

**Harnessing the Diaspora:  
Dual Citizenship, Migrant Remittances and Return\***

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Abstract: I examine the causes and consequences of dual citizenship rights as they apply to expatriates. Arguing that migrant networks provide sending/home countries with access to global capital pools, I demonstrate that the provision of dual citizenship helps home countries harness the financial and human capital of their diasporas.

Migration is, and always has been, a persistent part of global change. The Book of Genesis describes, as a consequence of the “confusion of the tongues” surrounding the construction of the Tower of Babel, how man came to be scattered across the face of the earth. And history books are filled with stories of heroic individuals seeking out new lands for settlement, exploration and exploitation. While the process of migration separates populations, homelands have worked to retain communication and contact. And migrant ties have served to draw disparate countries and cultures closer together. These linkages have been steadily increasing in spite of efforts to restrict the movement of peoples across

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national borders. At last count the percentage of the world's population residing outside their country of birth stands at over four percent (United Nations 2006).

While the sources of and destinations for migrants have changed dramatically over the centuries, one aspect of the migrant's connection to the homeland has not: the homeland has and continues to see the migrant as a valuable resources. Centuries ago this relationship may have found expression in the migrant's attempt to bring family and community members to new lands by sending money back home. Today the importance of migrants as a source of capital flows is at least, if not more, important. Migrants are increasingly part of the global supply chain and serve as consumers of products manufactured in the homeland. They act as entrepreneurs and exploit informational advantages when they invest in home country economic opportunities. And, like their ancestors centuries earlier, they continue to funnel capital directly back to their families and friends through remittances. In addition to their accumulated investment capital, migrants themselves embody human capital—they possess knowledge, skills, and contacts that make them valuable resources in and of themselves.

The importance of migrant communities has not gone unnoticed as homelands have increasingly developed policies and strategies designed to harness their diasporas. The desire of home countries to engage their diasporas manifests itself in multiple ways: countries establish embassies and consulates where there are large clusters of expatriates and they encourage home town associations to facilitate a feeling of connectedness. Most notably, as evidenced by figure one, a growing number of home countries have been expanding the range of political rights accorded to their citizens abroad. As seen in figure one, by 2006 84 countries allowed for dual citizenship—a provision whereby migrants

naturalizing abroad maintain home country citizenship.<sup>1</sup> And, as is evidenced in figure two, the provision of dual citizenship does not tend to cluster geographically.

This increase in the political rights afforded to external populations presents very real theoretical and normative challenges. Theoretically speaking, the expansion of rights to citizens—in fact the very use of the word *citizen*—is a challenge to well established notions of state sovereignty and to the very definition of the nation state. It effectively “decouples” citizenship from residence and disrupts the notion of a nation state as a territory with a well-defined population that share a common culture and history. And providing populations that are outside of those borders political rights renders those borders less meaningful. Expatriate rights also raise troubling normative complications, as they constitute the extension of a right without a substantive or meaningful obligation; a practice seemingly inconsistent with domestic notions of justice and fairness.

Yet despite these challenges countries have become increasingly likely to extend political rights to their diasporas because the extension of these rights brings benefits to the home country. In this paper I look at both sides of this In this paper I first examine the causes of dual citizenship and argue that access to global capital, along with concerns over maintaining a cohesive national identity, play an important role in the provision rights for expatriates.

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<sup>1</sup> I use the following criteria to determine the existence of dual citizenship rights for expatriates: whether upon naturalizing abroad a citizenship retains or loses the right to own property in the home country. This may or (as is the case in a large number of countries) may not include retaining the right to vote or to stand for elective office. Coding dual citizenship right for expatriates was done through reference to national constitutions and related legislation, through documents held by the United Nations High Commission on Refugees, through secondary source material (detailed in the appendix) and through phone calls to national embassies.

This paper contributes to the broad literatures in political economy and migration in a number of ways. First, it adds to a small but growing political economy scholarship that examines how migrant networks facilitate the cross-border flow of trade and investment (e.g., Rauch and Trindade 2002; Leblang 2009). While that literature emphasizes the importance of migrant networks it gives pride of place to migrant networks and excludes the role that sending states play. By focusing on the rights of expatriates this paper begins to fill that gap. Second, the lion's share of migration research that focuses on immigration policy focuses on receiving or host societies (e.g., Howard 2009). There is little, if any, systematic empirical or measurement work focusing on the emigration policy of sending states.<sup>2</sup> This empirical focus also contributes to a more policy focused literature that asks generally about the engagement strategies of sending states (e.g., Gamlen 2006). And it adds to a surprisingly small literature—a literature concerned mostly with “brain drain”—that asks about the consequences of migration for home countries. Finally, this project contributes to an increasing awareness of the role that sending states play in the process of international immigration; a literature that heretofore have been mainly concerned with the consequences of immigration for human capital development in the sending state (e.g., Kapur and McHale 2005).

### **1. Dual Citizenship, Remittances and Return**

As noted in the introduction, migration and dual citizenship pose a challenge for the sending state. Even while countries of origin struggle with normative conditions surrounding expatriate rights, residents of that country remained linked to those that have

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<sup>2</sup> The only paper I know of that would fit this category examines the costs associated with obtaining a passport (MacKenzie 200X).

left. And the immigrants that have gone abroad create social, economic and political linkages with their home country; linkages that have been emphasized in the study of “transnationalism.”<sup>3</sup> This transnational focus—a focus on migrant ties that link societies across national borders—is useful but because its theoretical focus is on social relationships it ignores the role that states play in fostering the very types of linkages that migration provides.

The academic focus on transnational linkages follows, in large measure, the shift in tone used by home countries in describing or discussing their expatriate populations. Home countries have tended to look down on their expatriate populations, often referring to them as “traitors” who have turned their backs on their countrymen. Countries treated their expatriates “as prodigal sons and daughters who had abandoned their national family and who therefore should not be allowed to retain the original nationality” (Martin 2003, p.7). Recently, however, the relationship between country of origin and migrant has changed as home countries have attempted to reengage with their diasporas. In some cases, Mexico, Morocco and China, for example, émigrés are celebrated as national heroes, while in others elected politicians from the homeland have traveled abroad to court their diasporas (Gamlan 2006).

This change in behavior is an explicit acknowledgement that expatriates are a resource to be leveraged for national economic betterment. In one of the first attempts to link migrant networks to international activity, Rauch and Trindade (2002) examine the role that the Chinese diaspora plays in international trade. Communities of Chinese residing

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<sup>3</sup> See Itzigsohn (2000) for a discussion of the linkage between transnational behavior and policies surrounding citizenship rights in the country of origin. While Itzigsohn focuses on remittances the argument is more generally applicable to all types of transnational economic activity.

outside of mainland China serve as an external market, a foreign population that has a taste for products produced in China. Empirically find that countries with large populations of ethnic Chinese have larger bilateral trade flows with China. And individuals residing in these external communities may have specific knowledge about opportunities that exist within China; opportunities that may lead to Chinese imports.

The logic linking diasporas to trade flows can be extended to other types of cross-border economic activity. Scholars have long recognized the importance of social networks for fostering economic exchange either when formal institutions are absent or when they are incomplete (e.g., Greif 1989; North 2005).<sup>4</sup> From this perspective, migrant networks have a direct and observable impact on cross-border investment when they, themselves, are the actors. This has been documented in a sizeable case-study literature from economics, demography, political science and sociology that details how migrant entrepreneurs use home-country connections to channel human, physical and investment capital.<sup>5</sup> Indirectly migrant networks can provide business opportunities by decreasing asymmetries of information and by reducing transaction costs through formal (e.g., business) or informal (e.g., familial) contacts in their home country. These linkages have been extensively documented in studies of specific industries and migrant communities, although they are likely best documented in studies of the overseas Chinese (Rauch and Casella 2001). In their study, the *Bamboo Network*, Weidenbaum and Hughes

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<sup>4</sup> The relational approach to economic sociology focuses on relations between parties to a transaction rather than on the transaction itself. This view, that economic processes are “embedded” in social relations, has been used to study labor markets (Granovetter 1973), business transactions (Uzzi 1996), and foreign direct investment (Bandelj 2002, 2007).

<sup>5</sup> Examples include: Freinkman (2002) on Armenia, Kapur (2001) and Saxenian (2002) on India, Kleinman (1996) on Israel, Rauch and Casella (2002) and Weidenbaum and Hughes (1996) on China.

(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 and legal barriers, and pre-existing 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* 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).

Migrant networks have also been the source of foreign policy lobbying on behalf of home country interests. As individuals residing in a democracy, migrants have the ability to influence the government for policies that they favor. This is not to say that migrants have interests that are incompatible with their host country; rather that they may have interests also favor their homelands. The popular press is replete with stories of the rule that Israeli and Cuban lobbies have played in directing US foreign policy towards their respective countries. Bu the examples of the Israeli and Cuban lobbies are but examples; examples where prominent groups have been able to create policies that have generated heated debate in host countries.

Migrant lobbying has a long and storied history. In 1975 Nathan Glazer and Daniel Patrick Moynihan observed that ethnic influence has become "the single most important determinant of American foreign policy." Yossi Shain (1994) describes in detail how US based migrant groups have shaped foreign policies directed towards Albania, Cuba, Czechoslovakia, Greece and Israel. He shows how these ethnic based lobbies have influenced not only economic development policy but also policies regarding diplomatic

recognition, state formation and economic sanctions. Shain is not alone. Levitt and de la Dehese (2003) detail the how Mexican immigrant groups lobbied the various parts of the US foreign policy bureaucracy to help aid passage of the North American Free Trade Agreement. Jones-Correa (2001) and Itzigsohn (2000) also show how Latin American and Hatian groups have successfully lobbied the US for more permissive immigrant and refugee policies, for stays of deportation and for amnesties.

While migrant connections to the homeland have been important for foreign investment and for lobbying, they are an indispensable link when it comes to funneling remittances directly to families and communities in their homelands. And these connections have become even more important as countries become more reliant on remittances as a stable and reliable source of external capital (Ratha 2003; World Bank 2006).

While these arguments provide a mechanism linking migrant groups to access to international capital and to foreign lobbying, they do specifically ask if and how home government engage their diasporas. I argue that through the extension of dual citizenship rights, home countries increase and enhance connections with their diasporas.

As noted in the figure one, there has been a dramatic increase in the number of countries extending dual citizenship rights to their expatriates. This trend is at odds with a long history that went beyond legal prohibition against dual citizenship, a tradition that treated it as a moral failing. US Ambassador to Germany, George Bancroft, famously remarked that states should “as soon tolerate a man with two wives as a man with two countries; as soon bear with polygamy as that state of double allegiance which common sense so repudiates that it has not even coined a word to express it” (Bancroft 1949).



Bancroft was not alone in this view. A 1925 League of Nations conference produced the 1930 Hague Convention on Certain Questions relating to the Conflict of Nationality Laws which states that “it is in the interest of the international community to secure that all members should recognize that every person should have a nationality and should have one nationality only”(League of Nations 1930 quoted in Koslowski 2003). And national constitutions embraced this idea; the Philippines Constitution, for example, declares that “Dual allegiance of citizens is inimical to the national interest and shall be dealt with by law” (cited in Chander 2006, p.69).

Over the last three decades this anti-emigrant tide has turned as countries of emigration increasingly see their diasporas as an asset.<sup>6</sup> Countries such as the Philippines and Mexico have established home town associations to foster connections with their external citizens. India and China, following separate international incidents, actively courted their diasporas by offering incentives for home country investment. And, as seen in figure one, countries have increasingly been offering expatriates political rights. These strategies attempt to create, recapture or cultivate feelings of membership in the nation; a nation that is tied to yet is geographically disconnected to the state itself. And the use of dual citizenship policies are especially important because they are designed to evoke a

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<sup>6</sup> It should be noted that ties to expatriates may not be unambiguously good. The extension of citizenship rights to expatriates may lead external populations to have too much say in domestic politics. Levitt and de la Dehensa (2003) and Rubio-Marin (2006) raise troubling concerns when they reflect on the possibility that expatriate communities may be of sufficient size to influence the outcome of a democratic election. In a more thorough critique of expatriate rights, Benedict Anderson notes that external participants “rarely pays taxes in the country in which he does his politics; he is not answerable to its judicial system; he probably does not cast even an absentee ballot in its elections because he is a citizen in a different place...But, well and safely positioned in the First World, he can send money and guns, circulate propaganda, and build intercontinental computer information circuits, all of which can have incalculable consequences in the zones of their ultimate destinations” (1994, p.327).

feeling of inclusion in the homeland, a feeling that will, hopefully, lead the emigrant to seek connections to the homeland (Newland 2004; Gamlen 2006). As David Fitzgerald remarks, “States deploy the language of nationalism precisely because migrants are outside state territorial borders but within the boundaries of the imagined nation” (Fitzgerald 2002).

These symbols are deployed instrumentally. They are used to shape attitudes and behaviors and to signal who is part of the “in group” and who is disconnected. Yossi Shain (1999) remarks that governments use this power to “promote and sustain the attachment of the people to the motherland” (Shain 1999, 662-3). And dual citizenship policies have often been used strategically. Ostergaard-Nielsen (2003) shows that the Turkish government attempted to engage its diaspora was designed to upgrade its image to facilitate entry into the EU. Itzigsohn (2000) and Goldring (1998) strike a hopeful tone and argue that the extension of dual citizenship should help persuade expatriates to become more involved in their home countries; an involvement that will hopefully lead to steady flows of capital through investments and remittances.

In addition to symbolically linking diasporas with their homelands, the extension of dual citizenship is often used to encourage expatriates to naturalize in their host countries. Jones-Correa (2001) and Mazzolari (2007) use micro-level data and find ample evidence—based on Latin American immigrants to the United States—to support this conjecture. Encouraging naturalization, while seemingly at odds with the idea that sending countries attempt to strengthen ties with their diasporas, is a strategic decision. Freeman and Ogelman (1998) argue that “sending countries are likely to be strategic and to be directed toward such goals as enhancing their control and influence over their nationals living

abroad and, through them, increasing their influence over the foreign and domestic policies of receiving states” (p.771).

This discussion gives rise to two hypotheses. First, governments that have an interest maintaining contact with its expatriates in order to secure remittances and return will be more likely to extend dual citizenship rights. Second. First, it suggests that migrant networks foster the flow of capital between countries and I expect that, all else equal, larger migrant networks will produce larger flows. It is to testing these two hypotheses that I now turn.

### **3. The Political Economy of Dual Citizenship**

In this section I examine the driving forces behind the rise of dual citizenship rights. I argue that while access to global capital is an important consideration, states extend dual citizenship rights to their expatriates for reasons associated with the desire to maintain national identity and as part of the process of consolidating democracy.

Existing studies of the rise of expatriate rights are few; those that do exist largely hold that states extend rights to émigrés as part of a strategy to encourage and sustain the flow of remittances (e.g., Itzigohn 2000). There is no question that the economic potential of external populations has played a pivotal role in this process. Indeed, Foner (2007) describes the rise of dual citizenship policy in early twentieth century Italy as an attempt to maintain the loyalty of émigrés—especially those residing in the United States—not only because it was part of the Italian nation-building exercise, but because it ensured a steady flow of remittances and savings back to the homeland.

Access to international capital may be even more important in the present era as both private actors and national governments are often faced with a need to restore their stores

of foreign capital. As international debt has increasingly been issued in dollars (or in other major currencies), immigrant based flows of capital—especially remittances—can be used to help borrowers deal with the burdens of international debt. I hypothesize, therefore, that dual citizenship is more likely to be extended when home countries have a need for foreign currency.

In addition to economic need, the extension of dual citizenship is in large measure part of a strategy committed to the preservation of national identity. In a study of political rights of immigrants, Joppke (2003) distinguishes between national strategies of de- and re-ethnicization. Citing examples from Spain, Italy and France, Joppke argues that re-ethnicization occurs when countries attempt to reconnect and embrace their émigrés in order to maintain a sense of self and a sense of nation. This story is similar to that told about France's decision to extend dual citizenship to expatriates shortly after the end of World War Two. At that point in time France was dominated by immigrant groups as large numbers of native French had been displaced or had fled the country as a result of the war. Seeing that natives would soon be outnumbered, the French government extended dual citizenship rights to expatriates in the hopes not just that they would return, but also that they would continue to be engaged in the political process (Weil 2009).

Finally, the extension of dual citizenship can be part of a more general process of democratic transition. As countries open up their political processes and allow for competitive elections they also may encourage the participation of those who have left the country whether leaving was voluntary or forced. The extension of dual citizenship rights

To test these hypotheses I estimate a duration model for the period 1970-2007 where countries exit from the sample upon the adoption of dual citizenship. Countries that have

had dual citizenship policies in place prior to 1970 are never included in the estimation sample. This leaves 136 countries of which 50 exited (adopt dual citizenship for expatriates) during the sample period.

To test the hypothesis that competition for capital leads to the extension of dual citizenship rights I included the measure of the weighted emigrant stock. This proxies for the availability of external capital which could, all else equal, be channeled through migrants. I also include a variable measuring a country's short term external debt as a percentage of total exports as a proxy for hard currency need. And, as demonstrated above, crises—specifically those associated with bank failures in the OECD—decrease a country's access to aid, investment and remittances. Consequently I include the total number of banking crises in OECD countries per year.

Countries may also extend dual citizenship rights because of fears of losing national identity. I capture this through the inclusion of a variable measuring the share of immigrants in the country's total population. This data, available from the United Nations Population Program, is only available every five years so we fill in the missing values using multiple imputation.<sup>7</sup>

I also include two variables measuring democracy. The first is a simple dummy variable coded 1 if a country is a democracy.<sup>8</sup> But democracy means different things in different contexts. As part of the quest for political legitimacy, countries may extend dual citizenship

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<sup>7</sup> For the imputation we include a trend line, a dummy variable coded 1 for countries in the developing world, and the log of the country's external migrant population (unweighted).

<sup>8</sup> We use the POLITY2 variable from the POLITY database and code a country as being democratic if its POLITY2 score is greater than or equal to 5. We update and fill in missing observations using the POLITICAL RIGHTS variable from Freedom House.

right to expatriate populations especially if those populations exist as a result of forced migration or exile. Unfortunately, measuring these latter two concepts are difficult. As a proxy I use a dummy variable that is coded one if international election observers were present for the last election. This provides, at least in part, a proxy for the country's desire to establish and reconnect with external actors that may have viewed the previous regime with skepticism or hostility.<sup>9</sup>

I include a number of control variables as well. First, I control for regional variation in the provision of dual citizenship (the variable I used as our instrument in section two) as there may be convergence in policies across countries. I also control for the number of years since the country became independent as well as its square to capture nonlinearities in the political process related to the provision of dual citizenship.

The duration models are estimated models using two different methods. In columns one and two of table one I estimate the probability that a country will exit—that it will adopt dual citizenship—using a discrete time hazard model estimated via logit as suggested by Beck, Katz and Tucker (1998). In this specification I account for the underlying hazard through the inclusion of three cubic splines. In columns three and four I estimate a continuous time hazard model using the Cox distribution. The results from both specifications are almost identical; for the purpose of interpretation I use the logit specification because of the ease of interpreting predicted probabilities and their associated standard errors.

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<sup>9</sup> This variable is from the National Elections Across Democracy and Autocracy database compiled by Susan Hyde and Nikolay Marinov (<http://hyde.research.yale.edu/nelda/>). I am grateful to Susan Hyde for providing access to this database.

The baseline probability of exiting in any given year is quite low—we only have 50 exits out of over four thousand observations—a probability equal to .5%. The results point to the importance attributed to the economic access of emigrants—the emphasis of studies of transnationalism highlighted in section one. Increasing the weighted migrant stock by one percent increases the probability of a country adopting dual citizenship rights by 0.08 percent. This is seemingly small but substantively it means that a country with émigrés residing in the United States (average GDP per capita of 35,000) rather than in Spain (average GDP per capita of 22,000) increases its likelihood of providing dual citizenship rights by 12 percent. The results also support the idea that dual citizenship rights—because they are part of a strategy of national development—are more likely to arise when a country is in need of hard currency to service its debts. A one percent increase in debt service as a share of exports increases the probability of dual citizenship by 0.15 percent. Again, a seemingly small number but substantial when we note that average debt service averages 68 percent of exports and it is not unusual to see it exceed 150%. Banking crises also play a large role in the decision to adopt dual citizenship; increasing the number of crises by one from the median (five) increases the probability of exit by 11 percent.

Politics and the transition from autocracy to democracy also influences the decision to extend rights to emigrant populations. Democratic countries are .6% more likely than autocracies to exit and countries that have allowed external election observation are .8% more likely to exit. This result is consistent with the idea that democratic countries and those that are attempting to demonstrate their democratic “bone fides” will be more likely to extend rights to their expatriates.

Finally, the results in table one point to the importance of national identity in influencing policies regarding émigrés. As the share of immigrants to the total population rises countries increasingly attempt to harness their diasporas; an attempt to maintain a sense of nationhood in an environment where the country is becoming more and more heterogeneous.

### **3. Does Dual Citizenship Matter?**

In this section I explore whether the extension of dual citizenship increases the home country's access to remittances and the return of migrants who embody human capital. I exploit both macro level country data as well as survey evidence in what follows.

#### Dual Citizenship and Access to Remittances: Macro Evidence

In this section I test the hypothesis that dual citizenship increases remittance flows to developing countries. Using data from the World Bank's World Development Indicators I compiled a panel dataset of remittance flows to 116 developing countries<sup>10</sup> for the period 1972-2007. The dependent variable is the log of the ratio of remittances to gross domestic product. Following Chami, Fullenkamp and Jahjah (2005) I include the difference in interest rates and in per capita GDP measured in PPP terms between the local country and the United States as well as the change in the local currency-dollar exchange rate. I also include the local country's rate of economic growth to control for the idea that remittances flows may be counter-cyclical (Frankel 2009). Drawing on Yang's (2006) work I include a variable measuring the number of people affected by natural disasters in a given year as a

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<sup>10</sup> We define developing countries as all non-OECD countries except for Mexico and South Korea. Other countries are excluded on the basis of data availability.



share of that country's total population. Finally, because remittance flows depend in large measure on the size of a country's emigrant population I create a measure of weighted emigrant stock. Leblang, Fitzgerald and Teets (2009) have collected bilateral migration data measuring the stock of migrants residing in 21 host countries broken down by country of origin for the period 1960-2007. I take that data, weight it by per capita GDP (in PPP terms) in the host country and then sum it by origin country and year. This provides a variable capturing the size of a country's external population weighted by income; a variable that provides a proxy of the potential to send remittances.<sup>11</sup>

To test the affect of dual citizenship on remittances I estimate use ordinary least squares and report standard errors that are robust to both heteroscedasticity and serial correlation. I also include a set of country specific dummy variables to control for omitted variables that are constant within country. To decrease the chances of simultaneity I also lag all independent variables by one year.

The benchmark model is contained in column one of table two. There is evidence to support much of the earlier literature: remittances respond to investment opportunities in the recipient country (as evidenced by the positive coefficient on the interest rate variable) and to countercyclical forces (as evidence by the positive coefficient on the income variable). They also respond to changes in the exchange rate where a depreciation of the local currency results in an increase in remittance flows. Interestingly the parameter estimate on the growth rate—an additional measure of countercyclicity—is positive and significant, indicating that remittances increase when economic times in the recipient country are good. There is also evidence to corroborate the notion that remittances

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<sup>11</sup> O'Mahoney (2009) creates a similar measure though she uses bilateral migrant stock data for a single year.

respond to natural disasters and that remittances increase as a function of the income potential of their external population.

In column two I include the (lagged) measure of dual citizenship. The effect of dual citizenship, holding all other variables at their means, is positive and significant. Given that the dependent variable is expressed as a log transformation this coefficient can be interpreted as meaning that countries offering expatriates dual citizenship rights increase the ratio of remittances to GDP by 35%--a substantial sum indeed. And because a set of country specific dummy variables are included in the model this parameter estimate is likely an underestimate as countries that have granted dual citizenship rights for the entire period have that effect subsumed by the dummy variable.<sup>12</sup>

In figure three I calculate the predicted flow of remittances based on averages for the entire period. The predictions in figure four show the importance of dual citizenship rights. In every case there is a statistically significant difference between predicted remittances (as a percentage of GDP) when dual citizenship rights are extended and when they are not. One of the most striking results is for India where the confidence intervals do not even come close to overlapping; an indication that India could stand to gain substantially by extending dual citizenship rights—an increase of remittances from two to over two and a half percent of GDP.

The linkage between migrants and remittances flows is direct and I examine the consequences of economic shocks in source countries by including, in column three, a

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<sup>12</sup> As a robustness check I also include a number of other variables including ones measuring democracy and elections as in O'Mahoney (2009) and did not find them to be statistically significant in any of the specifications. I also included a linear trend which was statistically significant but did not substantively change the reported parameter estimates or hypothesis tests.

measure of the total number of banking crises per year occurring in OECD countries. The parameter estimate for banking crises is, as expected, negative and statistically significant indicating that banking crises are associated with a decrease flow of remittances to home countries. Can dual citizenship help mitigate this negative effect? In column four I include the interaction between dual citizenship and banking crises and find that the parameter estimates on these two variables are almost equal in magnitude. This indicates that, at least for a small number of fiscal crises, dual citizenship helps decrease the shock to remittance flows.

#### Dual Citizenship and Access to Remittances: Micro Evidence

The analysis up to now has use macro-level data to shed light on what is really micro-level behavior. In this section I use data from the German Socio-Economic Panel (GSEOP) to see whether dual citizenship has an effect on the remittance behavior of individuals. The GSEOP is a valuable database when studying the behavior of migrants because, as a panel survey, it follows migrants over as many as 21 years, from 1984-2007.<sup>13</sup> For the analyses reported below I have complete data on migrants from 107 countries residing in Germany.

In table three I estimate a model of remittance behavior. I include a number of individual level controls including: education level which is coded 1 for less than high school, 2 for completed high school and 3 or higher education; household size and income, the number of years since the individual emigrated to Germany and its square, the gender of the migrant, the migrant's employment status, and a dummy variable coded 1 if the migrant reported to have moved to Germany in order to make money.

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<sup>13</sup> For reasons that are unclear the GSEOP did not ask questions about remitting behavior in 1992 or 1994.

I also include two sets of country level control variables. The first are the same as used in column 1 of table 2 and include relative income, interest and exchange rates as well as the proxy for natural disasters. The second set is comprised of country of origin dummy variables which capture time-invariant characteristics of a country that may alter the propensity of individuals to remit.

The dependent variable in table 3 taps whether the respondent has sent money to the home country or, for the surveys from 1996-2007, whether the respondent has given transfers to family living abroad. The first column in table 3 estimates the model without dual citizenship while the second column includes dual citizenship. The impact of dual citizenship on an individuals propensity to remit is positive and is statistically significant. In fact the extension of dual citizenship increases the propensity to remit by almost ten-percent. And these results are all the more impressive because the model includes a set of time-invariant country dummies so what dual citizenship is capturing is the change from a zero to a one.

#### Dual Citizenship and the Intention to Return

In addition to fostering attachments that result in financial flows, dual citizenship policy may be part of a larger strategy of diaspora engagement; a set of policies designed to encourage the return of expatriates. In some cases countries actively encourage return migration because returnees may have both contacts and human capital. In her study of Taiwanese and Chinese migration policy, Saxenian (2002) notes that return is encouraged because migrants have global links, links that “facilitate access to foreign sources of capital, technical skills and markets.”

Studying return migration is notoriously difficult as national statistical offices—even if they do collect data on out migration—do not collect data corresponding to the characteristics of those who stay and those that leave. To test the effect of dual citizenship on return migration I utilize a unique survey of migrants. In 2006-2007 the Spanish Statistical Office undertook a survey of immigrants living in Spain. The result—the National Immigrant Survey of Spain—was released in 2008 and contains over 15,000 respondents.<sup>14</sup> Failure to respond to questions related to level of education and remittance behavior reduced the sample though not substantially and we are left with a usable sample of over 11,000.<sup>15</sup> Unfortunately the response rate to the question about level of income was less than 10% so we do not use that variable in this model.

The Spanish survey asks “Do you intend to return to your home country?” and I use this dichotomous response as the dependent variable in the probit models reported in table four. As control variables I include a set of individual characteristics capturing demographic, human capital and social network variables.<sup>16</sup> To measure the strength of social networks I include questions asking whether the respondent has contact with family or friends in the home country and whether s/he has naturalized as a Spanish citizen. Human capital is difficult to measure consistently so I use three variables measuring level of education, whether the individual was working the prior week and whether the

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<sup>14</sup> [http://www.ine.es/en/prodyser/micro\\_inmigra\\_en.htm](http://www.ine.es/en/prodyser/micro_inmigra_en.htm)

<sup>15</sup> This sample corresponds to migrants from over 100 countries.

<sup>16</sup> The set of variables was informed by Constant and Massey’s (2004) study of return migration by German guest workers. Unfortunately the Spanish survey does not include the full battery of questions available in the German survey.

individual is retired. I use a simple set of demographic variables that capture age and gender.

To these control variables I include a variable measuring whether the immigrant is from a country that provides for dual citizenship. The results of estimating this model are included in table four. Column one of table four contains probit coefficients and robust standard errors estimated via maximum likelihood while column two contains marginal effects evaluated holding all other variables at their means. For dichotomous independent variables the marginal effect reflects the change in the probability of a respondent reporting an intention to return as the independent variable changes from zero to one.

Before turning to dual citizenship it is interesting to note that the demographic and human capital variables do not show a consistent pattern. Employment status, level of education and gender have no statistically significant impact on one's intention to return. Older migrants and those who have retired or who receive a government pension are less likely to return; a result compatible with that of Constant and Massey (2002).

Social networks play an important role in conditioning a migrant's intention to return. Migrants who are in contact with friends or family in the home country are six percent more likely to report an intention to return while those that have become naturalized Spanish citizens are four percent less likely to express a similar intention. These results square with expectations and with the importance that personal connections play in the immigration decision. Contact with the homeland continues linkages between the migrant and the migrant while the decision to naturalize in Spain tends to work in the opposite direction.

Within this context the marginal effect for dual citizenship seems reasonable. All else equal, migrants are a little over two percent more likely to express an intention to return to their homelands when those homelands allow them to maintain dual citizenship. As noted above, dual citizenship tends to increase the probability that a migrant will naturalize so those two factors work against one another. That said, it is surprising that the parameter estimate is as large as it is and it is likely underestimated due to the effect of naturalization.

In table five I again use the GSEOP to examine the propensity to return amongst émigrés to Germany. And again I include a set of country specific dummy variables which allows for identification of the effect of a change in dual citizenship. The baseline model for return propensity is contained in column one of table five while dual citizenship is included in column two. Dual citizenship, controlling for country specific characteristics, does not have a statistically significant effect on a German immigrant's probability of returning to their home country. Note that if country dummies are not included then dual citizenship does, as with the Spanish sample, have a positive effect on an individual's intention to return.

The lack of statistical significance is, however, likely a positive for a country of origin as countries may want to harness all of their diaspora but may want to be selective in who they encourage to return. In column three of table five I limit the sample to only those emigrants who have more than high school education—those who hold large amounts of human capital. With this group of émigrés dual citizenship increases—by nine percent—the likelihood of expressing an intention to return.

#### **4. Conclusion**

I argue that countries use dual citizenship to access a steady stream of international capital, capital that is available through their external populations through remittances and return migration. Using a variety of data sources and country samples I find not only that immigrant populations serve as an economic engine for their home country but also that national policies of emigrant engagement enhance that relationship. Of course countries want to maintain connections to their diaspora for reasons other than the access to capital. Migrant communities can serve as advocates for the home country and can lobby their host countries for foreign assistance, preferential economic and military policies, and better treatment of immigrants from their countries. The extension of political rights by the home country helps maintain those connections and may provide better connections between host and home country governments.

There is, of course, much to be done. In addition to cataloguing dual citizenship and voting rights for migrants, it would be valuable to identify other immigrant engagement strategies—strategies designed to strengthen the connection between emigrant and the home country. More can be learned about the causes of return migration from tapping the large (and growing) number of immigrant surveys that have been carried out in Germany, Canada, Australia, New Zealand, the United States and Sweden. An analysis of these surveys could help clarify whether migrant engagement strategies are successful in harnessing those members of the diaspora that the home country most wants—those that embody human capital.

And more needs to be done to help make sense of the seeming disconnect between rights and duties afforded to national populations. The normative questions associated



with allowing external populations to influence politics in the home country—and the desirability of trading these rights for economic flows—do not have easy or simple solutions.

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**Table One:  
Determinants of Dual Citizenship**

	Discrete Time Probit Model		Continuous Time Cox Model	
Weighted Emigré Stock	0.164** (0.0670)	0.169** (0.0672)	0.157** (0.0636)	0.134** (0.0657)
Democracy Dummy (Polity>4)	1.161** (0.469)	1.117** (0.477)	1.200** (0.478)	1.200** (0.478)
Number of Banking Crises in OECD		0.180** (0.0734)		0.268** (0.123)
Domestic Immigrants/Domestic Population	0.170** (0.0856)	0.177** (0.0864)	0.157* (0.0833)	0.137* (0.0987)
Log(Short Term Debt/Exports)	0.318** (0.124)	0.320** (0.125)	0.295** (0.118)	0.291** (0.121)
Observation of Last Election	1.001** (0.460)	1.025** (0.458)	0.839* (0.435)	0.859* (0.421)
Log(Years Since Independence)	-1.611** (0.468)	-1.620** (0.473)	-1.551** (0.449)	-1.553** (0.451)
Log(Years Since Independence)^2	0.318** (0.0968)	0.319** (0.0977)	0.308** (0.0930)	0.309** (0.0932)
Number of Neighbors with Dual Citizenship	2.194** (1.007)	2.340** (1.048)	2.032** (0.942)	2.043** (0.928)
Spline	0.000365 (0.000815)	0.00137 (0.00106)		
Spline <sup>2</sup>	-0.000331 (0.00111)	-0.000893 (0.00136)		
Spline <sup>3</sup>	0.0000376 (0.000780)	-0.000320 (0.000890)		
Constant	-8.973** (1.310)	-9.017** (1.313)		
Observations	4126	4126	4126	4126
Adjusted R <sup>2</sup>				

Standard errors in parentheses

Columns 1 and 2: Discrete Time Duration Model of Dual Citizenship Adoption Estimated via Logit

Columns 3 and 4: Continuous Time (COX) Duration Model of Dual Citizenship Adoption

Robust Standard Errors in Parentheses

\*  $p < 0.10$ , \*\*  $p < 0.05$

**Table Two:  
Political Economy of International Remittances**

	(1)	(2)	(3)	(4)
	Log(Remittances as % of GDP)	Log(Remittances as % of GDP)	Log(Remittances as % of GDP)	Log(Remittances as % of GDP)
Local-US Real Interest Rate	0.0000690** (0.0000275)	0.0000839** (0.0000308)	0.0000867** (0.0000323)	0.0000810** (0.0000310)
US-Local Per Capita GDP PPP	0.0000251** (0.00000439)	0.0000194** (0.00000457)	0.0000164** (0.00000460)	0.0000179** (0.00000480)
Change in Nominal Exchange Rate	-0.00135** (0.000458)	-0.00116** (0.000481)	-0.00106** (0.000476)	-0.00104** (0.000466)
Weighted Emigrant Stock	0.0608** (0.0171)	0.0638** (0.0168)	0.0745** (0.0173)	0.0631** (0.0175)
Natural Disaster, Per Capita	0.286** (0.135)	0.281** (0.136)	0.266** (0.134)	0.264** (0.135)
Dual Citizenship Rights for Expatriates		0.303** (0.0574)	0.299** (0.0566)	0.244** (0.0609)
Number of Banking Crises in OECD			-0.0116** (0.00366)	-0.0141** (0.00423)
Dual Citizenship * Banking Crises				0.0117* (0.00629)
Constant	-1.638** (0.390)	-1.833** (0.390)	-1.949** (0.393)	-1.788** (0.382)
Observations	2378	2378	2378	2265
Adjusted R <sup>2</sup>	0.751	0.755	0.756	0.760

Standard errors in parentheses

Dependent Variable: Log(Remittances as % of GDP)

Heteroscedasticity and Autocorrelation Robust Standard Errors in Parentheses

Models in Columns 1-3 include a set of N-1 Dummy Variables

\*  $p < 0.10$ , \*\*  $p < 0.05$

**Table Three:  
Remittance Behavior  
German Socio Economic Panel**

	(1) Without Dual Citizenship	(2) With Dual Citizenship
Dual Citizenship		0.516** (0.262)
Education Level	0.103** (0.0356)	0.104** (0.0355)
Household Size	-0.0638** (0.0117)	-0.0642** (0.0117)
Individual Income	0.0000345** (0.00000830)	0.0000350** (0.00000832)
Years Since Immigration	0.0636** (0.00828)	0.0633** (0.00826)
Years Since Immigration^2	-0.00158** (0.000207)	-0.00157** (0.000206)
Migrated for Income	0.179** (0.0855)	0.179** (0.0854)
Male	0.447** (0.0407)	0.446** (0.0408)
Currently Unemployed	-0.306** (0.0423)	-0.306** (0.0423)
Relative Interest Rate	0.00316** (0.000742)	0.00320** (0.000749)
Relative Per Capita GDP	0.0000459** (0.00000733)	0.0000468** (0.00000732)
Exchange Rate Devaluation	-0.00125* (0.000720)	-0.00130* (0.000724)
Natural Disaster	-2.334** (0.954)	-2.186** (0.925)
Constant	-0.296 (0.231)	-0.789** (0.347)
Observations	22113	22113

Dependent variable: did you send money/financial transfers to anyone in your home country?

Cell entries are probit estimates with robust standard errors clustered by individual are in parentheses.  
Models include a set of time-invariant country dummy variables  
\*  $p < 0.10$ , \*\*  $p < 0.05$

**Table Four:  
Dual Citizenship and the Intention to Return  
Spanish Migrants**

	(1) Probit Results	(2) Marginal Effects
Dual Citizenship	0.266** (0.0641)	0.0229** (0.0049)
Are You in Touch with Family/Friends in Home Country?	1.168** (0.167)	0.062** (0.0033)
Do You Possess Spanish Citizenship?	-0.464** (0.0444)	-0.044** (0.0042)
Last Week Were You Working?	0.0551 (0.0419)	0.005 (0.0418)
Last Week Were Your Retired/Pensioner?	-0.395** (0.0997)	-0.0305** (0.0056)
Level of Education Achieved	0.0231 (0.0160)	0.00236 (0.0163)
Gender (Male=1)	-0.0600 (0.0365)	-0.00615 (0.0372)
Age	-0.000400** (0.000155)	-0.0004** (0.0002)
Constant	-2.022** (0.355)	
Observations		12022

Dependent variable: "Do you intend to return to your home county?"

Robust standard errors clustered by home country in parentheses

\* $p < 0.10$ , \*\*  $p < 0.05$



**Table Five:**  
**Dual Citizenship and the Intention to Return**  
**German Socio Economic Panel**

	Entire Sample	Entire Sample	Only those with post secondary education
Dual Citizenship		0.0878 (0.111)	0.454* (0.254)
Education Level	-0.108** (0.0323)	-0.120** (0.0347)	
Contact with Home Country	0.255** (0.0434)	0.219** (0.0490)	-0.0144 (0.123)
Household Size	-0.0207 (0.0136)	-0.00705 (0.0148)	-0.0541 (0.0498)
Individual Income	0.0000197** (0.00000938)	0.0000142 (0.00000976)	0.0000129 (0.0000217)
Years Since Immigration	0.0105 (0.00728)	-0.00186 (0.00824)	-0.0449* (0.0230)
Years Since Immigration^2	-0.000515** (0.000152)	-0.000304* (0.000172)	0.00000162 (0.000519)
Male	0.0151 (0.0421)	-0.00616 (0.0450)	-0.0528 (0.129)
Currently Unemployed	-0.00109 (0.0409)	-0.0226 (0.0431)	0.0814 (0.123)
Constant	0.0833 (0.121)	0.382** (0.138)	0.654** (0.326)
Observations	19425	19425	2346

Dependent variable: do you intend to return to your home country?

Cell entries are probit estimates with robust standard errors clustered by individual are in parentheses.

Models include a set of time-invariant country dummy variables

\*  $p < 0.10$ , \*\*  $p < 0.05$

Figure One  
Trends in Expatriate Political Rights

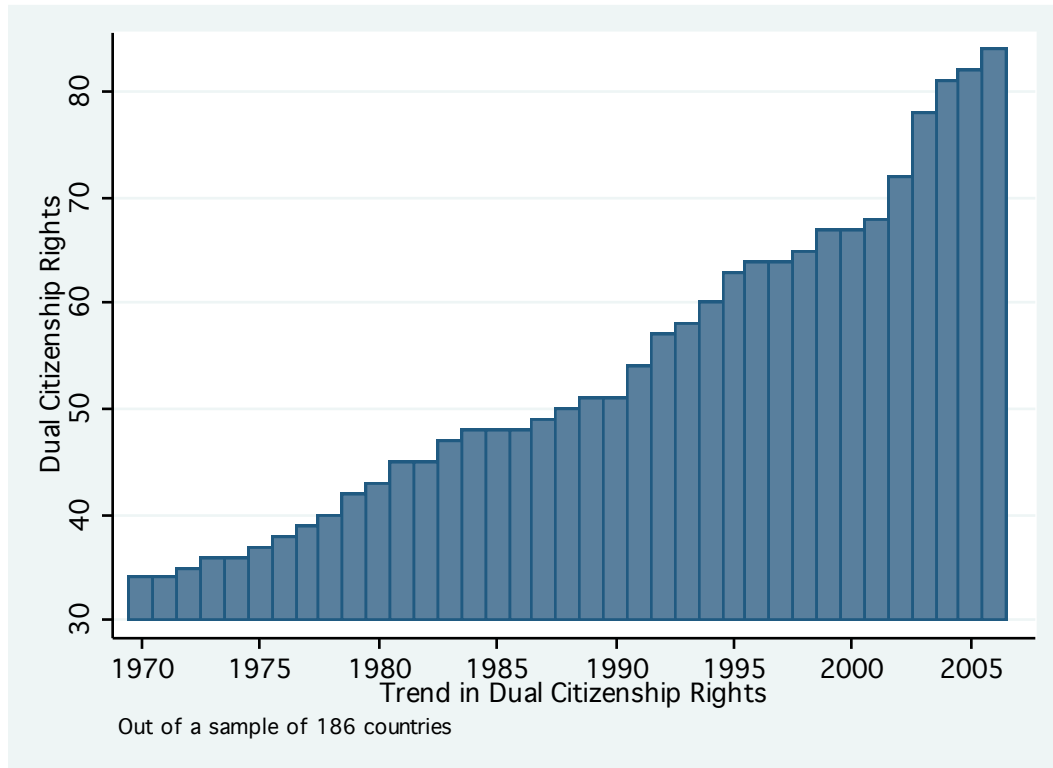


Figure Two:  
Global Distribution of Dual Citizenship (2005)

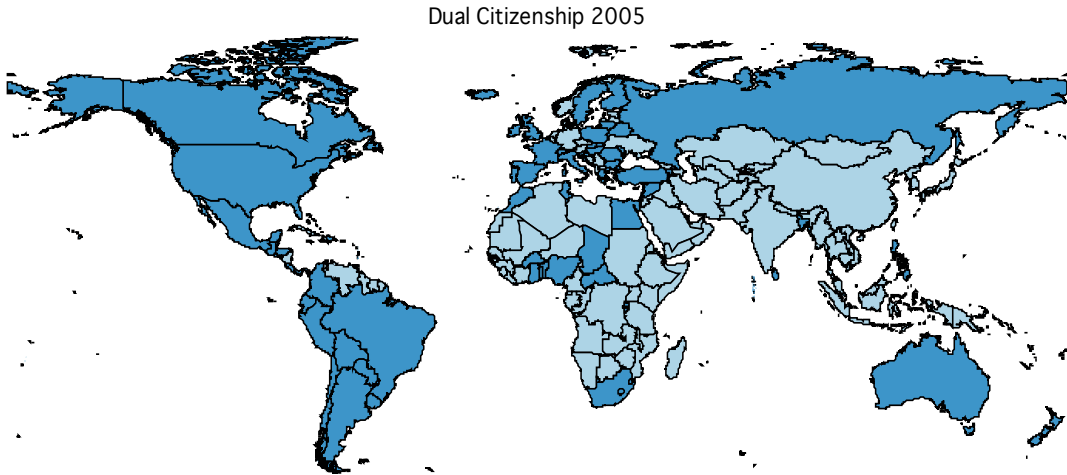


Figure Three  
Dual Citizenship and Average Remittances

