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Working Paper

Diaspora Economics

IZA Discussion Papers, No. 15334

Provided in Cooperation with:

IZA – Institute of Labor Economics

Suggested Citation: Fang, Tony; Wells, Alex (2022) : Diaspora Economics, IZA Discussion Papers, No. 15334, Institute of Labor Economics (IZA), Bonn

This Version is available at:

<https://hdl.handle.net/10419/263550>

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DISCUSSION PAPER SERIES

IZA DP No. 15334

Diaspora Economics

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MAY 2022

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ABSTRACT

Diaspora Economics

Diasporas are global communities of migrants who retain a sense of connection with their homeland. The concept is ancient but has only recently become an important area of research in economics. Due to their unique transnational characteristics, diasporas can have significant influence over economic exchange in several ways. In this chapter, these economic implications are explored alongside the political involvement of diasporas. It is found that modern technological advancements in communication and transportation are emphasizing the importance of global connections, leading to diaspora populations gaining increased importance in areas such as international trade, foreign policy, and economic development. For many countries, remittances from their diaspora abroad are a key source of capital for development. Global talent mobility is also examined, including its impacts on brain drain, and the competing, more recently explored phenomenon of brain gain. There is evidence showing that members of diasporas are critical to the formation of international entrepreneurial and commercial networks, owing to their ability to help overcome linguistic or cultural barriers. Governments that are best able to effectively harness the economic potential of the diaspora are the biggest winners. Diasporas' efforts to shape policy, both foreign and domestic, are prominent in modern research, and various examples are examined. Despite the wide body of research on diaspora economics, the subject is still recent and there are many avenues for future research.

JEL Classification: J61, J68

Keywords: diaspora, international migration, economic and political impacts

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1.0 Introduction

Originating from ancient Greek, the term *diaspora* literally means to scatter about (Kee, 2014). Its meaning evolved to describe the scattering of the Jewish population from Israel because of Babylonian oppression (Ages, 1973), eventually coming to refer to any large, dispersed migrant population still tied, culturally, to its homeland. The term's use has been steadily widening for over a century, with more and more groups becoming conceptualized as diasporas. Within the last decade, the word has gained new importance in the economic sphere, with a new branch of economic analysis referred to as *diaspora economics* being created. This branch of economics studies the many ways in which diasporas can promote economic development around the world. The purpose of this chapter is to review the latest research and analysis of diasporas in the modern world to better understand their role in the economy and policymaking.

Each diaspora represents a group of individuals with a culture strongly tied back to a common homeland, but whose influence now extends outward into another nation or on a global scale. This influence can manifest in an economic sense through factors like remittances and foreign direct investment, as well as through international trade implications. It can also manifest in a political sense when a diaspora lobbies either the host country's or their homeland's policymakers. On an individual level, the idea of individual balancing the diasporic identities of their home and host countries is often referred to as transnationality. The abstract notion of a connection between two countries through a diaspora is a key point of the literature.

Diaspora is an old concept, but it is one that has become increasingly relevant in today's interconnected world. Vuković-Ćalasan & Tatalović (2020) argue that technological advancement, by providing further opportunities to identify and connect with a country of origin, has ushered in a new importance for national communities abroad.

1.1 Defining Diaspora

Diaspora as a term has evolved continually since its use in ancient times. As the word has gained increasing relevance in policy and economics, its definition has only become broader and more varied (Butler, 2001). The basic concept is widely agreed upon – a group of people dispersed from their home country who still retain a sense of identification with that country – but the specifics are not. For example, who is included in a given diaspora? Owing to the term's origin with the scattered Jewish population, early usage tended to focus only on the forcefully displaced (Kee, 2014). As such, the word had a largely negative connotation for a long time. Modern researchers see the concept as a far more complex, diverse, and even positive one, encompassing all forms of migration (Cohen, 1996; Vuković-Ćalasan & Tatalović, 2020). This characterization is more in line with the role that the concept plays in the modern world; as Cohen (1996) argues, these dispersions have often resulted in prosperity and success for diaspora populations, so their connotation as victims is not always apt, and those who migrate in search of employment or to pursue trade and education should also be included in the diaspora. In the modern world, diasporas can be influential and important agents of economic development, cultural ambassadors, and champions of political movements.

Another characteristic of diaspora that has been reevaluated in the academic sphere is the desire of the diaspora people to return to their homeland; this concept is perhaps linked to the idea of the diaspora as victims. Early researchers in the field like Safran (1991) and Cohen (1996) include this trait among several in their respective definitions of the word, although both scholars state that the characteristics they outline need not be strictly applied. Recent literature suggests that return movements/return migration should not necessarily be a characteristic of diasporas (Constant & Zimmerman, 2016). Vuković-Ćalasan & Tatalović (2020) explain this paradigm shift, stating that

increasing globalization has made it possible to maintain a strong sense of identity and loyalty to a country of origin while maintaining one's residence abroad. Indeed, new communication avenues such as online spaces, blogs, and virtual platforms such as Zoom are enabling further connection between nations and their diaspora communities abroad (Alinejad, 2011; Lei & Guo, 2020). As the world changes, so too do the contexts surrounding connection, identity, and homeland.

1.1.1 Role of the Diaspora

In all aspects – economic, cultural, or political – diasporas have the unique capacity to function as intermediaries. Diasporic people often exist in networks that span both the home and host country, which can be invaluable for businesses seeking expansion into international markets as they can foster international trade and investment. They can also spur cultural and social changes. As technological and cultural shifts globalize the world, the advantages of increased international participation in all aspects of society grow. Given their role in bridging gaps between international communities, diasporas are quickly becoming influential in a number of ways. National governments have been quick to seek ways to leverage their connections with their diasporas (and those that reside within their borders) to promote economic development.

1.2 Diasporas around the World

Diasporas exist in many forms across the globe, coming from virtually all cultures and being embedded within every country. Depending on how the groups are defined, the world's largest diasporas number in the millions.

1.2.1 Major Diasporas

The varied definition of the term diaspora combined with the immense complexity of any individual country's migration history and the dynamic nature of migration patterns, make

determining the exact size of diasporas a difficult task. For example, estimates place Nigeria's diaspora anywhere between 1.2 to 17 million, depending on the definition of diaspora used (Didia & Tahir, 2021).

Estimated by the United Nations to be the world's largest diaspora at 18 million strong, the Indian diaspora has a significant presence in many countries (United Nations, 2021). The country's diaspora has been instrumental in fostering development through trade, venture capital investment, (Anwar & Mughal, 2013) and remittances (Singh, 2006).

The Chinese diaspora is also significant, both in sheer size of 10 million and in extensive activities. This diaspora is characterized by a strong sense of cultural ties to the homeland (Zou, Meng, & Li, 2021), which has contributed to the diaspora's involvement in Chinese international trade, foreign direct investment, and technological development (Chand & Tung, 2011).

The Jewish diaspora is a unique and interesting case. Many communities under this diaspora predate the creation of the State of Israel, and is widely dispersed and well-integrated. As Israel is the only country in which Jews are the majority, much of this large and widespread diaspora is connected to a relatively small homeland. This has proven to be an advantage for Israel, as the Jewish diaspora has positively impacted the country's trade (Zelekha, Sharabi, & Bar-Efrat, 2012) and international position (Burla, 2015), and provided financial resources to build the country (Kotabe et al., 2013).

1.2.2 Global Trends

As modern technologies advance and the boundaries to long-distance connection dissolve, diasporas become increasingly impactful, relevant, intricate, and organized. Many diaspora groups have leveraged the rising globalization of the world to make use of their influence in policy and

economy, as well as to strengthen their shared culture. Social media, for instance, has become a critical tool for diasporic people to connect with one another and to maintain their cultural identity (Oiarzabal, 2012). Technological advancements in transportation and communication have resulted in unprecedented international trade potential (Rauch, 2001), something diasporic entrepreneurs are readily taking advantage of (Liu et al., 2020).

1.3 Factors Influencing the Creation and Unity of Diasporas

Some of the most visible macro-level catalysts influencing the rapid creation of a diaspora is regional conflicts and social unrests. Conflict and post-conflict nations tend to have the fastest growing diasporas due to the rapid outmigration that occurs in periods of unrest (Elo, Taube, & Volovelsky, 2019; King & Vullnetari, 2009). Economic conditions are another massive driver of immigration and can be classified under “pull” and “push” factors: opportunities abroad and lack of them in the homeland, respectively.

The key feature of the diaspora, its sense of connection with the homeland or transnationality (and by extension the unity of its members), varies greatly from case to case. What determines the degree to which a diaspora is intrinsically and culturally connected to its homeland? This is a complex question, as it involves the individual psychologies of massive groups. Researchers have nonetheless been able to identify characteristics that seemingly correlate with this variable. Naturally, a migrant’s connection to the homeland tends to dwindle the longer they reside in the host country (Williams, 2018). Research on Israeli migrants in the United States has identified ways in which conditions in the homeland can affect different groups’ degrees of transnationality. Kislev (2015) explains the shifting opinions of Israeli minority groups and Israeli Jews living in the United States, suggesting that an increasing willingness to integrate the minority groups in Israel led to an increase in connection to the homeland for Israeli minority expats in the United

States, and had the opposite effect on Israeli Jews. For Iranian migrants in the United States, the internet has provided a strong means of connecting with the homeland (Alinejad, 2011), indicating that diasporic unity and involvement are being shaped by modern technologies.

2.0 Economic Analysis of Diasporas

Diasporas influence national economies in several ways, including remittances to family members in their home country, foreign direct investment, entrepreneurial endeavors, the facilitation of trade, and the transfer of knowledge/skills. Diaspora populations can serve as an important economic resource, especially in developing nations, however they also play an important role in many industrialized countries including Italy, Ireland, and Israel (Kotabe et al., 2013).

2.1 Remittances

Transfers (monetary or in-kind) from a migrant to his or her home country, referred to as remittances, are perhaps the most visible economic implication of a diaspora. Most remittances are sent to low- and middle-income countries; of the US\$689 billion sent through remittances worldwide in 2018, US\$529 billion went to low- and middle-income nations (World Bank, 2019). For many developing countries, money sent home from migrant workers abroad constitutes a large, if not the largest, portion of gross domestic product (Dida & Tahir, 2021; Poirine & Dropsy, 2019). In 2018, remittances accounted for over 30% of GDP in multiple countries including Haiti, Tajikistan, and Tonga, compared to less than 0.1% in countries like the United States and Canada (World Bank, 2019).

Remittances can act as a sort of private form of social protection that can supplement or substitute public social protection spending. Mina (2019) found that increased remittances tend to reduce public social protection expenditure. The main contribution of remittances is to the households

that receive them, but significant spillover benefits to the wider community have been observed through increased consumption as well as community development projects (Sikod & Tchouassi, 2006). Remittances have been found to encourage the opening of bank accounts and thus positively impact financial inclusion (Misati, Kamau, & Nassir, 2019).

For nations in conflict or a post-conflict period, significant outmigration typically occurs, and remittances can be a critical source of capital for development (Williams, 2020). Many such countries, however, fail to effectively shape policy to capitalize on the opportunity by channeling remittances toward development and poverty reduction initiatives (Didia & Tahir, 2021; King & Vullnetari, 2009).

2.1.1 Factors Influencing Remittances

Remittance flows have trended upward in recent decades (Bollard et al., 2011; Misati, Kamau, & Nassir, 2019; World Bank, 2019), owing to both growing migration and the increasing ease with which money can be transferred internationally (Ncube & Brixiova, 2013; Rodima-Taylor & Grimes, 2019).

For many developing countries, remittances are a critical economic resource (Kee, 2014; Nurse, 2019). Given the degree to which many of these nations rely on remittances, policymakers in such countries would often encourage the diaspora to engage in investment in the homeland (Didia & Tahir, 2021; Page & Mercer, 2012). Leblang (2017) argues that nations that implement policies focused on emigrant engagement, particularly the extension of dual citizenship to their diasporas, have an advantage in this regard. This study's model demonstrates that there is indeed a correlation between dual citizenship and the transfer of remittances.

Emigrants' individual decisions to remit have also been the subject of extensive research. Much of the literature points to familial commitment, social pressure, and cultural reaffirmation as the primary motives behind remittance (Belloni, 2021; Gutierrez, 2020; Lindley, 2009). It is also important to understand the remitting behavior of the highest earning emigrants. Research shows that migrant skill and income do indeed influence remittances, although there are multiple competing effects impacting both the likelihood to remit and the amount remitted. Evidence as to which effects tend to be greater is inconclusive. Bollard et al. (2011)'s model shows that a higher income correlates with higher remittance amounts, but has a mixed effect on likelihood to remit, although the former effect outweighs the latter for an overall positive correlation between income level and remittance. Some other authors have produced similar findings (Bredtmann, Flores & Otten, 2019). Faini (2007) contrasts this, instead finding that skilled migrants' tendency and ability to bring their closest relatives to the host country with them results in a generally negative relationship between a migrant's income and their propensity to remit, suggesting that highly educated immigrants actually remit less in this particular context.

Poirine & Dropsy (2019) found that diaspora growth does not always equate to more remittance. According to their model, aggregate remittances increase with the diaspora population until the ratio of the diaspora to the adult population of the country of origin rises above 50%, at which point aggregate remittances see diminishing returns or even decline as the diaspora grows. This finding should not, however, be interpreted as evidence that the diaspora becomes less altruistic over time (Poirine, 2006).

Another policy some nations have pursued is the issuance of bonds to the diaspora, turning monetary transfer into a two-way market exchange instead of the virtually one-way donation seen with remittances. These bonds typically have a lower yield but offer diaspora members the

opportunity to engage in development of the homeland (Lainer-Vos, 2013). Israel and India have been successful with this concept in the past, effectively leveraging the patriotism of the diaspora to secure public investment (Ketkar & Ratha, 2011; Lainer-Vos, 2013). However, Ireland faced challenges in defining whether the “diaspora bond” represented a gift or an investment exchange, which contributed to the termination of the country’s program (Lainer-Vos, 2012).

2.1.2 Skilled Emigration and Brain Drain

As developed countries make their immigration criteria more selective of skills, the number of highly educated emigrants leaving developing nations has increased (Docquier & Rapoport, 2012; Enkhtaivan, Brusa, & Davaadorj, 2021; Felbermayr & Jung, 2009; Gibson & McKenzie, 2012; Elkhoully & Amer, 2017). Although many countries depend on gains through remittances, the implication of skilled workers leaving the country to work elsewhere is a downside that must be considered. The short-run and long-run ramifications of this effect (dubbed “brain drain”) are still the subject of research and debate. By making skilled labour scarcer where it is needed most, the brain drain effect presents a challenge for developing countries; however, the benefits of having an educated, high-income diaspora present an opportunity.

A migrant-sending nation’s policy also influences whether high-skill emigration is beneficial or not (Docquier & Rapoport, 2012). Didia & Tahir (2021)’s model of Nigeria (which received US\$24 billion in remittances in 2018) suggests that the short-run impact of the brain drain effect in this country outweighs the benefits of cash inflows from remittances, resulting in a 0.9% decrease in GDP for a 1% increase in remittances. Their analysis points to the absence of an effective policy strategy to encourage and harness remittances to Nigeria (Didia & Tahir, 2021). This represents a potential pitfall for remittance-receiving nations; if the potential gains from remittances are not realized, either through the encouragement of investment from the diaspora or

the channeling of remittances to the most productive endeavors, the brain drain effect can undermine potential benefits from this income source.

Analysis of patent data from India indicates that the emigration of innovators has a harmful impact on local knowledge access, indicating brain drain, but that knowledge gained from the diaspora abroad has been a key factor in many of the most influential innovations (Agrawal et al., 2010), suggesting that the implications of skilled emigration may not be so clear.

2.2 Mobilization of Skill and Experience and Brain Gain

Remittances may be the most visible economic benefits from the diaspora, but there are other benefit factors to consider. Gibson & McKenzie (2012) present a model where emigration of high-skilled individuals is, in general, largely beneficial for the sending nation. The study looked at not only remittances but also knowledge transfer as a benefit of skilled emigration. This presents an alternative effect to the brain drain: brain gain. Brain gain occurs when migrants learn skills or/and obtain education abroad and then transfer their knowledge and skills back to the homeland, either through their networks within the country or through return migration.

Siar (2014) argues that through knowledge transfer, sending countries can gain from skilled emigration, as skilled migrants accumulate intellectual, social, and economic capital while in the host country, which can be strategically utilized by the home country to mitigate the brain drain effect. This development strategy must be specifically pursued to be effective. Diasporic organizations and collaborative networks that connect the diaspora to those in the homeland, can help formalize communication to maximize the gains of knowledge transfer (Kuznetsov & Sabel, 2006). Countries such as China have shifted policy to focus on knowledge transfer rather than remittances or investment (Van Dongen, 2018).

Gibson & McKenzie (2012) found that high-skilled migrants are unlikely to advise businesses or government in their home country, but frequently engage in knowledge transfer by helping others find study or work opportunities abroad; additionally, migrants who return home are more likely to engage in knowledge transfer than their non-migrant counterparts. A study examining South Korean doctoral recipients returning to South Korea from the United States found that the decision to return was largely driven by family or cultural reasons, which outweighed economic ones (Lee & Kim, 2009).

The development of the Indian IT sector is an example of a brain gain effect in action. The diaspora was instrumental in bringing skills, human and social capital, and networks needed to grow the sector in the home country (Pande, 2014). This is demonstrative of how diasporas can act as agents of development through the brain gain effect.

Diaspora benefit the migrant-receiving nation through similar mechanisms of network-driven knowledge transfer. Data from German research and development (R&D) collaboration projects shows that a large diaspora presence tends to correlate with more exterior R&D linkages in a region (Lutz, Alexander, & Mirko, 2019). Efforts to partner with and maximize the utility of the diaspora, like skill-matching initiatives, can contribute to these benefits (Groot & Gibbons, 2007).

Findings from Enkhtaivan et al. (2021) show that brain gain benefits are far greater in developed countries than in emerging countries. This reflects the idea that skilled labour tends to accumulate in countries with favorable economic conditions and research environment. For example, Siekierski, Lima, & Borini (2018) demonstrate that the migration decisions of academics are correlated with both quality of life and science/technology/innovation infrastructure in the receiving nation. Summing up these two streams of literature, it seems that diaspora creates mutual

benefits for both sending and receiving countries, although more rigorous macro-level research of the overall effects is much needed.

2.3 International Trade, Investment, and Entrepreneurship

Despite advancements in communication and transportation facilitating easier international trade, managing international business relationships while overcoming cultural and linguistic boundaries still presents an obstacle for many prospective merchants (Rauch, 2001). Connections through diaspora populations may provide an avenue to overcome such challenges. Evidence from several studies suggests that the size of a diaspora population has a significant and positive correlation with international trade between the host nation and the diasporic homeland. On a theoretical level, Epstein & Heizler (2016)'s model indicates that the size of a diaspora in a trade partner is positively correlated with the facilitation of trade with the country of origin. In Albania, the diaspora abroad has been instrumental in promoting agricultural export flows (Braha et al., 2017). This conclusion is corroborated by Martinez-Zarzoso & Rudolf (2020), whose findings suggest that the presence of a large Chinese diaspora in a country has had a beneficial impact on facilitating trade with China over the past few decades, with the effect being stronger on China's imports than exports. Another study found that a country's relative share of Chinese diaspora increased that country's subsequent growth through increased trade and investment with China (Priebe & Rudolf, 2015). A significant factor that may contribute to the impact of the Chinese diaspora is its strong cultural affinity with the homeland, as indicated by Chand & Tung (2011). Evidence from the Israeli diaspora presents a similar picture of trade and prosperity strongly and positively related to the presence of a large diaspora; the presence of large Jewish communities in major trading nations helps to narrow information and communication gaps between potential exporters and importers in Israel and its trading partners (Zelekha, Sharabi, & Bar-Efrat, 2012). Findings from India show that the Indian

diaspora has been instrumental in promoting trade linkages between India and other nations in the Asia Pacific region (Anwar & Mughal, 2013). Lee (2013) finds that such effects may be stronger for the trade of services than that of goods.

It is important to consider the possibility of confounding factors in this correlation. Felbmayr & Jung (2009) point out the example of cultural proximity between two nations, which increases trade volumes and may also increase immigration. Their model indicates that while migration is strongly correlated with trade, cultural proximity accounts for roughly half of the correlation, meaning any data that does not control for this variable may be biased upward (Felbmayr & Jung, 2009).

Diaspora communities' intermediary role is capitalized on by organizations like GlobalScot, which leverages connections with the Scottish diaspora (particularly businesspeople) to promote Scottish exports and business (Paquin et al., 2021). GlobalScot represents an innovative and successful approach to organizing and availing of the potential of the diaspora by creating a network of business leaders in the Scottish diaspora to facilitate collaboration, resulting in a massive variety of lucrative projects (Kuznetsov, 2008).

Diasporas' influence on trade is largely due to international human capital networks (Epstein & Heizler, 2016; Sangita, 2013) and immigrant entrepreneurship, and often a mix of the two, as diasporic entrepreneurs tend to export more than domestic ones (Liu et al., 2020). Due to migrants' knowledge of business practices and opportunities in their home country, diasporic networks have the potential to reduce barriers to information and communication, with highly educated migrants having the greatest effect in this regard (Sangita, 2013). Additionally, co-religious networks established between parties of the same religion (for example, a diaspora and its homeland) have been shown to improve trust and thus positively impact trade (Lee, 2013).

Many diasporic entrepreneurs are motivated by necessity rather than by opportunity (Elo, 2016), as factors like labour market discrimination can push migrants toward self-employment (Kloosterman, 2010). Despite higher probability of facing significant barriers to entrepreneurship that most other entrepreneurs do not (Elo, Taube, & Servais, 2022; Kloosterman, 2010; Riddle & Brinkerhoff, 2011), diasporic entrepreneurs play a key role in the economy. An entrepreneur's success and their ability to help shape the economy are largely connected to their network. While entrepreneurs from outside the country naturally have more limited local networks than non-migrant entrepreneurs, their international networks can provide an advantage in the market (Elo, Taube, & Servais, 2022; Liu et al., 2020). As technological and communications advancements reduce logistical barriers and costs to international trade, small-scale entrepreneurship with an international scope becomes more relevant (Steel, 2021).

2.3.1 Foreign Direct Investment

International investment is subject to significant language and information barriers, resulting in high transaction costs (Tokunaga & Suganuma, 2020). By reducing these barriers between nations, diaspora networks can contribute to foreign direct investment (FDI) volumes (Leblang, 2010) for both sending and receiving nations (Anwar & Mughal, 2013; Quer, Claver, & Rienda, 2012; Tomohara, 2017).

Evidence from Chand & Tung (2011) indicates that FDI from the diaspora is strongly influenced by the diaspora's affinity for their culture in the homeland. This is in line with Gillespie et al. (1999)'s findings, which correlated high homeland FDI among the diaspora with a perception of being culturally close to the homeland, adding that these results were similar in both first- and second-generation migrants.

Tomohara (2017)'s research indicates that while a larger diaspora typically equates to more FDI in the homeland, current immigration flows have a negative effect on FDI, although the net effect is positive in the long run.

3.0 Political Effects of Diasporas

Policy can often shape a diaspora; likewise, diaspora groups can have a significant effect on policy. Research indicates that diasporas often mobilize networks and resources to support a certain cause (Carment & Calleja, 2017) in either their homeland (Shain & Barth, 2003) or in their host countries (Kustra, 2022; Rubenzer, 2008). Modern technology advancements in communications have only made this mobilization more accessible and less costly (Oiarzabal, 2012; Vuković-Ćalasan & Tatalović, 2020). The evolution and growth of diasporas has been congruent with increasing globalization that has been driven in significant part by policy changes.

3.1 Trade Policy

The diaspora's ability to overcome language and information barriers between nations positions it to informally improve international trade and international relations between countries. Networks and linkages between members of the diaspora and those in the homeland can be important catalysts for international trade (Braha et al., 2017; Epstein & Heizler, 2016; Zelekha, Sharabi, & Bar-Efrat, 2012).

The effects tend to support a positive correlation between diasporic presence and the establishment of a trade agreement, but it is difficult to separate correlation and causation; there is evidence of preferential trade agreements stimulating significantly increased migration (Orefice, 2015) and of strong diaspora communities facilitating increased international trade agreements (Martinez-Zarzoso & Rudolf, 2020). In any case, the ideas of international trade and international migration

are evidently interdependent. Some countries, including New Zealand, are increasingly including migration agreements in trade agreements (Poot & Strutt, 2010).

3.2 Host Country Policy

Diaspora can strongly influence their host country's policy. This involves the mobilization of the diaspora to a certain end, often toward more inclusivity in policymaking (Ong'ayo, 2019). Examples are numerous, one of them is the political mobilization of young Somalis in London against Barclays Bank's decision to shut down four Somali remittance companies' accounts (Liberatore, 2018).

Foreign policy of the host country is often an interest of diaspora groups (typically toward the diaspora's country of origin), and there are numerous examples of their influence in this sphere. Rubenzer (2011)'s regression analysis indicates that the Cuban diaspora, through both individual campaign contributions and an interest group, were able to impact votes regarding U.S. foreign policy toward Cuba. Both the Israeli and Armenian diasporas have also been successful in lobbying for U.S. support of their respective countries of origin (Shain & Barth, 2003), with the Israeli diaspora having a strong influence on U.S. foreign policy since the late 1940s (Rossinow, 2018). Kustra (2022) shows how diasporas that emerge after exodus from dictatorships have been able to effectively shape American foreign policy towards their countries of origin, even influencing the imposition of sanctions on their former dictators.

The determinants of a diaspora's effectiveness in shaping host country policy are also the subject of research. Diaspora interest groups often take a leading role in the attempt to guide policy. Rubenzer (2008) suggests that the determinants of their success differ little from any other sorts

of interest group, that is their ability to organize and mobilize their members decides their influence on policy.

3.3 Homeland Policy

Although less studied than diasporic influence on host nation policy, diasporas can play an important role in the policy of their homeland. While they reside outside of the country, they may still be regarded as part of the community. In many cases, the diaspora is an integral resource (financial and otherwise) of the home country, and policymakers are incentivized to cultivate its support. Shain & Barth (2003) suggest that the degree to which the diaspora can influence the homeland policy is determined by their relative strengths; in postwar nations where the future is uncertain, for example, the diaspora may have a much greater influence than in a strong, well-established nation. This can be demonstrated by Jews of Kurdish origin in Israel rallying for Kurdistan's independence (Baser & Atlas, 2021). Today, most countries with significant emigration have implemented diaspora engagement policies (Mahieu, 2019), illustrating how significant a resource diaspora can be for the economic development of emerging nations. An example of this is "the Diaspora to Development initiative of the Commission on Filipinos Overseas was led under the Office of the President of the Philippines – a comprehensive program to encourage overseas Filipinos to contribute to nation-building" (Nicolas, 2014).

For many countries, maximizing the potential of the diaspora is complicated by barriers to economic development. Williams' (2018) analysis of post-conflict Balkan states' attempts to leverage their diasporas is an example of how institutional challenges can diminish a state's ability to capitalize on its diaspora. Despite diaspora policy being a central economic priority for each nation studied, initiatives to realize these goals have faced significant difficulties and the outcomes have thus far been uncertain.

4. Future Research

As a field of study in its relative infancy, diaspora economics still has plentiful opportunities for future research. The unity of a diaspora's members is intrinsic to its ability to mobilize to a common goal and in turn help shape political and economic conditions both at home and abroad. However, the literature covering the characteristics of the most unified and successful diasporas could be expanded upon. Future research should rigorously assess the overall net effects of a diaspora on the host and home country economy, and various dimensions such as FDI, international trade, and economic development. While diasporas' mobilization efforts to influence policy in the host country are well-documented, their efforts to influence homeland policy are less adequately addressed in the literature. Future research could expand on the diasporic characteristics key to successfully shape policy in the homeland, and the diaspora's willingness to organize to achieve such a goal, using both quantitative and qualitative methods. Additionally, the varied and expanded definitions of the term "diaspora" can affect the translatability of research; continued efforts to establish a widely accepted working definition of the word may help unify research effort. Additional research questions include identifying further diaspora/individual characteristics that correlate with remitting behavior, knowledge transfer, and facilitation of international trade.

5.0 Summary

With robust influences in both home and host country economies and policies, diasporas have been the subject of a growing research in recent decades. Diaspora economics, a relatively new field, seeks to understand the economic functions and policy implications of these transnational communities. Its position between the host and home country affords the diaspora unique opportunities, but not without significant challenges. As a key driver of development in emerging

nations, diasporas can represent a significant source of capital for their homelands, being financial capital, human capital, and social capital through the transfer of information and knowledge – it is here that the competing effects of brain drain and brain gain are debated. The prevailing conclusion in the literature indicates that the net result of the two effects lies in the specific country's ability to harness the positive effects of brain gain (for example, through policy or through networking organizations like GlobalScot) and offset the negative effects of brain drain.

Another subject of recent research is the tremendous influence organized diasporas can wield to shape international relations and international policy. The literature here indicates that diasporas play a very important role in how nations interact with one another, be it through trade agreements or economic sanctions. Evidence from post-conflict states, from which diasporas form quickly, indicates that they face institutional challenges that prevent them from effectively leveraging their diasporas.

The diaspora is an important resource for any modern economy, given the wealth of advantages they can offer. The body of research describing this phenomenon is rapidly growing due to its increasing relevance in economics and policy.

Acknowledgements

Responsible Section Editor: Professor Dr. Klaus F. Zimmermann

The article has benefitted from valuable comments of the editors, anonymous referees. Financial support by The Stephen Jarislowsky Foundation and Social Sciences and Humanities Research Council of Canada is gratefully acknowledged. There is no conflict of interest.

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