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Business Travel, a Driver of International Trade Hindered by Immigration Restrictions

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Business travel plays a central role in the expansion of international trade. However, immigration restrictions, particularly visa policies, greatly hinder these movements, increasing costs for companies and limiting their competitiveness in foreign markets. For Schengen Area member countries, visas reduce trade by 25%, and even more for differentiated goods. In contrast, the facilitation of business visas included in free-trade agreements, even when these provisions are not subject to a dispute resolution mechanism, leads to an increase in business travel and, consequently, an average growth of 15% in bilateral trade, all without increasing permanent migration.

In the debate on globalization, the impact of business travel on trade exchanges is often overlooked. However, these trips are essential for closing contracts and establishing sustainable business relationships.

The Covid-19 pandemic revealed the crucial importance of business travel. Despite severe restrictions, these trips were among the first to resume as countries began to reopen their borders. Some governments, like Japan, even prioritized welcoming business travelers over tourists, highlighting their strategic role in economic recovery and the maintenance of international exchanges.

Recent empirical studies confirm the importance of face-to-face contacts for business exchanges.[1] These meetings help to strengthen trust between partners, better understand customer needs, and negotiate more advantageous contracts. They are also essential for establishing lasting relationships and resolving issues that may arise.

A survey conducted by Oxford Economics, based on responses from 300 executives and 500 business travelers, highlights the key role of in-person meetings in companies' export strategies: The likelihood of a potential client becoming a customer is nearly three times higher when a physical meeting takes place.[2]

Visas that hinder exchanges

However, migration policies, of which visas are a key instrument, hardly take their impact on business travel into account.

Visas, in addition to making face-to-face meetings more difficult, impose costs on businesses in terms of both time and resources, which can reduce their competitiveness compared to companies whose nationals do not need a visa to access a given market. The visa application process is often lengthy,

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1. Cristea, A. D. (2011). Buyer-seller Relationships in International Trade: Evidence from US States' Exports and Business-class Travel. *Journal of International Economics*, vol. 84(2), p. 207-220; Startz, M. (2016). The Value of Face-to-face: Search and Contracting Problems in Nigerian Trade. Available on *SSRN 3096685*; Söderlund, B. (2023). The Importance of Business Travel for Trade: Evidence from the Liberalization of the Soviet Airspace. *Journal of International Economics*, vol. 145, 103812.
2. Oxford Economics (2012). The Return on Investment of U.S. Business Travel. USA Travel Association and Destination and Travel Foundation.

which can slow down business negotiations and increase risks for buyers. This is especially true for complex goods, the commissioning of which may require the seller's intervention, thereby questioning the latter's ability to meet the terms of the contract. Several studies confirm that delivery times have an effect comparable to that of traditional trade barriers.[3] Furthermore, visas are often issued for short durations – for example, a maximum of one year for short-stay visas in the Schengen area – which forces companies to frequently renew their applications, which is a particularly burdensome process. Finally, most business transactions require multiple business trips to materialize, which exacerbates the negative impact of visas on international trade.

To study the impact of visas on international trade, it is necessary to consider potential selection effects. These effects are present, for example, when visas are established only when trade exchanges with a country are deemed insufficiently promising. In this case, a relationship between visas and low trade volume might appear, not because visas are a barrier to trade, but simply because they are implemented in a context of low exchanges.

The common visa policy of the Schengen area can be used to address these selection issues and establish the (causal) effect of visas on trade. Indeed, Schengen member countries share a list of third countries whose nationals are required to obtain a visa to enter the area. The addition of a country to this list can be initiated by a single member state, but this decision then automatically applies to all others. This rule provides a natural setup for analysis by comparing the evolution of trade between the newly included third country and the Schengen members that did not request its inclusion, against the trade of the same members with other countries in the world, before and after the visa was implemented. Such a comparison thus allows for the isolation of the effect of visas, independent of other factors, and for assessing their impact on trade flows.

More specifically, in 2001, the Schengen members adopted a so-called "negative" list of third countries whose nationals must obtain a visa before entering any of the member states. Over time, several countries have been removed from this list, but only two, Ecuador and Bolivia, were added – at the request of the Spanish government. This decision was motivated by an increase in immigration from these two countries to Spain, with no similar phenomenon occurring in other Schengen member countries. The introduction of the visa by Spain led to its implementation by all other members of the area. This shock (exogenous), resulting from the Spanish decision, provides an opportunity to estimate the effect of visas on trade between 2000 and 2010.

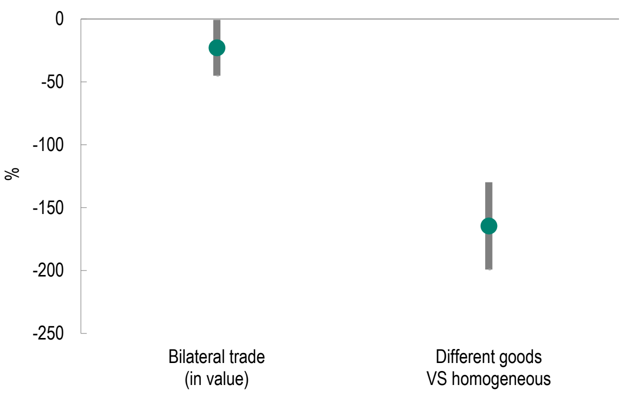
The result is very clear: The introduction of the visa has led to an average decrease of 25% in trade between a Schengen country and Ecuador or Bolivia (Figure 1).

The effect of visas on trade is observed both in the exports of the country subject to a visa requirement (such as Ecuador and Bolivia in this case) and in its imports. Indeed, business travel plays a key role in many transactions related to the importation of goods intended to be resold in the traveler's home country. This is the case, for example, for many African traders who travel to China to identify suppliers, assess the quality of products on-site, and organize the importation of goods that they then resell in African markets.[4]

The effect of visas is even more pronounced for bilateral trade in differentiated goods – that is, products for which there is no single reference price. Due to the diversity of their characteristics, such as quality, design and brand, these goods cannot be directly compared between suppliers. Shoes, for example, are considered differentiated goods because the variety of models and specifications results in a wide dispersion of prices. For this type of product, the decline in bilateral trade is more than two and a half times greater than that recorded for homogeneous goods, such as raw materials (Figure 1).

Figure 1 – Visas reduce trade, especially in differentiated goods

Effects of the introduction of a visa



Source: Umana-Dajud, C. (2019).

Notes: Circles represent the effect of introducing a visa on bilateral trade and the difference in effect between bilateral trade in differentiated goods and that in homogeneous goods; vertical lines represent 95% confidence intervals. When these lines do not cross the horizontal axis at zero, the effect is statistically significant.

Migration restrictions, measured here by the implementation of visas, greatly hinder trade by increasing costs and limiting the mobility of businesspeople. Therefore, facilitating business visas can play a key role in promoting international trade by reducing administrative barriers and encouraging face-to-face meetings between business partners.

3. Hummels, D. L. & Schaur, G. (2013). Time as a Trade Barrier. *American Economic Review*, vol. 103(7), p. 2935-2959; Djankov, S., Freund, C. & Pham, C. S. (2010). Trading on Time. *The Review of Economics and Statistics*, vol. 92(1), p. 166-173.

4. Startz, M. (2016). The Value of Face-to-face: Search and Contracting Problems in Nigerian Trade. Available on SSRN 3096685.

Box – Automated Analysis of Free-Trade Agreements Based on Machine Learning

The algorithm developed to analyze free-trade agreements (FTAs) combines text analysis and machine learning to automatically identify clauses that facilitate business travel. It begins by collecting, converting and structuring the texts of the agreements into chapters and articles.

The identification of clauses related to business travel is based on a two-step approach. First, the algorithm applies keyword and regular expression searches to detect sections mentioning terms related to the international mobility of businesspeople, such as "Temporary Entry Of Business Persons". This initial phase allows for the quick identification of potentially relevant passages based on the defined terms. However, this lexical approach has limitations, particularly due to the diversity of formulations used in legal texts. That is why a second phase employs a supervised machine learning model, which relies on a Bayesian classifier. This model has been trained on a corpus of manually annotated agreements and allows for determining whether a passage actually refers to a provision facilitating the international mobility of businesspeople, distinguishing between general mentions of trade and clauses with concrete legal effects.

Once a clause on business travel is identified, the algorithm seeks to determine whether this provision is legally binding by examining its inclusion in the dispute resolution mechanisms of trade agreements. This analysis relies on a process similar to that used to identify key clauses. The algorithm searches for explicit references to disputes in the texts and applies its classifier to assess whether these mentions involve the identified mobility clause. The final result is a database covering over 400 FTAs, with two main variables: The first indicates whether a given topic is addressed in the agreement, and the second specifies, when applicable, whether this topic is also included in the dispute resolution mechanism provided by the agreement.

Free-trade agreements and business trips

In this regard, free-trade agreements (FTAs), as they increasingly include specific provisions for short-term business travel, could well play this role of promoting international trade. The North American Free Trade Agreement (NAFTA, now the United States-Mexico-Canada Agreement - USMCA), for example, was one of the first FTAs to introduce clear rules on entry for business travel and to prohibit quotas on business visas.

These provisions generally provide for simplified administrative procedures, reduced fees, clearer requirements for the necessary documents to be submitted, and, in some cases, are legally binding and integrated into the dispute resolution mechanisms of the FTAs, ensuring their enforcement.

In 2024, 374 FTAs were in force, compared to fewer than ten in the 1950s. Over time, these agreements have greatly expanded: while in the 1990s an FTA covered an average of 11.1 areas, those signed after 2000 covered 20.1. This expansion reflects an evolution in trade agreements, which are no longer limited to tariff issues but now encompass broader aspects, such as policies on human rights, anti-corruption efforts, and also the mobility of businesspeople.

To analyze the effect of these provisions on international trade, an algorithm combining machine learning techniques and textual analysis has been developed (as outlined). This algorithm identifies agreements that include clauses on the mobility of business men and women and checks whether they are legally enforceable.

Facilitating business travel without encouraging permanent immigration

Once the relevant free-trade agreements have been identified, and using a gravity equation, it is observed that FTAs including clauses on business travel significantly increase trade flows: Bilateral exchanges are indeed increased by an average of 15% (Figure 2). On the other hand, their inclusion in dispute resolution mechanisms does not produce any significant additional effect. One might have expected that their effectiveness would be strengthened by increasing the pressure on the parties to concretely fulfill their commitments. This result could be explained by the fact that these mechanisms are rarely activated in practice, particularly for this type of clause which, although important, leads to few formal disputes.

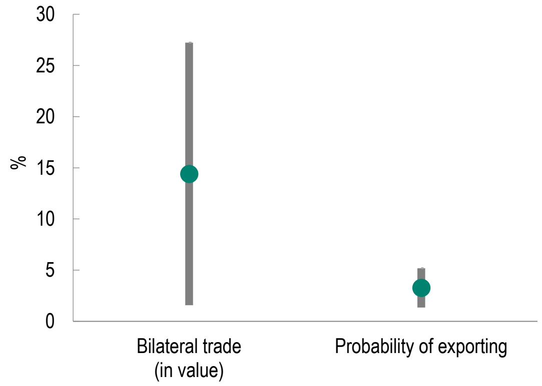
These provisions, even in the absence of strict enforcement mechanisms, have a stimulating effect on international trade, allowing companies to more easily develop their business relationships, establish partnerships, and strengthen their international presence. Furthermore, these provisions increase the likelihood of a company exporting a given product by an average of 3%, which helps to diversify trade flows (Figure 2).

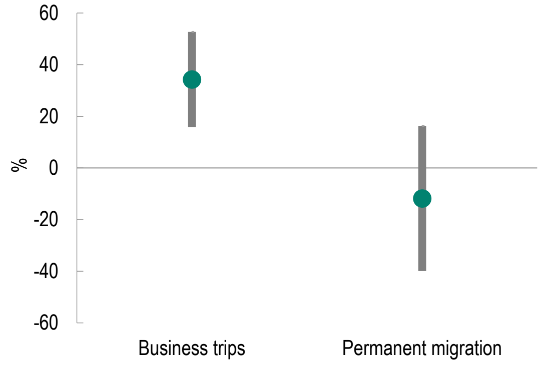
These provisions facilitating business travel are indeed effective in increasing the number of business trips by an average of 35%, rather than stimulating permanent migrations, on which they have no effect (Figure 3).

Figure 2 – Facilitating business travel increases bilateral trade and the likelihood of exporting a product

Figure 3 – The facilitation of business trips does not increase permanent immigration

Effects of provisions on business travel facilitation in free-trade agreements





Source: Mayer, T., Rapoport, H & Umana-Dajud, C. (2025).

Notes: Circles represent the increase in bilateral trade (in value) and in the probability of exporting a given product; vertical lines represent 95% confidence intervals. When these lines do not cross the horizontal axis at zero, the effect is statistically significant.

Notes: Circles represent the increase in business travel and permanent migration; vertical lines represent 95% confidence intervals. When these lines do not cross the horizontal axis at zero, the effect is statistically significant.

Thus, the facilitation of business travel serves as an effective lever to strengthen international trade, without encouraging permanent immigration. The outlook for business travel in Europe, which is particularly dynamic, reflects the interest that companies have in it. According to forecasts from the Global Business Travel Association, spending on business travel in Europe is expected to reach $450 billion by 2027, surpassing pre-pandemic levels. This growth reflects an increasing demand from companies for professional mobility, which is essential for consolidating business relationships, closing contracts, and expanding into new markets.

In this context, removing administrative barriers, such as visa requirements, is not only a matter of competitiveness but also a response to the needs expressed by economic stakeholders. While managing migration flows has become a priority for many states, targeted policies on the temporary mobility of businesspeople provide a concrete and empirically grounded course of action to support international exchanges without risking an increase in permanent migration.

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