

# Trade Wars and Tourism:

The potential impact of trade tensions with China on US tourism

**3.2 million**

Estimated number of Chinese tourists who visited the US in 2017.

Roughly 3.2 million Chinese visitors came to the US in 2017. The growth of this market has been staggering; visits from China have doubled in the past five years and grown 700% over the past decade. Though Chinese tourists make up less than 2% of total visitor arrivals to the US, they account for over 10% of US inbound travel expenditures.

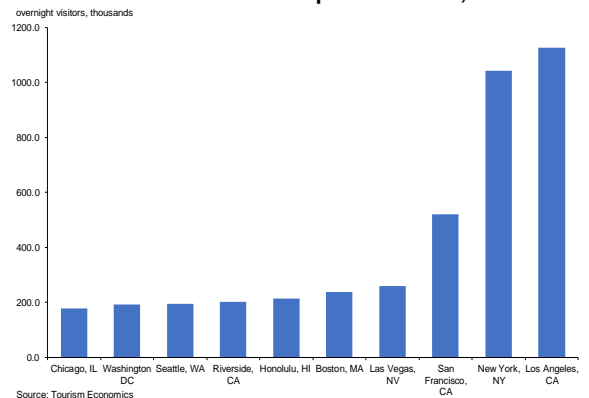
Chinese tourism constitutes a significant part of the US market. In 2016, although the US ran a trade deficit in goods with China, it ran a \$38.9 million trade surplus in services. Of that surplus, 67.4% (\$26.2 million) flowed from the travel industry.

**697%**

Growth in visits to the US over the past decade

Los Angeles and New York City each welcomed over a million Chinese tourists in 2017 alone. Chinese tourists visited 1.8 states per arrival on average. And approximately three-quarters of all Chinese visitors are leisure travelers.

Chinese Visitation to Top 10 US Cities, 2017



A burgeoning trade war between the US and China presents real risks to both the global economy and to the US travel sectors.

**67%**

The travel industry's share of the total 2016 U.S. trade surplus in services with China

In response to the US decision to impose tariffs on \$50 billion of Chinese imports, China has imposed tariffs on \$34 billion worth of US imports. The US is now considering tariffs on an additional \$200 billion of Chinese imports. However, because China exports more goods to the US than it imports from the US, it will run out of goods to target before the US does the same. Should this occur, China may turn to US services – namely, travel and tourism – as the next casualty of the trade war. In the past, China has shown itself willing to weaponize trade in both goods and services. Last year, after South Korea deployed the US missile-defense system THAAD, China responded by unofficially ordering its travel agencies to stop tour groups from traveling to South Korea.

**\$18.3 billion**

Total spending in dollars from China to the US in 2017

This action prompted Chinese arrivals to, and spending in, South Korea to drop by over 40%. The South Korean boycott was not the first time that China boycotted international trade in response to geopolitical tensions. After human rights activist Liu Xiaobo was awarded the Nobel Prize in 2010 while in Chinese prison, the Chinese government declared an official boycott of salmon from Norway, its largest salmon supplier.

# -48%

Drop in the number of tourism arrivals from China to South Korea after China instituted a tourism boycott in response to THAAD deployment

# \$34 billion

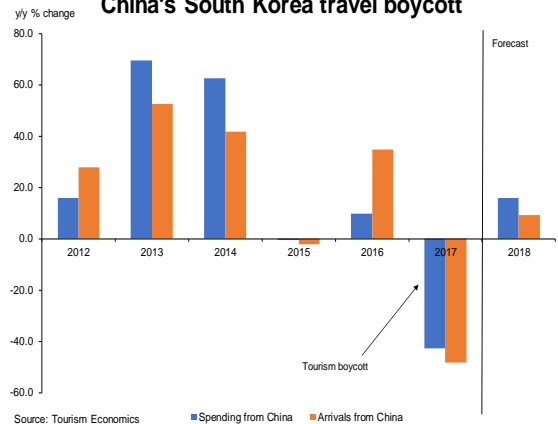
Worth of tariffs imposed by China on US imports after the US's steel and aluminum tariffs hit in early June

And just before the 2008 Beijing Olympics, Chinese consumers boycotted the French supermarket chain Carrefour over its support for pro-Tibetan independence groups. In both cases, nationalism provided key support for China's market actions.

China may already be taking small steps towards discouraging its citizens from traveling to the US. On June 30, the Chinese embassy in the US cautioned that "social security in the States is not satisfactory." Its report warned Chinese citizens of the high risk of gun violence in the US and urged them to "avoid going out alone at night" while in the country.

The Chinese government has already proven itself capable of weighing in on its citizens' travel plans via its new "social credit" system, in which credit depends on conformity to social norms. A drop in one's social credit score often leads to limited mobility in domestic travel. So far, this new system has resulted in restrictions on the domestic travel of twelve million Chinese citizens.

### Spending and arrivals before and after China's South Korea travel boycott



The possibility that China might weaponize its share of the US travel industry has historical precedent, and ever-increasing trade tensions may provide motivation. Whether the Chinese embassy's recent statement reflects a larger strategy regarding US travel remains to be seen, as nothing is yet evident in the available data. However, given the importance of Chinese tourism to the US market and China's demonstrated willingness to weaponize nationalism and trade in tandem, Chinese efforts to deter outbound travel to the US could dampen the tourism sector, making this a risk worth watching.

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