

The Value of Diplomacy: Bilateral Relations and Immigrant Well-Being

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This paper attempts to establish the value of good relationships between countries by considering their effect on a group of individuals who are arguably intimately affected by them: immigrants. We appeal to an index of conflict/cooperation which is calculated as an annual weighted sum of news items between two countries. This index is matched to a sample of immigrants to Germany in the SOEP data. The index of bilateral relations thus exhibits both time-series and cross-section variation. Good relations are positively and significantly correlated with immigrant life satisfaction, especially when we downplay low-value news events. This significant effect is much stronger for immigrants who have been in Germany longer, and who expect to stay there forever. This is consistent with good relations directly affecting the quality of immigrants' lives in the host country, but is not consistent with assimilation. There is thus a significant value to diplomacy: good relationships between home and host countries generate significant well-being externalities for those who live abroad.