MIGRANTS, RULE OF LAW, AND FOREIGN DIRECT INVESTMENT: RECONSIDERING THE INFLUENCE OF IMMIGRATION ON FINANCIAL FLOWS

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Existing studies on the influence of immigration on foreign direct investment (FDI) have all documented the importance of migrants for global investment. This research identifies how investment flows are influenced by migrants and what role governments play in this relationship, specifically if destination country has weak rule of law, commonly recognized to discourage FDI due to the lack of credibility of the government to protect property rights. Quantitative and qualitative tests suggest that the relationship between FDI and migrants is stronger as the rule of law becomes weaker. This suggests that migrants can be an important driving force of FDI to the countries with weak rule of law. Migrant investors' perception of possessing a competitive advantage over non-migrant investors explains their confidence in potential profitability of their investment in their home countries with weak rule of law. Governments in the countries with weak rule of law, in turn, perceive migrants as an important driving force of FDI that can help a country compensate for its weaknesses in rule of law for the purposes of attracting FDI.

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Chapter 1

Introduction

1.1 Introduction

The age of globalization substantially increased the speed, scope, complexity and volume of world migration. Through advances in communications technology, globalization made it easier for migrants[1] to keep in contact with their country of origin. As a result, migrants promote a greater connection between home and host countries than could occur in their absence. Migrants serve as a driving force of knowledge transfer and are contributing to the global allocation of resources causing migration to become an increasingly important aspect of the globalized political economy.

A recent literature in economics and political science has established a relationship between the size of migrant populations and bilateral flows of foreign direct investment (FDI) to the migrants' homeland (Javorcik et al. 2011; Leblang 2010; Kugler and Rapoport 2007; Docquier and Lodigiani 2010). It is widely regarded that China, India, Armenia and many other governments have recognized the impact of diasporas for economic development in their home countries and utilized their diasporas for economic development and connection of their economies with the world (Schuller and Schuller-Zhou 2013; Lum 2012; Smart and Hsu 2004; Newland and Tanaka 2010).

[1]Migrant is a broad term that may include refugees, those moving for economic reasons, get an education and better themselves. I will be using the term because many of these people are still on the move, and some may wish to return home one day.

The amounts in question are not small. Some estimates suggest that diaspora direct investment accounted for over 50% of FDI inflows to China during the 1990s (Huang 2003; Ye 2014) and 20-30% of FDI flows into India during the same time period (Ye 2014).

This dissertation contributes to the existing literature by intersecting the three components: migrants, rule of law, and FDI and bridge the two existing lines of literature: the one focusing on the influence of migrants on investment with the one focusing on the role of the political environment of the country receiving investment.

On the one hand, foreign direct investment generally requires a long-term focus. The investor needs to have detailed knowledge of investment climate in the host country. Contractual and informational problems can be severe and that is why governance and legal regimes variables are found to be among the most important factors determining FDI flows into a country (Wei 2000; Javorcik and Wei 2009).

Adding migrants variable to rule of law and FDI challenges the most discussed finding concerning the relationship between migration and FDI flows, namely, that migrants help to reduce informational barriers connected to financial investments and hence international financial flows. On the one hand, when migrants invest themselves they don't have to share information and use it selfishly. On the other hand, governments in the countries with weak rule of law are interested in maintaining unpredictable non-transparent economic environment in their countries preventing the rise of competing centers of authority beyond their control (Knack 2003). In this situation, migrants can improve the quality of information that investors already have. However, even constant provision of information does not reduce information asymmetries related to unpredictable behavior of the government in the countries with weak rule of law.

Considering that the research community has credited migrants with facilitating international investment, a question arises: how do migrants influence investment flows to their home countries with weak rule of law commonly recognized to discourage FDI due to the lack of credibility of the government to protect property rights (Haggard et al. 2008)?

Intersection of FDI, rule of law and migrants allows to examine the determinants of FDI to the countries with weak rule of law both from the perspective of migrant investors and the governments or the demand side. I argue that the strength of the rule of law of the country receiving investment plays a critical role in determining how migration relates to investment flows. I argue that migrant investors perceive their personal connections and deep understanding of internal culture and business environment as a competitive advantage over non-migrant investors, which explains their confidence in potential profitability of their investment in their home countries with weak rule of law. On the other hand, governments in the countries with weak rule of law perceive foreign diaspora investment as a substitute for weak rule of law that can drive FDI to their home countries. These governments are more interested in attracting diaspora direct investment than their counterparts with strong rule of law.

The rest of this chapter is organized as follows. I review two lines of literature: the one focusing on the relationship of migrants and FDI and the one focusing on political and economic environment of the country receiving investment and FDI. I conclude with a preview of the empirical strategy of this dissertation. I outline my main theoretical expectations and present my argument in details in Chapter 2.

1.2 Literature Review

The dissertation is interested in the intersection of the two existing lines of literature: one focusing on the influence of migrants on investment and the other focusing on the role of the political environment of the country receiving investment. While the first line of literature predominantly argues that migrants encourage investment into their home countries but doesn't take local political conditions into account, the second line of literature, linking investment and quality of government, does not account for the role of migrants. This dissertation intersects global investment, quality of government, and migrants.

1.2.1 Migrants and FDI

Many authors agree that migrants play a critical role in supporting sustainable development by transferring resources, knowledge, and ideas back to their home countries, and in integrating their countries of origin into the global economy. Migrants often have extended family members, friends and various connections in the homeland. They can improve investors' knowledge because they are in a position to have information regarding investment opportunities in their home countries (Sheffer 2003; Portes, Guarnizo, and Haller 2002). Besides improving investors' information, migrants themselves may acquire both human and physical capital allowing them to make investments in their native countries. Recent research has highlighted the role of migrants as business developers (Foley and Kerr 2013), that is, individuals of a certain ethnicity that possess specific knowledge about how to conduct business in the countries associated with that ethnicity.

Most of the existing studies have shown that increased immigration positively correlates with outward FDI (Kugler and Rapoport 2007; Javorcik et al., 2011)[2]. Leblang (2011) finds that larger migrant networks increase both portfolio investment and foreign direct investment.

[2]The authors include control variables commonly used in the literature on FDI determinants. Among those are: log of the population size to capture the potential market size of the country, log of GDP per capita to proxy for the purchasing power of consumers in the partner country, the average inflation during a several years period to control for macroeconomic stability, index of the severity of armed conflict taking place in the host country in the preceding decade, log of distance to the US to capture the transaction costs related to travel, communications and a cultural distance, index of the quality of the business climate in the host country, various proxies for the fixed cost of entering the host country and others.

The linkages between migrants and investment have been extensively documented in studies of specific industries and migrant communities. The literature documents that transnational ethnic and social networks provide privileged channels of information that allow efficient matching between potential business collaborators and between capital and opportunity (Rauch and Casella 2003). When migrants are directly involved in business or politics, they may have private information about conditions in the homeland and provide this information to members of their network. Social networks alleviate cross-border information asymmetry by increasing both the quantity and the quality of information that firms have access to (Uzzi 1996, Yli-Renko, Autio and Sapienza 2001).

There are quite a few individual case studies that analyze outward FDI and concentrate on migrant networks. The United States experience has been widely analyzed. Results obtained by Javorcik et al (2011) indicate that outward US FDI is positively related with the presence of migrants in the United States, being this relationship stronger for migrants with tertiary education. Kugler and Rapoport (2007) report a dynamic complementarity between immigration and outward FDI in this country and argue that migrants provide information about future investment opportunities in their country of origin. Bhattacharya and Groznik (2008) find that the size of the migrant group from a country living in the US is positively related with US investment in that country.

In their study, *The Bamboo Network*, Weidenbaum and Hughes (1996) detail the comparative advantage overseas Chinese have when it comes to investing in China and argue that it goes well beyond commonality of language, knowledge of cultural, legal barriers, and preexisting familial connections. Wang's study shows how ethnic Chinese residing abroad provide a linkage between China and the rest of the world in that they facilitate the understanding of and access to *guanxi* [business relationship] networks by other foreign investors. Without the agency of ethnic Chinese, it would have been much more difficult for foreign companies to use informal personal networks to complement and compensate for the weak formal legal institutions in China (Wang 2000).

Bandelj (2002) provides some evidence that investment in Eastern European countries was "often based on ethnic ties between sizable and relatively affluent expatriate communities and their home countries" (Bandelj 2002), and there was an informational advantage because "firms amassed information about investment opportunities through their business or personal ties" (Bandelj 2002). In his assessment of the Armenian diaspora, Freinkman, in turn, notes that "common cultural background and established social links between diaspora and local entrepreneurs help them to reduce transaction costs of new entry and building new partnerships" (Freinkman 2002). The relations of trust and friendship that entrepreneurs maintain with others from the same ethnic background through social networks can be materialized not only in intangible aspects (information, orientation, advice) but also in tangible ones such as financing (Rueda-Armengot and Peris-Ortiz 2012).

1.2.2 Political and Economic Environment and FDI

The literature linking political and economic environment of the country receiving investment and investment flows have considered different combinations of variables with mixed results, not only with respect of importance of these variables but also with the direction of the effect. Such literature does not document the influence of migrants on investment flows.

A vast line of literature investigates institutions in a broad sense: whether it matters that the governing regime is democratic or authoritarian (Feng 2001; Jensen 2003, 2006, 2008; Li 2009). On the one hand, there are those who emphasize the importance of democratic institutions in providing wide political participation and institutional checks and balances helping to reduce the ability of leaders to pursue predatory rent seeking and to enact policy changes that would harm foreign companies (Jensen, 2003; North and Weingast 1989; Li 2009)(Bueno de Mesquita et al. 2003; O'Donnell 1988; Li and Resnik 2003).

These findings are in contrast to the early literature on FDI, which suggests that autocrats face lower constraints than democratic leaders if they choose to protect foreign investors and investments from pressures such as higher wages, labor protection, and unfriendly taxation schemes. They argue that authoritarian institutions are rarely constrained by either electoral consequences or structural veto players, which allows them to ignore domestic public's concerns about welfare, wages, and employment and instead allow them to concentrate on what that will appeal to foreign investors (Li and Resnik 2003; Haggard 1990, 258).

Other studies consider particular political institutions. Busse and Hefeker (2007) showed that government stability, internal and external conflict, corruption and ethnic tensions, law and order, democratic accountability of government, and quality of bureaucracy are highly significant determinants of foreign investment inflows. Asiedu and Lien (2011) showed that the effect of democracy on FDI depends on the size and not the type of natural resources. Jakobsen and de Soysa (2006) conclude that the largest electoral constituency in a democracy is labor, which benefits from FDI due to increased wages resulting in competition between domestic and foreign firms. Jensen (2003) asserts that democratic governments provide a more stable market for FDI and thus receive a greater proportion of it than authoritarian governments.

Mathur and Singh (2013) found that foreign investors care about economic freedoms, rather than political freedoms, in their decisions about where to locate capital. Artige and Nicolini (2006), Chakrabarti (2001) recognize that market size as measured by GDP or GDP per capita is the most robust determinant of FDI flows. However, econometric results on market size are far from being unanimous. Edwards (1990), Jaspersen et al. (2000) argue that GDP per capita is inversely correlated with FDI.

Aizenman and Marion (2004) found that for emerging markets that receive relatively more vertical FDI[3] inflows, increased uncertainty does not increase FDI inflows.

Similarly, there is no unanimity in the studies regarding the role of labor costs or tax incentives in attracting FDI. The literature on labor costs range from higher host country wages discouraging FDI (Saunders 1982, Flamm 1984, Shamsuddin 1994) to having no significant effect of even positive association (Tsai 1994). The results on tax incentives range from a significant negative effect on FDI flows (Hartman 1994, Kemsley 1998) to not having a significant effect on FDI in developing countries (Porcano and Price 1996; Lim 1983). Lim (1983), for example, argues that the provision of incentives could not compensate for the absence of either natural resources and a proven record of economic performance in developing countries.

Not that many works, however, discuss the connection between legal institutions and the ability of countries to attract foreign capital, whether it is FDI or FPI. Several studies argued that democratic institutions are found to promote FDI by strengthening property rights protection and ensuring stronger contract enforcement (North and Weingast 1989; Li and Resnik 2003). Some authors argue that better property rights protection reduces the risks of expropriation, contract repudiation, and government corruption for private businesses, which is shown to improve the investment environment for foreign investors (Nieman and Thies 2018).

While property rights component have been discussed to determine FDI flows in various political regimes, this element is secured by clear laws in a state. Biglaiser and Staats (2012, 2014) cover a broader perspective by separating the rule of law from property rights and judicial system and demonstrate that the type of legal system a country has, whether common law, civil law, Islamic, or some mixture, is an important factor in attracting FDI.

[3]Vertical FDI takes place when the multinational firm fragments the production process in the country where it can be manufactured at the least cost. Horizontal FDI occurs when the multinational produces the same product or service in multiple countries.

Only a few authors have explored the effect of political environment on migrants' decisions related to investment flows and migrants' possible impact on investment flows. Leblang (2011) showed that the provision of information by refugees can discourage investment to their countries of origin. While arguing that migrant networks reduce information asymmetries, the author, however, acknowledges that he is unable to determine whether the estimated effect is a function of poor investment environments or due to the provision of information. Graham (2012) introduces a theory of social-network based diaspora advantage, and uses a firm-level survey from the country of Georgia to directly compare the behavior of diaspora-owned firms and other foreign firms operating in the same environment. According to Graham, diaspora-owned firms perceive social networks to be more important to firm location decisions and to overall profitability than their counterparts at non-diaspora-owned firms.

In the light of the inconclusive literature on the effect of political and economic environment of migrants' countries of origin on migrants' decisions on investment flows, this dissertation will reconsider the influence of immigration on financial flows by focusing on the role of migrants in promoting foreign direct investment from their host countries with strong rule of law to their home countries with weak rule of law. It aims to answer the questions: What effect do migrants have on FDI to their home countries with weak rule of law? What motivates migrants to send FDI to their home countries with weak rule of law commonly recognized to discourage FDI due to the lack of credibility of the government to protect property rights (Haggard et al. 2008)? What role do governments in the countries with weak rule of law play in the relationship between immigration and FDI flows?

1.3 Empirical Strategy and Next Chapters

To test the argument laid out above, I employ both qualitative and quantitative methods. The purpose of this design is to maximize inferential leverage, while limiting the potential inferential problems associated with each method. This approach will allow to examine not only observed actions, but also their meaning (Brandom, 2008). Brady et al.(2006) assert that the dataset observations (DSOs) of quantitative analysis combined with causal-process observations (CPOs) in qualitative process allows analysis to go "beyond a simple model of 'cause and effect' and recognizes that a causal process typically involves complex mechanisms, mediators, and markets that can provide alternative ways to test theories"[4] (Brady and Collier 2010).

Qualitative evidence helps provide the theoretical justification for statistical model specification (Collier et al., 2010). Given this, the empirical analysis in this dissertation begins with a quantitative approach. In Chapter 2, I introduce my main theoretical expectations and the argument.

Before turning to the qualitative analysis, Chapter 3 provides a statistical examination of the impact of migrants on FDI to countries with various strengths of rule of law. I use linear regression with interaction effects to estimate the influence of migrants on FDI from the countries with weak rule of law to the countries with various types of rule of law. To estimate the model, I use Tobit2 regression with interaction, which allows to estimate both left- censoring in the dependent variable and standard errors that are robust to multiway clustering. Interaction greatly expands understanding of the relationships among the variables in the model and allows for more hypotheses to be tested.

Chapter 4 transitions to the qualitative analysis of the dissertation. It complements the findings established in Chapter 3 and expands on the statistical results.

[4]For more on DSOs, CPOs, and the integration of the two approaches, see Brady and Collier (2010) (and its contributors) and Collier et al. (2010). For a critique of this mixed approach, see Beck (2006, 2010).

Chapter 4 presents the cases of Belarus and Moldova. I am using the interviews with investors who emigrated from Belarus and Moldova to the United States, Great Britain, or Russia[5] and are either the founders of their own businesses or occupy executive posts in the companies that made investments or attempted to invest in their home countries. Both countries have weak rule of law. And yet, in many instances emigrants from Belarus and Moldova choose their home countries for FDI.

I begin with the case of Belarus. According to various estimates, about 3-3.5 million ethnic Belarusians live outside of Belarus. The number of Belarusian emigrants in the United States ranges from 600-700 thousand people. That's a lot when you consider that the population of the country currently stands at 9.5 million people. I continue with the Moldovan case. According to Migration Policy Institute statistics, in 2013 about 600-650 thousand Moldovan emigrants resided abroad, who represent about 17.5% of the total population residing in Moldova.

Chapter 5 continues quantitative analysis of the research. It examines the attitudes of governments towards their diasporas. Specifically, I test whether governments with weak rule of law appeal to their diasporas for investment for the purposes to attract FDI more than the governments in the countries with strong rule of law. I demonstrate investment promotion process in the countries with weak rule of law by focusing on the cases of Belarus and Moldova and use logistic regression with controls to test the proposed hypothesis. Logistic regression is a powerful statistical tool for a binomial outcome. More specifically, for my dependent variables I use existing data on diaspora engagement policies as well as put together an original data using online articles, various announcements, and key government officials' speeches indicating indicating their willingness to reach out to their diasporas for investment.

[5]Statistical chapter only focuses on countries with strong rule of law sending FDI into countries with weak rule of law. In the chapter using the interviews, I include two respondents from Russia, a country that has weak rule of law. The small number of respondents does not distort the results and expands on the incentives why migrant investors might be interested in investing into the countries with weak rule of law.

Finally, Chapter 6 provides a general discussion for the implications of my findings. In addition, given some limitations and unaddressed questions in this dissertation, I suggest some possible avenues for future research.

Chapter 2

Theory

The previous chapter introduced the topic of the research and presented the need to determine how migrants contribute to foreign capital flows to the countries with weak rule of law. It proposed to intersect the three components: FDI, rule of law and migrants, the relationship that has not been examined in the literature and because the relationship between the separate components of the above trio is more complex and varied than scholars originally suggested.

This chapter outlines my main theoretical expectations as to why migrants can serve as an important driving force of FDI to the countries with weak rule of law. First, migrants should not be discouraged by weak rule of law in their home countries. These investors should typically have a different risk profile when it comes to investing in their countries of origin in comparison to their non-migrant counterparts. Migrant investors should rely on personal relationships with host-country governments, business partners or personal knowledge to help mitigate the risk of investing in their home countries with weak rule of law.

On the other hand, governments in the countries with weak legal institutions, who would otherwise have a hard time attracting FDI, should perceive migrants as an important driving force of FDI helping these countries compensate for their weaknesses in the rule of law for the purposes of attracting FDI.

The rest of this chapter is organized as follows. First, I examine the types of potential investors interested in making investments in the countries with weak rule of law and motivate my choice of looking at migrant investors. Next, I provide the definition of the rule of law and review theoretical and empirical assumptions of the existing literature on the role of rule of law for foreign investors' decision making. Then, I examine the theories on governments' preferences to preserve their weak rule of law. Finally, I develop an argument as to why investors serve as a powerful driving force of FDI to their home countries with weak rule of law.

2.1 Who Invests in the Countries with Weak Rule of Law?

Different types of investors have different preferences over the institutional environment in which they operate. While most investors benefit from higher levels of institutional development, this is not the case for all investors. If an investor is capable at managing the risk of doing business in the environment with weak institutions, and if that risk deters competitors from entering the market, the investor may actually benefit from perpetuating a status quo in which such risk remains high and competition remains low.

In understanding the implications of investors' sensitivity to weak rule of law, it is useful to think of two types of investors or firms that are capable of investing profitably in such countries.

Investor A is a firm that has no special risk-management capabilities, but invests in projects for which the returns are high enough to offset substantial expected losses due to political risk. Investment projects whose returns are large enough to outweigh large political risks can derive from the natural endowments of the host country: in natural-resource extraction industries or in agriculture.

Under this view, a weak rule of law is added to list of costs, which are weighed against potential benefits like market size or the chance for economic growth. If the benefits outweigh the costs, then the firm will invest. However, a weak rule of law increases costs in ways much different from other potential factors such as the cost of labor or tax rates. A weak rule of law presents investors with the challenge of managing uncertainty, which presents a unique set of problems for investors that complicates their standard cost-benefit analysis.

Investor B is a firm with capabilities for managing political risks in a particular country. Because political risk imposes smaller costs on Firm B than it imposes on Firm B's competitors, Firm B can profitably exploit business opportunities that would not be known or profitable to its competitors. Political risk serves as a barrier to entry for Firm B's competitors, and the presence of political risk increases Firm B's profitability by restricting competition. Firms like Firm B are under-theorized and empirically under-explored.

Migrants and their descendants are a group of investors who potentially possess motivations and advantages specific to their homelands. There can be two types of migrants whose opinions and decisions may matter for investment flows. First, migrants can hold top positions within investment companies or serve as advisors for investment companies or various investors. This way, through knowledge of language and customs, institutional rules and regulations in their home countries migrants can improve the quality of information that investors already have. Second, migrants can have direct and observable impact on cross-border investment when they, themselves, are the actors. In that case, migrant entrepreneurs can use home country connections and inside understanding of business environment to channel investment capital.

In this dissertation, I develop and test a theory regarding the types of investors with unusual capabilities for managing political risks: migrant investors, who have inside knowledge about business opportunities specific to a particular country.

2.2 Advantages of Diaspora Direct Investment

The existing literature suggests that diaspora direct investment (DDI) is complementary to FDI, but its benefit for migrants' home countries can be greater than traditional FDI. Besides having the financial incentives of a typical foreign investor, migrant investors have the social aspects and knowledge of the local business environment and investment opportunities as well as the ethnic advantage.

One of such differences is technology transfer. Evidence shows that foreign investors try to limit naturally occurring knowledge spillovers. This can be explained by the unwillingness of foreign entrepreneurs to share their knowledge or technology with local workers to reduce the chances that these workers take this knowledge elsewhere and become potential competitors. Javorcik et al. (2003) focused on differences in technology transfer associated with wholly-owned foreign companies and projects with joint domestic and foreign ownership. Their analysis of Romanian firms during 1998-2000 produced the evidence that foreign investors prefer to put more resources into technology transfer to their wholly-owned subsidiaries than to partially-owned projects. Smarzynska and Wei (2000), in turn, demonstrated a fear of technology spillovers in the countries with weak rule of law. According to them, the fear of technology spillover in countries with weak rule of law, may motivate multinationals with the most sophisticated technologies to stay away from shared ownership and instead invest only in wholly-owned subsidiaries.

Another difference stems from migrant investors being less sensitive to political risk and economic shocks than other foreign investors. DDI is more likely to stay than other types of investment. For example, Palestinian Diaspora continued making investments to their home country even in the wake of the political instability and violence following the Intifada in 1997 (Gillespie, Sayre, and Riddle 2001). Another example is the willingness of investors with Chinese roots to invest in China, in spite of questionable fundamentals and serious business obstacles.

One more benefit exclusive to diaspora investment is commercial diplomacy function. Migrant investors provide a link to the global economy. Diaspora investment can become a push factor for market reforms and stronger institutions in their home country in a longer run making it more attractive to non-diaspora investors. For example, the government of India began instituting reforms as a result of surveys of Indian immigrants. In September 2000, the Indian government tasked a High Level Committee on the Indian Diaspora to analyze the location, situation and potential development role of the estimated 20 million non-resident Indians (NRIs) and Persons of Indian Origin (PIOs). A key finding was that their reluctance to invest in India was due to the high incidence of corruption and bureaucracy (Newland 2004). The report recommended reforms for creating a more conducive environment in India to leverage migrant resources.

2.3 How Does Rule of Law Matter for FDI?

Rule of law means that every citizen is subject to the law. The rule of law can be defined as a "system in which the laws are public knowledge, are clear in meaning, and apply equally to everyone" (Carothers 1998). The minimum content of the rule of law is that government officials and citizens are bound by and abide by the law. This basic requirement entails a set of minimal characteristics: "law must be set forth in advance (be prospective), be made public, be general, be clear, be stable and certain, and be applied to everyone according to its terms. In the absence of these characteristics, the rule of law cannot be satisfied" (Tamanaha 2007).

Rule of law requires that there must be a system of laws. A particular decision or an order made for an occasion is not a rule. "The law must be generally known and understood. The requirements imposed by the law cannot be impossible for people to meet. The laws must be applied equally to everyone according to their terms.

There must be mechanisms or institutions that enforce the legal rules when they are breached" (Tamanaha 2012). For the rule of law to exist, people must believe in it and be committed to the rule of law. They must take it for granted as a necessary and proper aspect of their society. This attitude is not itself a legal rule. It amounts to a shared cultural belief. When this cultural belief is not pervasive, the rule of law will be weak or non-existent.

It is necessary to note that democracy is not a part of the definition of rule of law. Democracy is a system of governance, while rule of law requires only that government officials and citizens be bound by and abide by the law. The definition says nothing about how those laws are made, whether through democratic means or otherwise. The second reason for excluding the regime type is that to avoid insisting that the rule of law is defined in terms of institutions that match liberal democracies and suggesting that only liberal democracies have the rule of law. Many non-democracies have attempted to adhere to the rule of law, but usually only in some domains - such as commerce - but not in other domains, such as those pertaining to human, civil or political rights. Among such countries are Singapore, United Arab Emirates, or Qatar.

Foreign direct investment, in turn, comes in a variety of different forms all of which involve establishing operations or acquiring tangible assets, including stakes in other businesses outside the firm's home nation. Standard definitions of control use the internationally agreed 10 per cent threshold of voting shares, but this is a grey area as often a smaller block of shares will give control in widely held companies.

Credibility of the country considered for foreign investment is an essential element for foreign investors' decision making. There are FDI studies suggesting that property rights protection is of importance to foreign investors (Feng 2001; Li and Resnick 2003; Jensen 2008; Li 2009), and that strong and effective courts can assure investors that a host country government will respect their property rights. Independent courts tend to constrain arbitrary and abrupt government decisions that cause private property to diminish in value (Landes and Posner 1975; North and Weingast 1989; Brunetti and Weder 1999). Government brings credibility to its commitments by delegating to courts the authority to force current and future governments to conduct themselves in accordance with the law (Landes and Posner 1975; North and Weingast 1989; Brunetti and Weder 1999).

Presence of strong and effective courts will not always dissuade governments from actions detrimental to business interests, courts can require government to follow established legal procedures when it wants to do something with an economic effect (Zywicki 2002), which might require advance notice, public hearings, formal findings, legislation, or even amendment of the constitution. This court-enforced constitutionalization of rights (Schneiderman 2001; Hirschl 2004) tends to slow things down and support investor confidence in the stability of policies (Jensen 2003, 2006, 2008; Li 2009). This gives investors greater certainty when making investment decisions.

2.4 Weak Rule of Law and Survival in Power

Although investment decisions are made by private companies, investment conditions are largely shaped by the policies of host government. The quality of economic policies and institutions depends on the incentives and constraints that face those who make governmental and legal decisions. Weak legal institutions in hybrid regimes or non-democracies reflect their desire to maintain maximum exercise of power.

Political elites in hybrid regimes often fall into corruption and expropriation, demonstrating their ability to accommodate limited democratization without losing their privileged place. The elected leadership might maximize its chances of re-election by confiscating the assets of unpopular minorities or of the rich and distributing the proceeds among those from whom it hopes to obtain a majority in the next election

(Knack 2003). They often resist or evade key rule-of-law reforms, like subordinating power to law, as being too threatening as their actions can not be implemented if the democracy has courts that rigorously enforce the rule of law.

In non-democracies, on the other hand, the autocrat is by definition the source of law and thus above the law and able to override any of his courts. These rulers have no interest to impose restraints on themselves and introduce the rule of law under which no one is above the law and everyone is equal before the law (Knack 2003). There are some non-democracies with strong or relatively strong rule of law like Singapore, Qatar or United Arab Emirates, which rule of law is regularly ranked among the world's best, for efficiency, fairness and the lack of corruption. Rule of law in such states, however, is only respected in the commercial realm but not in the political realm (Peerenboom 2004).

Building a fair and efficient legal system is costly for the rulers in the countries with weak rule of law, whether it is a hybrid regime or a non-democracy, because they have to treat everyone equally, which means taking privileges away from the politically connected asset holders. To survive, these rulers need cooperation of asset holders, whose valuable assets can be taxed or confiscated. Asset holders exchange their assets for favorable policies. Policy preference, in turn, depends on potential political connections with the ruler (Bueno de Mesquita et al. 2003). Those with existing privileges will prefer existing weak rule of law to maintain their privileges while those without privileges will be for stronger judicial system and operations in a more leveled field.

To neutralize the threats to their survival, these rulers distribute some of the revenues with their loyalists and provide public goods to maintain minimum level of public support. Selectorate theory, for example, explains that authoritarian leaders in small winning-coalition systems would want to satisfy their core supporters by providing private goods (Bueno de Mesquita et al. 2003). More recent studies disagree that material benefits alone can ease concerns about mistrust between an authoritarian leader and elites. They stress the importance of establishing power-sharing institutions to overcome the commitment problem (Boix and Svolik 2013; Gehlbach and Keefer 2011). Power-sharing institutions in hybrid regimes, however, are narrow and but "window-dressing" to solicit cooperation or to extend their tenure in power.

2.5 My Argument

In the literature discussed in the previous chapter, the sensitivity of investment to political environment does not document the role of migrant networks. Migrants, in turn, are assumed to prefer the encouragement of investment to their home countries. In addition, existing literature on the rule of law has focused on the supply side or investors preferences. No link has been made, between migrants' role on foreign capital flows to the countries with weak rule of law. Intersection of FDI, rule of law, and migrants allows to examine the determinants of FDI to the countries with weak rule of law both from the perspective of migrant investors and the governments or the demand side.

Investors' preferences for a country with unfavorable investment climate are dependent on how likely that strategy affects the probability of expected return. In a country with weak rule of law, uncertain legislation is a risk factor for foreign investors who have the long-term prospect of economic returns from their investment (Li and Resnick 2003). Weak rule of law of the host country and credibility problems related to weak checks on rulers discourage foreign investors to sign an FDI contract. Considering that transitional governments and non-democratic states are interested in preserving their weak rule of law to ensure their survival in power (Knack 2003; Peerenboom 2004; Bueno de Mesquita et al. 2003), in most cases they do not ensure predictable investment climate, and generally do not attract as much investment as they might if they had stronger rule of law.

The government with weak rule of law thus faces a dilemma because while being interested in preserving its weak rule of law, it is still interested in attracting FDI. Besides helping to create jobs, facilitate technology transfer, and being a major source of capital, FDI increases the pie that the leader and the elite can share privately. According to Moon (2015), the host governments of authoritarian regimes can use FDI for long-term private good provision. The host government may impose a number of performance requirements on foreign investments, such as joint venture with local industries, technology transfer, or assign potential beneficiaries.

In this situation, migrants can help a country compensate for its weaknesses in rule of law for the purposes of attracting FDI. On the one hand, migrant investors regard their personal connections and deep understanding of internal culture and business environment as a competitive advantage increasing predictability of investment climate in their home country with weak rule of law and thus making it more attractive for FDI. On the other hand, governments can perceive foreign diaspora investment as a substitute for weak rule of law that can drive FDI to their home countries.

I argue that the strength of the rule of law of the country receiving investment plays a critical role in determining how migration relates to investment flows. Migrants have more value added in facilitating investment in their home countries that lack strong rule of law. I argue that emigrants serve as an important driving force of FDI to countries with weak rule of law, who would otherwise have a hard time attracting FDI.

2.5.1 Hypotheses

There are two hypotheses at the core of my empirical expectations.

Migrant investors' perception of possessing a competitive advantage over non-migrant investors explains their confidence in the potential profitability of their investment in their home countries with weak rule of law. Migrants possess the knowledge about the quality of labor, the work ethic, and/or the business culture that exists in a particular destination. This knowledge allows migrants to effectively seize new investment opportunities that emerge in the homeland and to respond quickly and be prepared to deal with potential issues when political risk increases. Consequently, migrants have a higher risk threshold when it comes to investing in their countries of origin than many other international investors. Therefore, I can test the following hypothesis: (H1): *Migrants have a stronger effect on FDI flows to countries with weak rule of law compared to countries with strong rule of law.*

It is necessary to note that this dissertation is interested in comparing the effect of migrants on FDI to the countries with weak versus strong rule of law. It does not compare migrants and non-migrants to determine whether migrants are more likely than non-migrants to invest in the countries with weak rule of law even though this is implied by the results of various tests of this dissertation.

On the other hand, governments with weak rule of law place political survival as their primary goal, but they also want to maximize revenue, which in turn can help them maintain power. Based on the assertion that governments would like to attract as much FDI as they can without jeopardizing political survival, I can test the following hypothesis: (H2): *Governments with weak rule of law will be more likely to attract diaspora direct investment than governments with strong rule of law.*

In the following empirical chapters, I test these hypotheses using a mixed method approach.

Chapter 3

Migrants, Rule of Law, and Investment Flows

The previous chapter outlined my main theoretical expectations as to how migrants knowledge can act as a functional substitute for having good rule of law. In sum, I argue that migrants serve as a powerful driving force of FDI to their home countries with weak rule of law.

This chapter - the first of three empirical chapters - provides statistical analysis of the impact of migrants on FDI to the countries with weak rule of law. It is designed as a first step testing the first core hypothesis of this dissertation that migrants have a stronger effect on FDI flows to countries with weak rule of law compared to countries with strong rule of law.

The rest of the chapter is structured as follows. First, I briefly outline my hypothesis for the statistical analysis specific to this chapter. Next, I describe my method and specify how I operationalize rule of law, migrants, FDI - key components of both hypotheses. Then I discuss my data, present my results and conduct the robustness checks.

3.1 Hypotheses

Below are the hypotheses specific to this chapter. Both hypotheses in this chapter are designed to test the first core hypothesis of this dissertation that the effect of migrants on FDI will be stronger as a country's rule of law becomes weaker.

I argue that the rule of law of the country receiving investment plays a critical role in determining how migration relates to investment flows. I expect that immigrants moderate the effect of rule of law. I hypothesize: (H1): *Home country migrants in a host country will increase the FDI flows from the host country to the home country.*

Specifically, I would expect to see an FDI line with a negative slope, which will mean that the effect of migrants will be positive, significant, and get stronger as rule of law will get weaker. Therefore, I can test the following hypothesis: (H2): *As the rule of law in the home country worsens, the positive effect of home country migrants on FDI flows from the host to the home country will increase.*

3.2 Research Design

I use linear regression with interaction effects to estimate the influence of migrant networks on global investment from the countries with strong rule of law to the countries with weak rule of law. Ordinary least-squares (OLS) regression is one of the most popular statistical techniques used in the social sciences. It is used to predict values of a continuous response variable using one or more explanatory variables and can also identify the strength of the relationships between the variables of interest. Adding interaction terms to a regression model greatly expands understanding of the relationships among the variables in the model and allows more hypotheses to be tested. My research is focused on explaining the influence of migrant networks on FDI conditioning on the rule of law. Adding an interaction provides a tool to test the relationship between my independent variable and the moderator variable.

To estimate the model, I use a tobit regression. Tobit model, also called a censored regression model, is designed to estimate linear relationships between variables when there is either left- or right-censoring in the dependent variable (also known as censoring from below and above, respectively). I censor the values of FDI that fall at or below a zero threshold to deal with the negative FDI values due to using the log of FDI inflows as my dependent variable. To deal with negative values and zeroes, I set all negative values and zeroes at a low value of 0.0001 before taking logs.

Specifically, I use tobit2 regression, which allows to estimate both left- censoring in the dependent variable and standard errors that are robust to multiway clustering. Clustering the standard errors ensures that the standard errors that are produced are not subject to over or underestimation due to heteroscedasticity and specifies that the heteroscedasticity is a function of characteristics of either the origin or destination country (or both). To ensure that the estimations determining the flows from country A to all countries are not correlated and, likewise, that flows into country B are not correlated, I cluster on both the source and destination of FDI flows.

3.2.1 Dependent Variable

My dependent variable measures foreign direct investment from the countries with strong rule of law to the countries with various types of rule of law. The data sets are composed of FDI for the years 2002, 2010, and 2013. The data on foreign direct investment for the year of 2002 is taken from Leblang (2010), who uses the OECD's International Direct Investment data source. This source provides data for outflows from OECD countries. Therefore, the sample is restricted to 28 source countries and 158 destination countries. For the purpose of comparability, the original data on FDI for the years of 2010 and 2013 also comes from the OECD's International Direct Investment data source. Because the number of OECD countries increased by 2010 and 2013, the sample is increased to 34 source countries in 2010 and 2013.

For the purpose of comparability, as in Leblang (2010), I construct the dependent variable for FDI for both 2010 and 2013 by using the average of foreign direct investment for the years nearest to 2010 and 2013 to create a range in time. More specifically, for the year 2010, I calculate the average for 2009, 2010, and 2011 from the OECD's Benchmark Definition 3rd Edition. Because the OECD's Benchmark Definition 3rd Edition is limited to the year 2012, I construct the FDI variable for 2013 by calculating the average for 2013, 2014, and 2015 from the OECD's Benchmark Definition 4th Edition.

3.2.2 Explanatory Variables

My key explanatory variable of migrant networks measures the stock (or total number) of migrants from an investment country residing in an investing country. The data on migrant networks for the year of 2002 is taken from Leblang (2010) and comes from a World Bank project on South-South migration and remittances. For the purpose of comparability, the original data for the years of 2010 and 2013 is also taken from a World Bank project on South-South migration and remittances. The information in the project is based on data from national statistical bureaus (censuses and population registers) and secondary sources (the OECD, the International Labour Organization, and the UN). As the data on migration in the South-South migration and remittances project is only available for the years 2000, 2010, 2013, the use of the years 2000, 2010, and 2013 should reflect the change in size of network in a given country.

For my modifying variable of rule of law for the years 2002, 2010, and 2013, I use the data from the World Bank's project Worldwide Governance Indicators (WGI). The rule of law variable captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to the lowest rank, and 100 corresponding to the highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI.

Table 3.1: Summary Statistics

Variable	2002		2010		2013	
	Mean	SD	Mean	SD	Mean	SD
Log (migrant stock)	1.65882	3.04130	4.71259	3.69578	4.75577	3.84008
Log (FDI)	-5.37014	5.00723	-4.79734	6.16746	-4.87352	6.18773
Rule of Law (1 to 100)	48.5118	29.3369	48.9454	29.0305	49.7533	29.4636
Log (GDP(A)*GDP(B))	585.684	71.8205	22.1807	4.15090	23.5129	2.82356
Log (distance)	8.73965	0.78917	8.73972	0.78890	8.73965	0.78917
Common border	0.01632	0.12670	0.01631	0.12665	0.01632	0.12670
Official common language	0.15585	0.36272	0.15585	0.36272	0.15585	0.36272
Common Exchange Rate	0.11237	0.31583	0.05227	0.22259	0.05840	0.23452
Dual Taxation Treaty	0.07964	0.27074	0.35149	0.47747	0.35304	0.47795
Preferential Trade Agreement	0.15608	0.36293	0.27535	0.44672	0.27651	0.44730
Bilateral Investment Treaty	0.21512	0.41094	0.26074	0.43907	0.26694	0.44239
Common colony	0.25639	0.43664	0.25617	0.43652	0.25639	0.43664
Common dominant religion	0.19599	0.39697	0.19618	0.39712	0.19599	0.39697
Log (bilateral trade)	11.7514	6.32737	2.72314	3.82245	3.06268	3.72249
Polity score	3.38630	6.53185	3.93822	6.23820	4.40042	6.21618

3.2.3 Control Variables

The literature discussing global investment flows suggests some additional factors that may affect cross-border investment. I control for common legal origin, common dominant religion, and shared common language. I also include variables capturing whether the two countries have a common border, common exchange rate, dual taxation treaty, preferential trade agreement or bilateral investment treaty (BIT). Other control variables include market size (measured as the log of the product of the two countries' gross domestic products (GDPs)), bilateral distance between the countries, and bilateral trade.

3.3 Results

In the following subsections I present the results of the tests first for hypothesis 1 and then for hypothesis 2. I begin with presenting simple descriptive statistics to help walk the reader through my analysis and make it easier to understand and follow my results.

3.3.1 Analysis of Hypothesis 1

First, I focus on testing the first hypothesis of this chapter that home country migrants in a host country will increase the FDI flows from the host country to the home country.

Table 3.2 provides information about the variables of interest in the first hypothesis - FDI and migrants - using simple descriptive statistics. These statistics include the means of FDI from the host country to the home country when the variable of migrants from home country in the host country is below its median value and above its median value for all three years 2002, 2010, and 2013. It is clear from the table that, as predicted in the first hypothesis, the higher FDI means are associated with the value of migrants above its median value for all years of interest.

As presented, there are two limitations of this model: endogeneity concern (is FDI driving migration?) and omitted variable bias. In terms of potential endogeneity, Javorcik et al. (2011), for example, suggest that, on the one hand, FDI inflows can lower the incentives to migrate as FDI inflows bring capital, new technology and know-how and in this way stimulate economic growth in host countries. On the other hand, FDI can have a positive effect on migration. Economic growth can attract migrants home. Also, experience of working for a multinational can ease the employees' move to other countries.

None of the described influences of FDI encouraging migration, however, create a big concern for my model. Even if there might be some migration driven by FDI, it is not as important as migration causing FDI in this study for several reasons. First, as stated above, FDI inflows can lower the incentives to migrate from home country due to economic growth there. Second, because this study focuses on the rich host countries, and migrants have less incentive to relocate from a place with more favorable living conditions than he/she emigrated from especially if a home country has weak rule of law and tends to attract less FDI than a country with strong rule of

Table 3.2: Summary FDI (from A into B) and the number of Migrants (from B in A)

	Log FDI (from A into B)
Log Migrants (from B in A)	
2002	
below median value	-7.197730
above median value	-4.653739
2010	
below median value	-7.211098
above median value	-2.414715
2013	
below median value	-7.350852
above median value	-2.644710

law.

In addition, I followed Javorcik et al. (2010) and tested the strength of two instrumental variables: the cost of obtaining a national passport in the partner country available only for 2005 (McKenzie 2007) and lagged migrants variable. The argument goes that high passport fees are expected to constitute a barrier to emigration, particularly for the poorer segment of the population. I applied this instrument for my data corresponding to the years 2002 and 2010. The second instrument I used is the variable for migrants in 2000. I applied it as an instrument testing the data for 2010 and 2013. The results of endogeneity tests performed in Stata by using the method of two-stage least squares (2SLS) regression, however, were not significant to accept the presence of endogeneity for both instrumental variables.

I include control variables to resolve the limitation of the omitted variable bias and write my model as:

$$\text{FDIA\_B} = \beta_0 + \beta_1 \text{MigrantsB\_A} + \text{controls} + \varepsilon$$

Because OLS standard errors may be underestimated, following Leblang (2010), I estimate standard errors that are robust to multiway clustering as developed by Cameron, Gelbach, and Miller (2006). Table 3.3 reports models of dyadic foreign direct investment. The specification in column 1 is the model for FDI flows for the

Table 3.3: Determinants of Cross-border Foreign Direct Investment

	2002	2010	2013
	(1)	(2)	(3)
Migrants	0.371**	0.240**	0.137**
	(0.078)	(0.087)	(0.061)
Rule of Law Receiving	0.030**	0.021**	0.024**
	(0.007)	(0.005)	(0.006)
Market size	0.018**	0.092**	0.388**
	(0.004)	(0.039)	(0.098)
Distance	-0.540*	0.313	0.299
	(0.290)	(0.247)	(0.296)
Common border	0.282	2.164**	1.625*
	(0.529)	(0.595)	(0.945)
Official common language	2.713**	0.581	-0.078
	(0.512)	(0.474)	(0.763)
Common Exchange Rate	1.164*	-0.847*	0.261
	(0.600)	(0.492)	(0.625)
Dual Taxation Treaty	1.008**	1.701**	1.484**
	(0.370)	(0.286)	(0.421)
Preferential Trade Agreement	0.040	-0.201	0.252
	(0.624)	(0.330)	(0.351)
Bilateral Investment Treaty	-0.163	0.608	0.532
	(0.366)	(0.389)	(0.343)
Common legal heritage	-0.021	-0.190	0.229
	(0.316)	(0.254)	(0.458)
Common dominant religion	0.203	0.523	0.518
	(0.338)	(0.336)	(0.340)
Bilateral trade	0.161*	0.529**	0.416**
	(0.093)	(0.102)	(0.086)
Constant	-19.044**	-13.897**	-20.701**
	(3.960)	(2.271)	(3.200)
N	2931	4563	4050

Note: Standard errors in parentheses, Stata13; Rule of Law is computed using the World Governance Indicators (WGI) data set. * $p<0.10$, ** $p<0.05$.

year of 2002. Columns 2 and 3 are the models for FDI flows respectively for the years of 2010 and 2013. Control variables do not remove significance of the variable of interest: migrant stock. Consistent with my hypothesis, I find that migrants have a positive and statistically significant effect on FDI.

3.3.2 Analysis of Hypothesis 2

Because the predicted relationship holds, I can go to testing the second hypothesis that as the rule of law in the home country worsens, the positive effect of home country migrants on FDI flows from the host to the home country will increase.

Table 3.4 provides information about the variables of interest in the second hypothesis - FDI, migrants, and rule of law - using simple descriptive statistics. These statistics include the means of FDI from the host country to home country, migrants from home country in the host country below and above its median value, and rule of law in home country below and above its median value for all three years 2002, 2010, and 2013.

After finding that migrant networks have a positive and statistically significant effect on FDI, I expect that high presence of migrants should show different effect of migrants on FDI to countries with different strengths of rule of law. Consequently, in order to support the second hypothesis, the difference between FDI means corresponding to rule of law below its median and above its median value when migrants are above its median value should be bigger than when migrants are below its median value. Table 3.4 provides evidence supporting the second hypothesis. The differences between FDI means corresponding to higher number of migrants are bigger than when there are less migrants for all years of interest. For example, for the year 2013 the difference between FDI means when migrants are above it median value (highlighted in grey) is 2.257324 as opposed to 1.346717 when there are less migrants for the same year.

Now I can move to discussing the regression model with the interaction term and presenting the results. The model looks as follows:

$$\text{FDIA\_B} = \beta_0 + \beta_1\text{MigrantsB\_A} + \beta_2\text{Rule of Law\_B} + \beta_3\text{MigrantsB\_A}\times\text{Rule of Law\_B} + \text{controls} + \varepsilon$$

Table 3.5 reports models of dyadic foreign direct investment. The specification in column 1 is the model for FDI flows for the year of 2002. Columns 2 and 3 are the models for FDI flows respectively for the years of 2010 and 2013. Control variables do not remove significance of the variables of interest: migrant stock, the rule of law

Table 3.4: Summary of FDI (from A into B), Migrants (from B to A), and Rule of Law in B

	Rule of Law in B below median value	Rule of Law in B above median value
Log Migrants (from B in A)		
2002		
below median value	-7.077753	-7.202684
above median value	-5.843314	-4.137373
2010		
below median value	-7.905823	-6.507746
above median value	-3.705948	-1.454961
2013		
below median value	-8.024451	-6.697880
above median value	-4.050044	-1.496560

and the interaction of migrant stock and the rule of law.

When I add an interaction term to a model, the coefficient for migrants (β_1) and the coefficient for the rule of law (β_2) change drastically by definition. The unique effect of migrants on FDI to their home countries is not limited to the coefficient for migrants (β_1), but also depends on the values of the interaction of migrant stock and the rule of law (β_3). The coefficient for migrants (β_1) is now interpreted as the unique effect of migrants on FDI only when the rule of law equals zero.

The interactions in table 3.5 mean that the effect of migrants on FDI to their home countries is different for different values of the rule of law. Consistent with my second hypothesis, I find that the interactions of the migrant stock and the rule of law for 2002, 2010, and 2013 appear to have statistically significant effect on FDI, indicating that the effect of the rule of law on FDI depends on the amount of the migrant stock in a country sending FDI or otherwise, but its exactly the same, the effect of migrants on FDI depends on the strength of the rule of law.

Small interaction coefficients indicate the measurement scale of the rule of law from the World Bank's project Worldwide Governance Indicators (WGI), with 0 corresponding to the lowest rank, and 100 corresponding to the highest rank. So, 1×0.007 for 2002 is small, but 100×0.007 is 0.07, which is about the same size as the Rule of

Table 3.5: Determinants of Cross-border Foreign Direct Investment (with Interaction)

	2002	2010	2013
	(1)	(2)	(3)
Migrants	0.960**	0.878**	0.660**
	(0.228)	(0.353)	(0.245)
Rule of Law Receiving	0.084**	0.089**	0.096**
	(0.030)	(0.031)	(0.030)
Migrants*Rule of Law	-0.007**	-0.010**	-0.009**
	(0.003)	(0.003)	(0.003)
Market size	0.006	-0.027	0.104
	(0.013)	(0.088)	(0.295)
Distance	-0.350	0.575	0.920
	(0.504)	(0.493)	(0.607)
Common border	-0.954*	1.303*	-0.101
	(0.562)	(0.755)	(1.328)
Official common language	3.110**	0.926	-0.427
	(0.823)	(1.106)	(1.559)
Common Exchange Rate	1.340*	-0.985	0.813
	(0.734)	(0.836)	(1.170)
Dual Taxation Treaty	1.155**	2.391**	1.762**
	(0.467)	(0.681)	(0.845)
Preferential Trade Agreement	0.099	-0.605	0.512
	(0.873)	(0.772)	(0.723)
Bilateral Investment Treaty	0.429	1.394*	1.432**
	(0.569)	(0.742)	(0.619)
Common legal heritage	0.226	-0.413	0.308
	(0.560)	(0.662)	(1.002)
Common dominant religion	0.290	0.840	0.728
	(0.452)	(0.632)	(0.664)
Bilateral trade	0.982*	1.772**	2.141**
	(0.506)	(0.331)	(0.259)
Constant	-34.089**	-28.620**	-37.224**
	(6.724)	(4.868)	(7.071)
N	2931	4563	4050

Note: Standard errors in parentheses, Stata13; Rule of Law is computed using the World Governance Indicators (WGI) data set. * p<0.10, ** p<0.05.

Law Receiving variable itself.

The coefficients for migrants are positive and statistically significant at $p<0.05$. For example, the effect of migrants on FDI to their home countries for 2002 is 0.942-0.007×rule of law. Because of the interaction, the effect of having more migrants in the host country (the one sending FDI) is different if migrants' home country has strong or weak rule of law. More specifically, negative interaction coefficient indicates that immigrants moderate the effect of rule of law: the effects of rule of law diminish as the size of the migrant stock increases or alternatively, the effect of rule of law grows as the size of the migrant stock decreases. This supports the second proposed hypothesis.

To demonstrate the second hypothesis of this chapter further, Figures 3.1, 3.2, and 3.3 help to visualize the changes in the coefficients of the rule of law in a two-way interaction term conditional on the value of the migrants variable. The dashed curves around the marginal effect line represents a 95% confidence interval, thereby identifying the values of rule of law at which the marginal effect of migrants is statistically significant.

In Figure 3.1, corresponding to the year 2002, the marginal effect of migrants on FDI is positive at all values of the rule of law. This effect is strongest when the rule of law is at its lowest and declines in magnitude as the rule of law increases. This supports the second proposed hypothesis.

Next, consider the plots shown in Figures 3.2 and 3.3. The difference is that the range of values for the rule of law for which the marginal effect of migrants is positive and significant is now smaller. However, because the second hypothesis of this chapter predicts that the effect of migrants on FDI declines as the rule of law increases, I am not particularly troubled to find that the marginal effect of migrants at the higher values of the rule of law fails to be significant. Also, the point estimate for the marginal effect of migrants gets negative at the high values of the rule of

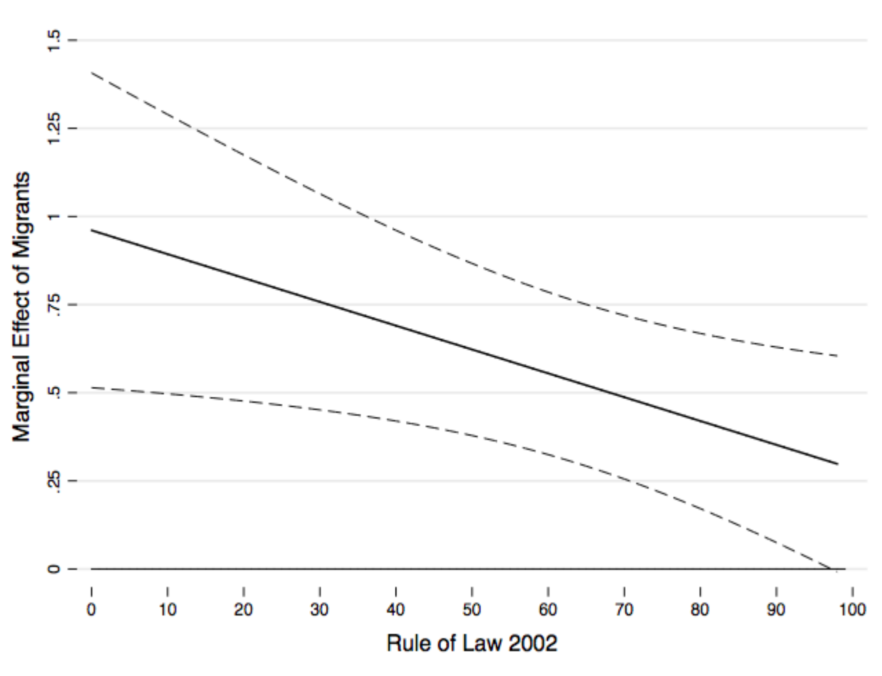

Figure 3.1: Marginal effects of migrants on FDI in the countries with different rule of law strengths, year 2002

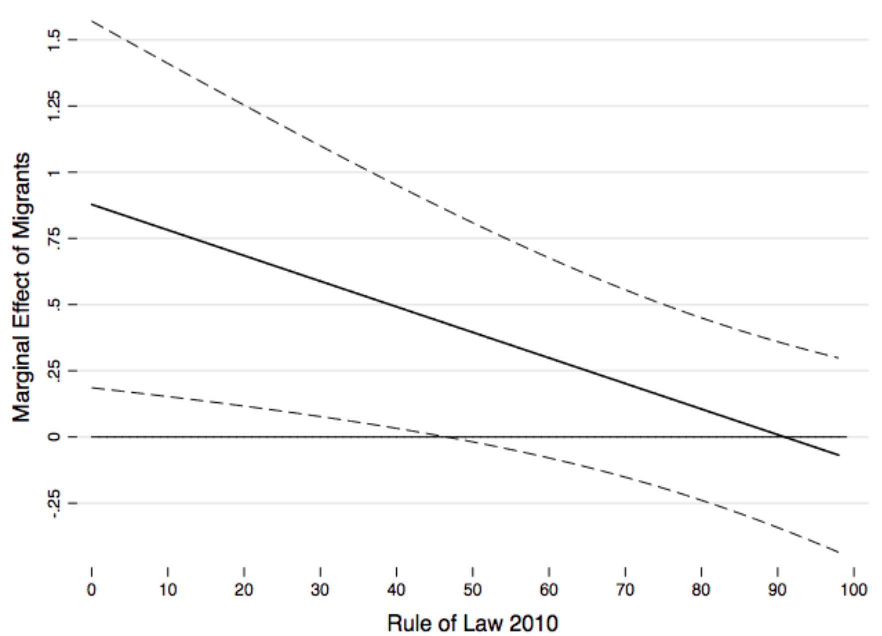

Figure 3.2: Marginal effects of migrants on FDI in the countries with different rule of law strengths, year 2010

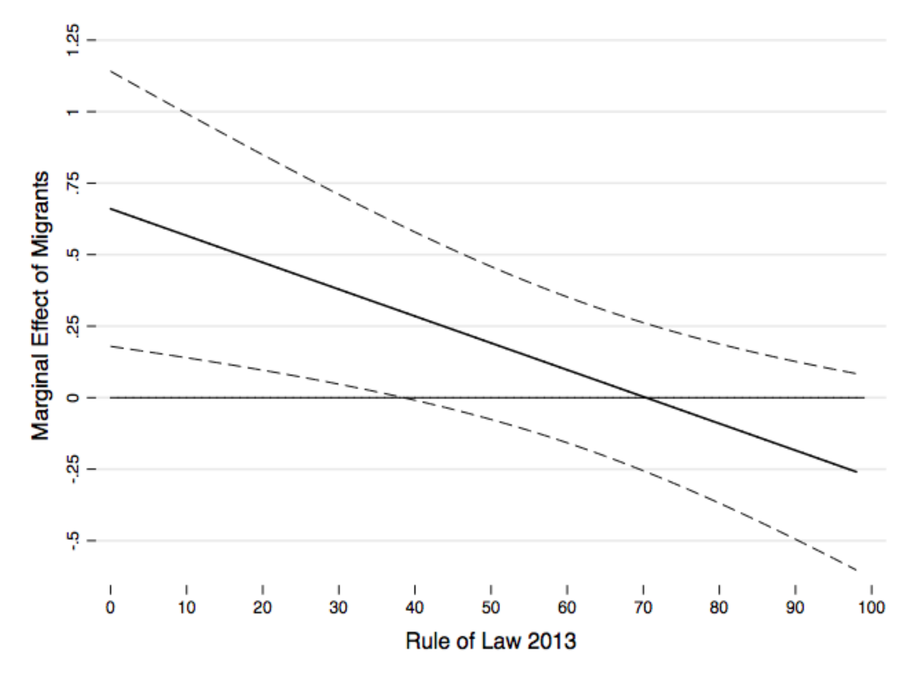

Figure 3.3: Marginal effects of migrants on FDI in the countries with different rule of law strengths, year 2013

law, after 90 for 2010 and after 70 for 2013. The results still support the proposed hypothesis as the marginal effect of migrants is positive and significant at the low values of the rule of law.

3.3.3 Robustness

To gain further confidence in my findings, I check the robustness of my results by estimating the effect of migrant stock conditional on the rule of law on foreign direct investment across different subsamples.

Efforts to measure complex social phenomena such as the rule of law are challenging, and have been subject to criticism for poor conceptualization. It is particularly the case with the World Bank's World Governance (WGI) Indicators and its rule of law index (Ginsburg 2011). One critique is that it aggregates too many discrete elements into a single overarching concept. Another problem at the level of conceptualization is whether or not the rule of law concept is distinct from neighboring concepts of government effectiveness and regulatory quality. There have been efforts to address these problems. The World Justice Project is the most ambitious project to attack the problems of measuring the rule of law. Because the project started in 2009, I use the data to check the robustness of the above results only for the year of 2013.

Table 3.6 reports the effect of migrants on FDI in the countries with different rule of law measurements for the year 2013. Column 1 is the model for FDI flows using the World Bank's World Governance (WGI) Indicators measurement of the rule of law. Column 2 substitutes this measurement of the rule of law from WGI with the measurement of the rule of law created by The World Justice Project (WJP), measuring the rule of law on the scale from 0 to 1, with lower scores associating with weak rule of law. For the purpose of comparability with WGI, I transform WJP scale to the scale of 0 to 100.

The rule of law has a positive and statistically significant effect on foreign direct investment. The interaction of migrant stock and rule of law is again negative and statistically significant, which supports the existing patterns. Negative interaction coefficient indicates that immigrants moderate the effect of rule of law: the effects of rule of law diminish as the size of the migrant stock increases or alternatively, the effect of rule of law grows as the size of the migrant stock decreases.

Figures 3.4 and 3.5 help to visualize the changes in the coefficients of the rule of law in a two-way interaction term conditional on the value of the migrants variable. The dashed curves around the marginal effect line represents a 95% confidence interval, thereby identifying the values of rule of law at which the marginal effect of migrants is statistically significant. Consistent with the results in Figures 3.2, 3.3, the marginal effect of migrants is no longer significant when the rule of law is at its high values. The results are still consistent with the proposed hypothesis as the marginal effect of migrants is positive and significant at the low values of the rule of law.

Table 3.6: World Governance Indicators (WGI) versus World Justice Project (WJP)

	2013 (WGI)	2013 (WJP)
	(1)	(2)
Migrants	0.660**	1.182**
	(0.245)	(0.352)
Rule of Law Receiving	0.096**	0.150**
	(0.030)	(0.049)
Migrants*Rule of Law	-0.009**	-0.016**
	(0.003)	(0.006)
Market size	0.104	-0.157
	(0.295)	(0.315)
Distance	0.920	1.225**
	(0.607)	(0.559)
Common border	-0.101	0.035
	(1.328)	(1.494)
Official common language	-0.427	-1.059
	(1.559)	(1.739)
Common Exchange Rate	0.813	1.322
	(1.170)	(1.116)
Dual Taxation Treaty	1.762**	1.322*
	(0.845)	(0.726)
Preferential Trade Agreement	0.512	0.150
	(0.723)	(0.634)
Bilateral Investment Treaty	1.432**	1.561**
	(0.619)	(0.570)
Common legal heritage	0.308	-0.335
	(1.002)	(0.884)
Common dominant religion	0.728	0.689
	(0.664)	(0.660)
Bilateral trade	2.141**	2.218**
	(0.259)	(0.263)
Constant	-37.224**	-36.954**
	(7.071)	(7.887)
N	4050	2201

Note: Standard errors in parentheses, Stata13. * $p<0.10$, ** $p<0.05$.

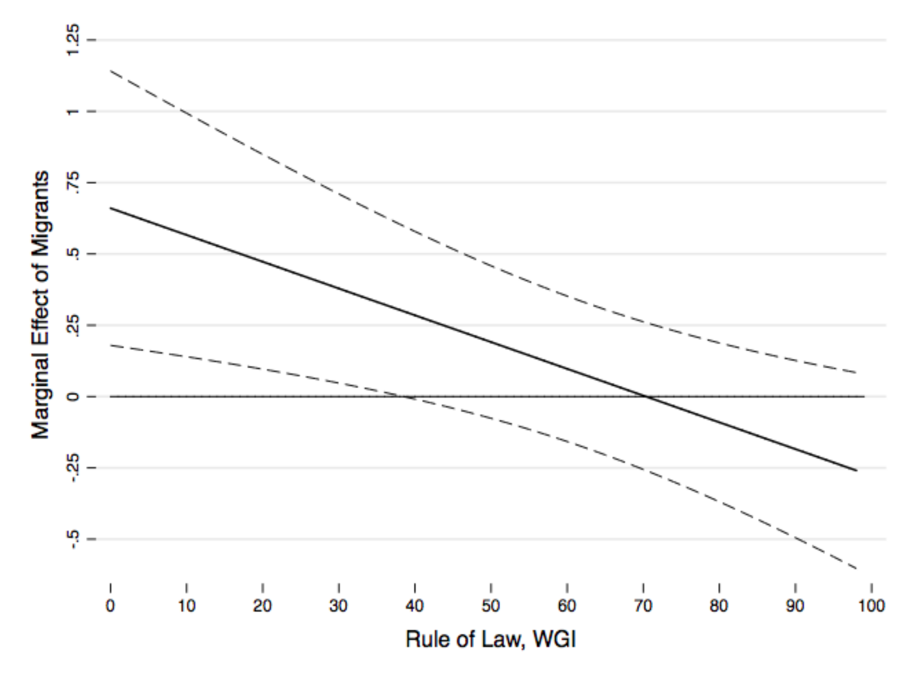

Figure 3.4: Marginal effects of migrants on FDI in the countries with different rule of law strengths, year 2013, WGI

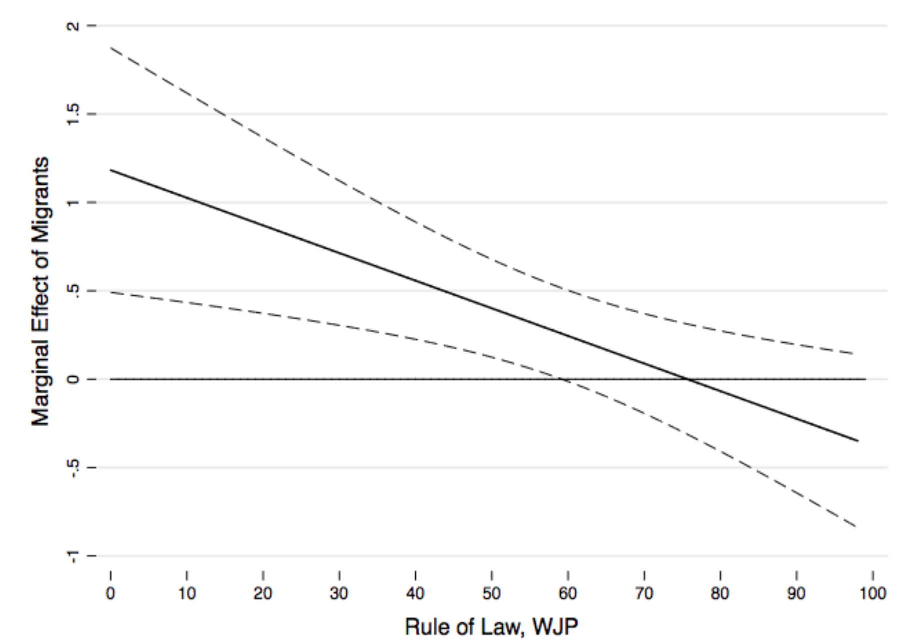

Figure 3.5: Marginal effects of migrants on FDI in the countries with different rule of law strengths, year 2013, WJP

To gain further confidence in my findings, I also control for the regime type for 2002, 2010, and 2013 to see whether regime type diminishes or removes the effect of the rule of law on FDI. I do not include the regime type variable in my main results for several reasons. While it has been argued that political regime is a robust predictor of investment (Jensen, 2003; North and Weingast 1989; Li 2009; Li and Resnik 2003), it is not the regime type per se that determines investment flows. While veto players in a political system generate higher levels of policy stability, an even more important component of credibility, however, is a government's commitment to market friendly policies in the future. Second, many components of regime type variables contain subcategories that are not directly related to business decision making. For example, many of Freedom House's subcategories, drawn from the Universal Declaration of Human Rights, represent the fundamental components of freedom, which include an individual's ability to vote freely in legitimate elections, participate freely in the political process, exercise freedoms of expression and belief, be able to freely assemble and associate, have representatives that are accountable to them, have access to an established and equitable system of rule of law, enjoy social and economic freedoms, including equal access to economic opportunities and the right to hold private property. Third, to avoid multicollinearity as some subcategories in the regime type measurements contain the rule of law scale within them.

To test the robustness of my model, I use the data from the PolityIV project capturing regime type on a 21-point scale ranging from -10 (for a hereditary monarchy) to +10 (for a consolidated democracy). I examine the flows of FDI including the regime type variable for 2002, 2010, and 2013. Polity variable is composed of three variables and six indicators. Those variables are executive recruitment, independence of executive authority, and political competition and opposition. Only independence of executive authority variable with one indicator measuring institutionalized constraints on the decision-making powers of chief executives is relevant for business

Table 3.7: Determinants of Cross-border Foreign Direct Investment including the Regime Type

	2002	2010	2013
	(1)	(2)	(3)
Migrants	0.726**	0.823**	0.713**
	(0.172)	(0.349)	(0.203)
Rule of Law Receiving	0.036**	0.067**	0.083**
	(0.0218)	(0.033)	(0.025)
Migrants*Rule of Law	-0.003*	-0.009**	-0.009**
	(0.002)	(0.004)	(0.003)
Regime Type	0.091**	0.074	0.040
	(0.037)	(0.058)	(0.045)
Market size	-0.011	-0.067	-0.130
	(0.010)	(0.084)	(0.332)
Distance	-0.084	0.847*	1.262**
	(0.444)	(0.458)	(0.612)
Common border	-1.485**	1.485*	-0.076
	(0.575)	(0.781)	(1.380)
Official common language	2.575**	1.641	-0.547
	(0.797)	(1.311)	(1.650)
Common Exchange Rate	0.744	-0.794	1.015
	(0.670)	(0.882)	(1.135)
Dual Taxation Treaty	1.103**	2.702**	1.832**
	(0.420)	(0.696)	(0.883)
Preferential Trade Agreement	-0.186**	-0.178	0.709
	(0.420)	(0.727)	(0.660)
Bilateral Investment Treaty	0.527	1.460**	1.463**
	(0.598)	(0.718)	(0.651)
Common legal heritage	0.281	-0.425	0.004
	(0.618)	(0.692)	(0.995)
Common dominant religion	-0.059	0.247	0.633
	(0.447)	(0.775)	(0.675)
Bilateral trade	1.514**	1.801**	2.367**
	(0.426)	(0.351)	(0.292)
Constant	-32.373**	-29.570**	-35.227**
	(7.299)	(4.824)	(7.750)
N	2633	3911	3324

Note: Standard errors in parentheses, Stata13. * p<0.10, ** p<0.05.

decision making. It also corresponds to the rule of law scale, so I expect the coefficient for the interaction of the migrant stock and the rule of law to weaken due to multicollinearity.

Table 3.7 reports the effect of migrants on FDI to their home countries including the control variable for the regime type. The specification in column 1 is the model for FDI flows for the year of 2002. Columns 2 and 3 are the models for FDI flows for 2010 and 2013 respectively. In all specifications, I find that migrant networks and rule of law have a positive and statistically significant effect on foreign direct investment. The interaction of migrant stock and rule of law is again negative and statistically significant at $p<0.1$ for 2002 and at $p<0.05$ for 2010 and 2013, which, even though weakened for the year of 2002, supports the existing patterns.

3.4 Conclusion

In this chapter, I conducted a statistical analysis of the impact of migrants on FDI to the countries with weak rule of law. The results showed that immigrants moderate the effect of rule of law. Consistent with my expectations, the effect of having more migrants in the host country (the one sending FDI) on FDI to the home country depends on the strength of the rule of law in migrants' home country. Furthermore, consistent with my argument, the results demonstrated that the effect of migrant investors on FDI grows as the rule of law weakens.

These results may be initially counter-intuitive given the importance of strong rule of law ensuring transparency for FDI. The results directly contradict the conventional wisdom that the financial community always prefers transparent institutions. Instead, investor preferences are a function of understanding of internal rules, which can create lucrative investment opportunities despite added risk.

Thus far in this dissertation, I have focused on how migrants affect FDI to the countries with weak rule of law. I have yet to expand on the statistical results and examine migrant-investors' motivations to send FDI to their home countries with weak rule of law to understand how migrant investors' internal knowledge can drive FDI to their home countries. In the next chapter, I use interviews to examine the perceptions of migrant investors of the attractiveness of their home countries with weak rule of law for FDI. I focus on the cases of Belarus and Moldova.

Chapter 4

Belarus and Moldova

Thus far in this dissertation, I have demonstrated that migrants can boost FDI in the countries that would otherwise be disadvantaged for FDI by weak rule of law. The statistical tests demonstrated that the impact of migrants on FDI is less significant where the rule of law is strong.

This chapter examines investment motivations of migrants and focuses on interviews with migrants from Belarus and Moldova. These case studies are used to further test the first core hypothesis by expanding on the results of the statistical analysis. The interviews provide for a close examination of various reasons why migrant investors make a choice to send FDI to their home countries with weak rule of law and what possible barriers there may exist. I will examine why migrants choose to invest in their home countries with weak rule of law and whether existence of a weak rule of law interferes with their investment decisions. To avoid choosing on the dependent variable, I include the interviews with the migrant investors who chose not to invest in their home country with the weak rule of law.

The following chapter is structured as follows. First, I examine the literature covering migrants' motivations to send investment back home and follow with this chapter's argument. Next, I describe the method. Then, I provide justification for the cases selection, and describe the purpose of my case study design. Next, I outline my empirical expectations for this case analysis in regards to Belarus and Moldova.

After that, I describe, analyze, and discuss the interview results for Belarus. Then I present the case analysis and discuss the interview results for the Moldovan case. Finally, I conclude with a discussion of my findings.

4.1 Literature Review and Argument

To date, the work that identifies motivations of diaspora homeland investment is still scarce. The first systematic work examining interest in homeland investment was Aharoni's (1966) case study of investment in Israel. This topic was not substantively addressed again for almost 30 years until the work of Gillespie and her colleagues (Gillespie, Riddle, Sayre and Sturges 1999). Existing empirical findings in the diaspora literature suggest that diasporas are motivated to invest for reasons both similar and dissimilar to those of non-migrant investors. Dissimilar motivations include altruism (Gillespie, Riddle, Sayre and Sturges 1999) and patriotism (Aharoni 1966; Smart and Hsu 2004). These non-economic motivations may partially explain why diaspora members are more willing to invest earlier than MNCs in homeland markets that are politically or economically risky (Gillespie et al. 1999; Riddle et al. 2010; Smart and Hsu 2004).

Closer examination of the literature advocating for altruism and patriotism motivations revealed that altruism and patriotism can play a role only in combination with the rational calculation of the potential to make money on FDI. Both Aharoni (1966) and Smart and Hsu (2004), suggested that investment process by Israeli and Chinese migrants respectively was influenced by psychological as well as economic gain. Gillespie et al. (1999), in turn, investigated the attitudes toward homeland investment of US Armenians, Cubans, Iranians, and Palestinians. By identifying altruism as one of migrants' motivations for homeland investment, the authors tested their argument by using a mail survey sent to diaspora members who appeared on organizational membership lists of the four targeted diasporas, thus obtaining information from both investors and non-investors. The study is limited in that it attempts to measure investment interest rather than actual investment. Moreover, in their later work the same authors recognize that diaspora members who are not motivated by financial returns are the exception (Gillespie et.al. 2001). The authors suggest that the majority of diaspora members are at least partially motivated by the potential for financial returns.

One other characteristic absent from non-migrant investors is ethnic advantage. The existing literature on migrant investment argues that migrant investors enjoy an advantage in their homeland that derives from their social networks, their linguistic abilities, and their cultural familiarity (Gillespie et al. 1999; Javorcik et al. 2011; Leblang 2010). Gillespie, Riddle, Sayre and Sturges (1999) and Nielsen and Riddle (2007), who build on Gillespie, Riddle, Sayre and Sturges (1999) four-community investigation of diaspora homeland investment motivation, argue that ethnic advantage, a belief that diaspora members possess relative knowledge and social capital advantages compared to non-diaspora investors, is one of many potential motivations of diaspora to invest in their homeland.

I accept this general premise and, in this chapter, isolate my sample to migrant investors to avoid potentially emotional responses by migrants not directly interested or familiar with investment decision-making. I argue more specifically that migrant investors' perception of possessing a competitive advantage over non-migrant investors explains their confidence in the potential profitability of their investment in their home countries with weak rule of law. Migrants believe that they have cultural literacy and better understanding how to deal with potential hardships related to the rule of law in their home countries, and, therefore, face lower costs of entering business environment and conducting business in their countries of origin with weak rule of law. The importance of this competitive advantage increases as rule of law becomes weaker, which will provide additional support to my first core hypothesis.

4.2 Method

This chapter presents the results of original interviews with migrant investors from Belarus and Moldova who invested, attempted to invest, or are reluctant to invest in their home countries with weak rule of law. The interviews help to expand on and better understand the regression results by focusing more closely on migrant investors. The statistical analysis demonstrated a connection between migrants, rule of law, and FDI. The regression analysis treated all migrants the same, without fully accounting for the vast differences between them. These interviews is a step in the process of identifying migrant investors and analyzing the FDI process by specifically asking migrant investors about how they choose the destination for FDI, what factors they consider important when deciding to invest, how they define rule of law, and how they mitigate uncertainties associated with weak rule of law.

The data gathered from the interviews allow for understanding the reasons why migrants may be interested in conducting business in risk environment. This way, the case study builds upon the results of statistical analysis in order to generate a complete theory about the relationship between the rule of law, FDI, and migrants.

Approved by Institutional Review Board (IRB), I am using the interviews with 25 investors who emigrated from Belarus and 15 investors who emigrated from Moldova. All interviewees are either the founders of their own businesses or occupy executive posts in the companies that made foreign direct investments or attempted to invest in their home country Belarus and Moldova. Some of the respondents were not interested in sending FDI to their home countries with weak rule of law. The industries of the interviewees vary and include such spheres as food, clothing, manufacture, and IT. Migrant investors, both male and female, were identified from the websites and other public and official sources as well as by contacting Belarusian and Moldovan diaspora and personal acquaintances.

These investors were approached indirectly via their company representatives or directly by me if email addresses/phone numbers were available online or on the recommendations of their colleagues and friends. Subjects were invited to participate in this study through email, by phone or such platforms as Viber or Facebook.

All the interviews were conducted in Russian, Belarusian, or English. Russian and Belarusian are the official languages of Belarus and Russian serves as the common language for all ethnic groups in Moldova. The interviews were conducted in the languages the interviewees felt most comfortable with during the interviews. The sites in which the interviews were conducted varied, depending on the individual preferences of the interviewee. They were limited, however, to places in which the privacy of the interviewee was guaranteed, thus, these interviews did not take place in public places. While some interviews were conducted in-person, most of the interviews were conducted online (Skype, Facebook, Telegram, Viber) or on the phone.

Each individual's participation lasted approximately 15 to 30 minutes. Research subjects were briefed based on the type of information being elicited, along the following lines: "I am asking for your participation in my research to better understand the decision making process of migrants to invest in their home country. I am also interested in your perspective regarding the challenges and advantages to choose a home country over any other country."

Participation in the interviews was completely voluntary. A responder was aware about the possibility to skip any questions that he/she did not want to answer, and that the interview could be ended at any time. I ensured confidentiality for respondents by not using individuals' names or any information that can identify the respondents when reporting the findings from the interviews.

I used various sources to confirm the information given by the interviewees. Among these sources is the media, and widely available statistical data and reports. This information is used to ensure the reliability of the information obtained from the interviews.

4.3 Case Selection

The first case study in this chapter will focus on migrant-investors from Belarus, one of the former Soviet republics. As I will demonstrate, migrant investors from Belarus see opportunities to invest in their home countries with weak rule of law. Migrant investors possess the capability to foresee and to be prepared to deal with potential difficulties that can arise with FDI in their home country.

Belarus is the focus of this case study as, in terms of its investment climate, it is a developing non-democratic country[1] with weak rule of law. Most of the economy in the Republic of Belarus, where the president Aliaksandr Lukashenka has stayed in power for twenty-three years, remains under government control. Belarus's opaque legal and regulatory systems create a barrier to a favorable environment for investment. Third, as an immigrant from Belarus, I possess in-depth familiarity with my country of origin and speak its two state languages (Belarusian and Russian), which was extremely helpful for arranging and conducting interviews with migrants from Belarus who invested into their home country.[2]

The second case study in this chapter will focus on the interviews with migrant investors from Moldova, also one of the former Soviet republics. Moldova is the focus of this case study as it provides a contrast to the case of Belarus in terms of its political regime. The interviews with migrant investors from Moldova demonstrate their willingness to invest back home due to their understanding of how to deal with potential hardships with business which reduces the risk of making FDI and

[1] Belarus ranked -7 in 2014 in the PolityIV project capturing regime type on a 21-point scale ranging from -10 (for a hereditary monarchy) to +10 (for a consolidated democracy). Belarus had a low score of 7 on a Freedom House scale in 2016, scale ranges from 1 (for most free) to 7 (for least free).

[2] I agree with Freedman (2008) that cherry-picking should be avoided. However, following Freedman further, he notes that until the scholar has actually done the case study research, it is often hard to know how cases will come out. This uncertainty makes it less likely that the researcher can intentionally select cases that support a preferred hypothesis. Donald Campbell's (1975) also argues that the findings of case studies routinely go in a different direction than the researcher expects before starting the investigation. Cherry-picking may thus not be as grave a problem as the vivid metaphor suggests.

maintaining profitable business in Moldova.

The common circumstance impacting FDI flows in both Moldova and Belarus is weak rule of law. The difference is that, as opposed to Belarus, Moldova is a country with a transitional democratic regime (Figure 4.1). All transfers of power in Moldova have been constitutional and have not provoked regressions to authoritarian rule. Some of the major challenges for Moldovan leaders to resolve before democracy can become reliably rooted include systemic corruption and difficult relations with the breakaway region of Transnistria. Moldova's and Belarus's opaque legal and regulatory systems create a barrier to a favorable environment for investment. Focusing on the cases of Belarus and Moldova will help to further investigate the role of weak rule of law on FDI and further observe the motivations of migrant investors to send FDI to their home countries with weak rule of law.

	Belarus	Moldova	
Freedom House, 2016	Not free (7)	Partly Free (3)	freedomhouse.org
Population, 2017	9,458,535	4,054,640	worldometers.info
GDP per capita (current $US), 2015	5,754	1,848	worldbank.org
Rule of Law Index, 2016	57 of 113	77 of 113	worldjusticeproject.org
FDI, net inflows (% of GDP), 2015	3.026	3.569	worldbank.org
Ease of Doing Business, 2016	37 of 189	44 of 189	doingbusiness.org
Corruption Perception Index, 2016	79 of 168	123 of 168	transparency.org
Global Innovation Index, 2016	79 of 128	46 of 128	globalinnovationindex.org

Figure 4.1: Key Macroeconomic Data: Belarus and Moldova

While the analysis is based on investors operating in two developing countries, the theorized expectations about the reasons why migrants choose to invest in their homelands are expected to hold across a wide range of migrant communities.

4.3.1 Empirical Expectations

Having outlined the case study design and the case selection rationale, I now present my theoretical expectations for this case analysis.

First, I assume that migrant-investors have profit motives. Investment decisions are a function of the risks of loss of profit against the potential gains from investment. Therefore, I expect that migrant investors from the countries with weak rule of law will not have illusions about investment climate in their home country and identify business environment as problematic as opposed to the countries with more transparent institutions. However, because migrants have more internal knowledge and personal connections in their home country, I expect them to consider their home country attractive for FDI if they see how to make profit there.

Credibility of the country considered for foreign investment is an essential element for foreign investors' decision making. What frightens an investor is uncertainty in the application of legislation and the ability, if necessary, to withdraw investments and lawfully earned income. Rule of law requires that there must be a system of laws maintaining stability and certainty of the system necessary for financial markets to operate effectively. So, I expect the rule of law to be of a big importance while making investment decisions for migrant-investors from Belarus and Moldova.

Third, migrant investors have internal understanding about business environment in their home countries and thus possess the capability to foresee potential problems, navigate business environment in their home countries with weak rule of law, and be prepared to deal with potential difficulties that can arise with FDI due to the weak rule of law. I expect migrant investors to have a perception of having a competitive advantage over non-migrant investors and be willing to profitably exploit business opportunities that would seem risky to non-migrant investors.

Having outlined my theoretical expectations for this case, I now turn to the case analysis.

4.4 Case Study: Belarus

Belarusian economy can be characterized by state ownership and small share of private sector. Legislative powers to issue decrees and edicts having the force of law are delegated to the President of the Republic of Belarus, who has stayed in power for twenty-three years.

I begin with an overview of Belarus's existing legislation related to investment. I follow by overviewing the investment climate and the actors making FDI in Belarus. I then turn to the outline and discussion of the interviews with migrant investors from Belarus to test the proposed expectations and empirical implications of my theory.

4.4.1 Investment Legislation

The main sources of legal regulation of investment activities in the Republic of Belarus are the Law of the Republic of Belarus from July 12, 2013 No 53-3 "On investments", Law of the Republic of Belarus from July 12, 2013 No 63-3 "On concessions", and the Decree of the President of the Republic of Belarus from August 6, 2009 No 10 "For the establishment of additional conditions for the investment activity in the Republic of Belarus".

In accordance with the law "On investments", investment is any property and other objects of civil rights belonging to the investor on the basis of the right of ownership, other legal grounds allowing it to dispose of such objects invested by the investor in the territory of the Republic of Belarus for the purpose of obtaining profit (income) and (or) achieving another meaningful result, or for other purposes not related to personal, family, home and other similar uses.

On paper, investment legislation of Belarus provides various guarantees to foreign investors. Among those are the right to establish legal entities on the territory of the Republic of Belarus with any volume of foreign investments and in any organizational and legal forms. All investors are supposedly guaranteed equal protection of rights and legitimate interests, regardless of form of ownership and national status. Investments as stated can not be groundlessly nationalized or requisitioned. The state also promises investors the right to independently reinvest profits or freely transfer the received income abroad after paying taxes and other mandatory payments established by law. In addition, compensation for damages and harm caused to the investor by actions (or inactions) of public officials is also guaranteed on paper (http://www.belarus.by).

Despite the many promises and guarantees on paper, Belarus does not, however, provide foreign investors with stable business conditions because of the discrepancy between what is written in the law and how it is applied. Presidential decrees are embedded in a hierarchical web of regulations and are often in direct competition with laws and codes, which regularly contradict one another. This kind of a unpredictable environment is undesirable for potential investors.

Foreign investors want to earn profits on their investments and thus are expected to take into account whether the economy is on a path for growth and prosperity. The extent to which an economy expands depends in part on whether the government can give credible commitments to all economic actors that it will uphold the rule of law and protect property rights (North and Weingast 1989).

However, for the foreign investors with deep understanding of the nuances of business environment and understanding how to operate in risky business environment, such country may seem attractive for investment.

4.4.2 Investment Environment

In 2008, Belarus, like many other countries, experienced a financial and economic crisis. Given the underdevelopment of the stock and financial markets in the country and their weak integration into the global financial system, the impact of the global financial crisis on the Belarusian economy was manifested somewhat later than in other countries. The financial crisis has intensified in Belarus in the spring of 2011. With inflation exceeding 100% in 2011, Belarusian ruble lost almost a half of its real value. The currency crisis caused the decline of purchasing power and made it more difficult to access businesses in the currency.

Belarus has been for a long time, and in part continues to be a "rentier state". Belarusian state was surviving at the expense of Russian subsidies. The state was receiving significant revenue from buying millions of tons of oil from Russia, processed it and sold it to the West. At the end of 2014, Russia's ruble currency crisis spilled over the border and resulted in another currency crisis in the neighboring Belarus: the value of the Belarusian ruble fell by about 20% in the last two weeks of December 2014. In 2015, Belarusian economy almost completely repeated the trajectory of the fall of Russian economy.

Despite recent hardships in Belarusian economy, there are a number of industries that today can be attractive for investments and have growth trends due to constant demand for products. Among those are medicine and pharmacology, agriculture, and health-improving tourism.

The IT sector is rapidly developing in the country. The country's High Technologies Park, a special economic zone for IT companies in Minsk, has been realizing the country's ambition to be called the Silicon Valley of Eastern Europe. Such global companies as the Wargaming Group Ltd., the creator of the world-known game "The World of Tanks", Viber, the creator of a successful messaging app, Epam Systems, a global provider of software engineering and IT expertise, and Masquerade, a collective that sold its selfie app MSQRD to Facebook, are among successful tenants of the Hi-Tech Park.

To an extent, Belarus does have its investment opportunities among which are unique geopolitical position between the EU and Russia and taxation breaks in certain economic areas showing the government making up for weak rule of law/governance reputation by offering attractive tax environment.

Belarus has special business conditions for organizing business in High-Tech Park (0% profit tax for 15 years; 0% VAT), Belarusian-Chinese Industrial Park (0% profit tax for 10 years), and within six free economic areas (0% profit tax for 5 years; 10% VAT). Foreign companies can also gain additional profit by placing their businesses in small and medium towns of Belarus (0% profit tax for 7 years, 0% VAT for 5 years).

The state monopoly on economy, however, simultaneously endangers the credibility of the state in the eyes of private agents, rendering the state's compliance questionable. The first priority for foreign investors is being profitable. From their perspective, Belarus remains one of the world's most state-managed economies, where the state interferes in many aspects of the economy. Despite official claims that Belarus presents an attractive investment environment, the reality has shown the opposite (Investment Climate: Belarus 2017).

4.4.3 FDI in Belarus

Belarus receives its share of foreign direct investment (Figure 4.1). According to IMF's Coordinated Direct Investment Survey, in 2015 the primary investors to Belarus came from Russia (57.08% of all total investment), Cyprus (16.3%), Austria (3.61%), Netherlands (2.46%), and Germany (1.65%).

Most Western companies prefer to enter Belarus mainly through franchises. Among the major examples are McDonald's, TGI Friday's, KFC, and Burger King. The Russian company "Rosinter Restaurants Holding" owns both TGI Friday's franchise and the KFC franchise. The franchise of Burger King belongs to a Russian businessman Alexander Kolobov (Kulakevich 2015).

As it turns out, most of the founders of foreign companies in Belarus have Be-

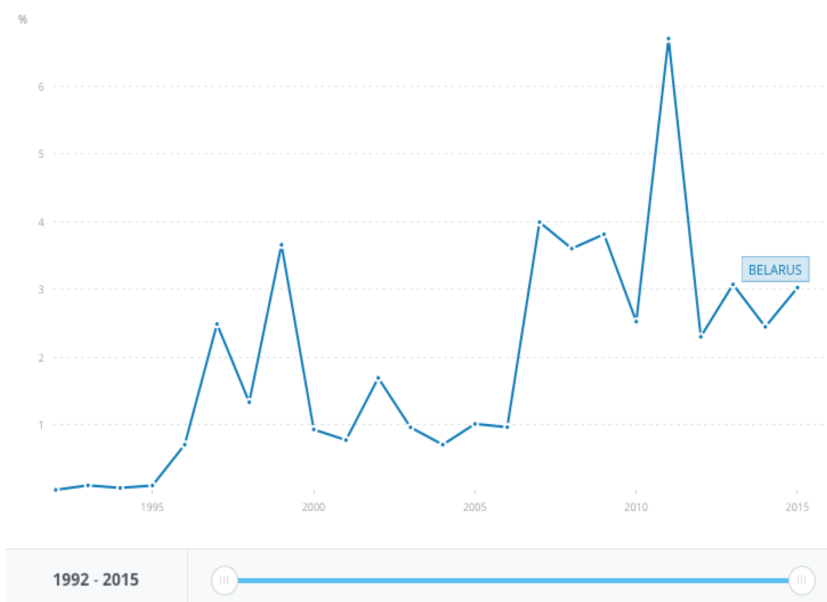

Figure 4.2: Foreign direct investment, net inflows (% of GDP), source: worldbank.com

larusian, Cypriot[3], and Russian roots. There are many reasons. In Eastern Europe, Cyprus is used by local capital owners for reinvestment. It is easier to register business, to attract foreign capital. An important role play low rates of profit taxes. For example, the dividends paid by the subsidiaries of the Belarusian companies to the parent company in Cyprus are subject to a 5% tax. And dividends, which the same subsidiary pays to its Belarusian shareholders, are taxed at a rate of 12 percent. So, it turns out that repatriating profits to Cyprus is more profitable than paying it in the form of dividends to its citizens.

There are also advantages in the legislation of Cyprus as part of the Eurozone. For example, in Belarus the law does not provide for the possibility of concluding an agreement between the company's shareholders on the rules for managing acquired assets, whereas such need often arises in investment practice. In the legislation of the European Union, in particular Cyprus, the settlement of this issue is possible by signing the agreement between shareholders on the rules binding on all shareholders

[3]The capital that reaches Belarus via Cyprus belongs not only directly to the Cypriots, but more often to Belarusian and Russian businessmen.

in addition to the company's charter.

Belarusian Viktar Kisly, the head of the Wargaming company, currently permanently resides in Cyprus. In an interview to the Russian newspaper *Vedomosti*, the successful businessman, whose personal fortune estimated at $1 billion, says that "the business development in post-Soviet countries has enormous unrealized potential. However, Belarus should make many more steps to achieve favorable conditions for international business" (Kulakevich 2015).

4.4.4 Interview Results

I am using the interviews with 25 investors who emigrated from Belarus to the United States, Great Britain, or Russia and are either the founders of their own businesses or occupy executive posts in the companies that made investments or attempted to invest in their home country Belarus. Some of the responders are individual investors who used FDI as a means to establish their companies in Belarus. I also interviewed migrant investors from Belarus who found their home country unattractive for FDI. The age of the interviewees ranges between 25 and 60 years old and represent different industries including food, clothing, manufacture, and IT.

My respondents were conscious of problematic business environment in their home country. All indicated the weak rule of law as the main indicator complicating investment environment in Belarus. While recognizing the difficulties created by the weak rule of law in general, my interviewees did not perceive it discouraging for their investment and talked about having a competitive advantage over non-migrant investors to send FDI in their home countries with weak rule of law.

Rule of Law

Because the existing literature examines both rule of law and regime type as the main factors influencing investors decisions, in my interviews I tried to find out which factor influences migrant investors' decision making process to send FDI to their home countries with weak rule of law.

It was clear from my interviews that it was not the regime per se that created obstacles for doing business in Belarus. All migrant-investors saw the rule of law as the main factor hampering business in Belarus.

The respondents differed in their definitions of the rule of law. Some directly named the rule of law as the main obstacle for doing business in Belarus, others mentioned the components of the rule of law by referring to legislation, the system of checks and fines, and taxation. Yet the others, who saw obstacles in the political regime, after being asked to elaborate, still referred to frequently changed legislation, problems with taxation, and numerous fines.

According to the respondents, laws in Belarus cannot be called clear or stable. On the one hand, in 2016, Belarus occupied the 37th place among 189 countries in the ranking of ease of doing business. Despite the difficulties that are associated with the transitional economy and the lack of rule of law or transparency in the country, to open a business in Belarus is much easier than in Germany or neighboring Poland or Ukraine. On the other hand, weak rule of law makes it harder to sustain business while already being in the country.

Frequently changing laws make it difficult for people to stay updated and be sure that the law will be applicable for both short- and long-term planning. Respondents admitted that they have to operate in "unpredictable environment. The rules of the game constantly change. It is possible to interpret the law in different ways."[4] Another respondent was sure that "if an inspection comes, it will most definitely find inconsistency with the laws. My job is to minimize the fines."[5]

According to the national legal internet portal of Belarus, the official website, which publishes legal acts, the national registry reports 9305 legal regulations regis-

[4]Belarusian migrant investor, interview with the author, August 23, 2016.
[5]Belarusian migrant investor, interview with the author, January 9, 2017.

tered in 2016. This number does not include legal regulations related to the Eurasian Economic Union or any technical normative regulations (GOST, SNB, tap, etc.). While part of these regulations includes rewards, transfers and secondment of civil servants, 3779 codes, laws, decrees, regulations and ordinances establish the rules of the game in the Belarusian business.

Frequently changed legislation leads to a higher probability to receive a fine during inspections. One of the respondents admitted that ”everything is done the way that it is impossible to have proper documentation on everything. Too many documents are needed that makes impossible to certify products, so you violate the laws. You are under the threat of confiscations. We try to find the ways to go around all these things to save money.”[6] One of the investors gave an illustrative example. The respondent told about receiving a phone call suggesting to subscribe for a state-owned magazine *Taxes of Belarus*. The respondent had to follow the suggestion to minimize the scope of inspections on the enterprise.[7]

One interviewee explained in detail why, according to Belarusian law, it was more practical to keep business small in Belarus in the sectors other than those with special beneficial conditions. Belarusian law (Article 148-3, 2010) divides economic entities into categories based solely on the number of employees per given year. Those are individual entrepreneurs - one employee (plus family/relatives); micro-organization - up to 15 employees; small businesses - from 16 to 100 employees; medium-sized enterprises - 101-250 employees, and big companies - over 250 employees. Division in the types of business entities in Belarus is based on the payroll of employees: one hundred and first hired employee means growth from a small business to medium-size enterprise and, therefore, has to follow different rules on paying taxes, getting credits on other conditions and so on.

The system is built the way so that small business does not tend to grow as it will

[6]Belarusian migrant investor, interview with the author, September 13, 2016.
[7]Belarusian migrant investor, interview with the author, January 9, 2017.

be deprived of the benefits of the simplified tax system. If one has 15 people, that person does not have to pay VAT, and if 16 - already has to pay VAT.[8]. To grow business, one can create two small firms instead of one large to avoid paying higher taxes.[9]

Those having small businesses emphasized that small businesses do not tend to attract attention of the regime. The respondents investing in large companies, in turn, mentioned privileged treatment or familiarity with regime officials, which ensured their perceptions of being safe in their non-democratic home country. One of the interviewees admitted of having "all kinds of connections everywhere".[10] Several respondents mentioned familiarity and their connections with the higher officials in the presidential administration.[11] This goes in line with existing studies recognizing firm size as an important indicator of firms' abilities to become politically engaged (Masters and Keim 1985; Boddewyn and Brewer 1994; Schuler and Rehbein 1997). Large firms are better able to engage in influence-seeking activities because the productivity of and benefits received from such efforts are higher in comparison to small firms.

Investment Environment

Belarusian migrant-investors appeared self-aware and indicated the lack of emotions in their investment decisions. All interviewees considered themselves "very pragmatic and profit oriented."[12] One of the investors explicitly stated: "I would invest where I see that I get return. However, I don't have illusions about doing business there [in Belarus]. There are risks. Business can be taken away at any moment."[13]

[8] There is a general procedure for tax calculation and two simplified tax system (without allocation of VAT and VAT allocation). Individual entrepreneurs and micro-organizations are eligible for simplified tax systems

[9] Belarusian migrant investor, interview with the author, October 9, 2016.

[10] Belarusian migrant investor, interview with the author, September 13, 2016.

[11] Belarusian migrant investor, interview with the author, September 13, 2016.

[12] Belarusian migrant investor, interview with the author, September 1, 2016.

[13] Belarusian migrant investor, interview with the author, August 23, 2016.

Some interviewed migrant investors did not find their home country attractive for FDI. Most of the interviewed migrant investors, however, did not perceive the weak rule of law as a barrier for potential FDI. One of the interviewed investors talked about having good business in Belarus until the ruined relationship with high government officials in Belarus. At first, the respondent was reluctant to go into details about the reasons of the negative perception of Belarus as a destination for FDI by only saying that there was a sudden need to completely withdraw from all investment operations from the home country. Towards the end, however, the respondent said: "I quarreled with the President and the Minister of Finances. Slammed the door and left."[14] Certainly, a fear of being oppressed by the government can discourage investment from some big investors, who would say that their home country "is the last resort for investment."[15] However, there is a substantial group of migrants who would find opportunities and send FDI to their home countries with weak rule of law.

Among other reasons indicated by my responders and representing their reluctance to send FDI to their home country was the lack of opportunity for potential return on investment. One of the respondents with a business in human resources technology said the following: "It is impossible to do business in HR in Belarus. We tried and spoke with HR professionals, but we have different views on business. I realized we talk about different things. There is no need for this business."[16] The same respondent continued on the perception of the investment environment in Belarus: "I would be happy to do business in Belarus but there is no opportunity. If I had business at home, I would have been fine at home."[17]

Another respondent did not choose Belarus for FDI because of the capacity of the market: "There is small market. There is no scale. Also we mainly concentrate on portfolio investments. There is no liquid market for the securities. If there is

[14]Belarusian migrant investor, interview with the author, August 21, 2016.
[15]Belarusian migrant investor, interview with the author, August 21, 2016.
[16]Belarusian migrant investor, interview with the author, August 20, 2016.
[17]Belarusian migrant investor, interview with the author, August 20, 2016.

a chance, we will do business in Belarus. I have desire, but it will depend on the opportunity to profit."[18] Yet another respondent repeated the pattern by saying: "if you compare expenses, profit is bigger in Russia. Belarus is a country that needs to grow and grow in terms of the market. It is a big farm, where if you have $1,000,000, everyone wants to become friends with you and you will need to reach agreements with everyone. There was this offer made to me by a person in confectionary business from Belarus. When I counted potential profit, it was many times less than I could make in Russia. The sizes are different."[19] The same investor continued about the perception on the rule of law role for FDI in his home country: "Honestly, it is not the primary thing. The most important is the team of people, market, demand."[20]

Other investors with Belarusian roots found their home country as a primary destination for their initial FDI. These investors chose their home country to establish and grow their businesses worldwide with Belarus remaining as one of their offices locations. One of such companies is EPAM. The company is a leading provider of software product development services with twenty three offices around the world. This global software engineering company is listed on the New York Stock Exchange and named by Forbes magazine as one of the world's top ten fastest growing technology companies in 2015. The company was founded as EPAM by Belarus natives Arkadiy Dobkin in Princeton, NJ, and Leo Lozner in Minsk, Belarus in 1993. Arkadiy Dobkin emigrated to the United States in 1991, worked as a dishwasher, and chose Belarus for his business as an initial location. EPAM's main development office is still located in Minsk.

Another example is the company called Pandadoc. It is a San Francisco-based company providing document automation service. Besides San Francisco, it has offices in Florida and Minsk. The company was founded in 2007 and hit four million dollars

[18]Belarusian migrant investor, interview with the author, August 15, 2016.
[19]Belarusian migrant investor, interview with the author, December 13, 2016.
[20]Belarusian migrant investor, interview with the author, December 13, 2016.

in revenue in 2016.In an interview to *Mixergy*, one of the founders Mikita Mikado told:

> I got this wonderful opportunity to fly to the States. I got a visa and I got a working visa for three months, [inaudible 00:16:24]. So anyhow, I jump on the plane, flew to the States, built a few websites, which helped me to make a little bit of money to start a web design business there. I started a web design business, and that web design business grew into more of a software development type of business and thats when my co-founder and I started working together. Wed known each other years back, but thats when we started to cooperate (Warner 2017).

One of the interviewed migrant investors also chose Belarus as the first destination for FDI. Unlike the above two examples of successful IT companies, this migrant investor from the United States founded a small clothing company in Belarus. This investor did not have illusions about investment climate in Belarus. According to this respondent: "There can be sudden threats and regulations. Unpredictable environment. The rules of the game constantly change. Lukashenka thinks that only he can distribute well-being and that people can get rich only when he allows."[21] At the same time, the same interviewee admitted the lack of understanding of internal business operations and an inability to gather a good team for such business in the United States.[22] The clothing company of this investor has been operating since 2014 with the only office in Belarus.

Many of the interviewed migrant-investors were confident in existence of business opportunities in their non-democratic home country. Many referred to availability of cheap labor and highly qualified workforce on Belarus[23] One of the respondents stated that "Belarus has great education and excellent specialists in our field. Even

[21] Belarusian migrant investor, interview with the author, February 10, 2017.
[22] Belarusian migrant investor, interview with the author, February 10, 2017.
[23] Over 90% of the population have higher, secondary or basic education.

though some things are outdated, the foundation is very good."[24]

Advantages to Invest in Home Country

While recognizing the difficulties resulting from the weak rule of law for doing business in Belarus, consistent with the existing literature, all respondents talked about the importance of cultural/social capital for their investment decision-making to send FDI to their home country. A very interesting nuance, however, is that they perceived their cultural/social capital in Belarus as a comparative advantage. It is clear from the responses that the importance of this advantage increases as rule of law becomes weaker.

All respondents expressed strong belief in having advantages for making investments in Belarus over investors born elsewhere. One of the respondents clarified: "The legal system is the same for all. Opportunities are the same. What is different is understanding of mentality and specifics of the system, and the language."[25] The need to know the language was connected to the need to communicate with clients, the team, and being able to manage and navigate documentation. One interviewee gave an illustrative analogy: "If I had moved to India without speaking Hindi, I would have had a harder time than a native Indian there."[26]

All migrant investors I interviewed believe that being born and raised in Belarus provides them with an advantage to better understand the mentality of the people in Belarus. One of the investors was sure that "if a non-immigrant comes, he will have big problems - different mentalities, they don't understand business here. They won't understand that people here have to be motivated."[27] Another respondent replied on the similar note: "I was born in Minsk and knew how to manage people there. I did not invest in Hamburg, for example, because I did not know how to manage Western

[24] Belarusian migrant investor, interview with the author, November 3, 2016.
[25] Belarusian migrant investor, interview with the author, January 9, 2017.
[26] Belarusian migrant investor, interview with the author, December 11, 2016.
[27] Belarusian migrant investor, interview with the author, August 23, 2016.

employees. If I had been born in Hamburg, I would have known that."[28] Yet another compared Belarusian and Polish perceptions on business:

> The problem here is that the system is too complicated. Even for a Belarusian citizen, you may go to various agencies to receive various certificates. And they will not tell you what you did not do, so you'll need to go again and again. It is a stupid waste of time. It is a reality in which we operate. When we tell Polish people about that, they don't understand that. We understand and expect the system to be that way, the difficulty is psychological. In the West, it is easier and different. They don't understand how we live like that.[29]

Each interviewee admitted the importance of having trustworthy connections gained during childhood or while gaining education in Belarus especially on the initial stages of the company development. One of the interviewees stated:

> I was born and raised there [in Belarus]. I understand Belarusian language and know people who can give advice. I don't know business conditions in other countries, democracies included. In Belarus, I know how to find people to form the right team. I know that in a country other than home, it will be random people.[30]

Another respondent asked a provocative question: "Imagine, if you are a thoroughbred Englishwoman, and one day you land in a foreign country, would it be easy to walk around and look for people to start business with?"[31]

My respondents expressed their confidence that being an immigrant from Belarus helps them to be better prepared to psychologically deal with potential hardships

[28] Belarusian migrant investor, interview with the author, August 29, 2016.
[29] Belarusian migrant investor, interview with the author, September 9, 2016.
[30] Belarusian migrant investor, interview with the author, February 10, 2017.
[31] Belarusian migrant investor, interview with the author, December 11, 2016.

with business in Belarus, foresee problems with business, and find the ways to keep business afloat. One of the respondents said: "I understand how people would react to certain things. It helps to sense if I need to go and talk to someone in person or not."[32] One respondent gave an illustrative example:

> I can better understand what is going on here [in Belarus]: how the state works; I can prepare and avoid potential problems, find ways to protect myself beforehand. They [foreigners] are not prepared for the worst, that everything can be confiscated. Two years ago a man from China hung himself because his products were confiscated. I don't remember what sum of money he lost, either $50,000 or $300,000."[33]

Another migrant-investor demonstrated the ability to anticipate market conditions: "I understand the risks. A non-immigrant investor does not understand that the rules can change any second. These investors only come when the state guarantees preferences. They are afraid of the risks."[34]

4.5 Case Study: Moldova

I now turn to one more case: Moldova. Moldova in 2016 was considered, an unconsolidated democracy. Unlike Belarus, that had a low score of 7 on a Freedom House scale in 2016, Moldova's score was 3 (partly free) on a scale from 1 (for most free) to 7 (for least free). While Belarus ranked -7 on a Polity IV scale in 2016, Moldova's score was 8 on a scale from -10 (for a hereditary monarchy) to +10 (for a consolidated democracy).

In comparison of the neighboring former republics of the USSR, Moldova has become closer to the EU. Moldovan citizens travel to the Schengen area since the

[32] Belarusian migrant investor, interview with the author, February 10, 2017.
[33] Belarusian migrant investor, interview with the author, September 13, 2016.
[34] Belarusian migrant investor, interview with the author, February 10, 2017.

visa-free regime was granted in 2014. On 1 July, 2016, the EU-Moldova association agreement fully entered into force, roughly two years after it was signed and started being provisionally implemented.

Similarly to Belarus, however, Moldova has weak rule of law. Systemic corruption, and difficult relations with the breakaway region of Transnistria are some of the major challenges for Moldovan leaders to resolve before democracy can become reliably rooted.

The case study of Moldova builds upon the results of both statistical analysis and the case of Belarus in order to generate a complete theory about the relationship between the rule of law, FDI, and migrants.

I begin with an overview of Moldova's existing legislation related to investment. I follow by overviewing the investment climate and the actors making FDI in Moldova. I then turn to the outline and discussion of the interviews with migrant investors from Moldova to test the proposed expectations and empirical implications of my theory.

4.5.1 Investment Legislation

Over the years, Moldova has put in place a comprehensive legislative base related to investment. Besides its international agreements, Moldovan laws related to FDI include the

> Civil Code, the Law on Property, the Law on Investment in Entrepreneurship, the Law on Entrepreneurship and Enterprises, the Law on Joint Stock Companies, the Law on Small Business Support, the Law on Financial Institutions, the Law on Franchising, the Tax Code, the Customs Code, the Law on Licensing Certain Activities, and the Law on Insolvency (Investment Climate: Moldova 2017).

The current Law on Investment in Entrepreneurship was designed to be consistent with European standards in its definitions of foreign investment. It supposedly guarantees investors' rights, payment of damages if investors' rights are violated, and prohibits expropriation or similar actions. Generally, there are few restrictions on foreign investment. Moldova offers preferential terms and conditions (i.e. favorable tax, customs and other regimes) in designated areas where domestic and foreign investors can carry out entrepreneurial activities.

While Moldovan government has made attempts to simplify business regulations over the years, nevertheless, decision-making remains opaque and the application of laws and regulations inconsistent. Widespread corruption remain a big concern. The fundamental problems with business environment were highlighted by the massive banking crisis in 2014, which led to the bankruptcy of three of Moldova's leading banks when $1bn has vanished from them (Investment Climate: Moldova 2017).

An interesting part of Moldovan investment legislation is related to the second hypothesis of my core empirical expectations, which is addressed in the next chapter in more details. Specifically, that governments are more likely to count on foreign diaspora investment if their rule of law is weak. In 2010, the Ministry of Economy officially launched a special program attracting migrant investment into the country. The program is called "PARE 1 + 1" and is managed by the Organization for Development of Small and Medium Enterprises (ODIMM). The program "PARE 1 + 1" encourages migrants and their first degree relatives to invest in Moldova. Under the rule 1 + 1, the program guarantees that every invested leu will be substituted with a leu from the program. The maximum amount of funding is 200,000 lei. The money from the program are offered as non-refundable grant.

4.5.2 Investment Environment

Moldova has followed the path guided by agreements with the EU and has achieved some progress in its business environment since its independence in 1991, but still has major shortcomings in its investment climate.

After the expiration of a Moldova-EU Action Plan in 2008, Moldova negotiated and signed its Association Agreement with the EU in June 2014. A component of the Association Agreement, the Deep and Comprehensive Free Trade Agreement (DCFTA) eliminates customs duties on industrial and most agricultural products. It also "addresses other barriers to trade and reforms in economic governance, with the goal of strengthening transparency and competition and adopting EU product standards" (Investment Climate: Moldova 2017).

Finance, automotive, light industry, agriculture, food processing, wine, and real estate have historically attracted foreign investment. The National Strategy for Investment Attraction and Export Promotion 2016-2020 identified "seven priority sectors for investment and export promotion: agriculture and food, automotive, business services such as business process outsourcing (BPO), clothing and footwear, electronics, information and communication technologies (ICT), and machinery" (Investment Climate: Moldova 2017).

Massive bank fraud in 2014, that highlighted major shortcomings in Moldovas business environment and the rule of law, appeared at odds with the officially declared support for reform and increased foreign direct investment. The business climate is challenging. The high levels of extreme poverty is the major migration push factor in Moldova. The country heavily relies on remittances from its migrants for its economic growth. Unlike Belarus, that, according to the World Bank received personal remittances of 2.03% of its GDP, Moldova's personal remittances comprised 21.69% of GDP in 2016 (Investment Climate: Moldova 2017).

4.5.3 FDI in Moldova

According to IMF's Coordinated Direct Investment Survey, in 2015 the primary investors to Moldova came from Russia (28% of all total investment), Netherlands

(12%), Cyprus[35] (9%), Spain (8%), and France (8%).

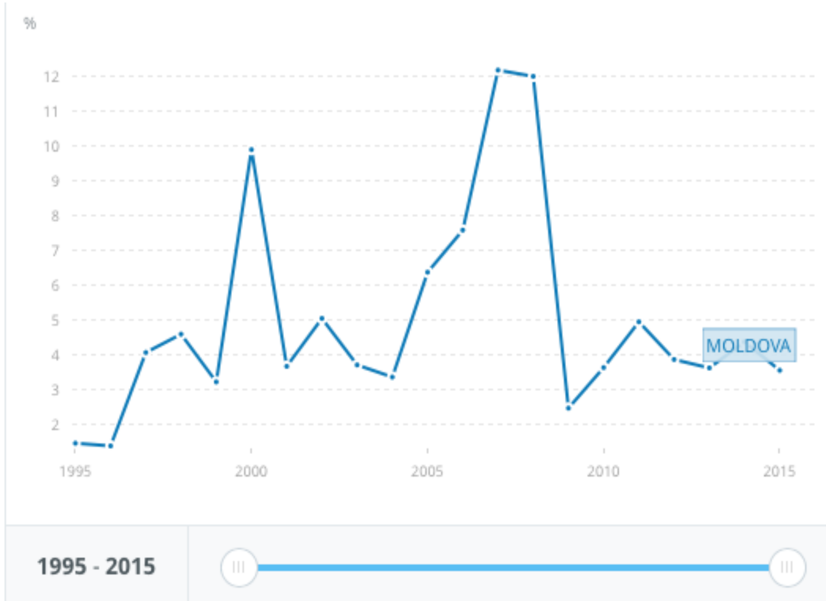

Figure 4.3: Foreign direct investment, net inflows (% of GDP), source: worldbank.com

Moldova's FDI increased with eastward expansion of the EU into Romania on January 1, 2007. However, FDI in Moldova significantly fell due to the 2008 global financial crisis and has yet to return to pre-crisis levels. The amount of FDI in Moldova is below what Moldova needs to promote economic growth. Political instability, corruption and unreliable judiciary are considered to be major disincentives for investment in Moldova.

4.5.4 Interview Results

I am using the interviews with 15 investors who emigrated from Moldova to the United States, Italy, or Great Britain and are either the founders of their own businesses or occupy executive posts in the companies that made investments or attempted to invest in their home country Moldova. Some of the responders are individual investors who used FDI as a means to establish their companies in Moldova. I also interviewed

[35]The capital that reaches Moldova via Cyprus belongs not only directly to the Cypriots, but more often to Russian businessmen.

migrant investors from Moldova who made decisions not to send FDI to their home country. The age of the interviewees ranges between 25 and 40 years old and represent different industries including food, hospitality, and IT.

Similarly to my respondents with Belarusian roots, my respondents from Moldova were conscious of problematic business environment in their home country. All indicated the weak rule of law as the main indicator complicating investment environment in Moldova. While recognizing the difficulties created by the weak rule of law in general, my interviewees did not perceive it discouraging for their investment and talked about having a competitive advantage over non-migrant investors to send FDI in their home countries with weak rule of law.

Rule of Law

Moldovan migrant-investors appeared self-aware of problematic business environment in their home country despite the country being considered an unconsolidated democracy according to various democracy scales. All interviewed migrant investors indicated that in comparison to their home country, democracies provide a better environment for investment and business operations: "Democracy offers a more comfortable environment, in non-democracies it is much harder to do business".[36]

The respondents disagreed with the high Polity IV ranking of the Moldovan regime as unconsolidated democracy, receiving a score of 8 in 2016 on a 21-point scale ranging from -10 (for a hereditary monarchy) to +10 (for a consolidated democracy). One of the investors laughed: "It depends what they [Polity IV] rank. According to some rankings, Russia is also a democracy".[37] Another migrant-investor specified: "We have procedural democracy. We have institutions, but not the culture of democracy."[38]

[36]Moldovan migrant investor, interview with the author, October 15, 2016.
[37]Moldovan migrant investor, interview with the author, October 15, 2016.
[38]Moldovan migrant-investor, interview with the author, September 11, 2016.

Even though my respondents from Moldova all admitted that the political regime in Moldova is not functioning as democratic, it was clear from my interviews that it was not the regime per se that created obstacles for making FDI and conducting business in Moldova. Similarly, to the respondents from Belarus, all Moldovan migrant investors saw the weak rule of law as the main factor hampering investment climate in Moldova. One of the respondents directly stated: "Law in Moldova does not work."[39]

The pattern regarding the references to the rule of law repeated the one with the interviewees from Belarus. Some respondents from Moldova directly named the rule of law as the main obstacle for doing business in Moldova, others mentioned the components of the rule of law by referring to legislation, the system of checks and fines, and taxation.

According to the respondents, laws in Moldova cannot be called clear or attractive for investment. There are cases of conflict between state structures and investors, leading to delays in implementing investment projects, in turn, causing imminent financial losses and increasing investment risks. This adversely affects both the country's investment climate and Moldova's image on the international arena.

One of the problematic aspects specified by all Moldovan migrant investors in my study was the difficulty of interpretation of legislation. Vague or poorly worded law confers too much discretion upon government officials who are charged with the responsibility of implementing the law. My respondents found that "laws are complicated. It is hard to understand what laws mean. They can be interpreted differently. Because of that, it is hard to understand things."[40] One of the respondents was convinced that

> if one decides to do everything legally in Moldova, that person would give up on business. The mechanism is that you need to violate the law

[39] Moldovan migrant investor, interview with the author, October 14, 2017.
[40] Moldovan migrant investor, interview with the author, September 12, 2016.

> and pay someone for that. Imagine, you did everything as directed, asked everyone, but still if an inspection comes, they will find something if you did not pay someone. They will find something as the law is not clear and can be interpreted differently.[41]

The above leads to another problem mentioned by all respondents: entrenched corruption. The perspective that a weak rule of law implies a high level of corruption has been supported since Leff (1964) and Huntington (1968). The countries with strong rule of law ensure that no one is above the law, which decreases corruption. One interviewee explained that it is more practical to keep business small in Moldova because it is safer in terms of corruption: "Moldova can be attractive for FDI, but it depends on the sector. Where there is no monopoly, it is ok. But there is corrupted political elite. If you dont know who to call, nothing will develop. Otherwise, people are open for conversations."[42]

One more problematic aspect emphasized by the respondents was excessive application of rules and regulations. Investors in Moldova face a range of problems at the stage of obtaining permits, various information, and methodological support from public authorities with regard to entrepreneurship. According to one of the respondents: "A lot of papers from different agencies are required. You have to run there 100 times, and even then you will still have papers that are missing. After that, control starts as it is impossible to know everything that you need to follow. There are so many regulations."[43] This aspect was confirmed by a Moldovan businessman, who after living in immigration for four years, invested in business for making wool and down blankets. In an interview to the Moldovan news portal *Noi.md*, he said that he faced problems at the time of the business opening. According to him: "The problem is bureaucracy. They were simply stealing our time: the sanitary certificate,

[41] Moldovan migrant investor, interview with the author, September 27, 2016.
[42] Moldovan migrant investor, interview with the author, October 15, 2016.
[43] Moldovan migrant investor, interview with the author, November 10, 2016.

which they had to make in 3 days, was issued to us only after 40 days" ("Moldovan Returned" 2017).

Similarly to the respondents from Belarus, Moldovan migrant investors indicated that different sizes[44] of companies in Moldova are faced with different treatment by the government agencies. Unlike Belarusian migrant investors, however, who stressed different sizes of enterprises being treated differently by the regime in an autocratic country, Moldova's migrant-investors were more concerned with attracting attention of corrupted high government officials. In both countries, however, micro or small companies were perceived as not being worth of attention of the regime or corrupted government officials. One of the respondents explicitly indicated that "the size of business matters. If you are insignificant, then you won't have problems. If you attract someone's attention, then you are guaranteed inspections and problems. They will make you sell your business if necessary."[45] Another interviewee stated that he has not been bothered by the regime or government officials, but explained that "it might be because my business is not huge. Steel tycoons probably feel that."[46]

Investment Environment

Similarly to my respondents with Belarusian roots, my Moldovan migrant investors showed pragmatism and importance to make profit while making FDI to their home country. Also, in a similar fashion, I came across those who were not interested in sending FDI to their country of origin with weak rule of law while not being afraid of the rule of law impeding their opportunity to make profit. One of the respondents

[44] Moldovan law establishes criteria defining businesses as micro, small or medium-sized enterprises. The legal definition of a micro-enterprise is a business which has nine employees at most, an annual sales figure of not higher than 3 million Moldovan leu (USD 150,000) and total balance sheet value of assets not higher than 3 million Moldovan leu (USD 150,000). A small business should not have more than 49 employees, annual sales of under 25 million Moldovan leu (USD 1.3 million) and total of assets under 25 million Moldovan leu (USD 1.3 million). A medium-sized business should not have more than 249 employees and earn less than 50 million Moldovan leu (USD 2.5 million) in annual sales and assets less than 50 million Moldovan leu (USD 2.5 million).

[45] Moldovan migrant investor, interview with the author, September 11, 2016.

[46] Moldovan migrant investor, interview with the author, September 22, 2016.

said: "I thought to start a hostel business, but I decided to postpone. I can do it. I am not afraid of competition. I am a lawyer, so I know how everything works. There is no law about hostels, it is impossible to conduct business legally. I did not want to always do it illegally."[47]

Another investor explained the decision not to send FDI to Moldova by the lack of demand on the product produced by his business. At the same time, this investor mentioned that he does not exclude the possibility to have business in Moldova in the future. The same investor did not see the weak rule of law as the main factor for not making FDI in his case. According to this migrant investor's words:

> The weak rule of law is not the primary reason, as my business is focused on production, which can be done cheap in the United States. The main factor for us is the lack of demand or, better say, purchasing power in Moldova. When the situation changes or if I see an opportunity, we might do business in Moldova.[48]

Other migrant investors from Moldova saw major opportunities to choose Moldova as their destination for FDI. Pavel Shkura, a native of Moldova, now part of the elite of Polish garment manufacturers, emigrated to Poland in 1990s and began his garment manufacturing business in 1996. In an interview to the news portal *Logos.Press.md*, Mr. Shkura expressed his confidence that it was his native Moldova and the two financial crises that helped him to occupy a worthy place in his life. The investor said:

> I started the transfer of production to Moldova by opening the Premiera Donna factory in Balti in 2008. During this time my friends in Riga conducted a course of anti-crisis consulting, first for me personally, then for all employees of my company. As a result, already in 2009 we almost

[47]Moldovan migrant investor, interview with the author, October 14, 2017.
[48]Moldovan migrant investor, interview with the author, October 14, 2017.

> returned to the previous volumes, opened a second office in Moscow and the first - in Kiev (Fomin 2011).

There is another example when a migrant investor from Moldova made a decision to establish a business in his home country with the weak rule of law after living in Italy for 12 years and getting the world fame there. Vasili Gonchar, a potter master from one of the Moldova's villages well-known for pottery, left Moldova at the end of 1990s. Vasili recalls in an interview to the news portal *Mybusiness.md*: "Sometimes several factories stood in line to fulfill orders, mostly from the United States. Therefore, normally I made no less than ten thousand euros after all expenses" ("Potter Returned" 2011). Vasili Gonchar saw an opportunity in development of his native village as a pottery center. In 2005, he registered "Euroceramica" LLC in Moldova. In 2010, the potter sold his Italian workshop and completely returned to Moldova.

One of my respondents from Moldova saw business opportunity in the country of origin, which made it even more attractive for FDI than other countries with strong rule of law. This migrant investor initially considered to invest in the United States, but ended up investing in Moldova as "the market was available. So, we bought real estate and opened our business."[49]

Advantages to Invest in Home Country

In support of the first core hypotheses of this dissertation, specifically that the effect of migrants should get stronger as the rule of law weakens, by talking about various aspects of social/cultural capital, all respondents expressed a strong belief in having a competitive advantage for making investments in Belarus over investors born elsewhere.

The main advantage over non-migrant investors mentioned by my respondents was

[49]Moldovan migrant investor, interview with the author, October 15, 2016.

the importance of having connections. This can be linked to the entrenched corruption problem in Moldova. According to one of the interviewees, "there is corrupted political elite. If you dont know who to call, nothing will be done."[50]

Some of my respondents were convinced that it is much harder to build connections in the country other than the native country. This respondent told about his experience in Russia: "I spent 5-7 years in Russia, and I dont have even half of those connections that I have in Moldova. In Moldova, my connections begin from the very childhood: school, university."[51] In many instances, my respondents mentioned their relatives as trustworthy people to do business with:

> I have two sisters and my parents. There was a chance to buy a territory and we decided to do that and start a business, a place for that. We invested a lot in it. I was at that time abroad. My sister started finding more about business management. I gave my money that I saved, we took a loan in a bank and started our business.[52]

Several other respondents connected the importance to have connections to the overall business operation in Moldova. According to one of such respondents, "Moldova is a country where you know everyone. If you dont, then your friends will. It would be harder for a foreigner to find information and people. It is important to have a trustworthy person in Moldova."[53]

Migrant investors from Moldova believe that understanding the mentality of the people in Moldova makes it easier for them than to those investors born outside of Moldova to conduct business in a country with unclear legislation and deal with potential issues with business resulting from corruption and over-regulation. One of the respondents stated: "I know the system. I know how business works, all

[50] Moldovan migrant investor, interview with the author, October 15, 2017.
[51] Moldovan migrant investor, interview with the author, September 12, 2016.
[52] Moldovan migrant investor, interview with the author, September 22, 2016.
[53] Moldovan migrant investor, interview with the author, October 15, 2016.

infrastructure, approach to people."[54] Another respondent was sure: "While making the decision to start business at home, we took into consideration that we knew the legal framework in Moldova, knew how the system works."[55]

Similarly, to the respondents with Belarusian roots, Moldovan migrant investors saw their comparative advantage in their ability to minimize the risks and potential fines resulting from the weak rule of law in Moldova. According to my interviewees, complexity creates loopholes that one can abuse with impunity. One of my respondents explained: "A foreigner would have difficulties to understand the system. Mentality is different. You need to threaten some people and bribe others. You need to be native to feel that."[56]

In the conditions of a highly corrupted regime, Moldovan migrant investors described that connections are useful not just for managing business, but can also be important for resolving potential difficulties with business operations. One of the investors stated that connections can serve as a potential short cut: "For example, for a Westerner a bribe is a crime, here you understand the need and use it."[57]

4.6 Conclusion

In this chapter, I examined the cases of Belarus and Moldova and found that migrant-investors from both Belarus and Moldova perceive themselves as having a competitive advantage over non-migrant investors to send FDI in their home countries with weak rule of law. The interviews allowed to focus more closely on migrant investors' motivations to send FDI back home. I account for personal impressions of migrant-investors on their perceptions on making investments and conducting business in their home country with unfavorable investment environment. The interviews provided evidence

[54] Moldovan migrant investor, interview with the author, September 24, 2016.
[55] Moldovan migrant investor, interview with the author, October 15, 2016.
[56] Moldovan migrant investor, interview with the author, October 20, 2016.
[57] Moldovan migrant investor, interview with the author, September 11, 2016.

on why migrant investors perceive their home countries with weak rule of law attractive for FDI.

The interviews confirmed my expectations outlined in this chapter and the first core hypotheses of this dissertation that migrants will have a stronger effect on FDI as the rule of law in their home countries gets weaker. Consistent with the first and the second expectations in this chapter, my respondents recognized the problematic nature of investment environment in their home country. The problematic nature was connected to the poor rule of law in each country. At the same time, it is clear that both Belarusian and Moldovan migrant-investors were interested in capitalizing in the environment that might look risky for non-migrant investors.

Even more interesting was to see the evidence supporting the third expectation that migrant investors perceived their social/cultural capital as a competitive advantage while making FDI in their home countries with weak rule of law. Migrant investors showed their confidence in their ability to profitably exploit business opportunities that would seem risky to non-migrant investors. Migrant investors rely on their personal knowledge of how to navigate business environment in their home country with the weak rule of law. In this case, this type of investors possess advantages allowing for reduction of non-transparency through understanding of national mentality, having connections, and speaking the native languages.

One more interesting nuance, challenging the notion that migrants reduce informational problems pertaining to investment flows, relates to the fact that migrant investors from both Belarus and Moldova had reservations while asked whether they would recommend their home country with weak rule of law for investment. While having a competitive advantage over non-migrant investors, all respondents indicated that they would point to the risks with investment and that their recommendations would depend on the sector.

The contributions of this dissertation extend beyond the cases of Moldova and

Belarus. My work fits well into research in both the scholarly and policy spheres. First, I separate migrant investors from the large pool of migrant population. Second, I account for motivations of migrant investors to choose their home countries with weak rule of law over non-migrant investors.

Omitted from this analysis is the preferences of the governments in the countries with weak rule of law and their attitudes towards their diasporas as potential sources of FDI. The next chapter, therefore, will focus on the analysis of the rationale of the governments with weak rule of law for diaspora engagement for the purposes to attract FDI.

Chapter 5

Government and Foreign Direct Investment

Thus far in this dissertation, I have demonstrated that migrants increase FDI in their home countries with weak rule of law. By using the interviews with migrant investors from Belarus and Moldova, I demonstrated that migrant investors perceive their social/cultural capital as a comparative advantage over non-migrant investors while making FDI in their home countries with weak rule of law. The case studies allowed to expand on the results of the statistical analysis and for a close examination of migrant investors' preferences. Chapter 3 and 4 provided evidence in support of the first core hypothesis by showing that migrants get more important for FDI as rule of law gets weaker.

This chapter will test the second core hypothesis that focuses on governments' efforts to stimulate diaspora direct investment flows (DDI). The following chapter is structured as follows. First, I review the process how various governments attract FDI to their countries, focusing on the case studies of Belarus and Moldova. After that, I directly test the second core hypothesis by focusing first on diaspora engagement policies and then on institutions targeting their diasporas for investment. Finally, I conclude with the discussion of my findings.

5.1 Theory Revisited

As demonstrated in the previous chapters, the existing literature recognizes the importance of migrants for cross-border investment. However, there is still little systematic empirical work examining the role played by the migrant's home country. There are some studies explaining the emergence of diaspora engagement policies (Ragazzi 2014, Leblang 2017) and diaspora engagement institutions (Gamlen 2017). The explanations include harnessing diasporas for resources vital to origin-state development and security, assistance in defining origin-state political identity, and using diasporas for the origin-state's image demonstrating adherence to global norms. The strategies to engage their diasporas also vary and include both economic (ex. tax breaks, diaspora bonds) and political incentives (ex. dual citizenship, extra-territorial voting rights).

The literature on the type of states reaching out to their diasporas is also very scarce. Gamlen (2006) argues that diaspora engagement policies are not confined to any one kind of state. Ragazzi (2014) claims that diaspora policies are determined by a broad strategies of political, economic and cultural development. To my knowledge, the existing research does not address the role of rule of law for the sending state's attitudes towards their diasporas.

Within any diaspora, it is likely that only a small minority will have the inclination, skills, and knowledge to become direct investors in their ancestral homeland. However, these migrant investors can be perceived by the governments with weak rule of law as a unique driving force of FDI, as business environment in such countries is hindered by non-transparent legislation.

I argue that diaspora direct investment is particularly important to economies that have yet to gain the confidence of foreign investors. The rulers in these countries would like to attract as much FDI as they can without improving their weak rule of law as they have no interest to impose restraints on themselves by making everyone equal before the law. Uncertain legislation in the countries with weak rule of law is a major risk factor for foreign investors who have a long-term prospect of economic returns from their investment. Migrants' social/cultural capital, perceived as a comparative advantage over non-migrant investors, increases the likelihood that migrants will be willing to take risks and invest where others may not. Therefore, I argue that the governments with weak rule of law will be more likely to attract foreign diaspora investment than those with strong rule of law.

5.1.1 Investment Promotion Agencies and Government Representations

To better understand how governments target their diasporas for FDI, it is necessary to first overview investment promotion process that is attributable to most of the countries in the world.

Most governments promote and facilitate inward FDI as it can be a major source of capital, employment, skills, technology and revenue. It is widely believed that investment promotion has a great impact on the amount of attracted FDI. According to Louis T. Wells and Alvin G. Wint (2000), a 10% increase in the investment promotion budget will lead to a 2.5% increase in FDI. Harding and Javorcik (2007) also have found a positive relationship between investment promotion and success in attracting FDI. A research carried out by the University of Oxford also has shown that one dollar spent on investment promotion increases FDI in flows by 189 dollars (Harding and Javorcik 2011).

The responsibility for directing overseas investment promotion normally lies with an investment promotion agency (IPA) on both the national and subnational (regional) levels. IPAs are structured in different ways. Some IPAs are integrated in government departments, others are separate operations. Some are focused on both trade and investment, while others are directed solely to investment promotion.

Today, there are very few governments that do not have an institution responsible for promotion of inward investment. The World Association of Investment Promotion Agencies (WAIPA), a non-governmental organization, providing the opportunity for IPAs to network and exchange best practices in investment promotion, currently has 170 Members from 130 countries.

A country's promotional efforts rest upon a network in which the IPA sits at the centre and communicates with a range of stakeholders in one direction (usually a ministry and other government departments responsible for attracting FDI) and the overseas representatives in the other (usually embassies and consulates).

Figure 5.1: Investment promotion structure

Investment process rests on coordination of the approaches with the potential investor to avoid duplication or mixed messages to the potential investor. The IPA shares its promotion strategy with its overseas representatives - often diplomats acting as agents of the IPA. The diplomatic corps is a potentially important resource, especially for the many countries that cannot afford to maintain an IPA with overseas offices. Well-resourced embassies may assign a staff member or a team for promotional tasks (for example, combining investment and trade). For smaller embassies, the promotional activities are shared with other duties.

One of the basic tasks of IPA activities is to provide all information necessary for foreign investors encouraging for positive investment decisions. Typical activities of IPAs are information dissemination, investment facilitation, investment generation, image building, expanding linkages between foreign investors and domestic suppliers (Wells and Wint 2000).

While governments tend to use IPAs to target all foreign investors (including migrant investors), a growing number of origin states have established formal diaspora institutions of various kinds, ranging state-funded quasi-governmental organizations, to councils, committees and units within origin-state legislatures and executive bodies, to fully-functioning diaspora political departments, some with ministerial-level importance. Only 15 years ago one could count less than 50 diaspora institutions globally (Figure 5.2). But their recent spread globally, and their increasing importance to origin-state political and economic development shows no signs of waning in the near future.

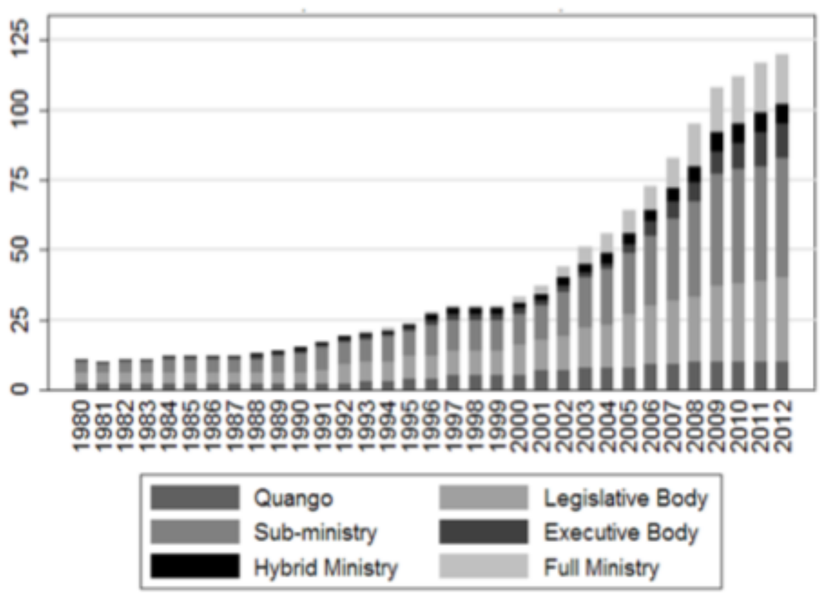

Figure 5.2: Annual Count of Diaspora Institutions Globally, 1980-2012. Source: Gamlen, Cummings, Vaaler, and Russouw 2013

Many governments have introduced national policies according to which migrants are welcome or even expected to contribute for development in their home countries. Such programs are aimed at overcoming a series of barriers that may limit the expansion of DDI and other productive activities linked to diasporas.

Governments engage in specific initiatives such issuing diaspora bonds or certificates to encourage diaspora investment to address the problems with various issues in economy. An example can be India, Egypt, or Nigeria. In an interview with *Al-*

Monitor in November 2016, Egyptian Immigration Minister Nabila Makram spoke about the Central Banks decision to unify the Egyptian pound-US dollar exchange rate to encourage Egyptians abroad to invest in their homeland. According to Minister Makram, the goal was to

> promote the US-denominated certificates called Biladi certificates (Arabic for my homeland) in cooperation with the Foreign Ministry, our embassies, federations and coalitions abroad ...The Egyptian expatriates in Australia and New Zealand formed work teams to promote Biladi certificates and they are achieving great results (Mikhail 2016).

The Government of Nigeria, in turn, in March 2017 issued the Diaspora Bond in hopes to attract diaspora investment (Ujah 2017).

There are examples of countries that "grant tax exemptions and fiscal advantages to non-resident citizen investors or to business ventures of return migrants, as is the case in Ecuador and Senegal" (Ostergaard-Nielsen 2016). China and India are other prime examples known for their success of taking advantage of their diasporas for development. China and then India introduced a number of high-tech zones and special economic zones with extensive freedom to form and run private companies, tax exemptions, and interest-free loans (Jonkers 2008). Several other countries, including Albania, Algeria, Morocco, and Tunisia, have been undertaking somewhat similar policies and programs Tunisias diaspora engagement policies focus on encouraging Tunisians living abroad to invest in their country of origin by allowing these entrepreneurs to enjoy tax holidays and preferential treatment of imports of capital goods for their businesses (Debnath 2016).

Not all countries create formal diaspora institutions and still may target their diasporas directly through existing ministries (ex. Ministry of Foreign Affairs) by personally meeting with expatriates to increase the credibility of appeals for investment or by delivering speeches encouraging diaspora to make investments in their home countries.

While countries in general tend to pursue similar initiatives, with much in common in terms of philosophy and approach, there is no one size fits all diaspora strategy. It is to be expected because countries are different and the history of their diasporas is different.

Below, I illustrate investment promotion processes of the two case studies - Belarus and Moldova - to build upon the information provided in the previous chapter and to demonstrate the ways through which governments with weak rule of law may target their diasporas for investment.

To get a complete picture on the structure of the investment promotion processes in these two countries, I contacted Belarusian and Moldovan embassies in Washington, DC.

5.1.2 Belarus

Belarus targets its diaspora for investment in three different ways (Figure 5.3). First (1), it is treating them as a separate category of investors by expressing an interest in establishing a more productive framework for relations with Belarusian diaspora through top government officials. Second (2) and third (3), it is treating Belarusian migrants as a part of all foreign investors by appealing to them through National Agency of Investment and Privatization, consulates and embassies as well as Belarusian Chamber of Commerce and Industry.

Belarusian government is responsible for promoting economic prosperity and the sustainable development of its country. The main strategic document in this regard for Belarus is The Program of Social and Economic Development of the Republic of Belarus for 2016 - 2020. Investment promotion is linked to this wider economic strategy with FDI serving as the priority source of modernization of Belarusian economy.

As most countries, Belarus maintains agencies to promote and facilitate FDI.

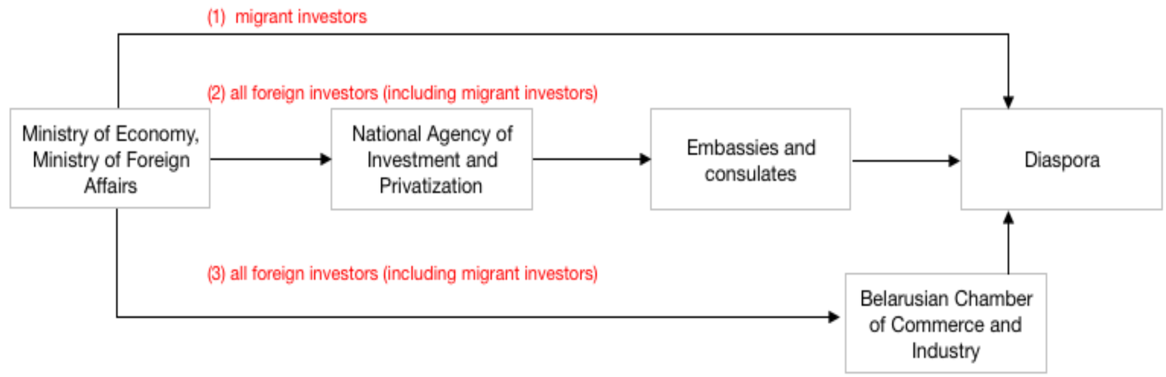

Figure 5.3: Investment promotion structure targeting diaspora in Belarus

Belarusian IPA is officially known as the National Agency of Investment and Privatization (http://www.investinbelarus.by/en/), subordinate to the Ministry of Economy since 2011. As listed on their website, the main aim of the Agency is providing support in the cooperation between the state bodies and investors as well as maintaining connection with its overseas representations, Belarusian embassies and consulates. According to its charter, Belarusian IPA closely works with the Government on the topics including, but not limited to, investment policy development and formation of countrys investment image.

Given that FDI involves foreign companies, Belarusian embassies serve as a link to the Belarusian IPA by playing an important role in the task of disseminating information promoting Belarus as investment destination. According to the Belarusian Senior Counselor for Trade and Economic Affairs, the embassy disseminates information about investment conditions on Belarus, free economic zone, high technologies park (HTP), Great Stone Park, investment projects in Belarus at various events (panels, conferences), in negotiations with US companies, etc. Also, investment issues are always on the agenda in contact with the international financial organizations based in Washington - the World Bank and the IMF. The embassy also ensures participation of American banks, investors and firms in the events held in Belarus, in particular, in the Belarusian investment forums, which are held annually in September in Minsk.

The way Belarusian state targets its diaspora as a separate category of potential investors (corresponding to the first way (1) in Figure 5.3) is by expressing its interest in cooperation with diaspora through the meetings with diaspora representatives and recognizing diaspora as a valuable resource in promoting the country's political and economic interests abroad.

The Ministry of Foreign Affairs is the main point of contact in Belarus for Belarusian diaspora. One piece of legislation related to Belarusian diaspora in Belarus is the Law on Belarusians Living Abroad, which came into effect in September 2014. However, the law does not introduce any formal recognition of diaspora status by the Belarusian state. Belarusians living abroad receive no preferential treatment or incentive when they repatriate or travel to Belarus, study or invest in the country.

Together with the Law on Belarusians Living Abroad, the government established the Consultative Council for Belarusians Living Abroad as a working tool to interact with the diaspora however without any representative capabilities (Gubarevich 2016). The Council currently includes people "whose candidatures were submitted by Belarusian embassies. One can assume that Belaruss foreign missions tend to recommend such people who are not averse to the Belarusian authorities domestic and foreign policy" (Gubarevich 2016). At the same time, introduction of the Law and establishment of the Council is a recent and noteworthy trend. Earlier, the government's interaction with Belarusians living abroad remained limited to cultural events or using some of them as the regime's advocates.

Since 2014, The Minister of Foreign Affairs met in person with the Consultative Council for Belarusians Living Abroad in 2016 and delivered a speech at the Forum of Belarusians of the World[1] in 2017. Each time in his speeches the Minister of

[1] The World Association of Belarusians "Batskaushchyna", established in 1990, unites 135 organizations of the Belarusian diaspora from 28 countries. Batskaushchyna holds congresses of Belarusians every four years. in 2017, more than 300 delegates from Belarus and abroad took part in the forum. Among the guests of honor of the Forum were the heads of diplomatic missions of Great Britain and Ukraine, representatives of the Administration of the President, the Ministry of Foreign Affairs, the Ministry of Education, the Ministry of Economy, the Office of the Commissioner for Religions and

Foreign Affairs, among other things, stressed the importance of the Belarusians living abroad in the economic relations between Belarus and the countries of their residence ("Belarusian diaspora" 2017).

The second way (number (2) in Figure 5.3) Belarus appeals to its diaspora for investment is through National Agency of Investment and Privatization and consulates and embassies. According to Belarusian Senior Counselor for Trade and Economic Affairs, all legal investments are valuable, including those obtained with the help of emigrants from Belarus: "The main thing is that the investor should be decent, observe the laws of the USA and Belarus and come with serious intentions and for a long time."[2] However, the Counselor stressed that "the main differences between migrants and non-migrant is that immigrants from Belarus require much less details and explanations about doing business in Belarus. They, as a rule, are aware of the Belarusian realities."[3] He saw the value from cooperation with migrant investors from Belarus not so much to attract investment from the company of the native of Belarus, but with its help to gain access to American investments in general.

Belarusian Senior Counselor for Trade and Economic Affairs stressed that Belarusian embassy in the United States has experience promoting Belarus for export, investment and tourism at events with the participation of representatives of the Belarusian diaspora in Minnesota, Florida, California, Texas, Pennsylvania. It has also been cooperating with a number of leading IT companies located in the United States and offices in Belarus as EPAM Systems and Exadel.

One other way, corresponding to the third way (3) in Figure 5.3, Belarusian government targets its diaspora as a part of all foreign investors is with cooperation of the Belarusian Chamber of Commerce and Industry. By being registered as a non-

Nationalities, various Christian faiths and the Muslim community.

[2]Belarusian Senior Counselor for Trade and Economic Affairs, correspondence with the author, March 16, 2018.

[3]Belarusian Senior Counselor for Trade and Economic Affairs, correspondence with the author, March 16, 2018.

governmental organization, the Belarusian Chamber of Commerce and Industry, has been signing cooperation agreements with the Ministry of Foreign Affairs, according to which one of the responsibilities of the Belarusian Chamber of Commerce and Industry has been attraction of foreign investment to Belarus. The Law of the Republic of Belarus on the Chamber of Commerce from June 16, 2003, contains article 19, according to which The Ministry of Foreign Affairs of the Republic of Belarus coordinates the activities of the Belarusian Chamber of Commerce and Industry to fulfill the functions delegated to it (http://pravo.by). According to the Chamber's website, the Chamber serves as an intermediary organization contributing to attraction of profitable investments by rendering necessary organizational, consulting and informational assistance to foreign partners (https://www.cci.by). The website, however, does not separate diaspora as a separate category of investors and is aimed at targeting all potential foreign investors.

5.1.3 Moldova

Moldova slightly differs in its approach to targeting its diaspora for investment. As seen in Figure 5.4, unlike Belarus, one of the ways (1) Moldova appeals to its diaspora for investment is through diaspora engagement policy treating Moldovan diaspora as a separate category of investors. Similarly to Belarus, Moldovan government maintains the dialogue with its diaspora through specially created diaspora bureau and directly through the meetings with diaspora representatives (2). In addition, similarly to Belarus, Moldova targets its diaspora for investment as a part of general promotion strategy by treating it as a part of all foreign investors (3).

The main strategic document aimed at attracting investment for Moldova is the National Strategy on Investment Attraction and Export Promotion for the years 2016 - 2020.

The next link in the general investment promotion structure of Moldova is to

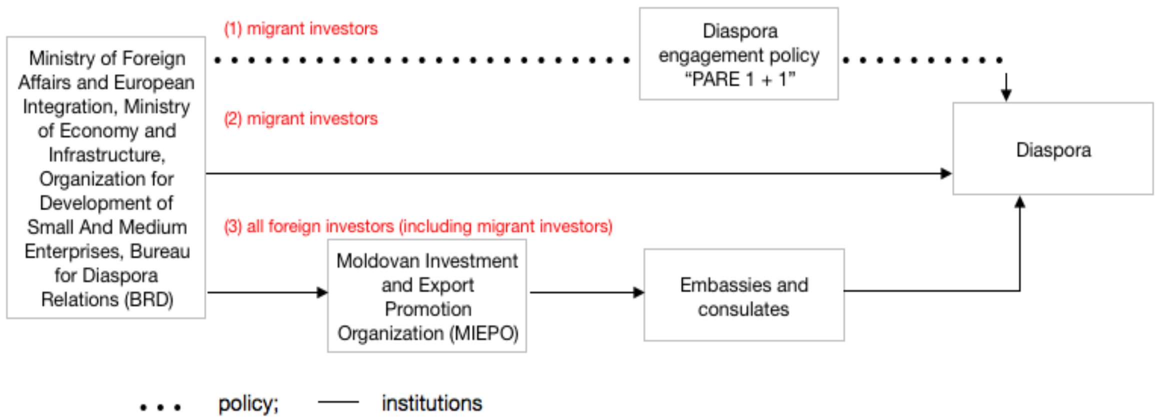

Figure 5.4: Investment promotion structure targeting diaspora in Moldova

communicate the investment promotion strategy to those who would implement it. Moldova's national IPA serves as this link by designing the messages to be communicated to potential investors. In the case of Moldova, it is Investment and Export Promotion Organization (MIEPO) created in 1999, http://www.miepo.md/en. The MIEPO directly reports to the Ministry of Economy and Trade of the Republic of Moldova. MIEPO's website contains some information promoting Moldova as investment destination, however, most of investment promotion information can be accessed only in Romanian language.

According to the Moldovan Counselor of Economic, Commercial, and Assistance Affairs, Moldovan embassies, especially commercial-economic bureaus, also play a part in getting the messages across. The job of the diplomats is to reduce knowledge gaps for the potential investor. Additional channels for delivering these messages to potential investors include websites, television and radio advertising, direct mail, events, news features and sponsored visits by journalists.

The targets for the promotion campaign are the companies and individuals. In practice, the channels distribute the messages to a wider audience that includes diaspora representatives. The task of the Moldova Investment and Export Promotion Organization (MIEPO) and the embassy (economic diplomat), corresponding to the third way (3) in Figure 5.4, is to generate as many leads as possible and then convert these into investment. The task of the national promotional authority (MIEPO) is to provide all the data necessary to convince the company that investing in Moldova will be profitable.

The first of the two ways Moldovan government targets its diaspora for investment is through diaspora engagement policy and with the help of several government institutions (number (1) in Figure 5.4). Several key institutions are involved in foreign economic activity addressed to Moldovan emigrants and descendants: Ministry of Foreign Affairs and European Integration, Ministry of Economy and Infrastructure, MIEPO and Organization for Development of Small And Medium Enterprises (ODIMM).

The main diaspora engagement policy for Moldova is "PARE 1 + 1". ODIMM serves as the focal point for the Program on Attracting Remittances into the Economy "PARE 1 + 1". The program was designed for migrants and/or their first-degree relatives to attract them to invest their home country. The state offers migrants the financial aid by matching every invested leu with a leu from the program up to 200,000 lei. In addition, the program offers consultancy and training in entrepreneurship for the period over 24 months.

The second approach targeting Moldovan diaspora for investment is done through the Bureau for Diaspora Relations (BRD) and the top government officials through BRD or on their own (number (2) in Figure 5.4). The BRD was created in 2012 and placed under the direct supervision of the Prime Minister. The Bureau's responsibility is to develop and coordinate public policies for and with diaspora participation. In 2016, Moldovan government adopted the National Strategy "Diaspora-2025" and the Action Plan for its implementation for the years 2016-2018. According to the Moldovan Prime Minister, "it is for the first time when Moldova prepares a policy document related the Diaspora which confirms the significance of the phenomenon and the seriousness with which the government treats it" ("Prime Minister attended"

2016).

One of the four specific objectives from the Strategy related to investment is the direct and indirect involvement of diaspora in the sustainable economic development of Moldova. According to the BRD's website (http://www.brd.gov.md), this Strategy seeks, among other things, "to strengthen the relationship between the citizens leaving the country and the government and aims to attract diaspora investment through investment programs launched and implemented by the government" (http://www.brd.gov.md). As a part of implementation of this strategy, the BRD organizes Investment Diaspora Forums, which are known to be attended by the Moldovan Prime Minister.

In addition, similar to Belarus, Moldovan government considers it effective to engage in personal interactions with diaspora representatives. For example, in 2016, Prime Minister Pavel Filip attended the Diaspora Business Forum, where in his speech he encouraged diaspora to take advantage of the diaspora engagement policy "PARE 1 + 1" and contribute to economic development of Moldova ("Prime Minister attended" 2016). The Prime Minister met with the representatives of Moldovan diaspora several times in 2017. One of such meetings was with representatives of the Moldovan diaspora from the State of Israel. The Prime Minister talked about actions undertaken to improve the business environment in Moldova, create new jobs, attract investments into the national economy and urged diaspora's representatives to actively get involved in the process of Moldova's modernization ("Prime Minister urges" 2017).

5.2 Research Design

The following section is designed to quantitatively test the second core hypothesis of the dissertation that governments with weak rule of law are more likely to appeal to their diasporas for investment than those having strong rule of law. By being unable to attract much FDI due to their weak rule of law and their interest to stay in power through maintaining that weak rule of law, states with weak rule of law perceive their diasporas as an alternative source of FDI. It is less costly for the country of origin governments to appeal for foreign investment to their diasporas since diasporas perceive investment risk in their countries of origin differently than many other investors. Therefore, I expect countries with weak rule of law to do more to appeal to their diasporas for investment.

I focus first on diaspora engagement policies. That is, the more important the diaspora is for the economy and domestic and foreign policy of the country of origin, the more likely that country is to seek to tap into diaspora resources through outreach policies.

I also analyze diaspora engagement institutions to further test the second hypothesis of the dissertation. I focus on institutions because recognizing the value of migrants does not necessarily always translate into concrete policies that welcome migrants to take part in national development. More specifically, because not all countries create formal diaspora institutions and still may target their diasporas through existing ministries (ex. Ministry of Foreign Affairs) and because diasporas can be targeted for the purposes other than investment (ex. national ideology), I focus on the governments that reach out to their diasporas for investment through their top government officials. For the purpose of convenience, below I call these instances as institutions reaching diaspora for investment.

I use logistic regressions with control variables to test the proposed hypothesis. Logistic regression is a powerful statistical way of modeling a binomial outcome, takes the value 0 or 1 for not having or having a diaspora engagement policy or whether a government does not appeal or appeals to diaspora for investment.

5.2.1 Dependent Variables

Diaspora Engagement Policy

For my policy dependent variable, I use the population policies dataset providing information on government policies on international migration available through United Nations Department of Economic and Social Affairs. The latest dataset openly available online covers the year of 2015.

The dataset contains the measures that the government has adopted to encourage or facilitate investment in the country by its diaspora. These measures are divided in three categories: reduced costs of transferring remittances, tax exceptions or breaks, and preferential treatment in providing credit or allotment of licenses. Each country that has diaspora engagement policy can have either one, two out of three or all described measures. Examples of the countries that have all three types of the policies include Iraq, Cameroon, or Algeria. There are countries that have various combinations of the two of the described policies. Among those are El Salvador, Egypt, or Indonesia. The countries that employ one of the three policies include Australia, Greece, Armenia, or Nigeria.

The dataset lists 197 countries, out of which 63 countries (Appendix D) have measures to attract investment by diaspora, 87 countries don't have the measures attracting diaspora investment, and the data on policy measures is not available for the rest 46 countries. I treat the countries, for which the data is not available as not having diaspora engagement institutions. These 47 countries range from low rule of law (Venezuela, Yemen, Timor-Leste) to strong rule of law (Netherlands, Austria, or Canada).

Diaspora Engagement Institutions

For my institutions dependent variable, I develop an original dataset examining the instances when governments reach out to their diasporas for investment. More specifically, I checked 192 countries by searching online articles and announcements indicating that top government officials reached out to their diasporas for investment, more specifically, whether key government figures took time to personally meet with their expatriates to increase credibility of their appeals or delivered speeches encouraging diaspora to make investments in their home countries. I used English language by searching such phrases as "ministry, investment, diaspora" and the more specific search terms as "FDI, Prime Minister, Ministry of Foreign Affairs, migrant investors" together with each country's name. To avoid bias, I used the same search phrases for all 192 countries.

Out of 192 countries, 64 appeared to have a record using their high official figures, such as Ministers, Prime Ministers, or heads of states to appeal to their diasporas for investment. The data in Appendix E includes the links to online articles, various announcements, and key government officials' speeches indicating the governments' reaching out to their diasporas for investment.

The data pertaining to 64 countries appealing to their diasporas for investment indicates that many governments take their relationships with their diasporas seriously by entrusting high officials to engage in the meetings with expatriates and use such meetings as a platform to appeal for diaspora investment. For example, there are records of Mozambican President Filipe Nyusi and Liberian President Ellen Johnson Sirleaf of meeting personally with their expatriates. Meetings on a high level is likely to increase weight and to ensure credibility of governments' appeals and encouragements of investments from their diasporas.

In many cases, Ministers, very often Ministers of Foreign Affairs, delivered their speeches at diaspora conferences. Some of these conferences were organized exclusively by the Ministries dealing with diaspora affairs, others in cooperation with diasporas. For example, in August 2016, Somaliland Diaspora Agency (SLDA) in cooperation with the Ministry of Foreign Affairs & International Cooperation organized an annual diaspora conference, which was opened by the H. E. Minister Abdusalam H. Omer. Somalian Ministry of the Foreign Affairs reported that H.E. Minister Omer recognized the enormous contribution of the Somali Diaspora to Somalia and encouraged them to return to invest and participate in the reconstruction of their motherland ("Minister Opens" 2016).

Online articles provide evidence of the governments willing to assist their diasporas in their investment endeavors back home. In its report about Zimbabwean embassy in South Africa maintaining relations with its diaspora *Pressreader* reports an excerpt of the interview with Isaac Moyo, Zimbabwe's envoy to South Africa. According to Mr. Moyo, "if they [diaspora] have issues that need us to open some doors, we do. They've seen the embassy's willingness to help them pursue their business endeavors" ("Diasporans Warm Up" 2016). *Cameroon Journal* reports that during the first Cameroon Diaspora Forum organized by the Government in June 2017, Prime Minister Philemon Yang said that "government has taken varied measures aimed at encouraging investment in the country from persons living abroad. He cited amongst other little known cases, the exoneration of custom duties and taxes on equipment as well as other incentives, which he challenged them to take advantage of" (Issa 2017).

5.2.2 Explanatory Variable

My key explanatory variable is rule of law. I use World Government Indicators (WGI) measurement for the rule of law for 2015 to match the year in the population policies dataset and the same rule of law measure for 2016 (the most recent year available at the moment) for the institutions variable. WGI scales the scores from 0 to 100, with 0 corresponding to the lowest rank, and 100 corresponding to the highest rank.

Table 5.1: Summary Statistics for Diaspora Engagement Policies

Variable	Mean	SD	Min	Max	Obs
Diaspora Engagement Policy	0.31937	0.46746	0	1	191
Rule of Law	47.49344	28.67017	0	100	192
Log (GDP)	24.1556	2.40866	17.30207	30.52808	187
Log (FDI)	18.68754	7.70803	-9.21034	26.95012	188
Population growth (%)	1.43033	1.24151	-2.46785	5.85617	189
Interest rate (%)	9.63374	9.62111	-12.2829	53.5429	122
Polity score	4.30061	6.04013	-10	10	163

Table 5.2: Summary Statistics for Diaspora Engagement Institutions

Variable	Mean	SD	Min	Max	Obs
Diaspora Engagement Institutions	0.32813	0.47076	0	1	192
Rule of Law	47.14339	28.75159	0	100	189
Log (GDP)	24.1855	2.41274	17.34829	30.5555	183
Log (FDI)	18.54605	8.03089	-9.21034	26.89583	186
Population growth (%)	1.406947	1.15363	-1.63884	5.21772	189
Interest rate (%)	7.25059	7.58411	-13.06483	49.98012	116
Polity score	4.30864	6.05388	-10	10	162

5.2.3 Control Variables

There are some additional factors that may affect governments' decisions to adopt a diaspora engagement policy or make an appeal for diaspora investment. I control for population growth, country's income (GNI), interest rate, FDI inflows, health of country's economy (GDP), and a country's regime type (Polity IV). All control variables except the regime type, come from the World Bank's World Development Indicators (WDI) database.

5.3 Results

In the following subsections I present the results of the tests first for diaspora engagement policies and then for diaspora engagement institutions. I begin with presenting simple descriptive statistics to help walk the reader through my analysis and make it easier to understand and follow my results.

After that, I use logistic regression to further see whether countries with weak rule

Table 5.3: Means of Rule of Law in B based on Diaspora Engagement Policies in B (2015)

	Rule of Law in B
Diaspora Engagement Policies in B	
absent	50.632
present	40.976

of law are more likely to adopt diaspora engagement policies and whether countries with weak rule of law are more likely to use top government officials to appeal for diaspora investment than the countries with strong rule of law.

5.3.1 Diaspora Engagement Policies

Table 5.3 provides information about the variables of interest - rule of law and diaspora engagement policies - using simple descriptive statistics. These statistics include the means of rule of law in home country when diaspora engagement policies are either present or absent in a country. It is clear from the table that, as predicted, the lower rule of law means are associated with the value "present".

Now I can proceed with a logistic regression analysis. It is the appropriate regression analysis to conduct as my dependent variable is dichotomous (binary) - having (coded as 1) or not having (coded as 0) diaspora engagement policy. When interpreting the binary logistic regression, we predict which of the two groups of the binary dependent variable the rule of law ends up falling into.

It is possible to describe the results of a logistic regression in several different ways. One could discuss the logits (log odds) or odds ratios. Which metric one chooses is a matter of personal preference and convention in a particular field. To determine the results, I will interpret the odds ratios.

Table 5.4 reports the odds ratios of diaspora engagement policies. The log likelihood chi-square indicates that the model as a whole is statistically significant. An-

Table 5.4: Logistic Regression Analysis for Variables Predicting Adoption of Diaspora Engagement Policies

	Coef.
Rule of Law	0.965**
	(0.012)
Population Growth	0.755
	(0.174)
Economy Health	1.435**
	(0.179)
Interest Rate	0.997
	(0.025)
FDI Inflows	1.019
	(0.045)
Regime Type	1.075
	(0.054)
Constant	0.0003**
	(0.001)
Model chi2	19.82**
Hosmer-Lemeshow chi2	8.39
Number of observations	101

Note: Standard errors in parentheses, Stata13. * p<0.10, ** p<0.05.

other commonly used test of model fit is the Hosmer and Lemeshows goodness-of-fit test. The idea behind the Hosmer and Lemeshows goodness-of-fit test is that the predicted frequency and observed frequency should match closely, and that the more closely they match, the better the fit. With a p-value of 0.397, we can say that Hosmer and Lemeshows goodness-of-fit test indicates that our model fits the data well.

The important thing to remember about the odds ratio is that an odds ratio greater than 1 is a positive association (i.e., higher number for the predictor means group 1 in the outcome), and an odds ratio less than 1 is negative association (i.e., higher number for the predictor means group 0 in the outcome). The numbers in the odds ratio column show how the odds change for a one-unit change in the rule of law (independent variable).

The rule of law variable is significant at p=0.05. Its odds ratio is 0.965, which is lower than 1. This implies a negative relationship between the policies and the rule of law. To illustrate, consider Figure 5.5, which uses the model in Table 5.4 to

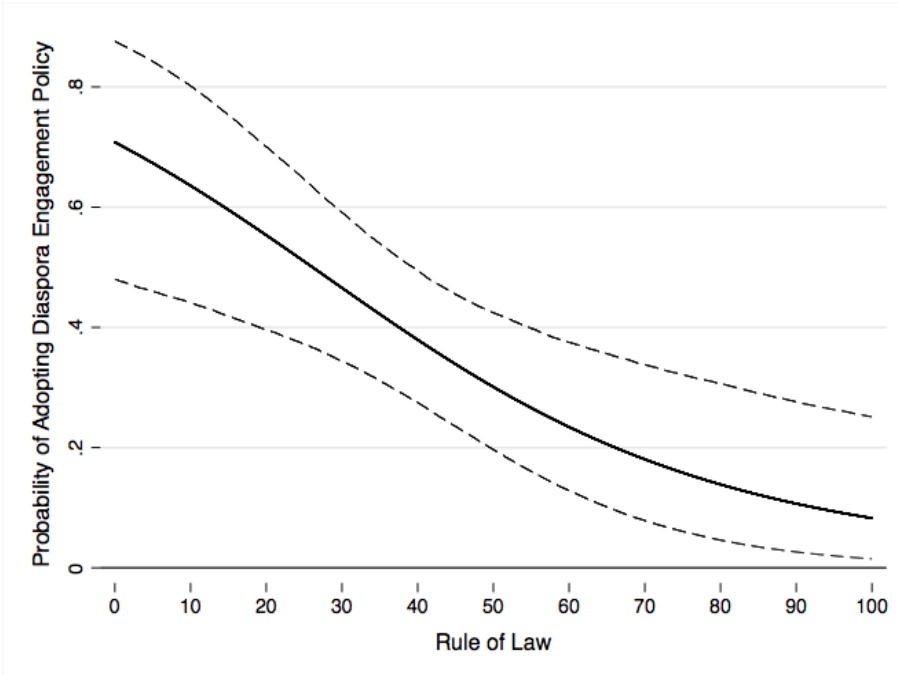

Figure 5.5: Relationship between diaspora engagement policies and rule of law, year 2015, WGI

depict the relationship between rule of law strength and the probability of adopting diaspora engagement policy. The probability decreases as the rule of law increases, which supports the proposed hypothesis.

5.3.2 Diaspora Engagement Institutions

Table 5.5 provides information about the variables of interest - rule of law and diaspora engagement institutions - using simple descriptive statistics. These statistics include the means of rule of law in home country when diaspora engagement institutions/appeals are either present or absent in a country. It is clear from the table that, as predicted, the lower rule of law means are associated with the value ”present”.

Now I can proceed with a logistic regression analysis. It is the appropriate regression analysis to conduct as my dependent variable is dichotomous (binary) - appealing (coded as 1) or not appealing (coded as 0) for diaspora investment. When interpreting the binary logistic regression, we predict which of the two groups of the binary

Table 5.5: Means of Rule of Law in B based on Diaspora Engagement Institutions in B (2016)

	Rule of Law in B
Diaspora Engagement Institutions in B	
absent	52.125
present	36.434

dependent variable the rule of law ends up falling into.

Table 5.6 reports the odds ratios of the governments appealing to diaspora for investment through their top officials. The log likelihood chi-square indicates that the model as a whole is statistically significant. Another commonly used test of model fit is the Hosmer and Lemeshows goodness-of-fit test. The idea behind the Hosmer and Lemeshows goodness-of-fit test is that the predicted frequency and observed frequency should match closely, and that the more closely they match, the better the fit. With a p-value of 0.271, we can say that Hosmer and Lemeshows goodness-of-fit test indicates that our model fits the data well.

The rule of law variable is significant at p=0.05. Its odds ratio is 0.977, which is lower than 1. This implies a negative relationship between the variable for appeal/lack of appeal and the rule of law. To illustrate, consider Figure 5.6, which uses the model in Table 5.6 to depict the relationship between rule of law strength and the probability of governments appealing to their diaspora for investment. The probability decreases as the rule of law increases, which supports the proposed hypothesis.

5.4 Conclusion

In this chapter, I focused on governments' efforts to attract investment by appealing for it to their diasporas. More specifically, I focused on diaspora engagement policies and diaspora engagement institutions. I analyzed the distribution of policies designed to stimulate diaspora investment across different rule of law strengths. I also exam-

Table 5.6: Logistic Regression Analysis for Variables Predicting Whether Top Government Officials Would Appeal to their Diasporas for Investment

	Coef.
Rule of Law	0.977**
	(0.012)
Population Growth	0.667*
	(0.162)
Economy Health	0.773
	(0.124)
Interest Rate	1.000
	(0.028)
FDI Inflows	1.144
	(0.134)
Regime Type	0.929
	(0.044)
Constant	166.358*
	(496.517)
Model chi2	13.85**
Hosmer-Lemeshow chi2	9.92
Number of observations	94

Note: Standard errors in parentheses, Stata13. * $p<0.10$, ** $p<0.05$.

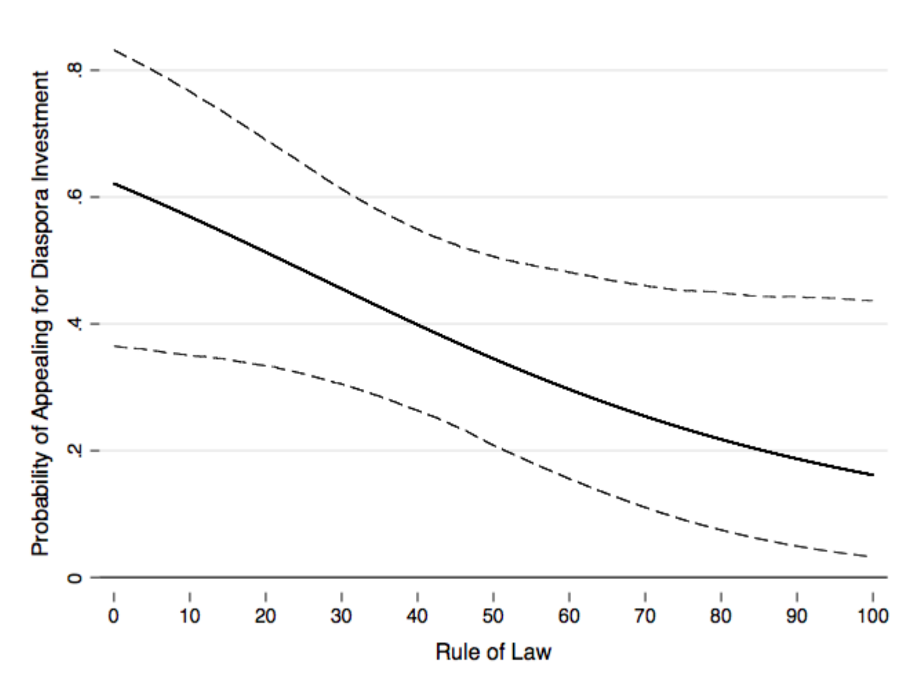

Figure 5.6: Relationship between diaspora engagement institutions and rule of law, year 2016, WGI

ined the appeals of high government officials to their diasporas for investment. For that, I researched online records, including online newspapers or articles on various websites containing reports about the meetings of top government officials with diasporas or the speeches of high government officials appealing for diaspora investment. I also ran logistic regressions, which confirmed that the rule of law is a good predictor of governments attitudes towards their diasporas. More specifically, the results confirmed that the countries with weak rule of law are more likely to appeal to their diasporas for investment than the countries with strong rule of law.

The gathered data confirmed my expectation and the second core hypothesis that the governments recognize the potential value their diasporas could bring to their countries in terms of investment and seek to formalize their relationships with their diasporas. As expected, the data showed that the countries with weak rule of law are more likely to appeal to their diasporas for investment than the countries with strong rule of law.

Second and third chapters confirmed that the strength of the rule of law of the country receiving investment plays a critical role in determining how migration relates to investment flows. The evidence supporting the first core hypothesis confirmed that migrants have more value added in facilitating investment in their home countries that lack strong rule of law. This chapter further tested the argument by providing the evidence that governments with weak rule of law perceive their emigrants as an important driving force of FDI.

The project challenges the most discussed finding concerning the relationship between migration and FDI flows, namely, that migrants help to reduce informational problems connected to international financial flows. Unpredictability of the government with weak rule of law, however, does not provide for predictability of the environment. Government reduces the time-frame relevance of that information. While it is undeniable that migrants can serve as an important actor facilitating FDI to their home countries especially if such country has weak rule of law, it is not about the information per se, it is about confidence in their ability to handle problems. More importantly, the governments in the countries with weak rule of law are interested in preserving their weak legal institutions as insurance of staying in power. As demonstrated in this chapter, these governments recognize that FDI is an important driver of economic growth and prosperity and are more inclined to appeal for and stimulate diaspora investment through policies than the governments with strong rule of law.

Chapter 6

Conclusion

6.1 Summary

This dissertation began with the puzzle of how migrants can be related to FDI flows into the countries with weak rule of law. In Chapter 1, I introduced the topic and presented the limitations in previous research. This study intersects the two existing lines of literature: the one focusing on the influence of migrants on investment with the one focusing on the role of the political-economic environment of the country receiving investment. Such work presents a new aspect of the economy and immigration research agenda: foreign direct investment, rule of law, and migrant networks.

In Chapter 2, I argued that migrant investors regard their personal connections and deep understanding of internal culture and business environment as an instrument increasing predictability of investment climate in their home country with weak rule of law and thus making it more attractive for FDI. Governments, in turn, perceive foreign diaspora investment as a substitute for weak rule of law that can drive FDI to their home countries. Migrants typically have a somewhat different risk profile when it comes to investing in their countries of origin. When the political process is not transparent, migrants have advantages in monitoring government behavior, anticipating and dealing with potential problems with business operations, given their inherent familiarity with local political circumstances and dealings.

To empirically support this argument, Chapter 3 statistically examined the impact of migrants on global investment to countries with various strengths of rule of law. The analysis showed that immigrants moderate the effect of rule of law: the effects of weak rule of law on FDI diminish as the size of the migrant stock increases. The effect of migrants on FDI gets stronger and positive as a countries rule of law becomes weaker.

Chapter 4 complemented the causal inferences established in Chapter 3. It examined the motivations of migrant-investors to send FDI to their home countries with weak rule of law in a qualitative case study of Belarus and Moldova. The case analysis demonstrated that migrant-investors were interested in capitalizing in the environment that might look risky for non-migrant investors and preferred their home countries for FDI as they saw an opportunity of return in their home countries with weak rule of law. That was due to migrants' advantages allowing for reduction of non-transparency through understanding of national mentality, having connections, and speaking the native languages. The case of Moldova provided a contrast to the case of Belarus by having an unconsolidated democratic regime. It helped to separate the influence of weak rule of law on FDI from the influence of the political regime on migrants' decisions to send FDI back home. Despite being a transitional democracy, similarly to Belarus, Moldova's weak rule of law did not discourage migrant-investors from making investments back home. Moldovan case complemented the case of Belarus and showed that migrants' first-hand knowledge about their home country reduces risks of making FDI in the country with weak rule of law.

Finally, Chapter 5 continued the qualitative approach by examining the rationale of the governments with weak rule of law for diaspora engagement for the purposes to attract FDI. I showed that transforming the national diaspora into an inseparable part of the nation and sometimes into a strategic asset is gradually becoming part of the political consciousness in many countries. The chapter further demonstrated that the governments in the countries with weak rule of law are more interested in attracting foreign diaspora investment than the countries with strong rule of law.

6.2 Implications

My results hold important implications for both theory and policy. There are several implications of the findings in this dissertation. Considering that all countries are confronted with a problem of access to international capital markets, my findings confirm that migrant networks may play an important role for global investment flows.

First, the project challenges the most discussed finding concerning the relationship between migration and FDI flows, namely, that migrants help to alleviate informational problems connected to financial investments and hence international financial flows between countries. The results highlight the role of governments in the countries with weak legal institutions and their need to regulate the inflow of foreign investment to preserve their ability to benefit from existing weak rule of law.

Second, the approach presented here delineates how legal institutional arrangements affect FDI. The study provides a platform for further investigation on the role that legal systems have in attracting foreign capital. While this research suggests that migrants' internal knowledge about their home country can serve as an instrument overcoming the obstacles of the lack of transparency for FDI connected to weak rule of law, it also confirms that strong rule of law is one of necessary elements for a free and virtuous society, and for a free and functioning market.

Third, this dissertation contributes to the scholarship in comparative and international political economy as well as to a bourgeoning body of literature on emigration policy by focusing on the preferences of migrant investors on making favorable FDI decisions in their home countries with weak rule of law and the rationale of the sending countries with weak rule of law to attract FDI from their diasporas. As result, we have a better understanding of the preferences of these important actors and thus have a better understanding what drives FDI.

6.3 Limitations

As with any study, this dissertation faces limitations. First, there are limitations with availability of data. The statistical analysis in Chapter 3 uses the World Bank's rule of law measure to estimate the effect of migrants on FDI flows to the countries with different rule of law strengths. However, it is evident that the data from the World Bank's project Worldwide Governance Indicators (WGI) aggregates too many discrete elements into a single overarching concept. Another problem at the level of conceptualization is whether or not the rule of law concept is distinct from neighboring concepts of government effectiveness and regulatory quality.

Given that data can produce estimation risks, I employed alternative measurement source to ensure that the inferences in this study are valid. I use The World Justice Project, which is the most ambitious project to attack the problems of measuring rule of law. This robustness model produce consistent results with my theory and my main models. However, because the project started in 2009, I use the data to check the robustness of the above results only for the year of 2013.

Another limitation of the empirical analysis in this dissertation is connected to the interview process. First, interview is more open to bias than most other research methods. Second, the difficulty to localize migrant-investors and arrange interviews with them. The dynamics of having someone to introduce me simply did not allow me to reach deeply into the Moldovan case where I did not have contacts. Third, generalization is another limitation to my interviews as its range for the Moldovan case specifically is limited.

Given the potential bias possibility, I conducted open-ended interviews in the interviewees' native language when it was comfortable for them to avoid misinterpreting of the responses. Interviewees were able to elaborate on various issues, which allowed depth in responses.

6.4 Future Research

While the limitations of this dissertation may constrain some of this projects potential, they also offer opportunities for future research. In this closing section, I outline several potential projects derived from the research presented in this dissertation. To begin, it may be useful to examine the larger market countries like China or Russia to understand the role of rule of law in the conditions of availability of a large market. It will be interesting to examine to what extent weak rule of law might play a role for investors' decisions to make FDI investment to their home countries with large markets, whether having a large market size reduces investors' concern about difficulties connected to weak rule of law or if the pattern with small markets repeats itself with the advantage of having larger returns.

One potential avenue of research will be to conduct more interviews and include more countries, which would make generalization more possible. I managed to conduct some interviews with Cuban and Chinese migrant-investors. Each country in its own extent will contribute to better policy development on migration and global investment flows. Even though economic relationship with Cuba is only starting being developed, my interviews showed a great interest of migrants with Cuban roots to invest in their home country despite unfavorable legal institutions. My Chinese migrant-investors, in turn, expressed similar concerns with the rule of law in China as my respondents with Moldovan and Belarusian roots, but showed their interest in capitalizing on making FDI in their home country.

Another possible project might be to conduct a comparison of migrant-investors perceptions between FDI and foreign portfolio investment (FPI) as these two types of investments have opposite characteristics in term of risk-returns. Higher exit cost of FDI, due to the difficulty of reselling a firm, implies that only investors that have a low probability of having to resell early will end up undertaking direct investments. Portfolio investors are by default only short-term investors, which is why empirically portfolio investments exhibit a much larger volatility than direct investments.

One more potential project can explore the implications of critical junctures - periods of time during which there is a heightened probability that political decision makers choices will affect the outcome of interest - on governments behavior towards its diaspora. Specifically, when governments in the countries with weak rule of law face a broader than typical range of feasible options of financial inflows likely to have a significant impact on subsequent outcomes. Specifically, when these governments begin making appeals to their diasporas to invest in their home countries.

These proposed research extensions demonstrate the potential growth of the literature on migrant networks, FDI flows and rule of law.

Appendix

Appendix A: Data Sources

1. Bilateral Foreign Direct Investment: OECD's International Investment Statistics accessed via SourceOECD
2. Rule of Law: World Bank Worldwide Governance Indicators (http://databank.worldbank.org/data/reports.aspx?source=worldwide-governance-indicators)
3. Rule of Law: World Justice Project (http://worldjusticeproject.org)
4. Bilateral Migrant Stock: World Bank's project on South-South Migration and Remittances (http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data)
5. Gross Domestic Product (GDP) for 2002: Penn World Tables, Mark 6.1, and the World Bank's World Development Report
6. Gross Domestic Product (GDP) for 2010, 2013: World Bank's World Integrated Trade Solution (https://wits.worldbank.org)
7. Bilateral Distance, Shared Border, and Common Official Language: Centre D'etudes Prospectives et D'informations Internationales (CEPII)'s Distances Database (www.cepii.fr/anglaisgraph/bdd/distances.htm)
8. Common Exchange Rate Peg: Klein-Shambaugh Nature of Exchange Rate Regimes Data (www.dartmouth.edu/?jshambau/ShambaughAnnualData.xls)
9. Bilateral Trade and Preferential Trade Agreements for 2002: From Goldstein, Rivers, and Tomz (2007), courtesy of Moonhawk Kim
10. Bilateral Trade and Preferential Trade Agreements for 2010 and 2013: World Bank Global Preferential Trade Agreements Database (http://wits.worldbank.org/GPTAD/database_landing.aspx)
11. Bilateral Investment Treaties: World Bank International Centre for Settlement of Investment Disputes (https://icsid.worldbank.org/apps/ICSIDWEB/resources/Pages/Bilateral-Investment-Treaties-Database.aspx?tab=PtoT&rdo=TCN)
12. Dual Taxation Treaties: United Nations Conference on Trade and Development (UNCTAD) (www.unctad.org/Templates/WebFlyer.asp?intItemID=3150&lang=1)
13. Common Legal Heritage: Based on legal origin data from Rafael La Porta (http://mba.tuck.dartmouth.edu/pages/faculty/rafael.laporta/publications.html/Economic Con_data.xls)
14. Common Religion: Based on size of the largest religious group from Rafael La Porta (http://mba.tuck.dartmouth.edu/pages/faculty/rafael.laporta/publications.html/EconomicCon_data.xls)

15. Regime type: PolityIV (http://www.systemicpeace.org/polity/polity4.htm)
16. Diaspora Engagement Policies. United Nations Population Policies Datasets (https://esa.un.org/poppolicy/wpp_datasets.aspx)
17. Population growth (annual %), (http://databank.worldbank.org)
18. GNI (current US$), (http://databank.worldbank.org)
19. GDP (current US$), (http://databank.worldbank.org)
20. Foreign direct investment, net inflows (BoP, current US$), (http://databank.worldbank.org)

Appendix B: Data Sources

Foreign Direct Investment Sample:

Origin for 2002: Australia, Austria, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

Origin for 2010: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea (Republic of), Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

Origin for 2013: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea (Republic of), Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

Destination for 2002: Albania, Algeria, Argentina, Armenia, Australia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium, Benin, Bolivia, Brazil, Bulgaria, Burkina Faso, Burundi, Cameroon, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt (Arab Republic of), El Salvador, Estonia, Fiji, Finland, France, Gabon, Georgia, Germany, Ghana, Greece, Guatemala, Guinea-Bissau, Honduras, Hungary, India, Indonesia, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Korea (Republic of), Kuwait, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Liberia, Lithuania, Madagascar, Malawi, Malaysia, Mali, Mauritius, Mexico, Moldova, Morocco, Mozambique, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russian Federation, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Slovak Republic, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Syrian Arab Republic, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Kingdom, United States, Uruguay, Venezuela, Zambia, Zimbabwe.

Destination for 2010: Afghanistan, Albania, Algeria, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bermuda, Bhutan, Bolivia, Bosnia, Botswana, Brazil, Brunei, Bulgaria, Burkina Faso, Burundi, Cabo Verde, Cambodia, Cameroon, Canada, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo (Democratic Republic of), Congo (Republic of), Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt (Arab Republic of), El Salvador, Equatorial Guinea, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, India, Indonesia, Iraq, Iran, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Korea (Democratic People's republic of), Korea (Republic of), Kuwait, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritius, Mexico, Micronesia, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Rwanda, Saudi Arabia, Samoa, Senegal, Serbia, Seychelles, Sierra Leone, Singapore, Slovak Republic, Slovenia, Solomon Islands, Somalia, South Africa, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Switzerland, Syrian Arab Republic, Tanzania, Tajikistan, Thailand, Timor Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Vanuatu, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

Destination for 2013: Afghanistan, Albania, Algeria, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bermuda, Bhutan, Bolivia, Bosnia, Botswana, Brazil, Brunei, Bulgaria, Burkina Faso, Burundi, Cabo Verde, Cambodia, Cameroon, Canada, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo (Democratic Republic of), Congo (Republic of), Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt (Arab Republic of), El Salvador, Equatorial Guinea, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, India, Indonesia, Iraq, Iran, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Korea (Democratic People's republic of), Korea (Republic of), Kuwait, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritius, Mexico, Micronesia, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Rwanda, Saudi Arabia, Samoa, Senegal, Serbia, Seychelles, Sierra Leone, Singapore, Slovak Republic, Slovenia, Solomon Islands, Somalia, South Africa, Spain, Sri Lanka, Suriname, Swaziland, Sweden, Switzerland, Syrian Arab Republic, Tanzania, Tajikistan, Thailand, Timor Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Vanuatu, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

Appendix C: Sample Interview Questions (these sample questions offer a general guideline and were modified according to the interviewee):

1. When did you leave your home country?

2. What were the reasons for leaving your home country?

3. Do you consider yourself an immigrant?

4. Tell me about your experience in business.

5. When did you start investing in your home country?

6. Why did you choose your home country over any other country?

7. What are the major obstacles for doing business in your home country?

8. What are the major advantages for doing business in your home country?

9. What is the role of political regime in regards to investment?

10. How do you think your experience as a migrant investor differ from that of non-migrant investors?

11. If there is a chance, would you recommend others to investment into your home country?

Appendix D: Measures to Attract Investment by Diaspora by Country

Measures to attract investment by diaspora in the tables below indicate specific policy measures that the government has adopted to encourage or facilitate investment in the country by its diaspora. These measures are divided in three category:
1. reduced costs of transferring remittances
2. tax exceptions or breaks
3. preferential treatment in providing credit or allotment of licenses

Country	Measures to attract investment by diaspora (2015)	Rule of law, WGI (2015)	Rule of law, WJP (2015)
Albania	1,3	41.83	0.52
Algeria	1,2,3	20.67	
Antigua and Barbuda	2,3	62.98	
Argentina	2	22.12	0.52
Armenia	1	42.79	
Australia	1	94.23	0.80
Bangladesh	1	27.40	0.42
Barbados	2	82.21	
Belarus	1	24.04	0.53
Bolivia	1,3	11.06	0.41
Brazil	1	50.00	0.54
Cambodia	1,2	17.31	0.37
Cameroon	1,2,3	15.87	0.40
Cape Verde	1,2,3	70.67	
Chile	2,3	87.02	0.68
China	1,2,3	43.75	0.48
Colombia	1	44.71	0.50
Congo	3	13.46	
Cuba	1,2	29.81	
Dominica	2,3	73.56	
Ecuador	1,3	13.94	0.47
Egypt	1,2	35.58	0.44
El Salvador	1,3	31.73	0.51
Ethiopia	1,2,3	38.46	0.42
Greece	2	63.94	0.60
Grenada	2	49.04	
Guatemala	3	15.38	0.44
Guyana	2	36.06	
Haiti	3	9.62	
Honduras	1	16.83	0.42
India	1,3	55.77	0.51

Country	Measures to attract investment by diaspora (2015)	Rule of law, WGI (2015)	Rule of law, WJP (2015)
Indonesia	1,3	39.90	0.52
Iraq	1,2,3	3.85	
Israel	2	84.62	
Italy	2	64.42	0.64
Jamaica	1,2,3	48.08	0.56
Jordan	1,2,3	68.27	0.56
Kazakhstan	3	41.35	0.50
Kenya	1,2	36.54	0.45
Lebanon	2	24.52	0.48
Mali	2	25.00	
Mexico	1	37.50	0.47
Moldova	1	40.38	0.48
Montenegro	3	57.69	
Morocco	1,2,3	54.81	0.52
Nicaragua	1	27.88	0.43
Nigeria	1	12.98	0.41
Paraguay	2	28.37	
Peru	1,3	34.62	0.50
Philippines	1,2,3	42.31	0.53
Russian Federation	1	26.44	0.47
Samoa	1	74.04	
Senegal	2,3	51.92	0.57
Somalia	3	0.00	
South Korea	3	80.77	0.79
Sri Lanka	1,3	59.62	0.51
Tajikistan	1	14.42	
Tunisia	1,2	56.25	0.56
Turkey	1,2	55.29	0.46
Uganda	3	43.27	0.41
Ukraine	1	22.60	0.48

Appendix E: Diaspora Ministries Appealing for Investment by Country

Country	Rule of Law, WGI (2016)	Rule of Law, WJP (2016)	Online Record
AFGHANISTAN	3.85	0.35	https://books.google.com/books?id=deXkCwAAQBAJ&pg=PA100
ALBANIA	39.42	0.50	http://www.punetejashtme.gov.al/en/press-office/speeches/speec
ARMENIA	50.48		http://www.panarmenian.net/eng/news/246631/
AZERBAIJAN	31.73		http://www.today.az/news/politics/151365.html
BAHAMAS, THE	60.10	0.61	http://www.caribbean360.com/business/bahamian-diaspora-urged
BARBADOS	76.92	0.67	https://www.totallybarbados.com/articles/barbados-business-new
BELARUS	22.12	0.54	http://eng.belta.by/politics/view/importance-of-expanding-coopera
BULGARIA	53.85	0.54	http://www.mfa.bg/en/events/6/1/1144/index.html
BURUNDI	7.69		http://www.diaspora.bi/2017/08/01/no-taxes-for-burundians-return
CAMBODIA	12.50	0.33	http://www.khmertimeskh.com/news/22969/cambodian-diaspora-
CAMEROON	15.38	0.37	http://cameroonjournal.com/2017/06/29/diaspora-forum-govt-woo
CAPE VERDE	63.46		http://afrol.com/News2002/cav007_diaspora.htm
CHINA	46.15	0.48	http://www.tandfonline.com/doi/full/10.1080/10670564.2016.1184
DOMINICA	72.12	0.60	http://dominicanewsonline.com/news/homepage/news/business/
EGYPT, ARAB REP.	35.58	0.37	http://www.al-monitor.com/pulse/originals/2016/11/egypt-minister-
ERITREA	5.77		http://allafrica.com/stories/201210041076.html
ETHIOPIA	37.02	0.38	http://www.ena.gov.et/en/index.php/social/item/1684-ministry-reite
FIJI	44.23		http://www.fijitimes.com/story.aspx?id=375187
GAMBIA, THE	25.00		http://thepoint.gm/africa/gambia/article/president-barrow-thanks-e
GEORGIA	63.94	0.65	http://gov.ge/print.php?gg=1&sec_id=463&info_id=61175&lang_id
GHANA	54.81	0.58	https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Gov
GREECE	59.13	0.60	http://int.ert.gr/mihalos-urges-greek-diaspora-in-the-us-to-invest-i
GUYANA	42.31	0.49	http://www.inewsguyana.com/we-need-you-to-return-and-invest-g
HAITI	16.35		http://www.icihaiti.com/en/news-21635-haiti-diaspora-invitation-th
INDIA	52.40	0.51	http://punjabnewsexpress.com/regional/news/haryana-cm-meets-
INDONESIA	38.94	0.52	http://www.thejakartapost.com/travel/2017/07/04/indonesian-dias
IRAN, ISLAMIC REP.	25.96	0.47	https://www.reuters.com/article/us-iran-diaspora/iranian-expats-ha
IRAQ	2.40		http://www.tandfonline.com/doi/abs/10.1080/19436149.2017.1415
JAMAICA	45.19	0.57	http://biba.bb/jamaica-open-for-investment-from-diaspora-ministe
KENYA	32.69	0.43	http://www.kenyaembassyparis.org/fr/diaspora-conference-in-pari
KOSOVO	50.48		http://www.president-ksgov.net/?page=2,8,4126
LEBANON	18.75	0.46	http://ulcm.org/wlcu-lebanese-heritage/news/lebanese-emigration

Country	Rule of Law, WGI (2016)	Rule of Law, WJP (2016)	Online Record
LIBERIA	17.79	0.45	http://www.tlcafrica.com/speech_address_to_liberians_from_the_
MACEDONIA, FYR	41.83	0.54	http://mfa.gov.mk/index.php?option=com_content&view=article&i
MALAWI	38.46	0.51	http://www.nyasatimes.com/malawi-diaspora-desk-to-increase-fo
MALAYSIA	71.15	0.54	http://www.rediff.com/news/column/decoding-malaysian-pms-6-da
MALTA	82.21		http://www.independent.com.mt/articles/2013-10-04/local-news/T
MOLDOVA	32.21	0.49	http://www.gov.md/en/content/prime-minister-attended-diaspora-b
MOZAMBIQUE	15.87		http://clubofmozambique.com/news/nyusi-meets-representatives-
NEPAL	19.71	0.52	http://admin.myrepublica.com/feature-article/story/29863/prez-ya
NIGERIA	13.94	0.44	https://www.vanguardngr.com/2017/01/fg-roll-300m-diaspora-bon
PAKISTAN	20.19	0.38	https://www.dawn.com/news/1329412
POLAND	74.52	0.71	http://www.paih.gov.pl/20170502/PAIH_receives_a_Polish_flag_f
ROMANIA	61.54	0.66	http://gov.ro/en/news/prime-minister-dacian-ciolos-attended-the-e
RWANDA	57.69		https://www.theguardian.com/global-development/2012/oct/11/rw
SENEGAL	47.12	0.57	http://www.un.org/en/africarenewal/vol17no2/172inv3.htm
SERBIA	50.00	0.50	http://www.ebritic.com/?p=286972
SIERRA LEONE	21.63	0.45	https://american.edu/americantoday/campus-news/20081007-sie
SOMALIA	0.00		http://www.mfa.gov.so/minister-opens-global-somali-diaspora-inte
SOUTH SUDAN	7.69		https://sudantribune.com/spip.php?iframe&page=imprimable&id_
SRI LANKA	54.33	0.51	http://colombogazette.com/2015/05/24/sri-lanka-will-engage-with-
ST. KITTS AND NEVIS	68.75	0.66	http://timescaribbeanonline.com/top-st-kitts-nevis-government-off
ST. LUCIA	69.23	0.64	http://www.stlucia.org/articles/post/saint-lucia-prime-minister-cour
ST. VINCENT	64.90	0.61	https://www.caribbeanlifenews.com/stories/2012/10/2012_10_22_
SURINAME	49.52	0.53	https://www.iom.int/news/suriname-appeals-diaspora-developme
TAJIKISTAN	10.58		http://xn--d1abbgf6aiiy.tj/en/node/3616
TANZANIA	37.50	0.47	http://allafrica.com/stories/201608260150.html
TOGO	27.88		http://www.panapress.com/Togo--Government-recommends-inve
TUNISIA	55.77	0.53	http://tayp.org/tayp-partners-tunisian-government-washington-dc-
UGANDA	45.67	0.39	http://allafrica.com/stories/201707190475.html
UKRAINE	23.56	0.49	http://www.ukrainianworldcongress.org/news.php/news/1709
YEMEN, REP.	4.81		https://books.google.com/books?id=mA5IKKZ98IYC&pg=PA122
ZAMBIA	43.27	0.48	https://www.lusakatimes.com/2016/01/10/zambians-in-the-us-ap
ZIMBABWE	8.17	0.37	https://www.pressreader.com/zimbabwe/chronicle-zimbabwe/20

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