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Visa Delays Cost Firms $31 Billion, Survey Says

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Tighter border controls and visa delays have cost U.S. firms tens of billions of dollars in lost contracts and added expenses, particularly in fast-growing new markets in China and other developing countries, according to a study to be released today.

The analysis by eight leading business groups represents the first corporate effort to quantify the economic effect of the tightening of America's borders after the Sept. 11, 2001, terrorist attacks.

Companies have been reluctant to publicly criticize the U.S. homeland security campaign, in part because they fear they would be accused of jeopardizing America's safety or would run afoul of government officials.

But nearly three years after the attacks, U.S. executives who were surveyed said they were concerned that the Bush administration had cast its security net too wide, keeping out legitimate foreign businesspeople, students and tourists and breeding resentment just as U.S. firms are increasingly global.

The analysis by **Santangelo Group** Inc., a Washington consulting firm, was based on responses from 141 companies in eight business groups, whose members include **Boeing** Co., **Microsoft** Corp. and other leading exporters.

The study estimated that visa processing problems cost U.S. firms $30.7 billion in revenues and indirect expenses between July 2002 and March 2004. That sum doesn't reflect the broader costs of border tightening, such as airport delays or increased screening of shipping containers.

The survey's findings about problems employers have with visas are consistent with anecdotal evidence that homeland security in general is imposing widespread and often unforeseen costs.

The concerns of the business community were echoed in a statement released two weeks ago by more than 20 of the nation's leading scientific and academic organizations..

If action isn't taken quickly, they warned, U.S. academic institutions could lose not only millions of dollars in tuition and other revenue from foreign students but also the brainpower that has helped keep the U.S. at the forefront of science and technology.

Secretary of State Colin L. Powell and other top U.S. officials have acknowledged that the country must act more forcefully to combat the growing perception overseas that America has closed its doors to foreign visitors and business people.

Kelly Shannon, a spokeswoman for the Bureau of Consular Affairs, said the agency had added

consular officers and invested $1 million in a new computer system so visa applications sent to Washington could be reviewed immediately. More than 80% of visa applications requiring extra screening are now processed within three weeks, she said.

But Shannon said the U.S. government had also increased the scrutiny of foreigners seeking to enter the country, doubling the number of people listed in its Consular Lookout and Support System who are believed to be ineligible for entry because of money laundering, terrorism, drug trafficking or other crimes.

U.S. firms said visa processing delays and tighter screening had made it very difficult to get even longtime foreign customers or employees into the United States. That has increased pressure for firms to outsource work or set up offices abroad, according to William Reinsch, president of the National Foreign Trade Council, a survey sponsor.

Reinsch said American firms hadn't seen a noticeable improvement in recent months, particularly in China and other developing countries where visa applicants are often denied entry because they are considered an immigration risk.

Visa applicants from China, India and Russia also are more likely to get flagged under a screening program designed to protect U.S. technology.

"The issue is trying to find a balance," said Reinsch, formerly a top export control official in the Clinton administration.

Other groups participating in the survey included the Aerospace Industries Assn., the American Council on International Personnel and the U.S.-China Business Council. Their members include top exporters as well as smaller companies.

Reinsch said the burden of visa processing delays fell hardest on small and medium-size companies because they don't have the resources to "work around" problems.

Sixty percent of survey respondents said they had suffered a "material impact" from business visa processing delays, and 51% said the problem was worse today than a year ago.

The U.S.-China Business Council, a Washington trade group, has gathered testimony from dozens of U.S. firms reporting lost contracts or other costs because of visa problems. Businesses also said they were forced to delay delivery of airplanes and expensive machinery or to postpone projects.

Len Chaloux, an executive at Moore Nanotechnology Systems, a New Hampshire producer of machine tools to produce optical lenses, said his firm lost a $500,000 deal after it took more than five months to get a visa for the Chinese customer. He said it was "extremely frustrating" because his firm's chief British competitor had landed at least 15 contracts in China, the world's hottest market for optical technology equipment.

The business groups have recommended streamlining the visa processing system to focus on the most serious security threats, and increasing resources of agencies involved in the review process.

Gary Hufbauer, an international trade expert at the Institute for International Economics in Washington, questioned the estimated losses, which were larger than he would have predicted. But he said the survey represented a good "opening shot."

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