

VISA WAIVER WORKS:

Expanding the U.S. Visa Waiver Program
Brightens the American Economy and
Safeguards Security

REPUBLIC OF KOREA CASE STUDY



WHY TRAVEL MATTERS

International travel deepens global understanding – and also yields economic opportunity. On average, overseas visitors spend \$4,400 on a trip to the United States, and every 33 of these travelers create one new American job.¹ In 2012, international travelers spent nearly \$130 billion in the U.S., with enormous potential for growth.² Over the next five years, international travel spending is forecast to increase an average of seven percent annually.³ Travel is America's top services export, responsible for the third-largest trade surplus of any U.S. industry. It is further generating jobs across the country at a 19 percent faster pace than the rest of the economy.⁴

One major reason is the Visa Waiver Program (VWP), which allows citizens of nations that meet strict security protocols to visit the United States for less than 90 days without a visa. The VWP is one of the most important national security and public diplomacy tools available to the United States. It is also an economic dynamo, generating American jobs by the tens of thousands – as shown by the significant impact of South Korea's 2008 inclusion in VWP.

ECONOMIC OPPORTUNITY

Since its creation during the Reagan Administration, the VWP has been an invaluable instrument of U.S. national security and public diplomacy – and is also critical to our nation's economic health. The jobs growth that would result from expanding the program to key emerging economies is staggering.

One of the original objectives of the VWP was to stimulate our domestic economy by removing entry obstacles that discourage overseas travel to our shores. These benefits are crucial not only for U.S. travel and tourism, but also to the scores of other American industries – from consumer electronics to agribusiness – that rely on a predictable and efficient entry process for business travelers.

The VWP has more than fulfilled that promise. In 2012, more than 18 million travelers – 61 percent of all overseas visitors to the United States – arrived through the VWP.⁵ While visiting the U.S., they spent \$72 billion, supporting half a million American jobs, \$12 billion in payroll and \$11 billion in tax revenues.⁶ Many of these jobs are in industries not typically associated with travel, including manufacturing, construction and health care.



Economic Impact of Visa Waiver Program



Since achieving VWP status, the number of South Korean visitors has increased four times faster than total overseas arrivals to the U.S.¹²



NATIONAL SECURITY

A key goal of the VWP is to improve standards for air security, travel documents and international law enforcement. To qualify, VWP nations must issue International Civil Aviation Organization-compliant electronic passports; report information on all lost and stolen passports to the U.S. through Interpol; and share information on travelers who may pose a terrorist or criminal threat. Every VWP traveler must also obtain pre-clearance to board a flight to the U.S. through the Electronic System for Travel Authorization. No other program gives U.S. authorities such broad and unilateral access to international border and aviation intelligence.

Taken together, these eligibility requirements significantly elevate security standards and cooperation with U.S. law enforcement. This enables the U.S. to better detect, apprehend and limit the movement of terrorists, criminals and other dangerous travelers – and to shift limited visa screening resources where they are needed most. That’s why every Secretary of Homeland Security since the agency’s inception, on a bipartisan basis, has strongly supported the VWP and worked for its expansion.

PUBLIC DIPLOMACY

The most effective ambassadors of American values are ordinary Americans. Citizens from VWP countries – traveling here in greater volume and frequency – form life-long impressions based on their visits to destinations, large and small, across America. From our national parks to our ballparks to our theme parks, the heartland reflects the best of the United States to foreign visitors.

Surveys show that foreigners who have the chance to visit the U.S. are 74 percent more likely to have a favorable view of our country and that 61 percent are more likely to support the U.S. and our policies.⁷ Moreover, the mere agreement to establish a visa waiver relationship reinforces bilateral goodwill. While its explicit mission is to enhance security and encourage travel, the VWP significantly enhances American “soft power” that complements formal U.S. foreign policy.

VWP EXPANSION AND JOB GROWTH

While the global travel market is booming, the U.S. share has lagged over the last dozen years – for reasons we can address. In every state and territory of the U.S., local businesses know the economic value of international visitation.

Public policy is finally catching up. In 2012, President Obama set a national goal of attracting 100 million international visitors by 2021 and endorsed legislation to expand the VWP as one way to achieve that objective.⁸ With the recent inclusion of Chile, a total of 38 nations currently participate in the VWP.⁹ In addition to its national security and public diplomacy rationale, the economic benefits of VWP expansion are manifold.



CASE IN POINT: SOUTH KOREA

As a condition for joining the VWP in November 2008, South Korea entered detailed agreements with the United States requiring its cooperation on a long list of counter-terrorism and law enforcement imperatives, from passports to watch lists to repatriation. This collaboration has elevated security, while also facilitating record volumes of new travel to the U.S.

By 2012, visits had increased by nearly two-thirds, for a record 1.3 million South Korean travelers to the United States – and have continued to rise since.¹⁰ South Korea is now the seventh-largest overseas market to the U.S. and one of the fastest-growing nations for U.S. arrivals, behind only China, Brazil and Argentina.¹¹ Since achieving VWP status, the number of South Korean visitors has increased four times faster than total overseas arrivals to the U.S.¹²

Every dollar international visitors spend in the U.S. counts as an export – just like agricultural crops, minerals or manufactured goods. When international visitors travel to the United States, they inject new money into the U.S. economy by staying in hotels, spending in stores, visiting attractions and eating at restaurants. In many cases, they are also here to conduct business by inspecting products they are purchasing, attending meetings and negotiating business contracts. The positive balance-of-trade impact of travel is difficult to exaggerate. Between 2008 and 2012, spending in the U.S. by South Korea visitors rose 52 percent from \$2.7 to \$4.2 billion. By growing twice as fast as other U.S. exports to South Korea, travel accounted for 11 percent of our overall export growth to South Korea during this time.¹³ Since its VWP inclusion, South Korea has become our ninth-largest overseas travel export market, just behind India.¹⁴ On average, South Koreans stay in the U.S. for 19 nights and spend \$3,300 per visit.¹⁵

The rising travel receipts have yielded a 150 percent increase in the U.S. trade surplus with South Korea, totaling \$2.2 billion. Travel is now the fifth-largest U.S. export to South Korea, constituting seven percent of total U.S. exports to Korea, 40 percent more than the next largest export (food manufacturing).¹⁶ Most importantly, South Korean travel spending in the U.S. in 2012 supported 36,200 American jobs, up 50 percent from 2008.¹⁷

The U.S. is now the most popular destination outside South Korea's region by a wide margin, increasing by 35 percent since 2008.¹⁸ With volume six times higher than its nearest long-haul competitor (Australia), the U.S. has now regained nearly all its market share of South Korean visitors lost after 2001.¹⁹



52%

spending increase from 2008 to 2012 by South Korea visitors, **\$2.7 to \$4.2 billion**



Growing twice as fast as other U.S. exports, travel accounted for

11%

of overall export growth to South Korea



Since 2008, South Korea has become the

9th

largest overseas travel export

The growth in travel has been accompanied by significant new commercial opportunity. In 2012, a quarter of South Korean travelers reported their primary purpose in visiting the United States was to conduct business – and in diverse regions of America.²⁰ Since 2008, direct flights between the U.S. and South Korea increased 31 percent, with new routes to various U.S. destinations, including Honolulu, Houston, Anchorage and Detroit.²¹ This enhanced business activity is reflected in rising South Korean investment in the U.S. – now totaling \$5.2 billion.²²

31% Increase in Direct Flights Between South Korea and the U.S.



Over the next five years, South Korean visitation to the U.S. is expected to increase at an average of six percent annually.²³ At that pace, South Korea would become our sixth-largest overseas market and surpass France by 2017, with nearly 1.7 million arrivals.²⁴ The work of Brand USA, a public-private marketing organization created by Congress in 2010, will continue to expand travel from South Korea and promote the U.S. as a global destination. According to a just-published report by Oxford Economics, Brand USA's marketing boosted the United States' market share of South Korean long-haul travel by 2.1 percent in FY2013.²⁵

Over the next five years, South Korean visitation to the U.S. is expected to increase at an average of six percent annually.²³

LOOKING AHEAD

Accelerated U.S. economic growth and job creation depend on welcoming more international travelers to the United States. Yet many see America's visa process as difficult to navigate. As a result, we believe that hundreds of thousands of potential visitors each year choose to visit other international destinations rather than travel to the U.S.

Many other countries recognize the economic benefits of travel and tourism and are competing to attract more visitors by streamlining and modernizing their visa processes. Expanding our VWP to new countries would buttress America's national security, increase our share of the global travel market and enhance sales of U.S. goods and services.

For instance, if potential VWP nations like Brazil, Bulgaria, Croatia, Israel, Panama, Poland, Romania and Uruguay were included in the program, annual visitation from those countries would increase by more than 500,000, adding \$5.3 billion per year to the U.S. economy and supporting 31,600 additional American jobs.²⁶

Brazil alone represents a massive travel market, with a population of nearly 200 million and an annual gross domestic product exceeding \$1.0 trillion.²⁷ As the fourth-largest overseas market, 1.8 million Brazilians visited the U.S. in 2012, and arrivals are forecast to reach 2.8 million by 2017.²⁸ In New York City alone, Brazilian visitors have increased more than 500 percent since 2005.²⁹ The average Brazilian traveler spends more than \$5,000 per trip on U.S. goods and services, nearly 50 percent higher than British or French visitors.³⁰ In 2012, Brazilian visitors contributed nearly \$9.3 billion to the U.S. economy.³¹

However, while the U.S. share of Brazilian long-distance travel has improved, it still remains nine percent below the 2000 level. Given the burgeoning Brazilian demand for travel to the U.S., VWP status would immediately generate nearly five billion dollars in total economic output and support a total of 29,000 additional American jobs.³²

To fulfill the President's challenge for 100 million new international visitors by 2021, U.S. Travel is pursuing a number of specific, practical reforms in the visa and entry process.³³ On some, including reduced wait times for visa applicant interviews in key travel markets, the U.S. Department of State has already made remarkable progress. On others, we have had legislative success, such as the FY14 Omnibus Appropriations provision for hiring 2,000 new Customs and Border Protection officers.

Potential Economic Gain with Additional Countries Included in VWP



500,000
arrivals increase

adds **\$5.3B** annually to U.S. economy
supports **31,600** additional American jobs





Next Steps:

1

Enact the bipartisan JOLT Act to expand the VWP

2

Engage prospective VWP nations in “roadmap” discussions

Going forward, expansion of the VWP remains a top travel facilitation priority. Now pending before the U.S. Congress is legislation to do so: H.R. 1354, the Jobs Originated through Launching Travel (JOLT) Act. The text of the JOLT Act was included in the Senate immigration reform bill (S. 744), passed in June 2013. The House bill has more than 140 bipartisan cosponsors from over 40 states. This bill would retain VWP’s strict security requirements, while providing the Secretary of Homeland Security greater flexibility in assessing eligibility.

Meanwhile, the Administration should continue to engage potential VWP nations on “roadmap” discussions to accelerate compliance with the complex security requirements of the program. This has occurred successfully in both the Obama and Bush Administrations with several VWP aspirant nations that were later admitted to the VWP. In 2012, the U.S. and Brazil agreed to such a roadmap process and bilateral working groups are now at work.³⁴

This approach can expedite VWP agreements that upgrade security and catalyze new mutual economic opportunity. For Brazil, this imperative is underscored by international focus on global events such as the upcoming 2014 World Cup and 2016 Summer Olympics.

For the United States, every potential new VWP visitor constitutes, in effect, a walking economic stimulus. Each has the desire and means to travel to the U.S. It’s just a question of how effectively the U.S. competes against destinations in other nations around the world.

By strengthening our alliances and enhancing our nation’s global image, the Visa Waiver Program has helped to keep us safer. By facilitating more efficient flow of overseas visitors for both business and leisure at a time when the competitive global travel market is booming, VWP expansion offers enormous new export opportunity for the United States.

REFERENCES

1. U.S. Travel Association, 2013.
2. U.S. Department of Commerce, 2013.
3. Ibid.
4. U.S. Travel Association, U.S. Department of Labor and U.S. Department of Commerce, 2013.
5. U.S. Travel Association, 2013.
6. Ibid.
7. “A Blueprint to Discover America,” Discover America Partnership, 2007. http://www.fosterquan.com/content/documents/policy_papers/ABlueprintToDiscoverAmerica.pdf
8. “National Travel and Tourism Strategy,” The Department of Commerce and Interior, 2012. <http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&pageid=295021>
9. Andorra, Australia, Austria, Belgium, Brunei, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Lichtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, New Zealand, Norway, Portugal, the Republic of Korea, San Marino, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan and United Kingdom.
10. U.S. Department of Commerce, 2013.
11. Ibid.
12. Ibid.
13. Ibid.
14. Ibid.
15. Ibid.
16. Ibid.
17. U.S. Travel Association and U.S. Department of Commerce, 2013.
18. Tourism Economics, U.S. Travel Association, 2013.
19. Ibid.
20. U.S. Department of Commerce, Office of Travel and Tourism Industries, 2013.
21. Bureau of Transportation Statistics, 2013.
22. U.S. Department of Commerce, 2013.
23. Ibid.
24. Ibid.
25. “The Return on Investment of Brand USA Marketing 2013 Fiscal Year Analysis,” Oxford Economics, February 2014.
26. U.S. Travel Association and U.S. Department of Commerce, 2013.
27. Oxford Economics, 2013.
28. U.S. Department of Commerce, 2013.
29. “Brazilians are Taking New York City by Storm – with Their Cash,” Public Radio International, January 28, 2014. <http://www.pri.org/stories/2014-01-28/brazilians-are-taking-new-york-city-storm-cash>
30. U.S. Department of Commerce, 2013.
31. Ibid.
32. U.S. Travel Association and U.S. Department of Commerce, 2013.
33. “National Travel and Tourism Strategy,” The Department of Commerce and Interior, 2012. <http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&pageid=295021>
34. “Readout of Secretary Napolitano’s Visit to Brazil,” Department of Homeland Security, July 11, 2012. <http://www.dhs.gov/news/2012/07/11/secretary-napolitanos-visit-brazil>

U.S. TRAVEL
ASSOCIATION

The U.S. Travel Association is the national, non-profit organization representing all components of the travel industry that generates \$2.0 trillion in economic output and supports 14.6 million jobs. U.S. Travel's mission is to increase travel to and within the United States. Visit www.ustravel.org or www.traveleffect.com.

Visa Waiver Works: Expanding the U.S. Visa Waiver Program Brightens the American Economy and Safeguards Security Republic of Korea Case Study; March 2014