Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

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Inter-American Development Bank
Integration and Trade Sector

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Integration and Trade Sector
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Executive Summary

In 2020, the Latino\(^1\) population in the United States (U.S.) reached 62.1 million up from 50.5 million in 2010. This substantial increase outstripped the nation’s overall growth rate. As the general US population gradually ages and shrinks, its dynamics are shifting. The country is undergoing a demographic transformation powered by the dynamic growth of the Latino and Caribbean community.

The increasing role of the Latino and Caribbean demographic is evident from coast to coast: all 50 states and the District of Columbia have experienced a sizable expansion of their communities in the last decade. Today, the Latino and Caribbean community accounts for nearly one in five people in the US. Due largely to this growth, the future US population is shaping up to be multiracial, multiethnic, and younger than before.

As the Latino and Caribbean community continues to expand nationwide, it is becoming a significant demographic, economic, social, cultural, and political force. Not only has the Latino and Caribbean community led population expansion, it is also the principal economic driver fueling entrepreneurship, investment, and business growth. This rapid growth has transformed the social and cultural landscape of the US: today, Latino and Caribbean food, music, and film exemplify the vital role that the community is playing across the nation. It is gaining political momentum, as evidenced by increased voter registration and participation in recent election cycles. Additionally, through its cultural, linguistic, and other types of affinities to its home countries, the community is demonstrating its potential as a major vehicle through which to deepen economic, commercial, business, and trade ties to Latin America and the Caribbean (LAC).

In response to the accelerated growth of the Latino and Caribbean population nationwide, a domestic market has evolved to cater to the community’s specific needs and interests. This development, in turn, has created opportunities for greater commercial, business, trade, and other linkages with LAC. From the regional perspective, the community serves as a substantial consumer base and an entry point for companies that are either considering or have entered the US market. As a result, the community is influencing trade and connectivity with LAC both directly and indirectly.

This study analyzes the impact of the Latino and Caribbean community in the US and opportunities to harness its increasing influence to enhance economic, commercial, business, and trade linkages with LAC.

\(^1\) According to the US Census Bureau, the terms “Hispanic” and “Latino” refer to an ethnicity (not race). The US Census Bureau and the Office of Management and Budget use the terms Hispanic and Latino interchangeably in reference to ethnicity to refer to a person of Cuban, Dominican, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of their race.
To demonstrate the considerable, transformational influence that the community is having in the US, it highlights the historical and current developments in population flows, economic and business engagement, financial, investment, and linkages with LAC through foreign direct investment (FDI) and diaspora direct investment (DDI). It also includes four case studies that stress the importance of the community’s influence in four major cities: Houston, Los Angeles, Miami, and New York. Several key factors were examined, including demographic growth, economic engagement, entrepreneurship and venture capital ecosystem, cultural impact, nostalgia trade, and the potential of FDI and DDI. The key findings of the study are summarized below.

**Dynamic demographic growth:** The Latino and Caribbean community’s role is rising and will continue to expand. Today, Latinos are one of the fastest-growing segments of the US population. Since the 2000s, Latinos have played a major role in US population growth and are the largest minority group in some states. Immigration has slowed in recent decades, and over the last ten years, Latino population growth has been driven by births, with 9.3 million Latino babies born in the US. As a result, four in five Latinos are US citizens, and the share of Latinos in the US who speak English proficiently is rising, as are college education attainment rates. As a result, the community is making significant strides and the future is promising, given that Latinos are the youngest demographic in the nation on average. Approximately 1 million US Latinos will turn 18 every year for the next 20 years. While Latinos are present in all 50 states and the District of Columbia (DC), the states with the largest Latino populations are California, Texas, Florida, New York, and Illinois (in order of population size).

**Energetic economic driver:** Not only is the Latino and Caribbean population leading demographic growth, it is also powering the economy and driving economic growth. In 2019, the total economic output (or GDP) of Latinos in the US was US$2.7 trillion. According to the Latino Donor Collective’s Latino GDP Report, Latinos represent the fastest-growing economy in the world. Most recently, Latino GDP has grown to be the seventh-largest GDP in the world (Hamilton et al., 2022), surpassing the GDPs of several countries, including Italy, Brazil, or Canada. It is projected that by 2025, the US Latino GDP will become the fifth-largest GDP, making it the fastest-growing among developed economies.

**Latinos are energizing the nation’s economy, driving entrepreneurship, stimulating business growth, and simultaneously influencing the social and cultural landscape.**

**Robust business and entrepreneurship leader:** Latinos account for nearly 80% of all net new businesses created in the last decade. Latino-owned companies are growing at more than twice the rate of all businesses across the US. Latino-owned firms tend to generate revenue faster than the economy as a whole. Today, approximately 5 million small businesses in the US are owned by Latinos, of which over 2 million are owned by Latinas. Recent data indicates that Latino firms are spurring economic recovery in the US following the pandemic.

**Increasingly skilled and active workforce participation:** More Latinos are attaining higher education degrees (29% hold college degrees). Today, there are approximately 29 million Latinos in the US workforce, and at a rate of 65.6%, Latinos have one of the highest labor force participation rate in the US. Furthermore, Latinos are gaining ground in various industries, including technology, healthcare, and management/business science. The Latino workforce participation rate in the US is currently 5% higher than that of non-Latinos.

**Growing consumer market and purchasing power:** In the past decade, Latino purchasing power increased from US$1 trillion to US$1.7 trillion. This 72% growth is faster than for non-Latinos. US Latinos are also contributing to growth in real income and personal consumption. Since 2005, 29% of the growth in real income in the US has come from Latinos, and from 2010 to 2018, Latino real consumption grew 133% faster than non-Latino consumption. Latinos represent 46% of new homeownership and 68% of auto industry growth. According to the National Association of Hispanic Real Estate Professionals, the Latino homeownership rate has increased for the last six years.

**Cultural and political impact:** The Latino and Caribbean population is having a tremendous influence on US cultural life. As demonstrated by the popularity of Latin and Caribbean music, food, and culture, it is evident that the community’s impact is now mainstream in the US. Netflix has had phenomenal success with Latinos, as reflected in the company’s focus on Spanish-language content. Latino music has been growing faster than the overall market, expanding by 28% in 2019 and now accounting for 5% of industry revenues. Latino and Caribbean athletes play a huge role in the sports industry, particularly baseball. Given the community’s growth and the increase in market demand, there is an incredible opportunity for the entertainment industry to increase Latino and Caribbean representation.
Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region

Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

The Latino and Caribbean community will play a key role in the U.S. for decades to come. Its current economic contributions demonstrate clearly how the community can directly and indirectly create opportunities for greater regional trade and integration.

LAC venture capital developments: In 2021, a record-breaking US$12 billion was invested by venture capital (VC) across Latin America. This remarkable capital raise highlights a thriving startup ecosystem in Latin America and has driven greater interest in the region's talent. The emergence of unicorn companies is heralding a new era, with LAC leading in burgeoning sectors such as fintech and biotechnology. This development is in stark contrast to the VC environment encountered by Latino entrepreneurs in the US. However, this challenge also signals an opportunity to leverage regional development to create closer ties. Specifically, it opens up the potential for knowledge sharing and for Latino entrepreneurs to capitalize on economic momentum in LAC.

Nostalgia trade: Over the last several decades, the burgeoning Latino and Caribbean community in the US has driven the growth of markets, grocery stores, corner shops, and websites selling nostalgia products. As a result, a transnational industry has developed to service the wide variety of communities across the US. This nostalgia trade has created supply chain linkages and fueled economic activity beneficial to US Latinos and those living in LAC. The leading markets for nostalgia goods trade are in the states with the highest concentration of Latinos, with the top three being California, Texas, and Florida. As a result, numerous opportunities exist to strengthen the current trade in nostalgia goods and expand existing commercial ties to meet growing needs. Some key products include alcoholic and nonalcoholic beverages, bakery and milling, coffee, flour, arts and crafts, confectionary, and hot sauces/salsa.

FDI, DDI, and remittances: While the pandemic impacted FDI flows in LAC, five countries in the region received more foreign capital in 2020 than in 2019—Bahamas, Barbados, Paraguay, Ecuador, and Mexico. In the US, Texas received the largest investment (US$18.6 billion), followed by California (US$17.8 billion) and New Jersey (US$14.1 billion). These flows highlight the US’s strength in attracting FDI due to its large consumer base. The country is also endowed with a highly productive labor force and a large supply of highly skilled labor, including from LAC. The latter faces a competitive FDI market of roughly over US$200 billion that can be leveraged through innovative strategies. The key sectors continue to be manufacturing, services, and natural resources. From 2015 to 2019, the US invested US$4,737 billion in LAC, with Brazil, Chile, and Venezuela receiving roughly 9% of the total investment.

In 2021, remittances rebounded, demonstrating the importance of cross-border flows from the US into LAC. Mexico accounted for more than 63% of the remittances received. Colombia received 38%, while Brazil, Ecuador, and Peru each received 18% of total inflows to the subregion. For the last two decades, the Central American countries and Mexico have had the highest remittances/GDP ratios. Importantly, according to the latest World Bank report, growth in remittance flows in 2021 was exceptionally strong in LAC. Given the resilience of remittances in the recent past, it is projected that there will be growth in 2022. Furthermore, the average cost of money transfers in LAC has been lower than in most other groups of countries both before and after Covid. The rise of fintechs in the remittance sector is also contributing to keeping remittance flows steady. Moreover, DDI presents opportunities to foster closer connectivity and greater ties between the US and the region.

Finally, this study presents the case studies of four US cities. Each city reveals a clear picture that the Latino and Caribbean community is not only growing but is cementing its role as a major economic, social, cultural, and political force. These cities were chosen based on their established Latino and Caribbean population, including the fact that three states and the nation’s population growth. New York is the next largest increase: its population grew by approximately 531,000. Furthermore, Latinos have become the largest group in California. All these factors are creating an interesting backdrop against which ties to LAC can be enhanced.

Given the accelerated growth of the Latino and Caribbean community in the U.S., significant opportunities are developing for greater regional connectivity, economic trade, commercial activities, and closer integration between the U.S. and the LAC region.
The US Latino and Caribbean Community in Numbers

62.1 million Latinos in 2020

- 51% of total population growth is attributed to Latinos
- 20% growth among US Latino population by 2030

4.4M Caribbean population = 10% of 44.5M immigrants

19% of the US population are Latinos
26% of US population under 18 are Latinos

12 US states have 1M+ Latino residents

Caribbean population in US 18% growth 2010–2017

29.6M Latinas = 9% of U.S. population

Latino purchasing power = $1.7T
72% faster economic growth than non-Latinos 2010–2020

- 93% home improvement sales
- 68% auto industry
- 46% new home ownership
- 79% luxury car purchases
- 73% mobile phone purchases
- 67% video game usage

Latinas own 2M + businesses of 4.65M Latino-owned businesses

66% labor force participation by Latinos

2.5 million Latinos with advanced degrees in 2021
Latinos are the 2nd-largest voting bloc

32M Latinos eligible to vote = 13% of eligible US voters

16.6M Latinos cast a ballot in 2020

2021
2.5 million Latinos with advanced degrees in 2021
66% labor force participation by Latinos
Latinos are the 2nd-largest voting bloc
32M Latinos eligible to vote = 13% of eligible US voters
16.6M Latinos cast a ballot in 2020

4.4M Caribbean population = 10% of 44.5M immigrants
Caribbean population in US 18% growth 2010–2017
The Demographics of Transformation: The Growth of the Latino and Caribbean Population in the U.S

Over the last 40 years, the Latino community in the US has grown exponentially, making it the second-largest population segment in the nation. The 2020 US census reveals that more than 62 million Americans now identify as Hispanic or Latino—18.7% of the population. Since 1980, the Latino population has increased by 47 million. Meanwhile, the number of Caribbean immigrants, both English- and Spanish-speaking, also grew significantly in the same period. By driving the dynamic demographic growth of the nation’s population, Latino and Caribbean immigrants are becoming an increasingly influential economic, social, and political force in the US, which has profound implications for the nation’s future.

Over the last decade, the US population grew by 7.4% to reach 331 million in 2020 (US Census Bureau, 2020a). While the general population grew by 22.7 million during this period, the rate of growth was the second-slowest on record due to a combination of an aging populace, slowing immigration, and the 2008 recession. In fact, the overall US population growth slowed to the lowest rate since the Great Depression (Riccardi and Schneider, 2021). Meanwhile, 2020 US census data indicates that Latinos accounted for more than half of total US population growth (51%), a greater share than any other racial or ethnic group (Noe-Bustamante and Krogstad, 2021).

Since 2000, when Latinos became the largest minority population, the demographic growth of the community has continued steadily. In the last decade, the US Latino population has grown significantly, going from 50.5 million to 62.1 million in 2020. This growth of nearly 12 million accounts for 51% of the nation’s total population growth (Noe-Bustamante and Krogstad, 2021). From 2010 to 2020, the Latino population grew by 23% to a total that is more than four times higher than the Latino population of 15 million in 1980, when the term “Hispanic” was implemented in the census count. Meanwhile, between 1980 and 2000, the Caribbean immigrant population grew by more than 50% every 10 years to reach 2.9 million in 2000. From 2000 onward, the growth rate of the Caribbean community declined, but the population nonetheless increased to 4.4 million in 2017.
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Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region

(Batalova and Zong, 2019). Figure 1 shows the incredible growth of the Latino population between 1980 to 2020.

Figure 1: Latino Population by Decade (Millions of People, 1980-2020)

Today, Latinos comprise approximately 18.7% of the US population, up from 16% in 2010, 13% in 2000, and just 5% in 1970 (Noe-Bustamante). That means the Latino population grew by 23% from 2010 to 2020. Fueling this expansion is the fact that Latinos are among the youngest ethnic groups in the US, with a median age of 29.8, nearly nine years lower than the median age of 38.5 for the entire US population (USA Facts, 2021). With 31% of Latinos under the age of 18, the community is youthful and its power is growing, spurring economic activity, particularly through labor force participation.

The Latino and Caribbean community is now one of the fastest-growing segments of the US population, with a growth rate six times faster than non-Latino groups. According to the latest census estimates, Latinos will account for 61% of population growth from 2005 through 2050. By 2060, the Latino population is projected to increase to 111 million, or 27% of the total US population (HOPE, 2020). This remarkable expansion is setting the stage for a dramatic demographic transformation in the US.

The accelerated growth of the Latino and Caribbean community is reshaping the nation. Beyond the demographic influence, the community is a critical driver sustaining economic growth and progress. In the last decade, 80% of all new businesses were started by Latinos. The community’s purchasing power has increased steadily to US$1.7 trillion, the second largest in the US. In addition, Latino GDP has grown to become the seventh-largest in the world, tied with France (Hamilton et al., 2021). Latino voters are becoming more engaged and turning out in greater numbers. With more Latinos participating in the legislative process from the local to federal level, their role will advance the community’s priorities. As the community builds its political power nationally, they will have the voice and votes to exert influence on the development of critical policies, particularly those relating to trade and integration with LAC. This growing impact will be visible in the community’s many contributions to the social and cultural fabric of the US. Through this cumulative effect, the Latino and Caribbean community are shaping up to be a critical force in the nation’s future.

The Sociodemographic Dynamics of the Latino and Caribbean Population

The data from the 2020 US census demonstrates the dynamic growth of the Latino and Caribbean population in the US. A closer examination reveals the full scope of how the community is reshaping the country. Since 1980, the share of the Latino population in every state has grown substantially, with 12 states seeing more than 50% growth. Latinos are
The growth of the Latino and Caribbean community in the U.S. has had a profound impact on the nation’s economic, political, and social fabric. The 2020 Census underscores the emergence of the community nationwide and its role in driving economic activity, political priorities, and cultural trends. Across the nation, we are witnessing a tremendous transformation that demonstrates that the Latino and Caribbean community is a dynamic and critical part of our nation’s future.”

Héctor Sánchez Barba
Executive Director and CEO
Mi Familia Vota (MFV)
now the largest group in California, accounting for 39% of the state’s population. The community has also driven growth in the two other large states with significant Latino populations: Texas and Florida. Today, Texas has approximately 11.4 million Latinos and Florida has 5.7 million. Collectively, these three states witnessed their Latino populations increase by more than 1 million from 2010 to 2020 (Noe-Bustamante and Krogstad, 2021).

Together, California, Texas, and Florida have accounted for 43% of the nation’s Latino and Caribbean population over the past decade. While all Latino communities increased over the past decade in all 50 states and the District of Columbia, New York and New Jersey have seen the most significant increases. The population growth shown in figure 3 is making a serious impact on demographic factors, the economy, society, and even the political landscape.

The sizable expansion of the Latino and Caribbean community in various states illustrates the transformation that is currently taking place. Examining the origin of immigrants reveals how the influence of each ancestry group depends on when they migrated and their reasons for doing so. To start, it is important to note that compared with the overall population of foreign-born residents, Latinos make up the largest share of immigrants in the US, accounting for nearly half of the total. The 2020 census data painted a revealing portrait of the geographic origins of the Latino and Caribbean population. Almost 62% of the nation’s overall Latino population is of Mexican origin. The second-largest group is the sizable Puerto Rican population. The next-most-important origin groups are Cubans, Colombians, Dominicans, Guatemalans, Hondurans, and Salvadorans, which have substantial communities of approximately 1 million or more individuals living in the US (figure 4). The fastest-growing Latino populations in the US are those from Venezuela, Guatemala, and Honduras.
In fact, the Venezuelan population in the US increased 126% to 540,000 from 2010 to 2019, making them the fastest-growing immigrant group in the country. Meanwhile, the Guatemalan population increased by 49%, followed by a 47% increase among the Honduran population (Noe-Bustamante and Krogstad, 2021). The Dominican population in the US increased from 765,000 to 1.4 million, while the Guatemalan population went from 372,000 to 1.04 million; Hondurans from 218,000 to 633,000; Nicaraguans from 178,000 to 348,000, and Salvadorans from 655,000 to 1.6 million (Gutiérrez, 2020).

Each immigrant group has distinct sociodemographic characteristics. The ethnic, racial, socio-economic, education-related, and other dynamics vary by ancestry group. The following section examines each of the main groups that make up the Caribbean and Latino community.

### Caribbean Immigrants

Today, Caribbean Americans are a multiethnic, multiracial group of approximately 4.4 million in the US. Those with Caribbean ancestry are part of the earliest and largest black immigrant group in the country. Caribbean immigrants to the US are predominantly from Cuba, the Dominican Republic, Jamaica, Guyana, Trinidad and Tobago, and Haiti. Caribbean immigrants can be classified into two groups: Spanish-speaking and English-speaking. Overall, there are a wide variety of racial, linguistic, and educational differentiators among Caribbean immigrants, as well as many different motivations for their migration to the US.

In recent years, more than 90% of Caribbean immigrants came from five countries: Cuba, the Dominican Republic, Jamaica, Haiti, and Trinidad and Tobago. Between 1980 and 2000, the Caribbean population increased by 50% every 10 years to reach 2.9 million in 2000. Between 2000 and 2010, the population increased 26% to 3.7 million, before growing another 18%, to 4.4 million, in 2017 (Batalova and Zong, 2019). There were also significant population inflows from the English-speaking Caribbean, including Belize, the Bahamas, Barbados, and Grenada. Overall, Caribbean immigrants were able to establish permanent residence in the US due to family-sponsored visa programs or as refugees and asylum seekers. Both Cubans and Haitian immigrants were subject to special US immigration laws (Batalova and Zong, 2019).

In comparison with those from other countries, Caribbean immigrants are more likely to be naturalized US citizens. In 2017, this was true of about 59% of Caribbean immigrants, compared to 49% of the total foreign-born population. Immigrants from Trinidad and Tobago (70%) and Jamaica (68%) had the highest naturalization rates, while those from the Dominican Republic (52%) were the least likely to be naturalized. Some 54% of Caribbean immigrants, arrived in the US before 2000. This figure fell to 24% between 2000 and 2009 and to 22% from 2010 onward (Batalova and Zong, 2019).

Immigrants from English-speaking Caribbean countries, also known as West Indians, mainly settled in Florida and New York and in sizable numbers throughout New England. New York, Miami, Boston, and Orlando all have high percentages of West-Indian Americans. Today, there are also growing communities in New Jersey, Pennsylvania, Maryland, and Georgia. From 2013 to 2017, the US cities with the largest number of Caribbean immigrants were the greater New York and Miami metropolitan areas, which were home to approximately 63% of Caribbean immigrants in the US. The counties listed in figure 5 account for roughly 41% of the Caribbean immigrant population in the US (Batalova and Zong, 2019).

By and large, Caribbean immigrants from the West Indies are more likely to be proficient in English than the overall foreign-born population. In 2017, approximately 44% of Caribbean immigrants aged 5 and over reported limited English proficiency, versus 48% of all immigrants (Batalova and Zong, 2019).
At 66%, the labor force participation of Caribbean immigrants is on par with the rate for the foreign-born population as a whole. They are more likely to be employed in service occupations and production, transportation, and material moving occupations. Immigrants from Trinidad and Tobago were most likely to be employed in management, business, science, and arts-related occupations (37%), while those from Haiti (38%) and the Dominican Republic (34%) were the most likely to be in service occupations.

On average, Caribbean immigrants are older than the overall foreign-born population. In 2017, the median age of Caribbean immigrants was 49, compared to 45 for all immigrants and 36 for US-born Latinos and Caribbean individuals. Caribbean immigrants are slightly less likely than the overall foreign-born population to be of working age (18 to 64). Most immigrants from the Dominican Republic (78%), Trinidad and Tobago (77%), and Jamaica and Haiti (76% each) were of working age, while more than one-quarter (27%) of Cuban immigrants were seniors (aged 65 and older) (Batalova and Zong, 2019). On average, households headed by a Caribbean immigrant had a median income of US$47,000. Meanwhile, immigrant households from Trinidad and Tobago have the highest median incomes (US$61,300), while the lowest incomes were found among Cuban (US$41,800) and Dominican (US$41,200) households.

**Central American Immigrants**

Since 1980, the Central American population in the US has grown more than tenfold. From 2010 to 2020, the Central American population across the nation expanded by 24%. Of the 44.9 million US foreign-born immigrants, Central American immigrants, who number approximately 3.8 million, account for 8% of the total foreign-born immigrant population. Since 1980, the majority of Central American immigrants have come to the US from El Salvador, Guatemala, and Honduras.

In 2019, approximately 86% of Central Americans in the US were born in these three countries (Babich and Batalova, 2021). During the 1980s and 1990s, poverty and displacement resulting from regional civil wars drove migration. Hurricane Mitch in 1998 and two earthquakes in 2001 contributed to migration from El Salvador, Guatemala, Honduras, and Nicaragua. Furthermore, shifting weather patterns and extreme storms have added to the ongoing regional challenges of economic inequality, corruption, and gang and drug violence, spurring additional waves of migration to the US throughout the 2000s.

As of 2019, a majority of Central Americans in the U.S. have been in the country for at least a decade. About one-third of Central American immigrants are naturalized US citizens, and the majority obtained lawful permanent residence through the family reunification program. The data reveals that Central American immigrants have lower educational attainments than the overall US population, and almost two-thirds have limited English proficiency. Despite this, their labor force participation is higher than either the overall foreign-born or US-born populations (Babich and Batalova, 2021).

The largest concentrations of Central American immigrants can be found along both coasts and the southern US border. Today, more than half of the population resides in California (25%), Texas (13%), Florida (11%), and New York (8%). The top five counties for Central American immigrants were Los Angeles County in California, Harris County in Texas, Miami-Dade County in Florida, Dallas County in Texas, and Prince George’s County in Maryland. Together these five counties were home to 30% of Central American immigrants in the US (Babich and Batalova, 2021).

Nearly all Central American immigrants speak a language other than English. A greater share of the population has limited English proficiency (66%) compared to the general foreign-born population (46%). Guatemalans (70%), Hondurans (70%), and Salvadorans (69%) were more likely to have limited English proficiency than other Central Americans.

Of immigrants from Central America, 81% were of working age (18–64), higher than the share of all immigrants (78%) or US natives (59%). Fewer Central American immigrants were minors (9%) or aged 65 and older (9%) than the overall US-born population. The median age for Central Americans was 40 years old, between that of all immigrants (46 years) and natives (37 years). The median ages for immigrants from Guatemala and Honduras were...
South American Immigrants

While there has been a recent influx of immigrants from Venezuela, overall, South American immigrants comprise a smaller share of the total Latino immigrant population. This is because immigration to the US from Latin America has largely been driven by Mexicans and Central Americans. There are some 3.2 million South American immigrants, who account for about 7% of the overall foreign-born population. Of these, the largest five countries of origin are Colombia, Peru, Ecuador, Brazil, and Venezuela. Cumulatively, these groups accounted for 78% of the total South American immigrant population (Batalova and Zong, 2018).

Generally, immigrants from South America obtained lawful permanent residence in the US through family ties. While they share sociodemographic characteristics with other immigrant populations, South Americans tend to be more educated and have higher household incomes. In this past decade, the majority of South Americans settled in Florida, New York, or New Jersey. The cities with the largest South American populations include the greater New York, Miami, and Washington, DC, metropolitan areas. Given their education and income levels, South American immigrants are generally more likely to be proficient in English than the overall foreign-born population.

Unlike their Central American and Caribbean counterparts, South American immigrants had the same median age of 45 as the foreign-born population in general (Batalova and Zong, 2018). While they tend to be much older than the US-born population, South American immigrants are more likely to be of working age (18–64). Immigrants from Brazil, Ecuador, Venezuela, and Peru were predominantly of working age (Batalova, Jeanne, and Zong, Jie, 2018). South Americans participate in the labor force at a higher rate than US-born and overall foreign-born populations. They can be found in similar industries and occupations as other immigrant workers. While they are more likely to be found in service occupations than their US-born counterparts, South American workers are employed at high rates in management, business, science, and arts-related occupations (Batalova and Zong, 2018).

As noted, South American adults were more educated than other origin groups on average and were more likely to have graduated from high school than US-born adults. A significant percentage also had a bachelor’s degree or higher in comparison to the total immigrant population and native-born adults. In 2017, the incomes of South American households were at the median income level of US$58,600. Households led by Argentinians, Bolivians, Guyanese, and Brazilians had the highest incomes (Batalova and Zong, 2018).

Ethnic and Racial Diversity

According to the US census, Latino origin is defined as an ethnicity, not race. The present data does not show the incredible diversity of the Latino and Caribbean community. Immigrants from the region are multiracial and multietnic with ancestry that ranges from Native American to African and European. As a result, a significant portion of Latinos have mixed ancestry with a wide variety of combinations. Latino immigrants identify along the spectrum of racial categories.

In 2020, the share of people who reported to be more than one race increased to 33.8 million. In the last decade, the number of Latinos who reported more than one race increased by an astounding 567% to 20.3 million. In the 2020 US census, approximately 20% of Latinos identified as “White” and about 42% identified themselves as “some other race.” Based on the latest census data, the category of “some other race,” is now the second-largest racial group in the nation, surpassing “Black”² (NALEO, 2021). The majority of those selecting this category also indicated that they are Latino.

Of those who identified as “Hispanic or Latino” and “White” in the 2020 census, the main national groups were the Mexican, Puerto Rican, Cuban, Salvadoran, Spanish, and Argentinian communities. Meanwhile, the multiracial populations were from Mexico, El Salvador, Guatemala, the Dominican Republic, Puerto Rico, and Cuba. Those who identified as black Latinos are mainly from the Spanish-speaking islands of Cuba, the Dominican Republic, and Puerto Rico, and Panama in Central America.

Household Income (Census Data)

Based on US census data, in 2002–2020, the Asian community had far higher earnings per household than all other communities. The household earnings of Asians were higher than the overall average by a margin of more than 30%. Meanwhile, the earnings of the White households were 8% higher than the overall average for the country. In sharp contrast, the...
household earnings of the African American and Latino communities were way below average during this period. African American household earnings were 32% below the national average, while in the case of the Latino community, they were 23.5% lower. In 2020, during the Covid pandemic, earnings levels dropped for all communities, but the dynamics of the gaps between groups did not change.

In 2003–2020, household earnings fluctuated a great deal. In the case of White households, the fluctuations were below the national average by a small margin. The widest fluctuations were experienced by the high-earning Asian households. In 2020, with the pandemic, household income losses were considerably higher for the White and Asian communities than the national average. For the Latino community, the losses were just over 1% compared to 2019. However, in the case of African American households, income increased slightly, by 0.3%. In the case of both Latino and African American households, the economic stimulus program may have played a significant role in sustaining earnings and supporting consumption.

At almost 30 million, Latinas account for 18.1% of all women in the US. Due to their purchasing power and participation in the labor force, they are an integral part of the US economy. They are also rapidly becoming an influential bloc of voters. As with the general population, the majority of Latinas in the US are of Mexican origin, followed by Puerto Rican, Cuban, Central American, South American, and other origins. More than half of Latinas are second-, third-, and fourth-generation Americans. A substantial number of Latinas can be found in the workforce. However, they continue to face numerous structural inequalities, including a significant wage gap, earning only 55 cents for every dollar earned by non-Hispanic White men.

In keeping with the demographics of the Latino population, Latinas are young: 34% are 19 and under, compared to 20% for non-Hispanic White women. Only 9% of Latinas in the country are of retirement age, in contrast to the 22% for non-Hispanic White women. The largest Latina populations are in California and Texas, where 7.7 million and 5.7 million Latinas, respectively. Florida, New York, Arizona, and Illinois each have more than 1 million Latinas. Cumulatively, these states account for approximately 68.2% of all Latinas living in the US (AAUW Latina Initiative, 2021).

Over the last two decades, the educational attainment of Latinas has advanced tremendously. Between 2000 and 2019, the proportion of Latinas aged 25 and older who earned a high school diploma or higher increased by 26.6%. In the same period, the percentage of Latinas 25 years and older who earned an undergraduate degree or higher nearly doubled. In 2019, over 1.1 million Latinas held advanced degrees (AAUW Latina Initiative, 2021).

Given that Latinas are relatively young, they are joining the workforce in increasing numbers. They are most frequently in service, sales, office and administrative, professional, and management, business, and finance occupations. However, the Covid-19 pandemic had a particularly devastating impact on Latinas, with around 21% losing their jobs in the early days of the pandemic. Latinas faced additional challenges, given that 28.3% were found to be working in a front-line job (AAUW Latina Initiative, 2021).
Latinos Are Younger Than Other Groups

Latinos are the youngest demographic on average in the nation, which is promising for future growth and opportunities as the general population ages. The median age of Latinos is 29 years old, which is almost 10 years younger than the overall population. While the median age of Latinos born in the US is only 20, the median age of foreign-born Latinos is 43.

The 2020 US census also revealed a sizable Latino youth population, with 18.8 million young Latinos throughout the nation. Currently, 26% of all US children (under 18) are Latino (US Hispanic Leadership Institute, 2021). In several states with sizable Latino populations, Latino youth account for at least 13% of the state’s youth population (NALEO, 2021). As a result, Latinos account for one of every four young people in the US. The 2020 census indicates that while the overall youth population declined by 1.4% in the last decade, the Latino youth population increased by 9.5%.

Key Highlights

The 2020 census highlights some significant new facts about the Latino and Caribbean community in the US. Some of the main takeaways are:

- Four out of five Latinos are US citizens. As of 2019, 80% of Latinos living in the US are citizens.
- The number of Latinos who identify as multiracial increased from 3 million to more than 20 million.
- All 50 states and Washington, DC, have seen their Latino and Caribbean populations increase in the last decade. North Dakota and South Dakota have seen the fastest growth.
- Newborns are driving much of the community’s growth as immigration declined between 2010 and 2019, reversing historical trends.
- The share of Latinos in the US who speak English proficiently is also growing. As of 2019, 72% of Latinos aged 5 and older spoke English proficiently.
- The share of Latinos with college experience has increased since 2010. The number of Latinos enrolled in college has increased from 2.9 million in 2010 to 3.6 million in 2019.
Data release from the 2020 Census demonstrates that the Latino community is a huge and increasing part of our nation’s future.”

Thomas Saenz
President and General Counsel, Mexican American Legal Defense and Educational Fund (MALDEF)
The Determinants and Dynamics of Latin American and Caribbean Migration Flows to the US in the 21st century

In recent decades, the major factors driving migration to the US from LAC include economic factors, crime and security, natural disasters, geographic proximity, and family ties. In particular, the political situation in the Americas has contributed to significant increases in migration across the region. For example, political instability in Venezuela and the escalation of civil unrest in Haiti and parts of Central America, such as Nicaragua, have all led to an increase in refugees, asylum seekers, and other migrants. Likewise, gang and drug-related crime has contributed substantially to migration flows to the US, particularly given its geographic proximity to migrants’ countries of origin. Additionally, natural disasters, environmental degradation, and climate change have all increased the frequency of hurricanes, earthquakes, and landslides. As a consequence, migration to the US is not due to one single factor but is rather a combination of political, economic, social, and environmental challenges in LAC.

Main Determinants

Key Drivers of Migration from Latin America and the Caribbean

- Economic Hardship and Poverty
- Climate Change and Environmental Disasters
- Crime and Violence
- Political Instability

Economic Hardship and Poverty

Economic factors are one of the leading causes of migration from LAC. Poverty—driven by low wages, unemployment, insufficient livelihoods, and the inability to meet basic needs—has contributed to steady migration flows. Over the past decade, sharp economic downturns in the region, particularly in the Northern Triangle of Central America (Guatemala, Honduras, and El Salvador), have led to increased malnutrition and disease (Restrepo, Martinez, and Sutton, 2019). A recent report by the

Migration Policy Institute highlights the fact that economic issues are still the primary reason for migration (Ruiz Soto, 2021). Moreover, regional migration has occurred across the socio-economic spectrum and includes college-educated professionals, women and children, and impoverished communities. Inequalities in LAC and continuing challenges to economic growth are also driving migration.

Climate Change and Environmental Disasters

According to the World Bank’s Groundswell report, climate change is a powerful driver of migration, which could force 216 million people across six world regions to migrate within their countries by 2050 (Clement et al., 2021). Within LAC, the report estimates that 17 million will be driven to migrate internally. Water scarcity, declining crop productivity, and sea-level rises are among the factors that will cause migration within countries and regions.

Given its disruptive impact and the corresponding link to poverty, climate change is emerging as one of the most potent factors motivating migration to the US in recent years. As LAC is the second-most disaster-prone region globally, the impact of sudden disasters and record-setting storms will continue to lead to migration flows. Recent regional examples include Hurricane Eta and Iota in Guatemala, Honduras, Nicaragua, and Costa Rica, and the intense drought and unusual fire season in regions of Brazil, Bolivia, Paraguay, and Argentina (WMO, 2021).

Climate change is compounding an already dire economic situation in Central America, which includes a loss of income, jobs, environmental problems, and infrastructure damage caused by extreme weather (Rodriguez, 2021). By 2030, 2.5 million jobs could be lost in LAC due to heat waves, which particularly affect people who work outdoors (IDB, 2020). In the Caribbean Basin, populations are being destabilized by ocean acidification, rising sea levels, and severe weather events, including powerful hurricanes. According to the World Meteorological Organization, environmental disasters between 1998 and 2020 directly affected more than 277 million people in LAC (WMO, 2021).

In the Central American countries of Guatemala, Honduras, and El Salvador, which are heavily dependent on the agricultural sector, changing weather patterns have wreaked havoc not only on livelihoods but also on food security. The UN Food and Agricultural Organization estimates that 3.5
The impact of climate change on the Caribbean and Latin American region is an increasing reality. Many of the economies in the region are dependent on agriculture as is the case in Central America, and tourism in the Caribbean. As livelihoods are displaced and economies are derailed by unpredictable weather patterns, more and more migrants will be moving to the U.S. This phenomenon will continue for the foreseeable future.”

Carlos Yordán
Associate Professor of International Relations and Director of Semester on the United Nations
Drew University
last decade, democracy in the region has been challenged by a variety of factors, including the weakening of democratic institutions and growing corruption. Political instability has led to social unrest, which in turn has driven migration outflows. Over the last several years, Venezuela has been undergoing a political and humanitarian crisis that has led to an estimated 5.7 million migrants leaving the country (CRS, 2022). Haiti has been grappling with the fallout of the assassination of President Jovenel Moïse in 2021, a rise in gang violence, and recovery from a severe earthquake. As in Venezuela, the political situation in the country has led to increased migration flows. Meanwhile, in Nicaragua, there is ongoing political unrest due to elections. These are recent examples of political challenges that are not new to the region and have historically caused migration flows to the US.

Current Dynamics of Migration in the United States

Historically, Latino and Caribbean immigrants settled in specific regions of the US, in states such as California, Florida, and New York. Today, the dynamics of migration are rapidly changing. States with long-entrenched communities, particularly of Mexican American origin, are seeing these become more diverse as a result of the influx of Central and South Americans and arrivals from the Caribbean. For instance, in Texas, where the Latino and Caribbean population grew by 2 million in the last decade (the largest absolute growth), new immigrants are settling, particularly from El Salvador and Venezuela. In fact, since 2010, states from the Southeast to the Southwest have accounted for nearly half of the Latino population growth nationwide (Gamboa, 2021a and 2021b).

Since 2010, the top five states with the largest growth in the share of the Latino population have been Louisiana, North Dakota, South Dakota, Tennessee, and Vermont. In California and New Mexico, Latinos account for half of the population under 18. Meanwhile, Idaho’s population grew by 17%, but its Latino population grew 36.1% in the last decade. While Utah was the fastest-growing state in the West, its Latino population grew 37.5%, twice as fast as the state’s overall population (18.4%) (Gamboa, 2021a and 2021b). And, while the number of Latinos in Montana is small in comparison to California, the state’s percentage jump in Latino population since 2010 outpaces all US western states over the last decade (Gamboa, 2021a and 2021b).

Crime and Violence

In recent years, LAC has earned the unfortunate distinction of being one of the most violent regions in the world, accounting for nearly 40% of global homicides (Erickson, 2018). Upon close examination, it is evident that the countries experiencing the most significant migration outflows are also those in which crime is widespread. In the last seven years, Honduras, El Salvador, and Venezuela have all been classified at one point as the countries with the world’s highest murder rate. Mexico and Guatemala have also ranked high for crime and violence. With kidnappings and violence against women at extreme levels, it is evident why there has been such a steady flow of migration from the region. The causes of regional crime and violence are multifaceted but largely stem from gang warfare, drug activities, ineffective judicial and policing, as well as the lack of lawful employment opportunities (Restrepo, Martinez, and Sutton, 2019). Crime and violence are commonplace not just in Central America but are also afflicting many Caribbean islands, including Haiti, Jamaica, and Trinidad and Tobago.
The 10 counties that gained the most Latinos from 2010 to 2020 were mainly large metropolitan counties in the South and West, regions that have had significant Latino populations for many decades.

Similarly, in the Northeast, the Latino community has grown 29% since 2010, with an increase of about 2.1 million new Latino and Caribbean residents in the 10-state region. Vermont had the most Latino growth in the Northeast, with nearly 6,300 new Latino residents in the past decade. Latinos now make up 2.4% of the state’s population, compared to 1.4% in 2010. As the second-largest racial or ethnic group in New Hampshire, Latinos were pivotal in the state’s recent demographic milestone, when the percentage of people of color reached double digits for the first time. In the 2020 census, nearly 12% of the state’s 1.38 million people identify as Hispanic or nonwhite (Gamboa, 2021a and 2021b). In the southeastern states, the Latino population has grown by 29%. In Georgia, Latinos are the third-largest racial or ethnic group, now numbering 11 million, according to the 2020 census. Nearly half live in five Atlanta-area counties—Fulton, Clayton, Cobb, DeKalb, and Gwinnett (Gamboa, 2021a and 2021b).

The US will be impacted by the rapid growth and ascent of the Latino and Caribbean community. Their economic and societal contributions will continue to grow, led by a youthful demographic. More and more, Latinos and the Caribbean community will make a mark on all areas of economic, academic, and even political life in the US. These contributions to both the economy and society represent a significant opportunity. As the population grows, driven by a youthful base, there are opportunities to develop closer ties to LAC. The Latino population should be viewed as a valuable resource. US institutions will increasingly be affected by and dependent on Latinos in the coming decades. Latinos’ roles as entrepreneurs, employees, investors, and consumers is increasingly becoming apparent. More Latinos will join the ranks of higher education as students and educators. Political institutions will find that Latinos will play an increasingly powerful role in the outcome of elections, both as voters and as political candidates.
As the Latino and Caribbean population grows, so does the importance of the community’s economic influence and contributions. It is developing an increasingly significant role in the US economy in terms of purchasing power, labor force participation, and business creation. The Latino and Caribbean populations are contributing to the nation’s productivity and economic growth.

Recent studies have captured the size and rapid growth of these contributions. The estimates in the 2021 GDP report from the Latino Donor Collaborative (LDC) are extraordinary and reveal the strength of the community’s ever-expanding economic role. The total economic output (or GDP) of Latinos in the US was US$2.7 trillion in 2019, up from US$2.1 trillion in 2015, and US$1.7 trillion in 2010. In fact, LDC reports that if US Latinos were an independent country, the US Latino GDP would be the seventh-largest in the world, tied with France, outstripping the GDP of Italy, Brazil, or Canada (Hamilton et al., 2021).

Also, while it is impressive in size, Latino GDP is equally remarkable for its growth. Over the last two years, the growth of real Latino GDP has averaged 5.6%, double the rate of the overall US economy. Within the US, over the last decade, real Latino GDP has grown 57% faster than real US GDP and 70% faster than non-Latino GDP. In the same period, US Latino GDP is the third-fastest-growing of the ten largest global economies (Hamilton et al., 2021).

At an estimated $2.7 trillion, the Latino economy is impressive for both its breadth and depth. The top three sectors are as follows:

**Figure 9: Top Three Sectors of the Latino Economy**

- **Education & Healthcare**: $446 Billion, 16.4%
- **Professional & Business Services**: $327 Billion, 12%
- **Finance & Real Estate**: $252 Billion, 9.3%

Source: Hamilton et al., 2021.
As demonstrated by these sectors and their broad impact, the Latino GDP is broader and more diverse than the overall US economy. Meanwhile, the single-largest component of Latino GDP growth has been the increase in personal consumption. In 2019, Latino consumption stood at US$1.85 trillion, or 68% of the US Latino GDP (Hamilton et al., 2021). Over the last decade, Latino real consumption grew 123% faster than that of non-Latinos due to gains in personal income, educational attainment, and robust labor force participation. According to some estimates, since 2005, 29% of America’s growth in real income has come from Latinos (Hamilton et al., 2021).

As a result, Latinos are driving economic growth and serving as a wider base for the larger US economy. It is estimated that by 2025, US Latino GDP will become the fifth-largest in the world—the fastest-growing among developed economies.

**Figure 10: Highly represented sectors in Latino GDP**

Of leading industries, there are 10 sectors which represent a larger share of the Latino GDP than the corresponding share of US GDP (Hamilton, 2021). These are:

- Agriculture
- Mining
- Non-Durables Manufacturing
- Wholesale Trade
- Retail Trade
- Transportation & Warehousing
- Education & Healthcare
- Leisure & Hospitality
- Personal & Maintenance Services
- Government Services

Source: Hamilton et al., 2021.

The Latino and Caribbean Population’s Participation in the US Labor Market

According to recent statistics, Latino and Caribbean workers’ contribution to the US economy is growing and equally dynamic. Today, there are approximately 29 million Latinos in the US workforce, and at a rate of 65.6%, Latinos have the highest labor force participation rate of any race or ethnicity (UNIDOS US, 2021). Additionally, as the general US population ages and retires, Latinos will be crucial to sustaining the labor force.

From 2010 to 2019, Latinos added an average of more than 660,000 workers per year to the US labor force (Hamilton et al., 2021). Over this same period, the Latino labor force increased by 25%, while the non-Latino labor force increased by only 3%. The number of Latino and Caribbean workers in the labor force grew from 10.7 million in 1990 to 29.0 million in 2020 and is projected to reach 35.9 million in 2030 (Dubina, 2021). The community’s share in the workforce increased from 8.5% in 1990 to 18.0% in 2020.

Over the past few decades, the US labor force growth rate has slowed and what growth has occurred is largely due to the increasing number of Latino workers (Dubina, 2021). Given the growth and youth of the community, Latinos are driving labor force growth. On average, Latinos are of a younger median age than non-Latinos (roughly 29 in comparison with 42, respectively), which has fueled the group’s strong labor force participation. As a result, for working-age adults (18 to 64 years of age), Latinos have the highest workforce contribution rate (65.6%) and account for 68.2% of the growth in the US labor force participation (Hamilton et al., 2021). Conversely, non-Latino medium ages are higher, and a large concentration are in the 55 and older age range. The critical role of Latino workers has tremendous implications for the economy, and impacts everything from investment decisions to the growth and development of industries.

The 2021 US Latino GDP Report (Hamilton et al., 2021) reveals that the broader, more diverse participation of Latinos is driving economic output. In particular, education and healthcare, professional and business services, finance, and real estate are the sectors in which Latinos contribute the highest dollar values. However, the sectors with the largest Latino workforce are currently farming, construction, and food service.

The sectors with the highest concentration of the community’s workers are farming, fishing, and forestry (43%). In second place is building, grounds cleaning, and maintenance (37.9%), followed by construction and...
Latinos are projected to account for 78% of net new workers between 2020 and 2030. In 2030, the Bureau of Labor Statistics projects Latinos to account for 1 out of every 5 workers in the labor force.

In 2030, the Bureau of Labor Statistics projects Latinos to account for 1 out of every 5 workers in the labor force.

Meanwhile, Latinas make up a growing share of the US workforce. The number of Latinas in the labor force has jumped to 12.5 million, surpassing black women. They now account for 16% of the female labor force, a figure that is projected to grow dramatically (Mejia, 2021). The labor force participation of Latinas historically lagged behind that of other women, but it is now 56.4%, in line with the rate for all women. About two-thirds of employed Latinas work full time. Labor force participation among Latina mothers has also risen and now stands at 62.8%, compared with 71.2% for all mothers (Mejia, 2021).

Immigrant women account for nearly 16% of all employed women aged 16 and older in the US. In fact, women from the Philippines, El Salvador, Vietnam, the Dominican Republic, and Colombia have higher rates of participation in the labor force than US-born women. Latinas of Mexican descent comprise the largest share of those in the workforce, followed by those who identify as Puerto Rican or Cuban. Mexico accounted for almost one-quarter (23.3%) of all female immigrants in 2018 (American Immigration Council). While Latinas experienced significant job losses during the Covid-19 pandemic due to the concentration of employment in vulnerable sectors such as hospitality, many have regained jobs lost.

While they are an important part of the workforce, Latinas in the US are paid 43% less than white men and 28% less than white women, on average. Based on studies, the pay gap for Latinas starts early, from approximately the age of 16. While Latinas are going to college at higher rates than ever before, education does not eliminate the pay gap. In fact, the gap is highest for Latinas with a bachelor’s degree, who earn 35% less than white men, on average. The significance of the pay gap is that over the course of a career, the lost income of a Latina adds up to over a million dollars compared to white men. This structural challenge undermines the growing role of Latinas

Due to their increasing numbers and rising economic power, Latinas have become an integral part of the US workforce. In 2020, Latinas accounted for 16% of the female labor force, a share that is projected to grow significantly in the coming years. Latinas make up about a quarter of all female immigrants in the US, and while they have experienced significant job losses during the Covid-19 pandemic, many have regained their jobs.

Latinas are paid 43% less than white men and 28% less than white women, on average. This persists even for Latinas with a bachelor’s degree, who earn 35% less than white men, on average. The long-term impact of these wage gaps is significant, with a Latina losing over a million dollars in lost income over the course of a career compared to a white man. This structural challenge undermines the growing role of Latinas in the US workforce.
as they gain prominence in terms of their economic position, impact on society, and also political engagement. In fact, Latinas are becoming a key electoral bloc, with increasing voter registration and turnout rates in the 2020 presidential election.

As the Covid-19 pandemic demonstrated, immigrants in the United States represent a disproportionately high share of US workers in essential occupations, particularly healthcare. Data from 2018 reveals that more than 2.6 million immigrants were employed as healthcare workers. The Caribbean accounts for 16% of immigrant healthcare workers in 2018, while Mexico and Central America represent 14% and South America 6%. The 2018 data also highlights that 66% of immigrant healthcare workers from Mexico and Central America were employed in healthcare support occupations, as were 60% of those from the Caribbean and 47% from South America. Specifically for registered nurses, Mexico and Jamaica account for 4% of immigrant workers, while home health aides from the Dominican Republic are 19%, Mexico at 10%, and Jamaica at 8%. Regardless of their country of origin, women were more likely to be employed as registered nurses and in healthcare support occupations (Batalova and Zong, 2019).

It is projected that by 2030, one out of five US workers will be Latino. Additionally, 78% of the number of net new workers between 2020 and 2030 will be Latino. The community’s relatively young age, high labor force participation, and growth in educational attainment will guarantee their crucial role in securing the US economy. Additionally, the Latino and Caribbean population can play a key role in extending a company’s international reach. With their linguistic and cultural backgrounds, they can offer US companies the competitive edge to compete in global markets. Furthermore, given how varied the Latino and Caribbean population is, companies can recruit candidates from among them whose diversity will enhance the workplace with innovative perspectives, experiences, and cultural backgrounds. Overall, Latino and Caribbean workers are an important part of the US economy, and as the community expands, their role will be increasingly crucial to the country’s future.
There are many ways in which Latino and Caribbean immigrants contribute to the US. One of the major impacts is through their influence on and contributions to the US economy. In addition to being a growing consumer base, Latinos are playing a dynamic role in business ownership and job creation. According to the 2021 State of Latino Entrepreneurship (Orozco et al., 2021), a study conducted by Stanford’s Latino Entrepreneurship Initiative, Latinos are starting businesses at a faster rate than all other groups. Currently, Latinos are 1.7 times more likely to start a business than other demographic groups, representing the fastest-growing segment of the small business ecosystem. Recent data demonstrates that Latino entrepreneurs are not only starting more businesses than native-born Americans, they also tend to generate revenue faster than the economy as a whole. As a result, Latinos are supporting economic growth by driving job creation.

According to the US Small Business Bureau (SBA), Latino-owned businesses make up 14% of the 33 million businesses in the country (Postman, 2020). Nearly 80% of all net new businesses formed during the last decade were created by Latinos. A Kauffman Foundation survey reveals that since the early 2000s, the Latino community has exhibited significantly higher levels of opportunity-driven entrepreneurship than any other group. As a result, Latino-owned businesses have fueled the growth of the small business ecosystem and are becoming an ever-growing part of the total US market every day (JP Morgan Chase & Co., 2021).

Based on the latest statistics, nearly 1 in 4 new businesses are Latino-owned. In fact, the nearly 5 million Latino-owned businesses contribute over US$800 billion to the American economy annually (Joint Economic Committee, 2021.). According to the 2021 State of Latino Entrepreneurship report, the number of Latino-owned businesses has grown over 44% over the last 10 years compared to just 4% growth for all other groups. In contrast, between 2007 and 2012, the total number of small businesses in the US declined (Orozco et al., 2022). The number of Latino-owned employer businesses (those with at least one employee other than the owner) grew by 26% between 2012 and 2019, over twice the US average of 12%. Meanwhile, between 2014 and 2019, Latinas created 2.3 million new firms nationwide, representing 18% of all women-owned businesses. Most Latina-owned businesses (89%) are microbusinesses with five employees or fewer. Their number of employees increased by 30%, close to 700,000 workers (HOPE, 2020).
The Stanford Latino Entrepreneurship Initiative’s recent reports provide some important facts about the state of Latino entrepreneurship and business (Orozco et al. 2021 and 2022). Their surveys stress that Latinos are growing across states and industries, including construction, finance, insurance, transportation, and real estate—in other words, beyond the traditional service-related sectors. The report also shows that Latino-owned firms grew revenue at an average of 25% per year, while for White-owned businesses, this growth was 19% (Orozco et al., 2022). In addition, Latino-owned employer businesses are growing revenue faster than White-owned businesses. As a result, Latino entrepreneurs are playing a significant role in the US economy and hold tremendous potential as an engine for future economic growth.

Based on a survey of small and medium enterprises (SMEs) in 2021, the State of Latino Entrepreneurship 2021 report lists the following key facts about Latino entrepreneurs:

**Latinos are helping drive small business growth and are starting employer businesses at a faster rate than the national average across almost all industries.**

- There has been 44% growth in the number of Latino-owned businesses in the last 10 years, compared to 4% growth for non-Latino-owned enterprises.
- Growing consumption and business ownership trends have resulted in US$2.75 trillion in total economic output by Latinos in the US.
- There are approximately 5 million Latino-owned businesses in the US, both employer and nonemployer.
- Some 9% of these are employer businesses.
- According to the latest projections, there are 400,000–450,000 Latino-owned employer businesses today.
- The number of Latino-owned employer businesses (those with at least one employee other than the owner) grew by 26% between 2012 and 2019, over twice the US average of 12%.

**Latinos are important job creators, and their employee base is expanding faster than White-owned employer businesses.**

- Latino business owners continue to represent a substantial segment of the US economy, generating US$460 billion in revenue and employing 2.9 million workers.
- Latino-owned employer firm numbers have grown 35% in the last 10 years, compared to 4.5% for White-owned businesses.
- The number of jobs created by Latino-owned employer businesses has grown from 1.9 million in 2007 to 2.9 million in 2019, representing growth of 53.6%.
- The number of Latino-owned employer firms has grown 35% in the last 10 years compared to 4.5% among White-owned businesses, with job growth outpacing growth in the number of new businesses.
- The number of employees at Latino-owned businesses has grown 55% since 2007, compared to 8% job growth among White-owned businesses.
- There are 400,000 to 450,000 Latino businesses classified as employer firms, which employ over 2.9 million people.
- The average Latino-owned business has about eight employees, making them an important and growing source of employment across the US.
- Latino business owners are more likely to provide opportunities for the growth and advancement of their employees than White business owners.
- Before the pandemic, Latino employer firms generated nearly US$500 billion in annual revenue.
- The growth rate in the number of Latino-owned employer businesses was higher than the US national average growth rate for all employer businesses in 41 states.
- When Latino entrepreneurs start a business, 70% of their funding comes from personal savings, while just 6% comes from commercial loans.
- Fast growth in the number of Latino-owned businesses was reported across virtually all industries in 2020.
- The major industries include: 1) construction, 2) finance and insurance, 3) transportation and warehousing, and 4) real estate.
- The shares of Latino-owned and White-owned employer businesses in the tech sector are similar, and the former is beginning to outpace the latter.
Technology intersects virtually all traditional industries, and Latinos are equally likely to own tech firms. Businesses are producing new technologies or being enabled by technology in innovative ways.

The report also shows that Latino-owned businesses grew in 45 out of 50 states, including the District of Columbia.

**Top 10 States for Latino-Owned Businesses**

The top 10 states for Latino business owners are shown on the map below. The results are based on an analysis conducted by the Zippia Career Expert Blog, which examined several factors for Latino businesses: 1) percentage of Latino-owned businesses, 2) the number of businesses compared to the state's Latino population, and 3) the average number of people employed by Latino-owned businesses. By examining the Annual Business Survey in the US Census, Zippia determined which states have the right environment and provide the necessary support for Latino business to flourish (Postman, 2020).

![Figure 12: Top 10 States for Latino-Owned Businesses](source: Zippia Career Expert Blog Analysis)

1. Texas
2. New Mexico
3. Nevada
4. Arizona
5. California
6. Connecticut
7. Louisiana
8. Michigan
9. Virginia
10. Kansas

Along with these findings, it is important to highlight that the State of Latino Entrepreneurship 2020 report found that Arizona witnessed record growth of 11% and that Texas is the best state for Latino business owners (Orozco et al., 2021). This suggests that states with large Latino populations seem to offer far more supportive environments for Latino businesses.

Despite their substantial economic role and success, Latino entrepreneurs continue to struggle to secure capital. In 2020, the State of Latino Entrepreneurship report found that only 20% of Latino-owned businesses that applied for national bank loans over US$100,000 obtained funding, compared to 50% of White-owned businesses (Orozco et al., 2021). While the percentages vary at different loan amounts, Latinos receive loans at 51% in comparison to 77% for White-owned firms. Despite reporting strong metrics on a variety of key lending criteria, it remains significantly less likely for Latino-owned businesses to have their loan applications approved by national banks.

In 2020, the US Small Business Administration Office of Advocacy found that Latino businesses were more likely than White-owned firms to have their loan applications denied outright (Gomez, 2021). According to the State of Latino Entrepreneurship report in 2021, the chances of a US$100,000 loan approval from a national bank are 60% lower for Latinos compared to white business owners, even after considering business performance measures (Orozco et al., 2022). The Stanford report also found that Black- and Latino-founded companies obtained just 2.6% of the total VC funding allocated that year.

As a result, Latino businesses are more likely to seek and receive funding from sources that pose a greater personal financial risk (Orozco et al., 2022). The principal challenges for Latino entrepreneurs include:

- Funding gaps: Only 12% of Latino firms received bank loans compared to 18.4% of White-owned firms and 15.3% of Asian-owned firms.
- Lack of awareness of different funding sources available: many Latinos tend to resist seeking outside funding, including VC or angel investment.
Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region

Lack of traditional identification: banks do not often offer products or services to people with Individual Taxpayer Identification Numbers (ITINs), which are tax-processing numbers issued by the Internal Revenue Service for those who do not have a Social Security number.

Language barriers.

Low collateral value: banks and other financial institutions are hesitant to grant anyone money without real property, business inventory, cash savings or deposits, or other types of collateral. Newly arrived immigrants may not have enough collateral to qualify for loans.

At the same time, Latino entrepreneurs are getting creative and seeking alternate funding routes, including crowdsourced equity capital. This approach is common among Latino business owners, who often rely more on personal or business lines of credit, personal/family savings, or business credit cards. Additionally, the Stanford report shows that Latinos usually have more success with local and community banks (Orozco et al., 2022).

Notwithstanding financing challenges and other obstacles faced by Latino business owners, the future for this segment remains bright. It is estimated that Latino entrepreneurs will make up 29% of the US population by 2050, up from the current 17%. If Latino-owned businesses grow as fast as the US average, they could add US$1.4 trillion to the US economy (representing 8% of the US$18 trillion total).

The bilingual and bicultural nature of the Latino and Caribbean population makes the community a valuable resource as US corporations and businesses expand their consumer markets and operations into LAC. The growth of Latino small businesses is part of an ecosystem that will help foster the partnerships and collaborations needed for international expansion. As patterns of regional economic integration continue, there is an opportunity to leverage the sizable Latino and Caribbean immigrant community’s cultural background, knowledge, and linkages to build greater commercial, trade, and business connectivity with LAC.

In comparison to other groups, Latinos have the lowest rate of using bank and other institution loans to start their businesses. They tend to rely more on personal funds and networks. Latino entrepreneurs also receive a small fraction of the dollars invested each year by venture capital firms.

The Latino and Caribbean Ecosystem for Entrepreneurship and Venture Capital Financing in the US

In 2021, Latin America’s VC ecosystem had a breakout year. Given that it is becoming more expensive to invest in North America, venture capital firms (VCs) seeking to diversify their portfolios focused on high-potential opportunities in LAC. In this record-setting year, investors concentrated keenly on the Latin American market, with its 600 million people, to capitalize on the digital transformation underway in the region. In 2021, a record-breaking US$12 billion was invested by VCs across Latin America. According to Pitchbook data, about 500 deals raised more capital in 2021 than was invested in the previous years combined. From SoftBank to Sequoia, large established firms are focusing their resources on Latin America. In fact, SoftBank announced the launch of a second fund for Latin American tech startups, following the launch of their initial US$5 billion fund in March 2019.

In 2021, the total number of Latin American unicorns (VC-backed companies valued at US$1 billion or more) grew to 23. Collectively, these privately held companies raised over US$15 billion in sectors ranging from fintech to food. Of this list, 15 firms raised venture rounds in 2021, all achieving significant success. The standouts were Brazilian digital bank Nubank and Colombian food delivery platform Rappi, as well as Brazil-based iFood (Glaser, 2021).

Based on data from LAVCA, an organization that tracks private investment in Latin America, the leading sector in 2020 was fintech, which represented 40% of all regional VC invested. While the fintech trend remains dominant, other sectors such as e-commerce, logistics, property technology, and artificial intelligence have seen growth.

Figure 13: Prominent Sectors for Latino-Owned Tech Enterprises
Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region

Throughout Latin America, other sectors are also attracting attention. In Mexico, Kavak (an online platform for buying and selling used cars) raised US$485 million in 2021. Mercado Libre, the Argentinian online marketplace, holds the title of the undisputable unicorn leader in Latin America. In less than 10 years of operations, the company has managed to reach a market value of nearly US$32 billion, as well as a significant online presence in 18 LAC countries.

Though two-thirds of Latin American unicorns are based in Brazil, Mexico and Chile experienced record levels of capital investments in 2020 (Glasner, 2021). Six Latin American countries concentrated nearly all VC deals closed in 2020, and Brazil led the market, accounting for nearly 6 out of every 10 VC transactions. Mexico ranked second, with more than 19% of the investment agreements. Chile, Colombia, Argentina, and Peru followed with less than 10% each. VC investments target companies that show potential for long-term growth.

Several Latin American unicorns have entered the US stock market and are considering expanding to the US consumer market. Uruguay’s dLocal, a provider of cross-border payment processing, went public in June 2021 and raised US$617.65 million in its initial public offering. The company also concluded an agreement with Amazon that enables international vendors to sell products on Amazon Brazil’s online marketplace for the first time. Nubank sold 289 million shares on December 8, 2021, and raised US$2.6 billion in its initial public offering (IPO). As a result, Nubank has a market value of US$41 billion, making it the most valuable financial institution in Latin America. Nubank’s success underscores how fintechs are taking on traditional brick-and-mortar banks in the highly saturated Latin American banking sector.

Meanwhile, in 2020, Chile’s delivery startup, Cornershop, launched its service in Miami and Dallas. Founded in 2015, the company has grown rapidly and is one of the largest grocery delivery services in Latin America, with services available in Mexico, Peru, Colombia, and Brazil. Miami and Dallas were the latest in its expansion with the backing of Uber, which acquired the startup in 2021. As a result, Uber strengthened its grocery delivery options, a service made popular during the global pandemic.

In contrast to the tremendous availability of VC funding in Latin America, US-based Latino and Caribbean-owned firms barely receive any funding. Less than 1% of funds from the top 25 VC and private equity firms wind up in the hands of Latino-owned businesses despite Latino entrepreneurs leading the growth of new enterprises. Indeed, Latino-owned businesses are significantly hampered by underfunding. Without the ability to seek equity for growth or obtain affordably priced debt, Latino entrepreneurs’ ability to scale and grow their businesses is limited.

The lack of VC and private equity investment going to Latinos underscores the challenges faced by Latino and Caribbean entrepreneurs in the US as they try to launch and operate their businesses. According to a recent survey of the top 500 largest VC and private equity deals in 2020 by Bain and Company, Latino businesses received less than 1% of the US$487 billion invested. While data indicates that Latino businesses are high-quality businesses and worthy of investment, Latino entrepreneurs often need to enroll twice as many investors as White-owned firms to obtain the same level of funding. Also, Latino businesses (mature employers) are 30 to 50 percentage points less likely to have funding needs fully met by angel investors (Saenz et al., 2021).

Despite their role in fueling the US economy, Latino-owned businesses are an overlooked investment opportunity. There is a clear opening for angels, VC, private equity, and other equity sources to serve the needs of Latino-owned businesses. According to the Bain & Company report, equity investment from angels, small private investors, VC, and private equity is a critical enabler of growth for businesses—but Latinos are significantly underrepresented in today’s equity investment landscape. If this systematic underfunding is addressed, Latino-owned businesses could generate US$3.3 trillion in additional revenue by 2030 (Saenz et al., 2021).

While there are substantial challenges for Latino and Caribbean businesses in the US in terms of funding and growth, the rising influence of the community, its economic role, and events in LAC all point to tremendous opportunities for convergence along the business, commercial, and trade fronts. The phenomenal VC momentum in LAC is a potential opportunity for the US market. The tremendous activity in Latin America’s tech sector means its entrepreneurial ecosystems are flourishing. Countries like Brazil, Argentina, Mexico, Chile, Colombia, and Costa Rica, are all seeing the emergence of companies that are transforming economies, as are Jamaica and Barbados in the Caribbean. These companies are not only meeting local demand but expanding to international markets (Romero, 2021). According to regional analysts, as Latinos in the US gain prominence in the tech industry, there is potential for the strong tech development in LAC to converge with the broader presence of Latinos...
“If you look at the pipeline from Latam now, it is pretty amazing what could come from the region — not only from Brazil, but also from countries like Mexico, Colombia, and Peru. And a number of those high-growth startups from those countries are betting on big global markets like the United States.”

**Alex Ibrahim**
Head of International Capital Markets
New York Stock Exchange
and Caribbean employees in the US tech industry. As a result, there will be an opportunity to create partnerships and greater collaboration with the industry in LAC. As LAC tech firms make significant advancements in the deployment of technologies, they become important case studies for US entrepreneurs.

**Latino and Caribbean Representation in the U.S. Cultural and Entertainment Industries.**

For decades, Latino and Caribbean immigrants have had a profound influence on US culture, from the entertainment and music industry to achievements in sports as well as pioneering advancements in space exploration. In communities across the country, Latinos and Caribbean immigrants of all generations are entertainers, artists, and sports figures. They are also consumers in a segment that is rapidly rising in importance. Despite this influence, there is ongoing under-representation in the entertainment industry and, therefore, an opportunity for increased participation in this area.

Currently, Spanish-language viewers are becoming a key part of the competitive streaming market. In 2020, Netflix spent US$200 million to produce content in Mexico, and the amount invested is expected to be higher in 2021. Meanwhile, Disney launched Disney+ in Latin America in November 2020 to produce 70 original programs for the region, while WarnerMedia made substantial investments in Latin American markets with HBO Max. In March 2021, Univision launched PrendeTV, a free, ad-supported streaming service for the US Latino market. It also acquired Grupo Televisa’s content and media assets in 2021 to create a competitive Spanish-language media group (Faughnder, 2021).

Netflix has had tremendous success with Latinos, which reflects the company’s focus on Spanish-language content. In the past several years, as part of its competition with Amazon, Google, and Hulu, the company has invested heavily in Spanish-language content. Nearly 14% of Netflix’s catalog comprised Spanish-language content in September 2019, with the number of hours increasing by 12% compared to year-end 2018 (Begum, 2020). Among Latino millennials, Netflix commands the largest share of content streamers. Indeed, four in ten Latino millennials who stream content identify Netflix as their “go-to” (Horowitz Research, 2019).

Other media groups are attempting to conquer the lucrative, growing market of Latino viewers. For instance, Miami-based Hemisphere Media Group, which focuses on Spanish speakers in the US, is viewing Los Angeles-based streaming service Pantaya as an opportunity for expansion. In 2021, Hemisphere acquired 75% of Pantaya to invest in content. All streaming services regard the Latino market as a moneymaker. Before the pandemic, Latinos consistently accounted for a disproportionate number of moviegoers (Faughnder, 2021). Additionally, streaming services have been buoyed by the crossover ability of Spanish-language movies and shows.

Meanwhile, in the music industry, there is growing awareness of the Latino population and its buying power. The industry has pivoted to reach this multicultural cohort. According to Nielsen Music, with music fans increasingly adopting digital streaming as their preferred mode of listening, Latino consumers are leading the way. Furthermore, Latino music has surpassed country music as the most-listened-to genre and is in the top five genres consumed today (Faughnder, 2021). Additionally, streaming services have been buoyed by the crossover ability of Spanish-language movies and shows.

Meanwhile, in the music industry, there is growing awareness of the Latino population and its buying power. The industry has pivoted to reach this multicultural cohort. According to Nielsen Music, with music fans increasingly adopting digital streaming as their preferred mode of listening, Latino consumers are leading the way. Furthermore, Latino music has surpassed country music as the most-listened-to genre and is in the top five genres consumed today. Forbes described Colombian singer and songwriter Shakira as a “crossover phenom” for her success in the US music market and credited her for paving the way for other Latino artists like Maluma and J Balvin. In 2019, Latino artists were three of the top 10 Billboard artists (L’Attitude, 2021). Los Tigres del Norte, the most influential norteño music band, have had huge success in the US and proved their ability to appeal to audiences across the country as well as in LAC.

**Latino Music and Consumers at a Glance**

- Latino music has been growing faster than the overall market, rising 28% in 2019 and now accounting for 5% of total industry revenues.
- Latinos in the US use music streaming services like Pandora, Spotify, and Apple Music and own smart speakers at a higher rate than the overall population.
- Latinos spend as much time listening to digital audio as they do video—42% report five or more listening hours a week (RIAA, 2020).
Latino and Caribbean athletes play a vital role in the sports industry, particularly in baseball. In fact, they represent 31% of major league players and 50% of minor league baseball. Additionally, soccer (fútbol) has recently overtaken hockey to become the fourth-most popular sport in the US. The major soccer leagues in the US are gaining in popularity, and the Liga MX brought in 5 million viewers in 2018. The average age of a soccer fan in the US is 35, compared to 57 for baseball. Nearly 70% of soccer fans in the US are under 40, and soccer is the most popular sport among 12-14-year-olds (Fansler, 2021).

The entertainment industry’s current focus on Spanish-language content has significant implications for audiences in the US and LAC. As major networks, studios, and streaming services focus on targeted content, they are driving greater connectivity through their interest in international markets while simultaneously catering to the increasing demand of the US Latino population. Given the growth of the community and the increase in market demand, there is an incredible opportunity for the entertainment industry to increase Latino and Caribbean representation. According to the LDC’s 2021 Latino Representation in Media Report, the Latino audience presents a lucrative business opportunity given its size, growth rate, economic power, and youth (Latino Donor Collaborative, 2021). However, Latino representation in both films and shows is very low in comparison to Latino audience levels, including on the production side: Latinos account for only 2.9% of leads in shows, 5.0% of leads in films, 6.7% of directors in films, and 4.4% of writers. It is clear that Latinos are vastly underrepresented in the industry.

According to the 2021 LDC Media Report, the Latino audience presents a profitable business prospect due to the community’s size, youth, growth rate, and economic power.
The influence of the Latino and Caribbean community in the US is evident through its consumption of goods, particularly food and other products that evoke a sense of “home,” tastes of childhood, and connection to culture. According to the UN Economic Commission for Latin America and the Caribbean (ECLAC), “nostalgia” products are goods and services that are part of the consumption habits, culture, and traditions of different people and nations (Carranza, 2009). As the Latino and Caribbean population has expanded in the US, an entire commercial network of enterprises catering to the community has developed.

Over the last few decades, the burgeoning Latino and Caribbean community in the US has fueled the growth of markets, grocery stores, corner shops, and websites for nostalgia products. Various consumer segments have been driven by the needs of an ever-growing diaspora longing for tastes of home and connections to their culture. As a result, established enterprises in LAC, grocery stores, and specialty shops in the US have all responded to meet market demands.

The result is the development of a transnational industry to service the wide variety of communities across the US. In parallel, certain “ethnic” products that are specific to a country have penetrated beyond the diaspora communities and are now in the mainstream consumer market. Evidently, nostalgia products present opportunities not only to cater to the growing demand of the diaspora in the US but to generate greater commercial ties with the region through the market for these specialized products. In fact, they also provide an incentive for LAC SMEs to produce and service this niche market. SMEs have an opportunity to distribute their products to the diaspora, a receptive and ready-made consumer base, which could, in turn, serve as a springboard for these goods being introduced to the wider public in the US.

**Main Nostalgia Product Categories and Opportunities**

Nostalgia products can be grouped into several main categories. The are mainly food and beverage items but can also include nonedible goods such as soap, detergents, and arts and crafts. With distinct roots and identities, these products are attractive to LAC migrants as they are often familiar, trusted brands. The nostalgia market is an opportunity for SMEs to meet this demand and cater to an ever-growing market of consumers.
According to Ignacio Hernandez, Jr., founder and president of MexGrocer.com, a San Diego-based online grocery store for authentic hard-to-find Mexican goods, the company’s three bestselling categories are hot sauces, salsa, and Mexican candy. MexGrocer is now the world’s largest nationwide online grocery store for food, household products, and niche items from Mexico and Latin America (MexGrocer.com, 2021). The company offers more than 3,000 specialty Mexican products and has sold to over 15,000 cities in all 50 states of the US and Washington, DC. MexGrocer markets itself as a resource to consumers interested in Mexican cuisine and culture. Its founder is a fourth-generation food vendor: his grandfather launched a family business called Herdez over 100 years ago, which is now one of the leading food processing brands in Mexico. MexGrocer’s experience in the nostalgia trade is a leading example of how the growing demand for specialized products can be leveraged to create a successful transnational enterprise.

Figure 14: Main Categories of Nostalgia Products

<table>
<thead>
<tr>
<th>Alcoholic &amp; Nonalcoholic Beverages</th>
<th>Bakery &amp; Milling</th>
<th>Coffee</th>
<th>Flour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artisanal Arts &amp; Crafts</td>
<td>Confectionary &amp; Cocoa</td>
<td>Dairy &amp; Derivatives</td>
<td>Hot Sauces, Salsas, &amp; Condiments</td>
</tr>
</tbody>
</table>

Before delving into the nostalgia product market, it is important to note several facts about the Latino and Caribbean community’s approach to food, particularly food shopping. Given the cultural importance of food, the community spends a substantial portion of their income at grocery stores, particularly those catering to their needs. In 2004, Latinos spent a total US$690 billion, climbing to US$1.3 trillion in 2015 and US$1.7 trillion in 2020. According to a Research and Markets report, sales of Latino food and beverages were US$17.5 billion in 2015. In 2021, sales are projected to soar past US$21 billion (Produce Blueprints, 2020).

Looking to the future, it is clear that the growth of the Latino and Caribbean community in the US will dramatically impact the grocery industry. Multicultural shoppers will continue to be the driving force of purchasing power. Grocers will need to adapt to meet customer preferences and their growing demand for nostalgia products. Mainstream supermarkets have an opportunity to attract Latino and Caribbean consumers as well. To do so, they must understand the key nuances in their shopping patterns compared to the general consumer population. First- and second-generation millennial immigrations have different preferences and are inclined to shop at large retailers as well as their local shops.

Some important facts:

- Latinos shop often and visit a wider variety of stores than other US consumers:
  - 30% of Latinos purchased all or some of their groceries at ethnic-focused stores.
  - 91% have bought some groceries and household items at traditional grocers.
  - 29% of Latinos shop online in 2020 (Acosta, 2021).
  - 54% of Latino consumers shop for groceries online, and these shoppers spend 42% of their monthly grocery dollars online.
  - 29% of Latino shoppers expect to spend even more money on online grocery shopping in the future.
  - 29% of Latino shoppers most highly value grocery stores with the best prices.
  - 39% of Latino shoppers most highly value food brands offering excellent quality for the price.
  - For the community, grocery shopping is often a family affair.
  - Latino and Caribbean consumers are particularly interested in fresh produce and ingredients.
Latino and Caribbean Supermarkets, Corner Shops, and Specialty Stores

Throughout the country, Latino and Caribbean supermarkets have become major competitors in the grocery market segment. In addition to serving a rapidly growing community, these retailers also serve non-Latino consumers, who shop at them for the authentic products and food stations these stores offer. Retailers like Fiesta Mart, Northgate Markets and Cardenas Markets have recently seen dramatic growth in sales at their Latino supermarkets.

Driven by a large Latino population that is set to more than double over the next 40 years, a few chains have received private equity investment. Meanwhile, other smaller grocers are focused on building their businesses by ramping up the supply of nostalgia products. Grocery industry analysts are even predicting that Latino supermarkets are set to become the next major industry format, following in the footsteps of discounters and natural and organic grocers.

Carlos Castro, the owner of Todos Supermarkets in the Washington, DC, metro area, has owned and operated two successful grocery stores in northern Virginia. An immigrant from El Salvador who left the country due to its civil war, he opened his first grocery store in 1990, first catering to the Salvadoran community but soon expanding to meet the demands of a growing Latino community. Speaking to the Institute for Immigration Research, Castro noted that “his stores offer not only products but operate as a pillar of the local community.” Over the years, he has helped other Latino entrepreneurs to set up businesses, even providing some with support to open enterprises in the plaza alongside his supermarket. Today, 90% of his customers are Latinos, and he stocks products from Central and South America as well as the Caribbean. He mentors local entrepreneurs and has facilitated the creation of a local ecosystem that supports the local Latino community’s needs. He also maintains strong ties with El Salvador, where he established an initiative to support local entrepreneurship.

Table 1: Top Latino Supermarkets in the US

<table>
<thead>
<tr>
<th>Supermarket</th>
<th>State</th>
<th>Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northgate González Market</td>
<td>California</td>
<td>Founded in 1980, the chain has 38 stores in Los Angeles, Orange County, and San Diego. One of the largest Hispanic supermarket chains in the country.</td>
</tr>
<tr>
<td>Vallarta Supermarket</td>
<td>California</td>
<td>This chain has 50 stores throughout California.</td>
</tr>
<tr>
<td>Superior Grocers</td>
<td>California</td>
<td>Superior Grocers opened its first store in Covina, California in 1981. Since then, Superior has grown to over 45 stores throughout Southern California.</td>
</tr>
<tr>
<td>Sedano's Supermarket</td>
<td>Florida</td>
<td>Sedano’s has more than 34 stores across South and Central Florida, making it one of the largest Latino grocery chains in the US.</td>
</tr>
<tr>
<td>Cardenas Markets</td>
<td>California, Nevada, Arizona</td>
<td>Cardenas offers traditional flavors, fruits and vegetables from across the U.S., Mexico, Central and South America, and other different countries. It now has 54 locations throughout California, Las Vegas, and Arizona.</td>
</tr>
<tr>
<td>Bravo</td>
<td>New York and Florida</td>
<td>Bravo Supermarkets are neighborhood grocery stores with over 70 locations from New York to Florida.</td>
</tr>
<tr>
<td>Fiesta Mart</td>
<td>Texas</td>
<td>Fiesta Mart is a Hispanic supermarket. There are more than 60 Fiesta stores open in the Houston, Austin, and Dallas-Fort Worth markets, serving customers from over 90 countries of origin.</td>
</tr>
<tr>
<td>El Super</td>
<td>Arizona, California, Nevada, New Mexico, and Texas</td>
<td>El Super offers fresh foods at affordable prices from its 63 stores in 13 counties throughout California, Arizona, Nevada, New Mexico, and Texas.</td>
</tr>
<tr>
<td>Gala Foods Supermarket</td>
<td>New York</td>
<td>Gala Foods Supermarkets, formerly known as Compare Foods, began as a humble bodega in Queens, New York. The business has grown far beyond Queens and now has 24 stores across 5 states.</td>
</tr>
</tbody>
</table>
Target Markets: Cities with Concentrations of Latinos and Upcoming Cities

The leading markets for nostalgia goods trade should focus on the states with the highest concentration of Latinos, the top three being California, Texas, and Florida. Conditions in these areas continue to be favorable for the Latino and Caribbean community, particularly for starting businesses.

The top five states with the largest growth in the share of the Latino population since 2010:

1. Louisiana, North Dakota, South Dakota, Tennessee, Vermont
2. Utah: fastest-growing state in the West
3. Vermont: had the most Latino growth in the Northeast
4. Northeast: The Latino population has increased 29 percent since 2010; gaining 2.1 million Latinos in 10 state-region
5. Arizona, Oklahoma, New Mexico, Texas: Latino population grew by 19.6 percent over the last decade
6. Since 2010, the states from Southwest to Southeast have accounted for nearly half of the Latino population growth nationwide

States and Areas in Which the Latino Community is Growing and Thriving

1. Arizona: Phoenix and Tucson
2. Colorado: Denver
3. District of Columbia
4. Georgia: Atlanta and five Atlanta-area counties—Fulton, Clayton, Cobb, DeKalb, and Gwinnett
5. Illinois: Chicago
6. North Carolina: Charlotte and Raleigh
7. Oklahoma: Tulsa
8. Oregon: Portland
9. Maryland: Metropolitan areas: Montgomery County

Figure 15: Top 25 Metropolitan Areas with the Highest Percentages of Latinos

1. McAllen-Edinburg-Mission, Texas
2. El Paso, Texas
3. San Antonio-New Braunfels, Texas
4. Bakersfield, California
5. Fresno, California
6. Riverside-San Bernardino-Ontario, California
7. Albuquerque, New Mexico
8. Miami-Fort Lauderdale-Pompano Beach, Florida
9. Los Angeles-Long Beach-Anaheim, California
10. Oxnard-Thousand Oaks, Ventura, California
11. Stockton, California
12. Houston-Woodlands-Sugarland, Texas
13. Tucson, Arizona
14. San Diego-Chula Vista-Carlsbad, California
15. Austin-Round Rock-Georgetown, Texas
16. Orlando-Kissimmee-Sanford, Florida
17. Las Vegas-Henderson-Paradise, Nevada
18. Phoenix-Mesa-Chandler, Arizona
19. Dallas-Fort Worth-Arlington, Texas
20. San Jose-Sunnyvale-Santa Clara, California
21. New York-Newark-Jersey City, NY-NJ-PA
22. Denver-Aurora-Lakewood, Colorado
24. Cape Coral-Fort Myers, Florida
25. Sacramento-Roseville-Folsom, California

Source: Statista Research Department (Statista.com).
Immigrants contribute to society by being workers and consumers. When it comes to people from Latin America, we create jobs, we start small companies. We are a society that spends a lot of money on food. For instance, I think that immigrant households tend to spend more on groceries because they prefer cooking their meals.”

Carlos Castro
Owner
Todos Supermarkets
Analysis of Bilateral Trade Data for Nostalgia Products

In terms of the bilateral trade in nostalgic products, the import category of food, feeds, and beverages stands at US$151 billion. The following data from the US Trade Representative’s Office for the Western Hemisphere provides import and export data for 2019.


US Goods Exports to the Western Hemisphere
- In 2019, US goods exports to the Western Hemisphere totaled US$710.8 billion, down 2.5% (US$18.6 billion) from 2018 and up 61% from 2009. These account for 43.3% of overall US exports in 2019.
- The top five US export markets to the Western Hemisphere for 2019 were: Canada (US$292.6 billion), Mexico (US$256.6 billion), Brazil (US$42.9 billion), Chile (US$15.7 billion), and Colombia (US$14.7 billion).
- The top export categories (2-digit HS) in 2019 were: machinery (US$106.6 billion), mineral fuels (US$106.3 billion), electrical machinery (US$79.3 billion), vehicles (US$78.5 billion), and plastics (US$36.1 billion).
- US total exports (domestic exports plus re-exports) of agricultural products to the Western Hemisphere totaled US$58.4 billion in 2019. Leading domestic export categories include corn (US$4.8 billion), prepared food (US$3.5 billion), dairy products (US$3.1 billion), pork and pork products (US$2.8 billion), and soybeans (US$2.6 billion).
- US exports of services to the Western Hemisphere totaled an estimated US$226.0 billion in 2019, 1.5% (US$3.5 billion) less than in 2018 but 57% greater than in 2009. Leading services exports from the US to Western Hemisphere were in the travel, transportation, and financial services sectors.

US Goods Imports from the Western Hemisphere
- In 2019, US goods imports from the Western Hemisphere totaled US$786.3 billion, up 0.1% (US$1.1 billion) from 2018 and up 54% from 2009. These account for 31.5% of overall US imports in 2019.
- The top five import suppliers from Western Hemisphere for 2019 were: Mexico (US$357.8 billion), Canada (US$319.4 billion), Brazil (30.8 billion), Colombia (US$14.2 billion), and Chile (US$10.4 billion).
- The top import categories (2-digit HS) in 2019 were: vehicles (US$155.9 billion), mineral fuels (US$122.2 billion), machinery (US$92.3 billion), electrical machinery (US$74.9 billion), and special other (imports of articles exported and returned) (US$28.9 billion).
- US total imports (general definition) of agricultural products from the Western Hemisphere totaled US$72.5 billion in 2019. Leading categories include other fresh fruit (US$11.4 billion), fresh vegetables (US$8.7 billion), snack foods (US$7.5 billion), processed fruit and vegetables (US$4.8 billion), and wine and beer (US$4.8 billion).
- US imports of services from the Western Hemisphere totaled an estimated US$161.8 billion in 2019, 6.1% (US$9.3 billion) more than in 2018 and 31% greater than 2009 levels. Leading services imports from Western Hemisphere to the US were in the travel, insurance services, and transportation sectors.

Specific Nostalgia Products

Hot Sauce

In the forecast period of 2021–2028, the global hot sauce market is anticipated to grow from US$2.71 billion in 2021 to US$4.38 billion in 2028 at a compound annual growth rate (CAGR) of 7.1%. The Covid-19 pandemic has increased the demand for spicy flavors and the popularity of home cooking. This trend has boosted the market, particularly in the US—the North American hot sauce market stood at US$13 billion in 2020. The US and Canada are among the top five global importers of chili sauce. The US hot sauce market has grown by 150% since 2000, more than BBQ sauce, ketchup, mayonnaise, and mustard combined (Fortune Business Insights, 2021).

The US is involved in both exporting and importing hot sauce. It exports
As a result, there are numerous opportunities to strengthen the current gateway for the introduction of regional products into the US market.

The Latino and Caribbean population can serve as a bridge to drive closer ties with LAC on several fronts, including commercial and business ties. The community's cultural and linguistic affinities offer tremendous potential for the community to build a bridge between the US and LAC. Given their cultural and linguistic affinities, the community can drive closer ties with LAC on several fronts, including commercial and business ties. The Latino and Caribbean population can serve as a gateway for the introduction of regional products into the US market.

As a result, there are numerous opportunities to strengthen the current gateway for the introduction of regional products into the US market.

**Market Opportunities**

In 1992, The New York Times reported that salsa had outsold ketchup by US$40 million in retail stores and taken the lead as the top condiment in the country. It was an indication of a new cultural wave taking place. Over the decades, as the Latino and Caribbean community has grown and spread around the country, a taste for Latino foods and flavors has developed. As the Latino and Caribbean community continues to expand, its cultural influences will continue to reshape the country's social fabric. Beyond their significant economic contributions to the US market, there is tremendous potential for the community to build a bridge between the US and LAC. Given their cultural and linguistic affinities, the community can drive closer ties with LAC on several fronts, including commercial and business ties. The Latino and Caribbean population can serve as a gateway for the introduction of regional products into the US market.

As a result, there are numerous opportunities to strengthen the current gateway for the introduction of regional products into the US market.

**Coffee**

Latin America accounted for nearly 60% of worldwide coffee production in 2019. Latin American countries such as Brazil and Colombia are among the top exporters of coffee worldwide. Accordingly, the region has experienced coffee trade surpluses in recent years, with net exports amounting to roughly US$10 billion in 2018 and 2019. In the previous two years, however, coffee's commercial balance in LAC had reached numbers above this mark.

**Maize Flour**

The global precooked maize flour market size was estimated at US$3.24 billion in 2020 and is expected to reach US$3.36 billion in 2021, at a CAGR of 3.92%, which would take it to US$4.62 billion by 2026. Total exports of these subsectors were equivalent to US$422 million in 2020, or 5.4% of the agricultural products exported from Colombia, according to Procolombia.

**Consumer trend called premiumization is creating opportunities for developing targeted consumer markets.**

**Specialized and Premium Alcohol: Super-Premium Rum and Mezcal**

There is a growing movement in the US toward premium alcoholic beverages, particularly rum and mezcal. The premiumization trend is creating opportunities for developing targeted consumer markets. Today, tequila is widely consumed in the US, which imports 80% of the product and has witnessed the premiumization of the spirit. Other spirits from LAC are poised to follow tequila’s example and make in-roads in the US market.

This development bodes well for rum-producing nations in the Caribbean, especially top producers such as Barbados, Jamaica, Guyana, the Dominican Republic, and Trinidad and Tobago. Until recently, US rum consumption has mostly focused on standard rum, which has saturated the market. According to the Distilled Spirits Council of the US, 85% of rum in the US was value or premium in 2020, while super-premium accounted for just 3%. By contrast, super-premium Scotch accounted for 15% of total Scotch sales, while the equivalent for tequila was 23%. This presents a significant opportunity for rum producers in LAC. Caribbean nations will have to continue to work on securing more favorable import conditions for their rum, while Colombia, Guatemala, and others have a smoother path ahead to securing a piece of the premium market (Bruce-Gardyne, 2021).

According to the Distilled Spirits Council of the US, rum revenues increased 5.9% in 2020, with most of that growth coming from high-end premium (8.7%) and premium (7.8%) and super-premium (3.7%) (Strenk, 2021).
We view the premium rum space with excitement. Provenance is at the heart of what we’re doing as producers, and even though as a region we have similarities, it is our own uniqueness and diversity that defines Trinidadian rums as being different from Haitian rum or Jamaican.”

Ian Forbes
Angostura’s acting CEO and Director of the West Indies Rum & Spirits Producers Association
With sales increasing during the Covid-19 pandemic, rum producers across the region are hopeful and view the US market as promising for future growth. They are inspired by the surge in premium tequila, a spirit that was formerly more commoditized and of a lower grade than rum (Bruce-Gardyne, 2021). According to these premium producers, there are compelling stories behind each of the brands.

The increasing trend toward premiumization, which is leading to the consumption of luxury beverages, is expected to boost the demand for mezcal. Currently, mezcal is one of the fastest-growing products in the US, with sales increasing 15% by volume in 2020 over 2019. Sales are forecast to grow by 49.2% from 2022 to 2025. The market was valued at US$727.11 million in 2019 and is projected to reach US$1.13 billion by 2027 (Newsmantraa, 2021). This reflects the increasing demand for premium mezcal products among millennial consumers, who are willing to spend on high-end and super-premium products.

Caribbean staple has become one of the latest trends in the international food scene (Ewing-Chow, 2020). Caribbean agro-producers stand to benefit from the pepper’s popularity. Jamaica is the biggest player in the regional market: its top producers include Grace, Walkerswood, Spur Tree Spices, and Gray’s Pepper Products Limited. Approximately 60% of products are destined for the export market (Ewing-Chow, 2020). Other countries such as St. Lucia, Grenada, Barbados, and the Cayman Islands are all producers of popular hot sauce brands. Global exports of hot sauce totaled US$4.45 billion in 2019. Between 2013 and 2017, fresh hot pepper exports increased by 713%, while for semi-value-added varieties this increase was 302% (JAMPRO).

Of all the value-added products created from scotch bonnet, the most popular are traditional Caribbean sauces and condiments. According to regional trade and investment promotion agency Caribbean Export, the market for Caribbean sauces and condiments is worth US$1.49 billion, having grown in value by 16.8% between 2019 and 2020 (Ewing-Chow, 2020). It is projected that by 2025 the global hot sauce market will reach US$5.9 billion, with a CAGR of 5.2% between 2020 and 2025 (Ewing-Chow, 2020).

Organic Coffee and Chocolate

The global coffee industry has undergone a revolution in recent decades. With the emergence of specialty coffee culture in the past few years, consumers have transformed their understanding of high-quality coffee. For some time now, there has been increasing consumer awareness of the origins of coffee. Experts predict that the trend toward higher quality, more ethically sourced coffee will continue and that this will eventually account for the majority of the consumer coffee market.

Colombia’s Juan Valdez is an example of a success story in the global coffee market. Created by Colombia’s National Federation of Coffee Growers, Juan Valdez Café now has locations in the US and has converted the iconic brand into a household name in the country. The federation comprises approximately 500,000 farmers who grow their coffee on small farms, and has distinguished the brand through its mission to improve the income of Colombian growers.

Today, Juan Valdez continues to distinguish itself as a company. Through their specialty coffee brand Mujeres Cafeteras, the company has been promoting women coffee growers; an estimated 157,000 coffee growers are women and they represent 30% of workers in the industry (Solidaridad, 2021). Together

Table 2: Premium Rum & Mezcal

<table>
<thead>
<tr>
<th>Caribbean</th>
<th>Central and South America</th>
<th>Mezcal</th>
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<tbody>
<tr>
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<td>La Hechicera-Colombia</td>
<td>El Silencio Mezcal Amores</td>
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<td>Ron Zacapa-Guatemala</td>
<td>Mezcal Vago Craft Distillers</td>
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<td>Demerara Distillers-Guyana</td>
<td>Pernod Ricard Los Danzantes</td>
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<td>Diplomático and Santa Teresa-Venezuela</td>
<td>Ilegal Mezcal Mezcalgulroo</td>
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<td>Rey Campero</td>
<td>Wahaka</td>
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<tr>
<td>Angostura Rums-Trinidad and Tobago</td>
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Hot Sauces (Scotch Bonnet and Jerk)

Hot sauce condiments are a distinctly Caribbean flavor, particularly pepper sauce made from the scotch bonnet pepper. This commercial pepper is widely used to prepare fiery hot condiments, including hot pepper sauce and jerk seasoning, which are used to spice up traditional dishes in the Caribbean.
with their nonprofit partners, Juan Valdez is working to empower women within their supply chain. Brands such as Juan Valdez offer a model for other coffee producers and marketers. There is an opportunity for LAC coffee growers from Jamaica to Brazil to meet the demand for specialized coffee in the US.

The US imported around US$5.84 billion worth of coffee in 2019, making it the leading importer of coffee worldwide that year. The same year, it imported more than US$1.1 billion worth of Colombian coffee. Latin America accounts for more than 50% of coffee production worldwide. In 2020, Brazil was the largest coffee-producing nation in the world. It is anticipated that the extreme weather conditions in arabica-producing areas in São Paulo and Minas Gerais will have adverse effects on Brazilian coffee production in the foreseeable future. In July 2021, Southern Brazil was hit by unusual freezing temperatures. The country’s coffee producers estimated that almost half a million acres of coffee crops were damaged by the frost, which is the worst Brazil has seen in 27 years. Earlier in the year, they were crippled by drought (Maire, 2021). Colombia, the second-largest producer of arabica, has also experienced similar weather issues, which have hindered crops (Perez, 2021). Despite these challenges, coffee is poised to continue growing in popularity in the US, especially specialty products.

Another area for potential market development is organic chocolate, particularly dark chocolate. This is a growing segment in the global chocolate industry, and the good news for LAC is that its organic chocolate has been recognized as some of the best. The Latin American cocoa and chocolate market was worth US$18.4 billion in 2021 and is expected to grow steadily to reach US$20.1 billion by 2026. Strong demand is currently driving the cocoa and chocolate market in Latin America. Dark chocolate’s antioxidant properties are making it particularly popular due to the increasing preference for healthy food products. This development is beneficial to the leading chocolate producers in the region. In fact, for several years, it has been predicted that LAC is extremely well-placed to meet the demands of the future cocoa market. While the yields of the top producing region, Africa, have been declining, cocoa production in LAC has steadily increased. With US consumer demand for premium, organic, and often dark chocolate on the rise, there is an opportunity for the top cocoa producers to meet this. The current preference is for fair trade, organic chocolate.

Countries like Ecuador, which have pioneered high-tech cocoa production, serve as a model for other producers. It is an opportune time for the cocoa industry in the region to engage local cocoa producers, which will spur entrepreneurial activities. Together, they can implement targeted strategies to expand to markets in the US, where both quality cocoa and chocolate are in demand. There are several ways in which the industry could provide support:

- increase productivity and help improve the scaling of enterprises,
- encourage small producers through environmental best practices that support sustainable agrobusiness,
- enhance national markets and improve conditions to access international markets,
- examine the value-added of supply for alternate industries (i.e., cosmetic or food industries), and
- provide increased access to financing.
Arts and Artisanal Handicrafts

The demand for artisan goods, especially handcrafted ones, continues to rise. Despite the global Covid-19 pandemic, traditional arts and crafts have not lost their appeal. Preserving and protecting these traditional crafts and the culture underlying them is an opportunity for the nostalgia trade. In 2017, the global handcrafted goods sector was worth US$526.5 billion and has continued to grow since. In the US, Latino and Caribbean immigrants are important ambassadors of their culture, and traditional arts and crafts are one expression of this. Therefore, there is a distinct opportunity to leverage another trend in the fashion industry with the traditional handicrafts sector in the region.

As the Latino and Caribbean community grows, there will be increasing appreciation for the culture of each of the countries from the diaspora. Driven by memories of home and cultural pride, immigrants from the region have brought unique arts and crafts with them to the US and promoted them. These items have gained visibility and exposure in the US. By promoting art and artisanal handicrafts, there is an opportunity to preserve a traditional industry and to sustain the livelihood of the artisans for whom this is often an important source of income. Whether art pieces or artisanal handicrafts, these items are a major source of income and employment, particularly for women in the region.

The marketing of artisanal crafts poses an opportunity to counter the detrimental effects of the large-scale fashion and home fashion industries. These have been criticized lately for heavy carbon emissions, water waste, and waste production. To understand this trend, it is important to understand that consumers today (particularly Gen Z and millennials) care more and more about where their products come from, who produced them, and what conditions they were produced in. By advancing the crafts industry, there is an opportunity to support economic development in the region and advance the development of an ecosystem of MSMEs.

Beauty Product Industry

Latinas are a growing segment in the beauty product industry. In the past few years, Latinas outspent non-Latina buyers. According to Nielsen research, Latino women were the only non-White group who drove makeup and nail care purchases during the pandemic in 2020, spending 13% more than the average buyer on personal care (Franco, 2021). Nielsen also uncovered that since 2015, Latinas of all age groups have spent an average US$35–50 more per year on personal care items such as lipstick and hair care products than their peers. Data show that Latina buyers represent 18% of the US beauty industry’s revenue. Additionally, they have shown the most interest in products that are natural and environmentally friendly.

While many beauty brands are embracing diversity, they are still taking longer to produce products to meet the demands of the Latina market. The overnight success of MAC’s makeup line inspired by late Tejana singer Selena in 2016 serves as a prime example of the potential for any brand ready to cater to the Latina market. The line sold out within hours and has remained one of the brand’s bestselling collections (Franco, 2021). While there is demand for beauty products among Latinas, the challenges that affect all Latino entrepreneurs also apply in this case. The biggest stumbling block remains capital, and many startup brands have to rely on nontraditional sources of financing. If the roadblocks to Latino entrepreneurs were removed, there would be a significant potential for developing products that meet the needs and diversity of the Latino beauty market segment. The overnight success of MAC’s makeup line inspired by late Tejana singer Selena in 2016 serves as a prime example of the potential for any brand ready to cater to the Latina market. The line sold out within hours and has remained one of the brand’s bestselling collections (Franco, 2021).
The demand for and acquisition of nostalgic goods function as a manifestation and expression of three realities that shape immigrant life: community, identity and transnationalism, with very direct implications on economic development for both the U.S. and the homeland.”

Manuel Orozco
Director, Migration, Remittances and Development Program
Inter-American Dialogue
Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region

Selected Nostalgia Products

**Chocoramo: Colombia**

Since the 1950s, Chocoramo, a rectangular chocolate-covered cake, has been one of Colombia’s beloved baked goods, particularly among children and adults. The iconic chocolate-coated cake is produced by Productos Ramo, a Colombian snack food company and one of the few independent national brands. Ramo was the first brand in the country to offer prepared and packaged cakes. Created in the early 1970s, Chocoramo is one of Colombia’s most enduring brands. Today, Ramo is a leader in the baked snacks market and produces approximately 700,000 cakes per day. Around 1.3 million units of Chocoramo are sold in Colombia each month. In 2021, Chocoramo reached the US market by selling the snack in 120 stores in Florida, specifically CVS and Navarros. This initiative is part of a current trade agreement that Colombia has with the US. The US is the biggest market for the product given the number of Colombians in the country and also the ability to reach the larger Latino market in Florida. US sales grew 85% from 2018 to 2019 and 124% from 2019 to 2020. Following their entry into Florida, the company is eyeing markets on the West Coast and in the US heartland with sizable Colombian populations.

**Harina P.A.N: Venezuela**

Harina P.A.N., a brand of high-quality precooked corn meal (also known as harina de arepa,) is a popular product sold by Empresas Polar Inc. that is used to make Venezuelan specialties including arepas, hallacas, empanadas, and bollos pelones. Founded in 1941, Empresas Polar is a Venezuelan corporation that began as a brewery in Caracas. It is the largest and best-known brewery in the country, which has since diversified into food processing. Launched in 1961 in Turmero, Venezuela, P.A.N. is an emblematic brand strongly identified by Venezuelans as part of their national identity and gastronomic culture. In the 1990s, Empresas Polar expanded to Colombia and established a subsidiary that now produces 140,000 tons per year. The brand has had equal success in Colombia, where it has become a recognized, well-established household staple. Polar and its P.A.N. brand have been operating in the US since 2014, with a production plant located in Greenville, Texas. Today, P.A.N. is widely sold in the US at Walmart and other supermarket chains.

In 2021, the company began to implement a new strategy to reach a larger market in the US. By partnering with Goya Industries, Empresas Polar began carving out a national and regional network of distributors to strengthen its presence and leadership in the US market to meet the increase in demand that has emerged in the last few years. The shift also underscores Polar’s goal to market their product not only to Venezuelans but to all consumers in the US market. In response to this growing demand, the CEO of Empresas Polar, Lorenzo Mendoza, noted that the company recently increased its capacity at the Texas production plant by 30%. Currently, P.A.N.’s strongest consumer market is in Florida, but it is a hugely popular product with a loyal following, particularly among Venezuelan and Colombian migrants. In fact, it is so much an entrenched part of Venezuelan identity that Goya’s introduction of its own cornmeal brand in 2021 was met with negative reviews and even boycotts because the product was seen as an imitation of a beloved nostalgia product.

**El Mazapán: Mexico**

At present, Mexicans account for about 62% of the US population. Spread across the country, they constitute a substantial consumer base for goods from Mexico, particularly candies and snacks. Mexican grocery, corner, and online shops catering to the needs of Mexican Americans can be found throughout the country. Whether spicy or sweet, Mexican products are now readily available in the US from Dulces de la Rosa, a 70-year-old company from Jalisco, Mexico, produces one such staple, marzipan (mazapán), a quintessential candy treasured by Mexicans. The company launched in Guadalajara in the 1940s.
Foreign Direct Investment and Diaspora Direct Investment

Analysis of Investment Flows: FDI and DDI

The Emerging Global Picture

To understand the dynamics of direct investment flows by the Latino and Caribbean diaspora in the US, it is first important to examine the larger context of FDI in and out of the country. The Organisation for Economic Co-operation and Development (OECD, n.d.) provides a comprehensive overview of the emerging trends in FDI flows to and from the US.

During the five years from 2016 to 2020, FDI inflows to the US were on a clear downward trend. They declined from over US$483 billion to just over US$160 billion by 2020. However, the FDI inflows for 2015 and 2016 were the largest recorded by the US: double the average level recorded in 2010-2014 (that is, the years following the financial crisis). The phenomenal increases recorded in 2015 and 2016 were due largely to investments in chemical manufacturing (US Department of Commerce, 2021).

Figure 16: US Inward and Outward FDI Flows (Billions of US$, 2005–2020)

Source: Organization for Economic Co-operation and Development (OECD) Database
Pandemic Effects

LAC was severely affected by the Covid-19 pandemic in 2020. FDI inflows fell by nearly 35% compared to 2019. FDI inflows into LAC totaled US$105.480 billion, which was US$56 billion less than in 2019. This decline brought FDI to levels comparable to those of 2009 (about 37%), when they had been hit by the global financial crisis. The pandemic caused the share of FDI in GDP to fall to 2.5% in 2020, down from an average of 3.5% in 2010–2020 (ECLAC, 2021). At a time when LAC countries require investments to sustain domestic activities and recover from the pandemic, foreign investments have not been forthcoming. In other words, investor confidence has been shaken by the pandemic.

While the pandemic impacted the entire region, only five countries received more foreign capital in 2020 than in 2019. These were the Bahamas and Barbados, in the Caribbean, and Paraguay, Ecuador, and Mexico in Latin America. There was a sharp decline in FDI inflows to Brazil, and inflows to all Central American countries also decreased. Panama was the only notable exception in this subregion.

In the Caribbean, inflows decreased by 25.5%, less than the regional average. Caribbean countries were devastated by the total shutdown of tourism. In the Caribbean, the effects on the labor force of small- to medium-scale tourism-related enterprises were severe. The region needs assistance to recover. Given the scale of the enterprises in question, it is unlikely that large-scale investors will step in. There are therefore opportunities for diaspora investments in the Caribbean to support the overall recovery.

Overall, the most adversely impacted investments were felt in the natural resources sector and manufacturing, while the decline in services was not as sharp. Almost half of FDI inflows in 2020 went to services, and the weight of manufacturing fell to 37% (ECLAC, 2021).

The US Bureau of Economic Analysis (BEA) data shows that the pandemic-related drop in FDI inflows from 2019 to 2020 amounted to over US$70 billion. Outflows follow a similar pattern, explained by the shutdowns in both the US and recipient countries. According to BEA data, expenditures by foreign direct investors to acquire, establish, or expand US businesses totaled US$120.7 billion. In 2020, acquisitions of existing enterprises constituted the majority of direct investments made by foreigners in the US (US$116.3 billion). Total investments were down 45.4% from US$221.2 billion in 2019 and were below the annual average of US$314.4 billion for 2014–2019 (BEA, 2021).

In terms of US states, Texas received the largest investment inflows in 2020 (US$18.6 billion), followed by California (US$17.8 billion) and New Jersey (US$14.3 billion). Greenfield investments to either establish a new US business or expand an existing foreign-owned US business brought in US$4.4 billion in 2020. The greenfield investments that began in 2020 involve further expenditures in future years to complete the projects in question. The total of such planned expenditures for completion (in the first and subsequent years) was estimated to be US$19.5 billion. Greenfield investment expenditures in 2020 were predominantly in manufacturing (US$1.3 billion) and utilities (US$1.1 billion). Europe invested US$2.2 billion in the US, while Asia and the Pacific invested US$1.7 billion. Texas was the state that received the most greenfield investment (US$1.0 billion) (BEA, 2021).

In sum, foreign companies displayed less interest in acquiring or investing in existing companies and announcing new investments in 2020. Cross-border mergers and acquisitions (M&A) fell by 21%, amounting to a total value of US$26 billion. It is important to note that these investments were already down in 2019. At US$26 billion, the total is only slightly higher than the figure recorded in 2009, following the global financial crisis. The effects of the pandemic not only decreased cross-border M&A but also had an impact on the announcement of new investments. The number of investments and total dollar-value amounts also declined to the mid-2000s level, which was half of those recorded in 2018, with a total of US$56 billion. Notably, this is the first time that a global crisis has impacted the number of project announcements in LAC. Compared to the global financial crisis, the pandemic has had a deeper and broader impact on the business outlook of transnationals (ECLAC, 2021). In 2021, the FDI landscape remained challenging.

As the recovery of LAC depends on the global economic recovery, it is clear that transnational corporations will have to focus on increasing the resiliency of their business models and global supply chains. Projections by ECLAC estimated GDP growth of 5.2% for 2021. As a result, ECLAC anticipated that FDI inflows into the region would increase by not more than 5% in 2021 due to the uncertainty enveloping the near future.
Employment Effects

Notwithstanding the adverse effects of the pandemic, projects arising from FDI flows were able to generate 197,000 jobs in the US in 2020, about 90,000 less than in 2019. Current employment at acquired enterprises was 194,000 while planned employment at the same projects was estimated at 206,500. The latter include jobs in newly acquired enterprises, projected employment when the established units are fully operational, and those jobs scheduled to be created with the expansions envisaged according to current expectations and business plans.

Under these FDI projects, between 50,000 to 100,000 employees were recruited in retail trade, in 2020. Nearly 31,000 jobs were created in chemical manufacturing. The state of Texas led FDI job creation, with a total of 50,000 to 100,000 jobs, followed by California (21,000) and Arizona (9,300). According to the BEA’s definition and counting methodology, employment for an acquired entity that operated in multiple states is attributed to the state in which it had the greatest number of employees. California, Texas, and Arizona are all states with a high concentration of Latino and Caribbean populations.

Country Groups or Countries Investing in the US

The US is an attractive FDI destination for many reasons. It has a large consumer base, perhaps the largest in terms of purchasing power. It is also endowed with a highly productive labor force that includes an enormous supply of highly skilled labor from other parts of the world, including LAC. Furthermore, the US business environment encourages innovation (catalyst for research and development) and provides legal protection of property, which is founded on the rule of law. These factors incentivize foreign firms to invest regularly in the US by establishing new operations, purchasing existing operations, or providing additional capital to their existing US operations.

The BEA, which monitors investment flows, gives a more detailed view of expenditures by foreign direct investors from different countries to acquire, establish, or expand US businesses. Based on the cumulative totals of investments shown by BEA during 2014–2020, the ranking by the magnitude of investment is as follows: Europe, Canada, Asia Pacific, and LAC (see figure 17).
Recipient Sectors in the U.S. of Foreign Investment

Since 2014, FDI inflows to manufacturing have fluctuated considerably. The peak was in 2015, with an investment of over US$290 billion for chemical manufacturing, as noted earlier. By 2020, manufacturing investments dropped to US$63.3 billion, and the largest expenditures were in chemical manufacturing (approximately US$26.9 billion) and computers and electronic products (US$14.8 billion). Other noteworthy expenditures included information technology (US$17.4 billion) with a primary emphasis on telecommunications development (BEA, 2021).

Remarkably, the trade sector, encompassing retail and wholesale activities, had the lowest level of FDI inflows throughout 2014-2020. Foreign investments in both services and other sectors have declined sharply and now constitute about a quarter of their levels in 2016. This could partly be due to the declines in 2020 brought about by the pandemic.

Outflows from the U.S. to Other Countries

Between 2016 and 2019, the bulk of US investments overseas went to Europe, which received almost 60% of the total. The next big recipient, LAC, received a relatively smaller share: around 16.5% of outflows from the US. The total value of the FDI from the US to LAC during this period was substantial: US$4,737 billion (see figure 20).

It is particularly interesting to note where this US$4,737 billion was invested in LAC. During the years mentioned above, about US$675 billion ended up in South America. The largest recipients were Brazil and Chile (see figure 21), and Argentina received roughly 9% of the total investment.
In the same period, almost 90% of the US$552 billion received by Mexico and Central America combined from US sources went to Mexico alone (see figure 22).

The BEA data for 2015–2019 shows US FDI to a number of Caribbean countries: Barbados, Bermuda, Dominican Republic, British Virgin Islands, Cayman Island, Monserrat, Turks and Caicos Islands, and other British territories. In 2015–2019, this group of countries received a substantial inflow of US investments amounting to over US$3,500 billion.

The largest share of US investment funds went to Bermuda (46%) and British Islands (British Virgin Islands, Cayman Islands, Turks and Caicos; 42%). These islands are known offshore financial centers; therefore these flows likely represent financial activities. In contrast, flows to other destinations may be related to direct acquisition, establishment, or expansion of businesses in the different localities.

Additional FDI Information

Based on data from SelectUSA, a government agency specializing in investment analysis under the US Department of Commerce, key quantitative indicators for FDI are summarized for several LAC countries below. The summary table shows outflows of investments for each listed country (which are inflows to the US) and inflows (which are outflows from the US to the country concerned).

The most significant investments in the US in terms of stock levels have come from Brazil and Mexico. These two countries have received equally high US investments, equivalent to almost double the amount they invested in the US.

The SelectUSA Factsheets contain useful information on many aspects of inflows of FDI to the US. For example, the factsheet for Colombia provides the following information:

- 6,000: number of workers employed by US affiliates of majority Colombian-owned firms in 2019.
US$15.0 million: value of goods exports by majority Colombian-owned firms operating in the US in 2019.

Top 6 sectors in which Colombian FDI is concentrated: transportation, software and IT services, business services, plastics, food and beverages, renewable energy.

Based on this data, software and IT services, business services, and financial services are among the top sectors where LAC companies are investing in the US market. With their highly skilled labor forces, most LAC countries are well-positioned to invest in the US.

**Table 4: Sectors of Concentration of FDI in LAC, by Country**

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<td>Pharmaceuticals</td>
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<td>X</td>
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</tbody>
</table>

Source: SelectUSA Factsheets

FDI Analysis

Globally, FDI is a crucial component of economic development, particularly during crises. Historically, FDI has been important as a source of external financing in LAC. It is also critical as it generates foreign exchange and supports employment, exports, linkages with local companies, and allows for knowledge and technology transfers (Granados and Arias, 2020). Indeed, FDI entails a number of benefits as it is resilient in times of crisis in both the host country and the countries of origin.

While certain sectors were hard hit by the Covid-19 pandemic, several promising ones have emerged. E-commerce, digital technology, cybersecurity, biotechnology, healthcare, telemedicine, and renewable energy have been resilient (Granados and Arias, 2020). ECLAC has identified eight sectors around which sustainability is centered: the transition to renewable energy, sustainable electromobility in cities, the inclusive digital revolution, the health manufacturing industry, the bioeconomy, the care economy, the circular economy, and sustainable tourism (ECLAC, 2021). Given the complexity of the challenge, the organization advocates channeling FDI toward activities that “generate greater productivity, and innovation and technology” in these eight sectors. For this reason, ECLAC recommends that policies to attract foreign capital be adopted by both the private and public sectors as part of their engagement in the region.

In LAC, it is clear that US FDI abroad is largely dominated by big corporations and is directed toward relatively large countries and sectors where returns are high. However, there is a case for promoting investment in countries and sectors where operations would target SMEs. This is particularly relevant for island economies in the Caribbean. These operations can be initiated at the state level where the population is predominantly of Latino and Caribbean origin, and nearby geographically as well. Such operations involve incentives for residents to pursue entrepreneurial activities that promote the provision of goods and services to their countries of origin as migrants or to which they have ancestral linkage.

A World Bank study in 2013 stated that in the Caribbean, “the diaspora is an untapped potential resource for economic development.” It went on to state that if managed properly, the diaspora could be a major force for fostering the development of the Caribbean region. As the demographics chapter revealed, there is a considerable Latino and Caribbean diaspora in the US. With adequate incentives, the enormous potential of this diaspora could be unleashed for the benefit of both immigrants’ countries of origin and the US.
Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region

LAC’s recovery from the pandemic offers an opportunity for it to forge closer investment and trade ties with the US. Within the last decade, China has become an important player throughout LAC. Chinese investments have generally been in specific sectors such as mining, energy, and transportation infrastructure, such that China has been a significant trade and investment partner in LAC. Given the growth of the Latino and Caribbean diaspora, there is potential for the community to fuel greater investment in trade, commerce, and connectivity. Given LAC’s proximity to the US and the growing US population with ties to LAC, it is a natural progression of ascendence of the Latino and Caribbean community in the US.

The Potential Of Diaspora Direct (DDI) Investment

The impact of DDI on international development has been widely recognized. Given their ties to home countries and their familiarity with local culture and networks, members of the LAC diaspora are more likely to engage and invest capital in the region. These activities occur through a variety of interactions, such as savings (current accounts, investment funds, pensions, and health), investments (real estate and productive activities), human capital transfer, donations, nostalgia trade, and tourism (medical or recreational). These flows into countries exemplify the opportunities posed by diaspora communities. Given the growing Latino and Caribbean community in the US, there are possibilities to support the diaspora’s engagement in all types of activities, including business, commercial ventures, and trade in their home countries. This type of engagement is often the catalyst that sparks interest in LAC and fuels investment by those outside the diaspora community.

An excellent example of diaspora investment is highlighted in a recent study by the International Fund for Agricultural Development (IFAD) and ECLAC, “Challenges and Opportunities for the Salvadoran Diaspora to Invest in Its Country of Origin.” This report reveals that investment is part of the diaspora’s productive link with its country of origin and is a way of contributing to economic and social development, particularly in rural areas (IFAD and ECLAC, 2022). It also highlights that fostering investment activities is crucial, as it is not the rule.

Analysis of U.S Latino and Caribbean Diaspora Remittances

Remittances in Latin America and the Caribbean

Before examining the data for remittance flows in 2021, it may be helpful to provide context with global and regional flows over recent periods. For the last two decades, world remittance volumes have increased consistently, except for small declines in 2009 due to the financial crisis of 2008/2009 and the Covid-19 pandemic of 2020. In 2020, remittances reached a level of US$649 billion, which was a marginal decline from 2019 (see figure 25). This is in sharp contrast to the behavior of cross-border investment flows, which were relatively more volatile.

The importance of growing remittance flows to LAC is demonstrated by a comparison with the flow of official development assistance (ODA), shown in figure 24.

During the past decade, ODA flows to all three subregions have steadily declined in relative terms. The observation for the Caribbean for 2016 is an outlier due to relatively high ODA flows to Cuba. This is indicative of private flows outperforming official flows to the respective economies in

Figure 24: Ratio of ODA Flows to Remittances by Subregion (% 2010–2019)

Source: The World Bank, Development Indicators Database, Remittances 2021.
Diaspora Direct Investment: El Salvador

Background

ECLAC and IFAD undertook a joint initiative to design strategies to encourage remittances to be invested productively in value chains, specifically targeting the tomato and green sweet pepper production chain. After a detailed diagnostic study had been conducted and international good practices analyzed, seven strategies were designed. It is important to note that in the study, diaspora investment is defined as an amount independent from family remittances.

The Ministry of the Economy of El Salvador was particularly interested in attracting investment and promoting trade among members of the Salvadoran diaspora, which was considered to be an integral part of the government’s economic and foreign policy (2019–2024). As part of implementing this strategy, ECLAC/IFAD conducted an extensive survey designed to identify challenges and opportunities for fostering diaspora investment in their communities of origin. The questionnaire collected data on six main topics: (a) sociodemographic characteristics; (b) patterns of economic and financial inclusion; (c) savings and investment; (d) remittances; (e) philanthropy (donations); and (f) linkages of other kinds. These are along the same lines as the survey conducted by the IDB for this study.

The ECLAC/IFAD survey covered an almost equal number of men and women in the three localities in the US and identified 2.2 dependents in El Salvador, on average. Most of the Salvadoran diaspora in the US had a middle education, and nearly 28% had a university degree. Most Salvadorans were engaged in service-related activities (recreation, accommodation and food preparation, health, education, and social assistance) and construction.

Intention to return

Almost 50% of the respondents to the survey said they intended to return to El Salvador in the coming two years to retire and set up businesses. This turned out to be a key motivating factor for investing in the country.

Income

The mean annual income of the Salvadorans in the surveyed cities of Los Angeles, Houston, and Washington was US$50,565. Most investors were in the employer group, who had higher incomes than the employee group. Most employers had fewer than ten employees and are thus small enterprises. In terms of gender disparities in income, Salvadoran men’s annual income was 1.7 times higher than that of Salvadoran women.

Saving and other financial products

Turning to financial asset accumulation (and the corresponding ability to invest), it was discovered that seven out of ten Salvadorans in the diaspora save. Nearly 74% held a financial product or service in the US, while only 15% did so in El Salvador. The main financial products used by Salvadorans were savings or checking accounts, property insurance, and consumer credit. Their use of financial products and services in their country of origin was found to be somewhat limited. Furthermore, only three out of ten Salvadorans in the diaspora said they had invested in the last year. This clearly indicates the magnitude of the challenge of encouraging the diaspora to invest more in their home country. As might be expected, the employer group invested more than employees, on average.

Six out of ten respondents stated that they would like to invest in productive projects in El Salvador, particularly in the sale and purchase of real estate and in services preparing food and beverages. Among the respondents, 54% said they would prefer to invest in a small enterprise, while 25% would choose to invest in real estate. Women were more willing to invest in El Salvador than men (53.6% vs. 46.3%).

Barriers to investment

The key impediments identified by the respondents to the survey were insufficient funds, lack of information on how to invest in El Salvador, lack of confidence in Salvadoran institutions, not having someone they trust to manage the investment in El Salvador, excessive formalities and requirements, and lack of government support.

Focus groups that included diaspora members who had a variety of investments in El Salvador made it possible to validate the survey results and further develop the main findings. Some 15 focus groups were organized, which were attended by 99 members of the diaspora. The focus group participants cited the following difficulties in using financial products and services in El Salvador: complexity and delay in procedures and requirements (legal proxy, financial transfers, opening of accounts, acquisition of housing), extra charges, higher commissions, and interest rates in the country of origin; lack of information and the absence of agreements between banks in El Salvador and those in the US.

Results

ECLAC/IFAD presented the Government of El Salvador with a set of strategies to foster diaspora investment. To select and validate the strategies, the government formed an interagency team consisting of representatives from the Ministry of the Economy, the Trade and Investment Secretariat (SIC), the Presidential Commissioner for Strategic Projects (CPPE), the Export and Investment Promotion Agency (PROESA), the Central Reserve Bank (BCR), the Development Bank of El Salvador (BANDESAL), and the Ministry of Foreign Affairs (MRE). In working sessions, they selected and validated the following four strategies:

- Increase diaspora access to and the use of financial products in El Salvador
- Increase trade and investment flows from the diaspora to El Salvador
- Facilitate the entry of donations from the diaspora to El Salvador
- Improve governance in support of the Salvadoran diaspora

The study goes into great details on how to implement the above strategies. In sum, the ECLAC/IFAD study was an excellent example of a detailed road map on the mobilization and use of the diaspora for investment in a given country. Since diaspora activities are not normally tracked in official statistics, the selected survey methodology is an excellent approach to identifying and promoting diaspora investments.
each subgroup. In other words, private citizens working overseas have taken over a significant portion of the burden of financing development in their countries of origin (“home” countries). Another significant private flow is FDI: that is, the foreign corporate community trying to help a given country by investing resources. There is also a motivational difference between the two flows. FDI is almost exclusively based on obtaining the highest possible rate of return for the investor. In contrast, private remittances are not motivated by profit but are instead directed most often to helping families deal with day-to-day living costs. In this sense, remittances sustain consumption levels in the immigrant workers’ home countries and thus aggregate demand there.

Based on the data, it is evident that LAC remittance inflows have also increased over the years, but at a more gradual rate than the global total, more or less in tandem with those of South Asia. Annual growth in remittances to all three subregions in LAC have been more or less stable during the last decade (figure 26).

**Figure 26: Growth of Remittances to LAC Subregions Flows (% 2000–2019)**

In 2016–2020, Central American countries and Mexico received 65% of remittance inflows, while the Caribbean and South American countries received over 13.5 and 21%, respectively (figure 27).

**Figure 27: LAC Remittances by Subregion (% 2016-2020)**

![Image showing remittance flows to LAC subregions](image-url)
The leading destinations in the Caribbean for remittance flows are Haiti and Jamaica, which together received more than 85% of the total remittances to the subregion (figure 28).

Figure 28: Remittances to the Caribbean by Country (%)

With its large labor force working in the US and Canada, Mexico accounted for more than 63% of the remittances to Central America. Guatemala accounted for a further 17% (figure 29).

Figure 29: Remittances to Central America by Country (%, 2016-2020)

In South America, the largest share of remittances went to Colombia (38%). Brazil, Ecuador, and Peru each received 18% of total inflows to the subregion (figure 30).

Figure 30: Remittances to South America by Country (%, 2016-2020)

Source: The World Bank, Development Indicators Database, Remittances 2021.

Remittance inflows have a significant effect on the domestic activity of receiving countries, either directly or indirectly. The World Bank’s database has reported an indicator measuring the ratio of remittances to GDP. Based on the detailed country-specific data, the average remittance ratios for LAC in 2000–2020 are shown in figure 31.

Figure 31: Remittances Inflows to LAC (% of GDP, 2000–2020)

Source: The World Bank, Development Indicators Database, Remittances 2021.
For the last two decades, the Central American countries and Mexico have had the highest remittance/GDP ratios. One of the explanations for this is that in absolute terms, Central America has regularly received amounts 4.5 times greater than the Caribbean countries and 3 times greater than the South American countries. Most of this difference is accounted for by El Salvador and Guatemala (figure 32).

**Figure 32: Remittances to El Salvador and Guatemala (% of GDP, 2000–2020)**

![Remittances to El Salvador and Guatemala](image)

Source: The World Bank, Development Indicators Database, Remittances 2021.

For example, El Salvador’s remittances/GDP ratio in 2020 was over 24%, while Guatemala’s was nearly 15%. The benefits of a high remittances/GDP ratio are also associated with some costs. High ratios make a remittance-receiving country vulnerable to fluctuations in flows due to both foreseen and unforeseen events in the country where emigrants from it are working. Large remittance flows may lead to an appreciation of the real exchange rate in the recipient country, which may make its economy less competitive internationally. That is, an appreciation is likely to encourage imports and discourages exports and lead to a deterioration of the current account balance in the balance of payments.

**The Postpandemic Situation and Prospects for the Near Future**

According to the latest World Bank report, the growth in remittance flows in 2021 was exceptionally strong in LAC. This robust growth was due to economic recovery in the US and additional factors such as migrants’ responses to natural disasters in their countries of origin and remittances sent from home countries to migrants in transit. During the first half of 2021, LAC accounted for 40% of the increased inflows. As a result, for a second year, remittance flows to low- and middle-income countries are expected to outstrip total FDI and ODA. Remittance growth was also strong in all other regions of the world. According to the World Bank’s 2021 Report, this development accentuates the importance of remittances in providing a critical lifeline by supporting household spending on essential items such as food, health, and education during economic hardship in the migrants’ countries of origin.

Remittance flows into LAC are expected to reach a new high of US$126 billion in 2021, registering a solid advance of 21.6% compared to 2020. The region’s largest recipient, Mexico, received US$52.7 billion, 42% of the regional total. According to recent World Bank data (Ratha, 2021), the value of remittances as a share of GDP is expected to exceed 20% for three economies:

- El Salvador: 26.2%
- Honduras: 26.6%
- Jamaica: 23.6%

Remittances are expected to be over 15% of GDP for the following countries:

- Guatemala: 18%
- Nicaragua: 15.5%
- Haiti: 15.3%

The robust growth performance in remittances in LAC can be attributed to several key reasons. First, the sharp growth in Mexico’s remittance...
The growth in remittances in 2021 was exceptionally strong in Latin America and the Caribbean.

Receipts appear to be a crucial factor. An increase in migrants in Mexico and other countries seeking entry to the US and the remittances they received to support their living and travel costs appear to be a significant factor behind the increase. According to reports, Mexico experienced 25% growth in inflows during the first nine months of 2021 compared to the same period in 2020. At the same time, Guatemala, the Dominican Republic, and El Salvador experienced more than 30% growth during the first nine months of 2021 in comparison with the same period in 2020 (Ratha, 2021). The adverse effects of Covid-19 and hurricanes Grace and Ida continued to lower remittance flows to Mexico and Central America. Second, recent wage increases in the US enabled migrants to increase remittances to Mexico. Third, the large stimulus enacted by the US government also helped to boost outward remittances. Other contributing factors include a shift from cash to digital transfers and consequently from informal to formal money transfer channels. Movements in commodity prices such as crude oil and exchange rates also affected the volume of remittances.

One important implication of the strong increase in remittances is that they have outpaced ODA and are on equal footing with FDI flows (Ratha, 2021). They have become an important source of consumption-smoothing in recipient countries in times of crisis such as the Covid pandemic. Given the resilience of remittances in the recent past, it is projected that there will be a growth in 2022. Nevertheless, there are several risks that may constrain growth in 2022. Remittances are expected to grow at a slower pace due to the continuing threat of Covid-19 and the worsening global growth outlook in the US. A key constraint is the continuing threat of Covid-19 and the worsening global growth outlook in the US. Remittances flows to the countries of origin will also depend on the control of the pandemic and the extent of the recovery in recipient countries. Growth in remittances will also depend on technological improvements to facilitate smoother and reliable transfers, including improved access to banking facilities. Anti-money laundering and terrorism-related regulations are another roadblock to remittance flows.

Opportunities for Greater Trade and Commercial Linkages with Latin America and the Caribbean Region
Costs of Money Transfers

The cost of money transfers through commercial banks in the US, one of the leading sources of remittances for LAC, remains high. The table below summarizes the fees that banks charge for transferring funds from the US to foreign destinations.

According to the World Bank’s Remittance Prices Worldwide Database, the cost of sending US$200 across international borders continued to be too high, averaging 6.4% of the amount transferred in the first quarter of 2021. This is more than double the Sustainable Development Goal target of 3% by 2030. The data reveals that costs tend to be higher when remittances are sent through banks than through digital channels or money transmitters offering cash-to-cash services.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Cost at Origin</th>
<th>Receiving Cost at Destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>Up to US$45</td>
<td>Up to US$16</td>
</tr>
<tr>
<td>Chase</td>
<td>Up to US$50</td>
<td>Up to US$15</td>
</tr>
<tr>
<td>City</td>
<td>Up to US$35</td>
<td>Up to US$15</td>
</tr>
<tr>
<td>Fidelity</td>
<td>3% of forex amount</td>
<td>No charge</td>
</tr>
<tr>
<td>PNC</td>
<td>Up to US$45</td>
<td>Up to US$15</td>
</tr>
<tr>
<td>USAA</td>
<td>Up to US$46</td>
<td>No charge</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>Varies</td>
<td>Up to US$16</td>
</tr>
</tbody>
</table>


Other agencies, such as Western Union, charge relatively lower fees. However, there are restrictions that hinder easy transfer. The World Bank regularly monitors the cost of money transfers worldwide through its Remittance Prices Worldwide database, which includes both formal and informal transfers.

The following table contains an extract of the latest available data from the World Bank Remittances Prices Worldwide database.

<table>
<thead>
<tr>
<th>Agency</th>
<th>2019Q3</th>
<th>2019Q4</th>
<th>2020Q1</th>
<th>2020Q2</th>
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<th>2020Q4</th>
<th>2021Q1</th>
<th>2021Q2</th>
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</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>7.24</td>
<td>7.07</td>
<td>7.13</td>
<td>6.96</td>
<td>7.05</td>
<td>6.86</td>
<td>6.74</td>
<td>6.24</td>
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<tr>
<td>Latin America and Caribbean</td>
<td>5.92</td>
<td>6.07</td>
<td>5.97</td>
<td>5.77</td>
<td>5.83</td>
<td>5.56</td>
<td>5.51</td>
<td>5.58</td>
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<tr>
<td>Middle East and North Africa</td>
<td>6.76</td>
<td>6.91</td>
<td>7.00</td>
<td>7.17</td>
<td>7.51</td>
<td>6.58</td>
<td>6.31</td>
<td>6.22</td>
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<tr>
<td>South Asia</td>
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<td>4.90</td>
<td>4.95</td>
<td>4.92</td>
<td>4.98</td>
<td>4.88</td>
<td>4.64</td>
<td>4.30</td>
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<td>Sub-Saharan Africa</td>
<td>9.01</td>
<td>9.10</td>
<td>8.90</td>
<td>8.71</td>
<td>8.47</td>
<td>8.19</td>
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<td>7.27</td>
</tr>
<tr>
<td>ECA excluding Russia</td>
<td>6.98</td>
<td>6.94</td>
<td>6.88</td>
<td>6.61</td>
<td>6.86</td>
<td>6.71</td>
<td>6.92</td>
<td>6.45</td>
</tr>
</tbody>
</table>


In LAC, average money transfer costs were lower than in most other groups of countries both before and after the pandemic. The highest fees rates were recorded for Sub-Saharan Africa. The costs for LAC are comparable with those of South Asia, which is a high-volume remittance destination.
New business models are driving rapid changes in the cross-border payments industry. The emergence of fintech has brought with it lower fees and fastest digital transactions, which is important for remittances in particular. Additionally, the pandemic has accelerated business use of global resources as a heated job market plus simple technology solutions have facilitated this new type of knowledge trade between the U.S. and Latin American countries.

Innovative technologies are the best way to mitigate the potential risks associated with these industries, cross-border payment, and international KYC. A fintech-driven approach is much more efficient and effective, allowing U.S. banks and financial institutions to serve these specific needs (such as remittances or international payroll) of particular market participants (migrants, MSBs, hiring companies, skilled professionals, and banks).”

Rogelio Cardozo
CEO
ItalBank International
Rise in Remittance Startups

Traditionally, banks have been the main source for international payments and transfers. Historically lacking competition in the sector, banks were able to manage and handle all administrative issues for profit. The emergence of new technologies and neobanks has revolutionized the industry. These have provided new solutions to the problems that have long plagued remittances, such as high costs, unfavorable exchange rates, long transaction times, and the lack of transparency.

Today, new financial technology (fintech) and money transfer operators (MTOs) attract most customers and SMEs in the remittance space who transfer smaller amounts of money. By deploying pioneering technologies and user-friendly apps, they offer better rates, transfer times, and services. As a result, fintechs are meeting consumer demands. According to London-based fintech Wise (formerly Transferwise), the company saves its users US$1 billion a year in transaction fees compared to legacy bank cross-border payment methods. To provide their services, fintechs rely either on alternative cross-border payment rails that are independent from traditional bank networks or allow users to connect to legacy banks more easily.

The size of the market and its growth are still appealing to newcomers. With a CAGR of 5% per year, the global cross-border payment flow is expected to top US$156 billion by 2022. According to Tech Times, 66.6% of industry experts expect remittances and international payments to be one of the fastest-growing fintech sectors in the next few years. Newcomers are increasingly competing to occupy the specialized niche, and incumbents are ever-more willing to modernize their remittance services (Thompson, 2021).

The implementation of technology for remittance flows has brought the following benefits:

1. Costs are getting lower: exchange rates and fees for transactions have been gradually improving as a result of healthier competition among new MTOs.
2. Real-time cross-border transfers: transfer times are a key differentiator for customers, so new transfer services are reducing them, although they are still dependent on a variety of factors, including currencies, countries, and correspondent banks.
3. Transparency: fintechs and MTOs offer transparency to users.
4. Block-chain-based cross-border payments: there is a developing market for disruptive technology such as blockchain solutions in the cross-border payment segment, as this brings faster processing times and lower costs.

Overall, the remittance industry is central to advancing sustainable development in low-to middle-income countries. Often, it is the stepping-stone financial product used by people in developing countries that provides access to a broader range of financial services. Many analysts have noted a positive correlation between increased remittances and formal deposits and credits, which are economic drivers. These experts also view remittances as a cornerstone of financial inclusion and health (Thompson, 2021).

Select Regional Remittance Fintechs

The demand for remittance is leading to a boom in tech-based financial services like digital wallets and online transfers. These cut costs for senders since traditional remittance services can have fees upward of 5%, and transfers are often slow. A significant number of remittance fintech startups are in Latin America: the following section lists some noteworthy examples.

Remessa Online

Since its launch in 2016, Remessa Online has provided a pipeline for over US$2 billion worth of international transfers for Brazilian SMEs. The company now boasts over 300,000 customers from 100 countries and says its fees are typically one-eighth the cost of the local money transfer options (Shieber, 2021).

Arcus (Regalii)

Arcus, previously Regalii, was co-founded by Dominican immigrant and entrepreneur Edrizio De La Cruz in 2012. Informed by his experience as an immigrant in the US, Edrizio and his co-founders launched the company to address concerns he experienced with traditional cash remittances. Mastercard has since acquired the company, which is now a white-label API that enables customers to pay all their bills on a single platform in real-time. The company aggregates bills and provides a central record for cards, addresses, and settings. Arcus is present in 11 countries and works with over 30 of the world’s leading remittance companies, banks, and mobile wallets.

Other Latin American Fintech Startups

Some 158 startups are competing to capture up to 30% of the Mexican banking market in the next decade, which is valued at more than US$30 billion. Brazil has the second-largest number of startups (330), followed by Colombia with 77, and Chile with 56.
We are from Uruguay, which we are extremely proud of, but our market is global. The U.S. is the most mature capital market and we believe the transparency that this market brings is the right opportunity for DLocal.”

Uruguay’s first unicorn, dLocal, which enables cross-border payments for merchants in emerging markets, launched a program with Amazon allowing non-domestic merchants for the first time to sell their products through Amazon’s on-line store in Brazil. The company is among Fast Company’s 2022 list of Most Innovative Companies in Latin America leading the way to improve trade, transactions, education, and more.

Sebastian Kanovich
CEO
dLocal
City Case Studies: Houston

Strategic Position

As the fourth-largest city in the US, Houston is one of the fastest-growing in the country, with a diverse population and a strategic location in the state of Texas. Situated in Southeast Texas near Galveston Bay and the Gulf of Mexico, Houston is close to LAC. Over the last few decades, the city has undergone tremendous growth, including an expansion of its Latino and Caribbean population, which is helping fuel Houston’s economic vitality.

Houston is a large and vibrant metropolitan city. At 655 square miles, Houston is larger than Chicago, Dallas, Los Angeles, New York, Phoenix, and San Diego (Greater Houston Partnership, 2021). The Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA) contains nine counties: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller. It is important to note that 47% of Texas Latinos live in the state’s five biggest counties—Harris, Bexar, Dallas, Tarrant, and Travis. Harris County covers 1,778 square miles, making it larger than Boston, Chicago, Dallas, New York City, and Seattle.

Houston is widely recognized as the “energy capital” of the world. Houston’s Texas Medical Center is well-known for being the world’s largest medical complex by the number of hospitals, physicians, square footage, and patients (Greater Houston Partnership, 2021). Previously well-known as the location of the NASA Space Center, Houston is now a rapidly emerging center for innovation and an economically burgeoning city. In fact, the metro Houston area has the third-largest number of Fortune 500 companies in the US. A thriving international city, Houston’s ties stretch to all corners of the world. The region’s geographic location makes it ideal for international business, commerce, and trade. With one of the largest ports in the country and two international airports, Houston has global connectivity, particularly with LAC.

Migration Flows

The Latino population in Houston continues to increase as more migrants from Latin America arrive. From 2010 to 2018, Houston gained 1.2 million new residents, a 17% increase, one of the fastest population growth rates among the 10 most populous US metro areas. This demographic growth is due to the area’s economic strength: the Houston economy was resilient through the 2008/2009 financial crisis and continues to grow. Most recently, in the aftermath of Hurricane Harvey, the city experienced a boom in construction due to damages incurred by the category 4 storm (Capps, 2018).

From July 1, 2019, to July 1, 2020, the Houston MSA had the third-largest...
Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region

Figure 33: Population Growth, Top Ten US Cities (2010–2020)

Source: Greater Houston Partnership City Insider: City Population Growth 2010–2020

numeric increase in population (91,078) of any US metro area, reflecting 1.3% growth. With a population of 4.7 million in 2020, Harris County is the third-most populous county in the nation. It also had the fifth-highest numeric population increase between July 1, 2019, and July 1, 2020, gaining 29,010 new residents. The city of Houston, the fourth-most populous US city, had a population of 2.3 million on July 1, 2020. Figure 33 illustrates Houston's growth in comparison to other large metropolitical areas.

Houston is an international city, which is reflected in the incredible diversity of its residents. Today, it is home to an estimated 1.6 million immigrants: in other words, one in four of Houston’s 7.1 million residents are foreign-born. Immigrants span a broad range from highly skilled professionals to working families. For this reason, the Rice University Kinder Institute for Urban Research described Greater Houston in one of its reports as “one of the most ethnically and culturally diverse metropolitan areas in the country” (Klineberg, 2018). This diversity has been fueled by large waves of Latino and Asian immigrants. As a result of the city’s relatively low cost of living, robust job market, and role as a hub for refugee resettlement, Houston has witnessed rapid expansion over the decades.

The city also has one of the youngest populations in the US. Houston’s population includes 1.1 million millennials (adults between the ages of 24 and 35). The number of young adults in that age group has grown 25% in the last decade (Greater Houston Partnership, 2021).

Latin and Caribbean Diaspora Flows

While there are many nationalities and languages in Houston, today, Latinos are spurring the Houston MSA’s growth and are part of the larger story of the community’s advancing role in the state of Texas. According to the US Census Bureau’s 2019 American Community Survey, Latinos comprise 38% of the state’s population. Of the foreign-born population of the Houston area, 62.4% are from Latin America (which is also the top region of origin), 25.5% from Asia, 6.9% from Africa, and 4.0% from Europe.

Mexico is the top origin country for immigrants in Houston, but several other countries are also contributing to the Latino population. Among the fastest-growing immigrant populations from LAC are Cubans and Venezuelans, two groups that include a substantial number of asylum seekers. Central America represents another important region of origin for the Houston area, one that has seen substantial increases, particularly from El Salvador, Guatemala, and Honduras. In 2017, immigrants from Mexico and Central America accounted for slightly more than half of the Houston area’s foreign-born population.

Texas is the state with the largest absolute Latino population growth in the last decade, gaining almost 2 million more Latino residents than in 2010. As a result, the number of Latinos in the state is now nearly the same amount as non-Latino whites in the state. Traditionally, Mexican Americans were the largest Latino group, some of whom have been in Texas longer than it has been a state. The demographics began shifting in 2000, and in the last two decades an inflow of Salvadorans, Puerto Ricans, and Cubans have added to the diversity of the Texan Latino community.

Houston has not been excluded from the larger demographic trends in the state. Indeed, the state has a sizable Venezuelan community, which is the fastest-growing Latino group in the US in the last decade (Noe-Bustamante and Krogstad, 2021). According to the Migration Policy Institute, more than 23,000 Venezuelan immigrants have settled in the Houston area since 2010. It is now the second-largest Venezuelan community in the US,
behind that of the South Florida metro area. The Houston suburb of Katy has received so many Venezuelan immigrants that locals have dubbed it “Katy-zuela” (Feliciano and Green, 2019). Venezuelans are driving the economic growth of suburbs such as Katy.

It is interesting to note the number of people born in each of Houston’s top trading partners that reside in the Houston metro area:

- Mexico: more than 590,000 people
- Colombia: around 29,500 people (and approximately 105,929 in Texas)
- Brazil: more than 7,700 people
- Chile: more than 2,300 people

Together, these immigrants are changing the dynamics of a rapidly growing city and are at the forefront of driving trade and business between Houston and LAC.

### Trade Flows

As a city, Houston is one of the largest international trading hubs, and more of the Houston region’s economy is tied to exports than any other metro area in the US. Houston is the epicenter for the international oil and gas exploration and production industry and some of the nation’s largest international engineering and construction firms. Houston also is a leader in the international finance industry, and is home to 16 foreign banks from nine nations.

The Houston region’s economy has deep ties to global trade and foreign investment. The Houston region has trading relationships with 200 countries, and the combined trade (imports and exports) for 37 of those countries exceeds US$1 billion annually (Greater Houston Partnership, 2021). The Port of Houston is first in the US in total tonnage of imports and exports, and drives US$802 billion in annual national economic value and supports more than 3 million US jobs (Port of Houston, 2020).

According to WISERTrade, the Houston/Galveston Customs District handled 266.6 million metric tons in exports valued at US$129.5 billion in 2020. These exports accounted for 65.8% of the value of total trade that passed through the region in 2020; a 21-point increase from 44.5% in 2011. In 2020, Latin American imports to Houston totaled US$14.45 billion and comprised 21.4% of the global total for Houston. Meanwhile, exports from Houston to LAC were US$40.2 billion and comprised 31.0% of the total, which was just behind Asia (32.0%).

The top countries in the Americas that trade with Houston are as follows:

- Mexico: $23.2 billion annually
- Brazil: $13.3 billion annually
- Colombia: $5.3 billion annually
- Chile: $3.4 billion annually

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**Spotlight**

**Mexico Trade, Business Ties**

Mexico is Houston’s second-largest international trade partner, and the Houston-Galveston Customs District is the fifth-busiest gateway for US-Mexican trade. From 2011 to 2020, trade between Houston and Mexico averaged US$23.2 billion annually, ranging from US$31.4 billion in 2011 to US$14.5 billion in 2020. The latter was a 10-year low, representing a decrease of 33.1% from US$21.7 billion in 2019, largely due to a decline in the import and export of fuels, crude oil, and refined products.

**Main exports from Mexico to Houston:**
- Mineral fuels, oil, and refined products
- Articles of iron or steel
- Organic chemicals
- Miscellaneous industrial components, equipment, and parts
- Beverages, spirits, and vinegar
- Motor vehicles and parts
- Electrical machinery, equipment, and parts
- Iron and steel
- Salt, sulfur, stone, lime, and cement plaster
- Aluminum and aluminum products

**Main exports from Houston to Mexico:**
- Mineral fuels, oil, and refined products
- Organic chemicals
- Cereals
- Beverages, spirits, and vinegar
- Inorganic chemicals, rare earths, and precious metals
- Iron and steel
- Industrial equipment and computers
- Plastics and plastic products
- Miscellaneous chemical products
- Animal or vegetable fats, oils, and waxes

**Business Ties**
- Some 8 Mexican firms operate 21 subsidiaries in the Houston area, including Avant Energy, Banorte-IXE Securities, CEMEX USA, Mission Foods, and Interceramic Tile & Stone Gallery.
- Some 38 Houston firms operate 109 subsidiary locations in Mexico, including the American Bureau of Shipping, Crane Worldwide Logistics, Halliburton, Kinder Morgan, and Schlumberger.
- Of Houston’s 16 foreign-owned banks, one is from Mexico: BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Fin.
- Tampico, Mexico, was designated one of Houston’s 18 international sister cities in 2003.

**Air Cargo Trade**
- Houston is the 14th-busiest gateway for US-Mexico air cargo trade (by weight).
- Air cargo trade between Houston and Mexico totaled 547.5 metric tons in 2020, a 7.6% decrease over 2019. It was valued at US$118.6 million in 2020, a 4.1% decline over 2019.
- In 2020, the top three commodities by weight were miscellaneous industrial components, equipment, and parts; electrical machinery, equipment, and parts; industrial equipment and computers, accounting for 60.1% of total air cargo trade.
There is a significant amount of business, trade, and commerce interest in Houston and Austin, in recent years. In particular, many Mexican firms are seeking partnerships and business ties with their U.S. counterparts in South Texas. Beyond Austin, which has become very popular as an up-and-coming tech city in the U.S., Houston is a city that strategically has much to offer in terms of its geographic location, trade infrastructure, and human capital. Latin American firms from across the region are taking notice and it is evident in recent events and activities.

Yelena Ioffee
Entrepreneur-in-Residence and Program Director, Liu Idea Lab for Innovation & Entrepreneurship, Rice University
Brazil

The Houston-Galveston Customs District is the second-busiest gateway for US-Brazilian trade, and Brazil is Houston’s third-largest international trading partner. From 2011 to 2020, trade between Houston and Brazil averaged US$13.3 billion annually and was valued at US$11.9 billion in 2020. Like trade with Mexico, Houston-Brazilian trade fluctuated over the past decade, from US$15.6 billion in 2011 to US$11.9 billion in 2020, driven by changes in exports of fuels and refined products.

Business Ties

- Some 42 Houston firms operate 108 subsidiary locations in Brazil, including the American Bureau of Shipping, Anadarko, Halliburton, NOV, and Schlumberger.
- Some 8 Brazilian firms operate 14 subsidiaries in the Houston area, including Braskem America, Oxiteno, Petrobras, SMAR International, and WEG Electric Corp.

Air Cargo Trade

- Houston is the fifth-busiest gateway for US-Brazil air cargo trade (by weight).
- Air cargo trade between Houston and Brazil totaled 4,798.1 metric tons in 2020, a 10.9% decline over 2019, and was valued at US$397.1 million in 2020, a 29.0% decline over 2019.
- In 2020, the top three commodities by weight were industrial equipment and computers, iron and steel, and electrical machinery, equipment, and parts, accounting for 51.2% of the total air cargo trade.

Colombia

The Houston-Galveston Customs District is the second-busiest gateway for US-Colombian trade and Colombia is Houston’s 11th-largest international trade partner. Trade between Houston and Colombia averaged US$8.0 billion annually from 2011 to 2020, when it was valued at US$5.3 billion.

Houston-Colombia trade declined from US$10.5 billion in 2011 to US$5.3 billion in 2020. It dropped in 2016 to US$5.0 billion, and decreased by 24.3% from 2019 to 2020, largely due to a decline in imports fuels, crude oil, and refined products.

Business Ties

- Some 19 Houston firms operate 40 subsidiary locations in Colombia, including the American Bureau of Shipping, Crane Worldwide Logistics, Halliburton, Huntsman, and Schlumberger.

Air Cargo Trade

- Houston is the 10th-busiest gateway for US-Colombia air cargo trade (by weight).
- Air cargo trade between Houston and Colombia totaled 237.5 metric tons in 2020, a 40.6% decrease over 2019. It was valued at US$19.0 million in 2020, a 19.4% decline compared to the previous year.
- In 2020, the top three commodities by weight were industrial equipment and computers; miscellaneous industrial components, equipment, and parts; and iron and steel, accounting for 72.3% of total air cargo trade.
Chile

The Houston-Galveston Customs District is the second-busiest gateway for US-Chile trade, and Chile is Houston’s third-largest South American trade partner. Trade between Houston and Chile averaged US$4.1 billion annually from 2011 to 2020, and stood at US$3.4 billion in 2020.

Houston-Chile trade fluctuated from US$4.8 billion in 2011 to US$3.4 billion in 2020, hitting a low point in 2016, when it totaled only US$2.6 billion. After recovering, trade decreased again, dropping 11.6% from US$3.8 billion in 2019 to US$3.4 billion in 2020. The decrease was largely due to a decline in fuels, crude oil, and refined product exports.

Business Ties

- Seven Houston firms operate eight subsidiaries in Chile, including the American Bureau of Shipping, Exterran Corporation, Occidental Petroleum, Target Hospitality, and UTC Overseas.
- One Chilean firm operates a subsidiary in Houston, CSAV Agency LLC.
- Trade and cultural relationships with Chile are facilitated in Houston through the Consul General of Chile, the Institute of Hispanic Culture of Houston, Casa Chilena, and ProChile, as well as numerous festivals.

Air Cargo Trade

- Houston is the fifth-busiest gateway for US-Chile air cargo trade (by weight).
- Air cargo trade between Houston and Chile totaled 3,840.8 metric tons in 2020, a 29.4% decrease over 2019. It was valued at US$86.5 million in 2020, a 22.4% decline over 2019.
- In 2020, the top three commodities by weight were fish, crustaceans, and aquatic invertebrates; industrial equipment and computers; and edible vegetables, roots, and tubers, which together accounted for 88.7% of total air cargo trade.

Investment Flows

Not only is Houston a hub for the energy, chemical, and healthcare industry, but it also has a developing tech sector with the 11th-largest workforce in the US. The city is home to 9,290 tech-related firms, and in 2019 the industry contributed US$29.2 billion to the Houston region’s GDP.

The thriving tech sector is also attracting VC funding: Houston tech firms received US$2.7 billion from 2016 to 2020. In 2020, Houston startups raised a record US$753 million in funding (Greater Houston Partnership, 2021). In 2020, the most heavily invested sector for VC funding in Houston was healthcare, which received US$323.9 million across 53 deals. Information technology was second, raising US$203.7 million across 29 deals. On average, Houston startups have closed 156 VC deals per year since 2016. Houston-based institutional investors have at least US$300 billion under management. This includes wealth managers, VC and private equity firms, foundations, pensions, endowments, and investment banks.

Since the founding of Houston Exponential (HX), a nonprofit organization to accelerate Houston’s innovation ecosystem, the startup scene has bloomed. In 2017, the HX Venture Fund, a US$50 million fund, caught the attention of Limited Partners, which has made several investments in leading funds across the country. This VC activity has spurred interest in Houston’s startup ecosystem and has been a catalyst for exponential growth. The city is home to at least 53 startup development organizations (SDOs), including nonprofits, incubators/accelerators, coworking spaces, and makerspaces. In a sign of the ecosystem’s frenzied growth over the past few years, more than 30 SDOs have either opened or announced plans to open since January 2017.

According to a recent analysis by the Greater Houston Partnership (2021), VC funding has remained strong, with US$373.1 million raised in Q2/21, up from US$166.8 million in Q2/20. Companies raised US$1.26 billion over four quarters ending in Q2/21—a record high. HighRadius, Axiom Space, and Preventice Solutions made up the three largest deals of the past year, accounting for over US$500 million in funding. The findings further underscore the region’s momentum as one of the country’s leading next-generation tech hubs.

Driving this success is a young, diverse, talented work force, which is dominated by Latinos. The Houston region has one of the nation’s highest densities of engineers and corporate and IT workers experienced in designing and managing some of the world’s most complex systems.
Houston Tech by the Numbers

- US$28 billion to the Houston metro GDP (5.8%) in 2020
- 235,000 net tech employment
- 700+ VC-backed tech startups
- US$753 million in total VC in 2020

Latin and Caribbean Business Entrepreneurship Ecosystem

For Latinos and the Caribbean population, the entrepreneurial ecosystem in Houston is very promising. Texas is ranked number one for its support of Latino entrepreneurs and is a state that has 11.7% of Latino-owned businesses (Postman, 2020). According to a recent analysis, Texas has the third-highest percentage of Latino-owned businesses in the country, which employ a combined total of 617,270 workers across the state (Postman, 2020). Additionally, in Texas, Latino-owned businesses have an average of 12 employees.

A recent report ranked Houston 19th among the top 100 emerging ecosystems in the world. Houston offers a well-developed suite of key global industries, including energy, life science, manufacturing, logistics, and aerospace. As these industries digitize, Houston is emerging as a technological hub for startups within these industries. Houston was recently ranked as:

- #11 best city for women: Entrepreneurs (Inc.)
- #6 best city for diversity in STEM: Smart Asset
- #2 best state for Black entrepreneurs: FitSmallBusiness
- #5 for minority-owned startups

Driving this success is a young, diverse, talented workforce as well as entrepreneurs, many of whom are Latinos.

“Latino-owned businesses are a growing force advancing the small business ecosystem in the U.S. In Houston, Latino entrepreneurs are part of a national trend demonstrating that Latino enterprises are not only reshaping the economy but spurring economic recovery following the Covid-19 pandemic. While the pandemic had an impact, many were able to bounce back by adapting and innovating to advance their businesses.”

Yelena Ioffee
Entrepreneur-in-Residence and Program Director, Liu Idea Lab for Innovation & Entrepreneurship, Rice University
City Case Studies: Los Angeles

Strategic Position

Los Angeles is the second-largest city in the US and the largest in California. With a population of 3.8 million, Los Angeles is a sprawling metropolitan area known globally as the entertainment capital of the world. The city is located in Southern California, next to the Pacific Ocean. Today, the Port of Los Angeles handles more volumes of containerized trade than any other port in the world and transfers more containers than any in the Western Hemisphere. It is also North America's largest trade gateway based on volumes and value of trade. In June 2022, Los Angeles was chosen to host the Summit of the Americas as a result of its deep, robust ties to LAC.

Meanwhile, Los Angeles International Airport (LAX) is a key transportation center. In 2020, the Los Angeles US Customs District ranked first among the nation’s 46 districts, with two-way international trade valued at US$428.23 billion. LAX alone was responsible for over US$118 billion in exports and imports. The airport is a major distribution center for air cargo, especially for trading in the Pacific Rim.

With its proximity to Mexico and access to Latin America on the Pacific route, Los Angeles has a close trading relationship with LAC. Meanwhile, Southern California region for the majority of the state’s multibillion-dollar international trade. Several of the largest industrial companies headquartered in the state are located in the greater Los Angeles area. In addition to the entertainment industry, Los Angeles is a leading high-tech center for the electronics, biomedical, computer, and aerospace industries. Several foreign banking institutions are operating in the city, along with US banks engaged in international operations.

Migration Flows

According to the Public Policy Institute of California, the state is home to 11 million immigrants, about a quarter of the foreign-born population nationwide. Approximately one in eight US residents lives in California, making it the nation’s most populous state (Johnson, McGhee, and Cuellar Mejía, 2021). In line with national trends, the 2020 US census reveals that Latinos are the largest ethnic group in the state. The Latino community expanded from 37.6% of the state’s population in 2010 to 39.4% in 2020. At 4.9 million, Los Angeles County has more Latinos than any other US county (Noe-Bustamante and Krogstad, 2021).

LA’s overall population is diverse and multiracial. Los Angeles is home to
people from more than 140 countries speaking 224 different languages. Aside from the Latino community, Los Angeles is home to the largest Filipino and Korean communities in the US. There are also significant Chinese, Japanese, Cambodian, Vietnamese, and Thai communities. The city’s population includes immigrants from Armenia, Bangladesh, Iran, and Ethiopia. However, Latinos are one of the city’s leading influences, and their dynamic presence has transformed the city’s economic, social, and political landscape.

**Latin and Caribbean Diaspora Flows**

According to the 2020 US census, there are approximately 4.9 million Latinos in Los Angeles County. Latinos are the county’s largest ethnic or racial group, comprising 48% of the population. As noted above, this makes it the county with the largest Latino population in the US, followed by Harris County (Houston, Texas) with 2.1 million and Miami-Dade (Florida) with 1.9 million.

Between 2010 and 2020, the population of Los Angeles County grew by 2.5%. California’s Demographic Research Unit estimates that by 2060, the state will have 5.3 million Latin residents, or 54% of the population (Los Angeles Almanac, 2020). According to recent data, 31% of the state’s Latinos reside in Los Angeles Country. Latinos are the largest group in 47 of the 88 incorporated cities in Los Angeles County.

Presently, the vast majority of Los Angeles County’s Latino population are of Mexican heritage, followed by Salvadorans, Guatemalans, Hondurans, and Puerto Ricans. South Americans, Cubans, and Dominicans. The Latino population in Los Angeles has a long-established Mexican American and Central American community, which is spread throughout the city and its metropolitan area. As a result, in Los Angeles, first-, second-, and even third-generation Latinos live and work alongside recent immigrants from LAC. Spanish speakers make up about 39% of Los Angeles’s population, and about half of these residents also speak English very well. In Los Angeles County, around 62% of Latinos over the age of 25 have at least a high school education, and 13% have a bachelor’s degree or higher. The median income for Latinos in the country is US$61,174.+

**Trade Flows**

Los Angeles, known as a manufacturing powerhouse, has the largest twin-port complexes in the Western Hemisphere, processing reportedly more than 40 percent of the goods entering to and from the U.S. Exports LA is known as a manufacturing powerhouse and has the largest twin-port complexes in the Western Hemisphere, reportedly processing more than 40% of the goods entering and leaving the US. Exports are a vital part of the Los Angeles regional economy, with nearly US$29 billion in exports passing through the Port of Los Angeles each year. Due to its large manufacturing base, Southern California has the potential to continue increasing exports to expand into more international markets. The Port of Los Angeles estimates that 85% of manufacturers in California do not export to foreign markets. This poses a clear opportunity for businesses in the US and regional enterprises as they look to expand.

In 2020, California exported US$156.1 billion to 227 foreign economies. In 2020, Mexico continued to be California’s leading export market. Californian exports to Mexico totaled US$24.078 billion in 2020, when exports decreased by 13.9% in comparison to 2019. Mexico purchases 15.4% of all Californian exports—these sales are driven by computers and electronic products, which account for 22.4% of Californian exports to Mexico. Other top categories included transportation equipment, electrical equipment, and nonelectrical machinery (CalChamber Advocacy).

In 2020, there were an estimated 5,018 foreign-owned enterprises (FOEs) operating in Los Angeles County. These firms employ 192,820 and drive nearly US$18 million in estimated wages. Mexico is the state’s 13th-largest trade partner. In California, 472 Mexican firms employ approximately 13,400 workers and contribute US$1.2 billion in estimated wages (World Trade Center Los Angeles, 2021).

**Mexico FOEs by Region**

The leading sectors that Mexican FOEs operate in are financial services, wholesale trade, retail trade, professional and business services, and manufacturing.

**Los Angeles County: 99 firms**
- 3,212 jobs, 24.0% of all FOE jobs
- US$301.0 million in estimated wages

**Southern California: 295 firms**
- 9,291 jobs, 69.3% of all FOE jobs
- US$843.0 million in estimated wages
Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region

Bay Area: 87 firms
- 2,048 jobs, 15.3% of all FOE jobs
- US$207.3 million in estimated wages

Greater California: 90 firms
- 2,061 jobs, 15.4% of all FOE jobs
- US$205.5 million in estimated wages

Investment Flows

With an abundance of international connectivity, Los Angeles County has significant inflows of foreign investment, particularly from European and Asian countries investing heavily in multiple industries within the County. Currently, over 4,500 firms in Los Angeles County are owned or affiliated with foreign-owned parents.

Los Angeles is also on the cutting-edge of several growth industries. The Los Angeles five-county area is also a major tech center, with more than 700,000 people at work in health services/biomedical activities and 190,000 people in aerospace. In mid-2021, Pitchbook and the National Venture Capital Association reported that Los Angeles had record-breaking levels of VC investment. Los Angeles’s 10 largest deals were worth US$100 million or more. In the second quarter of 2021, VC investment for the Los Angeles-Long Beach area totaled US$8.5 million across 365 deals. While Silicon Valley continues to dominate, Los Angeles is gaining momentum: in fact, its VC deal activity in Q2 of 2021 ranked third only behind the Bay Area and New York City in terms of VC activity. At the time of writing, the year-to-date VC investment in Los Angeles-Long Beach totaled US$17.9 billion across 762 deals (Shultz, 2021). The most prominent sectors were aerospace, fintech, energy, and software.

As a result of all this VC activity, Los Angeles has ranked first in the state for access to venture capital and is also the leader in new business starts. In 2021, records were set for deal value, exit value, and capital raised. According to industry analysts, at least one out of every ten venture investment dollars flowed through Los Angeles, which is continuing to demonstrate its newfound strength as a tech hub and is now second only to the Bay Area in total deal value. While New York used to be on par with Silicon Valley in terms of total deal value, this figure has declined by 16.9%, while Los Angeles saw a 38.9% increase (Bergman, 2021).

In L.A., the Latino business community is burgeoning and as it grows there are interests in expanding to Latin America and the Caribbean. We have also seen interest from the LAC region in L.A as a gateway to the U.S. Recently, we were approached by companies from Mexico and El Salvador, which is a recognition that there are thriving communities of Mexicans and El Salvadorians in L.A. There is a tremendous amount of potential for deepening ties between Latino firms and regional companies that we are exploring right now. L.A. is well-positioned with a strong Latino entrepreneurial sector to take advantage of these market opportunities.”

Darrel Sauceda
Chairman of the Board,
Los Angeles Latino Chamber of Commerce
Latin and Caribbean Business Entrepreneurship Ecosystem

Latino-owned businesses are flourishing in California. California is the fifth-most-supportive state for Latino-owned businesses in the US, and Los Angeles County is home to a thriving entrepreneurial environment. Approximately 25% of all the businesses in California are owned by Latinos. Their businesses contribute to over 670,000 jobs across the state. Latinos in the state are part of a larger national trend, which is that they are the fastest-growing group of small business entrepreneurs in the US (Postman, 2020).

Latino entrepreneurs are engaged in various sectors throughout the state, from the Bay Area to Southern California. To advance Latino entrepreneurship in the city, the Los Angeles Latino Chamber of Commerce has been promoting the Avanzar Small Business Accelerator Program. It is a joint initiative for Latino small businesses run in partnership with the US Hispanic Chamber of Commerce and Wells Fargo that recognizes the importance of Latino businesses in Los Angeles and beyond. Small businesses have long been a vehicle for economic success for immigrants: through programs such as Avanzar, Latino business are rebuilding their communities and creating wider economic benefits. A study by the Minority Business Development Agency found that Latino-owned businesses were the primary factor in helping Los Angeles recover from the devastating effects of the financial crisis of 2008/2009 (Minority Business Development Agency, 2020).

Latinas are part of this critical ecosystem in Los Angeles. After all, Latinas are one in every four residents. In keeping with the fast pace of business creation by the community across the country, Latinas are opening businesses from restaurants to consulting firms. These are being supported in the state by the National Latina Business Women Association of Los Angeles and other groups to overcome the income disparity and funding shortfalls encountered by Latinas. These types of initiatives underscore how Latino business owners in Los Angeles and across the US continue to rely on local resources and personal networks for capital and other business support.

The city of L.A. and its agencies are beginning to bring additional focus to small and diversified businesses including Latino-owned. For Latino-owned businesses to succeed these agencies need to continue to revise procurement processes to ensure larger companies are not only including small and diversified businesses on their contract but to also show that they have a plan to mentor and help grow these businesses in terms of resources and revenue. With many Latino-owned businesses in L.A., there is great importance for programs that assist them in the certification process and on how to do business with City agencies. We are seeing more of these types of programs and approaches to take advantage of the growing number of Latino-owned businesses and help level the playing field.”

Ravi Singh
Director
Los Angeles Region
Burns Engineering
City Case Studies: Miami

Strategic Position

Miami, located in Miami-Dade County, is the 44th-largest city in the US. The Miami metropolitan area is the eighth-largest in the nation and encompasses three counties: Miami-Dade, Broward, and Palm Beach, which are the most populous counties in Florida. The cities within these three counties include Miami, Fort Lauderdale, Pembroke Pines, West Palm Beach, Hialeah, Hollywood, and Boca Raton.

Miami is close to LAC and well-recognized as a gateway to the region. It is also a major center for finance, commerce, arts, culture, and international trade. The Miami metro area has the largest urban economy in Florida and a thriving business community, with one of the largest concentrations of international banks and companies in the US. In fact, CityMayors Research ranked Miami in 2018 as the third-richest city in the world and the second-richest city in the US in purchasing power terms (CityMayors, 2018). It is a major US tourist destination, second only to New York. It also has one of the busiest cruise ports in the world in terms of both passenger traffic and cruise lines.

Miami is rapidly becoming a technological hub and an emerging location for startups, crypto, and blockchain industries. This process has been accelerated by recent policy, business, and investment initiatives. As the city undergoes dynamic growth, it has a distinct advantage given its multilingual workforce and unparalleled connectivity to LAC.

Migrant Flows

In a diverse and vibrant metropolitan area, Miami and its surrounding cities are home to immigrants from around the world. The population of Miami-Date has rapidly developed over the past few decades. The rapid population growth in Miami has been driven by international migrants. While there is great diversity, the overall culture of Miami is influenced by large concentrations of people from LAC.

Today, Miami has a bustling metropolitan area, which has attracted internal migration from the Northeast and West Coast of the US due to the tech and banking industries. In a recent report, CNBC placed Miami among the nation’s current boomtowns. Despite the pandemic, the city continues to grow and has shown signs of tremendous expansion. Miami’s expanding population is contributing to making it a thriving city with significant potential for LAC, given its proximity and population with ties to the region.
Latin American and Caribbean Diaspora Flows

According to the 2020 census, the Miami metropolitan area has a population of 1.9 million Latinos and is one of the largest majority-minority cities in the US and the fourth-largest majority-Latino city. Latinos account for approximately 71.5% of the overall Miami metro population. Latinos account for 27.65% of the 21 million people living in the state of Florida. Miami-Dade County has a population of 2.72 million with a median age of 40.9 years, 66.07% of whom speak Spanish.

The Miami metropolitan area has one of the most diverse Latino populations in the US. While historically Cubans were a large community, many more LAC nationalities currently reside in the Miami metro area. The city is attractive to Latino and Caribbean immigrants as it enables them to live in the US while maintaining their cultural roots and proximity to their countries of origin.

There are significant communities of Haitians and Jamaicans in Miami-Dade County. There are an estimated 34,000 Haitians in the Miami area. Approximately 32% of Broward County residents are from a foreign country, and Miami and Fort Lauderdale have the first- and second-largest Caribbean populations in the US.

Trade Flows

Miami International Airport and the Port of Miami are among the nation’s busiest ports of entry, especially for cargo from South America and the Caribbean. Covering the whole of South Florida, the Miami Customs District trades with all parts of the world, and its largest trading partners are in LAC. The Port of Miami is well-known as the busiest cruise port in the US. Miami International airport is the busiest airport in Florida—it ships more international air cargo than any airport in the US and ranks 11th globally on this front.

Given this advantage, Miami is a major gateway for merchandise trade between North America, Latin America, and the Caribbean and other world regions. Meanwhile, the state of Florida accounts for 29% of total US trade with LAC. In 2018, goods valued at US$153.5 billion entered or exited the US through Florida’s two US customs districts (Enterprise Florida, 2019).

Market Share of Trade Between Miami and LAC, by Country in the Region (2020)

- Honduras (21%)
- Dominican Republic (19%)
- Guatemala (13%)
- Jamaica (9%)
- Peru (8%)
- Colombia (7%)
- El Salvador (7%)
- Ecuador (6%)
- Nicaragua (5%)
- Panama (5%)

Florida Trade Facts

- Florida is home to more than 58,000 exporting companies, making it the state with the second-largest number of these, after California.
- One out of every five of the nation’s exporting companies are located in Florida.
- Florida ranks eighth in the nation in state-origin exports (i.e., exports produced in the state or to which significant value was added there)—these reached US$57.2 billion in 2018.
- Florida ranks third among US states for high-tech exports—these were
worth US$13.1 billion in 2018—and fourth for direct jobs supported by tech exports in 2016 (36,700).

International trade supports 2.4 million Florida jobs related to exporting and importing. Employment in the sector grew three times faster than total employment from 1992 to 2017.

Foreign-owned companies employed 348,800 Floridians in 2016, the fourth-highest number in the nation, and first in the Southeast.

Nearly one-third of all US exports to LAC in 2016 were shipped from or through Florida.

Of Florida’s total exports to the world, 74% or US$50.1 billion in goods went to LAC.

The top five merchandise exports from Florida to Latin America are aircraft, spacecraft, and parts; telecommunications equipment; computers and components; medical, surgical, dental, and veterinary equipment; and motor cars and vehicles.

Leading destinations from Florida for high-tech exports in 2016 were Brazil, Paraguay, Colombia, Peru, and Argentina.

**Investment Flows**

As a leading financial and technological city, Miami has been a recipient of significant investment inflows in the last two years. Miami is gaining momentum in its quest to be a top tech city by building an ecosystem for its entrepreneurs. In fact, the Kauffman Foundation ranked Miami as the number one city for startups in the US in 2017. The Miami metro area has produced a handful of unicorns and startups with valuations of more than US$1 billion (Langer, 2021).

In 2019, Crunchbase reported that the greater Miami area saw nearly US$1 billion in funding for local companies. SoftBank Group, the world’s largest tech investor, relocated to Miami and set up substantial funds for Miami-based companies. The company began by announcing an investment of US$100 million, then increased this commitment to US$250 million. This funding went to 12 companies, half of which were Miami-based or relocated to the city before 2021 (Dahlberg, 2021).

“For start-ups expanding from Latin America, I have noticed that they are increasingly considering Miami, not just as a soft-landing place or pass-through point, but as a destination. Either as regional headquarters for easier expansion within Latin America or as an entry point for the U.S. market, companies are coming to Miami and increasingly seeing it as a hemispheric advantage - connecting and facing both north and south, articulating this bi-directionality with more benefits, and having the potential to serve as a long-term home.”

Natalia Martinez-Kalinina
Founder and Principal
The NMK Group
Currently, there is palpable focus on Miami, which is unlike previous interest. Now, it is very much bi-directional, looking both south at the region and north within the U.S. Historically, companies from Latin America looked at Miami as a soft-landing opportunity, but a pass-through point before moving on to the rest of the U.S. market. And vice versa, U.S. companies/investors looked at Miami as a proxy for Latin America, not quite an ecosystem with its own merit. Those dynamics have now changed. On the one hand, Latin America is now on the global markets and investment radar with more potency, partly due to Softbank’s explicit commitment to the region, as well as increased entrepreneurial growth. On the other hand, Miami has not only benefited from this growth, but has gained attention on its own as a global city, not just a soft-landing pass-through point or a proxy. The result is that the dynamics have become more active in both directions.”

Natalia Martinez-Kalinina
Founder and Principal
The NMK Group
New York-based financial companies Blackrock and Citadel also opened offices in Miami, along with Elliot Management and Carl Icahn. The Knight Foundation has long recognized Miami’s potential and in 2012 invested about US$30 million in local tech companies (Langer, 2021). At the end of 2020, Miami metro was one of few bright spots in the national tech scene, having seen a 685% increase in quarterly funding (PWC, 2021).

Compared to New York City or Silicon Valley, Miami is particularly attractive for LAC startups because of its geographic location and its workforce with cultural knowledge of the region. In 2021, according to Pitchbook, venture deals in the Miami area continued to increase, with US$3.5 billion raised across 234 transactions, triple the total for 2020 (Thorne, 2021).

**Latin and Caribbean Business Entrepreneurship Ecosystem**

In the US, Florida has been cultivating a reputation as a probusiness state with incentives including a low tax rate, streamlined regulations, and a robust economy. It has promoted its proximity to LAC and highlighted that the Miami metro area has a workforce that is multicultural and multilingual and has expertise in the LAC region. Given the prominence of this trade relationship, Miami has long focused on trading, commercial, and business connectivity with LAC. Several major corporations are headquartered in Miami due to its strategic location. In addition to its business and commercial activities, Miami is also an important center for Spanish-language media and the recording industry.

Florida’s multicultural and multilingual workforce is a significant asset. They facilitate commercial activities and business linkages with LAC. Approximately 5 million residents speak a foreign language. Importantly, 22% of Latino residents have advanced educational backgrounds, bachelor’s degrees, or higher. As a result, there is a substantial talent pool of bilingual professionals (accountants, consultants, attorneys, financial advisers, etc.) with LAC market expertise. Furthermore, 28.8% of all Florida businesses are owned by Latinos (Enterprise Florida, 2017). According to Biz2Credit’s annual rankings, Miami is a leading city for small business growth.

Given these dynamics, Miami has been consistently ranked as one of the best cities for Latino entrepreneurs. These rankings are based on demographics, percentage of Latino-owned businesses, education, and other factors favoring business ownership. In particular, Miami’s emerging prominence as a technological hub benefits the metro area’s young and talented Latino and Caribbean workforce. Recently, philanthropist Melinda French Gates announced the Gender Equality in Tech initiative, a US$50-million investment to advance women in technology nationally. Miami is one of the selected locations for the program, which will focus on placing more women, especially minorities, into the city’s burgeoning tech sector (Wile, 2021). As an up-and-coming tech hub, Miami holds a lot of promise for Latino and Caribbean entrepreneurs, and there is growing recognition for the need to incorporate local talent into the expanding sector.
City Case Studies: New York City

Strategic Position

New York City (NYC) is a densely populated megacity and the largest in the US by population. Together with New Jersey and Connecticut, NYC is part of a vibrant area known as the tri-state area. It is one of the world’s leading financial, fashion, media, entertainment, and technology centers. Its growing tech sector has significant international connections, particularly to the LAC tech industry.

Situated on one of the world’s largest natural harbors, NYC is a global business and commerce hub that is home to many Fortune 500 corporations, large multinationals, and foreign investors. In fact, one out of ten private-sector jobs in NYC are with a foreign company. The Port of New York and New Jersey are major transshipment points and engines of economic growth for the tri-state area (Jersey, 2021). Given the global composition of the city, NYC and its metro area have substantial linkages with LAC.

Migrant Flows

With over 20.1 million people in its metropolitan area, NYC is the most populous city in the US. It has twice as many residents as Los Angeles, the second-most populous US city, within a smaller area. Between 2010 and 2020, the population grew at a rate of 6.6%, faster than the combined percentage growth of Los Angeles, Chicago, Houston, and Phoenix. NYC’s population is about 44% of New York state and 39% of the metropolitan area.

Known as a port of entry for immigrants, NYC’s diversity reflects its history. The city, which is made up of five boroughs (Brooklyn, Queens, Manhattan, the Bronx, and Staten Island), is the most multicultural in the nation. Approximately 37% of NYC’s population is foreign-born. In 2011, the largest foreign-born immigrant communities in the city were from the Dominican Republic, Mexico, Guyana, Jamaica, Ecuador, Haiti, and Trinidad and Tobago. English-speaking Caribbean immigrants have historically settled in the NYC area.
Latin American and Caribbean Diaspora Flows

While the total Latino population in NYC has grown over the last 10 years, the foreign-born Latino population has declined. Currently, immigration is not a driver of Latino population growth in the city—instead, this growth is led by the rise of the second generation of native-born Latino New Yorkers. They are following the footsteps of their predecessors by shaping the future of the New York metro area.

The Latino population accounts for the largest share of foreign-born residents in NYC. Most Latino immigrants reside in Queens (33%) and the Bronx (30%). The community is diverse and includes more than 20 different ethnic groups, with Dominicans accounting for the largest share (41%). The US is home to the largest Dominican community outside the Dominican Republic, half of whom reside in NYC. While immigrants from Mexico represent the second-largest group (16%), the Mexican immigrant population has declined by 16% since 2010. The overall decline in the foreign-born Latino population in NYC since 2010 has been driven largely by the drop in foreign-born Mexican and Central American immigrants. This declining Mexican foreign-born population reflects nationwide demographic trends seen. At the same time, some of the fastest-growing ethnic groups among Latino immigrants are from Guatemala and Venezuela. Between 2010 and 2019, the Guatemalan foreign-born population increased by nearly half (Mayor’s Office of Immigrant Affairs, 2020).

Latino immigrants are vital to NYC’s labor force and participate at a higher rate than all other immigrants. Currently, they comprise 67% versus 65% among other immigrants. Specifically, Mexican and Guatemalan immigrants have the highest rates of labor force participation (76% and 75%, respectively). Nearly three-quarters (73%) of the Latino foreign-born workforce are essential workers. Guatemalans and Mexicans had the highest share of essential workers among Latino immigrant groups (84% and 78%, respectively) (Mayor’s Office of Immigrant Affairs, 2020).

Overall, average earnings for Latino immigrants are US$34,800, which is lower than for all NYC immigrants (US$51,200). Latino immigrants who identify as Colombians have the highest average earnings (US$42,400), while the foreign-born from the Dominican Republic have the lowest (US$29,700). In fact, Latinos and Asian Pacific Islander immigrants have the highest poverty rates of all immigrant groups (24%). Specifically, Puerto Ricans, Dominicans, and Honduran immigrants have the highest poverty rates (over 25%), while those with the lowest are Costa Ricans (12%) and Venezuelans and Chileans (about 6% each) (Mayor’s Office of Immigrant Affairs, 2020).

Trade Flows

In September 2021, NYC recorded a trade deficit of US$13.5 billion after exporting US$12.38 billion worth of goods and importing US$25.7 billion. In the year up to September 2021, NYC exports increased by 9.9%, but imports did so by 22.6%.

Investment Flows

New York State consistently ranks among the top four US states for FDI in terms of both project numbers and capital flows. In 2020, the NYC economy was US$1.7 trillion, making it an attractive destination for foreign investors. According to reports, New York State had 194 greenfield FDI projects in 2019, a 7% increase from 2018 (Williams, 2020). In 2019, the

Table 6: Trade Flows: NY State and LAC

<table>
<thead>
<tr>
<th>Partner</th>
<th>Exports (Millions of US$)</th>
<th>Exports (%)</th>
<th>Imports (Millions of US$)</th>
<th>Imports (%)</th>
<th>Balance (Millions of US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>2,224.8</td>
<td>3.39%</td>
<td>3,389.0</td>
<td>2.20%</td>
<td>-1164.2</td>
</tr>
<tr>
<td>Brazil</td>
<td>576.6</td>
<td>0.88%</td>
<td>935.1</td>
<td>0.61%</td>
<td>-358.5</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>277.0</td>
<td>0.42%</td>
<td>212.8</td>
<td>0.14%</td>
<td>64.1</td>
</tr>
<tr>
<td>Peru</td>
<td>144.9</td>
<td>0.22%</td>
<td>447.5</td>
<td>0.29%</td>
<td>-302.5</td>
</tr>
<tr>
<td>Chile</td>
<td>127.1</td>
<td>0.19%</td>
<td>531.4</td>
<td>0.35%</td>
<td>-404.3</td>
</tr>
<tr>
<td>Colombia</td>
<td>105.0</td>
<td>0.16%</td>
<td>271.6</td>
<td>0.18%</td>
<td>-166.6</td>
</tr>
<tr>
<td>Guatemala</td>
<td>85.9</td>
<td>0.13%</td>
<td>137.3</td>
<td>0.09%</td>
<td>-51.5</td>
</tr>
<tr>
<td>Argentina</td>
<td>74.2</td>
<td>0.11%</td>
<td>255.9</td>
<td>0.17%</td>
<td>-181.8</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>65.4</td>
<td>0.10%</td>
<td>186.1</td>
<td>0.12%</td>
<td>-120.7</td>
</tr>
<tr>
<td>Haiti</td>
<td>44.2</td>
<td>0.07%</td>
<td>36.4</td>
<td>0.02%</td>
<td>7.8</td>
</tr>
<tr>
<td>Panama</td>
<td>43.2</td>
<td>0.07%</td>
<td>45.1</td>
<td>0.03%</td>
<td>-1.9</td>
</tr>
<tr>
<td>El Salvador</td>
<td>42.9</td>
<td>0.07%</td>
<td>71.8</td>
<td>0.05%</td>
<td>-28.9</td>
</tr>
</tbody>
</table>
NYC is leading the way in innovation, particularly in medical research and technology. It ranks as the top employer for the tech industry, the number one world financial center, and is in second place for general VC investment (Empire State Development, n.d.). High-tech startups are growing in NYC and extended region. Since 2010, the technology sector has dominated a growing share of NYC’s overall economy. Given that Wall Street is a top destination for Latin American startups, there is potential to expand the current relationships in the tech and investment sector. As the city is a leader in private equity and investment, regional unicorns have benefited from interest in the growing tech sector in LAC. Valued at US$147 billion, NYC’s tech sector could serve as a promising springboard for LAC tech industry entrepreneurs.

**Latin and Caribbean Business Entrepreneurship Ecosystem**

Latinos and Caribbean immigrants have long been part of the New York metropolitan area. Their influence is evident in the economy, culture, and politics of the New York region. Latino and Caribbean immigrants have contributed to the development of neighborhoods through business creation. Latino immigrants—whether from the Dominican Republic, Ecuador, or Brazil—comprise a rapidly growing demographic in the city and wider region. Likewise, Caribbean immigrants from Jamaica, Trinidad, and Haiti have left their mark on the metro area.

In a state that ranks high for small business owners, Latino-owned companies in the NYC area are faring well. They have strong earnings and are getting approved for loans. However, as in the rest of the country, they continue to face challenges in growing their businesses. In 2019, there were almost 360,000 women entrepreneurs in NYC, who contributed approximately US$50 billion in revenue to the city’s economy. Latina entrepreneurs here were also constrained as they went about developing, launching, and scaling their businesses. Many have struggled with the lack of resources and networks to help them advance their business initiatives. Recently, Goldman Sachs launched an initiative to support and elevate Latinas in the New York area. This is a positive development for the local entrepreneurial ecosystem.

### FDI Statistics for Selected LAC Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>2019 FDI (US$ millions)</th>
<th>2018 FDI (US$ millions)</th>
<th>Change (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecuador</td>
<td>29.6</td>
<td>208.9</td>
<td>-179.3</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>24.6</td>
<td>27.5</td>
<td>-2.9</td>
</tr>
<tr>
<td>Jamaica</td>
<td>22.1</td>
<td>60.5</td>
<td>-38.4</td>
</tr>
<tr>
<td>Honduras</td>
<td>19.2</td>
<td>66.7</td>
<td>-47.5</td>
</tr>
<tr>
<td>Guyana</td>
<td>17.0</td>
<td>10.6</td>
<td>6.4</td>
</tr>
<tr>
<td>Barbados</td>
<td>8.5</td>
<td>6.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Venezuela</td>
<td>7.9</td>
<td>10.8</td>
<td>-3.0</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>7.9</td>
<td>65.2</td>
<td>-57.4</td>
</tr>
<tr>
<td>Paraguay</td>
<td>7.1</td>
<td>2.3</td>
<td>4.8</td>
</tr>
<tr>
<td>Aruba</td>
<td>6.8</td>
<td>4.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Bolivia</td>
<td>4.2</td>
<td>9.2</td>
<td>-5.0</td>
</tr>
<tr>
<td>Cuba</td>
<td>3.8</td>
<td>14.4</td>
<td>-10.6</td>
</tr>
</tbody>
</table>

Today’s Latino and Caribbean population is made up of first-, second-, and third-generation immigrants, many of whom have well-established roots in the city. This is a rapidly evolving youthful population, and nearly one-third of Latinos living in the urban tri-state region are middle- to high-income earners. Approximately 1.2 million have at least some college education, and 1 million are high school graduates. Nearly 60% of Latinos speak English very well. Overall, Latinos in the New York region account for US$92 billion in household income (Hispanic Federation, 2019). The population is poised to be part of the city’s international business and commercial activities. In particular, the tech sector offers prospects for leveraging the sizable community of Latino and Caribbean immigrants to build networks with LAC’s technology startups. Initiatives by the tech, public, and private sectors to spur innovation and entrepreneurship in technology and biotechnology would be a promising start.
Emerging Cities in the US

The following cities have already emerged or are emerging as promising centers for the expanding Latino and Caribbean community in the US. They represent economic, social, and political opportunities for the Latino and Caribbean community. Many on the list are up-and-coming tech cities or have burgeoning sectors which offer the community the ability to build prosperous businesses and thrive as well as to create commercial, business, and trade ties with LAC.

Atlanta

Atlanta, Georgia, is part of the tremendous growth of the Latino community in the Southeast and Southwest of the US. These two regions have accounted for nearly half of the Latino population growth since 2010.

- Nearly 1 million Latinos
- 2010–2020: Latinos in Georgia grew at 31.6%
- Sizable community in Atlanta and the surrounding counties (Fulton, Clayton, Cobb, DeKalb, and Gwinnett)
- Gwinnett County is among the 10 most diverse counties in the US and has the largest number of Latinos in the state: 220,460 in total
- Atlanta is a flourishing business hub for Latino professionals
- Leading city for African American entrepreneurs that attracts VCs
- In 2020, quarterly funding to Atlanta increased by 111%, the second-greatest increase in Q4/20 after Miami

Austin

Austin, Texas, is the fourth-largest city in Texas and an emerging and competitive tech hub.

- One of the fastest-growing cities and 10th largest city in the US
- Large Latino population: 312,448 in 2021
- Growth driven by booming tech sector and economic vitality
- Several locally grown tech startups and companies
- Numerous extensions of Silicon Valley conglomerates
- Organizations working to advance Latinas in the city’s tech sector
- Growing interest in Austin by LAC businesses

Denver

Denver, Colorado, is one of the fastest-growing cities in the nation.

- Latino growth in 2010–2020: 21.6%
- 1.2 million Latinos in Denver
- 21.5% of Colorado’s population in Denver
- Seventh-largest Latino population in the US
- Emerging as a tech and healthcare hub, with a growing cannabis industry
- Business-friendly environment for growing businesses and startups
- Latino-owned businesses in Denver were 16% of the total in 2018
- PWC ranked Denver in its top five metro areas for VC deal activity in Q4/20
- In Q4/20, Denver experienced an increase in VC funding of 263%

Phoenix

Phoenix, Arizona, is the fifth-largest city in the US and one of the fastest-growing urban areas in the Southwest.

- 2.2 million Latinos in Arizona; 31.7% of the population in the state
- 2010–2020: 15.7% growth rate
- 42.6% of Phoenix’s population is Latino, making them the largest group in the city
- Latino buying power in Arizona will surpass US$57 billion in 2022
- Between 2007–2012, Latino-owned businesses grew by 70%
- Latina-owned businesses grew by 116% in that same period
- Phoenix is the sixth-largest major city for Hispanic population and has more than 716,000 Latino residents

Charlotte

Charlotte, North Carolina, is known as a business and financial hub and is also a burgeoning university town.

- Ranked by Forbes in 2019 as the third-fastest-growing big city in the US
- North Carolina’s Latino population is now greater than 1 million
- Between 2010 and 2020, North Carolina’s Hispanic population grew by nearly 320,000 new residents, the largest numeric increase of any racial/ethnic group in the state
- Statewide, the population grew by 40%, faster than the community’s increase nationwide
- Between 2007 and 2012, the number of Latino-owned businesses in the state increased from just 21,300 to nearly 34,900, an increase of 15,600 (64%)
- Charlotte is an emerging tech hub, with a local ecosystem that supports startups and minority entrepreneurs. There are also several funds and incubators in the city for tech
- The city’s significant banking sector is laying the foundation for jobs in fintech
- Technology talent is growing in the city, and the workforce is diverse
Across the US, a tremendous transformation is taking place, driven by the Latino and Caribbean population. At 62 million and growing, the Latino and Caribbean community is not only leading the demographic growth of the country, but is also reshaping the economic, social, and political landscape in the US through its dynamic and entrepreneurial spirit. At a time when the overall US population is declining, Latino and Caribbean immigrants are driving overall population growth. Today, Latino and Caribbean migrants comprise a broad spectrum that ranges from recent arrivals through third- and even fourth-generation immigrants. Most Latinos (80%) are US citizens, and population growth in the US is being fueled by those born in the country or US territories or to naturalized US citizens.

The Latino and Caribbean community is emerging as a valuable resource for the US and one whose full potential should be realized. With their dynamism, entrepreneurial outlook, and multicultural acumen, the Latino and Caribbean population can help US businesses expand into new markets and develop greater commercial ties with LAC. Similarly, LAC firms can benefit from the knowledge and expertise of US companies across various sectors. The growing influence of the Latino and Caribbean community presents an incredible opportunity that should be harnessed to foster greater regional trade and integration.

The reasons for leveraging the community’s rising role are very simple. This study underscores these crucial factors, demonstrating the enormous potential of the Latino and Caribbean community to serve as a bridge between the US and LAC.

Economic factors: The Latino and Caribbean community is an economic powerhouse whose commercial contributions and purchasing power have grown exponentially. Throughout the country, from the agricultural sector to the technology field, Latinos are the backbone of the workforce, fueling economic growth and vitality. The community’s economic force can be felt across large states and small cities. Today, all 50 states and the District of Columbia have witnessed the expansion of their Latino and Caribbean populations. Latinos are starting small businesses faster than any other group in the US. In some cases, their entrepreneurial spirit and dedicated work ethic have fueled enterprises catering to their community and created links to LAC.
Social and cultural factors: As a multicultural, multiethnic, and multilingual force, Latinos have driven the diversification of the US and have influenced US culture with food, music, and arts from their different countries of origin. Today, salsa is as popular as ketchup, nachos outsell hotdogs at baseball games, and entertainment companies like Netflix are creating multicultural content at an accelerated pace.

Political factors: Latinos, especially Gen Z and millennials, are advancing the voice of the community at the local, state, and federal levels. Across the country, Latinas are emerging as critical voters who consistently turn out at the polls. As Latinos and Caribbean immigrants increase their political power, they are building muscle that can be exerted to create policies that reflect their community’s priorities. With Latinos concentrated in large states such as California, Texas, and Florida as well as key swing states across the US, the community is a voting bloc whose power will continue to rise. Their political engagement is one avenue through which the Latino and Caribbean population can advance policies to promote greater commercial, business, and trade ties with LAC.
References


Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region


Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region


Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

Opportunities for Greater Trade & Commercial Linkages with Latin America and the Caribbean Region


Overview

A survey was conducted as part of this report, leveraging the IDB’s ConnectAmericas platform. Created in 2014 in response to the growing needs of LAC SMEs, ConnectAmericas is a digital tool that offers its members access to potential clients, suppliers, partners, and investors. With this background in mind and as part of this current study, a survey was carried out with several goals:

- Identify whether companies founded by the Latino and Caribbean community in the US help create and maintain commercial ties to LAC
- Examine the entrepreneurial ecosystem for LAC companies when they enter the US market or operate there
- Gain a better understanding of the regulatory and commercial barriers to businesses from LAC entering and operating in the US
- Identify some of the main sectors in which these companies are participating and the type of products and/or services that they provide

Based on these above overall objectives, the questionnaire was designed to elicit more specific information on the location, ownership, sectors of operation, gross income, sources of funding, and constraints encountered by businesses.

Survey Results

A total of 163 companies responded to the survey.

Location and Geographic Expansion

- 30% of companies responding to the survey indicated that their company was started in the US and operated from there
- 70% said they operated from Latin America

Specifically, the following LAC countries were identified in the results (number of companies in brackets):

- Colombia (8), Honduras (3), Peru (3), Argentina (2), Panama (2), Mexico (2), Costa Rica, Ecuador, Brazil, Venezuela (1 each). In the third phase of the survey, only 1 out of a possible 32 companies operating out of Latin America indicated its location (Brazil).
Nearly 23% of the companies stated that their operations cover United States and Latin America. Only 9 companies exclusively cover Latin America (5.5%), while 6 companies focus only on the United States (3.7%).

In terms of geographic expansion, 75% of the companies “started in LAC, and expanded to the US” while only 17% “started in the US and expanded to LAC.” A further 4 companies (8%) started their businesses in the US and do not have plans to expand to LAC.

**Types of Companies**

Of the 163 companies responding to the survey, only 52 (approximately 32%) indicated the nature of the company they were operating. Figure A.1 shows the distribution of the 52 companies identifying as limited liability companies (LLC), corporations (Inc), owner-directed small business (ODSBs), or other types of business (OTHER).

LLCs are by far the most prominent company type, with 27 companies (nearly 17%). This was followed by ODSBs, which included 15 companies (just over 9%).

Almost 85% of the 52 companies described their company as a “small enterprise” while nearly 13.5% claimed to be a “medium-size enterprise.” Interestingly, one enterprise considered itself to be a “large enterprise.”

**Minority-Owned, Women-Owned, and Immigrant-Owned Enterprises**

Of the 52 companies that answered 20 out of the 26 survey questions, only 14 indicated that their firm is registered as a “minority-owned” business in the US. This is roughly 27% of the total responses to the specific question or just over 8.5% (14/163) of the total number of companies responding to the survey.

Only 11% of the total responding companies said that 51% of company shares are held by women. This is equivalent to roughly 35% of the number that answered the specific question on this point. Almost exclusively, the owners/directors of these companies are from Latin America.

Of the 51 companies that provided information on the national origins of their owners, almost 63% indicated that they were born in LAC and migrated to the US. This amounts to roughly 20% of total responses to the survey.

**Gross Income Levels**

In this survey, 67% of the 52 companies providing income data reported annual incomes below US$250,000. This result is in line with the number of companies that noted they are SMEs.

Around 75% of the 52 companies focus on both foreign and local markets for their products. Roughly 17.3% concentrate exclusively on foreign markets, while the remaining 7.7% focus entirely on domestic markets. It appears that a number of companies are already active in foreign markets. Nevertheless, there are substantial opportunities to leverage the vast potential of external markets. This potential is partly revealed in the responses to the questions on export and import activities: more than 94% of the 52 companies emphasized their business objective as export/import or export. This pays testament to the outward orientation of the respondent businesses and the opportunities for supporting SMEs in their export objectives.

The main activities of the companies surveyed are almost equally split between wholesale and retail operations (52% and 48%, respectively). Of the wholesalers, 58% engage in both e-commerce and physical sales. Only 8% of the wholesalers are focused exclusively on e-commerce, while 33% engage in physical sales only. Of the retailers, more than 39% can be categorized as suppliers, while over 28.5% are distributors. More than 32% of the total retailers fall into the “other” category.
Key Sectors

The five key sectors identified in the survey are:

1. Technology and telecommunications—23.1%
2. Food and drinks: manufacture or distribution—15.4%
3. Finance and banking services—9.6%
4. Agriculture—7.7%
5. Other—26.9% of total

Some 63.5% of the companies are predominantly service-oriented, while 36.5% produce a commodity. Approximately 21% of the companies consider their product to be a nostalgia product.

Financial Resources for Launch or Expansion

When asked whether they obtained their financing in the US or LAC, more than 82% of companies stated that they did not receive any financing from regular sources. Relative to the total number of survey respondents (163), this figure is just over 26%. A tiny number obtained some financing in the US and LAC.

Additional responses suggest that financing from family and friends accounts for 48% and initial financing (base financing) accounts for over 42%. In sum, financing from these two sources amounts to more than 90% of the financing for company operations. In contrast, VC financing and US banks have played a negligible role in the creation and operation of the companies included in the survey. The survey also confirmed that over 92% of companies did not receive any government support. There are some exceptions (outliers): four companies seem to have received some kind of government support.

Barriers to Business Operations in the US

The main obstacles to starting operations in the US experienced by LAC firms are:

1. Lack of capital and operational financing—44%
2. Existing business ecosystem deficiencies—21%
3. Immigration and regulatory constraints—19%
The demographic information contained in this study is from the US Census Bureau’s latest survey, conducted in 2020. The US government has long collected statistics on race and ethnicity. Federal data collection exercises include censuses, surveys, and other administrative records. This data has been used to study changes in the social, demographic, and economic characteristics of the population, among others. Over the years, there has been criticism of the definitions used, particularly the notion that the census does consider the diversity of the US population.

The US Office of Management and Budget requires federal agencies to use a minimum of two ethnicities in collecting and reporting data: Hispanic or Latino and Not Hispanic or Latino. It defines “Hispanic or Latino” as a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race. People who identify with the terms “Hispanic” or “Latino” are those who classify themselves in one of the specific Hispanic or Latino categories listed on the decennial census questionnaire and various Census Bureau survey questionnaires—“Mexican, Mexican-American, Chicano” or “Puerto Rican” or “Cuban”—as well as those who indicate that they are of “another Hispanic, Latino, or Spanish origin.”

US federal government agencies must adhere to standards issued by the Office of Management and Budget, which specify that race and Hispanic origin (also known as ethnicity) are two separate and distinct concepts. The standards include two minimum categories for data on ethnicity: “Hispanic or Latino” and “Not Hispanic or Latino.” Persons who report themselves as Hispanic can be of any race and are identified as such in the census data.

The difference between the terms Hispanic and Latino can be confusing to those who are not familiar with the US census categories. The bureau equates the two terms and defines them as referring to anyone from Spain and the Spanish-speaking countries of the Americas. In 1970, the census broadened the definition of Hispanic to include “a person of Mexican, Puerto Rican, Cuban, Dominican, South or Central American, or other Spanish culture or origin, regardless of race.” This definition is now the formal term and commonly used term within the US federal agencies. It is consistent with the current usage by the US Census Bureau and the Office of Management and Budget, as the two agencies use the terms “Hispanic” and “Latino” interchangeably.
Despite this interchangeable use, they have different meanings. Hispanic refers to individuals who are Spanish-speaking or have a background in a Spanish-speaking country. Latino refers to those who are from or have a background in a Latin American country.

While the current study is based on data derived from US agencies, particularly the 2020 census, the term used throughout this document is Latino, not Hispanic. In this case, Latino refers to people from Central America, South America, and some parts of the (Spanish-speaking) Caribbean. Like the term Hispanic, Latino does not refer to race. There are certainly differences based on language and therefore individuals from the English-speaking, Dutch-speaking, or French-speaking Caribbean are not defined as Latino. However, Brazilians are classified as Latino, since they are from Latin America, although they speak Portuguese.