



International Arrivals to the United States For the Third Quarter Year-to-Date 2007

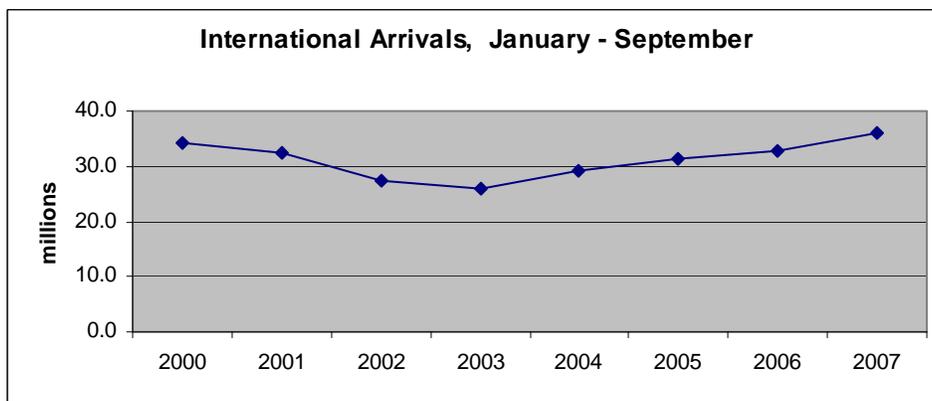
December 18, 2007

The international arrivals market for the United States has changed significantly over the last several years. This goal of this analysis is to provide insights into changes affecting the top 20 U.S. inbound markets. In addition it appears to be time to dispel some myths.

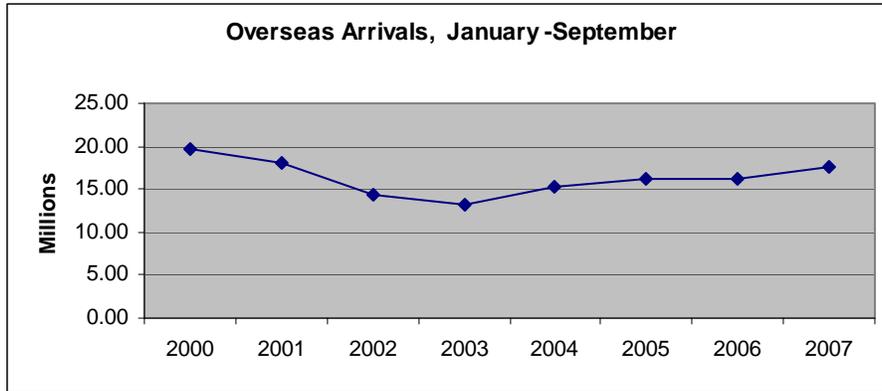
The U.S. welcomed 36.1 million international visitors during the first three quarters of 2007, up ten percent from the same period in 2006. Total arrivals were also up **five percent from the nine months of 2000, the former record period** for total non-resident visitors to the country. (Total international arrivals are comprised of non-U.S. resident travelers originating from overseas, Canada and Mexico).

Salient points include:

- The three quarters of 2007 were up nine percent, eight percent, and 12 percent, respectively.
- Fourteen of the top 20 arrival markets posted double-digit increases in the nine months of 2007. Only one market experienced a decline for the period. (Note chart at end of section)
- Total arrivals have experienced eighteen successive months of growth from April 2006.

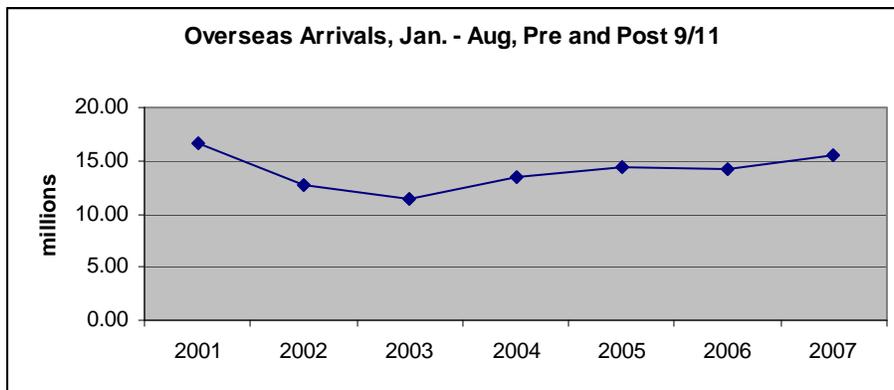


Overseas arrivals (excluding Canada and Mexico) totaled 17.7 million through September 2007, up ten percent from the nine-month period in 2006. Travel from overseas markets contributed significantly to the overall growth in international arrivals in 2007. Although overseas travel is edging back from its low in 2003 it was down 10 percent from its peak during 2000 (graph below). Of the top overseas markets France, South Korea, Australia, India, Brazil and PRC all exceeded 2006 arrivals levels by double-digits.



- Overseas travel to the U.S. increased from both the Visa Waiver Program (VWP) countries (except Japan) and the non-Visa Waiver countries (described below, Overseas Markets, page 3).
- All nine-world regions generated growth in arrivals in 2007 and six of the regions posted double-digit growth.
- Visitation from Western Europe, Asia, and South America accounted for 82% of all overseas arrivals.

There continues to be misinformation regarding the loss of foreign visitation to the U.S. since 2001, i.e. “17 percent drop in foreign visitors to U.S.... since 2001.” As we noted in the opening paragraph, overall visitation is up five percent since 2000, the record year of arrivals to the U.S., and it is actually up 11 percent since 2001. The source of the “17 percent drop” statement is most likely referring to the 17 percent decline in overseas traffic to the U.S. comparing 2000 to 2006. While this is technically true it ignores several facts: 1) the year 2000 is irrelevant when evaluating the impact of 9/11; 2) the low point was actually in 2003 which also was compounded by SARS and the beginning of the Iraq War; 3) it ignores the recovery since 2003 through the third quarter of 2007. The following chart shows the trend of ‘pure’ pre 9/11 (up through August 2001) and post 9/11 and discloses that by 2003 overseas arrivals were down 34 percent from 2001. The fact is that **overseas arrivals are down seven percent**. Also it should be noted that there has been a 27-percentage basis point recovery since 2003.



Western European arrivals totaled 7.9 million, up 11 percent in the nine months of 2007. Monthly arrivals were up in all months except April. Third quarter growth of 16 percent significantly contributed to the year-to-date increase in visitation. Although the U.K. and Germany accounted for 56% of the arrivals from the region six other Western European countries realized double-digit growth.

Asian travelers totaled 4.9 million in 2007, up four percent for the nine months. Monthly arrivals were up in all months except January. Third quarter growth of almost six percent exceeded the previous two

quarters this year. Japan, the major driver in this region (see country synopsis, below), has declined four percent during the nine months of 2007. However, solid gains were realized from South Korea, India and PRC/Hong Kong.

South American visitation, registering 1.6 million arrivals during 2007, was up 17 percent with significant growth of 19 percent in the third quarter. Brazil, Argentina, Venezuela and Colombia all recorded double-digit growth for the nine months of 2007.

Other overseas regions also showed positive results during the nine months of 2007, as follows:

Travelers from:	#Arrivals (000)	% Change 07/06	Major Drivers
	<u>Jan.- Sep07</u>	<u>Jan. - Sep</u>	<u>Year-to-Date</u>
Caribbean	986	11%	Domin. Rep. Up 14%
Oceania	625	9%	Australia up 10%
Central America	543	11%	Costa Rica up 13%
Middle East	479	13%	Israel up 12%
Eastern Europe	382	10%	Russia up 20%
Africa	209	9%	Nigeria up 19%

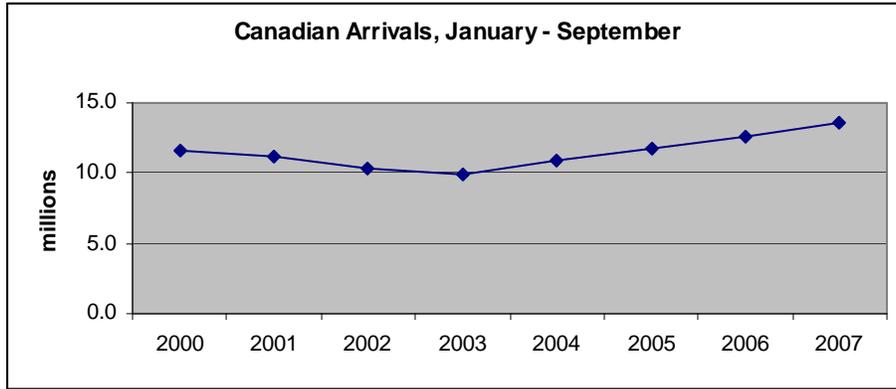
Top Origin Markets:

The top 20 visitor markets, accounted for 87 percent of all international arrivals to the U.S. during the nine months of 2007 and as a group was up ten percent.

TOP TWENTY TOURIST-GENERATING COUNTRIES				
September 2007 Year-to-Date				
			NUMBER OF	%
	RANK	COUNTRY OF RESIDENCE	ARRIVALS	2007/2006
	1	CANADA	13,573,960	8
	2	MEXICO*	4,873,783	18
	3	UNITED KINGDOM	3,246,200	6
	4	JAPAN	2,671,032	-4
	5	GERMANY	1,136,866	9
	6	FRANCE	748,647	28
	7	KOREA, SOUTH	635,920	8
	8	AUSTRALIA	498,029	10
	9	ITALY	465,139	20
	10	INDIA	461,188	44
	11	BRAZIL	454,611	18
	12	PRC & HONG KONG	416,298	19
	13	SPAIN	377,749	22
	14	NETHERLANDS	373,502	13
	15	IRELAND	329,600	17
	16	VENEZUELA	307,651	23
	17	COLOMBIA	275,569	12
	18	ROC (TAIWAN)	254,136	4
	19	ISRAEL	238,768	12
	20	SWEDEN	236,367	16
		TOTAL TOP 20 FOR Y-T-D	31,575,015	10
* ARRIVALS TO INTERIOR ONLY (SEE INTRODUCTION).				

Canada:

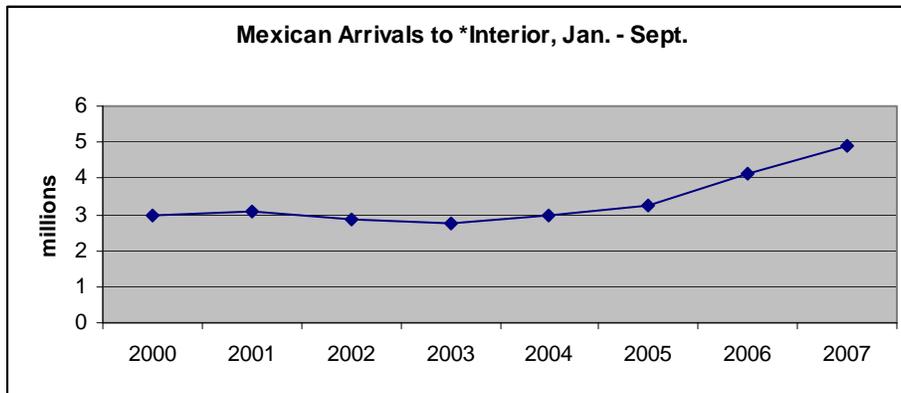
Canadian arrivals totaled 13.6 million in the nine months of 2007, eight percent over 2006. Arrivals showed positive growth every month during the year averaging a five percent increase during both the first and second quarters and a 12 percent surge in the third quarter. Air arrivals, totaling 4.4 million, 32 percent of all total Canadian arrivals, increased by five percent during the year while land arrivals were up by nine percent. Record arrivals from Canada to the U.S. occurred in 1991.



The Canadian provinces generating the most traffic to the U.S. are Ontario, Quebec and British Columbia. Top U.S. destination markets were New York (measured by the number of visitors) and Florida (measured by the number of visitor-nights). Tables that profile the 2006 Canadian visitors may be viewed at: http://www.tinet.ita.doc.gov/outreachpages/inbound.country_in_north_america.canada.html

Mexico:

Arrivals to the U.S. interior* totaled 4.9 million, up 18 percent from the first nine months of 2006 and up 63 percent from the first nine months of 2000. Of total Mexican visitors to the U.S. interior so far in 2007, 28 percent arrived by air, which was up almost ten percent in 2007. The top five 'first intended' destinations were California (1.7 million), Texas (1.2 million), Arizona (477,000), Nevada (245,000) and Florida (244,000). New Mexico, Colorado, New York, Illinois and Georgia were also top destinations.



(U.S. *Interior is North of the 40-kilometer border zone in the U.S.)

*These travelers can be tracked on a monthly basis due to U.S. Customs and Border Protection requirement for Mexican travelers to submit a DHS I-94 Arrival card for 'longer-haul' itineraries into the U.S. Currently this is the only monthly data available and although it accounts for various modes of arrival (land/sea/air) it is not necessarily a reliable indicator of how other land arrivals (short-haul border crossers, but staying overnight) are changing on a monthly basis. Total market data only (no state destination or other breakouts) is available from Banco de Mexico on an annual basis.

Overseas Markets

Travel from the non-Visa Waiver countries increased 14 percent in the nine months of 2007, outperforming the 27 Visa Waiver countries, which were up seven percent, albeit from a larger base. Travelers from non-Visa Waiver countries are required to secure a U.S. visa before entry into the U.S. **It is interesting that higher growth occurred in a segment for which there is a perceived “barrier” to entry (visiting the country).**

	2007 YTD	2006 YTD	% Change 07/06
Overseas	17,687,458	16,152,608	10%
Visa Waiver (27)	11,248,163	10,511,079	7%
Non-Visa Waiver	6,439,295	5,641,529	14%

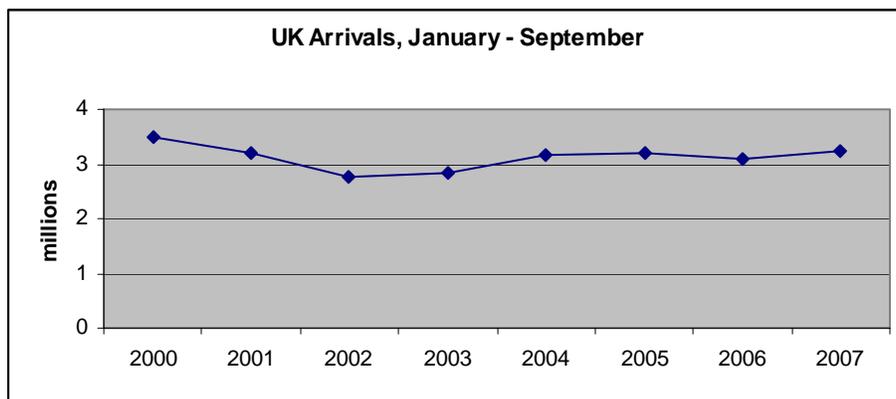
Of the top18 overseas countries (listed below), 10 are part of the Visa Waiver Program (VWP) and eight are non-Visa Waiver countries. Nine of the 10 VWP countries experienced visitation growth during the nine months of 2007 and all eight of the non-VWP countries showed growth during the year.

In general, looking at the **mode** of travel into the U.S., air travel increased by nine percent from the first nine months of 2006, whereas arrivals by sea and land were up 11 percent and 20 percent, respectively. The land category includes overseas travelers that stopover in Canada or Mexico crossing into the U.S. at a land border. The average **age** of the travel visiting the U.S. was 40.3 years, down slightly from 2006. **Business and leisure** travel increased by six percent and ten percent, respectively, and student travel increased by 12 percent.

United Kingdom:

U.K. visitation to the U.S. totaled 3.2 million for the nine months of 2007, up almost six percent from 2006. U.K. arrivals accounted for 41 percent of all travel from Western Europe in 2007, the same as in 2000 even though 2007 travel from the U.K. was down seven percent from 2000 (graph). There was also a notable shift in U.S. destinations (a/k/a ‘First Intended Address’, a proxy for stated destinations derived from the In-Flight Survey) in the nine months of 2007 compared to the same period in 2000. Although travel to Florida, California, Massachusetts, dropped by double digits, travel did increase by double-digits to New York, Nevada, Texas and Washington. British Airways now serves 19 U.S. cities.

From preliminary indications it appears that the growth in U.K. outbound travel is shifting from North America as a destination to intra-EU, Asia, Middle East and Oceania markets.

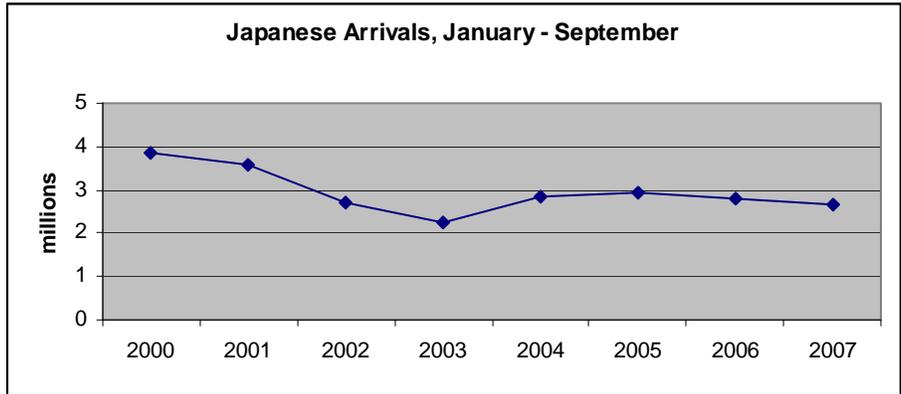


Japan:

Japanese visitation totaled 2.7 million for the nine months of 2007, down four percent from 2006. Arrivals from Japan accounted for 55 percent of all Asian visitors so far in 2007, down from 67 percent share in 2000. This reveals not only a drop off in arrivals from Japan (down 31 percent in nine months of 2007 vs. same period in 2000), but also an increase in arrivals from other Asian countries. Japan is now second in all

overseas arrivals, behind the U.K. The decline in travel to the U.S. compared to 2000 significantly affected all U.S. destinations, i.e. Hawaii, Guam, California and New York, except for travel to Washington, which was up double-digits.

Traditionally the peak season for Japanese outbound travel is from April through October. However, so far in 2007 peak season the second and third quarters (April – Sep.) have rebounded from same two quarters in 2006.



From preliminary indications it appears that the growth in Japanese outbound visitation is shifting from North America as a destination to intra-Asian and European markets.

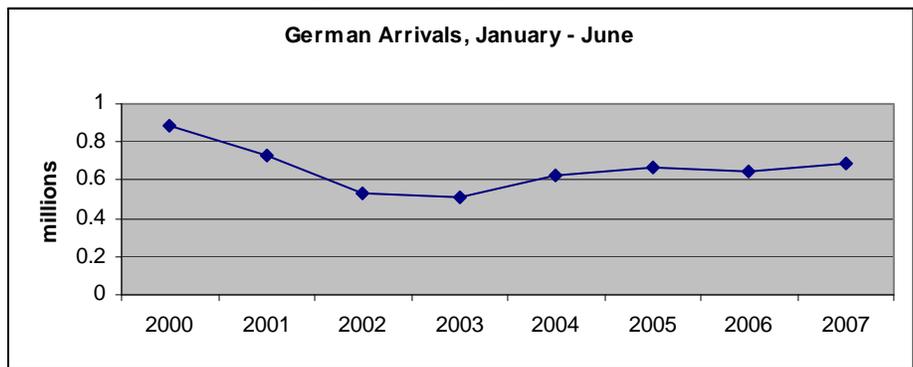
Also, from a demographic perspective the Japanese population (~ 128 million) has been in decline since 2005, which has had a negative impact on student enrollments in the Japanese university system. This was evident since Japanese student travel to the U.S. was down six percent in the nine months of 2007.

Germany:

German visitation totaled 1.14 million, up almost nine percent, for the nine months of 2007. The first through third quarters were up 10 percent, five percent and 10 percent, respectively.

German arrivals were 14 percent of Western Europe arrivals in the nine months of 2007, down from a 16 percent share in 2000. While arrivals were down 19 percent from its record high in the nine months of 2000, this is an improvement from 2003 at which time arrivals from Germany were down 38 percent. In 2007 nearly 77 percent of visitation was leisure and 22 percent business. The small student inflow did increase by nine percent in 2007 with business travel up five percent and leisure up 10 percent in 2007.

The 2006 FIFA World Cup soccer tournament, hosted by Germany during June-July06, contributed to a decline in outbound travel from Germany to the U.S last year.



France:

Arrivals to the U.S. from France totaled 749,000 during the nine months of 2007, up 28 percent from 2006. (Declines in French visitors in 2006 were due, in part, as the result of the government not issuing electronic passports in a timely manner from October 2005 through May 2006). Quarterly visitation in 2007 was up 22 percent, 27 percent and 32 percent, respectively. Compared to the nine months of 2000, arrivals were down 12 percent. Leisure travel accounted for 80 percent of visitation and itself increased by 36 percent in the nine months of 2007.

South Korea:

South Korea is the top origin market among all of the non-visa waiver program countries. Visitation totaled 636,000 during the nine months of 2007, up eight percent over 2006, a record year, and 26 percent over the nine months of 2000. Arrivals showed positive growth every month in 2007 and quarterly visitation was up 10 percent, and seven percent each in the second and third quarters.

Australia:

Australian arrivals during the nine months of 2007 totaled 498,000, up 10 percent from 2006, another record year for this market, and 21 percent above the same period in 2000. This follows on the strong double-digit growth in 2005, up 12 percent, and in 2004, up 28 percent. Arrivals grew by 12 percent, 10 percent and nine percent, respectively in the three quarters of 2007.

Italy:

Italian visitation totaled 465,000 for the nine months of 2007, up 20 percent from the same period in 2006. As with France, this was a continuation of the positive arrival pattern starting in the fourth quarter of 2006. For the three quarters of 2007 arrivals were up 16 percent and 18 percent and 23 percent, respectively. Arrivals are now at 2000 levels!

India:

Indian visitation to the U.S. is at its historically highest level, moving up to tenth position from thirteenth in 2006. Visitation totaled 461,000 in the nine months of 2007, up 44 percent from 2006. Business travel was about 30 percent of arrivals, above the norm from Asia (18 percent). India is also a non-visa waiver country. Compared to 2000, India posted the largest growth rate, 107 percent, among the top 25 countries.

India has been experiencing strong economic growth fueled in part by government deregulation of several key industries including civil aviation. The U.S. and India signed an "Open-Skies" agreement in 2005, allowing for more non-stop air service, which has undoubtedly enabled this market to expand. With the addition of Continental's non-stop service from Mumbai (BOM) to Newark in 2007, U.S. carrier capacity (measured by available seats) increased by 40 percent from 2006. Air India also provides non-stop service.

Airline	Origin	Destination	Frequency/month	# seats/month
Continental	Delhi	Newark	31	8,773
Continental	Mumbai	Newark	18	5,094
Delta	Mumbai	New York JFK	31	8,308
American	Delhi	Chicago ORD	31	7,316
Air India	Mumbai	New York JFK	31	7,378
			142	36,869

Scheduled service for October 2007 (Official Airline Guide)

The U.S. embassy in Delhi and consulates in Calcutta, Chennai and Mumbai also reduced the visa backlog from six months to a couple weeks, facilitating the entry process.

Brazil:

Arrivals from Brazil, a non-visa waiver country, totaled 455,000 for the nine months of 2007, up 18 percent. Quarterly changes in 2007 were up 11 percent, 20 percent and 22 percent, respectively. Brazil accounts for 28 percent of the travelers from South America to the U.S., up from a 25 percent share in

2000. Although 2007 arrivals were down 17 percent from 2000, there has been significant recovery from its 2003 low point.

PRC & Hong Kong:

During the nine months of 2007 arrivals from PRC totaled 240,000, up 26 percent, and from Hong Kong (SAR), 113,000, up three percent. As a combined entity, visitation totaled 416,000, up 19 percent for 2007. The quarterly growth rates, for this non-visa waiver country, were up 20 percent, 13 percent and 22 percent for the year. So far this year 40 percent of Chinese travel was business travel.

About Group Leisure Travel from China

The Department of Commerce has been working through the U.S.-China Joint Commission on Commerce and Trade (JCCT) supported through the Strategic Economic Dialogue (SED) with the Chinese government on a memorandum of understanding (MOU) to permit group leisure travel from China to the U.S. and related marketing of destinations and firms. **Both countries reached agreement on December 11, 2007!**

For the U.S. DOC press release on the U.S.-China Tourism agreement please see:

http://www.commerce.gov/NewsRoom/PressReleases_FactSheets/PROD01_004918

Air Services Discussions

U.S. Secretary of Transportation, Mary Peters, visited Beijing in April 2007 with an agenda that included a dialogue with the Chinese government about Open Skies between the two countries. The U.S. has proposed phasing into the full liberalization envisioned by the 2004 Protocol. An agreement was signed in July between the two countries to double the number of flights allowed over the next five years. U.S. DOT announced in September that Delta Air Lines had been awarded a new route from Atlanta to Shanghai and United Airlines was awarded a San Francisco to Guangzhou route both to start in 2008. Proposed awards were also made for 2009 service.

The schedule for January 2008 is as follows, with U.S carriers using 310 frequencies (the 70 per week cap per the bilateral) and Chinese carriers at 158 frequencies, below the 70 per week cap:

Carrier	Departure	Arrival	Frequency
American (AA)	Chicago (ORD)	Shanghai (PVG)	31
Continental (CO)	Newark (EWR)	Beijing (PEK)	31
United (UA)	Washington (IAD)	Beijing (PEK)	31
	Chicago (ORD)	Beijing (PEK)	31
	Chicago (ORD)	Shanghai (PVG)	31
	San Francisco (SFO)	Beijing (PEK)	31
	San Francisco (SFO)	Shanghai (PVG)	31
Northwest (NW)	Detroit (DTW) - NRT	Beijing (PEK)	31
	Detroit (DTW) - NRT	Shanghai (PVG)	31
	Honolulu (HNL) - NRT	Guangzhou (CAN)	31
Air China (CA)	New York (JFK)	Beijing (PEK)	31
	Los Angeles (LAX)	Beijing (PEK)	31
	San Francisco (SFO)	Beijing (PEK)	31
China Southern (CZ)	Los Angeles (LAX)	Guangzhou (CAN)	22
China Eastern (MU)	New York (JFK)	Shanghai (PVG)	12
	Los Angeles (LAX)	Shanghai (PVG)	31

Spain:

The U.S. welcomed a 378,000 Spaniards in the nine months of 2007, up 22 percent from a record 2006. Quarterly increases in 2007 were 25 percent, 11 percent and 28 percent, respectively. Unlike other Western European countries, visitation from Spain grew by double digits during the second, third and fourth quarters of 2006 and also posted double-digit growth in the preceding 2004 – 2005 period.

Netherlands:

Dutch visitation totaled 374,000 in the first half of 2007, up 13 percent from the same period in 2006. As with France and Italy, this was a continuation of the positive arrival pattern starting in the second half of 2006. Arrivals were up seven percent in the first quarter and 15 percent, respectively, in both the second and third quarters. Arrivals were down 13 percent from the nine months of 2006, but have significantly recovered from its low in 2003, which was down 36% from 2000.

Ireland:

Visitation from Ireland totaled 330,000 in the nine months of 2007, up 17 percent from 2006, which was a record year. Visitation established a positive growth pattern in the last three quarters of 2006 and was up 22 percent, eight percent and 21 percent, respectively for the three quarters in 2007.

Venezuela:

Venezuelan arrivals totaled 308,000, up 23 percent for the nine months of 2007 continuing the third consecutive year of positive growth. The three quarters were up 36 percent, 21 percent and 18 percent, respectively. Arrivals are down 25 percent from the nine months of 2006, but have significantly recovered from its low in 2003.

Colombia:

Colombian arrivals totaled 276,000 in the nine months of 2007, up 12 percent, and building on three consecutive years of growth from a low in 2003. Quarterly growth levels were up 16 percent, three percent and 18 percent, respectively in 2007. Arrivals remain 10 percent below 2000 levels for the nine months.

Taiwan (ROC):

Taiwanese arrivals totaled 254,000 for the nine months of 2007, up four percent. Quarterly arrivals were up six percent, four percent and two percent, respectively. According to the *Monthly Statistics on Tourism* report, September 2007 year-to-date, issued by the Tourism Bureau – Ministry of Transportation and Communications, R.O.C., outbound travel appears to have shifted away from Europe and Oceania to intra-Asian markets (Hong Kong, Japan and S. Korea) and the U.S.

Israel:

Israeli visitation, totaling 239,000 for the nine months of 2007, was up 12 percent and accounted for 50 percent of all arrivals from the Middle East.

Sweden:

Arrivals totaled 236,000, for the nine months of 2007, up 16 percent. The quarterly arrivals were up 20 percent in the first quarter and 14 percent in each of the second and third quarters, respectively. Arrivals are basically back at 2000 levels.

Other:

Strong growth was also noted in the nine months of 2007 from Switzerland (217,000), up nine percent and Argentina (206,000), up 28 percent. Both were among the top 20 arrival markets in 2000.

Western Hemisphere Travel Initiative (WHTI)

Although a passport requirement has been in effect for **air travelers** entering the U.S. from Canada, Mexico and the Caribbean since 1/26/07, air arrivals did not appear to be negatively affected for the nine months of 2007 compared to last year:

- Canada (Air), up five percent
- Mexico (Air), up ten percent
- Caribbean, up 11 percent

TOP PORTS January – June 2007

To access top port activity for 2006 to 2007, go to:

http://www.tinet.ita.doc.gov/view/m-2007-I-001/documents/top_ports.xls

Further Information:

The above analysis is a synopsis of the world regions and the top markets generating arrivals to the United States. Arrival statistics for the top countries and world regions may be accessed on-line from the monthly section of the U.S. Department of Commerce, Office of Travel and Tourism Industries (OTTI) web site at:

<http://www.tinet.ita.doc.gov/view/m-2006-I-001/index.html>

Once on this page, there are numerous links to tables that provide arrivals for the top arrival markets to the United States. Please review each of the links available.

The monthly *Summary of International Travel to the U.S.* report has approximately 30 tables that provide data on monthly and year-to-date arrivals to the country. The report provides data on approximately 90 countries each month and over 40 ports-of-entry. Numerous breakouts are provided by world region, countries and for the port tables as well. To learn more about this program, please go to:

<http://tinnet.ita.doc.gov/research/programs/i94/index.html>

If you would like to subscribe the monthly international arrival reports for 2007, please go to:

<http://tinnet.ita.doc.gov/research/reports/i94/index.html>

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