



Diasporas, Innovation and Trade Diversification in the Caribbean

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■ Small states have extremely high dependence on trade. In the area of trade in goods there tends to be a commodity specialisation, such specialisation usually being in the export of low-value-added raw materials and commodities, as well as manufacturing goods which have declining terms of trade and fetch low (and volatile) prices in global markets. Trade in services is often viewed as an alternative for diversifying the economy of small developing states. However, tourism, which is the major services export, also suffers from low levels of local value-added and high levels of external control. Other sectors such as the financial services largely suffer the same fate given the dominance of foreign firms. Combined with the commodity and service specialisation of exports, is the geographic concentration of markets, competition among small states for these markets and the dependence on imported necessities and manufactured products to sustain the society.

In the Caribbean context a key element of the region's economic performance is the shift towards services exports. Services exports have been the key driver of Caribbean development in the last decade or more both in terms of share of GDP, employment and export earnings. Services accounts for half of total exports in CARICOM. The picture is even more dramatic for the smaller economies of the Eastern Caribbean where services exports approximate 80% of total exports. This indicates that the region, with the exception of countries like Guyana, Suriname, Belize and Trinidad and Tobago that are exporters of raw materials and commodities, has moved increasingly away from merchandise trade to trade in services, the bulk of which are tourism earnings.

The region generates a surplus on services exports, principally on account of tourism and travel. As such the services sector's economic and trade performance is dominated by tourism and travel as well as banking, insurance and finance. Outside of these established sectors there is a burgeoning group of economic activities (e.g. management consulting, creative industries, energy services, etc.) with proven capabilities and potential for export. However, the balance of services trade in the region outside of tourism and travel has experienced a deficit showing the dependence on tourism as the key driver of services exports.

This scenario makes a strong case for trade diversification and innovation. Most of the literature on innovation focuses on the larger developing economies. The question of size has not often been addressed explicitly in countries' decisions on their R&D activities. Consequently, the

emphasis has been on the manufacturing and agro-processing sectors largely to the exclusion of the services sectors which is the predominant trade and employment contributor in small island developing states.

The growth of the diasporic economy could provide a basis for trade diversification and innovation for the trade in services sector. In order to understand how it is important to analyse the key dimensions of the trade in services (e.g. cross border supply, consumption abroad, commercial presence, and movement of natural persons) that are generated in the diasporic economy as well to assess the value and impact on diasporic investment, entrepreneurship and innovation.

An argument can be made in favour of greater attention and focus to diasporic tourism as an important addition to the range of target markets and categories in the global tourism industry. Diasporic tourism is already having a direct impact in terms of arrivals and visitor expenditures with market shares of over 60% in countries like Guyana and Suriname that have emerging tourism sectors and lower rates of 25 - 30% in the Dominican Republic and Jamaica that have more mature tourism sectors. There are also indirect economic impacts in sectors such as telecom services, the sales of nostalgic goods and services along with purchases from the creative industries. In short, the growth of diasporic tourism has allowed for economic diversification within and outside of traditional exports. Tapping into these markets represents an innovation for the tourism sector. Innovations are also generated in the ancillary sectors like telecoms through the demand for mobile services.

Diasporic tourism, therefore, presents an important opportunity to create a more sustainable and inclusive form of tourism, however, it is clear that there still exist a blind spot among tourism and migration related sector agencies. In short, it can be argued that not enough is being done by Governments and other key stakeholders to tap this potential.

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