Abstract

This thesis investigates the effect of US development aid on US exports to 134 recipient countries over the time period 1993 to 2015 with an application of the gravity model of international trade. Estimates of one-way panel dataset, specified by a dummy approach and estimated with OLS and PPML, suggest that for every aid dollar spent by the United States, US exports significantly increase by 1.59 US dollar. By lagging the aid variable for several years after disbursement, we find a declining effect of US aid on US exports, which indicates that tied aid is an important channel of the effect's magnitude. The effect does not vary systematically across income groups. Yet for geographical regions with a higher US export share, the impact of US aid on US exports is significantly larger suggesting that existing trading relations contribute to a larger effect of aid on donor's exports. The evidence shows that US aid increases US exports and reinforces economic relations with recipient countries and, thus, can be regarded as an important motive for the donor to provide development aid.