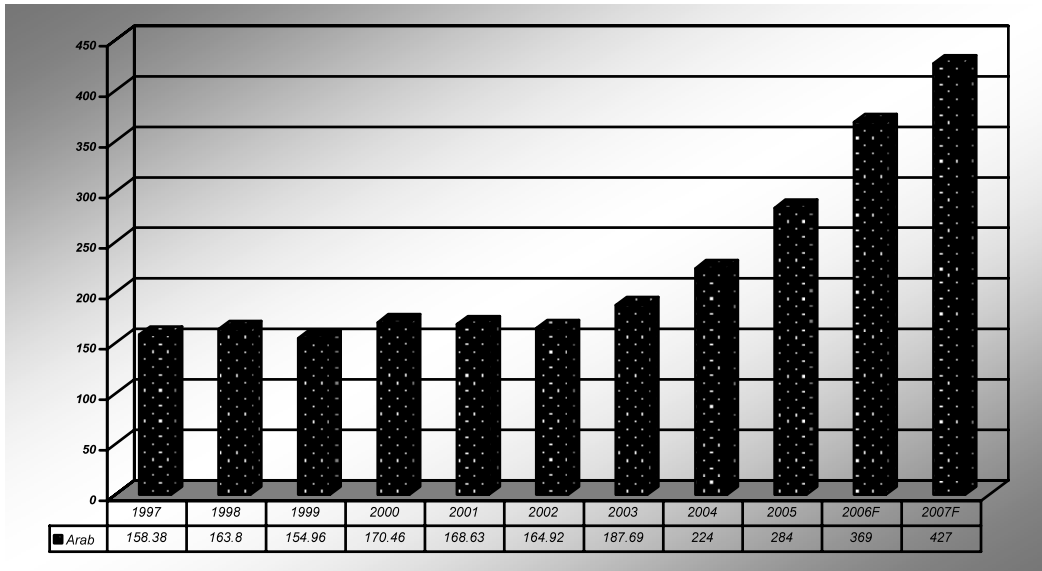


3.0 The Trade Consequences of US Visa Barriers

As visa interview waiting times, processing durations, and rejection rates are increasing, the Arab market demand for imports has taken off and is expected to more than double in the period from 2001 to 2006. Arab market purchasing power, buoyed by higher energy prices on the world market, has led to explosive regional demand for infrastructure, industrial machinery, and sophisticated consumer goods.

Total Arab Market Merchandise Import Demand (\$ US Billion)

(Sources: CIA World Factbook, National Accounts, World Bank, and Institute for Research: Middle Eastern Policy, Inc.)



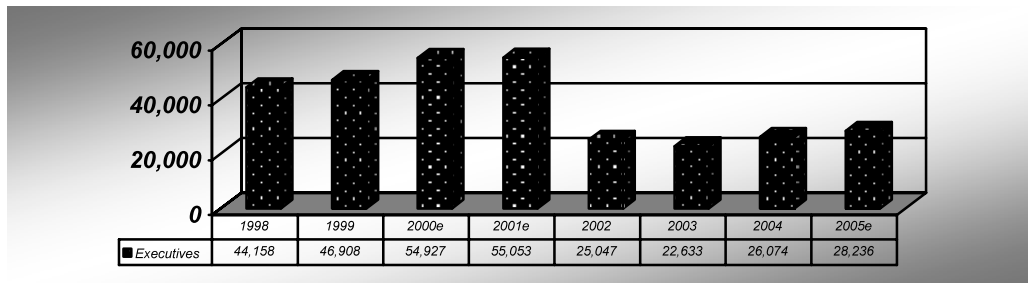
Arab demand weakened slightly in 2002, only to spring back in 2003. However, as demand has increased, the climate between the US and the Arab market has become more negative. US policymakers have tightened visa screening criteria while severely limiting the human and background check resources available in key trading partner states. This has led to longer waiting periods even while competitor markets in Asia and Western Europe have maintained an “open-door” policy for Arab buyers.

Visa Denied

Recommendation #4: *Given the importance of non-immigrant visas to the US economy, a "Visa Process Review Board" composed of corporations, university administrators, trade and industry associations, and other outside experts should be convened to review consular non-immigrant visa process efficiency and propose improvements.*

Arab Business Traveler Admissions to the United States

(Source: *Yearbook of Immigration Statistics, Department of Homeland Security*)



Entry into the US market by Arab wholesale buyers, project engineers, educators, and regional development leaders has been stymied by delays and rejections. Between 1998 and 2001, admission levels were spiraling upward for executives from the region visiting US suppliers, attending economic development conferences, and financing passive and direct investments. However, by the year 2005, Arab business traveler entries into the US had fallen to only half (51.3%) of 2001 levels.

The correlation between ease of Arab executive travel to the US and US merchandise exports to the Arab market is almost perfect: US merchandise exports to the region are at half the level they could have reached under a more effective US visa processing regime.

Even Arab executives who possess multiple-entry visas are no longer short listing US industrial machinery vendors. One well-known businessman heading a large publicly traded Saudi industrial conglomerate met with a US consultant visiting Saudi Arabia to review a tender for \$250 million of equipment. The Saudi executive said the only tender restriction was "no American companies," since Saudi technicians might not be admitted to the United States for training. **The service component is an integral part of most industrial equipment deals. "No visas" increasingly means "no deal."**¹⁰

Tighter restrictions on Arab industrial buyers have directly impacted US merchandise exports, which have not kept pace with regional demand growth. The US share of the market, on a positive growth curve before 2001, has flattened. Total US exports to the region reached the pinnacle of an

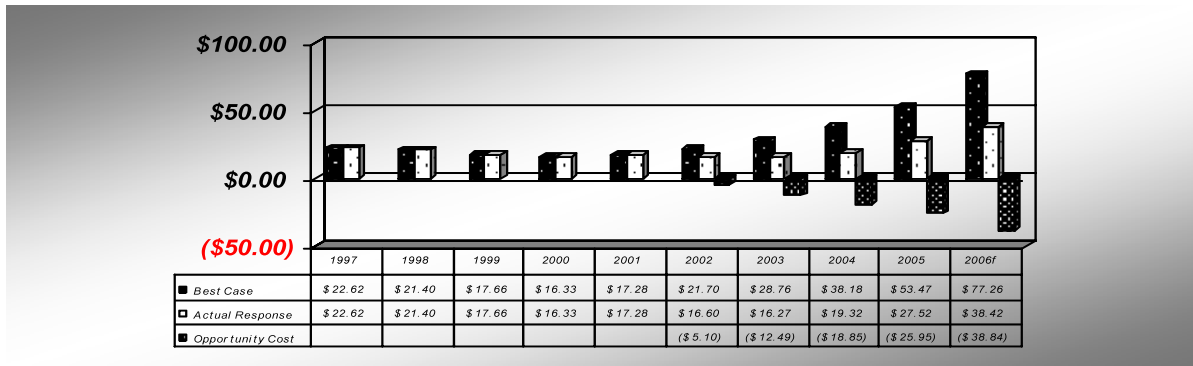
¹⁰ <http://www.saudi-us-relations.org/articles/2006/interviews/060712-qunaibet-interview.html>

Visa Denied

accelerated upswing in the year 2001 as Arab countries looked to US service providers, industrial manufacturers, and other makers of capital goods. By stemming the exchange of people, capital, and goods with the region, the US will miss a total of \$101 billion in merchandise export opportunities through the year 2006 as regional demand for consumer and industrial goods surges past US providers. This is an economic impact equivalent to shutting down the entire US tourism industry. (As we'll see in the next section, the US already has shut down a significant portion of tourism flow from the Arab market.)¹¹

Actual US Merchandise Exports to Arab Market, Best-Case Scenario, Opportunity Cost (\$ US Billion)

(Sources: US Census International Trade Division, Institute for Research: Middle Eastern Policy, Inc.)



This missed opportunity would have created 419,865 direct and indirect manufacturing jobs in the US.

Among the hardest hit stakeholders are sophisticated manufacturing industries that provide high-wage jobs while generating abundant upstream and downstream economic activity, as well as industry diversification and taxes to the local economy.

Affected Industries

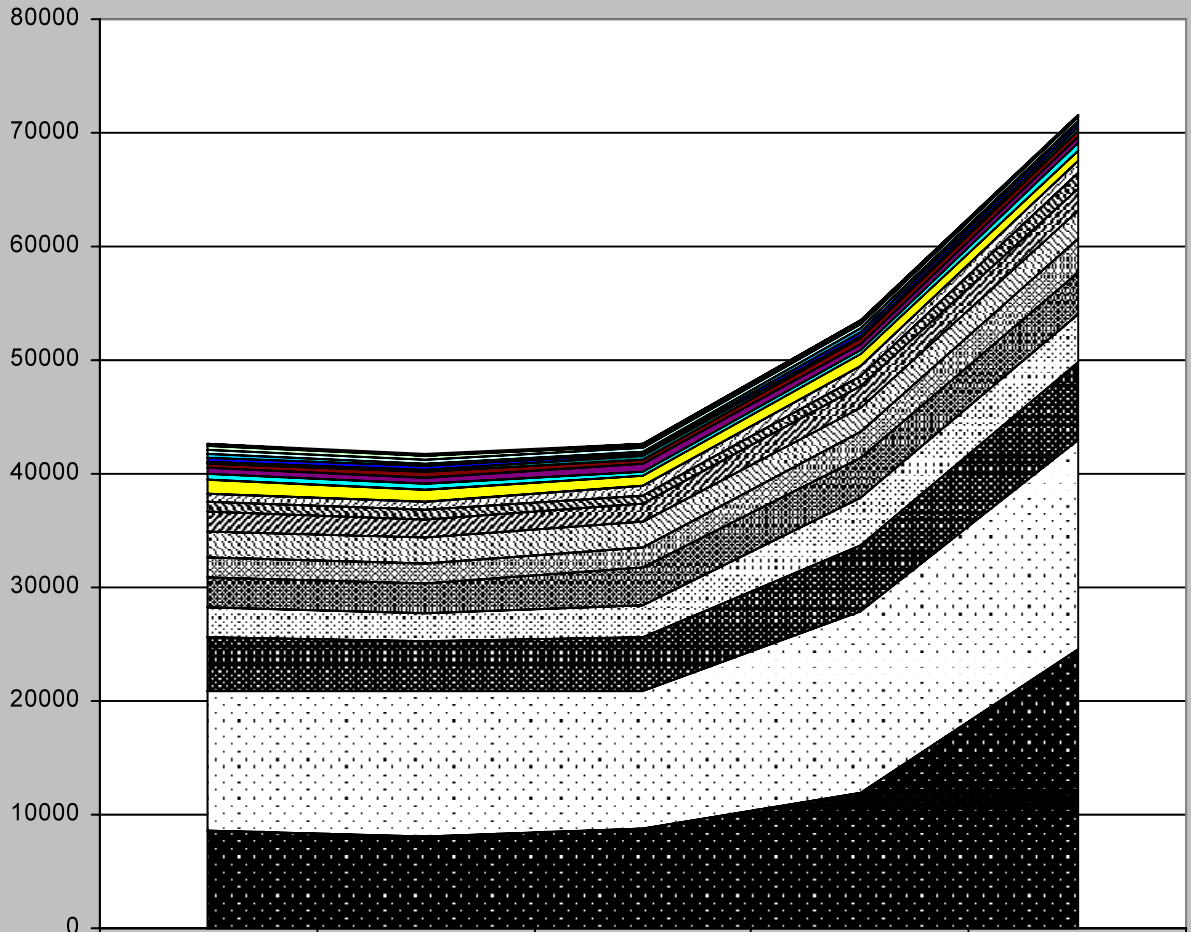
The US's beleaguered passenger automobile and truck industries currently depend on Arab market imports for almost 25,000 manufacturing jobs. 18,000 direct manufacturing jobs are supported by industrial machinery exports, while nearly 7,000 direct jobs are created in the computer and information technology industry.

¹¹ Travel Industry Fun Facts http://www.tia.org/pressmedia/fun_facts.html

Visa Denied

US Direct Manufacturing Jobs from Arab Imports by Industry

(Source: Institute for Research: Middle Eastern Policy, Inc.)



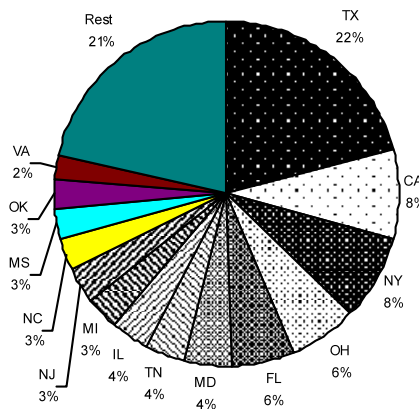
	2001	2002	2003	2004	2005
324 Petroleum & Coal Products	47	100	46	45	57
316 Leather & Related Products	107	99	134	134	123
312 Beverage & Tobacco Products	318	198	187	186	167
313 Fabric Mill Products	447	352	261	283	213
321 Wood Products	313	325	267	323	289
315 Apparel Manufactures	323	257	237	333	315
314 Non-Apparel Textile Products	168	199	265	265	351
323 Printing & Related Products	375	546	436	441	452
322 Paper Products	559	535	562	532	609
327 Non-Metallic Mineral Mfgs.	463	447	489	478	618
337 Furniture & Related Products	1225	1038	850	920	969
326 Plastic & Rubber Products	798	827	858	909	971
331 Primary Metal Manufactures	756	862	642	901	1528
325 Chemical Manufactures	1867	1464	1530	1920	1917
311 Processed Foods	2293	2292	2389	2121	2350
339 Misc. Manufactures	1684	1896	1774	2368	3053
335 Elec. Eq. Appliances & Parts	2651	2507	3255	3507	3683
332 Fabricated Metal Products	2588	2559	2842	4051	4186
334 Computers & Electronic Prod.	4715	4349	4766	5866	6881
333 Machinery Manufactures	12305	12787	12141	15969	18397
336 Transportation Equipment	8628	8070	8710	11929	24534

Key US State Stakeholders

A number of states are key beneficiaries of the direct and indirect manufacturing jobs created by US-Arab merchandise trade. In 2005, fourteen US states had more than 5,000 jobs supported by merchandise exports to the Arab market. The leading state, Texas, had 44,719 jobs dependent on US-Arab trade, followed by California (18,249) and New York (16,923).

Direct and Indirect Manufacturing-Related Jobs Created by US-Arab Trade

(Sources: May 2006 US Census Bureau Report, "Exports from Manufacturing Establishments" and Institute for Research: Middle Eastern Policy, Inc.)



Recommendation #5: Congressional representatives from the fourteen key states need to become more active in visa process oversight on behalf of state industries and families dependent on US-Arab trade. A new "US-Arab Trade and Economic Prosperity" caucus made up of pro-development congressional representatives should be formed to monitor and remove visa and other non-tariff trade barriers.

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