

# The Caribbean Diaspora - An Untapped Resource for Impacting Economic Development through Investments in the Caribbean.



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## **Abstract**

Globalization has brought with it an integration of people across national, political and geographical boundaries. The Caribbean has one of the largest net migration rates and has evolved from being a net importer of labor to a net exporter. The widening of the income gap amongst different regions in the world as well as an increase in labor shortages has spurred a continued increase in migration rates in the Caribbean region. The Caribbean diaspora is located in the United States, Canada, United Kingdom and countries that were previously colonial empires. Much work has been done on remittances and its impact of development, however, a scant amount of literature is available on the Caribbean diaspora and its investment potential in the region's developmental plans. It is in this light that this paper seeks to assess the investment potential of the Caribbean diaspora. The paper highlights the importance of leveraging and tapping into the resources of the diaspora to facilitate human capital investment, financial and real sector investments.

Keywords: Caribbean Diaspora, Economic Development

## **Introduction**

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Globalization has brought with it the integration of systems, including the temporary and permanent movement of people across national borders. The Caribbean has been created from migratory flows of people into the region. Evidence of this goes as far back to the rediscovery of the Caribbean in 1492, which made an indelible mark on the region's demographic composition. There are two types of migration: external migration, which consists of intra-regional migration and extra-regional migration, and internal migration which refers to movement from rural to urban areas within a country.<sup>4</sup> This paper however, focuses on external migration which is the movement of people outside the region.

External migration from the Caribbean has continued to increase over the years, with significant levels of migration occurring in countries such as, Jamaica, Guyana, Suriname, and St. Lucia.<sup>5</sup> It has been argued that the Caribbean has lost over five million people over the last fifty years.<sup>6</sup> Data provided by the United Nations (2002) suggest that the Caribbean has one of the largest net migration rates<sup>7</sup> which is spurred by the widening of the income gap amongst different regions in the world as well as an increase in labor shortages.<sup>8</sup> Nurse (2006) has argued that the Caribbean is now a net exporter of labor.<sup>9</sup> The majority of migrants from the English speaking Caribbean originate from the OECS countries, Guyana, Jamaica, Haiti and Suriname.<sup>10</sup>

Migration offers benefits and disadvantages to the home and host countries as well as the migrants. **Table 1** below gives a summary of some of the cost and benefits of migration, however, the Caribbean region is yet to tap into many of the benefits of migration. There is a large amount of resources and wealth available for the home country to tap into so as to facilitate the development process in the Caribbean.

<b>Table 1; Cost and benefits of Migration</b>	
<b>Benefits of Migration</b>	<b>Cost of Migration</b>
Provide opportunities to migrants that are not available in the home country	Loss of highly skilled labor which means a reduction of the quality of service.
Help reduce the level of unemployment in the home country	Reduction in growth and productivity of the labor force.
Inflow of remittances from the people who have migrated increases foreign exchange and income to family members	Lower returns from public investment in public education.
Technology , investments and venture capital from the diaspora	Possible loss of fiscal revenue from taxation of workers.

<sup>5</sup> Migration in the Caribbean: what do we know?" Expert Group Meeting on International Migration and Development in Latin America and the Caribbean, UN/ POP/EGM-MIG/2005/09, 13 January 2006

<sup>6</sup> ECLAC (2006), Migration in the Caribbean, What Do We Know, (Expert Group Meeting on International Migration and development in Latin America and The Caribbean)

<sup>7</sup> Ibid pg. 10

<sup>8</sup> Keith Nurse(2006),"Migration, Diaspora and Development in the Caribbean" Policy Paper, Focal FPP-04-6

<sup>10</sup> Ibid pg. 12

Can increase the level of trade between the host and home country	Remittances may diminish over time
Lead to investment in domestic education and human capital by migrants.	The possibility of inflationary potential of remittances, especially on real estate, in some areas.
Transfer of skills and knowledge by return migrants as well as linkages of local enterprises to foreign enterprises	Selective migration may cause increasing disparities in incomes in the home country.
Source: UN/DESA (2004).	

There are many costs associated with the migration of skilled nationals; much of these can be reduced by engaging the diaspora. Diasporas though not part of development policy in most developing economies can make contributions that can directly impact social, economic and political spheres. The diaspora has the ability to make valuable investments in the home country through human capital investment, financial and real sector investments. These investments have the potential to stimulate economic growth in the Caribbean region. However, effective policies and programs need to be put in place to facilitate the engagement of the diaspora in economic development as well as to ensure that the diaspora is recognized for its contributions to the development of an economy.

To facilitate all this from a Caribbean perspective, some quantification of the diaspora's investment interest in facilitating economic development in the Caribbean is required. Therefore, the rest of the paper is broken down into five sections as follows: section 1 examines the literature on diaspora; inclusive of the Caribbean diaspora Section 2 focuses on the investment potential of the diaspora; Section 3 defines the methodology; Section 4 provides an analysis of the empirical study undertaken of the Caribbean diaspora; in the fifth section a summary of the findings is presented. The final section examines policy recommendations and the conclusion.

### Defining the Diaspora

The term “diaspora” may have different meanings according to different subject areas; however, with regards to economics and migration, the diaspora is seen as persons who cohabit outside their home country. This includes different groups such as political refugees, migrant workers, ethnic, racial minorities and overseas communities.<sup>11</sup> Sheffer (1969) defined the modern diaspora as:

*“Ethnic minority groups of migrant origins, residing and acting in host countries but maintaining strong sentimental and material links with their countries of origin or their homelands.”<sup>12</sup>*

<sup>11</sup> Piyasiri Wickramasekara (2009), “Diasporas and Development : Perspectives on Definitions and Contributions, International Migration Programme, Perspectives on Labor Migration No. 9

<sup>12</sup> Ibid Pg. 12

Cohen (2006) postulated that there are five types of diasporas based on the historical experiences derived from migration. These types included victim (exile) diasporas which include the African diaspora who suffered from the historical event of slavery; the Armenian diaspora who were victims of genocide and the Irish diaspora who suffered from a great famine. All the diasporas mentioned were victims of an event that has a lasting effect on them as a people.<sup>13</sup>

Another type of diaspora is the labor diaspora; this relates to the indentured labor system that existed in the 19<sup>th</sup> century in countries such as India and China. This was as a result of the indentured labor system that existed in the 19<sup>th</sup> century. Similarly, there exist imperial diasporas; these diasporas include countries such as Venezuela, Boliva and Peru. Cohen (ibid) noted that:

*“An imperial diaspora is marked by a continuing connection with the homeland, a defense to and imitation of its social and political institutions and a sense of forming part of a grand imperial design.”<sup>14</sup>*

Some diasporas exist as a result of trade; these are called trade diasporas. Although many diasporas fall in this category, China serves as a good example, given that their Hokkien traders were known for trading tools, skills, food, etc. Members of the modern Chinese diaspora are also trading their skills and knowledge. Zweig et al. (2008) advocated that:

*“utilizing the advantage of their professional bodies; holding concurrent positions in China and overseas; engaging in cooperative research in China and abroad; returning to China to teach and conduct academic and technical exchanges; setting up enterprise in China; conducting inspections and consultation; and engaging in intermediary services, such as running conference, importing technology or foreign funds, or helping Chinese firms find export market.”<sup>15</sup>*

The Caribbean diaspora falls into the category of a cultural diaspora as it is held together by a common culture and identity. Wilson (1998) defines the Caribbean culture as

*“the result of the violent mixture of indigenous people from Quisqueya, Xaymaca, Borinquén and Cuba, European immigrants who invaded these territories and African slaves brought to work in the gold mines, sugar plantations and sugar mills.”<sup>16</sup>*

When we examine the Caribbean cultural identity, Halls (1996) postulates:

*“‘cultural identity’ in terms of one, shared culture, a sort of collective ‘one true self’, hiding inside the many other, more superficial or artificially imposed ‘selves’, which people with a shared history and ancestry hold in common. Within the terms of this definition, our cultural identities reflect the common historical experiences and shared*

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<sup>13</sup> Nielson and Riddle (2007), Bridging Cultural Distances: A Multi-level Model of Diaspora Homeland Investment (conference paper at Academy of Management Annual Meeting)

<sup>14</sup> Robin Cohen (2008), Global Diasporas: An Introduction

<sup>15</sup> Sheila V. Siar (2007), Bringing back what has been ‘lost’: knowledge exchange through the diaspora, Centre for Development Studies, University of Auckland, New Zealand.

<sup>16</sup>The Multiple Dimensions of Caribbean Culture,  
[www.ashgatepublishing.com/.../Caribbean\\_Diaspora\\_in\\_the\\_USA\\_Ch1.pdf](http://www.ashgatepublishing.com/.../Caribbean_Diaspora_in_the_USA_Ch1.pdf)

*cultural codes which provide us, as 'one people', with stable, unchanging and continuous frames of reference and meaning, beneath the shifting divisions and vicissitudes of our actual history. This 'oneness', underlying all the other, more superficial differences, is the truth, the essence, of 'Caribbeanness', of the black experience. It is this identity which a Caribbean or black diaspora must discover, excavate, bring to light and express through cinematic representation.*"<sup>17</sup>

**Table 2** summaries the different types of diasporas that are highlighted in the literature.

<b>Table 2: Types of Diasporas</b>	
<b>Types of Diasporas</b>	<b>Examples</b>
Refugee/Victim	Jews, Africans, Others: Irish, Palestine
Imperial/Colonial	Ancient Greek, British, Russian, Others: Spanish, French, Portuguese, Dutch
Labour/Service	Indentured Indians, Chinese, Japanese, Turks
Trade/Business/Professional	Venetians, Lebanese, Chinese, Others: Today's Indian and Japanese
Cultural/hybrid/Post Modern	Caribbean People, Others: Today's Chinese and Indians
Source: Cohen (1997)	

Key features of a diaspora were examined by Cohen (1996). Some of these features include the movement from a homeland of origin in the hope of finding an increased standard of living. Migrants move for many reasons which include the search for employment and better remuneration, increased standard of living and professional recognition.<sup>18</sup> Diasporas also establish themselves for trading purposes as well as for colonial ambitions.<sup>19</sup>

The diaspora has a collective memory of the homeland as well as a collective commitment to the maintenance and prosperity of the homeland.<sup>20</sup> Safran (1991) noted that one of the characteristics of the diaspora is that they possess a "...commitment to the maintenance and restoration of their homeland and to its safety and prosperity; and continued relations with their homeland."<sup>21</sup>

The diaspora usually articulates and create visions and memories of their homeland in their mind, while for others; memories of their homeland are just a figment of their imaginations (Cheran 2003). It typically maintains a strong ethnic group consciousness over several years.

<sup>17</sup> Stuart Halls (1996), Cultural Identity and Diaspora pg. 222- 237, [www.lwbooks.co.uk/ReadingRoom/public/IdentityDiaspora.pdf](http://www.lwbooks.co.uk/ReadingRoom/public/IdentityDiaspora.pdf)

<sup>18</sup> International Labour Conference, 92nd Session, 2004 Towards a fair deal for migrant workers in the global economy , International Labour Office Geneva

<sup>19</sup> Robin Cohen(1997)

<sup>20</sup> Diaspora: explaining a modern Filipino phenomenon, Vo l . viii No s . 4 a n d 5 ( D e c e m b e r 2 0 0 8 )

<sup>21</sup> Ibid pg. 1

(Cohen 2008: pg.17).<sup>22</sup> Their relationship with the host country is usually troubled and they show a sense of empathy and solidarity with other ethnic members in the host country.<sup>23</sup>

Another characteristic of the diaspora is that of alienation and insulation, members are conscious that the host country doesn't fully accept them and they are strangers in the host country. This may have implications in that they may never play a dominant role in the host country.<sup>24</sup>

There exists a large amount of untapped potential in the diaspora with regards to economic development. The diaspora has the potential to contribute to the well being of the Caribbean region via investments in human capital, financial investments which include: economic remittances, diaspora bonds/stocks, insurance and savings; also real sector investments in the form of foreign direct investment which can take the form of trade in nostalgic goods and entrepreneurial investments.<sup>25</sup> The diaspora contributes to foreign direct investments in the home country; which enables the development of various sectors and overall stimulates economic growth. The diaspora via Home Town Associations and other voluntary groups helps to develop communities as well as help reduce the level of poverty in various countries.<sup>26</sup>

For some countries, the diaspora has contributed significantly to the economic development process through investments. For example, the diaspora played a significant role in developing the software industry as a key industry in the development thrust of the Indian economy.<sup>27</sup> Similarly, programs have been set up by various organizations through which the diaspora invested their human capital through the transfer knowledge and skills to the home country. In the Philippines, a program initiated by UN volunteers called TOKTEN was set up to facilitate the transfer of knowledge and skills by members of the diaspora to help develop the Philippines.<sup>28</sup>

Stalker (2003) postulated that the Caribbean has one of the largest diasporic communities in the world (that is with reference to the total population of the Caribbean).<sup>29</sup> In order to assess the impact that this Diaspora can have on economic development in any economy, it is important to assess the magnitude and profile of the diasporic community. In this regard the next section of this paper provides some basic quantitative insight on the size of the Caribbean diaspora.

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<sup>22</sup> Oliver Bakewell (2008), In search of the Diaspora within Africa, International Migration Institute, University of Oxford.

<sup>23</sup> Cheran R. (2004) "Diaspora Circulation and Transnationalism as Agents for Change in the Post Conflict Zones in Sri Lanka" Department of Sociology and Centre for Refugee Studies, York University, Toronto, Canada September

<sup>24</sup> See Steven Vertovec (2009), Transnationalism

<sup>25</sup> Hosein, Franklin, Joseph (2010), The Developmental Impact of Remittances on the Caribbean: A comparative Analysis of St. Lucia and Trinidad and Tobago

<sup>26</sup> Escobar and Janssen(2006), Migration, the diaspora and development: The case of Mexico International Institute of Labour Studies, Discussion paper DP/167/2006 Decent Work Research Programme

<sup>27</sup> Sheila V. Siar (2007), Bringing back what has been 'lost': knowledge exchange through the diaspora, Centre for Development Studies, University of Auckland, New Zealand

<sup>28</sup> Sheila V. Siar (2007), Bringing back what has been 'lost': knowledge exchange through the diaspora, Centre for Development Studies, University of Auckland, New Zealand.

<sup>29</sup> Keith Nurse(2006), "Migration, Diaspora and Development in the Caribbean" Policy Paper, Focal FPP-04-6

## The Caribbean Diaspora

The Caribbean Diaspora consists of a large number of persons of Caribbean descent living outside of their countries of nationality. **Table 3** and **Figure 1** illustrate the population of the Caribbean diaspora. (Nurse 2004) postulated that the Caribbean diaspora resides in North American countries and countries that were former colonial empires such as France, Netherlands and the United Kingdom.<sup>30</sup>

In the 1950's there were strong waves of West Indian migration to the United Kingdom, however, this prompted restrictive immigration policies which stifled the flow of Caribbean migrants to the UK. As a consequence, migration to Canada and the United States of America commenced. In later years, significant numbers of West Indian immigrants in the UK migrated to Canada and the United States.<sup>31</sup>

The West Indian Diaspora community in the United States is the largest fraction of the Caribbean diaspora internationally and has the greatest inherent potential to contribute to Caribbean development.<sup>32</sup> Patterson (2003) postulated that the number of Caribbean migrants in the United States was approximately 787,000. He further posited that approximately 78% were under the age of 50, and 61% had an educational level above high school. Patterson (2003) went on to emphasize that the Caribbean diaspora does not include only direct migrants from the Caribbean but also second and third generation offspring who were born in the host country.<sup>33</sup>

When second and third generation Caribbean-Americans are added to this list, the Caribbean diaspora in the United States numbers five to ten million (Ward 2001).<sup>34</sup> The Caribbean diaspora consists of highly skilled workers, graduates from college and universities, management professionals and related occupations.<sup>35</sup> The Caribbean Research and Policy Centre (2009) postulated that the Caribbean Diaspora in the USA constitutes of:

- 418,520 have some college or associate degree
- 211,494 have a bachelor degree
- 113,194 have a graduate or professional degree (these figures do not include Guyanese).
- 341,827 engaged in management, professional and related occupations (figures do not include Guyanese nationals).

**Table 3: The Caribbean Diaspora by country of Residence (1996)**

<sup>30</sup> Keith Nurse(2004), " Migration, Diaspora and Development, Universidad Autonoma de Zacatecas & Canadian Foundation for the Americas, Zacatecas, Mexico, October 2004

<sup>31</sup> Patterson (2003), CARICOM beyond thirty: Connecting with the Diaspora, CARICOM 30<sup>th</sup> Annual lecture, Brooklyn New York

<sup>32</sup> Patterson (2003), CARICOM beyond thirty: Connecting with the Diaspora, CARICOM 30<sup>th</sup> Annual lecture, Brooklyn New York.

<sup>33</sup> Ibid Pg. 1

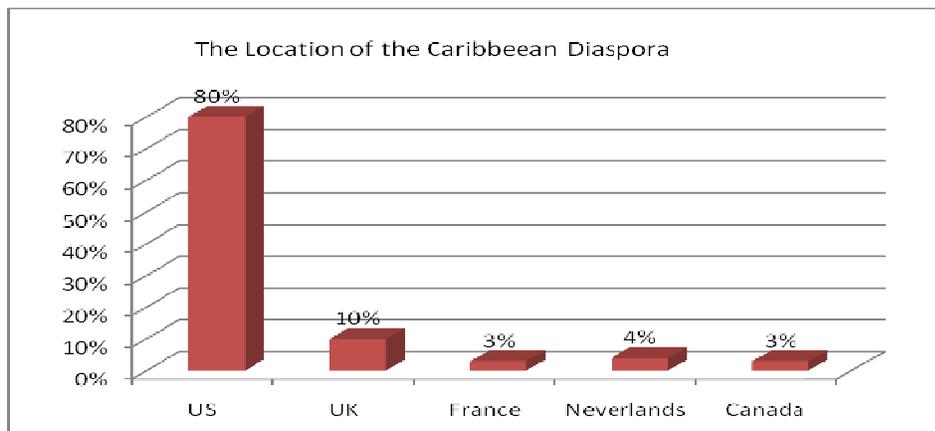
<sup>34</sup> Ibid pg. 1

<sup>35</sup> Curtist A. Ward (2009), Research and Policy Centre for the Caribbean, Editor in chief,

Country of residence	Countries of Emigration & Diasporic Affiliation	Estimates of population in millions
USA	Cuban born & Cuban Americans	1
	Puerto Rico born & born in continental USA	1.5
	Dominican-Republic born & born in the USA	0.8
	West Indian born & born in the USA	0.6
	<b>Subtotal</b>	4.7
Canada	Haitian born & born in Canada	0.1
	West Indian born & born in the Canada	0.15
France	French Antillean-born and born in France	0.2
Netherlands	Netherlands Antilles born & born in Netherlands	0.05
	Surinamese born & born in Neth.	0.2
	Sub-total	0.25
UK	West Indian born & born in the UK	0.6
	<b>Total</b>	6

Source: Nurse (2004).

It is quite clear from the graphical representation of the Caribbean diaspora and its location among the different countries in **Figure 1** below that the majority of this diaspora resides in the United States of America (80%). Smaller amounts reside in the United Kingdom, Canada, France and the Netherlands.



Source: Nurse (2004)

Patterson (2009) postulated that diasporas can be either be “passive” or “engaged”, he also argues that the Caribbean diaspora is an engaged diaspora which has a persistence of “connectedness” with the home country and the ideas of the home country.<sup>36</sup> The diversity of the Caribbean diaspora is reflected in the large number of national and Caribbean organizations in the United States and around the world. A list of some of these organizations is illustrated in **Table (1)** in the Appendix.

<sup>36</sup> Patterson(2009), CARICOM beyond Thirty, Connect with the Diaspora

The Caribbean diaspora (inclusive of Latin America and CARICOM) sent remittances amounting to US\$69.2 billion in 2008. Amongst CARICOM member states, Jamaica, Haiti and Guyana had the highest level of remittance flows, with flows to Jamaica reaching a peak of US\$2.22 billion in 2008.

Mohan (2002) argues that:

*We need to consider three inter-related aspects of diasporas' engagement with the world. The first is development in the diaspora, i.e. the circumstances under which diaspora communities operate in the host country, jobs, housing, welfare, etc. Second is development through diaspora, the ways that globally dispersed diaspora networks support each other, engage in trade, etc. Third is development by diaspora, the support that diaspora communities provide to sending/ancestral home communities through remittances and lobbying.*

There is very scant literature available on the Caribbean diaspora, its investment potential and impact on economic growth and development in the region. This paper attempts to investigate the investment opportunities that exist for the Caribbean diaspora to invest their human capital and financial and entrepreneurial resources in the Caribbean region. The overall investment potential of the diasporas can be in the form of trade in nostalgic goods, business creation, remittances, skills and knowledge transfers.<sup>37</sup> The Caribbean diaspora has the potential to transform the Caribbean by increasing the knowledge based segment of the economy, increasing the pool of skills, creating a more competitive workforce, fostering entrepreneurship, investments and trade between the home country and the diaspora as well as strengthening networks and joint collaborations between the home and host country.

### **The Investment potential of the Diaspora**

The diaspora can be acknowledged as an important engine of growth and development. It has the potential to make small and large investments in trade, unilateral transfers, entrepreneurial activities, human capital etc. in the developing regions. These investment opportunities have the potential to contribute to economic growth and development of many economies as well as complement foreign direct investment flows, given that FDI have decreased significantly too many regions from the onset of the financial crisis. These important contributions by the diaspora in the economic development process have been potentially ignored by policy makers. Furthermore, the importance of diasporic investments has been left out of the literature on economic development. The diaspora has an important role to play in directing investments towards their home country; these investments can potentially reduce poverty, create employment, increase growth, and increase the level of human capital formation in an

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<sup>37</sup> Global forum on Migration and Development, "Strategies for building diaspora/migrant organization capacity for development"

economy.<sup>38</sup> In short, the diaspora can be acknowledged as an important engine of growth and development.

Many countries are yet to realize the importance of the diaspora in developing investment relations which can benefit both parties. However, the countries and institutions that have recognized the importance of diasporic investments have tapped into this initiative and have been profiting from it. The diaspora in Ethiopia for example, is investing in agricultural production, school, hotels, real estate information technology, and small business formation.<sup>39</sup>

Other countries, including China have tapped into their diaspora's potential and have become the "world's factory" where they mass manufacture all types of products for many countries around the world. The members of the Chinese diaspora contribute to their home country through activities, namely:

*"utilizing the advantage of their professional bodies; holding concurrent positions in China and overseas; engaging in cooperative research in China and abroad; returning to China to teach and conduct academic and technical exchanges; setting up enterprise in China; conducting inspections and consultation; and engaging in intermediary services, such as running conference, importing technology or foreign funds, or helping Chinese firms find export markets."*<sup>40</sup>

India is now one of the leading countries in technology; this was achieved with the investments and help of the diaspora. The Indian diaspora contributed to the IT industry in India through the investment of human capital in the form of knowledge transfer which came in the form of support to new business ventures, through mentorship.<sup>41</sup> They also gave support with regards to the provision of employment as well as access to contacts and new markets. Saxenian (2004) examined how the Indian diaspora acted as a middleman, linking and creating relationships with US companies who possess software programming skills in India.

Riddle (2006) advocated that:

*"The presence of diaspora investors and entrepreneurs in the country-of-origin's economy also may contribute to the internationalization of domestic firms in the country-of-origin by enhancing local firms' transnational social capital."*

This is as a result of the fact that investors and entrepreneurs from the diaspora often share market information about the host country with other entrepreneurs and firms in the home

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<sup>38</sup> Thomson Fontaine , 'Tracing the Diaspora's Involvement in the Development of a Nation: The Case of Dominica', Prepared for the George Washington University's Research Workshop and Edited Book Project on: The Role of Diasporas in Developing the Homeland

<sup>39</sup> Krishnan Sharma, (2007), "Strengthening the business sector and entrepreneurship: The potential off diasporas", FFDO/DESA, United Nations 6 November 2007

<sup>40</sup> Sheila V. Siar (2007), Bringing back what has been 'lost': knowledge exchange through the diaspora, Centre for Development Studies, University of Auckland, New Zealand.

<sup>41</sup>Ibid pg 4

country. This includes sharing information about import and operational regulations, consumer demand and competitive intelligence.<sup>42</sup>

Diaspora investments can take the form of the investments of knowledge and skills of members of the diaspora in the home country, the investments of technological knowhow, small and medium businesses, trade and exports and investment in diplomacy, which enables good reforms and strong institutions.

### Investment of Human Capital

The currents of globalization have increased skilled labor and capital mobility as knowledge is becoming an important part of the formulation which makes up the global economy. The rapid increase in mobility is a concern for many regions as they are losing some of their best trained minds. For example, the Caribbean loses a significant amount of nurses, doctors and teachers to developing countries such as the United States, Canada and the United Kingdom.<sup>43</sup> This is partly on account of differences in wage differentials. A comparison of average monthly wages of nurses was done for the Caribbean and it was found that nurses from the Caribbean region who work in the US are paid US\$3,056, in Canada US\$2,812, and in the United Kingdom US\$2,578 per month. In Trinidad and Tobago nurses are paid an average monthly salary of US\$913.<sup>44</sup> This has helped to accelerate the increased migration of nurses within the region. PAHO estimated that a loss of 300 nurses from the Caribbean region translates to US\$15 million to US\$16.5 million loss in training costs for the Caribbean region.<sup>45</sup>

Green (2006) highlighted that:

*“Over the last 10 years approximately 50,000 nurses migrated at an estimated loss of US\$2.2 million from the investment in training at the public’s expense.”*

Similarly, on average 30% of the skilled personnel from Ghana and Sierra Leone migrate from the region, this is even more severe in countries such as Zambia, Zimbabwe and Liberia.<sup>46</sup> This increased mobility of skilled migrants has raised alarm bells in many economies.<sup>47</sup> However, the many talents that have departed from the shores of these regions are not totally lost. There is evidence to support that the loss of skill labor may not mean that there is no benefit for the home country. The potential exist for the diaspora to invest their human capital through skills and knowledge acquired into the home country, therefore, enabling the home country to become a brain gainer.<sup>48</sup> This will reduce the effects of brain drain on that economy. As one commentator noted:

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<sup>42</sup> Ibid pg. 3

<sup>43</sup> Diedron Lewis (2008), “*Migration of CARICOM Nurses: Trends and Policy towards greater intra-regional migration*”. (Sir Arthur Lewis Conference 2008).

<sup>44</sup> Dr. Gillian Barclay, “An Overview of Migration in the Caribbean region,  
<http://siteresources.worldbank.org/INTMIGDEV/Resources/2838212-1180638887221/GBarclay.ppt>

<sup>45</sup> Ibid Pg. 2

<sup>46</sup> Debass and Ardovino (2009), “Diaspora Direct Investment (DDI): The untapped resource for Development

<sup>47</sup> Yevgeny Kuznetsov and Charles Sabel (2006), “International Migration of Talent, Diaspora Networks, and Development: Overview of Main Issues” ( Analytical Framework and Major Policy Issues)

<sup>48</sup> Debass and Ardovino (2009), “Diaspora Direct Investment (DDI): The untapped resource for Development.

*“Any apparent loss of skills can be restored through the exchange or circulation of knowledge between migrants and their home country through social and economic networks of skilled diaspora.”(Meyers 2001).*

Investment of human capital refers to the transfer or exchange of ideas, experience, skills and research results between businesses, governments, private and public as well as the community as a whole. Many benefits can be derived from the investment of diaspora knowledge and skills in their home country. Such investment facilitates the creation of production of innovative products and services.<sup>49</sup> This has the potential to develop human capital formation in the home country which can facilitate growth and development. This is even more possible given the new era of technology and telecommunication technologies which are available. This digital revolution for example, has helped to reduce the “distance” between the migrant and the home country.<sup>50</sup>

The possibility of the diaspora investing their knowledge and skills in the home country through transfers can be facilitated by ICT’s. This will create opportunities for consistent knowledge sharing from the diaspora to the home country. Not only can the diaspora utilize technology to accelerate transfers of remittances to the home country but they can bridge the digital divide to assist in the development of the home country through social, economic and political activities.<sup>51</sup> For example, the Ethiopian diaspora and the Ghanaian diaspora have used the internet to facilitate such activities.<sup>52</sup>

Through the diaspora, virtual forums can be established where the diaspora can communicate with various stakeholders in the home country on various issues. Online discussions and websites can also be facilitated with the use of technology. This will allow the diaspora to participate in the affairs of the home country as well as serve as a medium through which they can be socialized to be reintegrated into the home country.<sup>53</sup> One such example is the case of UNIFEM’s Digital Diaspora Initiative. They undertake projects that empower African women economically through capacity building in the use of ICTs. This is done by harnessing the expertise of African ICT entrepreneurs in the diaspora.<sup>54</sup>

The Diaspora can use internet technology to facilitate the meeting of great minds in the home country and the host country. It can also link various organizations such as universities and research institutions in the home country to those in the host country to benefit from the diversity that these institutions afford. Example of such institutional website is the Digital Diaspora

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<sup>50</sup> Victoria P. Garchitorena (2007), *Diaspora Philanthropy: The Philippine Experience*, (Prepared for The Philanthropic Initiative, Inc. and The Global Equity Initiative, Harvard University.

<sup>51</sup> USAID (2008) , *Diaspora development Nexus: The Role of ICT’s*

<sup>52</sup>Victoria Bernal (2006), *Diaspora, cyberspace and political imagination: The Eritrean diaspora online*, *Global Networks* 6, 2 (2006) 161–179. Journal compilation © 2006 Blackwell Publishing Ltd & Global Networks Partnership

<sup>53</sup> Ibid Pg. 9

<sup>54</sup> USAID (2008), “ *Diaspora- Development Nexus: The Role of ICT*, USAID Knowledge Service Centre (KSC)

Networks which were funded by the United Nations in collaboration with other institutions, and the World Bank’s Mobilizing the African Diaspora for Development Initiatives portal.<sup>55</sup>

Human capital investment by the diaspora can also take into consideration the transfer of equipment and technology from the diaspora to the home country. For example, this can take into account the transfer of equipment for schools, hospitals, health facilities in the home country to support and enhance these institutions. The diaspora can acquire these equipment and technology and transfer it to the relevant institutions in the home country. In the case of the Chinese and Indian diaspora it was highlighted that:

*“the technology transfer has been principally at the firm level, especially in export led Manufacturing. In the Indian case, it has been at a more macro policy level as well — for instance in the formulation of information technology policies, and venture capital and in the service sector, especially IT-enabled services.”*<sup>56</sup>

In-country programs can also be created to facilitate the diaspora’s investment of human capital; the diaspora can come to the home country to train citizens in the country in their area of expertise. Therefore instead of their home country hiring consultants and foreign doctors to handle various medical affairs of the country, they can use the diaspora with similar expertise to do the task for a discounted price. This is being done in Liberia under the TOKTEN expatriate Liberian professionals program which facilitates the return of migrants to the home country for a specific time period, usually from one month to eighteen months. These migrants temporarily fill key posts in different sectors and institutions where they build capacity in the institution and sectors where they work.<sup>57</sup>

Many countries have been tapping into the resources of their diaspora through different programs. **Table 9** below gives examples of some of these networks.

<b>Table 9: Knowledge Transfer Networks</b>	
<b>Knowledge Transfer Networks</b>	<b>Country of origin</b>
Indian Institutes of Technology	Kharagpur, Mumbai, Madras, Kanpur, Delhi, Guwahati, Roorkee, Bhubaneswar, Hyderabad, Gandhinagar, Patna, Rajasthan, Rupnagar, Indore and Mandi
American Association of Physicians of Indian Origin (AAPI),	The United States
Silicon Indian Professional Association	Silicon Valley
Transfer of Knowledge Through Expatriate Nationals (TOKTEN),	Philippines
Digital Diaspora Network	Africa
Digital Diaspora Network for the Caribbean	Latin America and the Caribbean
UNIFEM's Diaspora Initiative	Africa

<sup>55</sup> Ibid Pg. 13

<sup>56</sup> Devesh Kapur (2001) , “Diasporas and Technology Transfer, 2001 United Nations Development Programme DOI: 10.1080/14649880120067284

<sup>57</sup> C. William Allen, The Role of Liberians and Liberianologists in the Diaspora in Human Capacity Building in the New Liberia

Brain gain Network	Philippines
Dominica Academy of Arts and Science	Dominica
The Southern Diaspora research and Development Centre	Africa
Source: Authors Compilations	

The Caribbean region must build the capacity to acquire new knowledge so as to do things differently from the norm and to continue to compete in this globalized world economy. The Caribbean diaspora is an institution<sup>58</sup> that bridges the gap between the migrants and the home country and is capable of connecting the actors within the home economy to the diaspora, some of whom may be the gate keepers of technical knowhow and human capital investments.<sup>59</sup>

Portes (2001) highlighted the view that knowledge transfer and circulation from the diaspora to the home country can serve as a viable strategy for economic development. However, for this to be made possible, structural requisites must be established. The success of drawing on the intellectual and human capital of the Caribbean diaspora depends on the respective stakeholders creating consistent, well-defined policies and programs.<sup>60</sup> **Table 10** below illustrates the number of educated people who have migrated from the English speaking Caribbean between 1990 to 2000. From **Table 10** below, it is evident that the majority of migrants have tertiary level education. This confirms that the Caribbean diaspora is made up of highly skilled and educated people.

**Table 10: illustrating migration from the Caribbean by education level.**

Country	Primary		Secondary		Tertiary		Overall	
	1990	2000	1990	2000	1990	2000	1990	2000
Antigua/Barbuda	7.0	6.0	31.7	35.9	65.3	70.9	27.6	36.7
Bahamas	3.7	1.5	11.7	12.1	38.3	36.4	11.0	12.1
Barbados	14.1	9.9	24.8	24.3	63.5	61.4	26.4	27.8
Belize	5.0	3.6	48.6	49.2	62.6	51.0	22.8	18.4
Dominica	16.6	8.0	62.1	60.6	58.9	58.9	32.0	32.1
Grenada	7.5	9.9	61.1	69.5	68.8	66.7	30.5	40.1
Guyana	10.9	13.7	30.6	34.1	89.2	85.9	28.0	34.5
Jamaica	11.0	8.3	28.9	30.0	84.1	82.5	25.6	29.0
St K&N	10.8	10.3	21.4	37.1	89.9	71.8	28.9	38.5
St Lucia	1.9	2.6	46.8	32.1	80.4	36.0	11.6	14.0
St V&G	5.9	6.3	56.7	53.4	89.8	56.8	22.4	28.0
Suriname	15.7	17.5	54.0	43.9	92.0	89.9	42.1	43.3
Trinidad/Tobago	5.7	6.1	19.3	20.6	77.2	78.4	18.9	23.7

Source: IMF (2006)

There exists the opportunity for the Caribbean region to tap into the human resources of the Caribbean diaspora, by providing the diaspora with incentives to invest their human capital in the region so as to further stimulate growth and development.

<sup>58</sup> Sorensen, Migration and Development: Transnational networks, remittances, civil society and human capital potential

<sup>59</sup> Yevgeny Kuznetsov and Charles Sabel (2006), "International Migration of Talent, Diaspora Networks, and Development: Overview of Main Issues" (Analytical Framework and Major Policy Issues).

<sup>60</sup> Ibid

## Financial and Real Sector Investment

Financial and real sector investments by the diaspora can take the form of diaspora foreign direct investments (DFDI), trade in goods and services, remittances, savings, and start-up or business investments, purchase of real estate as well as humanitarian support.<sup>61</sup> The importance of diasporic financial and real sector investments has been largely ignored in the literature on economic development. It has the potential to increase the level of human capital formation by investing in the home country or creating partnerships with people and organizations who will invest in the home country.<sup>62</sup>

### (i) Financial Investments

The diaspora can provide “hard savings accounts, certificates of deposit, equity and debt funds, bonds, and securitization of remittances.”<sup>63</sup> Diaspora bonds and economic remittances are examined below.

#### (a) Diaspora Bonds

Diaspora bonds are not yet widely used as an instrument for growth and development in developing economies. The issuance of bonds to the diaspora by the home country is a way of tapping into the diaspora’s accumulated wealth in the host country. These bonds are used to attract foreign currency into the home country; these bonds are redeemed upon maturity and serve as a good source of foreign exchange.<sup>64</sup> The purchasing of bonds issued by the home country by members of the diaspora is usually driven by a sense of patriotism by the members of the diaspora and a desire for them to make a contribution to the development of their home country. Investment in these bonds by the diaspora can be associated with a form of charity to the home country.<sup>65</sup>

USAID (2008) noted that diaspora bonds are:

*“...typically issued by a country to raise debt capital to finance development projects. India and Israel have been very successful in issuing a series of these bonds that were aimed to mobilize resources to support public-sector projects. Also, local banks in Mexico, Brazil, Kazakhstan, and Ghana have been able to raise long term capital from*

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<sup>61</sup> Dina Ionescu (2006), “Engaging Diasporas as Development Partners for Home and Destination Countries: Challenges for Policymakers”

<sup>62</sup> Thomson Fontaine, “Tracing the Diaspora’s Involvement in the Development of a Nation: The Case of Dominica”, Prepared for the George Washington University’s Research Workshop and Edited Book Project on: The Role of Diasporas in Developing the Homeland

<sup>63</sup> USAID (2008), “Diaspora Networks Alliance Framework for Leveraging Migrant Resources for Effective Development & Diplomacy.

<sup>64</sup> Suhas L. Ketkar and Dilip Ratha (2007), “Development Finance via Diaspora Bonds, Track Record and Potential’, Paper presented at the Migration and Development Conference at the World Bank, Washington D.C. May 23, 2007.

<sup>65</sup> Ibid Pg. 5

*the international markets by collateralizing their future flows of remittances (remittance-backed securities)”.*<sup>66</sup>

The rationale behind the issuing of bonds by developing economies is that it provides a cheap source of income that is stable and available to invest in developing economies. Developing economies may also issue bonds because it has a favorable impact on the country's credit rating. This is so since the issuance of bonds makes available a source of funding that is reliable and as well as available in good and bad economic climates. The issuance of bonds allows the home country to diversify their assets and improve the level of risk management.<sup>67</sup> Ratha and Ketkar (2007) highlighted that it is beneficial for developing countries to invest in diaspora bonds because:

*“Its ability to pay interest and principal in local currency terms is perceived to be much stronger, and therein lies the attractiveness of such bonds to diaspora investors. Typically, diaspora investors have current or contingent liabilities in their home country and hence may not be averse to accumulating assets in local currency. Consequently, they view the risk of receiving debt service in local.*

Though some Caribbean countries such as Jamaica and Dominica have examined the issue of diaspora bonds, none have gone beyond discussion to the implementation of such bonds. Therefore a great opportunity exists for the Caribbean in light of the financial crisis to issue diaspora bonds to members of the Caribbean diaspora. This would provide a great source of stable foreign exchange to the countries in the Caribbean. Therefore the respective governments need to consider diaspora bonds in their development plans.

#### (b) Remittances

Economic remittances are also another form of financial investments by members of the diaspora. Remittances take into consideration the transfer of goods as well as monetary transfers. The International Monetary Fund noted that remittances are:

*“a percentage of household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. Remittances include cash and non-cash items that flow through formal channels, such as electronic wire, or through informal channels, such as money or goods carried across borders.”*<sup>68</sup>

Remittances are increasingly being recognized and appreciated as a source of developmental capital in many economies around the world.<sup>69</sup> It constitutes an important source of external finance, as well as foreign currency to developing economies. It not only impacts millions of

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<sup>66</sup> USAID (2008), “Diaspora Networks Alliance Framework for Leveraging Migrant Resources for Effective Development & Diplomacy, pg. 2

<sup>67</sup> Ibid Pg. 16

<sup>68</sup> International Monetary Fund (2008), “*International Transactions in Remittances: Guide for Compilers and Users*”, (Washington, D.C., Statistical department, International Monetary Fund, 2008).

<sup>69</sup> Rafael Alarcon (2001), “*The Development of Home Town Associations in the United States and the Use of Social Remittances in Mexico*”.

households, but reaches communities and nations as well.<sup>70</sup> Remittances stem from migration and it is generally regarded as a gateway through which people become upwardly mobile.<sup>71</sup> Global remittances amounted to US\$433 billion in 2008, of which remittances to developing economies reached US\$328 billion;<sup>72</sup> while remittances to Latin America and the Caribbean totaled US\$69.2 billion.<sup>73</sup> See **Table 11** below.

Years	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008
World (Developing & Industrial)	68.6	101.6	132	148	166	200	256	232	309	380	433
Developing Countries	31.2	57.8	85.6	96.5	113	142	160	167	300	285	328
LAC and Caribbean	5.8	13.4	20.1	24.4	28.1	34.8	40.7	42.4	59	63	64
Source: World Bank ( 2009)											

Remittances flowing to the Caribbean account for a significant amount of total remittances. The top three recipient economies in the Caribbean are Jamaica, Haiti and Guyana. Regarding the OECS, Grenada, St. Kitts and St. Vincent are the top three recipients of remittances.

Remittance inflows can have many benefits to a developing economy. An inflow or investment of remittances can increase the accumulation of capital and have a positive impact on poverty at the household level. This is evident in studies carried out by McCormick and Wahba (2003) on remittances in Uganda, where remittances helped reduce the level of poverty by 11%. Similar results were found in Bangladesh and Ghana with a reduction in poverty of 6% and 5% respectively.<sup>74</sup> Remittances sent home by Mexican migrants led to a decrease in Mexico's current account deficit.<sup>75</sup> Remittances have the potential to impact an economy not only at the household level, but at the community and national level. An inflow of remittances increases national savings, increase foreign exchange as well as impact the country's balance of payment positively.

<sup>70</sup> Mahmud H., Sabur A., Tamanna S., (2009) "*International Migration, Remittances and Development*" Journal of Sustainable Development, Vol 2, No. 1

<sup>71</sup> Covadonga and Achim. "*Remittances, Public Policy, and the State*" (Presented at a workshop as a proposal to the panel), pg 1, <http://www.ecprnet.eu/ecpr/rennes/Workshop/24.pdf> (accessed June 05 2009).

<sup>72</sup> Dillip, R. and Mohapatra S. (2009), "*World Bank Migration and Development Brief*". World Bank Migration and Remittance Team, Development Prospect Group, World Bank.

<sup>73</sup> IADB (2009) "*Remittances in times of financial instability Impact of the financial crisis on remittances to Latin America and the Caribbean*", Remittances Program Multilateral Investment Fund (MIF) Inter-American Development Bank (IADB)

<sup>74</sup> Dillip and Mohapatra (2007), "*Increasing the Macroeconomic Impact of Remittances on Development*" Development Prospects Group, The World Bank, Washington D.C. 2043, November 26, 2000

<sup>75</sup> Ibid pg. 6

## Investment in the Real Sector

The diaspora has the potential to invest in the real sector of their home country; these investments can take the form of direct diaspora investments which takes into consideration, investment in nostalgic goods and investment in small and medium business start up. The diaspora demands a significant share of nostalgic goods from the home country, therefore allowing for an increase in the level of exports which leads to a favorable current account balance. Similarly, members of the diaspora usually have gathered better business practices from being abroad. These members can use the skills knowledge and technological knowhow to invest and formulate their own business and become entrepreneurs in the host country.

Over the years foreign direct investments have been immensely important to stimulating economic growth and development in developing economies. The requirement for FDI arises out of three basic rationale; first, the need to bridge the gap between the amount of investments required to stimulate economic growth and national savings in an economy; to facilitate the flow of strategic technology and managerial expertise, and lastly, to increase the competitive edge of exports through international linkages.<sup>76</sup>

However, world FDI flows have declined by over 20% in 2008 due to the financial crisis. This brought an end to the four years of growth that developing economies had been experiencing with reference to FDI. The International Monetary Fund (2008) also projected that FDI flows will fall by a further 20% in 2009.<sup>77</sup> A significant percentage of FDI flows come from the diaspora. It has been estimated that over 50% of FDI flowing into china comes from the diaspora. A smaller but significant percentage of FDI also flowed into India from the diaspora.<sup>78</sup>

It is expected that FDI flows to the Caribbean would decrease by a significant share due to the financial crisis. Therefore, a perfect opportunity arise for the Caribbean region to find alternative means of investments given that foreign direct investment flows are decreasing. The Caribbean diaspora therefore becomes a great avenue to facilitate investments in the region. This can be done by diaspora investment in the real sector through investments in small and medium businesses as well as investments in nostalgic export goods. These two investment components are examined below.

### (i) Investments in Trade in nostalgic goods

The diaspora offers a number of opportunities for trade.<sup>79</sup> It has been observed that in many diasporas small business ventures have been set up to enable trade with the home country as well as for the export of goods produced in the foreign country to the home country.<sup>80</sup> Gould (1994)

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<sup>76</sup> Roy and Banerjee (2007), "Attracting FDI from the Indian Diaspora: The Way Forward, Confederation of Indian Industry.

<sup>77</sup> OECD/WTO (2009) "The Impact of the Economic Recession on Aid for Trade, Aid for Trade at a Glance 2009.

<sup>78</sup> FOCAL (2008), "Meeting between Latin American and Caribbean Diaspora Organizations, Foreign Affairs Canada and the Canadian International Development Agency.

<sup>79</sup> UNECLAC 2009

postulated that there are two mechanisms which would further stimulate trade between the host and home country; these are the transaction cost effect and preference effect. The transaction effect is based on the view that trade can be stimulated by the migrants and the home country if the transaction cost is low. This view is informed by the fact that the migrants are aware of the pricing in the home country and are very knowledgeable about the goods that are produced in the home country and as any other matter relating to trading of goods. Lower transaction can act as a stimulus to trade between the diasporic communities and the home country.<sup>81</sup>

The second mechanism is immigrant preference effects, this takes into consideration the concept that members of the diasporic community would demand goods that are produced in the home country or goods that are similar in nature.<sup>82</sup> Manuel Orozco (2008) postulated that;

*There is a significant demand for nostalgic goods, and many of the small businesses created by diasporas rely on the importation of such goods. Governments, development agencies, and the private sector, particularly local artisan businesses, find a natural opportunity to enhance their productive and marketing skills by locating their products with small ethnic businesses in North America, where a demand exists.*

The diaspora usually demand goods such as local rum, cheese, beer, and other types of food stuff.<sup>83</sup> Members of the diaspora are now a new attractive niche market, attracting exports from their home country. Some of these goods including local beer, rum, cheese, and other foodstuffs, have gained more attention among producers in Central America and the Caribbean. For example, El Salvador has exported over \$3.3 million of exports to the United States during 1999 and 2000. Producers from the home country are also establishing local businesses in the host country to cater for the demands of the members of the diaspora.<sup>84</sup> In Washington, New York and many other states, Caribbean shops have been set up to accommodate migrants from the Caribbean living in these parts of the world.

Similarly, members of the diaspora are also setting up small businesses in the home country which produce nostalgic goods. These goods are then exported to the metropolitan countries to satisfy the demands of the diaspora. The members of the diaspora manufacture goods such as processed cheese, fruits and vegetables, confectionaries etc.,<sup>85</sup> for example:

*“Roos Foods, Inc., a food manufacturer that produces and sells processed milk products in Central America and to Central Americans and Mexicans residing in the United*

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<sup>81</sup> Law, Genç, and Bryant (2009), “Trade Diaspora and Migration to New Zealand”. Paper prepared for the NZIER 50th Anniversary Research Award, 31 March 2009

<sup>82</sup> Ibid Pg. 10

<sup>83</sup> Manuel Orozco (2003), “The impact of Migration in the Caribbean and Central America” FPP-03-03

<sup>84</sup> Manuel Orozco (2003), “Worker remittances, transnationalism and development, Inter American Development Bank, Inter- American Dialogue.

<sup>85</sup> Ibid pg 10

*States. Roos Foods operates in the United States but with franchises in Nicaragua and El Salvador.* <sup>86</sup>

This trend has the potential to continue in many other diasporas. The diaspora can invest in the production and purchase of nostalgic goods for trade and export. In particular, the Caribbean diaspora has been demanding many nostalgic goods from the Caribbean.<sup>87</sup> In return, the Caribbean region exports a large variety of goods to the United States, Canada and the UK. **Table 12** below provides a list of nostalgic goods for which there is a demand in United States, Canada and the UK by members of the Caribbean diaspora.

<b>Table 12 Nostalgic products that the members of the Caribbean diaspora residing in the USA, Canada and UK demand.</b>	<b>Country</b>
Walker Wood Jerk Chicken	Jamaica
Baron Foods	St. Lucia
Angostura Bitters	T&T
Carib beer	T&T
Banks beer	Barbados
Ground provision	St. Vincent
Fruits and Vegetables which includes avocados	St.Lucia, Dominica
Fish	Guyana, Barbados
Alcohol( rum and beer)	All Caribbean countries
Jellies and jams, bananas for puree and	St.Lucia, Dominica
Citrus for juices and marmalades	St.Lucia
Dairy products (milk, Cheese)	Barbados
Seasonings, Spices, hot sauce	Most Caribbean countries
Nuts/seeds	Guyana
Refined sugar;	Guyana
Semi-manufactured gold	Guyana
Cocoa beans	T&T
Frozen lobsters	Guyana, Suriname
Soaps/preparations	St. Lucia, T&T
Carbonated drinks (Solo and ginger beer)	T&T
Roti Skin	T&T, Guyana
Nestle products (milk products)	T&T
Shrimps/prawns	Guyana, Suriname
Chocolate;	T&T
Source: Compiled by the authors from various sources	

Walker woods from Jamaica and Baron's Foods from St. Lucia are two successful Caribbean examples of nostalgic goods that are exported for consumption to the diaspora. Given that the Caribbean Diaspora is very large, there exist a great opportunity for further investments of trade in nostalgic goods between the home country and the diasporic communities in the United States, Canada and Europe as well as other parts of the world.

<sup>86</sup> Manuel Orozco (2003), "Worker remittances, transnationalism and development, Inter American Development, Bank, Inter- American Dialogue

<sup>87</sup> Private Sector Trade Note, CARICOM goods exports trade performance, A product of the Private Sector Outreach of the Caribbean Regional Negotiating Machinery (CRNM)

(ii) Investment in small and medium business start up

Members of the diaspora are strategic agents for the investment of small and medium business enterprises. Many members of the diaspora may be interested in investing in small and medium enterprises in the home country; however, others may be unable, due to a lack of information, time, or investment incentives in the country of origin. However, over the years new investment opportunities are increasingly becoming present and thus provide an opportunity for members of the diaspora to invest in the home country with a small amount of capital and without having to leave the host country.

Many diaspora organizations have set up venture capital funds that purchase equity in businesses in the country-of-origin. Riddle (2006) noted that:

*“Some governments, such as those of Israel and India, have targeted bond offerings to their diaspora communities abroad. In some cases, diasporans invest in companies listed on the stock exchange of their country-of-origin or purchase mutual funds consisting of companies from their home country.”*

One notable way in which the diaspora is involved in entrepreneurial investment in their ‘homeland’ is through collective investment in community projects through Hometown Associations. Examples of the types of projects funded by diaspora organizations in their home countries include: literacy programmes, hospitals, schools, roads, plumbing systems and internet cafés. Other members of the diaspora have set up consultant companies, restaurants and retail companies.

Many countries, including China have benefited from the investment potential of their diaspora and have become the “world’s factory” where they mass manufacture all types of products for many countries around the world. Similarly, India is one of the leading countries in technology; this was accomplished by the investments of the Indian diaspora in India. One scholar advocated that:

*“The presence of diaspora investors and entrepreneurs in the country-of-origin’s economy also may contribute to the internationalization of domestic firms in the country-of-origin by enhancing local firms’ transnational social capital. Diaspora investors and entrepreneurs often share market information about their country-of-residence with other entrepreneurs and firms in the country-of-origin, such as information about import and operational regulations, consumer demand, and competitive intelligence (Riddle 2006).”*

The diaspora makes entrepreneurial investments in the country of origin can take different forms. One way in which such investment can be done is by the diaspora providing financial support by acting as angel investors or providing individual remittances, equity finance and other tools to finance start up of small and medium business enterprises in the home country while he or she remains in the host country. Similarly, they can make their investment by sharing their

knowledge and expertise with these entrepreneurs through various networks. The diaspora can also be used to provide information on different prospective clients in the host country.

The Somali diaspora is an example of one of the major investors in the Somalia and provided on average 80% of the start-up capital for small and medium enterprises (SMEs). The investment activities and profits generated contributed to the economic recovery and livelihood of the Somalia economy. Many members of the Somali diaspora who return to the home country establish businesses as a sole entrepreneur or as a group and pool their resources together. Investment in small business enterprise is spread over various sub-sectors such as small scale industries, telecommunication, remittances and trade.

India is another success story with The Indus Entrepreneur (TiE) which is a networking group of Indian IT entrepreneurs and network professionals, this group was established in 1992. At the nucleus of the network is a group of angel investors, who have been investing their wealth as venture capitalists both in the US as well as in the home country. The members of this group is now investing their funds in new business investments in India as well as in hybrid companies and different types of investment funds in the home country. The idea, identification and capitalization of these business initiatives are done by members of the diaspora and then channeled to the home country.<sup>88</sup> In a similar manner, the Chinese diaspora via the 'bamboo network' has been successful in channeling entrepreneurial investments to the home country.

Clearly, a facilitating environment is a prerequisite for diasporic investment in entrepreneurial activities. In the Caribbean, efforts can be made to by the government and domestic firms to utilize connections and relationships with the diaspora to tap into their investment and entrepreneurship resources and networks. Diaspora investors can be used to serve as middlemen for domestic firms that exist in foreign markets.

Against this backdrop one can argue that there is ample opportunity for the members of the Caribbean diaspora to invest in manufacturing facilities where they produce goods for locals as well as for exports. There is also the opportunity establish subsidiary businesses in the home country for businesses based in the host country.<sup>89</sup> Though the Caribbean may be less attractive to non diasporic investors due to inadequate infrastructure, increased vulnerability and smallness as well as its poor structural characteristics, it remains attractive to members of the diaspora. Financial institutions in collaboration with the respective governments should be creating incentive plans and programs to attract diaspora investors and entrepreneurs to the Caribbean.

In order for the governments of the Caribbean to reap the benefits of the diaspora, they need to establish a framework which provides for a cost benefit analysis of migration and the engagement of the diaspora to be done. The framework should also examine ways in which the home country can engage the diaspora as well as identify areas in which the diaspora can contribute.<sup>90</sup>

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<sup>88</sup> Kapur (2001), "Diasporas and Technology Transfer, 2001 United Nations Development Programme  
DOI: 10.1080/14649880120067284

<sup>89</sup> Liesl Riddle(2006), *Diasporas: Exploring their Development Potential*

<sup>90</sup> UNDP (2009), "Somalia's Missing Million: The Somali Diaspora and its's role in Development, March 2009.

## **Methodology**

The overall aim of the study was to provide some quantitative information to assess the potential of the Caribbean diaspora to serve as an engine for growth and development in the Caribbean region through investments. The survey will help to quantify the potential that exist for members of the Caribbean diaspora to facilitate the investment of human capital, financial and entrepreneurial investments in the region.

The methodology adopted was a quantitative research design. The research took the form of a sample survey which was conducted amongst two hundred and sixty six (266) members of the Caribbean diaspora who resided in the United States, Canada and the United Kingdom and have access to the internet.

The research instrument was a structured questionnaire, which sought to provide primary data on the different array of skills and knowledge that are available in the Caribbean diasporic community as well as the possibility of investing the diaspora's human capital in the respective Caribbean countries. The questionnaire also probed the different goods that the diaspora demands from the Caribbean and the types of investments they would be willing to engage in. The sampling frame for the survey was Caribbean migrants who reside in the US, Canada and the UK who access the internet. A purposive sampling was employed. The survey instrument was executed via online survey software called Survey Monkey

## **An analysis of the Empirical Study**

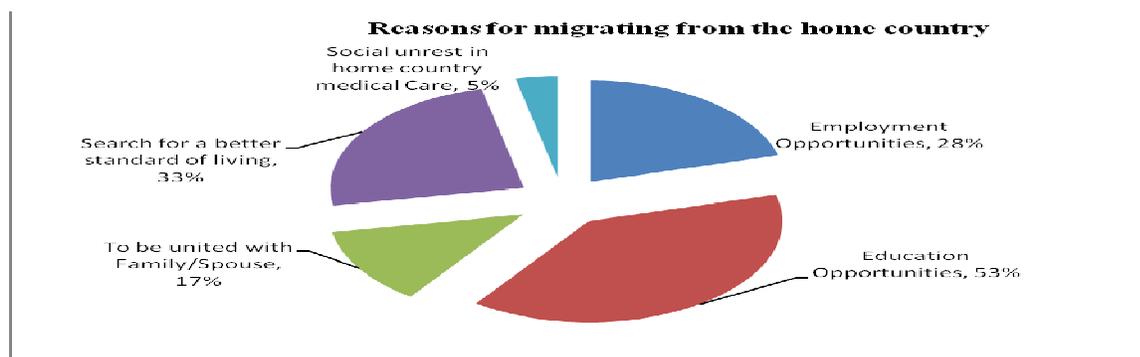
This study is an attempt to examine the potential that exist for members of the Caribbean to invest their human capital in the Caribbean region as well as make financial and real sector investment through direct diaspora investment in the region.

In the survey carried out on the Caribbean diaspora, the respondents constituted citizens from Antigua and Barbuda, Trinidad and Tobago, Guyana, St. Lucia, Jamaica, Grenada, Barbados, St. Kitts and Nevis, Dominica and Suriname. Of the 266 members interviewed, 42% and 43% respectively were from the United States and Canada, while 15% was from the United Kingdom. The majority of these migrants have been residing in these metropolitan countries for more than 15 years (40%), while 35% have been there between 10 to 15 years. The remaining 25% of respondents resided abroad for less than 5 years. It was also evident that over 70% of the respondents have been residing abroad for over 10 years. This means that the majority of these respondents would have already established themselves in the host country.

For the majority of respondents (59%) the home country was either their parent's country of birth or their country of birth. Important to note, 31% of the respondents claimed that the home country was their country of birth, this means that their parents were not from the home country. A smaller but significant percentage of the respondents (9%) were not born in the Caribbean, but instead, their parents are from the Caribbean. This provides a measure of the size of second generation members of the Caribbean diaspora.

The majority of respondents (61%) claimed to have migrated in pursuit of a better standard of living and employment opportunities. 53% migrated to access better educational opportunities, while smaller but significant percentages migrated to be united with their spouse and for medical care, this accounted for 16% and 5% respectively. This is depicted in **Fig. (1)** below. This result is in keeping with the general theory of migration as well as the Implicit Family Contract: Co-Insurance theory which is based on the notion that the migrants want to diversify their risk. If the economic risks between the sending and receiving countries are not positively correlated then it becomes a convenient strategy for the family as a whole to send some of its family members abroad to diversify some of their economic risks.<sup>91</sup>

**Figure (2) illustrating the reasons why the respondents migrated.<sup>92</sup>**



The majority of respondents (78%) had family members living in the US, Canada and UK before they migrated. This is in keeping with the literature that there is a high propensity to migrate when other family members have migrated or live in the host country.<sup>93</sup> Of the respondents who had family members living abroad 59% claimed that these family members assisted them in the transition process of migrating from the home country to the host country. 41% received no assistance from these family members who resided abroad. 76% of the respondents who admitted to receiving assistance claimed that family members residing abroad helped them with accommodation facilities, while 40% claimed to have received assistance with legal documentation. 33% and 28% respectively received assistance with food and financial assistance.

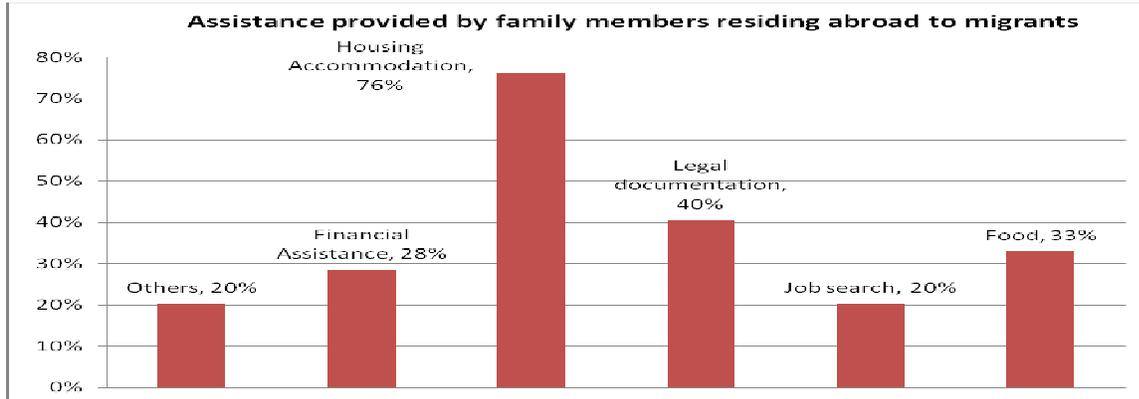
Smaller percentages admitted to having received help with finding a job and as well as other types of support. This is illustrated in **Fig. (3)** below. Evidently then, the majority of people who migrated from the Caribbean have an already existing support network in the host country which facilitates the process of settling in the home country environment. This is in keeping with the literature that there is a high propensity to migrate if migrants have an already established network in the host country.

<sup>91</sup> Andrés Solimano, Remittances by Emigrants: “Issues and Evidence “ECLAC 2004

<sup>92</sup> The respondents were allowed more than one choice, therefore the pie chart will be greater than 100%

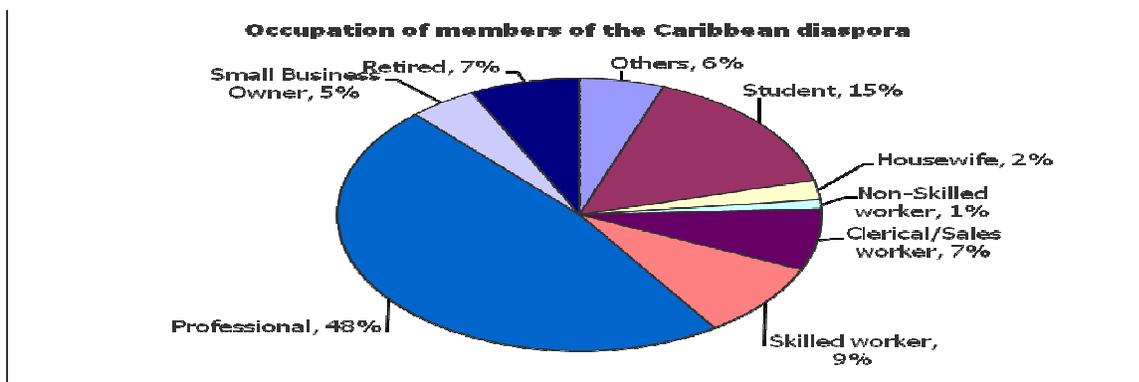
<sup>93</sup> Jesus Valencia (2008) Migration and its determinants: A Study of two Communities in Colombia, Slippery Rock University, Slippery Rock, PA, USA

**Figure (3) illustrating the assistance migrants received from family members residing abroad**



Of the respondents, 84% were employed, while the remaining 16% were unemployed. Of the percentage that was employed, 48% are professionals, 15% are students, while 9% and 7% respectively are skilled workers and clerical/sales workers.<sup>94</sup> Smaller percentages fell in the category of small businesses, retiree, housewife and non skilled workers and others. This is seen in **Fig. (4)** below. This highlights the point that a large percentage of members of the Caribbean diaspora are professional with a vast array of skills and knowledge.

**Figure (4) illustrating the occupation of the members of the Caribbean diaspora**



With reference to the respondents being members of any groups or association in the host country, the majority of the respondent (83%) did not belong to any group or association, while the remaining 17% admitted to being part of some association.

<sup>94</sup> ECLAC (2005) in a paper entitled, Migration in the Caribbean: What do we know? Noted that “in a search for higher wages and better employment, skilled professionals are on the move worldwide. Caribbean countries like Jamaica, Cuba and Trinidad and Tobago are strong exporters of qualified labor, particularly teachers, nurses and other health professionals.”

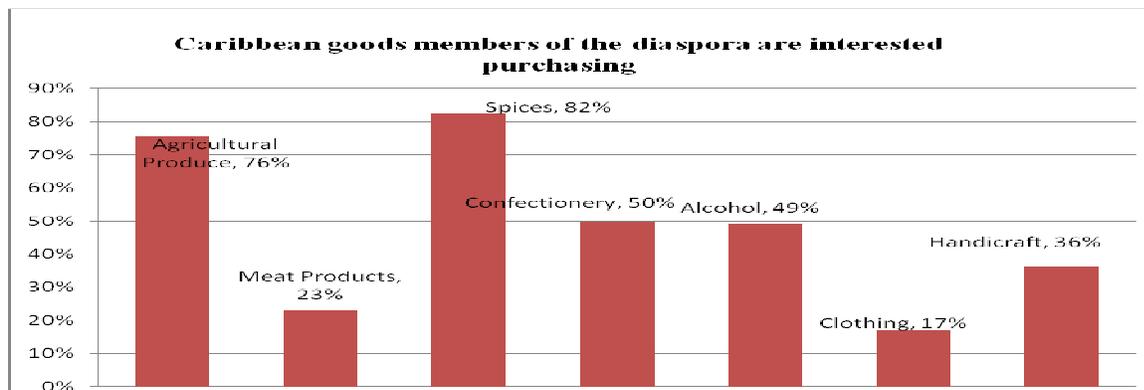
### *Investments in trade and nostalgic goods*

The majority of respondents (88%) claim to have access to local Caribbean goods where they reside, while a smaller percentage (12%) made reference to having no access to local Caribbean goods. Of the 88% who have access to local Caribbean goods in the host country, 95% access these good via retail markets and local shops, while a significant percentage (25%) access these goods via family member/relatives and friends who visit them. 70% of the respondents advocated that these Caribbean shops and markets are easily accessible to them.

Respondents have a positive attitude with regards to purchasing Caribbean goods, (84%) of the respondents expressed their interest in purchasing local Caribbean goods. This is important given that it creates the possibility of further trading relations with the Caribbean and the members of the Caribbean diaspora. 82% of the respondents displayed keen interest in purchasing spices from the Caribbean, given that spices are a very important type of nostalgic goods, this provides for an opportunity for further trading relations with the Caribbean. Similarly, 76% of the respondents expressed their interest in purchasing agricultural goods such as yams, sweet potatoes, bananas etc, 50% express interest in purchasing confectionaries and alcohol. The respondents also showed interest in Caribbean meat products as well, with 23% indicating their interest. **Figure (5)** helps to depict that the Caribbean diaspora is not only interested in purchasing food products from the Caribbean, but are also interested in handicraft and clothing as well. This is depicted in **Fig. (5)** This emphasizes that members of the Caribbean diaspora has a sense of identity and belonging. The fact that they want to purchase handicraft and clothing from the Caribbean is evidence of perhaps a sense of patriotism with regards to their country.

Other respondents indicate their interest in goods that they could not access in the host country that they would be interested in buying, some of these products included, Kerry Gold powdered milk,<sup>95</sup> soft drink, art, literature, newspapers, music and herbs as well as sea foods from the Caribbean. The demand for these nostalgic goods illustrates a sense of attachment to the home country as well as a sense of identity.

**Figure (5) illustrating the goods that members of the diaspora are interested in purchasing from the Caribbean.**



<sup>95</sup> This product is produced in Ireland and exported to Trinidad and Tobago where it is repackaged and sold there.

85% of the respondents indicated that they would be willing to pay the stipulated market price for the Caribbean goods they are interested in buying. This helps to illustrate how important nostalgic goods are to members of the Caribbean diaspora. Even more when respondents were asked about the prices of Caribbean goods that were accessible to them, the majority were neutral about prices being expensive or cheap. This partly interprets that the price elasticity of demand for nostalgic goods is inelastic i.e. the demand is not affected when there is an increase or decrease in the prices of these goods.

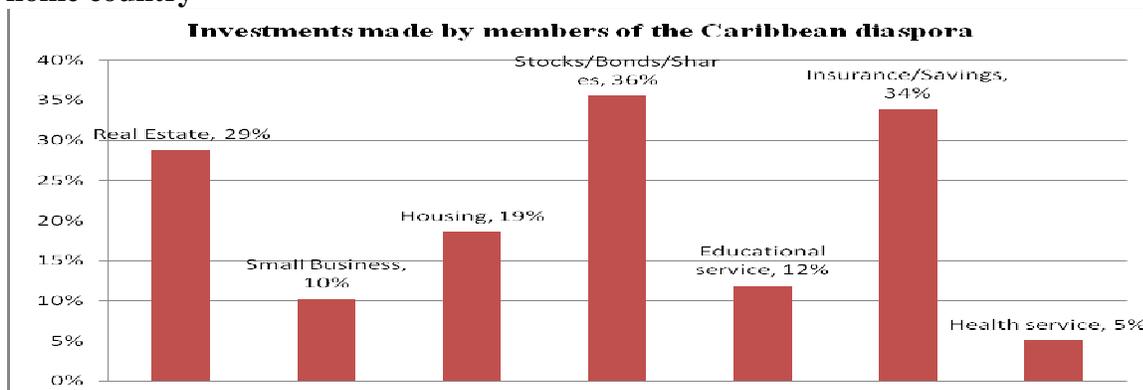
A large percentage of respondents indicated that they would not mind paying higher prices for agricultural produce (43%) followed by spices (31%) and handicraft (19%). The respondents also indicated that some of these goods are available in the host country, some of these goods include agricultural products, spices, alcohol, confectionaries and to a smaller extent clothing, handicraft and meat products.

The demand for nostalgic goods by members of the Caribbean diaspora demonstrates the realities that shape a migrants's life. These goods form part of the migrants identity, community and transnationalism.<sup>96</sup>

### *Entrepreneurial Investment*

From the perspective of investments made in the home by members of the diaspora, 63% of the respondent admitted to not investing in the home country, while the remaining 37% indicated that they had made investments in some form in the home country **Fig. (6)** illustrates some of the investments that have been made in the home country by members of the Caribbean diaspora. The majority of respondents have made investments in stocks/bonds and shares (36%) followed by insurance and savings which accounted for 34% and real estate 29%.

**Figure (6) illustrating the investments made by members of the Caribbean diaspora in the home country**

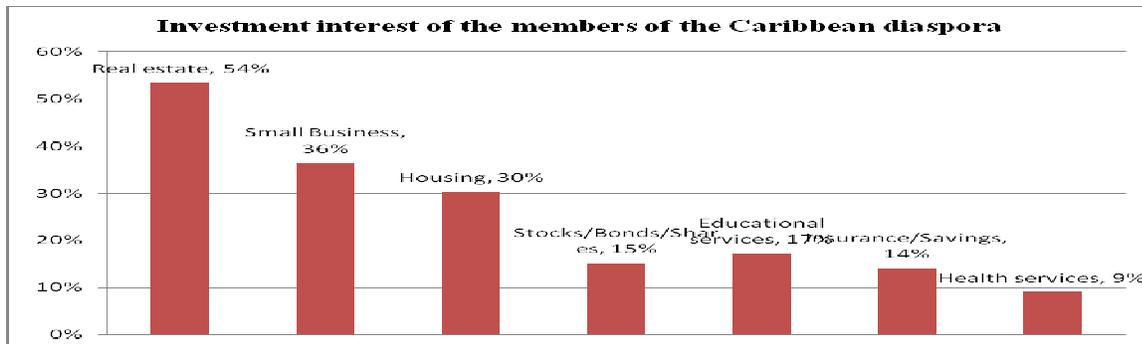


The majority of respondents indicated their interest in investing in the home country (63%). Of the respondents who are interested in investing in the home country, more than half of these

<sup>96</sup> Manuel Orozco (2008), "Tasting Identity: Trends in Migrant Demand for Home country goods, USAID, Diaspora Network Alliance

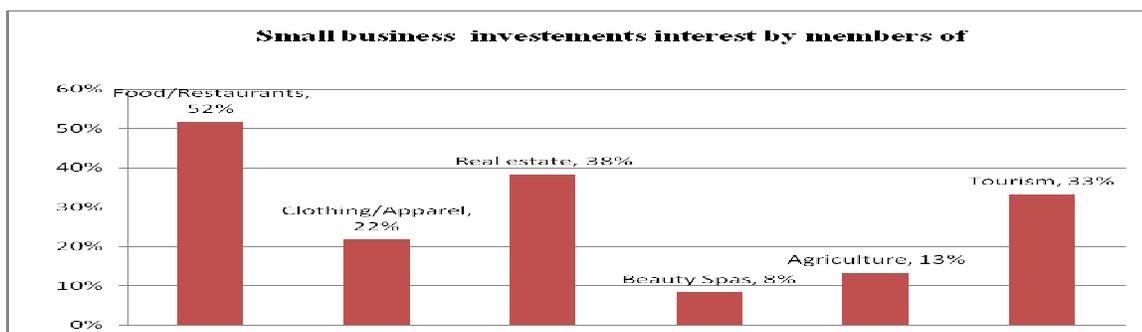
respondents indicated their interest in real estate (53%), while 36% and 30% respectively indicated their interest in small businesses and housing. Smaller percentages indicated their interest in education, health, saving insurance and stocks/bonds. This is depicted in **Fig. (7)** below. Given this information, what is required is the need for the Ministry of Foreign Affairs in the various member states (or even under some umbrella of CARICOM arrangement) to establish adequate investment channels and investment incentives for the diaspora.

**Figure (7) illustrating the investment interest of the members of the diaspora.**



A significant number of respondents indicated their interest in small business investment in the home country. 52% of the respondents specified their interest in small businesses relating to food/restaurants and 38% and 33% respectively are interested in small businesses in real estate and tourism. This is depicted in **Fig. (8)** below. 73% of the respondents who are interested in small business investments indicated that these small businesses would be self financed, while 45% conveyed that they would take loans to finance these operations. 19% and 10% respectively admitted to financing these small businesses through family members and funds from venture capital.

**Figure (8) illustrating the members of the diaspora interest in small business investments.**



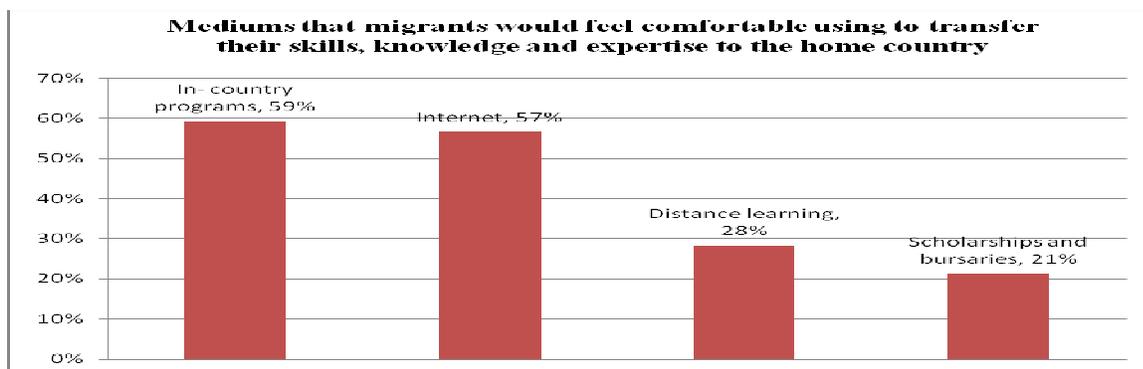
### *Investment in Human Capital*

65% of all respondents have been trained up to tertiary level education and 15% have professional accreditation. The remaining 20% education level resided between primary and high school. This illustrates that a significant percentage of the members of the Caribbean diaspora

are educated and very qualified with a wealth of skills and knowledge. The high level of qualifications of the diaspora immediately point to the potential for the Caribbean to tap into the knowledge, skills and resources of the members of the diaspora. 75% of the respondents claimed to have been educated from abroad, while only 24% was educated in the home country.

74% of the respondents indicated that they are passionately interested in coming home to train citizens in the home country in their skills and expertise. Similarly, 73% also indicated their interest in being part of networks that share and transfer knowledge, skills and expertise that they have acquired to the home country. 59% of these respondent admitted that they would be comfortable in taking part in in-country programs to transfer their skills and knowledge to members of the home country. 56% also indicated that they would be comfortable using the Internet to facilitate such transfer of knowledge, while smaller but significant percentages indicated that they would be comfortable with distance learning and scholarships and bursaries. This is depicted in **Fig. (9)** below.

**Figure (9) illustrating the medium through which members of the diaspora would like to transfer their knowledge, skills and expertise to the home country.**



The results of the study makes evident the potential that exist for the Caribbean to benefit from diaspora investments. The members of the diaspora are interested in investing their human capital as well as investents in small and medium businesses and diasporic exports. Therefore a clear avenue exist for the creation of programs and policies bythe respective governments in the Caribbean, which will allow them to benefit from the investment of the members of the Caribbean diaspora.

### **Policy Recommendations and Conclusions**

The empirical data confirms that the Caribbean diaspora has a unique blend of people who are tied together by a common culture and identity. The group offers a vast amount of potential and opportunities for the Caribbean to tap into so as to further facilitate the process of economic development in the region.

In order for the countries of the Caribbean to take advantage of the investment opportunities offered by diaspora, the Caribbean region must first realize the importance of the Caribbean

diaspora and the potential that it creates for economic development in the region. In order to do this each respective country in the English speaking Caribbean should set up units and departments that deal specifically with diaspora relations. A diaspora unit should be formed for the Caribbean and managed under the CSME or the Caribbean Diaspora for Science, Technology and Innovation (CADSTI) can be used as the main organization which deals with diaspora relations. The unit would be responsible for monitoring the Caribbean diaspora, building relations with the members of the diaspora, as well as act as the liaison in the home country for the diaspora and the home country. Given that some countries such as Jamaica and Dominica have already established diaspora units in their country, the other members of the English speaking Caribbean can follow this precedent.

It is important that the Caribbean establish a database which records the skills and expertise of the members of the Caribbean diaspora. It would help to match local needs to the diaspora. The skill bank should provide information on the size and composition of the diaspora with respect to the level of skills and expertise available. This will enable the Caribbean region to incorporate the members of the Caribbean diaspora in their development plans. When establishing this skill bank or database, it is important to establish mechanisms at the various Caribbean embassies to help identify available resources. It is also useful to collaborate with relevant authorities of receiving countries to collect information about the occupational categories of highly skilled migrants. This has been discussed by some Caribbean countries and will be facilitated by the different embassies. However, it needs to move from discussion to action.

The results of the survey indicated that a significant share of the Caribbean diaspora is interested in investing in their home country, therefore the stakeholders responsible in the home country for investments such as the financial institutions, government agencies and other private sector organizations should come together to formulate investment initiatives targeted to member of the Caribbean diaspora. The diaspora has indicated keen interest in investing in real estate, stocks/bonds, small business and housing. Therefore clear opportunities exist for the respective Caribbean countries to take advantage of the investment interest of the members of the diaspora. This will contribute significantly to the growth and development of the region. It is also important that the respective governments in the Caribbean formulate applicable diaspora policies which would incorporate the resources of the diaspora into the development plans of the Caribbean. This policy should be implemented with all the stakeholders involved in the implementation process.

Respondents in the sample posited that they wanted to purchase nostalgic products from the Caribbean such as sea food, craft, herbs, newspapers, literature etc. A section in the diaspora unit for the Caribbean mentioned earlier should therefore be responsible for facilitating trading relations with the diaspora such as assisting with the importation of nostalgic goods and keeping tabs on the demand by the diaspora of specific Caribbean goods. This also creates a new market for exporters in the Caribbean to tap into and increase their revenue.

Efforts also need to be made to create favorable conditions in the home country that will attract members of the Caribbean diaspora to come back to their home countries. This can be done through the provision of incentives such as the reduction in import duties, the provision of

foreign exchange accounts as well as laws that govern private ownership which would therefore encourage migrants who are professionals to return to the home country to invest as well as transfer their skills and expertise to the Caribbean region. The Caribbean can also look into providing other forms of support to migrants who wish to return to the home country especially given the economic climate. Caribbean countries usually provide information to migrants who wish to return to the home country, however, they can provide other forms of support such as, air travel expenses, relocation funds and initial support. The facilitation of the return of Caribbean migrants would allow for brain gain which would reverse the process of brain drain in the Caribbean.

The respondents from the survey indicated their interest in participating in country programs as well as virtual programs to help transfer skills and knowledge to citizens in their home country. It is very crucial that the Caribbean create a linkage between members of the diaspora and the home country which would allow members of the diaspora to effectively and productively transfer their skills and knowledge to the home country. In- country programs need to be created which allows members of the Caribbean to come on short term assignments in areas, fields and department where shortages exist, for example nurses, doctors, teachers can be recruited from the diaspora for short time periods to train and develop the member of a particular department.

The problem of brain drain in the region can be addressed through the participation of members of the diaspora via virtual means. The members of the Caribbean diaspora can contribute to the process of economic development without having to physically be in the country. Virtual engagement of the diaspora can be attained through the use of ICT's. The Internet can be used to facilitate educational programs as well as virtual workshops, conferences and classes conducted by members of the Caribbean diaspora on their expertise. Therefore this serves as an opportunity where the governments of the respective countries need to pull together their human resource and work with their educational institutions as well as the private sectors to facilitate such programs. An accreditation body also needs to be put in place for the respective Caribbean countries; given that some of these countries do not have accreditation bodies e.g. St. Lucia. Therefore with these institutions, educational training can be facilitated with the use of ICT's.

The respective governments and financial institutions should consider the option of issuing diaspora bonds to members of the Caribbean diaspora. This would provide a stable flow of foreign exchange for the region. Also it would provide the members of the diaspora to contribute and be a part of the regions developmental plans.

### Conclusion

Adam Smith (1776) in his book entitled Wealth of Nation postulated that the wealth of a nation is in its people. Therefore the Caribbean has a wealth of knowledge and resources in the Caribbean diaspora which has remained untapped for centuries. The Caribbean diaspora has the potential to be an engine for economic growth and development in the region through investments. The members of the Caribbean diaspora have keen interest in investing in the home country, buying nostalgic goods as well as transferring their skills knowledge and expertise to the home country to ensure further development.

The financial crisis has significantly affected the global village of which the Caribbean forms part. Migration which is usually examined in a negative light has now created an avenue for development through the Caribbean diaspora. The Caribbean diaspora has the potential to contribute to the economic development of the Caribbean region via diaspora tourism, trade, investments and economic and social transfers. The Caribbean diaspora has been contributing significantly via remittances; however, there still exist a large wealth of resources in the region can tap into.

The government of the respective countries needs to create policies and programs that will enable them to tap into the resources of the Caribbean diaspora. The diaspora has a wealth of resources which can be used for the growth and development of the region. This includes the potential for increased exports through trade, investments, skill and knowledge transfer and diaspora tourism. This has the potential to further facilitate economic development in the region.

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## Appendix

<b>1</b>	Atlanta Caribbean Organization
<b>2</b>	Caribbean Cultural Organization of Delaware INC
<b>3</b>	National Coalition on Caribbean Affairs
<b>4</b>	Canadian Foundation for the Americas
<b>5</b>	The Redondan Foundation
<b>6</b>	The West Indian Foundation INC
<b>7</b>	Caribbean Association
<b>8</b>	DFW International
<b>9</b>	International Association of Caribbean Organization
<b>10</b>	The Caribbean Foundation of Boston