SUMMARY

Israeli travelers have long considered the United States an attractive destination. However, due to competition from other markets—and visa-free travel to most competitors, including all European Union countries—travel growth from Israel to the U.S. has been relatively static. In fact, the same number of Israelis visited the U.S. in 2012 as in 2001 (in comparison, total outbound travel from Israel to all destinations increased by 30 percent during the same period). The United States fell from its rank as Israel’s second-largest travel destination market in 2001 to the fourth-largest in 2015 and beyond.

Nevertheless, the United States remains, by far, Israel’s largest destination market outside of nearby Europe. The U.S. is also a key trade partner, as Israel is one of only 20 countries with which the U.S. has signed a free trade agreement. Therefore, it is unfortunate that the U.S. exhibits a travel trade deficit with Israel of $761 million, a result of stronger spending by Americans in Israel ($2.4 billion in total travel imports) than Israeli spending in the U.S. ($1.7 billion in total travel exports). This travel trade deficit has been growing over the years and reached its highest level 2017.

Smart changes to policy, including the entry of Israel into the Visa Waiver Program (VWP) and Global Entry, can help reverse this trend. If Israel, who already meets the stringent security standards of the VWP, were admitted into the program, the U.S. stands to gain 143,078 additional visitors from Israel who will spend an estimated $443.8 million while visiting over a three-year period. In turn, the U.S. stands to gain $1 billion in economic activity, supporting a total 6,000 American jobs.

MACRO OVERVIEW AND ITS IMPACT ON TRAVEL

With a $366 billion economy and a population of 8.6 million, Israel ranks 33rd (in GDP) and 101st (in population) globally. Israel is an advanced free market economy. The country’s major economic sectors are technology and industrial manufacturing. In addition, the Israeli diamond industry is one of the world’s centers for diamond cutting and polishing. Tourism, especially religious tourism, is also an important industry. With relatively limited natural resources, Israel depends on imports of raw materials, agriculture and energy; though a recent discovery of major national gas reserves and the development of solar power may together make Israel more energy independent.

Israeli GDP growth averaged 3.5 percent during the 2013-2017 period, and Israel’s currency, the shekel, remained stable at around 3.7 shekels to the dollar throughout that time period.

TRAVEL IMPACT: VISITATION

The United States has always been Israel’s largest travel destination outside of nearby Europe, but the growth in visitations has been muted over the years. After stalling (and in many years, declining) between 2001 and 2012, visitations from Israel to the U.S. recovered somewhat leading into 2016, but then declined by 0.9 percent in 2017. The market share of visitations to the U.S. in total outbound travel from Israel has also declined, from 10 percent in 2001 to 6 percent in 2017. Israel is the United States’ 21st-largest overseas inbound market and accounts for 1.1 percent of overseas visitations to the U.S., but given the close ties between the two countries, its rank and share—which have been falling in recent years—could be much higher.
The U.S. in fact has a “visitation deficit” with Israel. In 2017, there were nearly double (779,000) as many American visitations to Israel as Israeli visitations (421,000) to the United States. While visitations from Israel accounted for 1.1 percent of overseas visitations to the U.S., American visitations to Israel accounted for 22 percent of all visitations to Israel (including those from nearby Europe).

TRAVEL IMPACT: ECONOMIC

Travel accounted for 9 percent of all U.S. exports of goods and services to Israel in 2017. Travel exports to Israel were valued at $1.7 billion in 2017, the third-largest of all U.S. exports to Israel. The average Israeli visitor to the U.S. spent $3,618.

Since 2003, the U.S. has experienced a consistent travel trade deficit with Israel, but its scale has never been larger than it was in 2017. With travel exports to Israel valued at $1.7 billion, and travel imports (i.e., spending by U.S. travelers in Israel) valued at $2.4 billion, travel generated a $761 million trade deficit with Israel in 2017.

For more about the contribution of visitations from Israel to America’s trade balance, see Addendum, Page 4.

THE COMPETITION

Israeli travel to the United States declined by 0.9 percent in 2017 and increased by just 3 percent over the two-year period between 2015 and 2017. Over the same two-year period, travel from Israel to all destinations increased by an impressive 28 percent. (Some examples by outbound destination include: Poland +43%, Europe as a whole +32%, Thailand +23%, Georgia +111%, China +20%, Canada +11% and Israel +51%.)

As a result of these trends, the U.S. lost a significant amount of market share, with the U.S. share of total travel from Israel declining rather steadily from 9.6 percent in 2000 to 6.1 percent in 2017. Although many other top markets also experienced a decline in the share of outbound travel from Israel due to the increasing popularity of additional travel destinations, only France experienced a decline in share of a stronger magnitude to that of the United States between 2015 and 2017.

Despite the increase in competition from other markets, Israel remains an attractive market to the U.S., particularly due to strong ties between the two countries and the high number of Americans traveling to Israel, which ensures decent flight connectivity between Israel and the United States. In fact, for the first time ever, after an intensive campaign that signaled the existing (and potential) strength of travel between the Washington, D.C. area and Israel, United Airlines will begin to operate a direct flight in May 2019 between Dulles Airport and Tel Aviv. New direct travel routes to other U.S. cities have also been announced.

While the increased level of air connectivity is an exciting development, the fact remains that the cumbersome visa application process and the lack of true budget travel opportunities remain a key impediment for the growth of the Israeli inbound travel market. Israelis can travel visa free (and for relatively cheap prices) to the European Union, Russia, Turkey and many other competing destinations.

The potential of Israel’s inclusion in the Global Entry program and in the Visa Waiver Program will undoubtedly have substantial positive effects on travel—and spending—by Israeli visitors to the United States.

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1. International standards now use a broader definition of travel exports than previously used which, in addition to general travel spending by visitors, includes education-related and health-related spending, as well as expenditures on goods and services by border, seasonal, and other short-term workers in the United States. For more information, please visit http://travel.trade.gov/pdf/restructuring-travel.pdf.

2. Average visitor spending takes into account travel receipts and passenger fares but excludes education and other travel-related exports.
INBOUND TRAVEL MARKET PROFILE (2017)
ISRAEL

Since travel imports are far greater than travel exports, the U.S. has a travel deficit with Israel.

Please note: The overall travel trade deficit with Israel, due in part to the very high level of travel and spending by Americans in Israel, does not negate the impressive role of inbound travel from Israel on our trade balance. In fact, this reality strengthens the value of increased visitations from Israel to the United States to help offset, and ideally overturn, the existing deficit in travel spending and exports. The United States had a trade deficit of goods and services with Israel that totaled $10.8 billion in 2017. If not for the $1.7 billion in travel exports, this trade deficit would have totaled $12.5 billion. In other words, without travel exports to Israel (and assuming the existing level of travel imports remains constant), our trade deficit with Israel would have been 15 percent larger.

TRAVEL FROM ISRAEL TO THE U.S. IS “MADE IN AMERICA”

1. Spending by Israeli residents in the U.S. produced $1.7 billion in export income for the U.S. economy.

   Although travelers from Israel are physically on U.S. soil when they visit the United States, the goods and services they consume while in America are U.S. exports. In 2017, U.S. travel exports to Israel totaled $1.7 billion, which included travel spending by Israeli visitors to the U.S. ($1.1 billion), education-related expenses by Israelis in the U.S. (relatively low at just $0.1 billion) and international passenger fares by Israelis flying on U.S. airlines ($0.4 billion).

2. Travel is the third-largest industry export to Israel and accounted for 9 percent of all U.S. exports to Israel in 2017.

   As the third-largest industry export to Israel in 2017, travel accounted for 9 percent of all U.S. exports of goods and services, just behind second-place transportation equipment (9.2%).


   Due to the higher number of visitations—and associated spending—by U.S. visitors to the Israel, travel generated a trade deficit in 2017. In fact, after taking into account U.S. resident spending in Israel ($2.4 billion), the U.S. had its highest travel trade deficit ever ($761 million) with Israel.

Please note: The overall travel trade deficit with Israel, due in part to the very high level of travel and spending by Americans in Israel, does not negate the impressive role of inbound travel from Israel on our trade balance. In fact, this reality strengthens the value of increased visitations from Israel to the United States to help offset, and ideally overturn, the existing deficit in travel spending and exports. The United States had a trade deficit of goods and services with Israel that totaled $10.8 billion in 2017. If not for the $1.7 billion in travel exports, this trade deficit would have totaled $12.5 billion. In other words, without travel exports to Israel (and assuming the existing level of travel imports remains constant), our trade deficit with Israel would have been 15 percent larger.

CALCULATING THE TRAVEL TRADE BALANCE WITH ISRAEL

Spending by Israeli visitors constitutes a U.S. travel export while spending by U.S. residents in Israel constitutes a U.S. travel import.

$1.7 billion

Visitor spending = export income for destination

$2.4 billion

Travel experiences, which are “purchased” = exported services to source market

= $761 Million

Travel Trade Deficit with Israel

Since travel imports are far greater than travel exports, the U.S. has a travel deficit with Israel.