

Paying a Visit: The 'Dalai Lama Effect' on International Trade

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Abstract

This article investigates the extent to which the state of bilateral relations has an impact on exports to China. China frequently threatens that meetings between its trading partners' officials and the Dalai Lama will be met with animosity and lead to a subsequent deterioration in the state of their trade relationships. We run a gravity model of exports to China from 159 partner countries between 1991 and 2008 to test whether countries officially receiving the Dalai Lama are economically punished by the Chinese through trade reductions. In order to account for the potential endogeneity of meetings with the Dalai Lama, the number of Tibet Support Groups and the travel pattern of the Buddhist leader are used as instruments. Our results indicate that China punishes countries that receive the Dalai Lama at the highest political level. However, this 'Dalai Lama Effect' is only observed for the Hu Jintao era and not for earlier periods. Furthermore, we find that this effect disappears two years after a meeting took place.

Keywords: International Trade, International Political Economy, Diplomatic Relations, Exports to China, Tibet, Dalai Lama

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"We will take corresponding measures to make the relevant countries realise their mistakes."

Zhu Weiqun, executive deputy head of the Communist party's United Front Work Department

"There is a Tibetan saying: some wounds in the mouth recover by themselves."

Tenzin Gyatsho, 14th Dalai Lama

1. Introduction

The Chinese autonomous region of Tibet is an area of great economic and geo-strategic significance as it holds considerable amounts of natural resources and connects China to South and Central Asia. In addition, Tibet is known as 'Asia's water tower' since important rivers such as the Mekong, Yangtze and Yellow river originate in the region. Tibet's political status represents a long-run cause of conflict both in China and in international relations that revolve around the question of whether the incorporation of Tibet into China was in accordance with international law.³ China considers Tibet as an internal affair in which outside interference is rejected. As Goldstein (1998) notes, international opinion plays an important role in conflicts over regional independence since "the ambiguity about when entities have the right to seek self-determination has made international opinion an important dimension of such disputes" (p. 83). In light of this, the Chinese administration has recognized that its position on Tibet's status not only needs to be enforced domestically, but also internationally.⁴ By opposing any notion from abroad that might challenge the status-quo of the region, China not only aims to contain the spread of unrest inside Tibet, but also seeks to weaken the worldwide Tibetan independence movement.

Within this context, the Dalai Lama, in his position as prominent leader of the Tibetan movement, is seen as a threat to the integrity of the Chinese nation. Consequently, meetings of foreign officials with the Dalai Lama are a constant source of bilateral diplomatic tensions with China. In addition to purely diplomatic threats, China more-or-less openly threatens that it will respond to meetings between its trading partners' officials and the Tibetan leader with measures that will result in a deterioration of their trade relationships. An article published in *China Daily* – a state-run newspaper, known as a mouthpiece of the Communist party – clearly advises against outside interference in the Tibet question "if they [countries] want to remain on good terms with China."⁵ The government's decisiveness on this matter is reflected in instances such as the prominent case of France, where the country was crossed off the travel agenda of two Chinese trade delegations in 2009 in retaliation to a meeting between French president Nicolas Sarkozy and the Dalai Lama. In an interview conducted in 2007, the Dalai Lama himself

³ See Goldstein (1997) for a historical overview on the so-called 'Tibet Question', i.e., the long-lasting conflict over the political status of Tibet.

⁴ According to an official government bulletin, China identifies the issue of Tibet as one of the "most important and sensitive" core issues to be respected by China's partners (available at http://www.gov.cn/misc/2009-05/27/content_1326253.htm).

⁵ http://www.chinadaily.com.cn/china/2009-03/05/content_7538147.htm

acknowledged the unwillingness of state officials to receive him, so as not to jeopardize the intense economic ties that their countries have established with China.⁶ Beyond existing anecdotal evidence, no empirical analysis has, to the best of our knowledge, thus far been conducted to see whether China responds to meetings between its trading partners and the Dalai Lama with any systematic economic punishment. This paper aims to fill this gap.

Our analysis builds on the literature on political determinants of trade. In general, the bilateral political climate seems to play an important role in trade relationships (e.g., Pollins 1989, Morrow, Siverson and Taberes 1998). Also, diplomatic exchanges between trading partners foster bilateral trade through diplomatic representations (Rose 2007) and state visits (Nitsch 2007). Since China is neither a democracy, nor a free market economy, the state of political relations between China and its trading partners has more room to impact on trading decisions than in a free market economy. Whilst prices and other product characteristics should – at least in theory – be the sole determinants of import decisions in a market system, the Chinese government exerts additional influence on commercial activity. Such significant scope for government intervention gives leeway for the utilization of trade flows as foreign policy tool. Since a country's policy towards the Dalai Lama influences its bilateral relations with China and may provoke retaliatory responses from Beijing, we hypothesize that a trade-deteriorating effect is caused by foreign officials receiving the Dalai Lama.

We run a gravity model of exports to China from 159 partner countries between 1991 and 2008 to test for political influences on China's trading decisions. The paper analyzes whether countries that receive the Dalai Lama are economically punished by the Chinese through a reduction in exports to China. Furthermore, it is tested whether the size of the punishment increases with the rank of the highest official receiving the Tibetan leader and how the effect evolves over time. Finally, we analyze whether the size of the 'Dalai Lama Effect' differs between product groups.

The paper is structured as follows: Building on the literature regarding the link between bilateral political relations and international trade, Section 2 provides theoretical considerations on how meetings with the Dalai Lama might adversely affect trading relationships and formulates our hypotheses. In Section 3, we present anecdotal evidence illustrating how the bilateral climate between China and its trading partners is influenced by the partner country's policy towards Tibet and, in particular, by foreign officials' meetings with the Tibetan leader. Section 4 presents the empirical approach, the data used and the empirical results, which indicate whether countries officially receiving the Dalai Lama are economically punished through trade reductions. In Section 5, we control for the potential endogeneity of Dalai Lama meetings and exports to China. Finally, Section 6 summarizes our findings and concludes.

2. Theoretical Considerations and Hypotheses

While pure economic theory suggests that economic actors base their trading decisions entirely on intrinsic characteristics of goods and services such as price, quantity and quality, political relations should have an additional impact on trade. In this regard, trade ties can be exploited as a foreign policy tool by governments to influence the policy decisions of trading partners. As such, by manipulating trade flows, a country can exploit

⁶ <http://www.spiegel.de/international/world/0,1518,506166,00.html>

the trade dependency of its trading partners in order to force their governments to abide by its political viewpoints. Bilateral trade flows can thus be used as an instrument of political pressure and leverage against countries with conflicting interests (Hirschman 1945, Baldwin 1985). According to Richardson and Kegley (1980), this option becomes especially viable when there is asymmetry in the dependency on trade between countries.

Pollins (1989) has developed a public choice model of bilateral trade flows. Extending the concept of welfare to include political ties, import decisions are influenced by the place of origin of the traded goods and services, most notably depending on the political relationship between the trading parties. Based on security concerns, risk-averse importers reward political friends and punish adversaries. Regarding hostile relationships between countries, Gowa and Mansfield (1993) argue that gains from trade are the source of security externalities as trade-induced efficiency frees resources for military use in the economy of the trading partner. Consequently, it is in a country's strategic interest to concede such gains exclusively to befriended countries and deny them to enemies. States may thus rely on trade interdependencies to strategically reward allies or punish adversaries. Furthermore, Kastner (2007) argues that states may disrupt trade with their partners in order to signal resolve in a bilateral disagreement they may have with their trading partners over matters unrelated to trade.

Prior empirical analyses have confirmed that the state of bilateral political relations affects international trade. A first group in the literature focuses on the conflict-trade nexus and analyzes the role of bilateral climate on trade relationships. While some literature on the link between military conflicts and trade exists (e.g., Glick and Taylor 2005, Keshk, Pollins and Reuveny 2004, Martin, Mayer and Thoenig 2008, Oneal, Russett and Berbaum 2003), conflicts do not need to be militarized in order to influence trade flows. An anticipated conflict alone might trigger reductions of bilateral trade due to "the threat of future government action to restrict trade" (Morrow, Siverson and Taberes 1998, p. 650). Exploiting bilateral event data on conflict and cooperation for the period 1955-1978, Pollins' (1989) empirical results support the hypothesis that greater amity between trading partners increases trade while greater hostility has a trade-reducing effect. Gowa and Mansfield (1993) also find that alliances between trading partners foster bilateral trade.⁷ Combining both approaches, Morrow, Siverson and Taberes (1998) find that joint democracy and common interests of commercial partners increase bilateral trade between commercial partners whereas conflicts and alliances do not. In a more recent study, Kastner (2007) finds evidence that the trade-reducing impact of bad bilateral political relations is reduced if internationalist economic interests are strong, which is proxied by low trade barriers.

More tangible than the abstract concept of bilateral climate, a second group of authors in the literature on the link between bilateral political relations and international trade finds that diplomatic exchanges among trading partners foster bilateral trade through diplomatic representations and state visits. Analyzing export flows from 22 countries for 2002 and 2003 in a gravity framework, Rose (2007) finds that the size of a country's diplomatic service has a positive impact on its exports: each additional consulate leads to an increase of exports by about six to ten percent. Analyzing the export flows of 17 Spanish regions for 1995-2003, Gil-Pareja, Llorca and Martínez Serrano (2008) find that Spanish regional trade agencies abroad have a positive impact on exports. This effect is even greater than the export-promoting impact of Spanish embassies and consulates

⁷ Incorporating new trade theory, empirical evidence in Gowa and Mansfield (2004) suggests that alliances (and other measures of bilateral relations) are more important factors in trade under increasing returns to scale than under constant returns to scale.

situated in the respective partner countries. Most relevant to our study, Nitsch (2007) finds empirical evidence that state and official visits do have a trade-increasing effect. Estimating export flows from France, Germany and the United States for 1948-2003, it is found that one visit is associated with an increase in exports of between eight and ten percent.

In the case of China, the significant scope of government influence in the Chinese economy allows the country's political leaders to manage trade in such a way that it rewards countries that adhere to China's political preferences and punishes those that do not. We hypothesize that a deterioration of the bilateral political climate and a decrease in bilateral diplomatic exchanges, as a result of foreign officials meeting the Dalai Lama, leads to a significant reduction in bilateral trade. Our first hypothesis reads as follows:

Hypothesis 1: "There is a trade-deteriorating effect caused by foreign officials receiving the Dalai Lama."

Furthermore, this 'Dalai Lama Effect' should depend on the rank or the political importance of the dignitary met. Meetings with higher-ranked politicians pose a greater affront the Chinese, who may then retaliate through a more pronounced reduction in bilateral trade:

Hypothesis 2: "The detrimental effect of Dalai Lama meetings on trade grows with the rank of the dignitary met."

At first glance, it may seem odd that China would be willing to forgo the gains that would arise from trade under efficient importing decisions in order to punish trading partners who receive the Dalai Lama. However, China's political leadership may be willing to bear the economic costs that arise from diverting trade away from Dalai Lama-receiving countries if such 'punishment' increases the likelihood of its political survival. By exerting economic pressure on Dalai Lama-receiving countries, the administration seeks to maintain the territorial integrity of China and, by doing so, intends to strengthen the stability of its Communist regime in the multi-ethnic country. Facing a trade-off between the economic losses from trade diversion and the political gains from stabilizing the regime, it is in China's interest that trade ties are restored as quickly as possible to reduce the losses that arise from the political bias in its importing decisions. In particular, it seems reasonable to believe that China cannot afford to substitute more differentiated goods from a Dalai Lama-receiving country in the long run. At the same time, the partner economies are also interested in a restoration of trade ties with China and are likely to direct diplomatic efforts towards restoring these bilateral relations. Therefore, we expect exports to China to recover after a while, i.e., that the trade-deteriorating effect of Dalai Lama meetings is only of temporary nature:

Hypothesis 3a: "The trade-deteriorating 'Dalai Lama Effect' fades out over time as bilateral relations between China and partner countries recover."

If purchases were only postponed as a signal of temporary Chinese discontent after a Dalai Lama meeting, there might even occur a positive 'Dalai Lama Effect' after a while as Chinese imports rebound from past cutbacks:

Hypothesis 3b: "With the passing of time, the 'Dalai Lama Effect' turns positive, signaling a (partial) postponement of Chinese imports from a Dalai Lama-receiving country."

Two main transmission channels can be identified when analyzing the mechanisms via which a foreign official's meeting with the Dalai Lama might negatively impact on commercial relations with China. First, there might be a *direct effect* via government intervention in economic activity since 'managed trade', i.e., international trade under government influence, gives leeway to a political bias in trade flows. Political relations influence bilateral trade "since governments in free market economies still set the rules under which firms import and export, while governments in managed economies directly negotiate the terms of trade" (Morrow, Siverson and Taberes 1998, p. 649). Thus, the influence of international politics on trading decisions is expected to be of higher importance in emerging countries than in established market democracies. As trade regulations are stricter and state-owned enterprises are of greater importance for economic activity in most emerging economies, their trading decisions are often more politically driven, turning trade ties into a transaction channel via which the political agenda of a country can be globally disseminated and enforced upon trading partners. Consequently, countries receiving the Tibetan leader might be punished directly through a reduction of trade deals and, thus, exports of goods typically purchased in the ambit of such missions.

*Hypothesis 4a: "The trade-deteriorating 'Dalai Lama Effect' exists for 'Machinery and transport equipment', which are goods predominantly purchased by trade delegations, which indicates that the effect operates **directly** via government intervention in economic activity."*

Second, the state of international political relations has important repercussions for consumer behavior. Empirical research indicates that bilateral opinions (or the affinity between nations) impact on trade as they shift consumer preferences (Disdier and Mayer 2007, Guiso, Sapienza and Zingales 2009).⁸ Consequently, there might also be an *indirect effect* of Dalai Lama meetings operating through public opinions towards the countries receiving the Tibetan leader.

*Hypothesis 4b: "The trade-deteriorating 'Dalai Lama Effect' exists for consumption goods such as 'Food, live animals', 'Beverages and tobacco' and 'Miscellaneous manufactured articles', which indicates that the effect operates **indirectly** through consumers' bilateral opinions of consumers."*

The scope for punishment of a Dalai Lama-receiving country will depend on the cost for China of replacing goods from this country with those from another country. This is what Keohane and Nye (1977) call 'vulnerability interdependence', i.e., that there is an increase in the costs a country has to bear when commercial ties with an adversary state are interrupted. Trade in goods holding strategic value for China should react with greater inelasticity to conflicting diplomatic relations than more substitutable goods, which could be retrieved from a wider selection of trading partners. Polachek (1980) argues that oil exports show a low export elasticity to conflict between trading partners, as oil-dependent economies have little choice but to continue importing the product regardless of any bilateral conflicts with an oil-exporting country.

⁸ Using Eurobarometer opinion data on the accession of Central and East European countries to the European Union, Disdier and Mayer (2007) show that 'bilateral affinity' has a trade-increasing effect. In a related study, Guiso, Sapienza and Zingales (2009) find that trade increases significantly with their measure of bilateral trust obtained from Eurobarometer surveys. Beyond its effect on trade via trust, cultural similarities seem to impact positively on trade volumes via other channels.

Hypothesis 4c: “The trade-deteriorating ‘Dalai Lama Effect’ does not exist for strategic goods such as ‘Crude Materials, inedible, except fuels’ and ‘Mineral fuels, lubricants and related materials’.”

3. Anecdotal Evidence

Official receptions of the Dalai Lama and even the mere announcement of such receptions regularly lead to diplomatic tensions between the People’s Republic of China and countries hosting the Dalai Lama. Since coming into exile in 1959 until the end of 2009, the Tibetan leader visited 62 countries on all continents.⁹ Although the Dalai Lama himself emphasizes the non-political nature of his visits, he uses his travels as an opportunity to meet foreign politicians in order to discuss – among other issues – the situation in Tibet. The Chinese administration emphasizes that Tibet forms an integral part of China and sees the Dalai Lama as a pretentious state leader with a separatist agenda regarding Tibet. Therefore, any meeting of foreign officials with the Buddhist monk is perceived by Beijing as interference with internal affairs. Despite Chinese opposition, many (Western) countries have, to an increasing extent, recognized the Dalai Lama as a notable religious leader, subsequently granting him considerable attention. At the same time, China has increased pressure on other countries to not receive the exiled Tibetan leader in any form. This section adds selected anecdotal evidence to our abovementioned hypotheses to illustrate how the bilateral climate between China and its trading partners is influenced by foreign officials’ meetings with the Dalai Lama. Of course, the incidents of diplomatic threats listed below are not exhaustive, but provide some illustrative examples.¹⁰

Hypothesis 1: Trade-deteriorating effect

In addition to purely diplomatic threats, China increasingly exerts economic pressure on foreign governments to discourage them from meeting with the Dalai Lama. Already in 1989, when the Dalai Lama was awarded the Nobel Peace Prize in Oslo, China threatened to cut economic ties with Norway if the Norwegian king or government attended the ceremony.¹¹ The growing assertiveness of the Chinese administration towards foreign dignitaries’ meetings with the Tibetan leader reflects China’s rising economic power. As such, this growing economic power provides China with the leverage needed to advance its political interests.

The Dalai Lama was officially invited to the White House for the first time in 1991 by George Bush senior. The reception marked a pronounced change from the policy of former US presidents and sparked immediate protest from the Chinese.¹² During the subsequent two Clinton and Bush presidencies, the Dalai Lama has been a visitor to the White House a further nine times, provoking regular protest from Beijing. In 2007, under

⁹ In 1967, the Dalai Lama travelled outside India for the first time in order to visit Japan and Thailand. His first trip to Europe was in 1973 where he visited 12 countries in 75 days. In 1979, he travelled to the United States and Canada for the first time.

¹⁰ Moreover, many diplomatic threats operate in the shadows, as can be seen in the example of a letter written by China’s ambassador Zhang Yun to the Dutch President of the Foreign Affairs Committee. In the text, which, to the surprise of the ambassador, was made public, the Chinese embassy warned that Sino-Dutch relations might be negatively affected by a planned meeting between Dutch members of parliament and the Dalai Lama.

¹¹ “China Threatens to Cut Ties with Norway over Nobel Award”, The Associated Press, October 19th 1989.

¹² New York Times, April 19th 1991, A27

the administration of George W. Bush, further confrontation ensued when the US Congress awarded the Congressional Gold Medal - the highest civil honor conferred in the US - to the Dalai Lama. The act was compounded by the fact that the US president personally attended the award ceremony. In a statement issued one day later by the Chinese Ministry of Foreign Affairs, Spokesperson Liu Jianchao emphasized that the award “ha[d] severely hurt the feelings of the Chinese people and gravely undermined the relationship between China and the US”, a wording that is characteristic of the Chinese reactions to countries officially receiving the Dalai Lama. He furthermore “urge[d] the US to take effective measures immediately to undo the severe adverse impact of its erroneous act.”¹³ In 2009, President Obama decided not to receive the Dalai Lama. The media deemed the decision “unprecedented” and surmised that the president strategically delayed the reception until after his visit to Beijing. The meeting finally took place in February 2010 and caused considerable discontent in Beijing. Chinese authorities emphasized that the move damaged US-Chinese relations, which, in turn, would undermine the US’s recovery from the current economic crisis.¹⁴

Before Italian prime minister Silvio Berlusconi’s reception of the Dalai Lama in 1995, the Chinese prime minister warned his Italian counterpart that “if this [the Italian] government will adopt a policy that could damage a matter of principle [for China], it may also damage trade relations.”¹⁵ Facing potential trade retaliations by the Chinese, Berlusconi openly admitted to the Dalai Lama that the international community was facing a dilemma, “caught between the importance of maintaining trade relations and protecting human rights.”¹⁶ The decision to meet the Tibetan leader despite Chinese threats was judged as “courageous” by both the Italian media and the Dalai Lama himself.

In Germany, political leaders refrained for a long time from meeting with the Dalai Lama. In this regard, a 1985 New York Times article critically assessed that German foreign policy was aimed at avoiding political conflict over human rights issues with China, so as not to endanger lucrative trade ties with the emerging economy.¹⁷ Bilateral discontent emerged between China and Germany when Chancellor Angela Merkel deviated from this protocol by receiving the Dalai Lama in the chancellery in 2007. Merkel’s predecessor Gerhard Schröder, known for his keenness on good economic relations with China, criticized the decision as unwise, bearing in mind the detrimental effect the meeting may have on bilateral relations with Beijing. In the forerun to the Dalai Lama’s announced visit to Berlin, Chinese politicians warned that the meeting would severely damage economic ties. In the aftermath of this meeting, several other bilateral meetings at various political levels were cancelled.

Tensions arose between France and China in April 2008 after the Paris city council awarded the Dalai Lama with honorary citizenship. In a press conference held at the Chinese Ministry of Foreign Affairs, Spokesperson Jiang Yu remarked that the decision “grossly interfere[d] in China’s internal affairs and severely infringe[d] on Sino-French relations [...]” and recommended that France stop such interferences in order to “safeguard Sino-French relations [...]”.¹⁸ Media sources surmised that a Chinese import ban on cars from French manufacturer Renault, issued just two days after the bestowal of the honorary citizenship, was a form of economic retaliation against Paris’ decision.¹⁹

¹³ <http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t373809.htm>

¹⁴ http://www.chinadaily.com.cn/china/2010-02/03/content_9417649_2.htm

¹⁵ La Stampa, June 15th 1994, p. 4, own translation.

¹⁶ La Stampa, June 18th 1994, p. 7, own translation.

¹⁷ “Seeking China Deal, Bonn Shuns Rights Issue”, published July 13th 1995

In November 2008, Sino-French relations worsened as French government sources announced a meeting between Nicolas Sarkozy and the Dalai Lama. Chinese officials promptly insinuated that trade ties with France could suffer unless the meeting was cancelled. China sent a strong message to France, which held the EU presidency at the time, by cancelling the 11th annual EU-China summit on rather short notice.²⁰ In addition, the media reported that the finalization of a contract to purchase 150 passenger planes from Airbus was suddenly postponed without further explanation. After the actual meeting took place, Vice Foreign Minister He Yafei emphasized that it had “sabotage[d] the political basis of China-France and China-EU relations” and furthermore warned of “serious consequences” which France alone would have to bear.²¹ In early 2009, France was crossed off the travel agenda of two Chinese trade delegations. The first delegation alone signed 15 billion US dollars’ worth of trade deals in other European countries. Furthermore, Chinese Prime Minister Wen Jiabao did not pay any state visit to France during his trip to Europe in January 2009. When asked to comment on the itinerary of his European tour, he was cited saying: “I looked at a map of Europe on the plane. My trip goes around France. [...] We all know why.”²²

The case of Mongolia serves as a further illustration of China’s antagonism towards Dalai Lama-receiving countries. The Dalai Lama has visited the country on several occasions since 1979 as the country has strong historical and cultural links with Tibet. As reported by media sources in 2002, China imposed a temporary ban on imports from Mongolia and blocked the only railway link between the two countries in response to the reception of the Tibetan leader by the Mongolian Prime Minister Nambaryn Enkhbayar. The import ban was lifted after only one day and no further official receptions of the Dalai Lama took place in Mongolia – despite him visiting the country again in 2006.

Hypothesis 2: Importance of the rank of the dignitary met

Political leaders are aware that meetings with the Dalai Lama put considerable stress on countries’ bilateral relations with China, and that it may also have negative implications for the economic ties between them. A first alternative to not receiving the Dalai Lama at all is to meet with him but not in official capacity as head of state. For example, when the Dalai Lama planned to visit Switzerland in 2008, Pascal Couchepin announced that he would be meeting with the religious leader not in his function as President of the Swiss Confederation but as Minister of Culture.²³ Similarly, the Clinton administration, for example, granted him the opportunity to visit the White House, even though he was formally received only by a minister and not the president himself. Despite official sources emphasizing that no formal encounter between the Dalai Lama and the US president was scheduled, Clinton nevertheless dropped in during the talks. In September 1995, a New York Times article concluded that better treatment of the Dalai Lama “would [have] cost us [the US] trade with the Chinese”.²⁴

As a second alternative, some leaders prefer to delegate the task to lower-ranked government representatives in the hope of reducing the negative effect that such

¹⁹ La Stampa, June 18th 1994, p. 7, own translation.

¹⁹ “Seeking China Deal, Bonn Shuns Rights Issue”, published July 13th 1995

²⁰ The meeting had originally been scheduled to take place on December 1st in France where over a hundred high-ranking Chinese politicians and business leaders would have met with their European counterparts.

²¹ <http://www.fmprc.gov.cn/eng/wjb/zzjg/xos/qjlb/3291/3293/t525570.htm>

²² “Premier: We all know why”, China Daily, February 2nd 2009, available at: http://www.chinadaily.com.cn/china/2009-02/03/content_7440286.htm.

²³ http://www.nzz.ch/nachrichten/schweiz/dalai_lama_sagt_besuch_in_der_schweiz_ab__1.831028.html

²⁴ <http://www.nytimes.com/1995/09/15/opinion/on-my-mind-if-he-can-can-i.html>

meetings may have on bilateral relations with China. Nevertheless, by employing such a strategy, the government still manages to sedate pro-Tibet lobby groups, human rights organization and other sympathizers of the Dalai Lama. For example, during his trip to the Netherlands in 2009, the Dalai Lama was received by some members of parliament and met with the country's foreign minister during a conference between Dutch religious leaders. Prime Minister Jan Peter Balkenende reportedly feared that a personal encounter with the Tibetan leader would bring "unwarranted risk" to the Netherlands' relations with China.²⁵ A similar strategy seems to have been employed in Germany in 2008, exactly one year after the Dalai Lama had been received by a German chancellor for the first time. In what could be interpreted as giving in to Chinese pressure, high-ranking members of the German government avoided a further encounter with the Dalai Lama, referring to their "tight schedules". Allowing all parties to save face, the Tibetan leader was received by the President of the German Bundestag, the Minister of Economic Cooperation and other non-government politicians.²⁶

A shift to lower-ranked officials is also observable in Latin American countries. The Dalai Lama embarked on several trips throughout the region between 1989 and 2006. With respect to Dalai Lama receptions, a clear downward trend can be observed in terms of the rank of dignitaries met in the most important destination countries in the region, namely, Argentina, Brazil, Chile and Mexico. While the Tibetan leader had been received by the respective president of these countries up to the year 1999, he has had to content himself with being received by dignitaries of less political importance ever since. The case of Chile in 2006 provides a particularly interesting example where the local media suspected Chilean president Michel Bachelet of avoiding a meeting with the Dalai Lama so as not to jeopardize ongoing negotiations for the country's first trade agreement with China.²⁷ By that time, China had also become Chile's second most important trading partner after the US.

Regarding trade agreements, key politicians of New Zealand's government faced a similar predicament in 2007 when a visit from the spiritual leader coincided with ongoing talks about a free-trade deal with China. The Dalai Lama was granted only very brief encounters with certain members of government, sparking criticism from opposition parties.

While receptions of the Dalai Lama by official representatives of the state such as government members may provoke trade reductions, the matter may be different in instances where the Dalai Lama met with leaders of the political opposition. In an interview conducted in 2008, the Dalai Lama himself remarked that most politicians meet with him before they become minister or president. After taking office, however, the very same politicians tend to avoid meeting with him so as not to endanger trade ties with China. The Dalai Lama concluded that "economic relations with China gain the upper hand."²⁸ New Zealand provides a prime example of such behavior. Prime Minister John Key, who was still in opposition in 2007 and critical of the incumbent government's decision not to receive the Dalai Lama, also chose not to meet with the religious figure in 2009 after his party had come into power.

²⁵ NRC Handelsblad, June 5th 2009

²⁶ It should be noted that, according to the usual protocol, the president of the German parliament is a higher-ranking officer than the chancellor. Notwithstanding, the chancellor has significantly more political power and greater public visibility. Following the 'chancellor principle', he or she is responsible for all government policies and issues the formal policy guidelines.

²⁷ http://www.santiagotimes.cl/index.php?option=com_content&view=article&id=9130:DALAI-LAMA:-CAN-I-EVER-TELL-YOU-HOW-SORRY-I-AM?&catid=1:other&Itemid=38

²⁸ http://www.cicero.de/97.php?ress_id=1&item=2503 (own translation)

Hypothesis 3: Evolvement over time

Anecdotal evidence confirms that diplomatic ties are usually restored after some period of time has passed following a reception of the Dalai Lama. However, China expects countries to make diplomatic concessions to correct for what it coins as their “wrongdoings”. As noted above, in 2008, bilateral relations between France and China suffered from several events in which China saw its core interests impaired by the French stance on the Tibet issue. The most notable of these events was the meeting between French President Nicolas Sarkozy and the Dalai Lama. After nine months of bilateral tensions, relations between the two countries were mended with considerable diplomatic efforts towards reconciliation. Shortly after a declaration of France that it recognized Tibet as integral part of the Chinese territory, France was due to receive a new Chinese trade delegation. In an article titled “France goes back on China’s shopping list”, the *China Daily* emphasizes a causal link between France’s compliance and the re-establishment of bilateral relations.²⁹

Similar reconciliation had to be achieved between China and Austria in September 2007. After a meeting between the Dalai Lama and Austrian Chancellor Alfred Gusenbauer, diplomatic relations between Austria and China deteriorated significantly, leading to what the media described as a “minor ice-age” between the two countries. Media reported that Austrian diplomats were banned from contact with Chinese officials for about one year. In October 2008, a state visit of the Austrian chancellor in Beijing marked the end of the diplomatic tensions caused by the Dalai Lama reception.³⁰

Hypothesis 4: Different channels of the ‘Dalai Lama Effect’

Through the direct channel, Dalai Lama meetings should impair especially trade in goods purchased by trade delegations to partner countries. As outlined in several examples above, trade missions and state visits were cancelled as a response to foreign officials’ meetings with the Dalai Lama. However, there is also some anecdotal evidence that a country’s stance towards the Tibet issue impacts on Chinese consumer behavior. Working through the indirect channel, which operates via consumers’ attitudes towards foreign countries, Dalai Lama receptions can be expected to affect the demand for everyday consumption goods as well as certain symbolic goods that are characteristic of a partner country. France in 2008 is not only a prime example of how bilateral tensions with China might impact on bilateral trade through the direct channel of government intervention in economic activity, but also through the indirect channel of bilateral consumer attitude. In the forerun to the 2008 Beijing Olympic Games, pro-Tibet activists disrupted the Olympic torch relay through the French capital Paris. This incident caused irritation among the Chinese public and subsequently sparked calls for a consumer boycott against French products. French supermarket chain Carrefour and luxury goods company LVMH were at the heart of the calls for the boycott, after rumors spread that these companies had allegedly donated large sums of money to the Dalai Lama.³¹

²⁹ http://www.chinadaily.com.cn/china/2009-10/29/content_8865307.htm

³⁰ <http://diepresse.com/home/politik/aussenpolitik/425083/index.do?from=suche.intern.portal>

³¹ “Chinese demand Carrefour boycott for Tibet “support””, Reuters, April 15th 2008, available at: <http://www.reuters.com/article/idUSPEK24412820080415>

4. Empirical Analysis

4.1 Data and Method

We estimate econometrically whether the diplomatic tensions caused by official receptions of the Dalai Lama impact negatively on the volume of exports to China. Our econometric model builds on the gravity equation of international trade, the workhorse of statistical analyses of trade flows, which translates Newton's 'Law of Universal Gravitation' to economics. The gravity model assumes that bilateral trade is proportional to the product of the trading partners' economic masses, proxied by GDP, and inversely proportional to the geographic distance between them. In order to control for country heterogeneity, we make use of partner country fixed effects. The effect of bilateral distance and other time-invariant factors, such as being landlocked or contiguous, is thus captured by the partner country fixed effects. In addition to partner country GDP, we add population size and the bilateral exchange rate to our specification, two widely used variables in the gravity framework. Moreover, we control for time-specific factors by including dummy variables for each time period. We run the following econometric model:

$$exports_{it} = \beta_1 dalai_{it} + \beta_2 gdp_{it} + \beta_3 pop_{it} + \beta_4 exch_{it} + \gamma_t + \delta_i + \varepsilon_{it}$$

where $exports_{it}$ is the log of exports of partner country i to China at time t in current US dollars; gdp_{it} is the log of the partner country's gross domestic product in current US dollars; pop_{it} is the log of the partner country's population size; $exch_{it}$ is a nominal exchange rate index of the partner country's local currency unit in Yuan; γ_t and δ_i are time and country fixed effects; and ε_{it} is a stochastic error. Trade data is obtained from the United Nations COMTRADE database.³² Data on GDP, population size and exchange rates are drawn from the World Bank World Development Indicators.

Our variable of interest is the binary dummy variable $dalai_{it}$, which takes a value of 1 if the Dalai Lama was received by a dignitary in the partner country in year t or $t - 1$.³³ Information on the travel pattern of the Buddhist leader is obtained from the Office of His Holiness the 14th Dalai Lama.³⁴ The variable is coded in four different ways: In its narrowest definition, we only include Dalai Lama meetings with heads of state or government. Our second definition extends the first by including all meetings between the Dalai Lama and government members. By also adding encounters with speakers of parliament, the third definition produces a dummy variable that accounts for all meetings between the Dalai Lama and national officials. Finally, we construct a variable that incorporates all meetings of the Buddhist leader that are listed by the Office of the Dalai Lama. This definition also includes regional leaders, party leaders, ex-presidents, ambassadors and scientists, among others. A detailed overview on the various definitions of the Dalai Lama dummy is provided in Table A1. Furthermore, we construct a binary dummy variable that takes a value of 1 if the Dalai Lama travelled to a Chinese trading partner country in a given year, irrespective of whether or not the Tibetan leader met with any dignitary there.

Our dataset covers the period 1991 to 2008, starting with the end of the Cold War and concluding with the most recent year for which trade data is currently available.

³² Since Belgium and Luxembourg did not report trade data separately for the years prior to 1999, we use the GDP-weighted values of exports from Belgium-Luxembourg instead.

³³ The reason why we also include the lagged value is because it may take some time for the diplomatic tensions to translate into an actual decrease in trade values. Because trade flows are tied to contracts, it may take some time for the 'Dalai Lama Effect' to become visible in trade statistics. At a later point, we also show results for different definitions of the variable of interest.

³⁴ <http://www.dalailama.com/>

Hypothesizing that a potential ‘Dalai Lama Effect’ might only be observable in more recent years, in which China’s economic and political power grew significantly, we furthermore split our dataset into two periods: 1991-2001 and 2002-2008. Several arguments motivate 2002 as an appropriate point at which to split our sample. First, the leadership change that occurred when Huo Jintao took power of the Communist Party in 2002 may have reoriented China’s foreign policy towards a more assertive advocacy of its global interests. Second, China became a WTO member in December 2001, which is likely to have significantly affected China’s trading relations. Third, the September 11 attacks mark an important change in the global political order comparable to the end of the Cold War, which, in turn, marks the first year of our full sample. Next, we extend the analysis by restricting our sample to European partner countries and rerunning all regressions to compare the results from previous estimations with those for this more homogenous set of countries. Europe has been the most important travel destination of the Tibetan head of government-in-exile. Leaving aside the Dalai Lama’s host country India, of the 266 trips that he made between 1991 and 2008, 160 of them were to European countries.

All models are estimated using two estimation strategies: First, we run OLS Fixed Effects regressions. Standard errors are adjusted for clustering across partner countries since a modified Wald test indicates groupwise heteroskedasticity. Second, we rerun all models using Feasible Generalized Least Squares (FGLS) to account for cross-sectional heteroskedasticity across panel and autocorrelation.³⁵ We employ a common AR(1), as an estimation with a panel-specific AR(1) term would lead to biased results. As noted by Beck and Katz (1995), in contrast to a panel-specific AR(1) term, the use of the FGLS correction for a common AR(1) is unlikely to lead to inaccurate estimations of the standard errors.

Figure 1 provides a geographical overview of the Dalai Lama’s travel pattern between 1991 and 2008, whereas Figure 2 and Figure 3 show a map indicating where and how many times the Dalai Lama was received by a government official or a political leader, respectively. In many cases, the Dalai Lama was not received by any government member during a visit to a country. Russia and Spain, both of which countries struggled with independence movements, are examples of this.

Figure 4 provides a first descriptive illustration of exports to China dependent on whether the Dalai Lama travelled to the respective country and on whether he was received by a head of state or government. The values are displayed as a share of GDP in order to control for the size of the economies. No obvious difference is found between country-year pairs in which the Dalai Lama travelled to a trading partner in the current or previous year and those in which he did not pay a visit. However, exports as a share of GDP are lower for those country-year pairs in which a meeting with a political leader took place in the current or previous year. Due to a small number of cases, the export shares are not displayed for the case that the Tibetan leader was met in a third country.

Table A2 lists all the variables employed in the analysis along with their definitions and sources. Table A3 provides descriptive statistics on all variables. Finally, Table A4 lists all countries included in the analysis.

³⁵ Following the results of the Wooldridge Test for Serial Autocorrelation, we reject the null hypothesis of ‘no first order autocorrelation’ in our sample.

4.2 Main results

Table 1.1 reports empirical results for the entire sample testing our first hypothesis that meetings between the Dalai Lama and foreign officials have a trade-deteriorating effect. Results are reported for both OLS Fixed Effects and FGLS. Starting with the results from the OLS Fixed Effects regression, we find a negative coefficient on our dummy variable that takes the value 1 if a government member has received the Tibetan leader in the current or previous year. However, the coefficient is only statistically significant in the second sub-period, which covers the Hu Jintao era (2002-2008). This result is in line with the increased political and economic power China acquired in the world in recent years. We find that Dalai Lama meetings decrease exports to China by 12.5% on average.³⁶ The coefficient is statistically significant at the five percent level. This effect is comparable in size to the effect of a state visit in Nitsch (2007) – though, of course, running in the opposite direction. FGLS results confirm the negative effect of Dalai Lama receptions on exports to China in the second sub-period. The expected impact on trade is significant at the five percent level and, with 5.7%, considerably smaller than the effect estimated under OLS Fixed Effects. In addition, the FGLS results unveil a negative effect for the first sub-period as well as the overall sample. Closer investigation, however, reveals that this finding is driven by SITC product group 9, a rather heterogeneous group of products.³⁷

In five of the six models in Table 1.1, the coefficient on GDP is positive and thus in accordance with the assumptions of the gravity model of trade. It is only in the OLS Fixed Effects model for the second sub-period that we do not find the expected positive GDP coefficient. However, if one excludes the time dummies, the GDP coefficient becomes positive and significant. A possible explanation for this might be that China's major trading partners were on the same business cycle during the second sub-period. Turning to the effect of the population size of China's trading partners, the corresponding coefficient is found to be positive in all models, but insignificant in the first sub-period. This positive coefficient suggests the existence of export-promoting scale effects as a result of a larger population size. The coefficient on the nominal exchange rate is positive in the FGLS estimations for the overall sample and the second sub-period, which shows that a depreciation of the partner country's currency with respect to the Chinese yuan has a positive effect on their exports to China.

Table 1.2 shows results for the same model specifications as in Table 1.1 with our sample restricted to the more homogenous group of European countries that accounts for roughly half of all Dalai Lama receptions by government members. Again, strong evidence in favor of a trade-deteriorating effect is found for the second sub-period, but not for the first or the overall time period. The estimated effect on European exports to China is larger than for the overall sample and amounts to 14.0% in the OLS Fixed Effects regression and 13.8% in the FGLS regression. Concerning the control variables, the coefficients on GDP and population size, where statistically significant, have positive signs as discussed for Table 1.1. In contrast to the worldwide sample, however, the coefficient on the bilateral exchange rate is negative and statistically significant in all regressions. Summing up to this point, empirical results consistently confirm that there is a trade-deteriorating effect caused by foreign officials receiving the Dalai Lama in 2002-

³⁶ $\exp(-0.133) - 1 = -12.5\%$

³⁷ We ran the same regression with product subgroups and found results in the first period (1991-2001) to be driven by exports from SITC group 9 ('Commodities and transactions not classified elsewhere in the SITC'). The negative significant effect of Dalai Lama meetings on exports vanishes when we exclude this group from the regression (Results available on request). [Not for publication: See appendix Table B1.] SITC product group 9 consists of 'Postal packages not classified according to kind', 'Special transactions and commodities not classified according to kind', 'Coin (other than gold coin), not being legal tender', and 'Gold, non-monetary (excluding gold ores and concentrates)'.

2008 (Hu Jintao era). In what follows, we thus restrict our analysis to this relevant time period.

In order to test Hypothesis 2, we run a modified version of the basic regression for the relevant time period (2002-2008), accounting for the different ranks of dignitaries met by the Dalai Lama. To this end, we include four dummy variables with increasingly broader definitions of dignitaries met. Furthermore, we include a dummy variable, which takes a value of 1 if the Dalai Lama travelled to the country – regardless of whether he was received by any dignitary. All dummy variables take a value of 1 if a event was registered in the current or previous year.

The regressions in columns 1 to 5 (OLS Fixed Effects) and 10 to 14 (FGLS) in Table 2 confirm our hypothesis that the trade deteriorations caused by Dalai Lama meetings are associated with the rank of the dignitary that receives the Tibetan leader. We find that meetings between the Dalai Lama and political leaders, defined as head of state or government, have the greatest significant negative impact on exports to China. Smaller, but still significant, effects are found when the definition of our variable of interest is extended to include government members and national officials, respectively. The effect is again smaller for the group including all dignitaries listed by the Office of the Dalai Lama. The corresponding coefficient is only significant at the 10% level in the FGLS regression and even becomes statistically insignificant in the OLS Fixed Effects regression. The coefficient on the dummy indicating the presence of the Dalai Lama in the country – irrespective of whether he was received by a dignitary – is statistically insignificant in both the OLS Fixed Effects and FGLS regression.

Since meetings with political leaders seem to have the highest impact, we test whether *additional* effects occur when the Dalai Lama is furthermore received by lower ranked dignitaries. As shown in columns 6 to 9 (OLS Fixed Effects) and columns 15 to 18 (FGLS), there is no additional effect for lower-ranked dignitaries meeting the Dalai Lama *in addition* to the effect found for political leaders. When controlling for receptions at the highest political level, each coefficient for meetings at a lower level is statistically insignificant.³⁸

Having shown that the trade-deteriorating effect is driven by meetings with heads of state or government, we focus on these meetings in the following regression analyses. Table 3 shows how the ‘Dalai Lama Effect’ evolves over time in an OLS Fixed Effects and in a FGLS regression framework (Hypothesis 3). In order to compare the effect of Dalai Lama meetings over time, we include separate dummy variables that take a value of 1 if the Tibetan leader is received by a political leader in the next year, current year, previous year, two years ago and three years ago, respectively. Starting again with the worldwide sample, we find statistically significant negative coefficients on the Dalai Lama dummies for the current and previous years. All other coefficients on the Dalai Lama variables are not statistically significant at conventional levels. We thus conclude that the trade-reducing impact of Dalai Lama meetings fades out over time, which confirms Hypothesis 3a. Turning to our smaller European sample, we find a similar pattern. The coefficient for Dalai Lama meetings in the current year is statistically significant at the 5% level, but the coefficient on the dummy for a Dalai Lama reception in the previous year loses significance in the OLS Fixed Effects regression, while retaining significance in the FGLS regression. In all four regressions in Table 3, we find positive coefficients on Dalai Lama

³⁸ When restricting our sample to European countries, a similar pattern emerges. Again we find the biggest effect for Dalai Lama meetings with political leaders. Again, the coefficients for Dalai Lama meetings with lower-ranked dignitaries are substantially smaller. In the OLS Fixed Effects regression, however, the size of the coefficient for a Dalai Lama meeting with any dignitary outperforms the size of the corresponding dummy restricted to government members or national officials. Results are available upon request. [Not for publication: See appendix Table B2.]

meetings, which took place two years ago. This is in line with the idea of a postponement of purchases from Dalai Lama-receiving countries (Hypothesis 3b). However, the respective coefficients are not statistically significant at conventional levels.

In the following analysis, we test whether the 'Dalai Lama Effect' differs among product groups in order to shed light on the channel via which the trade-deteriorating effect might operate (Hypothesis 4). As indicated in the first column of Table 4.1, the value of exports to China is especially concentrated among the following SITC product groups: 'Machinery and transport equipment' (41.0% of total exports to China), 'Manufactured goods classified chiefly by material' (13.3%), 'Chemicals and related products' (12.4%) and 'Crude materials, inedible, except fuels' (12.1%). The most important product group, 'Machinery and transport equipment', is expected to be closely associated with the state of political relations between countries as negotiations over the purchase of such goods are commonly carried out during the course of high-rank trade talks between national representatives and trade delegations. Running separate regressions for each SITC product group, Table 4.1 reports the full-sample results for the period 2002 to 2008. With the exception of 'Beverages and tobacco', the coefficients for all subgroups exhibit the expected negative sign in the OLS Fixed Effects and FGLS regressions. However, only SITC group 7, which incorporates 'Machinery and transport equipment', the most important product group, turns out to be statistically significant in both regression frameworks. In the FGLS setting, we furthermore find a statistically significant and negative coefficient for 'Food, live animals', 'Crude materials' and 'Mineral fuels'.

Table 4.2 reports our results when the regressions presented in Table 4.1 are repeated for European countries. Results are found to be more diverse in the European sample. In the OLS Fixed Effects regressions, we find negative and statistically significant results for the group of 'Food, live animals', 'Manufactured goods classified chiefly by material' and, once again, 'Machinery and transport equipment'. The coefficients for the remaining groups are found to be statistically insignificant. In the FGLS regressions, statistically significant effects are found for 'Mineral fuels', 'Chemicals', and 'Machinery and transport equipment'.

Therefore, the only product group for which we find a statistically significant negative effect for both samples and both estimation techniques is 'Machinery and transport equipment'. This result suggests that the 'Dalai Lama Effect' exists predominantly for those goods that are commonly sold in the course of high-level trade negotiations, which is in line with Hypothesis 4a. Our results lend at least weak support in favor of an indirect 'Dalai Lama Effect' through consumer behavior (Hypothesis 4b) since negative coefficients on Dalai Lama meetings are found for consumption goods, namely 'Food, live animals' and 'Miscellaneous manufactured articles'. However, in contrast to our predictions, there is at least some evidence that strategic goods such as 'Crude materials' and 'Mineral fuels' are not free from political influences, which casts doubts on Hypothesis 4c.

4.3 Robustness checks

In this section, we include three additional control variables to further test the robustness of our results. Again, our variable of interest is a dummy variable indicating whether the Dalai Lama is received by a head of state or head of government in the current or previous period. Table 5.1 presents the results for the worldwide sample and Table 5.2 shows the corresponding results when our sample is restricted to cover only European

countries. For the reader's convenience, we also show the results of our baseline regressions from Table 2 in column 1 (OLS Fixed Effects) and column 5 (FGLS).

In a first step, we assess the effect of partner countries' export orientation on exports to China. While time-invariant country characteristics are captured by the country fixed effects, changes in export orientation across time are not accounted for in our baseline model. We hypothesize that exports to China grow over time when a partner country's export orientation increases. The export orientation of China's trading partners is measured as the total exports to all countries except China as a share of GDP. Trade data is again retrieved from UN COMTRADE and GDP data comes from World Development Indicators (World Bank 2009). Starting with the worldwide sample, the effect of export orientation is found to be insignificant in the OLS Fixed Effects regression (column 2). However, in the FGLS estimation, the coefficient is significant at the one percent level and correctly signed (column 5). In both cases, the coefficient on our variable of interest is stable and remains significant at the five percent level. Table 5.2 also shows the regression results when restricting our sample to European countries. Again, a statistically significant positive effect for export orientation is found in the FGLS regression presented in column 6, but not in the OLS Fixed Effects regression in column 2. The coefficient on the variable of interest remains virtually the same, irrespective of the estimation technique employed.

As a second control variable, we add the log of the trade-weighted bilateral tariff rate to our baseline model in order to account for tariff barriers to trade between each country and China. Tariff data is taken from the Trade Analysis and Information System (TRAINS), maintained by UNCTAD. In both regression frameworks, the coefficient on the dummy variable for the reception of the Dalai Lama by a political leader is robust to the inclusion of tariff rates. While the tariff coefficient is found to be negative, as is in line with theory, it is only significant in the FGLS estimation (Table 5.1). The addition of tariff rates increases the absolute size of the coefficient on the Dalai Lama variable in the FGLS framework (column 7) and leaves the coefficient in the OLS Fixed Effects setting virtually unchanged (column 3). In both cases, the coefficient remains significant at the ten percent level. A comparable pattern is found when we restrict our sample to European countries (Table 5.2), although the coefficient on the tariff rate then also becomes statistically significant in the OLS Fixed Effects regression.

The third additional control variable aims to account for the effect of political friendship or hostility on trade with China. A frequently used measure for the extent of bilateral friendship is the degree to which countries vote in line with each other in the United Nations General Assembly (UNGA). The measure, though it has its drawbacks, also has the advantage that it is available for virtually every country in the world over a long time period. We construct a variable for capturing the voting coincidence at the assembly using the same method as Barro and Lee (2005) and Dreher, Nunnenkamp und Thiele (2008).³⁹ Therefore, our indicator of friendship with China is the number of times that a trading partner had exactly the same voting behavior as China as a fraction of all voting instances. That is, either both countries vote 'yes', both vote 'no', both abstain or both are absent. The regressions in columns 4 and 8 in Table 5.1 show that greater amity with China seems to promote trade, but that the effect is only statistically significant in the FGLS regression and has a negligible impact on the size of the Dalai Lama dummy variable. In the European sample, however, the UNGA voting alignment is highly

³⁹ The UNGA roll-call voting data is made available by Voeten and Merdzanovic (2009). We thank Axel Dreher for providing us with a Stata do-file to process the data.

insignificant and its inclusion has again no considerable impact on our variable of interest (columns 4 and 8 in Table 5.2).

5. Endogeneity

Analogue to the reverse causal relationship between trade and military conflicts (e.g., Glick and Taylor 2005), the precise nature of the causal link between diplomatic conflicts and trade is unclear. On the one hand, we hypothesize that receiving the Dalai Lama leads to reduced exports to China. On the other hand, stronger commercial ties might also make it less likely that a political leader invites the Tibetan head of government-in-exile in the first place. There are good reasons to believe that a country is more reluctant to receive the Buddhist leader if it has a well-established trade relationship with China, which it does not want to jeopardize. In addition to this reverse causality problem, third variables might be omitted that impact on both Dalai Lama meetings and exports to China.

We employ a Two-Stage-Least-Squares (2SLS) model to account for the potential endogeneity of Dalai Lama meetings. The crucial point in a 2SLS regression framework is the choice of an appropriate instrument, which explains sufficiently well Dalai Lama meetings with political leaders, but is uncorrelated with the error term in the second stage regression. According to the exclusion restriction, an appropriate instrument should not affect exports to China through channels other than the potentially endogenous variable, i.e., the dummy for Dalai Lama receptions. In other words, an appropriate instrument should have no direct influence on exports to China.

In order to find suitable instruments, one needs to get a better understanding of the Dalai Lama's travel behavior. According to the Dalai Lama himself, most visits abroad follow from invitations from Tibetan and Buddhist communities (Gyatso 1990). During his stays abroad, the Dalai Lama gives lectures and religious speeches and meets local Buddhist communities. While most meetings with lower-ranked dignitaries are scheduled long in advance, it is usually unclear some weeks or even days before the Dalai Lama embarks on a journey, whether he will be received by high-ranked officials.⁴⁰ In some cases, the head of state or government just "drops in" while the Dalai Lama is being received by a lower-ranked government member. The political leader's decision process of whether to receive the Dalai Lama or not is usually accompanied by discussions in the media and demands from pro-Tibet lobby groups.

We employ the following three instruments in an attempt to control for endogeneity: The first instrument is the binary dummy variable discussed above, which takes a value of 1 if the Dalai Lama travelled to a partner country in a given year. The underlying idea is that the Tibetan leader is more likely to meet with officials in those years in which he travels to their respective partner countries. Most meetings with foreign dignitaries take place in the dignitary's own country, although Dalai Lama meetings have also occurred in third-party countries such as when French president Nicolas Sarkozy met with the Dalai Lama in Poland in 2008. As outlined above, the Dalai Lama usually fixes his travel itinerary based on invitations from Buddhist or Tibetan communities to give teachings and public talks. Since his travel plans do generally not follow invitations from political leaders, we assume that our instrument is exogenous. The validity of the instrument is further supported by the empirical results in Table 2, which shows that Dalai Lama travels do not have a statistically significant direct effect on exports to China.

⁴⁰ For example, shortly before the Dalai Lama's arrival in Italy, Prime Minister Silvio Berlusconi left open whether he would accept the invitation of the Italian Parliamentary Group for Tibet to meet with the Tibetan leader. Finally, he refused the invitation. In the fore-run of a trip to Mongolia in 2006, it remained unclear whether or not the Dalai Lama would be received by President Nambaryn Enkhbayar during his stay in the country. In the end, no meeting was scheduled. In a similar manner, the encounter of the Austrian chancellor Alfred Gusenbauer in 2007 was made public one day before the actual meeting took place.

Our second instrument is the number of days that the Dalai Lama spent in a partner country. We hypothesize that the longer the duration of the Dalai Lama's stay in a country, the greater will be the public awareness of his presence in the country, the more intense will be the public discussion regarding his potential official reception, and the greater will be the pressure on political leaders to receive him.

As a third instrument, we use the number of Tibet Support Groups (TSG) in a trading partner country to control for the potential endogeneity of Dalai Lama meetings. Tibet Support Groups (TSG) are non-governmental organizations formed voluntarily and maintained by private individuals with the aim of rallying regional, national, or international awareness of and support for the Tibet issue, depending on the size of the organization. TSGs work independently from the Central Tibetan Administration and act as non-profit organizations that are open to any individuals willing to join the pro-Tibet movement. The larger the pro-Tibetan network in a partner country, the more inclined the political leader might be to receive the Dalai Lama in order to satisfy the demands of these pressure groups. Moreover, the number of TSGs may serve as a proxy for the extent to which a country's population is interested in the Tibet issue.

The dataset on the number of TSGs was established based on a list of pro-Tibet movements that was released by the Central Tibetan Administration in exile.⁴¹ We construct a time series by collecting information on the year of foundation of each TSG to account for the evolution of the pro-Tibet movement over time. In order to get information for those TSGs that do not provide this information on their homepage, we conducted a survey via e-mail and fax. Using this approach, we obtained information on the founding year for about 53.8% of all listed 295 organizations. Unfortunately, insufficient information is available on the number of members of each group so that we cannot account for differences in size between Tibet NGOs. Figure 5 plots a map showing the geographical distribution of Tibet Support Groups in 2008. With 31 recorded organizations, the most TSGs in our sample are located in France, followed by the United States with 20 Tibet NGOs.

The first stage results of our 2SLS estimation approach (not displayed [Not for publication: see appendix Table B3]) are in line with our expectations: the likelihood that a political leader meets the Dalai Lama increases when the Tibetan head of government in exile travels to the leader's country, increases with the duration of the visit and also increases with the number of Tibet Support Groups in the partner country. The Angrist-Pischke test of excluded instruments displayed in Table 6 generally underlines the relevance of the instruments selected in the first stage. Only in the smaller European sample does the F statistic fall below the critical rule of thumb value of 10 (Staiger and Stock 1997).

The regressions in columns 1 to 5 of Table 6 show the results for the second stage regressions of our 2SLS approach.⁴² Again, we present results for the relevant time period (2002-2008). Starting with the worldwide sample (column 1), the coefficient on the dummy variable indicating whether the Dalai Lama was received by a head of state or head of government in the current or previous year is negative and statistically significant, i.e., we still find that Dalai Lama meetings have a trade-deteriorating effect when controlling for potential endogeneity. The coefficient is somewhat larger than in the OLS Fixed Effects regression (Table 5.1, column 1). For the European subsample, displayed in column 2 of Table 6, the Dalai Lama coefficient is even significant at the one

⁴¹ www.tibet.net

⁴² All results are based on the enhanced Stata command `xtivreg2` (Schaffer 2005).

percent level and again is slightly larger than in the OLS Fixed Effects regression (Table 5.2, column 1).

In order to shed light on the timing of the ‘Dalai Lama Effect’, we include two dummy variables, the first taking a value of 1 if a Dalai Lama meeting took place in the current period and the second taking a value of 1 if the Dalai Lama was received in the previous period. The results in column 3 in Table 6 show that the coefficients for both dummy variables have the expected negative signs and are significant at the ten percent level. Tests for overidentification (Hansen J) and tests for underidentification (Kleinbergen Paap LM test) also confirm the validity of our instruments. Even though the 2SLS regression results support our previous results, the test for endogeneity does not reject the null hypothesis of exogeneity of the Dalai Lama dummy. Consequently, the OLS Fixed Effects estimates discussed in Section 5 are more efficient than the 2SLS estimates.

Since trade relationships are persistent over time, we now proceed to include lagged exports as an additional explanatory variable in order to explain current exports to China as a function of past export values. Established commercial ties and signed contracts mean that exports evolve with inertia. In line with this, column 4 of Table 6 reports the expected positive significant coefficient on lagged exports to China. Interestingly, the Dalai Lama dummy indicating a meeting with a political leader in the previous period becomes insignificant once we include the lagged exports variable. Arguably, the ‘Dalai Lama Effect’ of meetings in the previous period is already (partially) captured in the lagged export variable. However, the dummy variable indicating a reception of the Tibetan leader in the current period remains statistically significant as expected. In column 5, we therefore exclude the dummy variable indicating a Dalai Lama meeting in the previous period. The coefficients on the remaining variables remain virtually unchanged.

It is possible that the lagged exports variable may be endogenous in this particular setting, which could lead to biased results. Unobserved panel level effects may be correlated with lagged exports, thereby making the 2SLS estimator inconsistent. Therefore, we employ a dynamic regression framework that allows us to additionally control for endogeneity problems linked to the inclusion of the lagged export variable. The regressions in columns 6 to 8 present our results when applying a System GMM estimator, which incorporates equations in first differences and in levels. Since we have a small T in our setting (T=7), we employ the Windmeijer correction to obtain corrected standard errors, which are larger and much more reliable in finite samples. Furthermore, we include time fixed effects and employ the same external instruments as in the 2SLS regression framework discussed above. To limit the number of instruments, the matrix of instruments is collapsed as proposed in Roodman (2006).

The regression in column 6 shows the GMM results for the worldwide sample.⁴³ The estimated coefficient on Dalai Lama meetings is negative, statistically significant at the 5% level, and of similar size as the corresponding value in the 2SLS setting. The coefficient on the lagged exports variable has the expected positive sign and is statistically significant at the five percent level. As a final robustness check, we exclude France in column 7 and India in column 8 from our sample, since both countries show extreme values in the distribution of our instrumental variables. France is by far the country with the most Tibet Support Groups (31 in our sample). India, in turn, is the country that experiences the longest Dalai Lama visits (up to 124 days per year). Nevertheless, when separately excluding the two countries from the GMM regression,

⁴³ All results are based on the enhanced Stata command `xtabond2` (Roodman 2003).

our variable of interest remains statistically significant at the five percent level (columns 7 and 8). We therefore conclude that our results are not driven by these outliers.

6. Conclusion

The article contributes to the literature on the link between bilateral political relations and international trade through an assessment of the importance of the state of bilateral relations for trade with China. The Chinese administration frequently threatens, in a more-or-less open manner, that meetings between its trading partners' officials and the Dalai Lama will be met with animosity and lead to subsequent deterioration in their trade relationships. Such an effect might operate directly through government intervention, notably through a reduction of trade deals, or indirectly through repercussions on consumer behavior. Using data on the travel pattern of the Dalai Lama, we run a gravity model of exports to China from 159 partner countries in 1991-2008 to test for political influences on China's trading decisions. All models are estimated using OLS Fixed Effects with clustered standard errors and Feasible Generalized Least Squares (FGLS) with a common AR(1) term. In order to account for the potential endogeneity of meetings with the Dalai Lama, the number of Tibet Support Groups and the travel pattern of the Buddhist leader are used as instruments in 2SLS and GMM regressions.

Empirical evidence confirms the existence of such a trade-deteriorating effect of Dalai Lama receptions for the Hu Jintao era. However, we find at best weak evidence to support the existence of such an effect in earlier years. While our results suggest that systematic trade reductions are only caused by meetings with heads of state or government, no additional impact is found for meetings between the Dalai Lama and lower-ranking officials. As a consequence of a political leader's reception of the Dalai Lama in the current or previous period, exports to China are found to decrease by 8.1% or 16.9%, depending on the estimation technique used. Furthermore, we find that this effect will have disappeared two years after a meeting took place. Analyzing disaggregated export data, 'Machinery and transport equipment' is found to be the only product group with a consistent negative effect across samples and estimation techniques.

In conclusion, we find strong evidence that bilateral political relations matter for trade with China. Chinese trade relations are not free of political biases and the country seems to use trade as a foreign policy tool. While political leaders should be aware of potential export losses when receiving the Dalai Lama, not meeting with him is not the only inevitable policy conclusion in order to safeguard commercial interests. Internationally coordinated receptions of the Dalai Lama by political leaders or even joint meetings are a possibility to reconcile economic interests with the demands to receive the Tibetan leader. Such a strategy may reduce China's scope to play one trading partner off against another. Nonetheless, with the increasing economic power of China and other emerging countries, the (ab)use of trade ties as a foreign policy tool is likely to gain in importance.

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Table 1.1 Hypothesis 1: Exports to China and Dalai Lama meetings of government members (all countries)

	OLS Fixed Effects			FGLS AR(1)		
	1991-2008	1991-2001	2002-2008	1991-2008	1991-2001	2002-2008
DL meets government member	-0.104 [0.288]	-0.101 [0.355]	-0.133** [0.027]	-0.079** [0.021]	-0.060* [0.067]	-0.059** [0.011]
Log of GDP	0.598** [0.019]	0.819** [0.040]	-0.007 [0.981]	0.199** [0.010]	0.312*** [0.004]	0.382*** [0.000]
Log of population	3.643*** [0.002]	2.809 [0.104]	3.411** [0.035]	0.498*** [0.001]	0.270 [0.179]	2.689*** [0.000]
Log of exchange rate	-0.047 [0.617]	-0.058 [0.598]	0.158 [0.357]	0.042* [0.084]	-0.024 [0.407]	0.270*** [0.000]
R squared	0.444	0.129	0.280			
Observations	2062	1142	912	2062	1142	912
Number of countries	159	148	151	159	148	151

Note: All regressions with country and time fixed effects.

Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%

Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries.

FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

Table 1.2 Hypothesis 1: Exports to China and Dalai Lama meetings of government members (European countries)

	OLS Fixed Effects			FGLS AR(1)		
	1991-2008	1991-2001	2002-2008	1991-2008	1991-2001	2002-2008
DL meets government member	-0.034 [0.765]	0.014 [0.929]	-0.151** [0.048]	-0.033 [0.415]	-0.026 [0.571]	-0.148*** [0.002]
Log of GDP	1.245*** [0.002]	-0.185 [0.714]	0.149 [0.805]	0.560*** [0.001]	-0.050 [0.825]	0.502*** [0.002]
Log of population	5.010** [0.037]	5.834 [0.404]	2.830 [0.346]	-0.064 [0.808]	7.012*** [0.002]	0.157 [0.515]
Log of exchange rate	-0.537*** [0.000]	-0.496*** [0.000]	-1.897* [0.061]	-0.327*** [0.000]	-0.356*** [0.000]	-0.941*** [0.004]
R squared	0.550	0.215	0.472			
Observations	610	341	268	610	341	268
Number of countries	39	37	39	39	37	39

Note: All regressions with country and time fixed effects.

Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%

Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries.

FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

Table 2 Hypothesis 2: Exports to China and Dalai Lama meetings at various political levels (all countries, 2002-2008)

	OLS Fixed Effects									FGLS AR(1)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
DL meeting with																			
political leader	-0.185** [0.011]					-0.193* [0.068]	-0.177* [0.083]	-0.208** [0.043]	-0.207** [0.017]	-0.084*** [0.002]					-0.082** [0.029]	-0.069** [0.040]	-0.076** [0.021]	-0.082*** [0.006]	
government member		-0.133** [0.027]				0.010 [0.906]					-0.059** [0.011]				-0.003 [0.927]				
national official			-0.128** [0.029]					-0.009 [0.904]					-0.057** [0.013]				-0.019 [0.476]		
all dignitaries				-0.086 [0.169]				0.028 [0.745]					-0.047** [0.027]					-0.013 [0.599]	
DL visits country					-0.058 [0.311]				0.033 [0.617]					-0.039* [0.062]					-0.013 [0.559]
Log of GDP	-0.031 [0.920]	-0.007 [0.981]	-0.006 [0.984]	-0.005 [0.988]	0.009 [0.976]	-0.032 [0.919]	-0.030 [0.922]	-0.032 [0.918]	-0.036 [0.908]	0.351*** [0.000]	0.382*** [0.000]	0.386*** [0.000]	0.386*** [0.000]	0.402*** [0.000]	0.352*** [0.000]	0.357*** [0.000]	0.354*** [0.000]	0.355*** [0.000]	
Log of population	3.433** [0.033]	3.411** [0.035]	3.403** [0.035]	3.396** [0.036]	3.369** [0.037]	3.432** [0.033]	3.434** [0.033]	3.423** [0.033]	3.421** [0.033]	2.666*** [0.000]	2.689*** [0.000]	2.669*** [0.000]	2.679*** [0.000]	2.657*** [0.000]	2.667*** [0.000]	2.659*** [0.000]	2.688*** [0.000]	2.685*** [0.000]	
Log of exchange rate	0.151 [0.380]	0.158 [0.357]	0.157 [0.359]	0.158 [0.359]	0.165 [0.337]	0.150 [0.380]	0.151 [0.380]	0.151 [0.379]	0.149 [0.386]	0.268*** [0.000]	0.270*** [0.000]	0.269*** [0.000]	0.268*** [0.000]	0.281*** [0.000]	0.268*** [0.000]	0.265*** [0.000]	0.266*** [0.000]	0.269*** [0.000]	
R squared	0.280	0.280	0.280	0.279	0.279	0.280	0.280	0.280	0.280										
Observations	912	912	912	912	912	912	912	912	912	912	912	912	912	912	912	912	912	912	
Number of Countries	151	151	151	151	151	151	151	151	151	151	151	151	151	151	151	151	151	151	

Note: All regressions with country and time fixed effects. - Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%
Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries. - FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

Table 3 Hypothesis 3: Exports to China and Dalai Lama meetings of political leaders (time-event specification, 2002-2008)

	OLS Fixed Effects		FGLS AR(1)	
	World	Europe	World	Europe
DL met leader in t+1	-0.113 [0.203]	-0.119 [0.133]	-0.044 [0.155]	-0.059 [0.447]
DL met leader in t	-0.189** [0.011]	-0.220** [0.023]	-0.105*** [0.001]	-0.167** [0.022]
DL met leader in t-1	-0.192** [0.031]	-0.195 [0.161]	-0.087** [0.023]	-0.333*** [0.000]
DL met leader in t-2	0.061 [0.441]	0.161 [0.260]	0.009 [0.827]	0.065 [0.354]
DL met leader in t-3	-0.019 [0.778]	0.019 [0.860]	-0.016 [0.611]	-0.059 [0.330]
Log of GDP	-0.033 [0.914]	0.068 [0.912]	0.341*** [0.000]	0.375** [0.023]
Log of population	3.368** [0.042]	2.603 [0.368]	2.577*** [0.000]	0.346 [0.168]
Log of exchange rate	0.145 [0.399]	-1.946* [0.063]	0.266*** [0.000]	-0.881*** [0.007]
R squared	0.281	0.477		
Observations	912	268	912	268
Number of Countries	151	39	151	39

Note: All regressions with country and time fixed effects.

Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%

Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries.

FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

Table 4.1 Hypothesis 4: Exports to China and Dalai Lama meetings of political leaders (by SITC product groups, all countries, 2002-2008)

Product Group (SITC)	% trade	World 2002-2008				Obs.	Countries
		OLS Fixed Effects	FGLS AR(1)				
Food, live animals (0)	1.7%	-0.197	[0.283]	-0.107*	[0.075]	710	124
Beverages and Tobacco (1)	0.2%	0.181	[0.545]	0.115	[0.319]	467	91
Crude materials, inedible, except fuels (2)	12.1%	-0.140	[0.328]	-0.116***	[0.003]	840	140
Mineral fuels, lubricants and related materials (3)	7.8%	-0.432	[0.275]	-0.352***	[0.000]	481	84
Animal and vegetable oils, fats and waxes (4)	1.0%	-0.206	[0.661]	-0.046	[0.620]	349	69
Chemicals and related products, n.e.s. (5)	12.4%	-0.096	[0.593]	-0.049	[0.194]	722	125
Manufactured goods classified chiefly by material (6)	13.3%	-0.031	[0.874]	-0.032	[0.499]	800	132
Machinery and transport equipment (7)	41.0%	-0.605***	[0.000]	-0.359***	[0.000]	756	129
Miscellaneous manufactured articles (8)	7.3%	-0.232	[0.291]	-0.105*	[0.054]	754	128
Commodities and transactions not classified elsewhere (9)	2.2%	-0.294	[0.324]	-0.037	[0.675]	504	100

Note: All regressions with country and time fixed effects.

Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%

Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries.

FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

% trade denotes the average share of each SITC product group in total exports to China in 2002-2008

Table 4.2 Hypothesis 4: Exports to China and Dalai Lama meetings of political leaders (by SITC product groups, European countries, 2002-2008)

Product Group (SITC)	% trade	Europe 2002-2008				Obs.	Countries
		OLS Fixed Effects	FGLS AR(1)				
Food, live animals (0)	1.3%	-0.448*	[0.062]	-0.112	[0.226]	222	35
Beverages and Tobacco (1)	0.3%	0.165	[0.718]	0.296	[0.140]	202	34
Crude materials, inedible, except fuels (2)	5.8%	0.051	[0.747]	-0.091	[0.178]	258	39
Mineral fuels, lubricants and related materials (3)	0.9%	-0.132	[0.695]	-0.323**	[0.015]	201	31
Animal and vegetable oils, fats and waxes (4)	0.0%	-0.262	[0.732]	0.040	[0.862]	144	27
Chemicals and related products, n.e.s. (5)	9.8%	0.008	[0.967]	-0.132**	[0.017]	253	39
Manufactured goods classified chiefly by material (6)	13.0%	-0.441*	[0.065]	-0.123	[0.160]	257	39
Machinery and transport equipment (7)	57.5%	-0.502***	[0.009]	-0.361***	[0.000]	266	39
Miscellaneous manufactured articles (8)	6.9%	-0.283	[0.145]	-0.092	[0.132]	266	39
Commodities and transactions not classified elsewhere (9)	3.6%	0.091	[0.727]	0.096	[0.525]	189	32

Note: All regressions with country and time fixed effects.

Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%

Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries.

FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

% trade denotes the average share of each SITC product group in total exports to China in 2002-2008

Table 5.1 Robustness Checks: Exports to China and Dalai Lama meetings of political leaders (all countries, 2002-2008)

	World 2002-2008							
	OLS Fixed Effects				FGLS AR(1)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
DL meets political leader	-0.185** [0.011]	-0.189** [0.013]	-0.183** [0.013]	-0.180** [0.015]	-0.084*** [0.002]	-0.076** [0.010]	-0.095*** [0.002]	-0.095*** [0.001]
Log of GDP	-0.031 [0.920]	-0.049 [0.863]	-0.171 [0.593]	-0.038 [0.900]	0.351*** [0.000]	0.301*** [0.000]	0.207*** [0.007]	0.328*** [0.000]
Log of population	3.433** [0.033]	3.273* [0.052]	3.098* [0.053]	3.348** [0.030]	2.666*** [0.000]	3.444*** [0.000]	2.063*** [0.000]	2.673*** [0.000]
Log of exchange rate	0.151 [0.380]	0.021 [0.914]	0.094 [0.593]	0.121 [0.491]	0.268*** [0.000]	0.138** [0.027]	0.185** [0.016]	0.263*** [0.000]
Other exports / GDP		0.028 [0.150]				0.021*** [0.000]		
Log of tariff rate			-0.029 [0.765]				-0.064*** [0.000]	
UNGA voting alignment				0.020 [0.208]				0.007** [0.035]
R squared	0.280	0.294	0.296	0.284				
Observations	912	906	887	912	912	906	887	912
Number of countries	151	150	148	151	151	150	148	151

Note: All regressions with country and time fixed effects.

Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%

Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries.

FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

Table 5.2 Robustness Checks: Exports to China and Dalai Lama meetings of political leaders (European countries, 2002-2008)

	Europe 2002-2008							
	OLS Fixed Effects				FGLS AR(1)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
DL meets political leader	-0.236** [0.016]	-0.234** [0.014]	-0.232** [0.014]	-0.237** [0.016]	-0.262*** [0.000]	-0.250*** [0.000]	-0.233*** [0.000]	-0.263*** [0.000]
Log of GDP	0.070 [0.909]	0.002 [0.997]	-0.093 [0.870]	0.057 [0.928]	0.367** [0.021]	0.349** [0.031]	0.378** [0.018]	0.374** [0.020]
Log of population	2.816 [0.349]	2.725 [0.372]	1.052 [0.740]	2.806 [0.352]	0.359 [0.139]	0.386 [0.118]	0.345 [0.155]	0.296 [0.241]
Log of exchange rate	-1.867* [0.064]	-1.999* [0.079]	-1.495* [0.070]	-1.867* [0.066]	-0.868*** [0.007]	-0.747** [0.026]	-0.704** [0.030]	-0.865*** [0.008]
Other exports / GDP		-0.004 [0.782]				0.012** [0.022]		
Log of tariff rate			-0.389** [0.024]				-0.226*** [0.002]	
UNGA voting alignment				-0.004 [0.932]				0.012 [0.414]
R squared	0.475	0.476	0.528	0.475				
Observations	268	262	268	268	268	262	268	268
Number of countries	39	38	39	39	39	38	39	39

Note: All regressions with country and time fixed effects.

Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%

Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries.

FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

Table 6 Endogeneity: Exports to China and Dalai Lama meetings of political leaders (2002-2008)

	2SLS			GMM				
	World (1)	Europe (2)	World (3)	World (4)	World (5)	World (6)	w/o FRA (7)	w/o IND (8)
DL meets political leader in t or t-1	-0.229* [0.052]	-0.271*** [0.007]						
DL meets political leader in t			-0.202* [0.063]	-0.211* [0.057]	-0.195* [0.063]	-0.209** [0.019]	-0.245** [0.022]	-0.170** [0.027]
DL meets political leader in t-1			-0.221* [0.082]	-0.171 [0.134]				
Log of exports (t-1)				0.197** [0.024]	0.198** [0.023]	0.364*** [0.010]	0.371** [0.013]	0.358** [0.012]
Log of GDP	-0.041 [0.896]	0.056 [0.925]	-0.040 [0.897]	0.064 [0.822]	0.089 [0.750]	0.834*** [0.000]	0.822*** [0.000]	0.824*** [0.000]
Log of population	3.458** [0.031]	2.85 [0.350]	3.447** [0.032]	3.505*** [0.009]	3.401** [0.011]	0.108* [0.076]	0.130* [0.095]	0.137 [0.111]
Log of exchange rate	0.147 [0.391]	-1.863* [0.062]	0.147 [0.391]	0.130 [0.410]	0.138 [0.381]	0.194 [0.310]	0.189 [0.326]	0.257 [0.204]
Angrist-Pischke F test (Test of excluded instruments)	12.69 [0.000]	6.95 [0.000]	23.90/15.40 [0.000/0.000]	23.55/15.32 [0.000/0.000]	29.12 [0.000]			
Hansen J (Overidentification test)	1.610 [0.807]	3.543 [0.471]	1.432 [0.698]	0.185 [0.980]	0.236 [0.889]	44.16 [0.631]	40.44 [0.773]	44.53 [0.575]
Kleinbergen Paap LM test (Underidentification test)	22.40 [0.000]	15.36 [0.009]	21.13 [0.000]	21.17 [0.000]	19.61 [0.000]			
Endogeneity test	0.082 [0.774]	0.011 [0.917]	0.073 [0.964]	1.131 [0.568]	1.407 [0.236]			
Arellano-Bond test for AR1 in 1st differences						-2.559 [0.011]	-2.524 [0.012]	-2.559 [0.011]
Arellano-Bond test for AR2 in 1st differences						1.233 [0.218]	1.242 [0.214]	1.216 [0.224]
R squared	0.280	0.475	0.280	0.379	0.378			
Observations	912	268	912	863	863	870	863	863
Number of countries	151	39	151	142	142	149	148	148
Number of instruments	5	5	5	5	3	61	61	60

Note:

2SLS regressions with clustered standard errors, country and time fixed effects and instruments listed below.

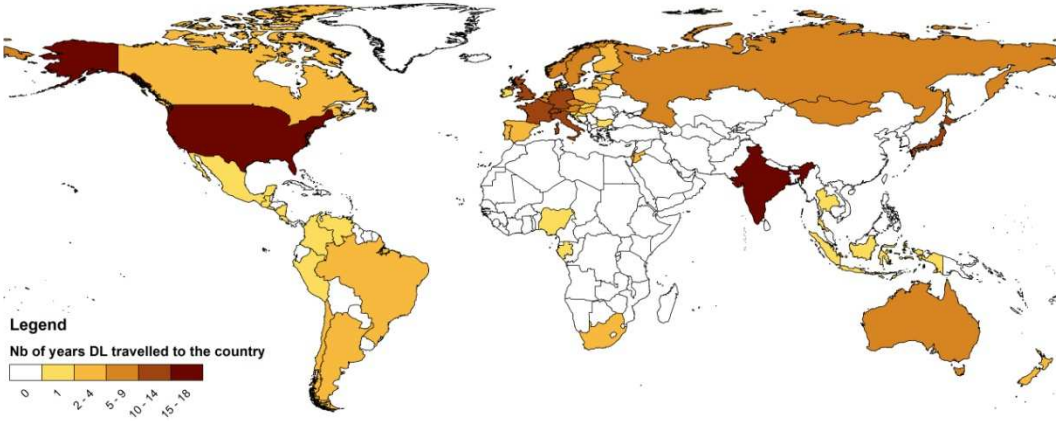
System GMM with fixed time effects, Windmeijer finite sample correction and external instruments listed below.

Instruments (1)-(4): Number of Tibet Support Groups (lagged), Dalai Lama visit dummy (current and lagged) and Duration of Dalai Lama visit (in days, current and lagged)

Instruments (5)-(8): Number of Tibet Support Groups (lagged), Dalai Lama visit dummy (current) and Duration of Dalai Lama visit (in days, current)

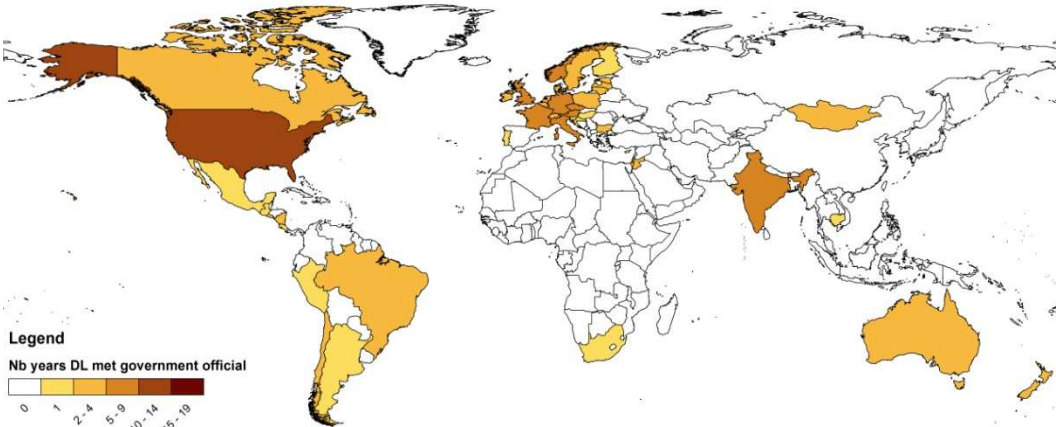
* significant at 10%; ** significant at 5%; *** significant at 1%

Figure 1 Geographic allocation of Dalai Lama visits (1991-2008)



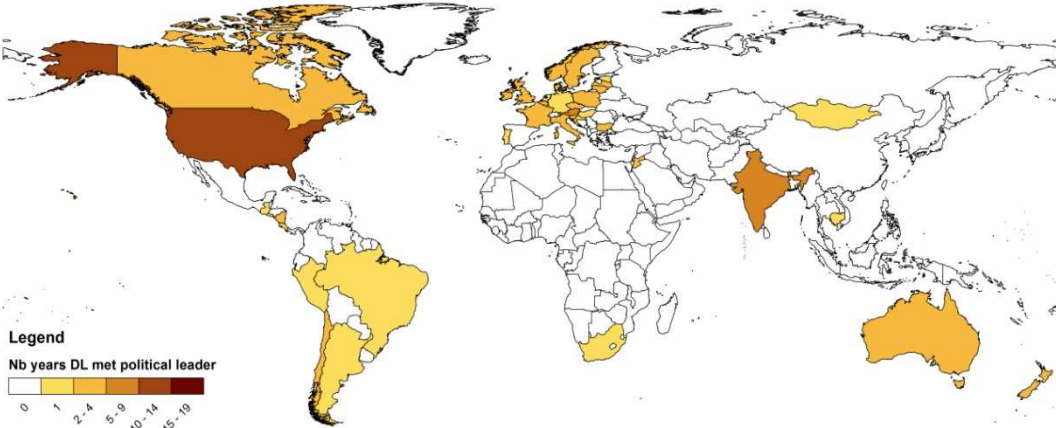
Source: Authors' calculations

Figure 2 Geographic allocation of Dalai Lama receptions by government official (1991-2008)



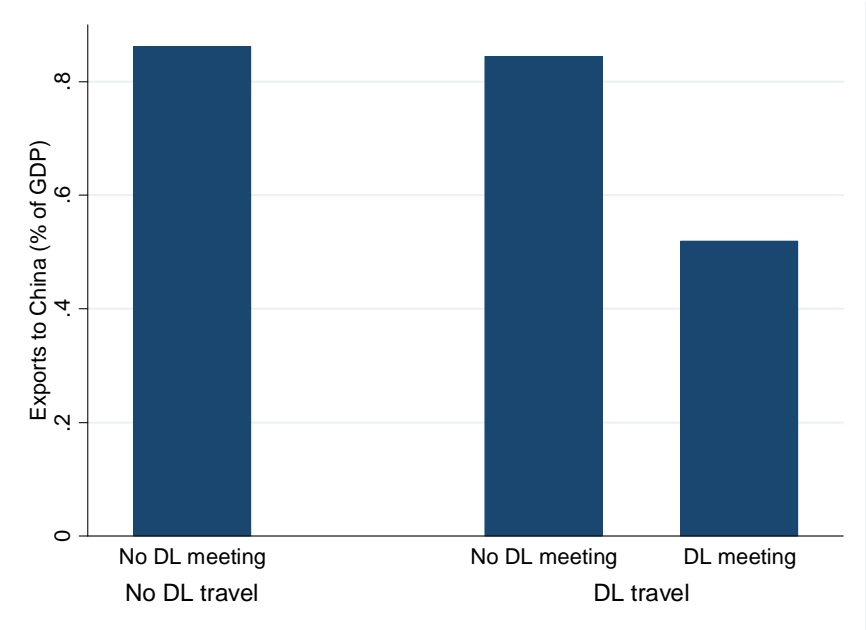
Source: Authors' calculations

Figure 3 Geographic allocation of Dalai Lama receptions by political leader (1991-2008)



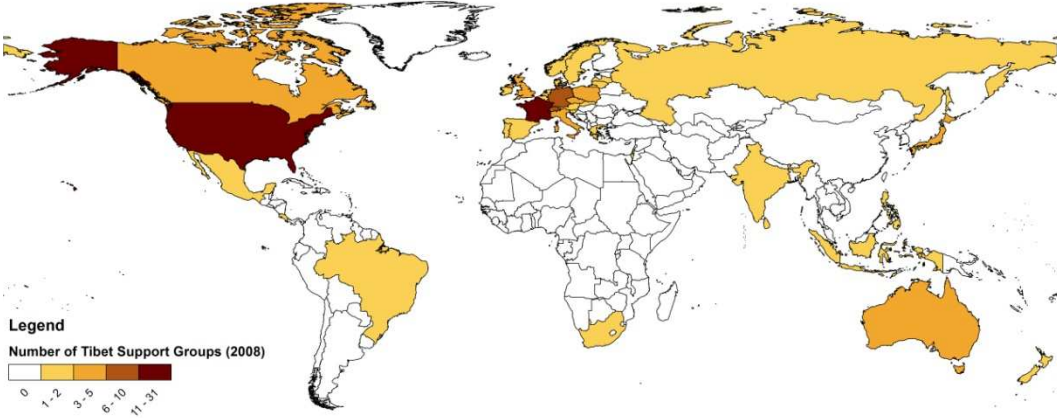
Source: Authors' calculations

Figure 4 Exports to China depending on meeting with political leader (1991-2008)



Source: Authors' calculations

Figure 5 Geographic allocation of Tibet Support Groups (2008)



Source: Authors' calculations

Table A1 Dalai Lama meetings ranked by dignitary met

Information on the dignitaries met by the Dalai Lama is obtained from the webpage of the Office of His Holiness the 14th Dalai Lama. Dignitaries are grouped into the following four categories:

Political Leaders

- Head of state, president, king, pope, acting president
- Head of government, prime minister, chancellor

Government Members

- All dignitaries listed under “Political Leaders”
- Vice president, vice chancellor
- Foreign minister
- Minister, member of government

National Officials

- All dignitaries listed under “Government Members”
- Speaker of parliament, (vice) president of parliament

All dignitaries

- All dignitaries listed under “National Officials”
- Former president, former prime minister, first lady
- Regional leader, governor, head of province
- Party leader, leader of parliamentary group
- Other religious leader, other royals
- Deputies, ambassadors, special envoys
- Nobel prize laureats, scientists

Table A2 Data description

Variable	Description	Data source
Total exports	Log of total exports to China in given year from partner country (SITC Rev. 3) (in US\$)	Comtrade via WITS
Food, life animals	Log of exports of Food, life animals in given year from partner country to China (SITC Group 0) (in US\$)	Comtrade via WITS
Beverages and Tobacco	Log of exports of Beverages and Tobacco in given year from partner country to China (SITC Group 1) (in US\$)	Comtrade via WITS
Crude materials, inedible, except fuels	Log of exports of Crude materials, inedible, except fuels in given year from partner country to China (SITC Group 2) (in US\$)	Comtrade via WITS
Mineral fuels, lubricants and related materials	Log of exports of Mineral fuels, lubricants and related materials in given year from partner country to China (SITC Group 3) (in US\$)	Comtrade via WITS
Animal and vegetable oils, fats and waxes	Log of exports of Animal and vegetable oils, fats and waxes in given year from partner country to China (SITC Group 4) (in US\$)	Comtrade via WITS
Chemicals and related products, n.e.s.	Log of exports of Chemicals and related products, n.e.s. in given year from partner country to China (SITC Group 5) (in US\$)	Comtrade via WITS
Manufactured goods classified chiefly by material	Log of exports of Manufactured goods classified chiefly by material in given year from partner country to China (SITC Group 6) (in US\$)	Comtrade via WITS
Machinery and transport equipment	Log of exports of Machinery and transport equipment in given year from partner country to China (SITC Group 7) (in US\$)	Comtrade via WITS
Miscellaneous manufactured articles	Log of exports of Miscellaneous manufactured articles in given year from partner country to China (SITC Group 8) (in US\$)	Comtrade via WITS
Commodities and transactions not classified elsewhere in the SITC	Log of exports of Commodities and transactions not classified elsewhere in the SITC in given year from partner country to China (SITC Group 9) (in US\$)	Comtrade via WITS
Dalai Lama meeting	Binary dummy variable that is 1 if the Dalai Lama was received in partner country <ul style="list-style-type: none"> - By the head of state or head of government - By a member of government (additionally includes all ministers) - By a national official representative (additionally includes speakers of parliament) - By any dignitary listed by the Office of the Dalai Lama (additionally includes former heads of state or government, regional leaders, party leaders, scientists, special envoys and religious leaders, among others) 	Office of His Holiness the 14 th Dalai Lama
Dalai Lama visits country	Binary dummy variable that is 1 if the Dalai Lama travelled to partner country	Office of His Holiness the 14 th Dalai Lama
Duration of Dalai Lama visit	Number of days the Dalai Lama visited a partner country	Office of His Holiness the 14 th Dalai Lama

Tibet Support Groups	Number of Tibet Support Groups (TSG) in partner country and year (based on information on year of foundation of TSG)	Central Administration, research Tibetan own
Log of GDP	Log of gross domestic product of partner country in current US dollars	World Development Indicators
Log of population	Log of population size of partner country	World Development Indicators
Log of exchange rate	Log of nominal exchange rate index (local currency unit per Yuan) (2000=100), which is calculated as the ratio of the official exchange rate LCU per US\$ and the official exchange rate US\$ per Chinese yuan	World Development Indicators
Other exports / GDP	Total exports to all countries except China (as a share of GDP)	Comtrade via WITS
Log of tariff rate	Log of trade-weighted bilateral tariff rate	UNCTAD TRAINS via WITS
UNGA voting alignment	UNGA voting alignment with China (as in Dreher, Nunnenkamp and Thiele 2008)	Voeten and Merdzanovic (2009)

Note: All data is available for 1991-2008.

Table A3 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Exports to China (in million US\$)					
Total	2066	1780	7560	0	125000
Food, life animals	1564	53	156	0	2320
Beverages and Tobacco	963	9	37	0	451
Crude materials, inedible, except fuels	1770	267	1190	0	20500
Mineral fuels, lubricants and related materials	1028	278	979	0	11800
Animal and vegetable oils, fats and waxes	706	64	267	0	3900
Chemicals and related products, n.e.s.	1524	282	1230	0	17200
Manufactured goods classified chiefly by material	1768	286	1200	0	19700
Machinery and transport equipment	1649	919	4200	0	62900
Miscellaneous manufactured articles	1630	132	768	0	13900
Commodities and transactions not classified elsewhere	1042	82	445	0	7490
Variable of interest					
Dalai Lama meeting with political leader in t or t-1	2066	0.07	0.26	0	1
Dalai Lama meeting with government member in t or t-1	2066	0.11	0.31	0	1
Dalai Lama meeting with national official in t or t-1	2066	0.11	0.31	0	1
Dalai Lama meeting with all dignitaries in t or t-1	2066	0.12	0.33	0	1
Dalai Lama visits country in t or t-1	2066	0.16	0.37	0	1
Instruments					
Number of Tibet Support Groups	2066	0.79	2.83	0	31
Dalai Lama visit dummy	2066	0.10	0.30	0	1
Duration of Dalai Lama visit (in days)	2066	1.36	7.68	0	124
Controls					
GDP (in million US\$)	2066	282000	1060000	106	14200000
Population (in million)	2066	35	102	0	1140
Exchange rate (2000=100)	2066	1.28	11.45	0.00	508.66
Other exports / GDP	2053	27.15	20.74	0.31	176.26
Tariff rate	1983	11.80	11.62	0.00	95.50
UNGA voting alignment with China	2041	78.89	12.88	13.64	96.10

Table A4 List of countries

	Aruba	Albania	United Arab Emirates	Argentina	Armenia	Antigua and Barbuda	Australia	Austria	Azerbaijan	Burundi	Belgium	Benin	Burkina Faso	Bangladesh	Bulgaria	Bahrain	Bahamas, The	Bosnia and Herzegovina	Belarus	Belize	Bolivia	Brazil	Barbados	Brunei	Bhutan	Botswana	Central African Republic	Canada	Switzerland	Chile	Cote d'Ivoire	Cameroon	Congo, Rep.	Colombia	Costa Rica	Cyprus	Czech Republic	Germany	Denmark	Dominican Republic	Algeria	Egypt, Arab Rep.	Eritrea	Spain	Estonia	Ethiopia	Finland	Fiji	France	Gabon	United Kingdom	Georgia	Ghana	Guinea										
Nb of years DL travelled to country (1991-2008)	0	0	0	3	0	0	5	8	0	0	5	0	0	0	1	0	0	0	0	0	0	3	0	0	0	0	4	10	3	0	0	0	1	1	0	6	14	4	0	0	0	4	2	0	2	0	2	0	0	0														
Nb of years DL met with government member (1991-2008)	0	0	0	1	0	0	4	7	0	0	4	0	0	0	2	0	0	0	0	0	0	2	0	0	0	0	3	4	3	0	0	0	0	1	0	5	5	4	0	0	0	2	0	1	0	5	0	6	0	0														
Nb of years DL met with political leader (1991-2008)	0	0	0	1	0	0	3	5	0	0	4	0	0	0	2	0	0	0	0	0	0	1	0	0	0	0	2	0	2	0	0	0	0	1	0	4	1	2	0	0	0	0	1	0	0	0	3	0	3	0	0	0												
Nb of years DL travelled to country (2002-2008)	0	0	0	1	0	0	3	3	0	0	2	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	3	2	1	0	0	0	1	1	0	4	5	1	0	0	0	2	0	0	1	0	3	0	4	0	0													
Nb of years DL met with government member (2002-2008)	0	0	0	0	0	0	2	3	0	0	2	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	3	1	1	0	0	0	1	0	3	3	1	0	0	0	0	0	0	0	0	0	0	1	0	2	0	0	0											
Nb of years DL met with political leader (2002-2008)	0	0	0	0	0	0	1	2	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	1	0	2	1	1	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0										
Sum of days DL spent in country (2002-2008)	0	0	0	4	0	0	29	21	0	0	13	0	0	0	0	0	0	0	0	0	5	0	0	0	0	30	15	5	0	0	0	3	4	0	17	43	7	0	0	0	8	0	0	2	0	0	24	0	33	0	0	0	0											
Nb of Tibet Support Groups (2008)	0	0	0	0	0	0	29	21	0	0	2	0	0	0	0	0	0	0	0	0	1	0	0	0	0	30	7	0	0	0	0	0	4	0	17	43	7	0	0	0	2	0	0	2	0	0	31	0	5	0	0	0												
	Gambia, The	Greece	Grenada	Guatemala	Guyana	Honduras	Croatia	Hungary	Indonesia	India	Ireland	Iran, Islamic Rep.	Iceland	Israel	Italy	Jamaica	Jordan	Japan	Kazakhstan	Kenya	Kyrgyz Republic	Cambodia	St. Kitts and Nevis	Korea, Rep.	Kuwait	Lebanon	Libya	St. Lucia	Sri Lanka	Lesotho	Lithuania	Luxembourg	Latvia	Morocco	Moldova	Madagascar	Maldives	Mexico	Macedonia, FYR	Mali	Malta	Mongolia	Mozambique	Mauritania	Mauritius	Malawi	Malaysia	Namibia	New Caledonia	Niger	Nigeria	Nicaragua	Netherlands	Norway										
Nb of years DL travelled to country (1991-2008)	0	0	0	1	0	0	1	4	1	18	1	0	0	3	12	0	0	12	0	0	0	0	0	0	0	0	0	0	0	0	2	1	2	0	0	0	1	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	1	1	4	6								
Nb of years DL met with government member (1991-2008)	0	0	0	1	0	0	1	1	0	9	2	0	0	2	6	0	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	2	3	5							
Nb of years DL met with political leader (1991-2008)	0	0	0	1	0	0	1	1	0	7	0	0	0	1	5	0	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1	4							
Nb of years DL travelled to country (2002-2008)	0	0	0	1	0	0	1	0	0	7	0	0	0	0	2	0	3	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	2	0	0	0	0	0	0	0	1	0	0	1	0	0								
Nb of years DL met with government member (2002-2008)	0	0	0	1	0	0	1	0	0	4	0	0	0	0	3	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0						
Nb of years DL met with political leader (2002-2008)	0	0	0	1	0	0	1	0	0	2	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0				
Sum of days DL spent in country (2002-2008)	0	0	0	3	0	0	4	0	0	616	0	0	0	5	31	0	13	69	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	6	0	0	0	0	0	13	0	0	0	0	0	0	0	0	0	3	0	0	3	0							
Nb of Tibet Support Groups (2008)	0	1	0	0	0	0	0	0	1	2	1	0	0	1	3	0	0	3	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	2	0	0					
	Nepal	New Zealand	Oman	Pakistan	Panama	Peru	Philippines	Papua New Guinea	Poland	Portugal	Paraguay	French Polynesia	Qatar	Romania	Russian Federation	Rwanda	Saudi Arabia	Sudan	Senegal	Singapore	Solomon Islands	El Salvador	Yugoslavia	Suriname	Slovak Republic	Slovenia	Sweden	Swaziland	Seychelles	Syrian Arab Republic	Togo	Thailand	Turkmenistan	Tonga	Trinidad and Tobago	Tunisia	Turkey	Tanzania	Uganda	Ukraine	Uruguay	United States	St. Vincent and the G.	Venezuela	Vietnam	Vanuatu	Samoa	Yemen	South Africa	Zambia	Zimbabwe													
Nb of years DL travelled to country (1991-2008)	0	4	0	0	0	1	0	0	3	2	0	0	0	0	5	0	0	0	0	0	0	1	0	0	1	1	6	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	11	0	0	0	0	0	0	0	0	0	0	0	0	0								
Nb of years DL met with government member (1991-2008)	0	4	0	0	0	1	0	0	3	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Nb of years DL met with political leader (1991-2008)	0	4	0	0	0	1	0	0	3	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Nb of years DL travelled to country (2002-2008)	0	2	0	0	0	1	0	0	1	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Nb of years DL met with government member (2002-2008)	0	2	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Nb of years DL met with political leader (2002-2008)	0	2	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sum of days DL spent in country (2002-2008)	0	9	0	0	0	4	0	0	8	6	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Nb of Tibet Support Groups (2008)	0	1	0	0	0	0	1	0	4	1	0	0	0	0	2	0	0	0	0	0	0	0	0	0	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Table B1 Hypothesis 1: Exports to China (excluding SITC9) and Dalai Lama meetings of government members (all countries)

	OLS Fixed Effects			FGLS AR(1)		
	1991-2008	1991-2001	2002-2008	1991-2008	1991-2001	2002-2008
DL meets government member	-0.047 [0.589]	-0.008 [0.912]	-0.128** [0.032]	-0.063* [0.060]	-0.021 [0.489]	-0.056** [0.014]
Log of GDP	0.538** [0.032]	0.850** [0.032]	0.034 [0.914]	0.220*** [0.005]	0.358*** [0.001]	0.406*** [0.000]
Log of population	3.549*** [0.001]	3.074* [0.051]	3.409** [0.041]	0.465*** [0.001]	0.192 [0.331]	2.740*** [0.000]
Log of exchange rate	-0.089 [0.366]	-0.107 [0.336]	0.210 [0.241]	0.030 [0.294]	-0.058* [0.084]	0.305*** [0.000]
R squared	0.426	0.119	0.260			
Observations	2051	1132	911	2051	1132	911
Number of countries	159	147	151	159	147	151

Note: All regressions with country and time fixed effects.

Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%

Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries.

FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

Table B2 Hypothesis 2: Exports to China and Dalai Lama meetings at various political levels (European countries, 2002-2008)

	OLS Fixed Effects									FGLS AR(1)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
DL meeting with																			
political leader	-0.236** [0.016]					-0.283** [0.037]	-0.23 [0.104]	-0.18 [0.199]	-0.260** [0.041]	-0.262*** [0.000]					-0.265*** [0.002]	-0.228*** [0.003]	-0.208*** [0.004]	-0.254*** [0.000]	
government member		-0.151** [0.048]				0.054 [0.518]					-0.148*** [0.002]				0.007 [0.926]				
national official			-0.147** [0.037]				-0.009 [0.927]					-0.152*** [0.001]					-0.040 [0.506]		
all dignitaries				-0.176*** [0.008]				-0.07 [0.436]					-0.152*** [0.000]					-0.068 [0.209]	
DL visits country					-0.09 [0.122]				0.033 [0.664]					-0.087** [0.037]					-0.011 [0.831]
Log of GDP	0.070 [0.909]	0.149 [0.805]	0.146 [0.809]	0.154 [0.798]	0.173 [0.775]	0.056 [0.927]	0.071 [0.908]	0.089 [0.886]	0.057 [0.928]	0.367** [0.021]	0.502*** [0.002]	0.516*** [0.001]	0.495*** [0.002]	0.508*** [0.001]	0.362** [0.025]	0.379** [0.018]	0.382** [0.015]	0.372** [0.022]	
Log of population	2.816 [0.349]	2.830 [0.346]	2.765 [0.358]	3.058 [0.306]	2.755 [0.360]	2.775 [0.355]	2.820 [0.349]	2.950 [0.329]	2.776 [0.359]	0.359 [0.139]	0.157 [0.515]	0.136 [0.573]	0.167 [0.485]	0.150 [0.535]	0.367 [0.136]	0.341 [0.162]	0.336 [0.162]	0.351 [0.156]	
Log of exchange rate	-1.867* [0.064]	-1.897* [0.061]	-1.913* [0.060]	-1.920* [0.058]	-1.904* [0.062]	-1.861* [0.064]	-1.869* [0.064]	-1.884* [0.063]	-1.860* [0.065]	-0.868*** [0.007]	-0.941*** [0.004]	-0.957*** [0.003]	-0.971*** [0.002]	-0.858*** [0.007]	-0.857*** [0.008]	-0.885*** [0.006]	-0.905*** [0.005]	-0.886*** [0.006]	
R squared	0.475	0.472	0.472	0.474	0.471	0.475	0.475	0.475	0.475										
Observations	268	268	268	268	268	268	268	268	268	268	268	268	268	268	268	268	268	268	268
Number of Countries	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39

Note: All regressions with country and time fixed effects. - Robust p values in brackets; * significant at 10%; ** significant at 5%; *** significant at 1%
Standard errors in OLS Fixed Effects regressions are adjusted for clustering across partner countries. - FGLS regressions are corrected for cross-sectional heteroskedasticity across panels and first order autocorrelation.

Table B3 First stage results for 2SLS regressions: Dalai Lama meetings of political leaders (2002-2008)

	2SLS						
	World (1)	Europe (2)	World (3)	World (4)	World (5)		
	DL (t or t-1)	DL (t or t-1)	DL (t)	DL (t-1)	DL (t)	DL (t-1)	DL (t)
Number of Tibet Support Groups (t-1)	0.157*** [0.000]	0.144*** [0.000]	0.100*** [0.000]	0.055** [0.017]	0.100*** [0.000]	0.055** [0.017]	0.101*** [0.000]
Dalai Lama visit dummy (t)	0.372*** [0.000]	0.364** [0.025]	0.344*** [0.000]	0.030 [0.609]	0.345*** [0.000]	0.031 [0.604]	0.353*** [0.000]
Dalai Lama visit dummy (t-1)	0.334*** [0.000]	0.337** [0.016]	0.019 [0.688]	0.374*** [0.000]	0.019 [0.693]	0.374*** [0.000]	
Duration of Dalai Lama visit (t)	0.006 [0.100]	0.016 [0.514]	0.011** [0.025]	0.001 [0.934]	0.011** [0.025]	0.001 [0.938]	0.010*** [0.004]
Duration of Dalai Lama visit (t-1)	0.007 [0.104]	0.009 [0.697]	-0.004 [0.645]	0.007 [0.242]	-0.004 [0.643]	0.007 [0.244]	
Log of exports (t-1)					-0.003 [0.365]	-0.004 [0.203]	-0.002 [0.429]
Log of GDP	-0.118 [0.123]	-0.208 [0.426]	-0.066* [0.088]	-0.061 [0.225]	-0.073* [0.083]	-0.065 [0.230]	-0.068 [0.149]
Log of population	0.512* [0.073]	0.771 [0.449]	0.014 [0.924]	0.449** [0.030]	0.014 [0.928]	0.462** [0.031]	0.025 [0.867]
Log of exchange rate	-0.021 [0.625]	0.230 [0.283]	-0.019 [0.363]	-0.006 [0.835]	-0.022 [0.354]	-0.006 [0.832]	-0.019 [0.415]
Angrist-Pischke F test (Test of excluded instruments)	12.69 [0.000]	6.95 [0.000]	23.9 [0.000]	15.40 [0.000]	23.55 [0.000]	15.32 [0.000]	29.12 [0.000]
R squared	0.373	0.455	0.355	0.327	0.356	0.328	0.354
Observations	912	268	912	912	863	863	863
Number of countries	151	39	151	151	142	142	142

Note:

1st stage results for 2SLS regressions reported in Table 6. All regressions with clustered standard errors, country and time fixed effects.
* significant at 10%; ** significant at 5%; *** significant at 1%