan. Male travelers dominat-

Table 2: Purpose of the departure for foreign countries

Year	1971	%	1989	%
Business (Short)	590,120	23.28	221,656	5.23
Business (Long)	19,086	0.75	4,990	0.12
Academic Research	12,484	0.49	11,794	0.28
Study Abroad	27,406	1.08	52,970	1.25
Service Rendering	27,718	1.09	2,591	0.06
Permanent Residence	14,108	0.56	3,603	0.08
Living Together with foreigner	37,620	1.48	19,740	0.47
Tourism	1,805,796	71.25	3,924,439	92.52

Notes: Unit is "people". Kolmogorov-Smirnov test: D (7) = 0.5 (*n.s*).
Source: Ministry of Foreign Affairs of Japan [1972; 1990].

Table 3: Age group of travelers

Year	1971	%	1989	%
Under 19	23,739	2.77	440,691	10.39
20-29	278,426	32.5	1,432,864	33.78
30-39	224,800	26.24	757,888	17.87
40-49	163,183	19.05	725,027	17.09
50-59	92,018	10.74	525,085	12.38
60-69	59,268	6.92	286,886	6.76
70-79	14,328	1.67	67,596	1.59
Over 80	849	0.1	5,746	0.14

Notes: Unit is "people". Kolmogorov-Smirnov test: D (7) = 0.75 ($p < 0.05$).
Source: Ministry of Foreign Affairs of Japan [1972; 1990].

Table 4: Genders in the market of outbound tourism in 1971 and 1989

Year	Male	Female
1971	629,616	226,995
%	73.5	26.5
1989	2,369,597	1,872,186
%	55.86	44.14

Notes: Unit is "people". Chi-square test: χ^2 (1) = 91534 ($p < .001$).
Sources: Ministry of Foreign Affairs of Japan [1972; 1990].

ed outbound tourism in 1971; the proportion of female travelers was just 26.5 %, while male travelers accounted for 73.5 %. However, female travelers increased in the intervening years, with the proportion of female travelers rising to 44.1 % by 1989, while male travelers accounted for 55.9 %. A chi square test was carried out to compare the two years, and the results were significant.

The above findings are backdropped by social situations such as the economic boom and tourism policy. Beginning in the 1960s, the Japanese economy started opening up to the global market. As a result, many people could easily travel abroad in the 1970s. In addition, exports boomed in the 1980s. To improve the international trade balance, the government launched the ten million program in 1987, which aimed to increase the number of outbound tourists traveling to foreign countries over 5 years; however, the plan was only successful up to 1990. The data and results likely reflect these background elements.

4.2 Comparison of destinations in 1971 and 1989

Table 5 shows the ranking of destinations in 1971 and 1989. According to this data, most tourists visited the United States in both years. The proportion of tourists traveling to the United States grew from 15.8 % in 1971 to 36 % in 1989. European countries were ranked among the top destinations in 1971, but the number of travelers visiting some Asian destinations such as Korea, Singapore, and Australia increased by 1989.

These results reveal that the outbound tourism demand in Japan changed in the roughly two decades between the comparison years. Generally, some Asian countries started seeing economic growth in the late 20th century. In addition, many Japanese firms started expanding their business abroad, especially in Asia-Pacific countries. Tourism changed amidst this phenomenon, with the number of tourists increasing during these periods.

4.3 Estimation model

Table 6 shows the estimation model results for outbound tourism in Japan in 1971 and 1989. The elasticity of the income variable is high in both years. When income increased by 1 %, outbound tourism demand also increased by about 1.18 %, which is elastic in both years. These results indicate that many tourists preferred to travel to high income regions.

The effect of population size was significant in 1989, while the coefficient in the 1971 model was insignificant. The result for 1989 shows that the proportion of outbound tourists would change by 1.06 % if the population size increased by 1 %. This finding might have been influenced by the popularization of Asia-Pacific destinations among Japanese tourists as a result of

Table 5: The ranking of destinations in 1971 and 1989

Title	1971 year			1989 year	
Unit	People	%		People	%
United States	266,920	15.83	United States	1,446,802	36.99
Taiwan	224,992	13.35	Korea, Rep.	448,167	11.46
Hong Kong	202,821	12.03	Hong Kong	387,565	9.91
Macao	163,413	9.69	Taiwan	351,310	8.98
France	61,387	3.64	Singapore	249,137	6.37
United Kingdom	59,898	3.55	Australia	157,093	4.02
Italy	56,007	3.32	France	123,070	3.15
Germany	54,843	3.25	Thailand	103,687	2.65
Switzerland	54,045	3.21	China	88,645	2.27
Netherlands	45,335	2.69	United Kingdom	82,980	2.12

Source: Ministry of Foreign Affairs of Japan [1972; 1990].

Table 6: The result of estimation model

Year	1971	1989
(Intercept)	13.93 (2.59) ***	18.4 (4.01) ***
log ($GDPCAP_i$)	1.18 (0.21) ***	1.18 (0.22) ***
log (POP_i)	0.17 (0.11)	1.06 (0.14) ***
log ($Price_{ijpn}$)	0.59 (0.37)	1.54 (0.46) ***
log ($Dist_{ijpn}$)	–1.68 (0.32) ***	–2.6 (0.31) ***
N	30	96
R^2	0.45	0.68

Notes: Parenthesis shows standard errors. Significance level * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

development in these regions.

Price elasticity was significant in 1989, but the result was positive. These results suggest that many tourists preferred to visit expensive countries, as prices were high in 1989. Although this finding contradicts the general assumption that tourists prefer cheaper destinations, it could be influenced that Japanese social economic situation had been grown around two decades. This economic growth might lead the higher price level in domestic market, and many of tourists tended to choose the international destinations. Meanwhile, the result for 1971 was insignificant, although the coefficient was negative.

The distance variables in both years were significant and elastic, showing that when the distance increased by 1 %, tourism demand decreased by 1.68 % in 1971, while in 1989, when the distance increased by 1 %, tourism demand decreased by 2.60 %. Although distance friction would decrease if the transportation system was improved, the result shows that the number increased. This was influenced by the development of Asia-Pacific regions and the fact that in contrast to the situation in the 1970s, many Japanese tourists were able to easily visit these regions. Appendix shows targeted areas in each of periods. Although the number of observed areas was different between two periods, data shows that the Asian countries has been increased. It was regarded that this tendency was influenced for the result.

5. Discussion

Regulations applicable to international tourists existed until the early 1960s in Japan, though outbound tourism demand changed beginning in the 1970s. This paper focused on outbound tourist data for 1971 and 1989. The statistics show that male and middle-aged persons dominated among outbound tourists in 1971. In addition, an estimation model for 1971 shows that income and geographical distance were significant, while population and price were insignificant.

At this time, people had just begun to travel abroad. The destinations were mainly Europe and the United States, and the Asia-Pacific regions were still attracting only small numbers in 1971. However, many Asia-Pacific regions saw growth until the 1990s. At the same time, the Japanese economy had grown, and many people could easily travel abroad. Furthermore, the government launched some related policies, such as the ten million program, to balance international trade. In fact, the estimation model for 1989 shows that all the variables were significant, but a contradictory result was observed for price, indicating that many tourists were likely to visit more expensive countries.

This result might have been influenced by Japan's enormous economic boom. In fact, the cost of living in Japan increased substantially between the 1970s and the 1990s. Furthermore, the Plaza Accord was ratified between France, West Germany, the United Kingdom, Japan, and the United States in 1985. After this agreement came into effect, the Japanese currency became a strong contender in the exchange with the US dollar. The number of outbound tourists increased as a result of these situations.

6. Conclusion

This paper focused on outbound tourism during Japan's economic boom. Along with economic development, outbound tourism demand changed. First, tourist demographics such as gender and generational composition diversified throughout the targeted period. Second, Asia-Pacific regions gradually become the most popular destinations. Although this paper carried out a regression analysis of outbound tourism demand in 1971 and 1989, the distance friction in 1989 increased, compared with the results of the 1971 model. This variable theoretically decreased in general, for example, with an improved transportation system. However, some Asian countries, including Japan, were still developing in the 1960s and 1970s. Due to this situation, European countries became more popular destinations than Asian countries. It seems that the estimation model was influenced by this situation.

Regarding price, the finding contradicts the general assumption that tourists prefer cheaper destinations. This study found that Japanese tourists visited expensive countries. This was likely influenced by the economic situation in 1980s Japan. After the enactment of the Plaza Accord in 1985, the Japanese yen became quite strong in terms of foreign currency exchange rates, leading to an increase in outbound tourists. In addition, the economic boom on the domestic market continued until the 1990s, enabling many tourists to easily travel abroad.

Nowadays, many Asian countries have developed remarkably, and tourism demand in these regions has increased. Although globalization has quickened compared to the pace that was observed in the past, Japan should stive toward becoming a tourism destination for travellers from all over the world.

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