

Hovhannes Nikoghosyan “How to best utilise
Diaspora potential for economic development?”
in MEDIAMAX.am (Nov 19, 2019)
<https://mediamax.am/en/column/121043/>

mediamax.am

How to best utilise Diaspora potential for economic development?

10-13 minutes

Last week the NASDAQ/Reuters [released a positive assessment of investment prospects in Armenia](#), fanning some more pride among local population and interest among potential foreign players. A week before that Barclays — the British multinational investment bank — prepared for internal use another positive outlook for the Armenian economy promising heaven to foreign investors, if the government walks its talk on reforms.

While the same investors are still doing calculations and some of them zoom in to see how does the whole story with Amulsar mining project end (as Barclays predicts and ‘threatens’ at the same time), I decided to finally sit down and finish a book review, long overdue.

Armenia, as well as other post-Communist countries, has long been dreaming to attract financial assets of their expatriates living in more developed countries and have that serve in their transition process. All of these countries fell short of those dreams of early 1990s, and most of them - authoritarian or democratic alike — [underachieved in their aspirations](#).

So, how have the post-socialist countries been benefiting, or underutilising, the extensive diaspora networks and diaspora potential to facilitate the development of their national economies in the past three decades?

This is the big question that Professor [Aleksandr V. Gevorkyan](#) of Tobin College of Business at St. John's University has spent years to understand, and finally released his research in a new book titled [*Transition Economies: Transformation, Development, and Society in Eastern Europe and the Former Soviet Union*](#) (Routledge, 2018).

The author presents his understanding of the socio-economic development since the collapse of planning economy and communist system of countries in Central and Eastern Europe and those in former Soviet Union - by enriching his presentation with a deep dive in history since the mid-19th century. What is perhaps most intriguing for an Armenian reader in this monograph is the extensive reference and discussion of the role of the diaspora communities in the transition process.

Much of the interest towards the role of diaspora in economic development has recently been reinforced by the rising labor migration from less industrialized countries to more advanced economies. Labor migrants have been sending remittances home to support their families. But for Gevorkyan, the labor migration part constitutes just one layer of the diaspora — he calls it “new” diaspora. The “old” diaspora then is comprised of ethnic Armenians (in the case of Armenia) whose origins come from historic Armenia and their ancestors settled in foreign countries generations ago. The old diaspora is characterized by diversity of political, cultural, and economic views depending on the specific group’s origin or the environment in the country they live. Often times, the representatives of the old diaspora are more assimilated in the host country, may be somewhat affluent, own their businesses, and in general live their lives outside of Armenia. Yet, through the network of churches, cultural groups, and by self-identification they retain their Armenian identity and express altruistic motives in contributing to Armenia’s development.

It is this potential that Gevorkyan argues needs to be harnessed in a more systematic way.

What attracted my attention most - was the sophisticated discussion of the utilisation of diaspora potential in their home country development. According to the author, the differences inside the diaspora communities in one country (old and new wave communities) as well as the difference between these two groups and the home country itself has created division lines that broke the illusions of the early 1990s. Limited coordination among diaspora-led initiatives across the big region of CEE/FSU is another reason of being largely pessimistic. Even though the temporary labor migration has positive impact on poverty reduction through transfer of regular remittances, this however is not sustainable (as seen during the 2008-09 crisis, as well as Russian currency devaluation later on), and is short of substantial contribution to the country's development as overall will not lift the big CEE/FSU region out of the grip of poverty and underdevelopment.

Gevorkyan sees one possible tool for steering diaspora impact towards economic development in introducing a diaspora regulatory mechanism with remittances flowing through the [Migration Development Bank](#). Down the road the author suggests there may be a possibility for issuing what he calls 'Diaspora bonds'. And this is probably the major concept that has to gain some additional attention in the context of the Reuters and Barclays reports, cited in the beginning of this review article.

Dr Gevorkyan dwells on a big argument to suggest a more efficient use of the diaspora potential in the context of economic development, finance and soft engagement. In cases where there had been lack of sustainable institutional arrangements with diaspora communities in the countries of their origin the effects of the expatriates' financial resources had had a limited impact on the

transition. The concept of “Migration Development Bank” introduced in the book, supported by the government and some international donors to hedge against non-financial risks, will channel remittances towards home savings and also help first-time investors to identify and engage in development projects either in groups or individually. The author also suggests to establish a Diaspora Supervisory Board to sit on top of the Bank.

As Gevorkyan explains, ‘[Diaspora bond](#)’ is a government issued debt security at below market yields with a direct aim of borrowing from the country’s diaspora (expatriates), affiliated by either ethnic, religious, cultural or other characteristics. The most successful case of diaspora bond has been the example of Israel since the early 1950s ([see here](#)), India has tried before, as well as a handful of other developing countries.

There are obvious benefits for a country such as Armenia with its large diaspora: a broader access to more funds and at below the market rates, i.e. borrowing at patriotic discount since the diaspora is seen as altruistically intended vis-a-vis the historical homeland.

Gevorkyan argues that theoretically this may be something to look into the future but the challenge would be in sustaining the program and generating sufficient demand. The problem is in the diaspora heterogeneity. Some of the popular proposals on diaspora bond have pointed towards the remittances’ flows by labor migrants, but Gevorkyan warns against using these irregular transfers as a basis. Instead, given the structure of a typical financial security (e.g. face values from USD1000) and needed legal frameworks, a much more concerted effort would have to come from Armenia to convince potential diaspora investors in participating in a diaspora bond program. This requires significant initial efforts, including road shows and providing full transparency into how the funds would enter and be distributed, with full accountability.

Following up to his book, Dr. Gevorkyan recently conducted and completed an [Armenia Diaspora Online Survey](#). Respondents were asked about their origin (identifying the “new” vs. “old” diaspora), their professional interests and the extent of their ability to engage with Armenia, either by donation or specific project. The results, by further confirming the dispersed nature of the diaspora communities, strongly reaffirm the need for a systemic, unifying, development instrument similar to Migration Development Bank, Diaspora Bonds, or the Diaspora Portal as suggested by Gevorkyan.

In the early summaries that have appeared in the [media](#), he argues for establishing a [Diaspora Portal](#) - a web-based system that would match and sort professional and cultural interests between diaspora and those living in Armenia. It is an example of one of the soft-transfers in economic development that may have significant impact in sustaining Armenian economy’s growth across all sectors. (In between the lines, the Armenian General Benevolent Union, the AGBU, has in the past years invested hard on a similar web platform for professional exchanges, available at [together4armenia.am](#)).

Back in *Transition Economies*, Gevorkyan is optimistic, but cautious, about diaspora’s role in development in transition economies. From early 1990s cases of property restitution, under the privatization in Czechia, Hungary and others in Eastern Europe, to more humanitarian involvement in Armenia, Ukraine, and much later the role of labor migrants remittances in Moldova and Tajikistan, whether “old” or “new”, diasporas have been instrumental in supporting the small countries’ growth.

Based on the data presented in the book, formally, Armenia has one of the strongest diaspora engagement frameworks, with a multitude of country and diaspora originating initiatives. However,

there is also some caution in the author's argument for diaspora — not to rely too much on the diaspora benefits given its mixed composition of interests and values. There is a positive tilt in diaspora contributions to the home country development but only gradual and unstable. The contributions come from four directions: economic development (involving new business and sector growth); socio-economic change (through charities and non-governmental organizations, especially in poverty alleviation and other social initiatives); diaspora's influence on political and institutional changes; and finally direct impact by repatriation (or immigration).

It is a dynamic mix of these four factors, simultaneously pulling in different directions that determine how strong and effective the much talked diaspora potential may be.

For Armenia the lesson is simple: despite its existence, diaspora's role cannot be taken lightly or as a given. The momentum needs to be maintained and the rapprochement must originate from the independent state, in one way or another.

The above cherry-picked conclusions drawn from the [*Transition Economies*](#) must be enough for the interested audience to quickly browse online bookstores, I hope. This monograph is an invaluable reference book for classrooms to understand the rocky paths for transition in post-Communist states in this mega-region, and a great general interest resource on economic history, international economics, or comparative economic systems.

I thank Routledge (Taylor and Francis Group) for kindly mailing this book for my review.

[*Transition Economies: transformation, development and society in Eastern Europe and the former Soviet Union*](#) Aleksandr V.

Gevorkyan. Oxford: Routledge, 2018. 272 pages. Paper \$46.95

ISBN: 9781317567950

Hovhannes Nikoghosyan is an Adjunct Lecturer, Political Science and International Affairs program at American University of Armenia. These views are his own.