Leaders' Foreign Travel and Foreign Debt

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Abstract

This paper examines the effect of foreign travel by the leader or the head of state to the United States on the ability of the country to attract foreign loans. The key difficulty in determining a causal effect is the issue of endogeneity. As much as the leader's trips abroad may attract foreign loans, it is also possible that leaders are tempted to visit countries known to be major creditors. To deal with potential endogeneity, we introduce a novel instrumental variable for the number of leader's trips. The instrument is urban distance defined as the gap between the level of urban development in the country of the leader relative to that in the United States. We conduct a 2SLS where the urban distance serves as a source of exogenous variation in leader's trips. The estimation provides evidence of a statistically significant positive coefficient of leader's trips. This result implies that these trips by the leaders signal to the creditors their commitment to use the borrowed funds properly and to repay these funds in due time. Our results are robust even after the inclusion of other control variable, using alternative samples, and accounting for the potential of instrument weakness.

JEL Code : H63, H11
Keyswords : External Debt, Executive

1. Introduction

This paper examines the effect of the number of foreign trips by the leader of the country or the head of the government to the United States on external debt. To be specific, this paper investigates whether foreign travel by a country's leader allows the country to be able to borrow more loans from foreign entities. This is the first attempt in the literature to consider the number of trips by heads of state as a determinant of external debt.

The intuition is straightforward. Leaders and heads of governments travel abroad for a plethora of purposes. One of the most important reasons is to seek economic assistance by either attracting foreign capital, bringing foreign aid or borrowing foreign loans. In the context of this paper, these foreign trips allow the leaders to present to potential public and private foreign creditors the projects that need to be financed in their countries, to persuade them to extend a loan to their country with concessionary terms, to highlight the future benefits of this loan to both countries, and to reassure these lenders of the creditworthiness of the country in terms of its ability to repay the principal and the interest in due time. Foreign officials can also 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 use foreign funds to finance projects that will benefit their country, and as a reassurance for the repayment of the loan. The leader's visit to the United States, in particular, may also offer other creditors around the world a signal of a high credit rating of the country. Thus, we would expect that the number of leaders' trips to be positively associated with external debt.

On the other hand, the travel of the head of the government is costly. A large entourage usually accompanies the leaders when they travel, which include security personnel, policy makers, public officials, presidential cabinet staff, the press corps and others. The need to cover the cost of traveling, lodging, security, transportation, and meetings of the leaders and their retinue cause these trips to be a budgetary burden. Thus, the leaders' trips can reallocate

resources away from productive spending that is essential for a country in need of borrowing. These trips can also send a negative signal as it reflects how the leadership of the country is administering its finances, and displays a lack of fiscal discipline and austerity in a country in need of borrowing. In this case, creditors would be reluctant to extend loans. Thus, we would expect the leaders' trips to have an adverse effect on attracting foreign loans.

Given that the effect of the number of leaders' foreign trips on external debt is inconclusive, an empirical analysis is warranted. To achieve its objective, the paper uses a novel variable that indicates the number of trips by a leader to the United States of America, which is derived from the archives of the U.S. Department of State. This paper examines the effect of that variable on external debt. The key difficulty in determining a causal effect of the number of leader's trips to the United States on external debt is the issue of endogeneity. As much as the leader's trips may attract foreign loans, it is also possible that leaders are tempted to visit countries whose public and private creditors are known to extend loans to foreign countries. In this case, the United States is one of the countries with a significant outflow of private and public foreign loans. Thus, leaders would be tempted to visit the United States to borrow. This indicates an issue of reverse causality.

To deal with potential endogeneity, we use a novel instrumental variable, which we refer to as urban distance. This instrument captures the gap between the level of urban development in the leader's country and that of the United States. The Two Stage Least Squares estimation, where the leader's trips variable is instrumented by urban distance, shows that the leaders' trips variable has a statistically significant positive effect on external debt. Our result is robust even after the inclusion of additional control variables, after excluding countries that have benefited from HIPC and those that have experienced debt distress, and after accounting for the potential of instrument weakness.

The remainder of the paper is organized as follows: section 2 discusses the literature survey, section 3 includes the description of the data, section 4 includes the empirical estimation 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 political determinants of external debt. As much as there is a plethora of studies that focus on the economic determinants of foreign debt, there is a new burgeoning literature that specifically focuses on the effect of the system of governance and political institutions on the accumulation of foreign debt. For instance, William Easterly (2002) argues that governments become deeply indebted because they borrow in order to keep themselves in power. The author also adds that "Debt relief is futile for governments with unchanged long-run preferences (i.e., governments that continue to be dominated by rent-seeking elites)." This shows that there is a connection between the form of government and their decision to borrow from foreign entities.

Oatley (2010) argue that foreign indebtedness is a product of the impact of regime type on government borrowing decisions. The author predicts that autocratic regimes will borrow more from foreign creditors and invest less of these funds in public goods than democratic governments. The analysis substantiates this prediction and shows that autocratic countries accumulated substantially larger foreign debt compared to democratic ones. Jalles (2011) examine the effect of the quality of governance, in particular the control of corruption and the level of democracy, on external debt and economic growth. The authors show that less corrupt countries seem to be able to administer their debt better, and the level of debt at which the effect of debt on economic growth becomes negative is higher in countries with less corruption. Van Rijckeghem and Weder (2009) examine the role of political institutions in explaining defaults on debt obligations. The authors show that in democracies, a

parliamentary system or sufficient checks and balances guarantee the absence of default on external debt when economic fundamentals or liquidity are strong.

Choi and Luo (2019) examine the effect on foreign debt of the legislative constraints on the executive. The authors argue that the executive is the only actor who seeks to increase government expenditure, while the legislature acts as a political barrier to the executive's spending desires. The authors find that foreign borrowing is likely to increase at both low and high levels of legislative constraints, but likely to decrease at moderate levels. Arezki and Bruckner (2012) examine the effects of the windfalls caused by commodity price booms on external debt. The authors find that increases in the international prices of the exported commodity lead to a significant decline in the level of external debt in democracies but not in autocracies.

Our paper contributes to this literature by arguing that it is not only the features of the system of governance that will affect the burden of external debt, but also the characteristics of those who are at the head of the system of governance, or the country's leaders. These characteristics are shaped by their background and experiences. Thus, we study the effect of one of the most impactful experiences of leaders, which is foreign travel to creditor countries and in particular the United States of America. It is worth mentioning that this is part of our effort to examine the effect of leader's foreign travel on other economic and political outcomes such as foreign investment inflows in Kodila-Tedika and Khalifa (2020a), and democracy in Kodila-Tedika and Khalifa (2020b).

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 all the variables used in the analysis. The dependent variable in our analysis is debt stock as a percentage of Gross National Income, or debt stock as a percentage of exports. Both variables are derived from the World Development Indicators.

The variable of interest is leaders' trips as the number of trips by the government's leader to the United States of America during the period 1960-2015. 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] Figure 1 shows a world map of leader's trips to the United States during the period 1960-2015. Initially, the objective was to use the total number of leaders' trips to all countries. However, the unavailability of this type of data did not allow us to have such a distribution. Thus, we only consider leaders' trips to one of the main creditors, which is the United States. This fact can justify our focus on travel by leaders to the United States. Several control variables are used in the analysis. Appendix A presents the source and description of all the variables used in this study.

4. Estimation

4.1. Baseline Results

We conduct an empirical estimation of the effect of the number of leaders' trips to the United States of America on external debt during the period 1960-2015. To explore this relationship we use the following equation

$$Debt_i = \theta + \delta_i LeadersTrips_i + \aleph_i\gamma + \mu_i \quad (1)$$

$Debt_i$ is debt stock as a percentage of Gross National Income, or debt stock as a percentage of exports, in country i. $LeadersTrips_i$ is the number of trips by the leader of country i to the United States. $\aleph_i$ is a vector of control variables and μ_i is the error term. The vector of control variables includes those commonly identified in the literature as determinants of external debt. Thus, we control for the logarithm of GDP per capita, annual GDP growth rate, fixed capital formation, consumer price inflation, and imports of goods and services as a percentage of GDP. The study is a cross-country analysis and applies the Ordinary Least Square (OLS) estimation technique since our variable of interest is only available in cross-section. The OLS estimation, in column 1 of table 2, shows that the leaders' trips variable does not have a statistically significant coefficient.

4.2. Endogeneity

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

The OLS estimation assumes that the leaders' trips are exogenous to external debt. 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 is affecting both variables. Second, our leader's travel variable only considers travel to the United States which is one of the countries with a significant outflow of foreign loans. Thus, political leaders would tend to go there. This means that as much as a higher frequency of leader's trips can attract more foreign loans, it is also possible that leaders are tempted to travel to countries known to be major lenders. This highlights the possibility of reverse causality.

To deal with this issue, we need a source of exogenous variation in leader's trips by using an instrumental variable approach. We use a novel instrument that we call urban distance, defined as the logarithm of the degree of urban development in country i divided by the logarithm of the degree of urban development in the United States. We measure the degree of urbanization by the urban land area in square kilometers. This identification strategy is based on the intuition that the gap between the urban development in the leader's country and that in the United States justifies a leader's trip to the U.S.A. The less urbanized the country the more the leader will be tempted to travel to the United States to enjoy the urban amenities and to take advantage of the ample business opportunities in the urban centers of one of the most developed countries. In addition, government agencies and private banking facilities are usually concentrated in urban areas. This is to say that urban centers allow for the possibility of concluding economic, financial and commercial transactions.

Figure 2 illustrates the unconditional relationship between the leaders' trips and urban distance. The graph shows a positive association, which implies that the larger the difference between urban land area in the country of the leader and that of the U.S.A, the larger the number of leader's trips to the United States. This relationship is conditionally described as follows

$$LeadersTrips_i = \theta + \delta_i Distance_i + \aleph_i \gamma + \mu_i \quad (2)$$

$LeadersTrips_i$ is the leader's trips in country i, $Distance_i$ is the urban distance in country i and $\aleph_i$ is a vector of controls. Equation (2) constitutes the first stage in our Two Stage Least Squares (2SLS) approach, where $Distance_i$ is used as a source of exogenous variation in $LeadersTrips_i$. Table 2 shows the effect of leaders' trips on external debt, corrected for endogeneity. Column 2 of table 2 shows the results of the second stage of the 2SLS using debt stock as a percentage of Gross National Income, while column 3 shows the results using debt stock as a percentage of exports.

The first step in the estimation suggests that the instrument is valid. The results also show that there is a causal and positive effect of the number of leader's trips on external debt. The coefficient of the leaders' trips variable is 28.433 when we use debt stock as a percentage of GNI as our dependent variable, and is 163.887 when we use debt stock as a percentage of exports. This implies that a one standard deviation increase in the number of leaders' trips to the United States translates into an increase in external debt by 483.04 in the first case and by 2784.23 in the second.

4.3 Robustness

We also conduct several tests to check the robustness of our results. Table 3 shows the 2SLS estimation results with alternative samples. In the top panel of table 3, we have the results when we exclude countries that benefitted from the Heavily Indebted Poor Countries HIPC initiative, which aims at providing relief to the world poorest countries from heavy debt burdens[2]. The results confirm that the coefficient of the leader's trips to the United States is statistically significant and positive when we use debt stock as a percentage of Gross National Income, but insignificant in the case when we use debt stock as a percentage of exports.

[2] https://www.worldbank.org/en/topic/debt/brief/hipc, and https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/11/Debt-Relief-Under-the-Heavily-Indebted-Poor-Countries-Initiative

In the bottom panel of table 3, we exclude countries that went through an episode of debt distress as identified by Kraay and Nehru (2006). Debt distress episodes are defined as "periods in which countries resort to any of three forms of exceptional finance: significant arrears on external debt, Paris Club rescheduling, and nonconcessional International Monetary Fund lending." The results show that the coefficient of the leader's trips to the United States is statistically significant and positive when we use debt stock as a percentage of Gross National Income, but insignificant in the case when we use debt stock as a percentage of exports.

In table 4, we control for other factors to confirm our previous findings. We add other control variables such as total natural resource rents. This variable is included because the revenue generated from the extraction and exports of natural wealth leads to a lower dependence on foreign borrowing. We also add institutional factors such as the fraction of years under democracy and constraints on the executive. As shown in our literature survey, there are studies that associate political institutions and the system of governance with the level of indebtedness.

The top panel of table 4 shows the results when we use debt stock as a percentage of Gross National Income. The results show that the coefficient is statistically significant and positive in all specifications. The bottom panel shows the results when we use debt stock as a percentage of exports. In this case, the coefficient loses its significance in all specifications.

These results confirm that our finding of a positive coefficient of the leader's trips variable is robust in the case when we use debt stock as a percentage of Gross National Income, but not in the case when we use debt stock as a percentage of exports. This could be attributed to the fact that the leader's trips can have a positive effect on attracting foreign loans and on exports as well. If the leaders succeed in attracting foreign loans during their visit to the United States, it is also possible that they are able to conclude trade agreements that allow their country to export more.

The next set of robustness tests is conducted to assess whether the instrumental variable used in the analysis is weak. If the instrument is weak, the estimated coefficient of interest could be biased towards OLS even if the instrument is weakly correlated with the error term. In this case, there is an agreement in the literature to use Limited Information Maximum Likelihood (LIML) estimation. Therefore, to account for potential instrument weakness, we estimate our relationship of interest using the Fuller (1977) version of LIML. This is considered more robust than the 2SLS in the presence of weak instruments, as shown in the simulations in Hahn et al. (2004), and also has lower small-sample variability than LIML.

The results of the Fuller's Limited Information Maximum Likelihood estimation are shown in table 5. The top panel of table 5 excludes countries that benefitted from the HIPC initiative and those who experienced debt distress episodes. Fuller's LIML estimates confirm our previous findings. The results in the top panel show that the coefficient of the leader's trips to the United States is statistically significant and positive when we use debt stock as a percentage of Gross National Income, but insignificant in the case when we use debt stock as a percentage of exports. The bottom panel of table 5 shows the Fuller's LIML results after the inclusion of additional control variables, which also confirm our previous findings.

5. Conclusion

This paper examines the effect of foreign travel by the leader or the head of state on the ability of the country to attract foreign loans. To deal with potential endogeneity, we introduce a novel instrumental variable for the number of leader's trips. The instrument is urban distance defined as the gap between the level of urban development in the country of the leader relative to that in the United States. We conduct a 2SLS where the urban distance serves as a source of exogenous variation in leader's trips. The estimation provides evidence of a statistically significant positive coefficient of leader's trips, which is robust even after the inclusion of other control variable, after using alternative samples, and after accounting for

the potential of instrument weakness. This result implies that these trips by the leaders allows them to signal to the creditors their commitment to use the borrowed funds properly and to repay these loans in due time.

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Table 1. Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Leaders' trips to USA	178	14.58989	16.98871	0	111
External debt stocks (% of GNI)	125	62.16884	46.64336	7.928189	333.6407
External debt stocks (% of exports of goods, services and primary income)	124	258.8149	268.7986	26.01104	1683.39
Gross fixed capital formation (% of GDP)	148	22.18373	7.337477	10.72793	86.78394
Inflation, consumer prices (annual %)	143	36.55291	92.94395	1.544429	644.5441
Log of GDP per capita	175	8.955041	1.204171	6.458339	11.67319
GDP growth (annual %)	178	3.915802	2.079393	-1.490128	16.49753
Urban Distance calculated by urban land area (sq. km)	149	-5.373651	2.029003	-12.30206	-.7452182
Africa	168	.2797619	.4502241	0	1
Americas	168	.172619	.3790474	0	1
Asia	168	.2559524	.4376998	0	1
Europa	168	.2261905	.4196146	0	1
Oceania	168	.0654762	.2481037	0	1

Table 2: OLS and 2SLS Estimations.

		Panel A : Two-Stage Least Squares	
	OLS	External debt stocks (% of GNI)	External debt stocks (% of exports of goods, services and primary income)
Leaders' trip to USA (log)	-0.805	28.433**	163.887**
	(7.868)	(12.187)	(94.772)
Log of GDP per capita	-4.804	-10.139	-66.041*
	(7.932)	(7.057)	(39.428)
GDP growth (annual %)	5.655**	5.840*	-10.811
	(2.230)	(3.159)	(20.447)
Gross fixed capital formation (% of GDP)	-0.688	-0.403	6.415
	(0.533)	(0.847)	(5.006)
Inflation, consumer prices (annual %)	-0.035	-0.008	0.433
	(0.053)	(0.065)	(0.535)
Imports of goods and services (% of GDP)	-0.341	0.302	0.664
	(0.386)	(0.386)	(2.230)
Continental effect	Yes	Yes	Yes
Cons	131.644*	54.117	222.575
	(74.561)	(67.304)	(242.795)
		Panel B : First Stage Estimates for Leaders' Trip to US	
Urban Distance		0.363***	0.363***
		(.094)	(.094)
F(excluded instruments)		14.74	14.74
First Stage R2		0.5310	0.5310
Wu-Hausman F test (p-value)		0.0473	0.211
Durbin-Wu-Hausman chi-sq test (p-value)		0.0312	0.170
Number of observations	83	69	69
R2	0.081	0.659	0.520

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

Table 3: 2SLS Estimations with sample change.

Sample : Exclusion HIPC country		
	Panel A : Two-Stage Least Squares	
	External debt stocks (% of GNI)	External debt stocks (% of exports of goods, services and primary income)
Log Leaders' trip to USA	37.289*	164.908
	(19.663)	(142.103)
Control Variables	Yes	Yes
Cons	30.062	174.624
	(84.058)	(329.496)
	Panel B : First Stage Estimates for Leaders' Trip to US	
Urban Distance	.409***	.409***
	(.129)	(.129)
F(excluded instruments)	9.99	9.99
First Stage R2	0.5419	0.5419
Wu-Hausman F test (p-value)	0.044	0.427
Durbin-Wu-Hausman chi-sq test (p-value)	0.025	0.367
Number of observations	54	54
Sample : Exclusion Debt Distress		
	Panel A : Two-Stage Least Squares	
	External debt stocks (% of GNI)	External debt stocks (% of exports of goods, services and primary income)
Log Leaders' trip to USA	38.300*	132.166
	(22.443)	(168.507)
Control Variables	Yes	Yes
Cons	60.108	126.859
	(83.925)	(290.996)
	Panel B : First Stage Estimates for Leaders' Trip to US	
Urban Distance	.355**	.355**
	(.130)	(.130)
F(excluded instruments)	7.38	7.38
First Stage R2	0.5990	0.5990
Wu-Hausman F test (p-value)	0.070	0.622
Durbin-Wu-Hausman chi-sq test (p-value)	0.039	0.566
Number of observations	47	47

note: .01 - ***; .05 - **; .1 - *; all of the control variables in Table 2 are included in the estimates. For reasons of space, we have not included them in this table.

Table 4: 2SLS Estimations with variables additionnels.

	Panel A : Two-Stage Least Squares				
	External debt stocks (% of GNI)				
Log Leaders' trip to USA	24.739**	32.760**	44.788*	61.849*	55.099*
	(11.069)	(14.574)	(22.896)	(34.417)	(29.484)
HIPC dummy	-18.833*				-11.215
	(10.931)				(14.279)
Total natural resources rents (% of GDP)		1.387			0.910
		(0.916)			(0.927)
Fraction of year under democratic			-84.743*		-7.753
			(48.575)		(47.245)
Executive contraints				-19.571*	-14.368
				(11.345)	(9.519)
Cons	66.035	30.275	11.415	80.218	60.834
	(61.448)	(72.532)	(80.981)	(73.896)	(72.943)
	Panel B : First Stage Estimates for Leaders' Trip to US				
Urban Distance	.386***	.342***	.270***	.230***	.281***
	(.087)	(.086)	.091	(.089)	(.096)
F(excluded instruments)	19.50	15.58	8.82	6.61	8.51
Wu-Hausman F test (p-value)	0.082	0.049	0.050	0.020	0.019
Durbin-Wu-Hausman chi-sq test (p-value)	0.056	0.031	0.031	0.011	0.008
Number of observations	69	69	69	69	69
	Panel A : Two-Stage Least Squares				
	External debt stocks (% of exports of goods, services and primary income)				
Log Leaders' trip to USA	136.921	171.318	219.857	276.474	207.554
	(90.022)	(104.807)	(146.230)	(196.521)	(184.581)
HIPC dummy	-137.464**				-120.342*
	(52.849)				(67.641)
Total natural resources rents (% of GDP)		2.383			-0.628
		(3.620)			(3.494)
Fraction of year under democratic			-290.006		-116.937
			(239.761)		(178.067)
Executive contraints				-65.941	-27.332
				(55.903)	(51.668)
Cons	309.570	181.621	76.440	310.518	287.060
	(223.213)	(256.268)	(299.567)	(309.288)	(266.952)
	Panel B : First Stage Estimates for Leaders' Trip to US				
Urban Distance	.386***	.342***	.270***	.230***	.281***
	(.087)	(.086)	(.091)	(.089)	(.096)
F(excluded instruments)	19.50	15.58	8.82	6.61	8.51
Wu-Hausman F test (p-value)	0.3672	0.215	0.221	0.172	0.303
Durbin-Wu-Hausman chi-sq test (p-value)	0.3165	0.170	0.175	0.131	0.240
Number of observations	69	69	69	69	69

note: .01 - ***; .05 - **; .1 - *; all of the control variables in Table 2 are included in the estimates. For reasons of space, we have not included them in this table.

Table 5. Accounting for instrument weakness of table 3 and 4: Fuller's Limited Information Maximum Likelihood estimates

	Table 3			
	Exclusion HIPC country		Exclusion Debt Distress	
	External debt stocks (% of exports of goods, services and primary income)	*External debt stocks (% of GNI)*	*External debt stocks (% of exports of goods, services and primary income)*	*Exter debt st (% of*
Log Leaders' trip to USA	164.908	37.289**	132.166	38
	(126.806)	(17.547)	(147.476)	(19
Cons	174.624	30.062	126.859	6
	(294.027)	(75.009)	(254.677)	(73
Number of observations	54	54	47	47

	Table 4		
	External debt stocks (% of GNI)		
Log Leaders' trip to USA	61.849**	44.788**	55.099**
	(31.281)	(20.810)	(26.083)
Executive contraints	-19.571*		-14.368*
	(10.312)		(8.421)
Fraction of year under democratic		-84.743*	-7.753
		(44.149)	(41.796)
IPPTE			-11.215
			(12.632)
Total natural resources rents (% of GDP)			0.910
			(0.820)
Cons	80.218	11.415	60.834
	(67.163)	(73.603)	(64.530)
Number of observations	69	69	69
	External debt stocks (% of exports of goods, services and primary income)		
Log Leaders' trip to USA	276.474	219.857*	207.554
	(178.617)	(132.907)	(163.290)
Executive contraints	-65.941		-27.332
	(50.810)		(45.708)
Fraction of year under democratic		-290.006	-116.937
		(217.918)	(157.527)
IPPTE			-120.342**
			(59.839)
Total natural resources rents (% of GDP)			-0.628
			(3.091)
Cons	310.518	76.440	287.060
	(281.110)	(272.274)	(236.160)
Number of observations	69	69	69

note: .01 - ***; .05 - **; .1 - *; all of the control variables in Table 2 are included in the estimates. For reasons of space, we have not included them in this table.

Figure 1. World Map of Leader's Trips

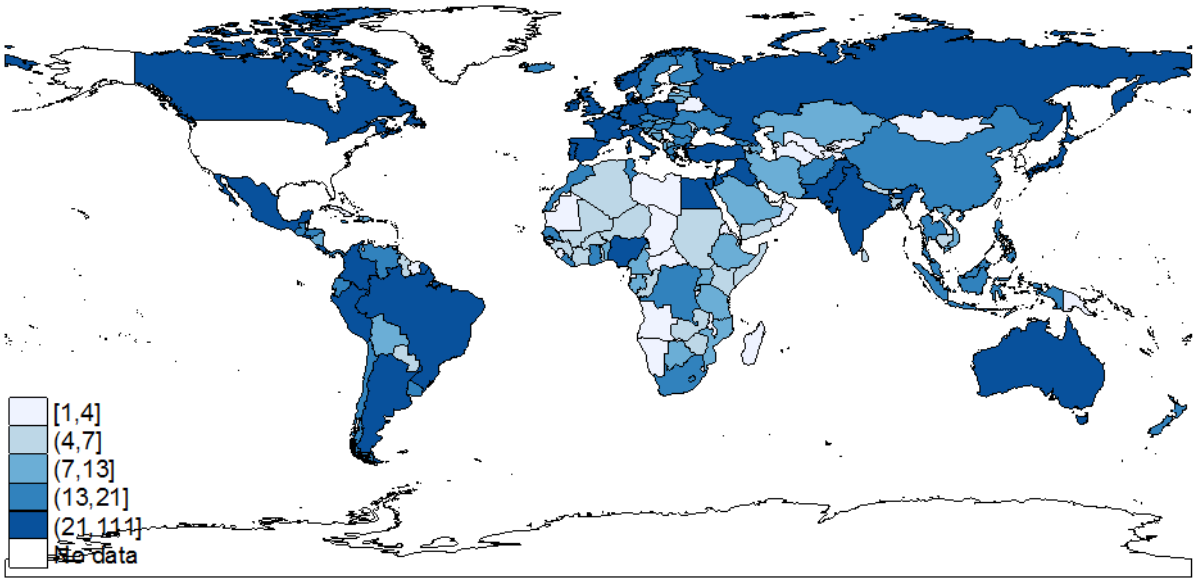
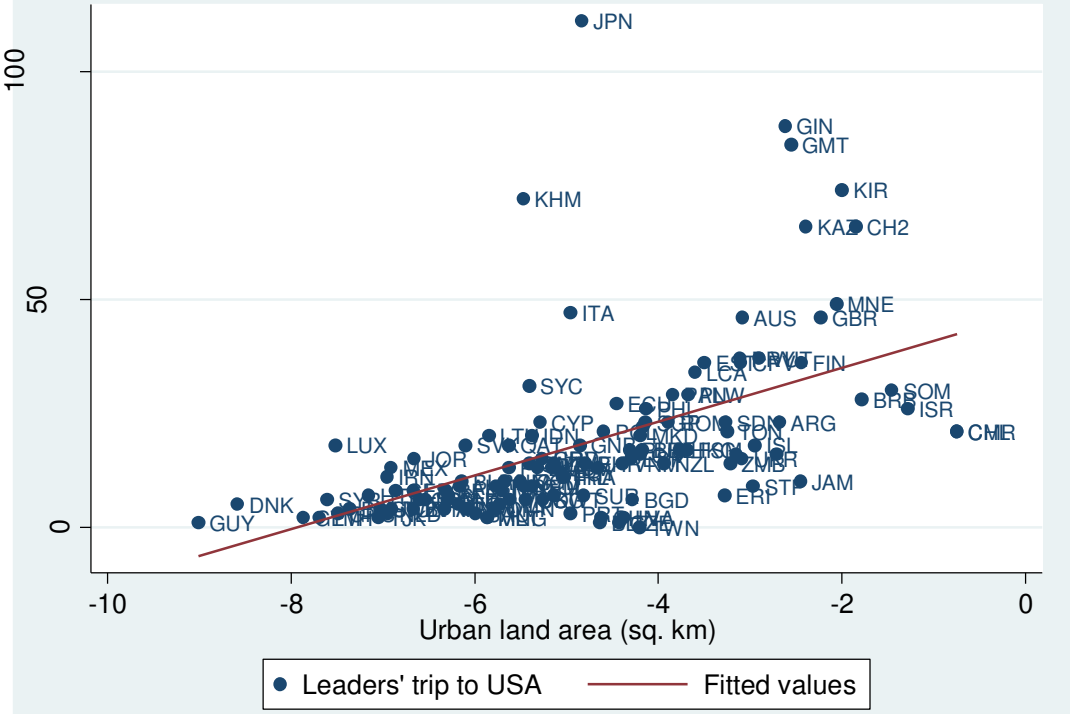


Figure 2. Leaders' Trips and Urban Distance



Appendix A. Data Sources

Variables	Definitions	Sources
Leaders' trips to USA	Number of trips by heads of governments or state leaders to the USA during the period 1960-2015.	https://history.state.gov/departmenthistory
Imports of goods and services as a percentage of GDP	The value of imports as a percentage of GDP.	World Bank WDI online Database
GDP growth (annual %)	Annual growth rate of real GDP per capita 1960-2015.	World Bank WDI online Database
Annual consumer price inflation	Annual percentage change in consumer prices.	World Bank WDI online Database
Gross fixed capital formation as a percentage of GDP		World Bank WDI online Database
Log of GDP per capita	GDP per capita, PPP (constant 2011 international $) 1960-2015.	World Bank WDI online Database.
Fraction of years under democracy		Ashraf et al. (forthcoming)
Total natural resources rents (% of GDP)	Total natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents. 1970-2015	World Bank WDI online Database
Urban land area (sq. km)	Urban land area in square kilometers, based on a combination of population counts (persons), settlement points, and the presence of Nighttime Lights. Areas are defined as urban where contiguous lighted cells from the Nighttime Lights or approximated urban extents based on buffered settlement points for which the total population is greater than 5,000 persons. 1990-2010.	World Bank WDI online Database
Africa	Dummy variables that take on the value of one when a country belongs to a Africa and 0 otherwise	Own Calculation
Asia	Dummy variables that take on the value of one when a country belongs to a Asia and 0 otherwise	Own Calculation
America	Dummy variables that take on the value of one when a country belongs to a America and 0 otherwise	Own Calculation
Oceania	Dummy variables that take on the value of one when a country belongs to a Oceania and 0 otherwise	Own Calculation
Europe		Own Calculation