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The Diasporic Economy, Trade and Investment Linkages in the Commonwealth

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Abstract

The paper examines the relationship between the burgeoning diasporic economy and the ways in which it facilitates the growth of trade, entrepreneurship and investment between migrant sending and receiving countries in the Commonwealth. The paper argues that the economic impact of diasporas is a two way street in that the process of migration creates bilateral trade and investment linkages as exemplified in the demand and supply of nostalgic, specialty and niche goods, services and intellectual property as well as the flow finance (e.g. remittances, diaspora savings and bonds) and knowledge transfers (e.g. brain drain, gain and circulation). The paper offers a panoramic view of diasporic trade flows taking into account the experience of diverse member of the Commonwealth such as India, Nigeria, Tonga, Jamaica, Bangladesh, Kenya, Australia, Canada and the UK.

JEL Classification: F22, F24

Keywords: diasporic economy, migration, remittances, investment

Contents

1. Introduction

The aim of this paper is to focus on the relationship between the diasporic economy, trade, entrepreneurship and investment and as such elaborate on the economic flows and synergies between sending and receiving countries. This approach argues that the impact of diasporas is a two-way street in that the process of migration generates markets in both sending and receiving countries and creates bilateral trading opportunities and investment linkages. In short, the trade impact of diasporas is manifested through the ways in which sending and receiving communities demand and supply goods, services and intellectual property as well as facilitate finance and investment and knowledge transfers.

In the following sections of the paper the focus is on elaborating the relationship between migration and the growth of diasporas in the Commonwealth before examining the trade and investment linkages. The paper then examines two areas of trade in services as it applies to the diasporic economy. The focus is on remittances and the role of the money transfer market and secondly on the impact of diasporic tourism on the Caribbean tourism economy, which is the largest earner of foreign exchange and employs more people than any other sector.

2. Diasporas, migration and the Commonwealth

The term ‘diasporas’ refers to transnational communities and it encompasses migrants and those that claim ancestral ties to a particular place or space. It includes second, third or multiple generations and as such is a larger group than the stock of emigrants from a particular country. Diasporas are generally understood to have specific characteristics such as dispersion from a homeland to two or more locations, ongoing links with the homeland and group, identity and cultural boundary maintenance over time (Saxenian 2005).

Diasporic communities are not all the same, as they have different origins, patterns of engagement and impact on their home and host societies. From the perspective of the Commonwealth, there are multiple examples from the trade and professional diasporas as in the export of Scottish merchants, doctors, engineers and clergy to the British colonies; victim diasporas as in the case of enslaved Africans who were brought to the Caribbean; labour diasporas as in indentured Indians in the Caribbean, Mauritius and Fiji; cultural or hybrid diasporas as in the case of Tongans in Australia and New Zealand to Bangladeshis and Nigerians in the UK; and imperial/colonial diasporas as in the British in the former colonies and overseas territories (Cohen 2008).

The significance of these global diasporas to contemporary development is an emerging but underappreciated field of study. An example of this is the ways in which the term ‘British diaspora’ has evolved in the policy arena in recent years. The Institute for Public Policy Research in the UK published a study entitled the ‘Global Brit’, which, in its opening paragraph, makes the point that

> Any country that has 5.6 million of its citizens living overseas, another half million spending part of the year abroad, and some 57 million with a link to the country through passport eligibility or ancestry, as Britain does, has a great potential asset in a globalized world.
>
> (Finch *et al.* 2010, p. 13)

At the other end of the spectrum is the case of small Commonwealth countries that have relatively large diasporas. Such an example is Tonga, which is ranked second in the world in terms of remittances to gross domestic product (GDP), eighth among top emigration countries and ninth for emigration of the tertiary-educated, according to the World Bank migration and remittances factbook (World Bank 2011). In summary, the diasporic economy has become one of the key drivers of the Tongan economy, as is the case for many other members of the Commonwealth.

From this perspective, migration and the growth of diasporic communities have been enduring features of the development of both the developed and developing member countries of the Commonwealth from colonial to contemporary times. The influence of the Commonwealth on international migration is also significant given that close to 20 per cent of all international migrants go to or come from Commonwealth countries. Half of all Commonwealth migration is intra-Commonwealth migration, the bulk of which is flows between English-speaking countries (Gamlen 2010). A large share of this migration has a North–North dimension, as in migration between the UK and former settler colonies such as Australia, Canada and New Zealand.

There are also South–North flows between former colonies in Africa to the UK, from the Caribbean to the UK and Canada and from the Pacific countries to Australia and New Zealand. A small share of intra-Commonwealth migration has a South–South dimension as exemplified by Indian doctors or Nigerian construction workers in the Caribbean. The South–South flows are more pronounced when viewed from an intra-regional perspective, as evident in migration within the Commonwealth Caribbean or in the emigration of semi-skilled workers and professionals in South Asia from countries such as India, Bangladesh, Pakistan and Sri Lanka to Singapore.

3. The diasporic economy and trade

There is an increasing appreciation that diasporic trade fosters entrepreneurship and investment thereby creating jobs, spurring innovation and fostering development. However, most of the spotlight has been on 'managing migration', where the key focus is on issues of political and social integration, labour market and border controls. In addition, dominant in policy circles is the 'migration and development' perspective on account of the significant economic impact of migration, particularly on sending countries in terms of remittances and other economic flows. For example, it is well documented that remittances and other flows associated with the diasporic economy have matched and even surpassed portfolio investments, foreign direct investment (FDI) and official development assistance (ODA) as sources of external financing for many developing country regions for more than a decade. It is less well established, but nonetheless significant, that the growth of diasporas has helped many receiving countries to address the problem of labour shortages and replacement labour in specific professions as well as deal with an ageing population on account of demographic shifts.

Many governments and development agencies have caught on to the idea that diasporas are good for development (Newland and Tanaka 2010). As such, there is an expanding interest in developing diaspora engagement strategies that tap into the wider economic and trade impact of diasporas to facilitate investment, export diversification, industrial development and global competitiveness (Crush 2013, Durutalo 2012, Nurse 2004a, Plaza and Ratha 2011). Intra-Commonwealth migration and diasporas are of economic significance, but there is precious little information and analysis of the trade, investment and knowledge linkages that flow through the diasporic economy and affect the Commonwealth.

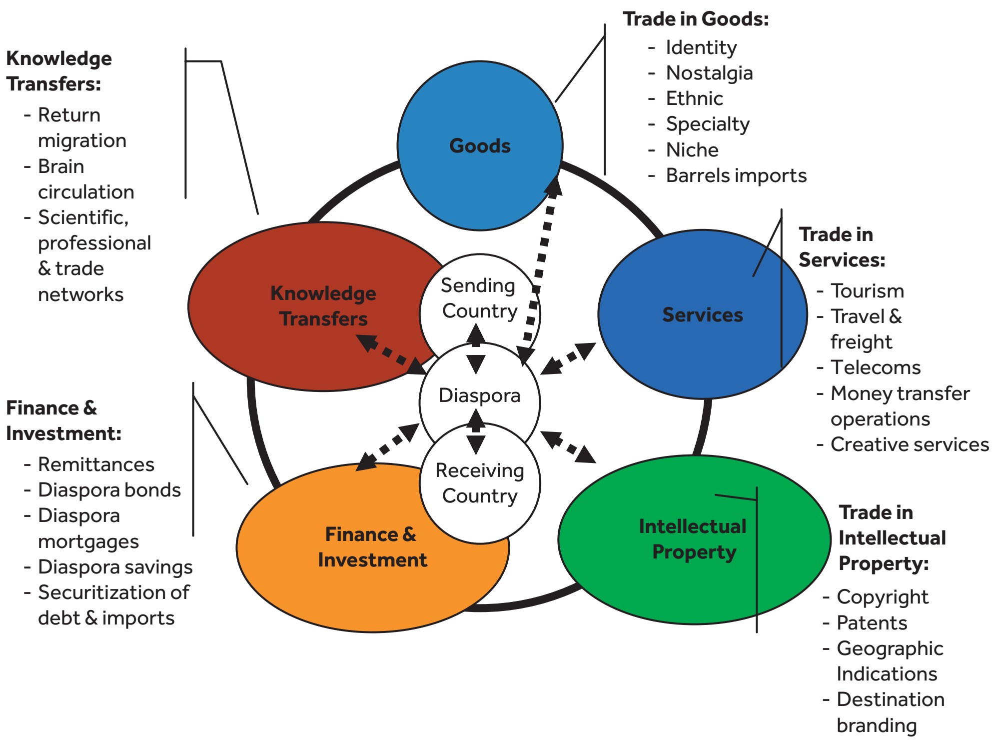
Trade is an important feature of the diasporic economy, along with skills transfer and investment (Newland and Plaza 2013). The literature on trade and migration suggests that there is a positive relationship between bilateral migration and bilateral trade (Peri and Requena-Silvente 2010). The main explanation for this impact is that (1) immigrants demand goods and services from their home countries; (2) immigrants introduce new products and services to the host countries; (3) immigrants introduce new products and services from their host countries to their home countries; and (4) impact on business development through the circulation of knowledge and ideas (Mundra 2005).

Based on a meta-analysis of several studies on bilateral migration and trade, it is estimated that 'an increase in the number of immigrants by 10 percent may be expected to increase the volume of trade on average by about 1.5 percent' (Genc et al. 2001). A case study from Canada illustrates that the trade benefits from bilateral migration relate to superior knowledge of, or preferential access to, market opportunities. The study found that a 10 per cent increase in migration resulted in a one per cent growth in exports and a three per cent growth in imports from the countries of emigration (Head and Ries 1998). It is also important to note that the immigrants' effect on trade is not identical across all countries or time periods because the occupation of immigrants, the trade policy context and the immigration policies of the receiving countries are all key factors that affect trade creation with the home country (Mundra 2012).

The links between the diasporic economy and trade have largely been examined from the perspective of merchandise trade. The wider impact of diasporas on trade beyond goods is little understood due to the transversal nature of the flows. The argument is that the traditional approaches of categorising and differentiating trade in silos such as goods and services and intellectual property are outdated and misplaced given the dynamic inter-relationships embedded in contemporary international trade. An alternative approach is illustrated in Figure 1, which shows how the diasporic economy relates to key areas of trade, such as goods, services, intellectual property, finance and investment and knowledge transfers. These flows are directly affected by conditions in the sending countries, the receiving countries and the diasporic communities.

Based on Figure 1, trade in goods relates to the merchandise trade in nostalgic, ethnic, niche, speciality and identity goods along with barrel imports (Orozco *et al.* 2005). Diasporic trade in the services area includes flows associated with sectors such as telecoms, tourism, transportation, media and remittance services provision. Diasporic trade also includes the monetisation of intellectual property through copyrights in the creative industries as well as geographic indications embedded in goods. Countries also benefit from diasporas by tapping into knowledge networks of scientific and

Figure 1. Diasporic economy and trade



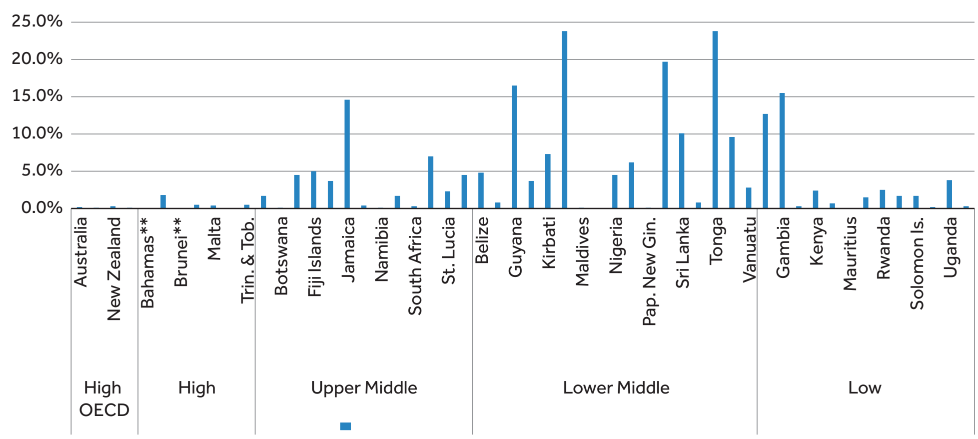
professional diasporas that enable brain circulation (e.g. return migration, mobility of professional services) that redress the challenges associated with brain drain (i.e. the emigration of the tertiary educated) (Blouin and Debnath 2011, Kuznetsov 2006). The diasporic economy also facilitates investment by diaspora communities in diaspora bonds, mortgages and saving schemes that have been utilised to securitise debt and import coverage (Terrazas 2010).

4. Remittances, finances and investment

Remittances – personal money transfers and compensation of employees – has become one of the main sources of external financing for developing countries. Remittance flows to developing countries are estimated to have reached 436 billion in 2014 (up 4.4 per cent over 2013) and are expected to climb to 479 billion in 2017. Remittance flows to developing countries surpassed official development assistance in the mid-1990s and are currently three times larger (World Bank 2013). While remittances were affected by the global financial and economic crisis, as exemplified by a drop of 6.1 per cent in 2009 on account of the weak jobs market (Mohapatra and Ratha 2010), it has emerged from the decline to be more resilient and larger than private debt, portfolio equity flows and FDI (excluding China) to developing countries. Figure 2 provides data on remittances to GDP for Commonwealth countries. The data are broken down based on economic profile.

The top remittance-sending countries in terms of intra-Commonwealth flows are the UK (27%), India (15%), Canada (12%), Pakistan (11%), Australia (10%), Singapore (6%), Cameroon (5%), South Africa (3%), Sri Lanka (3%) and New Zealand (2%) (Table 1). These top ten remittance-sending countries are estimated to remit US$41.9 billion or 92.3 per cent of the intra-Commonwealth remittances in 2014. What is also evident is that the remittance corridors are very differentiated depending on the source country. The UK has the most diverse recipients, with Nigeria, India, Pakistan, Australia and Bangladesh topping the list. Canada is the other remittance-sending country with a wide dispersal of recipients, for instance India, Sri Lanka, Pakistan, Nigeria and Jamaica. Australia and New Zealand are somewhat similar in that there are significant flows between these countries and with the UK. Australia also has remittances to India, South Africa and Sri Lanka. New Zealand also sends to South Africa, Samoa and Fiji. The other sending countries are largely involved with intra-regional or South–South remittance flows. For example, the top three recipients of remittances from India are Bangladesh,

Figure 2. Remittances to GDP, Commonwealth countries, 2012



Source: World Bank 2015

Table 1. Top ten intra-Commonwealth remittance-sending countries, 2014

Rank	Share (%)	Source country	Amount (million US$)
1	27	UK	12,080
2	15	India	6,745
3	12	Canada	5,360
4	11	Pakistan	4,933
5	10	Australia	4,331
6	6	Singapore	2,574
7	5	Cameroon	2,359
8	3	South Africa	1,419
9	3	Sri Lanka	1,144
10	2	New Zealand	1,000
Total of top ten			41,945
Share of total intra-Commonwealth remittances			92.3%

Source: World Bank, bilateral remittances estimates, 2014.

Pakistan and Sri Lanka. For Pakistan the top recipients are India and Bangladesh, while for Sri Lanka remittance flows are principally to India. For Singapore the top five recipients are Malaysia, India, Pakistan, Bangladesh and Australia. In Africa the remittance flows from Cameroon principally go to Nigeria. For South Africa the main recipients are Lesotho, Nigeria, India, Botswana and Kenya.

The top ten receiving countries are India, Nigeria, Bangladesh, Pakistan, Sri Lanka, Malaysia, Australia, UK, Kenya and South Africa (Table 2). The UK is the main sending country for six of the top ten receiving countries. India is next in importance, with Bangladesh and Pakistan being highly dependent on remittances from India. Australia is the main source country for the UK and Singapore is the main sending country for Malaysia. As observed in Table 1, the main remittance corridors revolve around the UK, India, Australia and Singapore.

The data from Table 2 indicate that a large share of intra-Commonwealth remittances are concentrated among a small number of large states. However, when development impact is measured, for example as a share of GDP, several of the small Commonwealth states are featured more prominently. Figure 3 shows the top ten Commonwealth countries in terms of remittances to GDP ratios. The list includes Tonga and Lesotho with remittances/GDP of 23.8%, Samoa (19.7%), Guyana (16.5%), Gambia (15.5%), Jamaica (14.6%), Bangladesh (12.7%), Sri Lanka (10.1%), Tuvalu (9.6%) and Kiribati (7.3%). Outside of Bangladesh and Sri Lanka, the other countries are either small states or island states from the Pacific and the Caribbean. This suggests that the diasporic economy is of significant importance to the development prospects of these economies.

4.1 Leveraging remittances

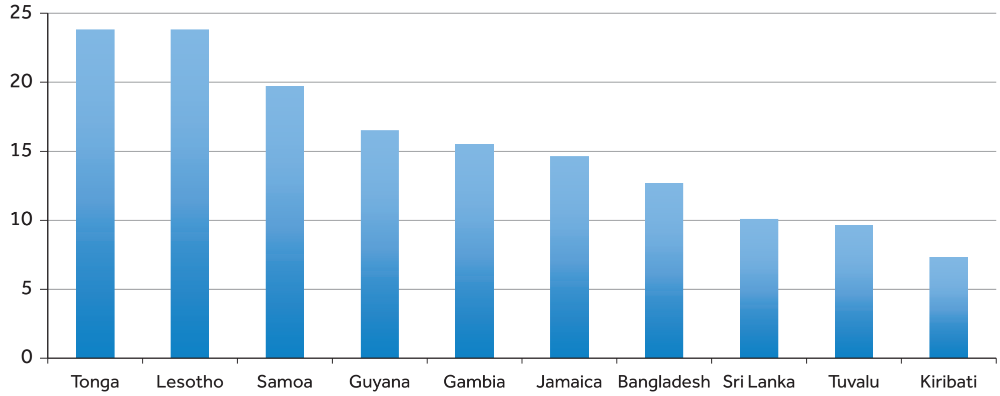
Migration is very much a family decision and remittances are seen as part of a bond or contract between remitters and their families and dependants who are left behind. Remittances are a major source of income for many lower-income households. It is estimated that over 80 per cent of the funds that are remitted are used for immediate consumption. However, an increasing share of remittances is used for

Table 2. Top recipients of intra-Commonwealth remittances, 2014

Rank	Share (%)	Recipients	Amount (million US$)	Main sending country
1	36	India	16,329	UK (3,641)
2	17	Nigeria	7,837	UK (3,735)
3	12	Bangladesh	5,629	India (4,163)
4	10	Pakistan	4,354	India (2,061)
5	5	Sri Lanka	2,047	UK (504)
6	3	Malaysia	1,431	Singapore (1,010)
7	2	Australia	1,124	UK (526)
8	2	UK	956	Australia (457)
9	2	Kenya	873	UK (494)
10	2	South Africa	729	UK (276)

Source: World Bank, bilateral remittances estimates, 2014.

Figure 3. Top ten Commonwealth countries remittances /GDP, 2012



Source: World Bank 2014

longer-term investment in land, housing, education and productive investments. Remittances have become a major factor in poverty reduction in the developing world (Nurse 2004b). However, the benefits for low-income communities could be expanded and local investment can be boosted if remittances are used by financial institutions to assess the creditworthiness of recipients (World Bank 2015). This is particularly important for promoting financial inclusion, given that many of the top remittance recipient countries have large unbanked populations.

Remittances also contribute to a more favourable balance of payments position in sending countries. Remittances have outstripped key exports sectors and even tourism earnings in several territories. Owing to their sheer volume, stability and anti-cyclical nature, remittances have become a key element in the finance area, for example through improving the credit worthiness of recipient countries' sovereign credit rating, thereby lowering borrowing costs and lengthening debt maturity. For example, the joint World Bank–International Monetary Fund (IMF) low-income country Debt Sustainability Framework includes a country's remittances when assessing a country's capacity to repay debt and ability to undertake non-concessional borrowing (World Bank 2015).

An important innovation in international finance is that the future flow of remittances can be used as collateral to secure foreign finances by countries with high remittance receipts (Ketkar and Ratha 2010). Remittances are one of a variety of future receivables that can be securitised. Countries are able to securitise export earnings from oil, metals and minerals; airline tickets; credit card vouchers; international phone calls; oil and gas royalties; and tax revenue. This area of financing is considered to be of enormous potential for developing countries. For sub-Saharan Africa it is estimated that remittances of US$31 billion can be used to securitise $4 billion. Tapping into this source of finance, however, requires that countries put in place adequate securitisation laws. For example, the African Export-Import Bank (Afreximbank) arranged for Ghana to borrow $40 million in favour of a development bank using Western Union remittance receivables. Similarly, the Afreximbank of Nigeria was able to access a loan of $50 million by securitising remittances through Moneygram (Shimeles 2010).

4.2 Diaspora savings and bonds

Another key area of potential investment funds is from diaspora savings. It is currently estimated that diaspora savings for the developing world amount to US$497 billion in 2013 compared with remittances of $418 billion (Table 3). There is also significant potential for developing countries to utilise diaspora bonds, a long-term financing instrument issued by a homeland government, as a mechanism to attract some of these savings for in-country investment (Chander 2001). The governments of Israel and India have pioneered in this area and have raised over $40 billion between them by tapping into the wealth of their diasporic communities for a wide array of projects and initiatives. Commonwealth countries such as Sri Lanka, Kenya and Ghana have issued diaspora bonds with varying degrees of success.

It is critical to note that remittances are also used to fund small businesses, so the issue of

Table 3. Remittances, diaspora income and savings for developing regions, 2013

Regions	Diaspora stock (millions)	Remittances (billion US$)	Diaspora income (billion US$)	Diaspora savings(billion US$)
East Asia and Pacific	31	113	579	116
Europe and Central Asia	32	52	402	80
Latin America and Caribbean	34	61	645	129
Middle-East and North Africa	24	49	275	55
South Asia	38	111	402	80
Sub-Saharan Africa	23	32	181	36
All developing countries	182	418	2,484	497

Source: World Bank, Migration and Development Brief 24, 13 April 2015.

entrepreneurship needs to be considered when talking about finance and investment. Moreover, the diasporic economy and market can be considered strategic resources in that firms that are able to tap into these markets are able to transcend the limitations of small size, which is a structural constraint in many developing economies. In this sense the diasporic economy offers a bridge into wider markets, thus incentivising investment by entrepreneurs. This is often achievable because diasporic entrepreneurs tend to have a network base (e.g. hub-to-hub ties) that spans both the sending and receiving countries, and as such are often able to overcome the hurdles of doing business or trade between the two jurisdictions. The benefits of such networking tends to be pronounced where the business, trade and financing institutions are weak and hence the barriers to running a successful business are higher. The successful diasporic entrepreneurs therefore act as institutional influencers in that they are able to transform the investment climate in the home country (Kuznetsov 2006). From this standpoint financial remittances along with social remittances (i.e. the flow of ideas, skills, social capital and networks) are key aspects of the transnational relationship that diasporas have with their countries of emigration (Newland and Tanaka 2010).

5. Diasporas and trade in goods

The trade in goods to the diaspora can be quite sizeable. For example, it is estimated that ten per cent of the merchandise exports of El Salvador to the US market are goods targeted at the Salvadorean diaspora and the Latino immigrant community (Orozco 2013). Countries such as Jamaica have also been able to tap into this market through their distinctive brand of cultural goods. This is evident in the production and sale of Jamaican foods such as patties and jerk food in establishments such as the Jamaican-owned Golden Krust, which serves over 2 million customers per year through 120 outlets in the USA. Jamaican-inspired food has also made an impact in the UK through the phenomenal success of the Levi Roots brand of foods. Levi Roots markets a range of Jamaican-inspired sauces and condiments that have rivalled established brands such as Heinz in the UK market. Levi Roots business model has proven to be highly successful and the company is currently worth £64 million[1].

5.1 Case study from India

Further examples of intra-Commonwealth diasporic trade highlight the rising importance of the economic flows. For example, products targeted at the Indian diaspora in the UK have had

1 For further details on these cases see Nurse and Kirton, Caribbean Diasporic Entrepreneurship. Available at: http://competecaribbean.org/resources/private-sector-development/caribbean-diasporic-entrepreneurship-analytical-report/.

Box 1. Kingfisher beer in the UK

On account of the high cost of transport, Kingfisher has engaged overseas brewers to produce in the key markets. Kingfisher has an agreement with Heineken (a main shareholder in UBL) since 2013 to brew, sell and distribute its product in the UK. Kingfisher enjoyed sales of over 2.5 million cases in the UK alone in the mid 2000s (Ray 2007). Kingfisher beer has been ranked amongst the top ten fastest emerging brands of beer in the UK (Uat.kingfisherworld.com 2015). Some industry analysts have reported that beers from India have become firm favorites with British drinkers, as several Indian brands have made inroads to the UK market (The Times of India, 2008). The Kingfisher brand has also paved the way for others, such as 'Cobra', 'Lal Toofan', 'Shere Khan', 'Adiadi' and 'Bangla', to emerge within the UK market (The Times of India, 2008).

strong crossover appeal and generated major market success for companies in the food and beverage sector. A key example of this has been Kingfisher beer from India, which has gained significant market share in the UK and in mainstream metropolitan markets in Europe, North America, Africa and the Middle East where the Indian diaspora are located. Kingfisher beer, which is owned by United Breweries Limited (UBL) – an Indian-owned conglomerate – is one of the leading and most distinguished beers in India with a prevailing market share of 36 per cent at home and available in 52 countries around the world (Uat.kingfisherworld.com, 2015) (Box 1). According to K Ganguly, the president of UBL at the time, the migration of Indians abroad was contributing to their overseas business by bringing brand recognition to the product (Ray 2007).

Indian cuisine is a major cultural export that migrated with the growth of the Indian diaspora to the UK and other parts of the Commonwealth. For instance, Indian curry is now one of the UK's most popular dishes with weekend takeaways, Indian cookbooks and an ever-increasing stock of Indian ingredients found in supermarkets (Cafe Asia 2014). Food from the Indian subcontinent was adapted to suit British tastes, as exemplified by dishes such as chicken tikka masala, balti dishes, kedgeree, mulligatawny soup and even coronation chicken. It is estimated that curry houses in the UK serve up to 2.5 million customers each week with an average spend of £7.50 per head (Cafe Asia 2014). However, it is important to note that 95 per cent of curry houses in the UK are run not by Indians but by Bangladeshis (News.bbc.co.uk 2015). It is also notable that the balti dish emerged from the Pakistani diasporic community, which predominates in the UK's West Midlands, as evidenced by the balti triangle area of Birmingham, which has around 50 balti restaurants, its own trade association and restaurant guide (Bbc.co.uk 2015). In 2009, Birmingham City Council considered giving the dish 'protected geographical status' (Warren 2009) and in 2012 the curry houses in Birmingham applied for the dish to be given EU protected status under the name 'Birmingham balti', which would secure the recipe and cooking method of the dish (BBC News 2012).

5.2 Case study of Tonga

Another example of diasporic goods trade is Kava, which comes from the Pacific region and has been used as a traditional beverage by Pacific islanders from ancient times[2]. Kava has followed the diasporic routes with the migration from Fiji, Tonga and Vanuatu. For example, Fiji, the key producing country, currently exports Kava to Australia, USA, New Zealand, Kiribati and the United Kingdom, generating earnings between $7 million and $8 million annually (Fiji.gov.fj 2013). Kava is also exported to Kiribati and Tuvalu from Fiji. Originally targeted at the Pacific islander diasporas, Kava has expanded into the mainstream markets in Australia and New Zealand. For example, the Australian company Taki Mai makes bottled Kava drinks, which are popular with the Fijian community and Australian youth as an alternative to alcohol. Australian overseas aid has funded Kava production in Fiji as a health supplement and a bottled beverage for export (SBS 2015). Taki Mai has been able to benefit from Australian

2 Kava originally derives from the root of a pepper plant. It has a distinctive taste and causes relaxing or euphoric feelings with symptoms like numbness in the user's lips and tongue (SBS 2015).

Box 2. Tongan identity and ritual valuables and food

Ritual valuables and ritual foods are among the most highly desired trade items among diasporic communities in New Zealand, Australia, Hawaii, parts of the continental United States and, increasingly, Britain, Canada and Japan. They are used for cultural and ceremonial purposes and for Tongans to express their identity. Cash remittances that diasporans send to Tonga help to balance this global reciprocal exchange between kin group members. Tongans also send such valuables between diasporic nodes and move between these nodes to contribute labour towards family and diaspora cultural institution needs. These gendered 'onward flows' of wealth contribute to global Tongan trade, but are often masked in trade figures between host nations where expatriate Tongans dwell. Indeed, what is also masked is the fact that Tongans use global trade circuits to *do culture*.

Source: Addo (2015)

international aid funds to further develop production in Fiji (SBS 2015). The value of Kava is such that it costs approximately A$30 per kilogram in the Pacific countries but can sell for about A$1000 per kilogram in Australia. This suggests that there is significant scope for Pacific islander producers to move up the value chain and increase their share of margins in the trade. Another key trade issue is the proposed ban on Kava products in Australia and in Europe, which could stifle exports.

Kava is but one of the key cultural exports from the Pacific region that is targeted at the diaspora. Of particular interest is the export of what Tongans call 'ritual valuables' (hand-made textiles, such as fine mats and barkcloths that only women produce and exchange) and ritual foods (grown by men) (Box 2).

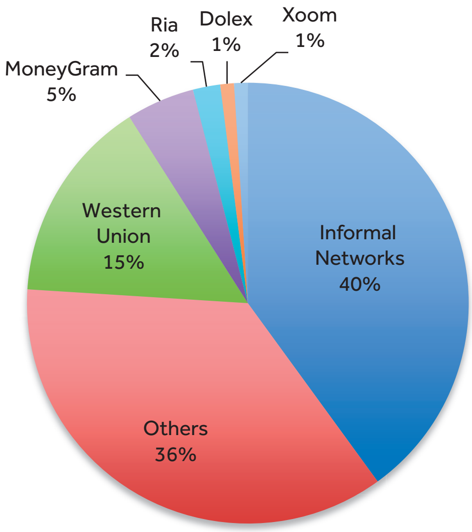
6. Trade in services—the money transfer business

A remittance product is a transactional service that involves mainly cash-to-cash transfers and increasingly a range of additional financial services. The remittance business includes remittance service providers (RSPs), which deal with outbound payments, and payout agencies, which provide inbound transfers to recipients. A range of factors affect competitiveness in the money transfer business and the quantum received by beneficiaries; for example, the cost to remit, which includes the transaction fees that the RSPs charge, the exchange rate difference and the commission. Other competitive factors include the number and quality of products on offer, presence in the migration corridors, number and type of payment points, competition issues and share of the market.

Remittance flows rely on a large number of RSPs that include money transfer organisations (MTOs), banking financial institutions, non-banking financial institutions, credit unions, post offices and, increasingly, internet-based operators and mobile phone providers. The global market for remittances is structured such that a large share is embedded in informal networks such as Hawala and other mechanisms, which together account for 76 per cent of the global market. The rest of the global market is controlled by MTOs such as Western Union (15%), MoneyGram (5%), Ria (2%), Dolex (1%) and Xoom (1%) that have a strong market presence in the formal market in most countries (Figure 4). For example, it is estimated that in Latin America and the Caribbean the top three firms control 44 per cent of the market, with Western Union having 21 per cent, MoneyGram 12 per cent and Ria 11 per cent (Orozco 2012).

One of the key recommendations from the global institutions such as the World Bank calls for the facilitation of increased price competition among remittance agencies. Transaction costs have successfully been driven down in most markets but some markets have sustained high fees. Table 4 provides data on remittances prices for various migration corridors. Several countries

Figure 4. Money transfer operators global market share, 2011



Source: Anthemis 2013

within the Commonwealth feature in the list of the five most costly corridors, for example between Australia and Vanuatu, Singapore and Pakistan, and South Africa and other Commonwealth countries such as Botswana, Mozambique and Zambia. The only Commonwealth example that is included on the list of the five least costly remittance corridors is Singapore to Bangladesh. In effect, Table 4 illustrates that there is a wide divergence in the cost of remitting, for example, from a high of $20.61 to remit US$200 between Australia and Vanuatu to a low of $2.18 for remitting from Singapore to Bangladesh. Another example is the cost of remitting $500 from Singapore to Pakistan, which costs $12.29 as opposed to the cost of remitting the same amount to Bangladeshs which costs $1.03.

One of the key factors that has helped to drive the cost of remittance services has been increased competition. The following case studies give examples of the participation of remittance companies from the Commonwealth and how they have contributed to shaping the money transfer business in their respective economies.

6.1 The case of the Kenyan diaspora

The Kenyan diaspora plays a significant role in the development of the home economy. Although the emigration factor (1.1 per cent) is small in comparison with small Commonwealth countries, the impact is clearly evident in the brain drain rates, which show that 38.4 per cent of the tertiary educated have migrated. The top destination countries are the UK, USA, Canada, Australia, New Zealand, Germany, the Netherlands, Switzerland and India. There is also intra-regional migration to neighbouring Tanzania and Uganda.

The flow of remittances has grown rapidly in the last decade and has attracted investment by a number of new firms, especially in terms of online payments systems (Box 3). Table 5 provides data on the remittance flow from the key Commonwealth countries. The UK is the main source market accounting for 78 per cent of the intra-Commonwealth remittances. Canada and

Table 4. Remittance prices, most costly and least costly compared, 2015

Five most costly corridors in USD 200	Average cost (US$)	Five least costly corridors in USD 200	Average cost (US$)
Australia → Vanuatu	20.61	UAE → Pakistan	1.86
South Africa → Zambia	19.96	Singapore → Bangladesh	2.18
South Africa → Botswana	18.79	Spain → Honduras	2.58
South Africa → Mozambique	18.41	USA → Honduras	2.71
South Africa → Angola	18.13	UAE → India	2.91
Five most costly corridors in USD 500		**Five Least Costly Corridors in USD 500**	
Australia → Vanuatu	14.14	Spain → Honduras	0.30
South Africa → Malawi	12.64	USA → Honduras	0.69
South Africa → Mozambique	12.54	Singapore → Bangladesh	1.03
Singapore → Pakistan	12.29	UAE → Pakistan	1.14
South Africa → Angola	12.14	USA → Nigeria	1.46

Source: http://remittanceprices.worldbank.org/en# (accessed 18 April 2015).

Table 5. Remittances to Kenya from the Commonwealth, 2012

Australia	Canada	New Zealand	Singapore	UK	Total remittances from Commonwealth, US$ million	Total remittances US$ million	Commonwealth share of total remittances (%)
43	87	5	0	488	623	1,228	50.7

Source: World Bank.

Australia are next in importance, with a small remittance from New Zealand. All told, the remittance flow from the Commonwealth amounts to $623 million, which represents 50.7 per cent of total remittances to Kenya (Table 5).

6.2 The case of the Jamaican diaspora

The diasporic economy is of huge significance to the Jamaican economy. It has a high emigration factor and high brain drain rates and remittances account for a large share of GDP and export earnings. The contribution from the Commonwealth in terms of remittances is illustrated in Table 6, which shows that Jamaica receives $630 million in remittances principally from the UK ($328 million) and Canada ($305 million) with a small amount from Australia.

In Jamaica the cost of remitting US$200 has decreased from approximately $9 to $6 in the last decade, which suggests that the market for remittances is becoming more competitive[3]. Although data on market share of the MTOs are difficult to access, what is available is the number of payout points in the country by firm. Figure 5 provides a breakdown of the shares of payment points for the MTOs serving Jamaica. The large MTOs have a bigger share of the payment points. The combined share of MoneyGram, Western Union and Ria is 71 per cent. These companies are followed by Xoom, which is an online remittance transfer company from the USA. The main local provider is the Jamaica National Building Society, which has been in operation for 140 years and has subsidiaries in the UK and Canada. It offers mortgages and loans along with money transfer services through its subsidiary JN Money Services (Box 4). Cam, Vigo and Unitransfer have a small presence in the Jamaican market.

Box 3. Safaricom and M-Pesa

M-Pesa, a mobile money transfer system, was first launched in March 2007 by the Kenyan mobile network operator Safaricom, which is partly owned by Vodafone Group plc, a British multinational telecommunications company headquartered in London. M-Pesa was first designed as a mobile solution targeted at microfinance borrowers but quickly shifted towards the wider consumer market for local money transfers and has grew rapidly to having 17 million subscribers by 2011. M-Pesa grew at a rapid rate by offering money transfer solutions to a largely unbanked population. M-Pesa allows customers to deposit and withdraw money, transfer money, pay bills and purchase airtime.

Safaricom has established a number of partnership deals with foreign firms to target the Kenyan diaspora and the remittances market utilising the M-Pesa platform, which offers wide national coverage and easy access to most Kenyans.

Safaricom signed a partnership deal with Skrill, a UK-based online payments and cash remittances company that was launched in 2001 has the capacity to handle online payments and cash remittances in 41 currencies while also supporting credit and debit card transactions. The arrangement allows users, wherever they are in the world, to send money directly to the M-Pesa mobile wallet of a friend or family member in Kenya.

Safaricom has forged deals for direct cash transfers to M-Pesa with other remittance service providers such as WorldRemit, Equity Bank's EquityDirect and with MTOs such as Western Union and MoneyGram. The deal with MoneyGram will allow access to M-Pesa from over 200 countries. Safaricom has also signed partnership deals with Australia-based mHITs, British firm SkyForex, PostFinance of Switzerland, London-based provider Xendpay and Mapex.

Source: Herbling (2014), Ngigi (2014), TechMoran (2014)

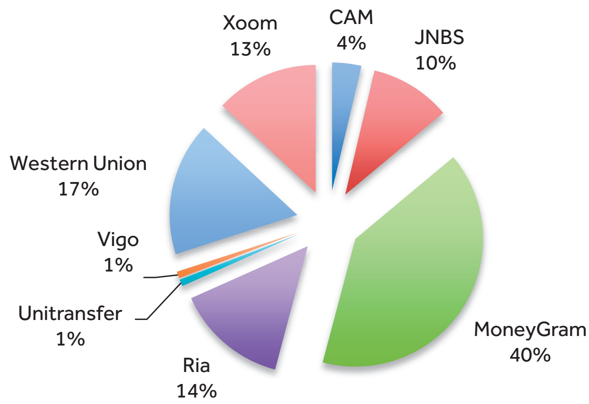
3 This assessment is based on data sourced from: Orozco, M (2012), *The Market for Money Transfers: Ranking of Remittance Service Providers in Latin America and the Caribbean*. Inter-American Dialogue.

Table 6. Remittances to Jamaica from the Commonwealth, 2012

Australia	Canada	New Zealand	Singapore	UK	Total remittances from Commonwealth US$ million	Total remittances US$ million	Commonwealth share of total remittances (%)
2	305	0	0	328	630	2158	29.4

Source: World Bank.

Figure 5. Jamaica, Share of RSPs Payment Point



Source: Oroszoc 2012

Box 4. Jamaica National Building Society – Jamaica

The Jamaica National Building Society (JNBS), which came into operation in 1865, is ranked amongst Jamaica's largest financial institutions and offers a blend of financial services, savings instruments, pension schemes, money transfer services and mortgage plans to customers living in Jamaica, the USA, the UK, Canada and the Cayman Islands.

The JNBS's main overseas operation has been in the UK for 25 years, where it has two offices (in London and Birmingham) and a mobile unit that serves other diasporic communities. JN Money Transfer UK is estimated to serve over 30,000 people, process over two million transactions per year and employ approximately 100 people in the United Kingdom.

The JNBS has had an office in Toronto, Canada, since 1991 to service the Jamaican diaspora. In response to financial regulations, the Toronto operations were renamed JN Money Services Canada Ltd in 2003 and assumed full responsibility for the money transfer business, while the banking-related services were transferred to a 'JN Representative Office'.

Source: The Voice (2013) and http://www.jnbs.com

6.3 The case of the Bangladeshi diaspora

The Bangladeshi diaspora is estimated to be about 500,000 to 600,000 and is spread across London and cities such as Birmingham, Bradford, Oldham and Luton. Annual remittances from the UK to Bangladesh have risen from £426 million in 2008–09 to £626 million in 2012–13. These remittance flows are estimated to be approximately 7–8 per cent of total remittances going to Bangladesh over the period (Table 7).

The Sonali Exchange has emerged as a keen competitor for the UK–Bangladesh remittance corridor. Its main competitors are MTOs such as Western Union and MoneyGram, along with banks such as HSBC, NatWest, Royal Bank of Scotland, Barclays, Cooperative Bank, Abbey and Nationwide (Box 5). From as long as ten years ago, Sonali was assessed to have the lowest minimum fee and transfer fees for £100 and £500 transactions, with a competitive transfer time of one to four days (UK Remittance Working Group 2006).

Table 7. Annual remittances to Bangladesh, 2008–09 to 2012–13

	2008–09	2009–10	2010–11	2011–12	2012–13
UK → Bangladesh (£)	426	528	575	616	626
Total Bangladesh (£)	5,230	7,014	7,536	8,012	9,123
Share from the UK (%)	8	8	8	8	7

Source: Vargas-Silva, Carlos. 'Remittances to and from the UK.' Migration Observatory Briefing, COMPAS, University of Oxford, UK, October 2013.

Box 5. Sonali Exchange Co. Inc. – Bangladesh

Sonali Exchange Co. Inc. (SECI) is an international money transmitter and subsidiary of Sonali Bank Ltd, the largest commercial bank in Bangladesh. Sonali Bank has a network of around 1,200 branches, 26,000 employees and overseas offices in the USA (ten branches in five states), the UK (two branches in London and one each in Birmingham, Oldham, Luton and Bradford), India and the Middle East and a vast number of foreign correspondents around the world. Sonali Bank also offers a range of speciality services, such an Hajj savings accounts.

Sonali Bank (UK) Ltd is incorporated in the UK. Fifty-one per cent of the shares are held by the Bangladesh Government and 49 per cent by Sonali Bank Ltd, Bangladesh. Sonali Bank (UK) Ltd was established to:

- help the UK Bangladesh community involved with the development of the Bangladesh economy through the remittance of foreign exchange and trade finance;
- provide a niche banking service to the UK Bangladeshi community; and
- provide access to the London financial market for the banking and corporate communities in Bangladesh.

Source: http://www.sonali-bank.com

6.4 The case of the Tongan diaspora

Tonga has a population of approximately 100,000 and an estimated stock of 47,000 emigrants, which represents 45 per cent of the home-based population. Contemporary Tongan migration commenced in the 1950s and 1960s as a means to seek employment and education abroad. This process intensified in the 1970s, 1980s and 1990s. It is estimated that the Tongan diaspora is scattered among the USA (40 per cent), New Zealand (40 per cent) and Australia (20 per cent) (Pyke *et al*. 2012). Table 8 provides data on remittances from the Commonwealth. New Zealand is the main source country, along with Australia. The remittances sent from these two countries account for 66 per cent of total remittances to Tonga.

These four case studies give some insight into the key issues affecting the growth of remittance services providers and the trade, entrepreneurship and investment linkages from a developing country standpoint. The case studies illustrate that the remittance or money transfer business is dynamic and competitive. Foreign firms in each of the countries dominate the market. However, there has been growth of local firms that have increased their market share over time. This has occurred within a context of declining transaction fees and rapid technological change that is disrupting traditional bricks and mortar business models that previously dominated the sector.

Table 8. Remittances to Tonga from the Commonwealth, 2012

Australia	Canada	New Zealand	Singapore	UK	Total remittances from Commonwealth	Total remittances	Commonwealth share of total remittances
15	0	34	0	0	49	74	66.2%

Source: World Bank.

Box 6. Melie Mei Langi – Tonga

'Melie Mei Langi' was first established in 2002 as a remittance service provider in the rural town of Robinvale, Victoria, Australia, for overseas Tongans to send money back home. It has grown to offer services in Perth, Western Australia, and in North Queensland. This growth has seen the opening of branches in Tonga (11 branches), Fiji, American Samoa (one branch), New Zealand (one branch), Australia, Hawaii (one branch) and the USA (five branches).

Melie-Mei-Langi has also entered the supermarket business and established a meat-importing business to Tonga. This gives its overseas clients the option to send remittances or to purchase groceries for pick-up in Tonga. According to Melie Mei Langi, 'many of our Australian and New Zealand customers have found our shopping services to be very useful and it can account for up to 40% of transactions sent to Tonga'.

7. Diasporic tourism and travel

Diasporic tourism involves the travel of migrants to their homelands or their regions. There is very little research on this area as this type of tourist is often neglected in tourism studies, with a few exceptions (Coles and Dallan 2004, Duval 2003, Stephenson 2002). However, the literature suggests that there are several benefits that a focus on diasporic tourism can bring. For example, in one of the few studies it is argued that:

> Diaspora populations can play a unique and important role in opening markets for new tourism destinations as well as markets for goods produced in and associated with the cultures of their countries of origin. Tourists from the diaspora are more likely than other international travelers to have or make connections with the local economy.
>
> (Aguinas and Newland 2012, p. 215)

7.1 The case of the Caribbean

The Caribbean is a good case study because its diasporic community is large relative to the home/national populations (i.e. relative to the Caribbean population based in the countries of origin). As shown in Table 9, the Jamaican diaspora accounts for 4 per cent of the population of Greater London, while in the case of Guyana the diaspora accounts for 3 per cent of the total population of Toronto (Mortley 2011).

There are several distinct types of diasporic tourists based on motivations for travel (Figure 6). Vacation tourists tend to be the largest category. People travel to visit family and friends and often stay with family members, but increasingly stay at hotels, villas and guest houses. Most countries collect data on this category under the banner of VFR (visiting friends and family), and this is often used as a proxy for diasporic tourists. However, there are other motives for diasporic travel, such as heritage tourism, which is driven by tourists who wish to discover their ancestry and lineage. There is also business tourism, which encompasses nationals who live and work abroad who have invested or plan to invest in real estate and commercial activities in their country of origin. Festival tourism tends to be another key motive as migrants travel to the home country or region for festivals, events, family gatherings (e.g. weddings and funerals) and religious holidays. Another key motive is that of medical tourism, which can take several forms. It can involve visitors returning to

Table 9. Diaspora population as percentage of global city population

Country	Global city	Percentage of global city population
Jamaica	London	4
Guyana	Toronto	3

Source: Migration Policy Institute (2005).

Figure 6. Typology of diasporic tourism

their homeland for medical and healthcare services, whether it is surgery or post-operative care.

Guyana has a high dependence on diasporic tourism (Table 10) with an estimated share of 70 per cent of the total tourist arrivals to that country[4]. The share of diasporic tourism for Jamaica is estimated to be between 30 and 35 per cent[5]. The impact of diasporic tourism on Jamaica is lower because the tourism sector in Jamaica is more established and generates visitor arrivals of over two million persons compared with 200,000 for Guyana.

Diasporic tourism, like any other target market, has its clear patterns and trends. One of the key indicators is frequency of travel. As Table 11 illustrates, the frequency of travel varies by country. In the case of both Jamaica and the Dominican Republic, close to 70 per cent of the diaspora travel home once a year or more. For Guyana that figure is close to 45 per cent. Ecuador's profile was similar to that of Jamaica and the Dominican Republic, with a figure of 62 per cent.

Table 10. Estimated share of diaspora tourists in total arrivals to homeland

Country	Estimated share of diasporic tourists in total arrivals (%)
Guyana	66
Jamaica	30–35

7.2 Diasporic tourism, trade and investment linkages

One of the interesting findings from the research on diasporic tourism is the extent to which the related economic activities are synergistic and generate multiplier effects throughout the wider economy. This broad impact relates to the fact that diasporic tourists have different characteristics and travel patterns from the standard tourist, who has no link to the destination. Diasporic tourists tend to stay longer as well as make more short-break visits, particularly for events and festivals. Diasporic tourists often transfer monies to family before departure. They may have also forwarded barrels of goods via a freighting company to arrive days before their arrival. They also tend to spend more on local goods and services than does the average holiday tourist. For example, diasporic tourism is known to generate business for the freighting sector because many visitors make local purchases (e.g. nostalgic goods) that are in excess of the airline baggage limits. Diasporic tourists are also more likely to purchase a local mobile phone or a SIM

4 For further details see: http://www.caribbean360.com/index.php/travel/636957.html#ixzz2LeSLwtTo

5 For further details see 'Strategic opportunities in Caribbean migration: brain circulation, diasporic tourism and investment' (see the special edition of the *Canadian Foreign Policy Journal* (2011; Vol. 17, Issue 2; http://www.tandf.co.uk/journals/rcfp).

Table 11. Frequency of travel by diaspora to homeland

Country of origin	Three times or more a year	Twice a year	Once a year	Once every two years	Once every three yeas	Travel little	Never travelled
Guyana	5.8	12.1	26.7	18.4	10.7	26.2	0
Jamaica	4.5	24	40	14	1.5	8	8

Source: Data from M. Orozco's 2003–04 survey case studies.

card which they are likely to use on several visits. The creative industries are also known to benefit from diasporic tourism in that sales of books, paintings, DVDs, CDs, fashion, crafts and so on tend to peak when there is a major festival that attracts diasporic tourists. The heritage tourism sector also benefits from the inflow of diasporic tourists (Nurse 2003, 2008).

What the above observations indicate is that the diasporic tourism economy has a far wider impact than on only the hotel and hospitality sector. Indeed, the impact on the travel and freight industries, telecoms, creative industries, financial transfer and the nostalgic goods sector tends to be very significant.

Diasporic tourism can facilitate developing countries and small and medium-sized tourism enterprises to gain a larger share of global value added and to further diversify the sector beyond the traditional target markets. Diasporic tourists tend to have a profile similar to that of cultural tourists in that they invest more in indigenous goods and services. Consequently, diasporic tourism may allow for higher levels of capital (profit) retention within the regional economy than does traditional mass tourism, all-inclusive hotels and cruise ships. In addition, diasporic tourism, once enhanced by information and communication technologies, can generate further investment, exports and employment and create greater opportunities for economic inclusion, especially for small and medium-sized tourism enterprises and marginalised groups that often find themselves on the periphery of the formal tourism sector and on the wrong side of the digital divide. In this regard, the link between diasporic tourism and diasporic investment is germane to the expansion of trade in services.

8. Conclusion

The paper examines the migration, diasporas and development nexus with a focus on the growth of diasporic trade, investment and entrepreneurship across the Commonwealth both in sending countries and the main receiving countries such as the UK, Canada, Australia, New Zealand, and Singapore. The paper highlights that intra-Commonwealth migration and the growth of diasporic communities has a tremendous economic impact because migrants, their families and communities tend to demand niche, specialty, identity and nostalgic goods, services and intellectual property that generates trade and investment among firms and entrepreneurs from the sending countries and/or from the host societies (e.g. immigrant entrepreneurs). The paper also illustrates that transnational firms enjoy significant market shares in key sectors (e.g. food and beverage, telecoms and airlines) due to economies of scale and astute market integration.

The diasporic economy is one of the few bright sparks in the contemporary recession-plagued global economy and the flows associated with the diasporic economy, particularly remittances, diaspora savings and bonds, continue to expand and contribute to sending societies such that it has surpassed the traditional sources of external development financing. The importance of the diasporic economy is illustrated by the fact that, for many of the recipient countries, remittances represent a significant share of their foreign exchange receipts and so represents a vital mechanism to stabilize balance of payments, currency markets and even to securitize external debt. In addition, remittances and other flows have played a critical role in many developing countries in terms of poverty reduction in households and communities.

The paper illustrates that these impacts are particularly evident among small states and small island states in Africa, the Pacific and the Caribbean. These territories generally have large diasporic communities in relative terms and often have significant diaspora-related trade flows. As such it can be argued that there are significant strategic opportunities in relation to the growth of the diasporic economy which could be defined as the new frontier in global competitiveness, innovation and entrepreneurship for these members of the Commonwealth. However, the economic contribution and developmental potential of diasporic relations and entrepreneurship requires further documentation, measurement and policy coherence. From this perspective there is a great need to identify how the diasporic economy can be enhanced through a strategic diasporic engagement framework focused on trade and enterprise development.

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