* Political science literature on migrants: lots to say about the consequences of migration in the new host country – increased support of right-wing parties, varied effects on social spending and wages, changes in the job market
  + But what about the consequences in the country of origin?
  + We know that a “brain drain” exists (explain)
* But what about any positive consequences?
  + Migrants can provide huge capital flows in the form of remittances but how might their presence influence investors without such a vested interest, such as familial ties?
  + We know that migrant networks do promote international investment
* But want to convince you of two more things:
  + That financial policy coordination increases the strength of the migrant networks
  + But that that level of strength is different for different types of investment
* We think that this is because of two things:
  + An increase in familiarity
  + And a decrease in information asymmetries and transaction costs
* So to start: what exactly is a migrant network?
  + A social collectivity that exists across state borders and that has succeeded over time to:
    - (one) sustain a collective national, cultural, or religious identity through a sense of internal cohesion and sustained ties with a real or imagined homeland
    - (two) displays an ability to address the collective interests of members of the social collectivity through a developed internal organizational framework and transnational links
  + I think these networks create a channel through which information is exchanged, creating opportunities for investment
* I think that it’s best to differentiate portfolio investment from foreign direct investment (FDI) to evaluate the relationship because the natures of the two are different from each other
* PI
  + Sometimes called “passive investment” financial strategy because an investor invests in accordance with a
  + Pre-determined strategy that doesn’t entail any forecasting (like market timing)
  + With little to no active management or control in order to minimize investing fees and avoid the consequences of failing to predict the future
  + Generally consists of equity markets, bonds, commodities, and hedge funds
  + Increased familiarity
    - What is a home bias?
    - That cool Japanese study about risk
    - Increased familiarity lowers information asymmetries and transaction costs
* FDI
  + As it’s name suggests,
  + A direct investment into an element of the production supply chain
    - So like,
      * The incorporation of a wholly owned subsidiary or company
      * The acquisition of shares in an associated enterprise
      * Through a merger or an acquisition of an unrelated enterprise
      * Or participating in an equity joint venture with another investor or enterprise
  + These types of investment are generally associated with a long-term vision, fixed assets, and highly prohibitive relocation costs
  + Two types
    - Horizontal
      * When a firm duplicates its home-country activities at the same point in the supply chain in a particular host country
    - Vertical
      * When a firm performs value-adding activities stage-by-stage along the supply chain in a host country
  + Procurement of raw materials, different factory level stages of production, customer service/call-centers, R&D
  + Increased familiarity
    - Knowledge of on-the-ground conditions, business culture, regulations, the local language
    - All of these are costly for investors to discover independently, so through an increased familiarity, migrant networks decrease information asymmetries and transaction costs
* But what about structural barriers?
  + We consider the use of a coordinated financial policy as a means to overcome structural barriers to investment
  + To be specific, we use a dual taxation treaty
    - Dual taxation treaties are bilateral tax treaties
    - Designed to create favorable investment atmospheres
    - And overcome inefficiencies in investment by:
      * Standardizing tax definitions
      * Reducing tax avoidance
      * Preventing “treaty shopping” or routing investment through specific countries to take advantage of particular policies
      * Provide relief from double taxation
  + DTT’s reduce informational asymmetries and decrease transaction costs by reducing regulatory environment uncertainties
  + Door key analogy
* So we hypothesize that …
  + Increased familiarity for FDI
    - Knowledge of on-the-ground conditions, business culture, regulations, the local language
    - All of these are costly for investors to discover independently, so through an increased familiarity, migrant networks decrease information asymmetries and transaction costs
    - But these are things that DTTs don’t provide for FDI
    - Previous research has shown that DTTs have no real effect on FDI because some of the tax benefits provided are irrelevant in the case of FDI – it’s usually cheaper to expand an overseas venture with retained earnings rather than repatriated and re-exported funds
* Explain model
  + Controls: a measure of the dyad’s market size (GDP\*GDP), distance, economic growth correlation, bilateral phone traffic as a measure of information availability, common language, common legal heritage, common currency, and common religion
  + Many of our controls are a means for making sure that any similarities within the dyad are not actually driving investment
* Derivative, what we’re interested in and what it means
* Data description
* Marginal effect graph
  + IP with DTT, 0.36 percentage points, 0.12 without
    - Total PI in 2002 ($4,213,217,978)
  + FDI with DTT, 0.16 percentage points, 0.17 without
    - Total FDI in 2002 ($391,000,000)
* US-Philippines example
  + Fourth largest immigrant group in the US
  + Lots of investment