PASSPORT TO FUTURE ECONOMIC GROWTH:

How Expanding the Visa Waiver Program Will Strengthen the U.S. Economy and Create American Tourism Jobs

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EXECUTIVE SUMMARY

Tourism has always been one of America's great homegrown industries. Today, more than 8 million Americans are employed in travel and tourism, an all time high.[1] In diverse parts of the country—ranging from Las Vegas, Nevada to Hilton Head, South Carolina—hospitality and tourism reigns as the largest local industry, providing tens of thousands of families directly or indirectly with jobs. In a changing economy, tourism also provides a bulwark against the job security fears held by many Americans: Because of the service-oriented nature of many travel positions, those jobs are difficult, if impossible, to outsource.

While the travel industry is playing an important role providing employment to Americans, however, some have questioned in recent years whether U.S. policies have harmed the ability of the industry to expand and thrive. One of the most frequently discussed concerns involves American visa policy. In an era when the European Union allows tourists from 26 European countries—and almost all of the Americas and Australia—to visit without a visa,[2] our policies require some travelers from friendly countries, such as Brazil, to travel thousands of miles from home to attend the in-person interview needed to secure a tourist visa. And although the White House has taken steps to reduce visa wait times in recent years, in some parts of the world, like Vietnam and Turkey, the U.S. tourist visa application process can be a multi-month process.

In this paper, we focus on one program that experts have argued could help strengthen the U.S. travel industry still further: The U.S. Visa Waiver Program, an initiative that currently allows nationals from 38 countries to travel to America without first applying for a dedicated tourist visa. Travel industry experts support the program because it welcomes international tourists, who spend $4,500 on average in visits to the United States, a valuable economic contribution.[3] The program also boasts stringent entrance requirements,[4] and takes added measures—like assessing a given country's speed in dealing with stolen passports—to ensure that visitors are not welcomed into America at the expense of broader U.S. security interests.[5] In this brief, we examine the financial impact that membership in the Visa Waiver Program has had on our country in recent years, and how expanding the program to a handful of additional trusted countries could grow the economy further.

To conduct this analysis, our project relies on data from the U.S. Department of Commerce's Office of Travel & Tourism Industries covering international arrivals in America from 1980 to 2013. Using a regression model, we isolate how joining the Visa Waiver Program during that period impacted the number of tourists arriving in America from participating countries in the immediate years that followed. Our figures show that joining the Visa Waiver Program has a meaningful impact on the number of tourists choosing to come to the United States, and ultimately, the amount spent by international tourists here. The effect is powerful enough that expanding the program to just six more countries could create more than 50,000 new American jobs within the five years, a valuable stimulus to our economy overall.

1 US Travel Association "U.S. Travel Employment Reaches an All-Time High" [Press Release], Nov. 7, 2014. Accessed Dec. 8, 2014, available here: https://www.ustravel.org/news/press-releases/travel-industry-employment-reaches-all-time-high.

2 EU Immigration Portal, "Do I Need a Short-Stay Visa?" [Website]. Available here: http://ec.europa.eu/immigration/tab2.do?subSec=12&#novisa.

3 Statement from U.S. Commerce Secretary Penny Pritzker on President Obama's Executive Actions to Welcome More International Visitors," Commerce.gov, May 22, 2014, [Press release]. Available here: http://www.commerce.gov/news/press-releases/2014/05/22/statement-us-commerce-secretary-penny-pritzker-president-obama's-exec.

4 Nikhil Sonnad, "If You Need a Visa to Visit the U.S. Now, You Probably Always Will," Quartz, June 25, 2014. Accessed Dec. 8, 2014, available here: http://qz.com/225503/basically-no-more-countries-qualify-for-the-us-visa-waiver-program/.

5 See footnote 3.

KEY FINDINGS:

1

The Visa Waiver Program has a meaningful impact driving increases in U.S. tourist volumes. Our analysis found that when a typical country joins the Visa Waiver Program, it sees a notable increase in the number of tourists who chose to visit the U.S. in the immediate years that follow. Over the course of its first five years in the program, the number of tourists arriving from a participating country rises by 16.4 percent.

2

If a handful of trusted countries currently being evaluated for membership in the Visa Waiver Program were to gain entry in 2015, the impact on U.S. tourism volumes would be sizeable. If just six countries—Brazil Hong Kong, Turkey, Israel, South Africa, and Poland—were to gain entry into the Visa Waiver Program in 2015, more than 600,000 additional travelers from those countries would visit America in the year that followed. Between 2015 and 2019, an estimated 1.7 million more residents of these areas would arrive in the U.S. as tourists than would have otherwise.

3

Expanding the Visa Waiver Program would support our economy and create valuable jobs. Expanding the Visa Waiver Program to the six countries outlined above would result in $7.66 billion in additional tourist spending within a five-year period. It would also create at least 50,000 American tourism jobs within five years.

INTRODUCTION

Purchases of goods and services by foreign visitors contribute significantly to job creation and economic growth in the United States. International travelers to the U.S. purchased more than $180 billion in goods and services in 2013, making travel and tourism the leading U.S. service export.[6] In addition, tourism generates a trade surplus as foreign visitors spend more in the U.S. than Americans spend in their visits abroad. The U.S. enjoyed a $57 billion trade surplus in travel and tourism in 2013, and the country has maintained a trade surplus in tourism every year since 1989.[7] Experts have long argued that reforms to U.S. travel and tourism policy, including expansion of the Visa Waiver Program, could increase the number of foreign visitors to the U.S. The increase in foreign expenditures on goods and services that would result from increased tourism could spur economic growth and result in more jobs for Americans.

International travel is one of the fastest growing sectors of the global economy with over one billion international arrivals in 2013. Because of the labor-intensive nature of tourism work, it is also thought to be a particularly attractive area to grow jobs: According to figures from the U.S. Travel Association, every $1 million spent by foreign visitors as travel exports creates 6.6 tourism jobs for American workers.[8] For comparison, that same amount of exports in the agriculture industry, another major driver of American employment, directly creates 2.2 American jobs.[9] [10] In the manufacturing industry, similar exports create 1.8 positions.[11] Indeed, after being particularly hard hit in the recent recession, travel and tourism has rebounded strongly in the years since—adding jobs 37 percent faster than the economy as a whole.[12]

The question, for many researchers, however, is whether the U.S. is missing valuable potential opportunities for more tourism growth. In recent years, growth in the American tourist industry has not kept pace with growth elsewhere in the world, a situation that has caused America to lose valuable market share in the global tourism industry.[13] This phenomenon was of particular note in the decade from 2000 to 2010, a period referred to by some in the tourism industry as America's "lost decade."[14] While 17 percent of long-haul international trips were to America in 2000, by 2010, that figure had slipped to just 12 percent—a 29 percent drop off. That decline cost the U.S. an estimated 467,000 jobs, $606 billion in lost spending by international visitors, and $37 billion in lost tourism revenue.[15] Today, there is some evidence that the situation is improving.[16] America, however, still has not regained the market share it once held. In 2013, America's market share for international tourism stood at 13.2 percent—still 22.3 percent below 2000 levels.[17]

The U.S. will also continue to face steep competition for the world's tourists. Emerging economies, such as Thailand and Russia, are currently rapidly growing their tourism bases. Between 2010 and 2013 for instance, foreign travel to Southeast Asia and Russia increased by 33 percent and 40 percent respectively, more than twice the rate of growth of foreign travel to America during the same period.[18] In addition, much of the increase in global international travel over the next 20 years is expected to come from countries in South America and Eastern Europe currently experiencing rapid economic growth. Whether America is able to capture a healthy share of their tourism volume may very well depend on the perceived friendliness of U.S. travel and tourism policy towards individuals from those nations in the years ahead.

6 U.S. Department of Commerce, International Trade Administration, Office of Travel and Tourism , http://travel.trade.gov/outreachpages/inbound.general_information.inbound_overview.html

7 Fast Facts: United States Travel and Tourism Industry 2013, U.S. Department of Commerce, International Trade Administration, National Travel and Tourism Office.

8 U.S. Travel Association, "Travel Exports: Driving Economic Growth and Creating American Jobs," (Sept. 10, 2014). Accessed Dec. 8, 2014, available here: https://www.ustravel.org/sites/default/files/page/2009/09/2014_Export_Report-PDF-FINAL.pdf.

9 Email correspondence with Veronica Nigh, Economist at the American Farm Bureau, [Dec. 10, 2014].

10 It is worth noting that agricultural exports generate more jobs indirectly than they do directly. While the U.S. Department of Agriculture estimates that every $1 million in agriculture exports creates 2.17 direct, on-farm jobs, it estimates 4.4 additional jobs are created in industries like processing, trucking, and grocery retail.

11 See footnote 7.

12 U.S. Travel Association, "Travel Employment Reaches New Record High as Travel Exports Continue to Expand" [press release], Dec. 5, 2014. Accessed Dec. 8, 2014, available here: https://www.ustravel.org/news/press-releases/travel-employment-reaches-new-record-high-travel-exports-continue-expand.

13 The slow growth in international travel and tourism between 2000 and 2009 is documented in The Lost Decade, a 2010 study by the U.S. Travel Association and Oxford Economics.

14 Roger J. Dow, The Wall Street Journal, "America's Lost Decade of Tourism" (Nov. 21, 2011). Accessed Dec. 9, 2014, available here: https://www.ustravel.org/sites/default/files/WSJ_11.21.11_AmericasLostDecadeofTourism_4.pdf.

15 Ibid.

16 Ibid.

17 U.S. Travel Association, "Travel Employment Reaches New Record High as Travel Exports Continue to Expand" (Dec. 5, 2014), [Press Release]. Accessed Dec. 10, 2014, available here: https://www.ustravel.org/news/press-releases/travel-employment-reaches-new-record-high-travel-exports-continue-expand.

18 United Nations World Tourism Organization, Tourism Highlights 2014 Edition. Accessed Dec. 2, 2014, available here: http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_highlights14_en_hr_0.pdf.

STRICT VISA POLICIES DETER TOURISM

Stricter and tougher visa policies imposed after the 9/11 terrorist attacks have been widely viewed as a deterrent to foreign travel to the U.S. between 2000 and 2010. A 2006 article on Bloomberg.com reported that in a survey of foreign travelers the U.S. visa system was voted the world's worst by a margin of more than two to one.[19] More recently, an article in The Economist explained that some countries "labyrinthine forms and hefty fees seem designed to dissuade all but the most determined tourists."[20] That piece provided anecdotal evidence suggesting that differences in visa policies across countries can help explain which countries foreign travelers choose to visit.[21]

The idea that restrictive visa policies have deterred foreign travel to the U.S. is shared by academic researchers. For example, in a study of travel conducted by professors at the University of Hawaii at Manoa, the authors wrote: "The perception that the U.S. is 'fortress-like' when it comes to allowing foreign visitors is longstanding. Among countries of the west, the U.S. has had among the most restrictive visa entry requirements."[22] They concluded: "It seems clear that the growing number of regulations and requirements needed to obtain a tourist visa to the U.S. make it more difficult for foreigners who want to visit the U.S. Requirements for personal interviews, and higher visa application fees and longer waits to obtain visas can deter would-be international visitors."[23]

In recent years increased efficiency and reforms in visa processing have decreased waiting times for visas. While these improvements are thought to have somewhat lessened the impact our visa policies have on dampening tourism, many experts argue that further reforms are needed. For example, Americans can visit more than 160 countries without a visa.[24] In contrast, only 38 foreign countries participate in America's Visa Waiver Program. Many have argued the U.S. should do more to welcome countries into the program, while still balancing the needs of American security. In this brief, we explore the economic impact that such a move might have for six countries currently being discussed as possible future members.

19 Jeff Bliss and John Hughes, Bloomberg, "World's 'Worst' Visa System Scares Business Away from the U.S." (Dec. 25, 2006). Accessed Dec. 8, 2014, available here: http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a1F10udeixLM.

20 The Economist, "You're Not Welcome," (Feb. 19, 2013). Accessed Dec. 8, 2014, available here: http://www.economist.com/blogs/gulliver/2013/02/tourist-visas.

21 Ibid.

22 Carl Bonham, Christopher Edmonds, and James Mak, "The Impact of 9/11 and Other Terrible Global Events on Tourism in the U.S. and Hawaii," (Jan. 30, 2006), [working paper]. Accessed Dec. 8, 2014, available here: http://www.uhero.hawaii.edu/assets/UHERO_WP2006-01.pdf.

23 Ibid.

24 See footnote 13.

MEASURING THE IMPACT OF THE VISA WAIVER PROGRAM

This study measures the impact of the Visa Waiver Program on foreign visitors from participant countries. The estimated impact of the Visa Waiver Program is based on a study of 71 countries, with the highest GDP per capita in the world, over the time period 1980 to 2013.[25] The study is limited to countries with the highest GDP per capita because although these countries account for 22 percent of the world's population they account for 89 percent of foreign visitors to the U.S. Foreign travel is expensive and few citizens of poor and less developed countries have the financial resources to travel to the U.S. Policies to encourage foreign travel generally focus on relatively wealthy countries and emerging economies experiencing substantial economic growth.

Among the 71 richest countries in the world (other than the U.S.), 32 currently participate in the Visa Waiver Program. The United Kingdom was the first country to participate in the Visa Waiver Program in 1988. France, Germany, Italy, Netherlands, Sweden, and Switzerland joined the visa program in 1989. In Table 1 below, we present the fraction of the world's population living in high GDP per capita countries in our sample that also participate in the Visa Waiver Program. As the figures show, in 2013, 43.4 percent of the residents of high GDP per capita countries were living in countries that were part of the Visa Waiver Program. That leaves about 860 million people in the relatively wealthy countries in our sample in which one must obtain a visa in order to visit the United States. Given the disposable income available to such potential tourists, we would expect that expanding the Visa Waiver Program to include more of them could have a powerful economic benefit to the U.S. tourism industry.

25 Each country in the sample has GDP per capita that is at least 1/8 of U.S. GDP per capita. It is noteworthy that China and India are not included in this sample because their GDP per capita is below this threshold. It is likely that these countries will experience enough economic growth over the next few years to achieve this threshold. This economic growth will be accompanied by a substantial increase in travel to foreign countries.

TABLE 1:
Portion of Population Living in High GDP Countries with Access to U.S. Visa Waiver Program, 1980-2013

YEAR	TOTAL POPULATION OF HIGH GDP COUNTRIES (MILLIONS)	POPULATION OF HIGH GDP COUNTRIES WITH VISA WAIVERS (MILLIONS)	% OF HIGH GDP POPULATION WITH VISA WAIVERS
1980	1146.6	0.0	0.0%
1981	1159.9	0.0	0.0%
1982	1172.8	0.0	0.0%
1983	1185.3	0.0	0.0%
1984	1197.8	0.0	0.0%
1985	1210.4	0.0	0.0%
1986	1223.1	0.0	0.0%
1987	1235.7	0.0	0.0%
1988	1248.4	179.5	14.4%
1989	1261.2	403.7	32.0%
1990	1273.6	405.6	31.8%
1991	1285.4	482.4	37.5%
1992	1296.9	484.4	37.4%
1993	1308.3	486.6	37.2%
1994	1319.2	488.1	37.0%
1995	1329.9	493.3	37.1%
1996	1340.8	512.9	38.3%
1997	1351.3	516.4	38.2%
1998	1361.4	517.7	38.0%
1999	1371.7	536.8	39.1%
2000	1381.8	538.8	39.0%
2001	1392.4	541.3	38.9%
2002	1403.2	544.0	38.8%
2003	1413.7	543.4	38.4%
2004	1424.2	546.1	38.3%
2005	1434.8	548.8	38.3%
2006	1445.4	551.5	38.2%
2007	1456.4	554.3	38.1%
2008	1467.9	639.2	43.5%
2009	1478.9	641.8	43.4%
2010	1489.9	655.1	44.0%
2011	1501.5	657.7	43.8%
2012	1510.3	658.1	43.6%
2013	1520.5	660.1	43.4%

Although there are a number of factors (many specific to each country) that influence the number of foreign visitors to the U.S., a key economic determinant of the percentage change in foreign visitors to the U.S. is growth in real income per capita in the foreign country. Using a regression model to relate per-capita GDP figures from the World Bank to each country's pattern of sending travelers to the United States each year as tracked by the Department of Commerce, we find that each 1 percent increase in real GDP per capita in a country causes the number of foreign visitors to the U.S. from that country to increase by 1 percent in turn. Given the rapid growth their economies are currently experiencing, this means that emerging economies like Brazil and India are likely to contribute substantially to the growth in foreign travel to the U.S., both now and into the future.

We then estimate the impact that participation in the Visa Waiver Program has on the growth in the number of arrivals to the U.S. from a given country in the first five years after it joins the program.[26] To do this, we add indicators for a country's participation in the Visa Waiver Program to the model described above, which controls for growth in per-capita GDP. The results our model produces are clear and compelling. We find that in each of the first five years after the average country joins the Visa Waiver Program, the number of international tourist arrivals from that country in the United States grows by 3.1 percent beyond what it would have been otherwise. Over the course of its first five years in the program, the number of tourists arriving from the country rises by 16.4 percent—a figure that translates into billions of dollars of economic impact for the destinations they choose to visit. (For more information on our calculations and alternative regression analyses of the Visa Waiver Program, see the methodology appendix.)

26 We exclude Uruguay from this empirical analysis because it participated in the visa program temporarily between 1999 and 2003. The results are based on a regression where countries are weighted by their population sizes. We assume that the impact of participation in the Visa Waiver Program has a gradual impact on the growth in tourism as travelers react to the change in visa policy over time. The policy impact is assumed to diminish to zero after the waiver program has been in place for five years.

APPLYING THE INCREASE TO COUNTRIES BEING CONSIDERED FOR MEMBERSHIP

To assess what expanding the Visa Waiver Program could mean in more concrete economic terms for the United States, in this section we consider the cases of six countries that have been discussed as possible entrants to the program—Brazil, Hong Kong, Israel, Poland, South Africa and Turkey..[27] [28] [29] [30] Although this report does not focus on the security implications of a country joining the program, experts have argued that approving such friendly nations for entrance could actually be beneficial to U.S. security interests, given the added law-enforcement partnerships and information sharing relationships required of members.[31] The six countries featured here also send visitors to the U.S. in large numbers. As Table 2 demonstrates, there were about 2.9 million visitors from these countries to the U.S. in 2013 alone.

In Table 2, we present a projection of the number of visitors we would expect to see from these countries over the period from 2014 to 2019, absent the countries gaining membership in the Visa Waiver Program.[32] The methods used to build these projections, which derive from U.S. Commerce Department data and an analysis of recent travel trends, are discussed in detail in the Methodology Appendix of the report. According to these figures, travel from these countries is expected to increase to about 4 million visitors between now and 2019 – an increase of 37.5 percent.

27 James J. Carafano, The Heritage Foundation, "Visa Waivers Shouldn't be Held Hostage to Fight Over Illegal Immigrant Amnesty" (Feb. 16, 2014). Accessed Dec. 8 , 2014, available here: http://www.heritage.org/research/commentary/2014/2/visa-waivers-shouldnt-be-hostage-to-fight-over-illegal-immigrant-amnesty.

28 FTN News, Interview with Roger Dow, "Why Turkey Still Not a Visa Waiver Country" (May 2, 2012), [YouTube video]. Accessed Dec. 8, 2014, available here: https://www.youtube.com/watch?v=FgFwTvJNRIY.

29 Janis L. Magin, Pacific Business News, "Bill Would Expand U.S. Visa Waiver Program to Hong Kong, Macau" (April 8, 2014). Accessed Dec. 8, 2014, available here: http://www.bizjournals.com/pacific/news/2014/04/08/bill-would-expand-u-s-visa-waiver-program-to-hong.html.

30 Bradley Klapper, Associated Press, "Congress Oks Watered-Down Bill on U.S.-Israel Ties" (Dec. 3, 2014). Accessed Dec. 9, 2014, available here: http://abcnews.go.com/Politics/wireStory/congress-oks-watered-bill-us-israel-ties-27350500.

31 David Inserra and Riley Waters, The Heritage Foundation, "The Visa Waiver Program: Enhancing Security, Promoting Prosperity" (Sept. 16, 2014). Accessed Dec. 10, 2014, available here: http://www.heritage.org/research/reports/2014/09/the-visa-waiver-program-enhancing-security-promoting-prosperity.

32 The U.S. Department of Commerce provides estimates of the growth in foreign visitors from Brazil and other large countries that are the source of most foreign travelers to the U.S. For the remaining five countries in this group we forecast future growth in foreign travel using the growth rate in international visitors for each country in the previous decade.

TABLE 2:
Projected Number of International Arrivals Without the Visa Waiver Program for Selected Countries, 2014-2019

	ACTUAL	PROJECTED FOREIGN VISITORS WITHOUT PARTICIPATION IN VISA WAIVER PROGRAM						
COUNTRY	2013	2014	2015	2016	2017	2018	2019	2015-2019
BRAZIL	2,060,291	2,188,029	2,323,687	2,467,755	2,620,756	2,783,243	2,955,804	13,151,246
SOUTH AFRICA	105,009	108,968	113,076	117,339	121,763	126,353	131,117	609,647
HONG KONG	122,134	122,965	123,801	124,643	125,490	126,343	127,203	627,479
POLAND	130,420	132,898	135,423	137,996	140,618	143,290	146,012	703,339
ISRAEL	331,359	340,836	350,584	360,610	370,924	381,532	392,444	1,856,095
TURKEY	160,417	172,561	185,623	199,675	214,790	231,050	248,541	1,079,680
TOTAL	2,909,630	3,066,256	3,232,194	3,408,018	3,594,341	3,791,812	4,001,120	18,027,486

These six countries make up a large portion of the relatively high-GDP countries that do not currently have membership in the Visa Waiver Program: Taken together, their residents equal 44 percent of the population in such countries that do not currently have membership. Allowing them to join the program would increase the number of foreign citizens in relatively wealthy countries who could visit the U.S. without first obtaining a visa by more than 50 percent. Put somewhat differently, if the Visa Waiver Program was extended to these six countries, for the first time in the history of the program more than 2 out of 3 foreign citizens of relatively wealthy countries would be able to enter the U.S. without first enduring our country's lengthy visa process.

Table 3 presents the projections (based on our regression model) for foreign travel from 2015 to 2019 for these six countries if each country is allowed to participate in the Visa Waiver Program starting in 2015. With the Visa Waiver Program, we should expect to see a total of 4.6 million foreign people arrive from these countries in the U.S. between 2015 and 2019, an increase of more than 600,000 foreign visitors per year relative to our projections without the program. Over the entire five-year period from 2015 to 2019, that means the Visa Waiver Program would be expected to increase the number of foreign travelers from these destinations by 1.7 million.

TABLE 3:
Projected Number of International Arrivals with the Visa Waiver Program for Selected Countries, 2015-2019

	ACTUAL	PROJECTED VISITORS NO VISA WAIVER PROGRAM	PROJECTED FOREIGN VISITORS WITH EFFECTS OF VISA WAIVER PROGRAM					
COUNTRY	2013	2014	2015	2016	2017	2018	2019	2015-2019
BRAZIL	2,060,291	2,188,029	2,391,037	2,612,879	2,855,305	3,120,223	3,409,720	14,389,164
SOUTH AFRICA	105,009	108,968	116,430	124,403	132,923	142,025	151,751	667,532
HONG KONG	122,134	122,965	127,586	132,380	137,355	142,517	147,873	687,712
POLAND	130,420	132,898	139,514	146,459	153,750	161,404	169,438	770,564
ISRAEL	331,359	340,836	361,075	382,516	405,230	429,293	454,785	2,032,900
TURKEY	160,417	172,561	190,935	211,266	233,762	258,653	286,195	1,180,810
TOTAL	2,909,630	3,066,256	3,326,576	3,609,904	3,918,325	4,254,115	4,619,763	19,728,683
GAIN			94,382	201,885	323,983	462,303	618,643	1,701,197
GAIN IN $BILLION			$0.42	$0.91	$1.46	$2.08	$2.78	$7.66

According to the Commerce Department, the average foreign visitor to the U.S. spends about $4,500 per visit.[33] This means that the additional 1.7 million visitors from Brazil, Hong Kong, Israel, Poland, South Africa, and Turkey would be expected to spend an additional $7.66 billion on goods and services in the U.S. within the first five years their country is part of the program. In addition, as mentioned above, studies indicate that every $1 million in spending by international visitors supports 6.6 jobs in the travel industry.[34] This means that the additional tourism caused by extending the Visa Waiver Program to these six countries will lead to the creation of at least 50,000 jobs in the U.S, travel and tourism industries within five years These expenditures will also contribute to tax revenues in the local economies that are the destinations for the new international visitors.

Table 4 presents the projected additional spending on goods and services by foreign visitors by year and country participating in the Visa Waiver Program. Table 5 presents the projected additional tourism jobs that would result from the Visa Waiver Program by foreign country and year. Clearly, Brazil – with a population of over 200 million and a relatively high growth rate in GDP per capita—is likely to provide the biggest source of growth in international tourism from these countries over the period from 2015 to 2019.

33 See footnote 3.

34 See footnote 5.

TABLE 4:
Additional Tourism Spending Expected if Selected Countries Gain Entrance to the Visa Waiver Program, 2015-2019

	ADDITIONAL TOURISM SPENDING (MILLIONS $) DUE TO PARTICIPATION IN THE VISA WAIVER PROGRAM BEGINNING IN 2015					
COUNTRY	2015	2016	2017	2018	2019	2015-2019
BRAZIL	$303	$653	$1,055	$1,516	$2,043	$5,571
SOUTH AFRICA	$15	$32	$50	$71	$93	$260
HONG KONG	$17	$35	$53	$73	$93	$271
POLAND	$18	$38	$59	$82	$105	$303
ISRAEL	$47	$99	$154	$215	$281	$796
TURKEY	$24	$52	$85	$124	$169	$455
TOTAL	$425	$908	$1,458	$2,080	$2,784	$7,655

TABLE 5:
Additional Tourism Jobs Created due to Participation in the Visa Waiver Program Beginning in 2015

	ADDITIONAL TOURISM JOBS CREATED					
COUNTRY	2015	2016	2017	2018	2019	2015-2019
BRAZIL	2,000	4,310	6,966	10,008	13,481	36,766
SOUTH AFRICA	100	210	331	465	613	1,719
HONG KONG	112	230	352	480	614	1,789
POLAND	122	251	390	538	696	1,997
ISRAEL	312	651	1,019	1,419	1,852	5,251
TURKEY	158	344	563	820	1,118	3,004
TOTAL	2,803	5,996	9,622	13,730	18,374	50,526

COMPARISON TO AN EARLIER EMPIRICAL STUDY

A 2007 study of post-9/11 visa policies by economists at Harvard University and the U.S. Department of the Treasury found that foreign visitors from countries participating in the Visa Waiver Program declined by more than it did in countries not participating in the program.[35] The study was based on a relatively short time period, from 1998 to 2003, and its primary purpose was not to determine the impact of adding countries to the Visa Waiver Program but instead to measure whether the negative impact of the events of 9/11 on foreign travel were mitigated by Visa Waiver Program membership. A confounding factor in this study was that growth in GDP per capita was much higher in countries not participating in the Visa Waiver Program between 1998 and 2003 than it was in participating countries. Thus, the smaller percentage decline in international tourism in countries outside the Visa Waiver Program between 1998 and 2003 might have been due to their more rapid economic growth and not U.S. visa policies, a factor we account for here.

35 Brent Neiman and Phillip Swagel, "The Impact of Post-9/11 Visa Policies on Travel to the United States" (June 2007). Accessed Dec. 8, 2014, available here: http://www.treasury.gov/resource-center/economic-policy/Documents/rp0701.pdf.

CONCLUSION

This study presented an analysis of international visitors to the U.S. before and after the Visa Waiver Program was adopted in 32 of the wealthiest countries in the world. While real GDP per capita growth is a very important determinant of foreign travel to the U.S., the adoption of the Visa Waiver Program also contributes significantly to growth in foreign travel over the first five years that the program is in place. We find that the Visa Waiver Program leads to a 16.4 percent increase in foreign travel to the U.S. over five years. We project that if the Visa Waiver Program were extended to Brazil, Hong Kong, Israel, Poland, South Africa, and Turkey, the number of arrivals in the U.S. from those countries would grow by 1.7 million within five years. These new visitors would spend an estimated $7.66 billion on goods and services beyond what they'd spend otherwise. They would also create more than 50,000 jobs in the tourism sector.

Although this program focuses on the Visa Waiver Program specifically, there are other steps the U.S. can take to create a visa process more welcoming to international tourists. In recent years, the White House has streamlined the visa process for some countries not currently in the Visa Waiver Program. In India, for instance, tourists with recently expired visas are now able to apply for an exemption from attending an in-person interview at the U.S. consulate to travel to America again.[36] A program announced earlier this year would allow Chinese nationals to apply for multi-entry tourist visas instead of single entry ones—documents that would be valid for up to 10 years.[37] Although it is beyond the scope of this report to assess the impact of such policy changes, our research does provide compelling evidence that streamlining visa policies for friends and allies can result in a meaningful economic benefit to the U.S. economy. Such economic considerations should be weighed by policymakers in the years ahead.

36 Embassy of the United States: New Delhi, "U.S. Mission in India Expands Interview Waiver Program," Nov. 19, 2012 [press release]. Accessed Dec. 8, 2014, available here: http://newdelhi.usembassy.gov/pr111912.html.

37 Jess Macy Yu, "U.S. and China Bid for Tourism with Expanded Visa Deal," The New York Times, Nov. 11, 2014. Accessed Dec. 8, 2014, available here: http://sinosphere.blogs.nytimes.com/2014/11/11/u-s-and-china-bid-for-tourism-with-expanded-visa-deal/?_r=1.

METHODOLOGY: EXTENDING THE VISA WAIVER PROGRAM WILL CONTRIBUTE TO ECONOMIC GROWTH AND CREATE JOBS

This study measures the impact of the Visa Waiver Program on foreign visitors from participant countries. The World Bank provides real GDP per capita measures for 214 countries in 2005 U.S. dollars. The 71 countries in the study were selected because they had the highest per capita real GDP in the world in 2013 according to the World Bank. These countries had real GDP per capita that was at least 12.5 percent (1/8) of real per capita GDP in the U.S. in 2013. (Data available at http://data.worldbank.org/indicator). I used the real GDP per capita data to construct a measure of growth in real GDP per capita from one year to the next. I collected data on real GDP from all 214 countries in the database to create a measure of real world GDP to use as a possible control for general economic conditions. I also obtained measures of a country's population from the World Bank.

APPENDIX TABLE 1:
High GDP per Capita Countries Used in Analysis

Antigua and Barbuda	Finland	Mauritius
Australia	France	Mexico
Austria	Gabon	Netherlands
The Bahamas	Germany	New Zealand
Bahrain	Greece	Norway
Barbados	Grenada	Oman
Belgium	Hong Kong	Panama
Bermuda	Hungary	Poland
Botswana	Iceland	Portugal
Brazil	Ireland	Qatar
Brunei Darussalam	Israel	Romania
Canada	Italy	Russian Federation
Chile	Japan	Saudi Arabia
Costa Rica	Kuwait	Seychelles
Croatia	Latvia	Singapore
Cyprus	Lebanon	Slovak Republic
Czech Republic	Lithuania	Slovenia
Denmark	Luxembourg	South Africa
Dominica	Macao	South Korea
Equatorial Guinea	Malaysia	Spain
Estonia	Malta	

To assess the impact of expanding the Visa Waiver Program, we obtained, through an e-mail request, data from the Department of Commerce's Office of Travel and Tourism (http://travel.trade.gov/about/) reporting international arrivals to the U.S. from a variety of countries for each of the years from 1980 to 2013. I created the percentage change in international visitors between 1980 and 2013 based on these data. I obtained a list of the countries participating in the Visa Waiver Program. I obtained a list of dates that the countries began (and ended) participation in the program through correspondence with the U.S. State Department. The empirical model estimates how the percentage change (or growth) in international visitors to the U.S. from each country is affected by both the percentage change in real GDP in the country and an indicator variable that equals one if the country is in the first five years of participation in the Visa Waiver Program. Cultural factors, language barriers and geographic distances, which are determinants of the number of visitors to the U.S. are "differenced out" of the model. It is assumed that growth rates in visitors do not depend on these country-specific factors.

The primary data period was 1980 to 2013, although measures of both international visitors and the percentage change in real GDP per capita are not available for all countries beginning in 1980. I tried alternative specifications only estimating the model in the time periods 1990-2013, 1995-2013, and 2000-2013. All models were estimated using weighted regressions. I use weighted regressions because a given percentage change in visitors is more important for more populous countries.

Regardless of the specification of the regression model, the empirical findings of this study were consistent: The visa waiver program increases the rate of growth in foreign visitors to the U.S. by about 3.1% per year, relative to what would have been expected otherwise, during the first five years of participation in the program. In some specifications of the regression model I found slightly smaller estimated effects of the program and in some specifications I found somewhat larger effects. None of the differences in the estimated impact of the visa waiver program across alternative specifications appeared to be either practically or significantly different from the baseline model results used in this report. In addition to the results reported below, I estimated the impact of the visa waiver program using unweighted regressions and alternative time periods (1980-present, 1990-present, 1995-present, 2000-present) and found similar measured impact of the program.

The primary alternative specifications I considered included the following:

- Controlling for the lagged percentage growth in GDP per capita to capture the possibility that international travel responds to real income growth with a lag
- Controlling for the percentage change in world real GDP (as reported by the World Bank) to control for the possibility that international travel responds to changes in world business cycle conditions, even after controlling for income growth in the source country
- Controlling for the fraction of a country's population that visited the U.S. in the previous year, to account for the fact that growth in tourism to the U.S. is likely to experience diminishing returns, and increase at a slower rate as the number of visitors grows.
- A specification that allows for different baseline rates of growth in visitors to the U.S. for each country in the sample.
- A regression model only includes countries that currently participate in the program

The results of these alternative specifications, in addition to the baseline model used in this report, are presented in the following table. The first row in the table shows the estimate impact of the visa waiver program on visitors per year over the first five years in the program. The second row indicates the cumulative effect of the program after five years. The remaining rows in the table present the impact of other control variables on the growth in foreign visitors to the U.S. The p-values in the table indicate the probability that the impact of each control factor is equal to zero, given the estimates of the model.

APPENDIX TABLE 2:
Alternative Models of the Impact of the Visa Waiver Program on Foreign Visitors to the U.S. (p-values in parentheses)

	BASELINE MODEL	LAGGED GDP GROWTH	WORLD BUSINESS CYCLE EFFECTS	TOURISM GROWS MORE SLOWLY IN COUNTRIES WITH HIGH RATES OF FOREIGN TRAVEL TO THE U.S.	ONLY INCLUDE CURRENT PROGRAM PARTICIPANTS	COUNTRY-SPECIFIC GROWTH RATES IN TOURISM
PARTICIPATION IN VISA WAIVER PROGRAM (EACH YEAR)	3.1% (.016)	3.4% (.008)	3.0% (.014)	2.9% (.018)	4.3% (.000)	4.0% (.000)
VISA WAIVER PROGRAM (CUMULATIVE FIVE YEAR IMPACT)	16.4%	18.2%	16.1%	15.5%	23.4%	21.5%
GROWTH IN GDP PER CAPITA IN THE SOURCE COUNTRY	0.96 (.000)	1.05 (.000)	0.61 (.000)	.60 (.000)	1.02 (.000)	0.99 (.000)
LAST YEAR'S GROWTH IN GDP PER CAPITA IN THE SOURCE COUNTRY		-0.11 (.101)	0.01 (.923)	0.01 (.950)	0.02 (.904)	
GROWTH IN WORLD GDP			0.95 (.000)	0.95 (.000)	1.02 (.000)	1.00 (.000)
THE PERCENTAGE OF A COUNTRY'S RESIDENTS THAT VISITED U.S. LAST YEAR				-0.09 (.025)	-0.51 (.035)	
ONLY INCLUDE CURRENT VISA WAIVER COUNTRIES?	No	No	No	Yes	No	No
ALLOW FOR DIFFERENCES IN BASELINE TOURISM GROWTH RATES ACROSS COUNTRIES?	No	No	No	No	Yes	Yes