

Armenia: Diaspora Assisted Growth

“Armenia is one country without Diaspora and totally different one – with Diaspora. ...Diaspora is our competitive advantage, our fortune, which must be utilized to strengthen Diaspora and our Homeland. We must do our best to unite the Diaspora with our Homeland. The more proud and strong is Armenia, the more proud and strong is Diaspora”, the President of Armenia, Serzh Sargsyan

Armenian Diaspora and new emigrants played a tremendous role in the post-soviet economic performance of the Armenian Republic after the collapse of the Soviet Union in 1991. Private transfers from the Diaspora, mainly from new emigrants, became temporary injections to alleviate the *burden of transition of Armenia* in 1993-94, the years of severe shortage of electricity, conflict with Azerbaijan over Nagorno Karabagh (NKR) and a transportation blockade by Turkey and Azerbaijan. The Diaspora in Western countries provided political support to Armenia, securing additional humanitarian assistance for Armenia, which prevented starvation during those difficult times. The assistance of the Diaspora, the stabilization program supported by the World Bank and IMF, and the assistance of international organizations and agencies enabled Armenia to regain the momentum of economic reforms after ceasefire (July 1994). Diasporan businessmen entered Armenian market as investors, mainly producing products meant for export. Armenian producers relied heavily on marketing and distribution channels of Diasporan wholesalers to export Diaspora- and export-oriented products of high quality at lower costs. The most successful and dynamically growing industries of Armenia’s economy were those with strong links and connections with the Diaspora.

Country and Diaspora Background

Armenia

Armenia was an independent, democratic nation in the South Caucasus region, with large Diaspora communities (approximately 11 million people) all over the world (particularly in the United States, the Russian Federation, and France) (*see Exhibit 4*). It was a landlocked country, bordering with Azerbaijan, Georgia, Iran and Turkey. In 2009, Armenia’s area was approximately 29,800 square kilometers (11,500 miles) and the population was about 3.2 million people (*see Exhibit 2*). Armenia was one of the most mono-ethnic nations in the world. About 95 percent of population was Armenian, and the remaining 5 percent were Kurds, Yezidis, Assyrians, Russians, Greeks and Jews. The capital and the largest city of Armenia was Yerevan. The majority of population was bilingual (Armenian and Russian), and many were fluent in English, especially in Yerevan.

Armenian civilization, one of the oldest in the world and dating back to 3000 BC, had a powerful empire in the first and second centuries BC during the Artashesian Dynasty. Armenia was the first nation to officially adopt Christianity as a state religion in 301 AD. Yerevan, was founded in 782 BC. In the span of 5000 years, Armenia experienced conquests, foreign domination and rebirth. Throughout the centuries, the nation sustained a strong sense of national, ethnic and religious identity. Armenian language and religion played a crucial role in the preservation of the nation. The churches often replaced the state after the downfall of Cilician Armenia (Western Armenia) in 1375, and in Diasporan communities helped newcomers find shelter and work, and were strong advocates for the preservation of national identity. Education was always important to Armenians. The first Armenian university, Gladzor, was established in 1282 and closed in 1363. Tatev University opened in 1390 and operated until 1435.

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Within a period of nineteen centuries, Armenia was under the dominance of Byzantines, Persians, Arabs, Mongols, and the Ottoman and Russian Empires. In 1828 the Russian Empire took the eastern part of Armenia from Persia, while the western part of Armenia was under the dominance of Ottoman Empire from the 16th century.

In 1918, eastern Armenia gained its independence from the Russian Empire, and first Armenian Democratic Republic emerged, led by Armenian Revolutionary Federation (the Dashnaks). After the World War I, the newly independent republic found itself in a political vacuum due to several problems: the shattered and deteriorated economy, high rates of unemployment, and the influx of survivors of the Armenian Genocide of 1915 in the Ottoman Empire (1.5 million people were murdered).

In 1920 the Red Army invaded Armenia, resulting in creation of the Armenian Soviet Socialistic Republic. Within 60 years Soviet Armenia managed to create a powerful high-tech sector, a very educated population with a strong work ethics, and in the mid-1980s became the most industrialized and educated republic of the Soviet Union, having a highly developed infrastructure. Soviet Armenia's technical and educational institutions were greatly appreciated. Armenian universities and scientific institutes were the suppliers of a highly qualified engineering and technical labor force for the Soviet Republics, and were the inventors of several industrial technologies. In 1920s the majority of population was uneducated, but the repatriation of professionals from the Diaspora in 1940s and 1950s invigorated Armenia's skilled and specialized labor force, and they and their children stimulated Armenia's economic growth. However, the picture changed tremendously due to two major external factors: the devastating earthquake in 1988 and conflict with Azerbaijan over the historically Armenian Nagorno Karabagh beginning in 1988, and lasting for over 6 years, which caused a huge inflow of refugees from Azerbaijan in 1988-1990. In 1988, protestors formed the Karabagh movement and demanded that the Kremlin reunify Armenia with the portion of Nagorno Karabagh that was mostly inhabited by Armenians. This problem arose in 1923 when, by the decree of the Soviet Government, Karabagh was included in the territory of Azerbaijan as an autonomous republic. The Azeris started persecuting Armenians both in Karabagh and in Azerbaijan, forcing them to leave the country. After the collapse of the Soviet Union, Armenia became involved in the war with Azerbaijan in order to protect Armenians in Nagorno Karabagh.

Armenia declared its independence in 1991, becoming a sovereign nation from the Soviet Union. Since 1991 a number of extenuating circumstances influenced the post-Soviet economic performance of Armenia: closed borders with neighboring countries; the conflict with Azerbaijan over Nagorno Karabagh; power shortages; the large Diaspora and its political and economic power; copious private transfers from the Diaspora and new emigrants; and foreign aid, grants and loans from international organizations. In 1992-1993 Armenia experienced the sharpest decline of the economy among the former Soviet Union republics, and the traditionally strong manufacturing industries were decimated. After the collapse of the economy until mid 1990s, Armenia became a primarily agrarian state (about 45% of the GDP was produced by agriculture). Nevertheless, the dynamics changed. Armenian economy recovered from these setbacks, and was experiencing accelerated growth with double-digit rates within the period of 2000-2008. The compound average growth rate of 16.8% in this period was related at least in part to factors such as the private transfers and donations from the Diaspora, and the inflow of FDI in which the Diaspora played a significant role as an intermediary or an investor (Diaspora-connected FDI)¹.

Diaspora

The history of Armenian Diaspora² began in the 3rd century AD when the Persian shah forced Armenians to migrate and settle in the modern territory of Iran. The Byzantine Empire adopted the same migration policy regarding Armenians, forcing them to move to different regions of the Empire. The migration intensified in the period between 7th and 14th centuries. Armenians emigrated to Crimea, the Ukraine, Romania, Poland, Hungary, Bulgaria and Asia Minor due to deteriorating living conditions under foreign dominance. After the downfall of Cilician statehood, Armenians started immigrating to Italy, France, Syria and other European countries.

¹ Diasporans played an intermediary role between foreign and local companies for outsourced contract opportunities, provided technical assistance for local companies that resulted in FDI generating. In many cases they acted as investors.

² Diaspora 1 a. A dispersion of people from their homeland b. the community formed by such people. 2 A dispersion of an originally homogeneous entity, such as language and culture (American Heritage College Dictionary, 2002) In this case the term "Diaspora" was referred to the dispersion of people of Armenian ethnic identity from homeland sharing the same language and culture, and communities formed by Armenians in foreign countries.

The fact that Armenian merchants were the primary traders between the West and the East since the 16th century supported the expansion of Armenian communities throughout countries where the silk trade routes could be found, namely from India and Iran to Portugal and France. In these countries, merchants established trade associations, playing a catalyzing role for the strengthening of local communities through migration from Armenia. In the southern part of Russia Armenians played a tremendous role in establishing trade relations between Russia and Iran. In 1828-1829, approximately 150,000 Armenians from western Armenia migrated to eastern Armenia, which was at that time ruled by the Russian Empire. In the first half of the 19th century, the living conditions of Armenians in the Ottoman Empire were becoming increasingly poor, causing emigration to countries with already established Armenian communities, as well as North and South America.

Three major political parties were established in the latter half of the 19th century- the Dashnak (Armenian Revolutionary Federation), the Hunchakian (Social Democratic Hunchakian Party), and the Ramkavar (Armenian Democratic Liberal Party) Parties. They opened local branches in many countries with Diaspora communities and have therefore united the scattered compatriots with churches.

The formation of modern Diaspora settlements started in the second half and intensified at the end of the 19th century. In 1894-1896, Armenians suffered a severe persecution in the Ottoman Empire, where 300,000 Armenians were killed, causing further emigration. At the beginning of the 20th century two major Diaspora-based charitable organizations were established - Armenian General Benevolent Union (1906) and Armenian Relief Society by Dashnaks (1910) - to alleviate the burden of newcomers from western Armenia. By 1914, the AGBU had 142 offices worldwide, and ARS had 32 in the United States and Canada.

The emigration intensified in the period of 1915-20, when the survivors of the Armenian Genocide were trying to find refuge in North and South America, Europe, Northern Africa and in the Middle East. The AGBU opened and sponsored orphanages and schools in Middle Eastern countries and in Soviet Armenia. Many charitable organizations were established to support orphans and the victims of the Genocide.

In 1921, the Soviet government prohibited the activities of the Dashnaks in Soviet Armenia. Historically traditional parties such as the Hunchakian and the Ramkavar continued their activities in Armenia because of the favorable attitude towards Soviet Armenia. In 1923, by the decree of the Soviet Government, AGBU was the only Diasporan organization that was allowed to continue its activities in Soviet Armenia. In the 1920s-1930s AGBU organized and sponsored the transportation of refugees to Armenia. AGBU also sponsored the construction of several residential districts in Yerevan, and many villages for refugees. In 1937 the Soviet Government prohibited its activities in Soviet Armenia.

Armenia and Diaspora's Relations in the Soviet Era

Armenia

Within 60 years, Soviet Armenia managed to become one of the most educated and most industrialized republic of the Soviet Union- the literacy rate being 99 percent. Soviet Armenia was considered the "Silicon Valley" of the Soviet Union in the early 1980s, with specialization in electronics and mechanical, electrical and chemical engineering. The products of these sectors were mainly exported to the other Soviet Republics; but exports outside the Soviet borders were limited. The central government kept quotas for each type of production at a fixed rate. The Kremlin was providing investments, technology, and equipment for building new plants and factories and for upgrading the current production capacities of existing plants. Soviet Armenia relied heavily on key inputs for the production of these sectors. The share of industry in GDP was approximately 40 percent. The quality of consumer goods was low, and they were geared toward Soviet consumption. The central government fixed prices and wages administratively, while government trade monopolies conducted trading through already established distribution channels. Before 1985, all enterprises were state-owned, and the activities of each of them were directed from Moscow. Starting from 1985 many privately owned small and medium sized enterprises called "cooperatives" emerged. However, business and entrepreneurship skills were in short supply, due to the absence of competition in Armenian market, and the capacity of the Armenian government was limited. Soviet Armenia's human capital was highly developed, income was equitably distributed, and the majority of social indicators were very high, such as life expectancy and literacy rate.

In 1988, December 7 was a crucial day in the history of modern Armenia; a serious disaster struck the country. The 1988 Earthquake was disastrous. It ruined cities, social and physical infrastructure in northern Armenia, over 25,000 people died, and 500,000 were left homeless and without basic necessities. The earthquake destroyed the power, water and gas supply lines in that area. Many industrial factories were ruined and destroyed. Armenia lost approximately 40 percent of its production capacity. In 1988-89, 200,000 people emigrated, which was the biggest emigration from Soviet Armenia (although approximately 20 percent of these people returned to Armenia in 1990). Moreover, nearly 360,000 refugees emigrated to Soviet Armenia in 1989-90, fleeing Azerbaijan because of the conflict over Nagorno Karabakh. Bordering regions were devastated, and more than 70,000 people were left without shelter.¹

Diaspora

From the 1920s to mid-1960s, the Armenian Diaspora was divided in two parts: those who adjusted to communism in Soviet Armenia, and those who were intolerable towards the communist regime in Soviet Armenia. Those people who opposed communism were mostly Dashnak Party-affiliated and claimed to be the legitimate representatives of the nation.

After World War II, the Soviet government allowed Diasporan Armenians to repatriate. About 90,000 people repatriated from Middle Eastern countries, Greece and from France. The majority of these repatriates were professionals of different specialties such as teachers, engineers, doctors, scientists, etc. By the request of Soviet Armenia, the AGBU solicited two million dollars to cover repatriation costs. Between 1968 and 1982 32,000 highly educated people repatriated.

In the mid-1960s, the Soviet government adopted a new policy aimed at improvement of relations with the Armenian Diaspora by allowing commemoration of the Genocide on April 24 and by establishing the Committee of Cultural Affairs with the Armenian Diaspora. The number of Diasporan tourists visiting Soviet Armenia increased. Starting from the mid-1960s, Diasporans recognized that the Armenian independence was an elusive dream in an unknown future, and that life in Diaspora communities would be long lasting. With this realization, the Armenian Diaspora shifted its priorities to national and ethnic identity preservation and lobbying activities; in 1972, the Armenian Assembly of America was established.

In the 1970s and 1980s, about 100,000 people immigrated to EU countries and the United States. The majority of these people were either first or second generation of repatriates who experienced prejudice from locals. Only at the beginning of the seventies, did the Soviet government allow the repatriates to expatriate. After the 1950s and until the beginning of the 1980s many graduates of the Polytechnic Institute and other universities of Yerevan were given jobs in many of the former Soviet Republics, and many others moved and settled there, thus creating the Soviet Armenian Diaspora.

Diasporans in the West and East and in the Soviet Republics were respected and influential in local communities. They were highly educated professionals; doctors, lawyers, professors, engineers, programmers and managers. Many owned their own businesses in service sectors (restaurants, car repair services, delivery services, shops, medical services, consulting). Diasporans were famous for making high quality jewelry, and diamond cutting. Many owned jewelry and diamond cutting and processing companies.

The first wave of the Diaspora's modern involvement in Armenia started in 1988, after the devastating earthquake. This disaster united the scattered Diaspora for the common goal to help compatriots in the Soviet Armenia by soliciting all resources available. By the initiative of the Eastern Diocese of the Armenian Apostolic Church of the United States the Fund for Armenian Relief was founded to solicit funds for the earthquake zone. Diasporan organizations such as AGBU, ARS, the Lincy Foundation, and Azanvour pour l'Armenie provided a great deal of humanitarian aid (such as food, clothes, and medical supplies) to the government and also constructed residential districts in the earthquake zone. In 1989, the United Armenian Fund was formed to coordinate the activities of seven major Diasporan charitable organizations in the United States.

Through its lobbying efforts, the Armenian Diaspora in the United States, Canada, and France and in other countries assisted in collecting aid from governmental and non-governmental agencies for the victims of the earthquake. The Diaspora also launched community development initiatives in the earthquake zone.

¹ NSS, PRSP

Armenia in Transition

Struggle and Independent Economic Path (1991-93)

In 1991, Soviet Armenia became an independent state. Armenia joined the Commonwealth of Independent States (CIS). On October 16, 1991, Mr. Levon Ter-Petrossian was elected as the first president of the independent republic and appointed a prime minister. The period of 1991-93 was crucial for the future development of the country. Armenia faced an unprecedented transition to a market economy as a heavily industrial input-reliant country that was small, landlocked and involved in conflict with Azerbaijan. The borders with Turkey and Azerbaijan were closed, and the political situation in Georgia was unstable, causing an interdiction on the railroads and other routes halting the supply of energy and basic goods, and preventing export from Armenia. Armenia found itself in a blockade. The government decided to take a precautionary measure and to shut down the Metsamor Nuclear Reactor (electricity production reduced by 30 percent)¹. The overall production of electricity was reduced by 58 percent.² The shortage of power forced industrial plants and factories to shut down, and heating for apartment buildings was entirely cut off. Traditional export markets disappeared and Armenia's large industrial enterprises lost business partners due to shortage of electricity and imported industrial supplies. It caused a serious decrease in foreign exchange, the prices of imported energy increased tremendously, and the collapse of the economy caused a huge fiscal crisis and hyperinflation.

The government started the reforms process early, right at the beginning of independence. In 1991-1992, the government started price liberalization and deregulation, and undertook land reforms and small-scale privatization. The property rights on land were transferred to farmers. The government freed the prices of all commodities except for bread and some public services, deregulated marketing channels, abolished foreign trade registration and introduced a value added tax. First steps were undertaken to privatize most of housing to the current residents of apartments. In December 1992, the law on the Central Bank of Armenia was adopted.

In 1993, the situation was desperate. In 1990-1993, GDP declined by more than half (47 percent of the 1990 level): the largest decline among the CIS countries. Average real wages fell dramatically, reaching about six percent of the 1991 level at the end of 1993.³ Because of the conflict, many refugees immigrated to Armenia and along with that, Armenia still had to deal with the negative effects of the 1988 earthquake. The winter of 1992-93 was one of the coldest in a hundred years, resulting in high mortality rates among children and the elderly. The supply of humanitarian aid (flour, food, fuel, medical supplies) from the Diaspora and international donor organizations prevented starvation.

All these events negatively affected the economy leading to miserable revenues. Moreover, the monetary chaos in the ruble zone drastically increased Armenia's budget deficit, leading to a fiscal crisis. The budget deficit was 55 percent of the GDP in 1993. The state budget's heavy reliance on Central Bank financing precipitated 11,000 percent inflation.⁴ At the end of 1993, the national currency (Armenian Dram, AMD) was introduced, partly to prevent the inflow of old Soviet rubles to Armenia and to offset its negative impact on the economy. In 1993 stock exchange was established, but it was underutilized for 12 years.

Approximately 645 000 jobs were laid off in the non-agricultural sectors of the economy.⁵ The employment in agriculture increased by more than double, reducing the agricultural productivity by more than half and enabling the majority of population to survive starvation. Agricultural products were mainly consumed by farmers and those employed in this sector thus drastically reducing sales volumes. About 475,000 people left the country during 1991-1994.

Due to the conflict, blockade and economic situation, FDI were virtually absent. Diasporans and newly emigrated Armenians made a few small-scale investments. The Arslanian family made one of the first sizable investments. Arslanian Cutting Work (Belgium, UK) was the first foreign company who entered Armenian market in 1992, and established a diamond cutting company.

¹ NSS, PRSP

² NSS, PRSP

³ WB, 1995

⁴ NSS, CBA

⁵ NSS, PRSP

In March 1993, the WB provided the government of Armenia with Institution Building Loan to strengthen the capacity of the government to implement reforms and handle the transition to the market economy.¹

A new generation of Diasporans formed. These people mainly immigrated to the Russian Federation, former Soviet Republics, North America and Europe. This migration originally was of temporary nature. Moreover, the majority of migrants were planning to return after the situation improved in Armenia. All these shocks resulted in widespread impoverishment of the population, thus deepening income inequality.

Light in the Midst of Darkness

The assistance of the Diaspora during these years was in the form of humanitarian aid, political support and investment in modern education. Diaspora helped Armenia establish diplomatic relations with other countries, and as a result of these relations, these states opened embassies or consulates in Yerevan. The Diaspora also funded the purchase of buildings for the Armenian Embassies in these nations. Historically traditional parties (Dashnak, Hunchakian, Ramkavar) resumed their activities in the homeland. In 1991, Diasporan-born Raffi Hovhannisian became the first Minister of Foreign Affairs, and was honored as distinguished politician of the year in 1992. Few Diasporans hold key positions in public institution and the government.

In 1992, state-owned Hayastan All-Armenian Fund was established to coordinate the influx of Diasporan assistance and to begin lobbying activities. In 2004, the Fund had 18 local committees in 17 countries. Many Diasporan organizations with a proven record of accomplishments, and success assistance to Diasporan Armenians worldwide in various communities, opened offices in Armenia such as the Armenian General Benevolent Union, the Armenian Relief Society, and many others.

One of the Diaspora's most important and strategic investments was the establishment of the American University of Armenia (affiliated with University of California at Los Angeles)² to offer graduate degrees in 1991, right after the independence. In 1991, the AGBU underwrote the major share of operational funding to launch the university, allowing a new generation of students to obtain a western-style education, develop market-oriented thinking and acquire necessary skills. In 1991-2004 the AGBU was providing the major financial support for the AUA's operations, undertaking fundraising on the behalf of the University to establish permanent endowment fund. The Lincy Foundation also donated significantly for operational expenses.³ The University of California because of its affiliation to AUA, underwrote lending valuable technical support and educational experience. AUA also established R&D centers⁴. The majority of professors were Diaporans from the United States. In 2004, 1,280 graduates of AUA were working in about 800 privately owned enterprises (business, IT companies, and R&D centers), governmental and non-governmental agencies, and international donor organizations.

During the blockade, the Diasporans assisted Armenia with the delivery of basic goods, and fuel by airplanes, covering all costs regarding the delivery and distribution of goods and fuel in Armenia. During the winter of 1992-93, the UAF shipped to Armenia on average 40 tons of humanitarian aid monthly. In 1989-1993 UAF provided \$350 millions of humanitarian aid. In November 1993, the Hayastan All-Armenian Fund organized a telethon in LA to raise money for the "Winter 93-94" Project to provide heating, power and fuel to hospitals, schools, portable water supply and telecommunication companies, and public transportation services so they could somehow maintain their daily performances. The Fund managed to raise \$7 million all over the world via donations of Diasporans. Mr. Kirk Kerkorian (a major Armenian-American benefactor who was listed in Forbes 100) tripled this amount (through the Lincy Foundation), enabling the Fund in collaboration with the UAF to implement this project. Within this project, they also provided energy processing and distributing electrical

1 WB, 2004

2 In 2004 AUA was providing graduate education in Business and Management, Industrial Engineering, Computer and Information Science, Political Science, Health Sciences, Law, Comparative Legal Studies and Teaching English as a Foreign Language.

3 In 1991-2004 the Ministry of Education and Science of Armenia financially supported the University. The Government provided in-kind and logistical support. The Government granted a building in 1991. Eurasia Foundation and United Sates Government significantly contributed to the operational expenses. USAID provided funds for capital improvements. The U.S. Information Agency provided grants both for capital improvements and special academic programs

4 Center for Business and Research Development, Engineering Research Center, Turpanjian Center for Policy Analysis, Center for Environmental Management and Research, Center for Health Services Research and Development, Legal Resource Center

stations with cables, and power generators. They also distributed 500 tons of flour in the regions of Armenia and provided bread-baking plants with flour and power.¹

The inflow of private transfers from the Diaspora increased dramatically. The new wave of Diasporans (early post-soviet migrants and the 70,000-100,000 who had migrated before 1988 from the mid-1970s) was actively supporting family members, relatives and friends to alleviating the terrible conditions in those dark years.²

New versus Old Diaspora

New emigrants from Armenia (the New Diaspora) were anticipating to be welcomed by Diasporans in the West. Third and fourth generation Diasporans became culturally assimilated. Intermarriage with non-Armenians was common, and very few of the young generations of Diasporans could speak Armenian. In political parties, charitable organizations, schools and cultural centers, mostly of the “family, friends, relations” type were prevalent leaving practically no room for new-comers to adjust to the customs of established institutions, thus becoming “outsiders”. In many cases, old Diasporans demonstrated an unfavorable attitude towards new Diasporans. The majority of old Diasporans did not approve of the decision of many emigrants to abandon the independent, free “Homeland” willingly that they and their ancestors had been forced to leave. Language differences (Eastern versus Western Armenian) created additional barriers against finding common ground. New-comers mostly did not know the native languages of their new countries, which created additional problems in finding good jobs. The new wave of Armenian immigrants tried to build networks connecting Armenians (mostly New Diaspora) in local communities to help each other and new-comers.

In Middle Eastern countries, the situation was different. Armenian communities were more preserved, ethnically driven, with strong family/friends ties. They were not assimilated into the local culture, living in Armenian-subcultures, mostly due to the fact that most Middle- Eastern Diasporans live in Islamic countries.

Diasporans in former Soviet countries did not consider themselves Diasporans, since in Soviet times they could visit Armenia and they were easily assimilated into local cultures. Intermarriages were common. The new wave of emigrants from 1991 onwards did not encounter many problems in post-Soviet republics because of the cultural similarities to other once-Soviet countries and the knowledge of Russian. By relying on old friends and connections; they easily adjusted to the new environment, found jobs and settled.

Many of new Diasporans were highly educated, being doctors, scientist, engineers, programmers, professors, and teachers. Some of them with entrepreneurial skills started their own businesses, and others due to insufficient knowledge of the local languages accepted menial jobs in restaurants, car repair services, etc. Many new Diasporans found jobs in jewelry companies owned by other Diasporans, some found jobs with software design companies.

Road to Stabilization and Growth (1994-99)

In May 1994, average wages and pensions were very low.³ Registered unemployment was approximately 7 percent while 12 percent were on shortened hours or forced leave.⁴ Private transfers from the Diaspora, extensive humanitarian aid from the international community, income from agriculture, and activities in informal sector enabled the majority of the population to live under such poor conditions. Due to widespread impoverishment, income inequality increased, and the Gini coefficient was 0.606 in 1994.⁵

On July 27, 1994, Azerbaijan, Karabakh, and Armenia signed a ceasefire agreement in Moscow. Trade with Iran was quickly increasing, and the political situation in Georgia stabilized allowing the transportation of goods and fuel through Georgia. Armenia was importing many dairy products, agricultural goods, meat, poultry and other basic goods necessary for basic daily existence. The current account deficit increased enormously. The GDP grew

¹ Hayastan All-Armenian Fund, 1995

² NSS, Migration Service

³ The average wage of the civil employees was about \$2 a month, \$ 4-5 economy-wide; the average monthly pension was about \$1.

⁴ WB, 1995

⁵ Wider World Inequality Database, in 1987-90, it was 0.27

by 2-3 percent in the first half of 1994, partially due to the development of trade routes. In 1994, the WB provided credit of about \$28 million for the Earthquake Reconstruction Project in order to renovate the basic infrastructure and housing partially destroyed during the earthquake.¹

After the end of the war, Mr. Levon Ter-Petrossian tried to guarantee financial support from the Diaspora, while isolating the Diaspora's involvement in the political life of Armenia and marginalizing its influence at the same time. The Dashnak Party became the most zealous opposition of the president on the issues of Nagorno Karabagh and the Armenian Genocide. In response to this, in December 1994, the president prohibited the Party's activities in the territory of Armenia. Many Dashnak activists were arrested and some were forced to leave the country. In response to this, Dashnaks started a campaign against the president by funding newspapers and media inside and outside the country, and by organizing demonstrations.

International organizations, such as the World Bank and the IMF, along with the government initiated a far-reaching economic stabilization and reform program. In December 1994, the IMF approved Systemic Transformation Facility (STF), first providing about about \$27 million to support the government's economic stabilization reform program and in June 1995 approved 12-months stand-by credit with second STF provision of about \$69 million.² For the same purpose, in January 1995, the WB approved a Rehabilitation Credit of about \$60 million aimed at strengthening domestic competition in local markets and in the private sector.³ The government implemented a fiscal stabilization program through expenditure cuts and surpassing the tax system, and tightened financial policies to deal with hyperinflation. The government restarted the structural reforms program, privatization of small-sized enterprises and started the preparation for medium- and large-sized enterprises by initiating voucher privatization. The government maintained tight control over public expenditures, limiting them to priority items such as bread and public utilities and subsidies to enterprises were eliminated. Monetary growth declined, and budget revenues increased. Inflation decreased from about 11,000 percent annually, in 1993, to about 32 percent at the end of 1995. The Central bank of Armenia was providing credits at market-determined rates. The CBA reinforced banking supervision and strengthened prudential regulations.

In July 1994, the government of Armenia adopted a law on Foreign Investments to regulate the foreign investment field. The law granted some privileges and tax exempts to foreign investors within a grace period, in case of investing certain amounts of money. In 1994-2004, the government policy was FDI-oriented to attract new investors. Government officials were contacting influential Diasporans to assist in FDI generating. Diasporans became intermediaries in this process.

During 1994-97, nearly all previously state-owned companies were privatized, the prices were liberalized, and trade barriers were eliminated. Regulations in the financial and energy sectors improved substantially (financial rehabilitation plan and energy law) and a market for treasury bills was initiated. The government adopted laws regarding intellectual property rights, trade names, trademarks, and company, banking bankruptcy. However, after the re-elections of the president in 1996, enforcement of the new laws relaxed. In 1997 the government undertook major tax reforms. In 1998 new customs, telecommunication, and transport laws were adopted. The Securities and Exchange State Commission was established and in 1999 a new social security system and civil code were introduced. In 1996, the CBA adopted freely floating exchange rates regime.

Electrical power supply was fully restored in 1996. While FDI levels were quite low in 1995-1997 (ranging from \$20-\$50 million) as of January 2000, the cumulative amount of FDI reached about \$500 million and was primarily Diaspora-connected FDI, i.e. either the investor or an intermediary was a Diasporan. In 1998-99 "Privatization FDI" was a significant part of the total FDI. In 1998 and 1999, privatization receipts were more than half of the gross FDI inflow.⁴ In 1994-1998, administrative barriers impeded both domestic and foreign investments- barriers such as incompatible legislation, corruption and lax enforcement of the law. However, new private businesses emerged at moderate rates and private transfers from the Diaspora increased, boosting domestic demand. In 1994-1999 the GDP grew on average by 5% and tax revenues increased. Forty-three percent of real GDP growth in 1994-99 was attributed to the expansion of services sector and agriculture (30%).⁵

¹ WB, 2004

² IMF, 1994, 1995

³ WB, 1995

⁴ NSS

⁵ WB, 2001

The Union of Manufacturers and Businessmen of Armenia (UMBA) was established in 1996. It became a powerful union, with a couple of thousands members in 2004, representing mostly large- and medium-sized enterprises. Starting from 1999, some of the Union members became the National Assembly parliamentarians, enabling the union to maintain a healthy dialogue with the government and comment on legislation before the National Assembly passed it. At the annual meeting of the president of Armenia with UMBA members, the businessmen were presenting their concerns how to improve the national business environment. In 2003, the Union members provided the major part of tax revenues.

In February 1996, the IMF approved a loan of about \$148 million to support the government's medium-term strategy for the period of 1996-1998 under IMF's Enhanced Structural Adjustment Facility (EASF). The goal of the loan was to support macroeconomic stability and growth, while strengthening the business environment for the development of the private sector to decrease the current account deficit. In December 1996, the WB approved credit (about \$16.8 million) for the Private Sector Development Project. Within the scope of the project, private banks were providing loans to local companies at lower interest rates than the established market rate was. Local companies were also provided with consulting on product export marketing.¹ However, the project closed in July 2002.

The political battle between groups in power intensified, and the tension between the Diaspora (mostly with the Dashnak Party) and President Levon Ter-Petrossian mounted in 1997, contributing to his resignation in February 1998. In March 1998 after President Ter-Petrossian's resignation, Prime Minister Robert Kocharian served as interim president, annulling the prohibition on the Dashnak Party, allowing it to resume its activities in Armenia. The Dashnaks supported Mr. Kocharian and he won the presidential elections in March 1998. Mr. Kocharian recognized the Diaspora's power and altered Armenian foreign policy to conform to the Diaspora's wishes.

In April 1998, by decree of the government, the Armenian Development Agency was established primarily to promote FDI, exports, develop and implement strategic projects and to provide "one-stop shop" services to investors and exporters. The ADA, serving as the secretariat for the IT Council, supported national IT strategy. The council was chaired by the Prime Minister. In 2004, the ADA was assisting in developing strategic projects for IT, electronics, and precision engineering sectors and providing all services to investors free of charge. However, the lack of business professionals and state funding was an obstacle to implement aggressive export expansion and FDI attraction strategies.

In 1998, the government sold a large share of ArmenTel, the telecommunications company, to the OTE², granting it a monopoly in international telecommunication services, including use of fixed telecommunication lines, and mobile telecommunications for 15 years in exchange for upgrading the old system. In 2004, ArmenTel was providing poor services, while charging relatively high prices. In 2002, there were about only 57,000 mobile phone subscribers in Armenia ³ because ArmenTel issued a limited number of mobile cards and the price of the cards was 3-4 times higher at the black market. However, in 2004 ArmenTel lost its monopoly in mobile telecommunications.

In 1998-1999, the banking sector experienced serious problems related to risky lending, which threatened to destabilize the financial sector. As a result, the Central Bank tightened banking supervision. In 2004, commercial banks were providing short-term lending, while charging high interest rates.⁴

However, Armenia's growth performance was relatively strong in comparison to the rest of the FSU countries in 1994-2000, taking into consideration the Russian financial crisis of 1998, the drought and the political assassinations in October 1999⁵. The political situation remained relatively stable despite these adverse changes, but investment decisions were suspended for about a year.

¹ WB, 2004

² In 2004, OTE (a Greek telecom company) owned 90 percent of Armentel

³ WDI-online

⁴ In 2004, Commercial banks were providing short-term loans, charging high interest rates (from 16%-30% in AMD and from 7.5% to 24% in USD).

⁵ Five gunmen assassinated the Prime Minister, the Speaker of the National Assembly and several other politicians in the National Assembly.

The Diaspora-Armenia Dialogue

In 1998, the decree of the president dated as of December 24 was crucial in strengthening Diaspora-Armenia relations. In 1999, Yerevan hosted two major events: the first Armenia-Diaspora conference and the first Pan-Armenian Games. The participants of the Armenia-Diaspora conference decided to extend its activities and six mixed Armenia-Diaspora working groups were created to work on issues that will enable the strengthening of Diaspora-Armenia relations. All these events impacted the future of the Armenia-Diaspora dialogue and increased the Diaspora's involvement in Armenian political and economic activities.

After acquiring proficiency in the languages of the host country, early emigrants to western countries enrolled in colleges and universities. Some of them pursued graduate education, which enabled them to find better jobs, expand support to family members still in Armenia, and assist their immigration to the host country. The emigrants of 1995-2000 were more proficient in the native languages of host countries than previous emigrants, enabling them to find better jobs comparatively easily. The emigrants to former Soviet republics were major sources of transfers. Most of them were heads of the households and were supporting their families, relatives and friends. They even assisted some of their relatives and friends to immigrate to these countries and start businesses there or launch new businesses in Armenia. Armenian businessmen were contacting new emigrants and Diasporans to find partners, to seek outsourced contract opportunities for the local companies, and to use Diasporan distribution and marketing channels for the export of goods, especially traditional Armenian goods oriented for the consumption of Diasporans.

From Economic Growth to Economic Development (2000-2008)

Armenia experienced moderate growth until 2000, after which economic performance improved substantially due to investments in key Diaspora-connected sectors, coupled with the expansion of external private transfers from the Diaspora (mostly from new Diasporans from former Soviet republics). The appointment of a new Prime Minister and new government members in May 2000 helped Armenia regain political and economic stability¹. The economy caught the momentum and initiated new reforms and in the second half of 2000, the economy showed an additional improvement in performance, supported by export expansion. In June 2000, the European parliament approved Armenia's accession to the Council of Europe.

In September 2000, about 100 Armenian businessmen from the Diaspora took part in the congresses in New York City and Geneva. In May 2001, in cooperation with the World Bank, the International Financial Corporation (IFC), and US Trade and Development Agency (US TDA) the Investment Conference "Ancient country-new horizons" was organized in New-York City. The main purpose of these events was to promote trade, attract both foreign and Diasporan FDI, and establish economic and investment cooperation between Diasporan and Armenian businessmen.

In December 2000, by decree of the president, the Business Support Council was established aiming to provide support to entrepreneurship, promote investments, eliminate administrative barriers to investments, create efficient mechanisms of collaboration among business and state agencies and assist in the creating favorable legislative framework. Prime Minister Andranik Markarian was appointed as the chairman of the Council.² The Armenian Development Agency was functioning as the working secretariat for the Council.

In 2002, the World Bank provided a grant to develop an anti-corruption strategy. The Prime Minister of Armenia was appointed as the head of the anti-corruption commission. The USAID provided grants to strengthen democracy, civic education and the rule of law, and to increase government transparency.

According to the WB, improvements in regulations, rule of law, government effectiveness and the control of corruption were observed in Armenia. Surveys administered by the WB³ in the second half of 2003, showed that the business climate had improved, and it was better than in other FSU countries.¹

¹ Mr. Andranik Markarian was appointed as Prime Minister of Armenia in May 2000.

² The members of the Council were the chief advisor of the presidents, ministers, the mayor of Yerevan, the executive director of the ADA and the representatives of business community on rotation basis.

³ WB, 2004

In December 2001, the Law on Civil Service, amended in 2003, was adopted to attract highly qualified specialists through merit-based promotion and recruitment. The government increased wages of civil servants substantially in 2003, to reduce corruption among civil servants and to increase the government transparency.

In 2000-2003, exports doubled, showing a strong growth rate, household consumption and investment increased substantially due to inflow of external resources (heavy private transfers, and public grants from Diaspora and Diaspora-based foundations such as the Lincy Foundation). However, corruption was believed to be widespread, and it was the most frequently quoted reason of refraining from investing in Armenia by Diasporans². In 2003, the official remittance inflows were \$289 million, which accounted for about 10 percent of the GDP. ³ In 2001-2003, export trends primarily reflected the specifics of Armenia's main export products (jewelry and processed diamonds comprised more than 50 percent of the growth), foodstuff (the export volumes doubled), IT, tourism (all these sectors were heavily influenced by Diaspora connections). The GINI coefficient declined (0.486) in 2000⁴.

Since 2000, many businessmen have started legalizing their businesses. The huge parts of Diaspora's private transfers were spent on import-substituted products, thus expanding local production and export to Diasporan markets. Armenian products (diary, sweets, meat, poultry and other foodstuffs) had substituted low quality, imported goods, by good quality and low cost.⁵

Armenia became a full member of the WTO on February 5, 2003. On October 8, 2004, the Senate of the United States passed a bill that would make normal trade relations (otherwise known as most-favored nation status) permanent for Armenia. Armenia has also entered a several international trading agreements.

The second Armenia-Diaspora Conference (May 2002) and the first Armenia-Diaspora Economic Forum (September 2003) were held in Yerevan. Crucial issues concerning investment and the business environment were discussed and investment projects were presented. Both Armenian and Diasporan businessmen had a chance to discuss the implementation of specific investment projects and bilateral interest at individual meetings. Some agreements were made concerning specific projects. In his opening speech at the Economic Forum, the president of Armenia emphasized the vital role of the Diaspora, including its Diaspora's business connections and networks, and the Diaspora as a consumption market for Armenian products. About 150 Diasporan businessmen participated in the Forum.

In 2003, Mr. Robert Kocharian was re-elected, and he continued the economic and foreign policy, thus incorporating Diaspora-oriented growth perspectives, expansion of Diaspora-Armenia activities that strengthened relations with the Diaspora.

In 2001-2004, the banking system improved its performance, turning it into a safe and reliable system. The Central Bank of Armenia was implementing tight banking supervision. In 2003, the Deposit Insurance Program was launched to cover private deposits. Commercial banks, offering a wide range of financial services, begun to cash and issue travelers checks, operate 24-hour ATMs and offer plastic cards to their customers. Banks became more aggressive in offering on-line services to their clients, however, the domestic credit to private sector only comprised 6 % of the GDP and in most cases the provision of banking loans required 100% of collateral (*see Exhibit 2*).

Despite the government's proclaimed open-door policy towards FDI and particularly Diaspora investments, FDI net flows were relatively low. In 2001, the FDI accounted for 3.3% of the GDP. In subsequent years, the FDI grew substantially, totaling \$121.2⁶ million in 2003. The significant sources were from Russia (about 45%)⁷.

¹ In terms of rule of law, government efficiencies, regulatory quality, accountability Armenia was ranked above the CIS countries

² Miller, Chakrabarti, Samuelian, 2003

³ According to Roberts and Banaian (2005), alternative estimate equaled roughly \$900 million. Unrecorded transfers came in the form of gifts and through relatives, friends, and family members while visiting Armenia. Seasonal workers, primarily working in New Diaspora-connected places, and emigrants and Diasporans were returning to Armenia.

⁴ Wider World Inequality Database

⁵ The Armenian Center for National and International Studies

⁶ Source: WDI-online. This figure didn't reflect inflows from privatization

⁷ The Armenian Development Agency, 2004

Many executives were complaining that universities and institutes didn't adjust their educational programs to the needs of contemporary businesses. After the independence, many private universities emerged offering degrees mainly based on market needs. However, open dialogues between university research centers and businesses were lacking. Sometimes businesses needed to provide on-job training to new university graduates.

Armenia's robust economic growth continued in 2003 with the real GDP expanding by 13.9 percent (12.9 percent in 2002). The growth of the GDP in 2001-2003 was attributed to grant-financed and private investment in construction, and the increase of the export of processed diamonds. Construction was the driving force of the growth.

In 2001-2003 Diasporan benefactor Mr. Kirk Kerkorian provided grants to Armenia for construction projects through his Lincy Foundation.¹ Increase in construction volumes increased construction's percentage of the GDP in 2002-2003. Several thousands people were employed, in these projects.²

Despite the rather strong macroeconomic performance, some factors hindered the development of fair competition in the Armenian market: the actions of the customs office and "roofs"³. Custom clearance and valuation procedures were not transparent, especially concerning the licensing of brokers, storage, freight transporters, and the operation of free trade. The customs office, being responsible for regulating product quality and standards, created additional administrative barriers and opportunities for import delay. International donor organizations provided technical assistance to the Public Service Commission and the State Commission on the Protection of Economic Competition. The lack of highly qualified specialists with modern knowledge of competition did not allow both commissions to show high performance.

With initiative and assistance from the WB, and the IMF, the Government of Armenia prepared the Poverty Reduction Strategy Paper (PRSP) to deal with poverty with consultation with non-governmental agencies, scientists, private sector and international organizations in 2003. The program was aimed at reducing poverty in Armenia by two-thirds by 2015. According to the program, the government Armenia would allocate more funds from the state budget on social, educational health, and science expenditures etc. External financing was ensured.

The revised Paper of Poverty Reduction Strategy was adopted in 2008 and was renamed into Sustainable Development Program (SDP). The Paper encompassed an extensive framework for state policies and initiatives. The launch of SDP was a step forward in developing strategy papers and was considered to become a key event in policy platform. Compared to the previous PRSP it contained essential shift of focus from social issues towards overall economic development.

A major shift towards cluster-based policy concepts was marked in the economic policy. A wave of cluster development initiatives commenced with the establishment of Competitive Armenian Private Sector (CAPS) project by USAID Armenia in 2004. The program was aimed at enhancing business capacity and building cluster competitiveness. A number of initiatives have been implemented by CAPS with the major development resources addressed at the sectors of IT, tourism and pharmaceuticals.

Similar focus was adopted in overall state policy, as well. Intensive search of new policy approaches generated a large pool of development concepts and strategic initiatives, such as the Creation of Techno-City in Gyumri, Creation of a Financial Center in Dilijan, National Project on Business and Investment Environment, the Concept of Tourism Development, the Concept of IT Sector Development, the Concept of Public-Private Partnership. The large number of policy suggestions, however, led to the lack of specificity and reinforcement between the projects, the majority of which remained unimplemented.

Substantial state reforms have been commissioned in institutional sphere since 2007. Second generation reforms were implemented in the most vulnerable economic institutions- taxation and customs regulations. New

¹ Total amount of construction grants was \$151 million: 73 million for reconstruction of 275 miles of highways, tunnels, and bridges; \$15 million for renovation of streets in Yerevan; \$45 million for construction of 4000 apartment units earthquake zone; \$18 million for renovation of 40 cultural institutions.

² Lincy Foundation provided SME Development Credit Line. The total amount of credit line was 21 million.

³ The "roofs" could intervene into the judicial system, businesses, and other sectors of the economy, had linkages in governmental agencies to obtain favorable outcomes on behalf of their "clients".

strategies of regulations in these spheres were adopted with the recommendations of international organizations.

Amendments, adopted on the Law on Protection of Economic Competition in 2007, were aimed at the enhancement of institutional capacities of the State Commission for the Protection of Economic Competition, which still remain quite weak.

The concept of “Armenian World” was the major idea of rethinking policy context put into operation by the Government. The core idea was that the current global competition took place not between states but between civilizations and ideologies. The concept aims at finding out the major competitive advantages of Armenia as a separate “world” competing with other “worlds”.

The call for focusing strategic resources in several core areas was highlighted in the Government Program 2008-2012, which defined five prioritized sectors of economy. The program had its key target in transforming Armenia into a regional center of excellence in health, financial, educational and tourism sectors and establish itself as a business excellence center.

The National Competitiveness Foundation of Armenia (NCFA) was founded in 2008. It was established as a public-private partnership and was aimed at enhancing competitiveness capacity of Armenian economy. NCFA Board of Trustees is made up of six government representatives, six distinguished international business executives, and one representative of the international donor community in Armenia. The foundation is chaired by RA Prime Minister.

Within the framework of state policy prioritizations NCFA announced its key projects in tourism, health and educational sectors. Tatev Revival Project is addressed at the restoration of Tatev monastery and the development of regional tourism. Nuclear Medicine Project is another ambitious project which intends to produce nuclear isotopes used in cancer diagnostics and treatment.

Creation of the Pan-Armenian Bank is another central project with the cooperation of NCFA. The bank will have authorized capital of 60 mln USD. It will be co-funded by the Government and the world’s leading financial institutions and private investors. The level of Government commitment is supposed to comprise 20% of the capital. Currently the investment proposal of the Pan-Armenian Bank, prepared by a Spanish consulting firm, is being discussed by stakeholders.

The LUYS foundation is another ongoing project congruent with “Armenian World” concept. The fund provides financial support to Armenian students studying at the best universities (with top rankings) worldwide. In 2009 25 Armenian students acquired study financing through LUYS. The program also creates global All-Armenian educational network and enables interactions between Armenian students worldwide which enhances knowledge transfer.

Political and Economic Crisis in Armenia in 2008

Armenia’s political stability was greatly faltered in 2008 –year of presidential elections in Armenia. The first president of Armenia –Levon Ter-Petrossian returned to political arena and run for the presidential elections in 2008. Within several months he formed a strong opposition to the President Kocharyan and other major candidate for presidency – the Prime Minister Serzh Sargsyan. The elections which took place on February 19, 2008 were announced to meet the requirements of OECD and European Council. Serzh Sargsyan was elected as the new President of RA. The opposition did not recognize the legitimacy of the elections. Massive demonstrations against falsifications led to tragic events on March 1, when 10 people died in the result of tensions between the police and demonstrators.

The political crisis inside the country was soon accompanied with political instability in the region. The short-term Russo-Georgian war in August 2008 had a significant negative influence on Armenia, temporarily freezing its transport routes.

In the mid of 2008 the country was also challenged economically by global financial crisis. Its influence on Armenian economy was not much evident in 2008 but was expected to especially accelerate in 2009. The major macroindicators – GDP, external trade, FDI and private remittances still maintained positive dynamics in 2008.

Economic Development under Uncertainty: 2009

The global economic crisis severely hit the Armenian economy. It was believed that the key reasons were high dependence of the economy on private transfers from abroad, narrow export base and high share of construction sector, widely reliant on external financing.

In fact, as a result of global economic recession Armenia recorded one of the greatest declines in GDP level among CIS countries. It comprised 14.4% in 2009 (the greatest decrease in GDP volume was observed in Ukraine, where it comprised 15%). Nearly all economic sectors substantially suffered from the crisis implications. The decline comprised 36.4% in construction, 8.8% in manufacturing and 7.8% in total industrial output. The performance of external sector was even more disappointing. The crisis on global markets led to significant decrease of export volume of minerals, metals and precious stones, which comprise dominating share in Armenian export base. Overall, the volume of foreign trade decreased by 27% in 2009.

In 2008, the new president and the new government promised to maintain macroeconomic stability – low inflation and a low deficit – and to move towards more difficult second generation reforms. However, global financial crisis revealed fundamental issues and high level of vulnerability of the economy which required operative actions to overcome the recession.

Several urgent measures were defined by the Government to mitigate the negative impact of the crisis. The Program of Emergency Action of the Government of the Republic of Armenia was introduced by RA Prime Minister Tigran Sargsyan in November. By Protocol Decree N49 of December 4, 2008, the RA Government approved the Anti-crisis Action Plan. Under the policy of import substitution the Government supported local producers to enhance their production capacities and provided equity partnerships or guarantees for loan acquisition to several local producers.

A special focus was put on the revival of the construction sector – the major driver of economic growth in the last decade. Government support in the form of loan guarantees and tax subsidies has been provided to ongoing and new construction projects, accordingly. Also, Central Bank initiated the creation of a mortgage fund with expected capital funding of 30 bln AMD by the end of 2009 to stimulate the demand in the real estate market.

Diaspora-Armenia Dialogue

The year 2001 was a crucial year in restoring and strengthening relations with the Diaspora after the assassinations in the National Assembly at the end of 1999. The second Pan-Armenian Games and the 1700th anniversary of the adoption of Christianity in Armenia as a state religion attracted many tourists and participants to Armenia. In 2002, the second Diaspora-Armenia conference was held in Yerevan, giving new strength to these relations.

Diasporans were taking many public and private initiatives to assist the development of Armenia. In 2002, a group of influential Diasporan businessmen from the United States, Europe, and Russia initiated *Armenia 2020 project*. Armenia 2020 was promoting thinking about Armenia's economy, emphasizing the competitive advantages of the nation and its separate sectors. Armenia 2020 also was promoting cluster-oriented thinking by offering some scenarios for the future growth of the country.

In 2003-2004, Yerevan hosted 21 different Diaspora-Armenia events. The annual "Eagle" youth retreats helped Armenian and Diasporan students to build relationships between one another, improving the prospects for future cooperation. One of the largest events was "One Nation, One Culture" the first Pan-Armenian Cultural Symposium that took place August 14-23, 2004. The most prominent events for developing business links were the first Pan-Armenian IT Forum on June 25, 2004, and the Armenia-Diaspora First Economic Forum in September 2003. The Ministry of Foreign Affairs was coordinating the activities of Armenia-Diaspora events in collaboration with other ministries and state agencies.

Many Diaspora organizations have started offering internship opportunities for Diasporans. The Armenian Volunteer Corps (AVC) was provided host families and volunteer job placements with SMEs and NGOs. The Armenian Assembly of America (AAA) was offering internship opportunities in Ministries and state agencies to students. Upon their return, these volunteers and interns were trying to find markets for Armenian enterprises, contacts for product development, or research opportunities. These professionals and interns were a good source of knowledge and technology exchange. As Ms. Arpi Vartanian¹, the AAA Armenia and Nagorno Krabakh

country director, stated, *"The goal of this internship program is to change interns in a way that would encourage them to help bring changes to Armenia in the future."*

On February 26, 2007 Armenia's parliament approved a package of amendments to the RA Law on the Citizenship of the Republic of Armenia. The amendments enabled ethnic Armenians to acquire double citizenship which meant obtaining Armenian citizenship without abandoning current nationality.

Cultural relationships "Armenia-Diaspora-Artsakh" were maintained through the Ministry of Culture, Youth Issues and Sports with the support of various associations such as the Pan-Armenian Educational and Cultural Union, the Tekeyan Cultural Union, the New Generation Cultural Union and AGBU.

The Armenia-Diaspora cultural links were expected to ensure preservation of traditions of the Armenian culture, run cultural exchange programs, provide platform for cooperation between various cultural organizations operating within the Armenian Diaspora in foreign countries, establish and strengthening of inter-community cultural relationships between different Armenian communities.

The Pan-Armenian Festival "One Nation, One Culture" was being held once in every two years since 2004.

The third Armenia-Diaspora Economic Forum took place in 2009 the framework of Pan-Armenian Expo. The latter was aimed at the creation of efficient business linkages between Armenia and Diaspora, which was vital for local producers especially in the period of economic crisis.

Hayastan All-Armenian fund organized annual telethons for raising money for various projects in Armenia and Artsakh. The telethon in 2008 - "My home Armenia" was marked with peak in the amount of money raised, which comprised 35 mln USD. In 2009 the Fund generated 15,9 mln USD during the 12th annual telethon- Our Shushi.

In October 2008 Ministry of Diaspora was established as a specialized government body for regulating Armenia-Diaspora relations. This was believed to become an important strategic initiative for triggering dialogue between Armenia and Diaspora.

The Minister of Diaspora Hranush Hakobyan framed the goal of Armenia-Diaspora dialogue in one of her speeches: "We are different, but we are united for the aim of strengthening our Homeland, for the being of our nation, its identity and its future." The Armenia-Diaspora Cooperation Concept paper was adopted in August, 2009. It defined the framework for state policy and mechanisms for enhancing cooperation between Armenia and Diaspora.

The Ministry of Diaspora had its primary policy targets addressed at the preservation of Armenian cultural heritage and values, promotion of armenology, identification of professional potential in Armenian Diaspora and its integration to Armenian economic life, creation of all-Armenian information network and promotion of repatriation.

The Ministry of Diaspora initiated a number of programs within 2009. A specialized faculty in Diaspora studies was opened at YSU. Three all-Armenian professional conferences were held in the spheres of architecture, law and cardiology. As a result, all-Armenian associations of lawyers, architects and cardiologists were created. For maintaining cooperation of Armenian professionals from all over the world the Ministry was equipped with state-of-the art telecommunication technologies.

The promotion of repatriation was enhanced. A youth program "Ari Toon" was implemented in 2009, during which 300 youngsters from Diaspora visited Armenia and resided in Armenian families for 2 weeks. The "Law on Repatriation" was drafted since 2009.

The year of 2009 was marked with a major political event in Armenia-Turkey diplomatic relations which had been frozen by official Ankara since 1993. During closed meetings in Switzerland the representatives of the two countries ran negotiations on setting up diplomatic relationships since 2007. On August 31 the Ministers of Foreign affairs of Armenia and Turkey announced about the preliminary agreements on two protocols - "Protocol on the Establishment of Diplomatic Relations between Armenia and Turkey" and "Protocol on Development of Relations between Armenia and Turkey".

The agreements were strongly disapproved by political parties in Armenia. Dashnaks withdrew from coalition and organized massive protests against the Armenia-Turkey relations.

Ongoing diplomatic negotiations with Turkey significantly endangered the relationships with Diaspora, as well. Diaspora representatives totally repudiated the agreements on opening borders with Turkey. At the end of September 2009 Serzh Sargsyan paid visits to biggest Diaspora communities worldwide to discuss the negotiations with Turkey on opening the borders. Despite the mass protests of Armenians in Diaspora (US, France, Argentina, Lebanon) and in Yerevan the protocols for normalization of Armenian-Turkish relations were finally signed by Armenia's Foreign Minister Edward Nalbandian on October 10, 2009 awaiting their ratification by parliaments of both countries.

Diaspora-Assisted Industries

These sectors were the most dynamically growing and export-oriented industries of the Armenian economy. They were heavily influenced by the Diaspora's involvement.¹ The production of these sectors was exported either with the help of established Diaspora wholesale distribution and marketing channels or they were primarily oriented for Diaspora markets. The Diaspora provided technical assistance and established partnerships between local and foreign companies. It also was the prime source of technology and knowledge transfer and outsourced contracts that generated foreign FDI in Diaspora assisted companies. In many cases, Diasporans also acted as investors.

Jewelry and Diamond Processing

The jewelry and Diamond-cutting sectors were very famous during Soviet times, with several plants that made Armenia a large supplier of jewelry to the other Soviet Republics. Armenian jewelers were famous even before Soviet times. Diasporan jewelers, famous in Middle Eastern countries, Europe and North and South Americas, initiated cooperation with Armenian companies.

In 2003, exports of processed diamonds and jewelry accounted for about 50% of all exports. In 2003, the government undertook a three-year development program for 2004-2006 to promote the export of processed diamonds by increasing the number of processing plants. These heavily export-oriented sectors, enjoyed tax-exempts; the share of companies with FDI was 70%. The majority of investments and international sales relations were established due to linkages to Diaspora. Both sectors heavily relied on input from abroad. Processed and cut diamonds were exported to Belgium and Israel,² gold was exported to Great Britain, while pieces of finished jewelry were exported to Russia and Germany. Companies with modern technology were dominating the diamond-cutting and processing industry, with outsourced contracts. The managers were more production-oriented, relying on Diasporan wholesaler's marketing and distribution channels, which affected the design of products. Three industry associations³, operating in these sectors, supported the overall growth, by bringing together Armenian jewelers worldwide, establishing contacts with international companies, promoting marketing and export, and helping companies to participate at trade fairs at international centers.

The steep upward trend of the sector performance was endangered already in 2005. For years the low-cost labor ensured cost leadership of the Armenian jewelry products on the global markets. However, the only competitive advantage of the sector - pricing, was soon hit by the AMD appreciation in 2005 and by the emergence of significant global players - China and India, endowed by the advantages of low-cost labor, as well. In addition, the global diamond industry was caught into a deep recession. The local producers, which were totally focused on export markets, significantly suffered from the contraction in the demand especially from US.

The production of jewelry products in Armenia considerably decreased from 311.7 mln USD in 2005 to 244.6 mln USD in 2006. Exports comprised 242mln USD compared 304.7 mln USD in 2005.

¹ Gillespie, Riddle, Sayre and Sturges, 1999. Of the respondents, 41% indicated interest in promoting exports. Altruism and ethnic identity both positively affected the interests of Diasporans to invest in the homeland

² Cut diamonds were exported to Diasporan wholesalers relying on their distribution and marketing channels in Antwerp, Moscow and Israel.

³ Association of Jewelers and Diamond Manufactures of Armenia (AJDMA), the Armenia Jewelers' Association (AJA) in Armenia, and the Armenian International Jewelers' Association (AIJA)

The Government elaborated a policy concept to overcome the crisis in the sector, but no initiatives were realized. In 2007, after long-lasting negotiations the Government signed an agreement with a Russian diamond processing company Alrosa to supply local companies with raw on preferential terms. The cooperation was soon frozen after the first provision of raw diamonds of 1 mln USD.

During the recession many companies went down. In 2009 only 1% of 200 diamond processing companies of 2004 operated. In 2009 the whole sector of jewelry and diamond processing was represented by 45 companies with overall 2,000 workers.

The jewelry sector was again heavily challenged by global economic crisis in 2008. The output in this sector was halved in the period of January-October 2009 compared to the similar period of 2008. The decrease was caused by the contraction in the global demand and prices.

Information Technology

The IT industry was the most productive industry of the economy, due to the availability of highly skilled professionals, and low cost. It was experiencing an annual growth rate of about 15% in both export and industry. The modern IT industry emerged in the mid-1990s. Groups of programmers and private individuals were contacting international software development companies and offering their services. These programmers were developing software with modern programming languages through the Internet.¹ Trial orders were tremendously successful. These individuals also contacted Diasporans for outsourced contract opportunities. The Armenian Diaspora assisted in locating foreign subsidiaries through its connections. Thus, many subsidiaries of well-known foreign and Diasporan IT companies became involved². Most Armenian firms relied on the Diaspora's marketing and distribution channels for outsourced foreign contracts and market information, while providing high-quality products at lower costs.³ The presence of Diasporan connections almost always could be observed in relations with foreign subsidiaries.

In December 2000, the government declared the ICT as a priority sector and designed the ICT Master Strategy for the growth of the IT industry. In July 2001, the IT Development and Support State Council was established. In 2003, revenues of these sectors were approximately 2% of the GDP. Foreign firms exported 95% of their production while local firms exported 60%.⁴ Approximately 70% of exports went to the United States.⁵ Many international organizations and foundations⁶ provided technical support, funds for skills development, trainings and certification, and Internet programs. Unions and associations⁷ operating in this industry supported the members and enhanced cooperation among IT companies.

A large number of companies, both local start-ups and branches of foreign companies were formed in Armenian IT industry. The number of operating IT companies in 2008 reached 175 representing which comprised about 17% growth against 1998. On average 17 IT businesses were launched annually in the period of 2000-2008, while the similar indicator for 1990s was just 5.

Diaspora connection maintained their strategic importance as a major channel for local companies to access to foreign markets. The majority of foreign branches were established through direct involvement of Diaspora Armenians.

In 2008, the Government adopted a new IT industry development strategy focused on infrastructure, workforce, education, venture financing, e-society, and other key areas.

¹ The programming languages such as C++, Visual C++, Java, were not in high demand in the Armenian market.

² Heuristics Physics Labs, Hylink, Synopsys, Lycos Europe, Synergy International Systems, ViaShpere International, Credence, Virage Logic Corporation, Eypigi Labs

³ The Diaspora played a key intermediary role for outsourcing contracts.

⁴ The Enterprise Incubator Fund, the Armenian Development Agency, 2004

⁵ Export countries were the United States, Germany, the Netherlands, Russia, France and Georgia. Source: ADA

⁶ The World Bank, Eurasia Foundation, GTZ, Barents Group, OSI, TACIS, USAID, OSI and other donor organizations

⁷ The Union of Information Technology Enterprises, the Armenian Information Technology Association and the Enterprise Incubator Fund, Source: EIF, 2004

Tourism

In 2003, the travel services comprised about 35% of service exports in the balance of payments. The Armenian Diaspora was the major tourist demographic¹. Armenia, having many beautiful locations and being an ancient land with a unique history, had the potential to attract many tourists. However, the majority of these locations were underdeveloped outside Yerevan, and lacked high quality lodgings. The Lincy Foundation construction grants renovated roads to famous tourist sites and cultural centers as well. Diasporans became the owners of the majority of tour operators and travel agencies, promoting tourism in Armenia, in Diasporan communities. Diasporans acquired three major hotels.² The Ministry of Foreign Affairs started offering on-line e-visas in 2003 to ease the visa issuing procedures. In 2000, the Armenian Tourist Development Agency was established to implement a tourism policy program (1998) and tourism promotion in Armenia. ATDA opened a tourist information bureau in the center of Yerevan, and financed the visits of tour operators at international fairs.

The development of the sector was backed by policy initiatives and Diaspora involvement in the demand generation. Diaspora visits to homeland continued to comprise dominating share in the number of incoming tourists.

A number of public- private partnerships were aimed to enhance the capacities and facilities of the key touristic destinations – Tsaghkadzor, Sevan, Jermuk.

Agro-processing

The share of agro-processing industry in the GDP was one of the largest (third in 2003). The labor intensive sector managed to provide high quality products. In 2003, exports accounted about 11 percent of the total Armenian Export. Exports primarily went to the CIS countries (which was duty free trade), and to the US and Europe. Exported products were transported to Diaspora-connected wholesalers outside Armenia, as many Diasporans were nostalgic for Armenian foodstuffs.³ In some cases brand recognition of unique Armenian products (Armenian brandy, etc.) in the CIS countries was another factor that spurred the export. Several companies became ISO internationally certified. Many local and international organizations provided technical assistance and grants for equipment. Food processing companies started end cooperation with agricultural, chemical and machine building companies, and the Academy of Agriculture reactivated its R&D activities.

Value-added tax (VAT) on agricultural products was introduced in 2009 in the framework of the commitments of the country to World Trade Organization. Though many industry representatives and experts expected the tax reform to cloud sector development prospects, state officials announced that it would not have significant impact. In 2006 the government announced that VAT will not be paid by farmers whose annual turnover does not exceed 8 million drams. That meant that the vast majority of Armenian farmers would remain exempt from VAT for agricultural products.

Construction

Construction comprised 15.5% of the GDP in 2003 (44% increase over 2002). The international organizations and Diaspora-based foundations provided grants and credits for rebuilding the physical and social infrastructure after the ceasefire. The largest Diasporan construction grants were received from the Lincy Foundation and added up to about \$151 million in 2001-2003. The Lincy Foundation grant projects coupled with the increasing demand of Diasporans on apartments in Yerevan played a catalytic role in the economic growth of Armenia. The demand for apartments stimulated an increase in apartment prices and an expansion of the construction of new residential buildings. Some share of transfers from the Diaspora was aimed at the renovation and refurbishment of apartments. The problem of unemployment was partly solved due to shadow employment in this sector. Construction and private transfers from the Diaspora catalyzed expansion of the furniture industry.

¹ Diasporans came to visit their family members, and friends; find their roots, and to see their ancestral land and Mount Ararat. The majority of arrivals were from the US (21%), Russia (12%), France (9%). Source: ATDA,

² Marriot Armenia Hotel, Ani Plaza Hotel, and Europe Hotel

³ canned vegetables, jellies, jams, fruit fillers, dried fruits, juices, wine and brandy, etc

The construction industry was booming in Armenia until 2008 and was one of the major contributors to the GDP and to the overall economic development. The sector's growth has been strongly backed by large-scale state and institutional programs, aimed at overall urban development.

The high dependence of the sector from the external financing predetermined its high sensitivity towards external shocks such as global financial crisis. The crisis implications were severe for the residential real estate sector: the number of transactions decreased by 23% accompanied by 15% price decrease in 2008. In 2009 the level of contraction in the construction sector reached 45%. The importance of the sector as a major driving force of the economy urged the Government to undertake initiatives for the sector revitalization in 2009. The programs were aimed to boost both supply and demand sides of the market. As a result a positive trend was already marked in market liquidity terms, which recorded slowing decrease rate at the end of 2009.

Challenges

Armenia

Recovering from post-Soviet deep recession, Armenia's economy has been stabilized on a macroeconomic level since 1994. Though economic policy was announced to make a shift from economic growth to economic development in early 2000s the fundamentals of the economy remained weak. The global economic crisis in 2008 revealed that previous double-digit growth was not backed by consistent economic capacities and growth drivers.

Armenia remained low competitive economy in the global context. World Economic Forum ranked the country 97th among 133 countries by overall competitiveness. Fundamental economic problems accompanied with significant implications of the financial crisis drove policy makers to a deadlock and urged them to withdraw from overall stability policy contexts to specific anti-crisis measures.

The Diaspora

For over a decade Diaspora served as a unique economic and social driver for Armenian economic development. Though Diaspora injected considerable financial resources in Armenian economy its involvement was not considered to be much action oriented. The Diaspora's financial capital was channeled to the economy more in the form of private remittances and not investments. This created high dependence of the local economy on external financing instead of creating consistent growth drivers for further economic development.

Projects boosting knowledge and technology transfer from Diaspora were still very rare. The government was still in search of effective ways of integrating the Diaspora and productive modes of collaboration.

APPENDICES

Exhibit 1 Armenia and neighbouring countries



Exhibit 2 Selected Data, South Caucasus Region and Russia

	Year	Armenia	Azerbaijan	Georgia	Russia
Population					
Population, total (in million)	2008	3.1	8.7	4.4	142
Population growth (annual %)	2008	0.15	1.13	-0.78	-0.21
Urban population (% of total)	2008	63.86	51.92	52.74	72.84
Economic Indicators					
GDP (current US \$m)	2008	11,917	46,259	12,793	1,607,816
GDP growth (annual %)	2008	6.8	10.8	2	7.3
GDP per capita, PPP (current international \$)	2008	6,070	8,765	4,896	16,139
Agriculture, value added (% of GDP)	2008	17.8	5.9	10.4	4.8 ¹
Industry, value added (% of GDP)	2008	45.0	70.8	23.7	38.5 ¹
Services, etc., value added (% of GDP)	2008	37.2	23.3	65.9	56.8 ¹
Inflation, consumer prices (annual %)	2008	8.9	53.4	10.0	14.1
External debt, total (DOD, current US \$m)	2007	2,271	1,891	1,784	291,070
Trade and Investment Flows					
Current account balance (% of GDP)	2008	-11.38	35.57	-22.28	6.36
Current account balance (BoP, current US \$m)	2008	-1,356	16,454	-2,851	102,331
Exports of goods and services (annual % growth)	2008	-14.02	14.88	4.77	5.71
Current transfers, receipts (BoP, current US \$m)	2008	1,239	1,500	1,143	11,003
Foreign direct investment, net inflows (% of GDP)	2007	7.59	-14.37	16.98	4.27
Foreign Aid					
Aid (% of GNI)	2007	3.71	0.81	3.74	0.23 ³
Aid per capita (current US\$)	2007	114.42	26.25	86.89	9.19 ³
Financial Sector					
Domestic credit provided by banking sector (% of GDP)	2008	16.66	17.12	32.87	26.50
Domestic credit to private sector (% of GDP)	2008	17.39	16.47	33.25	42.01
Infrastructure and Social Indicators					
Personal computers (per 100 people)	2005	9.7	2.3	4.7	12.2
Internet users (per 100 people)	2007	5.7 ²	11	8	21
Telephone mainlines (per 100 people)	2007	18.9 ³	15	13	31
Roads, paved (% of total roads)	2006	89	49 ³	39	81
Public spending on education, total (% of GDP)	2007	2.71 ²	2.6	2.7	3.1
Health expenditure, public (% of GDP)	2006	1.94	1.07	1.81	3.35
Life expectancy at birth, total (years)	2007	73	67	71	68
Mortality rate, infant (per 1,000 live births)	2007	114	26	87	13
Birth rate, crude (per 1,000 people)	2007	15	18	11	11
Literacy rate, adult total (% of people ages 15 and above)	2007	99.5	99.5	N/A	99.5
School enrollment, primary (% gross)	2007	109.5	115.8	99.0	95.8
School enrollment, secondary (% gross)	2007	89.0	88.8	90.2	84.3
School enrollment, tertiary (% gross)	2007	34.2	15.2	37.3	74.7

¹ Data refers to 2007.² Data refers to 2006.³ Data refers to 2004.

Source: WDI

Exhibit 3 Selected Macroeconomic Indicators of Armenia, 1991-2009

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Jan- April	
GDP growth, %	-	41.8	-8.8	5.4	6.9	5.9	3.3	7.3	3.3	5.9	9.6	13.2	14.0	10.5	13.9	13.2	13.7	6.8	-9.7
Wages, monthly average, USD	7.2	7.0	5.9	17.4	22.9	24.2	30.6	35.2	40.2	43.8	47.7	60.1	81.4	113.7	149.7	226.5	290.7	287.2	
Inflation, CPI change (average)	729	1823	4962	176	18.7	14.0	8.7	0.6	-0.8	3.1	1.1	4.7	7.0	0.6	2.9	4.4	9.0	2.3	
Inflation, CPI change (at the end of the period)	1240	10996	1762	32.2	5.5	21.8	-1.3	2	0.4	2.9	2	8.6	2	-0.2	5.2	6.6	5.2	3.1	
Nominal exchange rate AMD/USD	193.1	1733.2	297.7	405.9	413.4	490.8	504.9	535.1	539.5	555.1	573.4	578.8	533.5	457.7	416.0	342.1	306.0	337.3	

, average																			
Real effective exchange rate, 1997=100	...	...	...	...	...	100	107	112.3	111.9	108	98.4	88.4	91.4	99.6	106.3	128.5	137.5	...
Export growth, USD, nominal, %	...	-24.4	37.9	25.8	7.2	-19.9	-5.1	5.1	29.7	13.8	47.8	35.7	5.4	34.7	1.1	17.0	-8.3	-47.8	
National savings, % of GDP	-12	0.7	12.2	-4.6	-2.6	-5.3	-4.3	0.03	-0.6	3.3	8	13.4	15	19.1	23.1	25.8	...	...
Fiscal deficit, % of GDP *	-15.9	-11.7	-6.4	-6.0	-4.4	-2.6	-3.8	-5.2	-4.9	-4.3	-2.6	-1.3	-1.7	-1.9	-1.5	-1.5	-1.2	-3.4	
Public Spending on social services, % of GDP *	...	...	5.7	7.4	5.4	5.1	6.0	6.6	6.2	6.5	5.5	6.0	6.1	6.5	6.7	7.0	10.2	19.3
Gross reserves (excluding gold), months of imports	...	0.6	0.9	1.6	2.1	2.3	3.5	4	4	3.9	4.6	4.4	4.6	4.6	5.9	6.1	3.8	5.6	
Current account balance, excl. transfers, % of GDP **	...	-24.8	33.3	-30	29.7	-32	30.6	26.1	24.4	17.6	13.5	14.5	12.6	-11.7	-12.7	-16.7	20.9	-26.5**	
Current account balance, overall, % of GDP **	...	-13.6	16.5	-17	18.2	18.7	21.3	16.6	14.6	-9.4	-6.2	-6.7	-0.5	-1.1	-1.8	-6.4	11.4	-18.0**	

* Since 2008 the budget classification has been changed, particularly social fund's spending have been involved in the state budget

**Due to methodological changes in 2004 the data is not fully comparable

*** Jan-March 2009

Source: NSS, CBA

Exhibit 4 *Armenian Diaspora*

<i>Country</i>	<i>Population</i>	<i>Country</i>	<i>Population</i>
Albania	500	Kyrgyzstan	3,285
Argentina	130,000	Latvia	5,000
Armenia	3,000,000	Lithuania	2,500
Austria	3,000	Luxembourg	10
Australia	50,000	Lebanon	234,000
Belarus	25,000	Mexico	500
Belgium	10,000	Moldova	7,000
Brazil	40,000	Monaco	200
Bulgaria	30,000	Netherlands	3,000
Canada	40,615	New Zealand	600
Chile	1,000	Norway	1,000
China	16	Philippines	8
Colombia	250	Poland	92,000
Costa Rica	20	Puerto Rico	4
Cuba	100	Quatar	150
Cyprus	2,740	Romania	3000
Czech Republic	10,000	Russia	2,250,000
Denmark	3,000	Senegal	15
Dominican Republic	75	Singapore	35
Egypt	6,500	South Africa	200
Estonia	2,000	South Korea	12
Ethiopia	400	Spain	1,000
Finland	1,000	Sudan	1,000
France	450,000	Swaziland	8
Georgia	248,000	Sweden	5,000
Germany	42,000	Switzerland	5,000
Ghana	15	Syria	150,000
Greece	20,000	Tajikistan	6,000
Hungary	15,000	Thailand	1,000
Honduras	900	Turkey	2,080,000
Hong Kong	16	Turkmenistan	32,000
India	560	UAE	3,000
Indonesia	10	Ukraine	150,000
Iran	100,000	United Kingdom	18,000

Iraq	20,000	United States	1,400,000
Ireland	50	Uruguay	19,000
Israel	3,000	Uzbekistan	70,000
Italy	2,500	Venezuela	2,500
Ivory Coast	20	Vietnam	8
Japan	10	Yugoslavia	10,000
Jordan	51,533	Zambia	10
Kazakhstan	25,000	Zimbabwe	28
Kuwait	5,000	TOTAL	10,895,903

Source: <http://www.armeniadiaspora.com/>

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