

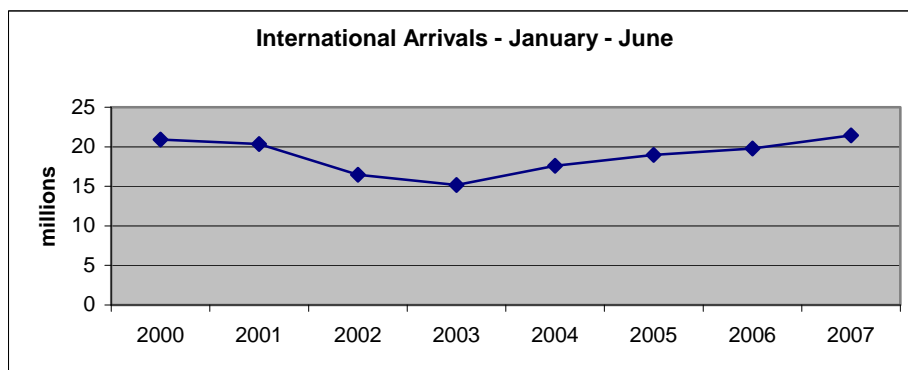
International Arrivals to the United States For the First Half (January through June) of 2007

November 5, 2007

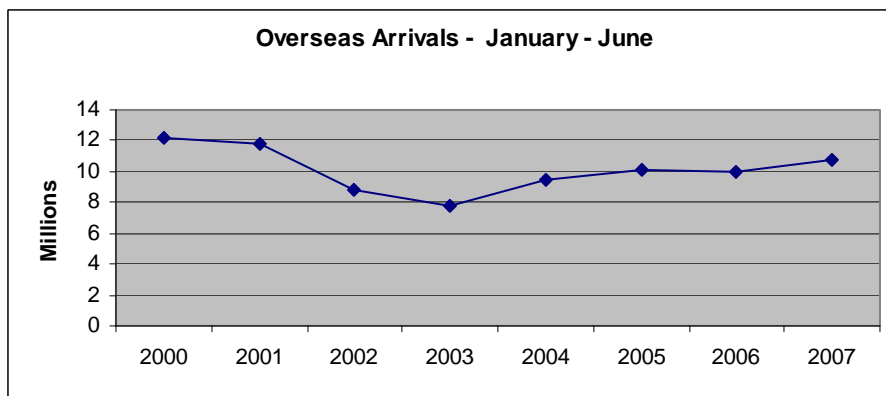
The international arrivals market for the United States has changed significantly over the last several years. This goal of this analysis is to provide insights into changes among the top 20 U.S. inbound markets, including possible effects of the Visa Waiver Program, Open Skies, Western Hemisphere Travel Initiative (WHTI) and Group Leisure travel from China.

The U.S. welcomed 21.5 million international visitors during the first half of 2007, up eight percent from the first half of 2006. Total arrivals were also up **three percent from the first half of 2000, the former record** 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 traveling to the U.S.) Salient points include:

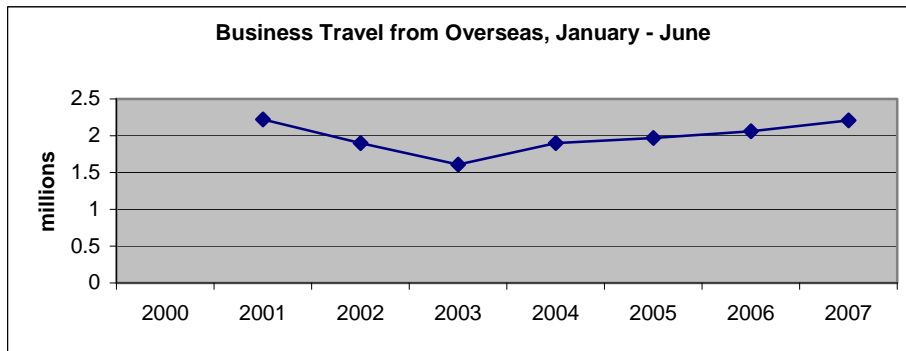
- The first and second quarters of 2007 were up nine and eight percent, respectively, from 2006.
- Thirteen of the top 20 arrival markets posted double-digit increases in the first half. Only one market experienced a decline for the first six months. (Note chart at end of section)
- Total arrivals have experienced fifteen successive months of growth since April 2006.



Overseas arrivals (excluding Canada and Mexico) totaled 10.8 million in the first half of 2007, up eight percent from the same 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 still down 12 percent from its peak during 2000 (graph below). Of the top overseas markets India, PRC/HKG, South Korea and Australia all exceeded 2006 arrivals levels.



- 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 realized growth in arrivals during the first half of 2007 and five of the regions posted double-digit growth.
- Visitation from Western Europe, Asia, and South America accounted for 82% of all overseas arrivals.
- Business travel (visa type) continues to increase and has come back to 2001 levels (graph). In 2007 business travel, as a primary purpose of trip, was about 21 percent of all overseas visitors, up from 19 percent in the first half of 2001.



Western European arrivals totaled 4.8 million, up eight percent in the first half of 2007. Monthly arrivals were up in all months except April. Second quarter growth of seven percent was down from the first quarter of 10 percent. Although the U.K. and Germany accounted for 56% of the arrivals from the region six other Western European countries contributed to double-digit growth.

Asian travelers totaled 3.1 million in 2007, up three percent in the first half. Monthly arrivals were up in all months except January. Second quarter growth of five percent exceeded the two percent gain in the first quarter. Japan, the major driver in this region (see country synopsis, below), has declined almost six percent during the first half of 2007. However, solid gains were realized from South Korea, India and PRC/Hong Kong.

South American visitation, registering 1.0 million arrivals during 2007, was up 15 percent with comparable growth in both quarters. Brazil, Argentina, and Venezuela all recorded double-digit growth for the first half of 2007.

Other overseas regions also showed positive results during the first half of 2007, as follows:

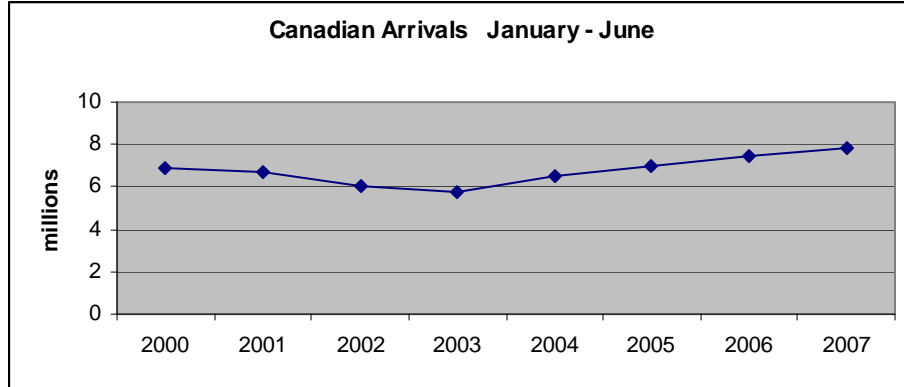
Travelers from:	#Arrivals (000)	% Change 07/06	Major Drivers
	<u>Jan. - Jun07</u>	<u>Jan. - Jun</u>	<u>Year-to-Date</u>
Caribbean	535	11%	Domin. Rep. Up 13%
Oceania	386	9%	Australia up 11%
Central America	346	8%	Costa Rica up 13%
Middle East	281	12%	Israel up 12%
Eastern Europe	242	11%	Russia up 23%
Africa	123	10%	Nigeria up 25%

Top Origin Markets:

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

Canada:

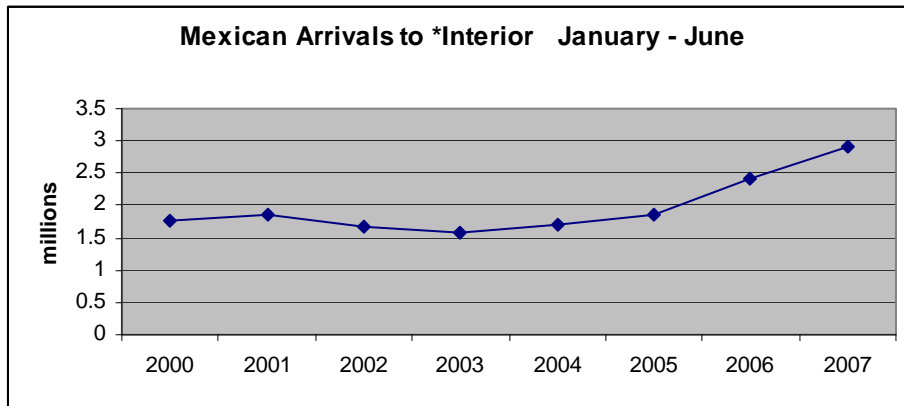
Canadian arrivals totaled 7.8 million in the first half of 2007, five percent over 2006 and 13 percent above the first half of 2000. Arrivals showed positive growth every month during the year averaging a five percent increase during both the first and second quarters. Canadian air arrivals, totaling 3.1 million, also increased by five percent during the year as did land arrivals.



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 2.9 million, up 21 percent from the first half of 2006 and up 66 percent from the first half of 2000. Of total Mexican arrivals to the U.S. interior in 2007, 28 percent arrived by air, which were up eight percent in 2007. The top five 'first intended' destinations were California (1 million), Texas (717k), Arizona (288k), Nevada (149k) and Florida (139k). 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 total land arrivals (to the interior combined with short-haul border crossers) 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 first half of 2007, outperforming the 27 Visa Waiver countries, which were up five 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	10,753,827	9,975,808	8%
Visa Waiver (27)	6,848,914	6,545,378	5%
Non-Visa Waiver	3,904,913	3,430,430	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 first half of 2007 and all eight of the non-VWP countries showed growth during the year.

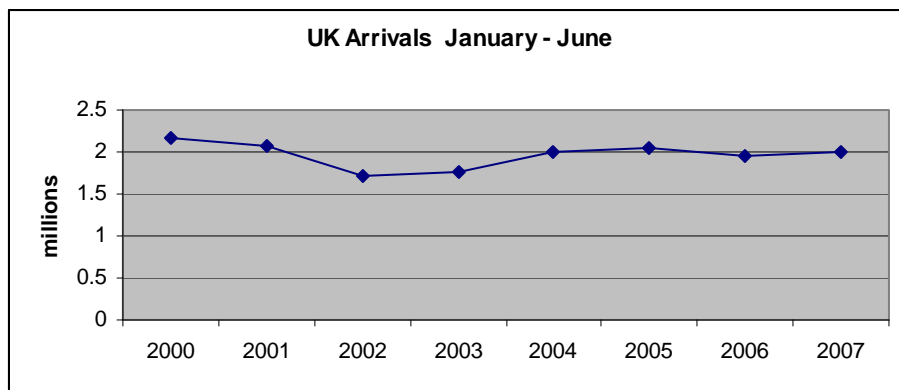
In general, looking at the **mode** of travel into the U.S., air travel increased by seven percent from the first half of 2006, whereas arrivals by sea and land were up 16 percent and 19 percent, respectively. The latter category includes travelers originating overseas that stopover in Canada and Mexico crossing into the U.S. at a land border. The average **age** of the travel visiting the U.S. was 41.4 years, no change from 2006.

Business (see graph above) and **leisure** travel increased by seven percent and eight percent, respectively, and student travel increased by 11 percent.

United Kingdom:

U.K. visitation to the U.S. totaled almost 2.0 million for the first half of 2007, up two percent from 2006. U.K. arrivals accounted for 42 percent of all travel from Western Europe in 2007, up from 41 percent in 2000, even though travel from the U.K. was down eight percent from that period (graph). There was also a notable shift in U.K. traffic through U.S. ports of entry in 2007 compared to the first half of 2000. Although travel to/through Orlando (MCO), Los Angeles (LAX), Chicago (ORD) and Boston (BOS) dropped by double digits, travel did increase to/through New York (JFK) and Las Vegas (LAS). 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.

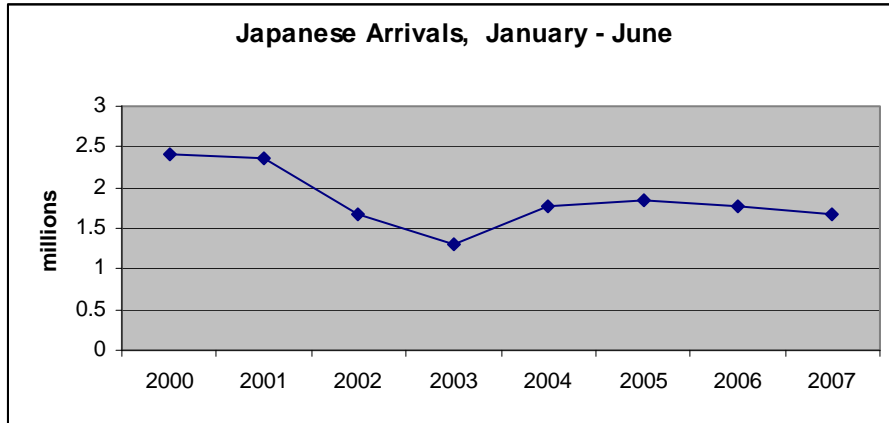


Japan:

Japanese visitation totaled 1.7 million for the first half of 2007, down six percent from 2006. Arrivals from Japan accounted for 55 percent of all Asian visitors so far in 2007, down from 67 percent in 2000. This reveals not only a drop off in arrivals from Japan (down 31 percent in 2007 vs. first half of 2000), but also

an increase in arrivals from other Asian countries. Japan is now second in overseas arrivals, behind the U.K. The decline in traffic compared to 2000 was significant at all the major ports of entry, i.e. Honolulu (HNL), Agana (GUM), Los Angeles (LAX) and San Francisco (SFO), excepting Detroit (DTW), which was up 28 percent.

Traditionally the peak season for Japanese outbound travel is from April through October. However, so far in 2007 the second quarter (April – June) was down five percent from the first half of 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.

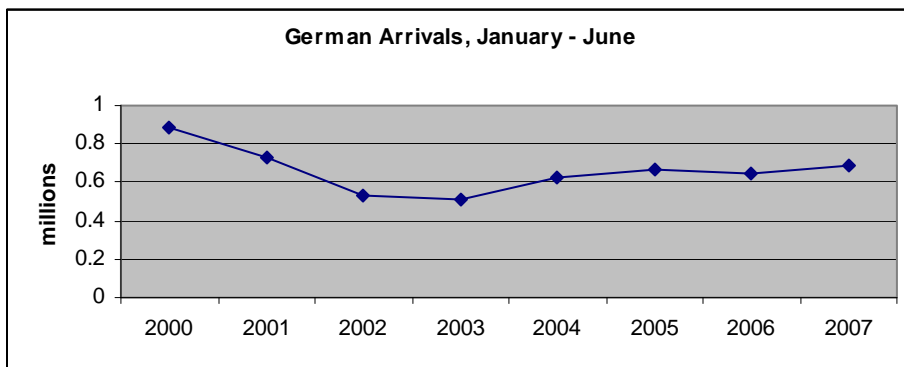
Also, from a demographic perspective the Japanese population (~ 128 million) has been in decline since 2005, which has had a negative impact on student enrollments in the Japanese university system. This was evident since Japanese student travel to the U.S. was down seven percent in the first half of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

Germany:

German visitation totaled 689,000, up seven percent, for the first half of 2007. The first and second quarters were up 10 and five percent, respectively. March-April, normalizing for Easter, was up about eight percent. German arrivals were 14 percent of Western Europe arrivals, down from 17 percent in 2000. While arrivals were down 22 percent from its record high in the first six months of 2000, this is an improvement from 2003 when arrivals from Germany were down 42 percent. In 2007 nearly 74 percent of visitation was leisure and 26 percent business. The small student inflow did increase by nine percent in 2007 with business travel up eight percent in the first half.

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.

As with Japan, the German population (~82 million) has been in decline.



France:

Arrivals to the U.S. from France totaled 429,000 during the first half of 2007, up 25 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 and 27 percent, respectively. Compared to the first six months of 2000, arrivals were down 18 percent. Leisure travel accounted for 75 percent of visitation and itself increased by 32 percent in the first half of 2007.

South Korea:

South Korea is the top origin market among all of the non-visa waiver program countries. Visitation totaled 387,000 during the first half of 2007, up eight percent over 2006, a record year, and 25 percent over the first half of 2000. Arrivals showed positive growth every month and quarterly visitation was up 10 percent and seven percent, respectively.

Australia:

Australian arrivals during the first half of 2007 totaled 313,000, up 11 percent from 2006, another record year for this market, and 20 percent above the first half of 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 in the first quarter and 10 percent in the second quarter.

India:

Indian visitation to the U.S. is at its historically highest level, moving up to ninth position from fifteenth in 2006. Visitation totaled 300,000 in the first half of 2007, up 50 percent from 2006. Business travel was about 30 percent of arrivals, above the norm from Asia (20 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 288,000 for the first half of 2007, up 16 percent. Quarterly changes in 2007 were up 11 percent and 20 percent, respectively. Brazil accounts for 27 percent of the travelers from South America to the U.S., up from a 26 percent share in 2000. Although 2007 arrivals were down 23 percent from 2000, there has been significant recovery from its 2003 low point.

PRC & Hong Kong:

During the first half of 2007 arrivals from PRC totaled 176,000, up 24 percent, and from Hong Kong (SAR), 69,000, up one percent. As a combined entity, visitation totaled 245,000, up 16 percent for 2007.

The quarterly growth rates, for this non-visa waiver country, were up 20 percent and 13 percent for the year. So far in 2007 45 percent of Chinese travel was business travel.

About Group Leisure Travel from China

The U.S. has no restrictions on any form of legitimate travel from China to the U.S. other than the travelers need to secure a visa. The Chinese government only permits travel agencies to organize and market outbound group leisure travel to countries with which it has bilateral agreements, commonly referred to as Approved Destination Status (ADS). The U.S. does not have such an agreement with the Chinese government, because U.S. immigration laws are not compatible with their “standard terms.”

The Department of Commerce is 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 possible memorandum of understanding (MOU) to permit group leisure travel from China to the U.S. and related marketing of destinations and firms.

For background information on the 2004 U.S.-China Memorandum of Understanding on Tourism please see: <http://www.tinet.ita.doc.gov/outreach/index.html> (scroll halfway down page)

Even with the current restrictions on group leisure travel, the PRC was the third fastest growth market for arrivals from the 2000 – 2006 period.

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.

Italy:

Italian visitation totaled 244,000 for the first half of 2007, up 17 percent from 2006. As with France, this was a continuation of the positive arrival pattern starting in the fourth quarter of 2006. For the first two quarters of 2007 arrivals were up 16 percent and 18 percent, respectively. Arrivals were down 10 percent from the first half of 2000.

Netherlands:

Dutch visitation totaled 219,000 in the first half of 2007, up 11 percent from 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 for the first two quarters of 2007, seven percent and 15 percent, respectively. Arrivals were down 14 percent from the first half of 2000, but have significantly recovered from its low in 2002 (down 34% from 2000).

Ireland:

Visitation from Ireland totaled 205,000 in the first half of 2007, up 15 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 and eight percent, respectively for the first two quarters in 2007. From 2000 to 2006 Ireland was the second largest growth market, up 45 percent.

Spain:

The U.S. welcomed a 202,000 Spaniards in the first half of 2007, up 17 percent from a record 2006. Unlike other Western European countries, visitation from Spain grew by double digits during the second, third and fourth quarters of 2006. Spain also posted double-digit growth in the preceding 2004 – 2005 period.

Venezuela:

Venezuelan arrivals totaled 175,000, up 28 percent for the first half of 2007 and the third consecutive year of positive growth. The first and second quarters were up 36 and 21 percent, respectively. Arrivals are down 22 percent from the first half of 2000, but have significantly recovered from its low in 2003.

Colombia:

Colombian arrivals totaled 174,000 in the first half of 2007, up eight percent, and building on three consecutive years of growth from a low in 2003. Quarterly growth levels were up 16 percent and three percent, respectively in 2007. Arrivals remain 13 percent below 2000 levels for the first half.

Sweden:

Arrivals totaled 167,000, for the first half of 2007, up 17 percent. First and second quarter arrivals were up 20 percent and 14 percent, respectively. First half arrivals are only one percent down from 2000.

Taiwan (ROC):

Taiwanese arrivals totaled 154,000 for the first half of 2007, up five percent. Quarterly arrivals growth was up six percent and four percent, respectively. According to the *Monthly Statistics on Tourism* report, June 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 142,000 for the first half of 2007, was up 12 percent and accounted for 50 percent of all arrivals from the Middle East.

A chart of the top 20 inbound markets, comparing first half arrivals from 2007 to 2000, follows:

NON-RESIDENT ARRIVALS TO THE U.S.				
January - June 2007 vs 2000				
TOP 20 COUNTRIES OF ORIGIN				
COUNTRY OF RESIDENCE	2007 ARRIVALS	2007 RANK	2000 RANK	% Change Jan.-June 07/00
CANADA	7,784,903	1	1	13%
MEXICO*	2,914,080	2	2	66%
TOTAL OVERSEAS	10,753,830			-12%
UNITED KINGDOM	1,994,984	3	4	-8%
JAPAN	1,667,362	4	3	-31%
GERMANY	688,783	5	5	-22%
FRANCE	428,898	6	6	-18%
KOREA, SOUTH	386,687	7	8	25%
AUSTRALIA	312,888	8	11	20%
INDIA	299,813	9	21	107%
BRAZIL	288,394	10	7	-19%
PRC & HONG KONG	245,003	11	15	18%
ITALY	243,557	12	10	-10%
NETHERLANDS	218,596	13	12	-14%
IRELAND	204,913	14	20	34%
SPAIN	202,244	15	19	27%
VENEZUELA	174,590	16	14	-22%
COLOMBIA	173,733	17	16	-13%
SWEDEN	167,063	18	18	-1%
ROC (TAIWAN)	153,692	19	13	-32%
ISRAEL	141,670	20	22	-2%
TOTAL INTERNATIONAL	21,452,813			3%
*to the U.S. Interior				

Other:

Strong growth was also noted in the first half of 2007 from Argentina (129,000), up 24 percent and Switzerland (130,000), up eight 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 first half of 2007 compared to last year:

- Canada, up five percent
- Mexico, up eight percent
- Caribbean, up 11 percent

“Open-Skies”

From 1992 through 2006 the U.S. has signed Open Skies agreements with 76 countries and has been a party to liberalizing pre-existing bilaterals with three others, Japan, People Republic of China and Mexico. The following chart shows how non-resident arrivals* tallied from all air markets, including Canada and Mexico, from 2005 through 2006:

	2006	2005	% Change 06/05
Total Air Markets	28,904,448	28,466,960	1.5%
Open Skies (76)	14,209,257	13,732,062	3.5%
Liberalized (3)	5,706,192	5,822,610	-2.0%
Legacy markets	8,988,999	8,912,288	0.9%

*This is a uni-dimensional look at these markets, not taking U.S. outbound travel into account nor all “beyond” traffic as the result of Fifth-Freedom rights.

The decline in non-resident air arrivals in “liberalized” markets are due to the decline in arrivals from Japan, since PRC and Mexican air arrivals were up year-over-year.

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

In general, compared to the first half of 2000, the top ports were down 12 percent. New York (JFK) moved up to top overseas port while Miami (MIA) dropped to second having declined 29 percent in arrivals. Los Angeles and Honolulu also declined by double-digits from the first half of 2000.

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 2006, please go to:
<http://tinnet.ita.doc.gov/research/reports/i94/index.html>

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