

Overcoming Structural Barriers

The Effect of Migrant Networks and Coordinated Financial Policies on International Investment

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Two things

- ▶ Financial policy coordination increases the strength of migrant networks

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- ▶ The level of strength is different for different types of investment

Migrant networks & international investment

- ▶ Consequences of migration

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 - ▶ Portfolio investment
 - ▶ Foreign direct investment

Why?

- ▶ An increase in familiarity

Why?

- ▶ An increase in familiarity
- ▶ A decrease in information asymmetries and transaction costs.

Structural barriers

- ▶ Coordinated financial policies
 - ▶ Dual taxation treaties

Hypotheses

- ▶ Migrant networks have a larger effect on portfolio investment in combination with a dual taxation treaty than without

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- ▶ Migrant networks have a larger effect on portfolio investment in combination with a dual taxation treaty than without
- ▶ The combination of a dual taxation treaty and a migrant network has a negligible effect on FDI

Data + model

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 - ▶ International portfolio investment
 - ▶ International Monetary Fund
 - ▶ 56 source, 154 destination countries
 - ▶ 2002

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- ▶ IV:
 - ▶ Migrant networks
 - ▶ Migrant stock in destination country from source
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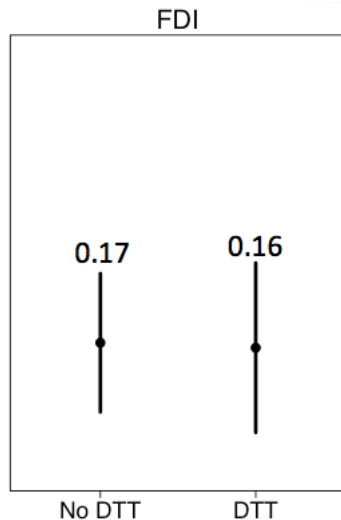
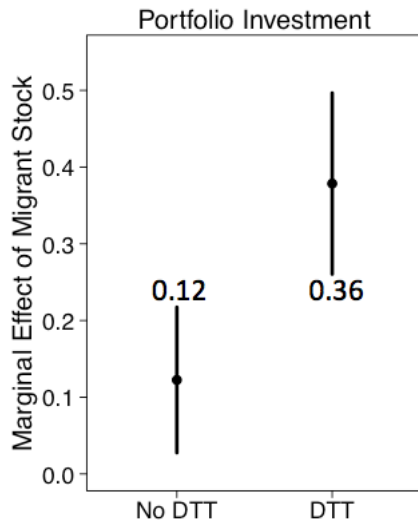
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- ▶ Model: OLS

Marginal effect



US-Philippines 2002

- ▶ Approximately 2 million Filipino migrants

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US-Philippines 2002

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- ▶ Negligible change in FDI

Control variables

- ▶ Market size
- ▶ Distance
- ▶ Contiguous border
- ▶ Common language
- ▶ Growth correlation
- ▶ Common currency
- ▶ Preferential trade agreement
- ▶ Bilateral phone volume
- ▶ Common legal heritage
- ▶ Common religion

Migrant stock and portfolio investment

Variable	Coef.	90% C.I.
Constant	-129.15	[-214.92, -43.38]
Migrant Stock	0.18	[0.08, 0.29]
Market Size	0.17	[0.07, 0.27]
Distance	-1.16	[-1.55, -0.77]
Contiguous Border	-0.86	[-1.59, -0.11]
Common Language	-0.11	[-0.58, 0.36]
Growth Correlation	0.03	[-0.26, 0.32]
Common Currency	1.15	[0.58, 1.72]
Dual Taxation Treaty	1.30	[0.73, 1.87]
PTA	0.79	[0.05, 1.53]
Bilateral Telephone Volume	0.10	[0.00, 0.20]
Common Legal Heritage	0.19	[-0.16, 0.54]
Common Religion	0.55	[0.08, 1.02]
N	5134	

Migrant stock and portfolio investment + interaction

Variable	Coef.	90% C.I.
Constant	-116.81	[-186.3 , -47.3]
Migrant Stock	0.12	[0.04, 0.20]
Migrant Stock \times Dual Taxation	0.26	[0.15, 0.37]
Market Size	0.16	[0.09, 0.22]
Distance	-1.18	[-1.50, -0.85]
Contiguous Border	-1.05	[-1.64, -0.46]
Common Language	-0.11	[-0.49, 0.28]
Growth Correlation	0.02	[-0.22, 0.27]
Common Currency	0.99	[0.55, 1.43]
Dual Taxation Treaty	-0.31	[-1.13, 0.51]
PTA	0.72	[0.13, 1.31]
Bilateral Telephone Volume	0.09	[0.01, 0.17]
Common Legal Heritage	0.21	[-0.09, 0.51]
Common Religion	0.50	[0.12, 0.88]
N	5134	

Migrant stock and FDI

Variable	Coef.	90% C.I.
Constant	-121.40	[-206.91, -35.89]
Migrant Stock	0.16	[0.06, 0.29]
Market Size	0.15	[0.05, 0.25]
Distance	-1.18	[-1.62, -0.74]
Contiguous Border	0.61	[-0.37, 1.59]
Common Language	1.70	[0.72, 2.68]
Growth Correlation	0.18	[-0.09, 0.45]
Common Currency	0.72	[-0.26, 1.70]
Dual Taxation Treaty	0.60	[0.09, 0.11]
PTA	0.07	[-0.68, 0.81]
Bilateral Telephone Volume	-0.06	[-0.20, 0.08]
Common Legal Heritage	0.21	[-0.16, 0.58]
Common Religion	0.23	[-0.20, 0.66]
N	3658	

Migrant stock and FDI + interaction

Variable	Coef.	90% C.I.
Constant	-121.90	[-193.6, -50.2]
Migrant Stock	0.17	[0.08, 0.25]
Migrant Stock \times Dual Taxation	-0.006	[-0.07, 0.05]
Market Size	0.15	[0.07, 0.23]
Distance	-1.19	[-1.55, -0.83]
Contiguous Border	0.62	[-0.21, 1.45]
Common Language	1.70	[[1.45, 1.94]
Growth Correlation	0.17	[-0.63, 0.97]
Common Currency	0.72	[-0.09, 1.53]
Dual Taxation Treaty	0.63	[-0.03, 1.29]
PTA	0.07	[-0.55, 0.69]
Bilateral Telephone Volume	-0.06	[-0.18, 0.06]
Common Legal Heritage	0.21	[-0.11, 0.54]
Common Religion	0.23	[-0.13, 0.59]
N	3658	