Do Leader's Visits Increase Trade Flows?

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Abstract

This paper examines the effect of the number of visits by U.S. officials to a country, and the number of visits of the country's leaders to the United States, on bilateral trade flows between the country and the United States. To achieve our objective, we compile novel variables that indicate the number of official visits from 1960-2015 from the historical archives of the U.S. State Department. To deal with potential endogeneity, we use instrumental variables panel data techniques such as dynamic GMM and systems GMM estimations. The estimation results show that the visits by U.S. Presidents and Secretaries of State do not have a statistically significant effect on bilateral trade flows, while the leader's trips to the United States have a statistically significant positive effect. This indicates that the leader's trips to the United States are taken as an opportunity to promote free bilateral trade flows between the country and the United States, while the visits of American officials focus on other issues.

JEL Code : F10, H11
Keywords : Trade, Executive, Leader's Trips

1. Introduction

This paper examines the effect of the official visits by U.S. Presidents and Secretaries of State to a country, and the visits by a country's leaders to the United States, on the level of bilateral trade flows between the country and the United States. To be specific, we investigate whether the visits by either American leaders to a country, or by the leaders of the country to the United States, allow the country to be able to increase its trade flows with the United States out of its trade with the entire world.

The intuition of this paper is straightforward. Leaders and heads of state travel abroad for a plethora of purposes. One of the most important reasons is to strengthen bilateral economic ties between their country and the countries they are visiting. These economic ties can be fostered by increasing trade and commercial exchange, attracting foreign capital inflows, securing foreign loans and foreign aid, containing any potential disputes or border conflicts, and facilitating travel and cultural exchange between the citizens of the two countries. In the context of this paper, these visits allow the visitors to convene with the officials of their trading partner to conclude trade agreements, to determine how commercial exchange can satisfy the demands of their consumers, to contain trade disputes, and to discuss the elimination of trade barriers. Foreign officials can take the trip of the head of the state as a strong signal from the highest levels of a country's leadership for their serious commitment to facilitate free trade flows without barriers. Thus, we would expect that the number of official visits to be positively associated with bilateral trade flows.

Frequent visits to the United States also allow the leaders to interact with American political and economic influential figures. The direct interaction and interpersonal contact with these figures allow the leaders to cultivate close ties that they can depend on after returning to their home countries. Leaders can, thus, use their influential connections and

close contacts in the United States to lobby for the conclusion of trade agreements or for the elimination of trade barriers. This can lead the leader's trips to increase bilateral trade flows.

Given this intuition, we examine empirically the effect of the number of leaders' visits on bilateral trade flows. To achieve this objective, the paper uses novel variables that indicate the number of visits by U.S. Presidents to the country, the number of visits by U.S. Secretaries of State to the country, and the number of visits by the leader of the country to the United States of America. These variables are derived from the historical archives of the U.S. Department of State. The paper examines the effect of these variables on the value of trade with the United States as a fraction of the value of trade with the entire world. It is worth noting that we compiled this trade variable for each country and each year during the period of analysis from the UNCOMTRADE database.

The Fixed Effects estimation shows that the leader's trips to the United States have a statistically significant positive effect, while the visits of American officials to the country do not have a significant effect. The robustness test shows that this is the case in particular during the cold war era. However, the key difficulty in determining a causal effect of the number of official visits on bilateral trade flows is the issue of endogeneity. First, the association may be spurious due to a failure to account for an unobserved channel that may determine both variables. Second, as much as trade flows can increase after the visits of the American officials to the country or the visits of the leaders of the country to the United States, leaders may be tempted to visit their major trading partners as well. This is either to ensure the smooth flow of trade, to increase the volume and value of trade, or to contain any trade disputes. This highlights an issue of reverse causality.

To deal with potential endogeneity, we use instrumental variable techniques for panel data such as the Arellano and Bond (199) Generalized Method of Moments estimation, and

the Blundell and Bond (1998) systems GMM estimation. The results confirm our previous findings that only the leader's trips to the United States have a statistically significant positive association with bilateral trade flows.

The remainder of the paper is organized as follows: section 2 discusses the literature survey, section 3 includes the detailed description of the data, section 4 includes the empirical estimation results and the robustness tests, and section 5 concludes. References, tables and figures are included thereafter.

2. Literature

This paper contributes to the literature on the determinants of trade flows. There is a new burgeoning literature that specifically focuses on the effect of bilateral political relations, the effect of the similarity of the political systems of governance and political institutions, the effects of political tensions and armed conflict, and the effects of foreign political interference, on bilateral trade flows.

The first stream of studies focuses on the effect of political relationships and diplomatic ties between trading partners on their bilateral trade flows. For instance, Nitsch (2007) examine the effect of state visits of the heads of state of France, Germany and the United States on exports. The author finds that state and official visits are positively associated with bilateral exports, and that the effect is strong but short-lived. Lin et al. (2017) show that state visits by African leaders to China increase Chinese exports to Africa in capital intensive manufacturing goods, and significantly stimulate exports by state-owned enterprises to African countries.

Nitsch (2019) examine the effect of the ease with which a country's citizens can enter foreign countries on the extent of bilateral trade, and finds that countries which issue powerful passports experience more international trade. Rose (2007) examine whether exports are

associated with diplomatic representation abroad. The author finds that bilateral exports increase for each additional consulate abroad, and that the creation of consulates has smaller effects than the creation of an embassy. Creusen and Lejour (2013) examine the role of economic diplomacy on the export market entry decisions of Dutch firms. The authors show that the presence of government support offices and trade missions entice Dutch firms to enter export markets in these countries. Pollins (1989) build a model of bilateral trade flows employing international conflict and cooperation to predict the level of imports. The author finds empirical support to the model prediction that the effects of diplomacy on trade and commerce are significant. Head and Ries (2010) examine the effect of sending trade missions by Canada in stimulating trade. The authors find that above-normal Canadian exports and imports are with countries to which it sent trade missions. However, trade missions have small and insignificant effect on trade.

Some studies explore the effect of political and diplomatic tensions, and armed conflict, on trade flows. For instance, Fuchs and Klann (2013) investigate whether countries that welcome the Dalai Lama, despite China's opposition, experience a significant decrease in their exports to China. Their results show that countries receiving the Dalai Lama at the highest political level are punished through a decline in their exports to China, but the effect disappears in the second year after a meeting took place.

Davis and Meunier (2011) show that political tensions do not affect trade or economic exchange for the United States or Japan, as the sunk costs in existing trade and investment make governments, firms, and consumers unlikely to change their behavior due to any deterioration in political ties. Michaels and Zhi (2010) examine the deterioration of relations between the United States and France from 2002-2003, when France's favorability rating in the United States dropped significantly. The authors estimate that the changing attitudes adversely affected bilateral trade.

Glick and Taylor (2010) examine whether conflict between countries and warfare can be disruptive of economic activity, especially bilateral trade. The authors find large persistent effects of wars on trade, national income, and global economic welfare. Nitsch and Schumacher (2004) examine the effect of terrorism and warfare on bilateral trade flows, and find evidence that terrorist actions decrease the volume of trade.

Other studies explore the effect of the political systems and institutions on trade flows. For instance, Aidt and Gassebner (2010) examine whether the political regime of a country influence its involvement in international trade. The authors find that autocracies import substantially less than democracies even after controlling for official trade policies. Mansfield et al. (2014) explore whether countries' political institutions affect their international trade relations and trade policy. Their results show that pairs of democracies set trade barriers at a lower level than mixed country-pairs (composed of an autocracy and a democracy), and that democratic pairs have much more open trade relations than mixed pairs.

Morrow et al. (2014) examine whether trade flows are larger between states with similar interests, between allies, and in democratic dyads than nondemocratic dyads. Their analysis demonstrates that joint democracy and common interests increase trade in a dyad, but alliances do not. Kono (2006) finds that democracy leads to lower tariffs, but higher core and quality nontariff barriers. The author concludes that democracy promotes "optimal obfuscation" that allows politicians to protect their markets while maintaining a veneer of liberalization. Acemoglu and Yared (2010) document that countries experiencing greater increases in militarist sentiments have had lower growth in trade, and that a pair of countries jointly experiencing greater increases in militarism has lower growth in bilateral trade.

Finally, some studies focus on foreign interference on trade flows. For instance, Berger et al. (2013) provide evidence that CIA interventions during the Cold War were used to create

a larger foreign market for American products. Following CIA interventions, imports from the US increased dramatically, while total exports to the US were unaffected, and that the increased imports arose through direct purchases of American products by foreign governments.

Our paper's contribution to the literature is that it is the first attempt to explore and compare between the effects of different types of leaders' visits on bilateral trade. There are few studies in the literature that examine the effect of official visits on trade flows, however our study is the first to compare the effects of the visits of the leaders of the country to its trading partner, and the effects of the visits of the leaders of its trading partner to the country. In the context of this paper, we are comparing the effects of the visits of American officials to the country against the visits of the officials of the country to the United States in order to be able to determine which is more critical in determining bilateral trade flows.

3. Data

The countries included in the analysis are Taiwan, Canada, Liberia, Rwanda, Thailand, Czech Republic, Niger, Belize, USA, Guyana, St. Vincent and the Grenadines, Costa Rica, Malta, Ethiopia, Lao PDR, Libya, China, Turkey, Mongolia, Latvia, Guatemala, Uruguay, Republic of Moldova, Tajikistan, Saudi Arabia, Greece, Burundi, Tanzania, Portugal, Malawi, Netherlands, Antigua and Barbuda, Macao, Gabon, Nigeria, Cuba, Swaziland, Tunisia, Bermuda, Mozambique, Oman, Bhutan, Nepal, Georgia, Angola, Armenia, Mali, Denmark, Burkina Faso, Papua New Guinea, Venezuela, Uganda, Comoros, Syria, Lebanon, Bosnia and Herzegovina, Equatorial Guinea, Pakistan, Brunei, Kuwait, Algeria, Congo, Bangladesh, Mauritius, Eritrea, Honduras, Sierra Leone, Solomon Islands, Haiti, Suriname, Benin, Germany, Norway, Lesotho, Central African Republic, Bahamas, Azerbaijan, Sao Tome and Principe, Singapore, Yemen, Fiji, Korea, Timor-Leste, Colombia, Albania, Djibouti, Nicaragua, Belarus, Jamaica, Madagascar, Brazil, Democratic Republic of Congo, Ireland,

Iran, France, Egypt, Turkmenistan, Mexico, Sri Lanka, Maldives, Peru, Vietnam, Zimbabwe, New Zealand, Bahrain, Gambia, Zambia, El Salvador, Ukraine, Spain, Croatia, Iraq, Grenada, Jordan, Kenya, Cote d'Ivoire, Hong Kong, Russia, Belgium, Micronesia, Guinea-Bissau, Iceland, Dominica, Qatar, Luxembourg, Slovak Republic, Indonesia, Macedonia, Austria, Lithuania, Chad, Afghanistan, Slovenia, Tonga, Cameroon, Chile, Poland, Cyprus, Argentina, Singapore, Romania, Sudan, Israel, Philippines, Ecuador, Barbados, Panama, Palau, Somalia, Seychelles, St. Lucia, Finland, Estonia, Cape Verde, Paraguay, Vanuatu, United Kingdom, Australia, Italy, Montenegro, Kazakhstan, Cambodia, Kiribati, Guatemala, Guinea, Japan. Table 1 presents the descriptive statistics for the variables used in the analysis.

The dependent variable in our analysis is the value of trade (in U.S. $) with the United States divided by the value of trade (in U.S. $) with the world for each country. This variable is compiled from the UNCOMTRADE dataset from 1960-2015. We calculated the value of trade (exports+imports) of each country with the United States, and the value of trade (exports+imports) of each country with the World. Then, we use the ratio of the two variables as our dependent variable.

The variables of interest are the number of visits by U.S. Presidents and Secretaries of State to the country, and the number of visits by the country's leaders to the United States of America during the period 1960-2015. These include state visits, official working visits, summits, private visits, informal visits, meetings, and working visits. This data is derived from the Office of the Historian, which is affiliated to the Department of Sate of the United States of America.[1] Figures 1-3 show world maps of the number of visits of U.S. Presidents to each country, the number of visits of U.S. Secretaries of State to each country, and the number of each country's leader's trips to the United States, respectively.

[1] https://history.state.gov/departmenthistory.

We include some control variables that are identified by the literature as determinants of foreign trade. We include the level of development measured by logarithm of Gross Domestic Product per capita, PPP (constant 2011 international $) which is derived from the World Development Indicators. Countries with a higher level of economic development are expected to be more involved in trade and commercial exchange to be able to continue enjoying higher levels of living standards. We also include an indicator of the size of the country which is the logarithm of population. The size of the country determines whether the country needs to trade with other nations or whether domestic markets are sufficient.

We use the Polity score which is extracted from the Polity IV Project. The Polity score captures a country's political regime on a 21-point scale ranging from -10 (strongly autocratic) to +10 (strongly democratic). The paper uses the Polity2 variable which is a modified version of the Polity variable by applying a simple treatment to convert instances of "standardized authority scores" (-66,-77,-88) to conventional polity scores within the range -10 to +10. Some studies, as stated in the literature, find that democratic countries trade more than autocratic ones. We also include a dummy if the country was not colonized, or was a British, French, or Spanish colony. The argument is that colonies have the tendency to trade more with their colonizer compared to other countries.

We include an indicator that reflects the abundance and dependence on natural resources. We use the natural resource rents as a percentage of GDP from the World Development Indicators. The argument is that countries abundant in natural wealth will have less trade in other products as an effect of the Dutch Disease.

We also use a cultural variable that indicates whether the country shares the same language as the United States. This is a dummy variable equals to1 if the country’s language is English, and zero otherwise. Some studies argued that cultural proximity have significant effects on bilateral trade and economic exchange such as in Guiso et al. (2009).

We include a dummy equals to 1 if the country has a common border with the United States, and a dummy equals to 1 if the country is landlocked. Countries that have common borders with the United States have lower transportation costs and accordingly more trade with the United States. Countries that are landlocked are disadvantaged, as they are likely to trade less with other countries including the United States. We also include a dummy equals to 1 if the country has a free trade agreement with the United States[2]. Countries that signed trade agreements with the United States are more likely to engage in more bilateral trade flows with the United States.

The gravity model of international trade predicts bilateral trade flows based on the size and distance between two countries. Thus, we include capital distance, which is the distance in kilometers from Washington D.C. to the official place of the leader's residence in every country around the world. We use different sources for the distance calculations[3] to ensure robustness, reliability, and to check the conformity of the observations. The inclusion of this variable is based on the intuition that there will be more bilateral trade with countries whose capital cities are closer to that of the United States. The close distance between the country and the United States reflects lower transportation costs and thus a higher level of bilateral trade and commercial exchange.

4. Estimation

4.1 Baseline Results

In this section, we conduct an empirical estimation of the effect of the number of official visits by the U.S. Presidents and Secretaries of State to the country, and the number of visits by the country's leader to the United States, on bilateral trade flows with the United States during the period 1960-2015. Figure 4 shows the relationship between the number of official visits and bilateral trade with the United States. To estimate these relationships

[2] https://ustr.gov/trade-agreements/free-trade-agreements
[3] https://www.nhc.noaa.gov/gccalc.shtml, and https://gps-coordinates.org/distance-between-coordinates.php; https://www.movable-type.co.uk/scripts/latlong.html

empirically, we use the following gravity model equation as suggested by Head and Mayer (2014) and as is the current standard in the empirical international trade literature

$$Trade_{it} = \theta + \delta OfficialVisits_{it} + \aleph_{it}\gamma + \mu_i + \sigma_t + e_{it} \quad (1)$$

Where $Trade_{it}$ is the value of trade with United States divided by the value of trade with the World for country I in year t. $OfficialVisits_{it}$ is the number of visits by U.S. Presidents or Secretaries of State to country i in year t, or the number of visits of country i's leader to the United States in year t. $\aleph_{it}$ is a vector of control variables in country i in year t. The vector of control variables includes those commonly identified in the literature as determinants of institutions. The μ_i denotes a full set of country dummies, the σ_t denotes a full set of time effects that capture common shocks to institutions of all countries, and e_{it} is an error term capturing all other omitted factors, with $E(e_{it}) = 0$ for all i and t. We use panel data techniques as recommended by Yotov et al. (2016).

The results of the Fixed Effects OLS estimated with robust standard errors clustered by country are included in table 2. In column 1, the variable of interest is the number of visits of U.S. Presidents. In column 2, the variable of interest is the number of visits of U.S. Secretaries of State. In column 3, the variable of interest is the number of leader's trips to the United States. The results show that the visits by U.S. officials to the country do not have a statistically significant effect on the trade variable. On the other hand, the leader's trips to the United States have a statistically significant positive effect. These results imply that the visits by U.S. officials to the country are focused on issues other than the promotion of bilateral trade, while the trips by the country's leaders to the United States are used as an opportunity to strengthen bilateral ties through commercial exchange.

The results also show that the logarithm of population and capital distance have a statistically significant negative effect, while the dummy variables for common borders and free trade agreements have a statistically significant positive effect, consistently with intuition.

4.2. Before and After the End of the Cold War

We check the robustness of our baseline results by examining the effect of official visits before and after the end of the Cold war. This is because the confrontational climate during the cold war caused countries around the world to attempt to cope with a highly antagonistic environment, and to survive in a global arena squeezed between the conflicting interests of the two super powers. This implies that high level visits to the United States during the cold war likely focused on dealing with the geopolitical developments of the time. The results are included in table 3 and show that the visits by U.S. officials to the country, and the visits of the country's leaders to the United States, do not have a statistically significant effect on the trade variable after the end of the Cold war. On the other hand, the leader's trips to the United States have a statistically significant positive effect during the Cold war era.

4.3 Additional Control Variables

To further check the robustness of our results, we include additional control variables. In this context, we control for relative factor endowments, calculated as the absolute difference between the incomes per capita of the two trading partners. The inclusion of this variable is consistent with Paudel and Cooray (2018) and Cooray et al. (2020). The positive (negative) coefficient on relative factor endowments implies that countries with different endowments will trade more (less) with each other. A positive coefficient on relative factor endowments supports the Heckscher–Ohlin theory and a negative coefficient on relative factor endowment supports the Linder hypothesis. We also include the income per capita growth rates to explore whether increased trade is driven by higher growth rates. The results with the inclusion of the additional control variables are included in table 4. The results confirm our previous finding that only the leader's trips to the United States is positively associated with bilateral trade flows.

4.4 Alternatives Techniques

The econometric analysis, however, may suffer from a selection bias if the dependent variable is restricted to positive trade flows. Therefore, valuable insights from zero trade flows may be lost. We follow Helpman et al. (2008) and Silva and Tenreyo (2006) in using alternative econometric techniques to address this issue. First, we use Tobit econometric model which is used when the observed range of the dependent variable is censored from below at zero. The results in table 5 show that the official visits have no statistically significant effect on bilateral trade flows.

We also use the Poisson Maximum Likelihood (PML) estimator as suggested by Yotov et al. (2016). The PML estimation is a method of estimating the parameters of a Poisson probability distribution by maximizing a likelihood function, so that under the assumed statistical model the observed data is most probable. The results in table 5 show that none of the official visits variables have a statistically significant effect.

Finally, we use the Poisson Pseudo Maximum Likelihood (PPML) estimator as proposed by Silva and Tenreyo (2006) who criticized the conventional practices of the log-linearized gravity trade models and proposed an alternative to deal with the issue of heteroscedasticity and the zero trade values. In this context, the authors argue that the gravity equation should be estimated using a Poisson Pseudo-Maximum-Likelihood estimation technique which is considered a special case of the Generalized Nonlinear Linear Model (GNLM) framework in which the variance is assumed proportional to the mean. The authors show that this method is robust to different patterns of heteroscedasticity and resolves the inefficiency problem. Due to the improvements this approach has introduced to gravity models, it became common practice in the international trade literature. The results of the

PPML are included in table 5 and show that none of the visits variables have a significant effect.

4.5. Endogeneity

The Fixed Effects OLS estimation assumes that the official visits are exogenous to bilateral trade flows. However, the problem of endogeneity cannot be ignored. First, the association may be spurious due to the failure to account for an unobserved factor which could be affecting both trade flows and official visits. Second, as much as trade flows can increase after the visits of the American officials to the country or after the visits of the leaders of the country to the United States, these leaders may be tempted to visit their major trading partners as well. This is either to ensure the smooth flow of trade, to synchronize their trade policies, to increase the volume and value of trade, or to contain any trade disputes. This highlights an issue of reverse causality. In addition, the previous analysis does not consider the possibility of persistence in trade. It is possible that a high level of bilateral trade in one period of time leads to higher trade flows in subsequent periods. Therefore, we estimate the following equation

$$Trade_{it} = \theta + \delta_i OfficialVisits_{it-1} + \sigma_i Trade_{it-1} + \aleph_{it-1}\gamma + \mu_i + \sigma_t + e_{it} \quad (3)$$

The standard techniques that can be employed for panel estimation, such as fixed effects and random effects, cannot be used in this case. The problem with these techniques is that the equation contains a lagged endogenous variable, which is the lagged value of bilateral trade flows. In this case, estimation by fixed effects and random effects is not consistent. In addition, we also have the problem of endogeneity of leader's trips. To deal with potential endogeneity and the lagged dependent variable, we use the Arellano and Bond (1991) estimation technique. This GMM estimator first-differences each variable so as to eliminate the country specific effect and then uses all possible lagged values of each of the variables as

instruments. This not only corrects for the bias introduced by the lagged endogenous variable but also allows for a certain degree of endogeneity in the other explanatory variables.

The results of the Arellano and Bond (1991) estimation technique are included in table 6. The results also confirm our previous findings that only the visits of the country's leader to the United States have a statistically significant positive effect on bilateral trade flows. In addition, trade flows show a high level of persistence given the statistically significant positive coefficient of trade flows.

When the variance of the individual effect term across individual observations is high, then the Arellano–Bond (1991) estimator may perform poorly in finite samples. Blundell and Bond (1998) derive a condition under which it is possible to use an additional set of moment conditions. These additional moment conditions can be used to improve the small sample performance of the Arellano–Bond (1991) estimator. This method is referred to as systems GMM. The results of the system GMM are included in table 7. The results confirm our previous findings that the leader's trips to the United States are what matters for bilateral trade flows.

5. Conclusion

This paper examines the effect of the number of visits by U.S. officials to a country, and the number of visits of the country's leaders to the United States, on bilateral trade flows between the country and the United States. In this context, we use variables that indicate the number of official visits from 1960-2015 from the historical archives of the U.S. State Department. We also use the value of bilateral trade with the United States as a fraction of trade with the entire world from the UNCOMTRADE. To deal with potential endogeneity, we use instrumental variables panel data techniques such as dynamic GMM and systems GMM estimations.

The estimations provide evidence that the visits by U.S. Presidents and Secretaries of State do not have a statistically significant effect on bilateral trade flows, while the leader's trips to the United States have a statistically significant positive effect. This indicates that the leader's trips to the United States are taken as an opportunity to promote free bilateral trade flows between the country and the United States, while the visits of American officials focus on other issues such as securing loans, asking for assistance, attracting capital, or discussing geopolitical factors.

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Figure 1. World Map of the number of Visits of U.S. Presidents

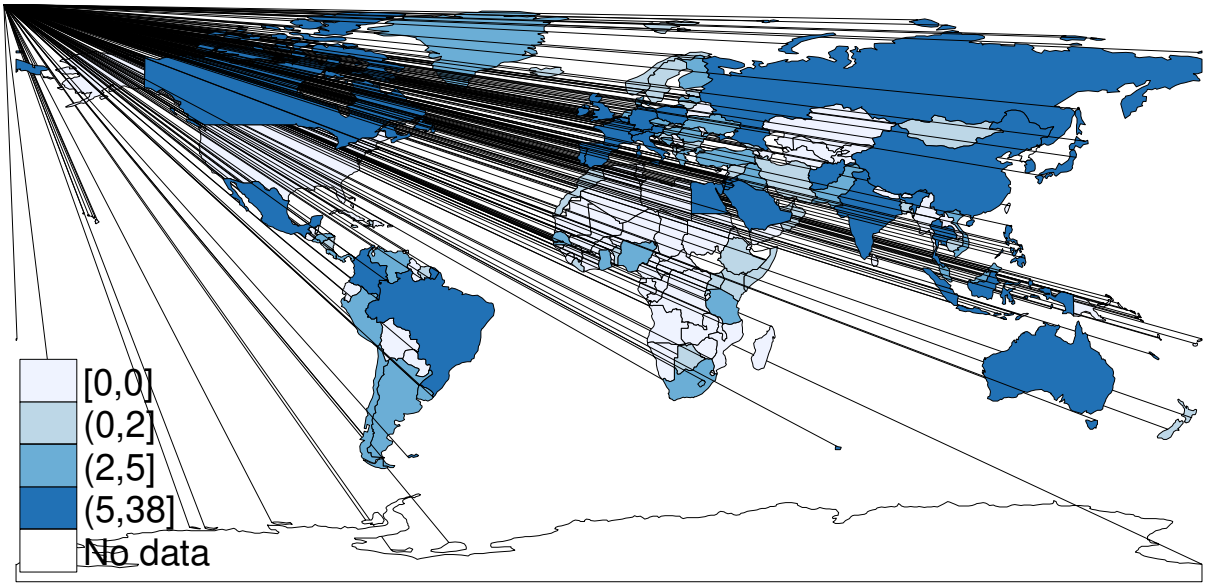

Figure 2. World Map of the number of Visits of U.S. Secretaries of State

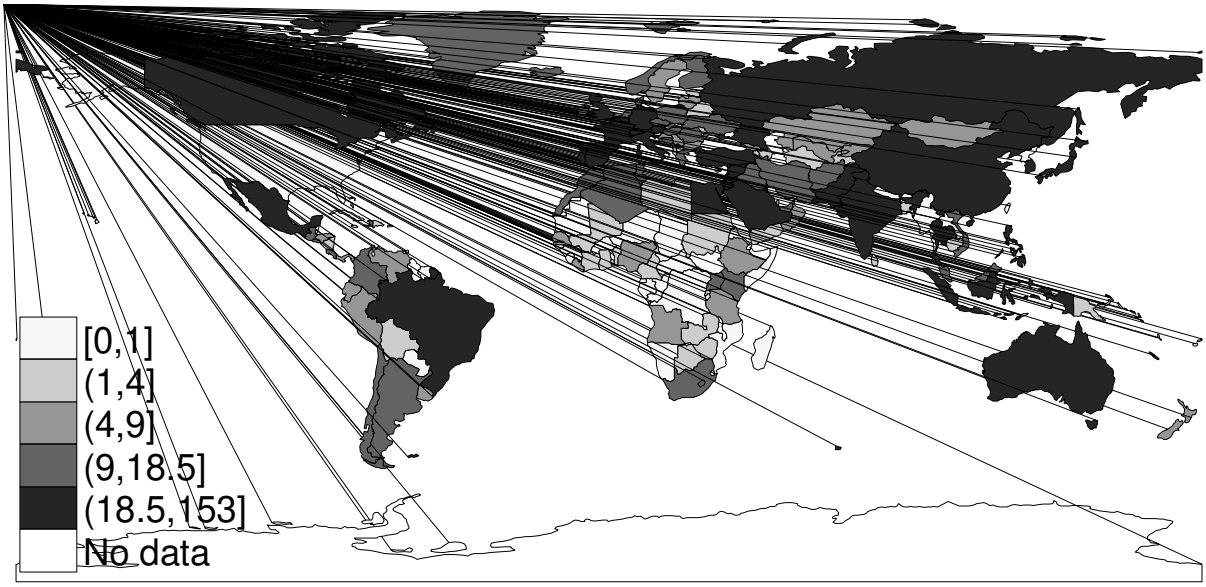

Figure 3. World Map of Leader's Trips to the United States

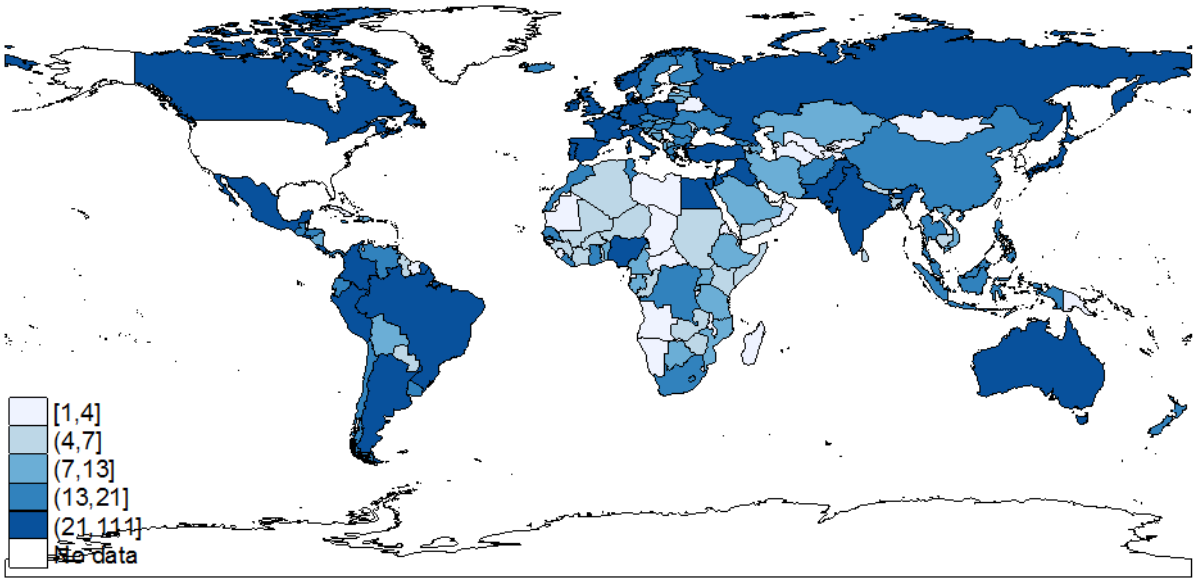

Figure 4. Bilateral Trade with the United States and Official Visits

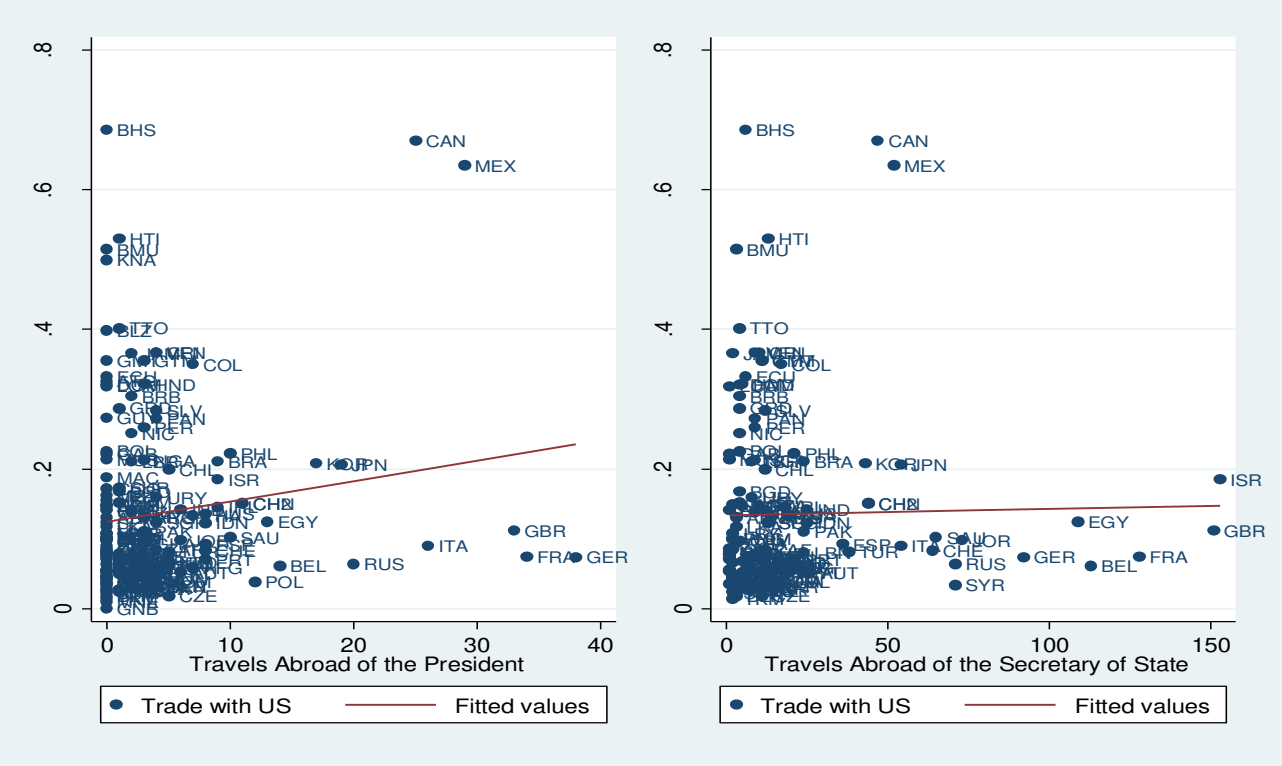

Table 1. Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Leaders' trips to U.S.A.	2,101	1.159448	1.915051	0	17
Trade with U.S.A./Trade with World	1,433	.150019	.1496946	.0008875	1.257079
Free trade agreements with U.S.A.	2,101	.0994764	.2993719	0	1
Total natural resources rents (% of GDP)	1,638	7.388847	11.26248	0	67.66977
Common language with U.S.A.	2,101	.3089005	.46215	0	1
Log of GDP per capita	1,698	8.223898	1.486319	5.032804	11.5757
Population (log)	2,074	15.25498	2.059588	9.263635	21.02894
Landlock	2,101	.1937173	.395304	0	1
Capital Distance	2,068	8.973278	.5427634	6.599054	9.702595
Democracy	1,605	.9680685	7.182261	-10	10
Visits of the U.S. President	2,101	.2679676	.7138541	0	5
Visits of the U.S. Secretary of State	2,101	1.107568	2.536748	0	25
British colony	2,101	.3141361	.4642814	0	1
French colony	2,101	.1623037	.4218183	0	1
Spanish colony	2,101	.1623037	.3688169	0	1
No colonizer	2,101	.1256545	.3315384	0	1
Common border with U.S.	2,101	.0104712	.101816	0	1

Table 2 : Fixed Effects

	I	II	III
Visits of the U.S. President $_{t-1}$	-0.003		
	(0.003)		
Visits of the U.S. Secretary of State $_{t-1}$		-0.000	
		(0.001)	
Trips of Leaders to U.S.A. $_{t-1}$			0.003**
			(0.001)
Log of GDP per capita $_{t-1}$	-0.014	-0.015*	-0.018**
	(0.009)	(0.009)	(0.008)
Log of Population $_{t-1}$	-0.021**	-0.021**	-0.022**
	(0.010)	(0.010)	(0.010)
Total natural resources rents (% of GDP) $_{t-1}$	0.000	0.000	-0.000
	(0.001)	(0.001)	(0.001)
Democracy $_{t-1}$	-0.001	-0.001	-0.001*
	(0.001)	(0.001)	(0.001)
Common language with US	-0.025	-0.024	-0.021
	(0.018)	(0.018)	(0.018)
Common border with US	0.311***	0.305***	0.305***
	(0.017)	(0.017)	(0.016)
Free trade agreements with US	0.120***	0.116***	0.105***
	(0.021)	(0.021)	(0.021)
Lof of Capital Distance	-0.135***	-0.138***	-0.143***
	(0.020)	(0.020)	(0.020)
Landlock	0.080***	0.080***	0.080***
	(0.013)	(0.013)	(0.013)
No colonizer	-0.019*	-0.019*	-0.021**
	(0.010)	(0.010)	(0.010)
British colony	-0.010	-0.010	-0.010
	(0.007)	(0.007)	(0.007)
French colony	0.066***	0.065***	0.066***
	(0.007)	(0.007)	(0.007)
Spanish colony	0.127***	0.129***	0.132***
	(0.012)	(0.012)	(0.012)
Constant	1.707***	1.742***	1.827***
	(0.198)	(0.199)	(0.192)
Number of observations	964	964	964
R2	0.874	0.874	0.875
Countries effect	Yes	Yes	Yes

note: .01 - ***; .05 - **; .1 - *; Fixed effects OLS estimations with robust standard errors clustered by country in parentheses

Table 3 : Fixed Effects before and after the end of the Cold War era

	I	II	III	IV	V	VI
	Post Cold War			Cold War		
Visits of the U.S. President $_{t-1}$	-0.003			0.002		
	(0.005)			(0.004)		
Visits of the U.S. Secretary of State $_{t-1}$		-0.001			0.001	
		(0.001)			(0.001)	
Leaders Trips to U.S.A $_{t-1}$			0.002			0.005*
			(0.002)			(0.002)
Log of GDP per capita $_{t-1}$	-0.043***	-0.043***	-0.043***	0.008	0.007	0.006
	(0.015)	(0.015)	(0.015)	(0.025)	(0.026)	(0.024)
Log Population $_{t-1}$	-0.097***	-0.097***	-0.101***	0.021	0.021	0.016
	(0.031)	(0.031)	(0.032)	(0.044)	(0.044)	(0.044)
Total natural resources rents (% of GDP) $_{t-1}$	-0.001	-0.001	-0.001	0.002	0.002	0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Democracy $_{t-1}$	0.000	0.000	0.000	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Common language with US	0.099***	0.098***	0.103***	0.033	0.033	0.029
	(0.034)	(0.034)	(0.034)	(0.072)	(0.074)	(0.071)
Common border with US	0.464***	0.462***	0.459***	0.120	0.126	0.138
	(0.039)	(0.039)	(0.039)	(0.084)	(0.086)	(0.086)
Free trade agreements with US	0.038	0.038	0.028	0.017	0.013	0.005
	(0.030)	(0.029)	(0.030)	(0.024)	(0.025)	(0.022)
Log of Capital Distance	-0.155***	-0.156***	-0.156***	-0.135***	-0.138***	-0.139***
	(0.038)	(0.037)	(0.037)	(0.014)	(0.014)	(0.014)
Landlock	-0.095**	-0.096**	-0.097**	-0.064	-0.065	-0.063
	(0.045)	(0.045)	(0.045)	(0.130)	(0.132)	(0.128)
No colonizer	-0.079***	-0.079***	-0.077***	-0.120**	-0.124**	-0.133**
	(0.023)	(0.023)	(0.023)	(0.057)	(0.057)	(0.056)
British colony	-0.041***	-0.042***	-0.041***	-0.026	-0.027	-0.030
	(0.011)	(0.011)	(0.011)	(0.039)	(0.039)	(0.039)
French colony	0.115***	0.115***	0.118***	0.059***	0.057***	0.055***
	(0.026)	(0.026)	(0.026)	(0.011)	(0.011)	(0.012)
Spanish colony	0.163***	0.162***	0.165***	-0.059	-0.060	-0.055
	(0.013)	(0.012)	(0.013)	(0.076)	(0.077)	(0.076)
Constant	3.395***	3.407***	3.468***	0.986	1.028	1.129*
	(0.469)	(0.458)	(0.461)	(0.627)	(0.635)	(0.637)
Number of observations	623	623	623	341	341	341
R2	0.879	0.879	0.879	0.947	0.947	0.948
Countries effect	Yes	Yes	Yes	Yes	Yes	Yes

note: .01 - ***; .05 - **; .1 - *; Fixed effects OLS estimations with robust standard errors clustered by country in parentheses.

Table 4. Additional Control Variables

	I	II	III
Visits of the U.S. President $_{t-1}$	-0.004		
	(0.003)		
Visits of the U.S. Secretary of State $_{t-1}$		-0.000	
		(0.001)	
Leaders Trips to U.S.A $_{t-1}$			0.003**
			(0.001)
Relative Factor Endowments	-0.002	-0.002	-0.004
	(0.009)	(0.008)	(0.008)
GDP Growth	-0.002***	-0.002***	-0.002***
	(0.001)	(0.001)	(0.001)
Control variables	Yes	Yes	Yes
Countries effect	Yes	Yes	Yes
Constant	1.369***	1.397***	1.474***
	(0.210)	(0.207)	(0.206)
Number of observations	887	887	887
R2	0.869	0.869	0.870

note: .01 - ***; .05 - **; .1 - *; Fixed effects OLS estimations with robust standard errors clustered by country in parentheses

Table 5. Tobit, PML and PPML

	Tobit			Poisson Maximum Likelihood (PML)			Poisson Pseudo Maximum Likelihood (PPML)		
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**
Visits of the U.S. President $_{t-1}$	0.001			-0.003			-0.014		
	(0.007)			(0.049)			(0.056)		
Visits of the U.S. Secretary of State $_{t-1}$		-0.001			-0.009			-0.009	
		(0.001)			(0.009)			(0.016)	
Leaders Trips to U.S.A $_{t-1}$			0.002			0.009			0.002
			(0.002)			(0.015)			(0.018)
Log of GDP per capita $_{t-1}$	-0.019*	-0.018*	-0.020*	-0.110*	-0.108*	-0.113*	-0.070*	-0.066*	-0.074**
	(0.011)	(0.010)	(0.010)	(0.066)	(0.065)	(0.067)	(0.038)	(0.039)	(0.037)
Log Population $_{t-1}$	-0.008	-0.008	-0.009	-0.069	-0.059	-0.079	0.095***	0.097***	0.092***
	(0.014)	(0.014)	(0.014)	(0.100)	(0.102)	(0.105)	(0.031)	(0.030)	(0.030)
Total natural resources rents (% of GDP) $_{t-1}$	0.001*	0.001*	0.001*	0.008*	0.008*	0.008*	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Democracy $_{t-1}$	0.001	0.001	0.001	0.005	0.004	0.004	-0.007	-0.007	-0.007
	(0.001)	(0.001)	(0.001)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)
Common language with US	-0.113**	-0.114**	-0.111**	-1.610***	-1.624***	-1.580***	-0.373***	-0.376***	-0.373***
	(0.047)	(0.047)	(0.048)	(0.336)	(0.338)	(0.346)	(0.083)	(0.083)	(0.083)
Common border with US	0.254***	0.257***	0.254***	3.612***	3.642***	3.571***	0.551*	0.538*	0.526*
	(0.056)	(0.055)	(0.055)	(0.394)	(0.389)	(0.393)	(0.320)	(0.302)	(0.301)
Free trade agreements with US	1.122**	1.128**	1.103**	17.302***	17.532***	16.958***	0.154	0.159	0.150
	(0.497)	(0.498)	(0.500)	(3.713)	(3.754)	(3.847)	(0.102)	(0.104)	(0.109)
Log of Capital Distance	0.902**	0.906**	0.891**	13.937***	14.097***	13.701***	-0.077	-0.076	-0.078
	(0.368)	(0.368)	(0.370)	(2.738)	(2.766)	(2.828)	(0.091)	(0.090)	(0.091)
Landlock	-0.061***	-0.060***	-0.063***	-0.788***	-0.779***	-0.804***	0.013	0.011	0.013
	(0.022)	(0.022)	(0.022)	(0.159)	(0.160)	(0.165)	(0.093)	(0.093)	(0.093)

No colonizer	0.385**	0.388**	0.379**	6.033***	6.123***	5.911***	-0.086	-0.085	-0.090
	(0.186)	(0.187)	(0.187)	(1.390)	(1.405)	(1.438)	(0.121)	(0.121)	(0.122)
British colony	0.018	0.018	0.018	0.395***	0.404***	0.387***	-0.135	-0.134	-0.135
	(0.018)	(0.018)	(0.018)	(0.130)	(0.132)	(0.132)	(0.109)	(0.109)	(0.109)
French colony	-0.014	-0.013	-0.012	-0.595**	-0.606***	-0.574**	-0.407***	-0.409***	-0.407***
	(0.031)	(0.031)	(0.031)	(0.231)	(0.234)	(0.240)	(0.118)	(0.119)	(0.118)
Spanish colony	-0.126***	-0.126***	-0.125***	-1.894***	-1.883***	-1.894***	-0.017	-0.024	-0.015
	(0.017)	(0.017)	(0.017)	(0.125)	(0.127)	(0.127)	(0.119)	(0.121)	(0.120)
Countries effects	Yes	Yes	Yes	Yes	Yes	Yes			
Number of observations	1 104	1 104	1 104	1 104	1 104	1 104			
uncensored observations	920.000	920.000	920.000						
left-censored observations	184.000	184.000	184.000						

note: .01 - ***; .05 - **; .1 - *; with robust standard errors clustered by country in parentheses

Table 6: Dynamic GMM

	I	II	III
Trade $_{t-1}$	0.287***	0.287***	0.285***
	(0.066)	(0.067)	(0.067)
Visits of the U.S. President $_{t-1}$	-0.007*		
	(0.004)		
Visits of the U.S. Secretary of State $_{t-1}$		-0.002	
		(0.002)	
Leaders Trips to U.S. $_{t-1}$			0.006**
			(0.003)
Log of GDP per capita $_{t-1}$	-0.013	-0.012	-0.009
	(0.018)	(0.018)	(0.018)
Log Population $_{t-1}$	0.029	0.035*	0.030
	(0.019)	(0.019)	(0.018)
Total natural resources rents (% of GDP) $_{t-1}$	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)
Democracy $_{t-1}$	-0.000	-0.000	-0.001
	(0.001)	(0.001)	(0.001)
Time	-0.004	-0.005	-0.006*
	(0.003)	(0.003)	(0.003)
AR(2) test	0.015	0.018	0.020
Hansen J test	0.011	0.021	0.007
Number of observations	721	721	721

note: .01 - ***; .05 - **; .1 - *;

Table 7: Systems GMM

	I	II	III
Trade $_{t-1}$	0.536***	0.539***	0.534***
	(0.042)	(0.042)	(0.041)
Visits of the U.S. President $_{t-1}$	-0.023		
	(0.015)		
Visits of the U.S. Secretary of State $_{t-1}$		-0.000	
		(0.003)	
Leaders Trips to U.S. $_{t-1}$			0.006*
			(0.003)
Log of GDP per capita $_{t-1}$	-0.005	-0.008**	-0.010***
	(0.004)	(0.003)	(0.003)
Log Population $_{t-1}$	0.003	-0.000	-0.002
	(0.003)	(0.003)	(0.002)
Total natural resources rents (% of GDP) $_{t-1}$	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)
Democracy $_{t-1}$	0.001	0.000	0.000
	(0.000)	(0.000)	(0.000)
Common language with US	0.007	0.009	0.011*
	(0.006)	(0.006)	(0.006)
Common border with US	0.186***	0.146***	0.141***
	(0.036)	(0.024)	(0.024)
Free trade agreements with US	0.012	0.013	0.006
	(0.008)	(0.008)	(0.009)
Log of Capital Distance	-0.046***	-0.046***	-0.047***
	(0.007)	(0.007)	(0.007)
Landlock	-0.119***	-0.103***	-0.091***
	(0.034)	(0.031)	(0.031)
No colonizer	-0.010	-0.015**	-0.019***
	(0.007)	(0.006)	(0.006)
British colony	0.008	0.008	0.008
	(0.005)	(0.005)	(0.005)
French colony	0.019***	0.019***	0.021***
	(0.006)	(0.006)	(0.006)
Spanish colony	0.013	0.017**	0.022***
	(0.008)	(0.008)	(0.007)
Time	-0.002**	-0.003***	-0.003***
	(0.001)	(0.001)	(0.001)
Constant	0.503***	0.570***	0.616***
	(0.086)	(0.082)	(0.073)
Number of observations	885	885	885
AR(2) test	0.001	0.002	0.002
Sargan test	0.000	0.000	0.000

note: .01 - ***; .05 - **; .1 - *;