Another Pathway to Foreign Direct Investment: Diaspora Engagement Policies

by

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Another Pathway to Foreign Direct Investment: Diaspora Engagement Policies

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In the post-Washington consensus world, developing countries consider foreign direct investment (FDI) economically beneficial. Although these capital-scarce countries have competed for FDI to promote economic development, they have not attracted much FDI. Instead, FDI has been concentrated in certain countries. Recently, an increasing number of developing countries have employed various diaspora engagement policies (DEPs) for the promotion of FDI, yet these policies' impact on FDI is not well understood. Hence, in this dissertation, I examine the role of DEPs in promoting FDI. I propose three questions. First, do DEPs increase FDI into developing countries? Second, how do DEPs increase FDI? Last, under what conditions might DEPs be most effective at promoting FDI? I argue that DEPs are another pathway toward FDI for developing countries, in addition to existing studies that suggest improving democratic institutions and increasing memberships in international economic institutions as a route to FDI. DEPs have an impact on attracting FDI by establishing and improving the relationship between diasporas and their homelands and stimulating their material and non-pecuniary interests in homeland investments. Also, I propose that this new FDI strategy matters more in non-democracies and two types of DEPs are particularly effective for them. In non-democracies - where information on investment is scarce - DEPs focusing on FDI information can lower diaspora investors' uncertainties about investment locations. Additionally, non-democracies often face resentment from overseas populations. Their conflictual relationship can be salvaged by DEPs that shape non-material investment interests. In order to assess this theory of the FDI promoting impact of DEPs, I created an original large-N dataset of DEPs. The DEP dataset tracks ten forms of DEPs among 27 Asian countries from 2000 to 2014. Using this novel dataset, for the first time, I provide a systematic analysis of the effectiveness of DEPs in attracting FDI. Through a time-series cross-sectional analysis of FDI from the USA to

25 Asian developing countries from 2002 to 2011, I find support for the importance of DEPs in attracting FDI. While DEPs, per se, do not influence the distribution of FDI across countries on average, their positive impact on FDI is observed in non-democracies. There is evidence that this conditional impact is driven by DEPs that are associated with non-pecuniary investment interests. DEPs associated with information provision promote FDI in all regime types. A series of robustness checks further support the FDI promoting impact of DEPs. Therefore, I conclude that employing DEPs, focusing on providing investment-related information and stimulating non-pecuniary interests in investment, is another pathway toward FDI for developing countries.

Dedication

To my mom and dad - 이정애 & 박영철

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Chapter 1

Introduction

1.1 FDI and Developing Countries

Increasing capital mobility is one of the primary aspects of economic globalization. Since the 1970s, foreign direct investment (FDI) has grown remarkably. Total global FDI outward flows increased from US$ 282 billion in the 1970s to US$ 10,727 billion in the 2000s.[1] With the growth of FDI worldwide, developing countries have experienced a gradual increase in FDI inflows. Since FDI is considered economically beneficial, developing countries have competed for more FDI to promote economic development. However, these capital-scarce countries have not been very successful in attracting FDI. This foreign capital has been, in fact, concentrated in particular countries, namely China.

Scholars have sought to understand this puzzle by addressing the following questions: How can developing countries promote FDI for economic development, and what explains FDI flows across countries? Existing FDI studies have suggested that levels of democracy, memberships in international economic institutions, the presence of freedom of information law, and conditions of human rights in FDI host countries matter for attracting FDI. Recently, developing countries have started to rely on a new FDI strategy, diaspora engagement policies (DEPs) or "policies that engage emigrants and members of diaspora communities with the countries of origin, which builds the sense of belonging and strengthening the ties" (Unterreiner and Weinar 2014, 13). For example, the Lebanese government has formulated various DEPs for its overseas communities,

[1] Total world FDI outward flows per decade were calculated using the UNCTAD (2016).

including founding the Ministry of Foreign Affairs and Emigrants, recognizing dual citizenship, and hosting Lebanese Diaspora Energy forums. These policies are proliferating in other developing countries as well.

Despite the growth of DEPs, the impact of DEPs on FDI flows is not well understood. Scholars report states' growing interests in DEPs and descriptively examine the role of DEPs in promoting investment. From the prior studies of DEPs, we know little about whether this new FDI strategy works in attracting FDI into developing states, how and when.

Hence, in this dissertation, I take the argument on the importance of DEPs for FDI one step further by providing the first systematic analysis of the link between the two. I propose three questions. First, do DEPs increase FDI into developing countries? Second, how do DEPs promote FDI? Last, under what conditions might DEPs be most effective at promoting FDI? I argue that DEPs have an impact on attracting FDI by establishing and improving the relationship between diasporas and their homelands and stimulating their material and non pecuniary interests in homeland investments. Also, I propose that this new FDI strategy matters more in non-democracies and that DEPs for providing investment-related information and intangible gains increase FDI into these countries.

Deepening our understanding of the relationship between DEPs and FDI is critical for both of researchers and policy-makers of developing countries. If an FDI promoting impact of DEPs exists, without attention to this FDI strategy, we cannot account for a broad pattern of FDI flows in the world. Furthermore, developing countries have little knowledge of whether DEPs are an effective strategy for FDI. These countries have devised various DEPs with a mere *hope* that diverse programs, rules, and institutions targeting diaspora members would contribute to capturing FDI into their economies. This dissertation can guide their decision in choosing an effective FDI strategy.

1.2 Prior Explanations for the Distribution of FDI across Countries

Various factors affect flows of FDI across countries. There are mainly three approaches to understanding the cross-national variation in FDI, which respectively focus on the presence of democratic regimes and international economic institutions, the size of diasporas, and the use of policies for the diaspora members. These studies concentrate on one of the central investment problems that investors confront in FDI host countries to explain cross-border FDI flows: threats to investment and uncertainties about investment locations.

The first literature on institutions discusses how democratic and international institutions might deal with profit-seeking investors' concerns about threats to investment in FDI host countries. Foreign investors prefer democratic countries because their political institutions (e.g., multiple veto players, electoral punishment, and the independent judiciary) are more likely to constrain state leaders' leeway in the decision-making process, which mitigates investment risk with credibility (Jensen 2003; 2008; Li and Resnick 2003). Such an institutional control on state leaders is absent in autocracies (Jensen, Malesky, and Weymouth 2014). Democracies are not the only credible institutional mechanism through which investment risk can be reduced. Recent FDI studies stress the need to examine international economic institutions for a better understanding of FDI flows across counties. These institutions include bilateral investment treaties (e.g., Allee and Peinhardt 2010; Elkins, Guzman, and Simmons 2006; Kerner 2009; Tobin and Rose-Ackerman 2011), the WTO and preferential trade agreements (e.g., Büthe and Milner 2008; Davis 2011), and IMF conditionality (e.g., Biglaiser and DeRouen 2010; Woo 2013).

In the second line of FDI research, diasporas are considered another factor that can account for FDI flows across countries. With the growth of international migration, several studies have documented investments by diaspora members (e.g., Boly et al. 2014; Buckley et al 2002; Gao 2003; Gillespie et al 1999; Graham 2010; Javorcik et al. 2011; Leblang 2010; Nielsen and Riddle 2010; Ramamurti 2004; Tong 2005; United Nations 2006). These diasporan investors behave differently than other foreign investors. Because of their links to homelands, they are less sensitive to

investment risk in the home countries than other investors (e.g., Aharoni 1966; Nielsen and Riddle 2010). Also, diaspora investors can reduce uncertainties about homeland markets because of their profound understanding of their homelands and local ties (e.g., Fan 1998; Javorcik et al. 2011; Leblang 2010; Nielsen and Riddle 2010).

Last, the third explanation for the distribution of FDI reports the proliferation of DEPs or policies for diaspora investors among developing countries. Recognizing diasporas' contributions to development in home countries, a growing number of countries have devised various policy tools to tap into their diasporas' resources. According to the 2005 International Organization for Migration (IOM) survey, *Engaging Diasporas as Agents for Development*, 92 % of the respondent governments answered that they had policies for their diasporas (IOM 2005, 205). These policies are claimed to increase FDI.

Although useful insights can be drawn from the three lines of FDI research, they still do not help to understand the matter of the FDI distribution across countries and to provide policy recommendations for capital-poor countries. Regarding the studies on democratic and international economic institutions and diasporas, I take issue with their views on foreign investors. In the institutional account, all investors are treated as profit-seeking actors. But, as studies on diaspora investments stress, not all investors seek to gain economic profits from investments. Diaspora members' investment decisions are not solely driven by marital concerns. These investors are also interested in making non material gains, which makes them less sensitive to investment risk than non-diaspora investors. In this regard, upgrading an institutional climate is not the only way for developing countries to attract FDI. Considering diaspora investors and their investment interests, institutional factors alone do not account for FDI flows across countries.

The second line of FDI research assumes diasporas' strong motivations for homeland investments even though not all of the diaspora members are willing to or feel the need to invest in their homelands. Because of such a view on diaspora investors, the efforts of FDI host countries to attract their diasporas' investment are missing. It should be highlighted that the international outcomes of FDI are not solely determined by investors-side features (e.g., wealth and knowledge

about investment locations). Locational factors also affect FDI flows across countries, such as a government's attitudes toward diaspora communities and its employment of DEPs for potential diaspora investors. Hence, there should be a discussion of diasporas and homelands and their interactions to better understand FDI flows across countries.

The third explanation, the use of DEPs, helps to address the aforementioned issues. With a focus on DEPs, we can have a more realist view of foreign investors and consider locational factors like FDI host countries' efforts to promote investment. However, in this literature, the impact of DEPs on FDI is not well understood. Scholars just report states' growing interests in DEPs and descriptively examine the role of DEPs in promoting investment. So, we know little about whether DEPs, in fact, work in promoting FDI, how and when although developing countries are dedicated to the use of DEPs to facilitate diasporas' investment further. Therefore, in this dissertation, I examine the impact of DEPs on increasing FDI into developing countries and the mechanisms through which DEPs lead to FDI.

1.3 A Theory of FDI Promoting Impact of DEPs

This dissertation presents an original theory of cross-border FDI flows that highlights the role of DEPs in facilitating FDI. DEPs influence diaspora investors' investment decisions through two mechanisms. DEPs establish and improve diaspora-homeland relationships and stimulate prospective diaspora investors' material and non-material investment interests.

Home countries' efforts to facilitate diasporas' FDI start with reaching out to their diaspora communities and developing intimate and peaceful ties to those groups. This policy effort is necessary mainly because diasporas' perceptions of homelands affect their investment decisions. Positive feelings about their homelands facilitate investments (Barnard and Pendock 2013; Forgas 2002; Miller 2009), while their negative perceptions or no feelings may prevent them from investing there.

Despite their positive ties to homelands, diaspora investors still may not be motivated to make FDI there unless they expect to make certain gains from their investment. Considering that diasporas' investments are driven by material and non-material interests (Nielsen and Riddle 2010), countries need to offer those expected gains through three forms of DEPs: 1) Material DEPs - FDI Returns, 2) Material DEPs - FDI Information and 3) Non Pecuniary DEPs - Emotion/Social Status.

To generate material investment interests, it is necessary to upgrade an investment climate for potential diaspora investors either through Material DEPs - FDI Returns or Material DEPs - FDI Information. Per Material DEPs - FDI Returns, developing countries have focused on legal measures (e.g., dual nationality and dual citizenship). These citizenship policies facilitate FDI from diasporas by lowering obstacles that investors confront in FDI host countries and by providing the same rights and benefits as locals. Through Material DEPs - FDI Information, homelands can reduce informational barriers to FDI. Despite diaspora investors' ethnic advantages over other foreign investors, they still have uncertainties about homeland markets (Riddle and Nielsen 2013, 232-3), which might prevent their investment. Hence, governments need to deal with this informational problem by convening investment forums or educating diaspora members about homelands. It is also necessary to devise additional policies in order to convince diaspora investors of making intangible gains from homeland investment. Non Pecuniary DEPs (e.g., diaspora forum and diaspora day) work differently than the two material DEPs, as this type of DEPs relies on a psychological process to mobilize diaspora investment. State leaders make emotional appeals to potential diaspora investors and seek to generate their sense of duty to homelands.

I propose that the impact of DEPs on FDI differs, depending on FDI host countries' regime type. I argue that DEPs work best in autocracies. In particular, DEPs for reducing informational obstacles and offering intangible gains help non-democracies attract FDI. In non-democracies, where accurate information about investment is much scarcer than in democracies, Material DEPs - FDI Information can increase transparency, thereby facilitating FDI. Turning to the conditional impact of Non Pecuniary DEPs, non-democracies often face resentment from their overseas populations as people flee to foreign countries for political reasons. In this case, DEPs (e.g., diaspora forum)

help to salvage conflictual relationships with diaspora members, which prevents diasporas' hostility from acting as a pushing factor with regard to investment. However, Material DEPs - FDI returns do not promote FDI into non-democratic countries because dual nationality/dual citizenship lower costs of making investments, but do not necessarily increase material returns from the investments. Pessimism is also because these citizenship DEPs do not deal with the violation of property rights in non-democracies effectively.

In summary, I propose a new theory of the international distribution of FDI. DEPs are presented as another pathway toward FDI, in addition to the institutional routes, which has significant implications for studies of FDI, policy-makers, and international financing institutions. I leave a discussion of policy implications of this study to Chapter 6. Although there are some studies on DEPs and FDI, my theory is unique. While I consider diaspora investors, I do not take for granted their excitement about homeland investments. Instead, I discuss how DEPs might further encourage them to invest in their homelands, not in other investment locations. Furthermore, I examine the conditions under which DEPs might have a greater impact on attracting FDI into developing countries. So, my dissertation provides a rich explanation for the relationship between DEPs and FDI and the variation in FDI across countries.

1.4 Analysis of the DEP Impact on FDI

Testing the FDI promoting impact of DEPs is challenging because of data limitations on multiple factors, particularly DEPs. To overcome this empirical obstacle, I created a novel dataset of DEPs with both spatial and temporal components. The new dataset covers ten different policies toward diaspora members in 27 Asian countries from 2000 to 2014. The ten policy measures are grouped into three types of DEPs, which are related to diasporas' investment interests: Material DEPs - FDI Returns, Material DEPs - FDI Information, and Non Pecuniary DEPs - Emotion/Social Status Gains.

With this dataset, I provide a first comprehensive examination of the effectiveness of DEPs in attracting FDI. In a series of statistical analyses of 25 Asian developing countries' FDI coming from the USA from 2000 to 2011, I find support for the FDI promoting effect of DEPs.

To preview my findings, the FDI promoting impact of DEPs exists, controlling for alternative explanations for the distribution of FDI across countries. While the employment of DEPs itself does not affect FDI flows overall, this FDI strategy is found to increase FDI into non-democracies, and its impact is washed out as countries become more democratic. Not all DEPs matter for FDI. Among the three specific types of DEPs, the conditional impact is driven by DEPs that encourage diaspora investors to invest out of non-material reasons. If non-democracies formulate Non Pecuniary DEPs, they have better chances to promote FDI. However, this positive impact is not found in highly democratic countries. Interestingly, Material DEPs - FDI Information facilitate FDI regardless of regime type, in contrast to the expectation of this dissertation. This finding stresses the need for democracies and non-democracies to alleviate investors' uncertainties about investment locations. Last, as expected, Material DEPs - FDI Returns have no impact on FDI. Robustness checks mostly support these findings. Therefore, I conclude that employing DEPs, focusing on providing investment-related information and stimulating intangible interests in investment, is another crucial pathway toward greater FDI.

1.5 Outline

The remainder of the dissertation consists of five chapters. In Chapter 2, I lay the groundwork for the theory of the FDI promoting impact of DEPs by reviewing three approaches to understanding cross-border FDI flows. Previous studies focus on democratic and international economic institutions in FDI host countries, the size of their diasporas, and the employment of DEPs for their diasporans. The three lines of research are explored in relation to informational obstacles to FDI and investment risk, two major FDI problems that investors confront in FDI host countries.

In Chapter 3, I present a theory of the cross-national distribution of FDI, which highlights the role of DEPs in facilitating FDI. The theory of the FDI promoting impact of DEPs is introduced in two steps. First, I identify two primary actors that affect international FDI outcomes - diaspora investors and their homelands - and then discuss their interests regarding FDI. Second, I examine the mechanisms through which DEPs lead to FDI. DEPs increase FDI into developing countries by developing positive ties with diasporas and shaping these overseas populations' investment interests. Furthermore, I examine why DEPs are an attractive strategy particularly to autocracies where investment-related information is scarce, and governments tend to face hostilities from their overseas populations. In Chapter 4, I introduce an original, large-N dataset of DEPs in the region of Asia. This dataset records ten DEPs of 27 Asian countries from 2000 to 2014. Here, I present an index of DEPs and explain three policy dimensions used to construct the index and the specific DEPs included in each dimension. I also discuss motivations for creating the dataset with temporal and spatial dimensions. Chapter 5 presents findings on the relationship between DEPs and FDI along with a research design for the statistical analysis of whether DEPs help to attract FDI, how and when. I conclude this dissertation by discussing contributions and policy implications of this study as well as its theoretical and empirical extensions for future studies in Chapter 6.

Chapter 2

Prior Explanations for FDI Flows across Countries

Although several developing countries seek to promote foreign direct investment (FDI) that possesses development potentials, these capital-scarce countries have not been very successful in attracting FDI. In this dissertation, I present an original theory of cross-border FDI flows that stresses the role of diaspora engagement policies (DEPs) in attracting FDI. I aim to answer three questions. First, do DEPs increase FDI into developing countries? Second, how do DEPs increase FDI? Last, under what conditions might DEPs be most effective at promoting FDI?

In this chapter, I set the stage for the theory of the FDI promoting impact of DEPs by describing FDI trends and then examining three existing explanations for the cross-national variation in FDI. This chapter begins with the description of FDI flows across countries in order to discuss the importance of the phenomenon that this study aims to explain. Although global FDI has grown phenomenally since the 1970s, countries in great need of foreign capital for the economy have not received enough FDI. It is essential to understand what leads to FDI in order to boost economic growth in the developing world.

The second part of this chapter turns to three prior explanations for various levels of FDI in the world. Previous studies have focused on the presence of democratic and international economic institutions in FDI host countries, the size of their diasporas, and the proliferation of policies for their diaspora members, or DEPs. In exploring the three accounts, I discuss how these prior studies relate their explanatory variables to two central investment problems that investors face in FDI host countries: investment risk and uncertainties about investment locations where they operate.

While I discuss studies of institutions and diaspora investors, I take issue with their views on foreign investors. The reason is that our assumption of foreign investors influences how much we can account for a pattern of cross-border FDI flows and what policy recommendations we can provide for policy-makers and international financing institutions. I highlight that the assumption of foreign investors as material-profit seeking actors rules out other ways to explain FDI in addition to looking at the quality of an institutional climate in FDI host countries, such as the size of diaspora communities and the employment of DEPs. In this regard, the diaspora literature changes the way we consider FDI. But, diasporas' strong motivation for homeland investments is assumed in the studies of diasporas, which de-emphasizes locational factors of FDI host countries. In particular, there is little attention to homelands' efforts to facilitate diaspora investment through DEPs, despite developing countries' significant investment in developing various DEPs.

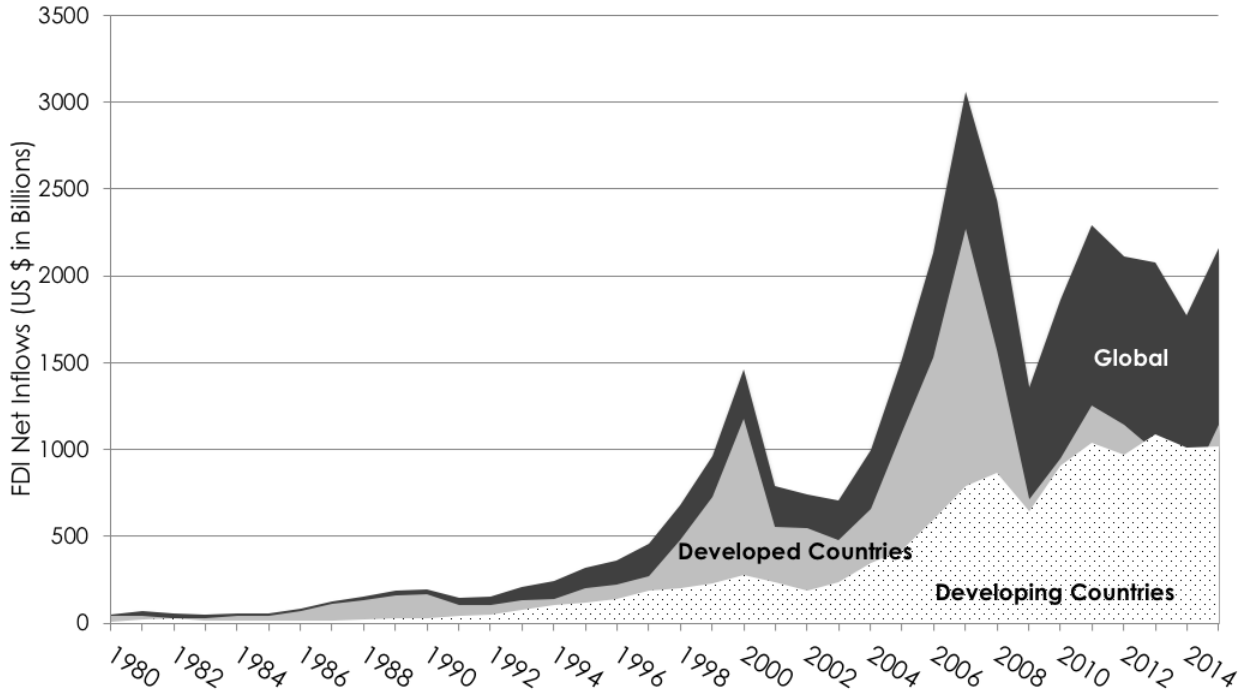
Therefore, I turn to the third explanation, the use of DEPs, to address the aforementioned issues. However, the impact of DEPs on increasing FDI into developing countries and the mechanisms through which DEPs lead to FDI are not well understood in this literature, despite the proliferation of DEPs in the developing world. Scholars have only descriptively examined this FDI strategy. Hence, I conclude this chapter by stressing the need for a new theory of DEPs and FDI and a systematic test for the effectiveness of DEPs in attracting FDI.

2.1 FDI and Developing Countries

FDI is "an international investment that an entity of one economy (direct investor) makes in an enterprise of another economy (direct investment enterprise) to acquire a lasting interest in the foreign enterprise." (IMF 1993, 86). The direct investor aims to "establish a long-term relationship with the foreign enterprise and obtain a significant influence on the management of the enterprise by having 10% or more of the voting power of the firm or the equivalent." (IMF 1993, 86).

Since the 1970s, global FDI has grown phenomenally. The total global FDI outward flows

increased from US$ 282 billion in the 1970s to US$ 10,727 billion in the 2000s. Outbound FDI flows during the period of 2010 to 2014 (US$ 6,898 billion) are even greater than the sum of those capital flows between the 1970s to 1990s (US$ 5,359 billion).[1]



Source: The World Bank's (2016) World Development Indicators.

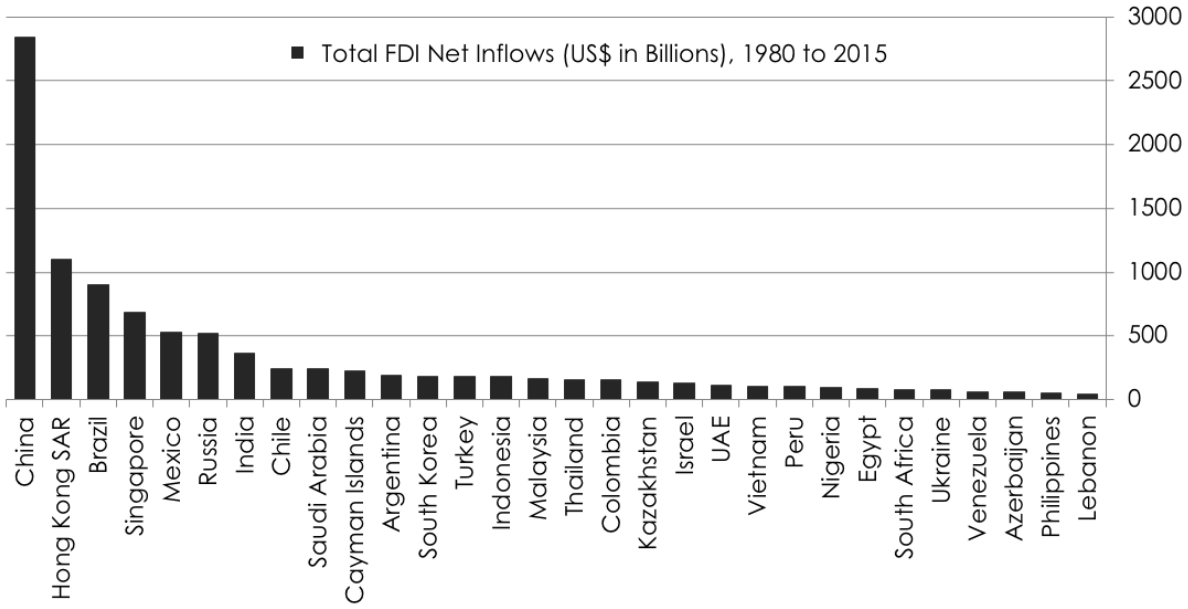
Figure 2.1: FDI Net Inflows from 1980 to 2015, Global and by Group of Economies

With the growth of FDI, developing countries have experienced a gradual increase in FDI flows from 1980 to 2015 (see Figure 2.1). FDI net inflows to developing economies in 2009 fell by 25.81% over the last year because of the 2008 global economic crisis. But, this global economic slowdown did not much dampen FDI flows in these countries compared to the developed world. From 2010 to 2015, quite similar amounts of FDI went to the developed and developing worlds.

This foreign capital has, in fact, flowed into particular countries in the developing world.

[1]Total world FDI outward flows per decade were calculated using the UNCTAD (2016).

Not all developing countries have received high levels of FDI. Figure 2.2 presents top FDI recipient developing countries from 1980 through 2015. China has been the most attractive investment location among developing countries. FDI net inflows that have gone to China for 36 years account for 25% of aggregated FDI net inflows to all developing countries. Furthermore, the total FDI net inflows to the five largest FDI recipients in the developing world were much larger than those into the rest of developing countries.



Source: The World Bank's (2016) World Development Indicators.

Figure 2.2: Top 30 FDI Host Countries in the Developing World, 1980-2015

This unequal distribution of FDI across borders is further striking when comparing total FDI flows to developing countries with those to developed countries. From 1980 to 2015, while 58% of developed countries had received more than the average level of worldwide FDI net inflows, the countries that had experienced more than the average FDI level account only for 10% of developing economies (World Bank 2016).

Indeed, not all countries have been able to attract high levels of FDI, despite the remarkable

rise in global FDI since the 1970s. More important, those countries in dire need of foreign capital for economic growth have not attracted much FDI. Receiving an insufficient amount of FDI concerns several developing countries as they consider FDI economically beneficial. Foreign investors not only expand capital stock in capital-poor developing countries, but also improve the quality of capital by transferring technology, training local workers, and stimulating innovation and competition (Loungani and Razin 2001, 2-3). These are scarce in developing countries. Furthermore, FDI brings these benefits to FDI host countries over the long haul. In this regard, developing countries need FDI desperately for economic development, yet they have not experienced a sufficient amount of FDI. Attracting FDI, therefore, becomes an important task to developing countries.

Observing the cross-border distribution of FDI and difficulties of attracting FDI, scholars have sought to answer two questions: What explains FDI flows across countries and how can developing countries capture more FDI that is economically beneficial? In this chapter below, three approaches to understanding the FDI questions are discussed. They respectively focus on the presence of democracy and international economic institutions, the size of diaspora investors, and the use of DEPs. In reviewing the prior studies, I discuss how investment risk and uncertainties about investment locations - foreign investors' two central investment problems - can be resolved by those institutions, diasporas, and DEPs.

2.2 Institutional Solution to Investment Risk

A majority of FDI studies have focused on an institutional setting for FDI in host countries to understand FDI flows across countries. This institutional account portrays investors as a rational actor who seeks to maximize material returns on investment. To the extent that they aim to earn higher profits, they are sensitive to threats to investment in foreign countries and thus avoid countries with high investment risk, such as nationalization, contract violation, and domestic

conflicts.[2] Direct investors are particularly sensitive to investment risk in that they have to enter foreign markets for investment and keep their assets there over the long haul as opposed to investors carrying out other forms of investments, such as portfolio investments and bonds.

Investment risk exists mainly because preferences of FDI host countries do not remain the same over time. Once FDI has been made, governments of FDI host countries have incentives to alter an initial agreement with investors in favor of their interests since FDI is not mobile (Vernon 1971). In light of this, a majority of FDI studies have focused on host countries' specific factors that cause political risk and examined solutions to such a hazard to investment. Democratic institutions and international economic institutions are considered as a credible remedy for this FDI problem. The mechanisms linking those institutions, investment risk, and FDI are discussed below.

2.2.1 Democracy

The first institutional explanation links regime type of FDI host countries with FDI flows into those countries. The earlier debate in this line of research had developed over which regime is better able to protect foreign investments from investment risk. While both pro-autocracy and pro-democracy explanations agree with the importance of assuring investors that their investment would be protected and prosper, they differ in how each regime creates an FDI-friendly climate for foreign investors. The pro-autocracy explanation highlights leaders' autonomy from anti-FDI sentiment, while it is institutional constraints on leaders that strengthen the security of investment according to the pro-democracy account. It is widely accepted that democracies attract more FDI than their counterparts.

Jensen (2003; 2008) and Li and Resnick (2003) persuasively counter the attractiveness of autocracies to foreign investors contended by O'Donnell (1988), Tuman and Emmert (2004), and Resnick (2001). Both show how democratic institutions mitigate threats to investment with cred-

[2]Here, investment risk refers to political risk. It is defined as "the probability of the disruption of the operations of foreign investors by political forces or events" (MIGA 2010, 28). Although extreme political risk - expropriation - is now rare except in extractive industries (MIGA 2010, 30-31), FDI host countries can still hurt investors' assets through contract violation, currency inconvertibility and transfer restrictions, political violence, etc. (e.g., Büthe and Milner 2008; Jensen 2003; MIGA 2010, 30).

ibility. According to Jensen (2003), multiple veto players (e.g., court and legislature) constrain leaders' arbitrary decisions, and electoral punishment increases costs of reneging initial agreements with foreign investors. Institutional controls over leaders' decisions secure property rights for foreign investors (Jensen 2008; Li and Resnick 2003).

Some might criticize the positive impact of democracy on FDI. Autocratic leaders' capability to suppress workers' attempts to disrupt foreign investments and their insulation from popular sentiment (Tuman and Emmert 2004) and democratic leaders' sensitivity to societal demand and possible policy changes (Resnick 2001) might render autocracies more attractive to direct investors. However, it is questionable how much autocratic leaders would remain committed to protecting FDI. Also, despite democratic leaders' sensitivity to societal demands, institutional constraints on these leaders can prevent arbitrary policy changes with an adverse impact on FDI, which reduces uncertainties about policy positions on FDI. Moreover, as Jensen, Malesky, and Weymouth (2014) show, although an authoritarian legislature can limit local actors' contract violation, this institution is not empowered enough to constrain leaders' decision with negative impacts on the assets of foreign investors. So, democratic countries are more attractive to FDI than non-democracies.

While democracies attract more FDI than autocracies at the aggregate FDI level, the direction of the democracy impact on FDI and the magnitude of its effect are different across industries (Asiedu and Lien 2011; Kucera and Principi 2014). The positive effect of democracy is apparent in most industries, and its impact is particularly strong in non-manufacturing sectors (i.e., information, finance, and insurance sectors) (Kucera and Principi 2014). But, the fact that host countries are democratic rather deters FDI (Asiedu and Lien 2011) and/or has no impact on FDI in the natural resource sector (Kucera and Principi 2014).[3] Although these studies offer a more subtle understanding of the relationship between democracy and FDI, their explanations for the different effects of democracy on FDI across industries are numerous and somewhat inconsistent.[4]

[3]In Kucera and Principi (2014), two measures of democracy were used, and their findings are sensitive to the measures. Freedom House's civil liberties and political rights are found to reduce FDI in mining and oil and gas extraction industries while Polity 2 measure has no impact on FDI.

[4]Diverse factors explain different impacts of democracy on FDI between non-natural resource and natural resource sectors. According to Kucera and Principi (2014), democracy's positive impact on FDI is not observed in mining and

In summary, democracies are good for FDI. Democratic countries attract more FDI than autocracies because institutionalized constraints on state leaders' decisions make them committed to investment protection. And, the FDI promoting impact of democracies is mainly found in non-natural resources sectors. Hence, moving toward democracy is a useful FDI strategy for developing countries.

2.2.2 International Economic Institutions

Turning to the second institutional explanation for FDI flows, democracies are not the only credible institutional mechanism through which investment risk can be handled. Recent FDI studies argue that in order to better understand the variation in FDI across countries, we also need to examine diverse international economic institutions: bilateral investment treaties (BITs) (e.g., Allee and Peinhardt 2010; Elkins, Guzman, and Simmons 2006; Kerner 2009; Tobin and Rose-Ackerman 2011), the WTO and preferential trade agreements (PTAs) (e.g., Büthe and Milner 2008; Davis 2011), and IMF conditionality (e.g., Biglaiser and DeRouen 2010; Woo 2013).

Starting with BITs, they are "agreements that establish terms and conditions for private investment by nationals and companies of one country in another country." (Elkins et al. 2006, 812). These agreements promise to provide national treatment and the most favored nation treatment for foreign investors, protect them from investment risk, and offer international arbitration of investment disputes (Elkins et al. 2006, 814). BITs offer countries with weak democratic institutions an alternative mechanism to enhance an institutional climate for FDI. High costs of non-compliance due to international arbitration refrain state leaders from causing harm to foreign investors (Elkins et al. 2006). Furthermore, because of ratification costs, these politically costly agreements can increase the credibility of commitments to creating a better investment environment for FDI (Kerner 2009).

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oil and gas extraction sectors because investors are not highly integrated into FDI host countries and they need low skilled labor. Asiedu and Lien (2011) argue that investors in resource sectors prefer autocracies because of preferential treatments by autocratic leaders and policy stability due to irregular elections. Both democracies and autocracies can be attractive to FDI in the oil industry. The reasoning is that democratic countries provide desired policy stability to foreign investors, while autocratic ones give preferential treatments to them (Bayulgen 2010).

However, the evidence on their effectiveness on FDI is mixed. While several studies report an FDI promoting impact of BITs (e.g., Büthe and Milner 2008; Kerner 2009; Neumayer and Spess 2005; Salacuse and Sullivan 2004), Tobin and Rose-Ackerman (2011) find that these treaties alone do not have a positive impact on FDI, and they weakly promote FDI in the presence of investment opportunities and less risky investment climates. Elkins et al. (2006, 827) also make a similar point that "in countries that already have institutions and practices that are favorable to investors, a costly BIT adds relatively little value". These two studies suggest relative importance of democratic institutions over BITs in constructing and maintaining a climate hospitable to foreign investors.

Büthe and Milner (2008), Biglaiser and DeRouen (2010), and Woo (2013) stress another international institutional commitment mechanism that is linked to FDI. Although the WTO, PTAs, and the IMF are not directly related to FDI, these institutions and their programs help to alleviate investors' concerns about hazards to investment. This is mainly because member states of the trade institutions and IMF loan recipients are required to create a market-oriented environment that has consequences for FDI. Furthermore, their dedication to liberal economic policies is observed by these organizations. Therefore, joining the WTO and PTAs and carrying out an economic reform as a condition for IMF loans serve as another way for countries to increase FDI.

2.2.3 Views on Foreign Investors

Democratic regime and memberships in international economic institutions promote FDI. Democratic and international economic institutions act as a credible remedy for investors' concerns about investment risk as these institutions restrict state leaders' leeway to make arbitrary decisions with negative consequences for FDI and make them committed to creating a better investment setting for foreign investors.

Although I do not refute the importance of democracy and international economic institutions for FDI, these institutional factors do not much explain broader patterns of FDI because of their views on foreign investors. As mentioned above, these institutional accounts are developed

based on the assumption that investors aim to maximize material returns on investment. Many foreign investors seek high material gains from investment. However, foreign investors are not a homogeneous economic actor in terms of their motivations for investment. The second explanation linking diasporas and FDI suggests that not all investors behave in the manner that the institutional accounts consider. The desire for material and non pecuniary gains stimulates diasporas' investment interests.

To the extent that there are non-material foundations for diasporas' investment, foreign investors have different risk attitudes, and not all investors might avoid countries with investment risk. In light of this, upgrading an institutional setting for FDI, for example, signing PTAs, is not the only way to attract FDI. Targeting prospective diaspora investors with non-material investment interests is one option, given the research on diaspora. Or, the third strand of FDI research focusing on DEPs proposes that the employment of DEPs also promotes FDI into developing countries. To the extent that diaspora investors have non pecuniary investment interests, their profit loss due to investment risk can be compensated by different means. Homeland governments can take advantage of this tendency through DEPs in order to facilitate FDI. Hence, it is necessary to have a more realistic view of investors and to not lump together investors with different investment interests in understanding FDI.

2.3 Diaspora Solution to Investment Risk and Information Obstacle

With the growth of international migration, there are growing interests in understanding the impact of migration on home countries in which migrants or their ancestors were born and resided previously. Recent studies in international business, geography, and political science have thrown new light on the variation in FDI across borders by focusing on a particular type of investor: diaspora investors in FDI sending countries. They stress that diaspora investments constitute another pattern of FDI, in addition to FDI made by non-diaspora investors (e.g., Boly et al. 2014;

Buckley et al. 2002; Gao 2003; Gillespie et al. 1999; Graham 2010; Javorcik et al. 2011; Leblang 2010; Nielsen and Riddle 2010; Ramamurti 2004; Tong 2005; United Nations 2006). Chinese and Indian diaspora members' FDI contributions to their homelands are remarkable. FDI that the Chinese and the Indian diasporas have made in their respective homelands is estimated to account for over 50% and 20-30%, respectively, of total FDI of their home countries during the 1990s (Huang and Khanna 2003; Wei and Balasubramanyam 2006; Ye 2010). Diasporas' FDI is also found in other countries, such as Armenia (Hergnyan and Makaryan 2006; Kitchin and Boyle 2011), Afghanistan (Chrenkoff 2004; Garwood 2006), and South Korea (Choi 2003).

Diasporas are considered as another route to higher FDI mainly for two reasons. First, diaspora investors value non-material returns on investment, so they perceive political risk differently than non-diaspora investors. They are less sensitive to political risk in home countries than other investors. Second, their familiarity with homeland conditions helps to overcome informational barriers to FDI. In the below sections, I discuss why diaspora members might bring FDI into home countries.

2.3.1 Diasporas' Risk Perception

Diasporas are "ethnic minority groups of migrant origins residing and acting in host countries but maintaining strong and sentimental and material links with their countries of origin – their homelands" (Sheffer 1986, 3). Studies linking diasporas and FDI stress their different motivations for investments, compared to non-diaspora investors. A growing body of research acknowledges that diasporas do not behave in the manner that the institutional account assumes. Diasporas do not make FDI for material reasons alone. As theorized in Nielsen and Riddle (2010), not only financial interests but also emotional and social-status interests drive diaspora investors to invest in homelands.

While increasing material payoffs is an important consideration to diaspora members, a calculation of the cost and benefits of FDI does not entirely drive their investments. If they value

emotional gains over material benefits from homeland investments, they can forgo material profits from the investments, and investment risk is not their top concern anymore. This distinguishes diaspora investors from non-diaspora investors who enter countries where they can maximize material returns on investments and thus, prioritize the security of the investments not to lose their assets. Habib Gulzar's investment in Afghanistan serves as an example of diaspora investments. Despite security and infrastructure challenges, this Dubai based firm owner returned to his homeland in 2001 and opened a Coca-Cola bottling factory in 2006 (Chrenkoff 2004; Garwood 2006). Investment risk did not stop him from investing in his risky homeland. Similarly, Aharoni (1966) points out that although Israel has engaged in conflicts with its neighboring countries, Jewish diaspora members entered their home country for investment out of emotional motivations.

However, quantitative studies of diasporas focus on a pecuniary explanation for diasporas' investments and ignore/undervalue their non-material motivations for homeland investments (e.g., Fan 1998; Garham 2010; Gao 2003; Leblang 2010; Javorcik et al. 2011; Tong 2005). In their studies, both non-diaspora actors and diaspora investors are economic actors who are interested in increasing profits and sensitive to political risk. This characterization is found in the literature stressing diasporas' informational advantage over non-diaspora investors, which is discussed in the following section.

2.3.2 Diasporas' Informational Advantage

In addition to investment risk, information asymmetries between locals and foreign investors constitute another FDI problem. Foreign investors' lack of precise information on investment sites forms significant barriers to capital flows across borders (e.g., Daude and Fratzscher 2008; Gelos and Wei 2005; Harding and Javorcik 2011; Javorcik et al. 2011; Portes, Rey, and Oh 2001). Lack of information on investment locations where they operate (e.g., market structure, investment-related laws and regulations, consumer preferences) increases transaction costs of investing abroad. This information problem is aggregated when investors do not speak a language of an investment

location. Foreign direct investors are more sensitive to this FDI problem than investors carrying out loans and portfolio because FDI requires frequent interaction with locals and profound knowledge about investment locations and it is not mobile (Daude and Fratzscher 2008). Countries, therefore, attempt to remove informational barriers to FDI by setting up investment promotion agencies (Harding and Javorcik 2011) and enacting the freedom of information laws (Berliner 2012, 134-165).

Diaspora investors are believed to not confront informational problems in homelands (e.g., Nielsen and Riddle 2010; Leblang 2010). Their contact with locals, visits to homelands, and knowledge about their home countries lower the cost of acquiring precise information on investment. Because of this informational advantage, they prefer to invest in homelands rather than entering other foreign countries for FDI or having "country-of-origin bias" (Nielsen and Riddle 2010, 438-9). Overseas Chinese investors are an illustrative example. In addition to fluency in Chinese, their familiarity with *Guanxi system* helps to reduce costs associated with investing in China (Fan 1998).[5]

Based on diasporas' informational advantage over other investors, scholars report that the presence of migrants or diasporas in FDI source countries is positively associated with FDI into their homelands. Diasporas directly make FDI in homelands or facilitate FDI into their homelands by spreading information about the countries (e.g., Bhattacharya and Groznik 2008; Fan 1998; Gao 2003; Javorcik et al. 2011; Leblang 2010; Tong 2005).

2.3.3 Views on Diasporas, and Locational Factors

The literature on diasporas presents diasporas as another source of FDI. This particular group of foreign investors is viewed as solutions to the problems of investment risk and informational barriers to FDI. Although this line of research transforms the way we think about FDI, this diaspora

[5]Guanxi system is a "relationship within and among families", and this is also found in government officials and firms (Fan 1998, 27-8). This connection controls the distribution of raw materials, goods, and other resources, which affects operation and profits of companies in China (25).

research suffers two major problems: Assuming diasporas' excitement about homeland investment and ignoring locational factors of FDI host countries, especially DEPs.[6]

To begin with views on diaspora investors, the diaspora research assumes the uniformity in people within a diaspora and across diaspora groups in terms of their connections to homelands. It is believed that there exist established, deep ties between homelands and diasporas and that the links are intimate and peaceful, which leads to the notion that diasporas have substantial interests in development in their home countries and thus they voluntarily make FDI there. In this regard, scholars examine the association between the size of migrants in FDI source countries and FDI in their origin countries.

However, as will be substantially discussed in the next theory chapter, homeland-diaspora relationships are multifaceted; the ties could be positive, negative, or weak/severed, depending on diaspora members' feelings of their homelands and the degree to which they identify themselves as diasporas. Without positive emotional attachments to homelands, diaspora and non-diaspora investors would have the same attitude toward investment risk. Diasporas with weak/severed ties to their homelands do not possess informational advantages over their counterparts. Accordingly, diasporas' interests in homeland investment may not be strong within a diaspora community and across diaspora groups. The 2005 International Organization for Migration (IOM) survey, *Engaging Diasporas as Agents for Development*, reports that diasporas' reluctance to work with homelands make it difficult for middle-income countries to engage with them (2005, 202).

Per lack of attention to locational factors, this diaspora explanation is developed on the basis of the idea that the international outcomes of FDI across countries are solely determined by investors-side features, such as diasporas' wealth, their advantage over other foreign and local investors, and their pecuniary and non-material interests in homeland investment. Based on that, prior studies argue that when there are greater numbers of diasporas abroad, their home countries

[6] Another issue is found in measuring the size of diasporas. Because of data constraints, how large diaspora groups are is estimated by counting the number of foreign-born populations or migrant stock in resident countries (e.g., Boly et al. 2014; De Simone and Manchin 2012; Leblang 2010; Javorcik et al. 2011). This diaspora estimate does not correspond to the size of diaspora members as it captures all dispersed people outside FDI host countries including migrants who do not have emotional and material ties.

will capture more FDI. However, this economic pluralist view on FDI outcomes is problematic in understanding FDI flows in the world. The reason is that the cross-national distribution of FDI is not just a reflection of diaspora-level characteristics. FDI flows are a function of investors' features *and* attributes of FDI host countries (Dunning 1998; 1993).

Given this point, whether diaspora investors will exploit informational advantages over other investors and make material and non-material returns on investments in homelands, and whether developing countries will receive diasporas' investments are affected by locational factors, such as the nature of diasporas-homeland relationships and the presence of DEPs. For instance, if diaspora-homeland relationships are antagonistic, the homeland might restrict diasporans' investments and disrupt their operations. Even if the homeland is interested in investments by their diasporans, these overseas populations' hostility against the country could act as a pushing factor concerning investment. In these cases, to promote FDI, there needs to be DEPs that can improve the relationship between the country and the diaspora community in a way that attracts diasporan investments. Hence, concentrating only on diaspora investors and their size in FDI source countries does not help to explain FDI flows across countries.

Moreover, since locational factors of FDI host countries have been missing from this diaspora literature, little is known about the efforts of developing countries in dire need of capital to reach out to prospective diaspora investors through various DEPs. The important aspects that these countries have been competing for FDI and that they have devised various policy tools for FDI are not examined in the literature. Furthermore, not all diaspora investors are self-motivated to invest in their homelands. Their motivations for homeland investments may be latent but can be activated and further strengthened with DEPs that create attracting location-specific conditions. Thus, there should be a discussion of the interactions between diasporas and their home countries to which I turn based on studies of DEPs. With a focus on DEPs, the aforementioned issues (i.e., views on investors, locational factors, and routes to FDI) can be addressed.

2.4 Proliferation of DEPs

DEPs are a set of policies aimed at building and sustaining diasporas' ties to homelands and creating their psychological attachment to the home countries. Boyle and Kitchin (2011, 4) define diaspora policies as "an explicit policy initiative or series of policy initiatives enacted by a sending state, for its people, aimed at fortifying and deploying relationships with expatriate communities, diaspora populations, and foreign constituents, who share a special affinity". Similarly, Unterreiner and Weinar (2014, 13) define these policies as "policies that engage emigrants and members of diaspora communities (both organizations and individuals) with the countries of origin, which builds the sense of belonging and strengthening the ties". DEPs take several forms. Some are strategies, programs, and regulations that are devised to affect diasporas' rights and benefits. Countries often establish institutions to manage relationships with diaspora members and develop and implement DEPs.[7]

These policies are proliferating among developing countries. As countries view diasporas as an untapped source for economic development, reaching out to these overseas populations and inducing them to contribute to development became a crucial task (e.g., Gamlen 2006; 2008; 2011; Gillespie et al. 1999; Nielsen and Riddle 2010; United Nations 2006). For example, the Indian government set up the High-Level Committee on the Indian Diaspora in September 2000 to establish a new policy framework that helps to develop ties to Indian diasporans and utilize their resources (Ministry of External Affairs of India 2002). Lebanon has diverse policies for its diaspora members including dual citizenship, media outreach, youth education, a diaspora forum, and the Ministry of Foreign Affairs and Emigrants. These examples are typical, and DEPs have been proliferating in developing countries. According to the 2005 IOM survey, 92% of the respondent governments (including both developed and developing countries) answered that they had policies for their diasporas (IOM 2005,

[7]DEPs are different from emigration policies. The two policies target different people/groups and are thus implemented for different reasons. While DEPs are devised to create ties with diasporas and nurture their sense of connections to homelands, emigration policies aim to "regulate (either facilitate or limit) outward migration, the mobility of migrants across countries and their return" (Unterreiner and Weinar 2014, 12). These policies primarily target migrant workers, including bilateral agreements on sending workers aboard and pre-departure training for labor migrants (Unterreiner and Weinar 2014, 11-12).

205). Low and middle-income countries (IOM 2005, 205) or countries with business impediments (Nielsen and Riddle 2010) are more likely to use DEPs.

While there are extensive studies on institutions and diasporas, studies on DEPs are relatively small and less developed since these policies are a recent development. Scholars just report various types of DEPs (e.g., Levitt and Dehesa 2003; Gamlen 2006). Research on the relationship between DEPs and investments is descriptive (e.g., Ratha and Plaza 2011). So, whether DEPs are an effective FDI strategy, how countries use DEPs to mobilize diaspora investments, and how DEPs and other options for FDI are related to each other are not yet understood. These questions have neither been theoretically discussed nor systemically tested.

Hence, in this dissertation, I provide a new theory of DEPs and FDI and a systematic test for the effectiveness of DEPs in attracting FDI. I aim to answer the following three questions. First, do DEPs help developing countries to attract FDI? Second, how do DEPs increase FDI? Last, under what conditions might DEPs have a bigger impact on FDI?

It is essential to deepen our understanding of the relationship between DEPs and FDI not only for FDI studies but also for developing countries. If an FDI promoting impact of DEPs exists, without attention to this FDI strategy, we cannot account for a broad pattern of FDI flows in the world. Furthermore, several capital-poor countries have dedicated to creating and implementing DEPs for FDI. The DEP strategy is attractive to countries whose democratic and international economic institutions are not empowered enough to mitigate investment risk, as it is politically less costly than democratization and joining international economic institutions. Additionally, to the extent that diaspora investors have non pecuniary investment interests, their material profit loss due to investment risk can be compensated by different means. Homeland governments can exploit this tendency through DEPs in order to facilitate FDI. However, we have little knowledge of whether DEPs are an effective strategy for FDI. Developing countries have invested in DEPs without knowing whether these policy measures have achieved their purposes. This dissertation can guide their decision to choose an effective FDI strategy.

Conclusion

In this chapter, I have discussed trends in FDI and examined three prior explanations for the variation in FDI across countries. Various factors affect flows of FDI across countries, such as the presence of democratic and international economic institutions, the size of diasporas, and the development of DEPs. The first two explanations are limited at accounting for overall patterns of FDI in the world due to their lack of attention on foreign investors' investment interests. The institutional accounts treat all investors as profit-seeking economic actors. Although many investors seek to gain more economic profits, there is also a particular type of investor whose investment decision is not solely driven by marital concerns. This characterization of investors rules out another source of FDI: diasporas. While recent studies on diasporas' investments characterize investors differently than the institutional explanations, they ignore FDI host countries specific factors, especially DEPs, as well as assume that all diaspora members are excited about FDI in homelands. Therefore, in building studies of DEPs, I present a theory of cross-border FDI flows that highlights the impact of DEPs on attracting FDI in the developing world. In the following chapter, I discuss how DEPs might facilitate FDI for developing countries and under what conditions this new FDI strategy might bring more FDI into these countries.

Chapter 3

A Theory of the FDI Promoting Impact of DEPs

In the post-Washington Consensus world, developing countries consider foreign direct investment (FDI) economically beneficial. As such, they have competed for FDI to stimulate economic development. However, they have not attracted much FDI. In the previous chapter, I discussed three existing explanations for cross-border FDI flows, which respectively emphasize the presence of democratic and international economic institutions in FDI host countries, the size of diasporas in FDI source countries, and the use of diaspora engagement policies (DEPs) by FDI host countries.

In this present chapter, I provide a theory of FDI distribution that highlights the role of DEPs in attracting FDI. The use of DEPs is presented as another pathway for attracting FDI, in addition to improving an institutional climate for all potential investors. I expect that when countries take policy measures to have positive ties to their own diaspora members and to shape these overseas populations' material and non pecuniary investment interests, they attract more FDI. I also propose that the impact of DEPs on FDI differs, depending FDI host countries' regime type.

In developing this theory of the impact of DEPs on FDI, I stress that homelands' use of DEPs better explains various levels of FDI across borders than simply the size of diaspora communities. Unlike prior studies on diasporas, I do not assume that all diaspora investors are excited about investing in their homelands. Although diaspora members may have interests in homeland investments, their interests may not be translated into actual investment activities. Accordingly, to promote their investments, there should be DEPs for the promotion of diaspora investments.

These policies are incorporated into an analysis of FDI as FDI host countries' locational factors that can affect interactions between diaspora investors and FDI host countries.

The theory of the positive impact of DEPs on FDI in the developing world is introduced in three steps. First, I identify two primary actors that affect international FDI outcomes - diaspora investors and their homelands - and then I discuss the two actors' interests regarding FDI. Here, I make a distinction between diaspora investors and non-diaspora investors rather than grouping them together under the same category of foreign investors. The reason is that the two expect to garner different kinds of gains from investments in the diasporas' homelands. This suggests that FDI host countries have to formulate different kinds of FDI policies to attract FDI from the two types of foreign investors.

Second, I discuss how and when DEPs might influence diaspora investors' investment decisions. DEPs work in promoting FDI through two mechanisms. Home countries' efforts to facilitate FDI start with reaching out to their diaspora communities and developing intimate and peaceful ties to those overseas groups. This is critical to promoting diaspora investments because some members of diaspora communities ceased to be diasporans or some countries might have friction with their diasporas. Then, considering that diasporas are motivated to make FDI in home countries for material and non-material incomes, I argue that it is necessary to offer these expected investment gains to diaspora investors through DEPs. Here, I discuss how three types of DEPs can shape material and non-material investment interests: 1) Material DEPs - FDI Returns, 2) Material DEPs - FDI Information and 3) Non Pecuniary DEPs - Emotion/Social Status. This FDI strategy is particularly effective for non-democracies. In non-democratic countries - where information about investments is scarce - DEPs focusing on FDI information can reduce this informational barrier to FDI. Also, Non Pecuniary DEPs help non-democracies to salvage conflictual relationships with their diaspora members.

Finally, two sets of hypotheses are generated from the theory to test the impact of DEPs on FDI. The first hypothesis is intended to test whether states with more extensive DEPs tend to attract more FDI than others without such policies. The second set of hypotheses is generated to

investigate whether the impact of DEPs on FDI is a function of levels of democracy.

3.1 Diaspora and Homeland Government, and Their Interests

In my theory of the FDI promoting impact of DEPs, diasporas and their home countries are identified as the principal actors that affect FDI outcomes in the world. Homelands seek to mobilize diasporas' investments through DEPs for the economy. Diasporas carry out FDI in homelands where they left when DEPs have an impact on their investment decisions. In this study, migrants/diasporas and FDI move in opposite directions. To avoid any confusions about the theory of the role of DEPs in attracting FDI, I first describe the directions of the movement of FDI and migrants and related terms. Then, I discuss what diasporas and homelands seek to achieve as to FDI. Diasporas have emerged as a new economic actor in studies of FDI, and definitions of diasporas are proliferating among scholars, policy-makers, and the media (Brubaker 2005; Dufoix 2008; Sheffer 2003). So, I also discuss who constitutes diasporas in this dissertation.

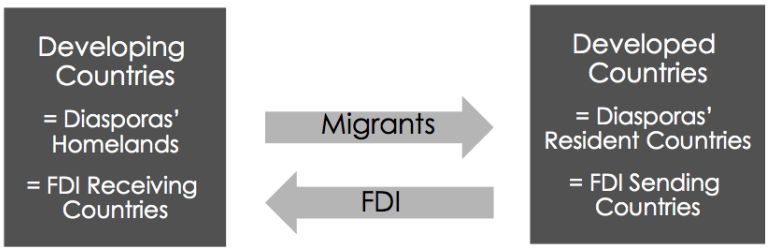


Figure 3.1: Directions of the Movement of FDI and Migrants

As shown in Figure 3.1, FDI and people flow in opposite directions. I explain FDI that flows from industrialized countries to capital-scarce developing countries. Those rich countries are FDI-sending countries/FDI source countries, while the latter is FDI-receiving countries/FDI host countries. In contrast, people emigrate from developing countries to developed countries.

Here, developed countries become diasporas' resident/destination countries while developing states are their homelands/countries of origin. Considering that countries seek to harness a wealth of diasporas living abroad, diasporas' resident countries become FDI-sending countries, while their homelands are FDI-receiving countries.[1]

3.1.1 Diaspora

Diaspora is a Greek term that consists of *dia* meaning "over" and *sperio* referring to "to sow" (Sheffer 2003, 9). By definition, it refers to those who are scattered across borders. But, not all dispersed persons are considered to belong to a diaspora group. Different people hold different views on who constitutes diasporas. There is no scholarly consensus on the definition of diasporas, and scholars and policy-makers present different views on who are diaspora members.[2]

For my study, I accept Sheffer's (1986) definition. Diasporas refer to "ethnic minority groups of migrant origins residing and acting in host countries but maintaining strong sentimental and material links with their countries of origin - their homelands" (p. 3).[3] This definition is proper for

[1]I focus on a dyad of developing and developed countries for the theory. This should not be read as indicating that migrants move only from developing countries to developed nations. This movement is just one pattern of migration. Migrants living in developing countries move to another developing country as well, and this migration pattern is as typical as developing country-developed country migration. According to the Economic and Social Affairs Department of the United Nations (United Nations 2015), developing countries have hosted a large number of migrants in the 2015 mid-year. While the U.S. has the highest stock of migrants in the 2015 mid-year, Russia (3rd), Saudi Arabia (4th), United Arab Emirates (6th), India (12th), Ukraine (13th), Thailand (14th), and Pakistan (15th) are also the top 15 popular destination countries for migrants.

[2]According to Dufoix (2008), researchers adopt three approaches to defining diasporas: "categorical", "open", and "oxymoronic" approaches. Starting with the categorical approach, specific criteria are applied to distinguish diasporas from other immigrant communities (Dufoix 2008, 21-23). For example, Cohen (1997) offers nine common features of diasporas and then categorizes diasporas into five groups based on those characteristics: Victim (Africans, Armenians), labor (Indians), imperial (British), trade (Chinese and Lebanese), and culture (the Caribbean). Next, open definitions of diaspora (e.g., Sheffer 1986) are "loose and non-discriminatory" and include cases that might not be identified as diasporas by the first approach (Dufoix 2008, 21). Nevertheless, the first two ways of defining diasporas can be grouped together in that diasporans are defined in terms of their relations with homelands in contrast to the last approach. The third approach stresses"paradoxical, non-center, and hybriditiy aspects of diaspora identities" (Dufoix 2008, 24). This is well found in Hall (1990, cited in Dufoix 2008, 24): "diaspora is not referred to as those scattered tribes whose identity can only be secured in relation to some scared homeland to which they must at all cost return even if it means pushing other people in the sea ... the diaspora experience is defined not by essence or purity but by the recognition of a necessary heterogeneity and diversity; by a conception of identity which lives with and through, not despite, difference; by hybridity." Governments view diasporas quite differently than scholars. They regard their diasporas as development agents who can bring wealth, knowledge, and skills to them. In this regard, when defining diaspora members, governments consider their "ethnic/national origin", and their "ability" to and "willingness to contribute to development." (Unterreiner and Weinar 2014, 11).

[3]Studies connecting diasporas and FDI, broadly investment, explicitly and implicitly adopt his definition (e.g.,

this dissertation because diasporas are understood in relations to their homelands. Furthermore, his characterization of diasporas captures heterogeneities in diaspora identities within a diaspora group. As will be discussed in the following sections, how diasporas and homelands view each other and how much diasporas feel a sense of belonging to their homelands are critical to my theory.

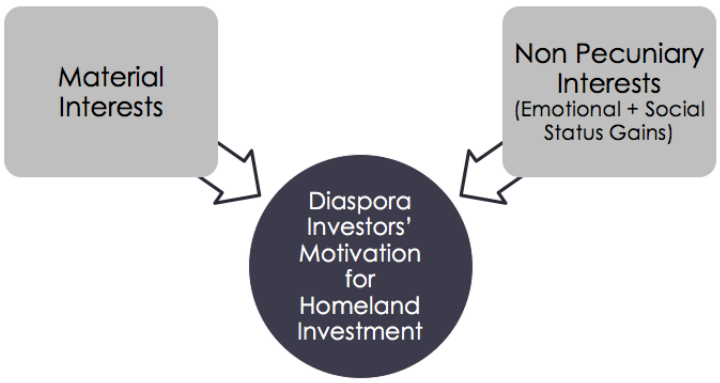
More specifically, there are four types of diaspora members, depending on the degree of their identities as diasporas (Sheffer 2003, 100): "core members","members by choice" or "descendants of mixed families and converts", "marginal members", and "dormant members". Both core members and members by choice correspond to our general conception of a diaspora. They identify themselves as a diaspora (100). Because of their strong diaspora identity, core members can act for their diaspora community and their homeland (100). However, marginal members do not view themselves as diaspora members although their diaspora identity is still maintained (100). Dormant members have the weakest identity within a diaspora group because they have assimilated or fully integrated into resident countries (100).

All four categories of diasporas are treated as diaspora members in this dissertation, not just core members and members by choice in contrast to prior studies. Core members are most likely to invest in homelands. Their deep ties to homelands and their sense of belonging to the homelands drive them to invest there. In addition to this group, I also include diasporas members whose ties to homelands are loosened or severed such as high generation diasporas who are similar to "marginal members" and "dormant members" of diaspora communities in Sheffer (2003, 100). Diasporas with weak/no ties are not excluded from this study because I focus on home countries' efforts to transform their relationships with diaspora members for FDI. Although marginal and dormant diaspora members maintain very weak identities as diasporas, marginal members still retain their identity, and dormant ones remember their roots (Sheffer 2003, 100). So, if DEPs reconstruct their sense of connections to homelands, they might re-identify themselves as diasporas and act by investing in their homelands.

Agunias and Newland 2012; Boly et al. 2014; Leblang 2010; Newland and Patrick 2004; Nielsen and Riddle 2010; Ratha and Plaza 2011).

Diasporas should be separated from other emigrants. Diasporas belong to emigrants in resident countries, but not all dispersed emigrants are qualified as diaspora members. In particular, this study does not treat migrant workers as diaspora members. These temporary workers are citizens of labor-sending countries. They work in foreign economies temporarily and eventually return to home countries once work permits are terminated. Last, diasporas refer to individuals of diaspora communities, not the collective itself, because firm owners, CEOs, and managers carry out or affect FDI.

Diaspora members are a new source of FDI for developing countries. There are noticeable differences between diaspora investors and other foreign investors in terms of what they seek to gain from their investment. Mainly drawing from Nielsen and Riddle (2010) (see Figure 3.2), material and non pecuniary interests motivate diaspora investors to prefer homelands to other foreign countries as investment locations.[4] However, non-diaspora investors only consider the prospect of increasing material profits.



Source: The framework is adapted from Nielsen and Riddle's figure (2010, 438).

Figure 3.2: Foundations for Diasporas' Interests in Homeland Investment

[4]Nielsen and Riddle (2010) discuss what motivates diaspora investment in post-conflict contexts. Although I do not examine the impact of DEPs on FDI in post-conflict countries, their framework can be applied to non-conflict countries as well. The reason is that diasporas have both material and non pecuniary motivations for homeland investments, and the latter becomes more "salient" in post-conflict settings (Nielsen and Riddle 2010, 437).

As an economic actor, the desire to earn higher returns on investment is an essential component of diasporas' investment. Like non-diaspora investors, they consider profit-making. In homelands, they are in a better position to increase material gains from investment than other investors, since they can reduce the cost of information collection by utilizing local contact and knowledge about their homelands (Nielsen and Riddle 2010, 438-39). Because of this informational advantage, they choose homelands as an investment location rather than investing in other countries (Nielsen and Riddle 2010, 438-9).

Material gains are not the sole factor driving diasporas' investments. Diaspora investment has a non-material basis. The desire to obtain intangible payoffs also underlies their investment interests. More specifically, they seek emotional and social status gains from investment.

Starting with emotional gains, diaspora investors can be motivated to invest in homelands even if the investment causes profit-loss. This is because they are altruistic toward their homelands (Gillespie et al. 1999, 629; Nielsen and Riddle 2010, 439). Furthermore, their homeland investment generates "emotional satisfaction" or "psychic income", such as feeling of "warmth" (Nielsen and Riddle 2010, 439). These gains compensate their profit loss.

The expectation for social status gains is another component of non pecuniary interests. In particular, social ties and social responsibility underlie diasporas' social investment interests. The human nature, "the need to belong", affects diasporas' investment decisions (Nielsen and Riddle 2010, 440). Diasporas want to feel a sense of connection to homelands and their desire for such bonds can be met when they invest there, and their investment is recognized by other diaspora members (Nielsen and Riddle 2010, 440). Another social driver of investment is a sense of responsibility (Hudson 2005; Nielson and Riddle 2010, 441). Diaspora investors engage in homeland investment from a sense of duty to the homelands.

Taken together, diasporas have mixed motivations for investment in origin countries. The desire to obtain material, emotional and social status gains encourage them to invest in their homelands. In contrast, non-diasporas seek to increase material returns from investment.[5] In

[5]Nielsen and Riddle (2010) is not the first work that identifies mixed motivations for investment. Similarly, Gillespie

my study, emotional and social status gains are combined and called non pecuniary/non material interests because the two reinforce each other (Nielsen and Riddle 2010).

It should be highlighted that having non pecuniary motivations for investment does not mean that diasporas are irrational. They are instrumentally rational. They can identify what they want to achieve concerning foreign investment. They choose an investment location and the amount of investment according to their preferences. But, unlike non-diaspora investors, diaspora investors' investment interests have emotional and social status foundations.

3.1.2 Homeland Government

The other principal actor is the government of homelands. Homelands refer to origin countries where diasporas or their ancestors lived previously and retained citizenship. Countries have attempted to engage with diaspora members for national interests, responsibilities to them, and international cooperation over migration flows (Gamlen 2011, 7-8). In this study, it is assumed that developing countries aim to promote national interests, more specifically national development, by harnessing diasporas' wealth.

Developing countries target diasporas for FDI because they face a lower cost of attracting diaspora investors than other foreign investors. As discussed above, material gains are not the sole factor driving diasporas' investments. To the extent that their investments have a non-material basis, diasporans are less sensitive to profit-loss due to investment risk. Their loss of material gains can be compensated by emotional rewards or gains associated with social ties and social

et al. (1999) explore what determines diasporas' interests in homeland investment. Their survey analysis found that cultural familiarity, altruism, homeland orientation, and insensitivity to business impediments in homelands shape diasporas' preferences for homeland investment. These material and non-material interests are also found in diasporas' other contribution, remittances. Migrants send money to family, relatives, and others in homelands either for recipients' welfare or their personal gains, such as material support in case of unanticipated misfortune and care of their assets while abroad (Jimenez and Brown 2013). Investment motivations for non-financial gains are not particularly found in diasporas, given the literature on socially responsible investment (also called ethical investment and sustainable investment). Ethical factors affect non-diasporas' investment decisions including environmental protection, fair trade, nuclear power, and human rights. (Anand and Cowton, 1993, cited in Hofmann, Hoelzl, and Kirchler 2008, 173). Some investors are motivated to make socially responsible investments, as expecting emotional rewards or possible social changes due to their consideration of ethical values (Beal, Goyen, and Phillips 2005; Michelson et al. 2004).

responsibility. In other words, these investors pay a lower cost of entering their homeland for FDI than other foreign investors even in the presence of investment risk. Hence, many countries have recently mobilized diasporas in order to facilitate their participation in the development process. For example, the Philippine Development Plan (2011-2016) recognizes overseas Filipinos as a vital part of the national development (Nicolas 2014, 7; 2013, 4-5).

Developing countries need to devise various DEPs in order to enhance their attractiveness to diaspora investors. Mobilizing diaspora investments is challenging because those targeted have selected to reside in foreign countries where the government does not have direct control over its diaspora community. Developing countries vary in their capacity to do so. Hence, by employing diverse DEPs, they need to reach out to and harness potential diaspora investors for FDI.

In summary, diasporas and their homelands are key actors in this study. Homelands seek to attract their diasporas' investment for economic development. Those overseas populations aim to achieve material and intangible rewards as a result of homeland investment.

3.2 Promoting FDI through DEPs

Then, how might DEPs lead to diasporas' FDI? Under what conditions might DEPs be most effective at promoting FDI? In this section, I discuss the mechanisms by which those policies are positively associated with FDI. DEPs work through two mechanisms. DEPs establish intimate and favorable connections between homelands and diasporas and stimulate diaspora investors' material and non pecuniary interests in investment. Here, the nature of diaspora-homeland relationships is discussed in detail since I do not assume the uniformity in diaspora members regarding their bonds with homelands and their excitement of homeland investment in contrast to previous studies. Next, I identify the conditions under which DEPs might have a strong impact on FDI. While DEPs are good for FDI, on average, I argue that levels of democracy condition the impact of DEPs on FDI. DEPs have a bigger positive impact on FDI in non-democracies than in democracies.

The theory of the FDI promoting impact of DEPs works by affecting firm owners, CEOs, or individuals who have a say over investment decisions at firms. If diaspora members own or manage firms that can carry out FDI, DEPs directly affect their investment decisions. Even though diaspora members are not owners or CEOs, if they are in a position to influence investment decisions, DEPs can also promote FDI indirectly by affecting those people.[6]

3.2.1 Building and Advancing Diaspora-Homeland Relationships

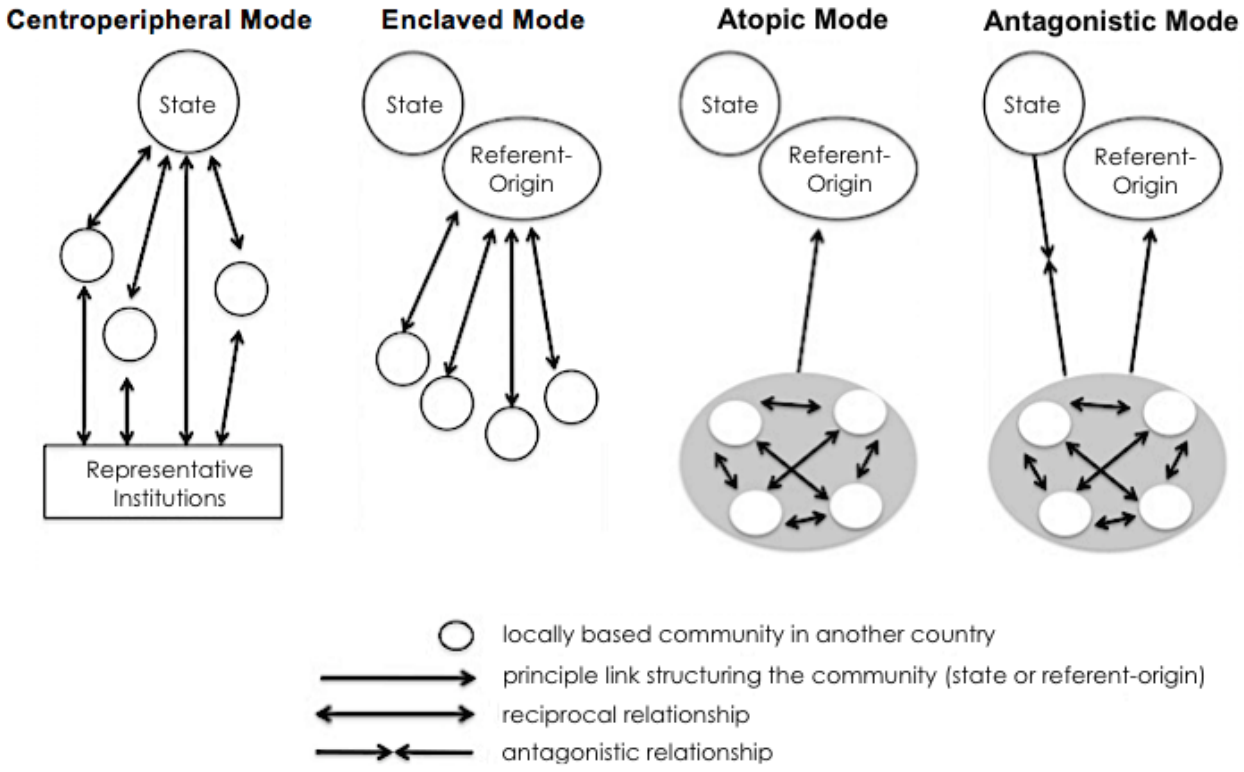
Nature of Homeland-Diaspora Relations: Positive, Negative, or None/Weak

The efforts of diaspora engagement start with managing diasporas-homeland relationships. It is not wise to assume the existence of a diaspora-homeland relationship and the two's favorable views of each other. Some diaspora members maintain positive emotional attachments to their homelands as assumed in prior studies. In this case, the homelands can easily mobilize diaspora investments by utilizing their emotional ties. However, homelands are perceived differently by different diaspora communities, and the two may not feel the need to establish links to each other. Without closer attention to the two's relationships, we risk putting under a single category all diasporas with favorable, hostile, or indifferent stances on homelands as Dufoix (2008, 66) highlights. This study does not assume positive connections between homelands and diasporas, which makes it different from prior studies.

Diaspora-homeland relationships are complex and multifaceted. Dufoix (2008) identifies four kinds of relationships between the two, which can vary across time and countries. From Figure 3.3, one can see that different diaspora communities (indicated by white circles) have different ties with homelands and fellow diaspora communities. With a focus on diasporas-homeland links, the centroperipheral mode is characterized by positive connections between the two. Here, homelands

[6]There are studies reporting diasporans' influences on firms' investment decisions. For example, HSBC, KPMG, and Synopsys entered the Armenian market because of Armenian diasporans working at these firms (Hergnyan and Makaryan 2006). In a survey analysis of investment decisions of Dutch firms operating in Central and Eastern Europe, Laar and Neubourg (2006) find that nationalities of firm owners, employees, their partners or friends were considered in investment decisions. According to Bhattacharya and Groznik (2008), before USA firms make investment decisions, they send scouting teams to a potential FDI host country including persons from that country.

have interests in building relationships with their overseas populations, so DEPs are formulated, such as government institutions (Dufoix 2008, 62). However, such a link is not observed in other modes. In the enclaved and atopic forms, homelands and overseas populations are not interested in reaching out to each other, so there are no established links between the two (62-3). Those in the antagonistic pattern retain hostilities against their home countries and do not consider the current regime of the homelands legitimate (63). That is, the relations between homelands and their diaspora members can be positive or negative or can be absent or loosened.



Source: This figure is adapted from Dufoix (2008, 65).

Figure 3.3: Four Modes of Diaspora-Homeland Relationships

Several factors explain such different modes of connections between diasporas and homelands. First, diasporas' different views on homelands (positive and negative) originate from reasons for

and modes of their migration. People move across borders for various reasons and in different ways. The reasons can be political (e.g., avoiding political repression, surviving in civil wars) or economic (e.g., seeking better employment opportunities), and they can leave voluntarily or involuntarily (Cohen 1997). These factors affect their memories and feelings of homelands, which has impacts on their investment decisions.

Consider conflict-driven diasporas (e.g., Vietnamese and Cambodian diasporas). These groups were involuntarily formed because of political reasons. Cambodians and Vietnamese had to flee to other foreign countries for survival. Some of these diaspora members are still mistrustful of their homelands and continue to maintain resentment toward their homelands. So, it is possible that they refuse to invest in their home countries. To attract FDI from such a conflict generated diaspora, homelands need to transform antagonistic relationships to more peaceful ones.

Furthermore, since diasporas are, by definition, dispersed across borders, not all countries have established links to their overseas populations either in conflictual or favorable forms. Some maintain diaspora identities and have the readiness to act for their homelands, while others might soon lose or already have lost meaningful ties with their homelands. In the language of Sheffer (2003, 100), diaspora members can be "marginal" and "dormant".

Second and subsequent generations of emigrants fit into no/weak relationships. They may have command of languages of resident countries. They may not have cultural familiarity with origin countries due to their exposure to the culture of the new places. They may more care about their life in their current places rather than keeping significant interests in homeland matters.[7] In these cases, diasporas do not have informational advantages over other foreign investors anymore and feel the need to invest in homelands.

Need for Positive Connections to Homeland for FDI

Countries need to establish connections with overseas populations and develop favorable

[7]Generational divisions within a diaspora group exist. For example, second-generation diasporans of Somalia do not have interests in Somalia. To these Somalian descendants, homeland matters are not important anymore (Schlee and Schlee 2010, cited in Abdile and Pirkkalainen 2011, 53).

relationships with them for tapping into their wealth. This effort is necessary because diasporas' investment has a non-material basis and countries aim to promote FDI.

First, the way diasporas perceive homelands influences their investment decisions. Positive feelings about homelands can facilitate diaspora investment, given psychology studies. Our feelings are a critical component of our interpersonal behavior. Feeling good or having positive affect promotes helping and altruistic acts (e.g., Barnard and Pendock 2013; Forgas 2002; Miller 2009). In their survey analysis of the South African diaspora, Barnard and Pendock (2013) find that how South African diasporans feel about their homeland affects their decision to share knowledge with South Africa. When they were proud of and excited about the homeland, they were more willing to help South Africa by transmitting their knowledge.[8] Their study suggests the need for countries to manage and improve relationships with overseas populations for FDI. In the presence of conflictual relationships, diasporas' contributions to homelands cannot be assumed. If diasporas do not perceive their homelands positively, then they are not interested in emotional incomes from homeland investments and do not feel a sense of duty to their homelands.

Second, FDI needs positive diaspora-homeland relationships. FDI requires significant involvement of investors in FDI host countries over the long haul as opposed to other investment options. Direct investors need profound knowledge about investment locations. Besides, they have to have frequent interactions with locals. In light of this, if diaspora members had to leave for political reasons, they would be concerned about their status and security in homelands. Emigrants were often blamed as "deserters" (Gamlen 2006, 6). Potential discriminations and local people's hostile

[8]Barnard and Pendock (2013) also tested the impact of negative affect about homelands (i.e., guilty feelings about leaving and nostalgia) on helping behavior. There exists an inverted U-shaped relationship between guilty feelings and knowledge sharing. When South African diaspora members feel a moderate level of guilt about leaving, they were most willing to share knowledge with the homeland. Feeling nostalgic for the homeland has a U-shaped curvilinear relationship with their interests in knowledge sharing. These findings on the negative affect are not related to my study for three reasons. First, the negative feelings in their analysis are not directed toward South Africa, but toward respondents themselves or their resident countries. In my study, negative feelings mean diaspora members' emotions about their homelands, such as a feeling of hostility. Second, negative affect also leads to helping and altruistic behavior because people want to manage their negative mood (Glomb et al. 2011; Miller 2009). However, this mood regulation mechanism does not apply in this dissertation. The reason is that unless homelands resolve friction with diasporas, their helping is not likely to improve their feelings about the homelands and give them emotional rewards. Last, in Barnard and Pendock (2013), positive affect was much stronger than negative affect. Similarity, Forgas (2002) found that positive affect consistently promotes altruism and helping and that negative affect was also found to have a similar but less consistent effect.

perceptions of diasporans due to their decision to emigrate can discourage their investment. Hence, homeland governments need to establish and improve relations with diasporas officially.

DEPs and Positive Connections to Homeland

As discussed, diaspora-homeland relationships are multifaceted within a diaspora community and across diaspora groups. Different diasporas have different relationships with home countries, which affects their investment decisions. Their emotional affinities and favor can act as a "pulling" factor, while their resentment instead works as a "pushing" factor regarding homeland investment. Without connections to homeland, diaspora investors act like non-diaspora investors. DEPs can develop intimate and favorable links between the two, such as diaspora forum and diaspora education.

Diaspora forum is a gathering of diasporas, and this offers a platform where members of diasporas meet fellow diasporas, local people, and homeland governments. Through this policy measure, home countries can start to establish ties and develop positive bonds with overseas diaspora members. This policy effort is especially important for those countries that have adversarial relationships with overseas populations. At diaspora forums, governments can identify a source of tension in their relationship with people abroad and show interests in having better relations with them and addressing their concerns.

Sri Lanka is an illustrative case. After the protracted civil war (1983 - 2009), the Lesson Learnt and Reconciliation Commission was formed in 2010 as a part of the effort to recover from the war and reconstruct Sri Lanka. In its report to the President, the *2011 Report of the Commission of Inquiry on Lessons Learnt and Recommendation*, the Commission highlights the need to engage with the Sri Lanka diaspora, especially people with adversarial attitudes and grievances toward the government (Lessons Learnt and Reconciliation Commission 2011, 314-316). Based on this recommendation, the Ministry of Foreign Affairs planned to host a diaspora festival in 2015 to renew ties with their overseas Sri Lankan people (Colonne 2015).

Vietnam is another example. The Vietnamese government hosted diaspora forums to advance

relations with overseas Vietnamese who have memories of the Vietnam War. Hosting these events was purposeful in order to lower their political and ideological resentment toward the government and the outbreak of the war (Pham 2010).

3.2.2 Stimulating Diasporas' Investment Interests

Despite their positive ties to a homeland, diaspora investors still might not be motivated to make FDI in their homeland unless they expect to make certain gains from their investment. Considering diasporas' material and non pecuniary motivations for homeland investment (see Figure 3.2), when they believe that their investment will bring them material profits and intangible rewards, they are expected to engage in homeland investment. Such being the case, policy intervention for FDI is necessary to meet diasporas' expectations. Here, I theorize how DEPs foster diaspora investment per investment interest. For this discussion, I introduce three types of DEPs on the basis of diasporas' investment interests. Policy measures for stimulating material investment interests have two parts, Material DEPs - FDI Returns and Material DEPs - FDI Information. The first measure is intended to increase profits by removing restrictions on diaspora investment, while the second one aims to reduce informational barriers to FDI. Diasporas' expectations for emotional and social status gains can be satisfied by Non Pecuniary DEPs - Emotion/Social Status.

Material DEPs - FDI Returns

Like a typical direct investor, the desire to expand wealth is a primary driver of diaspora investment. Diasporan investors prefer more profits from investments than fewer gains. As such, homeland governments attempt to upgrade an investment climate to generate their material interests in investments. For example, they can employ Material DEPs - FDI Returns. Several developing countries have granted dual citizenship/dual nationality for this purpose.[9]

[9]Dual nationality and dual citizenship can be conferred on diaspora members for diverse reasons. Promoting diasporas' participation in national development is one reason. Half of the African countries reformed their constitutions to provide dual citizenship as a way of facilitating investment (Ratha and Plaza 2011, 51). The legal measures can also be implemented for political purposes. The Mexican government sought to mobilize dual nationals in the USA as a lobbying group during the NAFTA negotiation (Jones-Correa 2001, 1010). Right-wing political elites' interests

These legal measures are attractive to diaspora investors as they can reduce costs associated with investing in homelands. More specifically, foreign investors confront material obstacles in investing abroad, such as documentation for visits, limited stay, and restrictions on banking services and property ownership. The DEP of dual nationality/dual citizenship lowers those obstacles for diaspora members by improving their legal status in homelands. Dual citizenship/dual nationality permits foreigners to possess nationalities of both resident countries and homelands (Gamlen 2006; Jones-Correa 2001, 998). So, with the amendment to citizenship law, diaspora investors become free from various restrictions on foreigners in their homelands even if they do not renounce their citizenship in resident countries. Furthermore, homelands provide the same rights and benefits as locals. Under the scheme of dual nationality/dual citizenship, diaspora members possess economic and social rights (e.g., passport or special visa, the right to invest, the right to purchase land), and even political rights are extended (e.g., the right to vote) if dual citizenship is recognized (Gamlen 2006; Levitt and Schiller 2004, 1020; Jones-Correa 2001, 998; Ratha and Plaza 2011, 51).

Hence, to the extent that homelands can remove restrictions on investment and provide some rights and benefits for prospective diaspora investors through Material DEPs - FDI Returns, these ethnic investors might have material interests in homeland investment.

Material DEPs - FDI Information

Material DEPs - FDI Information is another component of DEPs for shaping material investment interests. Informational barriers are a fixed cost of conducting FDI. Lack of precise information on investment locations increases costs of investing abroad, which dampens international capital flows (e.g., Daude and Fratzscher 2008; Gelos and Wei 2005; Harding and Javorcik 2011; Javorcik et al. 2011; Portes, Rey, and Oh 2001). In particular, direct investors are more sensitive to this information problem than investors carrying out loans and portfolio (Daude and Fratzscher 2008). Hence, to attract FDI, countries need to remove informational barriers by providing investment-related information, such as market structure, laws pertaining to investment,

in utilizing ties with the Hungarian diaspora led to granting cultural and economic benefits to ethnic Hungarians in 2001(Waterbury 2006).

and consumer preferences.

Diaspora investors are believed not to have uncertainties about homeland markets. It is argued that they have advantages over other foreign investors in lowering costs of collecting information on their homelands because of local contacts, language skills, and knowledge of the countries (e.g., Fan 1998; Leblang 2010; Nielsen and Riddle 2010). Compared to typical foreign investors, diaspora investors tend to have ethnic advantages over their counterparts. But, they still have uncertainties about homeland markets (Riddle and Nielsen 2013, 232-3). This informational problem becomes severe if homelands are not industrialized or if diasporas are high generation emigrants. This informational barrier can prevent diasporas' investment even if they can invest easily because of dual nationality/dual citizenship. Hence, homelands need to alleviate diaspora investors' uncertainties about markets and thus lower transaction costs associated with running firms to promote diaspora investment.

To tackle informational confrontations, developing countries give an informational advantage to potential diaspora investors over other foreign investors by spreading investment-related information and presenting investment projects at investment forums. For example, Jordan has convened the "Conference for Jordanian Expatriate Businessmen and Investor" since 1985 (not hosted annually). This DEP has been implemented to build an image of Jordan as an attractive investment location to Jordanian investors. At these conferences, Jordanian expatriate investors are informed of the latest economic development as well as investment opportunists. More important, Jordanian origin investors have chances to build partnerships with local businesspeople and government officials who can assist their investment activities by meeting and communicating with them (Al Bawaba 2001a; Al Bawaba 2001b; Kuwait News Agency 2005; Prime Minister's Office of Jordan 2008; Obeidat 2010). Such a network is a critical source of investment information, especially in countries with a weak legal and regulatory climate such as China. Chinese diaspora investors can easily overcome information barriers to investing in China than non-Chinese investors because of their dense networks where investment-related information is pooled and exchanged (Gao 2003). African countries are not an exception to this DEP. They have convened business forums for the

promotion of diaspora investments (Ratha and Plaza 2011, 50).

Non Pecuniary DEPs - Emotion/Social Status

Diaspora investors have non-material investment interests so that their material profit loss due to investment risk can be compensated by different means. Homeland governments can take advantage of this tendency using Non Pecuniary DEPs in order to facilitate FDI.

Developing countries have invested in various Non Pecuniary DEPs. Diaspora forum is one of these policies. Several countries have hosted this meeting on a regular basis, such as India, Ireland, Cyprus, and Jamaica. Diaspora forum functions as a place of meeting. As a gathering place, members of diaspora organizations in diverse fields meet state leaders and government officials. Diaspora forum is more than a meeting place. Through this particular DEP, governments seek to address their issues that can be resolved with their diasporas' help. In many cases, diaspora forum is hosted with the purpose of engaging diasporas into the development process. For instance, the Iraqi government hosted the "First Global Conference for Iraqi Expatriates' Capacities and Expertise" in Baghdad in 2008 to reconstruct its economy (Jamal 2008). For facilitating diasporas' contribution to national development, countries also update them on recent development and any policy changes that might affect their rights and benefits.

Founding a government institution with diaspora mandate is another example. In the developing world, a growing number of governments have set up diaspora institutions at several levels to establish relationships with overseas populations and to formulate and implement DEPs. According to the IOM survey (2005, 204), 74% of respondents answered that they had a government institution tasked with diaspora matters. Considering that the size of the diaspora relative to that of the national population is small, the creation of government institutions responsible for diaspora matters is the "highest symbolic investment in the diaspora" (Ragazzi 2014, 77).

DEPs for stimulating non-material investment interests work differently than the two aforementioned Material DEPs. This type of DEP relies on a psychological process to mobilize diaspora investments. State leaders make emotional appeals to potential diaspora investors and seek to

generate their sense of duty for homelands, rather than lowering legal and informational obstacles to investments.

More specifically, Non Pecuniary DEPs are developed on the basis of commonalities shared by diaspora members and homelands, such as history, culture, and language. By relying on those commonalities, governments seek to generate diasporas' support for and their sense of belonging to their homelands (Gamlen 2006, 6-7). For example, at the "2015 Lebanese Diaspora Energy Conference", the Minister of Foreign Affairs and Emigrants of Jordan, Gebran Bassil said, "Nothing can make us lose our Lebanity that must instead be reinforced by us through gaining back the nationality, acquiring our language, and possessing our lands and properties ... I chose Lebanity as a term that abridges all what we possess of civilizations, cultures, confessions, and lands in Lebanon." (National News Agency of Ministry of Information of Lebanon 2015). Georgia is another illustrative example. At the first "Diaspora Professional Forum" in 2015, the Prime Minister of Georgia, Irakli Garibashvili stressed that "the state should take care of its citizens, and especially those, who are abroad. We should be united around the idea of building a strong Georgia"(Prime Minister's Press Office of Georgia 2015).

Such an effort is necessary as diasporas are asked to make contributions to development as part of homelands, even though they left behind their home countries. Based on commonalities linking the two, government representatives make emotional appeals to their diasporas to participate in the development process and shape normative expectations of diaspora investment. In this regard, at the first "Diaspora Professional Forum" in 2015, the State Minister of Georgia for Diaspora Issues, Gela Dumbadze stressed, "We are strengthened by everything that brings us together ... Our duty is to keep permanent contact with our compatriots to keep their sense of national identity and [to] take care of Georgian diaspora to maintain their native language and, at the same time, to promote their involvement in this development" (Sharashidze 2015).

These efforts contribute to the promotion of diaspora investment. By responding to homelands' call for help, diaspora investors would achieve emotional rewards even if they might have to lose financial profits as their investment is desirable for their homelands. Also, their invest-

ment contributions or other activities are often officially recognized by fellow diaspora members and their homeland, which gives them social status gains. For example, China granted "Top 100 Overseas Chinese Enterprise Awards" to overseas Chinese firms operating in the mainland in order to recognize and further facilitate their contributions to the Chinese economy (Overseas Chinese Affairs Office of the State Council 2009). Given Nielsen and Riddle (2010), recognition means the acceptance of diasporas into a society of homelands, which further solidifies their attachment to the homelands. Hence, with the employment of Non Pecuniary DEPs, diasporas are more likely to be responsive to calls of homelands as expecting emotional and social status returns on investments. Through these policies, their loss of material benefits can be compensated.

3.2.3 Conditional Impact of DEPs on FDI

Under what conditions might DEPs be most effective at increasing diasporas' investment? When might DEPs not work? DEPs attract FDI from diasporas by establishing and maintaining bonds between diasporas and homelands and by shaping their diaspora investors' material and intangible investment interests. These policies have a more significant impact on FDI in non-democracies. In particular, when non-democracies have DEPs for reducing informational barriers to FDI and offering intangible gains, these countries would receive more FDI. However, these DEPs are not useful to democratic countries.

Starting with Material DEPs - FDI Information, democracies are more transparent than non-democracies. Democratic countries make information on FDI relatively more available to foreign investors, which helps to lower the cost of information collection and investments. Democratic governments disseminate more information on their policies than autocracies because this information allows informed voting (Hollyer, Rosendorff and Vreeland 2011). This suggests that in autocracies where competitive elections are not held, there are limited information flows through official channels about state policies. Restricted freedom of press further increases investors' uncertainties about investment locations. Hence, accurate information on investment is much scarcer

in non-democracies than in democracies.

This informational barrier retards diasporas' investment in homelands. This information problem is aggravated if investors are high generation diasporas who have no meaningful ties to their origin countries. In this regard, when non-democracies implement DEPs for handling information problems, transparency becomes increased, accordingly facilitating diasporas' FDI. However, the efforts to remove informational barriers to FDI are not expected to affect FDI in democracies as FDI relevant information is already available to diaspora investors.

Non Pecuniary DEPs - Emotion/Social Status also increase diasporas' investments into non-democratic countries by managing the two's relationship. As discussed earlier in this chapter, developing positive relationships with diaspora members is crucial to attracting FDI from them because our feelings affect our helping behavior and FDI requires greater integration of investors into FDI host countries. Non-democratic countries often face resentment from their overseas populations. In these regimes, people flee to foreign countries because of political oppression, civil wars or other political reasons. They might be still traumatized by what happened to them when deciding to leave. Perhaps, they are still mistrustful of the homeland governments. In these cases, diaspora members' hostility acts as a pushing factor with regard to investment. Even if they have profound knowledge about homeland markets, local contacts, and language proficiency, they might not want to invest there because of their feelings of the homeland.

DEPs, like convening a diaspora forum, contribute to salvaging homelands' reputation among overseas populations. By hosting a diaspora forum, homeland governments can identify the source of frictions between them and their diaspora members and address these overseas populations' concerns. Iran hosted diaspora conferences in 2009 and 2011 for this purpose. As mentioned above, Sri Lanka is another illustrative case. After the 27 years long civil war, based on the *2011 Report of the Commission of Inquiry on Lessons Learnt and Recommendation*, the Ministry of Foreign Affairs intended to host a diaspora forum to engage with overseas populations, especially people with hostile attitudes and grievances toward the government, for the recovery from the war (Colonne 2015; Lessons Learnt and Reconciliation Commission 2011).

However, Material DEPs - FDI Returns are not expected to promote FDI from diaspora investors to the extent that non-democratic countries focus on improving the legal status of diaspora members through dual nationality/dual citizenship. These citizenship policies decrease transaction costs associated with making FDI in homelands but do not necessarily increase material profits from FDI. FDI returns are determined by economic factors, such as growth and market size. Hence, these legal measures might not give potential diaspora investors significant material incentives in homeland investment.

Pessimism about this particular DEP is also due to poorly enforced property rights in non-democracies. As discussed in Chapter 2, investors prefer democracies to non-democracies as property rights of investors are better protected (Jensen 2008; Li and Resnick 2003). Dual nationality/dual citizenship offer the protection of property rights to diaspora members, but these DEPs *per se* do not effectively mitigate threats to property rights that potential diaspora investors might have. Whether these investors' assets will be secured depends on other institutional factors, such as the legislature and the rule of law. In non-democracies, the legislative branch is not empowered enough to constrain leaders' arbitrary decisions (Jensen, Malesky, and Weymouth 2014). In this regard, it is still possible that autocratic leaders might not remain committed to protecting diaspora investments even in the presence of Material DEPs - FDI Returns. Thus, this type of DEPs does not facilitate diaspora investment into non-democracies. Democratic countries do not this particular type of DEPs because they already have a credible mechanism through which diaspora investors' investment could be protected.

3.3 Hypotheses of the FDI Promoting Impact of DEPs

The theory of the FDI promoting effect of DEPs generates two sets of hypotheses. One is about the overall relationship between these policies for diasporas and FDI, and the other is intended to test the conditional impact of DEPs on FDI, depending on levels of democracy of FDI

host countries.

Relationship between DEPs and FDI

The first hypothesis tests whether DEPs will lead to higher FDI on average. All things being equal, countries that employ more DEPs are expected to attract more FDI than other countries that do not use DEPs, because DEPs build and improve relationships with diaspora members and stimulate their investment interests (H1).

- H1: States with more extensive DEPs receive more FDI.

Conditional Impacts of DEPs on FDI

DEPs are a particularly useful FDI strategy for non-democracies. A set of H2 examines whether the positive impact of DEPs on FDI is a function of levels of democracy in FDI host countries. It is expected that DEPs have a much bigger impact on FDI in non-democracies than in democracies (H2-1). Additionally, I test whether each DEP category's impact on FDI differs between democracies and non-democracies. The positive effect of DEPs on FDI in non-democracies is likely to be driven by DEPs for reducing informational problems (H2-2) and for stimulating non pecuniary investment interests (H2-3). However, Material DEPs - FDI Returns are not expected to influence FDI into non-democracies (H2-4).

- H2-1: Non-democracies with more extensive DEPs receive more FDI.
- H2-2: Non-democracies with Material DEPs - FDI Information receive more FDI.
- H2-3: Non-democracies with Non Pecuniary DEPs - Emotion/Social Status receive more FDI.
- H2-4: Non-democracies with Material DEPs - FDI Returns do not receive more FDI.

Conclusion

In this chapter, I have presented a new theory of the international distribution of FDI that highlights the roles of DEPs in promoting FDI. Whereas prior studies focus on an institutional climate and the size of diasporas to understand FDI flows across countries, I propose DEPs as another factor that affects the FDI distribution.

This dissertation is not the first study on diaspora investments and DEPs, but my theory of the FDI promoting impact of DEPs is unique. While focusing on diaspora investors, I do not take for granted those investors' excitement about homeland investments. Even though they are interested in investing in their homeland, their investment interests might not be translated into actual investment activities, depending on how they perceive their homeland, how much they identify themselves as diasporas, and whether there are policies that meet their expectations to make material and non-material gains from the homeland investment. As such, I emphasize the need to look at DEPs and discuss how DEPs might encourage them to invest in homelands.

Moreover, despite the proliferation of DEPs in the developing world, the impact of DEPs on FDI into developing countries and the mechanisms through which DEPs lead to FDI are not well understood in the previous studies of DEPs. My dissertation provides a rich explanation for the impact of DEPs on FDI. I argue that DEPs lead to more FDI into developing countries by building and improving the relationship between diasporans and homelands and by shaping these overseas populations' material and non pecuniary investment interests. Additionally, I discuss the conditions under which DEPs might have a greater impact on attracting FDI into developing countries. DEPs are particularly effective in non-democracies. When they implement DEPs for reducing informational obstacles to FDI and offering intangible gains, they will better attract diaspora investments.

In the following two chapters, I introduce an original dataset of DEPs in the region of Asia to test the positive impact of DEPs on FDI (Chapter 4). Using this dataset, for the first time I conduct a systematic test for the effectiveness of DEPs in attracting FDI and report findings on

the relationship between DEPs and FDI (Chapter 5).

Chapter 4

Dataset of DEPs of Asian Countries

In the post-Washington Consensus world, foreign direct investment (FDI) is considered economically beneficial by developing countries. With the growth of global FDI, these capital-scarce countries have experienced a gradual increase in FDI inflows since the 1970s. However, they have not been very successful in promoting FDI for the economy, and this foreign capital has been, in fact, concentrated in certain countries, namely China. Whereas studies on FDI have examined FDI flows across countries by considering regime type of FDI host countries, their memberships in international economic institutions, and those countries' diaspora size abroad, I highlight the need to look at diaspora engagement policies (DEPs). In the previous chapter, I have explained why countries with DEPs can better attract FDI than countries that do not seek the promotion of diaspora investment through DEPs. These policies lead to FDI by building and improving relationships between diasporas and their homelands and by shaping their material and non pecuniary interests in homeland investments. I have also identified conditions under which DEPs might work best in attracting diaspora investments.

In this chapter, I introduce an original dataset of DEPs. Studies of DEPs have suffered from data limitation. Lack of data on DEPs has been a significant barrier to understanding the relationship between DEPs and FDI. To overcome this empirical obstacle, I created a large-N dataset of DEPs with spatial and temporal components. The dataset covers ten forms of DEPs among 27 Asian developing countries from 2000 to 2014. These various DEPs are categorized into three types of DEPs on the basis of diasporas' motivations for homeland investments: Material

DEPs - FDI Returns, Material DEPs - FDI Information, and Non Pecuniary DEPs - Emotion/Social Status Gains.

The remainder of the chapter is organized as follows. This chapter begins with a discussion on motivations for constructing the dataset of DEPs with temporal and spatial components. Next, I present an index of DEPs. Here I discuss three observed policy dimensions used to construct the index, the specific DEPs included in each category, and measurements. I then discuss the data collection process. Finally, the manners and the degree of diaspora engagement in Asia from 2000-2014 are explored using the DEP dataset.

4.1 Need for a Dataset of DEPs

My DEP dataset tracks information on ten DEPs that 27 Asian developing countries have formulated and implemented from 2000 to 2014. The primary motivation for constructing a dataset accounting for a broad set of DEPs and including spatial and temporal dimensions is twofold.

First, despite DEPs' increasing importance and the employment of diverse policy measures in the developing world, much of the diaspora research has focused on a few selective countries that are active and successful in reaching out to and harnessing their diaspora members (e.g., China and India). Also, scholars have reported on DEPs that have been adopted by such countries (e.g., dual citizenship and institutions for diasporas).

When concentrating on a couple of countries and their policies, we are far from a systematic examination of a broad pattern of diaspora engagement. This is primarily because different countries adopt different policies for different reasons. Countries formulate, implement, revise, and terminate their DEPs based on their unique conditions, such as relationships with overseas populations, purposes of diaspora engagement, and available financial resources for diaspora matters. As will be explored below, the manners and degrees of diaspora engagement vary across countries even within a single region. With a focus on certain states and selective DEPs, these aspects cannot be

captured. Also, a growing number of countries have started to engage with their diasporas recently by using various DEPs since they recognize diaspora members as development agents. Hence, it is vital to build a dataset that reflects multiple countries and various DEPs.

My DEP dataset includes both active and inactive countries in terms of diaspora engagement. Identified DEPs vary from the conferment of awards to the establishment of ministry-level institutions tasked with diaspora matters. The dataset records both of less preferred and popular policies.

Second, Gamlen (2008; 2006) and Ragazzi (2014) constructed datasets of DEPs showing various dimensions of diaspora engagement, but their datasets are purely cross-sectional. With their datasets, we do not have a comprehensive understanding of diaspora engagement and its impact on FDI mainly because not all DEPs are employed annually and continuously. While some governments convene a business convention on a regular basis, commitments to this DEP could be irregular in other countries, or this could be a one-time policy tool. Policy contiguity is likely observed in dual nationality/dual citizenship. To the extent that we do not capture temporal changes in policies targeting diasporas, the effectiveness of DEPs could not be as accurate. Therefore, I included time components in my DEP dataset.[1]

[1]DEMIG POLICY dataset of the International Migration Institute (2015) is a time-series cross-national dataset that covers 45 countries' migration policies mostly during the post-WWII period in four migration policy areas: border controls, legal entry and stay, integration, and exit (DEMIG 2015; International Migration Institute 2015). There are noticeable differences between this dataset and my dataset. First, the datasets offer different geographic coverages. Although the DEMIG POLICY dataset is not specific to a particular region, about half of countries covered in this dataset are European countries. Regarding the region of Asia, few countries are included (i.e., China, India, Israel, Korea, Turkey, Indonesia, and Japan) (International Migration Institution 2015). However, my dataset covers an additional 20 countries. Second, while the DEMIG POLICY dataset captures policies applied to a broad set of migrant groups including migrant workers, refugees, travelers, and students (DEMIG 2015), my DEP dataset focuses on one specific migrant category, diaspora members. For this reason, for the most part, the two datasets assess quite different policy measures. The only common policy measures are citizenship policies, educational policies, and government institutions. Last, the DEP dataset reports more DEPs than the DEMIG POLICY dataset. For example, regarding Korea and Turkey, the DEMIG POLICY dataset records only citizenship policies, but my DEP dataset identifies additional DEPs, such as a business convention. Hence, the two datasets are quite different. My DEP dataset is unique in terms of its geographic coverage, its targeted migrant group, the extent of its policy coverage, and the level of its detail.

4.2 The DEP Dataset

4.2.1 Scope

The DEP dataset covers a broad set of policies that 27 Asian developing countries have implemented for their diaspora members from 2000 to 2014. As shown in Figure 4.1 below, the included countries are located across sub-regions of Asia. Except for Central Asia, all the other parts of Asia are covered: the West, South, East, and South East areas.[2]

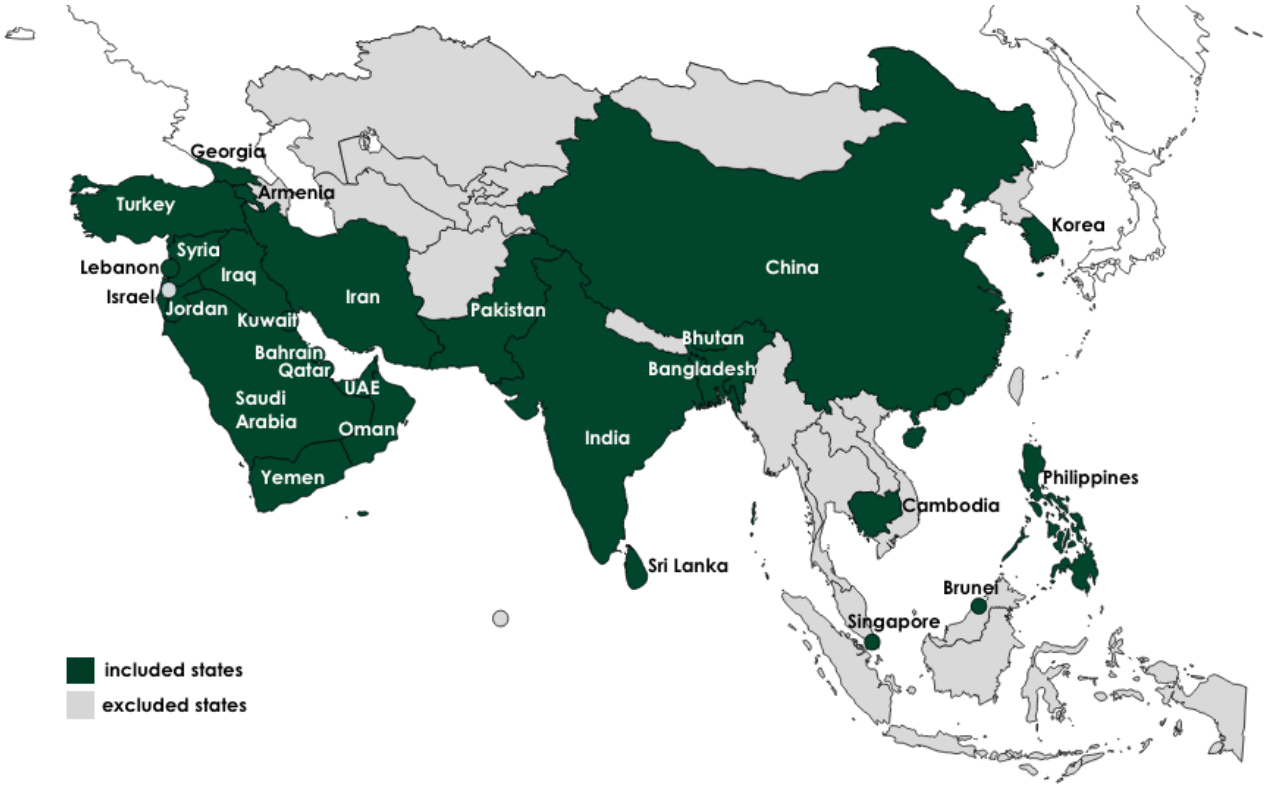


Figure 4.1: Geographical Coverage of the DEP Dataset

I focused on the region of Asia since a sample of Asian countries is relatively representative of

[2]Following the United Nations' State Classifications (United Nations 2013), Asian countries were identified. Among the identified 46 Asian countries, non-developed countries (i.e., economies in transition, developing economies, and least developed countries) were chosen, which excludes Japan. The levels of economic development were determined using the *World Economic Situation and Prospects* (United Nations 2015, 139-143). Due to data limitations on certain variables and time constraints, 18 countries were additionally excluded (e.g., North Korea, Laos, and Afghanistan). Therefore, 27 countries' policies were coded in total in my DEP dataset.

countries in other regions due to diversities, especially heterogeneities in regime type. Compared to Asian countries, Latin American countries are more homogeneously democratic while African states are more homogeneously autocratic. But, the region of Asia retains democracies, intermediate democracies, and autocracies. As discussed in the previous chapter, this institutional factor is critical in understanding the impact of DEPs on FDI. Levels of democracy are theorized to condition the impact of DEPs on FDI. In this regard, there need to be sufficient differences in levels of democracy in a sample. In order to take advantage of institutional heterogeneities, I chose the Asian region. This sampling enables me to generate more generalizable findings.

Consistent with Chapter 3, the dataset adopts Sheffer's (1986) definition of diasporas. He defines diasporas as "ethnic minority groups of migrant origins residing and acting in host countries, but maintaining strong sentimental and material links with their homelands" (p. 3). Despite the distance between diasporas and homelands, their homeland orientation continues to connect them to their origin countries. As emphasized in the same chapter, diaspora communities are not necessarily composed of "core members". The diaspora-homeland relations vary from minimal ties to strong links and from being conflictual to being peaceful. In this regard, DEPs reflect homelands' efforts to construct diaspora members' sense of belonging and ties and to stimulate their investment interests in FDI. Given the definition of diasporas, the DEP dataset does not reflect policies targeting other migrant groups, such as refugees and migrant workers.

This dataset records only national/federal-level governments' policies toward diasporas although sub-national governments, IGOs, donor countries, and NGOs including diaspora groups are often involved in DEPs. Policies by IGOs, donor countries and NGOs are not considered because I explain homelands' uses of DEPs for FDI. Sub-national governments operate under the general direction of their national/federal government, so their DEPs are also excluded.

4.2.2 DEPs: Dimensions, Descriptions, and Measurements

Ten policy measures are recorded in the DEP dataset as shown in Table A.1. They take various forms, such as programs and laws affecting benefits and rights of diasporans, and government institutions responsible for diaspora matters. The ten specific policy measures are grouped by three classification schemes: 1) Material DEPs - FDI Returns, 2) Material DEPs - FDI Information, and 3) Non Pecuniary DEPs - Emotion/Social Status Gains (see the first column of Table A.1). As one can see, these three dimensions are closely associated with diasporas' interests in homeland investment. As discussed in Chapter 3, material and non-material investment interests constitute diasporas' motivations for homeland investment (Nielsen and Riddle 2010). Gaining higher profits is an essential motivation for diaspora investment. Their profit-seeking can be satisfied by Material DEPs - FDI Return and Material DEPs - FDI Information. Such a pecuniary concern is not the sole factor driving their homeland investment. Intangible gains (emotional and social status gains) also underlie their investment interests, which is associated with Non Pecuniary DEPs - Emotion/Social Status Gains.[3]

Under each scheme, there are specific DEPs, which indicates which specific DEP can be employed to attract diaspora investments (see the second column of Table A.1). For example, 6-10 DEPs are associated with non-material motivations for investment. If countries want to make emotional appeals to potential diaspora investors or generate a sense of duty to homelands, they can consider using one of those five DEPs.

[3]The ten DEPs were identified mainly based on Gamlen (2008; 2006) and Ragazzi (2014), but the identified policy measures in my dataset were classified using Nielsen and Riddle's (2010) framework for investment interests and FDI research on informational problems. Gamlen's and Ragazzi's classification schemes are different from mine to some degree. While I categorize DEPs by diasporas' motivations for homeland investment, Gamlen adopted a phased approach to diaspora engagement in grouping DEPs. In the 2006 study, he argues that home countries are required to firstly build the capacity to engage with diasporas (through DEPs such as a diaspora forum, institutions, media outreach, etc.) and then extend certain rights and benefits to diaspora members using citizenship policy in order to effectively extract their obligations to homelands (such as FDI and lobby). When it comes to Ragazzi, he presents "the entire range of diaspora policies" to explain the proliferation of DEPs. His dataset and my DEP dataset quite overlap, but the classification schemes are not entirely identical. In his study, DEPs are categorized into five sub-groups: symbolic policies (i.e., diaspora day, diaspora forum, and institutions for diasporas), religious and culture policies (i.e., diaspora schools), social and economic policies (i.e., investment scheme), citizenship policies, and government and bureaucratic control.

Table 4.1: Description of 10 Features of DEPs Grouped by 3 Dimensions

Dimension	**DEP**
Material DEPs - FDI Returns	**1**. Grant Special Membership Concession **2**. Grant Dual Nationality / Dual Citizenship
Material DEPs - FDI Information	**3**. Offer Language / History / Culture Courses **4**. Establish / Support Overseas Diaspora Schools **5**. Host Business Convention
Non Pecuniary DEPs - Emotion/Social Status Gains	**6**. Host Diaspora Forum **7**. Send Publications or Run a Website **8**. Bestow Awards **9**. Celebrate Diaspora Day **10**. Set up a Government Institution

One might question whether the identified ten DEPs affect other non-diaspora members as well. To prevent DEPs from affecting non-diaspora foreign investors, when a DEP targets only diasporas, the DEP was included in the dataset. For example, an investment convention which was open only to diaspora investors entered the dataset. When non-diaspora investors were also invited to the investment forum, it was not coded as a DEP. For the same reason, the presence of an investment promotion agency is not tracked in the dataset. In many cases, that institution targets all potential foreign investors including non-diaspora investors.

Below, I discuss what the ten DEPs are, how the DEPs are associated with their corresponding classification scheme, and how they are measured.

Material DEPs - FDI Returns

(1) Granting Special Membership Concession and (2) Granting Dual Nationality/Dual Citizenship: Diaspora investors are economic actors, so they aim to increase material profits as a result of their investment. Diverse policy measures are available to generate material interests in investment, such as an investment promotion agency and tax incentives. Here, I focus on two legal measures, granting special membership concession and recognizing dual nationality/dual citizenship.[4]

[4]The term "special membership concession" is taken from Gamlen (2006).

Governments of homelands seek to improve the legal status of diasporas in two ways. First, the DEP of special membership concession extends to diaspora members certain benefits and rights that citizens have (e.g., long-term visa and identity card with rights), but it does not permit multiple memberships (Gamlen 2006). Second, the DEP of dual nationality/dual citizenship allows diaspora members to possess multiple nationalities in homelands, so they do not need to renounce their nationality of resident countries (Gamlen 2006; Jones-Correa 2001, 998). With the second DEP, diaspora members are granted some economic and social rights (e.g., passport or special visa, the right to invest, the right to purchase land), and even political rights are extended (e.g., the right to vote and run for election) if dual citizenship is recognized (Gamlen 2006; Levitt and Schiller 2004, 1020; Jones-Correa 2001, 998; Ratha and Plaza 2011, 51).[5]

For example, Armenia has both DEPs. The Armenian government enacted the *Law on the Legal Status of Foreign Citizens in the Republic of Armenia* in 1994 in order to grant "Special Residency Status" to foreigners of Armenian origin (Makaryan 2013; Ministry of Foreign Affairs of Armenia 2015). This law upgrades the legal status of foreigners of Armenian origin than that of other foreigners in Armenia. Under this scheme, Armenian diasporans can enjoy preferential treatment measures including special Armenian passports, the full protection of the Armenian law, the same rights as Armenian citizens except for political rights, and the exemption from military service (Makaryan 2013; Ministry of Foreign Affairs of Armenia 2015). In 2007, Armenia took a further step to promote diaspora Armenians' interests. The government amended the *Law on Citizenship of the Republic of Armenia of 1995* for the provision of dual citizenship (Armenia Citizenship Law 2007). With this amendment, Armenian diasporans can maintain multiple nationalities as well as hold the same rights as Armenian citizens including the right to vote (Armenia Citizenship Law 2007; Makaryan 2013).

These two DEPs contribute to promoting material interests in homeland investment. As

[5]I do not make a distinction between dual citizenship and dual nationality although the two are different. Nationality means the "formal legal status of state membership" (Jones-Correa 2001, 998) while citizenship specifies the "specific character of a member's rights and duties within the national polity" (Feldblum and Klusmeyer 1999, cited in Jones-Correa 2001, 998). As mentioned before, the provision of dual nationality improves diasporas' status in homelands without the provision of political rights, while dual citizens are conferred to political rights as well (Jones-Correa 2001, 998).

discussed in Chapter 3, there are certain barriers that investors have to deal with in order to invest in foreign countries, such as limited stay and restrictions on land ownership and access to banks. These restrictions increase the cost of investing abroad. The two DEPs can remove those confrontations for diaspora investors. As mentioned above, diaspora members are granted economic, social, and even political benefits and rights. Besides, they are treated as nationals of homelands, so they are not subject to restrictions on foreigners anymore with the DEP of dual citizenship/dual nationality. Accordingly, the costs of establishing and running enterprises in homelands become decreased.[6]

In my DEP dataset, the two Material DEP - FDI Returns are a *de jure* measure. When related laws come into effect in a given year, a country's DEP for this policy is coded as 1 in that year onward, and 0 otherwise.

Material DEPs - FDI Information

The second set of DEPs is devised in order to alleviate diaspora investors' informational problems in homelands. This type of DEPs is another component of DEPs for shaping material investment interests. Although diasporas tend to be more familiar with and more knowledgeable about their homelands than non-diaspora investors (e.g., Fan 1998; Leblang 2010; Nielsen and Riddle 2010), gathering investment-related information is still a barrier to their investment. They can be more uncertain about homeland markets if their homelands have a weak legal and regulatory climate or if they are high generation emigrants. So, collecting FDI related information still constitutes a fixed cost component of their homeland investment. For this second category of DEPs, I record three policy tools.

(3) Offering Language/History/Culture Courses and (4) Establishing/Supporting Overseas Diaspora Schools: Educating diaspora members on diverse aspects of home countries contributes to the promotion of FDI. This is because more informed investors are capable of processing FDI related

[6]Citizenship policies might have consequences for both material and non-material motivations for investment, considering that dual citizenship/dual nationality are granted for developing diasporas' sense of belongingness to homelands, in addition to facilitating their economic contributions (Barabantseva and Sutherland 2011; Jones-Correa 2001).

information with ease, reducing transaction costs of operating in the homelands. With language proficiency and cultural and historical affinity, diaspora members can quickly learn about overall investment conditions. They can also deal with tasks associated with setting up and operating firms, such as negotiating terms of investment contracts and getting permits.

In this regard, homelands develop diverse educational problems to improve diaspora members' language skills and their familiarity with the homelands. Some countries offer courses on language, history, and culture to diaspora youth and adults, such as youth camps, summer courses, and seminars (e.g., Israel). Others are interested in establishing and running schools abroad (e.g., Philippine), or providing financial support and educational materials for those schools (e.g., China and Turkey).

(5) Hosting Business Convention: While the first two DEP measures aim to reduce informational barriers to FDI by enabling diaspora members to handle informational barriers to FDI, the DEP of convening a business convention is geared towards promoting diaspora investment by directly offering investment-related information to potential diaspora investors. At business conferences, governments present investment projects and report investment-related laws and regulations and overall domestic economic conditions for the promotion of investment. Furthermore, this DEP provides chances to create a network with other diaspora investors, local businesspeople, and government officials, which is a useful source of investment information. The Jordanian government has convened the *Conference for Jordanian Businessmen and Investors* for these purposes since 1985 (Al Bawaba 2001a; Al Bawaba 2001b; Kuwait News Agency 2005; Prime Minister's Office of Jordan 2008; Obeidat 2010).

These three DEPs under Material DEPs - FDI Information are binary. Regarding the first two DEPs, I recorded whether countries offered programs designed to teach language, culture, and history to diasporas and whether they opened or supported schools abroad. Supports include providing funds and giving teaching materials. The last informational DEP codes the occurrence of an investment forum targeting only diaspora investors.

Non Pecuniary DEPs - Emotion/Social Status Gains

Turning to the last category of DEPs, Non Pecuniary DEPs correspond to the efforts to motivate diasporas to invest in homelands for emotional and social status incomes. As discussed previously, DEPs stimulating non pecuniary investment interests rely on a psychology process in contrast to the previous two types of DEPs. Diasporas are described as a part of the national populations although they left behind their homelands. Governments make emotional appeals for diasporas' participation in national development or attempt to shape their sense of duty to invest. These efforts increase FDI because by responding to homelands' call for help, diaspora investors can achieve emotional rewards or social status gains. But, whether they will respond to these DEPs depends on how they feel about their home countries. With positive emotional attachments and sense of belongingness to their homelands, they will be more responsive to the homelands' call for FDI. Otherwise, they might not be interested in making intangible gains from investments.

The five DEPs discussed below generate non-material interests in homeland investment. The DEPs under this category are also dichotomous. Only when a DEP is implemented in actuality in a given year, it is coded as the employment of the DEP in that year.

(6) Hosting Diaspora Forum: Diaspora forum is a gathering of diaspora members and government officials of homelands. This DEP is one of the most commonly adopted policies in the developing world. Diaspora forum contributes to the promotion of diaspora FDI by serving as a place where concerns of both diaspora members and homeland government are addressed.

Government officials convene a diaspora forum in order to listen to diasporas' concerns and update them on policies affecting their interests and rights. This DEP is particularly useful to governments that have faced hostilities from overseas populations. By hosting a diaspora forum, they can address sources of such a hostile relationship and advance relationships with their diaspora members. As mentioned in Chapter 3, Vietnam is an illustrative case. The Vietnamese government invited the overseas Vietnamese who have memories of the Vietnam War to Vietnam in order to soften their political and ideological resentment toward the government and the outbreak of the war (Pham 2010). At the same time, governments can air their concerns about the economy.

They have chances to emphasize the role of diasporas in the national development and generate expectations that they have on the diaspora members at diaspora forums (e.g., Iraq). By responding to the homelands' call for contributions and fulfilling the duty to contribute to the homelands, the diaspora investors would achieve emotional incomes. Besides, diasporas' contributions to home countries are often honored by other forum participants and the governments through (8) DEP of bestowing awards, which would satisfy their needs to retain ties to the homelands. Hence, diaspora forums are a useful strategy for the promotion of diaspora investment.

(7) Sending Publications or Running a Website: Using the media is another way to stimulate intangible interests in homeland investment. Homelands publish written materials (e.g., yearbooks, newspaper, and magazines) or operate a website for their overseas populations and utilize social networking services (e.g., YouTube and Facebook). Through this media outreach DEP, homelands aim to reach out and spread diverse information to their overseas diaspora communities. The Ministry of Diaspora of Armenia has published the *Hayern Aysor (Armenians Today)* since 2009 for this purpose. This online newspaper is distributed to Armenian diasporans in foreign countries in order to update them on other Armenian diasporans' achievements and problems, events happening to them, and national issues (Ministry of Diaspora of Armenia 2009). This DEP is more than information distribution. Homelands seek to strengthen diaspora members' ties to them and ultimately form a national identity. The Armenian Ministry considers the Hayern Aysor as "a serious step toward [the] consolidation of Diaspora Armenians and turning the idea of creating a unified pan-Armenian field of information into a reality" (Ministry of Diaspora of Armenia 2009).

(8) Bestowing Awards: To recognize and further promote diasporas' contributions to homelands, some countries institutionalize awards for them (e.g., Bangladesh and China). Official recognition through diaspora awards gives psychological incomes for their investment. In addition, the need to retain ties with homelands can be satisfied as their contribution to the development of the homelands is appreciated.

(9) Celebrating Diaspora Day: Similarly, an official, national day for diaspora communities is designed to appreciate diaspora members' contributions to homelands and further facilitate their

participation in the national development. As an example, Ethiopia designates a particular calendar day as Ethiopian Diaspora Day and celebrates it officially.

(10) Setting up a Government Institution at National/Federal Levels: The last DEP under the Non Pecuniary category is founding diaspora government institutions. A growing number of states have formed organizations tasked with diaspora matters at local, regional, and national/federal levels at home or set up overseas offices (e.g., Cyprus). My DEP dataset records national/federal government institutions operating at home, which include an agency/a special office, a sub-ministry body/a directorate, and a ministry, following Ragazzi (2014) and Aguinas and Newland (2012). I only track government institutions formed in order to establish and sustain ties to diasporas and formulate and implement multiple DEPs. In this regard, institutions mandated to handle refugees and migrant workers, who do not constitute a diaspora, are excluded from the dataset.

Table 4.2: Summary Statistics of DEPs

Variable	N	Mean	Std. Dev	Min	Max
Material DEPs - FDI Returns	405	0.736	0.756	0	2
1. Grant Special Membership Concession	405	0.311	0.464	0	1
2. Grant Dual Nationality / Dual Citizenship	405	0.425	0.495	0	1
Material DEPs - FDI Information	405	0.536	0.894	0	3
3. Offer Language / History / Culture Courses	405	0.23	0.421	0	1
4. Establish / Support Overseas Diaspora Schools	405	0.165	0.372	0	1
5. Host business Convention	405	0.141	0.348	0	1
Non Pecuniary DEPs - Emotion/Social Status	405	1.025	1.416	0	5
6. Host Diaspora Forum	405	0.197	0.393	0	1
7. Send Publications / Run a Website	405	0.128	0.335	0	1
8. Bestow Awards	405	0.126	0.332	0	1
9. Celebrate Diaspora Day	405	0.104	0.305	0	1
10. Set up a Government Institution	405	0.477	0.5	0	1
Total	405	2.296	2.54	0	10

Table A.2 exhibits summary statistics of the ten DEPs that 27 Asian developing countries have implemented for their diaspora communities from 2000 to 2014. For each Asian country-year observation, I coded the ten DEPs. As one can see from Table A.2, each DEP takes on 0 or 1. 0

means no DEP in a year, while 1 indicates the employment of the DEP in that year. One might object to the decision of assigning equal importance to each DEP. Some DEPs are much costlier policy tools than others. For example, dual nationality/dual citizenship is costly because it requires a government to alter the definition of citizens and amend citizenship related laws. If a government targets people living in a particular foreign country or people who left in a particular year, this policy can cause oppositions from the excluded group of overseas populations. In this regard, all DEPs should not be treated with equal weight. However, there are no existing studies that can guide differentiating DEPs, so all individual DEPs are treated as a binary variable. All the DEPs in the dataset take 0 or 1, so this dataset does not provide information on the degree of diaspora engagement. Nevertheless, the DEP dataset is novel in terms of the extent of its policy coverage and the level of its detail and reflects both spatial and temporal components.

4.2.3 Data Sources and Data Collection Methods

I combined data from various sources in order to construct the DEP dataset. The primary data sources are websites of national/federal level governments. DEPs are formulated and implemented in cooperation with several government institutions. So, I gathered information on DEPs at multiple government institutions, such as Ministries of Diaspora/Expatriate, Foreign Affairs, Education, Higher Education, Culture, and Youth, Offices of Prime Minister and President, and other agencies tasked with diaspora matters. The collected data from the government websites were cross-checked with additional sources including cross-national datasets of DEPs, publications of research centers and international organizations, local news, LexisNexis, Google News, and Google search engine. For more information on which specific sources were used, see Appendix B. Most of the Asian countries did not adopt English as an official language, except Singapore, India, Pakistan, and the Philippines. Non-English written materials were translated by Google Translate Machine or native Asian speakers.[7]

[7]I hired native speakers for Middle East countries and China because of significant barriers to data collection. More specifically, Middle Eastern states rarely disclose information on their policies on-line, especially in English.

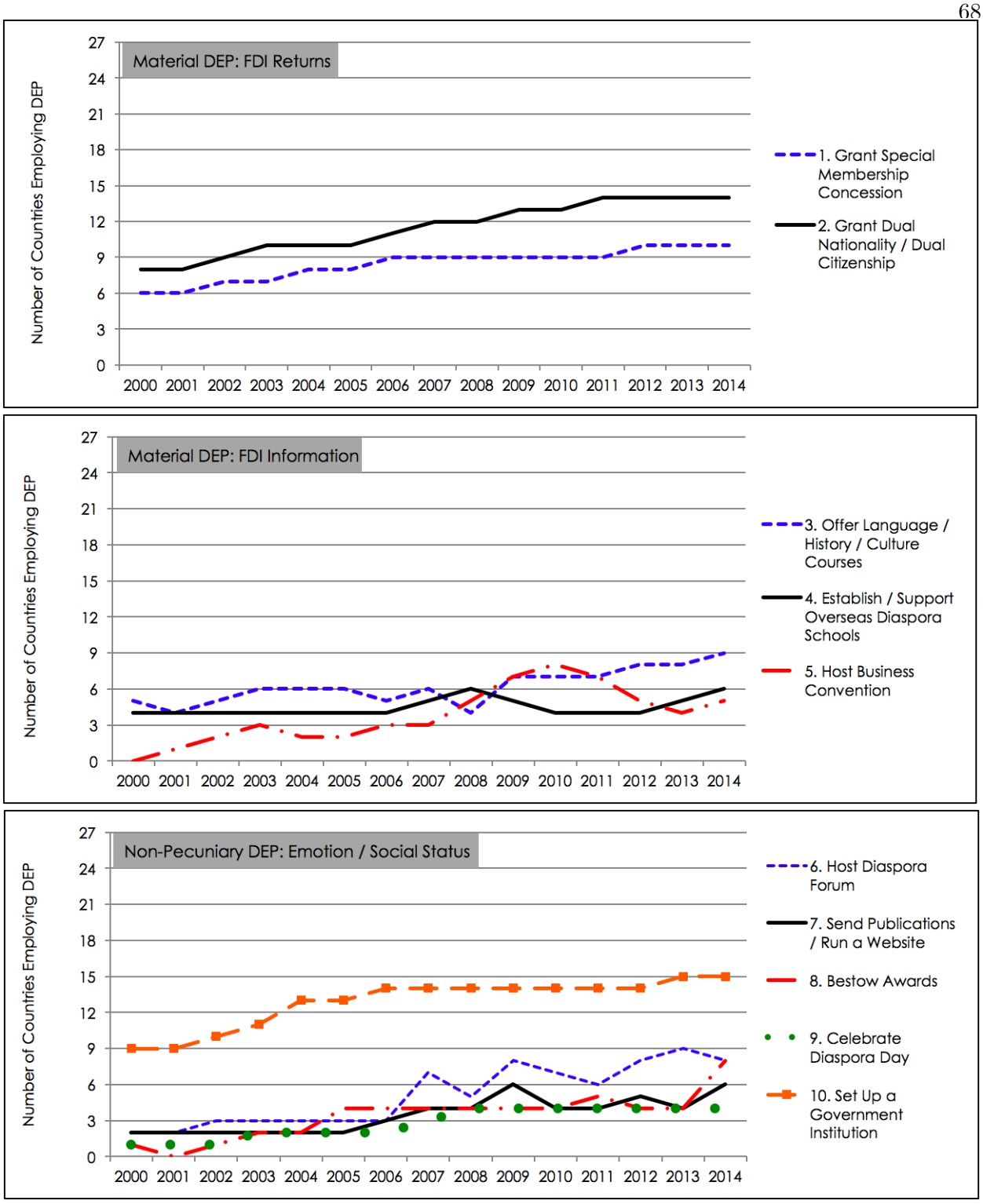
4.2.4 Trends in Diaspora Engagement in Asia

Have Asian countries ever invested in DEPs? Which DEP is the most/least preferred in the region of Asia? Which countries have been active in reaching out to their diaspora communities? The manners and degrees of diaspora engagement vary across countries and over time. Here I present three comparisons of trends in DEPs in the region of Asia from 2000-2014.

First, Figure 4.2 illustrates the growth of DEPs among Asian developing states from 2000 to 2014. All DEPs are grouped by investment interests. The top figure shows how many countries have enacted DEPs that increase FDI returns in order to stimulate material investment interests. Granting Special Membership Concession and Conferring Dual Nationality/Dual Citizenship are identified as Material DEPs - FDI Returns. The graph in the middle gives us a sense of the number of Asian countries that had attempted to reduce informational friction for diaspora investment. Offering Language/History/Culture Courses, Establishing/Supporting Overseas Diaspora Schools, and Hosting Business Convention are associated with Material DEPs - FDI Information. Last, the bottom one displays annual trends in DEPs designed to shape non pecuniary interests in investment. Non Pecuniary DEPs - Emotion/Social Status Gains include Diaspora Forum, Media Outreach, Diaspora Awards, Diaspora Day, and Government Institutions with diaspora mandate. The DEP dataset tracks 27 Asian states' DEPs, so the maximum value on the y-Axis is set as 27.

From Figure 4.2, one can see that Asian countries have become more interested in the engagement of their diasporas over time. More countries have been dedicated to the employment of DEPs. Among the ten included DEPs, the most widely adopted policy measures are (10) setting up a government institution for diaspora affairs at the national/federal level (see the bottom graph) and (2) granting dual nationality/dual citizenship (see the top chart).

China has multiple governments tasked with overseas Chinese and implements numerous policies for them. Moreover, Google Translate does not well support Arabic, Persian/Farsi, and Chinese. So, I hired native speakers for the three languages. When it comes to the other non-English speaking countries, I read their DEPs at government websites using Google Translate Machine. Some Asian states do not release all diaspora related information on their government websites in English. English version websites usually lack information than official language versions of websites. Thus, Google Translate Machine was used to read information on DEPs at government websites.



Note: Y axis indicates the number of Asian developing countries employing a DEP. The maximum value on this axis, 27, reflects the total number of Asian countries covered in the DEP dataset.

Figure 4.2: Growth of DEPs in Asia, 2000-2014

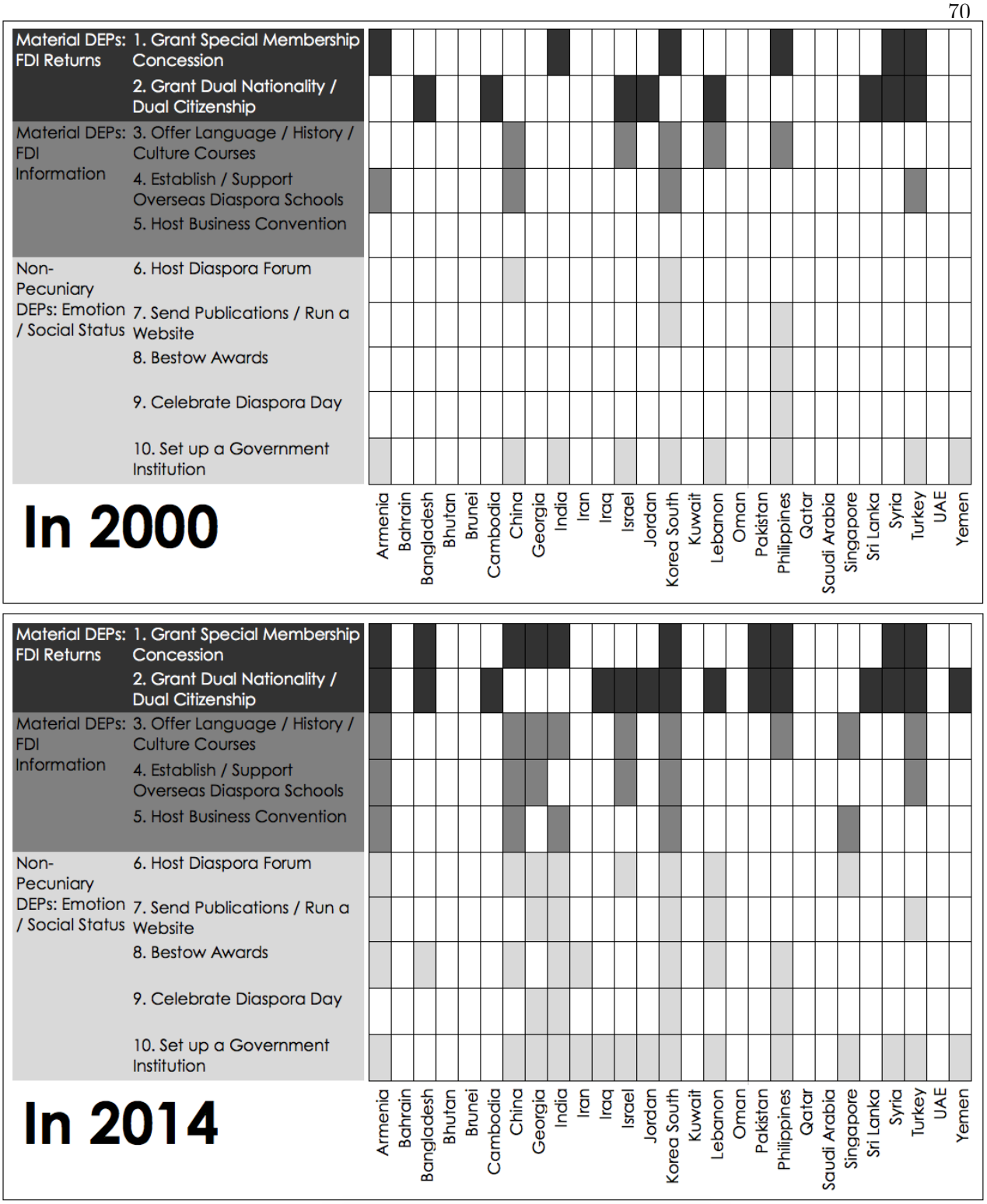
In 2000, nine countries operated institutions for diasporas, but this number increased to 15 in 2014. In 2000, only four countries (i.e., China, Israel, Lebanon, and Yemen) had ministry level institutions responsible for diaspora matters. In 2014, five more countries invested in diaspora ministries, including Armenia, Georgia, India, Iraq, and Syria, in addition to the four countries. However, not all countries had committed to establishing diaspora institutions. These countries are clustered along the Persian Gulf: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Provision of dual nationality/dual citizenship is another notable example showing states' interests in their diasporas. The number of granting dual nationality/dual citizenship increased from eight in 2000 to 14 in 2014. In 2000, dual nationality/citizenship was recognized in Bangladesh, Cambodia, Israel, Jordan, Lebanon, Sri Lanka, Syria, and Turkey. In 2014, this DEP was spread to Armenia, Iraq, Korea, Pakistan, Philippines, and Yemen.

The least favorite DEP in the region of Asia is diaspora day. Only four countries - Georgia, India, South Korea, and the Philippines - officially celebrated a diaspora day in 2014.

While Figure 4.2 displays the proliferation of DEPs within the Asia region, Figure 4.3 below reports which countries have been active at reaching out to their diaspora members in 2000 and 2014. In each sub-graph, the x-axis indicates the 27 Asian countries included in the dataset, while the y-axis represents individual DEPs grouped by investment interests. The employment of a DEP is reported using three different colors - black, gray, and light gray.

The engagement of diasporas in both 2000 and 2014 is notable in South Korea and the Philippines. These countries implemented more than five DEPs in the two years. Change in the degree of diaspora engagement is striking in Armenia, Georgia, and India. While Armenia implemented only three DEPs in 2000, the number of policies for diaspora engagement dramatically increased to nine in 2014 when all DEPs were enacted except diaspora day.



Note: Dark grey, grey, and light grey indicate the employment of a DEP.

Figure 4.3: Comparison of the Degree of Diaspora Engagement in Asia in 2000 and 2014

These observations are consistent with Figure 4.4. One can see that Armenia, China, Georgia, India, South Korea, the Philippines, and Turkey had invested in various DEPs from 2000 to 2014. In contrast, no interests in diaspora members during the entire period of 2000-2014 are evident in Bahrain, Bhutan, Brunei, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Resource abundance might account for their lack of commitments to DEPs. Except for Bhutan, the other countries are oil abundant countries. This natural resource factor might dissuade citizens from immigrating to foreign countries, generating small diaspora groups. As destination countries for migrant workers, these countries instead have policies for incoming foreign workers.

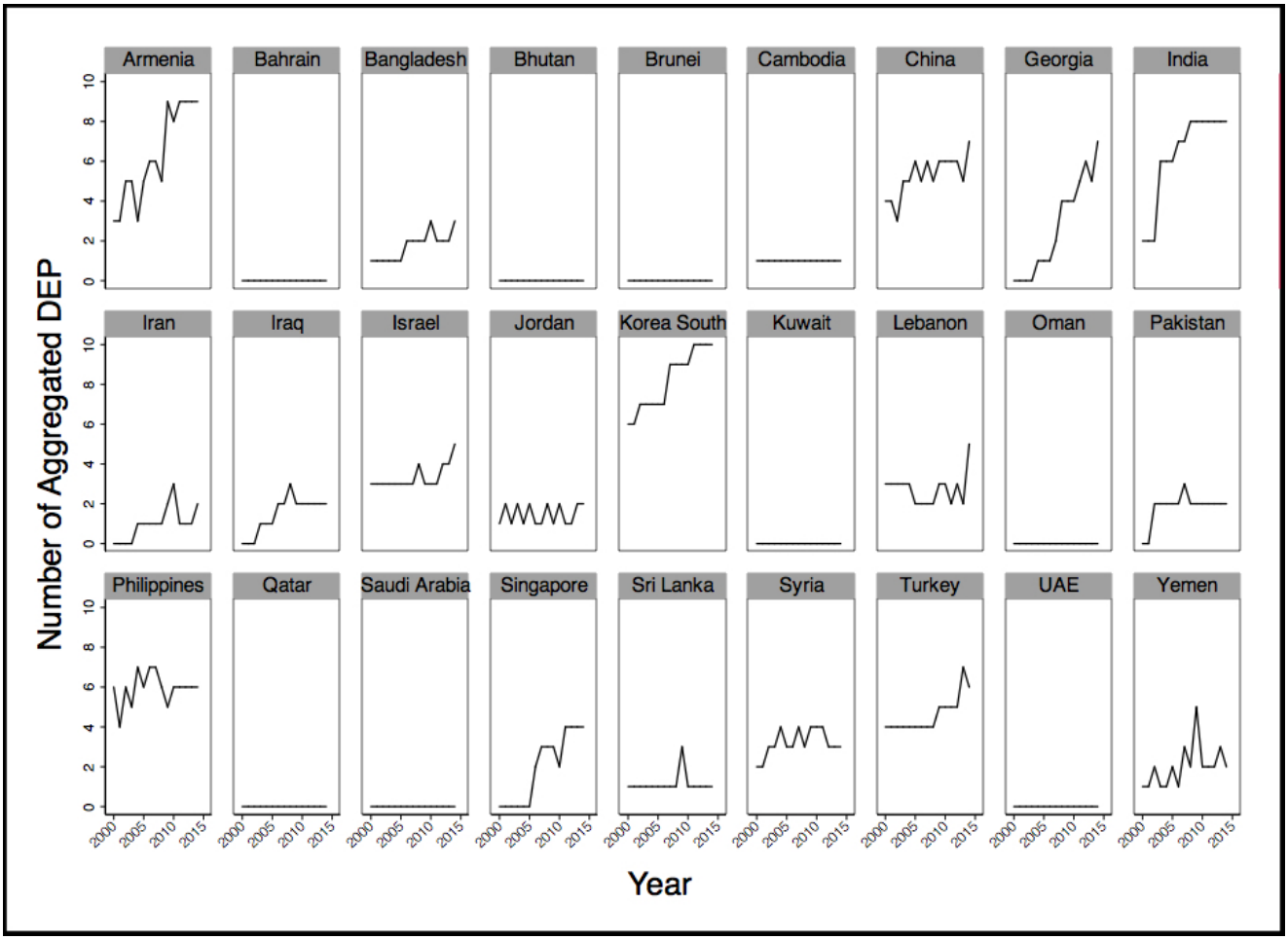


Figure 4.4: Comparison of Diaspora Engagement in Asia, 2000-2014

Conclusion

In this section, I have presented an original dataset of DEPs in the region of Asia from 2000 to 2014. The included policies in the dataset were formulated and implemented by national/federal level government actors. The DEP dataset is unique in terms of its geographic coverage, its targeted migrant group, the extent of its policy coverage, and the level of its detail. It records 27 Asian developing countries' policies targeting their own diaspora members. Policies toward other migrant groups, such as refugees and migrant workers, are excluded from the dataset. Moreover, the DEP dataset includes various policy measures. Ten DEPs' information is tracked in the dataset. These policies are categorized by diasporas' investment interests, which includes Material DEPs - FDI Returns, Material DEPs - FDI Information, and Non Pecuniary DEPs - Emotion/Social Status Gains.

The DEP dataset contributes to studies of DEPs and FDI. It enables a systematic understanding of complicated relationships between diasporas, their contributions to homelands, particularly FDI, and DEPs. Studies of DEPs suffered from data limitations. Despite DEPs' increasing importance and the proliferation of diverse policy measures for diasporas in the developing world, the DEP literature has focused on few exemplary countries and widely adopted DEPs. Also, there was no dataset with temporal components. However, my DEP dataset includes both active and inactive countries in terms of diaspora engagement, tracks ten DEPs including popular and less preferred policies, and records information on temporal changes in DEPs from 2000 to 2014. Using this dataset, I conduct, for the first time, a systematic test for the effectiveness of DEPs in attracting FDI in the next chapter.

Chapter 5

Analysis of the FDI Promoting Impact of DEPs

Do diaspora engagement policies (DEPs) have the expected positive impact on foreign direct investment (FDI)? How do these policy tools increase FDI into developing countries? Under what conditions might DEPs be most effective at attracting FDI? When might DEPs not work in promoting FDI? In Chapter 3, I argued that diaspora investors will be motivated to invest in homelands when their home countries employ diverse DEPs for diaspora engagement. DEPs lead to FDI by building intimate and favorable relationships between diaspora members and their homelands and by shaping their material and non pecuniary interests in homeland investments. I also argued that DEPs increase FDI particularly into non-democracies and that this conditional impact of DEPs comes through two specific DEPs: Material DEPs - FDI Information and Non Pecuniary DEPs - Emotion/Social Status. To test the hypothesized relationship between DEPs and FDI, in Chapter 4, I presented an original, large-N dataset of DEPs. The dataset records 27 Asian countries' ten different policies from 2000 to 2014.

In this chapter, for the first time, I provide a systematic analysis of the effectiveness of DEPs in attracting FDI using the novel dataset. Testing the effect of DEPs on FDI is challenging because of data limitations on both the dependent and independent variables and some control variables. Regarding the dependent variable (FDI made by diaspora members), there is no dataset that estimates the size of diasporas' FDI into their homelands. Assuming that diasporas' FDI would boost overall FDI in homelands, I use total annual FDI flows into each country as a proxy for an FDI measure. For the independent variable (DEPs), the lack of data on policies toward diasporas

is a significant barrier to testing the predictions of this study. To overcome this empirical barrier, I created a novel dataset of DEPs of Asian countries. Using this DEP dataset, the impact of DEPs on FDI is assessed.

Using the newly built dataset of DEPs and conducting a time-series cross-sectional (TSCS) analysis with a focus on Asian countries (diasporas' homelands and FDI receiving countries) and the USA (diasporas' resident country and FDI sending country), I find support for the FDI facilitating impact of DEPs. While the employment of DEPs itself does not increase FDI, on average, controlling for alternative explanations, this FDI strategy increases FDI into non-democracies as expected. Among three specific types of DEPs, the conditional impact is driven by policies that encourage diaspora investors to invest out of non pecuniary reasons. Non Pecuniary DEPs - Emotion/Social Status have an interactive relationship with FDI. If non-democratic countries formulate these DEPs, they have better chances to promote FDI. However, this positive impact is not found in highly democratic countries. Interestingly, Material DEPs - FDI Information facilitate FDI regardless of regime type, rather than having a conditional impact on FDI. This finding stresses that employing Material DEPs - FDI Information is a useful FDI strategy for both democracies and non-democracies. Last, as expected, Material DEPs - FDI Returns have no impact on FDI. A series of robustness checks further support these findings. Overall, this analysis suggests that employing DEPs, focusing on providing investment-related information and stimulating non pecuniary interests in investment, is another pathway toward greater FDI.

The remainder of this section is organized as follows. First, I justify why I focus on the movement of FDI and migrants between the United States and Asian developing countries in explaining FDI flows across countries. Next, I lay out a research design to test whether, how, and when DEPs help to attract FDI. Last, I present a series of findings of the relationship between DEPs and FDI in the region of Asia.

5.1 Focus on the United States and Asian Countries

This study examines whether homelands' efforts to tap into their diasporas' capital through DEPs are effective or not. This is a dyadic level explanation for the variation in FDI across countries as there needs to be a pair of states that send/receive FDI and migrants. But, I focus on USA FDI flowing into Asian developing countries from 2002 to 2011, which makes the unit of analysis Asian country-year.

As portrayed in Figure 5.1, Asian countries send migrants to the United States. FDI flows from the USA to Asian countries. So, Asian countries become diaspora investors' homelands and FDI receiving countries, while the USA is those investors' resident country and FDI sending country.

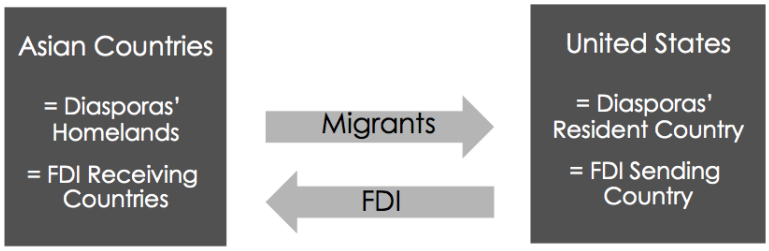


Figure 5.1: Scope of the Analysis

I focus on the USA as a source of FDI for three reasons. A lack of data on bilateral FDI flows and migrants is the first reason. Despite the data limitation, the USA has the most extensive data on its FDI and migrant flows than other countries. Also, the USA is one of the top FDI source and migrants-receiving countries. So, by focusing on this country, this study can capture a significant share of the world's FDI and migrants. Second, the USA is a typical state of Northern states where most FDI comes from, so findings of this study can be generalizable. Last, it is critical to control for factors that might affect diasporas' bonds to homelands and their interests in homeland investment other than DEPs. Resident countries' acculturation policies can shape diasporas' attitude toward their home countries in addition to resident countries (Chand 2014). By

focusing on one state as an FDI sending country (here, the USA), I can control for factors specific to migrants receiving countries that might influence diaspora members' homeland investment, which enables a more accurate assessment of the relationship between DEPs and FDI.

I test my theory using a sample consisting of Asian developing countries. The Asian region was chosen because the sample of Asian countries produces more generalizable findings than sampling Latin American and African states due to diversities, especially institutional heterogeneities in Asia. As discussed, the levels of democracy are critical in understanding the impact of DEPs on FDI and the region of Asia retains democracies, intermediate democracies, and autocracies.

Besides, even though the theory of the FDI promoting impact of DEPs is tested using the Asian sample, the theory shall be applied to developing countries outside Asia. This is mainly because the motivation of developing countries to capture more FDI into the economy is typical, and migration phenomena do not occur only in Asian countries. To the extent that developing countries seek to foster FDI, and people move across countries and accumulate wealth in new locations, they have incentives to harness their diasporas and employ DEPs. Hence, the role of DEPs in promoting FDI is not specific to Asian countries.

5.2 Models and Methods

The systematic relationship between DEPs and FDI is tested by estimating the below two equations. I focus on FDI flowing from the United States to 25 Asian developing countries from 2002 to 2011 in this statistical analysis. In this regard, i indexes each state in the sample of Asian countries and t indicates time in years. In both of the equations, the dependent variable is an Asian country i's level of FDI coming from the United States in year t as a share of its GDP in year t. Independent variables are an Asian country i' DEPs (aggregated and decomposed measures) and its democracy level in year *t-2*, and the two variables' interaction term, depending on hypotheses.

Equation 5.1 is estimated to examine whether DEPs lead to higher FDI overall (H1). In this

equation, the primary independent variable is an aggregated measure of DEPs (Aggregated DEPs). This variable is expected to promote FDI, so Aggregated DEPs should take on a positive sign, as presented in Table A.1 below.

[Hypothesis 1: Relationship between DEPs and FDI]

- H1: States with more extensive DEPs receive more FDI.

$$FDI_{i,t}\ /GDP_{i,t} = \beta_0 + \beta_1 LDV_{i,t-2} + \beta_2 DEPs_{i,t-2} + \beta_x Controls_{i,t-2} + \varepsilon_{i,t}, \tag{5.1}$$

where an aggregated measure of DEPs (Aggregated DEPs) is plugged into this equation.

[Hypothesis 2: Conditional Impacts of DEPs on FDI]

- H2-1: Non-democracies with more extensive DEPs receive more FDI
- H2-2: Non-democracies with Material DEPs - FDI Information receive more FDI.
- H2-3: Non-democracies with Non Pecuniary DEPs - Emotion/Social Status receive more FDI.
- H2-4: Non-democracies with Material DEPs - FDI Returns do not receive more FDI.

$$\begin{aligned} FDI_{i,t}/GDP_{i,t} = \beta_0 + \beta_1 LDV_{i,t-2} + \beta_2 DEPs_{i,t-2} + \beta_3 Democracy_{i,t-2} + \\ \beta_4 (DEPs_{i,t-2} * Democracy_{i,t-2}) + \beta_x Controls_{i,t-2} + \varepsilon_{i,t}, \end{aligned} \tag{5.2}$$

where in addition to Aggregated DEPs, three decomposed DEPs are plugged into this equation: Material DEPs - FDI Returns, Material DEPs - FDI Information, and Non Pecuniary DEPs - Emotion/Social Status.

Table 5.1: Key Explanatory Variables and Their Predicted Signs

Hypotheses		**Variables**	**Expected Signs of Coefficients**
Relationship	H1	Aggregated DEPs	+
Conditional Impact	H2-1	Aggregated DEPs	+
		Aggregated DEPs * Democracy	-
	H2-2	Material DEPs - FDI Information	+
		Material DEPs - FDI Information * Democracy	-
	H2-3	Non Pecuniary DEPs	+
		Non Pecuniary DEPs * Democracy	-
	H2-4	Material DEPs - FDI Returns	0
		Material DEPs - FDI Returns * Democracy	0

I also examine whether the FDI promoting impact of DEPs differs from non-democracies to democracies (H2-1), and which dimension of DEPs drives the conditional effect of DEPs on FDI (H2-2, H2-3, and H2-4). So, in addition to Aggregated DEPs, three decomposed DEPs, levels of democracy, and their interaction are included as the independent variables in the Equation 5.2.

Starting with H2-1, if the expectation of this study is right, Aggregated DEPs are expected to elicit FDI from the United States, but its impact needs to diminish with an increase in democracy scores. So, Aggregated DEPs needs to take on a positive sign while its interaction term should take on a negative sign (see Table A.1). Through H2-2 and H2-3, I intend to examine whether the interaction effect of Aggregated DEPs is driven by Material DEPs - FDI Information and Non Pecuniary DEPs. So, the constituent terms of these two specific DEPs should take on a positive sign, but their interaction terms need to have a negative sign. Last, per H2-4, Material DEPs - FDI Return is not expected to influence the distribution of FDI in the world, so both its constituent and its interaction term need to have a 0.

I conduct TSCS analyses, having all variables on the right-hand side lagged by two years. These variables are lagged by two years for two reasons: Reducing the occurrence of reverse causality and allowing DEPs to have time in affecting FDI. First, some might address an issue of reverse causality. It is possible that as diasporas increase their contributions to homelands, they ask their home countries to offer more benefits and rights to them, such as dual citizenship. In other words, the direction of causality might run in an opposite direction in contrast to my theory. To rule out the presence of reverse causality, all variables on the right-hand side are lagged. Second, DEPs might not create an immediate FDI promoting impact as FDI is a long-term and massive-scale investment. Direct diaspora investors might need longer time to make investment decisions based on DEPs. Besides, DEPs associated with intangible psychological interests in investment work by improving diasporas-homeland relationships. So, in order to observe the impact of DEPs on FDI over a bit longer time frame, all the variables on the right side of the equations are lagged by two years. However, the variables are not lagged by more than two years because doing so would substantially reduce sample size.

Random effects and a lagged dependent variable (LDV) are specified in the two equations. An LDV is included in the equations to reduce the occurrence of a first-order autocorrelation. One might be concerned about unit heterogeneity, but fixed effects are not proper for this analysis for two reasons. First, this study is interested in the cross-national variation in DEPs in explaining FDI, and some control variables do not change over time. So, the inclusion of fixed effects will wipe out these time-invariant observations. Nickell bias is another reason. Because of a small number of time points of the analysis, when both fixed effects and an LDV are specified in the equations together, a DEP impact on FDI gets attenuated (Nickell 1981). This Nickell bias diminishes with long time periods, but adding more years to the sample of this analysis is not a feasible option because DEPs are a recent development. Hence, unit fixed effects shall not be included in the above two equations. Instead, the effects of the DEPs on FDI are estimated with random-effects and clusters in countries.

5.3 Variables and Data Sources

5.3.1 Dependent Variable: USA FDI to Asian Countries / GDP

An Asian country's annual level of FDI coming from the USA as a share of its GDP is the dependent variable. It needs to be noted that this FDI measure does not fully correspond to FDI directly made by diaspora members. There exist no datasets estimating the actual size of FDI specific to diaspora investors per country-year. Hergnyan and Makaryan (2006) tracked the Armenian diaspora's FDI in Armenia from 1994 to 2004. But, it lacks the cross-national variation in FDI. So, assuming that all things being equal diaspora-led FDI will boost overall FDI flows into an Asian country, total USA FDI flows into each Asian country in a year is used as a proxy for diaspora FDI. With this indirect FDI measure, it is hard to find the suggested positive impact of DEPs on FDI as this FDI measure captures FDI made by foreign investors who are not affected by DEPs as well. Nevertheless, given data limitations on FDI, FDI from the USA to Asian countries

is the most appropriate FDI measure for this study. Besides, the size of FDI is measured as a share of GDP, not FDI in dollar values following FDI studies (e.g., Buthe and Miller 2008; Choi and Samy 2008; Jensen 2003).[1]

Combined together, the dependent variable is the USA's outward FDI disaggregated by Asian countries as a share of GDP of the Asian recipient countries (U.S. $), which is multiplied by 1,000. Data for this variable are available in the UNCTAD's (2014) *Bilateral FDI Statistics* and the World Bank's (2016) *World Development Indicators*.[2]

5.3.2 Independent Variable: Aggregated and Disaggregated DEPs and Democracy

Dimension	DEP	Disaggregated DEPs	Aggregated DEPs
Material DEPs: FDI Returns	1. Grant Special Membership Concession 2. Grant Dual Nationality/Dual Citizenship	0-2	0-10
Material DEPs: FDI Information	3. Offer Language / History / Culture Courses 4. Establish / Support Overseas Diaspora Schools 5. Host Business Convention	0-3	
Non-Pecuniary DEPs: Emotion / Social Status	6. Host Diaspora Forum 7. Send Publications / Run a Website 8. Bestow Awards 9. Celebrate a Diaspora Day 10. Set up a Government Institution	0-5	

Figure 5.2: Description of Constructing the DEP Variables

[1] A FDI / GDP ratio is more proper than FDI in dollars. The ratio measure considers the economy size of FDI receiving countries, so I better estimate the impact of DEPs on FDI "in a real sense" (Choi 2009, 184; Choi and Samy 2008, 90). Also, it promotes an easier comparison of the effect of DEPs on FDI across countries (Choi 2009, 184). With the FDI / GDP measure, it is not necessary to use a deflator for my dependent variable as well (Büthe and Miller 2008, 748).

[2] The OECD also offers data on bilateral FDI by a partner country, but it only covers observations from 1985 to 2010. So, I use the UNCTAD's data.

DEPs are the primary independent variable. Four indicators of DEPs are generated, given the two sets of hypotheses: an aggregated (H1 and H2-1) and three decomposed measures of DEPs (H2-2, H2-3, and H2-4). As shown in Figure 5.2, DEPs included in the dataset are binary, and the ten DEPs are grouped by three dimensions (see the first, second, and third columns). Three Disaggregated DEPs (Material DEPs - FDI Returns, Material DEPs - FDI Information, and Non Pecuniary DEPs - Emotion/Social Status) are constructed by totaling values of individual DEPs with equal weight under each investment interests (see the third column). To create Aggregated DEPs, the ten DEPs included in the dataset are summed with the same weight (see the fourth column), which generates an 11-point scale index ranging from 0 meaning no DEPs to 10 indicating all DEPs.

Democracy is another independent variable. This factor is expected to condition the impact of DEPs on FDI. To measure the levels of democracy in Asia, I use the Polity IV dataset (Marshall, Gurr, and Jaggers 2014). Its composite variable (Polity 2) provides an ordinal ranking ranging from –10 (strongly autocratic) to 10 (strongly democratic), which is rescaled to 0 to 20 for a more straightforward interpretation of findings.

Polity 2 scores have two advantages over other democracy estimators. First, it captures broad structural features of regimes including executive selection, executive constraints, and expression of political preferences (Marshall, Gurr, and Jaggers 2014). In particular, it considers how much domestic institutions restrict leaders' leeway in the decision-making process unlike other measures (e.g., Boix, Miller, and Rosato 2014; Cheibub, Gandhi, and Vreeland 2010; Coopedge et al. 2016; Freedom House 2016). Second, the Polity 2 measure provides a detailed assessment of levels of democracy than other dichotomous measures of democracy (Boix, Miller, and Rosato 2014; Cheibub, Gandhi, and Vreeland 2010). It captures differences in democracy scores, which is essential since I am interested in examining how DEPs affect FDI flows into autocracies, intermediate democracies, and established democracies. Nevertheless, I conduct robustness checks by using Freedom House (2016) and Boix, Miller, and Rosato (2014). The other democracy measures are not used because they reduce the sample size too much.

5.3.3 Control Variables

In addition to DEPs and democracy, other factors that might affect the distribution of FDI across borders are plugged into the equations as well: the size of diaspora, an institutional climate, political instability, costs of entering foreign markets, and macroeconomic conditions. I use log transformations for some control variables to facilitate the estimation of linear models and making robust results to outlier cases.

Diaspora Size in USA ((Permanent Residents + Citizens in the USA) / Population): As discussed in Chapter 2, the size of diaspora communities is positively associated with the level of FDI, so this factor is also controlled. Solid data on the size of diasporas do not exist due to numerous definitions of who constitutes diasporas and difficulties involved in tracking them. So, quantitative studies estimate the size of a country's diaspora by counting and logging the number of its migrants in destination countries (e.g., Javorcik et al. 2011; Leblang 2010) or by dividing the number of migrants in resident countries by its national population size (Leblang 2016).

Following Leblang (2016), the size of migrant stock in the USA as a share of the national population in an Asian country is used as a proxy for the Asian country's diaspora size. Data come from the Migration Policy Institute (2015) and the World Bank (2016). The MPI records the number of new permanent residents and naturalized citizens in the USA per origin country and year. I combine the two to estimate the size of migrant stocks in the USA.[3] The size of the population of Asian countries is estimated using the World Bank's (2016) *World Development Indicators*.

International Economic Institutions (BIT + OIA with the USA): International economic institutions facilitate FDI by reducing investment risk in FDI host countries as discussed in Chapter 2. In this analysis, this international institution factor captures whether Asian countries have bilateral investment treaties (BITs) and other investment agreements (OIAs) with the USA. The

[3]There are alternative datasets on foreign-born people or migrants, but they are not used because of limited time coverages. For example, Docquier, Lowell, and Marfouk's (2007) Brain Drain dataset records the size of migrants in only two years: 1990 and 2000. The World Bank's multiple datasets mostly cover observations up to 2000. In fact, the MPI estimates the size of diasporas, but its dataset tracks only top 20 diaspora groups in the USA in 2011.

latter agreements include trade and investment framework agreements, free trade agreements, and other trade relations agreement. The presence of BITs and the cumulative number of OIAs with the USA are summed to generate this variable. Records of BITs and OIAs with the USA are obtained from the databases of the International Center for Settlement of Investment Disputes of the World Bank (2016) and the UNCTAD dataset (2015).

English and Distance to USA (Log of Distance to the USA): There are fixed costs of making foreign investments. Foreign languages and physical distance increase the cost of FDI. If American investors can communicate in English in an FDI host Asian country and if an investment location is not quite distant from the USA, they would feel more culturally familiar to the country and overcome informational asymmetries with ease. Hence, whether English is spoken as its official language in a given Asian country and how far the Asian country is distant from the USA are included to control for costs of entering Asian markets, in line with Javorcik et al. (2011), Kim et al. (2015), and Leblang (2010). English is a dichotomous variable. Countries take on the value of 1 if they adopted English as an official language and 0 otherwise using the CIA's World Factbook (2016). The distance between the USA and each Asian country is calculated using Gleditsch's (2008) *Distance between Capital Cities Data* and this variable is logged.

Low Violence (No Experience of War): Countries involved in armed conflicts are not viewed as a desirable investment location, as conflicts can interrupt firms' operation and cause damages to their assets (MIGA 2010, 47). Terrorism, interstate conflict, and intrastate conflict exert an FDI deterring effect (e.g., Busse and Hefeker 2007; Enders and Sandler 1996; Nigh 1985).

Following Li (2006) that operationalizes political violence as an extreme form of political instability and includes civil war, interstate war, and terrorism, I consider three types of extreme armed conflicts (i.e., interstate, intrastate, or extra state wars) to estimate the level of violence in a given Asian country. Whether countries had experienced one of the three types of wars since 1990 is determined using datasets of the Correlates of War project (Sarkees and Wayman 2010). I consider war experiences from 1990, not the first year of the analysis because wars have long-term impacts on post-conflict countries. In the post-conflict periods, renewed tension and violence are

still possible even in the process of implementing a peace deal as in Nepal (International Crisis Group 2011; Chapagain and Yardley 2012). Plus, these devastating wars have adverse long-term impacts on public health, which is concentrated on economically productive age groups and young children (Ghobarah, Huth, and Russett 2003). So, even if conflicts are terminated, post-conflict countries are not attractive to foreign investors. Hence, whether Asian countries have experienced armed conflicts since 1990 is considered in estimating political violence. This variable takes 2 values. 1 indicates no experience of armed conflicts in all years since 1990. 0 is assigned when countries have engaged in fighting with other countries, domestic groups, or non-state actors.

Economic Development (Log of GDPpc), Market Size (Log of GDP), and Economic growth (GDP Growth): Following several FDI studies (e.g., Blanton and Blanton 2007; Buthe and Miller 2008; Javorcik et al. 2011; Jensen 2003; Leblang 2010; Li and Resnick 2003), I control for three economic variables that affect the investment attractiveness of FDI host countries: economic development (measured as the log of GDP per capita), market size (measured as the log of GDP), and economic growth (measured as GDP annual growth). Data on these three variables are taken from the World Bank's (2016) *World Development Indicators*.

5.4 Findings

Do DEPs have the expected FDI promoting impact? Does the DEP impact differ, depending on levels of democracy? I conducted a TSCS analysis with an LDV, and all variables on the right-hand side are lagged by two years. The right-hand side specification includes random effects as well. All the models estimate FDI flows from the USA to Asian countries as a share of their GDP from 2002 to 2011.

Starting with Table A.2, Models 1 and 2 test the relationship between DEPs and FDI using Aggregated DEPs as a measure of DEPs. Model 1 reports a finding on H1 expecting that countries with more DEPs can attract more FDI than countries without such policy tools. Aggregated DEPs

is expected to take on a positive sign, but this variable does not have the expected positive impact on FDI. DEPs have no impact on FDI flows in the region of Asia overall. This finding suggests that in contrast to the expectation of this study, although countries have invested in formulating and implementing several DEPs, they do not experience more FDI than before. DEPs are not a valid FDI strategy for all countries on average.

Table 5.2: Analysis of the Impact of Aggregated DEPs on FDI

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 1	Model 2
$DV_{i,t-2}$	0.234**	0.239**
	(0.115)	(0.120)
Aggregated $DEP_{i,t-2}$	-0.223	3.338***
	(0.454)	(0.996)
Polity $2_{i,t-2}$	0.243	0.854***
	(0.196)	(0.294)
Aggregated DEP * Polity $2_{i,t-2}$		-0.243***
		(0.0779)
(Permanent Residents + Citizens) / $Population_{i,t-2}$	-2356.3	-5022.2**
	(2686.5)	(2502.8)
BIT + OIA with $USA_{i,t-2}$	-0.368	-1.813
	(1.212)	(1.277)
$English_{i,t-2}$	9.769*	12.92***
	(5.309)	(4.643)
Distance to $USA_{i,t-2}$	7.981	5.079
	(7.378)	(5.240)
Low Violence $_{i,t-2}$	3.402	3.943**
	(2.300)	(1.908)
$GDPpc_{i,t-2}$	3.101**	4.688***
	(1.331)	(1.459)
$GDP_{i,t-2}$	-1.503	-2.788***
	(1.112)	(1.047)
GDP $Growth_{i,t-2}$	0.137	0.0637
	(0.118)	(0.0954)
World FDI $_{i,t-2}$	-0.654	-0.324
	(0.418)	(0.368)
Constant	-62.05	-21.42
	(81.30)	(58.19)
Observations	177	177
Countries	24	24
R^2	0.521	0.587

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year *t*.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

No statistically significant coefficient on Aggregated DEPs might be because those policies might have an impact on certain countries, not all countries included in the sample. Model 2

portrays an interactive model of FDI. From this model, one can see whether there is support for H2-1 expecting that non-democracies with more extensive DEPs receive more FDI than otherwise. There is evidence consistent with this argument concerning the conditional impact of DEPs on FDI. Aggregated DEPs indicates the impact of DEPs on attracting FDI in the least democratic states. The significant and positive coefficient on this variable suggests that non-democratic countries can attract FDI with DEPs. However, this positive influence gets smaller with an increase in the level of democracy, given the negative sign of Aggregated DEPs * Polity 2. This suggests that non-democracies can receive FDI flows with DEPs, but this FDI strategy does not increase FDI into democracies. Given the statistically significant and positive coefficient on Polity 2, the most democratic countries are able to promote FDI without DEPs.

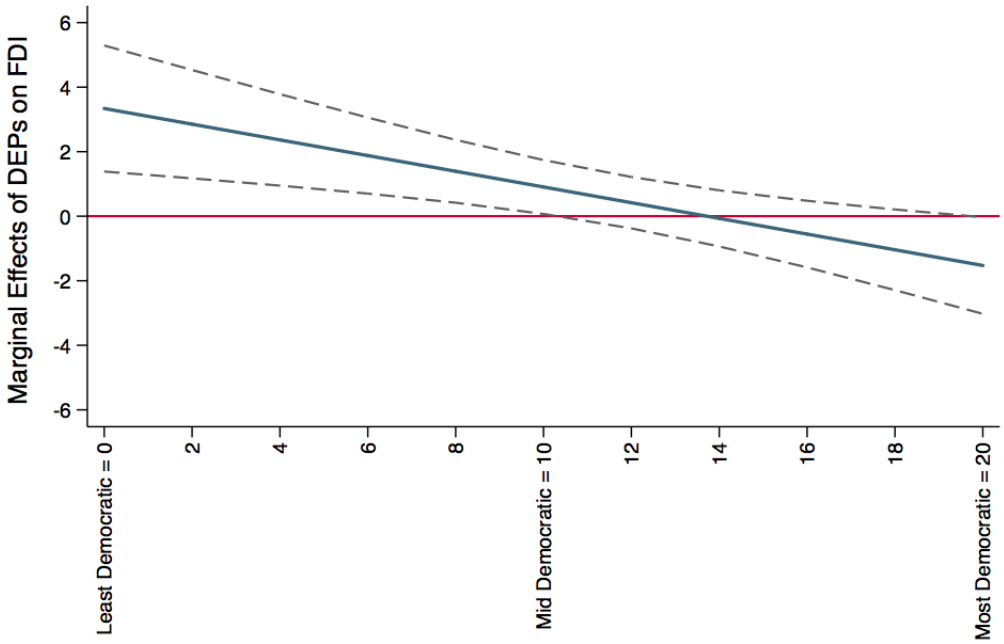


Figure 5.3: Conditional Impact of Aggregated DEPs on FDI by Polity 2 Scores

Note: This figure is created based on Model 2.

This interactive relationship between DEPs and FDI is plotted in Figure 5.3. This graph

reflects the marginal impact of Aggregated DEPs on FDI by levels of democracy measured using Polity 2 from Model 2. DEP's FDI promoting impact is observed in non-democracies. But, this positive impact of DEPs in the 0 - 10 range of Polity 2 scores decreases as countries become more democratic. When Polity 2 score crosses 10, then the FDI promoting impact of DEPs is washed away. For the most democratic countries, DEPs do not have an impact on FDI. Overall, this figure implies that non-democracies can attract FDI with several policies for their diaspora members. However, to some intermediate and established democracies, DEPs neither discourage nor promote FDI. DEPs are not a useful FDI strategy to them.

Although Aggregated DEPs do not tend to increase FDI in developing countries on average, it is still possible that a certain dimension of DEPs might influence the distribution of FDI across countries. Model 3 of Table A.3 exhibits findings on how DEPs work in facilitating FDI using three decomposed measures of DEPs. Among the three specific DEPs, Material DEPs - FDI Information displays a positive impact on FDI, controlling for alternative explanations for the variation in FDI across countries. This finding means that this type of DEPs matters for all countries on average in facilitating FDI. When developing countries implement this particular DEP, FDI from the USA will increase from 0.2% to 1%. One might think that these values are negligible. However, compared to democracy's impact on FDI (from 0.06% to 0.6%), this type of DEPs has a much larger impact on FDI. It stresses the need to reduce informational problems for potential diaspora investors if they seek to promote FDI from diasporas.

Turning to Model 4, this model is intended to examine whether the impact of the three decomposed DEPs on FDI differs by the levels of democracy. According to H2-2 and H2-3, Material DEPs - FDI Information and Non Pecuniary DEPs should have a positive impact on FDI in non-democracies. On the one hand, while Material DEPs - FDI Information increase FDI into the least democratic states as expected, in contrast to H2-2 this type of DEPs does not have different impacts on FDI across regimes. Considering both Models 3 and 4, Material DEPs - FDI Information facilitate FDI on average regardless of whether countries are democratic or not. On the other hand, Non Pecuniary DEPs lends support for H2-3. When non-democracies devise several DEPs for

stimulating non-material investment interests, they can receive more FDI. As expected, Material DEPs - FDI Returns and its interaction term are not statistically significant consistent with H2-4.

Table 5.3: Analysis of the Impact of Disaggregated DEPs on FDI

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 3	Model 4
$DV_{i,t-2}$	0.309**	0.213*
	(0.123)	(0.121)
Material DEPs - FDI $Returns_{i,t-2}$	-2.579	0.840
	(1.921)	(2.532)
Material DEPs - FDI $Information_{i,t-2}$	2.693**	2.782*
	(1.310)	(1.621)
Non Pecuniary $DEPs_{i,t-2}$	-1.775	3.545***
	(1.205)	(1.317)
Polity $2_{i,t-2}$	0.304*	0.816***
	(0.183)	(0.239)
Material DEPs - FDI Returns * Polity $2_{i,t-2}$		-0.200
		(0.198)
Material DEPs - FDI Information * Polity $2_{i,t-2}$		-0.0867
		(0.127)
Non Pecuniary DEPs * Polity $2_{i,t-2}$		-0.317**
		(0.125)
(Permanent Residents + Citizens) / $Population_{i,t-2}$	-2317.6	-4120.9
	(2483.4)	(2686.4)
BIT + OIA with $USA_{i,t-2}$	-0.638	-1.545
	(1.278)	(1.384)
$English_{i,t-2}$	11.42**	14.80***
	(5.477)	(5.173)
Distance to $USA_{i,t-2}$	6.243	6.113
	(6.115)	(5.695)
Low Violence $_{i,t-2}$	1.597	3.110
	(1.802)	(1.954)
$GDPpc_{i,t-2}$	2.365**	4.181***
	(1.098)	(1.285)
$GDP_{i,t-2}$	-1.478	-2.472**
	(0.967)	(1.147)
GDP $Growth_{i,t-2}$	0.0915	0.0543
	(0.124)	(0.0961)
World FDI $_{i,t-2}$	-0.320	-0.194
	(0.376)	(0.339)
Constant	-39.74	-33.84
	(64.98)	(64.61)
Observations	177	177
Countries	24	24
R^2	0.556	0.597

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year *t*. Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Figure 5.4 offers more subtle information about the relationship between DEPs and FDI.

This figure includes three graphs showing how the marginal impact of the three decomposed DEPs on FDI changes with Polity 2 scores. The three sub-graphs suggest that the conditional impact of DEPs on FDI observed in Model 2 in Table A.2 is mainly driven by Non Pecuniary DEPs - Emotion/Social Status.

Starting with the upper graph, Material DEPs - FDI Returns do not influence FDI. Their insignificant impact suggests that to the extent that developing countries focus on legal measures, such as dual nationality/dual citizenship, they might not attract FDI. These citizenship policies lower transaction costs of making homeland investments, but these policy tools do not necessarily increase profits from the investments. In other words, the employment of Material DEPs - FDI Returns would not discourage FDI, but they do not necessarily provide enough material investment incentives to change the cost and benefit calculation of investors. Furthermore, no significant impact suggests that non-democracies are limited at dealing with the violation of property rights using this type of DEPs. Democratic countries do not need this policy effort because their dedication to the protection of property rights is already credible.

I found that Material DEPs - FDI Information are useful to all developing countries on average from Models 3 and 4. This finding is corroborated by the middle graph of Figure 5.4. The line of this graph is flat, meaning that these DEPs have a modest impact on FDI across non-, intermediate, and established democracies. Indeed, there is no conditional impact of this type of DEPs on FDI.

Last, according to the bottom graph, Non Pecuniary DEPs - Emotion/Social Status are an effective FDI strategy, particularly for stable autocracies. The interactive relationship between this category of DEPs and FDI suggests to non-democracies the importance of improving relations with diasporas and giving them intangible gains for investments. But, this FDI promoting effect diminishes as countries become more democratic, meaning that democratic countries can attract FDI without this specific DEPs.

Hence, DEPs' impacts on FDI are different, depending on regime type of FDI host countries, and this conditional impact is driven by Non Pecuniary DEPs.

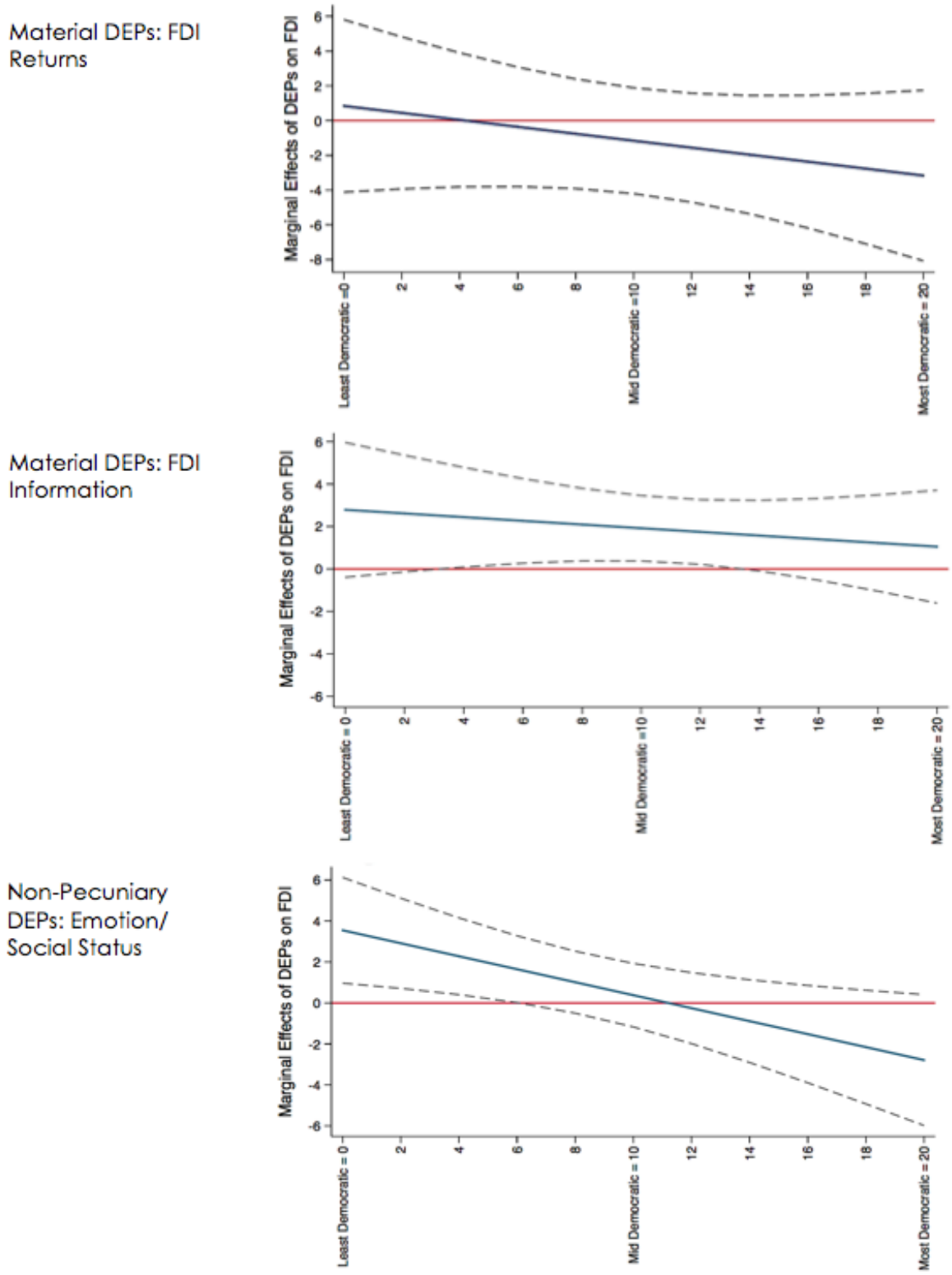


Figure 5.4: Conditional Impact of Disaggregated DEPs on FDI as a Function of Polity 2 Scores

Note: This figure is created based on Model 4.

Turning to alternative explanations for the variation in FDI across countries (see Tables A.2 and A.3), DEPs are not the only way to facilitate FDI. There are findings that English and economic development contribute to greater FDI. Foreign direct investors prefer English speaking states as they can overcome informational barriers to investment in foreign countries. Its positive impact on FDI is observed across models. Also, growing economies better attract FDI, given the significantly positive sign on GDPpc.

However, while there is evidence of the importance of DEPs, the size of diaspora members in the USA ((Permanent Resident + Citizenship / Population) does not have the suggested positive impact on FDI in Asian countries. This factor is not significantly associated with FDI or decreases FDI in Model 2. This finding indicates that developing states should not merely expect diasporas to make investments. Instead, they need to implement policies to attract investment from diasporans. The institutional route also does not affect FDI movements from the USA to Asian countries. Countries that have investment treaties and other trade agreements with the USA (BIT + OIA with USA) do not capture higher levels of FDI than countries without such institutions.

Having established the FDI promoting impact of DEPs, the next step is to examine whether the findings are held with different model specifications and measures of variables. The previous findings are mostly invariant to different year lags and different estimators of democracy. I still find evidence consistent with the argument concerning the FDI promoting impact of DEPs with year dummies (not reported here). Last, there is statistical evidence that the results above cannot be explained by FDI's impact on DEPs.

Table A.4 is a statistical demonstration to show that the findings of this study are quite robust to different year gaps between the USA FDI flows into Asian states and variables on the right-hand side: one (the upper table) and three (the bottom table) years respectively. One can see that this study obtains almost identical results observed in the previous tables. Overall, DEPs are an effective strategy for non-democracies (Models 6 and 10), and Non Pecuniary DEPs mainly account for this conditional impact (Models 8 and 12). Material DEPs - FDI Returns continue to not affect the distribution of FDI across developing countries (Models 8 and 12). Material DEPs -

FDI Information have a positive impact on FDI on average with a three-year lag (Model 11).

Table 5.4: Robustness Check of the Effect of DEPs on FDI with 1 and 3 Year Lags

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 5	Model 6	Model 7	Model 8
Aggregated $DEPs_{i,t-1}$	0.352	3.784**		
	(0.420)	(1.535)		
Material DEPs - FDI $Returns_{i,t-1}$			-0.0398	2.736
			(1.587)	(2.125)
Material DEPs - FDI $Information_{i,t-1}$			2.206	-0.457
			(1.782)	(2.002)
Non Pecuniary $DEPs_{i,t-1}$			-0.763	7.341***
			(1.170)	(2.822)
Polity $2_{i,t-1}$	0.0534	0.677**	0.0783	0.588**
	(0.146)	(0.317)	(0.159)	(0.274)
Aggregated DEPs * Polity $2_{i,t-1}$		-0.240**		
		(0.102)		
Material DEP - FDI Returns * Polity $2_{i,t-1}$				-0.153
				(0.183)
Material DEPs - FDI Information * Polity $2_{i,t-1}$				0.118
				(0.153)
Non Pecuniary DEPs * Polity $2_{i,t-1}$				-0.514***
				(0.197)
Observations	208	208	208	208
Countries	25	25	25	25
R^2	0.432	0.480	0.439	0.495

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 9	Model 10	Model 11	Model 12
Aggregated $DEPs_{i,t-3}$	-0.113	2.215**		
	(0.251)	(0.910)		
Material DEPs - FDI $Returns_{i,t-3}$			-1.134	1.100
			(1.044)	(1.289)
Material DEPs - FDI $Information_{i,t-3}$			1.500*	1.298
			(0.824)	(1.224)
Non Pecuniary $DEPs_{i,t-3}$			-1.042	2.801**
			(0.685)	(1.233)
Polity $2_{i,t-3}$	0.112	0.570**	0.141	0.560***
	(0.0923)	(0.229)	(0.0903)	(0.214)
Aggregated DEPs * Polity $2_{i,t-3}$		-0.165**		
		(0.0662)		
Material DEPs - FDI Returns * Polity $2_{i,t-3}$				-0.169
				(0.135)
Material DEPs - FDI Information * Polity $2_{i,t-3}$				-0.0317
				(0.112)
Non Pecuniary DEPs * Polity $2_{i,t-3}$				-0.240**
				(0.106)
Observations	157	157	157	157
Countries	23	23	23	23
R^2	0.627	0.655	0.635	0.661

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year *t*.
See Appendix A for full results.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

In the previous analyses, I used the Polity 2 measure as the primary measure of democracy. Tables A.5 to A.7 present findings on the relationship between DEPs and FDI to assess the robustness of the previous findings using different estimates of democracy: Boix, Miller, and Rosato's (2014) dichotomous measure of democracy and Freedom House's (2016) civil liberties and political rights. Using different estimates of democracy, I find evidence consistent with the previous findings to some degree.

In Table A.5, Boix, Miller, and Rosato's (2014) measure becomes the operational measure of democracy. Boix, Miller, and Rosato define democracy based on contested election and participation. As one can see, Aggregated DEPs has differing impacts on FDI depending on whether recipient countries are democratic or not (Model 14). To countries without democratic institutions, DEPs are another way to attract FDI. The observed conditional impact is driven by Non Pecuniary DEPs (Model 16), and Material DEPs - FDI returns continue to not affect the distribution of FDI in the region of Asia (Models 16, 20, and 24). Material DEPs - FDI Information have no impact on FDI across models. This factor is sensitive to measures of democracy. Its insignificant impact is consistently found across Tables A.5, A.6, and A.7.

Next, I replace the Polity 2 measure with the Freedom House index based on civil liberties (Table A.6) and political rights (Table A.7). With conceptually different measures of democracy, some independent variables are not statistically significantly related with FDI in Asian countries. More specifically, in Table A.6 using civil liberties, only Material DEPs - FDI Returns continue to act as expected. It does not affect FDI flows across Models 28, 32, and 36. DEPs' impact on FDI is conditioned only with Non Pecuniary DEPs and a 1-year gap (Model 28). When estimated with the political rights indicator, there is more support for the argument concerning the FDI promoting impact of DEPs. With 1 and 3 year gaps, the effect of DEPs on FDI is a function of democracy (Models 38, 40, and 48).

Table 5.5: Robustness Check of the Effect of DEPs on FDI with Boix, Miller, and Rosato

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 13	Model 14	Model 15	Model 16
Aggregated $DEPs_{i,t-1}$	0.0859	1.561*		
	(0.361)	(0.921)		
Material DEPs - FDI $Returns_{i,t-1}$			-0.125	1.810
			(1.406)	(2.559)
Material DEPs - FDI $Information_{i,t-1}$			1.047	-1.682
			(1.607)	(1.202)
Non Pecuniary $DEPs_{i,t-1}$			-0.529	4.132**
			(1.144)	(1.843)
$BMR_{i,t-1}$	-1.050	7.971	-0.617	10.55
	(2.527)	(4.979)	(2.067)	(7.114)
Aggregated DEPs * $BMR_{i,t-1}$		-2.816*		
		(1.508)		
Material DEPs - FDI Returns * $BMR_{i,t-1}$				-4.897
				(4.741)
Material DEPs - FDI Information * $BMR_{i,t-1}$				3.561
				(2.588)
Non Pecuniary DEPs * $BMR_{i,t-1}$				-7.189**
				(2.923)

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 17	Model 18	Model 19	Model 20
Aggregated $DEPs_{i,t-2}$	-0.213	0.422		
	(0.427)	(0.420)		
Material DEPs - FDI $Returns_{i,t-2}$			-2.236	-1.698
			(1.787)	(1.880)
Material DEPs - FDI $Information_{i,t-2}$			2.046	0.491
			(1.308)	(0.735)
Non Pecuniary $DEPs_{i,t-2}$			-1.385	0.815
			(1.145)	(0.705)
$BMR_{i,t-2}$	-1.539	2.311	0.0514	3.038
	(2.052)	(2.632)	(1.640)	(2.785)
Aggregated DEPs * $BMR_{i,t-2}$		-1.238**		
		(0.625)		
Material DEPs - FDI Returns * $BMR_{i,t-2}$				-0.854
				(2.676)
Material DEPs - FDI Information * $BMR_{i,t-2}$				1.956
				(1.837)
Non Pecuniary DEPs * $BMR_{i,t-2}$				-3.207**
				(1.395)

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 21	Model 22	Model 23	Model 24
Aggregated $DEPs_{i,t-3}$	-0.0864	0.395		
	(0.205)	(0.326)		
Material DEPs - FDI $Returns_{i,t-3}$			-0.896	-0.427
			(0.941)	(0.896)
Material DEPs - FDI $Information_{i,t-3}$			1.012	-0.233
			(0.807)	(0.621)
Non Pecuniary $DEPs_{i,t-3}$			-0.747	1.099
			(0.652)	(0.791)
$BMR_{i,t-3}$	-1.500	1.344	-0.871	2.321
	(1.313)	(1.760)	(1.009)	(2.085)
Aggregated DEPs * $BMR_{i,t-3}$		-0.882		
		(0.599)		
Material DEPs - FDI Returns * $BMR_{i,t-3}$				-1.293
				(1.574)
Material DEPs - FDI Information * $BMR_{i,t-3}$				2.200
				(1.735)
Non Pecuniary DEPs * $BMR_{i,t-3}$				-2.902*
				(1.645)

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.
See Appendix A for full results.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table 5.6: Robustness Check of the Effect of DEPs on FDI with Freedom House (Civil Liberties)

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 25	Model 26	Model 27	Model 28
Aggregated $DEPs_{i,t-1}$	0.150	3.372		
	(0.385)	(2.370)		
Material DEPs - FDI $Returns_{i,t-1}$			-0.392	6.630
			(1.765)	(5.277)
Material DEPs - FDI $Information_{i,t-1}$			1.634	-7.824*
			(1.781)	(4.536)
Non Pecuniary $DEPs_{i,t-1}$			-0.712	11.98*
			(1.238)	(6.211)
FH Civil $Liberties_{i,t-1}$	-0.315	1.678	-0.262	1.938
	(0.658)	(1.472)	(0.710)	(1.629)
Aggregated DEPs * FH Civil $Liberties_{i,t-1}$		-0.611		
		(0.439)		
Material DEPs - FDI Returns * FH Civil $Liberties_{i,t-1}$				-1.379
				(1.231)
Material DEPs - FDI Information * FH Civil $Liberties_{i,t-1}$				1.749*
				(1.004)
Non Pecuniary DEPs * FH Civil $Liberties_{i,t-1}$				-2.313*
				(1.201)

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 29	Model 30	Model 31	Model 32
Aggregated $DEPs_{i,t-2}$	-0.326	2.257		
	(0.480)	(1.510)		
Material DEPs - FDI $Returns_{i,t-2}$			-2.342	4.999
			(2.002)	(5.388)
Material DEPs - FDI $Information_{i,t-2}$			1.826	-1.359
			(1.185)	(2.920)
Non Pecuniary $DEPs_{i,t-2}$			-1.380	4.085
			(1.177)	(3.067)
FH Civil $Liberties_{i,t-2}$	0.0340	1.495	0.293	1.817
	(0.647)	(1.248)	(0.663)	(1.356)
Aggregated DEPs * FH Civil $Liberties_{i,t-2}$		-0.486		
		(0.324)		
Material DEPs - FDI Returns * FH Civil $Liberties_{i,t-2}$				-1.421
				(1.278)
Material DEPs - FDI Information * FH Civil $Liberties_{i,t-2}$				0.484
				(0.664)
Non Pecuniary DEPs * FH Civil $Liberties_{i,t-2}$				-0.948
				(0.713)

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 33	Model 34	Model 35	Model 36
Aggregated $DEPs_{i,t-3}$	-0.207	1.720		
	(0.253)	(1.213)		
Material DEPs - FDI $Returns_{i,t-3}$			-1.203	2.670
			(1.077)	(2.950)
Material DEPs - FDI $Information_{i,t-3}$			1.083	-1.089
			(0.825)	(2.225)
Non Pecuniary $DEPs_{i,t-3}$			-0.925	3.589
			(0.723)	(2.621)
FH Civil $Liberties_{i,t-3}$	0.115	1.322	0.187	1.474
	(0.331)	(0.893)	(0.363)	(0.970)
Aggregated DEPs * FH Civil $Liberties_{i,t-3}$		-0.366		
		(0.240)		
Material DEPs - FDI Returns * FH Civil $Liberties_{i,t-3}$				-0.790
				(0.752)
Material DEPs - FDI Information * FH Civil $Liberti_{i,t-3}$				0.366
				(0.511)
Non Pecuniary DEPs * FH Civil $Liberties_{i,t-3}$				-0.814
				(0.570)

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.
See Appendix A for full results.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table 5.7: Robustness Check of the Effect of DEPs on FDI with Freedom House (Political Rights)

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 37	Model 38	Model 39	Model 40
Aggregated $DEPs_{i,t-1}$	0.182	1.780*		
	(0.349)	(1.041)		
Material DEPs - FDI $Returns_{i,t-1}$			-0.379	2.713
			(1.625)	(2.316)
Material DEPs - FDI $Information_{i,t-1}$			1.578	-3.092
			(1.814)	(1.980)
Non Pecuniary $DEPs_{i,t-1}$			-0.642	5.392**
			(1.153)	(2.593)
FH Political $Rights_{i,t-1}$	-0.380	1.203	-0.298	1.404
	(0.452)	(0.814)	(0.439)	(0.978)
Aggregated DEPs * FH Political $Rights_{i,t-1}$		-0.392*		
		(0.233)		
Material DEPs - FDI Returns * FH Political $Rights_{i,t-1}$				-0.891
				(0.768)
Material DEPs - FDI Information * FH Political $Rights_{i,t-1}$				1.109
				(0.692)
Non Pecuniary DEPs * FH Political $Rights_{i,t-1}$				-1.369**
				(0.674)

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 41	Model 42	Model 43	Model 44
Aggregated $DEPs_{i,t-2}$	-0.312	0.916		
	(0.465)	(0.660)		
Material DEPs - FDI $Returns_{i,t-2}$			-2.144	1.889
			(1.917)	(2.937)
Material DEPs - FDI $Information_{i,t-2}$			1.691	0.143
			(1.151)	(1.343)
Non Pecuniary $DEPs_{i,t-2}$			-1.261	1.126
			(1.117)	(0.893)
FH Political $Rights_{i,t-2}$	-0.0497	1.101	0.0444	1.617
	(0.431)	(0.970)	(0.429)	(1.338)
Aggregated DEPs * FH Political $Rights_{i,t-2}$		-0.298		
		(0.202)		
Material DEPs - FDI Returns * FH Political $Rights_{i,t-2}$				-1.184
				(1.115)
Material DEPs - FDI Information * FH Political $Rights_{i,t-2}$				0.216
				(0.431)
Non Pecuniary DEPs * FH Political $Rights_{i,t-2}$				-0.485
				(0.327)

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 45	Model 46	Model 47	Model 48
Aggregated $DEPs_{i,t-3}$	-0.125	0.926		
	(0.210)	(0.600)		
Material DEPs - FDI $Returns_{i,t-3}$			-1.056	2.494
			(1.003)	(2.304)
Material DEPs - FDI $Information_{i,t-3}$			1.111	-1.045
			(0.862)	(1.196)
Non Pecuniary $DEPs_{i,t-3}$			-0.827	2.221*
			(0.664)	(1.276)
FH Political $Rights_{i,t-3}$	-0.177	0.855	-0.105	1.419
	(0.252)	(0.593)	(0.238)	(0.945)
Aggregated DEPs * FH Political $Rights_{i,t-3}$		-0.260*		
		(0.157)		
Material DEPs - FDI Returns * FH Political $Rights_{i,t-3}$				-1.087
				(0.847)
Material DEPs - FDI Information * FH Political $Rights_{i,t-3}$				0.466
				(0.435)
Non Pecuniary DEPs * FH Political $Rights_{i,t-3}$				-0.686*
				(0.389)

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.
See Appendix A for full results.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

One might be concerned with reversed causality. It is possible that rather than DEPs contributing to FDI, levels of FDI affect countries' interests in the enactment of DEPs. So, here I deal with endogeneity in the form of reverse causality. In Table A.8, I move USA FDI to Asian countries / GDP to the right-hand side with the same model specifications. Here, this FDI measure explains the development of DEPs in the region of Asia. There is no evidence of reverse causality or that FDI from the USA leads to the enactment of DEPs. USA FDI to Asian countries / GDP is not significantly associated with DEPs, which lends support to the importance of DEPs in promoting FDI.

In addition to testing for the direction of causality, this table shows what factors explain the development of DEPs in the region of Asia. Among the included control variables, democratic countries, English speaking states, nearby states, and countries without war experiences are more interested in developing DEPs for their diaspora members. Interestingly, Polity 2 is significantly positively associated with the development of DEPs. This finding is puzzling because democratic countries will not receive increased FDI with the use of DEPs. Also, those countries that need to invest in the formulation of various DEPs for FDI are not interested in devising policies for their diaspora members.

Several factors can explain the positive coefficient on Polity 2. Presumably, democratic governments might impose fewer restrictions on the movement of people, which creates a large size of diaspora communities abroad. Plus, in democracies, there are more available channels through which diasporas' voices can be expressed. Last, democratic leaders are more sensitive to economic performances than leaders in autocracies because of regular elections. So, they might have more incentives to develop policies for their diaspora members in order to harness these overseas populations' assets, accordingly promoting economic development.

Table 5.8: Robustness Check of Reverse Causality

DV: Aggregated $DEPs_{i,t}$	Model 49
$DV_{i,t-2}$	0.912***
	(0.0552)
USA FDI to Asian Countries / $GDP_{i,t-2}$	0.00475
	(0.00458)
(Permanent Residents + Citizens) / $Population_{i,t-2}$	14.44
	(187.2)
Polity $2_{i,t-2}$	0.0444***
	(0.0140)
BIT + OIA with $USA_{i,t-2}$	-0.0990
	(0.0657)
$English_{i,t-2}$	0.449**
	(0.200)
Distance to $USA_{i,t-2}$	-1.330***
	(0.455)
Low Violence $_{i,t-2}$	0.307**
	(0.153)
$GDPpc_{i,t-2}$	-0.0977
	(0.0649)
$GDP_{i,t-2}$	0.0295
	(0.0725)
GDP $Growth_{i,t-2}$	0.00512
	(0.00997)
World FDI $_{i,t-2}$	0.0656
	(0.0781)
Constant	12.16**
	(4.931)
Observations	245
Countries	25
R^2	0.918

Note: This table portrays an analysis of the development of DEPs in an Asian country in year t
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Conclusion

In this chapter, I have presented evidence on the FDI promoting impact of DEPs. DEPs do not matter to all countries. This FDI strategy's impact is observed in non-democratic countries. There are consistent findings that non-democratic countries can receive increased FDI flows with

the enactment of DEPs. Not all DEPs contribute to attracting FDI. Among Material DEPs - FDI Returns, Material DEPs - FDI Information, and Non Pecuniary DEPs - Emotion/Social Status, much of the FDI promoting impact comes through the latter two types of DEPs. While DEPs for dealing with informational barriers promote FDI on average, DEPs related to non pecuniary investment interests increase FDI into non-democratic countries. A series of robustness checks further support these findings.[4]

Overall, these findings suggest that employing DEPs as focusing on providing information and giving non-tangible gains for investment is another pathway toward greater FDI, in addition to institutional routes that include democratization and increasing memberships in international economic institutions. Using these policies is relatively cheaper and politically easier than the institutional options. Moreover, considering that diaspora investors have non pecuniary investment interests, homelands can compensate these investors' profit-loss due to a weak institutional climate by relying on Non Pecuniary DEPs. Hence, findings of this study are particularly good news for developing countries without credible institutional mechanisms for reducing investment risk.

[4]One might claim that the findings of this study might be driven by Persian Gulf states and thus this group of oil countries should be excluded from the analysis. However, I continue to retain those countries in my analysis for two reasons. Their lack of interests in devising DEPs is valuable information in understanding the distribution of FDI across countries. It is not methodologically wise to drop cases based on the values of independent variables.

Chapter 6

Conclusions

In the post-Washington Consensus world, developing countries believe that foreign direct investment (FDI) promotes economic development. As such, they have competed for FDI for economic development. Although they desperately need FDI for their economies, they have not received much FDI. FDI has been concentrated in particular states, namely China. Whereas previous research on FDI seeks to explain the distribution of FDI across countries by considering regime type of FDI host countries, their memberships in international economic institutions, and those countries' diaspora size abroad, I stress the employment of diaspora engagement policies (DEPs). This dissertation is not the first study on DEPs and FDI, but scholars have only descriptively examined this FDI strategy. Despite the growth of DEPs in developing countries, the impact of DEPs on increasing FDI into these countries and the mechanisms through which DEPs lead to FDI are not well understood. Hence, in this dissertation, I take the argument one step further by examining the role of DEPs in promoting FDI. Furthermore, I provide the first systematic test of the effectiveness of DEPs in attracting FDI using a novel dataset of DEPs with spatial and temporal components.

6.1 Summary of Argument and Major Findings

In this study, I aimed to answer three questions. Do DEPs increase FDI into developing countries? How do DEPs promote FDI? Under what conditions might DEPs be most effective at attracting FDI? I have presented DEPs as another way to attract FDI, in addition to existing studies

that suggest improving democratic institutions and joining international economic institutions as a route to FDI. DEPs have an impact on attracting FDI by establishing and improving diaspora-homeland relationships and by shaping diasporas' material and non-material investment interests. Moreover, I propose that the impact of DEPs on FDI is a function of FDI host countries' regime type. This FDI strategy increases FDI into non-democracies, and its impact is driven by two specific DEPs: Material DEPs - FDI Information and Non Pecuniary DEPs. In non-democracies - where information on investment is scarce - DEPs focusing on FDI information can reduce diaspora investors' uncertainties about investment locations. Also, DEPs help non-democracies to salvage conflictual relationships with their diaspora members. However, I am pessimistic about the impact of Material DEPs - FDI Returns on FDI due to countries' focus on legal measures, such as dual nationality and dual citizenship, which are limited at generating material incentives for FDI and protecting property rights.

I find support for the role of DEPs in increasing FDI into developing countries in statistical analyses of FDI from the USA to 25 Asian developing countries from 2002 to 2011, using my original dataset that tracks Asian developing countries' various DEPs. A series of time-series cross-sectional analyses report that DEPs matter only in non-democracies. While DEPs do not have an influence on the distribution of FDI across borders on average, there are consistent findings that non-democratic countries can receive increased FDI flows with the enactment of several DEPs. Among Material DEPs - FDI Returns, Material DEPs - FDI Information, and Non Pecuniary DEPs - Emotion/Social Status, much of the conditional effect of DEPs comes through the last type of DEPs. DEPs for dealing with informational barriers to FDI promote FDI on average regardless of FDI recipient countries' regime type. However, Material DEPs - FDI Returns do not affect FDI as expected. These findings are supported by a series of robustness checks.

Although the hypothesized relationships between DEPs and FDI were tested using the sample of Asian countries, it is expected that the importance of DEPs would be observed in other regions as well for two reasons. First, because of diversities in the Asian region, the Asian sample is relatively representative of countries in Africa and Latin America. Furthermore, the motivation of developing

countries to capture more FDI into the economy is typical, and migration phenomena do not occur only in Asian countries. To the extent that developing countries seek to foster FDI, and people move across countries and accumulate wealth in new locations, these countries have incentives to harness their diasporas and employ DEPs. Hence, the role of DEPs in promoting FDI is not specific to Asian countries.

6.2 Contributions and Policy Implications

The questions of how capital-scarce developing countries might capture more FDI for their economies and what explains the distribution of FDI across countries are not new to FDI scholars. But, this dissertation provides a new account of the FDI questions with an emphasis on DEPs. It shows that upgrading an institutional environment for FDI is not the only way to attract more FDI. Employing DEPs, focusing on providing investment-related information and stimulating non pecuniary interests in investment, is another important pathway toward greater FDI. This indicates that developing countries' hopes for FDI using DEPs are not unfounded. DEPs are, in fact, an effective FDI strategy.

Another major contribution of this dissertation is to provide a dataset of DEPs. Prior studies on DEPs suffered from lack of data on DEPs since scholars have focused on few selective countries that are active and successful in reaching out to and harnessing diasporas. Also, they have limited their attention to widely adopted DEPs, and there was no dataset with temporal dimensions. My original dataset provides detailed information on several countries' various policies with many time components. It includes both active and inactive countries in terms of diaspora engagement as well as records ten DEPs including popular and less preferred policies. It also allows researchers to capture temporal changes in DEPs, as the dataset includes multiple years from 2000 to 2014.

As exploring capital mobility and international migration together, this dissertation also contributes to studies of economic globalization. Migration and FDI are two main drivers of glob-

alization. We have given separate attention to them and migration has received relatively less attention, except refugee matters. Yet, international migration will continue to grow over time. And, migrants have affected and will keep influencing flows of goods, services, and capital across countries. So, it is necessary to examine how flows of capital and migrants are related to each other. This dissertation is one attempt to understand the two together.

This dissertation has significant implications for efforts to promote economic development in the developing world, which are directed to both policy-makers and international financing institutions.

Starting with policy-makers of developing countries, the DEP route toward FDI is good news for countries that lack the capability to boost institutional climates for FDI right away. DEPs are relatively cheaper and politically easier than other institutional options like promoting democracy. So, countries with a weak institutional environment need to develop more DEPs for FDI. When they devise DEPs, it is necessary to choose the right type of DEPs. Depending on the nature of the relationship with diaspora communities, they need to adopt different DEPs as different DEPs work differently in attracting FDI.

It is possible that developing countries just hope that their diaspora members will bring capital to them. However, not the mere presence of diasporas, but the employment of DEPs for them increases FDI. While there is consistent evidence of the importance of DEPs, I find that the size of diaspora alone does not promote FDI across all models. These findings stress that developing countries should not merely rely on diaspora members to invest without any sort of persuasion or incentives. If countries are interested in diasporas' wealth, there need to be corresponding efforts to engage with them through DEPs, rather than simply believing their excitement about homeland investments.

Turning to donor countries and international financing institutions, the international community has attempted to handle development issues with diverse approaches. Advanced countries and aid-giving organizations need to target resources to developing DEPs. As discussed, there are various kinds of DEPs. Different DEPs work in promoting FDI in different manners. If countries

want to attract FDI, then they need to choose the right form of DEPs for diaspora members, which requires them to understand the nature of the relationships with their diasporas. Also, it is essential to track flows of migrants. However, developing countries lack resources and the capability to study their relationships with diasporas and to create a database of overseas populations. Therefore, if the international community aims to facilitate economic growth in the developing world, they need to invest in DEPs for developing countries.

One might suspect that DEPs hinder democratization. It should be stressed that even if autocratic leaders prefer the DEP option to democratization or any institutional options for political survival, they are not likely to avoid moving toward democracy eventually. To the extent that FDI helps to grow economically, DEPs can create a condition for democratization.

6.3 Future Research Agenda

This dissertation's theory and findings propose several avenues for future studies. Here, I briefly discuss them. First, this study speaks to the discussion of actors' preferences. Current international political economy scholarship deduces actors' interests over economic policy from their position within the international economy and measures their interests in material terms (Lake 2009). In the study of FDI, direct investors are portrayed as a homogeneous actor who is motivated to maximize material interests. There has been too little attention to how investors' interests are constructed and how diverse their motivations for investments are. This dissertation improves our understanding of economic actors' preferences as it shows DEPs for material and non-material investment interests can lead to their investment.

This study, however, did not show diaspora members are motivated to invest in homelands out of material and non pecuniary reasons. Instead, their investment interests are assumed based on the diaspora literature. Hence, it would be worthwhile to examine the assumption of diasporas' investment interests. There has not been a systematic analysis to understand diasporas' interests

in homeland investments. Existing studies provide theoretical discussions on the foundation of diasporas' investment or merely report few anecdotes. Hence, future studies need to examine what the foundation of diasporas' investment is, whether their investment interests are different from those of other investors and whether diasporas' investment interests are different across investment options at the individual level.

Second, it is essential to explore whether the theory of DEPs promoting FDI could also be applied to diasporas' other contributions, such as technology transfer, brain-gain, remittances, and diaspora bond. For example, one can examine whether the importance of DEPs is different across investment options, such as remittances, bond, and FDI. Certain types of DEPs might matter more, depending on how much diaspora members have to be involved in homelands. In addition, future studies on diasporas' other contributions would provide new insights into facilitating development in developing countries. The dataset of this dissertation can be used to understand other facets of diasporas' role in promoting the development of their homelands.

Third, the dataset of this dissertation focuses on Asian developing countries. It is worthwhile to extend the dataset to developing countries outside Asia and examine whether the theory of the positive impact of DEPs on FDI is applied to other regions as well.

Fourth, there are other ways to further test of the theory of the FDI promoting impact of DEPs. In this dissertation, the theory was tested using observational data. It would be promising to conduct an experiment in order to establish a causal relationship between DEPs and FDI.

Last, this dissertation is primarily interested in explaining the distribution of FDI across countries. Given the statistically significant impact of DEPs on FDI in non-democracies, one might think that non-democratic countries might be more motivated to formulate DEPs. But, as briefly discussed in Chapter 5, democratic countries have invested more in DEPs than their non-democratic counterparts. For a more integrated understanding of the DEPs-FDI relationship, it is necessary to examine what explains the development of DEPs in the developing world.

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Appendix A

Supplemental Tables for the Impact of DEPs on FDI

Table A.1: Summary Statistics

Variable	Mean	Std. Dev.	Min	Max	N
USA FDI to Asian Countries	3.194	11.909	-72.156	77.803	261
Grant Special Membership Concession	0.311	0.464	0	1	405
Grant Dual Nationality / Dual Citizenship	0.425	0.495	0	1	405
Offer Language / History / Culture Courses	0.23	0.421	0	1	405
Establish / Support Overseas Diaspora Schools	0.165	0.372	0	1	405
Host Business Convention	0.141	0.348	0	1	405
Host Diaspora Forum	0.19	0.393	0	1	405
Send Publications / Run a Website	0.128	0.335	0	1	405
Bestow Awards	0.126	0.332	0	1	405
Celebrate Diaspora Day	0.104	0.305	0	1	405
Set up a Government Institution	0.477	0.5	0	1	405
Aggregated Diaspora Engagement Policies	2.296	2.54	0	10	405
Material DEPs - FDI Returns	0.736	0.756	0	2	405
Material DEPs - FDI Information	0.536	0.894	0	3	405
Non Pecuniary DEPs - Emotion/Social Status	1.025	1.416	0	5	405
(Permanent Residents + Citizens) / Population	0.001	0.001	0	0.014	374
Polity 2	9.601	6.894	0	20	378
FH (Freedom House) Civil Liberties	4.375	1.256	2	7	405
FH (Freedom House) Political Rights	3.158	1.718	1	7	405
BMR (Boix, Miller, & Rosato)	0.283	0.451	0	1	297
BIT + OIA with USA	0.706	0.811	0	3	405
English	0.148	0.356	0	1	405
Distance to USA	9.332	0.158	9.08	9.653	405
Low Violence	0.481	0.5	0	1	405
GDPpc	8.395	1.478	5.799	11.038	397
GDP	24.832	1.83	20.143	29.293	397
GDP Growth	5.394	5.266	-33.101	54.158	396
World FDI	2.898	1.034	1.845	5.465	405

Table A.2: Table 5.4 Robustness Check of the Effect of DEPs on FDI with 1 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 5	Model 6	Model 7	Model 8
$DV_{i,t-1}$	0.311**	0.206	0.288**	0.178
	(0.131)	(0.147)	(0.135)	(0.157)
Aggregated $DEPs_{i,t-1}$	0.352	3.784**		
	(0.420)	(1.535)		
Material DEPs - FDI $Returns_{i,t-1}$			-0.0398	2.736
			(1.587)	(2.125)
Material DEPs - FDI $Information_{i,t-1}$			2.206	-0.457
			(1.782)	(2.002)
Non Pecuniary $DEPs_{i,t-1}$			-0.763	7.341***
			(1.170)	(2.822)
Polity $2_{i,t-1}$	0.0534	0.677**	0.0783	0.588**
	(0.146)	(0.317)	(0.159)	(0.274)
Aggregated DEPs * Polity $2_{i,t-1}$		-0.240**		
		(0.102)		
Material DEPs - FDI Returns * Polity $2_{i,t-1}$				-0.153
				(0.183)
Material DEPs - FDI Information * Polity $2_{i,t-1}$				0.118
				(0.153)
Non Pecuniary DEPs * Polity $2_{i,t-1}$				-0.514***
				(0.197)
(Permanent Residents + Citizens) / $Population_{i,t-1}$	-1835.5	-4096.5	-2274.3	-3345.1
	(2511.4)	(2841.4)	(2433.6)	(2615.4)
BIT + OIA with $USA_{i,t-1}$	0.00389	-1.193	-0.391	-1.024
	(1.444)	(1.319)	(1.402)	(1.363)
$English_{i,t-1}$	7.497	11.79**	9.607*	13.79***
	(4.706)	(4.854)	(5.718)	(5.256)
Distance to $USA_{i,t-1}$	12.60	12.45	12.87	13.73*
	(8.878)	(8.712)	(8.492)	(8.317)
Low $Violence_{i,t-1}$	2.118	3.268	1.798	3.428*
	(2.224)	(2.240)	(2.176)	(2.039)
$GDPpc_{i,t-1}$	3.185**	5.171***	3.158**	4.817***
	(1.315)	(1.648)	(1.241)	(1.415)
$GDP_{i,t-1}$	-1.212	-2.487**	-1.515*	-2.181**
	(0.885)	(1.106)	(0.904)	(1.102)
GDP $Growth_{i,t-1}$	0.302***	0.202***	0.243***	0.256***
	(0.0896)	(0.0685)	(0.0752)	(0.0815)
World $FDI_{i,t-1}$	-0.416	-0.0109	-0.0832	-0.0771
	(0.341)	(0.295)	(0.381)	(0.351)
Constant	-114.6	-103.6	-109.4	-120.3
	(93.89)	(95.88)	(87.95)	(93.80)
Observations	208	208	208	208
Countries	25	25	25	25
R^2	0.432	0.480	0.439	0.495

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.3: Table 5.4 Robustness Check of the Effect of DEPs on FDI with 3 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 9	Model 10	Model 11	Model 12
$DV_{i,t-3}$	0.523***	0.421***	0.496***	0.402***
	(0.0545)	(0.0715)	(0.0560)	(0.0724)
Aggregated $DEPs_{i,t-3}$	-0.113	2.215**		
	(0.251)	(0.910)		
Material DEPs - FDI $Returns_{i,t-3}$			-1.134	1.100
			(1.044)	(1.289)
Material DEPs - FDI $Information_{i,t-3}$			1.500*	1.298
			(0.824)	(1.224)
Non Pecuniary $DEPs_{i,t-3}$			-1.042	2.801**
			(0.685)	(1.233)
Polity $2_{i,t-3}$	0.112	0.570**	0.141	0.560***
	(0.0923)	(0.229)	(0.0903)	(0.214)
Aggregated DEPs * Polity $2_{i,t-3}$		-0.165**		
		(0.0662)		
Material DEPs - FDI Returns * Polity $2_{i,t-3}$				-0.169
				(0.135)
Material DEPs - FDI Information * Polity $2_{i,t-3}$				-0.0317
				(0.112)
Non Pecuniary DEPs * Polity $2_{i,t-3}$				-0.240**
				(0.106)
(Permanent Residents + Citizens) / $Population_{i,t-3}$	-901.5	-2807.5	-1050.9	-2335.9
	(1571.2)	(1932.6)	(1597.8)	(2056.0)
BIT + OIA with $USA_{i,t-3}$	-0.455	-1.461	-0.681	-1.345
	(0.733)	(0.985)	(0.813)	(1.027)
$English_{i,t-3}$	4.844*	8.224***	6.699**	9.487***
	(2.769)	(3.181)	(3.122)	(3.236)
Distance to $USA_{i,t-3}$	5.939	5.169	6.309	5.574
	(4.349)	(3.596)	(4.113)	(3.684)
Low $Violence_{i,t-3}$	1.742	2.996*	1.206	2.467
	(1.322)	(1.596)	(1.248)	(1.601)
$GDPpc_{i,t-3}$	1.629**	3.068***	1.539*	2.763***
	(0.809)	(1.112)	(0.792)	(1.061)
$GDP_{i,t-3}$	-0.629	-1.656*	-0.785	-1.459
	(0.680)	(0.888)	(0.664)	(0.942)
GDP $Growth_{i,t-3}$	0.0149	-0.0343	-0.0379	-0.0354
	(0.0748)	(0.0840)	(0.0938)	(0.0839)
World $FDI_{i,t-3}$	-0.742	-0.382	-0.487	-0.293
	(0.518)	(0.430)	(0.497)	(0.431)
Constant	-51.18	-34.68	-49.67	-40.35
	(44.22)	(38.08)	(40.26)	(42.21)
Observations	157	157	157	157
Countries	23	23	23	23
R^2	0.627	0.655	0.635	0.661

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.4: Table 5.5 Robustness Check of the Effect of DEPs on FDI with Boix, Miller, and Rosato and 1 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 13	Model 14	Model 15	Model 16
$DV_{i,t-1}$	0.343***	0.260*	0.334***	0.212
	(0.117)	(0.149)	(0.121)	(0.159)
Aggregated $DEPs_{i,t-1}$	0.0859	1.561*		
	(0.361)	(0.921)		
Material DEPs - FDI $Returns_{i,t-1}$			-0.125	1.810
			(1.406)	(2.559)
Material DEPs - FDI $Information_{i,t-1}$			1.047	-1.682
			(1.607)	(1.202)
Non Pecuniary $DEPs_{i,t-1}$			-0.529	4.132**
			(1.144)	(1.843)
$BMR_{i,t-1}$	-1.050	7.971	-0.617	10.55
	(2.527)	(4.979)	(2.067)	(7.114)
Aggregated DEPs * $BMR_{i,t-1}$		-2.816*		
		(1.508)		
Material DEPs - FDI Returns * $BMR_{i,t-1}$				-4.897
				(4.741)
Material DEPs - FDI Information * $BMR_{i,t-1}$				3.561
				(2.588)
Non Pecuniary DEPs * $BMR_{i,t-1}$				-7.189**
				(2.923)
(Permanent Residents + Citizens) / $Population_{i,t-1}$	-190.8	-1630.6	-354.3	-1088.8
	(2259.5)	(2326.0)	(2234.0)	(2246.0)
BIT + OIA with $USA_{i,t-1}$	0.427	-0.625	0.197	-0.300
	(1.568)	(1.383)	(1.472)	(1.397)
$English_{i,t-1}$	7.051	10.73*	8.227	13.84**
	(4.695)	(5.858)	(5.850)	(6.924)
Distance to $USA_{i,t-1}$	7.176	7.699	7.108	9.171
	(7.871)	(9.082)	(7.756)	(9.102)
Low $Violence_{i,t-1}$	0.538	1.424	0.436	2.116
	(1.915)	(2.204)	(2.116)	(2.131)
$GDPpc_{i,t-1}$	2.395**	3.597**	2.357**	3.515**
	(1.145)	(1.624)	(1.105)	(1.573)
$GDP_{i,t-1}$	-0.145	-0.728	-0.318	-0.576
	(0.864)	(0.948)	(0.841)	(0.920)
GDP $Growth_{i,t-1}$	0.365***	0.356***	0.343***	0.480***
	(0.133)	(0.123)	(0.133)	(0.141)
World $FDI_{i,t-1}$	-0.637*	-0.321	-0.468	-0.611*
	(0.345)	(0.361)	(0.295)	(0.333)
Constant	-83.07	-86.13	-77.93	-104.1
	(86.77)	(95.91)	(81.85)	(97.18)
Observations	201	201	201	201
Countries	26	26	26	26
R^2	0.386	0.423	0.388	0.450

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.5: Table 5.5 Robustness Check of the Effect of DEPs on FDI with Boix, Miller, and Rosato and 2 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 17	Model 18	Model 19	Model 20
$DV_{i,t-2}$	0.252**	0.189*	0.343***	0.176
	(0.111)	(0.107)	(0.123)	(0.109)
Aggregated $DEPs_{i,t-2}$	-0.213	0.422		
	(0.427)	(0.420)		
Material DEPs - FDI $Returns_{i,t-2}$			-2.236	-1.698
			(1.787)	(1.880)
Material DEPs - FDI $Information_{i,t-2}$			2.046	0.491
			(1.308)	(0.735)
Non Pecuniary $DEPs_{i,t-2}$			-1.385	0.815
			(1.145)	(0.705)
$BMR_{i,t-2}$	-1.539	2.311	0.0514	3.038
	(2.052)	(2.632)	(1.640)	(2.785)
Aggregated DEPs * $BMR_{i,t-2}$		-1.238**		
		(0.625)		
Material DEPs - FDI Returns * $BMR_{i,t-2}$				-0.854
				(2.676)
Material DEPs - FDI Information * $BMR_{i,t-2}$				1.956
				(1.837)
Non Pecuniary DEPs * $BMR_{i,t-2}$				-3.207**
				(1.395)
(Permanent Residents + Citizens) / $Population_{i,t-2}$	-375.7	-1051.4	-176.4	-401.9
	(2492.7)	(2513.0)	(2280.2)	(2610.5)
BIT + OIA with $USA_{i,t-2}$	0.473	0.0472	0.273	0.134
	(1.231)	(1.125)	(1.265)	(1.208)
$English_{i,t-2}$	9.916*	12.01*	10.70*	14.67**
	(5.666)	(6.283)	(5.928)	(7.243)
Distance to $USA_{i,t-2}$	3.545	3.861	2.360	4.143
	(8.613)	(9.196)	(7.127)	(9.043)
Low $Violence_{i,t-2}$	0.829	1.257	-0.538	0.939
	(1.977)	(2.049)	(1.972)	(2.049)
$GDPpc_{i,t-2}$	2.234**	2.876**	1.626*	2.441**
	(1.070)	(1.223)	(0.889)	(1.092)
$GDP_{i,t-2}$	-0.336	-0.623	-0.464	-0.709
	(0.957)	(0.966)	(0.859)	(0.984)
GDP $Growth_{i,t-2}$	0.142	0.140	0.135	0.166
	(0.114)	(0.104)	(0.137)	(0.105)
World $FDI_{i,t-2}$	-0.852**	-0.702*	-0.646*	-0.637*
	(0.412)	(0.366)	(0.361)	(0.346)
Constant	-40.01	-42.29	-20.29	-39.19
	(92.79)	(96.44)	(76.46)	(93.08)
Observations	191	191	191	191
Countries	25	25	25	25
R^2	0.487	0.488	0.521	0.521

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.6: Table 5.5 Robustness Check of the Effect of DEPs on FDI with Boix, Miller, and Rosato and 3 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 21	Model 22	Model 23	Model 24
$DV_{i,t-3}$	0.562***	0.533***	0.548***	0.494***
	(0.0395)	(0.0489)	(0.0439)	(0.0615)
Aggregated $DEPs_{i,t-3}$	-0.0864	0.395		
	(0.205)	(0.326)		
Material DEPs - FDI $Returns_{i,t-3}$			-0.896	-0.427
			(0.941)	(0.896)
Material DEPs - FDI $Information_{i,t-3}$			1.012	-0.233
			(0.807)	(0.621)
Non Pecuniary $DEPs_{i,t-3}$			-0.747	1.099
			(0.652)	(0.791)
$BMR_{i,t-3}$	-1.500	1.344	-0.871	2.321
	(1.313)	(1.760)	(1.009)	(2.085)
Aggregated DEPs * $BMR_{i,t-3}$		-0.882		
		(0.599)		
Material DEPs - FDI Returns * $BMR_{i,t-3}$				-1.293
				(1.574)
Material DEPs - FDI Information * $BMR_{i,t-3}$				2.200
				(1.735)
Non Pecuniary DEPs * $BMR_{i,t-3}$				-2.902*
				(1.645)
(Permanent Residents + Citizens) / $Population_{i,t-3}$	329.3	-166.9	329.1	6.553
	(1185.9)	(1183.4)	(1219.9)	(1253.9)
BIT + OIA with $USA_{i,t-3}$	0.338	-0.0655	0.131	-0.0624
	(0.746)	(0.751)	(0.749)	(0.839)
$English_{i,t-3}$	4.366*	5.562*	5.704*	8.131*
	(2.621)	(3.116)	(3.116)	(4.327)
Distance to $USA_{i,t-3}$	4.618	4.477	4.421	4.512
	(4.483)	(4.668)	(4.447)	(4.738)
Low $Violence_{i,t-3}$	-0.207	0.210	-0.455	0.293
	(1.134)	(1.184)	(1.260)	(1.245)
$GDPpc_{i,t-3}$	1.160*	1.538**	1.042*	1.333*
	(0.619)	(0.774)	(0.626)	(0.721)
$GDP_{i,t-3}$	0.221	-0.0243	0.0738	-0.136
	(0.518)	(0.519)	(0.495)	(0.546)
GDP $Growth_{i,t-3}$	0.0236	0.0208	-0.00425	0.0639
	(0.0762)	(0.0790)	(0.0885)	(0.0882)
World $FDI_{i,t-3}$	-0.964*	-0.824	-0.780	-0.759
	(0.583)	(0.531)	(0.568)	(0.526)
Constant	-54.62	-51.38	-48.00	-47.62
	(48.60)	(48.86)	(46.63)	(50.00)
Observations	170	170	170	170
Countries	24	24	24	24
R^2	0.616	0.622	0.620	0.632

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year *t*.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.7: Table 5.6 Robustness Check of the Effect of DEPs on FDI with Freedom House (Civil Liberties) and 1 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 25	Model 26	Model 27	Model 28
$DV_{i,t-1}$	0.366***	0.332**	0.350***	0.278*
	(0.122)	(0.135)	(0.126)	(0.156)
Aggregated $DEPs_{i,t-1}$	0.150	3.372		
	(0.385)	(2.370)		
Material DEPs - FDI $Returns_{i,t-1}$			-0.392	6.630
			(1.765)	(5.277)
Material DEPs - FDI $Information_{i,t-1}$			1.634	-7.824*
			(1.781)	(4.536)
Non Pecuniary $DEPs_{i,t-1}$			-0.712	11.98*
			(1.238)	(6.211)
FH Civil $Liberties_{i,t-1}$	-0.315	1.678	-0.262	1.938
	(0.658)	(1.472)	(0.710)	(1.629)
Aggregated DEPs * FH Civil $Liberties_{i,t-1}$		-0.611		
		(0.439)		
Material DEPs - FDI Returns * FH Civil $Liberties_{i,t-1}$				-1.379
				(1.231)
Material DEPs - FDI Information * FH Civil $Liberties_{i,t-1}$				1.749*
				(1.004)
Non Pecuniary DEPs * FH Civil $Liberties_{i,t-1}$				-2.313*
				(1.201)
(Permanent Residents + Citizens) / $Population_{i,t-1}$	21.82	-608.5	-186.3	308.9
	(2238.1)	(2185.0)	(2177.8)	(2283.1)
BIT + OIA with $USA_{i,t-1}$	0.560	-0.0305	0.327	0.332
	(1.359)	(1.108)	(1.295)	(1.275)
$English_{i,t-1}$	7.719	8.456*	9.333	10.84*
	(5.058)	(5.029)	(6.176)	(5.592)
Distance to $USA_{i,t-1}$	6.783	7.334	6.797	10.76
	(7.747)	(8.538)	(7.657)	(8.729)
Low $Violence_{i,t-1}$	0.931	1.950	0.488	2.123
	(1.782)	(2.069)	(1.832)	(1.875)
$GDPpc_{i,t-1}$	2.411**	2.944**	2.302**	2.869**
	(1.163)	(1.404)	(1.130)	(1.272)
$GDP_{i,t-1}$	-0.290	-0.581	-0.455	-0.116
	(0.782)	(0.858)	(0.813)	(1.023)
GDP $Growth_{i,t-1}$	0.362***	0.316***	0.318***	0.374***
	(0.124)	(0.110)	(0.113)	(0.123)
World $FDI_{i,t-1}$	-0.662*	-0.570*	-0.420	-0.665**
	(0.350)	(0.317)	(0.304)	(0.302)
Constant	-75.50	-86.63	-70.58	-131.6
	(82.74)	(91.85)	(79.54)	(99.91)
Observations	223	223	223	223
Countries	26	26	26	26
R^2	0.406	0.425	0.411	0.454

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year *t*.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.8: Table 5.6 Robustness Check of the Effect of DEPs on FDI with Freedom House (Civil Liberties) and 2 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 29	Model 30	Model 31	Model 32
$DV_{i,t-2}$	0.251**	0.212*	0.306***	0.191*
	(0.111)	(0.111)	(0.118)	(0.114)
Aggregated $DEPs_{i,t-2}$	-0.326	2.257		
	(0.480)	(1.510)		
Material DEPs - FDI $Returns_{i,t-2}$			-2.342	4.999
			(2.002)	(5.388)
Material DEPs - FDI $Information_{i,t-2}$			1.826	-1.359
			(1.185)	(2.920)
Non Pecuniary $DEPs_{i,t-2}$			-1.380	4.085
			(1.177)	(3.067)
FH Civil $Liberties_{i,t-2}$	0.0340	1.495	0.293	1.817
	(0.647)	(1.248)	(0.663)	(1.356)
Aggregated DEPs * FH Civil $Liberties_{i,t-2}$		-0.486		
		(0.324)		
Material DEPs - FDI Returns * FH Civil $Liberties_{i,t-2}$				-1.421
				(1.278)
Material DEPs - FDI Information * FH Civil $Liberties_{i,t-2}$				0.484
				(0.664)
Non Pecuniary DEPs * FH Civil $Liberties_{i,t-2}$				-0.948
				(0.713)
(Permanent Residents + Citizens) / $Population_{i,t-2}$	-279.4	-710.3	-164.2	-107.9
	(2486.2)	(2384.0)	(2368.7)	(2567.4)
BIT + OIA with $USA_{i,t-2}$	0.268	-0.165	0.210	0.0203
	(1.101)	(0.981)	(1.162)	(1.091)
$English_{i,t-2}$	10.19*	11.03*	11.05*	12.64*
	(5.827)	(5.869)	(6.079)	(6.682)
Distance to $USA_{i,t-2}$	2.702	3.550	2.457	4.759
	(8.426)	(9.101)	(7.469)	(9.246)
Low $Violence_{i,t-2}$	1.517	2.239	0.0175	1.288
	(1.786)	(2.037)	(1.774)	(2.040)
$GDPpc_{i,t-2}$	2.224**	2.729**	1.672*	2.471**
	(1.077)	(1.279)	(0.974)	(1.203)
$GDP_{i,t-2}$	-0.517	-0.758	-0.485	-0.453
	(0.900)	(0.898)	(0.846)	(1.021)
GDP $Growth_{i,t-2}$	0.156	0.127	0.130	0.123
	(0.119)	(0.102)	(0.125)	(0.103)
World $FDI_{i,t-2}$	-0.815**	-0.725**	-0.622*	-0.630*
	(0.408)	(0.364)	(0.366)	(0.340)
Constant	-28.38	-41.12	-22.33	-58.52
	(89.33)	(95.57)	(78.19)	(98.40)
Observations	191	191	191	191
Countries	25	25	25	25
R^2	0.484	0.493	0.518	0.519

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year *t*.

Standard errors are shown in parentheses.

Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.9: Table 5.6 Robustness Check of the Effect of DEPs on FDI with Freedom House (Civil Liberties) and 3 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 33	Model 34	Model 35	Model 36
$DV_{i,t-3}$	0.566***	0.537***	0.547***	0.506***
	(0.0393)	(0.0472)	(0.0430)	(0.0573)
Aggregated $DEPs_{i,t-3}$	-0.207	1.720		
	(0.253)	(1.213)		
Material DEPs - FDI $Returns_{i,t-3}$			-1.203	2.670
			(1.077)	(2.950)
Material DEPs - FDI $Information_{i,t-3}$			1.083	-1.089
			(0.825)	(2.225)
Non Pecuniary $DEPs_{i,t-3}$			-0.925	3.589
			(0.723)	(2.621)
FH Civil $Liberties_{i,t-3}$	0.115	1.322	0.187	1.474
	(0.331)	(0.893)	(0.363)	(0.970)
Aggregated DEPs * FH Civil $Liberties_{i,t-3}$		-0.366		
		(0.240)		
Material DEPs - FDI Returns * FH Civil $Liberties_{i,t-3}$				-0.790
				(0.752)
Material DEPs - FDI Information * FH Civil $Libertie_{i,t-3}s$				0.366
				(0.511)
Non Pecuniary DEPs * FH Civil $Liberties_{i,t-3}$				-0.814
				(0.570)
(Permanent Residents + Citizens) / $Population_{i,t-3}$	289.8	-149.7	278.2	224.1
	(1168.0)	(1183.7)	(1202.5)	(1367.4)
BIT + OIA with $USA_{i,t-3}$	-0.000992	-0.431	-0.108	-0.300
	(0.595)	(0.674)	(0.643)	(0.782)
$English_{i,t-3}$	4.566*	5.103*	5.990*	6.608**
	(2.751)	(2.818)	(3.282)	(3.337)
Distance to $USA_{i,t-3}$	3.425	3.659	3.555	4.537
	(4.123)	(4.433)	(4.076)	(4.525)
Low $Violence_{i,t-3}$	0.705	1.353	0.0766	0.737
	(0.926)	(1.234)	(1.005)	(1.248)
$GDPpc_{i,t-3}$	1.085*	1.430*	0.943	1.287*
	(0.555)	(0.736)	(0.587)	(0.723)
$GDP_{i,t-3}$	-0.0160	-0.233	-0.0758	-0.0515
	(0.456)	(0.533)	(0.455)	(0.613)
GDP $Growth_{i,t-3}$	0.0393	0.0204	0.000366	0.0268
	(0.0714)	(0.0758)	(0.0866)	(0.0810)
World $FDI_{i,t-3}$	-0.885	-0.784	-0.707	-0.695
	(0.557)	(0.498)	(0.539)	(0.511)
Constant	-38.21	-43.34	-36.47	-55.17
	(42.67)	(45.47)	(40.85)	(49.39)
Observations	170	170	170	170
Countries	24	24	24	24
R^2	0.614	0.623	0.619	0.631

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.

Standard errors are shown in parentheses.

Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.10: Table 5.7 Robustness Check of the Effect of DEPs on FDI with Freedom House (Political Rights) and 1 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 37	Model 38	Model 39	Model 40
$DV_{i,t-1}$	0.365***	0.330**	0.351***	0.291**
	(0.123)	(0.131)	(0.127)	(0.145)
Aggregated $DEPs_{i,t-1}$	0.182	1.780*		
	(0.349)	(1.041)		
Material DEPs - FDI $Returns_{i,t-1}$			-0.379	2.713
			(1.625)	(2.316)
Material DEPs - FDI $Information_{i,t-1}$			1.578	-3.092
			(1.814)	(1.980)
Non Pecuniary $DEPs_{i,t-1}$			-0.642	5.392**
			(1.153)	(2.593)
FH Political $Rights_{i,t-1}$	-0.380	1.203	-0.298	1.404
	(0.452)	(0.814)	(0.439)	(0.978)
Aggregated DEPs * FH Political $Rights_{i,t-1}$		-0.392*		
		(0.233)		
Material DEPs - FDI Returns * FH Political $Rights_{i,t-1}$				-0.891
				(0.768)
Material DEPs - FDI Information * FH Political $Rights_{i,t-1}$				1.109
				(0.692)
Non Pecuniary DEPs * FH Political $Rights_{i,t-1}$				-1.369**
				(0.674)
(Permanent Residents + Citizens) / $Population_{i,t-1}$	-80.11	-969.0	-247.9	-887.8
	(2238.7)	(2236.4)	(2183.7)	(2182.6)
BIT + OIA with $USA_{i,t-1}$	0.614	-0.118	0.381	-0.100
	(1.382)	(1.123)	(1.307)	(1.160)
$English_{i,t-1}$	7.707	8.663*	9.229	11.15*
	(5.031)	(5.218)	(6.158)	(6.067)
Distance to $USA_{i,t-1}$	6.761	7.870	6.756	9.746
	(7.722)	(8.575)	(7.659)	(8.464)
Low $Violence_{i,t-1}$	0.568	1.989	0.230	1.982
	(1.796)	(2.135)	(2.039)	(2.104)
$GDPpc_{i,t-1}$	2.467**	2.897**	2.341**	2.586**
	(1.196)	(1.322)	(1.124)	(1.134)
$GDP_{i,t-1}$	-0.217	-0.589	-0.386	-0.242
	(0.799)	(0.828)	(0.822)	(0.906)
GDP $Growth_{i,t-1}$	0.354***	0.351***	0.315***	0.404***
	(0.120)	(0.114)	(0.112)	(0.123)
World $FDI_{i,t-1}$	-0.695*	-0.507	-0.458	-0.566*
	(0.359)	(0.310)	(0.286)	(0.307)
Constant	-77.50	-87.50	-72.25	-111.5
	(83.69)	(92.26)	(80.62)	(92.82)
Observations	223	223	223	223
Countries	26	26	26	26
R^2	0.408	0.423	0.412	0.447

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.11: Table 5.7 Robustness Check of the Effect of DEPs on FDI with Freedom House (Political Rights) and 2 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 41	Model 42	Model 43	Model 44
$DV_{i,t-2}$	0.242**	0.194*	0.265**	0.149
	(0.110)	(0.107)	(0.115)	(0.101)
Aggregated $DEPs_{i,t-2}$	-0.312	0.916		
	(0.465)	(0.660)		
Material DEPs - FDI $Returns_{i,t-2}$			-2.144	1.889
			(1.917)	(2.937)
Material DEPs - FDI $Information_{i,t-2}$			1.691	0.143
			(1.151)	(1.343)
Non Pecuniary $DEPs_{i,t-2}$			-1.261	1.126
			(1.117)	(0.893)
FH Political $Rights_{i,t-2}$	-0.0497	1.101	0.0444	1.617
	(0.431)	(0.970)	(0.429)	(1.338)
Aggregated DEPs * FH Political $Rights_{i,t-2}$		-0.298		
		(0.202)		
Material DEPs - FDI Returns * FH Political $Rights_{i,t-2}$				-1.184
				(1.115)
Material DEPs - FDI Information * FH Political $Rights_{i,t-2}$				0.216
				(0.431)
Non Pecuniary DEPs * FH Political $Rights_{i,t-2}$				-0.485
				(0.327)
(Permanent Residents + Citizens) / $Population_{i,t-2}$	-258.0	-881.6	-21.41	-529.2
	(2526.1)	(2519.3)	(2499.0)	(2675.0)
BIT + OIA with $USA_{i,t-2}$	0.292	-0.197	0.279	-0.0653
	(1.097)	(0.934)	(1.163)	(0.968)
$English_{i,t-2}$	10.33*	11.45*	11.56*	13.16*
	(5.897)	(6.203)	(6.366)	(6.875)
Distance to $USA_{i,t-2}$	2.874	4.029	3.245	5.326
	(8.636)	(9.266)	(8.205)	(9.749)
Low $Violence_{i,t-2}$	1.439	2.508	0.149	1.680
	(1.900)	(2.428)	(2.087)	(2.626)
$GDPpc_{i,t-2}$	2.273**	2.717**	1.884*	2.522**
	(1.065)	(1.232)	(0.998)	(1.205)
$GDP_{i,t-2}$	-0.508	-0.797	-0.497	-0.492
	(0.924)	(0.945)	(0.890)	(0.988)
GDP $Growth_{i,t-2}$	0.153	0.156	0.124	0.144
	(0.119)	(0.112)	(0.119)	(0.105)
World $FDI_{i,t-2}$	-0.811**	-0.671*	-0.605*	-0.591*
	(0.405)	(0.368)	(0.353)	(0.337)
Constant	-30.33	-41.55	-30.27	-59.89
	(91.74)	(96.91)	(85.65)	(100.8)
Observations	191	191	191	191
Countries	25	25	25	25
R^2	0.481	0.487	0.510	0.502

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.
Standard errors are shown in parentheses.
Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A.12: Table 5.7 Robustness Check of the Effect of DEPs on FDI with Freedom House (Political Rights) and 3 Year Lag

DV: USA FDI to Asian Countries / $GDP_{i,t}$	Model 45	Model 46	Model 47	Model 48
$DV_{i,t-3}$	0.567***	0.535***	0.548***	0.495***
	(0.0387)	(0.0478)	(0.0430)	(0.0582)
Aggregated $DEPs_{i,t-3}$	-0.125	0.926		
	(0.210)	(0.600)		
Material DEPs - FDI $Returns_{i,t-3}$			-1.056	2.494
			(1.003)	(2.304)
Material DEPs - FDI $Information_{i,t-3}$			1.111	-1.045
			(0.862)	(1.196)
Non Pecuniary $DEPs_{i,t-3}$			-0.827	2.221*
			(0.664)	(1.276)
FH Political $Rights_{i,t-3}$	-0.177	0.855	-0.105	1.419
	(0.252)	(0.593)	(0.238)	(0.945)
Aggregated DEPs * FH Political $Rights_{i,t-3}$		-0.260*		
		(0.157)		
Material DEPs - FDI Returns * FH Political $Rights_{i,t-3}$				-1.087
				(0.847)
Material DEPs - FDI Information * FH Political $Rights_{i,t-3}$				0.466
				(0.435)
Non Pecuniary DEPs * FH Political $Rights_{i,t-3}$				-0.686*
				(0.389)
(Permanent Residents + Citizens) / $Population_{i,t-3}$	373.5	-192.5	372.5	-193.3
	(1187.1)	(1291.7)	(1225.4)	(1394.4)
BIT + OIA with $USA_{i,t-3}$	0.154	-0.470	0.0274	-0.411
	(0.631)	(0.666)	(0.663)	(0.744)
$English_{i,t-3}$	4.582*	5.304*	5.957*	7.138**
	(2.746)	(2.969)	(3.292)	(3.607)
Distance to $USA_{i,t-3}$	3.824	4.376	3.977	5.228
	(4.247)	(4.574)	(4.232)	(4.538)
Low $Violence_{i,t-3}$	0.255	1.121	-0.278	0.452
	(1.016)	(1.380)	(1.262)	(1.471)
$GDPpc_{i,t-3}$	1.174**	1.513**	1.033*	1.402*
	(0.599)	(0.738)	(0.613)	(0.729)
$GDP_{i,t-3}$	0.0522	-0.240	-0.0219	0.0361
	(0.476)	(0.543)	(0.474)	(0.550)
GDP $Growth_{i,t-3}$	0.0364	0.0393	-0.000546	0.0700
	(0.0726)	(0.0826)	(0.0865)	(0.0948)
World $FDI_{i,t-3}$	-0.923*	-0.752	-0.741	-0.728
	(0.558)	(0.480)	(0.528)	(0.462)
Constant	-43.28	-47.46	-41.40	-62.09
	(44.46)	(47.00)	(43.10)	(48.16)
Observations	170	170	170	170
Countries	24	24	24	24
R^2	0.614	0.623	0.619	0.639

Note: This table portrays an analysis of USA FDI flows into an Asian country as a share of its GDP in year t.

Standard errors are shown in parentheses.

Statistical significance level: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Appendix B

Description of Data Collection

Coding Rules

The following rules were applied to determine whether countries have DEPs or not. Only when a DEP meets all the conditions below, was it recorded in the DEP dataset.

- Country is located in the region of Asia
- Country is a developing country
- DEP is devised by a national/federal level government institution
- DEP does not target members of diaspora communities in a certain destination country, except the USA
- DEP is applied to diaspora communities, not other migrant groups such as refugees and migrant workers

Data Sources

The DEP dataset was constructed based on multiple sources. Primary data resources are websites of national/federal level governments. DEPs are not a project of a single institution. These policies are formulated and implemented in cooperation with several related government institutions. So, the following institutions' websites were checked to collect data on DEPs. At each government website, all tabs and links were checked to find diaspora related information, such as regulations, organization maps, news, speeches, annual reports, etc.

The collected information from government websites was cross-checked with additional resources, including cross-national datasets of DEPs, publications of research centers and international organizations, local news, LexisNexis, Google News, and Google search engine. The below shows which specific websites were visited for the data collection.

1. Governments' Official Websites

- Ministry of Diaspora / Expatriate

- Ministry of Foreign Affairs
- Ministries of Education and Higher Education
- Ministry of Culture
- Ministry of Youth
- Offices of Prime Minister and President
- Other national/federal level agencies responsible for diaspora matters

2. Cross-National Datasets

- Agunias, Dovelyn Rannveig, and Kathleen Newland. 2012. *Developing a Road Map for Engaging Diasporas in Development.* Geneva, Switzerland and Washington, DC: International Organization for Migration and Migration Policy Institute
- Gamlen, Alan. 2006. "Diaspora Engagement Policies: What Are They, and Why Kinds of States Use Them?" Working Paper 06-32. Oxford, UK: Center on Migration, Policy, and Society, University of Oxford[1]
- Global Forum on Migration and Development's M & D Policy and Practice Database: http://www.gfmd.org/pfp/ppd
- Ragazzi, Francesco. 2014. "A Comparative Analysis of Diaspora Policies." *Political Geography* 41, 74-89
- United Nations' Population Policies Database: https://esa.un.org/poppolicy/wpp_datasets.aspx

3. Publications of Research Centers

- Cultural Policies and Trends in Europe: http://www.culturalpolicies.net/
- International Center for Migration Policy Development: http://www.icmpd.org/
- Migration Policy Center: http://www.migrationpolicycentre.eu/
- Migration Policy Institute: http://www.migrationpolicy.org/

4. Publications of International Organizations

- International Labour Organization's NATLEX (Database of National Labour, Social Security, and Related Human Rights Legislation): http://www.ilo.org/dyn/natlex/natlex4.byCountry?p_lang=en
- International Organization for Migration: http://www.iom.int/

[1]Gamlen's 2006 and 2008 (published in *Political Geography*) studies are identical, but the earlier version provides more detailed information on DEPs, so the 2006 work was considered for my data collection.

- Refworld's Nationality and Statelessness / Citizenship / Nationality Law Database: http://www.refworld.org/topic,50ffbce524d,50ffbce525c,,0,,LEGISLATION,.html

5. News Search

- 2 local news
- Google News
- LexisNexis Academic (www.lexisnexis.com)

6. Google Search