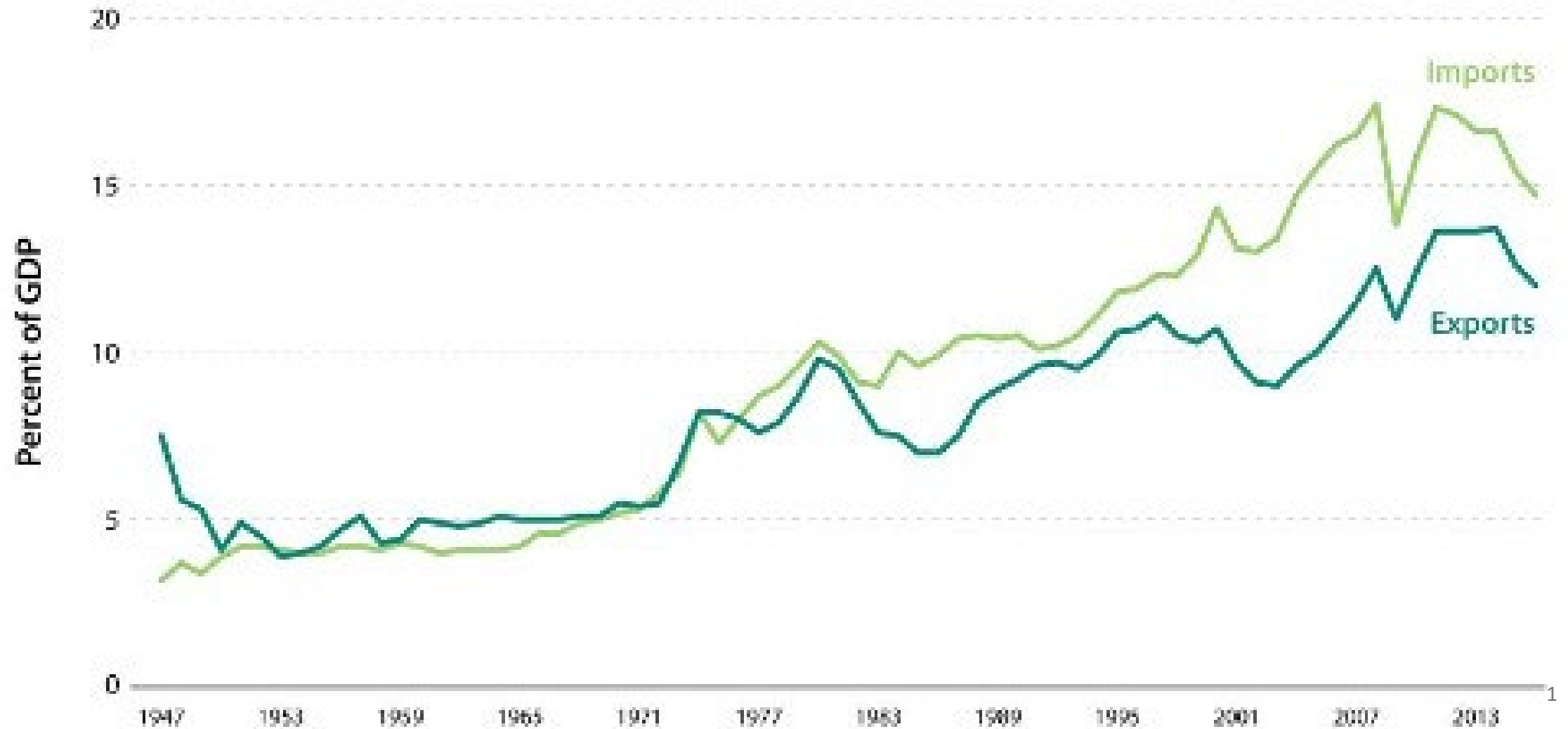


Trump's tariffs transforming trade in goods while trapping travel and tourism

Nomura Macroeconomic Conference, October 2025

Aaron Klein, Miriam K. Carliner Chair and Senior Fellow, Economic Studies, The Brookings Institution

U.S. Trade During Globalization Era

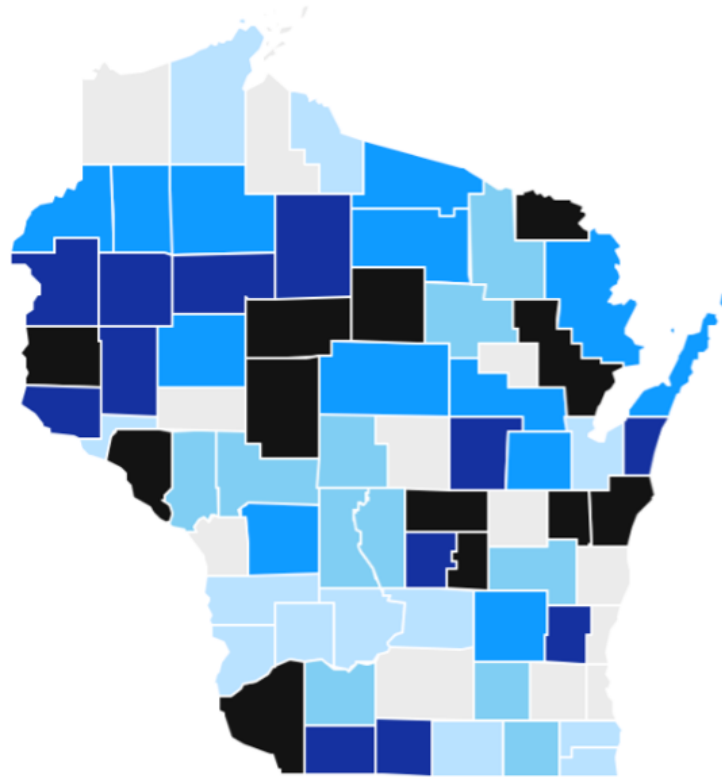


Globalization's Institutions and Growth

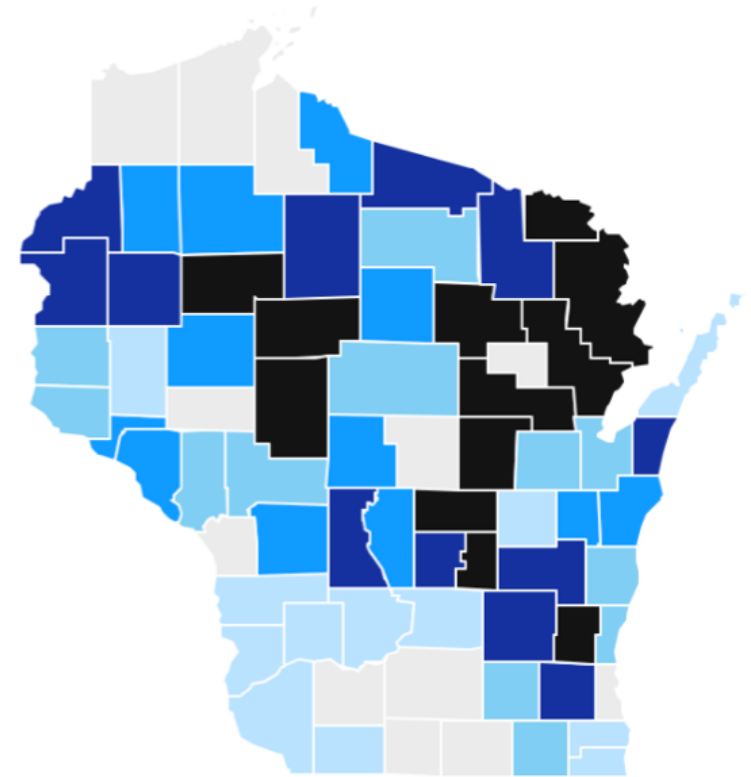
- World Trade Organization created in 1994.
 - Grows to 166 member countries, with 99% of global GDP
 - China joins WTO in 2001. At that point China's economy was roughly the size of Italy. Today it is the second largest at nearly \$20 trillion.
- North American Free Trade Agreement (1992)
 - Trade between the US, Canada, and Mexico grows from \$290 billion in 1993 to over \$1.1 trillion in 2016
- European Union (EU) launches the Euro in 1999.
 - Unlike NAFTA, EU eliminates restrictions on movement of people. Estimates free movement of people increases GDP by 1% per country

*Anti-
Globalization
sentiment
always present
just untapped by
either party until
Trump*

Perot in 1992



Trump in 2016



Modelling Trade with Tariffs and Uncertainty

- Basic model with and without uncertainty

$$T_{ij,t} = E_t[t_{ij,t+1}] + (1 + t_{ij,t}) ER_{ij,t}$$

$$T_{ij,t} = UE_t[t_{ij,t+1}] + E_t[t_{ij,t+1}] + (1 + t_{ij,t}) ER_{ij,t}$$

$T_{ij,t}$ is the present tariff rate, $E_t[t_{ij,t+1}]$ is the expectation of the future tariff rate, $ER_{ij,t}$ is the bilateral exchange rate, $UE_t[t_{ij,t+1}]$ is the uncertainty over future tariff rates.

If the future is known uncertainty is zero, and equation 2 equals equation 1

Modelling Tourism

Equation:

$$T_{ij,t}^{\text{tourism}} = (1 + r_{ij,t}) ER_{ij,t} + \gamma P_{ij,t}$$

$R_{ij,t}$ is the level of travel restrictions (e.g., visa fees), ER remains the exchange rate, and $\gamma P_{ij,t}$ measures reputational perception.

Examining Reputational Perception

- Equation

$$P_{ij,t+1} = P_{ij,t} - \alpha^- N_{ij,t}^- + \alpha^+ N_{ij,t}^+$$

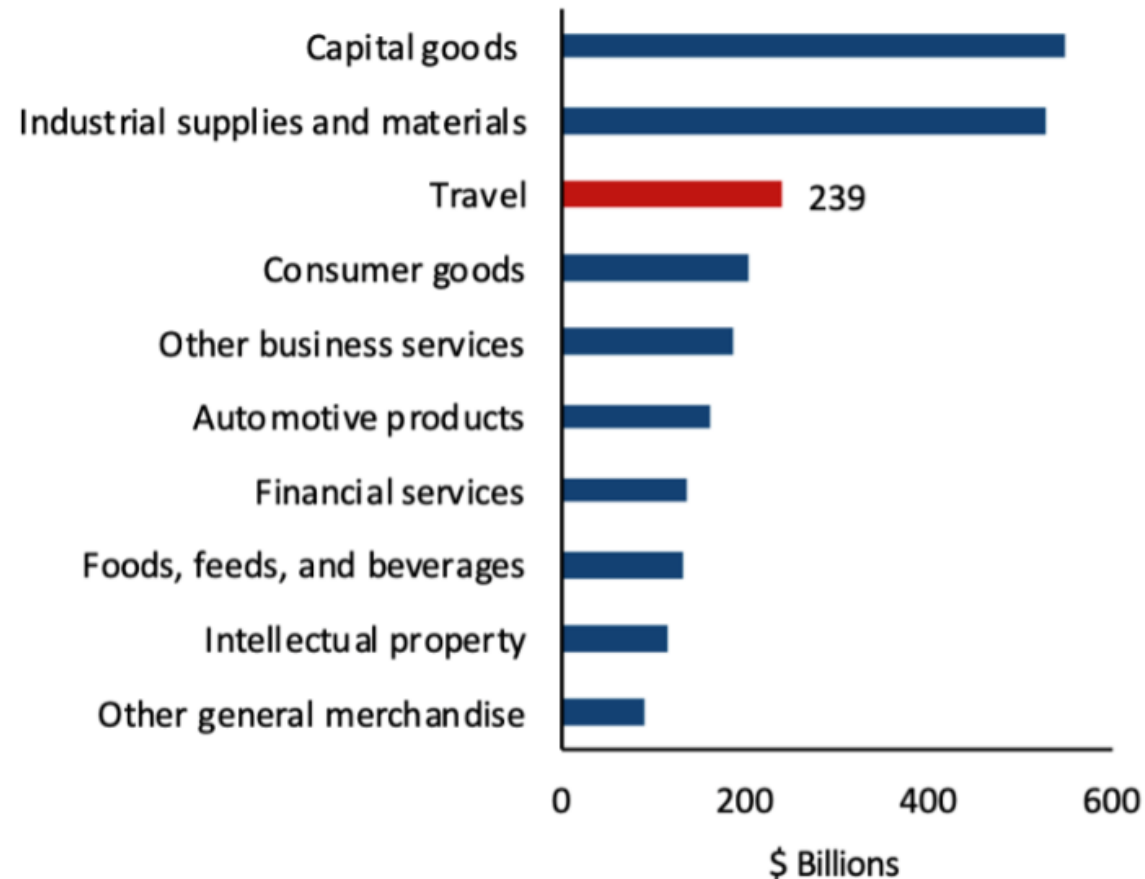
$N_{ij,t}^-$ and $N_{ij,t}^+$ represent negative and positive perception shocks (e.g., conflicts, threats, major events). α^- and α^+ are their respective saliencies. This allows model to show large impact for a highly salient minor event (e.g., publicity around a single crime, even if overall crime does not change)

Thesis: Trump Impact on Tourism Will Outlast Tariffs

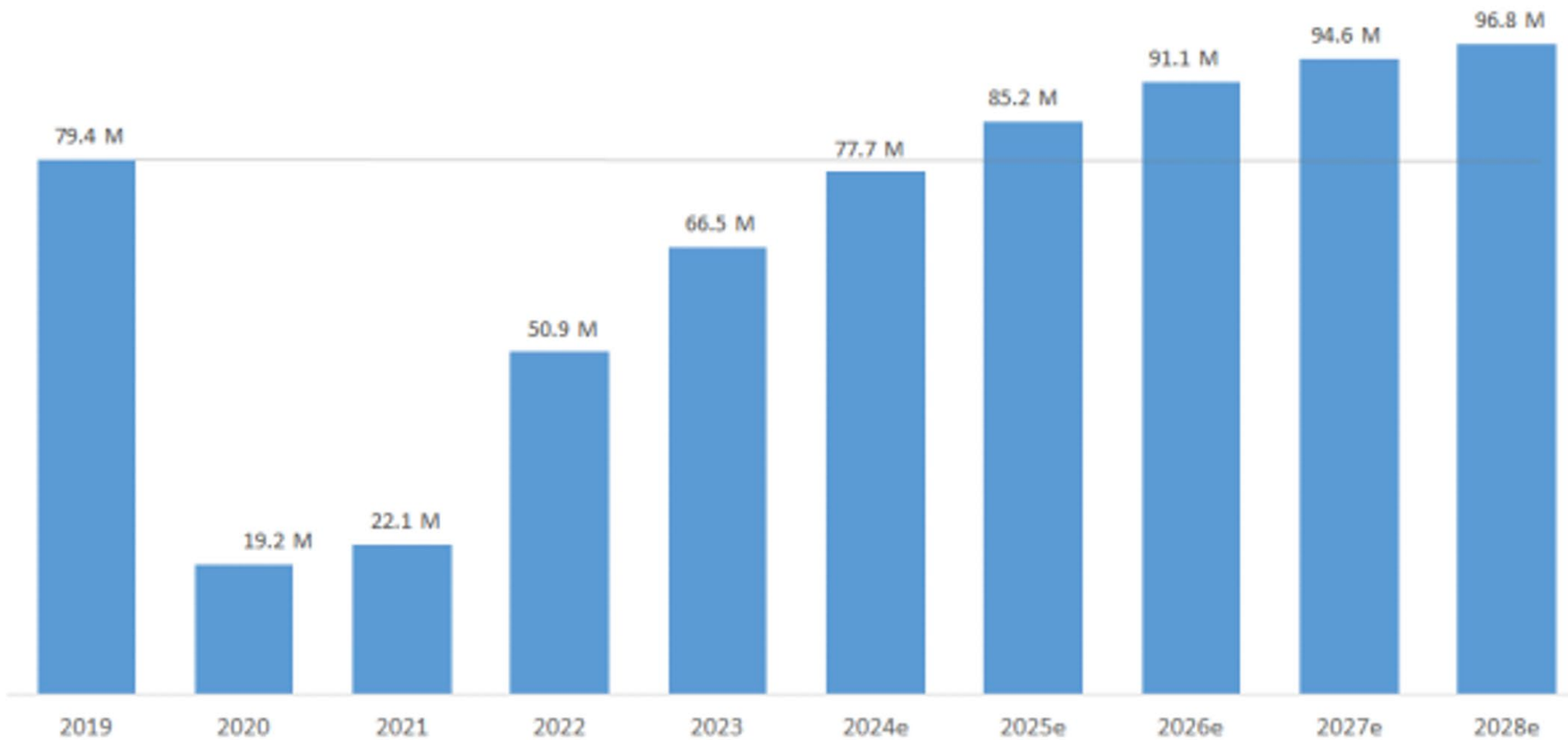
- The stickiness of perceptions of America as a destination for travel, tourism, education, is greater than the stickiness of concerns about future tariff rates and associated uncertainty of future tariff prices.
 - $P > E$ from equations above
- Negative shocks to perception of America are not necessarily correlated with tariffs.
 - Trump's decisions on who to insult are not the same as who to tariff.
- Tariffs are easier to remove than negative perceptions

Top 10 US Exports in 2019

- Tourism is America's Third Largest Export



Travel and Tourism Covid Shock and Rebound



Where People Go vs Where People Live

*US Metropolitan Areas
Ranked by International
Visitation and Domestic
Population*

Metropolitan Area	Tourism Rank	Population Rank	Metropolitan Area	Tourism Rank	Population Rank
New York, NY	1	1	Seattle, WA	16	15
Miami, FL	2	6	Santa Ana, CA	17	19*
Los Angeles, CA	3	2	Flagstaff, AZ	18	299
Orlando, FL	4	20	Tampa, FL	19	17
Las Vegas, NV	5	29	Philadelphia, PA	20	9
San Francisco, CA	6	13	Key West, FL	21	>1000
Washington, DC	7	7	San Jose, CA	22	36
Honolulu, HI	8	56	Phoenix, AZ	23	10
Boston, MA	9	11	Riverside, CA	24	12
Chicago, IL	10	3	New Orleans, LA	25	59
Houston, TX	11	5	West Palm Beach, FL	26	42*
Atlanta, GA	12	8	Nashville, TN	27	35
Fort Lauderdale, FL	13	38*	Austin, TX	28	25
San Diego, CA	14	18	Denver, CO	29	20
Dallas, TX	15	4	Buffalo, NY	30	51

**Areas are metropolitan distributions contained within larger metropolitan statistical areas*

Source: ITA (2025); Census Bureau (2025). • Created with Datawrapper

International Travel Corridor Dependent

	Las Vegas	Florida	Hawaii
Canada	28.3%	27.6%	21.9%
Brazil	2.7%	9.6%	0.4%
Japan	2.3%	1.0%	36.4%

Key corridors highlighted in green.

Source: ITA (2025); Hawaii Department of Business, Economic Development and Tourism (2025); Tourism Analytics (2025); Las Vegas Convention and Visitors Authority (2025). • Created with Datawrapper

Canada and Las Vegas

- Canada is #1 source of international tourists for Las Vegas: 1.5 million (1 out of every 27 Canadians) out of 5 million.
- Trump insults Canada calling it 51st state, discusses annexation.
- “This is not a joke.. We’re insulted. We’re mad. We’re Angry”
Canadian Foreign Minister
- 8 out of 10 Canadians disapprove of Trump (between Xi and Putin)
- 25% decline in Canadian travel to Las Vegas April – July 2025
- Potential loss of 450,000+ travelers = \$535 million lost in Las Vegas annual economy

Brazil and Florida (Miami)

- 1.9 million Brazilians visited US in 2024. 1.1 million go to Florida, second largest international visitors to the Sunshine state.
- Trump Administration increases visa fees for Brazilians by \$250 (to \$442).
- Closes consulate in Belo Horizonte, Brazil's third largest metro.
- Trump attacks current Brazilian government but supports former
- International air travel from Brazil down 6% to Miami in 2025 (YTD)

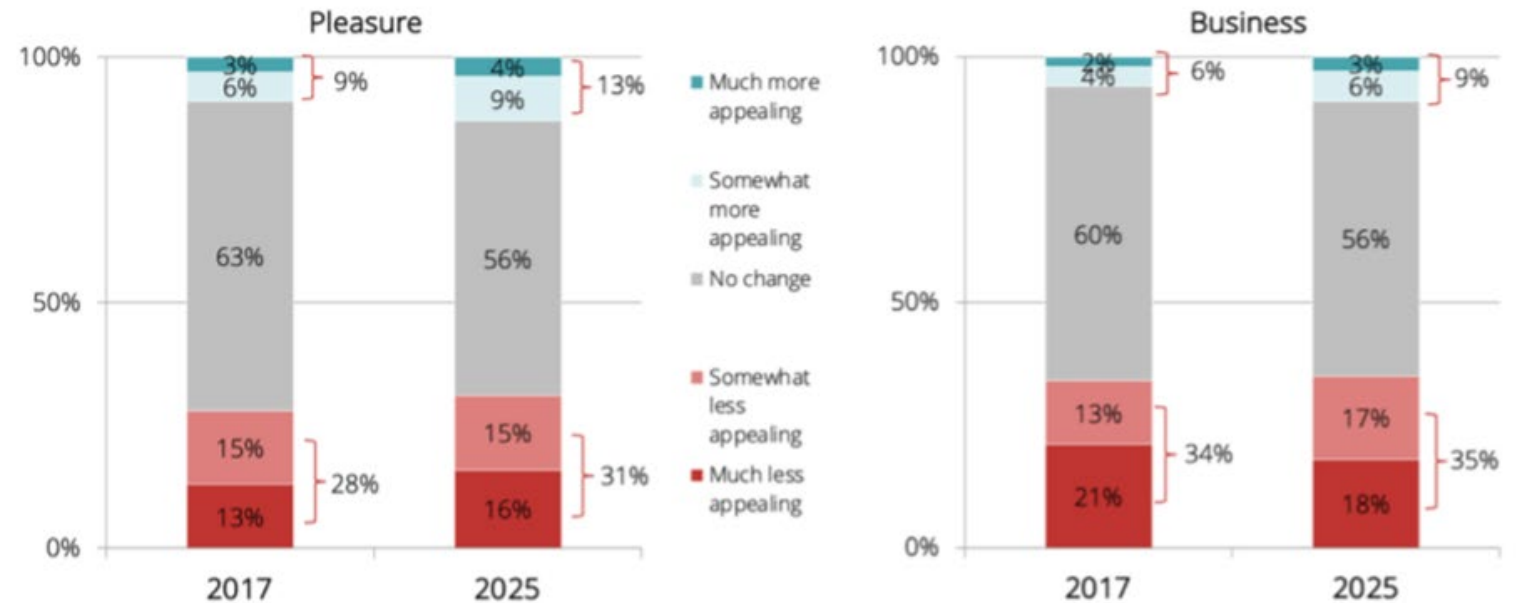
Japan and Hawaii

- 700,000 Japanese visitors to Hawaii in 2024 out of 2 million total international.
- Japanese travel to US remains below pre-Covid (1.5 million to Hawaii in 2019)
 - Exchange rate
 - Lingering effects of pandemic
- Japanese not yet attacked by Trump and seem more open than many others.
 - Potential for Japan to increase travel to US while others decrease:
 - Japanese travel to Hawaii increased 7.5% April to July 2025

Japanese Opinion of America as a Travel Destination

America Has Not Lost Any Desirability as a Travel Destination

Appeal of America as a Travel Destination

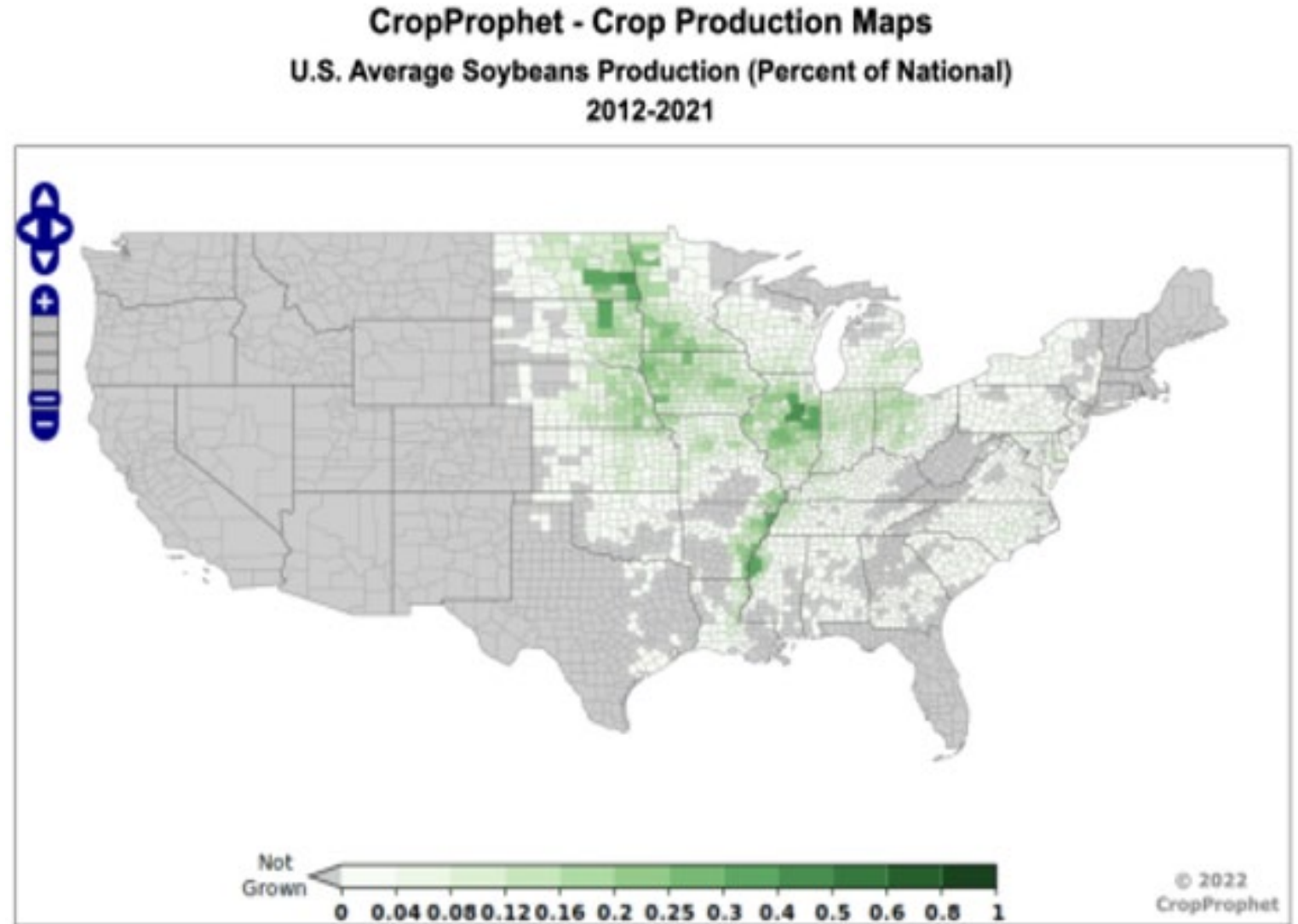


Carter Japanese Sentiment Survey March 2025 ~ "Q8e. And since the change in US Government, how appealing is the US as a travel destination for you in the near future?" (Single Answer)

Base: Nationwide, all respondents (males/ females 16-69) n=1,000

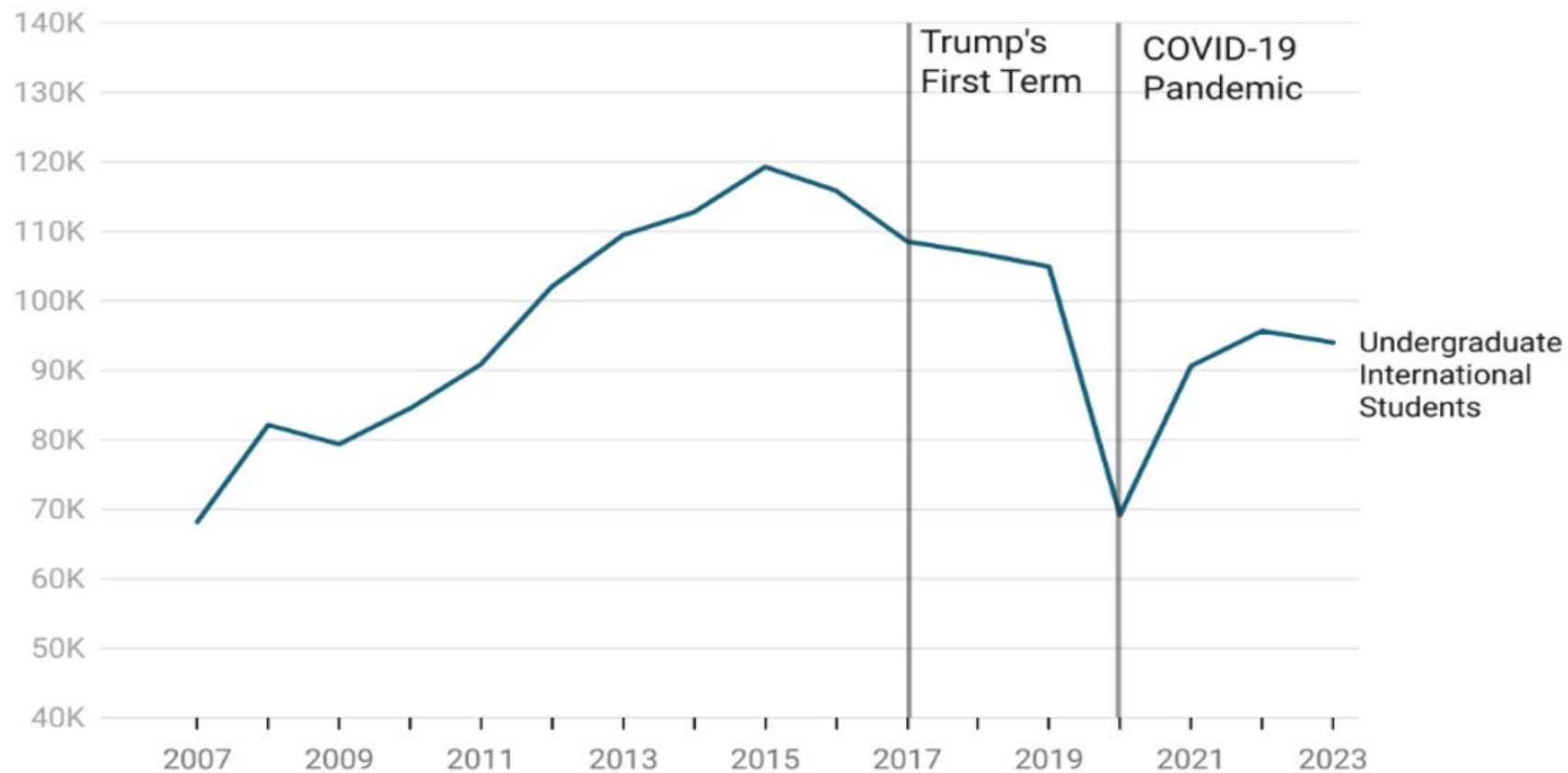
Tariff on Goods

*Geography of
Trade in
Goods:
Example:
Soybean
Production in
the United
States*



Exporting Education: Undergraduate International Student Enrollment, 2007-2023

Undergraduate International Students at US Universities Over Time



Growth in Foreign Undergraduate Enrollment at US Higher Education Institutions Driven by China

